



26 August 2021

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Appendix 4E and Annual Report

Attached for release is the Woolworths Group Appendix 4E and 2021 Annual Report for the year ended 27 June 2021.

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Appendix 4E – Preliminary Final Report

under ASX Listing Rule 4.3A

Current reporting period (52 weeks)
Prior corresponding period (52 weeks)

29 June 2020 to 27 June 2021
1 July 2019 to 28 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information

	% CHANGE	\$M
Total revenue from continuing operations	4.9 to	55,694
Profit from continuing operations after tax attributable to equity holders of the parent entity	72.7 to	1,606
Net profit attributable to equity holders of the parent entity	77.8 to	2,074

Details relating to dividends¹

	CENTS PER SHARE	\$M
2021 interim dividend paid on 14 April 2021	53	671
2021 final dividend declared on 26 August 2021 ^{2,3}	55	697 ⁴

- All dividends are fully franked at a 30% tax rate.
- Record date for determining entitlement to the 2021 final dividend is 3 September 2021.
- The 2021 final dividend is payable on or around 8 October 2021 and is not provided for at 27 June 2021.
- Represents the anticipated dividend based on the shares on issue as at the date of this report. This value will change if there are any shares issued between the date of this report and the ex-dividend date.

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

Shares will be allocated to shareholders under the DRP for the 2021 final dividend at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 7 September 2021. The last date for receipt of election notices for the DRP is 6 September 2021. The Company intends to issue new shares to satisfy its obligations under the DRP.

NET TANGIBLE ASSETS PER SHARE

	AS AT	
	27 JUNE 2021 ¹ CENTS PER SHARE	28 JUNE 2020 CENTS PER SHARE
Net tangible assets per share	(563.0)	81.0

- The net assets of the Group of \$1,739 million includes a \$7,870 million demerger distribution liability relating to Endeavour Group. The net asset position of the Group is expected to substantially improve in 2022 as the Group will recognise a gain on demerger of \$6,387 million. Excluding the impact of the demerger distribution liability, net tangible assets per share at 27 June 2021 would have been 57.9 cents per share.

DETAILS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Entities where control was gained

During the period ended 27 June 2021, the following entities were incorporated:

COMPANY	COUNTRY OF INCORPORATION	INCORPORATION DATE
Cartology NZ Limited	New Zealand	20 April 2021
HealthyLife Company Pty Limited	Australia	14 January 2021
Macro Wholefoods Company Pty Limited	Australia	1 September 2020
Point Gate Developments Pty Limited	Australia	24 December 2020
Point Gate Properties Pty Limited	Australia	24 December 2020
W23 Incubator Pty Limited	Australia	3 August 2020
Woolworths Group Payments Pty Limited	Australia	10 December 2020
Woolworths Marketplace Pty Limited	Australia	24 February 2021
WPay Pty Limited	Australia	11 December 2020

Appendix 4E – Preliminary Final Report under ASX Listing Rule 4.3A

DETAILS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Entities where control was gained (continued)

On 31 May 2021, the Group acquired an additional equity interest in The Quantum Group Holdings Pty Limited which increased its shareholding from 47.2% to 75%. As a result, the Group gained control of the following entities:

COMPANY	COUNTRY OF INCORPORATION
Health Outcomes Australia Pty Limited	Australia
Market Blueprint Pty Limited	Australia
Quantum Analytics Private Limited	India
Quantum Digital Pty Limited	Australia
Quantum Health HK Limited	Hong Kong
Quantum Health Holdings Pty Ltd	Australia
Quantum Health Pty Limited	Australia
Quantum Health SA (Pty) Limited	South Africa
Quantum HK Limited	Hong Kong
Quantum Inc.	United States of America
Quantum Limited	United Kingdom
Quantum New Zealand Pty Limited	New Zealand
Quantum Software Pty Limited	Australia
Quantum South Africa (Pty) Limited	South Africa
Quantum Ventures Pty Limited	Australia
The Quantum Group Pty Limited	Australia
The Quantum Group Holdings Pty Limited	Australia

Entities deregistered resulting in loss of control

On 1 June 2021, Woolworths Meat Co. Pty Ltd was deregistered resulting in loss of control.

Details of associates and joint ventures

	LEGAL OWNERSHIP INTEREST AS AT	
	2021	2020
The Quantum Group Holdings Pty Limited ¹	75.0%	47.2%
Pet Culture Group Pty Limited ²	60.0%	-
173 Burke Rd JV Pty Ltd ²	50.1%	-
Samsara Recycling Pty Ltd	25.0%	-
B & J City Kitchen Pty Limited	23.0%	23.0%
Sherpa Pty Ltd ³	20.8%	20.4%
FutureFeed Pty Ltd	20.4%	-

- On 31 May 2021, the Group acquired an additional equity interest in this entity which increased its shareholding from 47.2% to 75%. As a result, the Group gained control over this entity, and it is no longer considered to be an investment in associate. This entity has been included in this table given it was classified as an investment in associate in 2020.
- Notwithstanding that the Group's ownership interest in this entity is greater than 50%, the Group does not control this entity as the decisions about the relevant activities of the entity require the unanimous consent of both parties sharing control. The Group classifies this entity as an investment in joint venture and applies the equity method of accounting.
- In previous reporting periods, the Group accounted for its investment in this entity as an equity investment as it did not exercise significant influence over this entity. In 2021, the Group increased its shareholding in this entity which triggered a reassessment of the Group's ability to exercise significant influence resulting in a change in classification of this entity from an equity investment to an investment in associate.

OTHER

Additional Appendix 4E disclosure requirements and further information including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current period are contained in the 2021 Annual Report and accompanying 2021 Full Year Results Announcement.

The Consolidated Financial Statements contained within the 2021 Annual Report, of which this report is based upon, have been audited by Deloitte Touche Tohmatsu.

WOOLWORTHS GROUP



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Live better together

2021 ANNUAL REPORT

WOOLWORTHS GROUP LIMITED
ABN 88 000 014 675

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Acknowledgement of Country

Woolworths Group acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, waters and community. We pay our respects to them and their cultures; and to Elders both past and present.

We support the Uluru Statement from the Heart and the recognition of Aboriginal and Torres Strait Islander peoples in the Australian Constitution. We commit to continued listening and learning from First Nations voices and to work in partnership to create change. We acknowledge that we have a responsibility and must do more to truly live our purpose to create better experiences together for a better tomorrow.

SECTION 5

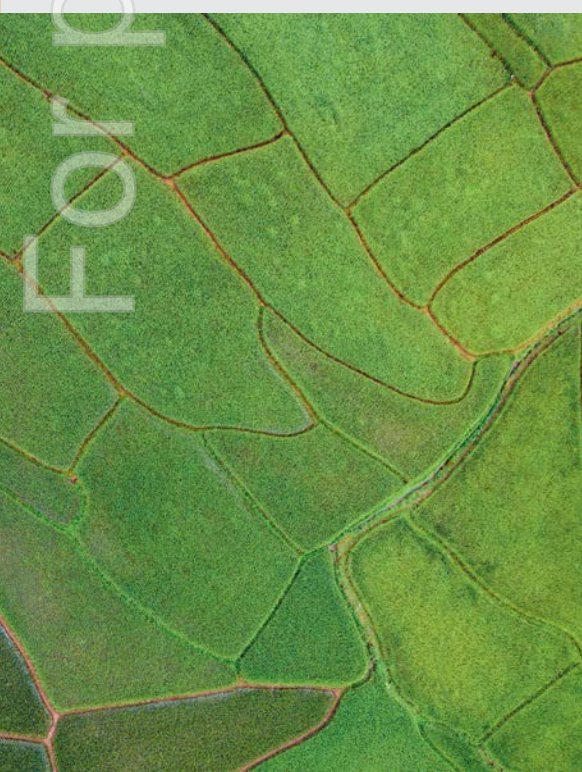
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Building a strong foundation for a new era of Woolworths Group

Woolworths Group is a diverse group of retail businesses on a journey to becoming a purpose-led organisation. Our Group purpose, we create better experiences together for a better tomorrow, creates the framework for how we aspire to operate, to be better; for our customers, our team, the communities we serve and our shareholders.



Our impact¹

People



Team members

210,067

Gender Equality

WGEA Employer
of Choice for Gender
Equality citation

Resourcing the Future
Indigenous team
members

~5,000

LGBTQ+ Inclusion

Awarded AWEI Gold
Employer Status for LGBTQ+
workplace inclusion for the
fourth consecutive year

'I am here' program

32,000

team members trained
to identify and support
team members that need help

Customers



Group Voice of
Customer NPS June

57

▲ 1pt from Q3'21

Customers served
on average per week

27.8M

Online visits
per week

19.7M

More ways to better
serve our customers³

1,074

Supermarkets and
Metro Food Stores

184

Countdown
stores

734

Pick up
locations

176

BIG W
stores

875

Home
Delivery stores

706

Direct to boot
locations

10

CFCs and
eStores

Product



Removed

>2,500 tonnes

of plastic from
operations in F21

Animal Welfare

First Australian and
New Zealand retailer to
achieve Tier 2 in the global
Business Benchmark on
Farm Animal Welfare

Macro Whole
Living Products

100%

compliant with
Palm Oil Policy

Customers using
eReceipts

>250,000

2,905 tonnes

of soft plastic
returned to store

Planet



Carbon emissions

27% below
2015 baseline

Organic waste

113,238
tonnes
diverted from landfill

Power from solar

31,480 kW
capacity installed

Food relief meals donated

>24M
via store network

Odd Bunch fruit & vegetables

35,506
tonnes
purchased by customers

Community



Total community contribution

\$34.9M

Cash donations

\$21.0M

In kind

\$13.9M

Leveraged fundraising

\$14.1M

S.T.A.N.D. donation

\$2.9M

Economic²



Group sales

\$67,278M

Group EBIT

\$3,663M

Free cash flow before dividends

\$1,089M

Return on funds employed⁴

15.1%

Dividend per share⁵

108¢

Tax paid⁶

\$738M

1 For the 2021 financial year including Endeavour Group.

2 Before significant items.

3 Including Australian and New Zealand Food and BIG W.

4 F21 ROFE calculation normalised to exclude the \$7,870 million demerger distribution liability.

5 Full year fully franked dividend.

6 From Woolworths Group cash flow.



Sustainability

Working together to create a better tomorrow



Responsible Sourcing F21 Performance

Audits reviewed	561
Workers surveyed to understand COVID-19 related concerns	2,694
BIG W team members and suppliers completed a Responsible Purchasing Practices survey	111
Onsite follow-up visits	16
Grievance investigations managed	19
Zero Tolerance cases identified	20

Woolworths Group believes sustainability is the right thing to do and sees it as an opportunity to create long-term value through innovation and resilience building measures that will deliver benefits for decades to come.

Woolworths Group is committed to creating positive change in our business and our extended value chain. We want to give our customers confidence that their food and everyday needs are delivered to them ethically and sustainably – truly creating better experiences together for a better tomorrow.

We are determined to build on the foundations of our 2020 Sustainability Strategy to deliver an even more ambitious sustainability agenda. In November 2020, we released our *Sustainability Plan 2025: Working together to create a better tomorrow – our new program of positive change for our people, our planet and our product.*

While we have set our sights on long-term horizons, including goals for 2030 (scope 1, 2 and 3 emissions) and 2050 (net positive emissions), we will deliver meaningful change year on year. In F22 we will make progress on areas such as green electricity, retail careers in the workplace of the future and regenerative agricultural practices to minimise our impact on the environment.

Climate Change

Recognising that addressing climate change is of critical importance to our business and economies globally, Woolworths Group has set ambitious emissions reduction goals aligned to the Paris Agreement, to limit temperature change to 1.5 degrees. By 2030 we will deliver:

- 63% reduction from own operations (scope 1 & 2), and
- 19% reduction across our supply chain (scope 3).

Our targets have been endorsed by the global Science Based Targets initiative (SBTi).

The Group's F21 scope 1 and 2 emissions were 27% below 2015 levels. Initiatives contributing to this reduction include refrigeration management, solar rollout, and our Energy Management Centre which continues to proactively manage our energy use.

Electricity use is the largest contributor to our greenhouse gas emissions. Woolworths Group uses around 1% of Australia's electricity, so our commitment to source 100% renewable electricity by 2025 represents

Our plan is explicitly underpinned by our Guiding Principles

We act like a leader and speak up on issues that matter

We care for, and unlock the potential of our people

We have a positive impact on the planet

We apply circular thinking in everything we do

We embrace the power of partnerships to create change

Community contribution as % of EBT on a 2-year rolling average

1.23%

Carbon emissions reduction

27%

below 2015 levels

F21 Plastics reduction

>2,500t

Human rights key highlights in F21

- Conducted a risk analysis of labour and service providers in our operations and strengthened key controls
- Developed bespoke due diligence strategies for higher risk commodities, including seafood and cotton
- Oversaw the repayment of \$361,851 to 24 workers in the cleaning and trolley collector sector
- Supported our teams to manage modern slavery risks with the launch of three new resources
 - A toolkit for addressing modern slavery in our supply chains and operations
 - A guide to drafting and negotiating modern slavery contract clauses
 - Human rights due diligence maturity framework

a significant investment in growing the industry. In June, we announced our first renewable power purchase agreement (PPA) which will inject enough green electricity into the state's energy grid to power 30% of Woolworths Group's NSW energy needs.

Sustainability Governance

Woolworths Group considers sustainability to be a board-level strategic issue. The CEO and Group Executive Committee, including the Chief Sustainability Officer, have accountability for the implementation of our sustainability strategy.

For more information see 2021 Sustainability Report.

Climate-related risks and opportunities are identified through the Woolworths Group Risk Management Process in line with our Risk Management Framework (RMF) framework. The RMF framework sets out the required end-to-end management of our risk assessment and risk response processes, and monitoring and reporting. Climate change has been identified as a material business risk and is included in the material risk section of the Annual Report on page 36. Our response to these risks is contained in our [Sustainability Plan 2025](#).

Human Rights & Responsible Sourcing

As Australia's largest retailer, with complex operations and supply chains, Woolworths Group is exposed to dynamic human rights risks. Stakeholders continue to identify human rights as one of our material risks. The human rights commitments in the [Sustainability Plan 2025](#) articulate our ambition to build a rights-respecting culture where human rights risks are identified, managed and mitigated in our operations and supply chain. Progress highlights against this important initiative can be found on the left bar on page 4.

As outlined in our second Modern Slavery Statement we continue to scale up our human rights due diligence in non-trade and operations, while maintaining focus on commodities and countries with higher modern slavery risks to improve outcomes for workers. Human rights due diligence is an ongoing process of bringing the concerns of potentially affected stakeholders into consideration for decision making.

For more information see 2021 Modern Slavery Statement.



How we create value

Our Value Drivers

Team

A diverse and inclusive environment for our teams to work reflecting the diversity of our communities

Customer services

Connecting customers with good food and more everyday through convenient stores, services and leading loyalty programs

Trusted brands and products

Providing best range and value, fresher food, healthier options and everyday needs for our customers in Australia and New Zealand

Sustainability

A leader in sustainability to create a positive impact for generations to come

Business platforms

Leading business platforms built over many years enabling our business activities

Financial

Strong balance sheet and disciplined capital allocation to drive sustainable growth and shareholder value

Our Business Activities

B2C Food

Our cornerstone retail food businesses, famous for good food, prices and acts, and always convenient



Stores



eCommerce



Products

Platforms & Partners

Technology, digital and analytics enable retail platforms that deliver for Woolworths Group and partners



Primary
Connect



Digital
& Data



Partnerships

To create value we bring our customers good food and more everyday through connected experiences. We're focused on creating sustainable long-term value for our customers, team, shareholders, trade partners and the broader community through living our purpose:

Creating better experiences together for a better tomorrow

B2B Food

Expanding food into new customer segments, channels and markets



B2B



International



Wholesale

Everyday Services

Complementary everyday categories and services to provide more for our customers



Everyday Services



Everyday Needs



Rewards

Value Created¹

Customer

Innovating to meet our customer needs

57

Group Voice of Customer NPS (June)

27.8M

Customers served on average per week

19.7M

Online visits per week

Team

Enabling and empowering our team

LAUNCHED

Woolworths Future of Work Fund

WGEA

Employer of Choice citation

AWEI

Gold Tier Status for LGBTQ+ inclusion

Partners

Mutual benefit through strong partnerships

57%

Voice of Supplier July 2021

Established partnerships with Endeavour Group and PFD

Quantum Strengthened data and analytics partnership

Community

Caring for each other and creating a more sustainable future

27%

Carbon emission reduction from 2015

113,238

Tonnes of organic waste diverted from landfill

\$34.9M

total community contributions

Shareholders

Delivering sustainable returns for our shareholders

\$1,972M

F21 Group NPAT²

15.1%

F21 ROFE³

108¢

F21 Full Year Dividend

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¹ For the 2021 financial year.
² Before significant items.

