

# WOOLWORTHS LIMITED

A.B.N. 88 000 014 675

**NEWS RELEASE NEWS RELEASE**

22<sup>nd</sup> August 2005

## PRELIMINARY FINAL REPORT AND DIVIDEND ANNOUNCEMENT FOR THE 52 WEEKS ENDED 26 JUNE 2005

**NET PROFIT AFTER TAX \$790.5M, UP 14.9%<sup>(1)</sup>**

**“Woolworths is well-placed for further growth after an excellent result for the year, with significantly increased profit at the top end of our earnings guidance, underpinned by a solid increase in sales and ongoing cost savings”  
Roger Corbett, CEO**

- EARNINGS PER SHARE BEFORE GOODWILL UP 13.7 % TO 79.7 CENTS
- DIVIDENDS PER SHARE UP 13.3% TO 51 CENTS
- SALES FROM CONTINUING OPERATIONS UP 12.3%
- COSTS FROM CONTINUING OPERATIONS DOWN 30 BASIS POINTS TO 20.82%
- EARNINGS BEFORE INTEREST AND TAX FROM CONTINUING OPERATIONS UP 20.5% TO \$1.28 BILLION
- NET OPERATING PROFIT AFTER TAX UP 14.9% TO \$790.5 MILLION

<sup>(1)</sup> Includes Bruandwo Pty Ltd

The Board of Woolworths Limited today released the preliminary final report and dividend announcement of Woolworths Limited and its controlled entities for the 52 weeks ended 26 June 2005. The net operating profit after tax and servicing income notes was \$790.5 million. The Board has declared a final dividend of 27 cents per share payable on 7 October 2005 (24 cents in 2003/04) bringing the dividend for the full year to 51 cents per share fully franked (45 cents in 2003/04).

Chairman of Woolworths Limited, James Strong said: "An excellent all round result for the year achieving both double digit earnings and sales growth. The Company remained focussed on delivering longer term growth plans amongst which were the completion of the integration of ALH and the finalisation of the Foodland acquisition."

"The 13.7% increase in Earnings per Share<sup>(1)</sup> to 79.7 cents before goodwill, and the 13.3% increase in Dividend per Share to 51 cents, reflects delivery against the company's twin goals of increasing shareholder returns and increasing customer satisfaction", said Mr Strong.

Over the past 6 years Earnings per Share has grown at a compound annual rate of 18.6% with Dividends per Share growing at 19.0% over this same period.

**In summary, Woolworths' results for the year 2004/2005 are as follows:**

- Sales up 12.3% from continuing operations
- Total sales for this year compared with last year up 12.2% to \$31,352 million
- Earnings before interest, taxation, depreciation, and amortisation (EBITDA) up 18.4% to \$1,744.0 million
- Earnings before Interest and Taxation (EBIT) up 20.5% to \$1,283.0 million
- Net operating profit after tax up 14.9% to \$790.5 million
- Earnings per Share (EPS) after goodwill up 12.3% to 75.7 cents
- Earnings per Share before goodwill up 13.7% to 79.7 cents
- Final Dividend per Share (DPS) 27 cents, to bring total DPS for the year to 51 cents, up 13.3%, with total dividend paid and proposed for the year amounting to approximately \$538 million
- EBIT margins improved from 3.81% in 2004 to 4.09% in 2005

**Other Highlights**

- Reduction in inventory days by 1.9 days to 30.2 days<sup>(2)</sup>
- Average Return on Funds Employed (ROFE) was 38.7% and Average Return on Equity (ROE) was 43.6%

<sup>(1)</sup> Before goodwill amortisation

<sup>(2)</sup> Excluding Bruandwo (ALH/MGW)

Earnings Before Interest and Tax (EBIT) (\$million)	2004		2005		Change	
	Statutory (52 weeks)		Statutory (52 weeks)		Before Goodwill	After Goodwill
	Before Goodwill	After Goodwill	Before Goodwill	After Goodwill		
Food and Liquor	965.6	941.7	1,105.8 <sup>(1)</sup>	1,077.2 <sup>(1)</sup>	+14.5%	+14.4%
Petrol	18.6	18.6	36.3	36.3	+95.2%	+95.2%
<b>Supermarkets Division</b>	<b>984.2</b>	<b>960.3</b>	<b>1,142.1</b>	<b>1,113.5</b>	<b>+16.0%</b>	<b>+16.0%</b>
BIG W	116.2	116.2	118.0	118.0	+1.5%	+1.5%
Consumer Electronics	48.2	44.1	55.0	51.8	+14.1%	+17.5%
<b>General Merchandise Division</b>	<b>164.4</b>	<b>160.3</b>	<b>173.0</b>	<b>169.8</b>	<b>+5.2%</b>	<b>+5.9%</b>
<b>Hotels (ALH/MGW)<sup>(2)</sup></b>	-	-	<b>64.8</b>	<b>54.9</b>	-	-
<b>Total Trading Result</b>	<b>1,148.6</b>	<b>1,120.6</b>	<b>1,379.9</b>	<b>1,338.2</b>	<b>+20.1%</b>	<b>+19.4%</b>
Property Income	21.7	21.7	20.3	20.3	-6.5%	-6.5%
Central Overheads	(79.0)	(79.0)	(77.9)	(77.9)	-1.4%	-1.4%
<b>Continuing Operations</b>	<b>1,091.3</b>	<b>1,063.3</b>	<b>1,322.3</b>	<b>1,280.6</b>	<b>+21.2%</b>	<b>+20.4%</b>
Wholesale Division	1.8	1.8	2.5	2.4	+38.9%	+33.3%
<b>Group EBIT</b>	<b>1,093.1</b>	<b>1,065.1</b>	<b>1,324.8</b>	<b>1,283.0</b>	<b>+21.2%</b>	<b>+20.5%</b>

## 2004-2005 Business Performance

Woolworths Limited CEO, Roger Corbett said: "A strong result in a highly competitive market with an excellent profit result, solid sales increase and continued cost reductions. Woolworths remains focused on providing customers with a combination of greater convenience, freshness and quality, best ranges and consistently lower prices across all divisions. This continued focus has seen the implementation of key initiatives such as Project Refresh, Supply Chain, Project 60, and the launch of the Woolworths Premium Select Range."

"During the year we have also continued to lay the foundations for further growth, with the acquisition and integration (which is nearing completion) of the Australian Leisure and Hospitality Group Limited and the acquisition (in progress) of the New Zealand operations and 22 Action stores in Australia of Foodland Associated Limited."

"Both the ALH and Foodland acquisitions represent significant strategic growth opportunities by adding to our core business and giving us opportunity for new businesses in Australia and New Zealand."

<sup>(1)</sup> Includes ALH retail liquor results since 1 November 2004 and MGW retail liquor results since 3 January 2005.

<sup>(2)</sup> Represent ALH Hotel results since 1 November 2004 and MGW Hotel results since 3 January 2005.

“We have a culture of vigorously pursuing cost savings. This year we achieved a further 30bps reduction in costs as a percentage of sales for the year, from continuing operations (92bps excluding ALH/MGW). The cost reduction achieved exceeds our target of 20 bps per annum reduction in CODB. During the year the Group incurred and absorbed \$13 million of additional costs associated with our planned progress to our new supply chain. These cost reductions have greatly benefited both customers and shareholders. We will continue to reduce costs in the future, reflected in better prices for our customers and growth in Earnings per Share for our shareholders. We are confident of achieving our 5 year target of reducing the cost of doing business by at least another 1% of sales or 20 bps per annum.”

“Project “Refresh” initiatives and improving efficiency of operations have delivered cost savings amounting to 3.78% of sales over the past six years. Measured in dollars, this is a cumulative saving over the last six years of \$3.6 billion. Approximately 77% of these savings have been reinvested in lower selling prices. The balance of around 23% went to shareholders through increased EBIT margins. Earnings per Share has grown at a compound annual rate of 18.6% over this period.”

“Our supply chain initiatives are well underway and on target with significant elements of our information technology (IT) rollout now complete. We have proved the effectiveness of our IT platform (including AutoStockR and Stocksmart) and are now well advanced with our new Warehouse Management System, all of which are exceeding expectations.”

“The rollout of our new Distribution Centre (DC) network which will consolidate our existing 31 DC’s into 9 Regional Distribution Centre’s (RDC’s) and 2 National Distribution Centre’s (NDC’s) is well underway. Our Perth RDC was completed ahead of schedule and within budget and is now fully operational. This site forms the “blueprint” for our future RDC transitions. Our Adelaide RDC is also now fully operational. The Wyong, Wodonga, Townsville and Brisbane sites are on budget and on schedule. Construction is well advanced and we expect Wyong and Townsville to be operational later this year with Brisbane and Wodonga coming on line next year. Work is also well underway at our Minchinbury RDC and we expect the new temperature controlled section of this facility to be operational in the first half of the next year. “

“The coming financial year will, as a result, see a significant next step with the completion of the majority of our new distribution centre network and the transition from the old to the new network. This together with the enabling systems already developed, represents a major achievement and significant strategic benefit to Woolworths.”

“Our solid performance has extended to the balance sheet as well. A further reduction in inventory of 1.9 days compared with last year (excluding ALH/MGW). Funds Employed has increased as planned due largely to the acquisition of ALH.”

## Supermarket Group including Petrol

	2004 Statutory	2005 Statutory <sup>(1)</sup>	2005 Proforma <sup>(2)</sup>	Change <sup>(2)</sup>
Sales (\$ million)	24,192.5	26,878.0	26,448.9	+9.3%
Gross margin (%)	24.11	23.30	23.32	-0.79%pts
Cost of Doing Business (%)	20.14	19.15	19.17	-0.97%pts
EBIT to sales (%)	3.97	4.14	4.15	+0.18%pts
EBIT to sales (excluding Petrol) (%)	4.28	4.57	4.59	+0.31%pts
EBIT before Goodwill (\$ million)	984.2	1,142.1	1,122.5	+14.1%
EBIT after Goodwill (\$ million)	960.3	1,113.5	1,098.3	+14.4%
Funds Employed (\$ million)	1,387.2	1,782.9	1,516.7	+9.3%
Return on Funds Employed (%)	67.5	70.3	75.6	+8.1%pts

<sup>(1)</sup> Includes ALH retail liquor since 1 November 2004 and MGW retail liquor since 3 January 2005.

<sup>(2)</sup> Excludes ALH/MGW retail liquor results.

Supermarket sales (including petrol and excluding ALH/MGW retail liquor) rose 9.3% with Food and Liquor sales growing 5.2% for the year. Comparable store sales for Food and Liquor strengthened each quarter and for the year grew 3.1% compared with 2.7% for FY04.

Project 60 was implemented during the year. This project allowed enhancement to our supermarket ranges, the benefits of which will mainly flow through in future years. Some inevitable and expected disruption of normal trading was experienced as the Project was implemented.

We have continued to reduce our prices to our customers. We have been able to achieve this as a result of savings and strategic benefits that have been delivered from logistics and systems development. These reductions were offset by improved shrinkage and better buying as a result of our systems development and improved management controls. These are all a result of Project Mercury. Going forward, we plan, together with our suppliers, to improve distribution to our stores by replacing direct store deliveries. This will benefit margins which will be offset by continued price reductions.

EBIT (after goodwill) grew faster than sales at 14.4%, underpinned by cost savings with cost of doing business falling by 97 basis points (after we expensed \$13 million of transition costs to our new supply chain). 81% of these cost savings were reinvested in lower selling prices with the balance going to increase EBIT margin. EBIT margin (excluding petrol) increased by 31 basis points on last year to 4.59%.

Days inventory for supermarkets has continued to be reduced, with a further reduction of 1.5 days this year to 24.3 days. Stocksmart and AutostockR systems provide us the opportunity to better manage inventory levels and re-range the store without decreasing stock availability levels.

There were 22 new supermarkets opened during the year bringing the total number to 723. Total trading area for the division grew by 3.4% which was within our stated range.

All our liquor operations, including Dan Murphy's, BWS, First Estate and attached liquor, continue to perform well and record strong growth in both sales and profits. Group liquor sales for the year, (including ALH/MGW) were \$2.6 billion, which exceeds our previously stated objective of achieving \$2.5 billion liquor sales. Annualised liquor sales equate to approximately \$3.0 billion which is well on our way to our new target of \$3.5 billion annual liquor sales in the near to medium term.

Supermarkets Group results includes the ALH/MGW retail liquor results for the period since the acquisition (ALH from 1 November 2004 and MGW from 3 January 2005). This excludes the Victorian operations of the Bruce Mathieson Group (BMG) which will be consolidated once the gaming licence approvals are received. We anticipate this will occur before the end of the 2005 calendar year.

Woolworths continues to bring greater price competition to the Australian liquor market with customers continuing to benefit from lower prices.

