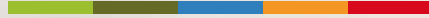


WOOLWORTHS GROUP



Better  
**Together**

2019 ANNUAL REPORT

# Contents

## SECTION 1

### PERFORMANCE HIGHLIGHTS

Our Impact	2
Our Key Priorities	4
Sustainability Highlights	8
Chairman's Report	10
Chief Executive Officer's Report	12
How we create value	14
Group Financial Performance	16

## SECTION 2

### BUSINESS REVIEW

Australian Food	20
New Zealand Food	24
Endeavour Drinks	26
BIG W	28
Hotels	29
Discontinued Operations	30
Our Material Risks	31

## SECTION 3

### DIRECTORS' REPORT

Governance	36
Board Skills and Experience	37
Board of Directors	38
Group Executive Committee	40
Directors' Statutory Report	42
Remuneration Report	44

## SECTION 4

### FINANCIAL REPORT

Auditor's Independence Declaration	66
Financial Report	67
Directors' Declaration	131
Independent Auditor's Report	132

## SECTION 5

### OTHER INFORMATION

Shareholder Information	137
Corporate Governance Statement	138
Glossary	139
Company Directory	Inside Back Cover

# 2019 highlights

## Progress on our key priorities

Read about the progress on the Group's key strategic priorities including a focus on culture, easier shopping experiences and the foundations for a digitally-enabled future.

► PAGE 4

## Group Sustainability update

Read about the progress across the Group's sustainability agenda, including the work behind climate change risks and improvements to responsible sourcing practices.

► PAGE 8



## Chairman and CEO update

Chairman, Gordon Cairns, and CEO, Brad Banducci, share their insights on F19 achievements, areas to improve and the evolution of Woolworths Group.

► PAGE 10-13



This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Reader. Click on the links on the contents pages or use the 🏠 home button in the footer to navigate the report.



Woolworths Group is led by its purpose, to create better experiences together for a better tomorrow. Guided by our Core Values and agile Ways-of-Working, we want our actions to have a positive impact every day and to define what makes Woolworths Group different. Customer demands are changing rapidly and the retail environment is evolving, and in this environment we will continue to transform the Group to better meet our customers' needs, together.

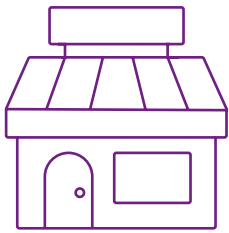
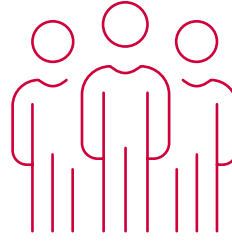


**We create better experiences together for a better tomorrow.**

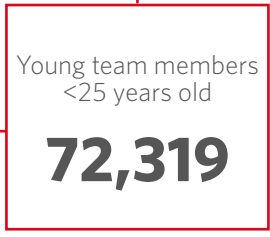
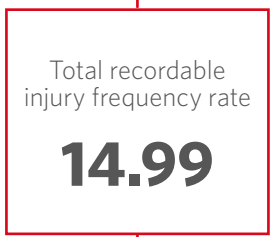
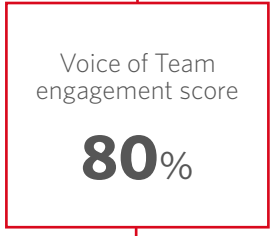
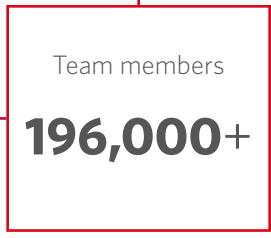


# Our impact

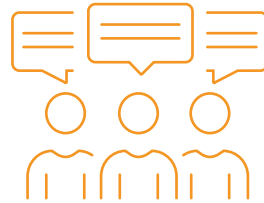
## TEAM

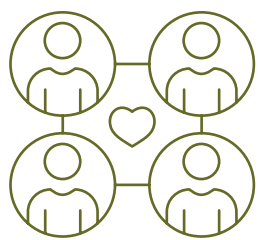


## OUR STORE NETWORK



## CUSTOMERS





## COMMUNITY

Direct community investment

**\$44.3M**

Own Brand products that have undergone a nutritional renovation

**70**

Food relief diverted to people in need

**18.8M MEALS**

Community contribution as a % of EBIT

**1.40%**

Carbon emission reduction

**18%**

below 2015 levels

Solar power generation

**10,686<sub>MWH</sub>**

Waste diverted from landfill

**368,935t**

Stores with natural refrigeration systems

**18**

## ENVIRONMENT



## ECONOMIC

Free cash flow before dividends

**\$941M**

Return on funds employed (normalised)<sup>1</sup>

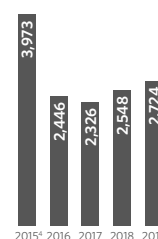
**24.2%**

Revenue<sup>1</sup>



EBIT<sup>1</sup>

**\$2,724M**



Dividend per share<sup>3</sup>

**102¢**

Tax paid

**\$744M**

	\$M
Australian Food	39,568
New Zealand Food	6,291 <sup>2</sup>
Endeavour Drinks	8,657
BIG W	3,797
Hotels	1,671

1 From continuing operations before significant items.

2 In Australian Dollars.  
3 Full Year fully-franked dividend.

4 F15 EBIT includes Petrol which was reported as a discontinued operation from F17 (with F16 comparatives restated).



# Our key priorities

Woolworths Group's F19 strategy house consists of six key priorities that focus on the value drivers for the Group. Good progress was made against each priority enabling the continued transformation of the Group.

**+** The updated key priorities for F20 can be found on [page 15](#) of this report.



## 1 Customer 1<sup>st</sup> Team 1<sup>st</sup> Culture

Customer 1<sup>st</sup> Team 1<sup>st</sup> culture has been critical in sustaining high scores across Voice of Customer (VOC) and Voice of Team (VOT) despite unique challenges during F19.

In F19, customer feedback measures were broadened to include VOC Net Promoter Score (NPS) in addition to Store-controllable VOC. The addition of VOC NPS was to ensure that positive and negative customer feedback was being considered as we focused on raising the minimum standard by being 'consistently good' for customers. In Australian Food, VOC NPS (Store and Online), improved 3 pts from the prior year to 51, driven by improvements across both online and in-store. Store-controllable VOC was in line with the previous year at 82% supported by historical highs from Fruit & Vegetables, despite quality and availability issues earlier in the year. New Zealand Food also improved its customer scores with a VOC NPS high of 44 at the end of June which was in line with the December peak and up 2 pts on the same time last year.

The Group continues to use VOT as a measure of team engagement and advocacy. In March, the overall VOT engagement score was 80% with 'recommending Woolworths Group as a place to work' and 'recommending Woolworths as a place to shop' improving on the last survey in July 2018, despite a very busy year for the team. There remains a lot that can still be done to embed the Group's Values and Ways-of-Working into all businesses. Significant progress was made during the year to improve the mental and physical well-being of the Group's team members. A mental well-being program 'I am here' was launched with over 20,000 team members completing the training to date. Workplace safety is measured by Total Recordable Injury Frequency Rate (TRIFR), which declined by 5.7% compared to last year with 54% of sites with no recorded injuries.

Supplier feedback in F19 remained positive across the Food businesses, particularly for Countdown, improving from sixth to third in Advantage Group's 2019 supplier survey. Woolworths Supermarkets ranked second highest in the 2019 survey. Voice of Supplier (VOS) scores were mixed for Woolworths Supermarkets in F19 due to a number of challenges, including input cost pressures from drought impacts; however, had improved by year-end. BIG W also had a pleasing VOS improvement, ending F19 with positive momentum after a continued focus on embedding purpose and putting the customer and team first throughout the year. BWS maintained its second position in the national VOS scoring rankings. Further building on partnerships with suppliers remains a key focus across the Group in F20.



## 2 Connected, personalised and convenient shopping experience

Customers are increasingly seeking seamless and ultra-convenient solutions. To meet this increasing demand, we have built strong foundations across the Group while remaining agile as technology continues to evolve.

Online sales continue to grow rapidly across the Group supported by the establishment of the 'X' businesses. The Group's online platforms are the leading digital food and drinks destinations in Australia, with online traffic of over 16 million visits per month. Online sales growth for WooliesX and CountdownX remained strong at 31%<sup>1</sup> and 40% respectively. Online sales penetration reached new highs in F19 with 4.1% in WooliesX and 7.7% in CountdownX in Q4 after an increased focus on customer satisfaction. BIG W's online sales growth again more than doubled in F19 increasing by 128% supported by the continued popularity of Pick up. While still early days, EndeavourX is supporting the delivery of a number of key convenience offers across the business, including Dan Murphy's 30-minute Pick up services across metro areas.

Supporting online growth is the roll out of a number of initiatives that provide customers with the choice on how they wish to shop across the Group's brands. By the end of F19, on-demand delivery was available at 736 sites across Woolworths Supermarkets, BWS and Dan Murphy's and 112 Drive thru or Drive up locations established; Pick up was scaled up and new service models for Home Delivery trialled. In Australian Food, Scan&Go was extended to five new locations.

Woolworths Rewards, now with 11.7 million members, expanded its reach in F19 through an increase in redemption opportunities and offers, with customers now able to earn points at over 860 Caltex and BIG W sites. Apple Pay was launched to Woolworths credit card holders, the first supermarket branded card to do so, making it easier for customers to access their Rewards and credit cards in Apple Wallet for seamless purchases. My Dan Murphy's members increased 15% on last year and was relaunched in July with an increase in relevant offers and improved personalisation.

The Woolworths Metro format continues to mature delivering a strong sales improvement in F19. During the year, two new format stores were opened in Kirribilli and Rozelle, with the latter being the first to stock the largest organic meat range of any Metro. At the end of F19, there were 43 Metro branded stores along the east coast with a new store pipeline that continues to build.

<sup>1</sup> Unless otherwise stated, growth for continuing operations is adjusted for the 53<sup>rd</sup> week.



## 3 Differentiate our Food customer propositions

Creating a point of difference in the customer offer across Australian and New Zealand Food is part of the Group's ambition to create better experiences for customers.

During the year, the upgrade of stores continued with Australian Food completing 68 Renewals and 80 Upgrades, and New Zealand Food completing 10 Renewals. Across both businesses, 26 new stores were opened, with 24 in Australia and two in New Zealand. Highlights include the recently completed Mona Vale Renewal, incorporating the latest fresh concept as part of the Fresh Made Easy program. Also opened in the year was the Group's first smart store concept at Gregory Hills which leverages emerging in-store technology to make it simpler, safer and more efficient for customers and team.

Customers are becoming increasingly health conscious and are seeking healthier alternatives that are also convenient. To meet this growing need, 640 new Own Brand products were launched with double-digit growth across the Macro and Free-from ranges during the year. Woolworths was also awarded the title of healthiest Own Brand in Australia from The George Institute for Global Health with more than half the range achieving a Health Star Rating of 3.5 or above. Helping to educate customers about healthier choices is also a focus with a number of educational programs rolled out across Australia and New Zealand, including Fresh Food Kids Discovery Tours, Earn and Learn, Free Fruit for Kids, KidsCan and Growing for Good.

Like the Health category, International Foods also experienced a year of strong growth as we look to reflect the local communities we serve and meet the unique demands of local demographics. This includes the introduction of products to better serve local communities including Asian, Indian, Middle Eastern, halal, South African and kosher. Alongside localised ranging, both Food businesses also embraced a number of key customer events throughout the year with successful in-store activations for Christmas, Easter, Ramadan, Diwali and Lunar New Year.

Everyday Acts was launched in New Zealand Food following its introduction in Australia in October 2018. As part of this commitment, the businesses engaged in a number of Good Acts in support of local communities, including support following Townsville's damaging floods, the tragedy in Christchurch, and Australia's drought-impacted dairy industry. As one of Australia and New Zealand's largest employers, inclusiveness remains an essential part of Group culture. Examples of support for this included the participation and celebration of Mardi Gras, Wear it Purple Day and NAIDOC week.





## 4 Accelerate innovation in our Drinks business

As the drinks market rapidly evolves, BWS and Dan Murphy's are also evolving with improvements across service, range and convenience.

After a slow start to the year, sales improved in the second half with good progress made to reposition Dan Murphy's and build on BWS' convenience offer.

The focus in F19 in Endeavour Drinks was on building the foundations to transform the business with speed and agility. This included the launch of Endeavour Drinks' ambition 'to connect everyone with a drinks experience they'll love' and setting the path to build momentum in F20. For Dan Murphy's, this means re-establishing discovery for customers and improving the service experience in stores, supported by a refreshed brand platform of 'there is always more to discover'. During the year, 35 specialist wine merchants were deployed across the network to help drive the discovery mission and offer a unique in-store service experience for customers.

As part of the work to evolve the in-store offer, Customer 1<sup>st</sup> Ranging was rolled out across both businesses during the year, with BWS now complete. Dan Murphy's also introduced national Customer 1<sup>st</sup> Ranging pilots, targeting key lines and display space across the wine category. During the year BWS completed 72 Renewals in the latest store format with a new format development for Dan Murphy's opened in New Town, Tasmania.

Accelerating convenience for customers was another focus in F19 with EndeavourX launching earlier in the year. For BWS, On Demand penetration and conversion of online customers increased significantly over the year assisted by leveraging the partnership with WooliesX and Woolworths Rewards. On Demand is currently available in 500 BWS stores with Pick up rolled out to almost the entire fleet. Since its launch in November 2018, Dan Murphy's two-hour On Demand offer is now available in all states with 30-minute Pick up available in metro areas. Jimmy Brings also expanded its ultra-convenient offer to Canberra and Gold Coast during the year.



## 5 Unlocking value in our Portfolio

The Portfolio team progressed a number of key projects during the year to maximise long-term shareholder value.

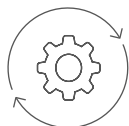
Most recently, the Group announced plans to merge the drinks and hospitality businesses, Endeavour Drinks and ALH Group. This is expected to be followed by a demerger or other value-accretive alternative to be pursued in calendar year 2020. Merging the businesses will create the largest integrated drinks and hospitality business in Australia and simplify a complicated operating structure. The separation will create two market-leading businesses with an advantaged store network, strong in-store and online offerings, an engaged loyalty membership base and a strong Customer 1<sup>st</sup> Culture. Woolworths Group and Endeavour Group will continue to operate in partnership to the mutual benefit of both businesses. Updates will be shared as the transaction progresses over the course of F20.

A review of BIG W's store and distribution centre (DC) network was also completed in the year, identifying approximately 30 BIG W stores and two DCs for closure over the next three years, representing approximately 16% of the current network. While it was not a decision made lightly, it will accelerate the turnaround plan for BIG W and create a more profitable store network, simplify processes, improve stock flow and inventory levels, and create a more robust and sustainable store and DC network.

The sale of Petrol to EG Group was another step towards simplifying the Group while retaining benefits for customers through new partnerships with EG Group and Caltex. As part of a commercial alliance with EG Group, Woolworths' popular fuel discount and Woolworths Rewards redemption remains in place across the EG Group fuel network. Customers can also earn Woolworths Rewards points at 680 Caltex sites. The sale facilitated the return of the proceeds to shareholders by way of a \$1.7 billion off-market share buy-back in May 2019.

Finally, as the focus shifts to what a digitally-enabled future looks like, a number of exciting projects were launched in F19 to continue to build out the Group's retail ecosystem and portfolio of complementary businesses. This includes the launch of the retail media business, Cartology, consolidating the export businesses under ExportCo, growing Primary Connect (primary freight business extended to third party customers) and leveraging the recently announced partnership with Marley Spoon.





## 6 End-to-end processes: 'better for customers' and 'simpler for stores'

Improving end-to-end processes to be 'better for customers' and 'simpler for stores' continues to be the foundation of the Group's strategy to enable consistently good customer and team experiences.

A new customer operating model was introduced across Woolworths Supermarkets during the year to reflect the changing needs of customers. The new model simplifies store operations and better aligns with customers' shopping habits with a greater focus on fresh food, convenience and customer service. As part of the new model, two new departments were created, Fresh Convenience and Fresh Service.

Improving stockloss was another major focus during F19 with a number of initiatives rolled out across the Food businesses. These included enhanced team training for assisted checkouts, store entrance solutions, reactivation of scales on assisted checkouts and the optimisation of range and space in stores. Pleasingly, our customer metrics remained stable during these changes which is testament to the teams' focus on putting the customer first.

Significant progress was made at our Melbourne South Regional Distribution Centre (MSRDC) with the commissioning of the site during F19. At the end of July, MSRDC was supplying 135 stores with over 650,000 cartons per week as further testing and the ramp up of volume continues.

During the year, Woolworths Group consolidated its data into a Group cloud platform. This was to improve data governance (including security), interpretation and reporting of data and will provide better and deeper insights and actions for team members. Together with a significant number of IT platform and application upgrades over the last few years, and a remaining few still in progress, the Group has built a best-in-class core IT infrastructure and applications platform which is crucial to unlock efficiencies and create new business opportunities in an increasingly digitally-enabled world.

# F19 highlights

JUL 2018	Single-use plastic bags removed across the Group Woolworths Group enters a new alliance with Caltex
NOV 2018	Woolworths Group launches new Parental Leave Policy
FEB 2019	Woolworths Group signs up to BCA Supplier Payment Code Woolworths Supermarkets transitions away from \$1 per litre milk
MAR 2019	Woolworths Group launches new digital media platform, Cartology
APR 2019	Completion of Petrol sale to EG Group BIG W network review completed Woolworths Group issues the first Green Bond globally for a supermarket
MAY 2019	\$1.7 billion off-market share buy-back completed
JUN 2019	Woolworths Group and Marley Spoon partnership announced Apple Pay offered to Woolworths credit card customers
JUL 2019	Merger and separation of Endeavour Drinks and ALH Group announced Woolworths Group and Takeoff Technologies partnership announced

# Sustainability highlights

Working together with customers, team members, community partners and suppliers, a number of achievements have been made across the Group's sustainability agenda in F19, including work identifying the risks associated with climate change and progress to further improve responsible sourcing practices.

**+** Refer to Woolworths Group's 2019 Sustainability Report for further information on all achievements from the year.

## Responding to climate change

Woolworths Group supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and remains committed to providing stakeholders with information on how the Group manages climate change risks.

In F19, the Group focused on identifying climate-related risks and opportunities, including the potential physical and transitional risks that may arise from the changing climate. An overview of potential climate risks on the key areas of the business include:

- **Customers:** Woolworths Group's corporate trust and brand association could be impacted by climate change if the Group's ability to meet customer demand for sustainable, low-price, high-quality products is compromised. Moreover, the definitive momentum towards sustainable attitudes, met with increasing public concern about climate change, ethical sourcing and health, will likely impact both customer preferences and stakeholder expectations of Woolworths Group's role as a large listed company.
- **Suppliers:** Woolworths Group has a large and complex supply chain network across Australia and internationally. Physical climate-related events such as droughts, cyclones and flooding, along with climate-related regulatory interventions, can directly affect the quality and quantity of fresh produce and compound business disruptions.
- **Operations:** the transport, distribution and storage infrastructure for our businesses is expected to grow as customer demand continues to increase for more convenient delivery solutions. Greater centralisation of infrastructure assets (such as large distribution centres) could potentially concentrate our exposure to the physical impacts of climate change.

## Climate risks and opportunities

Risks and opportunities were identified in the following themes and the outcomes are discussed in detail in the climate risks and opportunities section of the [Sustainability Report](#).

### Climate risks and opportunities



PHYSICAL



MARKET



TECHNOLOGICAL



REPUTATION



POLICY

### Updating our emissions reduction target to a 1.5°C trajectory

Woolworths Group is committed to a new reduction target of 60% less than 2015 direct emission levels by 2030, to be in line with the level of carbon reduction required to limit global warming to 1.5°C above pre-industrial levels. To set this new target, Woolworths Group applied the Sectoral Decarbonisation Method and investigated the 2°C and 1.5°C warming trajectories and modelled what it would take to achieve this.

**+** For more information please see pages 36 to 45 of the 2019 Sustainability Report.

## Responsible Sourcing

The Responsible Sourcing Program, launched in July 2018, outlines how Woolworths Group engages with suppliers to promote the rights of workers in the Group's global supply chains, and is supported by the Responsible Sourcing Policy and Responsible Sourcing Standards.

Using the logic of risk assessment, segmentation, due diligence and mutual recognition, enables the Group to focus on the highest risks in the supply chain and where the biggest positive impact on human rights can be found. F19 efforts were dedicated to supplier engagement and capacity building for both suppliers and team members. Throughout the year Woolworths Group held roadshows and training sessions on different responsible sourcing topics.

### Strengthening grievance mechanisms

Improvements were made to grievance mechanisms and tools developed for suppliers to support the development of effective site-level process. In February 2019, Speak Up was re-launched across the Group, which is an independent and confidential platform available to suppliers and workers in the global supply chain. The expanded service can be accessed from major sourcing countries and can accommodate all commonly spoken languages which can be accessed online or by phone. Grievances can be raised via a number of channels including Supplier Speak Up, shared directly with our team, worker representatives, the Fair Work Ombudsman and civil society organisations. In F19, 67 investigations were conducted regarding non-compliance, of which 52 cases have been closed.

### Program rollout in horticulture

Woolworths Supermarkets sources 96% of fresh fruit and vegetables in Australia from over 400 direct suppliers. The business understands the unique vulnerability faced by migrant workers in Australian horticulture, and so have devised a specialised program to address and mitigate risk across this supply chain. In the first year of the program focus has been on:

- Building training and awareness raising among Produce team members and direct suppliers
- Operationalising our framework for managing responsible sourcing risk in horticulture
- Launching our Requirements for Labour Providers in our Australian Horticultural Supply Chain
- Multi-stakeholder engagement

This has resulted in the following key milestones:

- Supplier and auditor training on responsible recruitment and modern slavery
- Founding retail partner of the Fair Farms Training & Certification Program
- Participating in the Fair Work Ombudsman's Harvest Trail Stakeholder Reference Group
- Signing Collaboration Protocol with the National Union of Workers



### Responsible Sourcing in F19

1,500	Suppliers briefed
950	Team members trained
676	Factory audits reviewed
93	Reviewed farm audits
55	On-site visits
67	Investigations
4	Cases of zero tolerance identified

### Governance

This year enhancements were made to Responsible Sourcing governance and clearly set out roles and responsibilities for:

**The Board Sustainability Committee:**

Reviews the effectiveness of the Responsible Sourcing Program and the Group's human rights due diligence.

**Executive Steering Committee:** Provides strategic direction and approves policies and commitments.

**Working Group:** Responsible for the day-to-day rollout and embedding of the program.

Responsible sourcing obligations were also embedded into the Operational Compliance Plans for Woolworths Supermarkets, FoodCo & Metro, BIG W, and Culture and People to enable oversight of the controls and monitoring in place to manage these obligations.



For more information please see pages 50 to 61 of the 2019 Sustainability Report.



# Chairman's Report

Consistent with my approach in previous years, I have focused my report on three areas, that are important, and where the Board has spent considerable time in 2019.



NPAT attributable to Woolworths Group shareholders<sup>1</sup>

**\$1,752M**

▲ 7.2% from F18 (normalised)

F19 shareholder returns<sup>2</sup>

**\$3.1B**

Voice of Team engagement score

**80%**

## 1. Sustainability

Consistent with our Purpose, we support Australia's commitment under the Paris Agreement, and will report according to the rules of the Task Force on Climate Related Financial Disclosure. To date we have reduced our carbon emissions by 18% below 2015 levels. Moving forward, we have lifted our target to a 1.5 degree trajectory by 2030, which is targeting emissions being 60% below 2015 levels.

Furthermore, in July 2019 we launched our second Reconciliation Action Plan, outlining our commitments over the next two years to drive inclusivity and support our Aboriginal and Torres Strait Islander communities. At Woolworths Group we support the Uluru Statement from the Heart and advocate for change to empower First Nation people, with constitutional recognition and a guaranteed voice. We will continue to listen and learn from our Aboriginal and Torres Strait Islander communities especially on matters affecting Country.

We do not see this as extraneous to our business, but as an important part of our culture; to build strong community engagement, support local employment opportunities, foster respect for all, and create better experiences together for a better tomorrow.

## 2. Governance

Following the recommendations of the prudential inquiry by APRA, we conducted an extensive self-assessment, led by our General Manager Risk and Assurance. This focused on, among other areas, operational risk, conduct, culture and accountability. The self-assessment confirmed that we have a number of strong practices in place, aligned to our Customer 1<sup>st</sup> strategy, and highlighted that there is no room for complacency, and is a journey of continuous improvement. We will be led by our Purpose, Core Values and Ways-of-Working, supported by our three lines of accountability, with appropriate challenge from the Board.

## 3. Shareholder value

We have been on an exciting journey of transformation since 2016, when we appointed Brad as our CEO. We have a very different Group now, four years into that journey. We exited Masters, sold EziBuy, sold our Petrol business to EG Group for \$1.7 billion, and have announced the merger of Endeavour Drinks and ALH, with the intention to separate Endeavour Group in 2020. At the same time, we rapidly built our online business across the Group, which in F19 generated sales of \$2.5 billion. We also reinvested in our Australian and New Zealand Food businesses, improving their competitiveness, customer satisfaction and team advocacy scores.

In F19 we returned \$1.7 billion to shareholders in an off-market share buy-back, and paid \$1.3 billion in fully-franked dividends. In the three-year period from the end of F16, we have increased the value of the company by approximately \$15 billion<sup>3</sup>, and delivered a total return to shareholders of 64%, putting us in the top quartile of ASX 50 companies.

In conclusion, whilst we are proud of the above, we have much still to do. As a Board and management team, we remain committed to delivering on this exciting agenda.



**Gordon Cairns**  
CHAIRMAN

1 Continuing operations before significant items.

2 Includes off-market share buy-back of \$1.7 billion and F18 final and special dividend and F19 interim dividend.

3 Increase in market capitalisation between F17 and F19.



# Chief Executive Officer's Report



We made pleasing progress in our transformation in F19, achieved by a strong focus on customer differentiation and underlying process simplification. Together, we completed or progressed a number of initiatives to materially reshape our Group and support our evolution into a food and everyday needs retail ecosystem. All of this is made possible through our commitment to our Group Purpose, agile Ways-of-Working and Core Values - we create better experiences together for a better tomorrow.

## F19 financial results

It was an inconsistent start to F19 across the Group with the first half impacted by the disruption caused by the removal of single-use plastic bags, competitor collectables, subdued consumer demand and volatile weather, particularly in the second quarter. Pleasingly, sales recovered in the second half with momentum improving across the Group, ending the year with sales growth of 3.4%<sup>1</sup>. EBIT from continuing operations before significant items increased by 5.0% for the year, an improvement on H1 growth of 1.0%. Online showed no signs of slowing with growth of 31.6% in F19, driven by the increasing demand for convenience from our customers. Despite the challenges in F19, our customer and team scores remained resilient and ended the year at high levels, reflecting the Group's Customer 1<sup>st</sup> Team 1<sup>st</sup> Culture. Following the successful completion of Woolworths Petrol sale to EG Group in April, the proceeds of \$1.7 billion were returned to shareholders by way of an off-market share buy-back. Together, the share buy-back and dividends paid during the year resulted in \$3.1 billion being returned to shareholders.

## Differentiating our Food offers in Australia and New Zealand

Customers increasingly want to make healthier choices and one of the ways to differentiate our Food customer proposition is to make healthy easier for them. This all starts of course with fresh, launching our Famous for Fresh Fruit & Vegetables and Fresh Made Easy programs during the year in Australian Food, and the opening of our Mona Vale Renewal, the first store to apply the full suite of new fresh initiatives. The Health Star Rating was added to all applicable Own Brand food products during the year with The George Institute recognising Woolworths as Australia's healthiest supermarket. We also improved the nutritional value of more than 70 Own Brand products in the year, resulting in 440 tonnes less salt and 340 tonnes less sugar across our everyday categories. Sustainably sourced food is another key element to differentiating our offer, as customers tell us that they care about the provenance of their food. A number of initiatives were rolled out in the year to support this, including Countdown's focus on Fresh provenance with the Grower Fresh campaign and the launch of drought-relief milk across Woolworths Supermarkets, leading to the move away from \$1 per litre milk nationwide in February in support of Australian dairy farmers.

<sup>1</sup> Unless otherwise stated, growth for continuing operations is adjusted for the 53<sup>rd</sup> week.

## Looking forward

We are excited by the material opportunities across the Group to better meet the needs of our customers and, in doing so, create value for our shareholders. We are focused on refining and improving our core retail programs, growing our retail and everyday needs ecosystem with new businesses such as Cartology, and building on our partnerships with Caltex, EG Group, and new micro-fulfilment specialists, Takeoff Technologies. Underpinning this ecosystem and partnership model are our key group platforms, providing world-class capabilities across Woolworths Rewards, media, analytics, Supply Chain and IT.

In F20, we expect headwinds from a challenged consumer environment, the cost impact of our new enterprise agreements and input cost pressures; however, we have begun the year with momentum. The focus on being 'better for customers' and 'simpler and safer for stores' will continue across the Group and is expected to deliver meaningful benefits. We remain focused on reducing stockloss, delivering the benefits from our new automated DC, MSRDC, and leveraging new technology for our stores and customers.

Endeavour Drinks is evolving to meet changing customer expectations and this should accelerate in F20 through a focus on the digital customer experience, localised ranging and convenience. As announced in early July, we believe the merger and intended separation of Endeavour Drinks and ALH is the next step in the journey and will enable both Endeavour Group and Woolworths Group to reach their full potential through simplification and greater access to capital for investment and growth. To help drive this change in F20, we have made some key people changes. After five and a half years and a significant contribution as CFO of Woolworths Group, David Marr was appointed Chief Operating Officer in August, leading the merger and then separation of Endeavour Drinks and ALH. Replacing David is Stephen Harrison, who was previously Finance Director for Australian Food. Other recent Group appointments include Andrew Hicks, promoted to Chief Marketing Officer, Steve Greentree, taking up a new role of Managing Director of New Businesses, and Guy Brent, appointed as Managing Director of FoodCo and Metro.

In closing, I would like to personally thank our team for a tremendous effort during what has been an incredibly busy and challenging year. I feel privileged to be part of this team. I would also like to thank our customers for choosing to shop with us and our shareholders for their continued support.



**Brad Banducci** | CHIEF EXECUTIVE OFFICER

### Convenient and frictionless customer experiences

Customers are shopping with us more frequently, in different modes and through multiple channels. We have been on a journey to establish an underlying digital infrastructure and store model that can deliver greater convenience and frictionless experiences for our customers. Our work to date is resonating with customers with convenience offerings, in all its forms, significantly contributing to the Group's overall growth in the year. Driving this progress are our 'X' businesses: WooliesX, CountdownX, EndeavourX and BIG W, each with dedicated teams supporting the delivery of solutions to support the rapid change in our customers' shopping habits. Convenience has also been critical at the store level in F19 with a strong focus on rolling out Metro stores, scaling up Pick up and expanding the number of Drive offers across the Group. Critical to this convenient, connected and frictionless journey are our loyalty programs, with Woolworths Rewards now reaching 11.7 million members and recently named the most popular loyalty program in Australia by PowerRetail.

### Agile Ways-of-Working, Core Values and Team 1<sup>st</sup> Culture

We launched a number of key initiatives in the year to support the well-being of our team members. Diversity in all its forms is the key to success in any workplace and also the driving force behind our new Parental Leave and Flexibility policies launched during the year. Under our new Parental Leave Policy, we were the first Australian retailer to introduce superannuation contributions for 12 months of parental leave, in an effort to help close the superannuation gender gap and to make a meaningful difference to the retirement savings of thousands of Woolworths Group team members. During the year, 19 enterprise agreements (EAs) were implemented to improve benefits for our team, including the largest EA in Australia, benefitting over 100,000 team members across Woolworths Supermarkets and Metro. In September last year we started our journey to become an agile organisation, with over 1,000 team members trained on the principles, practice and tools of Agile, so the team can move quickly, break down silos, provide clear accountability and be an important enabler of our transformation. We are clear of the critical role our Core Values play in underpinning our Ways-of-Working and culture, starting with "I always do the right thing" and we are working hard to elevate the profile and importance of these values.

### Greener communities

An important achievement for the Group in F19 was our transition away from single-use plastic bags, resulting in approximately three billion fewer plastic bags in circulation. Despite an initial adjustment period, we have been encouraged by the ongoing support from our customers. We didn't stop there and also reduced plastic packaging with 600 tonnes removed from fruit, vegetables and bakery products in F19. In our efforts to keep food out of landfills, all supermarkets now have an active food waste diversion program in place. This includes rescuing surplus fresh food and distributing it to hunger relief charity partners, donating stock feed to farmers or sending it for commercial organic composting, driving an 8% reduction in food waste going to landfill over the past three years. We are also proud to be the first retailer in Australia, and first supermarket globally, to issue Green Bonds certified by the Climate Bonds Initiative to drive positive outcomes for the communities we serve and reduce our environmental impact. We still have a lot of work to do in this space but we are excited about the potential to keep driving change.



# How we create value

## Our value drivers

### WHO WE ARE

#### Australian & New Zealand Food

Woolworths Supermarkets  
Metro  
Countdown

#### Drinks

Dan Murphy's  
BWS

#### Portfolio

BIG W  
Cartology  
ALH

#### Partners

Quantum  
Marley Spoon

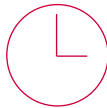
### WHAT WE DO

#### Shops



Core customer shopping experience

#### Convenience



Connected, walk-up customer experience broadening our reach

#### Production



Developing and growing Own Brand for inside and outside of Australia

#### Platforms & Services



Serving and supporting our customers, our businesses and partners

### SUSTAINABLE GROWTH STRATEGY

Customer 1<sup>st</sup> Brand, Team & Culture

Connected and Convenient ways to shop

Differentiate our Food customer propositions

Evolve our Drinks business

Unlock value in our Portfolio

Better for Customers, Simpler and Safer for Stores and Support

### OUR IMPACT

#### Health & Well-being



#### Community



#### Teams & Customers



#### Environment



Shareholder Value



## Our Purpose

We create better experiences together  
for a better tomorrow.

### Core Values

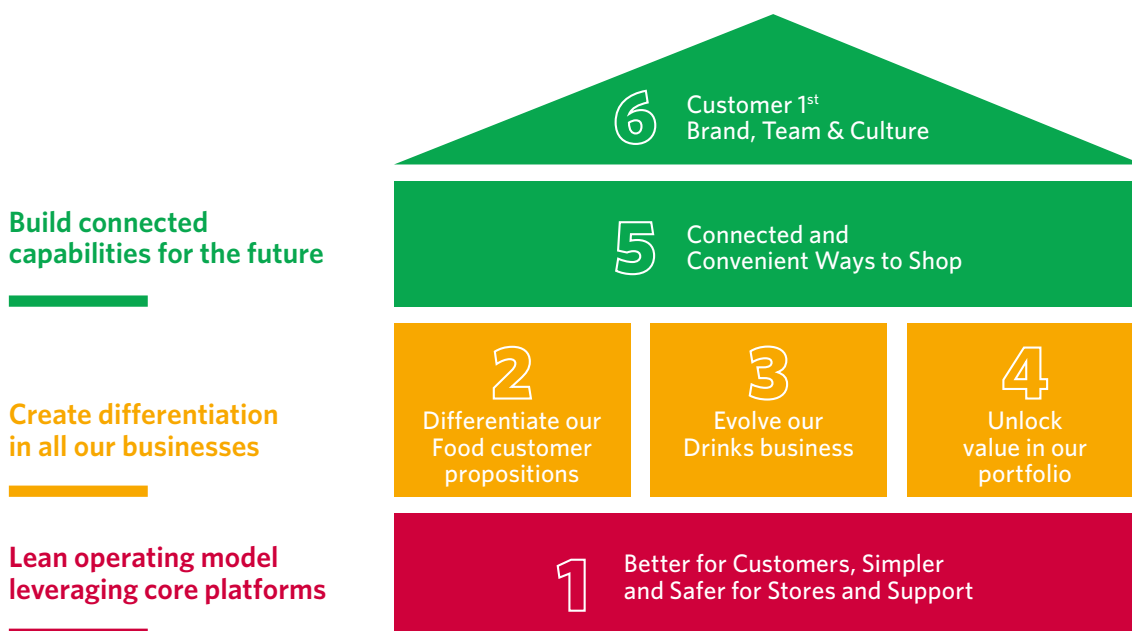
Care deeply | Always do the right thing | Listen and learn

### Ways-of-Working

We're always improving | We work end-to-end as one team | We encourage freedom within a framework | We keep things simple, especially for store teams

## F20 strategy house and key priorities

As the transformation of the business continues, Woolworths Group's strategy house and key priorities focus on the key growth drivers to deliver positive outcomes for customers and team, and in turn, grow shareholder value. Since the start of the Group's turnaround in F17, the key priorities have remained broadly consistent, only evolving to meet a customer or team need. For F20, the six key priorities reflect the Group's transition into a food and everyday needs retail ecosystem with partnerships that extend the Group's range and services. Putting the customer first continues to be at the core of culture and remains central to any decision-making. Team member performance measures will continue to include agile Ways-of-Working to align with the Group's Core Values and the journey to becoming a purpose-led organisation.



# Group Financial Performance

The Group delivered an improved financial performance in H2 following a challenging first half, with normalised sales and EBIT growth<sup>2</sup> of 3.4% and 5.0% for the year. The Group's F19 results include significant items associated with the BIG W network review and the gain on sale of the Petrol business. Normalised changes reflect the impact of a 53<sup>rd</sup> week in the current financial year.

## Sales<sup>1</sup>

# \$59,984M

▲ 3.4% from F18 (normalised)

Sales from continuing operations increased by 5.3% on a statutory basis and 3.4% on a normalised basis with all businesses reporting sales growth on the prior year and improved sales growth rates in the second half of F19 compared to the first half.

## Group Online sales

# \$2,534M

▲ 31.6% from F18 (normalised)

Group Online sales increased by 34.5% (31.6% normalised) driven by strong growth from WooliesX, CountdownX and BIG W. Group Online sales are reported as part of sales from continuing operations.

## Gross profit as a % of sales<sup>1</sup>

# 29.1%

▼ 23 bps from F18 (normalised)

This reflected a 24 bps reduction in gross margin in Australian Food largely due to higher stockloss, especially in long-life, and sales mix.

## Cost of doing business (CODB)<sup>1</sup> as a % of sales

# 24.6%

▼ 30 bps from F18 (normalised)

A 26 bps reduction in Australian Food and a 132 bps reduction in BIG W (before significant items) reflects strong cost control and the benefit of productivity improvements during the year.