³ F21 ROFE calculation normalised to exclude the \$7,870 million demerger distribution liability.



Delivering on our strategic priorities

In F21, the six key priorities reflect the Group's transformation into a food and everyday needs ecosystem which is enabled by our purpose, to create better experiences together for a better tomorrow.

2021 Better Tomorrow achievements

PEOPLE

#1

Most diverse and inclusive company in Australia in the 2020 Refinitiv Diversity & Inclusion Index

PLANET

Provided the equivalent of

>24M

meals through our food rescue partners to alleviate food insecurity

PRODUCT

Animal Welfare

First Australian and New Zealand retailer to achieve Tier 2 in the global Business Benchmark on Farm Animal Welfare

Better Together for a Better Tomorrow for our Customers, Teams and Communities



The Group was proud to be ranked first in Australia, and 49th globally in the 2020 Refinitiv Diversity & Inclusion Index, as the most diverse and inclusive company. In F21, we continued to make good progress on our holistic diversity and inclusion agenda, with a key focus on reconciliation, cultural inclusion, gender diversity and LGBTQ+ inclusion. Some highlights include receiving AWEI gold tier status for a fourth consecutive year and the WGEA Employer of Choice citation. We also delivered 85 actions as part of our two-year Reconciliation Action Plan, partnered with the NAIDOC Week Committee for a third year, and continued the success of our Refugee Employment Program in partnership with Community Corporate, successfully placing 200 refugees into roles in Woolworths Supermarkets, Metro Food Stores and fulfilment centres across Australia. F22 will see an increased focus on our accessibility agenda and more work will be done to support our commitment of offering equal opportunities for all.



Launch of our third mini-Supermarket for special schools at Black Mountain School in Canberra, NSW.

For more information on this initiative go to [page 27](#).



More convenience for customers in F21



629

stores with Direct to boot services



232

Delivery Now stores



425

Same Day Delivery stores with 1 hour delivery window



Accelerate Digital, eCom and Convenience for our increasingly Connected Customers

WooliesX scaled its convenience propositions in response to increased demand in F21 as more and more customers chose contactless, COVIDSafe shopping experiences.

To continue to meet rapidly increasing demand, we announced plans for our first automated customer fulfilment centre to be built in Auburn, NSW, set to open in 2024. The facility will be built in partnership with Knapp, whose automation technology will help Woolworths' personal shoppers pick and dispatch up to 50,000 home deliveries a week in Western Sydney and better serve their growing online grocery needs. This will build on recent investments with Takeoff's micro-fulfilment technology (using Knapp automation) now live at Carrum Downs and Maroochydore in Australia, and Moorehouse and Penrose in New Zealand. In F21, eCommerce sales accounted for 8.5% of total sales as we continue to see more and more customers choosing eCommerce services to complement their in-store shopping experiences.



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Differentiate our Food Customer Propositions

Woolworths Supermarkets launches innovative community store in Cabramatta.

A key priority for Woolworths Supermarkets in F21 has been to localise range and tailor our offering for every community to ensure we

are providing the right range to our customers in the right stores. This includes an increased focus on ethnicity and as part of this, the team delivered its first innovative community store in Cabramatta, NSW. The goal was to extend the already successful Asian range and provide customers with a broad enough range that they could complete their full shop at the store. The store includes over 1,000 Asian products with over 300 being unique to the store.

The introduction of these new lines further tailored the range to the local community consisting of customers of predominantly Vietnamese, Chinese, Thai and Cambodian ethnicities, and focuses on what is important to their shopping needs. In addition to the tailored ranging, the Cabramatta store also features multilingual signage (Cambodian, Cantonese and Khmer) across all functional areas and neon iconography for high level navigation.



欢迎

សូមស្វាគមន៍

WELCOME
- TO -

WOOLWORTHS
CABRAMATTA

Chào
mừng

歡迎



Stand up Endeavour Group

At the end of June, the demerger of Endeavour Group was successfully completed following a multi-year journey to separate the business.

The separation process formally began on 3 July 2019, when Woolworths Group announced its intention to combine its drinks and hospitality businesses to create Endeavour Group through a restructure of Endeavour Drinks and subsequent merger with ALH Group.

This was completed in February 2020; however, the separation anticipated for later that year was delayed to 2021 given the prioritisation of both groups' COVID-19 responses. Both businesses continued to work on the separation as well as establishing the partnership agreements to support the ongoing relationship between the groups.

Work on the separation formally recommenced in February 2021. A strong and experienced executive team and board was assembled to take the business forward following the appointment of Steve Donohue as CEO and Peter Hearl as Chairman in 2019.

Following formal approval at the General Meeting on 18 June, Endeavour Group was successfully separated on 28 June by way of a demerger, with eligible shareholders receiving one Endeavour Group share for every share held in Woolworths Group.

The demerger of Endeavour Group required an enormous combined effort from team members across both businesses and we look forward to being better together in partnership with Endeavour Group for many years to come.

Better together in partnership

The creation of a win-win partnership was at the core of the rationale for the Endeavour Group separation. Post demerger, Woolworths Group and Endeavour Group will continue to work together to retain ongoing benefits, including the infrastructure built by Woolworths Group across its core competencies.

The key benefits under the partnership agreements include a framework that supports joint growth opportunities and further develops capabilities for mutual benefit; enables both groups to maintain the synergies and collaborative relationships, and supports Endeavour Group with continuity of its operations.

This is enabled by key agreements in place across:

- Supply Chain & Stores
- Loyalty & Fintech
- Digital & Media
- Business Support
- International

The partnership agreements between Woolworths Group and Endeavour Group also extend choice for customers to meet their everyday needs through its businesses and partners.



Steve Donohue, Endeavour Group CEO and Brad Banducci, Woolworths Group CEO and Managing Director.





Evolve our Portfolio and Build Strong Adjacencies

Woolworths Group's investment in Quantum aims to transform the rapidly evolving retail sector to help better service our customers and support our team and supplier partners.

Announced in April of this year, Woolworths Group strengthened its partnership with Quantum by increasing its shareholding from 47% to 75%.

Quantum is an industry leader in advanced analytics, working across a broad range of industries, including retail & FMCG, banking & financial services, and health & government. For the last eight years Woolworths Group and Quantum have partnered to better understand our customers through the responsible use of data.

Quantum will become a key part of Woolworths Group, while retaining its senior leadership team and continuing to operate in sectors outside of retail.

In addition to the strategic partnership, new business Q-Retail was created to bring together the best data science and advanced analytics and retail capabilities from across Quantum and Woolworths Group. Specifically, Q-Retail will focus on delivering Woolworths Group's Advanced Analytics Plan and commercialising retail products globally.

Combined with the Group's strategic focus on connected and seamless customer experiences, advanced analytics will be key to improving ranges and services as well as support provided to team members and supplier partners. As the retail industry continues to rapidly change, Woolworths Group recognises that the way in which data is gathered, interpreted and protected is becoming ever more important.



Building strong adjacencies

AUGUST 2020

Announced a strategic investment in PFD Food Services as a logical adjacency for Woolworths Group to further support its growing food and everyday needs ecosystem.

SEPTEMBER 2020

Launched Woolworths at Work, a procurement solution that supports businesses with a streamlined shopping experience and dedicated support, transforming how they manage spending and budget.

FEBRUARY 2021

Announced the formation of a stand-alone business, Greenstock, to support the Group's growth and deliver on the combined red meat needs of partners across retail, international and wholesale.

APRIL 2021

Announced an increase in holding in Quantum from 47% to 75%, as Quantum becomes a key part of Woolworths Group, while retaining its senior leadership team and continuing to operate in sectors outside of retail.

APRIL 2021

Woolworths Group's venture capital arm W23 announced an investment in Australian startup Marketplacer whose platform is used by a number of global retailers exploring third-party marketplace strategies. The partnership will play a key role in powering the Group's own digital improvements ahead of the launch of a marketplace offering for [woolworths.com.au](https://www.woolworths.com.au).

JUNE 2021

Woolworths Group announced the launch of Wpay to offer end-to-end payment solutions to merchants outside of the Group.



Keep our business COVIDSafe and Futureproof our E2E Operating Model

We have been working hard to help protect our team so we can continue to provide food and everyday needs for all customers.

The Delta variant of COVID has seen the operating environment change rapidly again in 2021. It has become clear that

vaccination is key and Woolworths Group remains committed to playing its part in supporting vaccination efforts across the broader community.

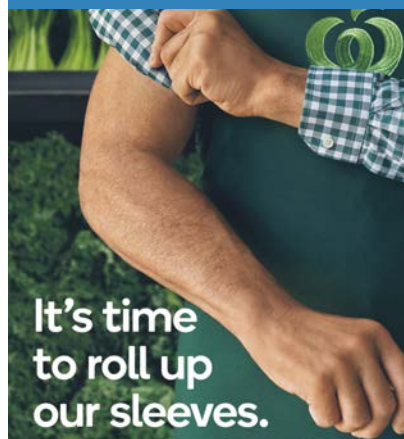
In addition, a number of initiatives have been rolled out to stores and distribution centres to help protect customers and teams. This includes enabling Government QR code check-in for all states and territories, in-store Health Ambassadors, promotion of the Sonder app to support team member mental wellbeing as well as face shields and additional cleaning procedures across stores in high-risk areas.



Next generation supply chain

Woolworths Group's supply chain arm, Primary Connect, commenced building works in May this year on its new national distribution centre (NDC) in the Moorebank Logistics Park in Western Sydney. Set to open in 2024, the Moorebank NDC will service more than 1,000 Woolworths Supermarkets across Australia. The site will be co-located with the Moorebank Regional Distribution Centre, which will start construction later and open in 2025. With cutting-edge automation and 75,000 square metre of floor space across both sites, Moorebank will enable Woolworths to offer its customers an expanded range and improved stock availability in-store.

The construction of a new temperature-controlled 76,000 square metre facility was also announced in June. The new facility will be built at Wetherill Park, Sydney and will service over 280 stores in NSW and replace the current fragmented temperature-controlled network. With completion expected in F24, the new facility will result in fresher products for customers, allow for ongoing range expansion and also deliver material transport and operating efficiency benefits from F25 onwards.



COVIDSafe

Vaccination clinics

Established pop-up vaccination clinics at key food-related DCs in NSW and Victoria with assistance from Federal and State governments

Paid leave for vaccinations

Provided up to eight hours of paid leave for full-time and part-time team members to receive vaccinations

QR check-in

Enabled Government QR code check-in at our stores and support sites nationwide

Testing and health screening

Established five testing facilities across Sydney DCs and CFCs. Rolled out contact tracing wristbands, split shifts and health screening for team members

Vulnerable customer support

Scaled eCommerce and Priority Assistance to support our most vulnerable customers

A year driven by purpose

Over the last 12 months we have remained committed to our purpose of being better together for a better tomorrow and have made significant progress in transforming our business for a new era of Woolworths Group. Our team also continues to operate with vigilance, great care and resilience as we manage the ongoing impacts of COVID.

Since the escalation of the Delta outbreak in Australia, I again am humbled and proud of our team and their dedication to do what is right. As part of our ambition for a better tomorrow we also recognise the role we play in creating a safe place for our team as well as our customers. This purpose has guided our response in supporting vaccination efforts where possible to protect our wider communities.

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Delivering for our shareholders

Our busy agenda in F21 included the successful completion of a key milestone at the end of F21 with the demerger of Endeavour Group. We are confident that it will create value for shareholders with each business now able to focus on their core customer offering and new growth opportunities while continuing to benefit from a strong partnership.

We also completed a number of investments to support our continued growth. This included our increased investment in Quantum and the completion of our strategic investment in PFD Food Services, a logical adjacency for the Group and our growing ecosystem.

Woolworths Group has declared a final dividend of 55 cents per share bringing the full year dividend to 108 cents per share. Together with the H2 dividend that Endeavour Group is expected to pay, the combined dividend is broadly in line with the improvement in Woolworths Group NPAT before significant items of 22.9%.

It is also pleasing to announce the return of \$2 billion to shareholders by way of an off-market buy-back. Together with the final dividend, this is expected to return \$1.1 billion of franking credits to shareholders. The ability to return this capital to our shareholders reflects the strength of our business and our solid balance sheet position which also provides sufficient capital to continue to invest in growth opportunities.

Doing the right thing

We have made pleasing progress on our sustainability agenda in F21; however, we recognise there is still much to do to continue to have a positive impact on our wider communities.

Across our pillars of People, Planet and Product there have been a number of achievements, including the recognition for our work to improve diversity and inclusion, the signing of our first renewable power purchase agreement, and initiatives to make being healthier easier for our customers with the launch of initiatives such as the online platform HealthyLife.

We also recognised that we need to do more to listen and learn when it comes to our commitment to reconciliation. In April of this year the Group made the decision it would not proceed with the proposed Dan Murphy's store in Darwin following an independent review of the development which was commissioned by the Group in December. The report highlighted where we failed to meet our aspirations and standards in our purpose and values, and in doing so, has emboldened us to take meaningful steps forward which are consistent with our purpose and commitment to reconciliation.

To reflect our commitment to our purpose and values, we have updated our remuneration incentives from F22 to include the Group's reputation, which will be externally and independently measured. We considered this to be an important step to align our internal practices on meeting customers and community expectations in order to operate as a responsible corporate citizen.

During the year, we made key executive appointments to provide more focus and structure for our commitment to always do the right thing. David Walker was appointed Chief Risk Officer and Alex Holt was appointed Chief Sustainability Officer to reflect the increasing focus in each area.

Late last year my fellow directors and I were pleased to welcome Maxine Brenner to the Woolworths Group Board following the retirement of long-standing board member, Jillian Broadbent. I have no doubt that Maxine's skills and experience will add tremendous value as Chair of the Risk Committee and to the Woolworths Group Board.

Net profit after tax attributable to Woolworths Group shareholders¹

\$1,972M

▲ 22.9% from F20

F21 Final Dividend

55c

▲ 14.6% from F20

F21 shareholder returns²

\$1.3B

¹ Group before significant items.

² Based on payments during the year.

Looking ahead

I would also like to personally extend my thanks to our team, especially those at the frontline of our operations as they continue to make sure customers have access to their essential needs.

In conclusion, despite the uncertain operating environment ahead, I am excited about the next era for Woolworths Group. By focusing on our core businesses, investing in our supply chain, leveraging our strong partnerships and continuing to be guided by our purpose and values, we will continue to create value for all stakeholders while striving for a better tomorrow.



Gordon Cairns
CHAIRMAN



New era for Woolworths Group

As we continue to be challenged by COVID, in particular the Delta variant, I'm extremely proud of all of our team for their resilience as they continue to demonstrate real care for each other and our customers.

We remain committed to operating COVIDSafe and ensuring we are doing the right thing for our team, customers and communities and by leading the way to make shopping safer.

Building a strong foundation for the new era

We know that the retail industry continues to change rapidly, and we are committed to changing with it. In F20 we outlined plans to transform Woolworths Group into a more focused food and everyday needs ecosystem by building partnerships and delivering adjacent services for our customers, and we have made good progress in F21.

At the end of the year we farewelled our Endeavour Group colleagues as the multi-year journey to separate Endeavour Group was completed through a demerger. While this was a bittersweet moment, we're confident that the demerger will deliver value for Woolworths Group and Endeavour Group shareholders. I'd like to take this opportunity to acknowledge and thank the many team members of Endeavour Group who have contributed to our success and I look forward to the next stage of our journey together as partners for many years to come.



We have also made good progress during the year building out the Group's ecosystem through a series of strategic partnerships, investments and new businesses. In June, we completed our strategic investment in PFD Food Services to expand our food offering into new markets. We know how important leveraging data and analytics is in the retail industry of the future, so we've increased our ownership of Quantum and created a partnership called Q-Retail to accelerate our advanced analytics capabilities. We've also established a number of new businesses, including Greenstock, Wpay and HealthyLife to provide greater value to our customers and meet their changing needs.