Dan Murphy's has had wide customer acceptance, providing customers with excellent value for money and extensive product ranging, together with personalised fine wine advice and expertise. Dan Murphy's range is the most extensive in Australia, benefiting both our smaller producers and our customers. This outstanding customer offering has been expanded in the FY05 year with 11 new stores, 3 opened in Queensland, 2 in NSW / ACT, 4 in South Australia and a further 2 stores opened in Victoria. Dan Murphy now has 37 stores of which 10 have not traded as yet for a full year.

At the end of the year Woolworths Limited had 938 liquor outlets.

Our Petrol Division continued to grow rapidly with sales of \$3.3 billion up 50.7%. The offering of a petrol discount off the lowest local price (currently 4c/litre discount) with purchases of \$30 or more from Supermarkets or BIG W stores is very attractive to our customers.

Sales growth has been driven by both a significant increase in volume in existing canopies and by the addition of new canopies. Current volume is approximately 73 million litres per week (including Caltex alliance sites). During the year we added 97 petrol stations (including 73 alliance sites) bringing the total at the end of the year to 456 petrol stations including 117 Woolworths/Caltex alliance sites. As of today we have 458 sites and are on track to achieve our target of 470 canopies. As need dictates this number will increase further.

As expected Petrol EBIT margins improved during the year which combined with continuing cost control, resulted in EBIT increasing to \$36.3m or 95.2% increase over the prior year.

## BIG W

	2004	2005	Change
Sales (\$ million)	2,717.9	2,908.7	+7.0%
Gross margin (%)	30.25	29.79	-0.46%pts
Cost of Doing Business (%)	25.98	25.73	-0.25%pts
EBIT to sales (%)	4.28	4.06	-0.22%pts
EBIT (\$ million)	116.2	118.0	+1.5%
Funds Employed (\$ million)	325.7	371.9	+14.2%
Return on Funds Employed (%)	39.0	33.8	-5.2%pts

BIG W recorded a reasonable result in a difficult market. The 2004/2005 year saw the division achieve sales of \$2.9 billion and EBIT of \$118 million with cost of doing business falling by 25 basis points. The discount store market has moved in recent years and BIG W needed to undertake a period of repositioning in this competitive market. We believe the business is now well placed moving forward with most of the major adjustments and repositioning having been completed.

Sales increased 7.0%, in the face of tough competition, with an increase in comparable store sales since the second quarter. BIG W's comparable sales increase was 2.4% for the year. The fourth quarter was a difficult quarter compared to last year because of the significant boost in business in the prior year resulting from the once off Government family assistance package. Despite this, our June sales were better than expected. It should also be remembered that the Government family assistance package impacted the first few weeks in July last year which will effect the relative performance of the first quarter of FY06.

Nine stores were opened during the year taking the total number of stores in the division to 120. We anticipate to grow this chain in the order of six to ten stores each year to at least 150 stores.

BIG W is committed to its 'Everyday Low Price' strategy, underwritten by ongoing cost reductions, which has been the cornerstone of the division's consistent growth in sales and earnings over the past decade. BIG W's reduction in cost of doing business this year was a significant achievement. During the year BIG W continued to strengthen its 'Everyday Low Price' position in the market resulting in the EBIT margin falling by 22 basis points.

Funds employed increased during the year due to stock levels being up 1.9 days as a result of two additional new stores opening in June this year compared to last year and investment purchases at year end. Capital expenditure was also higher during the year due to the extension to an existing warehouse and increased store refurbishments. Despite this the average return on funds employed was 33.8% (FY04 39%).

## Consumer Electronics

	2004	2005	Change
Sales (\$ million)	886.3	1,007.5	+13.7%
Gross margin (%)	31.59	30.38	-1.21%pts
Cost of Doing Business (%)	26.61	25.24	-1.37%pts
EBIT to sales (%)	4.98	5.14	+0.16%pts
EBIT before goodwill (\$ million)	48.2	55.0	+14.1%
EBIT after goodwill (\$ million)	44.1	51.8	+17.5%
Funds Employed (\$ million)	220.4	236.1	+7.1%
Return on Funds Employed (%)	18.9	22.7	+3.8%pts

This was an excellent year for our Consumer Electronics business, highlighted by sales growth of 13.7%, a significant reduction in the cost of doing business of 137 basis points and an EBIT increase of 17.5%.

Competitive pricing and a strong retail offering have been key factors in driving sales growth for the year of 13.7% and comparable store sales growth of 11.3%. Strong growth over the year was experienced in Computer's, Digital Cameras, MP3 Players and Home Entertainment categories.

The cost of doing business reduced, as planned, from 26.61% to 25.24%. This enabled us to reduce prices to our customers with gross margin falling 121 basis points. As a result EBIT (after goodwill) has risen faster than sales at 17.5%, with EBIT margin rising 16 basis points to 5.14%.

Inventory control was strong with days stock on hand at year end down 3.5 days, compared with the previous year, on a sales growth of 13.7%.

## Acquisition of Australian Leisure & Hospitality Group (ALH) and MGW

During the second quarter of FY05, we secured control of ALH and have consolidated their results into the Woolworths Group from the end of October 2004. ALH is 100% owned by Bruandwo Pty Ltd, which in turn is owned 75% by Woolworths and 25% by the Bruce Mathieson Group. Bruandwo also owns 100% of MGW which has been consolidated from 2 January 2005. BMG, Bruce Mathieson Victoria hotel, club and liquor retailing operations will be consolidated once the necessary gaming licence approvals are received. These approvals are expected to be received before the end of the 2005 calendar year.

### Results of ALH/MGW

As noted previously, we have included ALH/MGW retail liquor results into Supermarkets' Food and Liquor results which is consistent with the treatment of our other retail liquor operations.

With respect to ALH/MGW's other operations, namely on-premise liquor, food and accommodation and gaming we have categorised these into one segment which we have called "Hotels". The BMG Victorian assets that are Hotel related will also be included into this category. BMG's retail liquor results will be included within Supermarkets' Food and Liquor.

Excellent progress is being made on the integration of ALH. The ALH retail liquor business is now being managed as part of Woolworths total retail liquor business with the Bruce Mathieson Group managing the Hotel portfolio. Corporate overheads have been significantly reduced and Woolworths buying terms have been instituted. Significant opportunity exists to expand our retail liquor offering in particular Dan Murphy's. Other potential property opportunities are currently being reviewed. Plans to improve the operating performance of the Hotels are being implemented. We are tracking as planned against our expected benefits from the acquisition.

ALH's Hotel results for the period from 1 November 2004 and MGW's Hotel results for the period from 3 January 2005 (which are included in the Woolworths Group) are as follows.

<b>Hotels</b>	<b>2005</b>
	<b>(since acquisition)</b>
Sales (\$ million)	415.8
Gross margin (%)	82.66
Cost of Doing Business (%)	69.46
EBIT to sales (%)	13.20
EBIT (after goodwill) (\$ million)	54.9
EBIT (before goodwill) (\$ million)	64.8

Hotel sales have been driven by continued growth in major markets including Queensland and Victoria. Since acquisition we have been focusing on re-positioning and improving the performance of all areas and in particular, gaming and on premise liquor. Gaming revenue continues to grow in Victoria and Queensland, however in Queensland, revenue in the second half was impacted by the introduction of smoking bans. The impacts were as expected.

Buying margins have and will continue to improve as a result of moving to Woolworths buying terms.

There have been noticeable improvements in CODB attributable to a number of initiatives implemented post acquisition, namely:

- restructuring of corporate offices
- implementation of operating efficiencies at venues.

No redevelopment profits have been realised due to the current suspension of our venue redevelopment program, pending determination of the optimum way forward. Dan Murphy's sites will be a key aspect of this development providing in excess of 40 sites.

At the end of the year we had a premium portfolio of 169 Hotels (ALH/MGW) which will be further enhanced once we consolidate Bruce Mathieson's Victorian operations.

## Wholesale

Following the closure of the AIW business, the wholesale division (consisting of Statewide Independent Wholesalers (SIW) in Tasmania) recorded an EBIT of \$2.4 million compared with \$1.8 million in the previous year.

## Central Overheads and Net Property Income

Central overheads has decreased marginally (\$1.1 million) due to \$3.7 million received in relation to the investment in ALH. Excluding this central overheads would have increased by 3.3%.

Net Property Income was marginally less than the previous year due to the timing of development activity.

## Balance Sheet and Cash Flow

Inventory at the year end (excluding ALH/MGW) increased by 4.0% on a sales increase of 9.2%. This translated to a 1.9 day reduction.

Trade creditors and other creditors decreased marginally from 44.9 days last year to 44.0 days this year.

Fixed assets and investments have increased from \$2,758.8 million last year to \$3,581.9 million. This is mainly due to fixed assets acquired as a result of the acquisition of ALH/MGW, the purchase of additional properties and construction costs as part of the expanded distribution network. With respect to our Norwest facility, Woolworths has entered into financial arrangements with Westpac Office Trust which effectively results in a sale of this facility. In respect of these arrangements Woolworths received \$241 million on 5 August 2005 and has entered into lease arrangements for Norwest. The centralisation of all our currently widely spread operations around Sydney to Norwest will result in significant benefits going forward.

Intangibles have increased from \$572.3 million last year to \$2,011.4 million. This increase has been largely driven by the acquisition of ALH and MGW resulting in the acquisition of liquor licences, gaming licences and property development rights, with an acquisition value of \$1,006 million and goodwill of \$429 million.

Net repayable debt increased by \$2,253.3 million to \$2,417.2 million compared with the previous year of \$163.9 million. This increase has arisen mainly as a result of the debt incurred for the acquisition of ALH \$1,276 million and debt in the books of ALH of \$124 million and MGW of \$300 million. The \$600 million Woolworths income notes are now included as debt on the Balance Sheet whereas previously they were included in equity.

ROFE in FY05 was 38.7%. ROFE declined during the year as planned, primarily as a consequence of the acquisition of ALH and MGW with funds employed being

fully included, however the returns in relation to these acquisitions relate to only part of the year.

## **Capital Management**

Woolworths currently sets its capital structure with the objective of maintaining its A- credit rating.

To the extent consistent with this, Woolworths undertakes capital return strategies that seek to increase EPS and distribute franking credits to shareholders, mainly through ordinary dividends and share buybacks. Over the past six years, over \$3,853 million, comprising off and on-market buybacks and dividends, has been returned to shareholders (including the final dividend for the financial year ended 26 June 2005). Woolworths' capital management strategy has enhanced EPS growth whilst allowing Woolworths to take advantage of growth opportunities, such as the ALH and Foodland acquisitions.

To assist in strengthening the balance sheet, Woolworths has entered into an underwriting agreement in connection with the WOW DRP which ensures that an amount equal to 100% of all interim and final dividends payable in the calendar years 2005 and 2006 (including the amount of such dividends that Woolworths Shareholders elect to receive in Woolworths Shares pursuant to the Woolworths DRP) is subscribed for Woolworths Shares.

Woolworths will re-examine opportunities for future share buy backs once the integration of ALH and the Foodland acquisition and integration are completed. Our capital structure going forward will preserve our capital strength to retain flexibility to pursue further growth opportunities.

Whilst no decision has been made, Woolworths is reviewing strategies in regard to the sale of its distribution centres.

Franking Credits available for distribution as at 26 June 2005 amounted to \$606.3 million (prior to final dividend).

## **Project Refresh and Costs**

Project "Refresh", since its commencement in 1999, has concentrated on a number of initiatives including a business restructuring program which saw significant changes in the way we do business as well as numerous cost reduction programs.

Over the past six years Project "Refresh" has delivered cost savings amounting to 3.78% sales. Measured in dollars, this was a cumulative saving over the last six years of \$3.6 billion.

Our current focus is on our end-to-end supply chain improvement program.

Our Supply Chain strategy was developed after evaluating systems and logistics features of leading global retailers following which we determined an appropriate and optimum solution for Woolworths. This solution addresses the following key design considerations:

- common integrated systems required to support supply chain operations;
- store supply chain costs (from the Supermarket back dock to the shelf);
- distribution centre (DC) location and numbers;
- DC function (cross-docking and flow-through);
- composite supply chain (integrating cold and ambient);
- transport management (primary and secondary freight);
- process improvements across the network.

Woolworths carried out extensive and detailed planning to ensure each initiative will be effective on implementation. The overall plan is broken down into a series of detailed plans which are individually monitored in terms of costs, functionality, and timing to ensure all aspects are delivered. Each initiative is on its own a significant improvement. However, the interaction of these initiatives provides greater impetus to the overall project outcomes, benefits, and Woolworths competitive position.

Significant progress has been made to date with implementation now well down the track on many of the major projects, a brief overview of which is provided below.

We have introduced Every Day Low Pricing (EDLP) for key icon lines in supermarkets. There has been strong customer acceptance of this offer, and this offer to our customers will continue to develop as cost reductions are realised.