## EBIT<sup>2</sup>

# \$2,724M

▲ 5.0% from F18 (normalised)

EBIT from continuing operations before significant items increased by 5.0% on a normalised basis driven by a 10% increase in the second half. EBIT includes an impairment charge against Summergate and charges related to new operating models in stores and support office. This is offset by the one-off payment from Caltex and a reversal of property provisions.

## Significant items before tax

# \$717M

Significant items before tax reflect the gain on sale of Petrol of \$1,088 million, offset by the restructuring, onerous lease and impairment charges of \$371 million associated with the BIG W store and DC closures announced on 1 April.

## Finance costs

# \$126M

▼ 19.9% from F18 (normalised)

Reflecting a reduction in the average borrowing rate due to the maturity or refinancing of higher interest rate borrowings.

## NPAT attributable to equity holders of the parent entity<sup>2</sup>

# \$1,752M

▲ 7.2% from F18 (normalised)

Statutory NPAT attributable to equity holders of the parent entity increased by 56.1%. Basic EPS on an equivalent basis increased by 6.8% and 55.5% respectively.

<sup>1</sup> From continuing operations.

<sup>2</sup> From continuing operations before significant items.

Sales summary - F19 (\$ MILLION)	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
<b>Continuing operations</b>				
Australian Food	39,568	37,589	5.3%	3.3%
New Zealand Food	6,291	5,933	6.0%	4.1%
<i>New Zealand Food (NZD)</i>	6,712	6,433	4.3%	2.4%
Endeavour Drinks	8,657	8,244	5.0%	3.2%
BIG W	3,797	3,566	6.5%	4.2%
Hotels	1,671	1,612	3.7%	1.8%
<b>Sales from continuing operations</b>	<b>59,984</b>	<b>56,944</b>	<b>5.3%</b>	<b>3.4%</b>
<b>Discontinued operations</b>				
Petrol <sup>1</sup>	3,696	4,784	(22.7)%	(22.7)%
<b>Sales from discontinued operations</b>	<b>3,696</b>	<b>4,784</b>	<b>(22.7)%</b>	<b>(22.7)%</b>
<b>Group sales continuing and discontinued operations (including Online)</b>	<b>63,680</b>	<b>61,728</b>	<b>3.2%</b>	<b>-</b>
<b>Group Online sales<sup>2</sup></b>	<b>2,534</b>	<b>1,883</b>	<b>34.5%</b>	<b>31.6%</b>
Online sales penetration (%)	4.2%	3.3%		

Earnings/(loss) before interest and tax (EBIT/(LBIT)) (\$ MILLION)	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
<b>Continuing operations before significant items</b>				
Australian Food	1,857	1,757	5.7%	3.8%
New Zealand Food	277	262	5.6%	2.6%
<i>New Zealand Food (NZD)</i>	296	284	3.9%	1.0%
Endeavour Drinks	474	516	(8.2)%	(9.7)%
BIG W	(85)	(110)	(22.2)%	(24.0)%
Hotels	261	259	1.0%	(0.5)%
Central Overheads	(60)	(136)	(55.9)%	(57.4)%
<b>EBIT from continuing operations before significant items</b>	<b>2,724</b>	<b>2,548</b>	<b>6.9%</b>	<b>5.0%</b>
Significant items from continuing operations	(371)	-	n.m.	n.m.
<b>EBIT from continuing operations</b>	<b>2,353</b>	<b>2,548</b>	<b>(7.7)%</b>	<b>(9.6)%</b>
<b>Discontinued operations</b>				
Home Improvement	-	27	n.m.	n.m.
Petrol <sup>1,3</sup>	112	168	(34.1)%	(34.1)%
<b>EBIT from discontinued operations before significant items</b>	<b>112</b>	<b>195</b>	<b>(43.1)%</b>	<b>(43.1)%</b>
Significant items from discontinued operations	1,088	-	n.m.	n.m.
<b>EBIT from discontinued operations after significant items</b>	<b>1,200</b>	<b>195</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Group EBIT continuing and discontinued operations</b>	<b>3,553</b>	<b>2,743</b>	<b>29.5%</b>	<b>27.7%</b>

Group Profit or Loss for the 53 weeks ended 30 June 2019 (\$ MILLION)	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
<b>Continuing operations before significant items</b>				
<b>Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)</b>	<b>6,063</b>	<b>5,712</b>	<b>6.2%</b>	<b>4.7%</b>
Rent	(2,117)	(2,061)	2.7%	1.0%
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>3,946</b>	<b>3,651</b>	<b>8.1%</b>	<b>6.7%</b>
Depreciation and amortisation	(1,222)	(1,103)	10.8%	10.8%
<b>EBIT</b>	<b>2,724</b>	<b>2,548</b>	<b>6.9%</b>	<b>5.0%</b>
Finance costs	(126)	(154)	(18.3)%	(19.9)%
Income tax expense	(780)	(718)	8.5%	6.6%
<b>NPAT</b>	<b>1,818</b>	<b>1,676</b>	<b>8.5%</b>	<b>6.6%</b>
Non-controlling interests	(66)	(71)	(6.3)%	(8.0)%
<b>NPAT from continuing operations attributable to equity holders of the parent entity before significant items</b>	<b>1,752</b>	<b>1,605</b>	<b>9.2%</b>	<b>7.2%</b>
Significant items from continuing operations after tax	(259)	-	n.m.	n.m.
NPAT from discontinued operations attributable to equity holders of the parent entity after significant items	1,200	119	n.m.	n.m.
<b>NPAT attributable to equity holders of the parent entity</b>	<b>2,693</b>	<b>1,724</b>	<b>56.1%</b>	<b>54.3%</b>

Certain comparatives in the above tables have been re-presented to conform with the current period's presentation to better reflect the nature of financial position and performance of the Group.

1 Petrol sales and EBIT are for the nine months until sale on 1 April 2019.  
2 Group Online sales are reported as part of sales from continuing operations.  
3 Before significant items.



### Group Profit or Loss for the 53 weeks ended 30 June 2019

		F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
<b>MARGINS – continuing operations</b>					
Gross profit	(%)	29.1	29.3	(24) bps	(23) bps
Cost of doing business	(%)	24.6	24.9	(31) bps	(30) bps
EBIT	(%)	4.5	4.5	7 bps	7 bps
<b>EARNINGS PER SHARE AND DIVIDENDS</b>					
Weighted average ordinary shares on issue (million)		1,305.7	1,300.5	0.4%	
Total Group basic EPS (cents) before significant items		142.8	132.6	7.7%	5.8%
Total Group basic EPS (cents) after significant items		206.2	132.6	55.5%	53.7%
Basic EPS (cents) – from continuing operations before significant items		134.2	123.4	8.8%	6.8%
Basic EPS (cents) – from continuing operations after significant items		114.3	123.4	(7.4)%	(9.3)%
Diluted EPS (cents) – from continuing operations before significant items		133.4	123.1	8.4%	6.4%
Diluted EPS (cents) – from continuing operations after significant items		113.6	123.1	(7.7)%	(9.7)%
Interim dividend per share (cents)		45	43	4.7%	
Final dividend per share (cents) <sup>1</sup>		57	50	14.0%	
Special dividend per share (cents) <sup>1</sup>		-	10	n.m.	
<b>Total dividend per share (cents)</b>		<b>102</b>	<b>103</b>	<b>(1.0)%</b>	

<sup>1</sup> Final 2019 dividend payable on or around 30 September 2019 will be fully franked.

Certain comparatives have been re-presented to conform with the current period's presentation to better reflect the nature of financial position and performance of the Group.

### Central Overheads

**Central Overheads** declined by \$76 million in F19 to \$60 million due to a one-off payment from Caltex of \$50 million and a reversal of impairment on a property subsequently classified as held for sale of \$37 million. Central Overheads are still expected to be approximately \$150 million on an annual basis before taking into account any impact from the Endeavour Group transaction.

### Balance Sheet

A small increase in **inventory** to \$4,280 million was primarily due to higher closing inventory in New Zealand and BIG W to improve availability. Closing inventory days declined 0.9 days to 37.2 days and average inventory days from continuing operations declined by 0.2 days to 38.8 days.

**Net investment in inventory** of \$939 million remained broadly consistent with prior year. Adjusting for the impact of an extra New Zealand Food payment run in the 53<sup>rd</sup> week of \$153 million, net investment in inventory declined by 19%.

**Other creditors and provisions** of \$4,308 million decreased \$40 million compared to the prior year. Excluding significant items relating to the BIG W network review and cash utilisation of F16 significant items provisions, the decrease in other creditors and provisions was primarily driven by a reduction in accruals associated with store team costs.

**Fixed assets, investments and loans to related parties** of \$9,710 million increased by \$528 million. Additions of fixed assets of \$2,040 million during the year mainly related to store refurbishments, supply chain and IT infrastructure and included \$203 million related to property development activity. This was partially offset by depreciation and amortisation, disposals and an impairment of \$166 million associated with the BIG W network review.

**Net assets held for sale** of \$225 million decreased by \$575 million mainly as a result of the sale of the Petrol business to EG Group on 1 April 2019.

**Intangible assets** of \$6,526 million increased by \$61 million driven by an increase in goodwill and brand names in New Zealand due to the strengthening of the New Zealand dollar, a minor increase in goodwill associated with the acquisition of businesses partially offset by an impairment to the carrying value of Summergate of \$21 million.

**Net tax balances** of \$227 million increased \$66 million due to an increase in deferred tax assets associated with the provisions raised as a result of the BIG W network review.

**Net debt** of \$1,599 million increased by \$377 million largely due to the timing of New Zealand creditor payments, higher net capital expenditure (excluding the proceeds from the sale of the Petrol business) and an increase in dividends paid during the year.

**Normalised Return on Funds Employed (ROFE)** from continuing operations was 24.2%, 11 bps up on the prior year. Normalised AASB 16 estimated ROFE was 14.1%.

### Group cash flows for the 53 weeks ended 30 June 2019

**Cash flow from operating activities before interest and tax** was \$3,858 million, an increase of 0.5% on the prior year. Excluding the impact of significant items, higher EBITDA was offset by the impact of the New Zealand payment run in week 53 and a movement in provisions and accruals. The cash flow benefit from an extra week of trading is offset by nine months of EBITDA from the Petrol business compared to a full year in F18.

**The cash realisation ratio** was 74.1%. Excluding the timing of the New Zealand payment run, and charges associated with the BIG W network review and gain on sale of the Petrol business, the cash realisation ratio was 98.4%, impacted by the cash utilisation of provisions and accruals offset by trade working capital improvements.

**Net interest paid** of \$166 million declined by 9.8% compared to the prior year due to the early repayment of US Private Placement Notes in the prior year reducing average borrowing costs.

**Tax payments** increased by \$83 million to \$744 million due to higher tax refunds in the prior year and a higher instalment rate in F19.

**Proceeds from the sale of property, plant and equipment, assets held for sale, and businesses and investments** was \$1,859 million. The increase is primarily driven by cash proceeds (net of cash disposed) from the sale of the Petrol business to EG Group and proceeds from the sale of properties in Australia and New Zealand.

**Payments for the purchase of property, plant and equipment and intangible assets** was \$1,991 million, 7.7% above the prior year. The increase is primarily as a result of increased property development activity compared to the prior year.

**Cash used in investing activities** was \$246 million with the reduction compared to the prior year as a result of the sale of the Petrol business.

**Fixed charges cover ratio** increased to 2.7x, compared to 2.6x in the prior year.

## Non-IFRS financial information

The 2019 Annual Report and dividend announcement for the 53 weeks ended 30 June 2019 contains certain non-IFRS financial measures of historical financial performance, balance sheet or cash flows. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which Woolworths Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by the Australian Security and Investments Commission in December 2011 to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information.

These measures are used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the underlying drivers of the business, performance and trends, as well as position of the Woolworths Group. Non-IFRS financial measures are also used to enhance the comparability of information between reporting periods (such as comparable sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Woolworths Group's performance. Consequently, non-IFRS measures are used by the directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with the prior year. Non-IFRS measures are not subject to audit or review.

Please go to [page 139](#) for the full glossary.

# Capital management

Woolworths Group manages its capital structure with the objective of enhancing long-term shareholder value through funding its business at an optimised weighted average cost of capital.

Woolworths Group returns capital to shareholders when consistent with its long-term capital structure objectives and where it will enhance shareholder value. In May 2019, Woolworths Group returned \$1.7 billion in capital to shareholders through an off-market share buy-back. This resulted in the purchase of 58.7 million shares which were subsequently cancelled. The share buy-back complements dividends of \$1.4 billion paid to shareholders this financial year through the F18 final

and special dividends, and the F19 interim dividend, with a total of \$3.1 billion returned to shareholders (excluding franking credits).

Woolworths Group remains committed to solid investment grade credit ratings<sup>1</sup> and a number of actions can be undertaken to support the credit profile including the sale of non-core assets, further working capital initiatives, and adjusting growth capital expenditure and the property leasing profile.

## Financing transactions during F19

In March 2019, the \$500 million domestic Medium Term Notes matured. It was refinanced in April 2019 with \$400 million

of Medium Term Notes issued to meet the Group's new Green Bond Framework (Green Bonds). The Green Bonds have been issued for a five year tenor, maturing in April 2024.

In May 2019, the Group entered into a series of cross currency swaps with a bank counterparty to bring forward and realise the positive fair value from the existing cross-currency swaps hedging the US notes.

## Upcoming maturities

In November 2019, a \$320 million tranche of a \$700 million syndicated bank loan facility matures. The Group intends to refinance this at maturity.

<sup>1</sup> S&P BBB (stable outlook) & Moody's Baa2 (stable outlook). The credit ratings referred to in this document have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only. The credit ratings in this document are published for the benefit of Woolworths Group's debt providers.



# Australian Food

Australian Food's sales performance improved in the second half ending the year with good momentum after a challenging first half.



Sales (\$M)

**\$39,568**

▲ 3.3%<sup>1</sup> from F18

EBIT (\$M)

**\$1,857**

▲ 3.8%<sup>1</sup> from F18

New stores medium term annual target

**WOOLWORTHS SUPERMARKETS 10-20**

**METRO 15-30**

## TRADING PERFORMANCE

Australian Food's VOC NPS (including Online) was up 3 pts on the prior year with Store-controllable VOC steady on the prior year. Store-controllable VOC improved on Q3'19 where scores were impacted by flood and drought effects on fruit and vegetable prices impacting quality and availability. Fruit & Vegetables and Availability scores improved 1 pt to 78% compared to June 2018, and 5 pts and 2 pts respectively vs. Q3'19. Team Attitude remained stable (89%) compared to June 2018.

In F20, Store-controllable VOC will be reduced from seven metrics to five, removing Ease of Movement and Correct Price Tickets to simplify the focus for stores on the areas that offer the most opportunity for improvement.

Sales increased by 5.3% to \$39.6 billion or 3.3% on a normalised basis. Comparable sales increased by 3.1% for the year with transaction growth of 1.8% and items per basket of 1.7% contributing to comparable item growth of 3.5%.

Despite some challenges during the year, sales momentum improved in H2 with strong growth across a number of Fresh categories. Sales in the second half also benefitted from successful campaigns including Disney Words and Earn & Learn. In Q4, comparable sales increased by 3.6% with comparable transaction growth of 1.4%. Comparable items per basket increased by 1.2%.

Excluding the sale of reusable plastic bags, comparable items per basket was flat.

Metro continued to grow strongly with further refinement to price, promotional optimisation and range curation. An extra-small store format was successfully launched in Kirribilli and new stores opened in Rozelle and Kings Cross. At the end of the financial year, 43 Metro-branded stores and 16 small Woolworths Supermarkets were managed by the Metro team.

In WooliesX, Online VOC scores improved 2 pts to 81% at the end of June, with improvements in Delivery & Pick up and Ease of Website Navigation. Online sales grew 31% (normalised) to \$1.4 billion driven by expanded offerings such as Same day, Delivery Now, Drive thru and Drive up.

Australian Food sales per square metre was \$17,163 with normalised growth of 2.0% on the prior year. During the year, 24 new stores were opened (21 supermarkets and three Metros), eight were closed and 68 Renewals completed. At year-end, there were 1,024 Woolworths Supermarkets and Metro stores.

Average prices declined 0.4% for the year, with modest inflation of 0.5% in the fourth quarter as a result of increases in a number of Fresh categories impacted by the drought including Fruit & Vegetables, Meat and Bakery.

\$ MILLION	F19	F18	CHANGE	CHANGE NORMALISED
	53 WEEKS	52 WEEKS		
<b>Sales</b>	<b>39,568</b>	37,589	5.3%	3.3%
<b>EBITDA</b>	<b>2,613</b>	2,430	7.5%	6.1%
Depreciation and amortisation	<b>(756)</b>	(673)	12.3%	12.3%
<b>EBIT</b>	<b>1,857</b>	1,757	5.7%	3.8%
Gross margin (%)	<b>28.7</b>	29.0	(24) bps	(24) bps
Cost of doing business (%)	<b>24.0</b>	24.3	(27) bps	(26) bps
EBIT to sales (%)	<b>4.7</b>	4.7	2 bps	2 bps
<b>Sales per square metre (\$)</b>	<b>17,163</b>	16,528	3.8%	2.0%
Funds employed	<b>1,468</b>	1,215	20.9%	
ROFE (%)	<b>140.2</b>	170.7	(30.6) pts	(33.2) pts

<sup>1</sup> Normalised for the 53<sup>rd</sup> week.

Deflation in average prices excluding Fruit & Vegetables and Tobacco continued to moderate with a decline of 1.1% in Q4, the lowest deflation in a number of years. The number of products on the Always and Prices Dropped programs stabilised compared to the prior year following input cost increases across a number of products and categories. Promotional penetration continued to decline due to a reduction in the number of promotions over the year offset partly by an increase in promotional effectiveness.

Gross margin decreased 24 bps (normalised) to 28.7% primarily driven by higher stockloss, sales mix, Meat inflation and the impact of fuel redemption costs now recorded in Australian Food. Following the sale of the Petrol business on 1 April, Australian Food's gross margin now includes Woolworths' share of the four cents per litre fuel discount which is expected to be approximately \$38 million on an annualised basis. Stockloss began to improve in Q4 driven by a number of targeted initiatives.

CODB as a percentage of sales decreased 26 bps (normalised) to 24.0% with strong cost control over the year. Strategic investments in customer service, and digital and data were offset by productivity benefits and cycling of one-off costs as highlighted in F18 (\$35 million). Included in CODB in the second half are one-off costs related to the

implementation of new operating models with the impact of these costs broadly equivalent to the one-off costs in the prior year.

The new Woolworths Supermarkets and Metro EA came into effect in January for team members; however, the impact of the EA implementation on store team costs in the second half was mitigated by accruals and various 'Simpler' productivity initiatives. F20 will have a full-year impact of the new EA but productivity initiatives are expected to continue to deliver efficiency benefits over the year. Depreciation increased by \$83 million driven by continued investments in the Renewal program and IT and digital investments including 1Store and WooliesX.

EBIT increased by 5.7% (3.8% normalised basis) to \$1,857 million with a 2 bps improvement in EBIT margin to 4.7%. Normalised EBIT in H2 increased by 3.5%.

Funds employed increased by \$253 million compared to the prior year impacted by spend on Renewals, MSRDC and the reallocation of 1Store to Australian Food upon completion of the roll out at the end of F18 which was previously held at Group level. Primarily as a result of the reallocation, ROFE declined by 33.2 pts compared to the prior year on a normalised basis; however, normalised Group ROFE increased by 11bps.

## Making Healthier Easier

In April, Woolworths Own Brand was named the healthiest of any major Australian supermarket by The George Institute for Global Health.



Over

800

Macro products  
Australia's leading health food brand



Health Star Ratings on

100%

of eligible Own Brand products



116

stores reformatted to showcase fresh as part of the Famous for Fresh Fruit & Vegetables initiative

## Improved the nutritional value of

70+

Own Brand products



440

tonnes less salt



340

tonnes less sugar

### A discovery of fresh

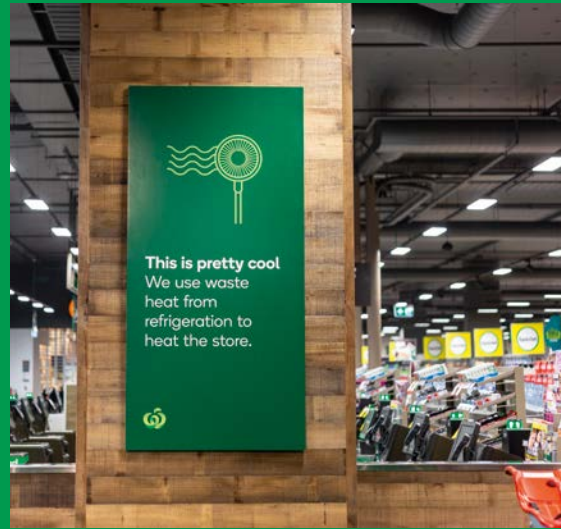
Woolworths' Fresh Food Kids Discovery Tours was extended to all stores nationally in July 2018. To date, over 200,000 students have taken part in the free initiative to touch, taste and learn about fruit and vegetables.



## Building for a greener future

Targeting a 5-star green star rating from the Green Building Council of Australia, Woolworths' most sustainable supermarket was launched in June in Heidelberg, Victoria. Operating with 25% less greenhouse gas emissions than a regular supermarket, the equivalent of 147 fewer cars on the road, the store incorporates a range of environmental features including:

- LED lighting to reduce energy usage
- carbon-efficient refrigeration and air-conditioning systems
- natural refrigerants technology delivering what amounts to a zero direct emission store
- sustainably-sourced timber cladding
- 16 electric vehicle charging bays
- 33 bicycles for team members and customers to share



## The Metro experience

As the desire for walk-up convenience grows, the Metro format is proving popular with customers with the successful launch of new stores in Kirribilli, Rozelle and Kings Cross during the year. At approximately 1,000 square metres, Rozelle hosts a curated, localised range with an emphasis on meal solutions as well as the first Metro with the largest organic meat range and fresh on-the-go breakfast and lunch options, including barista made coffee, smoothies and freshly made sushi.

## Supermarkets of the future

F19 saw the launch of new Woolworths Supermarket store concepts that will pioneer physical store formats for the future.

Launched in April, Gregory Hills in NSW saw the opening of Woolworths' first smart store, employing the latest in sensible technology to drive greater efficiencies and make it simpler, safer and a better experience for team and customers. Along with a bakery, large fresh section, butcher shop and dedicated Drive up, the store also features a hazard detection robot that roams the store and scans the floor for any potential safety hazards which alerts our team immediately to allow them to respond and remove the hazard quickly.





# WooliesX

WooliesX had another successful year, with strong Online sales momentum across delivery and Pick up, an improved digital experience for increasingly connected customers, underpinned by continuous improvements to Woolworths Rewards and partnerships.



Online sales (\$M)

**1,444M**

▲ 31%<sup>1</sup> from F18



Digital traffic

**>50%**

on F18



Woolworths Rewards members

**11.7M**

▲ +0.8M from F18

## TRADING PERFORMANCE

Investment in Australian Food's digital and data strategy through WooliesX has delivered a significant improvement in capability and strong growth over the last two years. In F19, WooliesX continued to build momentum with normalised online sales growth of 31% on last year, supported by strong Pick up growth. Online achieved a 4.1% penetration of Australian Food sales in Q4.

WooliesX's focus on solving the connected customers' needs and growing expectations contributed to Online VOC and NPS reaching record highs in December. Customer scores were impacted in March by the success of the online Freezer sale but recovered in June with VOC NPS of 61 close to all time highs. Positive customer feedback was supported by Woolworths receiving online grocery awards from Canstar Blue, Choice Recommended and Mozo during the year.

Further investment in the digital customer experience has led to significant improvements in website speed and navigation

and contributed to an improved customer uptake of the new mobile app.

To meet customers' need for ultra-convenience, WooliesX expanded Delivery Now (on-demand delivery) in Sydney, Melbourne and Brisbane reaching 38 stores by the end of June. The roll out of Drive locations also continued with 112 locations at year-end. The Scan&Go pilot has been expanded to an additional five stores, allowing customers to skip the conventional check-out process by scanning items with their phone as they shop.

Woolworths Rewards continued to grow with 11.7 million members (+0.8 million since June 2018) at year-end. Rewards members are now able to control their redemption of points with the launch of '\$10 off this shop or next shop' option at the point of sale and earn more points through the expansion of the Woolworths Rewards partnership with Caltex and BIG W. Members now have the ability to earn points at more than 860 participating Caltex and BIG W sites.



### Skipping the queue

Developed in-house by the WooliesX digital team, in close collaboration with supermarket operations, the Scan&Go app was extended to five stores in F19. The expansion follows the success of Scan&Go at Woolworths Double Bay. The app allows customers to scan goods with their smartphones as they walk through the store and pay in the app before tapping off at a dedicated kiosk.

1 Normalised for 53<sup>rd</sup> week.



# New Zealand Food<sup>1</sup>

New Zealand Food had a strong second half with improved customer metrics, supporting strong sales and EBIT growth.



Sales (NZ\$M)

**\$6,712**

▲ 2.4%<sup>2</sup> from F18

EBIT (NZ\$M)

**\$296**

▲ 1.0%<sup>2</sup> from F18

New stores medium term annual target

**3-4**

## TRADING PERFORMANCE

New Zealand Food's sales for the year were NZ\$6.7 billion, an increase of 4.3% on the prior year (6.0% increase in AUD) or 2.4% on a normalised basis.

Comparable sales increased 3.4% for the year, driven by positive core offer momentum with Countdown's customer satisfaction and brand advocacy measures continuing to steadily improve. Highlights include increased Fruit & Vegetables VOC (H2: +6 pts) driven by a focus on direct-to-grower fresh quality, and improved community perceptions aided by the removal of single-use plastic bags in the first half.

Digital momentum remained strong throughout the year, with F19 sales growth of 40% (normalised) driven by Pick up, Same day delivery, and capacity expansion. Customer advocacy for Online also remains strong with VOC NPS of 66 in Q4.

Sales growth improved in the second half (H1: 1.9%, normalised H2: 3.0%) driven by positive comparable transaction growth and aided by a recovery in market

growth post Christmas. Sales per square metre increased by 6.4% (normalised 4.5%) due to strong sales growth and a 2.0% reduction in trading space following store closures. During the year, three stores were closed and two stores were opened with 180 Countdown supermarkets at the end of the year.

Stockloss improvements were maintained in the second half, contributing to an 18 bps increase in gross margin while remaining price competitive. Average prices declined 0.8% for the year, but with a lower rate of deflation for the second half.

COB as a percentage of sales increased 25 bps (normalised) driven primarily by strategic investment into digital, IT and data capabilities.

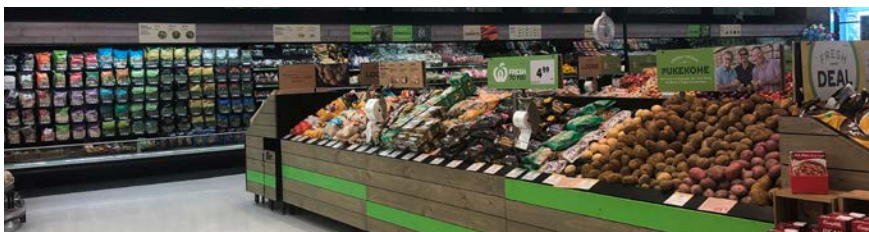
EBIT increased 3.9% for the year (1.0% normalised), with H2 EBIT growth of 4.4% (normalised) aided by sales momentum and improved cost management.

On a normalised basis, ROFE increased by 5 bps.

NZ\$ MILLION	F19 53 WEEKS	F18 <sup>3</sup> 52 WEEKS	CHANGE	CHANGE NORMALISED
<b>Sales</b>	<b>6,712</b>	6,433	4.3%	2.4%
<b>EBITDA</b>	<b>425</b>	411	3.0%	1.0%
Depreciation and amortisation	(129)	(127)	1.0%	1.0%
<b>EBIT</b>	<b>296</b>	284	3.9%	1.0%
Gross margin (%)	<b>24.4</b>	24.2	18 bps	18 bps
Cost of doing business (%)	<b>20.0</b>	19.8	20 bps	25 bps
EBIT to sales (%)	<b>4.4</b>	4.4	(2) bps	(6) bps
<b>Sales per square metre (\$)</b>	<b>16,626</b>	15,621	6.4%	4.5%
Funds employed	<b>3,210</b>	2,998	7.1%	
ROFE (%)	<b>9.6</b>	9.5	15 bps	5 bps

1 Growth for New Zealand Food quoted in New Zealand Dollars.  
2 Normalised for the 53<sup>rd</sup> week.

3 During the period, the management of the New Zealand Wine Cellars business transferred from Endeavour Drinks to New Zealand Food. The prior period has been re-presented to conform with the current period presentation.



## Bringing our brand to life in store

Takapuna, Countdown's latest Renewal format, brings to life Countdown's focus on fresh fruit and vegetables, featuring new equipment, hand-stacked displays, produce misting and extra informational signage for customers. Deli innovations include freshly prepared flame-roasted chickens, new display case presentation and improved standards to assist with reducing stockloss. Takapuna also features The Cellar, a wine and beer concept, improved team rooms, and a common green thread throughout the store to bring to life the Countdown brand. The customer response has been strong to date, with Store VOC NPS improving by over 10 points since opening.

## Bidding goodbye to the single-use bag

In October 2018, Countdown became the first New Zealand supermarket brand to phase-out single-use plastic carrier bags across all stores; two months ahead of schedule and nine months ahead of government legislation. After announcing in late 2017 their intention to go reusable, Countdown led the charge for major New Zealand retailers and played a significant role in helping to change customer behaviours ahead of the national ban.



## Grower Fresh

Countdown works directly with growers across New Zealand to bring fresh fruit and vegetables to our customers. This year we celebrated these relationships with our 'Grower Fresh' campaign, highlighting seasonal fruit and veg.

## Healthier choices for Kiwis



Countdown is continuing to drive change in-store and online to provide customers with more ways to make healthier and informed choices. Currently, 99% of eligible Own Brand products have a Health Star Rating with almost half having 3.5 or above rating. Over the last two years, 82 tonnes of sugar and 25 tonnes of salt has been removed from Own Brand products. A number of new product lines that have a clear health focus were introduced in the year, including kombucha, kefir, kimchi and switchel, as well as products for customers wanting to adopt different types of diets with demand for vegan and vegetarian chilled foods increasing by 30%. Macro brand now includes 90 plant based products as part of the wider health food range, helping customers to make healthier choices at more affordable prices.



CountdownX, established in June 2018, brings together eCom, loyalty, digital and data capabilities to further accelerate Countdown's digital differentiation. With a new dedicated office, and an agile delivery model now embedded; CountdownX is continuing to improve the digital customer experience.

## 1 year anniversary



F19 Online sales growth

**40%**<sup>2</sup>



F19 Online VOC NPS

**66**



F19 Online penetration

**6.8%**



Pick up locations

**180**



Onecard members

**2M**



# Endeavour Drinks

Endeavour Drinks continued to evolve in F19 with early progress on Dan Murphy's repositioning.



Sales (\$M)

**\$8,657**

▲ 3.2%<sup>1</sup> from F18

EBIT (\$M)

**\$474**

▼ (9.7)%<sup>1</sup> from F18

New stores medium term annual target

DAN MURPHY'S **6-10**

BWS **6-10<sup>2</sup>**

## TRADING PERFORMANCE

In Endeavour Drinks, BWS and Dan Murphy's key VOC metrics ended F19 at record highs, with improvements both in-store and Online. Sales increased by 5.0% (3.2% normalised) to \$8.7 billion with comparable sales increasing 2.3%. The market remained subdued throughout the year with declining volumes offset by price and mix improvements. Sales growth in H2 improved on H1 in both Dan Murphy's and BWS, with Endeavour Drinks' sales increasing by 4.8% (normalised) with comparable sales increasing 4.0%, compared to 0.7% growth in H1. The timing of New Year's Day boosted sales in H2 by 84 bps and Q3, in particular, also benefitted from more stable weather compared to Q2. Dan Murphy's focus on 'discovery' driven range, service and convenience is also beginning to resonate with customers.

BWS maintained its strong trading momentum, with enhancements to localised ranging and tailored Woolworths Rewards offerings. The BWS store network grew to 1,346 stores with 30 net new stores and the new BWS Renewal format successfully extended to key urban standalone stores. BWS' convenience offering continued to expand, with On Demand delivery now available in 605 stores, supporting double-digit online sales growth. Jimmy Brings expanded its geographical reach to Brisbane, Gold Coast, Canberra and new suburbs in Sydney and Melbourne.

Dan Murphy's delivered double-digit Online sales growth with new customer offerings, including the roll out of On Demand delivery to 91 stores and 30-minute

Pick up from all stores. In-store customer experience was enhanced with the introduction of wine merchants in key stores, to improve team product knowledge and customer discovery, while memberships in My Dan's loyalty program increased 15% on the prior year. Dan Murphy's store network grew to 230 with three new store openings in Q4 including the first store to be powered by solar energy. Endeavour Drinks sales per square metre increased by 3.2% (1.4% normalised) with sales growth above net average space growth of 1.7%.

Gross margin was 22.9%, 14 bps down on a normalised basis, with trading margin improvements offset by higher freight costs attributable to petrol prices, growth in online delivery and category mix.

Normalised CODB as a percentage of sales grew 64 bps, driven by a \$21 million impairment charge related to goodwill and other intangible assets associated with the Summergate business in China. Summergate has now transitioned to ExportCo. Excluding Summergate, normalised CODB as a percentage of sales increased by 40 bps due to above-inflationary pressures, as well as targeted investment in key focus areas including customer experience, ranging, data and analytics.

Endeavour Drinks EBIT for F19 decreased 8.2% to \$474 million. EBIT normalised for the 53<sup>rd</sup> week and Summergate impairment of \$21 million decreased 5.6%. Normalised ROFE (excluding the Summergate impairment) declined 148 bps driven by the decline in EBIT.

		F19 53 WEEKS	F18 <sup>3</sup> 52 WEEKS	CHANGE	CHANGE NORMALISED
<b>\$ MILLION</b>					
<b>Sales</b>		<b>8,657</b>	8,244	5.0%	3.2%
<b>EBITDA</b>		<b>579</b>	603	(4.1)%	(5.4)%
Depreciation and amortisation		<b>(105)</b>	(87)	20.1%	20.1%
<b>EBIT</b>		<b>474</b>	516	(8.2)%	(9.7)%
Gross margin (%)		<b>22.9</b>	23.1	(16) bps	(14) bps
Cost of doing business (%)		<b>17.4</b>	16.8	63 bps	64 bps
EBIT to sales (%)		<b>5.5</b>	6.3	(78) bps	(78) bps
<b>Sales per square metre (\$)</b>		<b>18,675</b>	18,094	3.2%	1.4%
Funds employed		<b>3,185</b>	3,214	(0.9)%	
ROFE (%)		<b>15.2</b>	17.1	(190) bps	(215) bps

1 Normalised for the 53<sup>rd</sup> week.  
2 Standalone.

3 During the period, the management of the New Zealand Wine Cellars business transferred from Endeavour Drinks to New Zealand Food. The prior period has been re-presented to conform with the current period presentation.

## Sustainability across Endeavour Drinks

Endeavour Drinks continues to make progress towards reducing the waste that goes to landfill and improving the recyclability of its Own Brand packaging at its winery and production facilities in South Australia. Dorrien Estate Winery, Vinpac and Angaston production facility recently undertook an audit, resulting in a pleasing waste and recycling performance, diverting over 99% of waste from landfill. Since the audit, the facilities have switched from single-use to ceramic cups, begun recycling corks and are looking at innovative ways to recycle problematic waste, with the aim of closing the gap to achieve zero waste to landfill.

Endeavour Drinks is also collaborating with APCO and industry leaders such as the Winemakers' Federation of Australia to identify and address sustainable packaging issues affecting the industry. Several initiatives are underway, including:

- A pilot waste audit at 22 stores in South Australia to identify improvements and how packaging sustainability can be progressed at store level
- Identifying opportunities to reduce the quantity of plastic stretch wrap used to distribute wine products across the supply chain and how to increase recovery of this material
- Developing, with APCO and others, a set of guidelines for retailers, winemakers and their suppliers on sustainable packaging opportunities for wine, supported by awards that recognise good performance
- Collaborating with others in the industry to 'lightweight' wine stock bottles



## Endeavour Drinks On Demand

On Demand continued to gain momentum across Endeavour

Drinks in F19, expanding to 605 BWS and 91 Dan Murphy's stores across the network.

Ultra-convenient offer Jimmy Brings was also expanded during the year to Brisbane, Canberra, and the Gold Coast with operations also scaled up for Sydney and Melbourne.

Dan Murphy's also increased Pick up during the year with 30-minute Pick up launched across metro areas.

## The wine experts

During the year, Dan Murphy's deployed 35 wine merchants across selected Dan Murphy's to help drive discovery and improve the in-store experience. Early feedback has been encouraging from customers with requests to speak with the wine merchant on return visits and more discovery of new products previously not considered. Wine merchants are also actively involved in selecting products for Dan Murphy's publications.



## EndeavourX

EndeavourX brings together Drinks' collective digital talent to keep pace with the expectations of customers.

Launched  
**February 2019**



F19 Online sales growth

**11.5%**<sup>1</sup>



F19 Online penetration

**5.8%**



On Demand delivery

**+690**

locations



Pick up

**+1,500**

locations



My Dan's members

**+3.5M**



# BIG W

BIG W's strong sales growth in F19 reported across all customer universes driven by an increase in customer transactions and items per basket. A store and DC network review was announced in April with closures planned to support the turnaround of the business.



Sales (\$M)

**\$3,797**

▲ 4.2%<sup>1</sup> from F18

LBIT<sup>2</sup> (\$M)

**\$(85)**

▲ (24.0)%<sup>1</sup> from F18

New stores medium term annual target

**Where previously committed**

## TRADING PERFORMANCE

BIG W's Store-controllable VOC and VOC NPS improved on the prior year with higher customer scores translating into sales, with an increase in F19 of 4.2% on a normalised basis to \$3.8 billion. Comparable sales increased by 5.3% in F19 and 7.2% in Q4 (Easter-adjusted) with growth in all customer universes.

BIG W's growth continues to be driven by an increase in customer transactions (F19: 4.0%) and customers increasingly putting more items in their baskets with comparable items per basket growth of 4.4%. Together this drove comparable item growth of 8.6%. Excluding reusable bags, comparable items increased by 5.2%.

With BIG W's turnaround gaining momentum, and to build a sustainable network for the future, a store and DC network review was announced in April. BIG W intends to close approximately 30 stores over the next three years and two distribution centres at the end of their leases. The review of the store network is ongoing, with three stores recently announced to be closed in F20.