We are also continuing to invest in our supply chain transformation which will deliver the capacity and capability needed to support future growth. In F21 we opened Melbourne Fresh DC, as well as commenced work on the Moorebank NDC. This multi-year transformation will enable expanded range and better availability for our customers, as well as ensuring faster, fresher and more efficient deliveries to our stores and through our supply chain.

Business performance

The Group's trading performance in F21 was strong with sales growth of 5.7% and Group EBIT¹ increasing by 13.7%.

In Australian Food, H1 saw strong sales growth as a result of our successful Disney+ Ooshies and glass container campaigns and elevated demand due to lockdowns, whereas H2 sales were impacted by cycling COVID in the final four months of the year. Full year Australian Food sales increased by 5.4%, with EBIT¹ increasing by 9.0%.

Our WooliesX digital and eCommerce business had another year of exceptional growth, with eCommerce sales increasing by 74.7% compared to the prior year. To meet customer demand, we continued to scale up our convenience propositions with an expanded range of Home Delivery and Pick up options.

In New Zealand Food, sales growth in H1 was impacted by low market growth, particularly during the summer tourist

season. In H2, sales declined 5.5% as the business cycled New Zealand's restrictive lockdown period. EBIT for the year declined by 4.6% reflecting lower sales.

BIG W's momentum continued with another strong year of improved customer scores, strong sales growth of 11.6% and EBIT increasing over 300% in the year to \$172 million. H2 sales growth moderated as expected but remained positive with an increased focus on digital and eCommerce and providing customers with safe and convenient shopping options.

Working towards a better tomorrow

Right from the start of COVID, we have prioritised being COVIDSafe and this has continued in F21. We've partnered with the Federal Government and other food retailers, to establish pop-up vaccination clinics at our food-related distribution centres, as well as increasing access to vaccines for our store teams, who are critical to ensure a stable supply of food and everyday needs for our customers. No team member should have to choose between their health and their pay, particularly as we know vaccination will make shopping safer for our teams and customers, and we have revised our vaccination leave policy to reflect this.

Operating sustainably is not only important to our customers, but it's increasingly intrinsic to our business and the way we operate. Setting ambitious and measurable sustainability goals as part of our Sustainability Plan 2025 launched in November last year will help us to play our part in making the world a better place for a better tomorrow.

Our people are the core of our business and we're continuing to focus on our holistic diversity and inclusion agenda, with more work to be done in F22. I'm proud that our strong diversity has been recognised and celebrated through a number of external awards, including the WGEA Employer of Choice for gender equality citation and AWEI gold tier status for LGBTQ+ inclusion for the fourth consecutive year.

We acknowledge the environmental impact of our business and we continue to focus on reducing our footprint with the installation of solar panels in over 190 Woolworths Group sites. We also signed our first power purchase agreement in NSW in F21 as we transition to 100% renewable energy by 2025. We're also making good progress on both eliminating food waste and reducing plastic across our products.

We remain committed to resolving the salaried team underpayments announced in 2019. To date, more than \$350 million has been paid to current and former salaried team members. During the year, we launched a program to enhance our pay process integrity and to help ensure it doesn't happen again.

F22 Outlook

COVID, particularly the Delta variant, will continue to challenge our business and community in F22. While it's difficult to predict the environment we'll be operating in over the next 12 months with any certainty, we know that operating COVIDSafe is our priority. I am confident that we have the right foundations in place to continue to deliver value for our customers, teams, communities and shareholders.

Brad Banducci
CHIEF EXECUTIVE OFFICER

¹ Before significant items.

Group Financial Performance

F21 was a significant year in the history of Woolworths Group following the successful separation of Endeavour Group at the end of June. We also made progress in laying the foundations for the new Woolworths Group, a more focused food and everyday needs ecosystem with a customer 1st team 1st culture at its core, and enabled by data and technology. The Group's F21 trading performance was strong with sales growth of 5.7%, and EBIT growth of 13.7% despite H2 EBIT growth in some businesses being impacted by cycling COVID from late February in the prior year.

Group sales

\$67,278M

▲ 5.7% from F20

Sales from continuing operations increased 4.9% with strong full year sales growth for Australian Food and BIG W, particularly in H1, somewhat offset by lower sales from New Zealand Food. Total Group sales increased by 5.7%, aided by growth of 9.3% from Endeavour Group.

Group eCommerce sales

\$5,602M

▲ 58.1% from F20

Group eCommerce sales increased by 58.1%. Continuing operations eCommerce sales increased 63.3% with penetration on the same basis increasing 3 pts to 8.5% of sales. Average weekly traffic to Group digital assets from continuing operations also increased materially with 17.2 million visits per week during F21.

Gross profit as a % of sales¹

29.3%

▲ 44 bps from F20

Gross profit increases across the Group reflected stock loss improvements, favourable product mix changes, fewer markdowns and less clearance activity.

Cost of doing business as a % of sales¹

24.4%

▲ 16 bps from F20

Cost of doing business (CODB) % increased by 16 bps driven by higher CODB (%) in New Zealand and a higher contribution from BIG W to the Group total which has a higher-than-average CODB (%).

Group EBIT²

\$3,663M

▲ 13.7% from F20

Group EBIT increased by 13.7% to \$3,663 million driven by a 9% increase from Australia Food, an increase of over 300% from BIG W and a 22.6% increase from Endeavour Group. EBIT from continuing operations before significant items increased 11.1%.

Significant items before tax

\$59M

Significant items reflect costs associated with the supply chain network review, Metro Food Stores asset impairment, gain on previously held equity interest in Quantum and transaction costs.

Finance costs²

\$613M

▼ 8.5% from F20

Finance costs declined on the prior year due to lower non-lease interest expense as a result of lower average net debt and lower borrowing costs.

NPAT from continuing operations attributable to equity holders of the parent entity¹

\$1,504M

▲ 20.1% from F20

NPAT from continuing operations increased on the prior year reflecting the increase in EBIT and a reduction in finance costs.

1 Continuing operations before significant items.
2 Group before significant items.

F21 sales summary (\$ MILLION)	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Continuing operations			
Australian Food	44,441	42,151	5.4%
New Zealand Food	6,652	6,823	(2.5)%
<i>New Zealand Food (NZD)</i>	7,146	7,192	(0.6)%
BIG W	4,583	4,106	11.6%
Other	18	-	n.m.
Sales from continuing operations	55,694	53,080	4.9%
Discontinued operations			
Endeavour Drinks	10,167	9,275	9.6%
Hotels	1,417	1,320	7.3%
Sales from discontinued operations	11,584	10,595	9.3%
Total Group sales (including eCommerce)	67,278	63,675	5.7%
Continuing operations eCommerce sales	4,743	2,905	63.3%
Discontinued operations eCommerce sales	859	637	34.7%
Group eCommerce sales	5,602	3,542	58.1%
Continuing operations eCommerce sales penetration (%)	8.5%	5.5%	304 bps
Continuing operations - average weekly traffic to Group digital assets (million)	17.2	12.2	40.5%

F21 EBIT summary (\$ MILLION)	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Continuing operations before significant items			
Australian Food	2,432	2,232	9.0%
New Zealand Food	336	358	(6.4)%
<i>New Zealand Food (NZD)</i>	361	378	(4.6)%
BIG W	172	39	344.9%
Group	(176)	(144)	23.6%
EBIT from continuing operations before significant items	2,764	2,485	11.1%
Discontinued operations			
Endeavour Drinks	669	569	17.7%
Hotels	261	172	51.7%
Endeavour Group costs	(31)	(7)	n.m.
EBIT from discontinued operations before significant items	899	734	22.6%
Group EBIT before significant items	3,663	3,219	13.7%
Significant items	59	(591)	n.m.
Group EBIT	3,722	2,628	41.6%



Group Profit or Loss for the 52 weeks ended 27 June 2021 (\$ MILLION)	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Continuing operations before significant items			
EBITDA	4,843	4,453	8.7%
Depreciation and amortisation	(2,079)	(1,968)	5.5%
EBIT	2,764	2,485	11.1%
Finance costs	(613)	(671)	(8.5)%
Income tax expense	(647)	(555)	16.5%
NPAT	1,504	1,259	19.2%
Non-controlling interests	-	(10)	n.m.
NPAT from continuing operations attributable to equity holders of the parent entity before significant items	1,504	1,249	20.1%
Significant items from continuing operations after tax	102	(321)	n.m.
NPAT from discontinued operations attributable to equity holders of the parent entity after significant items	468	237	98.0%
NPAT attributable to equity holders of the parent entity after significant items	2,074	1,165	77.8%

Margins – continuing operations	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Gross profit (%)	29.3	28.9	44 bps
Cost of doing business (CODB) (%)	24.4	24.2	16 bps
EBIT (%)	5.0	4.7	28 bps

Earnings per share and dividends	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Weighted average ordinary shares on issue (million)	1,256.9	1,257.9	(0.1)%
Total Group basic EPS (cents) before significant items	156.9	127.5	23.0%
Total Group basic EPS (cents) after significant items	165.0	92.7	77.9%
Total Group diluted EPS (cents) after significant items	164.2	92.2	78.2%
Basic EPS (cents) – from continuing operations before significant items	119.6	99.5	20.2%
Basic EPS (cents) – from continuing operations after significant items	127.7	73.9	72.8%
Diluted EPS (cents) – from continuing operations before significant items	119.1	98.9	20.4%
Diluted EPS (cents) – from continuing operations after significant items	127.1	73.5	73.0%
Interim dividend per share (cents)	53	46	15.2%
Final dividend per share ^{1,2} (cents)	55	48	14.6%
Total dividend per share ²	108	94	14.9%

1 The 2021 final dividend payable on or around 8 October 2021 will be fully franked.

2 Dividend excludes H2 dividend declared by Endeavour Group. Including Endeavour Group H2 dividend, total dividend per share is broadly consistent with Group NPAT before significant items growth.

Group

Net Group costs were \$176 million, an increase of \$32 million from \$144 million in F20. Group costs in F20 have been restated to exclude \$7 million related to Endeavour Group. F21 Group costs included COVID-related costs of \$28 million, the cost of additional risk and payroll remediation resources, and higher insurance costs. For F22, Group costs will include Woolworths Group's equity accounted contribution from its 14.6% investment in Endeavour Group. Excluding this contribution, Group costs in F22 are expected to be approximately \$175 million.

Group balance sheet as at 27 June 2021

(\$ MILLION)	REPORTED 27 JUNE 2021	NORMALISED 27 JUNE 2021 ¹	REPORTED 28 JUNE 2020	NORMALISED CHANGE
Inventories	3,132	4,345	4,434	(89)
Trade payables	(4,832)	(5,721)	(5,843)	122
Net investment in inventory	(1,700)	(1,376)	(1,409)	33
Trade and other receivables	782	941	894	47
Other creditors, provisions, and other liabilities	(4,008)	(4,632)	(4,516)	(116)
Demerger distribution liability	(7,870)	(7,870)	-	(7,870)
Fixed assets, investments, loans to related parties and convertible notes	7,605	9,581	8,953	628
Net assets held for sale and distribution	5,728	198	333	(135)
Intangible assets	4,671	8,516	7,717	799
Lease assets	9,553	12,670	12,062	608
Other assets	128	128	136	(8)
Total funds employed	14,889	18,156	24,170	(6,014)
Net tax balances	1,119	851	992	(141)
Net assets employed	16,008	19,007	25,162	(6,155)
Cash and borrowings	(1,863)	(1,430)	(1,863)	433
Derivatives	-	-	464	(464)
Net debt (excluding lease liabilities)	(1,863)	(1,430)	(1,399)	(31)
Lease liabilities	(12,016)	(15,445)	(14,728)	(717)
Total net debt	(13,879)	(16,875)	(16,127)	(748)
Put option over non-controlling interest	(390)	(393)	(3)	(390)
Net assets	1,739	1,739	9,032	(7,293)
Non-controlling interests	360	360	290	70
Shareholders' equity	1,379	1,379	8,742	(7,363)
Total equity	1,739	1,739	9,032	(7,293)

Key ratios – Group before significant items

Closing inventory days (based on cost of sales)	33.5	35.8	(2.3)
Closing trade payable days (based on cost of sales)	(44.2)	(47.2)	3.0
Normalised ROFE ²	15.1	13.7	143 bps

1 Normalised to include the Endeavour Group balances transferred to assets or liabilities held for distribution.

2 F21 closing funds employed included in the ROFE calculation excludes the \$7,870 million demerger distribution liability.

The normalised balance sheet as at 27 June 2021 does not include the impact of transferring the Endeavour Group balances to assets or liabilities held for distribution. To aid comparability, all balance sheet commentary provided compares the F21 normalised closing balance sheet to F20.

Closing inventory of \$4,345 million decreased by \$89 million compared to F20, mainly due to normalised inventory levels in the Food businesses following an inventory build in F20. This was partially offset by a rebuild of inventory in BIG W. Closing inventory days were 2.3 days lower and average inventory days from continuing operations declined by 0.5 days on the prior year reflecting strong sales momentum in F21.

Trade payables of \$5,721 million decreased by \$122 million compared to F20, primarily due to decreased volume replenishments of COVID contingency stock compared to the prior year, particularly in Q4 together with shorter payment terms for smaller suppliers.

A demerger distribution liability of \$7,870 million reflects the fair value of the demerger distribution payable to shareholders following the approval

of the demerger resolutions for Endeavour Group in June 2021.

Fixed assets, investments, loans provided to related parties and convertible notes of \$9,581 million increased by \$628 million mainly due to additions reflecting investment in new stores, property development, refurbishments of existing stores, investment in eCommerce and digital, IT infrastructure and acquisitions of businesses.

Lease assets of \$12,670 million increased by \$608 million primarily driven by lease remeasurements of \$1,253 million and lease additions of \$537 million, partially offset by lease depreciation of \$1,228 million.

Total funds employed decreased \$6,014 million, largely driven by the \$7,870 million demerger distribution payable to shareholders as a result of the Endeavour Group demerger, partially offset by a \$799 million increase in intangible assets due to the acquisition of Quantum and software additions.

Lease liabilities of \$15,445 million increased by \$717 million, primarily driven by commencement of new leases of \$556 million, remeasurements

during the period of \$1,242 million and interest of \$687 million, partially offset by \$1,845 million of payments made in the period.

Net assets of \$1,739 million includes a \$390 million put option liability over the non-controlling interest in Quantum. The liability reflects the amount expected to be paid at the exercise of the put option.

Group ROFE was 15.1%, 143 bps higher than F20. ROFE increased for all businesses reflecting EBIT growth well above increases in funds employed other than New Zealand Food. Closing funds employed used for the Group ROFE calculation has been adjusted to remove the impact of the demerger distribution liability which has resulted in a temporary reduction in funds employed at year end.

Shareholders' equity of \$1,379 million decreased by \$7,363 million mainly due to the recognition of the demerger distribution liability of \$7,870 million recognised in reserves and share capital. As discussed below, this timing impact will reverse in F22 and shareholders' equity will increase when the gain on the demerger of Endeavour Group of approximately \$6.4 billion is recognised in Q1 F22.



Group cash flows for the 52 weeks ended 27 June 2021

(\$ MILLION)	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
EBITDA – continuing operations	4,843	4,453	8.7%
EBITDA – discontinued operations	1,428	1,224	16.7%
Significant items	59	(591)	n.m.
Group EBITDA	6,330	5,086	24.4%
Decrease/(increase) in inventories	103	(152)	n.m.
(Decrease)/increase in trade payables	(115)	632	n.m.
(Decrease)/increase in provisions	(183)	223	n.m.
Net change in other working capital and non-cash	27	278	(88.9)%
Cash from operating activities before interest and tax	6,162	6,067	1.7%
Interest paid – leases	(687)	(701)	(1.7)%
Net interest paid – non-leases	(113)	(155)	(26.9)%
Tax paid	(738)	(650)	13.5%
Total cash provided by operating activities	4,624	4,561	1.4%
Proceeds from the sale of property, plant and equipment, subsidiaries and investments, net of cash disposed	408	295	38.8%
Payments for the purchase of property, plant and equipment and intangible assets	(2,389)	(2,149)	11.3%
Other	(219)	(91)	139.7%
Total cash used in investing activities	(2,200)	(1,945)	13.1%
Repayment of lease liabilities	(1,158)	(1,066)	8.7%
Dividends paid (including to non-controlling interests)	(1,154)	(1,199)	(3.8)%
Payments for shares held in trust	(177)	(102)	74.0%
Free cash flow after equity and lease related financing activities	(65)	249	n.m.