The technology required to support our new supply chain is critical to its success and was complex in its construction. We have now passed the high risk part of our IT application development and are now applying the systems throughout our company with far better than expected results.

Our inventory replenishment program is progressing well. As previously reported, Stocksmart (DC forecast based replenishment) has been implemented fully in our DC's and last year AutostockR was rolled out (store forecast based replenishment) to all supermarkets five months ahead of the original schedule and under budget. During the current year we have started to utilise the significant advantages that these systems provide, and more will follow as we roll out our new Point of Sale technology during 2006. Further, we have expanded AutoStockR to cover other areas not originally planned because it has been so successful with our staff.

Supermarket DCs will be reduced from 31 DCs to 9 Regional Distribution Centres (RDCs) and 2 National Distribution Centres (NDCs). The strategic location of these DCs is imperative in order to optimise network efficiencies. Our Perth RDC was completed ahead of schedule and within budget and is now fully operational. This site forms the "blueprint" for our future RDC transitions. The Wyong, Wodonga, Townsville, and Brisbane sites are on budget and on schedule. Construction is well advanced and we expect Wyong and Townsville to be operational later this year with Brisbane and Wodonga coming on line next year.

The coming financial year will, as a result, see a significant next step with the completion of the majority of our new distribution centre network and the transition from the old to the new network. This together with the enabling systems already developed, represents a major achievement and significant strategic benefit to Woolworths.

During FY05 investment in existing distribution centre infrastructure has been undertaken in NSW, VIC and SA to enable the future DC network. The SA site is now fully operational as an RDC with the Mulgrave site now also fully operational as an NDC. Yennora is expected to be operating as an NDC before the end of calendar 2005. Work is well underway at our Minchinbury RDC and we expect the new temperature controlled section of this facility to be operation in the first half of next year.

The rationalisation of DCs, combined with new cross-dock and flow-through processes, supported by new warehouse management systems, will utilise very effectively our site advantages and further reduce costs and stock levels.

Reducing the volume of our direct store deliveries and introducing electronic store delivery will reduce costs by utilising our DCs' infrastructures as well as eliminating administration costs. The cost of transport from DC's to stores will also be reduced.

For stores, the introduction of phased replenishment, store restocking capabilities, along with store-ready unit load devices such as Shelf-ready trays and roll cages will reduce overall costs.

As reported previously Roll Cages have been successfully implemented in WA with expectations having been exceeded. Rollout into Victoria, South Australia and Queensland is planned over the coming months.

The cost of inbound freight will be reduced by Woolworths' management of inbound freight volumes into our DC and utilising a Transport Management System (TMS). With the TMS now implemented for primary freight, a new secondary freight is being piloted to ensure the optimisation of transport loads and routes and visibility of stock in transit at any point in time. Rollout will commence late this year.

Woolworths values its relationship with its suppliers and aims to work with them to improve efficiencies across the supply chain to our mutual advantage. The advent of improved technology will lead to a better partnership with our suppliers. We will do this through collaboration with our vendors, sharing information, requesting feedback on areas to improve and by harnessing innovation so that mutually beneficial outcomes are achieved.

Workshops have again been conducted nationally with our vendors which involve interactive sessions developing collaborative business plans to deliver key enablers.

Overall our supply chain initiatives are well underway and on track. We are moving to full operational implementation with the resulting benefits.

## **Foodland**

Woolworths is currently in the process of acquiring Foodland Limited's New Zealand business plus 22 Australian stores via a Scheme of Arrangement. The acquisition consideration comprises \$1,250 million cash and 81.6 million Woolworths shares. The cash consideration will initially be funded by a Bridge Facility provided by Citigroup and JP Morgan and will be refinanced with longer term debt in the short term. The current timetable for the acquisition sees effective ownership pass to Woolworths in late October early November 2005.

We recognise the strength of the New Zealand business and the many improvements the Foodland Management Team has made to the business in recent years. We believe that with our support and the backing of Woolworths we will be able to assist them further grow and broaden the New Zealand business, providing further opportunities for employment. We welcome employees of Foodland New Zealand and the Australian stores into the Woolworths Group in due course.

Woolworths expects to identify opportunities which may enhance the performance of the New Zealand business in various respects including:

- by reducing costs through:
  - obtaining improved buying terms
  - applying Woolworths' supply chain and logistics technology to reduce supply chain costs and practices
  - eliminating the duplication of head office functions between Woolworths and the Current New Zealand Business
- by improving the working capital of the business mainly by better inventory management
- by applying Woolworths' operational expertise to enhance overall performance, through improving store range, merchandising, store layout and in-store execution; and by applying fair and consistent pricing – all of which will grow sales
- by implementing strategies to deal with loss-making and underperforming stores
- by investigating the viability in the New Zealand marketplace of introducing new formats including general merchandise, liquor and pharmacy

In respect of Australia, the 22 stores will further enhance the Woolworths store network.

## **The Woolworths strategy**

Woolworths' vision is to continue to drive its core retail business, bringing to its customers greater convenience and quality, the best ranges and consistently lower prices across all of its businesses. We have and will continue to be able to reduce prices through Project Refresh that encompasses major changes to our systems and logistics. Much of this has been in gestation for the last 5 years and will result in further significant cost savings as we move further into implementing these initiatives.

Woolworths aims to achieve this vision through simultaneous growth in sales turnover combined with further reductions in the cost of doing business. These strategies are combined with capital management policies including inventory reduction and share buybacks to drive growth in Earnings per Share.

Woolworths targets four key areas of performance measurement for its business in the long term, namely:

- Sales growth in the upper single digits assisted by bolt-on acquisitions;
- EBIT growth outperforming sales growth assisted by cost savings;
- EPS growth outperforming EBIT growth assisted by capital management; and
- Maintenance of its A- credit rating from S&P.

Woolworths' long term objective is that EPS growth will outperform EBIT growth. However, where Woolworths undertakes major acquisitions which result in the need to defer its normal ongoing capital management initiatives for a period of time, EPS growth in relation to such periods will not necessarily outperform EBIT growth.

EPS growth for the financial year ended 26 June 2005 has been impacted by Woolworths entering into an underwriting agreement in relation to the Woolworths Dividend Reinvestment Plan and because Woolworths did not undertake any share buyback activity in the financial year. These steps were taken in order to maintain Woolworths' S&P A- credit rating following the acquisition of ALH during the year. EPS has also been affected by the issue of Woolworths Shares pursuant to Woolworths' employee share and option plans.

Woolworths is successfully delivering its strategy of capitalising on opportunities for continuing growth in both sales and earnings. These include the following:

#### **Opportunity to grow market share**

The Australian food, liquor and grocery (FLG) market continues to be very competitive by world standards. According to Dimasi Strategic Research, the Australian FLG market is approximately \$75 billion. Of this market Woolworths has approximately 28% market share. Independent operators and smaller chains collectively occupy nearly 50% of this market. The majority of bread, meat, fruit and vegetables are sold through the independent retailers. We will continue to develop our fresh food business on the range, quality and strong brand position we already possess in this segment.

#### **Defined plans to continue space roll out**

It is anticipated that Woolworths will continue to open 15 to 25 supermarkets each year for the foreseeable future, which together with the continued expansion of existing stores, will increase its trading area by more than 3% per year. It is intended to increase BIG W stores by 6 to 10 each year, from 120 today to a target of 150. Dan Murphy's store rollouts is expected to accelerate as we utilise the sites available through the ALH acquisition together with normal store rollout plans. The petrol business presently has 458 outlets including 118 Caltex co-branded alliance sites, with an overall target of 470 outlets.

Woolworths' ability to secure retail sites is enhanced by its high sales per square metre. Woolworths' store expansion program is supported by detailed plans for the next three to five years identifying specific sites.

### **Expansion of new and existing categories**

Woolworths has considerable experience in introducing new categories and formats, for instance, liquor, petrol, consumer electronics and hotels and expanding existing categories and formats, such as fresh food. Woolworths considers that there are further opportunities to branch into new categories and formats while continuing to expand existing categories and formats.

Woolworths is targeting growth in its liquor retailing operations. Despite Woolworths being the largest liquor retailer in Australia, it currently has a low market share of the packaged liquor. Woolworths' retail liquor sales for the financial year ended 26 June 2005 were approximately \$2.6 million.

The trend towards gradual deregulation of both trading hours and product restrictions continues to assist sales. For example, Queensland, South Australia and Tasmania have increased trading hours to include Sundays and, in January 2006, a change to liquor licensing regulation in Victoria is due to occur under which the cap on the number of liquor licences that a single entity may hold will be removed.

### **Increased emphasis on private branded goods**

Woolworths' product range features the major industry brands and a strong private label business. Woolworths Homebrand is at the leading price point in the market with the best quality at that price point. Homebrand continues to be Australia's largest selling grocery brand. In addition, where we can establish a definable point of difference we will introduce Woolworths "Select" a premium range of Woolworths branded product. Woolworths "Select" will be at the top of the range in the category, with a significant price advantage to customers (relative to comparable quality products).

Woolworths will continue to develop and grow National Brands – we are committed to this. Furthermore where possible Australian sourced products are always given preference. In addition we have an extensive import replacement programme underway.

### **Continued focus on improved in-store execution and service**

Woolworths will continue to focus on improving in-store execution, ranging, stock availability and customer service and as cost reductions and productivity benefits are achieved this will benefit customers further.

### **Lower prices – a sales driver**

Further cost savings will enable Woolworths to lower prices driving volume increases. Cost savings going forward will be underpinned by implementing an end-to-end supply chain improvement program.

### **Acquisitions**

ALH was a unique acquisition that provides an excellent platform for further growth. The strength of Woolworths' balance sheet allows Woolworths to consider bolt-on and larger acquisition opportunities should they become available within its core business competencies.

### **International Opportunities**

With the successful acquisition of Foodland, Woolworths will have a solid retail base in New Zealand with opportunities to develop that business further.

Woolworths is currently negotiating with the Tata Group to develop a consumer electronics business in India with Woolworths providing sourcing, wholesaling and some management support. The Tata Group will manage the retail operations.

We remain confident that Woolworths will deliver its indicated growth targets to shareholders.

## **Current Trading and Future Outlook (excluding Foodland)**

Since the end of the financial year, Food and Liquor sales growth has continued along similar trends to those seen during the fourth quarter.

BIG W sales have continued to strengthen.

Consumer electronics sales continue to remain strong.

We anticipate overall Group sales growth for FY06 to be in the upper single digits.

We also anticipate that EBIT will continue to grow faster than sales in FY06.

Net profit after tax for FY06 is expected to grow in the lower double digits.

Our long term EPS objective is to outperform EBIT growth, assisted by capital management. However, in FY06 EPS will be impacted by shares issued under the Group's employee share option plans and the shares issued under the Dividend Reinvestment Plan underwriting.

This guidance is given subject to current retail trading patterns and the present business, competitive and economic climate continuing.