BIG W has remained price competitive, improved ranges and built a convenient online and in-store experience in F19.

Normalised Online sales increased by 128% in F19 with Pick up consistently delivering strong sales growth. Apparel, which has been more challenging, improved steadily through H2 due to a focus on range, stock flow and in-store execution.

Normalised gross profit declined 49 bps for F19 reflecting continued challenges in stockloss as well as slow sell-through of seasonal apparel in H1. Category mix improved in H2 with improved apparel sell-through.

Normalised CODB declined 132 bps resulting from store efficiencies and sales growth fractionalising fixed costs.

The LBIT of \$85 million before significant items excludes a \$371 million charge identified as part of the network review.

Funds employed declined primarily due to significant items provisions. Inventory quality has improved as a result of solid sales and improved apparel sell-through in H2.

In F20, BIG W will focus on creating a sustainable business that is simpler to operate, and continue providing customers with low prices and more convenient, connected solutions in-store and online.

\$ MILLION	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
Sales	3,797	3,566	6.5%	4.2%
LBITDA before significant items	(5)	(30)	(82.2)%	(88.7)%
Depreciation and amortisation	(80)	(80)	0.7%	0.7%
LBIT before significant items	(85)	(110)	(22.2)%	(24.0)%
Significant items	(371)	-	n.m.	n.m.
LBIT after significant items	(456)	(110)	315.5%	313.7%
Gross margin (%)	31.1	31.7	(59) bps	(49) bps
Cost of doing business (%)	33.4	34.8	(142) bps	(132) bps
LBIT <sup>2</sup> to sales (%)	(2.3)	(3.1)	83 bps	84 bps
Sales per square metre (\$)	3,629	3,369	7.7%	5.4%
Funds employed	204	502	(59.4)%	
ROFE (%)	(23.0)	(23.3)	24 bps	77 bps

1 Normalised for the 53<sup>rd</sup> week.

2 Before significant items.

# Hotels

Hotels sales improvement in the second half was driven by Bars, Food and Accommodation, benefitting from venue refurbishments completed in the year.



Sales (\$M)

**\$1,671**

▲ 1.8%<sup>1</sup> from F18

EBIT (\$M)

**\$261**

▼ (0.5)%<sup>1</sup> from F18

New stores medium term annual target

**As appropriate opportunities arise**

## TRADING PERFORMANCE

Hotels sales increased by 3.7% in F19 or 1.8% on a normalised basis. Comparable sales increased by 1.9% with 3.0% growth in Q4. Sales growth accelerated in the second half due to continued growth in Bars, Food and Accommodation benefitting from venue refurbishments with 49 completed during the year. Gaming sales continue to be more subdued, particularly in Victoria. During the year, five venues were opened or acquired with 328 hotels at year-end.

Normalised gross profit declined by 54 bps reflecting business mix and increasing input cost prices on Food margins. CODB was well controlled and declined by 18 bps on a normalised basis.

EBIT of \$261 million decreased by 0.5% on a normalised basis reflecting a weaker first half trading performance. Normalised EBIT in the second half increased by 1.3%.

Normalised ROFE decreased 38 bps due to an increase in funds employed driven by refurbishments and acquisitions of hotels.

\$ MILLION	F19 53 WEEKS	F18 52 WEEKS	CHANGE	CHANGE NORMALISED
Sales	1,671	1,612	3.7%	1.8%
EBITDA	372	361	3.5%	2.5%
Depreciation and amortisation	(111)	(102)	9.9%	9.9%
EBIT	261	259	1.0%	(0.5)%
Gross margin (%)	83.6	84.2	(55) bps	(54) bps
Cost of doing business (%)	68.0	68.1	(12) bps	(18) bps
EBIT to sales (%)	15.6	16.1	(43) bps	(35) bps
Funds employed	2,068	1,995	3.7%	
ROFE (%)	12.9	13.1	(20) bps	(38) bps



# Discontinued Operations

The sale of Woolworths Petrol to EG Group completed on 1 April with sales and EBIT only attributable to Woolworths Group until that date. As a result, comparisons to the prior year are not meaningful.

<b>\$ MILLION</b>	<b>F19 53 WEEKS</b>	<b>F18 52 WEEKS</b>
<b>Sales</b>		
Petrol	<b>3,696</b>	4,784
<b>EBIT</b>		
Home Improvement	-	27
Petrol (before significant items)	<b>112</b>	168



# Our Material Risks

We operate in a dynamic market which presents both opportunities and risks that could materially impact on our engagements with our customers, team members, suppliers, the communities we serve, our shareholders and other stakeholders.



Woolworths Group is exposed to a range of strategic, operational, compliance and financial related risks associated with operating in a retail environment. We have an enterprise risk management framework which together with corporate governance, provides a sound basis for managing material risks.

The material risks that could adversely affect the Group's performance and reputation are outlined below. Our performance could also be affected by other risks that apply to most Australian businesses and households (e.g. changes to household disposable income). We will continue to evaluate our risk profile and in line with changes to our environment, we may also identify additional material risks that could adversely affect the Group. Further information in relation to risk management can be found throughout the Annual Report and in the Corporate Governance Statement which is available on the Woolworths Group website.

We maintain risk registers for the principal risks faced by the Group which are one of the important components of our governance framework and how we manage our business. As part of our risk management process, key risks are reviewed on a top down and bottom up basis both at the Group and the business level. The content of the risk profiles is considered and discussed and where appropriate, adjusted through regular meetings with senior management. Our material risks contained in risk profiles are reviewed by the Board. The Board considers the most significant risks faced by the Group that may impact the achievement of our six key strategic priorities which are outlined on [page 15](#) of this report.



## Risk management oversight

The diagram below sets out a high level description of how risk governance and management operates at Woolworths Group together with key responsibilities of the Board, the Group Executive Committee, Group Risk, Internal Audit and the businesses. It incorporates the three lines of accountability model, which is how risk is managed at Woolworths Group.



## Material Risks

RISK	MITIGATING ACTIVITIES
<p><b>1. Strategy and competition</b></p> <p>The retail environment remains competitive with technology disruption, new market entrants and rapidly changing customer needs and preferences. This environment creates both opportunities and risks that may impact business performance as we continue to respond to these changes.</p>	<ul style="list-style-type: none"> <li>• The Board reviews and approves our strategies, receives regular updates on progress and provides challenge on the strategic direction of our business. Governance forums including our Delivery Office provide oversight of the delivery of our strategy and key initiatives.</li> <li>• The Group Executive Committee and management regularly review key customer, team member, and supplier metrics, current market trends, price points across competitors, sales propositions, promotions and marketing activity.</li> <li>• Short and long-term incentives are aligned to successfully execute our strategy.</li> </ul>
<p><b>2. Customer and marketplace</b></p> <p>Customers expect connected, personalised and convenient shopping experiences which require our business model to continue to evolve to meet these customer needs.</p> <p>The ongoing change in customer behaviour has been reshaping the retail sector. Growth across our businesses is anticipated to remain volatile in F20 with increasing demand for online services and convenience.</p>	<ul style="list-style-type: none"> <li>• Group-wide customer insights are provided to our Group Executive Committee with consistent approaches to building customer propositions and improving the customer experience.</li> <li>• We regularly monitor customer satisfaction through Voice of Customer surveys at both Group and individual businesses, as well as feedback via our stores, call centres and online channels, which includes qualitative and quantitative customer research. One of our core values is to 'listen and learn'. The CEO and Board receive regular customer complaints analysis and we look at ways to improve.</li> </ul>
<p><b>3. Business transformation</b></p> <p>As we continue to transform the businesses, the successful delivery of our business transformation programs is critical. Pace, agility and working end to end are key to our successful transformation.</p>	<ul style="list-style-type: none"> <li>• Governance forums including our Delivery Office provide oversight of the delivery, monitor progress against plan, key resourcing, capability and critical dependencies.</li> <li>• We have dedicated change management capabilities that assist with evaluating the impact of change on our operations and help implement change management strategies.</li> </ul>
<p><b>4. Socio-political and reputation</b></p> <p>Societal expectations of 'big business' have become increasingly acute over recent years. Our broader corporate reputation is driven by the perceptions of various stakeholders, including the public, non-government organisations and politicians.</p>	<ul style="list-style-type: none"> <li>• Our Government Relations team monitor public policy, reputational trends and aim to incorporate the impact of political and regulatory changes into our strategic planning considerations.</li> <li>• We engage proactively with government stakeholders and regulatory bodies to promote a contemporary understanding of Woolworths and its operation. We communicate our views, and those of our customers and team members, regarding socio-political issues with the aim of informing the public debate so that our perspectives are influential in policy and related decision-making processes.</li> </ul>
<p><b>5. Sustainability</b></p> <p>We endeavour to conduct our business in line with our Purpose, Core Values and agile Ways-of-Working. In this way we aim to deliver sustainable shareholder value with long-term growth. Our commitments to sustainability include practically minimising our impact on the environment and seeking to maintain our reputation as one of Australia's leading companies.</p> <p>While our operations and supply chains are complex, we are committed to managing the rights of workers across our global supply chain.</p> <p>We understand that our business may be impacted by the long-term effects of climate change, which include rising average temperatures as well as increased severity/regularity of extreme weather events, changes to global policy and government regulations and changes to customer needs, preferences and behaviours.</p>	<ul style="list-style-type: none"> <li>• Our Sustainability strategy sets out the commitments we aim to achieve by 2020, with oversight on progress provided by the Board Sustainability Committee.</li> <li>• We are progressively adopting the recommendations of the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures. The evaluation of the long-term implications of climate change are being incorporated into our strategic planning and in the ongoing management of our business risks.</li> <li>• We continue to invest in a range of energy efficiency initiatives across individual businesses which includes monitoring and managing energy consumption across our stores.</li> <li>• We are rolling out and embedding our Responsible Sourcing Program to address human rights-related risks in our supply chain. This includes specific requirements for the use of labour hire for our Australian horticultural suppliers.</li> <li>• Frameworks, standards and processes are in place to govern the responsible and sustainable sourcing of key commodities and we have partnered with the World Wildlife Fund for Nature to improve the sustainable sourcing of Own Brand seafood products.</li> </ul>



RISK	MITIGATING ACTIVITIES
<p><b>6. Safety, health and well-being</b></p> <p>We care about the physical and psychological safety and health of our customers, team members and business partners. We are committed to creating a safe work environment, where people arrive home from work and shopping free from injuries and illness.</p>	<ul style="list-style-type: none"> <li>▪ We have Group safety and health policies, a Safety and Health Governance Framework, and Safety and Health Standards. Each business has engineering controls, procedures, training, personal protective equipment and maintenance requirements to manage their risks.</li> <li>▪ The Board Sustainability Committee is provided with a quarterly update to monitor the effectiveness of the implementation of the Safety and Health policies, standards, plans, risk program, processes, resources, compliance and assurance.</li> <li>▪ We continue to invest to improve safety governance, address risks and develop a culture of care across our business as a key focus for our management team.</li> </ul>
<p><b>7. Product and food safety</b></p> <p>The safety of our customers is paramount. Poor product quality or unsafe products may potentially result in injury, harm or illness to our customers, claims, regulatory impacts and significant reputational damage.</p>	<ul style="list-style-type: none"> <li>▪ We have a Group product safety and new product framework (for Own Brand) with dedicated product and quality teams across our businesses to meet both mandatory and internal safety requirements.</li> <li>▪ All Own Brand suppliers are required to comply with Woolworths' manufacturing requirements.</li> <li>▪ Procedures are in place in how we effectively manage, handle, store, transport, recall and withdraw products. We have a number of training programs in place.</li> </ul>
<p><b>8. People and culture</b></p> <p>Our team members are key to the success of our business, including our ability to build retailers of the future by attracting, retaining and motivating team members with diverse skills, capabilities and backgrounds.</p> <p>To achieve a Customer 1<sup>st</sup>, Team 1<sup>st</sup> mindset, team members need to feel empowered to drive change at pace consistently with our culture to continue to learn and develop.</p>	<ul style="list-style-type: none"> <li>▪ We have a Woolworths Group Purpose, Core Values, agile Ways-of-Working and Code of Conduct, which foster and supports attracting, retaining and motivating team members across the Group.</li> <li>▪ We have workforce plans, conduct regular succession/talent planning sessions and have a focus on career development.</li> <li>▪ We have set targets for gender equity, leadership diversity training and Aboriginal and Torres Strait Islander employment levels as a part of our Corporate Responsibility Strategy commitments.</li> <li>▪ We have various ways in which our teams can raise concerns or seek support, including our Speak Up and Assist programs. Team member engagement surveys are regularly conducted to understand and help us respond to the needs of our team members.</li> </ul>
<p><b>9. Asset and data loss</b></p> <p>A major data or information security breach has the potential to result in unauthorised access, disclosure, loss and/or misuse of customer, supplier, team member and company information which may cause significant business and reputational damage, adverse regulatory and financial impacts and legal proceedings.</p>	<ul style="list-style-type: none"> <li>▪ Our cyber security and business resilience teams monitor, assess and continue to enhance our information and physical security to keep pace with increasing threats.</li> <li>▪ How we collect, use, secure, manage and monitor data and our key systems is governed through our Group Cyber Security, Privacy, Acceptable Use of Information Systems Policy and associated standards.</li> </ul>
<p><b>10. Supplier relationships</b></p> <p>We sell products which are sourced from a wide range of domestic and international suppliers. Effective supplier relationship management is important in delivering the right product proposition to our customers.</p>	<ul style="list-style-type: none"> <li>▪ We work with our suppliers and seek to engage fairly and effectively with them through both internal ways of working and our compliance with regulatory codes such as the Food and Grocery Code of Conduct.</li> <li>▪ Our Voice of Supplier surveys and Supplier Speak Up Program provides mechanisms for our suppliers to respond openly and anonymously with feedback and processes for escalation. Our policy covers both our suppliers and workers in their supply chain.</li> <li>▪ We expect our suppliers to comply with applicable regulatory requirements, including Responsible Sourcing and Quality Standards.</li> </ul>

RISK	MITIGATING ACTIVITIES
<p><b>11. Business interruptions</b></p> <p>As a business and a provider of critical infrastructure, we seek to deliver quality products and services. Business interruptions could impact our operations, our customers, our team members and may cause business and reputational damage with serious financial impacts.</p>	<ul style="list-style-type: none"> <li>• We monitor and respond to threats in the continuity of our operations by natural disasters, weather conditions, power outages, industrial disputes, technology failures, cyber attacks, acts of terrorism and other factors.</li> <li>• The Business Continuity Management Policy and Framework guide our response to major incidents and oversee our recovery plans. We undertake a range of exercises designed to test the ability for our business to respond effectively.</li> <li>• We invest in our technology infrastructure, applications and review our IT recovery plans to enhance our offsite backup and recovery capabilities.</li> </ul>
<p><b>12. Legal, regulatory and governance</b></p> <p>Our operations are subject to a range of laws and regulatory requirements regarding matters such as competition, employment, health and safety, product safety and consumer protection, privacy, anti-bribery and corruption, anti-money laundering, liquor, gaming and the environment. Our compliance with the wide and diverse range of regulatory requirements applicable to our businesses is recognised as important to maintaining our ability to operate sustainably and successfully.</p> <p>From time to time, we may be a party to litigation claims and legal proceedings which may adversely affect our business, reputation and have financial impacts.</p>	<ul style="list-style-type: none"> <li>• Our Group Compliance Framework, along with a range of policies, procedures and business operational compliance plans help us manage our legal and regulatory compliance.</li> <li>• Our Code of Conduct provides a clear statement of our guiding principles for “doing the right thing”. We have new starter and compliance training program and other tools such as our Speak Up whistleblower hotline.</li> <li>• We have a dedicated in-house legal team aligned to businesses and specialist key functional legal areas across the Group.</li> <li>• Our Government Relations team, along with members of the Legal team and other teams, monitor and engage with government and regulatory bodies on proposed changes to the policy and regulatory environment.</li> <li>• We evaluate any litigation claims and legal proceedings to assess our risks on a principled basis and endeavour to manage our exposure to such litigation or other legal proceedings effectively.</li> </ul>
<p><b>13. Financial, treasury and insurance</b></p> <p>The management of liquidity to make payments to team members and suppliers in particular, and the management of capital and availability of funding, are important requirements to support our business operations and growth. In addition, we are exposed to material adverse fluctuations in foreign exchange rates and interest rates, which could impact profitability.</p> <p>Accidents, natural disasters and other events can occur which affect our customers, team members and businesses. Insurance can be used to protect against losses from such incidents.</p>	<ul style="list-style-type: none"> <li>• We have a Board approved Treasury Policy which governs the management of our treasury risks, including liquidity, funding, interest rates, foreign currency, the use of derivatives and counterparty risk. These risks are managed day to day by our Group Treasury function.</li> <li>• Our Group Treasury function manages the purchase of insurance where we determine this is prudent. In some cases, we choose to self-insure risks. This means that in the event of an incident, we cannot make a claim against a third party insurer but we will pay or absorb the losses ourselves. We monitor our self-insured risks and have active programs to help us pre-empt and mitigate losses.</li> </ul>



# Governance

Good corporate governance is central to Woolworths Group's approach to creating sustainable growth and enhancing long-term shareholder value.

Woolworths Group has followed each of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition) throughout the reporting period. Further details are set out in the Corporate Governance Statement, which is available on the Woolworths Group website: [www.woolworthsgroup.com.au](http://www.woolworthsgroup.com.au). The members of the board of directors are set out below. Further information about their skills and experience is set out on pages 37 to 39.



Left to right: Holly Kramer, Michael Ullmer, Gordon Cairns (Chairman), Jillian Broadbent, Scott Perkins, Brad Banducci (CEO), Siobhan McKenna, Kathee Tesija and Jennifer Carr-Smith.

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

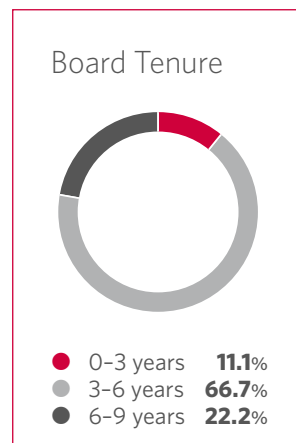
● Chairman of board/committee.

● Member of board/committee.

# Board Skills and Experience

The Board's diverse range of skills, experience and backgrounds supports the effective governance and robust decision-making of the Group. The Board has determined that collectively its directors have skills and experience across the key desired areas listed below. An assessment of the optimum mix of these skills and experience takes place regularly, taking into account the strategic positioning of the Group. Reflecting on the rapid change and disruption taking place across digital, data and technology, the Board highlighted in last year's Annual Report that access to greater operating experience in these areas would complement the Board's strategic oversight of the Group. Ms Carr-Smith's appointment as a director in May 2019 reflects this focus.

SKILL/ EXPERIENCE	SUMMARY	DIRECTORS WITH SKILL/ EXPERIENCE
<b>Retail Markets</b>	Retail knowledge and experience of customer-led transformation in the food, drinks or general merchandise sectors.	
<b>Governance</b>	Experience and a commitment to exceptional corporate governance standards.	
<b>Strategy</b>	Experience defining strategic objectives, assessing business plans and driving execution in large, complex organisations.	
<b>Social Responsibility</b>	Commitment to and experience monitoring programs for social responsibility, carbon emissions reduction, proactive management of workplace safety, mental health and physical well-being, and responsible sourcing.	
<b>Digital, Data and Technology</b>	Expertise and experience in adopting new digital, technologies or implementing technology projects, and digital disruption, leveraging digital technologies or understanding the use of data and data analytics.	
<b>Financial Acumen</b>	Understand financial drivers of the business, and experience implementing or overseeing financial accounting, reporting and internal controls.	
<b>People and Culture</b>	Experience monitoring a company's culture, overseeing the operation of consequence management frameworks, overseeing people management and succession planning, and setting remuneration frameworks.	
<b>Regulatory and Public Policy</b>	Expertise identifying and managing legal, regulatory, public policy and corporate affairs issues.	
<b>Risk Management</b>	Experience anticipating and identifying risks and monitoring the effectiveness of both financial and non-financial risk management frameworks and controls.	



# Board of Directors

---



## Gordon Cairns

MA (Hons)  
University of Edinburgh

INDEPENDENT CHAIRMAN

### Appointed:

1 September 2015

### Background and experience:

Gordon has extensive Australian and international experience as a senior executive, as Chief Executive Officer of Lion Nathan Ltd, and has held senior management positions in marketing, operations, and finance with PepsiCo, Cadbury Ltd, and Nestle.

### Other roles:

Gordon is Chairman of Origin Energy since 2013, a Non-Executive Director of Macquarie Group Limited and Macquarie Bank Limited (since November 2014) and World Education Australia (since November 2007). He is also a former Chairman of the Origin Foundation, David Jones Limited and Rebel Group, Director of the Centre for Independent Studies, Quick Service Restaurant Group and Westpac Banking Corporation, and a senior adviser to McKinsey & Company.



## Brad Banducci

MBA, LLB, BComm (Acc)

CHIEF EXECUTIVE OFFICER

### Appointed:

26 February 2016

### Background and experience:

Brad was appointed Managing Director of Woolworths Food Group in March 2015 followed by Chief Executive Officer of the Group in February 2016. Prior to his appointment, he was Director of the Group's Drinks business between 2012 and March 2015. Brad joined the Group in 2011 after the acquisition of the Cellarmasters Group. He was Chief Executive Officer of Cellarmasters from 2007 to 2011. Prior to this, he was the Chief Financial Officer and Director at Tyro Payments and a Vice President and Director with The Boston Consulting Group, where he was a core member of their retail practice for 15 years.



## Jillian Broadbent AC

BA (Maths & Economics)

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

### Appointed:

28 January 2011

### Background and experience:

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

### Other roles:

Chair of the Board of Swiss Re Life & Health Australia, a Director of Macquarie Group and Macquarie Bank (since November 2018) and Chancellor of the University of Wollongong. Previously, inaugural Chair of the Clean Energy Finance Corporation and a member of the Board of the Reserve Bank of Australia.



## Jennifer Carr-Smith

BA Economics, MBA

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

### Appointed:

17 May 2019  
Standing for election  
2019 AGM

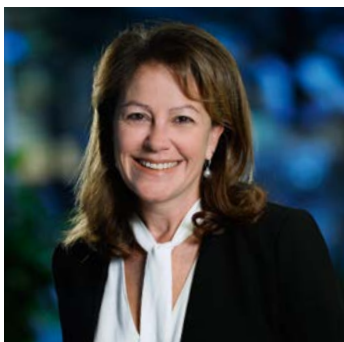
### Background and experience:

Jennifer is a seasoned board director and online retail executive with experience across organisations undergoing rapid growth and transformation in a number of sectors, including consumer packaged goods, apparel and grocery. She was Senior Vice President, General Manager of North America Local at Groupon and President and CEO of Peapod, an online grocery delivery service. Jennifer has over 25 years of digital experience with diverse organisations from start-ups to large global companies.

### Other roles:

Chair of Swap.com, the largest online consignment and thrift store in the US, and a Director of Perdue Farms.





### Holly Kramer

BA (Hons), MBA

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

#### Appointed:

8 February 2016  
Term expires  
2019 AGM

#### Background and experience:

Holly has more than 25 years' experience in executive management, marketing and sales, including roles at the Ford Motor Company (in the US and Australia), Pacific Brands and Telstra. She was Chief Executive Officer of Best & Less, a subsidiary of South African retail group Pepkor.

#### Other roles:

Deputy Chair of Australia Post, a Director of Abacus Property Group (since December 2018) and a member of ASIC's External Advisory Panel (since October 2017). Previously a Director of AMP (October 2015 to May 2018) and Nine Entertainment Co. Holdings (May 2015 to February 2017).



### Siobhan McKenna

B.Ec (Hons), MPhil

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

#### Appointed:

8 February 2016  
Term expires  
2019 AGM

#### Background and experience:

Siobhan has a significant international background in strategy and policy in the public and private sectors. As an executive she has led consumer facing businesses in the media and digital sectors. She was a Commissioner of the Australian Productivity Commission and a Partner of McKinsey & Company.

#### Other roles:

Chairman of Foxtel, Fox Sports and Australian News Channel, a Director of AMCIL (since March 2016) and a Director of Nova Entertainment. Previously a Director of Ten Network Holdings (2012 to March 2017) and NBN Co.



### Scott Perkins

BCom, LLB (Hons)

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

#### Appointed:

1 September 2014

#### Background and experience:

Scott has extensive Australian and international experience as a leading corporate adviser on strategy, mergers and acquisitions and capital markets matters. He held senior executive leadership positions at Deutsche Bank from 1999 to 2013. These included Managing Director and Head of Corporate Finance for Australia and New Zealand, membership of the Asia Pacific Corporate and Investment Bank Management Committee and Chief Executive Officer of Deutsche Bank New Zealand.

#### Other roles:

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



### Kathryn (Kathee) Tesija

BSRMM (Fashion Merchandising)

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

#### Appointed:

9 May 2016  
Term expires  
2019 AGM

#### Background and experience:

Kathee has extensive retail experience in the US market, particularly in merchandising and supply chain management. During a 30-year executive career with Target Corporation in the US, she served as Chief Merchandising and Supply Chain Officer and Executive Vice President, and led the merchandising and supply chain functions. Kathee is a US resident.

#### Other roles:

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



### Michael Ullmer AO

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

INDEPENDENT  
NON-EXECUTIVE DIRECTOR

#### Appointed:

30 January 2012

#### Background and experience:

Michael has extensive strategic, financial and management expertise. He was Deputy Chief Executive at National Australia Bank (NAB) from October 2007 until he stepped down from the bank in August 2011. He joined NAB in 2004 as Finance Director. Prior to NAB, Michael was Chief Financial Officer and then Group Executive for Institutional and Business Banking at Commonwealth Bank of Australia. Before that he was a Partner at KPMG and Coopers & Lybrand.

#### Other roles:

Chairman of Lendlease (Chairman since November 2018, Director since December 2011).



# Group Executive Committee

---



**Brad Banducci**

CHIEF EXECUTIVE OFFICER

Biography available in Board of Directors, refer to [page 38](#).



**Amanda Bardwell**

MANAGING DIRECTOR WOOLIESX

WooliesX includes Woolworths Digital, eCommerce, Customer Loyalty and Customer Services. Amanda joined Woolworths Group in 2001 and during her time has worked across both the Supermarkets and Drinks businesses. Amanda has held positions in general management and specialist senior executive roles across omni-channel retailing, eCommerce, marketing, buying, private label, and business development. Amanda has an MBA from University of New South Wales and a Bachelor of Business from the University of Technology Queensland and is also a member of Chief Executive Women.



**Christian Bennett**

HEAD OF GOVERNMENT RELATIONS & INDUSTRY AFFAIRS

Prior to joining Woolworths Group in November 2017, Christian led government relations efforts for General Electric Inc across South East Asia, Australia and New Zealand, for BHP Billiton Ltd and was Group Executive Public Affairs, Santos Ltd. In government, Christian spent 14 years in Australia's diplomatic service, including postings in southern Africa, Asia and the United States and secondments to the Office of the Foreign Minister and Department of Prime Minister & Cabinet. Christian holds B.LLB (Hons), B.Comm and MBA degrees from the University of Melbourne.



**Natalie Davis**

MANAGING DIRECTOR WOOLWORTHS NEW ZEALAND

Natalie was appointed Managing Director, Woolworths New Zealand in July 2018. Prior to this, Natalie was Chief Customer Transformation Officer, Woolworths Group, leading the development of Customer 1<sup>st</sup> strategies, transformation, and culture. Natalie joined the Group in July 2015 as Director of Customer Transformation, Food Group. Before Woolworths, Natalie was a Partner at McKinsey & Company, where she worked in the UK and Australia for 15 years advising on strategy and commercial transformation. Natalie holds an MBA from INSEAD France, Bachelor of Commerce and Law degrees with Honours, from the University of Sydney, and is also a member of Chief Executive Women.



**Steve Donohue**

MANAGING DIRECTOR ENDEAVOUR DRINKS

Steve has over 25 years' experience in the retail industry and brings a deep appreciation for core retail principles and a strong focus on the customer experience. Steve Donohue was appointed Managing Director, Endeavour Drinks in January 2018. Steve has held a broad range of roles within the Drinks business, starting as a store manager in Dan Murphy's at 19 years old before progressing into senior buying, merchandising and marketing roles. In 2013 Steve moved to New Zealand to work for Countdown before returning to Australia in 2015 to take up the role of Director, Buying and Merchandising, Woolworths Supermarkets.



**Paul Graham**

CHIEF SUPPLY CHAIN OFFICER

Before joining the Woolworths Group in 2016, Paul was Global COO and CEO for Europe, Middle East and Africa, DHL Supply Chain. Paul has also been a board member of one of Australia's largest wholesale and grower produce companies, executive chairman of a large multi-billion dollar global marketing services business headquartered in the UK and has served on various government and university advisory boards. He was awarded the Public Service Medal by the government of Singapore for services to the logistics industry in 2014.



### Steve Greentree<sup>1</sup>

MANAGING DIRECTOR FOODCO AND METRO

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



### John Hunt

CHIEF INFORMATION OFFICER

John joined the Woolworths Group in February 2017, having spent 27 years at Woolworths Holdings in South Africa where he held a range of senior IT, large program management and core retail leadership roles, including CIO and Senior Executive, Food Planning and Value Chain. A graduate from the Cape Peninsula University of Technology in Cape Town, John is a retailer through and through and passionate about how information technology is being optimally used in enabling the business to support both the front line team members as well as ensuring our customers have the best shopping experience.



### Von Ingram

CHIEF CUSTOMER TRANSFORMATION OFFICER

Von Ingram joined Woolworths as Chief Customer Transformation Officer in July 2018, leading transformation and customer first strategy for Woolworths Group. Prior to this, Von was managing director and partner at The Boston Consulting Group (BCG), working in Australia and US retail for 10 years, leading strategy, customer insight and retail transformation roles across a range of retail players in food and general merchandise. Von holds an MBA from Melbourne Business School and has also completed a Bachelor of Commerce, with First Class Honours from the University of Western Australia.



### Caryn Katsikogianis

CHIEF PEOPLE OFFICER

Caryn has over 20 years' experience within HR roles. Caryn joined Woolworths Group in 2004 and has held a number of senior HR roles across Woolworths Group, including BIG W, Supply Chain, Supermarkets, Corporate Support and Food Group. Caryn also held the role of General Manager Business Transformation during this time. Originally from South Africa, Caryn holds a Bachelor of Commerce degree from the University of South Africa. Caryn is also a member of Chief Executive Women.



### David Marr<sup>2</sup>

CHIEF FINANCIAL OFFICER

David joined Woolworths Group in 2011 as General Manager of Finance, Woolworths Supermarkets. He became Deputy CFO in November 2013, then was CFO from February 2014 to August 2019, at which time he commenced in the new role of Chief Operating Officer, Woolworths Group. Prior to joining the Group, David spent three years with Tesco plc in the UK, initially as UK Commercial Finance Director and then as Supply Chain Director - Non Food. David has held a number of senior roles within leading Australian companies, including finance director then sales director at Southcorp Limited and Foster's and CFO at Australian Pharmaceutical Industries. David completed a Bachelor of Financial Administration at the University of New England and is a Chartered Accountant.



### Claire Peters

MANAGING DIRECTOR WOOLWORTHS SUPERMARKETS

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



### Colin Storrie

MANAGING DIRECTOR GROUP PORTFOLIO

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

1 Steve Greentree was appointed Managing Director of New Businesses effective 23 July 2019.  
2 David Marr was appointed Chief Operating Officer effective 1 August 2019.

**Other key appointments:**  
Stephen Harrison was appointed Chief Financial Officer effective 1 August 2019.  
Andrew Hicks was appointed Chief Marketing Officer effective 27 June 2019.  
Guy Brent was appointed Managing Director of FoodCo and Metro effective 23 July 2019.



## Directors' Statutory Report

This is the report of the directors of Woolworths Group Limited (the 'Company') in respect of the Company and the entities it controlled at the end of, or during, the financial period ended 30 June 2019 (together referred to as the 'Group').

### PRINCIPAL ACTIVITIES

The Group operates primarily in Australia and New Zealand, with 3,292 stores and approximately 196,000 employees at year end. The principal activities of the Group during the year were retail operations across:

- **Australian Food:** operating 1,024 Woolworths Supermarkets and Metros
- **Endeavour Drinks:** operating 1,577 stores under Dan Murphy's, BWS, and Summergate brands. The Group also operates Cellarmasters, Langtons and winemarket.com.au online platforms
- **New Zealand Food:** operating 180 Countdown Supermarkets as well as a wholesale operation which supplies a further 69 stores
- **BIG W:** operating 183 BIG W stores
- **Hotels:** operating 328 hotels, including bars, dining, gaming, accommodation and venue hire operations

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

### THE DIRECTORS AND MEETINGS OF DIRECTORS

The table below sets out the directors of the Company and their attendance at board and committee meetings during the financial period ended 30 June 2019.

DIRECTOR	BOARD MEETINGS				AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE		PEOPLE PERFORMANCE COMMITTEE		SUSTAINABILITY COMMITTEE		NOMINATION COMMITTEE	
	SCHEDULED		SHORT-NOTICE		(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
	(A)	(B)	(A)	(B)								
<b>Non-executive Directors</b>												
G M Cairns	11	11	4	4	4	4	5	5	4	4	2	2
J R Broadbent AC	11	11	4	4	4	4	-	-	4	4	2	2
J C Carr-Smith <sup>1</sup>	1	1	1	1	-	-	-	-	-	-	-	-
H S Kramer	11	11	4	4	-	-	5	5	4	4	2	2
S L McKenna	11	11	4	3	4	4	5	5	-	-	2	2
S R Perkins	11	11	4	4	4	4	5	5	4	4	2	2
K A Tesija	11	11	4	3	-	-	5	5	4	4	2	2
M J Ullmer AO	11	11	4	3	4	4	-	-	4	2	2	2
<b>Executive Director</b>												
B L Banducci	11	11	4	4	-	-	-	-	-	-	-	-

(A) Number of meetings eligible to attend.

(B) Number of physical meetings attended.

<sup>1</sup> Appointed on 17 May 2019.

Directors also attend meetings of committees of which they are not a member. This is not reflected in the table above. Details of director experience, qualifications and other listed company directorships are set out on [pages 38 to 39](#).

### COMPANY SECRETARY

Marcin Firek was appointed Company Secretary in January 2017.

He has held executive, HR, company secretarial and legal roles across a number of major listed companies. He is a Fellow of the Governance Institute of Australia and co-author of its guide to managing continuous disclosure.

Marcin holds a BEc LLB from Macquarie University.

## ENVIRONMENTAL REGULATION

The Group's operations are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its states and territories. The Group is also subject to various state and local government food licensing requirements, and may be subject to environmental and town planning regulations incidental to the development of shopping centre sites. The Group has not incurred any significant liabilities under any environmental legislation.

## DIRECTORS' AND OFFICERS' INDEMNITY/INSURANCE

- (i) The Constitution of the Company provides that the Company will indemnify to the maximum extent permitted by law, any current or former director, secretary or other officer of the Company or a wholly owned subsidiary of the Company against:
- (a) any liability incurred by the person in that capacity; (b) legal costs incurred in defending, or otherwise in connection with proceedings, whether civil, criminal or of an administrative or investigatory nature in which the person becomes involved because of that capacity; and (c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties.
- (ii) Each director and officer has entered into a Deed of Indemnity, Access and Insurance that provides for indemnity against liability as a director or officer, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the director or officer to access company documents and records, subject to undertakings as to confidentiality, and to receive directors' and officers' insurance cover paid for by the Company.
- (iii) During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring directors and officers, and any persons who will insure these in the future, and employees of the Company and its subsidiaries, against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

## NON-AUDIT SERVICES

During the period, Deloitte Touche Tohmatsu Australia, the Company's auditor, have performed certain other services in addition to their statutory duties. The board is satisfied that the provision of those non-audit services during the period by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) or as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks or rewards. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 6.3 to the financial statements.

## OTHER INFORMATION

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

- Operating and Financial Review details on [pages 2 to 41](#) inclusive in the Annual Report
- Details of dividends, including the Dividend Reinvestment Plan (DRP) and shares issued as a result of the DRP, as outlined in Note 4.2 and Note 4.3 to the financial statements
- Matters subsequent to the end of the financial period as outlined in Note 6.4 to the financial statements
- Directors' interests in shares and performance rights as set out in Sections 5.2 and 5.3 of the Remuneration Report. These remain unchanged as at 1 August 2019
- Performance rights granted during the financial period and subsequent to year end as outlined in Note 6.2 to the financial statements
- Remuneration Report from [pages 44 to 65](#)
- Auditor's Independence Declaration on [page 66](#).

This Report is made in accordance with a Resolution of the Directors of the Company and is dated 29 August 2019.



**Gordon Cairns**  
Chairman



**Brad Banducci**  
Chief Executive Officer



# Remuneration Report

Dear Shareholder,

This year's remuneration outcomes reflect the results of the Financial Year 2019 and our three-year transformation journey from F17 to F19. In both cases, we believe the outcomes reflect not only the business performance over the relevant periods, but also strong alignment with the outcomes for our shareholders, customers and team.

## Transformation Incentive Program (TIP)

At the outset of our transformation journey (1 July 2016), the Board introduced a new Long Term Incentive (LTI) plan with a number of objectives in mind: (1) to reward executives should they be successful in significantly reversing a period of business underperformance versus competitors; (2) to address the key drivers of past underperformance by refocusing the new incentive program on sales productivity (Sales per Square Metre) and disciplined capital investment (Return on Funds Employed); and (3) to set challenging targets, aligned with the results achieved by other successful global retail turnarounds.

The first of the two awards made under the TIP was tested for vesting in July 2019. As a result of excellent progress on the Group's transformation over this three year period, 78.4% of performance rights have vested with an aggregate outcome between target and stretch. The Board is particularly pleased with the significant value we have delivered to shareholders over this period, with TSR growth of 64% (and 60% share price growth), reflecting top quartile relative total shareholder returns. It is worth highlighting that this is the first time in five years that an LTI award has vested to our Executive KMP.

## Short Term Incentives (STI)

Our STI program includes five equal and independent measures which we believe reflect the important financial and non-financial drivers of business performance and the creation of shareholder value: Customers, Safety, Sales (including online), EBIT and Working Capital. The STI also considers the executives' contribution to the Woolworths Group culture, expressed as our Ways-of-Working and Core Values. F19 was a solid year for the business. Despite challenging trading conditions, particularly in the first half, we gained market share through the year. We achieved a 3.3% improvement in Sales and EBIT growth of 5%. Our average Underlying Trade Working Capital improved by 1.2 days, customer satisfaction improved by 3.7%, but our safety performance fell short of target. Consistent with this performance and reflecting the challenging targets that we set, the STI outcome for the Group was 68.1% of target.