Cash flow from operating activities before interest and tax was \$6,162 million, an increase of \$95 million or 1.7% on the prior year. The increase in Group EBITDA of \$1,244 million was largely offset by outflows from working capital and non-cash movements compared to inflows in the prior year. The increase in EBITDA reflects higher trading EBITDA from continuing and discontinued operations as well as a gain on significant items in F21 compared to a loss on significant items in F20.

Increase in trade payables was unusually high in F20 due to creditor payment timing and high trade payables due to increased COVID-related stock replenishments. In F21, movement

in payables was lower due to lower Q4 inventory replenishments, and inventory optimisation initiatives.

In F21, **decrease in provisions** of \$183 million was due to ongoing progress and cash payments for salaried team member remediation resulting in a lower provision balance compared to the prior year.

Net interest paid (non-leases) decreased by 26.9% reflecting lower net debt during the year and lower borrowing costs.

Tax paid increased 13.5% due to higher tax instalments on higher profits in F21 and stamp duty payable on the Endeavour Group demerger.

Cash used in investing activities was \$2,200 million, an increase of \$255 million or 13.1% above the prior year. The increase was primarily due to the Group acquiring a controlling interest in Quantum for \$169 million (net of cash acquired), and increased investment in eCommerce, IT and digital projects, partially offset by higher proceeds on property sales.

Repayment of lease liabilities increased by 8.7% reflecting lease additions and lease remeasurements.

The Group **cash realisation ratio** was 97.4% (F20: 124.4%), primarily due to the cash payment of salaried team member remediation.

Capital management

Capital management objectives

The Group manages its capital structure with the objective of enhancing long-term shareholder value through funding its business at an optimised weighted average cost of capital. The Group returns capital to shareholders when consistent with its long-term capital structure objectives and will enhance shareholder value.

The Group remains committed to solid investment grade credit ratings and several actions can be undertaken, if required, to support the credit profile. This includes the sale of non-core assets, further working capital initiatives, and adjusting growth capital expenditure and the property leasing profile. The Group's credit ratings¹ are BBB (stable outlook) from S&P and Baa2 (stable outlook) from Moody's.

Financing events during 2021

In September 2020, the \$654 million US Senior Notes matured. In November 2020, the \$229 million European Medium Term Notes also matured. The Group refinanced these maturities with a \$1 billion domestic Medium Term Note issuance in May 2020.

In December 2020, the Group entered into a \$384 million bank guarantee facility and into \$398

million direct surety bond facilities to support the Group's workers' compensation obligations as a self-insurer. These transactions refinanced the Group's \$500 million bank guarantee facility, which matured in January 2021.

In April 2021, the \$424 million US Senior Notes were repaid with existing surplus cash and bank facilities.

Upcoming maturities and transactions

Subject to market conditions, the Group is intending to launch a debt capital markets transaction (total value approximately \$1.5 billion) where the proceeds will be used for general corporate purposes, including the long-term funding of the Group's increased investment in Quantum, the acquisition of PFD, and represents an opportunity to secure long-term, low-cost debt and reduce the Group's overall cost of debt and weighted average cost of capital.

Off-market buy-back

On 26 August 2021, the Group announced a capital return of \$2 billion to shareholders by way of an off-market buy-back. The buy-back is expected to return approximately \$840 million of franking credits to shareholders. For more information, please visit www.woolworthsgroup.com.au/buyback

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

Non-IFRS Financial Information

The 2021 Annual Report for the 52 weeks ended 27 June 2021 contains certain non-IFRS financial measures of historical financial performance, balance sheet or cash flows. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which Woolworths Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by the Australian Security and Investments Commission in December 2011 to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information.

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





Australian Food

Woolworths Supermarkets and Metro Food Stores continued its focus on operating COVIDSafe in F21 as well as a focus on sustainability, health and product.

F21 Highlights

Sales (\$M)

\$44,441

▲ 5.4% from F20

EBIT (\$M)¹

\$2,432

▲ 9.0% from F20

New stores medium-term annual target

**WOOLWORTHS
SUPERMARKETS**

10-25

METRO

5-15

Trading Performance

Australian Food VOC NPS (Store and Online) finished F21 at 53, an increase of three points on the prior quarter and in line with the prior year. Store-controllable VOC of 81% increased one point compared to the prior quarter and decreased one point compared to the prior year. Positive Q4 momentum in customer metrics for both stores and online reflects positive sentiment across Ease of Pick up, Queue Wait Time and Fruit and Vegetable scores.

Australian Food F21 sales increased 5.4% to \$44.4 billion, with comparable sales increasing 4.2% (4.5% excluding Tobacco). Two-year average sales growth was 7.1%. eCommerce sales increased 74.7% to \$3.5 billion, with sales penetration for the year of 7.9%.

H1 sales growth of 10.6% benefitted from COVID-related demand and the successful Disney+ Ooshies and glass containers campaigns. H2 sales increased 0.2% as the business cycled

\$ MILLION	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Sales	44,441	42,151	5.4%
EBITDA before significant items	4,006	3,707	8.1%
Depreciation and amortisation	(1,574)	(1,475)	6.7%
EBIT before significant items	2,432	2,232	9.0%
Significant items	(94)	(176)	n.m.
EBIT	2,338	2,056	13.7%
Gross margin (%)	29.4	29.2	21 bps
CODB (%) ¹	24.0	23.9	3 bps
EBIT to sales (%) ¹	5.5	5.3	18 bps
Sales per square metre (\$)	18,158	17,935	1.2%
Funds employed	9,717	9,161	6.1%
ROFE (%)	25.8	25.0	86 bps
Plastic removed (tonnes) ²	2,551	2,116	20.6%
Scope 1 & 2 carbon emissions (tonnes)	1,784,786	1,850,569	(3.6)%

¹ Before significant items.

² Annualised calculated values for each reporting period based on virgin plastic weight removed per unit times annualised sales volumes.



For personal use only



Hundreds of healthier products at Low Prices

In F21 we worked hard to make healthier more affordable, adding more healthier products to our Low Prices program.



COVID pantry-loading in the prior year. In Q4, total sales increased 1.2% and comparable sales increased by 0.1%, with cycling of prior year pantry-loading partly offset by elevated sales in May and June following COVID outbreaks in Victoria and NSW and a strong trade plan throughout the year. Own and Exclusive Brands sales increased 5.8% in F21 supported by new products developed by Woolworths FoodCo and launched during the year. The Cook, BBQ and Crumbed ranges continue to resonate well with customers.

Metro Food Stores F21 sales declined 4.9% to \$897 million, impacted by reduced foot traffic across CBD and transit locations, with comparable sales declining approximately 45% and 30%, respectively. The Group recorded a non-cash impairment of \$50 million in F21 in relation to store and lease assets across 13 stores within the network.

Agency business F21 sales grew 8.9% to \$809 million with growth driven by the wholesale businesses.

Sales per square metre increased 1.2% to \$18,158. During the year, 23 net new stores were opened, including 13 Supermarkets and 10 Metro Food Stores, with 65 Renewals completed. Two new dedicated eCommerce fulfilment centres were also opened in Notting Hill (Vic) and Lidcombe (NSW), and the first eStore in Australia, Carrum Downs (Vic). At the end of the year, there were 996 Supermarkets, 78 Metro

Food Stores and two SummerGate stores, with a total fleet of 1,076 stores.

In Q4, average prices decreased 1.2% (decrease of 2.6% excluding Tobacco), with deflation across all major categories except Tobacco and Meat, due to the cycling of the temporary reduction in promotions in the prior year following the onset of COVID. Inflation in Meat was driven by increased livestock costs.

Gross margin (%) increased 21 bps to 29.4% with stock loss improvements through higher sales velocity and successful stock loss initiatives, as well as product mix being favourably impacted by COVID. This was partially offset by higher eCommerce delivery costs.

CODB (%) excluding significant items increased 3 bps to 24.0%. COVID costs in the year remained material at \$205 million (excluding discretionary team discount and bonus payments) but moderated as the year progressed until an increase in June due to COVID outbreaks.

Higher cash CODB reflects incremental store wages associated with higher eCommerce penetration, investment in IT platforms, developing new digital capabilities to optimise the customer experience, incremental supply chain costs including Melbourne Fresh Distribution Centre transition costs, and investment in new businesses. Inflation was broadly offset by productivity benefits.

Depreciation and amortisation increased by 6.7% driven by investment in new stores, Renewals, supply chain and shorter-life technology and digital assets.

F21 EBIT before significant items increased by 9.0% to \$2.4 billion, with H1 growth of 13.0% and H2 growth of 4.5%. EBIT margin increased 18 bps to 5.5%.

Funds employed increased \$556 million to \$9.7 billion from F20, with investment in new stores, Renewals, eCommerce and supply chain as well as higher lease assets from new stores and the reassessment of lease options. This was partially offset by lower net working capital. Despite higher average funds employed, ROFE increased by 86 bps due to the strong increase in EBIT.

During the year, we amplified our focus on supporting our communities through living our core value of 'We Care Deeply'. Together with customers, we provided more than \$8 million in support to OzHarvest, Foodbank and FareShare with 10,000 tonnes of edible surplus food provided to charities. Initiatives in F21 supporting our 2025 Sustainability Plan included solar panels having been installed across 129 Woolworths Supermarkets and four distribution centres, 111,950 tonnes of organic waste diverted from landfill, and the launch of sustainable packaging across a selection of our own brand red meat ranges.

Introduction of recyclable meat trays

In September, Woolworths launched new recyclable paper meat trays across a selection of its own brand beef, the latest milestone as part of larger sustainability commitments to introduce more sustainable packaging. The new paper trays used for Woolworths' Specially Selected and Grass Fed beef ranges are the first step in a plan to make all Woolworths' own brand red meat trays recyclable. The redesigned packaging now uses 75% less plastic than the previous packaging and will eliminate 114 tonnes of plastic from the supply chain each year across seven popular beef cuts.



Today's Fresh Food People

In July of this year 'Today's Fresh Food People' was relaunched as a reimagining of what being the fresh food people means today and how it will continue to evolve in the future. 'Today's Fresh Food People' is all about good food, celebrating Australian fresh, helping customers make healthier choices, caring for local communities, and helping to create a greener planet. The campaign will continue to come to life throughout F22 and we will continue to differentiate ourselves and solidify our stance on the things that matter most to our customers and communities.



Free Fruit for Kids hits 100 million milestone

More than 100 million pieces of fruit have now been given to Australian kids since the launch of Woolworths Free Fruit For Kids program. Building fresh fruit habits from an early age, the Woolworths initiative was the first national program of its kind when it began in 2015, aimed to help get more fruit into kids' diets. Woolworths estimates more than 14,000 tonnes of free fruit have been eaten by kids since the program launched - the equivalent to filling more than six Olympic sized swimming pools.



Three mini Supermarket stores launched in special education schools

We're proud to have continued our collaboration with our technology partner Fujitsu to launch mini supermarket stores in Australian special education schools. Since 2018 we've launched three mini supermarket stores in NSW and ACT, with plans to launch a fourth in SA in F22.

The mini Supermarkets provide students with work experience in a safe environment that promotes skills, knowledge, independence, confidence and self-esteem. Each of the stores feature registers, products, ticketing and signage, as well as uniforms and name badges, and provides students with an opportunity to gain an authentic retail experience.

Woolworths supports Australia's dairy farming innovators

Woolworths has invested more than \$2 million in grants to 24 dairy farms across Australia to support innovation, efficiency and seasonal resilience. The inaugural round of the Woolworths Dairy Innovation Fund has awarded grants up to \$100,000 to farmers for future focused projects, including solar-powered desalination, milk sensor technology, enhanced bushfire protection, herd monitoring technology and dairy automation.

With this season delivering the best conditions many dairies have seen in recent years, the projects to be funded show a concerted focus on investments that will shore up farms to withstand future seasonal challenges.



Woolworths named Green Supermarket of the Year

In F21 Woolworths was named Green Supermarket of the Year by Finder, which helps Australians find companies leading the way on sustainability. In F21, Woolworths Supermarkets has been working hard to make positive changes that customers can see in their shopping baskets, including increased plastic reduction and recycling, as well as making the entire business more sustainable. The award recognised the Group's science-based emissions targets and our commitment to external benchmarks, as well as supplier engagement, which are detailed in the [Sustainability Plan 2025](#). F21 saw the launch of our newest sustainability store in West End, Qld which has sustainability at the centre of the store's construction and design, bringing together a number of our key sustainability initiatives. The new store will operate with 15% fewer greenhouse gas emissions than the average Woolworths supermarket in Qld, which is equivalent to taking 290 cars off the road each year. The store's shopping trolleys are made from 100% locally sourced recycled milk bottles and customers can return used batteries, mobile phones, coffee pods and soft plastics to recycling stations in the store.





F21 has been a record year for WooliesX that saw a scaling of convenience propositions as a result of increased demand from customers choosing eCommerce services.

DIGITAL & MEDIA



Average weekly traffic (million)

12.1

in Q4'21

eCOM & FULFILMENT



eCom sales (\$M)

\$3,523

▲ 74.7% from F20

Trading Performance

WooliesX's Digital and Media business reported an increase in average weekly traffic to Woolworths' websites and apps of 25.8% to 12.1 million in F21. Improving customer satisfaction with their digital experiences, in particular helping inspire, plan and shop safely remained the focus. Key upgrades to experiences included personalised lists, the launch of Fresh Ideas for You on the Woolworths App, addition of new recipes and launching in-app push notifications.

Cartology continued to enhance its client experience through expanded inventory and data-led customer insights and achieved strong growth across all key advertising channels. By year end, Cartology digital advertising screens had been rolled out to 1,218 stores across Woolworths Supermarkets and Dan Murphy's.

eCommerce sales grew by \$1.5 billion (+74.7%) to \$3.5 billion in F21 representing 7.9% of Australian Food sales, up 3.1 points on the prior year. Growth moderated to 36.5% in Q4 as the business cycled strong demand last year.

Perfect order ended the year at an all-time high, improving by 20.9% on the prior year, through a focus on complete baskets and improving on-time delivery. VOC NPS improved consistently as the year progressed.

Over the year, the business met the demand for increased convenience by adding 379 Direct to boot sites assisting Pick up penetration to reach 37.5% of sales in Q4. Another 125 Delivery Now locations were added, and same day delivery was rolled out to 425 stores where customers can order and receive their order within a one-hour window later in the day.

Digital metrics

	Q4'21 (12 WEEKS)	Q3'21 (13 WEEKS)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)
Average weekly traffic to digital assets ¹ (million)	12.1	12.4	12.4	11.4
Average weekly traffic growth (year on year %)	12.4%	47.7%	69.8%	75.5%

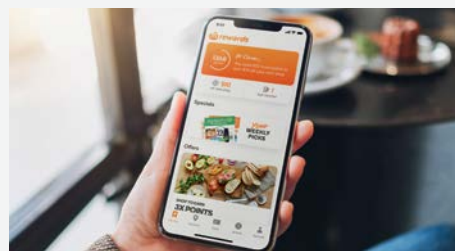
eCommerce metrics

	Q4'21 (12 WEEKS)	Q3'21 (13 WEEKS)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)
Customer metrics				
Online VOC NPS	63	60	58	58
eCommerce sales metrics				
eCommerce sales (\$ million) ²	838	878	846	961
eCommerce sales growth	36.5%	90.5%	83.3%	100.0%
eCommerce penetration	8.5%	7.9%	7.4%	8.0%
Pick up mix (% of eCommerce sales)	37.5%	35.7%	33.1%	32.1%

Everyday Rewards metrics

	Q4'21 (12 WEEKS)	Q3'21 (13 WEEKS)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)
Total Everyday Rewards members (million)	13.1	12.9	12.8	12.6
Scan rate ³ (%)	53.7%	54.0%	53.6%	53.1%

1 Digital assets include Woolworths website and app, Everyday Rewards website and app, and Woolworths Insurance website.
2 WooliesX sales numbers are included in Australian Food total and comparable sales.
3 Scan rate for Woolworths Supermarkets excluding Tobacco.