For further information contact:

Mr Roger Corbett (CEO) (02) 9323 1580

Mr Tom Pockett (CFO) (02) 9323 1602

## Profit and Loss for 52 weeks ended 26 June 2005

	Summary of Results (\$ millions)			Change <sup>(1)</sup>
	FY04	FY05	FY05 Proforma <sup>(1)</sup>	
<b>Sales</b>				
Food and Liquor	21,998	23,570 <sup>(2)</sup>	23,141	5.2%
Petrol	2,195	3,308	3,308	50.7%
<b>Supermarkets Division</b>	<b>24,193</b>	<b>26,878</b>	<b>26,449</b>	<b>9.3%</b>
BIG W General Merchandise	2,718	2,909	2,909	7.0%
Dick Smith Consumer Electronics	886	1,007	1,007	13.7%
<b>General Merchandise Division</b>	<b>3,604</b>	<b>3,916</b>	<b>3,916</b>	<b>8.7%</b>
<b>Hotels (ALH/MGW)<sup>(3)</sup></b>	<b>-</b>	<b>416</b>	<b>-</b>	<b>-</b>
<b>Continuing Operations</b>	<b>27,797</b>	<b>31,210</b>	<b>30,365</b>	<b>9.2%</b>
<b>Wholesale Division</b>	<b>137</b>	<b>142</b>	<b>142</b>	<b>3.6%</b>
<b>Group Sales</b>	<b>27,934</b>	<b>31,352</b>	<b>30,507</b>	<b>9.2%</b>
<b>Margins</b>				
Gross Profit	24.91%	24.89%	24.14%	-0.77%pts
Cost of Doing Business	21.10%	20.80%	20.17%	-0.93%pts
EBIT to sales	3.81%	4.09%	3.97%	+0.16%pts
<b>Profit</b>				
Earnings before interest, tax, depreciation amortisation & rent (EBITDAR)	2,282.5	2,648.9	2,482.2	8.7%
Property rent – base	664.2	758.5	707.4	6.5%
Property rent – turnover contingent	79.0	80.6	80.6	2.0%
Fitout rent	66.6	65.8	63.7	-4.4%
Earnings before interest, tax, depreciation & amortisation (EBITDA)	1,472.7	1,744.0	1,630.5	10.7%
Depreciation	379.6	419.2	393.1	3.6%
Goodwill Amortisation	28.0	41.8	27.5	-1.8%
<b>Earnings before interest &amp; tax (EBIT)</b>	<b>1,065.1</b>	<b>1,283.0</b>	<b>1,209.9</b>	<b>13.6%</b>
Net interest expense <sup>(4)</sup>	47.3	153.7	89.3	88.8%
WINS distribution	42.9	-	-	-
Operating income tax expense	286.7	337.7	331.3	15.6%
<b>Net operating profit after income tax</b>	<b>688.2</b>	<b>791.6</b>	<b>789.3</b>	<b>14.7%</b>
Outside equity interests	(0.4)	(1.1)	(0.6)	50.0%
<b>Net operating profit after tax and servicing income notes</b>	<b>687.8</b>	<b>790.5</b>	<b>788.7</b>	<b>14.7%</b>
Funds employed	2,157.7	4,467.1	2,696.9	+25.0%
Return on funds employed (ROFE)	49.3%	38.7%	49.8	0.5%pts
Weighted average ordinary shares on issue (million)	1,020.5	1,043.7	1,043.7	2.3%
Ordinary earnings per share (cents)	67.4	75.7	75.6	12.2%
Fully diluted earnings per share (cents)	66.6	75.3	75.2	12.9%
Earnings per share pre goodwill (cents)	70.1	79.7	78.2	11.6%
Interim dividend per share (cents)	21.0	24.0	24.0	14.3%
Final dividend per share (cents) <sup>(5)</sup>	24.0	27	27	12.5%
Total dividend per share (cents)	45.0	51	51	13.3%

(1) Excludes Bruandwo (ALH/MGW).

(2) Includes ALH retail liquor sales since 1 November 2004 and MGW retail liquor sales since 3 January 2005.

(3) Represents ALH Hotel sales since 1 November 2004 and MGW Hotel sales since 3 January 2005.

(4) Interest capitalisation \$7.7M (LY \$5.5M).

(5) Final dividend payable 7 October 2005 will be fully franked at 30%.

## GROUP BALANCE SHEET AS AT 26 JUNE 2005

	FY04 \$ Millions	FY05 \$ Millions
<b>Funds Employed</b>		
Inventory	1,847.0	1,977.3
Trade Payables	(2,176.3)	(2,335.6)
Net investment in inventory	(329.3)	(358.3)
Receivables	423.0	689.9
Other creditors	(1,267.1)	(1,457.8)
Working Capital	(1,173.4)	(1,126.2)
Fixed assets & Investments	2,758.8	3,581.9
Intangibles	572.3	2,011.4
<b>Total Funds Employed</b>	<b>2,157.7</b>	<b>4,467.1</b>
Net Tax Balances	58.7	147.2
Net Assets Employed	2,216.4	4,614.3
Net Repayable Debt	(163.9)	(2,417.2)
<b>Net Assets</b>	<b>2,052.5</b>	<b>2,197.1</b>
Noteholders Equity (WINs)	583.0	-
Outside Shareholders Equity	5.2	33.3
Shareholders Equity	1,464.3	2,163.8
<b>Total Equity</b>	<b>2,052.5</b>	<b>2,197.1</b>
<b>Return on average funds employed (ROFE)</b>	49.32%	38.73%
<b>Return on equity (ROE)</b>	50.95%	43.57%
<b>Inventory days (Based on COGS)</b>	32.1	30.2 <sup>(1)</sup>
<b>Creditor days (Based on sales)</b>	44.9	44.0

<sup>(1)</sup> Excluding Bruandwo (ALH/MGW).

## GROUP CASH FLOW

	FY04	FY05	FY05 Proforma <sup>(1)</sup>
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1,472.7	1,744.0	1,630.5
Net interest paid (including WINs)	(95.7)	(161.6)	(97.0)
Taxation paid	(324.1)	(398.3)	(381.0) <sup>(2)</sup>
Working capital and other items	166.5	36.9	66.8 <sup>(3)</sup>
<b>Total cash provided by operating activities</b>	<b>1,219.4</b>	<b>1,221.0</b>	<b>1,219.3</b>
Acquisition of other businesses	(56.4)	(1,291.6)	(29.4)
Capital expenditure	(718.7)	(1,180.5)	(1,125.7) <sup>(4)</sup>
Advances to/ repayments from associate (MGW)	83.5	-	-
Dividend received from associate (MGW)	1.1	6.1	-
Proceeds on disposal of property plant & equipment	138.1	97.7	97.7
Payments for purchase of investments	(26.8)	(0.4)	-
Proceeds from sale of investments	-	0.5	0.5
<b>Total cash used in investing activities</b>	<b>(579.2)</b>	<b>(2,368.2)</b>	<b>(1,056.9)</b>
<b>Free Cash</b>	<b>640.2</b>	<b>(1,147.2)</b>	<b>162.4</b>

<sup>(1)</sup> Excluding Bruandwo (ALH/MGW)

<sup>(2)</sup> The increase in tax payments has been driven largely by the increase in net profit before tax combined with an increase in timing differences. In addition, in 2004 we had the benefit of a tax deduction for the share issue plan which was not repeated this year.

<sup>(3)</sup> Working capital reduction lower than FY04 due to investment in inventory resulting from increased sales, increased receivables and creditor timing differences.

<sup>(4)</sup> Capital expenditure has increased mainly as a result of the spend on Norwest and our new Distribution Centre Network.

## Appendix 1

Earnings Before Interest and Tax (EBIT) (\$million)	2004		2005		2005		Change <sup>(1)</sup>	
	Statutory (52 weeks)		Statutory (52 weeks)		Proforma <sup>(1)</sup> (52 weeks)		Before Goodwill	After Goodwill
	Before Goodwill	After Goodwill	Before Goodwill	After Goodwill	Before Goodwill	After Goodwill		
Food and Liquor	965.6	941.7	1,105.8 <sup>(2)</sup>	1,077.2 <sup>(2)</sup>	1,086.2	1,062.0	+12.5%	+12.8%
Petrol	18.6	18.6	36.3	36.3	36.3	36.3	+95.2%	+95.2%
<b>Supermarkets Division</b>	<b>984.2</b>	<b>960.3</b>	<b>1,142.1</b>	<b>1,113.5</b>	<b>1,122.5</b>	<b>1,098.3</b>	<b>+14.1%</b>	<b>+14.4%</b>
<b>BIG W</b>	116.2	116.2	118.0	118.0	118.0	118.0	+1.5%	+1.5%
Consumer Electronics	48.2	44.1	55.0	51.8	55.0	51.8	+14.1%	+17.5%
<b>General Merchandise Division</b>	<b>164.4</b>	<b>160.3</b>	<b>173.0</b>	<b>169.8</b>	<b>173.0</b>	<b>169.8</b>	<b>+5.2%</b>	<b>+5.9%</b>
<b>Hotels (ALH/MGW) <sup>(3)</sup></b>	-	-	<b>64.8</b>	<b>54.9</b>	-	-	-	-
<b>Total Trading Result</b>	<b>1,148.6</b>	<b>1,120.6</b>	<b>1,379.9</b>	<b>1,338.2</b>	<b>1,295.5</b>	<b>1,268.1</b>	<b>+12.8%</b>	<b>+13.2%</b>
Property Income	21.7	21.7	20.3	20.3	20.3	20.3	-6.5%	-6.5%
Central Overheads	(79.0)	(79.0)	(77.9)	(77.9)	(80.9)	(80.9)	+2.4%	+2.4%
<b>Continuing Operations</b>	<b>1,091.3</b>	<b>1,063.3</b>	<b>1,322.3</b>	<b>1,280.6</b>	<b>1,234.9</b>	<b>1,207.5</b>	<b>+13.2%</b>	<b>+13.6%</b>
Wholesale Division	1.8	1.8	2.5	2.4	2.5	2.4	+38.9%	+33.3%
<b>Group EBIT</b>	<b>1,093.1</b>	<b>1,065.1</b>	<b>1,324.8</b>	<b>1,283.0</b>	<b>1,237.4</b>	<b>1,209.9</b>	<b>+13.2%</b>	<b>+13.6%</b>

<sup>(1)</sup> Proforma excludes Bruandwo (ALH/MGW)

<sup>(2)</sup> Includes ALH retail liquor results since 1 November 2004 and MGW retail liquor results since 3 January 2005.

<sup>(3)</sup> Represent ALH Hotel results since 1 November 2004 and MGW Hotel results since 3 January 2005.

# Preliminary Final Report of Woolworths Limited for the Financial Year Ended 26 June 2005

ACN 88 000 014 675

*This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year ended 26 June 2005

Previous Corresponding Period: Financial Year ended 27 June 2004

**Source Reference:** ASX Appdx 4E.1, ASX Listing Rules 4.3C.1

# Woolworths Limited

## Results For Announcement To The Market for the Financial Year Ended 26 June 2005

### Source Reference

### Revenue and Net Profit/(Loss)

			Percentage Change %		Amount \$'M
ASX Appdx 4E.2.1	Revenue from ordinary activities	up	12.9%	to	32,331.7
ASX Appdx 4E.2.2	Profit/(loss) from ordinary activities after tax attributable to members (1)	up	8.2%	to	790.5
ASX Appdx 4E.2.3	Net profit/(loss) attributable to members (1)	up	8.2%	to	790.5

(1) As a result of a change in the Woolworths Income Notes ("WINS") Trust Deed, WINS distributions are now recorded as part of interest expense in the Statement of Financial Performance. Prior to the change in the Trust Deed, the WINS distributions were disclosed within retained earnings. Had the distributions been disclosed within profit/(loss) from ordinary activities after tax attributable to members and Net profit/(loss) attributable to members in the prior period, the current year increase would have been 14.93%.

### Dividends (Distributions)

		Amount per security	Franked amount per security
ASX Appdx 4E.2.4	Final dividend	27¢	27¢
ASX Appdx 4E.2.4	Interim dividend	24¢	24¢
ASX Appdx 4E.2.5	Record date for determining entitlements to the dividend:	Final Dividend: 7 September 2005	

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

ASX Appdx  
4E.2.6

REFER TO PRESS RELEASE

# Woolworths Limited

## Statement of Financial Performance for the Financial Year Ended 26 June 2005

	Note	2005 \$m	2004 \$m
Sales revenue (sales of goods)		31,352.5	27,933.9
Other operating revenue		600.9	547.3
<i>Total revenue from operations</i>		31,953.4	28,481.2
Cost of sales		(24,150.8)	(21,522.8)
<b>Gross Profit</b>		7,802.6	6,958.4
Other revenue from ordinary activities		365.4	151.0
Share of net profits of associates entities accounted for using the equity method		2.5	3.1
Branch expenses		(5,361.5)	(4,627.6)
Administration expenses		(1,526.0)	(1,419.8)
<i>Earnings before interest and tax</i>		1,283.0	1,065.1
Interest expense		(164.1)	(57.4)
Interest income		10.4	10.1
Correction of fundamental error	4	-	-
<b>Profit From Ordinary Activities Before Income Tax Expense</b>	2	1,129.3	1,017.8
Income tax expense relating to ordinary activities		(337.7)	(286.7)
<b>Profit From Ordinary Activities After Related Income Tax Expense</b>		791.6	731.1
Profit from extraordinary items after related income tax expense	5	-	-
<b>Net Profit</b>		791.6	731.1
Net profit attributable to outside equity interests		(1.1)	(0.4)
<b>Net Profit Attributable to Members of Woolworths Limited</b>		790.5	730.7
(Decrease) / increase in foreign currency translation reserve		(0.1)	0.9
<b>Total Revenue, Expense and Valuation Adjustments Attributable to Members of Woolworths Limited Recognised Directly in Equity</b>		(0.1)	0.9
<b>Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners</b>		790.4	731.6