## Remuneration Changes for F20

Given the dynamic environment in which we operate, the Board reconsiders each year the measures that we use to reward short and long-term performance so that they reflect the most relevant drivers of value in our business. And while we are satisfied that the current remuneration framework is still aligned to our business strategy and is delivering the desired result, we are making a few changes to the STI measures for F20.

First, we will narrow the Working Capital measure to Inventory (days) so we can sharpen our focus on productive inventory management throughout the Group. Second, we will increase the weighting of our online sales on total Customer Satisfaction from 25% to 30% , reflecting the importance of our digital strategy on our future success. Following the updates we made to our remuneration framework from F19, we have chosen not to make any changes to our LTI plan at this time.

## Risk and Conduct

Finally, this year the Board has spent time learning from the experience of other organisations, and we have strengthened our assessment of conduct risk when determining individual incentive outcomes. We strongly believe that the Board has an important role to play in setting the standard expected of our team by ensuring there are personal consequences for inappropriate behaviour. Therefore, the Board reviews each executive's performance and applies discretion to their incentive outcomes based on the combination of their business contribution, Ways-of-Working and personal conduct.



**Holly Kramer**

Chair - People Performance Committee

# Remuneration Report 2019

## Table of Contents

<b>1</b>	<b>2019 REMUNERATION AT A GLANCE</b>	
1.1	Our Strategic Priorities	46
1.2	How we Performed and Remuneration Received	47
<b>2</b>	<b>EXECUTIVE KMP REMUNERATION</b>	
2.1	Overview of F19 Remuneration Framework	50
2.2	What we paid Executive KMP in F19 and progress on Minimum Shareholding Requirements	53
2.3	Terms of Executive KMP service agreements	56
2.4	F20 Outlook	56
<b>3</b>	<b>GOVERNANCE</b>	
3.1	Role of the Board	57
3.2	Role of the People and Performance Committee (PPC)	57
3.3	Treatment of Unvested Equity Awards upon Exit	58
3.4	Other Governance Requirements	58
<b>4</b>	<b>NON-EXECUTIVE DIRECTORS' ARRANGEMENTS</b>	
4.1	Non-executive Directors' Remuneration Policy and Structure	59
4.2	Non-executive Directors' Minimum Shareholding Requirement	59
4.3	Non-executive Directors' Equity Plan	59
<b>5</b>	<b>KMP STATUTORY DISCLOSURES</b>	
5.1	KMP Remuneration	60
5.2	KMP Share Right movements	62
5.3	KMP Share Movements	63
5.4	Share Rights Outstanding for Executive KMP	64

### Who is covered by this Report?

The Remuneration Report outlines Woolworths Group's remuneration framework and the outcomes for the year ended 30 June 2019 for our Key Management Personnel (KMP). KMP have the authority and responsibility for planning, directing and controlling the activities of Woolworths Group. This includes the CEO, CFO, Managing Directors of our largest businesses and the Managing Director Group Portfolio, and Non-executive Directors (NEDs). In this report, the term 'Executive KMP' refers to the CEO, CFO and Managing Directors of our largest businesses and the Managing Director Group Portfolio.



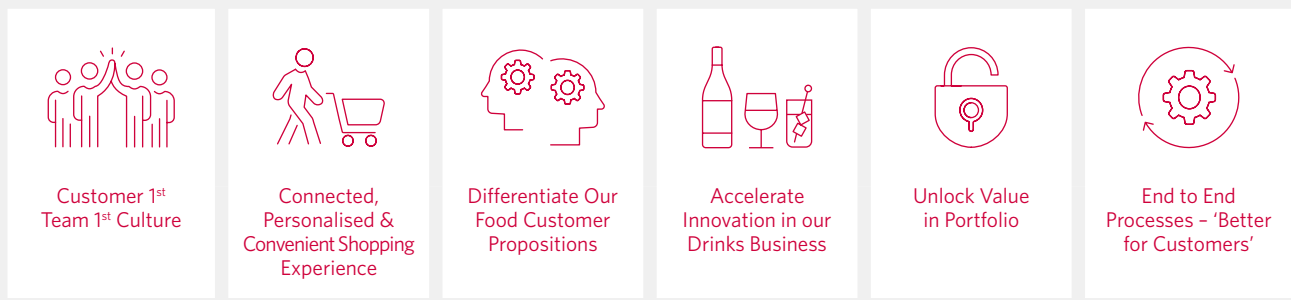
# 1 2019 REMUNERATION AT A GLANCE

## 1.1 OUR STRATEGIC PRIORITIES

Our remuneration framework is designed to support Woolworths Group's strategic priorities. We have a clear set of principles which guide our remuneration decision and design. As we operate in a dynamic and rapidly evolving market, we revisit our approach to remuneration on a regular basis so that we are aligned to market expectations and business objectives.

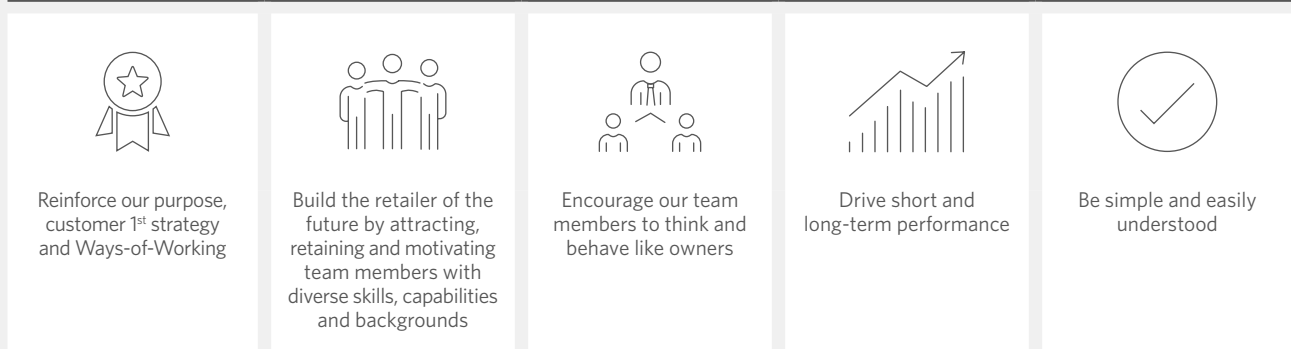
### Strategic priorities

**Our purpose: We create better experiences together for a better tomorrow**



### Remuneration principles

**Objective: Support Business Transformation**



### Remuneration framework

**Our Remuneration Framework Supports the Strategy**

#### Total Fixed Remuneration (TFR)

**TFR Consists of Base Salary, Superannuation and Car Allowance**

TFR is set in relation to the external market and takes into account:

- size and complexity of the role
- individual responsibilities
- experience and skills.

Target TFR positioning is median of our Comparator Group, which includes the ASX25 plus additional reference as required to major national and international retailers.

#### Short Term Incentive (STI)

**50% of the STI is delivered in cash and the remaining 50% is deferred in share rights for two years**

STI Balanced Scorecard, with 60% Weighted on Financial objectives 40% on Non-financial objectives:

- Sales (20%)
- EBIT (20%)
- Working Capital (20%)
- Customer Satisfaction (20%)
- Safety (20%)

Individual performance includes assessment against business and Ways-of-Working goals.

#### Long Term Incentives (LTI)

**Performance rights vesting after three years**

LTI supports alignment to long-term overall company performance and is consistent with strategic business drivers and long-term shareholder return.

Consists of three equally weighted measures:

- Relative TSR
- Sales Per Square Metre
- Return on Funds Employed (ROFE)

### Remuneration governance

The Board actively reviews our remuneration principles and framework and may apply discretion so that it effectively delivers appropriate outcomes for our shareholders, customers and team.



## 1.2 HOW WE PERFORMED AND REMUNERATION RECEIVED

This section provides a summary of F19 remuneration and performance outcomes and actual remuneration earned for our Executive KMP. This includes the STI and LTI outcomes and the link to performance.

### F19 Executive KMP

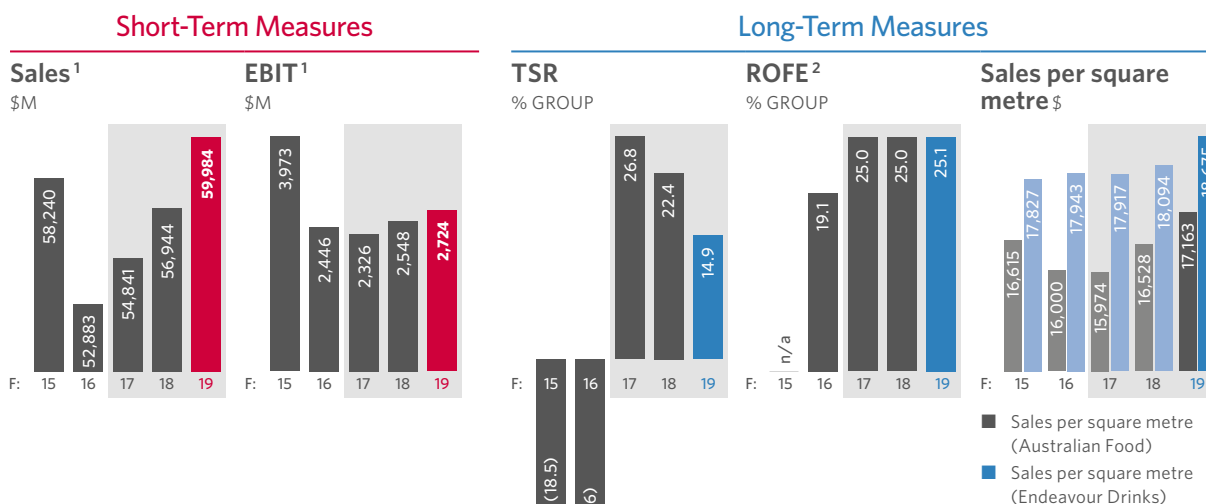
The table below presents the remuneration paid to, or vested for, Executive KMP in F19.

EXECUTIVE KMP	TOTAL FIXED REMUNERATION	RELOCATION & OTHER BENEFITS	F19 CASH STI	VESTED F17 DEFERRED STI	VESTED F17-19 LTI	OTHER SHARE RIGHTS VESTED	TOTAL
<b>Brad Banducci</b> Chief Executive Officer	2,584,832	-	973,830	2,105,761	6,935,917	-	12,600,340
<b>Stephen Donohue</b> Managing Director, Endeavour Drinks	963,498	-	294,805	-	2,052,973	-	3,311,276
<b>David Marr</b> Chief Financial Officer	1,244,749	-	446,906	509,340	3,355,556	-	5,556,551
<b>Claire Peters</b> Managing Director, Woolworths Supermarkets	1,301,499	110,858	442,650	-	1,755,980	1,447,658	5,058,645
<b>Colin Storrie</b> Managing Director, Group Portfolio	849,749	-	346,595	-	2,353,321	-	3,549,665

Further detail of individual remuneration outcomes is provided on [page 53](#) of this report.

### Group Five Year Performance Summary

The remuneration outcomes for our Executive KMP varies with short-term and long-term performance outcomes. The graphs and table below show the link between Executive KMP remuneration and the Group's core financial performance measures over the past five years. There were no LTI awards due to vest in F15 and F16. In F17 and F18, the awards did not meet the performance hurdles which resulted in zero vesting.



### STI and LTI Outcomes

	F15	F16	F17	F18	F19
STI (average % of Target) <sup>3</sup>	-	-	114.2	98	71.5
LTI (% of maximum) <sup>4</sup>	n/a	n/a	-	-	78.4

1 From continuing operations before significant items. F15 sales and EBIT includes the results of the Petrol business which was reported as a discontinued operation from F17 (with F16 comparatives restated).

2 For the Group before significant items.

3 Based on the average STI outcome for Executive KMP. Outcomes are a percentage of target including individual performance modifiers.

4 Based on the percentage of the maximum LTI award which vested.



## Remuneration Report

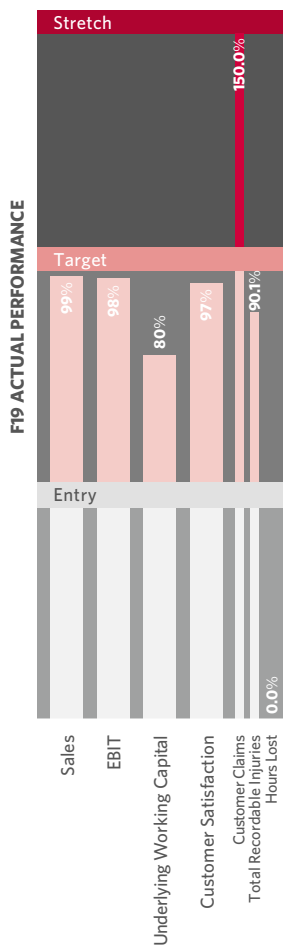
### 1.2 HOW WE PERFORMED AND REMUNERATION RECEIVED

#### Performance against: F19 STI Measures

The STI balanced scorecard includes a mix of metrics, with 60% weighting on financial metrics and 40% weighting on non-financial metrics. The metrics are reviewed annually by the Board so that they remain fit for purpose and continue to drive our strategic agenda over the annual performance period.

Reflective of Group performance, the F19 Business STI outcome is below target performance:

**68.1%** of Target  
45.4% of Max



#### Sales

Despite challenging trading conditions, particularly in the first half, Woolworths' performance improved in the second half. Sales growth was achieved in all businesses, with Australian Food 3.1%, Endeavour Drinks 3.2%, NZ Food 2.3%, BIG W 4.3% and Hotels 1.8% on a comparable 52-week basis. Sales performance for the Group for F19 was \$60,464 million, representing a growth of 3.3% on a comparable 52-week basis and an **overall outcome 99% of target performance**.

ENTRY: \$60,367M	TARGET: \$61,057M	STRETCH: \$61,746	ACTUAL F19: \$60,464M <sup>1</sup>
------------------	-------------------	-------------------	------------------------------------

<sup>1</sup> Sales for the purposes of determining performance for the STI scorecard includes sales from certain legal form agency arrangements that are presented on a gross basis and excludes other operating revenue.

#### Earnings Before Interest and Tax (EBIT)

Following a challenging first half with 1% earnings growth, in the second half we achieved 10% normalised growth, delivering a result above Entry. Earnings were significantly below target for Endeavour Drinks, with Australian Food, BIG W and Hotels also missing target. EBIT for the Group was \$2,724 million, representing growth of 5.0% on a comparable 52-week basis and an **overall outcome of 98% of target performance**.

ENTRY: \$2,703M	TARGET: \$2,777M	STRETCH: \$2,851M	ACTUAL F19: \$2,724M <sup>1</sup>
-----------------	------------------	-------------------	-----------------------------------

<sup>1</sup> EBIT from continuing operations before significant items.

#### Underlying Working Capital

Trade Payables drove a significant portion of improved underlying Trade Working Capital (TWC) performance, benefiting from an increased focus on trading terms in recent years. Inventory days were also positive, primarily through achieving faster stock-turns on broadly flat inventory levels, with higher inventory in Endeavour Drinks and BIG W declining through the second half. For F19, average underlying TWC improved by 1.2 days, with an **overall outcome of 80% of target performance**.

ENTRY: 0.9DAYS	TARGET: 1.5DAYS	STRETCH: 2.1DAYS	ACTUAL F19: 1.2DAYS <sup>1</sup>
----------------	-----------------	------------------	----------------------------------

<sup>1</sup> Underlying TWC excludes impact of improved on-time supplier payments, reflected in reported average TWC.

#### Customer Satisfaction

Customer satisfaction improved across all businesses, but performance was hampered particularly in Australian Food due to the impact of drought and flood conditions on the quality and supply of fresh food. For F19, Australian Food improved by 4 pts, and both Woolworths New Zealand and Endeavour Drinks (BWS and Dan Murphy's) improved by 2 pts. For F19, weighted average for Voice of Customer (VOC) Net Promoter Score (NPS) was 52.7, with an **overall outcome of 97% of target performance**.

ENTRY: 52.0	TARGET: 54.5	STRETCH: 57.0	ACTUAL F19: 52.7
-------------	--------------	---------------	------------------

#### Safety

We are pleased by the reduction in the number of customer claims achieving Stretch performance at 150% of target. Team member Total Recordable Injuries improved from last year but missed target by 32 injuries achieving between Entry and Target at 90%. We are concerned about the deterioration in our hours lost compared to last year resulting in below Entry performance. The F19 overall outcome for Safety was **80% of target performance**.

	ENTRY	TARGET	STRETCH	ACTUAL F19
1	0%	4%	8%	6%
2	0%	5%	10%	4.5%
3	0%	4%	8%	0%

<sup>1</sup> Improvement in Customer claims.  
<sup>2</sup> Improvement in Total Recordable (team member) Injuries.  
<sup>3</sup> Improvement in Hours Lost.

Executive KMP STI outcomes are determined based on business and individual performance. When assessing individual performance, the Board reviews 'what' the executive has achieved, which is largely their contribution to business performance and delivery of strategic priorities. The Board also considers 'how' these outcomes have been achieved, through demonstration of the Group's Ways-of-Working and Core Values (see page 53 of this report for further detail on individual Executive KMP performance). The Board's assessment of individual performance may reduce the outcome for the executive to zero for below Entry level performance, or it may increase the outcome to 150% for Stretch level performance.

1.2 HOW WE PERFORMED AND REMUNERATION RECEIVED

**Performance against: F17 LTI Measures**

The F17 Transformation Incentive Plan (TIP) was granted in July 2016. The Plan was put in place to help drive the Group's transformation strategy and was underpinned by three key equally weighted performance measures, Relative TSR, ROFE and Sales per Square Metre. We set challenging performance targets against each measure, so that maximum outcomes would only be delivered if very demanding stretch objectives were achieved.

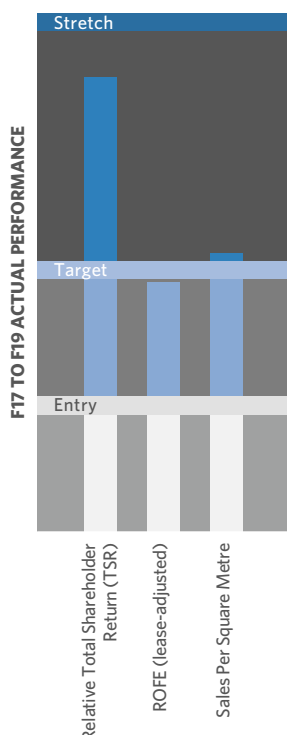
Below is a summary of the key features of F17 TIP:

- The number of performance rights were awarded at face value equal to 200% of Total Fixed Remuneration at 1 July 2016, using the 5 day Volume Weighted Average Price (VWAP) up to and including 1 July 2016 (\$20.73).
- The allocated performance rights represented the maximum number of rights that could vest subject to performance against the set measures and Board approval.
- The vesting schedule for entry, target and stretch performance is shown below:

	rTSR	SALES/SQM	ROFE
Entry	11.66%	11.66%	11.66%
Target	16.66%	16.66%	16.66%
Stretch	33.33%	33.33%	33.33%

Reflective of performance of the F17 LTI Award which vested in July 2019, above target performance:

**156.8%** of Target  
78.4% of Max



**RELATIVE TOTAL SHAREHOLDER RETURN (rTSR)**

In order to achieve full vesting, Woolworths Group's TSR needed to be at the 90<sup>th</sup> percentile of the comparator group and meet the share price gateway, of greater than \$20.85 at testing date of 1 July 2019. Woolworths Group 5 day VWAP share price up to and including 1 July 2019 was \$33.22, easily achieving the required gateway price. TSR improved by 64% over the performance period, ranking Woolworths Group at number 4 in our peer group, which was 89<sup>th</sup> percentile performance. This was the strongest performing measure of the TIP over the three-year period, delivering shareholder value well above market.

SHARE PRICE GATE: MINIMUM SHARE PRICE \$20.85		ACTUAL RESULT: \$33.22	
ENTRY: 50TH PERCENTILE	TARGET: 60TH PERCENTILE	STRETCH: 90TH PERCENTILE	ACTUAL RESULT: 89TH PERCENTILE

**RETURN ON FUNDS EMPLOYED (ROFE) (LEASE-ADJUSTED)**

F19 ROFE (lease adjusted) performance was achieved with close to double digit (9.5%) earnings growth in F18, following a final year of food margin rebase in F17. Earnings growth of 5% was delivered in F19 following a strong H2, impacted by trading challenges in H1.

**Overall For F19 ROFE (Lease-adjusted) was 13.76%. This represents a 20 bps improvement in lease adjusted ROFE over the three-year period.**

In determining ROFE (lease adjusted) performance, adjustments have been applied to exclude Petrol earnings and Funds Employed from the metric given this business was not part of the Group at the end of the performance period. Excluding Petrol reduced the ROFE (lease adjusted) Target for F17 TIP by 9 bps, which increased overall vesting by 0.4%.

ENTRY: 13.6%	TARGET: 14.0%	STRETCH: 15.7%	ACTUAL RESULT: 13.76% <sup>1</sup>
--------------	---------------	----------------	------------------------------------

<sup>1</sup> Lease-adjusted ROFE uses a simplified lease adjustment to ensure consistency and transparency over the plan period.

**SALES PER SQUARE METRE**

This metric measures sales productivity improvements delivered through a better customer experience. Pleasingly, sales per square metre has improved for each of Australian Food, New Zealand Food and Endeavour Drinks over all three years of the performance period.

**Overall Sales per square metre was \$16,913, representing growth of 7% on a three-year basis.**

There were two material changes in measurement methodology through the performance period, for which adjustments have been applied to ensure that the reward outcome for executives fairly reflects business performance. The first related to the accounting treatment of Agency sales, which was applied in our Statutory Accounts from F17, and the second to a review of store trading space in Australia and New Zealand carried out in the period. The net impact of these methodology changes was a 0.8% reduction in actual sales per square metre performance, which decreased overall vesting by 1.3%.

ENTRY: \$16,120	TARGET: \$16,423	STRETCH: \$16,955	ACTUAL RESULT: \$16,913
-----------------	------------------	-------------------	-------------------------



## 2 EXECUTIVE KMP REMUNERATION

### 2.1 OVERVIEW OF F19 REMUNERATION FRAMEWORK

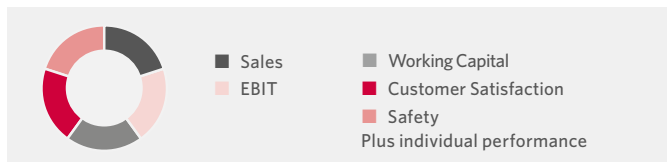
This section provides an overview of our F19 remuneration framework. We have also included detail on how the performance metrics of our STI and LTI plans help support our short-term and long-term objectives.

#### Our Approach & Rationale: Short Term Incentive

We believe that alignment of our STI arrangements from the CEO through to our store teams is a key symbol of our customer 1<sup>st</sup> and team 1<sup>st</sup> approach to transforming our business. This has resulted in increased engagement and accountability across the business in general and maintained focus on our key areas of performance. All measures and targets are reviewed annually so that STI drives the right outcomes each year.

#### Assessing business performance:

Five equally weighted business scorecard measures that drive outcomes for shareholders, customers and our team:



#### Delivering for our customers and team:

##### Customer Satisfaction with 25% weighting to Online

At Woolworths, our strategy is underpinned by great customer experiences. Our success is dependent on us delivering convenient ways to shop, and competitive prices for our customers so they continue to choose us over our competitors. Our online platforms are key to delivering new and improved ways customers can shop with us. Customer feedback measures for F19 have been broadened to include NPS to better measure progress against our ambition to deliver 'consistently good' shopping experiences. We use Voice of Customer (VOC) and Net Promoter Score (NPS) methodology weighted 25% to our online customers and 75% to our in-store customers to measure overall customer satisfaction.

##### Safety

Safety performance is measured using three equally weighted measures, which includes improvement in: (i) Customer Claims; (ii) Total recordable (team member) injuries; and (iii) Hours Lost. In F19 we moved from measuring frequency rates to the number of injuries so that our measures are easier to understand and communicate. Hours lost was a new metric included in the overall Safety performance to help us understand both the frequency and severity of injuries.

#### Delivering for our shareholders:

##### Sales, EBIT and Working Capital

It is critical for the success of our business to constantly work towards improving not only the efficiency of our team, but the productivity of the store's selling space and our inventory management. We include financial measures into 60% of our balanced scorecard for STI. Sales, earnings before interest and tax (EBIT) and underlying working capital performance combine to support strong financial performance for our shareholders.

#### Assessing individual performance:

Three equally weighted categories of goals are used to review performance:

- Business strategy goals capture how individuals contribute to the initiatives and projects that will transform our business for the future
- Ways-of-Working and people goals capture how business and strategic goals have been delivered, and how leaders set their team's up for success
- Business performance goals capture how individuals contribute to the performance of the business within the year

#### Delivering STI Outcomes:

Depending on business and individual performance:

- Zero for below entry performance
- 50% of STI target for entry performance
- 100% of STI target for target performance
- 150% of STI target for maximum performance

This gives the Board sufficient opportunity to vary STI outcomes so they reflect differing levels of performance, without driving inappropriate behaviours. The Board also has discretion to vary STI awards due to factors that are beyond these performance measures to ensure rewards appropriately reflect complete performance.

STI awards are delivered:

- 50% as cash
- 50% deferred in share rights for two years

The 50% deferred component is a risk management lever to facilitate malus policy application during the deferral period. It also supports share ownership.

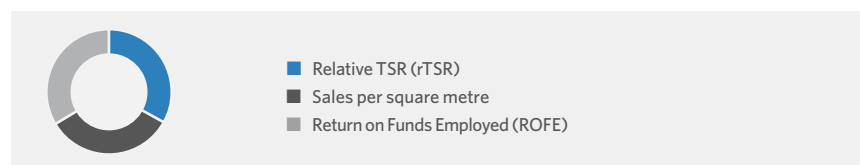
## 2.1 OVERVIEW OF F19 REMUNERATION FRAMEWORK

### Our Approach & Rationale: Long Term Incentive

The Woolworths Incentive Share Plan (WISP) replaced the Transformation Incentive Plan (from F19) and focuses on delivery of long-term goals.

#### Assessing business performance:

It rewards executives subject to performance against three equally weighted measures over a three year performance period:



#### Relative TSR (rTSR)

Relative TSR is used as a measure in our LTI plan to align executive outcomes and long-term shareholder value creation. The peer group is the ASX30 excluding metals and mining companies. Peer group ranking at the 75<sup>th</sup> percentile or higher 100% vesting is achieved and ranking at the median 50% vesting is achieved. Between the 75<sup>th</sup> and median, pro-rata vesting is achieved from 50% to 100%. Peer group ranking below the median results in zero vesting.

#### Sales per square metre (SQM)

Sales per square metre measures sales productivity improvements across the Food and Drinks businesses. Efficient use of our physical network for in-store and online sales is core to our success.

#### Return on Funds Employed (ROFE) (Lease-Adjusted)

ROFE is an important measures to drive behaviours consistent with the delivery of long-term shareholder value. ROFE improvements can be delivered through earnings growth as well as the disciplined allocation of capital and management of assets, which is important for a business that is building capabilities for the future. Lease-adjusted ROFE measures the balance between our earnings growth and the disciplined allocation and application of assets used to generate those earnings. We adjust for leases to recognise that a very significant portion of our sites are leased. This approach is also similar to the accounting standard definition of ROFE that will change to incorporate a lease-adjusted definition from F20.

The vesting schedule for these measures is:

	rTSR	SALES/SQM	ROFE
Entry	16.66%	6.66%	6.66%
Target	n/a	20%	20%
Stretch	33.33%	33.33%	33.33%

The Sales/SQM and ROFE targets are published following the end of the performance period given the commercial sensitivity of this information.

#### Considering individual performance:

The Board has discretion to adjust the vesting outcome for individuals, which may be reduced (including to zero) if there have been cases of inappropriate behaviour or risk management. These would be the most serious of cases that would not have been adequately dealt with through normal performance management or consequence frameworks.

#### Delivering LTI Outcomes:

Executive KMP are awarded a maximum value of 170% of TFR as at the beginning of the performance period. Awards are made at face value based on the five-day VWAP up to and including 1 July at the beginning of the performance period, as performance rights. Dividends (in the form of additional shares) accrue over the performance period and vest subject to the above performance conditions. The deferred nature of LTI arrangements also provides a risk management lever to facilitate malus policy application during the performance period.

### Our Approach & Rationale: Total Fixed Remuneration

- TFR is positioned at the median, and Total Maximum Remuneration at the 75<sup>th</sup> percentile through variable pay where outstanding performance is delivered.
  - Our comparator peer group includes ASX 25 plus additional reference as required to major national and international retailers.
- When setting remuneration, the Board takes the overall market position as a guide and also references other factors such as competition for skills, internal relativities, potential and strategic impact.

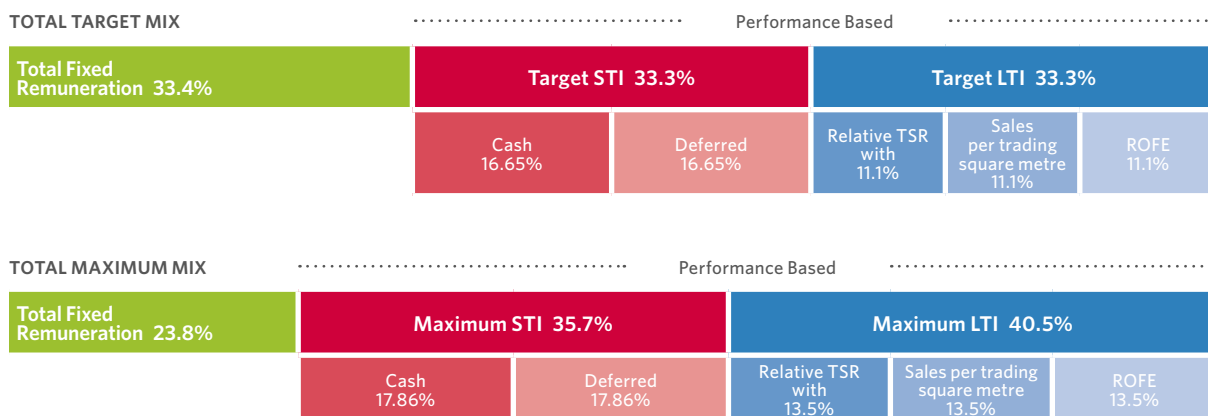


## Remuneration Report

### 2.1 OVERVIEW OF F19 REMUNERATION FRAMEWORK

#### What is the remuneration mix for Executive KMP?

The remuneration mix for Executive KMP is weighted towards variable remuneration to support a significant focus on achieving our transformation objectives. 67% of the remuneration is performance-based pay. This represents both the STI and LTI as a percentage of total remuneration, with 75% of performance-based pay delivered as deferred equity.



## 2.2 WHAT WE PAID EXECUTIVE KMP IN F19 AND PROGRESS ON MINIMUM SHAREHOLDING REQUIREMENTS

The following pages compare target, maximum and actual remuneration received during F19 for the current Executive KMP. Amounts include:

- Total fixed remuneration received (including cash salary, superannuation, car allowance and premium for Directors' and Officers' indemnity insurance)
- Relocation and other benefits received
- Cash STI received as a result of business and individual performance in F19 (versus the target cash STI value)
- Equity that vested during the year at face value (versus the maximum initial award face value) for each plan
- Equity granted in F19 and all unvested equity awards (Share Rights for Deferred STI and Performance Rights for LTI)

In F19 the F17 Deferred STI (DSTI) plan vested for our Executive KMP. This included the portion of the F17 STI award deferred as share rights and vested on 1 July 2019. For the CEO this represented 50% of the F17 STI award and for other Executive KMP this was 25% of their STI award. The LTI award which vested in F19 was the F17 TIP award. Details of the vesting outcome of this award is provided on page 49. The Executive KMP summaries show the vested face value of the F17 TIP award using both the share price at grant (\$20.73) and the share price at vesting (\$33.22). The significant 60% uplift in share price and the accumulated dividends (allocated in the form of shares) are the contributing factors of the greater actual LTI vested value in comparison to maximum LTI shown in the summaries below. Similarly the vested face value of the F17 DSTI award uses the share price at vesting. Again, the increase in share price from the grant date and the accumulated dividends (additional shares) is the reason for the greater actual DSTI vested value in comparison to the target and maximum DSTI shown below.

In addition, the individual tables below show the progress against the Minimum Shareholding Requirements (MSR). This includes the aggregate value of current shareholdings and deferred unvested STI awards for Executive KMP. Calculations have been made using Woolworths Group 5-day VWAP up to and including 1 July 2019 of \$33.22. Further detail on the MSR requirements are included in section 3.4.

LEGEND	TFR	Relocation & other benefits	Cash STI	Vested DSTI	Vested LTI (vested value)	Vested LTI (grant value)	Other share rights vested
--------	-----	-----------------------------	----------	-------------	---------------------------	--------------------------	---------------------------

Brad Banducci CHIEF EXECUTIVE OFFICER		Term as KMP: Full Year					
<b>Actual remuneration received for F19 v Target and Maximum (\$'000)</b>							
Actual Remuneration	2,585	974	2,106	6,936	12,601		
	Vested F17-19 LTI using the share price at grant date			4,328			
Target Remuneration	2,600	1,300	1,510	2,500	7,910		
Maximum Remuneration	2,600	1,950	1,510	5,000	11,060		
<b>Progress on Minimum Shareholding Requirement (MSR) as at 1 July 2019 (\$'000)</b>	<b>Equity Granted (\$'000)</b>			<b>Unvested LTI &amp; STI Awards (\$'000)</b>		<b>Vested LTI and STI Awards (\$'000)</b>	
<b>ACTUAL</b> \$5,442	F19 DSTI	\$974	F18 DSTI	\$1,554	F17 DSTI	\$2,106	
<b>TARGET</b> \$5,200	F19 LTI	\$4,829	F18 LTI	\$6,974	F17 LTI	\$6,936	
Compliance by 1 July 2022	<b>Total value</b>	<b>\$5,803</b>	F19 DSTI	\$974	<b>Total value</b>	<b>\$9,042</b>	
			<b>Total value</b>	<b>\$14,331</b>			



## Remuneration Report

## 2.2 WHAT WE PAID EXECUTIVE KMP IN F19 AND PROGRESS ON MINIMUM SHAREHOLDING REQUIREMENTS

<b>Stephen Donohue</b> MANAGING DIRECTOR, ENDEAVOUR DRINKS		Term as KMP: Full Year		
<b>Actual remuneration received for F19 v Target and Maximum (\$000)</b>				
Actual Remuneration	963	295	2,053	<b>3,311</b>
Vested F17-19 LTI using the share price at grant date		1,281		
Target Remuneration	962	481	740	<b>2,183</b>
Maximum Remuneration	962	722	1,480	<b>3,164</b>
<b>Progress on Minimum Shareholding Requirement (MSR)</b> as at 1 July 2019 (\$000)	<b>Equity Granted</b> (\$000)			<b>Unvested LTI &amp; STI Awards</b> (\$000)
<b>ACTUAL</b> █ <b>\$731</b>	F19 DSTI	\$295	F18 DSTI	\$58
<b>TARGET</b> █ <b>\$962</b>	F19 LTI	\$1,858	F18 LTI	\$2,366
Compliance by 1 July 2023	<b>Total value</b>	<b>\$2,153</b>	F19 LTI	\$1,858
			F19 DSTI	\$295
			<b>Total value</b>	<b>\$4,577</b>
			<b>Vested LTI and STI Awards</b> (\$000)	
			F17 DSTI	n/a
			F17 LTI	\$2,053
			<b>Total value</b>	<b>\$2,053</b>

<b>David Marr</b> CHIEF FINANCIAL OFFICER		Term as KMP: Full Year			
<b>Actual remuneration received for F19 v Target and Maximum (\$000)</b>					
Actual Remuneration	1,245	447	509	3,356	<b>5,557</b>
Vested F17-19 LTI using the share price at grant date		2,094			
Target Remuneration	1,250	625	365	1,210	<b>3,450</b>
Maximum Remuneration	1,250	938	365	2,419	<b>4,972</b>
<b>Progress on Minimum Shareholding Requirement (MSR)</b> as at 1 July 2019 (\$000)	<b>Equity Granted</b> (\$000)			<b>Unvested LTI &amp; STI Awards</b> (\$000)	
<b>ACTUAL</b> █ <b>\$2,714</b>	F19 DSTI	\$447	F18 DSTI	\$345	
<b>TARGET</b> █ <b>\$1,250</b>	F19 LTI	\$2,336	F18 LTI	\$3,374	
Compliance by 1 July 2023	<b>Total value</b>	<b>\$2,783</b>	F19 LTI	\$2,336	
			F19 DSTI	\$447	
			<b>Total value</b>	<b>\$6,502</b>	
			<b>Vested LTI and STI Awards</b> (\$000)		
			F17 DSTI	\$509	
			F17 LTI	\$3,356	
			<b>Total value</b>	<b>\$3,865</b>	

From 1 August 2019, David commenced in the Chief Operating Officer role with primary responsibility for overseeing the merger and subsequent separation of Endeavour Group, as announced to the market on 3 July 2019.

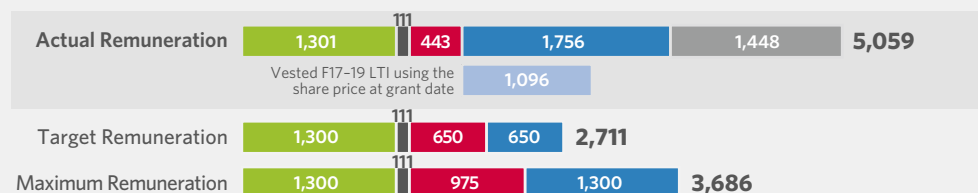


2.2 WHAT WE PAID EXECUTIVE KMP IN F19 AND PROGRESS ON MINIMUM SHAREHOLDING REQUIREMENTS

**Claire Peters** MANAGING DIRECTOR, WOOLWORTHS SUPERMARKETS

Term as KMP: Full Year

Actual remuneration received for F19 v Target and Maximum (\$000)



Progress on Minimum Shareholding Requirement (MSR) as at 1 July 2019 (\$000)

**ACTUAL** \$1,902  
**TARGET** \$1,300  
Compliance by 1 July 2023

Equity Granted (\$000)

F19 DSTI \$443  
F19 LTI \$2,511  
**Total value \$2,954**

Unvested LTI, STI & Other Awards (\$000)

F18 DSTI \$387  
F18 LTI \$3,626  
F19 LTI \$2,511  
F19 DSTI \$443  
Other \$731  
**Total value \$7,698**

Vested LTI, STI & Other Awards (\$000)

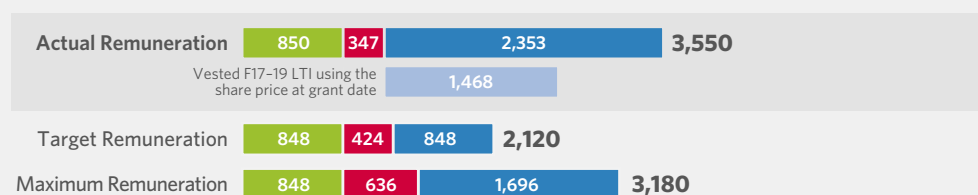
F17 DSTI n/a  
F17 LTI \$1,756  
Other \$1,448  
**Total value \$3,204**

Total costs associated with relocation support and applicable fringe benefits tax for Ms Peters was \$110,858 for F19. Claire also had 43,577 sign-on share rights which vested during F19, representing a face value of \$1,447,658 as shown above under "Vested Other Awards."