EVERYDAY REWARDS

Everyday Rewards has rebranded and expanded to deliver an even better customer experience. Membership has grown by almost one million and the program now has more than 13 million members, many of whom are connecting with us in the Everyday Rewards app and millions who are boosting personalised offers regularly. The app celebrated its first birthday and weekly active users continue to grow, creating even more opportunities to connect with customers multiple times across the week. Our first ever Everyday Rewards branded collectable campaign launched in F21, with 1.6 million members participating, and new partnerships were established with Bupa, Origin, Pet Culture and SuperPharmacy, further expanding the value Everyday Rewards offers members. Everyday Rewards members were also given the opportunity to choose eReceipts when they shop in-store at Woolworths, BIG W and BWS. Opting out of paper receipts is not only convenient for customers but also another small step towards our commitment to reduce waste as we strive toward a better tomorrow.

Ultra Convenience

Our commitment to convenience continues to see increasing numbers of customers choosing our eCommerce services to complement their in-store shopping experience. Our rapid and consistent response to consumer need for contactless, COVIDSafe shopping, included the ongoing support of Priority Assist services dedicated to the elderly and vulnerable. We also saw subscriptions grow our customer base with the launch of a revamped Delivery Unlimited. We scaled convenience propositions in response to demand, expanding to offer a range of different services from next day delivery to Same Day (425 stores), frictionless Direct to boot (629 stores) and Delivery Now (232 stores). In addition, we launched our first automated eStore at Carrum Downs and shared plans for our first automated customer fulfilment centre set to open in Auburn in 2024, which will ensure continued convenient service growth. At the same time, NPS continued to improve with improvements to availability and the launch of new features, like 'Quick Reorder' and 'Have You Forgotten', delivering an even more personalised, seamless experience for customers and making online shopping easier. As customers increasingly shop eCommerce on the go, the Woolworths App has grown in popularity.



WooliesX wins 2021 Mozo People's Choice Awards

WooliesX eCom services recognised as the highest rated online supermarket, winning all seven awards in the category.



New Zealand Food

In F21 New Zealand Food focused on scaling its eCommerce services and ongoing digital transformation.

F21 Highlights

Sales (NZ\$M)

\$7,146

▼ (0.6)% from F20

EBIT (NZ\$M)

\$361

▼ (4.6)% from F20

New stores medium-term annual target

3-4

Trading Performance¹

New Zealand Food's customer scores declined marginally on the prior year with F21 VOC NPS decreasing two points to 45 and Store-controllable VOC also decreasing two points at 80%. Some softening took place in Q4 with Out of Stocks, which was impacted by a combination of global supply challenges and shipping delays and stronger sales than anticipated.

Total sales for F21 declined 0.6% to \$7.1 billion, cycling the strict COVID lockdowns in H2 F20. Sales in H2 decreased 5.5% after cycling growth of 13.8% in the prior year. Q4 sales declined 3.9% and comparable sales declined 4.2%; average two-year comparable growth in Q4 rose to 4.9%.

Digital and eCommerce momentum was again a highlight for the year. eCommerce sales grew 30.2%, despite cycling elevated sales from COVID impacts in H2, with Q4 penetration at 12.5%. Additional capacity was added with two new eStores in Grenada North (Lower North Island) and Moorhouse (Christchurch); the first two automated fulfilment units were launched in partnership with Takeoff Technologies at the Auckland Penrose eStore in January and at Moorhouse in March. Other digital highlights include the launch and scale-up of the Countdown transactional app and Delivery Saver subscription service. Further innovations included two Cleveron locker units for Pick up and the roll out of Scan&Go to six stores.

NZD \$ MILLION	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Sales	7,146	7,192	(0.6)%
EBITDA	633	634	(0.2)%
Depreciation and amortisation	(272)	(256)	6.3%
EBIT	361	378	(4.6)%
Gross margin (%)	25.3	25.0	24 bps
CODB (%)	20.2	19.8	45 bps
EBIT to sales (%)	5.0	5.3	(21) bps
Sales per square metre (\$)	17,147	17,832	(3.8)%
Funds employed	4,329	4,190	3.3%
ROFE (%)	8.4	8.8	(40) bps
Plastic removed (tonnes) ²	16.4	-	n.m.
Scope 1 & 2 carbon emissions (tonnes)	61,802	68,426	(9.7)%

¹ Growth for New Zealand Food quoted in New Zealand Dollars.

² Annualised calculated values for each reporting period based on virgin plastic weight removed per unit times annualised volumes.



countdown 

eCommerce continued
to gain momentum in F21



F21 eCom
sales growth

30.2%



Q4'21 eCom
penetration

12.5%



Total eStores

4

In October, a simplified and strengthened Onecard rewards program was launched and Cartology New Zealand was launched in February.

Two new Countdown stores were opened in Pokeno and Richmond, the first New Zealand 4 star Green Star rated store, and one Metro store. Two replacement Countdown stores and 10 Renewals were also completed. Sales per square metre declined by 3.8% to \$17,147 due to the reduction in sales and an increase in average space.

The new Hilton meat plant went live in July 2021 supplying cabinet ready meat to all North Island Countdown stores. Progress was made on the new Palmerston North ambient and Auckland Fresh distribution centres which are scheduled for opening in September 2021 and May 2022, respectively.

New Zealand Food's franchise stores (Fresh Choice and Super Value) had strong two-year sales growth despite the impact from lack of international tourists, particularly over the summer period. One new Super Value store opened in December.

Average prices decreased by 0.5% in Q4 primarily driven by deflation in Grocery, Perishables and Meat, which was partly offset by some inflation in Produce. The reduction in average prices moderated relative to Q3 which experienced a more significant COVID impact last year than Q4, with both quarters impacted by a reduction in promotions in H2 F20.

Gross profit (%) increased 24 bps on last year, helped by continued progress in stock loss, mix improvements and increased use of data-driven tools in category management, such as the promotional effectiveness tool. A new 'Value You Can Count On' campaign was launched to accompany over 4,000 products on the Great Price program.

CODB (%) increased by 45 bps, with the biggest driver being team member wage increases driven by enterprise agreements. Other increases included store depreciation and digital spend arising from investment in the store network, eCommerce capacity and mix and digital capability, which have helped support eCommerce growth.

EBIT for the year was \$361 million, a 4.6% decline on the prior year following a 10.7% increase in EBIT in F20. H2 EBIT declined 13.3% due to cycling COVID.

Following the launch of Countdown's 2025 Sustainability Commitments, progress has continued in F21, including no longer selling plastic cutlery from our stores as well as shifting our fresh pasta into PET from PVC, all hot smoked salmon to clear PET and the removals of all glitter products from our stores. We also explored new opportunities to reduce carbon emissions, including working with the Sustainable Business Council and other businesses and logistics operators to develop the Low Carbon Freight Pathway report to progressively decarbonise New Zealand's freight system.

Richmond store Green Star accreditation

In late F21, Countdown delivered New Zealand's very first Green Star accredited supermarket. Countdown Richmond has been built with sustainability at the heart of both its construction and design and will be accredited in the coming months. The store is Countdown's first site with solar panels, which will deliver up to 10-15% of the energy needed to run the store. Other initiatives include doors on fridges to reduce energy use, a transcritical refrigeration system, digital shelf tickets to prevent paper going to landfill, water efficient fixtures and fittings and much more. Richmond is the first of many Green Star projects for Countdown as it works towards meeting its commitment that all new property developments will have a 4 star Green Star design and as-built rating, and a 5 star Green Star minimum standard by 2025.




BIG W

BIG W

F21 was a strong year for BIG W that saw improved customer scores and sales growth as it continued to live its purpose of making a real difference for families.

F21 Highlights

Sales (\$M)

\$4,583

▲ 11.6% from F20

EBIT (\$M)

\$172

▲ 344.9% from F20

Commitment to building a sustainable future for families

Prioritising our Planet goal and responding to customer shopping patterns, BIG W transitioned from print to exclusively digital catalogues (outside of the much loved Toy Mania catalogue), saving at least 8,000 tonnes of paper in F21.

Trading Performance

BIG W's continued focus on its purpose of making a real difference for families has had a positive impact on customer metrics with Store-controllable VOC at 83%, an improvement of six points compared to the prior year. VOC NPS (Store and Online) increased four points on the prior year to 62 and softened one point from Q3. Notable improvements in VOC include Stock Availability, Ease of Locating Products and Correct Price Ticketing.

BIG W achieved record annual sales of \$4.6 billion in F21, up 11.6% on the prior year, with comparable sales increasing by 13.0%. All major categories experienced strong annual growth.

Q4 total sales declined 10.4% (comparable: -9.4%) with trade impacted by lockdowns across Victoria and NSW in late Q4, and the cycling of the peak COVID demand in the prior year. Two-year average comparable sales growth in Q4 was 10.6%, supported by a strong customer plan and a successful Toy Mania sale event.

BIG W's digital acceleration continued in Q4 with eCommerce sales growth of 4.6% and penetration reaching a record 9.9%, up from 8.4% in the prior year. In Q4, BIG W X remained focused on creating more connected and convenient customer experiences by launching a new BIG W website,

\$ MILLION	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Sales	4,583	4,106	11.6%
EBITDA	348	207	67.6%
Depreciation and amortisation	(176)	(168)	4.2%
EBIT	172	39	344.9%
Gross margin (%)	33.6	31.8	180 bps
CODB (%)	29.9	30.9	(100) bps
EBIT to sales (%)	3.7	0.9	280 bps
Sales per square metre (\$)	4,517	3,962	14.0%
Funds employed	1,194	947	26.1%
ROFE (%)	16.5	3.6	12.9 pts
Plastic removed (tonnes) ¹	3.1	-	n.m.
Scope 1 & 2 carbon emissions (tonnes)	115,882	126,764	(8.6)%

¹ Annualised calculated values for each reporting period based on virgin plastic weight removed per unit times annualised sales volumes.



Scaling up the digital experience



F21 eCom sales growth

60.5%



F21 online VOC NPS

59



Pick up locations

176

Direct to boot

78



Average weekly
digital traffic

4.2M

evolving the online layby solution, as well as rolling out contactless Direct to boot to a further four locations, bringing total locations to 76.

BIG W closed three stores during the year as part of its ongoing property network review, with total store numbers now at 176. Sales per square metre increased 14.0% due to strong sales growth and lower average space than the prior year. As previously announced, the Monarto DC closed in Q4, with the transition to a new third-party DC network in Perth and Melbourne in place from Q3.

Gross profit (%) improved 180 bps in F21, with stronger margin expansion in H2 from continuing momentum in full price Apparel sales, coupled with H2 category mix changes due to cycling elevated sales of lower margin COVID-impacted categories, including Leisure and Toys and Home Essentials last year.

CODB (%) reduced by 100 bps due to better fixed cost leverage, partly offset by the annualisation of costs associated with a new enterprise agreement, higher supply chain costs driven by the transition of Monarto DC to a third-party logistics provider, higher costs to support digital sales acceleration and investment in building digital and data analytics, and insight capability across teams.

BIG W's EBIT increased 344.9% to \$172 million, and an EBIT margin of 3.7%, up from 0.9% in the prior year.

Closing inventory was higher than the prior year due to higher inventory to support increased sales volumes, as well as normalising from COVID surge buying and stock availability challenges impacting last year. Average inventory days declined on the prior year due to sales momentum and good stock management. Higher closing inventory and capital investments resulted in higher funds employed at the end of the period. Despite this, ROFE improved to 16.5%, up from 3.6% in F20, due to the material EBIT increase compared to the prior year.

BIG W continued to show real care for our communities through continuing its Free Books for Kids initiative distributing over 4.8 million free books to families. BIG W is committed to Woolworths Group's 2025 Sustainability Plan and has made progress in a number of areas during the year, including the activation of ethical partnerships through the whole value chain such as Action Collaboration Transformation and Better Cotton Initiative. We recognise that reducing plastics is important to our customers and whilst pleased with our start, there is a lot more to do in the coming year.



Making a real difference for families

BIG W continued to focus on its purpose of "making a real difference for families" throughout F21. Through the challenges of COVID, the BIG W team continued to provide an essential service, while their financial, physical and mental wellbeing was supported. In the community, BIG W's partnership with Good360 saw over seven million items donated to over 1,300 charities and schools in need across Australia through the floods and impact of COVID.

Discontinued operation – Endeavour Group

Endeavour Drinks

Endeavour Group separation

On 18 June 2021, Woolworths Group obtained shareholder approval for the separation of Endeavour Group which resulted in two of the Group's separate major business lines, Endeavour Drinks and Hotels, being classified as discontinued operations. The Group classified the respective assets and liabilities of Endeavour Group as held for distribution and have presented these amounts at carrying value and separately from other assets and liabilities in the balance sheet as at 27 June 2021.

Trading performance

Endeavour Drinks' total sales for the year were \$10.2 billion, up 9.6% on the prior year. Sales growth was driven by the shift to in-home consumption and ongoing premiumisation trends. H2 sales decreased by 0.4%, with Q4 sales declining by 7% after cycling 23.2% growth in Q4 F20.

BWS and Dan Murphy's continued to improve customer metrics. Dan Murphy's VOC ended the year at 79, up three points on the prior year and BWS VOC was 71, up one point on the prior year.

eCommerce sales increased 34.7% in F21, with eCommerce penetration now 8.4% of sales (F20: 6.9%). Penetration has remained high even in periods when lockdowns and on-premise restrictions have eased.

Endeavour Drinks' retail store network increased to 1,643, with 33 net new stores added during F21. At the end of the year, the fleet consisted of 251 Dan Murphy's stores and 1,392 BWS stores. Sales per square metre increased 7.2% reflecting strong sales growth ahead of an increase in average space.

Gross margin (%) increased 109 bps in F21 mainly due to lower promotional activity and was supported by premiumisation and product mix shifts. CODB (%) was 17.6%, 64 bps higher than the prior year. The higher sales provided fixed cost leverage, which partially offset increases in team member costs, COVID costs and investments in technology and EndeavourX.

EBIT increased 17.7% to \$669 million in F21, and H2 EBIT increased 8.3%.

Endeavour Drinks

\$ MILLION	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Sales	10,167	9,275	9.6%
EBITDA	960	826	16.3%
Depreciation and amortisation	(291)	(257)	13.4%
EBIT	669	569	17.7%
Gross margin (%)	24.2	23.1	109 bps
CODB (%)	17.6	17.0	64 bps
EBIT to sales (%)	6.6	6.1	45 bps
Sales per square metre (\$)	20,989	19,579	7.2%
Funds employed	3,804	3,592	5.9%
ROFE (%)	17.9	15.1	283 bps

Hotels

Trading Performance

In F21, total sales increased by 7.3% to \$1,417 million with EBIT increasing by 51.7% to \$261 million. In H2, sales increased by 87.1% cycling a period in the prior year when most hotels were closed. EBIT in H2 increased to \$139 million following a loss of \$52 million in the prior year.

The most significant impact of COVID lockdowns and restrictions was in the key state of Victoria where operations were somewhat impacted throughout the financial year. Hotels re-entered lockdown in early July 2020 and reopened in early November with capacity limits and trading restrictions in place. There were further short-term snap lockdowns in both February and June.

In F21, five hotels were acquired, taking the total network of hotels to 339 (including five managed clubs) and 26 hotels were refurbished, including significant redevelopments of two hotels.

Hotels

\$ MILLION	F21 (52 WEEKS)	F20 (52 WEEKS)	CHANGE
Sales	1,417	1,320	7.3%
EBITDA	499	405	22.8%
Depreciation and amortisation	(238)	(233)	1.7%
EBIT	261	172	51.7%
Gross margin (%)	85.0	83.0	206 bps
CODB (%)	66.6	70.0	(333) bps
EBIT to sales (%)	18.4	13.0	538 bps
Funds employed	3,865	4,065	(4.9)%
ROFE (%)	6.7	4.2	251 bps

Endeavour Group costs

Endeavour Group incurred Group costs of \$31 million in F21 compared to \$7 million in the prior year. The costs reflect the ongoing costs of establishing Endeavour Group as a stand-alone business.



Our Material Risks



We operate in a fast-paced and ever-changing environment, and that has never been more evident than in the previous 12 months. Our businesses, both domestic and international, continue to face both opportunities and threats that could materially impact our operations.