*Source Reference: ASX Appdx 4E.3*

# Woolworths Limited

## Statement of Financial Position As at 26 June 2005

	Note	2005 \$m	2004 \$m
<b>Current Assets</b>			
Cash		432.3	348.9
Receivables		490.0	208.6
Inventories		1,977.3	1,847.0
Property, plant and equipment		28.2	259.6
Other		109.2	112.3
<b>Total Current Assets</b>		<b>3,037.0</b>	<b>2,776.4</b>
<b>Non-Current Assets</b>			
Receivables		79.8	96.4
Investments accounted for using the equity method		-	3.6
Other financial assets		1.1	28.0
Property, plant and equipment		3,552.6	2,467.6
Intangibles		2,011.4	572.3
Deferred tax assets		265.1	195.4
Other		10.9	5.7
<b>Total Non-Current Assets</b>		<b>5,920.9</b>	<b>3,369.0</b>
<b>Total Assets</b>		<b>8,957.9</b>	<b>6,145.4</b>
<b>Current Liabilities</b>			
Accounts payable		2,335.6	2,176.3
Accruals		651.9	554.5
Interest-bearing liabilities		235.5	18.0
Current tax liabilities		105.5	132.2
Provisions		393.5	348.0
<b>Total Current Liabilities</b>		<b>3,722.0</b>	<b>3,229.0</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities		2,614.0	494.8
Deferred tax liabilities		12.4	4.5
Provisions		412.4	364.6
<b>Total Non-Current Liabilities</b>		<b>3,038.8</b>	<b>863.9</b>
<b>Total Liabilities</b>		<b>6,760.8</b>	<b>4,092.9</b>
<b>Net Assets</b>		<b>2,197.1</b>	<b>2,052.5</b>
<b>Equity</b>			
Contributed equity		977.9	575.4
Reserves		207.9	184.6
Retained profits	7	978.0	704.3
Equity attributable to the members of Woolworths Limited		2,163.8	1,464.3
Woolworths Income Notes		-	583.0
Outside equity interest		33.3	5.2
<b>Total Equity</b>		<b>2,197.1</b>	<b>2,052.5</b>

Source Reference: ASX Appdx 4E.4

# Woolworths Limited

## Statement of Cash Flows for the Financial Year Ended 26 June 2005

	Note	2005 \$m	2004 \$m
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		33,258.7	29,681.7
Receipts from vendors and tenants		435.3	415.4
Payments to suppliers and employees		(31,913.2)	(28,457.9)
Interest and other borrowing costs paid (1)		(171.9)	(62.9)
Interest received		10.4	10.1
Income tax paid		(398.3)	(324.1)
Net cash provided by operating activities	8(f)	1,221.0	1,262.3
<b>Cash Flows From Investing Activities</b>			
Proceeds from the sale of property, plant and equipment		97.7	138.1
Proceeds from sale of investments		0.5	-
Payments for property, plant and equipment		(1,180.5)	(718.7)
Payment for purchase of investments		(0.4)	(26.8)
Repayment of employee loans		15.3	14.9
Loans to related entities		-	(69.9)
Loans repaid by related entities		-	153.4
Dividend received		6.1	1.1
Payment for purchase of businesses	8(b)	(1,291.6)	(56.4)
Net cash used in investing activities		(2,352.9)	(564.3)
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of shares		104.7	28.0
Payments for buy-back of shares		-	(140.9)
(Repayment of) / proceeds from short term deposits		(0.2)	0.4
Proceeds from external borrowings		10,882.7	9,716.3
Repayment of external borrowings		(9,570.0)	(9,850.4)
Dividends paid		(201.9)	(346.9)
Woolworths Income Notes distribution (1)		-	(42.9)
Net cash provided by /(used in) financing activities		1,215.3	(636.4)
<b>Net Increase In Cash Held</b>		83.4	61.6
<b>Cash At The Beginning Of The Financial Year</b>		348.9	287.3
<b>Cash At The End Of The Financial Year</b>	8(a)	432.3	348.9

(1) As a result of a change in the WINs Trust Deed, WINs distributions are now recorded as part of interest and other borrowing costs paid in the Statement of Cash Flows. Prior to the change in the Trust Deed, the WINs distributions were disclosed as cash flows from financing activities.

*Source Reference: ASX Appdx 4E.5*

# Woolworths Limited

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## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

<b>Note</b>	<b>Contents</b>
1	Basis of Preparation
2	Profit from Ordinary Activities
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# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

### Source Reference

### 1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2004 annual financial report.

Details of changes in accounting policies:

NONE

### 2. Profit From Ordinary Activities

#### ASX Appdx 4E.3

Profit from ordinary activities before income tax includes the following items of revenue and expense:

#### (a) Operating revenue

Revenue from the sale of goods	31,352.5	27,933.9
Other operating revenue – rebates, discounts received and other	600.9	547.3
Interest:		
Related parties	0.4	3.7
Other parties	10.0	6.4
<i>Total operating revenue</i>	<u>31,963.8</u>	<u>28,491.3</u>

#### (b) Other revenue from ordinary activities

Gross proceeds from disposal of non-current assets (1)	303.4	138.1
Dividend	3.6	-
Rent and other (2)	58.4	12.9
<i>Total other revenue from ordinary activities:</i>	<u>365.4</u>	<u>151.0</u>

Share of net profits of associate accounted for using the equity method	2.5	3.1
<i>Total revenue</i>	<u>32,331.7</u>	<u>28,645.4</u>

(1) Includes Norwest which was 85% complete at 26 June 2005.

(2) There has been a reclassification of some other operating revenues from 2(a) to 2(b) during the year.

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

	2005 \$m	2004 \$m
<b>(c) Expenses</b>		
Amounts provided for:		
Bad and doubtful debts	0.9	2.9
Employee benefits	253.5	221.0
Self-insured risks	102.8	121.8
Depreciation:		
Buildings	11.4	9.7
Plant and equipment, fixtures and fittings	366.0	331.7
Amortisation:		
Leasehold improvements	41.8	38.2
Goodwill	41.8	28.0
Contributions to defined benefit superannuation plans	126.3	117.4
Operating lease rental expenses:		
Leased premises		
- minimum lease payments	754.8	659.2
- contingent rentals	80.6	79.0
- sub-leases	3.7	5.0
Leased equipment		
- minimum lease payments	65.8	66.6
<i>Total operating lease rental expenses</i>	<u>904.9</u>	<u>809.8</u>

**(d) Individually significant non-recurring items**

NONE

# Woolworths Limited

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## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

### 2. Profit/(Loss) From Ordinary Activities (continued)

#### (e) *Revision of Accounting Estimates*

Details of the nature and amount of revisions of accounting estimates:

NONE

### 3. Commentary on Results

ASX Appdx  
4E.14

REFER TO PRESS RELEASE

### 4. Fundamental Errors

ASX Appdx  
4E.3

NONE

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

		2005 \$m	2004 \$m
	<b>5. Extraordinary Items</b>		
ASX Appdx 4E.3	NONE	-	-
	<b>6. Sales of Assets</b>		
ASX Appdx 4E.3	Sales of assets in the ordinary course of business have given rise to the following:		
	<b>Net (Profits)/ Losses</b>		
	Property, plant and equipment	(10.2)	(31.6)
		(10.2)	(31.6)
	<b>7. Retained Profits</b>		
ASX Appdx 4E.8	Balance at beginning of financial year	704.3	445.2
	Net profit attributable to the members of Woolworths Limited	790.5	730.7
	Woolworths Income Notes distribution	-	(42.9)
	Dividends paid or provided	(499.8)	(428.7)
	WINS Issuance Costs	(17.0)	-
	Balance at end of financial year	978.0	704.3

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

2005  
\$m

2004  
\$m

### 8. Notes to the Statement of Cash Flows

ASX Appdx  
4E.5

#### (a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	432.3	348.9
	432.3	348.9

ASX Appdx  
4E.5

#### (b) Businesses Acquired

Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses at the date of acquisition were as follows:

##### **Fair Value of Net Assets Acquired**

Property, plant and equipment	391.0	9.4
Inventories	69.0	3.8
Liquor & gaming licenses & property rights	1,024.9	32.1
Cash	64.2	-
Interest bearing liabilities	(424.1)	-
Accounts payable	(141.8)	-
Provisions	(45.1)	(0.1)
Other liabilities	(11.8)	-
Other assets	55.4	-
Outside equity interest	(27.0)	-
Revaluation reserve attributable to Woolworths Limited as a result of previous ownership interest	(23.5)	-
Net assets previously equity accounted	(3.5)	-
Net assets acquired	927.7	45.2
Goodwill on acquisition	455.0	11.2
Consideration - cash	1,382.7	56.4
Less: Cash balances acquired	(64.2)	-
Less: Cash paid in FY04	(26.9)	-
<b>Net Cash Outflow on Acquisition</b>		
Cash consideration – current year	1,291.6	56.4

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

### 8. Notes to the Statement of Cash Flows (continued)

ASX Appdx  
4E.5

#### (c) Non-Cash Financing and Investing Activities

In accordance with the Company's Dividend Reinvestment Plan 60% (19% in the year ended 27 June 2004) of the dividend paid was reinvested in the shares of the company (excluding special buy back dividend). Issuance of shares under the Plan accounted for \$297.9m during the year ended 26 June 2005 (\$81.8m in the year ended 27 June 2004).

ASX Appdx  
4E.5

#### (d) Financing Facilities

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

Total facilities

Bank overdrafts

Bank loan facilities

	2005 \$m	2004 \$m
	23.0	13.0
	2,335.0	1,442.0
	<u>2,358.0</u>	<u>1,455.0</u>
Used at balance date		
Bank overdrafts	-	-
Bank loan facilities	989.0	10.9
	<u>989.0</u>	<u>10.9</u>
Unused at balance date		
Bank overdrafts	23.0	13.0
Bank loan facilities	1,346.0	1,431.1
	<u>1,369.0</u>	<u>1,444.1</u>

#### (e) Cash Balances Not Available for Use

ASX Appdx  
4E.5

NOT APPLICABLE

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

2005  
\$m

2004  
\$m

### 8. Notes to the Statement of Cash Flows (continued)

ASX Appdx  
4E.5

(f) *Reconciliation of Profit From Ordinary  
Activities After Related Income Tax to Net  
Cash Provided by Operating Activities*

Profit from ordinary activities after related income tax	791.6	731.1
Depreciation	377.4	341.4
Amortisation	83.6	66.2
Share of profit of equity accounted associate	(2.5)	(3.1)
Profit on sale of property, plant and equipment	(10.2)	(31.6)
Borrowing costs capitalised	(7.7)	(5.5)
(Increase)/decrease in deferred tax asset	(43.3)	(22.8)
Increase/(decrease) in income tax payable	(24.3)	(11.9)
Increase/(decrease) in deferred tax liability	6.5	(2.7)
(Increase)/decrease in receivables	(14.7)	26.0
(Increase)/decrease in inventories	(61.4)	(0.1)
(Increase)/decrease in sundry debtors and prepayments	1.8	(4.7)
Increase/(decrease) in payables	17.4	97.4
Increase/(decrease) in sundry payables and provisions	106.8	82.6
Net cash provided by operating activities	1,221.0	1,262.3

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

### Source Reference

### 9. Details Relating to Dividends (Distributions)

ASX Appdx  
4E.6, ASX  
Appdx  
4E.14.2

		<b>Date dividend payable</b>	<b>Amount per security ¢</b>	<b>Amount per security of foreign sourced dividend ¢</b>
Final dividend	2005	7 October 2005	27	
	2004	8 October 2004	24	
Interim dividend	2005	29 April 2005	24	
	2004	30 April 2004	21	
Total	2005		51	
	2004		45	

#### Total dividend (distribution) per security (interim plus final)

ASX Appdx  
4E.6, ASX  
Appdx  
4E.14.2

	<b>2005 ¢</b>	<b>2004 ¢</b>
Ordinary securities (each class separately)	51	45
Preference securities (each class separately)	NIL	NIL
Other equity instruments (each class separately)	NIL	NIL

#### Interim and final dividend (distribution) on all securities

ASX Appdx  
4E.6, ASX  
Appdx  
4E.14.2

	<b>2005 \$m</b>	<b>2004 \$m</b>
Ordinary securities (each class separately)	499.8	428.7
Preference securities (each class separately)	NIL	NIL
Other equity instruments (each class separately)	NIL	NIL
Special Dividend (see below)	-	-
	499.8	428.7
Woolworths Income Notes distribution	-	42.9
<b>Total</b>	<b>499.8</b>	<b>471.6</b>

Any other disclosures in relation to dividends (distributions).

ASX Appdx  
4E.6, ASX  
Appdx  
4E.14.2

NOT APPLICABLE

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

### 9. Details Relating to Dividends/(Distributions) (continued)

#### Dividend Reinvestment Plans

ASX Appdx  
4E.7

The dividend or distribution plans shown below are in operation.

#### Dividend Reinvestment Plan (The Plan)

Eligible shareholders may elect to participate in The Plan in respect to all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in The Plan that the Directors may specify. There is currently no minimum or maximum number of shares which a shareholder (other than a broker's clearing accounts, nominees and certain trustees) may designate as participating in The Plan. The Plan is underwritten for 100% of all interim and final dividends payable in the calendar years 2005 and 2006.