**Colin Storrrie** MANAGING DIRECTOR GROUP PORTFOLIO

Term as KMP: Full Year

Actual remuneration received for F19 v Target and Maximum (\$000)



Progress on Minimum Shareholding Requirement (MSR) as at 1 July 2019 (\$000)

**ACTUAL** \$900  
**TARGET** \$848  
Compliance by 1 July 2023

Equity Granted (\$000)

F19 DSTI \$347  
F19 LTI \$1,638  
**Total value \$1,985**

Unvested LTI & STI Awards (\$000)

F18 DSTI \$242  
F18 LTI \$2,366  
F19 LTI \$1,638  
F19 DSTI \$347  
**Total value \$4,593**

Vested LTI and STI Awards (\$000)

F17 DSTI n/a  
F17 LTI \$2,353  
**Total value \$2,353**

**LEGEND** ■ TFR ■ Relocation & other benefits ■ Cash STI ■ Vested DSTI ■ Vested LTI (vested value) ■ Vested LTI (grant value) ■ Other share rights vested



## Remuneration Report

---

### 2.3 TERMS OF EXECUTIVE KMP SERVICE AGREEMENTS

---

All Executive KMP are employed on service agreements that detail the components of remuneration paid but do not prescribe how remuneration levels are to be modified from year to year. The agreements do not provide for a fixed term, although the service agreements may be terminated on specified notice. The notice period is 12 months for the CEO and 6 months for all other Executive KMP. Below is a summary of the termination provisions for Executive KMP.

#### Termination by Company

---

**Where the notice period is worked:**

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

**Where the notice period is paid in lieu:**

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

**In both circumstances:**

- The extent to which STI and LTI arrangements remain in place will be treated in accordance with the relevant rules for the award and at the discretion of the Board.

**If termination is for cause:**

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

#### Termination by Executive KMP

---

**Where the notice period is worked:**

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

**Where the notice period is paid in lieu:**

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

**In both circumstances:**

- The extent to which STI is payable will be treated in accordance with the relevant rules for the award and at the discretion of the Board
- Unvested deferred STI and LTI are treated in accordance with the relevant rules for the award and at the discretion of the Board. Refer to section 3.3 for further detail.

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

---



---

### 2.4 F20 OUTLOOK

---

Each year the Board reviews the measures that are used in our STI and LTI plans, and this year we have decided to make minor changes to the balanced scorecard in our STI plan.

From F20 we will replace the working capital measure with inventory (days) as we can sharpen our focus on productive inventory management throughout the Group.

We will also increase the weighting of the online portion of total Customer Satisfaction from 25% to 30% when we measure our Customer Satisfaction results, reflecting the importance of our digital strategy on our future success. There will be no other changes to incentive metrics for F20, and we will continue to have alignment of STI measures from CEO through to our store teams.

As announced on 3 July 2019, we intend to separate our drinks and hospitality businesses (Endeavour Group) from Woolworths Group. This change may impact our remuneration framework including unvested awards under our employee share plans. The Board will work through this in F20 with a view to ensuring that DSTI and LTI participants will be no better or worse off following the transaction. This may include a review of our performance measures in light of the change in our business.



## 3 GOVERNANCE

### 3.1 ROLE OF THE BOARD

The Board reviews, challenges, applies judgement and, as appropriate, approves the PPC's recommendations. It approves the remuneration of Executive KMP and of Non-executive Directors and the policies and frameworks that govern both.

When reviewing performance and determining incentive outcomes, the Board starts from the presumption that performance outcomes that determine incentive awards should align with market-reported outcomes, management activity and shareholder outcomes. To achieve this alignment, the Board retains discretion over final performance and incentive outcomes, and recognises that there are cases where adjustments should be made to deliver appropriate reward outcomes. In determining reward outcomes, the Board will pay specific attention to items that are:

- outside of the control of management
- the result of portfolio/strategy changes implemented but not envisaged in the original performance targets
- due to significant change in asset valuations outside the normal course of business.

### 3.2 ROLE OF THE PEOPLE PERFORMANCE COMMITTEE (PPC)

The PPC operates under its own Charter and reports to the Board. Its role is to provide advice and assistance to the Board in relation to people management and remuneration policies, so that remuneration outcomes for senior executives are appropriate and aligned to company performance and shareholder expectations.

The PPC receives relevant reports from the Audit, Risk Management and Compliance Committee (ARMCC) and Sustainability Committee to help inform its decisions on remuneration outcomes as a consequence of risk related matters.

The PPC Charter, which the Board reviews annually, was updated in August 2019 to better reflect PPC's objectives in relation to:

- supporting our Customer 1<sup>st</sup> and Team 1<sup>st</sup> Culture, Ways-of-Working and Core Values;
- building an ethical corporate culture where Woolworths is known as a place where people come to work to do the right thing; and
- approving key people policies and practices that have a material impact on the delivery of our strategy and drive a strong culture.

A copy of the PPC Charter is available on the company's website: [www.woolworthsgroup.com.au](http://www.woolworthsgroup.com.au)

#### Independent Remuneration Advisors

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

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

The Board and PPC engaged PwC as its independent Remuneration Advisor. No remuneration recommendations, as defined by the *Corporations Act 2001* (Cth), were made by remuneration advisors.



## Remuneration Report

### 3.3 TREATMENT OF UNVESTED EQUITY AWARDS UPON EXIT

For the Deferred STI and LTI plans the Board has overriding discretion over the treatment of awards when an executive ceases employment. At the 2017 AGM, shareholders approved the approach that the Board proposes to take when exercising this discretion to determine how unvested share rights awards will be treated when an executive ceases employment with us:

REASON FOR LEAVING	DEFERRED STI	UNVESTED LTI
Genuine retirement	Remain 'on foot' until the end of the deferral period and vest at that time	Award pro-rated for portion of the performance period participant has worked and remain 'on foot' until the end of the performance period
Death, illness and incapacity		
Termination for cause/gross misconduct	Award forfeited	Award forfeited
Termination for poor performance		
Resignation		
Other reasons as determined by the Board		

In cases of resignation, the Board will consider the circumstances surrounding each case to allow for the appropriate treatment. For instance, where the executive is not resigning to join a direct competitor and all reasonable steps have been taken to continue to support the success of the business through to their final date of employment, the Board may consider it appropriate to allow some DSTI awards not to lapse. The Board will continue to monitor the executive post employment and if they do not meet their post-employment obligations, the Board may lapse any remaining awards. For clarity, in cases where the executive resigns to join a competitor organisation, or in the Board's opinion the executive does not support the business to their final day of employment, any unvested DSTI and LTI will generally lapse.

### 3.4 OTHER GOVERNANCE REQUIREMENTS

Hedging policy	Under the Securities Trading Policy, senior executives may not enter into any derivative (including hedging) transaction that will protect the value of either unvested securities or vested securities that are subject to a disposal restriction, issued as part of the LTI plan. Compliance with the policy is a condition of participation in the LTI plan.
Malus Policy	The executive KMP STI and LTI arrangements are subject to malus provisions that enable the Board to adjust unpaid and/or unvested awards (including to reduce to zero) where it is appropriate to do so. The Board may determine that any unpaid cash STI or unvested deferred STI or LTI awards will be forfeited in the event of wilful misconduct, dishonesty or severe breach of our Code of Conduct by the executive. The Board may also adjust these awards in cases of unexpected or unforeseen events impacting performance outcomes, performance with regard to non-financial risk, an outcome which would cause significant reputational damage to the Woolworths Group brand, or a broader assessment of performance indicating there should be an adjustment.
Minimum shareholding requirements	<ul style="list-style-type: none"> <li>CEO: Equal to 200% of TFR</li> <li>Other Executive KMP: Equal to 100% of TFR</li> <li>Compliance is required with three years for CEO and five years for other Executive KMP from 1 July 2018.</li> </ul>
Dividends	Shares equivalent to the value of dividends foregone during the period between grant and vesting are provided at the time of vesting. No dividend equivalent shares are provided on awards (or portions thereof) which do not vest.

## 4 NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

### 4.1 NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY AND STRUCTURE

Non-executive Director fees are paid from an aggregate annual fee pool of \$4,000,000, as approved by shareholders at the AGM on 18 November 2010. Total board and committee fees paid during F19 were \$2,859,903 (refer to section 5.1).

Non-executive Directors do not receive variable pay and no Directors' fees are paid to Executive Directors.

In recognition of the equal importance and workload of all of the Board's Committees, the Board reviewed Non-executive Director fees and determined to increase Chair and Member fees for the People Performance Committee and Sustainability Committee as detailed in the table below, effective 1 July 2019. The table below provides a summary of F19 and F20 Board and Committee fees:

BOARD AND COMMITTEE FEES (\$)	CHAIR		MEMBER	
	F19 FEE INCL. SUPER	F20 FEE INCL. SUPER	F19 FEE INCL. SUPER	F20 FEE INCL. SUPER
Board	\$790,531	\$790,531	\$254,990	\$254,990
Audit, Risk Management and Compliance Committee	\$65,000	\$65,000	\$32,500	\$32,500
People Performance Committee	\$54,525	\$65,000	\$27,265	\$32,500
Sustainability Committee	\$45,000	\$65,000	\$22,500	\$32,500
Nomination Committee	Nil	Nil	Nil	Nil

### 4.2 NON-EXECUTIVE DIRECTORS' MINIMUM SHAREHOLDING REQUIREMENT

Non-executive Directors are required to hold a minimum number of shares for alignment with other shareholders. The minimum shareholding requirement is:

- Chair – 200% of the annual base fee by 1 July 2022
- Other Non-executive Directors – 100% of the annual base fee within three years of appointment.

The shares or share instruments may be held personally, by a close family member either directly, within a self-managed superannuation fund or by a family trust or private company.

As of the financial year end, all Non-executive Directors hold, or are on track to achieve, the minimum shareholding requirement. Details of the current shareholdings for Non-executive Directors as at 30 June 2019 are provided in section 5.3.

### 4.3 NON-EXECUTIVE DIRECTORS' EQUITY PLAN

The Non-executive Director equity plan (the plan) was introduced in F18 to further encourage and facilitate share ownership for board members. The plan provides an automated mechanism for participants to acquire shares, recognising that Non-executive Directors can often be limited in their ability to purchase shares as a result of the Australian insider trading laws. Non-executive Director share rights are allocated quarterly and convert into ordinary shares each half year, subject to compliance with the Company's Securities Trading Policy.

The plan supports the minimum shareholding requirement for board members as it allows Non-executive Directors to reach the minimum shareholding requirements more quickly, as shares are acquired on a pre-tax basis. Details of the share rights allocated to Non-executive Directors are set out in section 5.2. This plan will be extended to US-based directors from F20, subject to shareholder approval.



## 5 KMP STATUTORY DISCLOSURES

### 5.1 KMP REMUNERATION

The table below sets out the remuneration of current Non-executive Directors of Woolworths Group Limited. Amounts represent the payments relating to the period during which the individuals were KMP.

KMP		SHORT-TERM BENEFITS				TOTAL \$
		DIRECTOR FEES \$	FEES SACRIFICED UNDER NEDP <sup>1</sup> \$	NON-MONETARY AND OTHER BENEFITS <sup>2</sup> \$	POST EMPLOYMENT BENEFITS <sup>3</sup> \$	
<b>Non-executive Directors</b>						
G M Cairns	<b>F19</b>	<b>670,000</b>	<b>100,012</b>	<b>1,499</b>	<b>20,531</b>	<b>792,042</b>
	F18	708,912	49,983	990	20,049	779,934
J R Broadbent, AC	<b>F19</b>	<b>154,459</b>	<b>150,018</b>	<b>1,499</b>	<b>20,531</b>	<b>326,507</b>
	F18	244,932	34,968	990	20,049	300,939
J C Carr-Smith <sup>4,5</sup>	<b>F19</b>	<b>41,885</b>	<b>-</b>	<b>1,499</b>	<b>-</b>	<b>43,384</b>
H S Kramer	<b>F19</b>	<b>249,188</b>	<b>62,277</b>	<b>1,499</b>	<b>20,531</b>	<b>333,495</b>
	F18	291,808	15,352	990	20,049	328,199
S L McKenna	<b>F19</b>	<b>294,224</b>	<b>-</b>	<b>1,499</b>	<b>20,531</b>	<b>316,254</b>
	F18	288,989	-	990	20,049	310,028
S R Perkins	<b>F19</b>	<b>345,893</b>	<b>-</b>	<b>1,499</b>	<b>20,531</b>	<b>367,923</b>
	F18	244,006	81,332	990	20,049	346,377
K A Tesija <sup>4</sup>	<b>F19</b>	<b>354,610</b>	<b>-</b>	<b>1,499</b>	<b>1,855</b>	<b>357,964</b>
	F18	298,540	-	990	17,024	316,554
M J Ullmer, AO	<b>F19</b>	<b>180,290</b>	<b>120,014</b>	<b>1,499</b>	<b>20,531</b>	<b>322,334</b>
	F18	247,186	59,975	990	20,049	328,200

1 Amounts represent Non-executive Directors' fees sacrificed to purchase share rights under the Non-executive Directors' Equity Plan. Refer to Section 4.3 for further details.

2 Non-monetary and other benefits include the deemed premium in respect of the Directors' and Officers' Indemnity insurance.

3 Post employment benefits represents superannuation.

4 Ms Carr-Smith's and Ms Tesija's director fees include an Overseas Directors' allowance of \$10,000 per eligible flight during the current and prior period.

5 Ms Carr-Smith was appointed as a Non-executive Director on 17 May 2019.

## 5.1 KMP REMUNERATION

The table below sets out the remuneration of current Executive KMP of Woolworths Group Limited. Amounts represent the payments relating to the period during which the individuals were KMP.

KMP		SHORT-TERM BENEFITS			SHARE-BASED PAYMENTS <sup>6</sup>				TOTAL \$
		SALARY <sup>1</sup> \$	CASH INCENTIVE <sup>2</sup> \$	NON- MONETARY AND OTHER BENEFITS <sup>3</sup> \$	POST EMPLOYMENT BENEFITS <sup>4</sup> \$	OTHER LONG-TERM BENEFITS <sup>5</sup> \$	EQUITY GRANTS AT RISK <sup>7</sup> \$	OTHER EQUITY GRANTS <sup>8</sup> \$	
<b>Executive KMP</b>									
B L Banducci	F19	2,666,748	973,830	1,499	25,000	54,832	2,612,049	1,372,325	7,706,283
	F18	2,514,092	1,368,000	990	25,000	37,779	1,751,601	752,970	6,450,432
S J Donohue	F19	892,126	294,805	1,499	76,442	52,509	879,367	23,182	2,219,930
	F18	231,243	153,656	990	20,280	13,411	140,444	-	560,024
D P Marr	F19	1,230,129	446,906	1,499	25,000	22,647	1,289,061	319,471	3,334,713
	F18	1,178,299	910,028	990	25,000	17,777	967,238	182,139	3,281,471
C E Peters	F19	1,298,775	442,650	112,357	-	19,096	1,029,571	469,691	3,372,140
	F18	1,314,701	1,022,580	231,848	-	19,451	673,460	686,485	3,948,525
C G Storrie	F19	729,405	346,595	1,499	71,250	12,485	1,028,398	154,310	2,343,942
	F18	784,625	638,223	990	71,250	12,548	551,379	68,407	2,127,422

1 Salary includes the net change in accrued annual leave within the period.

2 Represents the cash component of the F19 STI which was 50% of the total STI award.

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

4 Post employment benefits represents superannuation.

5 Other long-term benefits represents the net change in accrued long service leave within the period.

6 Represents the portion of the grant date fair value of share rights expected to vest and is recognised as an expense over the vesting period. The amount recognised is adjusted to reflect the expected number of instruments that will vest except where non-vesting is due to failure to achieve market-based performance conditions.

7 The fair value of share rights with the relative TSR performance measure is calculated at the date of grant using a Monte Carlo simulation model, whilst the fair value of other share rights is calculated using a Black-Scholes option pricing model.

8 Not subject to any further performance conditions except continuous employment.



## Remuneration Report

### 5.2 KMP SHARE RIGHT MOVEMENTS

The table below summarises the share rights granted as part of the Non-executive Directors' Equity Plan.

	OPENING BALANCE NO.	SHARE RIGHTS GRANTED UNDER THE NON-EXECUTIVE DIRECTORS' EQUITY PLAN		SHARE RIGHTS VESTED NO.	CLOSING BALANCE NO.
		NO.	\$ <sup>1</sup>		
<b>Non-executive Directors</b>					
G M Cairns	1,781	3,390	100,012	(3,563)	1,608
J R Broadbent, AC	1,246	5,085	150,018	(3,919)	2,412
J C Carr-Smith	-	-	-	-	-
H S Kramer	547	2,111	62,277	(1,657)	1,001
S L McKenna	-	-	-	-	-
S R Perkins	2,898	-	-	(2,898)	-
K A Tesija	-	-	-	-	-
M J Ullmer, AO	2,137	4,068	120,014	(4,275)	1,930

<sup>1</sup> Amount represents Non-executive Director fees sacrificed.

The table below summarises the movements during the period in holdings of share right interests in Woolworths Group Limited for current Executive KMP. A share right entitles the holder to one fully paid ordinary Woolworths Group Limited share, subject to applicable performance and vesting conditions.

		OPENING BALANCE NO.	SHARE RIGHTS GRANTED		SHARE RIGHTS VESTED <sup>3</sup>		SHARE RIGHTS LAPSED <sup>4</sup> NO.	CLOSING BALANCE NO.
			NO. <sup>1</sup>	\$ <sup>2</sup>	NO.	\$		
<b>Executive KMP</b>								
B L Banducci	<b>F19</b>	<b>598,039</b>	<b>211,354</b>	<b>4,649,629</b>	-	-	<b>(77,619)</b>	<b>731,774</b>
	F18	349,071	272,699	5,472,037	-	-	(23,731)	598,039
S J Donohue	<b>F19</b>	<b>164,210</b>	<b>63,025</b>	<b>1,375,233</b>	-	-	<b>(19,496)</b>	<b>207,739</b>
	F18	110,276	71,389	1,340,379	(14,011)	(359,727)	(3,444)	164,210
D P Marr	<b>F19</b>	<b>332,690</b>	<b>89,445</b>	<b>1,945,421</b>	-	-	<b>(95,701)</b>	<b>326,434</b>
	F18	269,098	117,142	2,275,506	(16,912)	(433,023)	(36,638)	332,690
C E Peters	<b>F19</b>	<b>234,308</b>	<b>95,108</b>	<b>2,104,390</b>	<b>(43,577)</b>	<b>(1,388,557)</b>	-	<b>285,839</b>
	F18	143,590	110,094	2,054,235	(19,376)	(517,060)	-	234,308
C G Storrie	<b>F19</b>	<b>155,834</b>	<b>62,345</b>	<b>1,364,351</b>	-	-	-	<b>218,179</b>
	F18	93,905	71,784	1,340,379	(9,855)	(269,876)	-	155,834

No share rights held by current Executive KMP were forfeited during the period.

- The holders of share rights issued in accordance with the Group's LTI and DSTI awards are entitled to dividends over the vesting period which are mandatorily reinvested as additional share rights ('Dividend Equivalent Share Rights' or 'DESR'). DESR vest on the same conditions as the underlying LTI or DSTI award to which they relate. The number of share rights granted during the period includes those share rights granted in accordance with the period's LTI and DSTI awards and DESR.
- Share rights granted is the total fair value of share rights granted during the period determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the share right, in accordance with Australian Accounting Standards.
- The value of share rights vested during the period is calculated based on the VWAP of Woolworths Group Limited shares traded in the five days prior to and including the date of vesting.
- The number of share rights which lapsed as a result of failure to meet performance hurdles relates to the F14 and F16 LTI plans.



### 5.3 KMP SHARE MOVEMENTS

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

	OPENING BALANCE NO.	SHARES ISSUED UNDER DRP NO.	SHARES RECEIVED ON VESTING OF SHARE RIGHTS NO.	SHARES PURCHASED/ (DISPOSED) NO.	CLOSING BALANCE NO.
<b>Non-executive Directors</b>					
G M Cairns	27,060	998	3,563	-	31,621
J R Broadbent, AC	65,138	-	3,919	-	69,057
J C Carr-Smith	-	-	-	-	-
H S Kramer	6,442	-	1,657	1,500	9,599
S L McKenna	10,534	110	-	-	10,644
S R Perkins	14,575	-	2,898	-	17,473
K A Tesija	4,980	-	-	4,000	8,980
M J Ullmer, AO	20,000	-	4,275	-	24,275
<b>Executive KMP</b>					
B L Banducci	53,638	-	-	-	53,638
S J Donohue	20,257	-	-	-	20,257
D P Marr	55,957	-	-	33 <sup>1</sup>	55,990
C E Peters	21,373	-	43,577	(41,350)	23,600
C G Storrie	19,791	-	-	16 <sup>1</sup>	19,807

1 Represents restricted shares purchased via salary sacrifice through the Employee Share Purchase Plan.



## Remuneration Report

### 5.4 SHARE RIGHTS OUTSTANDING FOR EXECUTIVE KMP

The table below sets out the grants and outstanding number of share rights for current Executive KMP. No amounts were paid or are payable by the recipient on receipt of the share rights and there are no outstanding vested share rights as at 30 June 2019.

	AWARD	GRANT DATE <sup>1</sup>	PERFORMANCE PERIOD START DATE	NO. OF RIGHTS AT 30 JUNE 2019	EXERCISE DATE <sup>2</sup>
<b>Executive KMP</b>					
B L Banducci	F17 LTI	24/11/16	01/07/16	266,305	30/08/19
	F17 DSTI	31/10/17	01/07/17	63,387	01/07/19
	F18 LTI	23/11/17	01/07/17	209,927	28/08/20
	F18 DSTI	17/09/18	01/07/18	46,790	01/07/20
	F19 LTI	21/11/18	01/07/18	145,365	01/07/21
				<b>731,774</b>	
S J Donohue	F17 LTI	28/10/16	01/07/16	78,825	30/08/19
	F18 LTI	31/10/17	01/07/17	71,227	28/08/20
	F18 DSTI	17/09/18	01/07/18	1,751	01/07/20
	F19 LTI	30/11/18	01/07/18	55,936	01/07/21
				<b>207,739</b>	
D P Marr	F17 LTI	28/10/16	01/07/16	128,838	30/08/19
	F17 DSTI	31/10/17	01/07/17	15,332	01/07/19
	F18 LTI	31/10/17	01/07/17	101,562	28/08/20
	F18 DSTI	17/09/18	01/07/18	10,375	01/07/20
	F19 LTI	30/11/18	01/07/18	70,327	01/07/21
				<b>326,434</b>	
C E Peters	F17 LTI	29/09/16	29/09/16	67,421	30/08/19
	Sign-on rights	29/09/16	29/09/16	22,011	27/05/20
	F18 LTI	31/10/17	01/07/17	109,161	28/08/20
	F18 DSTI	17/09/18	01/07/18	11,657	01/07/20
	F19 LTI	30/11/18	01/07/18	75,589	01/07/21
				<b>285,839</b>	
C G Storrie	F17 LTI	28/10/16	01/07/16	90,356	30/08/19
	F18 LTI	31/10/17	01/07/17	71,227	28/08/20
	F18 DSTI	17/09/18	01/07/18	7,275	01/07/20
	F19 LTI	30/11/18	01/07/18	49,321	01/07/21
				<b>218,179</b>	

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

- Grant date is the offer acceptance date.
- With the exception of sign-on share rights, exercise of all other share rights will occur the day after the full year results are announced to the market. This may occur before 31 August in each respective period if the performance hurdles are met as outlined in Section 2.
- The maximum value of award to vest represents the total maximum value of employee benefits expense, as based on the value at grant date that would be recorded if all share rights which remain outstanding at 30 June 2019 satisfied all relevant vesting conditions.
- The fair value of share rights with the relative TSR performance measure is calculated at the date of grant using a Monte Carlo simulation model, taking into account the impact of the relative TSR condition whilst the fair value of other share rights are calculated using a Black-Scholes option pricing model. The value disclosed is an input to the calculation of the grant date fair value of the share rights recognised as an expense in each reporting period. No performance conditions, other than ongoing employment, are attached to DSTI and sign-on share rights awards. Vesting remains at the discretion of the Board.

GRANT DATE FAIR VALUE OF PERFORMANCE SHARE RIGHT <sup>4</sup>

MAXIMUM VALUE OF AWARD TO VEST (\$) <sup>3</sup>	RELATIVE TSR	SALES PER TRADING SQM	ROFE	SIGN-ON AND DSTI
4,769,723	\$11.48	\$23.92	\$23.92	-
1,505,941	-	-	-	\$25.54
3,966,096	\$7.19	\$26.87	\$26.87	-
1,238,709	-	-	-	\$27.45
3,410,920	\$13.65	\$29.67	\$29.67	-
<b>14,891,389</b>				
1,453,486	\$11.75	\$24.66	\$24.66	-
1,340,379	\$7.59	\$26.55	\$26.55	-
46,363	-	-	-	\$27.45
1,328,870	\$14.46	\$29.72	\$29.72	-
<b>4,169,098</b>				
2,375,664	\$11.75	\$24.66	\$24.66	-
364,277	-	-	-	\$25.54
1,911,229	\$7.59	\$26.55	\$26.55	-
274,665	-	-	-	\$27.45
1,670,756	\$14.46	\$29.72	\$29.72	-
<b>6,596,591</b>				
1,207,511	\$10.28	\$23.74	\$23.74	-
477,705	-	-	-	\$23.33
2,054,235	\$7.59	\$26.55	\$26.55	-
308,620	-	-	-	\$27.45
1,795,770	\$14.46	\$29.72	\$29.72	-
<b>5,843,841</b>				
1,666,091	\$11.75	\$24.66	\$24.66	-
1,340,379	\$7.59	\$26.55	\$26.55	-
192,617	-	-	-	\$27.45
1,171,734	\$14.46	\$29.72	\$29.72	-
<b>4,370,821</b>				

1  
PERFORMANCE  
HIGHLIGHTS2  
BUSINESS  
REVIEW3  
DIRECTORS'  
REPORT4  
FINANCIAL  
REPORT5  
OTHER  
INFORMATION

# Auditor's Independence Declaration

# Deloitte.

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

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](http://www.deloitte.com.au)

29 August 2019

Dear Board Members

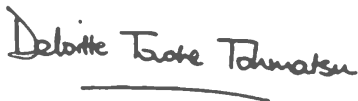
## Auditor's Independence Declaration

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

As lead audit partner for the audit of the financial report of Woolworths Group Limited for the 53 weeks ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths  
Partner  
Chartered Accountants

# 2019 Financial Report

## Table of Contents

### \$59,984M

Revenue from the sale of goods and services from continuing operations (53 weeks)

5.3% increase from 2018 (52 weeks)

SEE PAGE 79

### INDIVIDUALLY SIGNIFICANT ITEMS

Details of the \$829 million recorded in respect of the sale of the Petrol business and BIG W network review are included in Note 1.4.

SEE PAGE 78

### ADOPTION OF NEW LEASE ACCOUNTING STANDARD

From 1 July 2019, the Group adopted AASB 16 *Leases*. Disclosure of the impact on transition to this new accounting standard is included in Note 1.2.6.

SEE PAGE 76

#### Consolidated Financial Statements

Consolidated Statement of Profit or Loss	68
Consolidated Statement of Other Comprehensive Income	69
Consolidated Statement of Financial Position	70
Consolidated Statement of Changes in Equity	71
Consolidated Statement of Cash Flows	72

#### Notes to the Consolidated Financial Statements

<b>1 BASIS OF PREPARATION</b>	
1.1 Basis of preparation	73
1.2 Significant accounting policies	73
1.3 Critical accounting estimates and judgements	77
1.4 Individually significant items	78
<b>2 GROUP PERFORMANCE</b>	
2.1 Revenue from the sale of goods and services from continuing operations	79
2.2 Segment disclosures from continuing operations	80
2.3 Finance costs from continuing operations	82
<b>3 ASSETS AND LIABILITIES</b>	
3.1 Trade and other receivables	83
3.2 Other financial assets and liabilities	84
3.3 Property, plant and equipment	85
3.4 Intangible assets	87
3.5 Impairment of non-financial assets	89
3.6 Income taxes	92
3.7 Trade and other payables	95
3.8 Provisions	95
3.9 Other non-current liabilities	97
<b>4 CAPITAL STRUCTURE, FINANCING, AND RISK MANAGEMENT</b>	
4.1 Earnings per share	98
4.2 Dividends	99
4.3 Contributed equity	100
4.4 Reserves	101
4.5 Cash and cash equivalents	103
4.6 Borrowings	104
4.7 Financial risk management	106
4.8 Commitments for expenditure and operating lease expense	112
<b>5 GROUP STRUCTURE</b>	
5.1 Discontinued operations	114
5.2 Assets held for sale	116
5.3 Subsidiaries	117
5.4 Parent entity information	122
5.5 Related parties	123
<b>6 OTHER</b>	
6.1 Contingent liabilities	124
6.2 Employee benefits	124
6.3 Auditors' remuneration	130
6.4 Subsequent events	130
<b>Directors' Declaration</b>	<b>131</b>
<b>Independent Auditor's Report</b>	<b>132</b>



## Consolidated Statement of Profit or Loss

	NOTE	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>Continuing operations</b>			
Revenue from the sale of goods and services	2.1	59,984	56,944
Cost of sales		(42,542)	(40,235)
<b>Gross profit</b>		<b>17,442</b>	16,709
Other revenue		288	222
Branch expenses		(11,695)	(10,854)
Administration expenses		(3,682)	(3,529)
<b>Earnings before interest and tax</b>		<b>2,353</b>	2,548
Finance costs	2.3	(126)	(154)
<b>Profit before income tax</b>		<b>2,227</b>	2,394
Income tax expense	3.6.1	(668)	(718)
<b>Profit for the period from continuing operations</b>		<b>1,559</b>	1,676
<b>Discontinued operations</b>			
Profit for the period from discontinued operations, after tax	5.1	1,200	119
<b>Profit for the period</b>		<b>2,759</b>	1,795
<b>Profit for the period attributable to:</b>			
Equity holders of the parent entity		2,693	1,724
Non-controlling interests		66	71
		<b>2,759</b>	1,795
<b>Profit for the period attributable to equity holders of the parent entity relates to:</b>			
Profit from continuing operations		1,493	1,605
Profit from discontinued operations		1,200	119
		<b>2,693</b>	1,724
		<b>CENTS</b>	<b>CENTS</b>
<b>Earnings per share (EPS) attributable to equity holders of the parent entity</b>			
Basic EPS	4.1	206.2	132.6
Diluted EPS	4.1	204.9	132.3
<b>EPS attributable to equity holders of the parent entity from continuing operations</b>			
Basic EPS	4.1	114.3	123.4
Diluted EPS	4.1	113.6	123.1

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

# Consolidated Statement of Other Comprehensive Income

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>Profit for the period</b>	2,759	1,795
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss, net of tax</i>		
Effective portion of changes in the fair value of cash flow hedges	14	23
Foreign currency translation of foreign operations	76	(81)
<i>Items that will not be reclassified to profit or loss, net of tax</i>		
Change in the fair value of investments in equity securities	(9)	17
Actuarial loss on defined benefit superannuation plans	(3)	(1)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>78</b>	<b>(42)</b>
<b>Total comprehensive income for the period</b>	<b>2,837</b>	<b>1,753</b>
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the parent entity	2,771	1,682
Non-controlling interests	66	71
	<b>2,837</b>	<b>1,753</b>
<b>Total comprehensive income for the period from continuing operations attributable to:</b>		
Equity holders of the parent entity	1,571	1,563
Non-controlling interests	66	71
	<b>1,637</b>	<b>1,634</b>

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	2019 \$M	2018 \$M
<b>Current assets</b>			
Cash and cash equivalents	4.5.1	1,066	1,273
Trade and other receivables	3.1	682	634
Inventories		4,280	4,233
Other financial assets	3.2	45	53
		6,073	6,193
Assets held for sale	5.2	225	821
<b>Total current assets</b>		<b>6,298</b>	<b>7,014</b>
<b>Non-current assets</b>			
Trade and other receivables	3.1	145	93
Other financial assets	3.2	692	522
Property, plant and equipment	3.3	9,519	9,026
Intangible assets	3.4	6,526	6,465
Deferred tax assets	3.6.3	311	271
<b>Total non-current assets</b>		<b>17,193</b>	<b>16,377</b>
<b>Total assets</b>		<b>23,491</b>	<b>23,391</b>
<b>Current liabilities</b>			
Trade and other payables	3.7	6,676	6,793
Borrowings	4.6.3	274	604
Current tax payable		84	110
Other financial liabilities	3.2	58	50
Provisions	3.8	1,528	1,451
		8,620	9,008
Liabilities directly associated with assets held for sale	5.2	-	21
<b>Total current liabilities</b>		<b>8,620</b>	<b>9,029</b>
<b>Non-current liabilities</b>			
Borrowings	4.6.3	2,855	2,199
Other financial liabilities	3.2	24	61
Provisions	3.8	986	942
Other non-current liabilities	3.9	337	311
<b>Total non-current liabilities</b>		<b>4,202</b>	<b>3,513</b>
<b>Total liabilities</b>		<b>12,822</b>	<b>12,542</b>
<b>Net assets</b>		<b>10,669</b>	<b>10,849</b>
<b>Equity</b>			
Contributed equity	4.3	5,828	6,055
Reserves	4.4	490	353
Retained earnings		3,968	4,073
<b>Equity attributable to equity holders of the parent entity</b>		<b>10,286</b>	<b>10,481</b>
Non-controlling interests	5.3.3	383	368
<b>Total equity</b>		<b>10,669</b>	<b>10,849</b>

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

2019	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY						NON-CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED EARNINGS \$M	TOTAL \$M			
<b>Balance at 24 June 2018</b>	6,201	(146)	353	4,073	10,481	368	10,849	
Profit for the period	-	-	-	2,693	2,693	66	2,759	
Other comprehensive income/(loss) for the period, net of tax	-	-	81	(3)	78	-	78	
<b>Total comprehensive income for the period, net of tax</b>	-	-	81	2,690	2,771	66	2,837	
Dividends paid	-	-	-	(1,381)	(1,381)	(51)	(1,432)	
Share buy-back	(282)	-	-	(1,419)	(1,701)	-	(1,701)	
Issue of shares to satisfy employee long-term incentive plans	-	6	(6)	-	-	-	-	
Issue of shares to satisfy the dividend reinvestment plan	114	(5)	-	5	114	-	114	
Purchase of shares by the Woolworths Employee Share Trust	-	(60)	-	-	(60)	-	(60)	
Share-based payments expense	-	-	62	-	62	-	62	
<b>Balance at 30 June 2019</b>	<b>6,033</b>	<b>(205)</b>	<b>490</b>	<b>3,968</b>	<b>10,286</b>	<b>383</b>	<b>10,669</b>	

2018	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY						NON-CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED EARNINGS \$M	TOTAL \$M			
<b>Balance at 25 June 2017</b>	5,719	(104)	357	3,554	9,526	350	9,876	
Profit for the period	-	-	-	1,724	1,724	71	1,795	
Other comprehensive loss for the period, net of tax	-	-	(41)	(1)	(42)	-	(42)	
<b>Total comprehensive income for the period, net of tax</b>	-	-	(41)	1,723	1,682	71	1,753	
Dividends paid	-	-	-	(1,208)	(1,208)	(53)	(1,261)	
Dividends received - shares held in trust	-	-	-	2	2	-	2	
Issue of shares to satisfy employee long-term incentive plans	-	21	(21)	-	-	-	-	
Issue of shares to satisfy the dividend reinvestment plan	482	(3)	-	-	479	-	479	
Purchase of shares by the Woolworths Employee Share Trust	-	(60)	-	-	(60)	-	(60)	
Share-based payments expense	-	-	58	-	58	-	58	
Other	-	-	-	2	2	-	2	
<b>Balance at 24 June 2018</b>	<b>6,201</b>	<b>(146)</b>	<b>353</b>	<b>4,073</b>	<b>10,481</b>	<b>368</b>	<b>10,849</b>	

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	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		68,998	66,899
Payments to suppliers and employees		(65,140)	(63,060)
Finance costs paid		(166)	(184)
Income tax paid		(744)	(661)
<b>Net cash provided by operating activities</b>	4.5.2	<b>2,948</b>	<b>2,994</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of property, plant and equipment and assets held for sale		177	85
Payments for property, plant and equipment and intangible assets		(1,991)	(1,848)
Proceeds from the sale of subsidiaries and investments, net of cash disposed		1,682	287
Payments for the purchase of businesses, net of cash acquired		(80)	(38)
Loans provided to related parties		(38)	-
Payment to Home Consortium acquisition trust		-	(251)
Repayment from Home Consortium acquisition trust		-	251
Dividends received		4	4
<b>Net cash used in investing activities</b>		<b>(246)</b>	<b>(1,510)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		665	4
Repayment of borrowings		(503)	(284)
Payments for share buy-back		(1,701)	-
Dividends paid	4.2	(1,267)	(724)
Dividends paid to non-controlling interests		(51)	(56)
Payments for shares held in trust		(60)	(64)
<b>Net cash used in financing activities</b>		<b>(2,917)</b>	<b>(1,124)</b>
Net (decrease)/increase in cash and cash equivalents		(215)	360
Effects of exchange rate changes on cash and cash equivalents		4	-
Cash and cash equivalents at start of period		1,277	917
<b>Cash and cash equivalents at end of period</b>	4.5.1	<b>1,066</b>	<b>1,277</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements and includes cash flows from both continuing and discontinuing operations. Refer to Note 5.1.2 for the cash flows relating to discontinued operations.