Woolworths Group is made up of a portfolio of some of Australia and New Zealand's most trusted retail brands and growth platforms. Wherever we operate, we are led by our Purpose, Core Values and Ways-of-Working to **create better experiences together for a better tomorrow.**

Our food and everyday needs ecosystem is focused on delivering on the needs of our connected customers and leveraging our unique assets, brands and capabilities. To be confident we will achieve our purpose and execute our strategy, we need to manage risk (both internal and external) effectively across the Group to protect the value of our assets today, but also to enable the Group to deliver growth for tomorrow.

The Group acknowledges that the COVID-19 pandemic is a contributory and/or causal factor to risks relating to, amongst others, lockdowns and trading impacts, customer and team member safety, mental health, economic conditions, consumer sentiment, and multiple operational and supply chain impacts. We are proud of our response to the pandemic and our ability to keep our team and customers safe while maintaining supply. However, we continue to be prepared for the rapidly evolving nature of the virus and emergence of new variants that make impacts difficult to predict and respond to.

Despite this challenging environment, we successfully completed the separation of Endeavour Group as well as the formation of our retail, international and wholesale red meat business, Greenstock. Looking towards the future in this highly competitive and dynamic retail and online market, we also recognise the occurrence of continued market disruption and strategy execution risks.

Our recently refreshed Risk Appetite Statement, as agreed with our Board, captures the types and amount of risk we are willing to accept in pursuit of value creation and guides how we manage and control risks.

The Board has demonstrated its commitment to Risk Management, with the formation of a new Risk Committee and the appointment of a Chief Risk Officer to the Woolworths Group Executive Committee, reporting to the CEO and Committee chair. Woolworths Group has commenced on a risk management journey to achieve a future objective where "Woolworths Group is confident that we are operating effectively to the Woolworths Group Risk Appetite".

Our material risks are considered and where appropriate, adjusted through regular meetings with senior management followed by review and oversight by the Board. We evaluate our risks in line with changes to our environment and may also identify additional and emerging risks that could adversely affect the Group. Further information in relation to risk management can be found throughout the Annual Report and in the Corporate Governance Statement which is available on the Woolworths Group website. The material risks faced by Woolworths Group, that may impact on our ability to achieve our key strategic priorities, are outlined on [pages 38–41](#).



Risk management oversight

The diagram below sets out an overview of risk governance and management at Woolworths Group together with key responsibilities of the Board and Board committees, the Group Executive Committee, Group Risk, Internal Audit and the businesses. It is based on the three lines of accountability model, which is how risk is managed at Woolworths Group.

RISK LEADERSHIP

The Board of Directors

(with input from Audit and Finance Committee, People Committee, Risk Committee, Sustainability Committee, Nomination Committee)

Sets and communicates expectations for risk management	Approves Woolworths Group Ways-of-Working, Core Values and Code of Conduct to underpin the desired culture	Satisfies itself that Woolworths Group has in place an appropriate risk management framework	Provides oversight of risk exposures and risk-taking	Monitors the effectiveness of Woolworths Group governance practices
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Group Executive Committee

Sets business direction and resolves significant enterprise risk issues	Provides recommendations to the Board on risk policy, frameworks and risk practices	Manages risks and reporting on risk matters	Implements effective risk management in the business units
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THREE LINES OF ACCOUNTABILITY

1ST LINE OF ACCOUNTABILITY

Business

Owns and manages risk

Businesses
Group Services

2ND LINE OF ACCOUNTABILITY

Oversight functions

Oversees and sets frameworks and standards. Monitors risk and provides confidence

Group Risk
Group Culture & People
Group Safety, Health & Wellbeing
Group Legal & Compliance
Group Finance

3RD LINE OF ACCOUNTABILITY

Independent assurance

Provides independent assurance of frameworks and controls effectiveness

Internal Audit
External Audit



RISK	MITIGATING ACTIVITIES
<p>Pandemic (currently focused on COVID-19)</p> <p>Failure to respond to pandemic events (large-scale outbreaks of infectious diseases) which can greatly impact health and wellbeing over a wide geographic area. Such events can cause significant economic, operational and social disruption which can adversely affect our businesses.</p>	<ul style="list-style-type: none"> • Our Board, Risk and People Committees and Group Executive Committee monitor our response to the COVID-19 pandemic. • The Group has a dedicated task force that is activated as required to focus on managing the COVID-19 risk, response to federal government directives, various state lockdowns, trading impacts and the health and wellbeing of our customers and team members. • The Group maintains a suite of policies, frameworks and standards that support and enable our Business Resilience and Crisis response. These include Business Continuity, Emergency Management, Crisis Management Incident Response plans and teams that are periodically updated to reflect changes in circumstances, government directives and our learnings since the start of the pandemic in early 2020. • Our priority remains the continued support of our customers and team members by prioritising health, safety, and wellbeing. Key COVID-19 risk measures include support for team member mental wellbeing, QR code check-ins, social distancing, mask wearing, store hygiene and cleaning and incident response protocols which are adjusted to meet changing local and national obligations and circumstances. • Supply chain impacts, notably relating to vulnerable customers and provision of essential/basic consumer needs remains a key focus, with investment in improved demand forecasting and availability management, particularly following state or local lockdowns.
<p>Safety, Health & Wellbeing</p> <p>The safety, health and wellbeing of our teams, partners, customers, and those we interact with in the community, is of paramount importance to Woolworths Group. An inability to control our material safety, health and wellbeing risks may result in a serious injury/illness, or fatality/ies, as well as give rise to significant claims, regulatory impact, and reputational damage. We also recognise the emergence of work-related psychosocial and mental health risks and are committed to minimising any potential impact to our team.</p>	<ul style="list-style-type: none"> • Our Board, People Committee and Group Executive Committee monitor safety, health and wellbeing performance and have oversight for the overall management approach. • Through the application of a comprehensive set of controls, we aspire to proactively manage our material safety, health and wellbeing risks, periodically testing the application of these controls to meet, as a minimum, our legislative requirements. In addition, we also deploy a series of agile response mechanisms with the aim of minimising the impacts of a failure. • We are also committed to understanding and mitigating psychosocial work-related mental health risk factors, which could unduly impact a team member's mental health.
<p>Product & Food Safety</p> <p>The safety of our customers is paramount. Unsafe products may potentially result in injury, harm or illness to our customers as well as regulatory impacts and significant reputational damage.</p>	<ul style="list-style-type: none"> • Our Board, Sustainability Committee and Group Executive Committee monitor product and food safety performance and have oversight for the overall management approach. • We have a well-established product safety and new product development framework with dedicated and experienced teams across our businesses to support our commitment to our customers to deliver safe products. • We are committed to driving consistent quality across our suppliers including Own Brand products, with independent assurance and quality checks. • We have clear procedures and processes for management of products across our supply chain from design, manufacturing, transport and storage to customer purchase. Supporting these controls are effective processes for the management of complaints and issues to allow appropriate withdrawal and recall of products when required.
<p>Technology Availability & Cyber Security</p> <p>The increasing interconnectedness and complexity of our technology environment, the increasing threat from cyber security as well as the changing regulatory and business landscape, means we need to continue to evolve to prevent material impacts of any breaches or disruption to critical business operations resulting from loss of technology systems or services. Such events may cause significant business and reputational damage, adverse regulatory action (including legal proceedings) and financial impacts.</p>	<ul style="list-style-type: none"> • We are actively working to reduce these risks by continuing to enhance our cyber control environment, on the back of the foundations implemented over the last few years which is overseen by our Board, Risk Committee and Group Executive Committee. • With the aim of managing these risks, focus is on our IT processes, and the establishment of key metrics for monitoring operational excellence. • We are improving the monitoring of our controls to give us the assurance that technology and cyber security risks are being managed effectively. • We monitor, assess, and enhance our information security infrastructure and applications, with full incident response programs. • We are working to improve our resilience programs to incorporate the monitoring of third parties' general technology and cyber security controls. • Our governance frameworks continue to adapt to the ever-changing threat landscape and regulatory requirements with a focus on technology enablement, system availability and information security.



RISK	MITIGATING ACTIVITIES
<p>Data Management & Privacy</p> <p>Data is one of our most important organisational assets, supporting investment, strategic and operational decision-making, as well as meeting customer needs and expectations. A failure to maintain the quality of our data could result in adverse commercial outcomes.</p> <p>Misuse of customers' data, or use misaligned with community expectations, has the potential to result in loss of data, unauthorised access and/or disclosure of individuals data, significant brand and reputational damage, adverse regulatory outcomes (including fines and/or legal proceedings), financial impacts, loss of partnerships, loss of customer trust and customer attrition.</p>	<ul style="list-style-type: none"> We are prioritising key initiatives to continue to uplift our privacy framework and data management capabilities across the Group. During F21, we established new management and governance forums to build upon and connect key privacy and data management capabilities. These forums will help set and support privacy and data management strategy, priorities and direction for the Group as well as developing and enhancing the operating model and controls. Our governance focus over data management and privacy is on the protection and appropriate use of our customer, teams and organisational data. Our governance frameworks are maturing and changing to support our data strategy, and to reflect the evolving regulatory requirements and community expectations. Our experienced teams monitor, assess and enhance our information security position to allow us to protect and respond appropriately, while capturing valuable learnings. The Board, Risk Committee and Group Executive Committee have oversight of this risk.
<p>Sustainability</p> <p>Our customers want positive change, and they are counting on us to make it happen. Our Purpose, Core Values and Ways-of-Working are core to how we conduct our business as we aim to deliver sustainable shareholder value with long-term growth.</p> <p>If we fail to act as a responsible business whether that is through how we manage our environmental impacts, our contribution to a healthier and more inclusive society or how we source our products, we may lose the trust of our team and customers impacting shareholder value and long-term growth.</p>	<ul style="list-style-type: none"> Our Group Sustainability Plan 2025 is organised into three pillars of People, Planet and Product. Each focus area has detailed commitments that we are focused on achieving by 2025 which we regularly monitor and report to the Sustainability Committee and the market. Our Group Sustainability Plan also outlines our Responsible Sourcing Program in detail. Our approach to addressing human rights related risks across our supply chain with due diligence requirements for specific suppliers, plus self-assessments, audits and contractual specifications. We assess climate change risks annually and have already taken a number of measures to improve our operational resilience. Further details on the steps we have taken to identify, manage and mitigate our sustainability risks can be found in our Sustainability Report and Modern Slavery Statement. The Board, Sustainability Committee and Group Executive Committee has oversight of this risk.
<p>Pay & Entitlements</p> <p>Failure to pay team members in line with entitlements results in loss of trust, reputation damage and additional costs.</p> <p>We continue to focus on rectifying the historical issues, while putting in place processes and controls that prevent it from occurring again.</p>	<ul style="list-style-type: none"> Our Board, People Committee and Group Executive Committee have oversight of our management approach and we have continued to make significant progress towards remediating our historical salaried team member payroll issues. We launched a structured end-to-end Program with the aim of building best in class pay processes across Woolworths Group. We have refreshed our Operational Compliance Plan to review all obligations under each of our industrial instruments and how they are configured in our pay systems. We have progressed both the short-term priority of completing remediation payments to the team as well as the longer-term systemic changes to our pay processes from store through to payment that will achieve a sustainable improvement in our control environment.
<p>Security & Resilience</p> <p>As a business that is deemed an essential service, we seek to maintain continuity of products and services to our communities. Interruptions can impact our operations, customers and team members and may cause reputation damage as well as financial impacts.</p>	<ul style="list-style-type: none"> Our updated suite of Business Resilience policies, frameworks and standards with oversight from our Risk Committee, has a focus on how we prevent, prepare and respond to, and recover from key events across our whole organisation. We monitor and respond to key events that threaten the continuity of our operations, whether these be natural disasters, extreme weather conditions, cyber-attacks, technology failures, acts of terrorism or pandemic risks. Our Crisis Management Team and Emergency Management Teams have responded to a number of events during F21 which have demonstrated our agility, our ability to test and respond, and our drive to continue to learn and improve our execution. Our Board, Risk Committee and Group Executive Committee has oversight of this risk.

RISK	MITIGATING ACTIVITIES
<p>Legal, Regulatory and Governance</p> <p>Our business is subject to a wide range of legal and regulatory requirements covering topics such as competition, employment, health and safety, transport safety, product safety, privacy, anti-bribery and corruption, anti-money laundering, and liquor and gaming.</p> <p>From time to time, despite our best endeavours, we may be the focus of, or a party to, investigations, legal claims or litigation which may adversely impact our reputation and have financial impacts.</p>	<ul style="list-style-type: none"> • Our Board, Board Committee and Group Executive Committee receive wide-ranging updates on legal, regulatory and compliance matters. The Risk Committee has oversight of the Compliance Framework. • Our Code of Conduct provides a clear statement on our Core Values including “doing the right thing”. • New starter and annual compliance training programs are required to be completed by all team members. • Our Group Compliance Framework, along with business unit-specific Operational Compliance Plans and our compliance and assurance programs, aim to support the effective operations of our business while managing our compliance obligations. • Our dedicated Group legal and compliance teams partner with our leadership teams to advise on and monitor legal, regulatory and public policy changes, legal issues and claims, while supporting innovative and new opportunities. • Woolworths Group has an ethics reporting service (Speak Up) as well as a whistleblowing process, and actively encourages current and former team members, suppliers and their families to report wrongdoing and breaches of the law.
<p>Customer and Brand</p> <p>Our customers expect a connected, personalised and convenient shopping experience which requires our business model to continually evolve to meet these needs.</p> <p>This is no more evident than in the digital and online area of our business, and we expect this to continue to increase into the future, meaning we must remain agile in responding to these changing customer preferences, market conditions and community sentiments. Unfavourable events may negatively impact our brand and reputation.</p>	<ul style="list-style-type: none"> • Our Board reviews and annually approves our strategies which are aligned with our pursuit of innovation that improves customer satisfaction, experience, convenience and services as well as our strong brands. • Customer insights are provided to our Group Executive Committee to inform our approach to enhancing our customer proposition and improve our customer’s experience, both in store and online. • We regularly monitor our customer satisfaction through Voice of Customer surveys at an individual business level and make changes according to identified trends. Our senior leadership and Board receive regular customer feedback and trends and use this information to improve for our customers. • Our dedicated strategy teams, along with our marketing teams, work closely to monitor trends and developments both locally and globally to enhance the development of our responses across our brands and customer propositions. • The Board and Group Executive Committee have oversight of this risk.
<p>Strategy Development and Execution</p> <p>Our food and everyday needs ecosystem strategy aims to differentiate our business in the competitive retail environment.</p> <p>Our ability to execute against this strategy is critical to remaining competitive and we do this by working at pace, remaining agile and working end to end as one team.</p>	<ul style="list-style-type: none"> • Our Board reviews and annually approves our strategies and receives regular updates on progress and developments. The implementation of our strategy is overseen by our Board, Risk Committee, Group Executive Committee and governance forums, including our Delivery Offices to provide oversight of the delivery of our strategy and key initiatives. • We have key management and governance forums to review and analyse key metrics and trends with regards to customer buying patterns, supplier metrics, team results, the competitive landscape, regulatory changes, future sales propositions, promotions and marketing activities to monitor and adjust priorities. • We have dedicated strategy teams and change management capabilities that assist with evaluating and mitigating the impact of continued and significant change on our operations and our team.
<p>Strategic Workforce Planning</p> <p>Our team members are key to our success. The ability to attract, retain and motivate team members with diverse skills, capabilities and background will help us build retailers of the future.</p>	<ul style="list-style-type: none"> • The successful delivery of our strategy requires a committed workforce, supported by a culture focused on accountability and simplicity. Our Purpose, Core Values and Ways-of-Working focus on caring for our team members as our organisation pivots to respond to our industry and organisational changes. This is overseen by our People Committee. • We are committed to attracting and retaining a diverse workforce that reflects the community. We achieve this by setting clear targets on gender equity, leadership diversity training and Aboriginal and Torres Strait Islander employment levels outlined in our Sustainability Plan 2025 commitments. • We have a range of processes to support and manage our team members through their careers such as performance management, capability assessments and key talent management. • We are committed to capturing ongoing feedback from our team members across our organisation to drive ongoing improvement with regards to people management, through surveys and Speak Up programs. • We have embraced flexible working, which accelerated during COVID-19, to give our team members the best opportunity to succeed in their roles, regardless of their physical location. We continue to assess these new ways of operating to understand any challenges related to achieving our desired culture.