The last date(s) for receipt of election notices for the dividend or distribution plans

7 September 2005

### 10. Earnings Per Share

	<b>2005</b>	<b>2004</b>
	<b>¢ per share</b>	<b>¢ per share</b>
Basic EPS	75.74	67.40
Diluted EPS	75.35	66.63

#### *Basic Earnings per Share*

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

	<b>2005</b>	<b>2004</b>
	<b>\$m</b>	<b>\$m</b>
Earnings (a)	790.5	687.8

  

	<b>2005</b>	<b>2004</b>
	<b>No. m</b>	<b>No. m</b>
Weighted average number of ordinary shares (b)	1,043.7	1,020.5

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

### 10. Earnings Per Share (continued)

- (a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the statement of financial performance as follows:

	<b>2005</b>	<b>2004</b>
	<b>\$m</b>	<b>\$m</b>
Operating net profit attributable to the members of Woolworths Limited	790.5	730.7
Woolworths income Notes Distribution	-	(42.9)
Earnings used in the calculation of basic EPS	<u>790.5</u>	<u>687.8</u>

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

#### *Diluted Earnings per Share*

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

	<b>2005</b>	<b>2004</b>
	<b>\$m</b>	<b>\$m</b>
Earnings (a)	<u>790.5</u>	<u>687.8</u>
Weighted average number of ordinary shares and potential ordinary shares (b), (c), (d)	<u>1,049.1</u>	<u>1,032.3</u>

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

### 10. Earnings Per Share (continued)

- (a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	<b>2005</b>	<b>2004</b>
	<b>\$m</b>	<b>\$m</b>
Operating net profit attributable to the members of Woolworths Limited	790.5	730.7
Woolworths income Notes Distribution	-	(42.9)
Earnings used in the calculation of diluted EPS	<u>790.5</u>	<u>687.8</u>

- (b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	<b>2005</b>	<b>2004</b>
	<b>No. m</b>	<b>No. m</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	1,043.7	1,020.5
Shares deemed to be issued for no consideration in respect of employee options	5.4	11.8
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	<u>1,049.1</u>	<u>1,032.3</u>

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

### Source Reference

### 10. Earnings Per Share (continued)

- (c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

	2005 No. m	2004 No. m
Shares deemed to be issued at average market price in respect of employee options	23.6	31.8
	23.6	31.8

- (d) Weighted average number of converted, lapsed, or cancelled potential ordinary shares used in the calculation of diluted earnings per share:

	2005 No. '000	2004 No. '000
NOT APPLICABLE	-	-

### 11. Net Tangible Assets Per Security

ASX Appdx  
4E.9

Net tangible assets per security

Add:

Liquor and gaming licences and property development rights

Net tangible assets per security adjusted for licences and property development rights

	2005 ¢ per share	2004 ¢ per share
Net tangible assets per security	14.36	87.29
Liquor and gaming licences and property development rights	112.72	16.70
Net tangible assets per security adjusted for licences and property development rights	127.08	103.99

### 12. Details of Entities Over Which Control Has Been Gained or Lost

ASX Appdx  
4E.10

#### Control gained over entities

ASX Appdx  
4E.10.1

Name of entity (or group of entities)

Bruandwo Pty Limited <sup>(1)</sup>

ASX Appdx  
4E.10.2

Date control gained

31 October 2004

(1) The results of the Australian Leisure & Hospitality Group were consolidated from 31 October 2004 and the results of MGW were consolidated from 2 January 2005.

ASX Appdx  
4E.10.3

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control.

**2005  
\$m**

(1.0)<sup>(1)</sup>

**2004  
\$m**

ASX Appdx  
4E.10.3

Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period.

-

<sup>(1)</sup> This represents the net contribution after interest, goodwill amortisation and tax.

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

### Source Reference

### 12. Details of Entities Over Which Control Has Been Gained or Lost (continued)

ASX Appdx  
4E.10

#### Loss of control of entities

NOT APPLICABLE

ASX Appdx  
4E.10.1

Name of entity (or group of entities)

ASX Appdx  
4E.10.2

Date control lost

**2005  
\$m**

ASX Appdx  
4E.10.3

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control.

-

**2004  
\$m**

ASX Appdx  
4E.10.3

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period.

-

### 13. Details of Associates and Joint Venture Entities

ASX Appdx  
4E.11.1,  
11.2, 11.3

Name of Entity	Ownership Interest		Contribution to net profit	
	2005 %	2004 %	2005 \$m	2004 \$m
<b>Associates</b>				
Bruandwo Pty Limited and its controlled entities <sup>(1)</sup>	-	50.0%	2.5	3.1
<b>Joint Venture Entities</b>				
		-	-	-
<b>Aggregate Share of Profits</b>			2.5	3.1

(1) From 31 October 2004 Bruandwo became a 75% owned subsidiary of Woolworths Limited.

## Woolworths Limited

### Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

Source  
Reference

#### 14. Contingent Liabilities and Contingent Assets

	2005 \$'000	2004 \$'000
Contingent liabilities		
Trading guarantees	23.4	30.3
Workers' compensation self-insurance guarantees	304.5	268.0
Outstanding letters of credit issued to suppliers	41.1	27.8
Litigation	17.1	19.5
	<u>386.1</u>	<u>345.6</u>
Contingent assets		
NONE		

#### 15. Segment Information

REFER TO ATTACHMENT 1

#### 16. Discontinuing Operations

NOT APPLICABLE

**Notes to the Preliminary Final Report  
for the Financial Year Ended 26 June 2005**

**17. Subsequent Events**

**Acquisition of Foodland New Zealand business and 22 Action Stores**

On 25<sup>th</sup> May 2005, Woolworths Limited (“Woolworths”) announced that it had entered into an agreement with Foodland Associated Limited (“Foodland”) and Metcash Trading Limited (“Metcash”) under which Woolworths has agreed to acquire Foodland’s New Zealand business and 22 Action stores (including 3 development sites) in Western Australia, Queensland and New South Wales for a total enterprise value of approximately A\$2.5 billion following a demerger of those businesses by Foodland. Metcash has agreed to acquire the remainder of Foodland following the demerger.

Woolworths will provide Foodland shareholders with the option to receive a mix of cash and Woolworths shares subject to a total pool of Woolworths shares of approximately 81.6 million shares and a total cash pool of A\$1.25 billion less any Foodland net debt assumed by Woolworths. The cash consideration will initially be funded by a Bridge Facility and will be refinanced with longer term debt in the short term.

The transaction has been unanimously recommended by the Foodland Board. The transaction will be effected by way of schemes of arrangement, which are currently expected to be submitted to Foodland shareholders by the end of September 2005 in the absence of an alternative proposal on superior terms. The current timetable sees effective ownership pass to Woolworths in late October 2005, early November 2005.

# Woolworths Limited

## Notes to the Preliminary Final Report for the Financial Year Ended 26 June 2005

### Source Reference

### 18. Other Significant Information

ASX Appdx  
4E.12

Ordinary Securities increases through Issues – see Attachment 2  
Options – see Attachment 3  
AIFRS – see Attachment 4

### 19. Information on Audit or Review

ASX Appdx  
4E.15

This preliminary final report is based on accounts to which one of the following applies.

- |                                     |  |                          |   |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/>            | The accounts have been audited.  | <input type="checkbox"/> | The accounts have been subject to review.           |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

ASX Appdx  
4E.16

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

NOT APPLICABLE

ASX Appdx  
4E.17

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

NOT APPLICABLE

ATTACHMENT 1

	Supermarkets <sup>(1)</sup>		BIG W		Consumer Electronics		Hotels		Wholesale <sup>(2)</sup>		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$A million	\$A million	\$A million	\$A million	\$A million	\$A million	\$A million	\$A million	\$A million	\$A million	\$A million	\$A million
<b>Segment disclosures</b>												
<b>Business segments</b>												
Sales to customers	26,878.0	24,192.5	2,908.7	2,717.9	1,007.5	886.3	415.8	-	142.5	137.2	31,352.5	27,933.9
Rebates, Discounts and other	334.1	306.7	221.0	198.9	30.3	30.6	0.0	-	6.2	5.6	591.7	541.8
Inter-segment revenue					0.3	0.3	0.0	-	220.4	205.5	220.7	205.8
<b>Segment revenue</b>	<b>27,212.1</b>	<b>24,499.2</b>	<b>3,129.7</b>	<b>2,916.8</b>	<b>1,038.1</b>	<b>917.2</b>	<b>415.8</b>	<b>-</b>	<b>369.2</b>	<b>348.3</b>	<b>32,164.9</b>	<b>28,681.5</b>
Eliminations											(220.7)	(205.8)
Unallocated revenue											385.0	166.6
Share of net profits of associate accounted for using the equity method	2.5	3.1									2.5	3.1
<b>Total revenue</b>											<b>32,331.7</b>	<b>28,645.4</b>
Segment operating profit	1,113.5	960.3	118.0	116.2	51.8	44.1	54.9	-	2.4	1.8	1,340.6	1,122.4
Unallocated expenses- Property - Head Office											20.3	21.7
Net interest											(77.9)	(79.0)
											(153.7)	(47.3)
<b>Profit from ordinary activities before tax</b>											<b>1,129.3</b>	<b>1,017.8</b>
<b>Income tax on ordinary activities</b>											<b>(337.7)</b>	<b>(286.7)</b>
<b>Profit from ordinary activities after tax</b>											<b>791.6</b>	<b>731.1</b>
Segment assets	4,195.6	3,447.5	746.5	664.7	368.1	337.1	1,521.0	-	57.7	61.2	6,888.9	4,510.5
Unallocated											2,069.0	1,634.9
<b>Total Assets</b>											<b>8,957.9</b>	<b>6,145.4</b>
Segment liabilities	2,191.5	2,030.0	364.9	328.3	110.0	103.3	83.5	-	36.3	35.6	2,786.2	2,497.2
Unallocated											3,974.6	1,595.7
<b>Total Liabilities</b>											<b>6,760.8</b>	<b>4,092.9</b>
Acquisition of assets	910.3	362.7	62.1	68.1	34.8	17.2	1,442.8	-	0.6	0.8	2,450.6	448.8
Unallocated											600.8	284.8
<b>Acquisition of Assets</b>											<b>3,051.4</b>	<b>733.6</b>
Segment depreciation and amortisation	322.1	305.1	34.7	32.8	21.4	19.8	32.8	-	1.6	3.0	412.6	360.7
Unallocated											48.4	46.9
<b>Total depreciation and amortisation</b>											<b>461.0</b>	<b>407.6</b>
Segment other non cash expenses											-	-
Unallocated											297.9	81.8
<b>Total other non cash expenses</b>											<b>297.9</b>	<b>81.8</b>
Share of (loss) gain of associates	2.5	3.1									2.5	3.1
Carrying value of investment in associate	0.0	3.6									0.0	3.6

(1) Supermarkets comprise supermarket stores, liquor stores and petrol canopies

(2) Wholesale comprises Australian Independent Wholesalers (AIW) and Statewide Independent Wholesalers (SIW)

The consolidated entity operates predominantly in Australia.