# Notes to the Consolidated Financial Statements

for the period ended 30 June 2019

## 1 BASIS OF PREPARATION

### 1.1 BASIS OF PREPARATION



This section describes the financial reporting framework within which the Consolidated Financial Statements are prepared and a statement of compliance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations.

Woolworths Group Limited (the Company) is a for-profit company which is incorporated and domiciled in Australia. The Financial Report of the Company is for the 53-week period ended 30 June 2019 and comprises the Company and its subsidiaries (together referred to as the Group). The comparative period is for the 52-week period ended 24 June 2018.

The Financial Report was authorised for issue by the directors on 29 August 2019.

The Consolidated Financial Statements are presented in Australian dollars and amounts have been rounded to the nearest million dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

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

The accounting policies have been applied consistently to all periods presented in the Consolidated Financial Statements, unless otherwise stated.

Certain other comparative amounts have also been re-presented to conform with the current period's presentation to better reflect the nature of the financial position and performance of the Group.

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

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

### 1.2 SIGNIFICANT ACCOUNTING POLICIES



This section sets out the significant accounting policies upon which the Group's Consolidated Financial Statements are prepared as a whole and significant accounting policies not otherwise described in the Notes to the Consolidated Financial Statements. Where a significant accounting policy is specific to a note to the Consolidated Financial Statements, the policy is described within that note. This section also shows information on new accounting standards, amendments, and interpretations not yet adopted and the impact they will have on the Group's Consolidated Financial Statements.

#### 1.2.1 Basis of consolidation

The Consolidated Financial Statements of the Company incorporate the assets, liabilities, and results of all subsidiaries as at and for the period ended 30 June 2019. 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 and are deconsolidated from the date that control ceases.

Intragroup balances and transactions, and any unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the Consolidated Financial Statements.



## Notes to the Consolidated Financial Statements

### 1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 1.2.2 Inventories

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

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

Net realisable value of inventory has been determined as the estimated selling price in the ordinary course of business, less estimated selling expenses. At the reporting date, all inventories are valued at cost.

#### 1.2.3 Foreign currency

##### (i) Functional and presentation currency

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

##### (ii) Foreign currency transactions (entities with a functional currency of AUD)

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

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

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

- Exchange differences on transactions entered to hedge certain foreign currency risks (refer to Note 4.7); and
- Items noted within paragraph (iii) below.

##### (iii) Foreign operations (entities with a functional currency other than AUD)

The profit or loss and financial position of foreign operations are translated to AUD at the following exchange rates:

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

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

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

## 1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1.2.4 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 current liability in the Consolidated Statement of Financial Position.

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

### 1.2.5 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 which are effective for annual reporting periods beginning on or after 25 June 2018.

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.

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

AASB 15 is a new standard which replaced AASB 118 *Revenue* and AASB 111 *Construction Contracts*. AASB 15 establishes a principle-based approach for goods, services, and construction contracts, which requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to those obligations. Revenue is recognised only when the performance obligation is satisfied and the control of goods or services is transferred, typically at the point of sale.

The Group adopted AASB 15 during the current period, using the modified retrospective approach, which requires a cumulative catch-up adjustment to retained earnings and no restatement of comparative amounts. The Group performed a detailed assessment of the impact of AASB 15 concluding that the timing and amount of revenue recognised under AASB 15 was consistent with previous accounting standards as a majority of transactions are for sale of goods in-store and online, and the performance obligation is satisfied when transfer of control occurs (which is at the point of sale or on delivery of goods to the customer). Accordingly, no adjustment to retained earnings was required.

The disaggregation of revenue by revenue stream and business unit is presented in Notes 2.1 and 2.2.1 respectively.

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

AASB 9 is a new standard which replaced AASB 139 *Financial Instruments: Recognition and Measurement*. In previous periods, the Group early adopted AASB 9 (2013), and related amendments. AASB 9 (2014) superseded AASB 9 (2013) and introduced a new expected credit loss impairment model for financial assets and a new classification and measurement category 'fair value through other comprehensive income' for certain debt and equity instruments. This amendment became effective in the current period and the Group adopted the amendment on 25 June 2018.

An assessment was performed on the impact of the expected credit loss impairment model and the new classification and measurement category. Based on the assessment, the Group concluded that the impact on transition to AASB 9 (2014) was not material. Accordingly, no comparative amounts have been adjusted.



## Notes to the Consolidated Financial Statements

### 1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 1.2.6 Issued standards and interpretations not early adopted

The table below lists the standards and amendments to standards on issue but not yet effective that were available for early adoption and were applicable to the Group. The reported profit or loss and financial position of the Group are not expected to change on adoption of any of the amendments to current standards listed below, unless stated otherwise, as they do not result in any changes to the Group's existing accounting policies.

EFFECTIVE DATE	ADOPTION DATE	NEW STANDARDS, INTERPRETATIONS, AND AMENDMENTS	REFERENCE
1 January 2019	1 July 2019	<i>Leases</i>	AASB 16
		<i>Uncertainty over Income Tax Treatments</i>	AASB Interpretations 23
		<i>Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</i>	AASB 2018-1
		<i>Amendments to AASB 19 – Plan Amendment, Curtailment or Settlement</i>	AASB 2018-2
		<i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	AASB 2017-7
1 January 2022	27 June 2022 <sup>1</sup>	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	AASB 2014-10

<sup>1</sup> This represents the date that this amendment is mandatorily effective for the Group. The Group may elect to early adopt this amendment.

#### AASB 16 Leases

From 1 July 2019, the Group adopted AASB 16 *Leases* (AASB 16) which replaced existing accounting requirements for leases under AASB 117 *Leases* (AASB 117), Interpretation 4 – *Determining whether an Arrangement contains a Lease* and Interpretation 115 *Operating Leases – Incentives*.

Under AASB 117, leases are classified based on their nature as either finance leases, which are recognised in the Consolidated Statement of Financial Position, or operating leases, which are not recognised in the Consolidated Statement of Financial Position. The Group recognises operating lease expense on a straight-line basis over the term of the leases, and recognises assets and liabilities only to the extent that there is a timing difference between actual lease payments and the expense recognised.

Under AASB 16, where the Group is a lessee, there is no distinction between operating leases and finance leases. The Group is required to recognise leases in the Consolidated Statement of Financial Position as lease assets and associated lease liabilities with the exception of short-term leases for which the Group has elected to continue to account for the lease payments as an expense over the lease term. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the lease assets. The Group will assess lease assets for impairment under AASB 136 *Impairment of Assets*.

The Group's accounting for leases as a lessor remains largely unchanged under AASB 16 and the Group will therefore continue to classify these leases as either finance or operating leases.

#### Transition

To transition to AASB 16, the Group has completed the system implementation, set up accounting policies and processes to manage the ongoing accounting requirements, and determined the impact on the Group's 1 July 2019 Consolidated Statement of Financial Position.

From 1 July 2019, the Group will apply AASB 16 using the modified retrospective approach. Under this approach, the Group will recognise a lease asset calculated as if AASB 16 had always applied, and the lease liability will represent the outstanding liability under the lease arrangement using the incremental borrowing rate at 1 July 2019. The impact of the adoption of AASB 16 on the Group is dependent on a number of key estimates and judgements including the determination of the reasonably certain lease term, the identification and valuation of non-lease components, and the application of an appropriate discount rate.

On transition, the Group will elect to apply the following practical expedients under AASB 16:

- Grandfather the assessment of which transactions are leases and only apply AASB 16 to contracts that were previously identified as leases;
- Leases with terms less than 12 months remaining from transition date will continue to be expensed on a straight-line basis; and
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## 1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1.2.6 Issued standards and interpretations not early adopted (continued)

#### AASB 16 Leases (continued)

##### Transition (continued)

The net effect of the lease liabilities and lease assets, adjusted for deferred tax and the reversal of the existing straight-line lease and incentive liability, and prepayments, has been recognised in opening retained earnings on 1 July 2019 with no restatement of comparative information. The impact predominantly relates to the Group's property leases for retail premises, warehousing facilities, distribution centres, and support offices.

##### Impact on the adoption of AASB 16 Leases

IMPACT ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JULY 2019	\$B
Recognition of lease assets	12.2
Recognition of lease liabilities	14.7
Recognition of new net deferred tax assets	0.7
Reduction in retained earnings <sup>1</sup>	(1.4)

<sup>1</sup> On transition, the difference between the lease liabilities and lease assets (net of deferred tax) was recognised in retained earnings, including other adjustments to the Consolidated Statement of Financial Position such as the reversal of the existing straight-line lease liability under AASB 117.

On 1 July 2019, the weighted average incremental borrowing rate is 4.9%.

##### Operating lease commitments and non-lease components of property leases

The following is a reconciliation of the Group's operating lease commitments (AASB 117) to the lease liability that will be recognised on 1 July 2019 (AASB 16):

RECONCILIATION OF OPERATING LEASE COMMITMENTS TO LEASE LIABILITY UNDER AASB 16	\$B
Operating lease commitments at 30 June 2019, refer to Note 4.8.1	21.8
Less: leases not yet commenced	(1.3)
Less: exemption for short-term leases	(0.2)
Less: service components of lease payments	(3.6)
Plus: impact of extension and termination options reasonably certain to be exercised	4.0
Less: discounting using the incremental borrowing rate at 1 July 2019	(6.0)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>14.7</b>

## 1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS



This section describes the critical accounting estimates and judgements that have been applied and may have a material impact on the Group's Consolidated Financial Statements.

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

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

- Notes 3.3 and 3.4 - Estimation of useful life of assets;
- Note 3.5 - Impairment of non-financial assets; and
- Note 3.8 - Provisions.

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

### 1.4 INDIVIDUALLY SIGNIFICANT ITEMS



Individually significant items represent non-recurring income received and expenses incurred that are not part of the core operations of the Group.

Significant items have been highlighted to help users of this Financial Report understand the financial performance of the Group during the reporting period.

The significant items included in the Consolidated Statement of Profit or Loss are as follows:

<b>2019</b>	<b>COST OF SALES \$M</b>	<b>BRANCH EXPENSES \$M</b>	<b>OTHER INCOME \$M</b>	<b>PROFIT BEFORE INCOME TAX \$M</b>	<b>INCOME TAX BENEFIT \$M</b>	<b>PROFIT FOR THE PERIOD \$M</b>
<b>Continuing operations</b>						
<i>BIG W network review</i>						
Lease and other store exit costs	(16)	(189)	-	(205)	62	(143)
Non-cash asset impairment	-	(166)	-	(166)	50	(116)
<b>Total continuing operations</b>	<b>(16)</b>	<b>(355)</b>	<b>-</b>	<b>(371)</b>	<b>112</b>	<b>(259)</b>
<b>Discontinued operations</b>						
Gain on sale of the Petrol business	-	-	1,088	1,088	-	1,088
<b>Total Group significant items</b>	<b>(16)</b>	<b>(355)</b>	<b>1,088</b>	<b>717</b>	<b>112</b>	<b>829</b>

#### **BIG W network review**

The conclusion of the BIG W network review and finalisation of the F19 BIG W impairment and onerous contract assessment resulted in the recognition of expenses totalling \$371 million, excluding tax. These items relate to:

- Lease and other store exit costs of \$205 million before tax for approximately 30 BIG W stores that will close over the next three years, and two distribution centres that will close at the end of their leases; and
- Non-cash asset impairment of \$166 million before tax for store and centrally held plant and equipment. Refer to Note 3.5 for further details.

#### **Sale of the Petrol business**

A gain on sale of the Petrol business of \$1,088 million was recognised in the current period. The income tax recognised in the Consolidated Statement of Profit or Loss in relation to this transaction is nil as the Group has utilised a portion of existing capital losses not previously recognised to offset the capital gain on sale of the Petrol business. Refer to Note 5.1 for further details.



## 2 GROUP PERFORMANCE

### 2.1 REVENUE FROM THE SALE OF GOODS AND SERVICES FROM CONTINUING OPERATIONS



The Group's revenue mainly comprises the sale of goods in-store and online, and leisure and hospitality services.

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
Sale of goods in-store	54,720	52,533
Sale of goods online	2,534	1,883
Leisure and hospitality services	1,671	1,612
Other	1,059	916
<b>Total</b>	<b>59,984</b>	<b>56,944</b>



#### SIGNIFICANT ACCOUNTING POLICIES

##### Revenue

The Group's revenue mainly comprises the sale of goods in-store and online, and hospitality and leisure services. Revenue is recognised when control of the goods has transferred to the customer or when the service is provided at an amount that reflects the consideration to which the Group expects to be entitled.

For sale of goods in-store, control of the goods transfers to the customer at the point the customer purchases the goods in-store. For sale of goods online, control of the goods transfers to the customer at the point the goods are delivered to, or collected by, the customer. Where payment for the goods is received prior to control transferring to the customer, revenue recognition is deferred in contract liabilities within trade and other payables in the Consolidated Statement of Financial Position until the goods have been delivered to, or collected by, the customer.

##### Loyalty program

Woolworths Rewards points granted by the Group provide customers with a material right to a discount on future purchases. The amounts allocated to Woolworths Rewards points are deferred in contract liabilities within trade and other payables in the Consolidated Statement of Financial Position until redeemed by the customer.



## Notes to the Consolidated Financial Statements

---

### 2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS

---



The Group identifies different business units that are regularly reviewed by the Chief Executive Officer in order to allocate resources and assess performance. These business units offer different products and services and are managed separately. The segment disclosures present the financial performance of each business unit and other material items.

#### 2.2.1 Operating segment reporting

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

The Group's reportable segments are as follows:

- **Australian Food** – procurement of food and related products for resale and provision of services to customers in Australia;
- **New Zealand Food** – procurement of food and drinks for resale to customers in New Zealand;
- **Endeavour Drinks** – procurement of drinks for resale to customers in Australia;
- **BIG W** – procurement of discount general merchandise products for resale to customers in Australia;
- **Hotels** – provision of leisure and hospitality services including food and drinks, accommodation, entertainment, and gaming in Australia; and
- **Other** – consists of the Group's other operating segments that are not separately reportable as well as various support functions, including property and central overhead costs.

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

The primary reporting measure of the reportable segments is earnings before interest and tax which is consistent with the way management monitor and report the performance of these segments.

Where applicable, comparative amounts have been re-presented to conform with current period internal reports reviewed by the Chief Executive Officer.



**2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS (CONTINUED)****2.2.1 Operating segment reporting (continued)**

<b>2019 (53 WEEKS)</b>	<b>AUSTRALIAN FOOD \$M</b>	<b>NEW ZEALAND FOOD \$M</b>	<b>ENDEAVOUR DRINKS \$M</b>	<b>BIG W \$M</b>	<b>HOTELS \$M</b>	<b>OTHER \$M</b>	<b>CONSOLIDATED CONTINUING OPERATIONS \$M</b>
Revenue from the sale of goods and services	39,568	6,291	8,657	3,797	1,671	-	59,984
Intersegment revenue	-	-	-	-	-	7	7
<b>Segment revenue</b>	<b>39,568</b>	<b>6,291</b>	<b>8,657</b>	<b>3,797</b>	<b>1,671</b>	<b>7</b>	<b>59,991</b>
Eliminations	-	-	-	-	-	(7)	(7)
Other revenue <sup>1</sup>	-	-	-	-	-	288	288
<b>Total revenue</b>	<b>39,568</b>	<b>6,291</b>	<b>8,657</b>	<b>3,797</b>	<b>1,671</b>	<b>288</b>	<b>60,272</b>
<b>Earnings/(loss) before interest, tax, and significant items</b>	<b>1,857</b>	<b>277</b>	<b>474</b>	<b>(85)</b>	<b>261</b>	<b>(60)</b>	<b>2,724</b>
Significant items	-	-	-	(371)	-	-	(371)
<b>Earnings/(loss) before interest and tax</b>	<b>1,857</b>	<b>277</b>	<b>474</b>	<b>(456)</b>	<b>261</b>	<b>(60)</b>	<b>2,353</b>
Finance costs							(126)
<b>Profit before income tax</b>							<b>2,227</b>
Income tax expense							(668)
<b>Profit for the period from continuing operations</b>							<b>1,559</b>
<b>Depreciation and amortisation</b>	<b>756</b>	<b>121</b>	<b>105</b>	<b>80</b>	<b>111</b>	<b>49</b>	<b>1,222</b>
<b>Capital expenditure <sup>2</sup></b>	<b>1,040</b>	<b>176</b>	<b>131</b>	<b>110</b>	<b>176</b>	<b>471</b>	<b>2,104</b>

<b>2018 (52 WEEKS)</b>	<b>AUSTRALIAN FOOD \$M</b>	<b>NEW ZEALAND FOOD \$M</b>	<b>ENDEAVOUR DRINKS \$M</b>	<b>BIG W \$M</b>	<b>HOTELS \$M</b>	<b>OTHER \$M</b>	<b>CONSOLIDATED CONTINUING OPERATIONS \$M</b>
Revenue from the sale of goods and services	37,589	5,933	8,244	3,566	1,612	-	56,944
Intersegment revenue	-	-	-	-	-	17	17
<b>Segment revenue</b>	<b>37,589</b>	<b>5,933</b>	<b>8,244</b>	<b>3,566</b>	<b>1,612</b>	<b>17</b>	<b>56,961</b>
Eliminations	-	-	-	-	-	(17)	(17)
Other revenue <sup>1</sup>	-	-	-	-	-	222	222
<b>Total revenue</b>	<b>37,589</b>	<b>5,933</b>	<b>8,244</b>	<b>3,566</b>	<b>1,612</b>	<b>222</b>	<b>57,166</b>
<b>Earnings/(loss) before interest, tax, and significant items</b>	<b>1,757</b>	<b>262</b>	<b>516</b>	<b>(110)</b>	<b>259</b>	<b>(136)</b>	<b>2,548</b>
Significant items	-	-	-	-	-	-	-
<b>Earnings/(loss) before interest and tax</b>	<b>1,757</b>	<b>262</b>	<b>516</b>	<b>(110)</b>	<b>259</b>	<b>(136)</b>	<b>2,548</b>
Finance costs							(154)
<b>Profit before income tax</b>							<b>2,394</b>
Income tax expense							(718)
<b>Profit for the period from continuing operations</b>							<b>1,676</b>
<b>Depreciation and amortisation</b>	<b>673</b>	<b>117</b>	<b>87</b>	<b>80</b>	<b>102</b>	<b>44</b>	<b>1,103</b>
<b>Capital expenditure <sup>2</sup></b>	<b>1,179</b>	<b>197</b>	<b>169</b>	<b>95</b>	<b>157</b>	<b>139</b>	<b>1,936</b>

<sup>1</sup> Other revenue is comprised of sublease income and other revenue from non-operating activities across the Group.

<sup>2</sup> Capital expenditure is comprised of property, plant and equipment and intangible asset additions, and those assets acquired on the acquisition of businesses.



## Notes to the Consolidated Financial Statements

### 2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS (CONTINUED)

#### 2.2.2 Geographical information

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

	AUSTRALIA		NEW ZEALAND		CONSOLIDATED CONTINUING OPERATIONS	
	2019 53 WEEKS \$M	2018 52 WEEKS \$M	2019 53 WEEKS \$M	2018 52 WEEKS \$M	2019 53 WEEKS \$M	2018 52 WEEKS \$M
Revenue from the sale of goods and services	53,687	51,008	6,297	5,936	59,984	56,944
Other revenue	240	175	48	47	288	222
<b>Total revenue</b>	<b>53,927</b>	<b>51,183</b>	<b>6,345</b>	<b>5,983</b>	<b>60,272</b>	<b>57,166</b>
Non-current assets	12,990	12,487	3,391	3,253	16,381	15,740

### 2.3 FINANCE COSTS FROM CONTINUING OPERATIONS



Finance costs includes interest on borrowings and derivatives.

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
Interest expense	174	202
Less: interest capitalised <sup>1</sup>	(39)	(34)
Other	(9)	(14)
	<b>126</b>	<b>154</b>

<sup>1</sup> Weighted average capitalisation rate was 6.27% (2018: 6.85%).



#### SIGNIFICANT ACCOUNTING POLICIES

##### Finance costs

Finance 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.

All other finance costs are recognised in profit or loss in the period in which they are incurred. Finance costs comprise interest on borrowings calculated using the effective interest method and interest on derivatives.

## 3 ASSETS AND LIABILITIES

### 3.1 TRADE AND OTHER RECEIVABLES



Trade and other receivables consists of amounts owed to the Group by customers for sales of goods and services in the ordinary course of business and amounts paid to suppliers in advance.

	2019 \$M	2018 \$M
<b>Current</b>		
Trade receivables <sup>1</sup>	132	138
Loss allowance	(11)	(9)
	121	129
Other receivables <sup>1</sup>	358	311
Loss allowance	(9)	(20)
	349	291
Prepayments	212	214
<b>Total current trade and other receivables</b>	<b>682</b>	<b>634</b>
<b>Non-current</b>		
Prepayments	42	16
Other receivables	103	77
<b>Total non-current trade and other receivables</b>	<b>145</b>	<b>93</b>
<b>Total</b>	<b>827</b>	<b>727</b>

<sup>1</sup> Includes supplier rebates of \$84 million (2018: \$100 million).



#### 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 a loss allowance. They generally have terms of up to 30 days.

##### Impairment of trade and other receivables

The Group assesses the expected credit losses associated with its trade and other receivables on a forward-looking basis. The Group applies the simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade and other receivables that share similar credit risk characteristics and days past due are grouped and then assessed for collectability as a whole.



## Notes to the Consolidated Financial Statements

### 3.2 OTHER FINANCIAL ASSETS AND LIABILITIES



Other financial assets and liabilities consists of derivatives, the Group's holdings in listed and unlisted investments, and loans provided to related parties.

	2019 \$M	2018 \$M
<b>Current</b>		
Derivatives	45	53
<b>Total current other financial assets</b>	<b>45</b>	<b>53</b>
<b>Non-current</b>		
Derivatives	501	366
Listed equity securities	91	96
Investments in associates	59	57
Loans provided to related parties	41	3
<b>Total non-current other financial assets</b>	<b>692</b>	<b>522</b>
<b>Total other financial assets</b>	<b>737</b>	<b>575</b>
<b>Current</b>		
Derivatives	58	50
<b>Total current other financial liabilities</b>	<b>58</b>	<b>50</b>
<b>Non-current</b>		
Derivatives	24	61
<b>Total non-current other financial liabilities</b>	<b>24</b>	<b>61</b>
<b>Total other financial liabilities</b>	<b>82</b>	<b>111</b>



#### SIGNIFICANT ACCOUNTING POLICIES

##### Derivatives

Refer to Note 4.7 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 to retained earnings.

##### Investments in associates

Associates are those entities in which the Group has significant influence but not control or joint control over the financial and operating policies. Investments in associates are initially recognised at cost including transaction costs and are accounted for using the equity method by including the Group's share of profit or loss and other comprehensive income of associates in the carrying amount of the investment until the date on which significant influence ceases. Dividends received reduce the carrying amount of the investment in associates.

## 3.3 PROPERTY, PLANT AND EQUIPMENT



Property, plant and equipment represents the investment by the Group in tangible assets such as freehold land, warehouses, retail and other properties, store fit outs, distribution infrastructure, and technology.

2019	DEVELOPMENT PROPERTIES \$M	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES \$M	LEASEHOLD IMPROVEMENTS \$M	PLANT AND EQUIPMENT \$M	TOTAL <sup>1</sup> \$M
Cost	722	1,647	2,983	11,631	16,983
Less: accumulated depreciation, amortisation, and impairment	(47)	(304)	(1,272)	(5,841)	(7,464)
<b>Carrying amount at end of period</b>	<b>675</b>	<b>1,343</b>	<b>1,711</b>	<b>5,790</b>	<b>9,519</b>
<i>Movement:</i>					
Carrying amount at start of period	677	1,188	1,586	5,575	9,026
Additions	238	61	350	1,391	2,040
Acquisition of businesses	-	33	1	2	36
Disposals <sup>2</sup>	-	(6)	(10)	(22)	(38)
Transfer to assets held for sale	(24)	(171)	(26)	(12)	(233)
Depreciation expense	-	(27)	-	(994)	(1,021)
Amortisation expense	-	-	(182)	-	(182)
Impairment reversal/(expense)	-	37	-	(166)	(129)
Transfers and other	(219)	220	(11)	2	(8)
Effect of movements in exchange rates	3	8	3	14	28
<b>Carrying amount at end of period</b>	<b>675</b>	<b>1,343</b>	<b>1,711</b>	<b>5,790</b>	<b>9,519</b>
2018	DEVELOPMENT PROPERTIES \$M	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES \$M	LEASEHOLD IMPROVEMENTS \$M	PLANT AND EQUIPMENT \$M	TOTAL \$M
Cost	729	1,472	2,528	10,241	14,970
Less: accumulated depreciation, amortisation, and impairment	(52)	(284)	(942)	(4,666)	(5,944)
<b>Carrying amount at end of period</b>	<b>677</b>	<b>1,188</b>	<b>1,586</b>	<b>5,575</b>	<b>9,026</b>
<i>Movement:</i>					
Carrying amount at start of period	565	1,271	1,493	5,109	8,438
Additions	217	19	245	1,469	1,950
Acquisition of businesses	-	-	-	1	1
Disposals <sup>2</sup>	(48)	(19)	(16)	(40)	(123)
Transfer (to)/from assets held for sale	(12)	(113)	8	(37)	(154)
Depreciation expense	-	(28)	-	(917)	(945)
Amortisation expense	-	-	(140)	-	(140)
Transfers and other	(43)	66	-	3	26
Effect of movements in exchange rates	(2)	(8)	(4)	(13)	(27)
<b>Carrying amount at end of period</b>	<b>677</b>	<b>1,188</b>	<b>1,586</b>	<b>5,575</b>	<b>9,026</b>

1 Includes assets under construction of \$779 million.

2 Net loss on disposal and write-off of property, plant and equipment, including those classified as held for sale, during the period from continuing operations was \$27 million (2018: \$31 million).



### 3.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)



#### SIGNIFICANT ACCOUNTING POLICIES

##### Carrying value

The Group's property, plant and equipment are measured at cost less accumulated depreciation, amortisation, and 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 to their residual values. Leasehold improvements are amortised over the expected useful life of the improvement. 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	2.5-20 years
Leasehold improvements	Up to 25 years (retail properties) or 40 years (hotels)

##### Proceeds from sale of assets

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

##### Impairment

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



#### 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 reporting periods is not changed.



### 3.4 INTANGIBLE ASSETS



Intangible assets represents goodwill, brand names, and licences. Goodwill arises when the Group acquires a business at a cost which exceeds the fair value of net assets acquired and represents the synergies expected to arise from the purchase. Brand names have mainly been recognised as a result of New Zealand supermarket acquisitions and help to identify and differentiate the Group's network from others. Licences allow the Group to conduct certain business activities including the resale of drinks and provision of leisure and hospitality services.

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

	GOODWILL \$M	BRAND NAMES \$M	LIQUOR, GAMING LICENCES, AND OTHER \$M	TOTAL \$M
<b>2019</b>				
Cost	4,342	255	2,284	6,881
Less: accumulated amortisation and impairment	(125)	(1)	(229)	(355)
<b>Carrying amount at end of period</b>	<b>4,217</b>	<b>254</b>	<b>2,055</b>	<b>6,526</b>
<i>Movement:</i>				
Carrying amount at start of period	4,155	250	2,060	6,465
Acquisition of businesses	27	-	19	46
Other acquisitions	-	-	5	5
Disposals, transfers, and other	(2)	-	(8)	(10)
Amortisation expense	-	-	(19)	(19)
Impairment expense	(19)	-	(2)	(21)
Effect of movements in exchange rates	56	4	-	60
<b>Carrying amount at end of period</b>	<b>4,217</b>	<b>254</b>	<b>2,055</b>	<b>6,526</b>
<b>2018</b>				
Cost	4,260	251	2,274	6,785
Less: accumulated amortisation and impairment	(105)	(1)	(214)	(320)
<b>Carrying amount at end of period</b>	<b>4,155</b>	<b>250</b>	<b>2,060</b>	<b>6,465</b>
<i>Movement:</i>				
Carrying amount at start of period	4,216	256	2,061	6,533
Acquisition of businesses	17	-	18	35
Other acquisitions	-	(1)	6	5
Disposals, transfers, and other	(8)	-	(7)	(15)
Amortisation expense	-	-	(18)	(18)
Effect of movements in exchange rates	(70)	(5)	-	(75)
<b>Carrying amount at end of period</b>	<b>4,155</b>	<b>250</b>	<b>2,060</b>	<b>6,465</b>



## Notes to the Consolidated Financial Statements

### 3.4 INTANGIBLE ASSETS (CONTINUED)

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

	GOODWILL		BRAND NAMES		LIQUOR, GAMING LICENCES, AND OTHER	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Australian Food	370	360	-	-	-	-
New Zealand Food	2,165	2,109	247	243	-	-
Endeavour Drinks <sup>1</sup>	503	516	7	7	277	274
ALH Group	1,179	1,170	-	-	1,725	1,711
	<b>4,217</b>	<b>4,155</b>	<b>254</b>	<b>250</b>	<b>2,002</b>	<b>1,985</b>

<sup>1</sup> Excludes ALH owned retail sites, which are included in ALH Group.



### SIGNIFICANT ACCOUNTING POLICIES

#### Goodwill

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

#### Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. 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	Indefinite useful life
Liquor and gaming licences	Indefinite useful life
Victorian gaming entitlements	Life of the gaming entitlement (10 years)
Other (primarily customer relationships and property development rights)	Indefinite and finite up to 20 years

#### Impairment

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



### CRITICAL ACCOUNTING ESTIMATES

#### Estimation of useful life of assets

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

### 3.5 IMPAIRMENT OF NON-FINANCIAL ASSETS



An impairment loss is incurred when the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. The Group reviews the carrying amount of assets and cash-generating units at least annually and/or when there is an indication that the asset or cash-generating unit may be impaired.

#### 2019

##### BIG W

On 1 April 2019, the Group announced the conclusion of the BIG W network review. A total impairment charge of \$166 million has been recorded in branch expenses, \$110 million of which relates to impairment of centrally-held plant and equipment, and \$56 million relating to the impairment of store plant and equipment.

The recoverable amount of BIG W was assessed for impairment using assumptions included in the three-year strategic plan (the plan) which was formally approved by the Board during the second half of the period. As at 30 June 2019, following the recognition of the \$166 million impairment, the estimated recoverable amount of the business approximates its carrying value of \$404 million (2018: \$502 million). The undiscounted lease commitments are approximately \$2.5 billion (2018: \$2.8 billion). Management applied a long-term growth rate of 2.5% to the cash flows before any benefits associated with the network review and a pre-tax discount rate of 13.9%, (post-tax of 9.7%) which is consistent with prior year. The decrease in the recoverable amount of the cash-generating units reflect a more conservative level of margin recovery expected from BIG W, taking into account both current trading and the outlook for the broader sector, including the continued customer shift to online.

There are a number of risks and uncertainties associated with the execution of the plan, including adverse changes in trading conditions, the competitive landscape, and the ability of BIG W to execute the plan in line with the assumptions made. The assessment of the recoverable amount represents management's best estimate, taking into account risks, uncertainties, and opportunities for improvement in the business. Management will continue to assess the progress of BIG W against these estimates and it is possible that further asset impairments and onerous contract provisions may be required in relation to the BIG W store and distribution network in future periods. A 50 basis point reduction in the gross profit margin, with all other assumptions remaining the same, would result in an additional impairment charge and/or onerous contract provisions in the range of \$150 million to \$200 million.

##### Endeavour Drinks

During the period, an impairment charge of \$21 million was recorded in branch expenses in relation to Summergate, a China-based wine and drinks distributor within Endeavour Drinks, and relates to the impairment of goodwill and other intangibles.

##### Other

During the period, it was determined that the carrying value of an owned property would be recovered through a sale transaction rather than through continuing use. Prior to classification as held for sale, an assessment indicated that a previously recognised impairment charge on the asset was no longer required. A reversal of \$37 million was recognised in branch expenses and the asset was subsequently classified as held for sale.

#### 2018

The Group assessed the carrying amounts of property, plant and equipment, goodwill, and intangible assets and no impairments were recognised.



### 3.5 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)



#### SIGNIFICANT ACCOUNTING POLICIES

##### Impairment of non-financial assets

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

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

##### Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to dispose. 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.

For properties, the recoverable amount is assessed with reference to external valuations obtained every three years using current market rental value with regard to recent sales of comparable sites. Internal value in use assessments are performed during the intervening periods.

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 are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis to their carrying amounts.

##### Reversal of impairment

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

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

Long-term growth rates are based on past experience, expectations of external market operating conditions, and other assumptions which take account of the specific features of each business unit.

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

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

	2019 %	2018 %
Long-term growth rate	2.5	2.5
Pre-tax discount rate	12 - 17	12 - 17

Other than as disclosed, 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.



## Notes to the Consolidated Financial Statements

### 3.6 INCOME TAXES



This section presents the total income tax expense charged to the Group in respect of amounts currently owing for taxable profits and future income taxes recoverable or payable in respect of temporary differences. The Group presents a reconciliation of its effective tax rate and a summary of changes in future income tax recoverable or payable by major category.

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

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>Income tax expense</b>		
Current tax expense	730	699
Adjustments recognised in the current period in relation to the current tax of prior periods	(11)	(6)
Deferred tax relating to the origination and reversal of temporary differences	(51)	99
	<b>668</b>	<b>792</b>
<i>Income tax expense is attributable to:</i>		
Profit from continuing operations (as reported in the Consolidated Statement of Profit or Loss)	668	718
Profit from discontinued operations (refer to Note 5.1)	-	74
	<b>668</b>	<b>792</b>

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

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
Profit before income tax - continuing operations	2,227	2,394
Profit before income tax - discontinued operations (refer to Note 5.1)	1,200	193
<b>Profit before income tax</b>	<b>3,427</b>	<b>2,587</b>
Income tax expense using the Australian corporate tax rate of 30%	1,028	776
<i>Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:</i>		
Capital gain offset by capital losses	(327)	-
De-recognised deferred tax liability on sale of business	(33)	-
Non-deductible expenses	9	4
Unrecognised tax losses from the current year	4	1
Impact of differences in offshore tax rates	(5)	(5)
Other	3	22
	<b>679</b>	<b>798</b>
Adjustments relating to prior periods	(11)	(6)
<b>Income tax expense</b>	<b>668</b>	<b>792</b>

## 3.6 INCOME TAXES (CONTINUED)

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

2019	OPENING BALANCE \$M	RECOGNISED IN PROFIT OR LOSS <sup>1</sup> \$M	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$M	ACQUISITIONS AND OTHER \$M	CLOSING BALANCE \$M
<b>Deferred tax assets</b>					
Property, plant and equipment	69	(21)	-	-	48
Provisions and accruals	853	74	1	-	928
Cash flow hedges	18	-	(4)	-	14
<b>Total deferred tax assets</b>	<b>940</b>	<b>53</b>	<b>(3)</b>	<b>-</b>	<b>990</b>
<b>Deferred tax liabilities</b>					
Intangible assets	(627)	-	-	(6)	(633)
Unrealised foreign exchange differences	(32)	4	(4)	-	(32)
Prepayments	(5)	(2)	-	-	(7)
Other	(5)	(4)	-	2	(7)
<b>Total deferred tax liabilities</b>	<b>(669)</b>	<b>(2)</b>	<b>(4)</b>	<b>(4)</b>	<b>(679)</b>
<b>Net deferred tax asset/(liability)</b>	<b>271</b>	<b>51</b>	<b>(7)</b>	<b>(4)</b>	<b>311</b>

1 Includes \$33 million relating to the sale of the Petrol business.

2018	OPENING BALANCE \$M	RECOGNISED IN PROFIT OR LOSS \$M	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$M	ACQUISITIONS AND OTHER \$M	CLOSING BALANCE \$M
<b>Deferred tax assets</b>					
Property, plant and equipment	109	(40)	-	-	69
Provisions and accruals	897	(44)	-	-	853
Cash flow hedges	29	-	(11)	-	18
Other	5	(5)	-	-	-
<b>Total deferred tax assets</b>	<b>1,040</b>	<b>(89)</b>	<b>(11)</b>	<b>-</b>	<b>940</b>
<b>Deferred tax liabilities</b>					
Intangible assets	(626)	-	-	(1)	(627)
Unrealised foreign exchange differences	(42)	(1)	11	-	(32)
Prepayments	(4)	(1)	-	-	(5)
Other	4	(8)	-	(1)	(5)
<b>Total deferred tax liabilities</b>	<b>(668)</b>	<b>(10)</b>	<b>11</b>	<b>(2)</b>	<b>(669)</b>
<b>Net deferred tax asset/(liability)</b>	<b>372</b>	<b>(99)</b>	<b>-</b>	<b>(2)</b>	<b>271</b>

**Unrecognised deferred tax assets**

At the reporting date, the Group has unused capital losses of \$1,168 million (2018: \$2,361 million) available for offset against future capital gains. A deferred tax asset has not been recognised in association with these capital losses as it is not probable that there will be sufficient capital gains available against which these capital losses can be utilised in the foreseeable future.

At the reporting date, the Group has unused revenue losses of \$37 million (2018: \$22 million). A deferred tax asset has not been recognised in respect of these revenue losses as it is not probable that there will be sufficient profit available against which these losses can be utilised during the five-year period that these losses remain available to be carried forward.



## Notes to the Consolidated Financial Statements

### 3.6 INCOME TAXES (CONTINUED)

#### 3.6.4 Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax consolidated group with effect from 1 July 2002. Woolworths Group 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.

Income tax expense or benefit, 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.

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 \$104 million (2018: \$35 million) was charged by the Company to subsidiaries during the period through at call intercompany accounts.



#### SIGNIFICANT ACCOUNTING POLICIES

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

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.

##### Current tax

Current 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 periods.

##### 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.

The benefit of intangible assets with an indefinite useful life will flow to the Group on an annual basis, therefore the carrying amount will be recovered through use.

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.



### 3.7 TRADE AND OTHER PAYABLES



Trade and other payables mainly consists of amounts owing to the Group's suppliers that have been invoiced or accrued.

	2019 \$M	2018 \$M
Trade payables	5,219	5,149
Accruals	1,242	1,435
Contract liabilities	215	209
	<b>6,676</b>	<b>6,793</b>

#### Contract liabilities

Contract liabilities represent consideration received for performance obligations not yet satisfied. Substantially all of the revenue deferred at period end will be recognised in the following period.