RISK

MITIGATING ACTIVITIES

Supply Chain

Disruptions to warehouse management and transport operations can impact the continuity of supplies to stores, resulting in lost sales and/or customers.

- We regularly review our supply chain resilience across our sourcing countries, transport channels, internal and partner facility network to confirm redundancy within changing external environments.
- Our supply chain strategy and future network plans are reviewed and approved by our Board with a focus on providing the best outcomes for our customers as we seek to optimise our distribution and customer fulfilment centres, transport operations and last mile deliveries. Ongoing evaluation of current and future requirements are conducted to allow us to enhance and proactively manage our network and capacity.
- Our resilience program is also supported by contingency plans and testing programs to allow quick response to fast changing environments as was seen during the year as COVID-19 restrictions were imposed across different states at different times.
- We invest in technology to support safe, efficient and effective warehouse management and transport operations.
- The Board, Risk Committee and Group Executive Committee has oversight of this risk.

Digital & eCommerce

Digital and eCommerce continues to be a significant growth area of our business, and with this growth there are risks that can impact our ability to safely and securely serve our customers.

Protecting our customers both in their online interactions as well as through home and last-mile delivery is critical and if not managed effectively, may result in safety, reputational and financial impacts.

- We have advanced in our commitment and focus on delivering digital and eCommerce solutions aligned with our customers. We have formed dedicated teams across our business units to develop innovative and stable solutions.
- We invest in our technology, systems and infrastructure to provide a safe, secure and stable platform for our customers. This investment has also included innovative online fulfilment capabilities to meet the increasing demand for these services.
- While developing these new solutions, we are committed to protecting our customers' data and managing new safety risks related to new delivery solutions such as last-mile deliveries.
- The Board, Risk Committee and Group Executive Committee has oversight of this risk.

Suppliers

Our products are sourced from a wide range of domestic and international suppliers. Ineffective supplier management can impact our product proposition and result in challenges with product range, availability, price and quality.

- Our Responsible Sourcing, Modern Slavery and Quality Standards give clear guidance to our suppliers of the standards we require to support our commitment to source safe, quality and compliant products.
- We conduct periodic assessment of our suppliers, plus independent audits to give assurance and to drive ongoing improvement initiatives across our supplier base.
- Our Voice of Supplier surveys and Supplier Speak Up Program provide mechanisms for our suppliers to respond openly (and anonymously) and their responses are reviewed and escalated as required.
- The Board, Risk Committee and Group Executive Committee has oversight of this risk.

Financial, Treasury and Tax

The management of liquidity to make accurate and timely payments to team members and suppliers, and the management of capital and availability of funding, are important requirements to support our business operations and growth.

In addition, we are exposed to adverse fluctuations in foreign exchange rates and interest rates, which could impact profitability.

Accidents, natural disasters and other events can occur which affect our customers, team members and businesses. Insurance can be used to protect against losses from such incidents.

- Our Group Treasury function is responsible for day-to-day management of our treasury risks, including liquidity, funding, interest rates, foreign currency, and counterparty risk. These risks are managed in accordance with the Board approved Treasury Policy and may include the use of derivatives and other risk management initiatives.
- The Group's insurance program incorporates a range of externally placed insurance policies and self-insured programs for specific risks. Our decision to self-insure depends on our ability to improve our risk profile to reduce cost, as well as the capacity of external insurance markets. We monitor our self-insured risks and have active programs to help us pre-empt and mitigate losses.
- Our financial targets are regularly monitored to confirm progress and to confirm our business is focused on pursuing opportunities and mitigating key risks. Our financial results have an assurance program with independent audits to confirm the soundness of our financial statements.
- The Board, Audit and Finance Committee and Group Executive Committee have oversight of this risk.

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Governance

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

Our ambition goes beyond legal compliance. Woolworths Group's purpose to create better experiences together for a better tomorrow, shapes the Group's commitment to better meet the needs of our customers, teams and key stakeholders.

Woolworths Group has followed each of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and

Recommendations (4th edition) throughout the reporting period. Further details of the key corporate governance policies and practices of Woolworths Group during the year are set out in the Corporate Governance Statement, which is available on the Woolworths Group website: www.woolworthsgroup.com.au.

The members of the Board of Directors and the current membership of the Board's committees are set out below. Further information about their skills and experience is set out on [pages 44 to 45](#).

DIRECTORS	MEMBER OF:					
	BOARD ¹	AUDIT & FINANCE COMMITTEE ³	RISK COMMITTEE ⁶	PEOPLE COMMITTEE ⁴	SUSTAINABILITY COMMITTEE	NOMINATION COMMITTEE
Gordon Cairns	●	●	●	●	●	●
Maxine Brenner ²	●	●	● ⁵	-	-	●
Jennifer Carr-Smith	●	-	-	●	●	●
Holly Kramer	●	-	●	-	● ⁵	●
Siobhan McKenna	●	●	-	● ⁵	-	●
Scott Perkins	●	●	●	-	●	●
Kathee Tesija	●	-	-	●	●	●
Michael Ullmer AO	●	●	●	●	-	●
Brad Banducci	●	-	-	-	-	-

LEGEND: ● Chairman of Board/committee ● Member of Board/committee

The following changes to the Board committee structure and membership occurred during the reporting period:

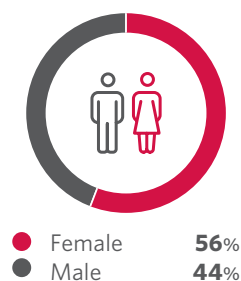
- Ms Jillian Broadbent retired from the Board on 12 November 2020. Prior to her retirement Ms Broadbent was Chair of the Sustainability Committee and a member of the Audit, Risk Management and Compliance Committee and Nomination Committee.
- Ms Maxine Brenner was appointed to the Board on 1 December 2020. Ms Brenner joined the Audit and Finance Committee and Nomination Committee on 1 January 2021.
- Formerly the Audit, Risk Management and Compliance Committee.
- Formerly the People Performance Committee.
- Ms Siobhan McKenna, Ms Holly Kramer and Ms Maxine Brenner commenced as chair of the respective Board committees on 1 January 2021 (with Ms Brenner commencing as Risk Committee Chair on this date to facilitate the establishment of the Risk Committee).
- The Board's Risk Committee was established on 1 May 2021.

Board skills and experience

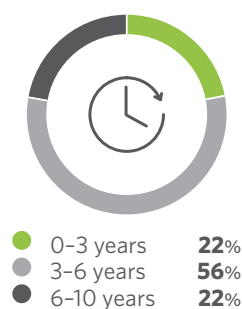
The Woolworths Group Board comprises directors with a diverse range of skills, experience and backgrounds to support the effective governance and robust decision-making of the Group, with a particular focus on the key desired areas listed below. An assessment of the optimum mix of these skills and experience takes place regularly. A summary of the key skills and experience of the current directors against those identified in the skills matrix is set out below:

SKILL/ EXPERIENCE	SUMMARY	DIRECTORS WITH SKILL/ EXPERIENCE
Retail Markets	Retail knowledge and experience of customer-led transformation in the food, drinks or general merchandise sectors	7/9
Governance	Experience and a commitment to exceptional corporate governance standards	8/9
Risk Management	Experience anticipating and identifying risks and monitoring the effectiveness of both financial and non-financial risk management frameworks and controls	9/9
Strategy	Experience defining strategic objectives, assessing business plans, and driving execution in large, complex organisations	9/9
Social Responsibility	Commitment to and experience in monitoring programs for social responsibility, carbon emissions reduction, proactive management of workplace safety, mental health and physical wellbeing, and responsible sourcing	8/9
Digital Data and Technology	Expertise and experience in adopting new technologies or implementing technology projects, digital disruption, leveraging digital technologies, or understanding the use of data and data analytics	8/9
Financial Acumen	Understand financial drivers of the business and experience implementing or overseeing financial accounting, reporting and internal controls	9/9
People and Culture	Experience monitoring a company's culture, overseeing the operation of consequence management frameworks, overseeing people management and succession planning, and setting remuneration frameworks	9/9
Regulatory and Public Policy	Expertise identifying and managing legal, regulatory, public policy and corporate affairs issues	7/9

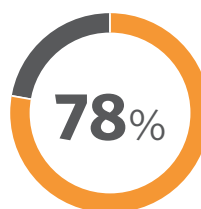
Board Diversity



Board Tenure



Board Global Experience



International business experience and exposure to different political, cultural, regulatory and business environments



Board of Directors

Gordon Cairns

MA (Hons) University of Edinburgh
INDEPENDENT CHAIRMAN

Appointed: 1 September 2015
Term expires 2021 AGM



Background and experience: Gordon has extensive Australian and international experience as a Chairman, director and senior executive. He has over 30 years' of food and retail experience, including his time as Chief Executive Officer of Lion Nathan and as a senior manager in marketing, operations and finance roles with PepsiCo, Cadbury and Nestle.

Other roles: Director of Good Return (since November 2007) and a senior advisor to Luminis Partners since January 2021. Previously Chairman of Origin Energy (Chairman from October 2013 to October 2020, Director from 2007 to October 2020), Director of Macquarie Group and Macquarie Bank (2014 to May 2021), Chairman of David Jones and Rebel Group, Director of Westpac Banking Corporation.

Maxine Brenner

BA, LLB
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 December 2020
Standing for election at 2021 AGM



Background and experience: Maxine has extensive corporate advisory experience, particularly in mergers and acquisitions and corporate restructures. She is a former Managing Director of Investment Banking at Investec Bank (Australia) Limited. She also practised as a corporate lawyer with Freehill Hollingdale & Page (now Herbert Smith Freehills) and spent several years as a lecturer in the Faculty of Law at both the University of NSW and the University of Sydney.

Other roles: Director of Orica Limited (since April 2013), Qantas Airways Limited (since August 2013), Origin Energy (since November 2013) and a member of the University of NSW Council. Previously a Director of Growthpoint Properties Australia Limited (March 2012 to November 2020).

Brad Banducci

MBA, LLB, BComm (Acc)
CHIEF EXECUTIVE OFFICER AND
MANAGING DIRECTOR

Appointed: 26 February 2016



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

Jennifer Carr-Smith

BA Economics, MBA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 17 May 2019



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

Other roles: Director of Full Harvest (since January 2020), Perdue Farms (since February 2019) and of Blue Apron (since October 2020).



Holly Kramer

BA (Hons), MBA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 8 February 2016



Background and experience: Holly is a former Chief Executive Officer of Australian retailer, Best & Less. She has more than 25 years' experience in general management and product, marketing and sales, including roles at the Ford Motor Company (in the US and Australia), Telstra Corporation and Pacific Brands.

Other roles: Director of Endeavour Group Limited (since June 2021), Director of Fonterra Co-operative Group Limited (since May 2020), Director of Abacus Property Group (since December 2018) and Pro Chancellor of Western Sydney University (since January 2018). Previously Deputy Chair of Australia Post (November 2015 to June 2020) and Director of AMP Limited (October 2015 to May 2018).

Siobhan McKenna

B.Ec (Hons), MPhil
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 8 February 2016



Background and experience: Siobhan has a significant international background in strategy and policy in the public and private sectors. As a CEO, she has led consumer-facing businesses in the media and digital sectors. She was a Commissioner of the Australian Productivity Commission and Partner of McKinsey & Company. Siobhan is currently CEO Broadcasting, News Corp.

Other roles: Executive Chairman of Foxtel, Fox Sports and Australian News Channel, Director of Amcil (since March 2016) and Nova Entertainment.

Scott Perkins

BCom, LLB (Hons)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 September 2014



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

Other roles: Chairman of Origin Energy since October 2020 (Director since September 2015) and Brambles (since June 2015).

Kathryn (Kathee) Tesija

BSRMM (Fashion Merchandising)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 9 May 2016



Background and experience: Kathee has extensive retailing experience in the US market, particularly in merchandising and supply chain management. During a 30-year executive career with Target Corporation in the US, she served as Chief Merchandising and Supply Chain Officer and Executive Vice President. Kathee continued her involvement in Target as a Strategic Advisor until 2016. Ms Tesija was a Director of Verizon Communications, Inc. (from 2012 to May 2020).

Other roles: Director of the Clorox Company (since May 2020) and a senior advisor and consultant for Simpactful, a retail consulting agency in the US.

Michael Ullmer AO

BSc (Maths) (Hons), FCA, SF Fin
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 30 January 2012
Term expires 2021 AGM



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

Other roles: Chairman of Lendlease since November 2018 (Director since December 2011).

Jillian Broadbent AC

BA (Maths & Economics)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Retired: 12 November 2020



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

Other roles: Director of Macquarie Group and Macquarie Bank (since November 2018), the National Portrait Gallery of Australia and the Sydney Dance Company. Previously Chair of the Board of Swiss Re Life & Health Australia, inaugural Chair of Clean Energy Finance Corporation, a member of the Board of the Reserve Bank of Australia and a director of ASX Limited, SBS, Coca Cola Amatil Limited, Woodside Petroleum Limited, Qantas Airways Limited and Westfield Management Limited.

Group Executive Committee

Brad Banducci

CHIEF EXECUTIVE OFFICER AND
MANAGING DIRECTOR



Biography available in Board of Directors, refer to [page 44](#).

Christian Bennett

GROUP HEAD REPUTATION, GOVERNMENT
RELATIONS & INDUSTRY AFFAIRS



Christian Bennett has 25 years' experience in senior government-related roles, across both private and public sectors. Christian joined Woolworths Group in November 2017. Previously, he has led government relations efforts for General Electric Inc across Southeast Asia, Australia and New Zealand, for BHP Billiton Ltd and was Group Executive of Public Affairs at Santos Ltd. In government, Christian spent 14 years in Australia's diplomatic service, including postings in southern Africa, Asia and the United States and secondments into the Office of the Foreign Minister and the Department of Prime Minister & Cabinet. Christian has an MBA from Melbourne Business School and a Bachelor of Law (Hons) and of Commerce from the University of Melbourne. He is a Board Member of the Australia - US Fulbright Commission and the Royal Institution of Australia.

Amanda Bardwell

MANAGING DIRECTOR OF WOOLIESX



Amanda Bardwell was appointed the Managing Director of WooliesX for the Woolworths Group in May 2017. WooliesX includes Woolworths Digital, E-Commerce, Customer Loyalty and Customer Services. Amanda started her retail career in Queensland working for a food retail franchise for five years before joining the Woolworths Group in 2001. During her time at Woolworths Group, Amanda has worked across both the Supermarket and Drinks businesses. Amanda has held positions in both general management and specialist senior executive roles across omni-channel retailing, eCommerce, marketing, buying, private label, and business development.

Amanda has an MBA from the University of New South Wales and a Bachelor of Business from the University of Technology Queensland and is a member of Chief Executive Women.

Guy Brent

MANAGING DIRECTOR OF THE WOOLWORTHS
FOOD COMPANY AND METRO



Guy Brent was appointed Managing Director, The Woolworths Food Company and Metro in August 2019. Prior to this, Guy was the Director of BWS since August 2014, and before that, was the General Manager of Pinnacle Drinks, which he was responsible for setting up in July 2012.

Guy joined Woolworths Group in April 2011 after the acquisition of the Cellarmasters Group, where he was Chief Financial Officer from 2007 to 2011. Before that, Guy was a Commercial Director at Optus for two years after emigrating from the UK to Australia in 2005.

Guy is a qualified Chartered Accountant and has a BSC from the University of Bristol in the UK.



Natalie Davis

MANAGING DIRECTOR OF
WOOLWORTHS SUPERMARKETS



Natalie Davis was appointed Managing Director of Woolworths Supermarkets in October 2020. Prior to this, Natalie was Managing Director, Woolworths New Zealand since July 2018, and before that, Chief Customer Transformation Officer, Woolworths Group since May 2017, leading the development of the Group's Customer 1st strategies, transformation and culture. Natalie joined the Group in July 2015 as Director of Customer Transformation, Food Group. Before joining Woolworths, Natalie was a Partner at McKinsey & Co, where she worked in the UK and Australia for 15 years advising on strategy and commercial transformation. Natalie holds an MBA from INSEAD France, and a Bachelor of Commerce and Law degrees with Honours from the University of Sydney. Natalie is also a member of Chief Executive Women.