## ATTACHMENT 2

### Ordinary Securities-Movements through issues and buy-back of shares

Date	No of Shares	Issue Price per security	Amount paid up per security
1/07/2004	5,968,750	\$ 5.11	\$ 5.11
1/07/2004	12,500	\$ 6.17	\$ 6.17
8/07/2004	840,618	\$ 5.11	\$ 5.11
15/07/2004	458,550	\$ 5.11	\$ 5.11
15/07/2004	10,000	\$ 10.89	\$ 10.89
16/07/2004	79	\$ -	\$ -
22/07/2004	911,250	\$ 5.11	\$ 5.11
29/07/2004	103,750	\$ 5.11	\$ 5.11
29/07/2004	3,125	\$ 6.17	\$ 6.17
5/08/2004	219,500	\$ 5.11	\$ 5.11
12/08/2004	113,750	\$ 5.11	\$ 5.11
19/08/2004	308,750	\$ 5.11	\$ 5.11
19/08/2004	6,250	\$ 10.89	\$ 10.89
20/08/2004	284	\$ -	\$ -
23/08/2004	1,352,500	\$ 5.11	\$ 5.11
23/08/2004	20,625	\$ 6.17	\$ 6.17
23/08/2004	42,074	\$ 10.89	\$ 10.89
27/08/2004	16	\$ -	\$ -
30/08/2004	4,634,375	\$ 5.11	\$ 5.11
30/08/2004	141,875	\$ 6.17	\$ 6.17
30/08/2004	21,875	\$ 10.89	\$ 10.89
6/09/2004	776,250	\$ 5.11	\$ 5.11
6/09/2004	31,250	\$ 6.17	\$ 6.17
6/09/2004	42,500	\$ 10.89	\$ 10.89
13/09/2004	627,500	\$ 5.11	\$ 5.11
13/09/2004	17,500	\$ 6.17	\$ 6.17
13/09/2004	36,700	\$ 10.89	\$ 10.89
20/09/2004	308,125	\$ 5.11	\$ 5.11
20/09/2004	19,375	\$ 6.17	\$ 6.17
20/09/2004	17,500	\$ 10.89	\$ 10.89
27/09/2004	359,375	\$ 5.11	\$ 5.11
27/09/2004	24,800	\$ 10.89	\$ 10.89
29/09/2004	122,500	\$ 5.11	\$ 5.11
29/09/2004	6,250	\$ 10.89	\$ 10.89
8/10/2004	3,556,046	\$ 13.16	\$ 13.16
11/10/2004	90,000	\$ 5.11	\$ 5.11
11/10/2004	2,475	\$ 10.89	\$ 10.89
15/10/2004	262	\$ -	\$ -
18/10/2004	60,000	\$ 5.11	\$ 5.11
15/11/2004	12,500	\$ 10.89	\$ 10.89
19/11/2004	124	\$ -	\$ -
29/11/2004	18,750	\$ 5.11	\$ 5.11

## ATTACHMENT 2

### Ordinary Securities-Movements through issues and buy-back of shares

Date	No of Shares	Issue Price per security	Amount paid up per security
29/11/2004	60,000	\$ 5.11	\$ 5.11
29/11/2004	3,125	\$ 6.17	\$ 6.17
29/11/2004	17,500	\$ 10.89	\$ 10.89
30/11/2004	10,603	\$ -	\$ -
6/12/2004	123,750	\$ 5.11	\$ 5.11
6/12/2004	25,000	\$ 6.17	\$ 6.17
13/12/2004	316,250	\$ 5.11	\$ 5.11
13/12/2004	2,137	\$ 10.89	\$ 10.89
20/12/2004	33,750	\$ 6.17	\$ 6.17
20/12/2004	8,750	\$ 10.89	\$ 10.89
29/12/2004	150,000	\$ 5.11	\$ 5.11
4/01/2005	180,000	\$ 5.11	\$ 5.11
28/02/2005	90,000	\$ 5.11	\$ 5.11
28/02/2005	18,750	\$ 10.89	\$ 10.89
7/03/2005	30,000	\$ 5.11	\$ 5.11
7/03/2005	31,250	\$ 10.89	\$ 10.89
14/03/2005	291,250	\$ 5.11	\$ 5.11
21/03/2005	101,250	\$ 5.11	\$ 5.11
21/03/2005	30,000	\$ 10.89	\$ 10.89
29/03/2005	600,000	\$ 5.11	\$ 5.11
29/03/2005	3,125	\$ 10.89	\$ 10.89
4/04/2005	87,500	\$ 5.11	\$ 5.11
4/04/2005	26,250	\$ 10.89	\$ 10.89
11/04/2005	20,000	\$ 6.17	\$ 6.17
18/04/2005	13,750	\$ 5.11	\$ 5.11
29/04/2005	8,280,044	\$ 15.50	\$ 15.50
29/04/2005	7,695,040	\$ 15.90	\$ 15.90

Total

39,549,352

### ATTACHMENT 3

#### Options Outstanding

Expiry Date	Numbers	Exercise Price
1 July 2009	951,875	\$5.11
1 July 2010	2,252,125	\$6.17
1 July 2011	6,107,982	\$10.89
31 Dec 2007	5,386,000	\$12.94
31 Dec 2008	6,569,350	\$12.60
31 Dec 2009	<u>7,752,750</u>	\$11.54
	<u><u>29,020,082</u></u>	

#### Option Issued

Expiry Date	Numbers	Exercise Price
31 Dec 2009	<u>7,752,750</u>	\$11.54
	<u><u>7,752,750</u></u>	

#### Options Exercised

Expiry Date	Numbers	Exercise Price
1 July 2009	19,318,043	\$5.11
1 July 2010	328,125	\$6.17
1 July 2011	<u>360,686</u>	\$10.89
	<u><u>20,006,854</u></u>	

#### Options Expired

Expiry Date	Numbers	Exercise Price
1 July 2009	524,457	\$5.11
1 July 2010	6,000	\$6.17
1 July 2011	270,332	\$10.89
31 Dec 2007	776,000	\$12.94
31 Dec 2008	<u>762,000</u>	\$12.60
	<u><u>2,338,789</u></u>	

## Attachment 4

### **AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)**

The Australian Accounting Standards Board (AASB) announced that Australia will comply with International Financial Reporting Standards (IFRS) for years beginning on or after 1 January 2005. The Australian Equivalent of International Financial Reporting Standards (AIFRS) have been issued, with these standards being formally accepted on 15 July 2004. For Woolworths AIFRS will apply to the December 2005 half year financial report and the June 2006 full year financial report.

Comparatives are required to be restated for AIFRS (both half year and full year financial statements) except Financial Instruments which only require current period disclosures (ie no restatement of comparatives).

In our FY05 Annual Report we will be disclosing the following:

- AIFRS balance sheet as at 26 June 2005 incorporating both the transition adjustments and the AIFRS adjustments that would have arisen had AIFRS applied from the start of the 2005 financial year;
- AIFRS profit and loss statement for the year ended 26 June 2005 reflecting both the transition AIFRS adjustments and the adjustments that would have been booked had AIFRS applied from the start of the 2005 financial year; and
- details outlining the nature and estimated impact of the AIFRS adjustments.

The net impact on our FY05 results had we adopted AIFRS from the start of the year, would have been an increase in our NPAT of \$26.0 million, which would take our reported NPAT under A-GAAP of \$790.5 million to \$816.5 million under AIFRS.

The main adjustments are the requirement to no longer amortise goodwill (\$41.8 million), a change in the accounting for the defined benefit plan expense which results in a \$9 million increase to profit offset by the requirements to expense share options (\$7.0 million) and evaluation and feasibility activities (\$9.7 million). Lastly, restructuring costs associated with the acquisition of ALH (\$11.0 million) are required to be expensed as opposed to being included as part of goodwill. Under Australian GAAP a provision for restructure was raised at the time of the acquisition.

#### **2005 Illustrative Statement of Financial Position and Illustrative Statement of Financial Performance under AIFRS**

The following Illustrative Statement of Financial Position and Illustrative Statement of Financial Performance are based upon the premise that the requirements of AIFRS had been applied to the 2005 year. This is to provide some indicative guidance as to what the nature of the major impacts may be, when AIFRS is applied by Woolworths in 2006.

As the balances are based on the 2005 results the actual value of the differences may be different when AIFRS actually applies.

## 2005 Illustrative Statement of Financial Position under AIFRS

	A-GAAP \$M	AIFRS Adjustments \$M	Notes	AIFRS \$M
<b>CURRENT ASSETS</b>				
Cash	432.3			432.3
Receivables	490.0	(88.7)	3	415.6
		14.3	3	
Inventories	1,977.3	(11.3)	4	1,966.0
Property, plant and equipment	28.2	45.3	1	73.5
Other-receivables	109.2			109.2
<b>Total current assets</b>	<b>3,037.0</b>	<b>(40.4)</b>		<b>2,996.6</b>
<b>NON-CURRENT ASSETS</b>				
Receivables	79.8			79.8
Investments accounted for using the equity method	-			-
Other financial assets	1.1			1.1
Property, plant and equipment	3,552.6	(63.3)	1	3,423.5
		11.4	1	
		(31.9)	1	
		(45.3)	1	
Intangibles	2,011.4	41.8	5	2,042.2
		(11.0)	6	
Deferred tax asset-timing difference	265.1	22.9	9	288.0
Other	10.9			10.9
<b>Total non-current assets</b>	<b>5,920.9</b>	<b>(75.4)</b>		<b>5,845.5</b>
<b>Total assets</b>	<b>8,957.9</b>	<b>(115.8)</b>		<b>8,842.1</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	2,335.6			2,335.6
Accruals	651.9			651.9
Interest-bearing liabilities	235.5			235.5
Current tax liabilities	105.5			105.5
Provisions	393.5	7.0	8	400.5
Other	-	3.6	3	3.6
<b>Total current liabilities</b>	<b>3,722.0</b>	<b>10.6</b>		<b>3,732.6</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing liabilities	2,614.0			2,614.0
Deferred tax liabilities	12.4	(11.1)	9	1.3
Provisions	412.4			412.4
Other	-	32.0	2	42.7
		10.7	3	
<b>Total non-current liabilities</b>	<b>3,038.8</b>	<b>31.6</b>		<b>3,070.4</b>
<b>Total liabilities</b>	<b>6,760.8</b>	<b>42.2</b>		<b>6,803.0</b>
<b>NET ASSETS</b>	<b>2,197.1</b>	<b>(158.0)</b>		<b>2,039.1</b>

## 2005 Illustrative Statement of Financial Position under AIFRS (con't)

	A-GAAP \$M	AIFRS Adjustments \$M	Notes	AIFRS \$M
<b>EQUITY</b>				
Contributed Equity	977.9			977.9
Shares held in Trust	-	(88.7)	3	(88.7)
Employee remuneration reserve		11.8	7	11.8
Reserves	207.9	0.4	10(a)	23.3
		(71.9)	1	
		(46.8)	10(b)	
		(66.3)	10(b)	
Retained earnings	978.0	103.5	11	1,081.5
<b>Equity attributable to the members of Woolworths Limited</b>	<b>2,163.8</b>	<b>(158.0)</b>		<b>2,005.8</b>
Woolworths Income Notes	-			-
Outside equity interest in controlled entities				
Reserves	0.9			0.9
Retained profits	32.4			32.4
<b>Total outside equity interest</b>	<b>33.3</b>	<b>-</b>		<b>33.3</b>
<b>TOTAL EQUITY</b>	<b>2,197.1</b>	<b>(158.0)</b>		<b>2,039.1</b>

### Notes to Illustrative Statement of Financial Position

#### (1) Property, Plant and Equipment

On initial adoption of AIFRS, the directors have elected that property, plant and equipment will be measured at cost. As permitted by the election available under AASB 1, certain items of property, plant and equipment that were previously revalued will be restated at cost on transition.

Consequently, of the opening balance of the asset revaluation reserve of \$71.9 million, \$63.3 million will be adjusted against property, plant and equipment and depreciation of \$10.3 million relating to the revaluations recognised prior to transition will be reversed against retained earnings on transition. The remaining balance of \$8.6 million represents revaluations that relate to assets disposed of in prior periods. This balance will be transferred to retained earnings on transition. For the 52 week period ended 26 June 2005, further depreciation of \$1.1 million relating to the previous revalued amounts will not be recognised in the AIFRS income statement.

AIFRS requires that all research activities in relation to a project be expensed as incurred, including evaluative and feasibility expenditure. Previously this expenditure was capitalised if it was expected, beyond reasonable doubt, to be recoverable. Assets that have previously been capitalised up to the transition date and that will now be expensed amount to \$21.1 million. During the 52 weeks ended 26 June 2005 a further \$14.6 million was capitalised. Depreciation of \$3.8 million relating to this capital expenditure was recorded as an expense in the 52 weeks ended 26 June 2005. The net carrying value of \$10.8 million as at 26 June 2005 will also be required to be expensed under AIFRS, which when adjusted for depreciation of \$1.1 million gives rise to an adjustment of \$9.7 million.

Under AIFRS, non-current assets classified as held for sale, and assets and liabilities of a disposal group classified as held for sale, will be presented separately as current assets and current liabilities on the balance sheet. A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is available for immediate sale in its current condition, and its sale is highly probable.

This is expected to result in \$45.3 million being reclassified from non-current property, plant and equipment to current assets at 26 June 2005.

## **(2) Defined Benefit Plan**

Woolworths is the employer sponsor of a defined benefit superannuation fund. Under AIFRS, the employer sponsor is required to recognise a liability where the present value of the defined benefit obligation, adjusted for unrecognised past service cost exceeds the fair value of the underlying net assets of the fund (hereinafter referred to as the "defined benefit obligation"). Any resulting liability or asset will be grossed up for any contributions tax as required by AASB119 *Employee Benefits* (AASB 119) (revised).

The defined benefit obligation recognised in the balance sheet is determined using actuarial valuations carried out at each reporting date as required by AASB 119. Woolworths defined benefit obligation in respect of defined benefit superannuation plans will be calculated separately for each plan. The discount rate that will be used is the Federal Government bond rate at each reporting date which most closely matches the terms of maturity of the related liabilities.

After initial adoption, further movements in the defined benefit obligation will be recognised in the income statement except for actuarial gains or losses which will be recognised directly in retained earnings (in accordance with the options available under AASB 119).

Under Australian GAAP, Woolworths recognises contributions to the superannuation funds as an expense when due and payable and does not recognise any liability or asset in relation to fund deficits or surpluses unless there is a current obligation to fund the deficit.