### 3.8 PROVISIONS



Provisions are a liability recorded where there is uncertainty over the timing or amount that will be paid but the expected settlement amount can be reliably estimated by the Group. The main provisions held are in relation to employee benefits, self-insured risks, restructuring, onerous contracts, and store exit costs.

	2019 \$M	2018 \$M
<b>Current</b>		
Employee benefits	1,075	1,018
Self-insured risks	173	177
Restructuring, onerous contracts, store exit costs, and other	280	256
<b>Total current provisions</b>	<b>1,528</b>	<b>1,451</b>
<b>Non-current</b>		
Employee benefits	99	100
Self-insured risks	430	419
Restructuring, onerous contracts, store exit costs, and other	457	423
<b>Total non-current provisions</b>	<b>986</b>	<b>942</b>
<b>Total</b>	<b>2,514</b>	<b>2,393</b>



## Notes to the Consolidated Financial Statements

### 3.8 PROVISIONS (CONTINUED)

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

	SELF-INSURED RISKS		RESTRUCTURING, ONEROUS CONTRACTS, STORE EXIT COSTS, AND OTHER	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
<i>Movement:</i>				
Balance at start of period	596	593	679	800
Net provisions recognised/(reversed) <sup>1</sup>	177	161	225	55
Cash payments	(157)	(148)	(162)	(178)
Other	(13)	(10)	(5)	2
<b>Balance at end of period</b>	<b>603</b>	<b>596</b>	<b>737</b>	<b>679</b>
<b>Current</b>	<b>173</b>	<b>177</b>	<b>280</b>	<b>256</b>
<b>Non-current</b>	<b>430</b>	<b>419</b>	<b>457</b>	<b>423</b>
	<b>603</b>	<b>596</b>	<b>737</b>	<b>679</b>

<sup>1</sup> The increase in restructuring, onerous contracts, and store exit costs in 2019 is primarily attributable to the recognition of provisions associated with the BIG W network review as outlined in Note 1.4.



#### 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.

### 3.8 PROVISIONS (CONTINUED)



#### CRITICAL ACCOUNTING ESTIMATES

##### Discount rates

Where a provision is measured using the cash flows estimated to settle the obligation, with the exception of employee benefits, 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. Employee benefits are discounted by reference to market yields at the end of the reporting period on high quality corporate bonds. 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 reporting 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

Provisions for store closures and onerous leases are recognised 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, lease exit terms, sublease income, and management's assessment of the timing and likely termination costs.

The estimates and judgements applied with respect to the BIG W and Home Improvement businesses involve a high degree of complexity and have a risk of causing a material adjustment in subsequent periods. Any changes in the estimates and judgements of the provision in future periods will be recognised in the Group's profit or loss. Refer to Note 3.5 for further details with respect to BIG W.

### 3.9 OTHER NON-CURRENT LIABILITIES



Other non-current liabilities relate to non-trade amounts owing by the Group which do not fall due or payable within the next 12 months.

	2019 \$M	2018 \$M
Straight-line lease and incentive liability	273	259
Net defined benefit liability	55	51
Other	9	1
	337	311



## 4 CAPITAL STRUCTURE, FINANCING, AND RISK MANAGEMENT

### 4.1 EARNINGS PER SHARE



Earnings per share presents the amount of profit generated for the reporting period attributable to shareholders divided by the weighted average number of shares on issue. The potential for any share rights issued by the Group to dilute existing shareholders' ownership when the share rights are exercised are also presented.

	2019 53 WEEKS	2018 52 WEEKS
<b>Profit for the period attributable to equity holders of the parent entity used in earnings per share (\$M)</b>		
Continuing operations	1,493	1,605
Discontinued operations	1,200	119
	<b>2,693</b>	<b>1,724</b>
<b>Weighted average number of shares used in earnings per share (shares, millions) <sup>1</sup></b>		
Basic earnings per share	1,305.7	1,300.5
Diluted earnings per share <sup>2</sup>	1,313.7	1,303.9
<b>Basic earnings per share (cents per share) <sup>1</sup></b>		
Continuing operations	114.3	123.4
Discontinued operations	91.9	9.2
	<b>206.2</b>	<b>132.6</b>
<b>Diluted earnings per share (cents per share) <sup>1,2</sup></b>		
Continuing operations	113.6	123.1
Discontinued operations	91.3	9.2
	<b>204.9</b>	<b>132.3</b>

1 Weighted average number of shares has been adjusted to remove shares held in trust by Woolworths Custodian Pty Ltd (as trustee of various employee share trusts).

2 Includes 8.0 million (2018: 3.4 million) shares deemed to be issued for no consideration in respect of employee performance rights.

In 2019, the weighted average number of ordinary shares used in the calculation of EPS included the effect of the off-market share buy-back that was completed on 27 May 2019, resulting in 58.7 million ordinary shares being cancelled. Refer to Note 4.3 for further details on the share buy-back.

## 4.2 DIVIDENDS



Dividends are distributions of the Group's profit after tax before significant items to its shareholders and represent one of the ways the Group distributes returns to its shareholders.

	2019			2018		
	CENTS PER SHARE	TOTAL AMOUNT \$M	DATE OF PAYMENT	CENTS PER SHARE	TOTAL AMOUNT \$M	DATE OF PAYMENT
Current year interim	45	593	5 April 2019	43	561	6 April 2018
Prior year final	50	657	12 October 2018	50	647	6 October 2017
Prior year special	10	131	12 October 2018	-	-	
<b>Dividends paid during the period</b>	<b>105</b>	<b>1,381</b>		<b>93</b>	<b>1,208</b>	
Issue of shares to satisfy the dividend reinvestment plan		(114)			(482)	
Dividends received - shares held in trust		-			(2)	
<b>Dividends paid in cash</b>		<b>1,267</b>			<b>724</b>	

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

On 29 August 2019, the Board of Directors declared a final dividend in respect of the 2019 period of 57 cents per share, fully franked at a 30% tax rate. The amount will be paid on or around 30 September 2019 and is expected to be \$717 million. As the dividend was declared subsequent to 30 June 2019, no provision had been made as at 30 June 2019.

### Dividend Reinvestment Plan (DRP)

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

Shares will be allocated to shareholders under the DRP for the 2019 final dividend at an amount equal to 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 6 September 2019. The last date for receipt of election notices for the DRP is 5 September 2019. The Company may acquire shares on-market during this period to satisfy its obligations under the DRP.

During the period, 13.4% (2018: 39.9%) of the dividends paid were reinvested in shares of the Company. The change in the reinvestment participation rate reflects the removal of the discount with effect from the 2018 final dividend paid on 12 October 2018. The DRP in respect of the 2019 interim dividend was satisfied in full through the on-market purchase and transfer of \$73 million of shares to participating shareholders.

### Franking credit balance

	2019 \$M	2018 \$M
Franking credits available for future financial periods (tax paid basis, 30% tax rate)	1,953	2,610

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

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

The above franking credit balance excludes \$145 million (2018: \$134 million) attributable to non-controlling interests.



## Notes to the Consolidated Financial Statements

### 4.3 CONTRIBUTED EQUITY



Contributed equity represents the number of ordinary shares on issue less shares held by the Group. A reconciliation is presented to show the total number of ordinary shares held by the Group which reduces the amount of total shares traded on-market.

	2019		2018	
	NUMBER M	\$M	NUMBER M	\$M
<b>SHARE CAPITAL</b>				
1,258,690,067 fully paid ordinary shares (2018: 1,313,323,941)				
<i>Movement:</i>				
Balance at start of period	1,313.3	6,201	1,294.4	5,719
Share buy-back	(58.7)	(282)	-	-
Issue of shares to satisfy the dividend reinvestment plan	4.1	114	18.9	482
<b>Balance at end of period</b>	<b>1,258.7</b>	<b>6,033</b>	<b>1,313.3</b>	<b>6,201</b>
<b>SHARES HELD IN TRUST</b>				
<i>Movement:</i>				
Balance at start of period	(4.9)	(146)	(3.4)	(104)
Issue of shares to satisfy employee long-term incentive plans	0.2	6	0.6	21
Issue of shares to satisfy the dividend reinvestment plan	(0.2)	(5)	(0.1)	(3)
Purchase of shares by the Woolworths Employee Share Trust	(2.0)	(60)	(2.0)	(60)
<b>Balance at end of period</b>	<b>(6.9)</b>	<b>(205)</b>	<b>(4.9)</b>	<b>(146)</b>
<b>Contributed equity at end of period</b>	<b>1,251.8</b>	<b>5,828</b>	<b>1,308.4</b>	<b>6,055</b>

#### Share buy-back

On 27 May 2019, the Group completed an off-market share buy-back of 58,733,844 ordinary shares. The ordinary shares were bought back at \$28.94, representing a 14% discount to the Group's market price of \$33.64 (being the volume weighted average price of the Group's ordinary shares over the five trading days up to and including the closing date of 24 May 2019), and comprised a fully franked dividend component of \$24.15 per share (\$1,419 million) and a capital component of \$4.79 per share (\$282 million), including \$1 million of associated transaction costs (net of tax). The shares bought back were subsequently cancelled.

#### 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 creditors and are fully entitled to any proceeds of liquidation.

#### Share options and performance rights

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

## 4.4 RESERVES



Reserves represent the cumulative gains or losses that have been recognised in the Consolidated Statement of Other Comprehensive Income.

	CASH FLOW HEDGE RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	REMUNERATION RESERVE \$M	ASSET REVALUATION RESERVE \$M	EQUITY INSTRUMENT RESERVE \$M	TOTAL \$M
<b>2019</b>						
Balance at start of period	(43)	58	279	17	42	353
Effective portion of changes in the fair value of cash flow hedges, net of tax	38	-	-	-	-	38
Transfers to initial carrying amount of hedged items, net of tax	(24)	-	-	-	-	(24)
Foreign currency translation of foreign operations, net of tax	-	76	-	-	-	76
Share-based payments expense	-	-	62	-	-	62
Issues of shares to satisfy employee long-term incentive plans	-	-	(6)	-	-	(6)
Change in the fair value of investments in equity securities	-	-	-	-	(9)	(9)
<b>Balance at end of period</b>	<b>(29)</b>	<b>134</b>	<b>335</b>	<b>17</b>	<b>33</b>	<b>490</b>
<b>2018</b>						
Balance at start of period	(66)	139	242	17	25	357
Effective portion of changes in the fair value of cash flow hedges, net of tax	20	-	-	-	-	20
Transfers to initial carrying amount of hedged items, net of tax	3	-	-	-	-	3
Foreign currency translation of foreign operations, net of tax	-	(81)	-	-	-	(81)
Share-based payments expense	-	-	58	-	-	58
Issues of shares to satisfy employee long-term incentive plans	-	-	(21)	-	-	(21)
Change in the fair value of investments in equity securities	-	-	-	-	17	17
<b>Balance at end of period</b>	<b>(43)</b>	<b>58</b>	<b>279</b>	<b>17</b>	<b>42</b>	<b>353</b>



---

**4.4 RESERVES (CONTINUED)**


---


**SIGNIFICANT ACCOUNTING POLICIES**
**Cash flow hedge reserve**

The cash flow hedge 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 profit or loss, consistent with the applicable accounting policy. Refer to Note 4.7 for details of hedging.

**Foreign currency translation reserve (FCTR)**

FCTR comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are also included in the FCTR. Refer to Note 4.7 for details of hedging.

**Remuneration reserve**

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

**Asset revaluation reserve**

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

**Equity instrument reserve**

The equity instrument reserve arises on the revaluation of investments in listed equity securities. Subsequent to initial recognition, these investments 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 to retained earnings.

---



## 4.5 CASH AND CASH EQUIVALENTS



This section presents cash and cash equivalents in the Consolidated Statement of Cash Flows and a reconciliation of the Group's profit for the period to net cash flows provided by operating activities.

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

	2019 \$M	2018 \$M
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	1,066	1,273
Cash and cash equivalents (included within assets held for sale)	-	4
	1,066	1,277

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

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>Profit for the period</b>	2,759	1,795
<i>Adjustments for:</i>		
Depreciation and amortisation	1,222	1,103
Impairment/(reversal of impairment) of non-financial assets	150	(24)
Share-based payments expense	62	58
Gain on sale of business	(1,088)	(14)
Interest capitalised	(39)	(34)
Net loss on disposal and write-off of property, plant and equipment	27	20
Dividends received	(4)	(4)
Other	9	3
<i>Changes in:</i>		
Increase in inventories	(34)	(60)
Increase in trade payables	239	129
Increase/(decrease) in provisions	77	(61)
Increase in trade and other receivables	(108)	(142)
(Decrease)/increase in other payables	(250)	99
(Increase)/decrease in deferred tax assets	(47)	98
(Decrease)/increase in current tax payable	(27)	28
<b>Net cash provided by operating activities</b>	2,948	2,994



## SIGNIFICANT ACCOUNTING POLICIES

### Cash and cash equivalents

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



## Notes to the Consolidated Financial Statements

### 4.6 BORROWINGS



This section provides a summary of the capital management activity of the Group during the period, including the Group's borrowings. The Group manages its liquidity requirements with a range of short-term money market loans, bank loans, and flexible debt instruments with varying maturities.

#### 4.6.1 Capital structure

The Group manages its capital structure with the objective of enhancing long-term shareholder value through funding its business at an optimised weighted average cost of capital.

The Group returns capital to shareholders when consistent with its long-term capital structure objectives and where it will enhance shareholder value. In May 2019, the Group returned \$1.7 billion of capital to shareholders through an off-market share buy-back. This resulted in the purchase of 58.7 million shares which were subsequently cancelled. The share buy-back complements dividends of \$1.4 billion paid to shareholders this reporting period through the 2018 final and special dividends, and the 2019 interim dividend, with a total of \$3.1 billion returned to shareholders, excluding franking credits.

The Group remains committed to solid investment grade credit ratings and a number of actions can be undertaken to support the credit profile including the sale of non-core assets, further working capital initiatives, and adjusting growth capital expenditure and the property leasing profile. The Group's credit ratings<sup>1</sup> are BBB (stable outlook) according to S&P and Baa2 (stable outlook) according to Moody's.

#### 4.6.2 Borrowings

##### (i) Borrowing transactions during 2019

In March 2019, the \$500 million domestic Medium Term Notes matured. It was refinanced in April 2019 with \$400 million of Medium Term Notes issued to meet the Group's new Green Bond Framework (Green Bonds). The Green Bonds have been issued for a five-year tenor, maturing in April 2024.

##### (ii) Upcoming maturities

In November 2019, \$320 million of undrawn syndicated bank loan facilities are due to mature. The Group intends to refinance this facility at maturity.

#### 4.6.3 Movements in borrowings

2019	OPENING BALANCE \$M	NON-CASH MOVEMENTS \$M	NET CASH MOVEMENTS \$M	CLOSING BALANCE \$M
<b>Current, unsecured</b>				
Short-term money market loans	16	2	21	39
Bank loans	88	5	142	235
Securities	500	-	(500)	-
<b>Total current borrowings</b>	<b>604</b>	<b>7</b>	<b>(337)</b>	<b>274</b>
<b>Non-current, unsecured</b>				
Bank loans	540	36	102	678
Securities	1,668	110	400	2,178
Unamortised borrowing costs	(9)	5	-	(4)
Finance leases	-	6	(3)	3
<b>Total non-current borrowings</b>	<b>2,199</b>	<b>157</b>	<b>499</b>	<b>2,855</b>
<b>Total</b>	<b>2,803</b>	<b>164</b>	<b>162</b>	<b>3,129</b>

<sup>1</sup> These credit ratings have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only and are for the benefit of the Group's debt providers.

## 4.6 BORROWINGS (CONTINUED)

## 4.6.3 Movements in borrowings (continued)

2018	OPENING BALANCE \$M	NON-CASH MOVEMENTS \$M	NET CASH MOVEMENTS \$M	CLOSING BALANCE \$M
<b>Current, unsecured</b>				
Short-term money market loans	171	-	(155)	16
Bank loans	83	-	5	88
Securities	-	500	-	500
<b>Total current borrowings</b>	<b>254</b>	<b>500</b>	<b>(150)</b>	<b>604</b>
<b>Non-current, unsecured</b>				
Bank loans	529	11	-	540
Securities	2,263	(465)	(130)	1,668
Unamortised borrowing costs	(17)	8	-	(9)
Finance leases	2	(2)	-	-
<b>Total non-current borrowings</b>	<b>2,777</b>	<b>(448)</b>	<b>(130)</b>	<b>2,199</b>
<b>Total</b>	<b>3,031</b>	<b>52</b>	<b>(280)</b>	<b>2,803</b>

## 4.6.4 Composition of debt

	CURRENCY (IF NOT AUD)	MATURITY	NOTIONAL VALUE		CARRYING VALUE	
			2019 \$M	2018 \$M	2019 \$M	2018 \$M
<b>Short-term money market loans</b>						
Short-term loan, at call <sup>1</sup>	NZD	At call	39	16	39	16
			39	16	39	16
<b>Bank loans (current)</b>						
Committed Revolving Credit Facility <sup>1</sup>	CNY	Feb-20	56	50	58	51
Committed Revolving Credit Facility <sup>1</sup>	NZD	Oct-19	177	37	177	37
			233	87	235	88
<b>Securities (current)</b>						
Medium Term Notes		Mar-19	-	500	-	500
			-	500	-	500
<b>Bank loans (non-current)</b>						
Syndicated Bank Loan	USD	Oct-21	355	355	370	351
Syndicated Bank Loan	USD	Nov-20	184	184	200	189
Bank loans <sup>2</sup>		Sep-20	44	-	44	-
Bank loans <sup>2</sup>		Apr-21	64	-	64	-
			647	539	678	540
<b>Securities (non-current)</b>						
US Senior Notes (US 144A market)	USD	Sep-20	654	654	879	833
US Senior Notes (US 144A market)	USD	Apr-21	424	424	625	591
Medium Term Notes (Green Bonds) <sup>3</sup>		Apr-24	400	-	409	-
European Medium Term Notes	JPY	Nov-20	229	229	265	244
			1,707	1,307	2,178	1,668

<sup>1</sup> Drawn by a subsidiary outside the Woolworths Group Limited Deed of Cross Guarantee.

<sup>2</sup> In May 2019, the Group entered into a series of cross currency swaps with a bank counterparty to bring forward and realise the positive fair value from existing cross currency swaps hedging the US Senior Notes.

<sup>3</sup> The Medium Term Notes (Green Bonds) are the hedged item in a fair value hedge relationship and are subject to changes in the carrying amount due to fair value adjustments.



## Notes to the Consolidated Financial Statements

### 4.6 BORROWINGS (CONTINUED)



#### SIGNIFICANT ACCOUNTING POLICIES

##### Borrowings

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

### 4.7 FINANCIAL RISK MANAGEMENT



This section provides a summary of the Group's exposure to market, liquidity, and credit risks, along with the Group's policies and strategies in place to mitigate these risks.

The Group's Treasury function is responsible for managing its liquidity, funding, and capital requirements, and identifying and managing financial risks relating to the Group's operations. These financial risks include:

- Market risk (refer to Note 4.7.1);
- Liquidity risk (refer to Note 4.7.2); and
- Credit risk (refer to Note 4.7.3).

These risks affect the fair value measurements applied by the Group, which are detailed in Note 4.7.4.

The Group adheres to a treasury policy approved by the Board of Directors, which set written principles on liquidity risk, interest rate risk, foreign exchange risk, credit risk, and the use of derivatives for hedging purposes. The Treasury function reports on its compliance with the policy to the Board of Directors and such compliance is reviewed periodically by the Group's internal auditors.

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

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

#### 4.7.1 Market risk

##### (i) Interest rate risk

Interest rate risk is the risk that a change in interest rates may negatively impact the Group's cash flow or profitability because the Group's borrowings reset directly in accordance with interest rate benchmarks or reset regularly to current rates influenced by interest rate benchmarks. The risk is managed by maintaining an appropriate mix between floating and fixed rate borrowings and through the use of approved derivatives to hedge the risk.

##### (ii) Foreign exchange risk

Foreign exchange risk is the risk that a change in foreign exchange rates may negatively impact the Group's cash flow or profitability because the Group has an exposure to a foreign currency or has foreign currency denominated obligations.

To hedge against the majority of this exposure, the Group uses approved derivatives to hedge up to 100% of the risk. The exposure to purchases of inventory in foreign currencies is primarily managed through forward exchange contracts and foreign currency options. These have been designated as cash flow hedges and the Group has established a 100% hedge relationship against the identified exposure.

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 swaps under which it agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. All foreign currency term borrowings are 100% hedged in this way.

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

## 4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 4.7.1 Market risk (continued)

## (iii) Hedging arrangements

At the reporting date, the fair value and notional amounts of derivatives entered into for hedging purposes for the Group are:

	NOTIONAL VALUE		FAIR VALUE ASSET		FAIR VALUE LIABILITY	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
<b>Cash flow hedges</b>						
Forward exchange contracts	590	825	15	34	-	(1)
Foreign currency options	338	330	2	8	-	-
Cross currency swaps						
Syndicated Bank Loan	355	355	14	-	-	(6)
Syndicated Bank Loan	184	184	15	5	-	-
US Senior Notes (US144A)	654	654	232	174	-	(2)
US Senior Notes (US144A)	424	424	219	177	-	-
European Medium Term Notes	229	229	40	21	(4)	(7)
			520	377	(4)	(15)
Interest rate swaps						
US Senior Notes (US144A)	654	654	-	-	(36)	(49)
US Senior Notes (US144A)	424	424	-	-	(37)	(44)
European Medium Term Notes	229	229	-	-	(5)	(2)
<b>Fair value hedges</b>					(78)	(95)
Interest rate swaps						
Medium Term Notes (Green Bonds)	400	-	9	-	-	-
			9	-	-	-
<b>Total</b>			546	419	(82)	(111)

*Forward exchange contracts and foreign currency options*

At the reporting date, the net amount of unrealised gains under forward exchange contracts and foreign currency options hedging anticipated purchases of inventory and equipment is \$17 million (2018: \$41 million unrealised gain). These fair value calculations include an option premium paid of \$2 million (2018: \$4 million).

The hedge relationships are all assessed as highly effective with insignificant hedge ineffectiveness and the gain of \$15 million has been recognised in the hedge reserve (2018: \$37 million gain).

The weighted average exchange rates hedged by outstanding forward exchange contracts and foreign currency options are: AUD/USD 0.72 (2018: 0.78) and AUD/EUR 0.62 (2018: 0.64).

*Cross currency swaps*

At the reporting date, cross currency swaps have a net unrealised gain of \$516 million (2018: \$362 million unrealised gain), of which \$494 million is attributable to an unrealised gain on the foreign exchange component (2018: \$363 million unrealised gain) and \$22 million is attributable to an unrealised gain on the interest rate component (2018: \$1 million unrealised loss).

The interest rate component of the cross currency swaps are designated as cash flow hedges, in a 100% hedge relationship with the underlying debt. Accordingly, the unrealised gain of \$22 million attributable to the interest rate component has been recognised in the cash flow hedge reserve (2018: \$1 million loss) at the reporting date, with insignificant hedge ineffectiveness.

The movement in the unrealised gain attributable to the foreign exchange component of \$131 million (2018: \$43 million) has been recognised in profit or loss during the period completely offsetting the foreign exchange revaluation of the underlying debt.

The weighted average exchange rates hedged by outstanding cross currency swaps are AUD/USD: 0.90 (2018: 0.90) and AUD/JPY: 87.51 (2018: 87.51), and the weighted average interest rate hedged is BBSW + 1.94% (2018: BBSW + 1.94%).



## Notes to the Consolidated Financial Statements

### 4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.7.1 Market risk (continued)

##### (iii) Hedging arrangements (continued)

###### *Interest rate swaps – cash flow hedges*

At the reporting date, interest rate swaps designated as cash flow hedges have an unrealised loss of \$78 million (2018: \$95 million unrealised loss). These interest rate swaps are designated to be in a 100% hedge relationship against the identified exposure, and the balance of \$78 million has been recognised in the cash flow hedge reserve (2018: \$95 million) with insignificant hedge ineffectiveness. The weighted average interest rate hedged is: 5.18% (2018: 5.18%).

###### *Interest rate swaps – fair value hedges*

At the reporting date, interest rate swaps designated as fair value hedges have an unrealised gain of \$9 million (2018: nil). These interest rate swaps are designated to be in a 100% hedge relationship against the identified exposure, and the balance of \$9 million has been recognised in profit or loss (2018: nil), offsetting the movement in fair value of the hedged item. The weighted average interest rate hedged is: BBSW + 1.20%.

##### (iv) Cash flow hedge reserve

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

	2019 \$M	2018 \$M
Balance at start of period	(43)	(66)
<i>Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges:</i>		
Forward exchange contracts and foreign currency options	13	35
Cross currency swaps	23	(63)
Interest rate swaps	17	58
Income tax related to gains/(losses) recognised in other comprehensive income	(15)	(10)
	38	20
<i>Transfers to initial carrying amount of hedged items:</i>		
Forward exchange contracts and foreign currency options	(35)	4
Income tax related to amounts transferred to initial carrying amount of hedged items	11	(1)
	(24)	3
<b>Balance at end of period</b>	<b>(29)</b>	<b>(43)</b>

##### (v) Sensitivity analysis

At the reporting date, the Group's exposure to interest rate risk, excluding debts that have been hedged, is not considered material. At the reporting date, the Group's exposure to foreign currency risk after taking into consideration hedges of foreign currency payables, foreign currency borrowings, and forecast foreign currency transactions is not considered material.

#### 4.7.2 Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient cash balances and access to funding sources to meet its cash obligations. This risk arises through the possibility that unusually large amounts may fall due for payment, there is an interruption to cash inflows due to technology incidents or banking system interruption, or there is an interruption to funding sources and markets.

The treasury policy approved by the Board of Directors has set an appropriate liquidity risk management framework for short, medium, and long-term funding requirements.

The Group maintains a minimum liquidity ratio, which the Treasury function monitors on a daily basis. It maintains a daily liquidity forecast over a 12-month rolling period in advance. The Group may decide to hold higher levels of liquidity from time to time in anticipation of expected requirements or events. To minimise refinancing risk, the Group maintains a diversity of funding sources and debt maturities. Upcoming maturities are included in the liquidity ratio calculation and must be covered by adequate liquidity to repay or refinance them.

## 4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 4.7.2 Liquidity risk (continued)

At the reporting date, the Group has total undrawn committed facilities of \$2,854 million (2018: \$2,999 million) available. These facilities may be drawn at any time, subject to the terms of the lending agreements. Some facilities are subject to certain financial covenants and undertakings. No covenants have been breached during the period.

The following tables detail the Group's undiscounted non-derivative liabilities and derivative assets and liabilities and their contractual maturities:

	MATURITY ANALYSIS OF FINANCIAL LIABILITIES				TOTAL \$M
	ONE YEAR OR LESS \$M	ONE TO TWO YEARS \$M	TWO TO FIVE YEARS \$M	OVER FIVE YEARS \$M	
<b>2019</b>					
<b>Non-derivative liabilities</b>					
Borrowings (floating)	(260)	(350)	(362)	-	(972)
Borrowings (fixed)	(37)	(1,507)	(434)	-	(1,978)
Trade and other payables <sup>1</sup>	(6,461)	-	-	-	(6,461)
	(6,758)	(1,857)	(796)	-	(9,411)
<b>Derivative assets and liabilities</b>					
Net foreign exchange contracts	15	-	-	-	15
Cross currency swaps pay floating	(61)	(1,527)	(361)	-	(1,949)
Cross currency swaps receive fixed/floating	90	1,557	362	-	2,009
Net pay interest rate swaps <sup>2</sup>	(50)	(27)	6	-	(71)
	(6)	3	7	-	4
<b>Total</b>	<b>(6,764)</b>	<b>(1,854)</b>	<b>(789)</b>	<b>-</b>	<b>(9,407)</b>

	MATURITY ANALYSIS OF FINANCIAL LIABILITIES				TOTAL \$M
	ONE YEAR OR LESS \$M	ONE TO TWO YEARS \$M	TWO TO FIVE YEARS \$M	OVER FIVE YEARS \$M	
<b>2018</b>					
<b>Non-derivative liabilities</b>					
Borrowings (floating)	(127)	(22)	(564)	-	(713)
Borrowings (fixed)	(592)	(62)	(1,350)	-	(2,004)
Trade and other payables <sup>1</sup>	(6,584)	-	-	-	(6,584)
	(7,303)	(84)	(1,914)	-	(9,301)
<b>Derivative assets and liabilities</b>					
Net foreign exchange contracts	33	-	-	-	33
Cross currency swaps pay floating	(73)	(73)	(1,896)	-	(2,042)
Cross currency swaps receive fixed/floating	84	84	1,915	-	2,083
Net pay interest rate swaps <sup>2</sup>	(41)	(41)	(23)	-	(105)
	3	(30)	(4)	-	(31)
<b>Total</b>	<b>(7,300)</b>	<b>(114)</b>	<b>(1,918)</b>	<b>-</b>	<b>(9,332)</b>

1 Excludes contract liabilities.

2 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.



## Notes to the Consolidated Financial Statements

### 4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.7.3 Credit risk

Credit risk is the risk that counterparties who may be required to pay monies to the Group may fail and therefore not be able to make those payments.

Under the treasury policy approved by the Board of Directors, the Group can only invest short-term surplus funds or execute derivatives with approved counterparty banks and financial institutions that are rated BBB+ or higher by Standard & Poor's (or equivalent with other rating agencies).

The recognised financial assets of the Group include amounts receivable arising from unrealised gains on derivatives. 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.

At the reporting date, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2018: nil). Other than the loss allowance recognised in relation to trade and other receivables in Note 3.1, no financial assets were impaired or past due.

#### 4.7.4 Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides 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).

**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).

	NOTE	FAIR VALUE ASSET		FAIR VALUE LIABILITY		FAIR VALUE HIERARCHY
		2019 \$M	2018 \$M	2019 \$M	2018 \$M	
Listed equity securities	3.2	91	96	-	-	Level 1
Forward exchange contracts and foreign currency options	4.7.1	17	42	-	(1)	Level 2
Cross currency and interest rate swaps	4.7.1	529	377	(82)	(110)	Level 2

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

#### 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 approximate their fair value.

#### Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments categorised within level 2 of the fair value hierarchy:

- The fair value of foreign exchange contracts is determined using a discounted cash flow model where 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;
- The fair value of foreign currency options is determined using a Black-Scholes model; and
- The fair value of cross currency and interest rate swaps is determined using a discounted cash flow model where future cash flows are estimated based on market forward rates as at the end of the reporting period and the contract rates, discounted at a rate that reflects the credit risk of the various respective counterparties.



## 4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)



## SIGNIFICANT ACCOUNTING POLICIES

**Derivatives**

Derivatives are initially recognised at fair value. Subsequently, at each reporting date, the derivative is re-measured at fair value and the gain or loss on remeasurement is recognised in the Consolidated Statement of Profit or Loss, unless the derivatives are designated as the hedging instrument in a cash flow hedge where the gain or loss is recognised in other comprehensive income.

**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.

Where a derivative is designated as the hedging instrument in a cash flow hedge, the effective part of any gain or loss on the derivative 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 the hedging instrument in a cash flow 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 finance costs in the Consolidated Statement of Profit or Loss.

**Fair value hedge**

A fair value hedge is a hedge of an exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss.

Where a derivative is designated as the hedging instrument in a fair value hedge, the gain or loss on the hedging instrument is recognised in the Consolidated Statement of Profit or Loss, together with the gain or loss on the hedged item attributable to the hedged risk, in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised in the Consolidated Statement of Profit or Loss from that date.



## Notes to the Consolidated Financial Statements

### 4.8 COMMITMENTS FOR EXPENDITURE AND OPERATING LEASE EXPENSE



This section presents the Group's contractual obligation to make a payment in the future in relation to purchases of property, plant and equipment, and lease commitments.

#### 4.8.1 Commitments for expenditure

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

	2019 \$M	2018 \$M
<b>Capital expenditure commitments</b>		
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	398	416
Later than one year, not later than two years	-	-
Later than two years, not later than five years	-	-
<b>Total capital expenditure commitments</b>	<b>398</b>	<b>416</b>
<b>Operating lease commitments</b>		
<i>Future minimum rentals under non-cancellable operating leases, payable:</i>		
Not later than one year	1,998	2,089
Later than one year, not later than five years	7,415	7,484
Later than five years	12,378	13,331
<b>Total operating lease commitments</b>	<b>21,791</b>	<b>22,904</b>
<b>Total commitments for expenditure</b>	<b>22,189</b>	<b>23,320</b>

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

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

From 1 July 2019, the Group adopted AASB 16 *Leases* and as a result the operating lease commitments set out above have been recognised in the Consolidated Statement of Financial Position, with the exception of the service component of lease payments. Refer to Note 1.2.6 for a reconciliation between the operating lease commitments at 30 June 2019 and the lease liabilities recognised at 1 July 2019.

## 4.8 COMMITMENTS FOR EXPENDITURE AND OPERATING LEASE EXPENSE (CONTINUED)

## 4.8.2 Operating lease expense from continuing operations

Operating lease expense recognised during the period was as follows:

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
Minimum lease payments <sup>1</sup>	2,207	2,029
Contingent rentals	36	32
	<b>2,243</b>	<b>2,061</b>

<sup>1</sup> The increase in minimum lease payments in 2019 is primarily attributable to the recognition of lease costs associated with the BIG W network review as outlined in Note 1.4.



## SIGNIFICANT ACCOUNTING POLICIES

**Leases**

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

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

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

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



## 5 GROUP STRUCTURE

### 5.1 DISCONTINUED OPERATIONS



This section presents the profit or loss from components of the Group that have either been disposed of or are currently held for sale. During the period, the Group completed the sale of the Petrol business.

#### Petrol

On 1 April 2019, the Group completed the sale of its Petrol business to EG Group. The transaction resulted in the sale of 540 fuel convenience sites to EG Group for \$1,682 million (proceeds of \$1,725 million, net of a working capital adjustment of \$28 million, and cash disposed of \$15 million). As part of the transaction, the Group entered into a commercial alliance with EG Group covering fuel discount redemption, loyalty, and wholesale product supply for up to 15 years. In accordance with the terms of the agreement, customers are able to redeem the four cents per litre discount, and earn Woolworths Rewards points on fuel and merchandise purchases, at fuel convenience sites owned or operated by EG Group. The Group will also commence wholesale product supply to these fuel convenience sites.

#### 5.1.1 Analysis of profit for the period from discontinued operations

The profit for the Petrol and Home Improvement businesses for the reporting period are separately set out below:

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>PETROL</b>		
Revenue from the sale of goods	3,696	4,784
Expenses	(3,584)	(4,616)
<b>Earnings before interest and tax</b> <sup>1,2</sup>	<b>112</b>	168
Finance income	-	1
<b>Profit before gain on sale and tax</b>	<b>112</b>	169
Gain on sale of the Petrol business	1,088	-
<b>Profit before income tax</b>	<b>1,200</b>	169
Income tax expense <sup>3</sup>	-	(51)
<b>Profit for the period from Petrol discontinued operations</b>	<b>1,200</b>	118
<b>HOME IMPROVEMENT</b>		
Revenue from the sale of goods	-	-
Expenses	-	3
Reversal of impairment of Home Improvement assets and store exit costs	-	24
<b>Earnings before interest and tax</b>	<b>-</b>	27
Finance costs	-	(3)
<b>Profit before income tax</b>	<b>-</b>	24
Income tax expense	-	(23)
<b>Profit for the period from Home Improvement discontinued operations</b>	<b>-</b>	1
<b>Profit for the period from discontinued operations attributable to equity holders of the parent entity</b>	<b>1,200</b>	119

1 Included in the Petrol EBIT for the nine-month period up to the date of sale are overhead and other costs of \$14 million to \$18 million (2018: \$18 million to \$24 million) that are expected to remain with the Group. A portion of these costs are recoverable in the short-term as a result of the Transition Services Arrangement. The Group plans to minimise the impact of these costs going forward.

2 Included in the Petrol EBIT for the nine-month period up to the date of sale is the cost of funding the full four cents per litre fuel discount offer of \$44 million (2018: \$63 million). The costs of funding the Group's share of fuel discounts were reported within Australian Food for the three-month period following the sale of the Petrol business.

3 The Petrol profit before gain on sale and tax for 2019 gave rise to a prima facie income tax expense of \$33 million. This income tax expense has been offset by the de-recognition of a deferred tax liability on sale of the Petrol business. The income tax recognised in relation to the gain on sale of the Petrol business is nil as the Group has utilised a portion of existing capital losses to offset the capital gain on sale of the Petrol business. Refer to Note 3.6 for further details.

## 5.1 DISCONTINUED OPERATIONS (CONTINUED)

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

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

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>PETROL</b>		
Net cash inflow from operating activities	34	39
Net cash outflow from investing activities	(23)	(43)
Net cash outflow from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	11	(4)
Cash and cash equivalents at start of period	4	8
<b>Cash and cash equivalents at end of period <sup>1</sup></b>	<b>15</b>	<b>4</b>
<b>HOME IMPROVEMENT</b>		
Net cash outflow from operating activities	-	(41)
Net cash outflow from investing activities	-	(69)
Net cash outflow from financing activities	-	-
	-	(110)

<sup>1</sup> Cash and cash equivalents at end of period for 2019 represents the cash position of the Petrol business at the date of sale.

### 5.1.3 Effect of sale on the Consolidated Statement of Financial Position

The major classes of assets and liabilities of the Petrol business sold as at 1 April 2019 are as follows:

	1 APRIL 2019 \$M
Property, plant and equipment	536
Other assets	150
Trade and other payables	(172)
Provisions	(27)
Net assets and liabilities sold	487
Net proceeds from sale of the Petrol business	1,682
Transaction and other costs	(107)
<b>Gain on sale of the Petrol business</b>	<b>1,088</b>



## 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.



## Notes to the Consolidated Financial Statements

### 5.2 ASSETS HELD FOR SALE



This section sets out the assets and liabilities subject to a committed plan to sell.

At 30 June 2019, assets held for sale includes Group properties (2018: assets and liabilities relating to the Petrol business, and other Group properties, have been classified as held for sale).

	2019 \$M	2018 \$M
Property, plant and equipment	209	666
Other assets	16	155
<b>Total assets classified as held for sale</b>	<b>225</b>	<b>821</b>
Provisions	-	21
<b>Total liabilities directly associated with assets held for sale</b>	<b>-</b>	<b>21</b>



#### SIGNIFICANT ACCOUNTING POLICIES

##### Assets held for sale

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 measurement 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 asset is recognised at the date of derecognition. Assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities classified as held for sale continue to be recognised.

## 5.3 SUBSIDIARIES



The following section sets out the list of Australian subsidiaries (which together with Woolworths Group Limited are referred to as the 'Closed Group') and their consolidated financial performance and position.

### 5.3.1 Deed of cross guarantee

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

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

#### COMPANY

ACN 001 259 301 Pty Limited	Hydrogen Nominees Pty. Ltd
Advantage Supermarkets Pty Ltd	Hydrox Brands Pty Ltd <sup>3</sup>
Advantage Supermarkets WA Pty Ltd	Jack Butler & Staff Pty. Ltd.
Andmist Pty. Limited	J Brings Holdings Pty Limited <sup>3</sup>
Australian Grocery Wholesalers Pty Limited <sup>1</sup>	Jimmy Brings Australia Pty Limited <sup>3</sup>
Australian Independent Retailers Pty Ltd	Josona Pty Ltd
Australian Safeway Stores Pty. Ltd.	Kennedy Corporation Holdings Pty Limited
Barjok Pty Ltd	Kennedy Corporation Pty Limited
Calvartan Pty. Limited	Kiaora Lands Pty Limited
Cartology Pty Limited <sup>2</sup>	Langton's Brokerage Pty Ltd
Cellar Force Pty Ltd	Langtons Pty. Ltd.
Cellarmaster Wines Pty Limited	Leasehold Investments Pty Ltd
Cenijade Pty. Limited	Masters Installation Pty Limited <sup>3</sup>
Charmtex Pty Ltd	Nalos Pty Ltd
DB Deals Online Pty Limited <sup>3</sup>	Oxygen Nominees Pty. Ltd.
Drystone Pty Ltd <sup>3</sup>	PEH (NZ IP) Pty Ltd
Dentra Pty. Limited	Philip Leong Stores Pty Limited
Dorrien Estate Winery Pty Ltd	Pinnacle Liquor Group Pty Limited
Drumstar Pty Ltd	Pinnacle Wines Pty Limited
Endeavour Delivery Pty Limited <sup>4</sup>	Progressive Enterprises Holdings Limited
Fabcot Pty Ltd	QFD Pty. Limited
Fabsky Pty Ltd <sup>3</sup>	Queensland Property Investments Pty Ltd
Gembond Pty. Limited	SA Professional Bottling Pty Limited <sup>3</sup>
GreenGrocer.com.au Pty Ltd	Universal Wholesalers Pty Limited
Grocery Wholesalers Pty Ltd	V I Packaging Pty Ltd
HP Distribution Pty Ltd <sup>3</sup>	Vincentia Nominees Pty Ltd

1 Formerly Australian Liquor & Grocery Wholesalers Pty Ltd.

2 Formerly Woolworths (Publishing) Pty Ltd.

3 These wholly-owned subsidiaries became a party to the Deed by way of an Assumption Deed on 21 June 2019.

4 Formerly Nexday Pty. Limited.



## Notes to the Consolidated Financial Statements

### 5.3 SUBSIDIARIES (CONTINUED)

#### 5.3.1 Deed of cross guarantee (continued)

##### COMPANY

Vinpac International Pty. Limited	Woolworths (Victoria) Pty Limited
W23 Pty Limited <sup>1</sup>	Woolworths (W.A.) Pty Limited
W23 Investments Pty Limited <sup>1</sup>	Woolworths Australian Communities Foundation Pty Limited
Weetah Pty. Limited	Woolworths Custodian Pty Ltd
Wine Ark Cellar Club Pty Ltd	Woolworths Executive Superannuation Scheme Pty Limited
Wine IQ Holdings Pty Ltd	Woolworths Export Company Pty Limited <sup>2</sup>
Winemarket Pty Ltd	Woolworths Format Development Pty Limited <sup>3</sup>
WGP No 1 Pty Limited <sup>1</sup>	Woolworths Group Superannuation Scheme Pty Ltd
WGP No 2 Pty Limited <sup>1</sup>	Woolworths Management Pty Ltd
Woolies Liquor Stores Pty. Ltd.	Woolworths Properties Pty Limited
Woolstar Pty. Limited	Woolworths Property Double Bay Pty Limited
Woolworths (International) Pty Limited	Woolworths Townsville Nominee Pty Ltd
Woolworths (Project Finance) Pty. Limited	Woolworths Trust Management Pty Limited
Woolworths (Q'land) Pty Limited	Woolworths Trustee No. 2 Pty Limited
Woolworths (R & D) Pty Limited	Zimi Wines Pty Ltd
Woolworths (South Australia) Pty Limited	

<sup>1</sup> These wholly-owned subsidiaries became a party to the Deed by way of an Assumption Deed on 21 June 2019.

<sup>2</sup> Formerly Mac's Liquor Stores Pty Limited.

<sup>3</sup> Formerly Retail FM Pty Ltd.



## 5.3 SUBSIDIARIES (CONTINUED)

## 5.3.1 Deed of cross guarantee (continued)

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

## Statement of Profit or Loss and retained earnings

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
<b>Continuing operations</b>		
Revenue from the sale of goods and services	48,744	46,308
Cost of sales	(35,049)	(33,170)
<b>Gross profit</b>	<b>13,695</b>	13,138
Other revenue	206	142
Branch expenses	(9,231)	(8,239)
Administration expenses	(3,096)	(3,014)
<b>Earnings before interest and tax</b>	<b>1,574</b>	2,027
Finance income	272	70
<b>Profit before income tax</b>	<b>1,846</b>	2,097
Income tax expense	(468)	(500)
<b>Profit for the period from continuing operations</b>	<b>1,378</b>	1,597
<b>Discontinued operations</b>		
Profit from discontinued operations, after tax	1,200	118
<b>Profit for the period</b>	<b>2,578</b>	1,715
<b>Retained earnings</b>		
Balance at start of period	2,855	2,347
Profit for the period	2,578	1,715
Dividends paid (refer to Note 4.2)	(1,381)	(1,208)
Share buy-back (refer to Note 4.3)	(1,419)	-
Dividends received - shares held in trust	-	2
Actuarial loss on defined benefit superannuation plans, net of tax	(3)	(1)
<b>Balance at end of period</b>	<b>2,630</b>	2,855



## Notes to the Consolidated Financial Statements

## 5.3 SUBSIDIARIES (CONTINUED)

## 5.3.1 Deed of cross guarantee (continued)

## Statement of Financial Position

	2019 \$M	2018 \$M
<b>Current assets</b>		
Cash and cash equivalents	827	1,027
Trade and other receivables	1,182	1,498
Inventories	3,561	3,549
Other financial assets	44	52
	5,614	6,126
Assets held for sale	204	774
<b>Total current assets</b>	<b>5,818</b>	<b>6,900</b>
<b>Non-current assets</b>		
Trade and other receivables	2,795	2,261
Other financial assets	2,604	2,434
Property, plant and equipment	7,296	6,926
Intangible assets	1,020	995
Deferred tax assets	726	657
<b>Total non-current assets</b>	<b>14,441</b>	<b>13,273</b>
<b>Total assets</b>	<b>20,259</b>	<b>20,173</b>
<b>Current liabilities</b>		
Trade and other payables	5,748	5,691
Borrowings	214	553
Current tax payable	53	62
Other financial liabilities	59	50
Provisions	1,335	1,252
	7,409	7,608
Liabilities directly associated with assets held for sale	-	21
<b>Total current liabilities</b>	<b>7,409</b>	<b>7,629</b>
<b>Non-current liabilities</b>		
Borrowings	2,852	2,199
Other financial liabilities	24	61
Provisions	954	890
Other non-current liabilities	223	205
<b>Total non-current liabilities</b>	<b>4,053</b>	<b>3,355</b>
<b>Total liabilities</b>	<b>11,462</b>	<b>10,984</b>
<b>Net assets</b>	<b>8,797</b>	<b>9,189</b>
<b>Equity</b>		
Contributed equity	5,828	6,055
Reserves	339	279
Retained earnings	2,630	2,855
<b>Total equity</b>	<b>8,797</b>	<b>9,189</b>

## 5.3 SUBSIDIARIES (CONTINUED)

### 5.3.2 Details of wholly owned subsidiaries that are material to the Group

Material subsidiaries of Woolworths Group Limited, with the exception of those disclosed in Note 5.3.1 and Note 5.3.3, are as follows:

COMPANY	COUNTRY OF INCORPORATION	ULTIMATE AUSTRALIAN CONTROLLING ENTITY
Woolworths New Zealand Group Limited	New Zealand	Woolworths Group Limited
General Distributors Limited	New Zealand	Woolworths Group Limited

### 5.3.3 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		PROFIT ALLOCATED TO NON-CONTROLLING INTERESTS		NON-CONTROLLING INTERESTS		DIVIDENDS TO NON-CONTROLLING INTERESTS	
		2019 %	2018 %	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
ALH Group Pty Ltd	Australia	25	25	56	61	351	338	42	45
Individually immaterial subsidiaries		n/a	n/a	10	10	32	30	9	8
				66	71	383	368	51	53

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	
	2019 \$M	2018 \$M
Current assets	452	450
Non-current assets	4,331	4,231
Current liabilities	(1,800)	(1,719)
Non-current liabilities	(1,522)	(1,584)
Revenue	4,672	4,442
Profit after tax	222	243
Total comprehensive income	222	243
Net cash inflow	4	15



## Notes to the Consolidated Financial Statements

## 5.4 PARENT ENTITY INFORMATION



This section presents the stand-alone financial information of Woolworths Group Limited.

Financial information for the parent entity, Woolworths Group Limited, is as follows:

	2019 \$M	2018 \$M
<b>Assets</b>		
Current assets	6,064	6,120
Non-current assets	12,616	13,277
<b>Total assets</b>	<b>18,680</b>	<b>19,397</b>
<b>Liabilities</b>		
Current liabilities	7,763	8,514
Non-current liabilities	4,030	3,337
<b>Total liabilities</b>	<b>11,793</b>	<b>11,851</b>
<b>Equity</b>		
Contributed equity	5,828	6,055
Reserves		
Hedging reserve	(30)	(43)
Remuneration reserve	335	279
Equity instrument reserve	34	43
Retained earnings		
Profit reserve	2,724	3,216
Loss reserve	(2,004)	(2,004)
<b>Total equity</b>	<b>6,887</b>	<b>7,546</b>
	2019 53 WEEKS \$M	2018 52 WEEKS \$M
Profit for the period	2,311	1,505
Other comprehensive income for the period, net of tax	2	39
<b>Total comprehensive income for the period</b>	<b>2,313</b>	<b>1,544</b>

**Guarantees**

Guarantees arising from the Deed of Cross Guarantee with other entities in the wholly-owned Group (refer to Note 5.3.1) and agreements held by other subsidiaries are \$807 million (2018: \$700 million).

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

**Commitments for expenditure**

	2019 \$M	2018 \$M
<b>Capital expenditure commitments</b>		
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	207	285
Later than one year, not later than two years	-	-
Later than two years, not later than five years	-	-
	<b>207</b>	<b>285</b>

## 5.4 PARENT ENTITY INFORMATION (CONTINUED)



### SIGNIFICANT ACCOUNTING POLICIES

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

## 5.5 RELATED PARTIES



This section highlights the Group's transactions with its related parties, such as its subsidiaries and Key Management Personnel.

### Transactions within the Group

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

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

### Directors and Key Management Personnel

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

The total remuneration for Key Management Personnel of the Group is as follows:

	2019 \$	2018 \$
Short-term employee benefits	12,175,184	14,217,931
Post employment benefits	322,733	297,319
Other long-term benefits	161,569	139,776
Share-based payments	9,177,425	6,594,300
	<b>21,836,911</b>	<b>21,249,326</b>

### 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 the Remuneration Report.



## 6 OTHER

### 6.1 CONTINGENT LIABILITIES



Contingent liabilities are potential future cash payments where the likelihood of payment is not considered probable or cannot be measured reliably.

The Group has entered the following guarantees however the probability of having to make a payment under these guarantees is considered remote:

- Guarantees in the normal course of business relating to conditions set out in development applications and for the sale of properties; and
- Guarantees against workers' compensation self-insurance liabilities as required by State WorkCover authorities. The guarantees are based on independent actuarial advice of the outstanding liability.

No provision has been made in the Consolidated Financial Statements in respect of these contingencies, however there is a provision of \$603 million for self-insured risks (2018: \$596 million), which includes liabilities relating to workers' compensation claims, that have been recognised in the Consolidated Statement of Financial Position at the reporting date.

### 6.2 EMPLOYEE BENEFITS



This section presents the Group's benefits provided to its employees including salaries, superannuation, share schemes, and retirement plans.

#### 6.2.1 Employee benefits expense from continuing operations

	2019 53 WEEKS \$M	2018 52 WEEKS \$M
Remuneration and on-costs	7,903	7,581
Superannuation expense	613	575
Share-based payments expense	62	58
	<b>8,578</b>	<b>8,214</b>

## 6.2 EMPLOYEE BENEFITS (CONTINUED)

### 6.2.2 Share-based payments

#### Long-Term Incentive (LTI) plan

Equity settled share-based payments form part of the remuneration of certain employees of the Group. The Group continues to operate the Woolworths Long-Term Incentive (LTI) plan.

All sub-plans within the LTI plan are subject to performance hurdles being met. The Group's sub-plans are as follows:

- Performance rights sub-plan – delivers a right to acquire a share at a future date;
- Performance shares sub-plan – delivers a right to acquire a share immediately; and
- Cash award sub-plan – delivers a right to acquire cash at a future date.

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

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

- Upon exercise, each performance right entitles the holder to one ordinary fully paid Woolworths Group Limited share; and
- Prior to F17, participants did not receive dividends on unvested equity.

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

GRANT YEAR	VESTING PERIOD (YEARS)	EPS		RELATIVE TOTAL SHAREHOLDER RETURN (TSR)		SALES PER TRADING SQUARE METRE (SQM) <sup>3</sup>		RETURN ON FUNDS EMPLOYED (ROFE) <sup>3</sup>	
		WEIGHTING (%)	HURDLE/RANGE (%)	WEIGHTING (%)	HURDLE/RANGE (PERCENTILE)	WEIGHTING (%)	WEIGHTING (%)		
F16 <sup>1</sup>	3	33.33	np <sup>3</sup>	66.67	51st – 75th	n/a	n/a	n/a	n/a
F17 <sup>2</sup>	3	n/a	n/a	33.34	50th – 90th	33.33	33.33	33.33	33.33
F18 <sup>2</sup>	3	n/a	n/a	33.34	50th – 90th	33.33	33.33	33.33	33.33
F19 <sup>2</sup>	3	n/a	n/a	33.34	50th – 90th	33.33	33.33	33.33	33.33

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

2 The TSR component vests progressively upon attaining the gateway share price and where TSR equals or exceeds the 50th percentile of the comparator group up to the full 33.34% vesting where TSR equals the 90th percentile of the comparator group. Sales per trading SQM and ROFE components vest progressively, upon attaining certain hurdles, to a maximum weighting of 33.33% respectively.

3 Hurdle/range not published (np) for EPS for the F16 grant, and sales per trading SQM and ROFE for the F17, F18, and F19 grants, as the Group no longer provides market guidance on these metrics and the targets are commercially sensitive. The LTI targets and performance will be published following the end of the performance period.

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

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

- For the F17, F18, and F19 Deferred STI plan, a one-year performance measure linked to sales, EBIT, working capital, customer satisfaction, and safety; and
- If the performance hurdles are met, participants are required to remain employed for a further two years to gain access to the performance rights, or otherwise forfeit the performance rights unless the board exercises its discretion in accordance with the performance rights sub-plan rules.



## Notes to the Consolidated Financial Statements

### 6.2 EMPLOYEE BENEFITS (CONTINUED)

#### 6.2.2 Share-based payments (continued)

##### Sign-on 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 Group's strategic direction. It has been offered to:

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

Sign-on 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 Group, generally for two or more years.

##### Recognition share plan

The performance rights sub-plan has also been used to compensate employees of the Group. Participants are required to meet a service condition and other performance measures to gain access to the performance rights.

##### Movements in outstanding performance rights

The following table summarises movements in outstanding rights:

	2019 NO. OF RIGHTS	2018 NO. OF RIGHTS
Outstanding at start of period	10,692,594	6,737,076
Granted during the period	4,465,617	5,691,731
Vested during the period	(182,601)	(586,663)
Lapsed during the period	(1,497,852)	(1,149,550)
<b>Outstanding at end of period</b>	<b>13,477,758</b>	<b>10,692,594</b>

Share-based payments expense for the period was \$62,028,117 (2018: \$57,710,434).

The variables in the table below are used as inputs into the model to determine the fair value of performance rights.

	2019 F19 LTI	2018 F18 LTI
Grant date <sup>1</sup>	30 Nov 2018	31 Oct 2017
Performance period start date	1 Jul 2018	1 Jul 2017
Exercise date	1 Jul 2021	1 Jul 2020
Expected volatility <sup>2</sup>	15.0%	16.0%
Expected dividend yield	4.0%	4.0%
Risk-free interest rate	2.1%	1.9%
Weighted average fair value at grant date	\$24.63	\$20.23

<sup>1</sup> Grant date represents the offer acceptance date.

<sup>2</sup> 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.



## 6.2 EMPLOYEE BENEFITS (CONTINUED)

### 6.2.2 Share-based payments (continued)



#### SIGNIFICANT ACCOUNTING POLICIES

##### Share-based payments

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

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

The fair value of instruments with non-market-based performance conditions (e.g. EPS, sales per trading SQM, ROFE) and service conditions and retention rights is calculated using a Black-Scholes option pricing model.

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

### 6.2.3 Share schemes

The total shares purchased during the year were 491,884 (2018: 528,764) at an average price per share of \$29.66 (2018: \$26.94), comprised of purchases under the Employee Share Purchase Plan and the Non-executive Directors' Equity Plan. 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 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. The Group pays the associated brokerage costs.

#### Non-executive Directors' Equity Plan (NEDP)

The NEDP allows Non-executive Directors to acquire share rights through a pre-tax fee sacrifice plan.

### 6.2.4 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 benefits. The plan also pays allocated pensions to a small number of pensioners. The following disclosures relate only to the Group'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 Group and AMP Superannuation Limited. Members contribute to the WGSP at rates dependent upon their membership category. The plan provides lump sum defined benefits that are defined by salary and period of membership.

An actuarial valuation was carried out at both reporting dates by Mr Nicholas Wilkinson, FIAA, Willis Towers Watson. The principal actuarial assumptions used for the purpose of the valuation are as follows:

	2019 %	2018 %
Discount rate	2.9	3.8
Expected rate of salary increase	2.5	2.5
Rate of price inflation	2.0	2.0



## Notes to the Consolidated Financial Statements

### 6.2 EMPLOYEE BENEFITS (CONTINUED)

#### 6.2.4 Retirement plans (continued)

##### Defined benefit plans (continued)

The average duration of the defined benefit obligation at the end of the reporting period is 6.8 years (2018: 6.3 years) which relates wholly to active participants.

##### (i) Categories of plan assets

The plan invests entirely in pooled superannuation trust products where prices are quoted daily. The asset allocation of the plan has been set taking into account the membership profile, the liquidity requirements of the plan, and risk appetite of the Group.

The percentage invested in each asset class is as follows:

	2019 %	2018 %
Equity instruments	53.9	58.5
Debt instruments	18.6	22.5
Real estate	10.8	3.5
Cash and cash equivalents	3.7	3.0
Other	13.0	12.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

##### (ii) Movements in the present value of the defined benefit obligation and fair value of plan assets

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

	2019 \$M	2018 \$M
Defined benefit obligation	(405)	(423)
Fair value of plan assets	350	372
<b>Net defined benefit liability</b>	<b>(55)</b>	<b>(51)</b>
<i>Movement in the present value of the defined benefit obligation:</i>		
Balance at start of period	(423)	(434)
Current service cost	(7)	(8)
Finance costs	(16)	(15)
Contributions	(3)	(3)
Actuarial loss	(10)	(15)
Benefits paid	47	47
Administrative expenses paid	2	2
Taxes paid	1	3
Disposals	4	-
Balance at end of period	(405)	(423)
<i>Movement in the fair value of plan assets:</i>		
Balance at start of period	372	371
Finance income	13	13
Return on plan assets	6	14
Contributions	13	26
Benefits paid	(47)	(47)
Administrative expenses paid	(2)	(2)
Taxes paid	(1)	(3)
Disposals	(4)	-
Balance at end of period	350	372
<b>Net defined benefit liability</b>	<b>(55)</b>	<b>(51)</b>

## 6.2 EMPLOYEE BENEFITS (CONTINUED)

### 6.2.4 Retirement plans (continued)

#### Defined benefit plans (continued)

##### (iii) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and expected rate of salary increase. At the reporting date, the Group's exposure to reasonably possible changes of the respective assumptions, while holding all other assumptions constant, is not considered material.

#### Defined contribution plans

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



### SIGNIFICANT ACCOUNTING POLICIES

#### Defined benefit plans

The net defined benefit asset or liability recognised in the Consolidated Statement of Financial Position represents the surplus or deficit 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 asset or 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 income or expense on the net defined benefit asset or liability for the period by applying the discount rate at the start of the period to the net defined benefit asset or liability, taking into account any changes during the period as a result of contributions and benefit payments. Net interest income or expense, 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 plans are recognised as an expense when employees have rendered service entitling them to the contributions.



## Notes to the Consolidated Financial Statements

### 6.3 AUDITORS' REMUNERATION



This section presents the total remuneration of the Group's external auditors for audit, assurance, and other services.

The auditors' remuneration for the Group is as follows:

	2019 \$'000	2018 \$'000
<b>Auditors of the parent entity – Deloitte Touche Tohmatsu Australia</b>		
Audit or review of the financial reports	3,055	2,778
Assurance related services <sup>1</sup>	341	289
Tax compliance services	-	11
Other non-audit services <sup>2</sup>	222	193
	<b>3,618</b>	<b>3,271</b>
<b>Other auditors <sup>3</sup></b>		
Audit or review of the financial reports	432	419
Assurance related services <sup>1</sup>	50	50
Tax compliance services	62	29
	<b>544</b>	<b>498</b>
<b>Total auditors' remuneration</b>	<b>4,162</b>	<b>3,769</b>

<sup>1</sup> Assurance related services include various agreed upon procedures and review of the sustainability report.

<sup>2</sup> Other non-audit services include financial due diligence and other sundry services.

<sup>3</sup> Other auditors are international associates of Deloitte Touche Tohmatsu Australia.

### 6.4 SUBSEQUENT EVENTS



This section outlines events which have occurred between the reporting date and the date the Financial Report is authorised for issue.

On 3 July 2019, the Group announced an agreement to merge its Endeavour Drinks and Hotels businesses into a single entity expected to be referred to as Endeavour Group Limited (Endeavour Group). The Bruce Mathieson Group has agreed to swap its interest in ALH (including all contractual entitlements) for a 14.6% stake in the combined Endeavour Group. Following the merger, the Group intends to pursue a separation of Endeavour Group through a de-merger or other value-accretive alternative. The separation will allow the Group to benefit from a simplified organisational structure, a greater focus on its core food and everyday needs markets, and opportunities to continue to build out the Group's retail ecosystem. The merger is subject to shareholder approval with a subsequent de-merger or other value-accretive alternative currently expected to complete in calendar year 2020.

# 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 Consolidated Financial Statements are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the Consolidated Financial Statements;
- (c) in the directors' opinion, the attached Consolidated Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and
- (d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the Instrument applies, as detailed in Note 5.3 to the Consolidated Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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



**Gordon Cairns**  
Chairman

29 August 2019



**Brad Banducci**  
Chief Executive Officer



# Independent Auditor's Report

# Deloitte.

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor  
Place  
Sydney NSW 1220  
Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

## Independent Auditor's Report to the Members of Woolworths Group Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the Financial Report of Woolworths Group Limited (the Company) and its subsidiaries (the Group), which comprises the Consolidated Statement of Financial Position as at 30 June 2019, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the 53-week period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the 53-week period then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Onerous lease provisions and asset impairment in the BIG W business</b></p> <p>BIG W incurred a loss before interest, tax and significant items of \$85 million as disclosed in Note 2.2 and continues to operate under a multi-year turnaround plan.</p> <p>As described in Note 1.4, during the financial period the Group concluded the review of the BIG W network. This will result in the closure of 30 BIG W stores over the next three years and the closure of two distribution centres.</p> <p>The result of the review, together with the revised three-year strategic plan for BIG W which reflects a more conservative margin recovery, has resulted in a decrease in the recoverable amount of the cash-generating units and consequently the recognition of an impairment charge of \$166 million as disclosed in Note 3.5. Additional onerous leases have been identified and provided for as disclosed in Note 3.8.</p> <p>Significant judgement is involved in the determination of the recoverable amount of property, plant and equipment and the onerous lease provisions.</p> <p><b>Impairment</b> - As disclosed in Note 3.5 the recoverable amount and carrying value of BIG W is \$404 million. The Group determined the recoverable amount using a value-in-use model, based on discounted future cash flow forecasts derived from the three-year strategic plan. The cash flow forecast is an area of focus given the significance of the loss incurred by the business and the level of inherent judgement in relation to the assumptions applied to future trading results, particularly gross margins, to determine the recoverable amount.</p> <p><b>Onerous lease obligations</b> - Where the expected future benefits from a leased store are less than the future contractual lease payments for that store, the Group has recognised, in accordance with accounting standards, an onerous lease provision. The determination of this provision involves significant judgement in determining the expected timing of store closures; estimated future cash inflows (most significantly sub-lease income) and where applicable, expected termination payments to landlords.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>Updating our understanding of the Group's processes and controls over the assessment of the recoverable amount of property, plant and equipment and the assessment of onerous lease provisions.</li> <li>Ensuring that the methodologies applied are consistent with the relevant accounting standards.</li> <li>Evaluating the key assumptions used in the future cash flow forecasts derived from the three-year strategic plan with reference to historical performance and observable external trends.</li> <li>Evaluating historical accuracy of forecast cash flows.</li> <li>Involving internal specialists in our assessment of management's impairment models and discount rates used.</li> <li>Performing sensitivity analysis in relation to the key assumptions used to estimate future cash flows.</li> <li>Testing, on a sample basis, the mathematical accuracy of the value-in-use models and the onerous lease calculations.</li> <li>In addition, for the onerous lease calculations we:             <ul style="list-style-type: none"> <li>evaluated assumptions in relation to the timing and amount of sub-lease income with reference to market benchmarking reports; and</li> <li>agreed the store cash flows to the value-in-use models and the lease cost and lease expiry dates to lease contracts.</li> </ul> </li> <li>Assessing the appropriateness of the disclosures included at Notes 1.4, 3.5 and 3.8.</li> </ul>



## Independent Auditor's Report

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>IT Systems</b></p> <p>The IT systems across the Group are complex and there are varying levels of integration. These systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process and as a result the assessment of IT systems forms a key component of our external audit.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ Discussing with management the IT environment and consideration of the key financial processes to understand where IT systems were integral to the financial reporting process and to identify IT systems to include in the scope of our IT testing.</li> <li>▪ Testing the design of the key IT controls of relevant financial reporting systems of the Group.</li> <li>▪ Responding to deficiencies identified, by designing and performing additional procedures which included the identification and testing of compensating controls and varying the nature, timing and extent of the substantive procedures performed.</li> </ul>
<p><b>AASB 16 Leases disclosure</b></p> <p>As described in Note 1.2.6, AASB 16 <i>Leases</i> (AASB 16) will be effective for the financial period commencing 1 July 2019 and will have a significant impact on the Group's Financial report.</p> <p>The Group has completed its assessment of the estimated impact of AASB 16. This results in an increase in the Group's lease assets and lease liabilities of \$12.2 billion and \$14.7 billion respectively as at 1 July 2019.</p> <p>The impact of the adoption of AASB 16 on the Group is dependent on a number of key judgements and estimates, primarily the determination of the lease term, non-lease components and appropriate discount rate for each lease.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ Understanding the Group's processes and controls to determine the impact of AASB 16.</li> <li>▪ Understanding the Group's accounting policy and confirming compliance with the requirements of AASB 16.</li> <li>▪ Leveraging our understanding of the Group and global retailers to identify key risks and judgements that may impact on management's estimate.</li> <li>▪ Evaluating and challenging the key assumptions used in determining the impact of AASB 16 which included: <ul style="list-style-type: none"> <li>- determining lease terms including options that are reasonably certain to be exercised;</li> <li>- assessing the appropriateness and consistency of the discount rate used (i.e. incremental borrowing rate) by using our internal specialists to benchmark the Group's rate curves to market curves; and</li> <li>- identification and valuation of non-lease components by using external data to benchmark the Group's assumptions.</li> </ul> </li> <li>▪ Agreeing a sample of leases to the original lease contract terms or other supporting documentation. Recalculating the expected lease assets and lease liabilities for each of those leases included in our sample to assess the accuracy of management's AASB 16 calculation.</li> <li>▪ Testing the completeness of management's calculation by: <ul style="list-style-type: none"> <li>- reconciling the Group's existing lease commitments to the AASB 16 calculation;</li> <li>- confirming the inclusion of a sample of leases selected from management's lease agreement records and rent expense general ledger accounts; and</li> <li>- attendance at lease sessions held across the Group to identify any other arrangements that may contain a lease.</li> </ul> </li> <li>▪ Assessing the appropriateness of the disclosures included in Note 1.2.6.</li> </ul>



## Independent Auditor's Report

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the 53-week period ended 30 June 2019, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Directors' Responsibilities for the Financial Report*

The directors are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## Independent Auditor's Report

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Financial Report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

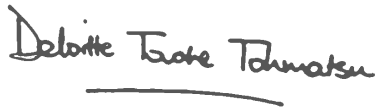
#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 44 to 65 of the Directors' Report for the 53-week period ended 30 June 2019.

In our opinion, the Remuneration Report of Woolworths Group Limited, for the 53-week period ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



**A V Griffiths**

Partner

Chartered Accountants

Sydney, 29 August 2019



## Shareholder information (as at 1 August 2019)

The shareholder information set out below was applicable as at 1 August 2019.

### DISTRIBUTION OF SHARES

Analysis of numbers of shareholders by size of holding:

RANGE OF SHARES	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 - 1,000	231,943	84,333,648
1,001 - 5,000	108,855	231,100,525
5,001 - 10,000	10,486	73,427,132
10,001 - 100,000	4,764	90,861,331
100,001 and over	104	778,967,431
<b>Total</b>	<b>356,152</b>	<b>1,258,690,067</b>

All shares above are fully paid ordinary shares.

There were 6,964 holders of less than a marketable parcel of shares.

### TOP 20 LARGEST SHAREHOLDERS

	NAME	NUMBER OF SHARES	PERCENTAGE OF TOTAL SHARES ISSUED (%)
1	HSBC Custody Nominees (Australia) Limited	321,117,717	25.51
2	JP Morgan Nominees Australia Pty Limited	187,978,834	14.93
3	Citicorp Nominees Pty Limited	85,719,165	6.81
4	BNP Paribas Nominees Pty Ltd	80,232,593	6.37
5	National Nominees Limited	42,059,156	3.34
6	Woolworths Custodian Pty Ltd	8,268,351	0.66
7	Australian Foundation Investment Company Limited	5,666,718	0.45
8	Pacific Custodians Pty Limited <WOW Plans Ctrl A/C>	5,221,185	0.41
9	UBS Nominees Pty Ltd	4,732,194	0.38
10	AMP Life Limited	3,740,804	0.30
11	Argo Investments Limited	3,233,026	0.26
12	IOOF Investment Management Limited	3,188,252	0.25
13	Milton Corporation Limited	2,936,973	0.23
14	Netwealth Investments Limited <Wrap Services A/C>	2,057,187	0.16
15	Navigator Australia Ltd <MLC Investment Sett A/C>	1,895,305	0.15
16	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,448,886	0.12
17	BKI Investment Company Limited	1,428,744	0.11
18	Australia United Investment Company Limited	1,000,000	0.08
19	The Senior Master of the Supreme Court <Common Fund No 3 A/C>	959,970	0.08
20	BNP Paribas Noms (NZ) Ltd <DRP>	858,884	0.07

### SUBSTANTIAL SHAREHOLDERS

Woolworths Group Limited had received the following substantial shareholder notifications. As at 1 August 2019, no other substantial shareholder notices have been received.

HOLDER	SHARES HELD AT DATE OF NOTICE	PERCENTAGE OF SHARES HELD AT DATE OF NOTICE (%)	DATE OF NOTICE
BlackRock Group	80,972,196	6.43	29/05/2019
The Vanguard Group, Inc	65,875,116	5.00	18/10/2018



## Shareholder information (as at 1 August 2019)

### UNQUOTED EQUITY SECURITIES

As at 1 August 2019, there were 10,636,690 performance rights over unissued ordinary shares.

### DIVIDEND

The final dividend of 57 cents per share is expected to be paid on or around 30 September 2019 to eligible shareholders. No discount will apply to the dividend reinvestment plan for the 2019 final dividend. There is currently no limit on the number of shares that can participate in the dividend reinvestment plan.

### STOCK EXCHANGE LISTINGS

Woolworths Group Limited ordinary shares are listed on the Australian Securities Exchange (ASX) under code: WOW.

Woolworths Group Limited shares may be traded in sponsored American Depository Receipts form in the United States.

### CORPORATE GOVERNANCE STATEMENT

A copy of the Corporate Governance Statement can be found on our website.

Visit [www.woolworthsgroup.com.au](http://www.woolworthsgroup.com.au)

### SHAREHOLDER CALENDAR<sup>1</sup>

#### 2019

##### September

- 4 Record date for Final Dividend
- 30 Payment date for Final Dividend

##### October

- 30 Announcement of first quarter sales results

##### December

- 16 Annual General Meeting – Sydney

#### 2020

##### February

- 26 Announcement of half year results

##### March

- 6 Record date for Interim Dividend

##### April

- 9 Payment date for Interim Dividend
- 30 Announcement of third quarter sales results

<sup>1</sup> Dates are subject to change.



## GLOSSARY

<b>Cash realisation ratio</b>	Operating cash flow as a percentage of Group net profit after tax before depreciation and amortisation
<b>Comparable sales</b>	Measure of sales which excludes stores that have been opened or closed in the last 12 months and demonstrable impact on existing stores from store disruption as a result of store refurbishment or new store openings
<b>Cost of doing business (CODB)</b>	Expenses which relate to the operation of the business
<b>Customer 1<sup>st</sup> Ranging</b>	Developing a clearly defined range to provide an easier shopping experience for the customer
<b>Customer fulfilment centre</b>	Dedicated online distribution centres
<b>Fixed charges cover ratio</b>	Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest, but exclude foreign exchange gains/losses and dividend income
<b>Free cash flow</b>	Cash flow generated by the Woolworths Group after equity related financing activities including dividends
<b>Funds employed</b>	Net assets employed excluding net tax balances
<b>Net assets employed</b>	Net assets excluding net debt and other financial liabilities
<b>Net Promoter Score (NPS)</b>	A loyalty measure based on a single question where a customer rates a business on a scale of zero to 10. The score is the net result of the percentage of customers providing a score of nine or 10 (promoters) less the percentage of customers providing a score of zero to six (detractors)
<b>Net debt</b>	Borrowings less cash balances including debt hedging derivatives
<b>On Demand</b>	An express or scheduled delivery service providing online orders at the customer's convenience
<b>Pick up</b>	A service which enables collection of online shopping orders in-store or at select locations
<b>Renewals</b>	A total store transformation focused on the overall store environment, team, range and process efficiency (including digital)
<b>Return on Funds Employed (ROFE)</b>	ROFE is calculated as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed including significant items provisions. ROFE (AASB 16 estimate) adjusts average funds employed for the 1 July 2019 recognition of lease assets and adjusts EBIT by the estimated AASB 16 impact on F19 EBIT
<b>Sales per square metre</b>	Total sales for the previous 12 months by business divided by average trading area



## Glossary

### GLOSSARY

---

<b>Simpler for Stores</b>	Simplification of end-to-end processes for store teams, improving customer experience and productivity
<b>Stockloss</b>	The value of stock written-off, wasted, stolen, cleared, marked-down or adjusted from all stores nationally (sometimes expressed as a percentage of sales)
<b>Upgrades</b>	A light renewal typically involving a front-of-store upgrade, Produce/Bakery enhancement and grocery macro space relay
<b>Voice of Customer (VOC)</b>	Externally facilitated survey of a sample of Woolworths Group customers where customers rate Woolworths Group businesses on a number of criteria. Expressed as the percentage of customers providing a rating of six or seven on a seven-point scale
<b>VOC NPS</b>	VOC NPS is based on feedback from Woolworths Rewards members. VOC NPS is the number of promoters (score of nine or 10) less the number of detractors (score of six or below)
<b>Voice of Supplier (VOS)</b>	A survey of a broad spectrum of suppliers facilitated by an external provider. The survey is used to provide an ongoing measure of the effectiveness of business relationships with the supplier community. VOS is the average of the suppliers' rating across various attributes scored as a percentage of suppliers that provided a rating of six or seven on a seven-point scale
<b>Voice of Team (VOT)</b>	Survey measuring sustainable engagement of our team members as well as their advocacy of Woolworths as a place to work and shop. The survey consists of nine sustainable engagement questions, three key driver questions and two advocacy questions

---

# Company directory

## REGISTERED OFFICE

1 Woolworths Way  
Bella Vista NSW 2153  
Tel: (02) 8885 0000  
Web: [www.woolworthsgroup.com.au](http://www.woolworthsgroup.com.au)

## COMPANY SECRETARY

Marcin Firek

## INVESTOR RELATIONS

Paul van Meurs

## AUDITOR

Deloitte Touche Tohmatsu  
225 George Street, Sydney NSW 2000  
Tel: (02) 9322 7000  
Web: [www.deloitte.com.au](http://www.deloitte.com.au)

## SHAREHOLDER ENQUIRIES

### Link Market Services

Locked Bag A14, Sydney South NSW 1235  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### For shareholders:

Tel: 1300 368 664  
Email: [woolworths@linkmarketservices.com.au](mailto:woolworths@linkmarketservices.com.au)

### For employees:

Tel: 1800 111 281  
Email: [wow.eps@linkmarketservices.com.au](mailto:wow.eps@linkmarketservices.com.au)

## MEDIA

Woolworths Press Office  
Tel: (02) 8885 1033  
Email: [media@woolworths.com.au](mailto:media@woolworths.com.au)

## FIVE YEAR SUMMARY

The Five Year Summary is available on the Woolworths Group website.



*We are constantly innovating to meet changing needs.*

*We look for ways to improve every day - better for our customers, team and communities.*

*It's both the retail experiences and the experiences we make possible for customers' lives.*

**We create  
better  
experiences  
together  
for a better  
tomorrow.**

*We work seamlessly as one team, within the Group and in partnership with others.*

*We believe in creating a better future, for generations to come.*

WOOLWORTHS GROUP