Woolworths contributions to the defined benefit superannuation funds have been determined on a vested benefits basis. The additional funding that would be required if Woolworths were to have funded the accrued benefits has been disclosed in the Woolworths Annual Report (the 2004 Annual Report disclosed a shortfall of \$25.0 million as of the latest valuation performed, being 31 August 2003).

At the date of transition, an amount of \$31.0 million is expected to be recognised as a liability of Woolworths with a corresponding decrease in retained earnings.

For the 52 weeks ended 26 June 2005 an expense relating to the defined benefit plan of \$73 million will be recognised under AIFRS with a further \$10 million recognised directly in retained earnings (representing the actuarial gains and losses for the period). The previous Australian GAAP expense for the 52 week period ended 26 June 2005, being the contributions paid by Woolworths to the fund, of \$82 million is reversed under AIFRS. This gives rise to a net increase in the AIFRS net profit before tax compared to Australian GAAP for the 52 week period ended 26 June 2005 of \$9 million (being the \$73 million expense required by AIFRS less the \$82 million expense determined using Australian GAAP). The resulting liability at 26 June 2005 is \$32.0 million.

### **(3) Employee Share Plan (ESP)**

Woolworths operates an Employee Share Plan (ESP) whereby it provides interest free loans to selected employees to purchase shares in Woolworths. All shares acquired under the ESP are held by a wholly owned subsidiary of Woolworths as trustee of the share plan trust. Dividends paid by Woolworths are used to repay the loan (after payment of a portion of the dividend to the employee to cover any tax liabilities). The loans are limited recourse and if the employee elects not to repay the loan, the underlying shares are sold to recover the outstanding loan balance.

Certain employee receivables in respect of the Woolworths ESP were sold in 2002 to a financial institution. Under AIFRS a liability equal to that part of these receivable balances not yet repaid by the employee will be recognised as a liability as the financial institution has recourse to Woolworths until the share plan vesting conditions have been satisfied. At 26 June 2005, this is expected to give rise to an increase in liabilities of \$14.3 million, with \$3.6 million being disclosed as a current liability and the balance of \$10.7 million being disclosed as a non current liability.

In addition, under AIFRS, assets and equity of Woolworths will reduce by \$88.7 million. This represents the elimination of the employee receivables and the recording of shares which will be disclosed as shares held in trust within the equity section of the balance sheet.

### **(4) Inventory**

Woolworths receives settlement discounts from suppliers for early payment of amounts due. Currently these amounts are recognised as revenue when earned. The Urgent Issues Group have issued proposed UIG Interpretation 1002 *Inventory Rebates and Settlement Discounts* (UIG Interpretation 1002) which requires that settlement discounts and rebates received from vendors are recognised as a reduction of cost of sales (or inventory) unless the rebate represents a reimbursement of a specific, incremental, identifiable cost incurred by the entity in selling the vendors products. Such a rebate is recognised as a reduction of that cost. If the amount of the rebate credited or paid by the supplier exceeds the cost being reimbursed, UIG Interpretation 1002 requires that the excess shall be deducted in determining the cost of inventories.

These requirements are applicable for years ending on or after 30 June 2006 but early adoption is allowed in conjunction with the transition to AIFRS. Woolworths intends to early adopt UIG Interpretation 1002 on transition to AIFRS. This will result in a reduction in inventory and retained earnings of Woolworths on transition to AIFRS of approximately \$11.0 million. The adjustment relating to the 52 weeks ended 26 June 2005 will be a decrease in inventory and profit before taxation of approximately \$0.3 million.

Woolworths is continuing its review of the impact of adopting UIG Interpretation 1002.

### **(5) Goodwill**

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to the transition date, goodwill will be included on the basis of its deemed cost, being its written down value recorded under A-GAAP as at 28 June 2004. Under AIFRS, goodwill will be stated at cost less any accumulated impairment losses.

### *Amortisation*

Under AIFRS, goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but instead will be tested for impairment annually and whenever there is an indication of impairment. Changes in useful life on transition to AIFRS will be accounted for prospectively.

The estimated useful lives at 28 June 2004 are expected to be as follows:

	<b>AIFRS</b>	<b>Australian GAAP</b>
Goodwill	indefinite	20 years
Liquor and Gaming Licenses	indefinite	indefinite
Property Development Rights	indefinite	indefinite

Woolworths net profit after tax for the 52 weeks ended the 26 June 2005 is expected to increase by \$41.8 million as a result of the cessation of goodwill amortisation.

### **(6) Restructuring Provision**

On initial adoption of AIFRS the directors have elected not to restate business combinations that occurred before 28 June 2004. Accordingly, the impacts of the adoption of AIFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities and cessation of goodwill amortisation.

Business combinations that occurred on or after 28 June 2004 will be restated to comply with AIFRS. All business combinations will be accounted for by applying the purchase method. The restructuring provision recognised on the acquisition of Australian Leisure and Hospitality Limited (ALH) under A-GAAP does not meet the recognition requirements under AIFRS. As a result goodwill and profit before tax for the 52 weeks ended 26 June 2005 will decrease by \$11.0 million.

### **(7) Share Based Payments**

Equity settled share based payments form part of the remuneration of employees (including executives) of Woolworths. Under A-GAAP Woolworths does not recognise an expense for any share based remuneration, including equity settled share based payments such as options.

Under AIFRS, Woolworths will recognise the fair value at the grant date of equity settled share based payments (such as options) as an employee benefit expense with a corresponding increase in equity. Fair value will be measured at grant date using a binominal model which takes into account market based performance conditions. The fair value per instrument will be multiplied by the number of instruments expected to vest based on achievement of non-market based performance conditions (eg service conditions) to determine the total cost. This total cost will be recognised as an employee benefit expense proportionally over the vesting period during which the employees become unconditionally entitled to the options. On vesting and over the vesting period the amount recognised as an employee benefit expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to failure to achieve market based performance conditions.

As permitted by the elections available under AASB 1, Woolworths will not retrospectively recognise the fair value of share based payments that have vested prior to 1 January 2005. Furthermore, no adjustment will be made for share based payments granted before 7 November 2002.

On transition to AIFRS, retained earnings are expected to decrease and reserves are expected to increase by \$4.8 million.

For the financial year ended 26 June 2005, employee benefits expense and reserves are expected to increase by \$7.0 million.

#### **(8) Make Good Provision**

Woolworths has certain operating leases that require the asset to be returned to the lessor in its original condition. The operating lease payments do not include an element for repairs/overhauls.

Under Australian GAAP, the costs of refurbishment are not recognised until it is probable that the expenditure will be incurred, whereas under AIFRS a provision for refurbishment costs must be recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

At the date of transition, an amount of \$7.0 million will be recognised as a liability with a corresponding decrease in retained earnings.

#### **(9) Taxation**

Under AIFRS tax balances are determined using a 'balance sheet' approach which differs significantly from the current methodology in AGAAP. Under the balance sheet approach, current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid, or refundable.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes, and the corresponding tax base of those items.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled.

Current and deferred tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

The expected impact on Woolworths at 28 June 2004 is an increase in deferred tax assets of \$19.4 million, a decrease in deferred tax liabilities of \$11.4 million and an increase in retained earnings of \$30.8 million mainly arising from the recognition of carried forward tax losses (which were not recognised under Australian GAAP but can be recognised under AIFRS where they satisfy the probability test) and temporary differences arising from the recognition of the defined benefit plan liability (refer note (2)) and writeback of previously revalued assets for accounting purposes.

The expected impact of the change in basis on the tax expense for the 52 week period ended 26 June 2005 is a decrease in tax expense of \$3.2 million. Deferred tax assets and deferred tax liabilities are expected to increase by \$3.5 million and \$0.3 million respectively, as at 26 June 2005.

## **(10) Other**

### **a) Foreign Currency Translation Reserve**

On initial adoption of AIFRS, as permitted by the elections available under AASB 1, the foreign currency translation reserve will be reset to zero with an offsetting decrease in retained earnings of \$0.4 million.

### **b) Reserves**

In conjunction with the transition to AIFRS Woolworths has taken the opportunity to review the reserve balances in the statement of financial position. Woolworths has taken advantage of an election available under AIFRS where reserves that are no longer required can be adjusted against retained earnings. The result of reversing the reserves is a reclassification within equity resulting in a decrease in reserves and an increase in retained earnings of \$113.1 million, which is split between the General Reserve (\$46.8 million) and the Capital Profits Reserve (\$66.3 million).

## **(11) Retained Earnings Reconciliation**

The following is a reconciliation of retained earnings after adjusting for those entries detailed above.

<b>Opening retained earnings at 28 June 2004</b>	<b>Notes</b>	<b>978.0</b>
<b>Transitional Adjustments:</b>		
Plant, property and equipment	1	10.3
Plant, property and equipment	1	(21.1)
Plant, property and equipment	1	8.6
Defined Benefit Plan	2	(31.0)
Inventory	4	(11.0)
Share Based Payments	7	(4.8)
Make Good Provision	8	(7.0)
Taxation	9	30.8
Foreign currency translation reserve	10(a)	(0.4)
Reserves	10(b)	113.1
<b>Total Transitional Adjustments</b>		<b>87.5</b>
<b>FY05 Adjustments:</b>		
Plant, property and equipment	1	(10.8)
Plant, property and equipment	1	1.1
Defined benefit plan credit	2	9.0
Inventory provision	4	(0.3)
Goodwill	5	41.8
Restructuring provision	6	(11.0)
Share based payments	7	(7.0)
Taxation	9	3.2
<b>FY05 Income Statement Adjustments</b>		<b>26.0</b>
Defined Benefit Plan - direct to retained earnings	2	(10.0)
<b>Net AIFRS Adjustments</b>		<b>103.5</b>
<b>Closing retained earnings at 26 June 2005</b>		<b>1,081.5</b>

# 2005 Illustrative Statement of Financial Performance

Statement of Financial Performance for the 52 weeks ended 26 June 2005

	A-GAAP	AIFRS Adjustments	Notes	AIFRS
	\$m	\$m		\$m
Revenues from sales of goods	31,352.5			31,352.5
Other operating revenue	600.9	(600.9)	13	0.0
<b>Total revenue from operations</b>	<b>31,953.4</b>	<b>(600.9)</b>		<b>31,352.5</b>
Cost of Sales	(24,150.8)	(0.3)	12	(23,732.8)
		418.3	13	
<b>Gross Profit</b>	<b>7,802.6</b>	<b>(182.9)</b>		<b>7,619.7</b>
Other revenues from ordinary activities	365.4	146.5	13	208.5
		(303.4)	14	
Share of net profits of associates and joint venture partnerships accounted for using the equity method	2.5			2.5
Branch expenses	(5,361.5)	(9.7)	12	(5,026.0)
		41.8	12	
		303.4	14	
Administration expenses	(1,526.0)	36.1	13	(1,498.9)
		(7.0)	12	
		9.0	12	
		(11.0)	12	
<b>Earnings before interest and tax</b>	<b>1,283.0</b>	<b>22.8</b>		<b>1,305.8</b>
Interest Expense	(164.1)			(164.1)
Interest Income	10.4			10.4
<b>Profit from ordinary activities before income tax expense</b>	<b>1,129.3</b>	<b>22.8</b>		<b>1,152.1</b>
Income Tax Expense	(337.7)	3.2	12	(334.5)
<b>Net Profit from ordinary activities after income tax expense</b>	<b>791.6</b>	<b>26.0</b>		<b>817.6</b>
Net profit attributable to outside equity interest	(1.1)			(1.1)
<b>Operating net profit attributable to the members of Woolworths Ltd</b>	<b>790.5</b>	<b>26.0</b>		<b>816.5</b>

## Notes to the illustrative Statement of Financial Performance

### **(12) FY05 AIFRS Adjustments**

The net increase in NPAT of \$26.0 million comprises:

<b>Description</b>	<b>\$m</b>	<b>Notes</b>
Property, plant and equipment	(9.7)	1
Defined benefit plan credit	9.0	2
Inventory provision	(0.3)	4
Goodwill	41.8	5
Restructuring provision	(11.0)	6
Share based payments	(7.0)	7
Taxation	3.2	9
FY05 AIFRS adjustments	<u><b>26.0</b></u>	

### **(13) Inventory**

Consistent with the requirements of UIG Interpretation 1002, settlement discounts, rebates and other purchase allowances totaling \$600.9 million currently recognised in other operating revenue, these will be reclassified as a reduction in cost of sales of \$418.3 million, a reduction in administration expenses of \$36.1 million and as an increase in other revenue from ordinary activities of \$146.5 million.

### **(14) Sale of non-current assets**

The Australian GAAP definition of revenue requires proceeds on sale of non-current assets to be included as revenue. This has the effect of "grossing up" the income statement. Under AIFRS the proceeds on disposal will no longer be disclosed as revenue. An amount of \$303.4 million is expected to be reclassified from revenue to other income/expenses for the year ended 26 June 2005.