Stephen Harrison

CHIEF FINANCIAL OFFICER



Stephen Harrison was appointed Chief Financial Officer for Woolworths Group in August 2019. Prior to his appointment, Stephen held the role of Finance Director for Australian Food from July 2015 and before that, was Finance Director for Endeavour Drinks from July 2013. Before joining the Group in 2013, Stephen worked for a number of leading FMCG businesses in Australia and New Zealand, including as Finance Director for Valspar ANZ (formerly Wattyl Paints) and Finance Director for Bluebird Foods in New Zealand, a subsidiary of PepsiCo. Stephen also spent time working for PepsiCo in Australia and prior to that worked for Foster's for four years. Stephen is a Chartered Accountant, spending over a decade with KPMG, following his graduation from Macquarie University.

Alex Holt

CHIEF SUSTAINABILITY OFFICER



Alex Holt was appointed Chief Sustainability Officer of Woolworths Group in June 2021. Prior to this, Alex oversaw the Group's sustainability portfolio as General Manager of Sustainability, Health and Quality from April 2016. Alex joined Woolworths Group in 2011 from Tesco, having worked across a number of roles in business improvement, buying and category management. Alex is also a Non-Executive Director of Foodbank Australia, one of Woolworths' key hunger-relief partners.

Paul Graham

CHIEF SUPPLY CHAIN OFFICER AND
MANAGING DIRECTOR OF PRIMARY CONNECT



Paul Graham began his career in the supply chain industry in 1980 and spent a significant part of his career living and working in the Asia Pacific region as well as the United Kingdom, Australia and North America. Before joining Woolworths Group, Paul was Global COO and CEO for Europe for DHL. Paul has held numerous Board positions in a diverse range of industries from farming and produce, wholesale, marketing and digital services as well as FMCG. Paul is the Chair of the Healthy Heads Foundation, a not-for-profit focused on improving mental health in the transport and logistic industry. He has also served on various government and university linked advisory boards. Paul joined the Woolworths Group in June 2016.

Andrew Hicks

CHIEF MARKETING OFFICER



Andrew Hicks was appointed Chief Marketing Officer, Woolworths Group in June 2019. Andrew was previously Director of Marketing, Woolworths Food Group and Supermarkets since November 2015. Prior to this, Andrew was General Manager, Marketing, Woolworths Liquor Group since 2012, leading the transformation of the BWS brand and extending Dan Murphy's lead as Australia's most iconic drinks retail brand. Andrew originally joined the Group in 2008 as National Marketing Manager of Dan Murphy's.

Prior to Woolworths Group, Andrew was the National Marketing Executive for Musica in South Africa. Andrew has a Bachelor of Social Science and Marketing Honours degrees from the University of KwaZulu-Natal as well as a Diploma in Advertising (Copywriting) from The Red & Yellow School.

John Hunt

CHIEF INFORMATION OFFICER



John Hunt joined the Woolworths Group in 2017 as Chief Information Officer. John spent over 25 years at Woolworths Holdings Limited, South Africa where he held a range of senior IT and core retail leadership roles, including CIO and Senior Executive for Food Planning and Value chain.

A graduate from the Cape Peninsula University of Technology in Cape Town, John is a retailer through and through and is passionate about how information technology and technology innovation is being optimally used in enabling the business to support both the front line team members as well as ensuring our customers have the best shopping experience.

Von Ingram

CHIEF CUSTOMER TRANSFORMATION OFFICER



Von Ingram joined Woolworths Group as Chief Customer Transformation Officer in July 2018, leading transformation and customer first strategy for the Group. Prior to this, Von was Managing Director and Partner at The Boston Consulting Group, working in Australia and US retail for 10 years, leading strategy, customer insight and retail transformation roles across a range of retail players in food and general merchandise.

Von holds an MBA from Melbourne Business School and has also completed a Bachelor of Commerce, with First Class Honours from the University of Western Australia.

Rob McCartneyFORMAT AND NETWORK
DEVELOPMENT DIRECTOR

Rob McCartney was appointed Format and Network Development Director, Woolworths Group in July 2020. Prior to this, Rob held the role of Format Development Director for Australian Food where he led the Woolworths Renewal program, repositioning the supermarket customer proposition. Rob is an experienced retailer with over 26 years' experience driving innovation and operationalising strategy. Starting his career in stores for Woolworths South Africa, Rob progressed through various roles within the business, including operations, buying and supply chain. In 2001, Rob joined Cap Gemini Ernst & Young in Sydney where he specialised in retail and supply chain transformation across Asia. Following this, Rob joined Coles to work in its supply chain group before moving into format transformation and supporting the supermarkets' format turnaround under Wesfarmers ownership. Rob has also held senior roles at 7-Eleven and Target prior to joining Woolworths Group in December 2015.

Claire PetersMANAGING DIRECTOR OF B2B
& EVERYDAY NEEDS

Claire Peters was appointed Managing Director of B2B and Everyday Needs in October 2020. Prior to this, Claire was Managing Director, Woolworths Supermarkets from June 2017. Claire is an experienced retailer with over 25 years' experience. Claire started her retail career as a graduate for grocery retailer, Tesco. During this time she held a variety of senior roles, including Regional Retail Director; Managing Director, Large Stores; and Commercial Director, Healthcare & Baby, Beauty and Toiletries. In March 2014 Claire moved to Thailand to take up COO for Tesco Thailand, managing the responsibility of over 3,000 stores. Claire holds a BSC Hons in Economics and Sociology from the University of Loughborough, UK and has been a member of Chief Executive Women since 2017.

Caryn Katsikogianis

CHIEF PEOPLE OFFICER



Caryn Katsikogianis was appointed Chief People Officer in November 2016, leading our Team First Strategy for Woolworths Group, including our focus on Team Experience, Holistic Wellbeing, Safety, Talent and Inclusion. Prior to this Caryn was the HR Director of the Woolworths Food Group and General Manager Business Transformation and held various senior HR roles across BIG W, Supply Chain, and Group.

Caryn holds a Bachelor of Commerce degree from the University of South Africa. Caryn is an experienced HR leader with over 25 years' experience within the retail industry. Caryn has been a member of Chief Executive Women since 2017.

Pejman Okhovat

MANAGING DIRECTOR OF BIG W



Pejman Okhovat was appointed Managing Director of BIG W in April 2021. Prior to joining the Group, Pejman was the Chief Operating Officer of New Zealand-based The Warehouse Group, having previously been the Chief Executive of The Warehouse value retailing business and Warehouse Stationery brands, following joining the Group in 2005. Pejman started his retail career in the UK with Marks and Spencer 27 years ago, subsequently working for other well known UK retailers such as ASDA Walmart, Sainsbury's and Iceland across many regional, national and senior roles within operations, format development and category management. Pejman holds a BA Hons in Business Studies from Leeds Business School and has attended Insead's AMP course.

Bill Reid

CHIEF LEGAL OFFICER



Bill joined Woolworths Group as Chief Legal Officer in October 2019. Prior to his appointment, Bill was a senior Partner at Ashurst for many years, leading the firm's Competition team, and in various management positions across Australia and Asia.

Bill has long experience in responding to regulatory issues, litigation, and corporate transactions. Bill holds an MBA from Melbourne Business School and a Bachelor of Laws from the University of Adelaide.

Spencer SonnMANAGING DIRECTOR OF WOOLWORTHS
NEW ZEALAND

Spencer was appointed Managing Director of Woolworths New Zealand in March 2021. Prior to this, Spencer held the role of Managing Director Food at Woolworths Holdings Limited, South Africa, from 2015 to 2021, where he was responsible for the Groups' Food Division across more than 400 supermarkets and 33,000 team members. During this time he also served as a board member on the Consumer Goods Forum of South Africa. Spencer has a 25-year grocery career, starting out on a store management graduate program and progressing through a variety of roles, including operations, and has held various senior roles in commercial, buying and procurement in fresh and long-life food. He also led the food division's entry into a new food service format. Spencer completed the General Management Program at Harvard Business School in 2015.

David Walker

CHIEF RISK OFFICER



David Walker was appointed Chief Risk Officer for the Woolworths Group in November 2020. Prior to this appointment, David was the Managing Director of BIG W from November 2016 and served as CEO of Masters Home Improvement for 10 months to November 2016.

David joined Woolworths Group in 1998 and has worked extensively in finance and business transformation, including Dick Smith Electronic and Woolworths Supply Chain.

David is a member of Chartered Accountants Australia and New Zealand and prior to Woolworths Group he worked for Coopers and Lybrand for 10 years.

Stephen DonohueMANAGING DIRECTOR AND CEO ENDEAVOUR
GROUP (CEASED 28 JUNE 2021)

Steve has over 25 years' experience in the retail industry and has a deep appreciation for core retail principles and a strong focus on the customer experience. He has held a broad range of roles in the Endeavour Drinks business since commencing as a store manager at Dan Murphy's in 1994. Prior to being appointed the Managing Director of Endeavour Drinks in 2018, Steve gained broad experience across the Endeavour Drinks business, having held senior buying, merchandising and marketing roles at Dan Murphy's and BWS. Earlier, Steve held the role of Director of Buying and Merchandising for Woolworths Supermarkets. Steve commenced as Chief Executive Officer of Endeavour Group effective 28 June 2021 upon the separation of Endeavour Group from Woolworths Group. Steve ceased to be a member of Woolworths Group Executive Committee and Key Management Personnel on 28 July 2021 upon the separation of Endeavour Group from Woolworths Group.

Colin StorrieMANAGING DIRECTOR GROUP PORTFOLIO
(CEASED 28 JUNE 2021)

Colin Storrie has over 20 years' experience in senior finance roles in listed companies, investment banking and government. Prior to Colin's role as Managing Director Group Portfolio, he joined as Deputy Chief Financial Officer, Woolworths Group in 2015. Colin has also held group treasurer, deputy chief financial officer and chief financial officer positions at both Qantas Airways Ltd and AMP Ltd.

Colin Storrie ceased to be a member of the Group Executive Committee effective 28 June 2021 following his resignation from Woolworths Group.

Notes:

Amitabh Mall was appointed Chief Analytics Officer and Managing Director of Q-Retail effective 1 July 2021.



Directors' Statutory Report

This is the report of the directors of Woolworths Group Limited (the Company) in respect of the Company and the entities it controlled at the end of, or during, the financial period ended 27 June 2021 (together referred to as the Group).

Principal activities

The Group operates primarily in Australia and New Zealand, with 3,418 stores and approximately 210,067 employees at year-end. The principal activities of the Group during the year were retail operations across:

- **Australian Food:** operating 1,076 Woolworths Supermarkets and Metro Food Stores.
- **New Zealand Food:** operating 184 Countdown Supermarkets as well as a wholesale operation which supplies a further 71 stores.
- **BIG W:** operating 176 BIG W stores.
- **Endeavour Group:** operating 251 Dan Murphy's and 1,392 BWS stores, as well as 339 hotels.
- The Group also has eCommerce operations for its primary trading divisions.

On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group Limited, a subsidiary of the Group, which resulted in the discontinued operations of two separate major business lines, Endeavour Drinks and Hotels. Details of the Group's reportable segments from discontinued operations are outlined in [Note 5.2](#) to the financial statements.

The Directors and meetings of Directors

The table below sets out the directors of the Company and their attendance at Board and Committee meetings during the financial period ended 27 June 2021.

DIRECTOR	BOARD MEETINGS		AUDIT & FINANCE COMMITTEE ^{3,5}		PEOPLE COMMITTEE ^{4,5}		RISK COMMITTEE ⁶		SUSTAINABILITY COMMITTEE ^{3,5}		NOMINATION COMMITTEE	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Non-executive Directors												
G M Cairns	14	14	5	5	6	6	1	1	6	6	6	6
M N Brenner ²	9	9	3	3	-	-	1	1	-	-	5	5
J C Carr-Smith	14	14	-	-	3	3	-	-	6	6	6	6
H S Kramer	14	14	-	-	4	4	1	1	6	6	6	6
S L McKenna	14	14	5	5	6	6	-	-	-	-	6	6
S R Perkins	14	14	5	5	4	4	1	1	2	2	6	6
K A Tesija	14	14	-	-	6	6	-	-	6	6	6	6
M J Ullmer AO	14	14	5	5	6	6	1	1	4	4	6	6
J R Broadbent AC ¹	5	5	2	2	-	-	-	-	4	4	1	1
Executive Director												
B L Banducci	14	14	-	-	-	-	-	-	-	-	-	-

(A) Number of meetings eligible to attend. (B) Number of physical meetings attended.

1 Jillian Broadbent retired as a Director on 12 November 2020.

2 Maxine Brenner was appointed as a Director on 1 December 2020.

3 Formerly the Audit, Risk & Compliance Committee.

4 Formerly the People Performance Committee.

5 Committee composition changed on 1 January 2021.

6 Risk Committee was established on 1 May 2021.

In F21, a Joint Committee meeting of all Committees was held. All respective Committee members and directors were present.

In addition to these formal meetings of the Board and its Committees, seven further unscheduled or special purpose Board Sub-Committee meetings were held during the financial period ended 27 June 2021. Directors also attend meetings of Committees of which they are not a member. This is not reflected in the attendance table above.

Details of director experience, qualifications and other listed company directorships are set out on [page 44 and 45](#).

Company secretaries

Marcin Firek resigned as Company Secretary in November 2020.

Katrina Eastoe and Michelle Hall were appointed as Company Secretaries in November 2020. Together, Ms Eastoe and Ms Hall act as Company Secretaries of the Board and its Committees. Prior to being appointed as Group Company Secretary and Group Counsel, Ms Eastoe was General Counsel for Woolworths' Australian Food Group, since 2018. She has over 20 years' experience in senior leadership positions in legal and governance roles across media, FMCG and manufacturing industries in Australia, New Zealand and Asia-Pacific. Ms Eastoe holds a Bachelor of Arts and a Bachelor of Laws, and a Graduate Diploma in Legal Practice. She is a Graduate of the Australian Institute of Company Directors. Ms Hall has over 15 years' experience in legal, governance and compliance roles, including as company secretary of a number of ASX listed entities across financial services, property and retail industries. Ms Hall holds a Bachelor of Business and a Bachelor of Laws, and Graduate Diplomas in Legal Practice and Applied Corporate Governance. She is an associate of the Governance Institute of Australia.

Directors' Statutory Report

Environmental regulation

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

Directors' and officers' indemnity/insurance

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

Non-audit services

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in [Note 6.3](#) to the financial statements.

Other information

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

- Operating and Financial Review details on [pages 2 to 41](#) inclusive in the Annual Report.
- Details of dividends, including the Dividend Reinvestment Plan (DRP) and shares issued as a result of the DRP, as outlined in [Note 4.2](#) and [Note 4.3](#) to the financial statements.
- Matters subsequent to the end of the financial period as outlined in [Note 6.4](#) to the financial statements.
- Directors' interests in shares and performance rights as set out in [Sections 5.2](#) and [5.3](#) of the Remuneration Report. These remain unchanged as at 30 July 2021.
- Performance rights granted during the financial period and subsequent to year end as outlined in [Note 6.2](#) to the financial statements.
- Remuneration Report from [pages 52 to 75](#).
- Auditor's Independence Declaration on [page 76](#).

This Report is made in accordance with a Resolution of the Directors of the Company and is dated 26 August 2021.



Gordon Cairns
Chairman



Brad Banducci
Chief Executive Officer



Remuneration Report

Dear Shareholder,

As Chair of the renamed People Committee (PC or the Committee), I am pleased to present the F21 Remuneration Report and look forward to engaging with shareholders as the Committee undertakes its work. May I acknowledge my predecessor in the role, Holly Kramer, for the work she and the Committee have done to create and govern the Woolworths Group people management policies and remuneration framework so that they remain fit for purpose, provide a strong link between pay and performance, and are aligned to best practice in the broader Australian market.

The uncertainties and challenges created by COVID-19 continued throughout F21 and our team has played an important part in supporting our communities in Australia and New Zealand through various lockdowns. During F21 we continued to make progress on our six strategic priorities, including accelerating the growth of our digital and eCommerce platforms and demerging Endeavour Group Limited. We acknowledge that the achievements of F21 have required extraordinary efforts from the Woolworths Group team.

F21 Reward outcomes: STI

The business plan for F21, and the entry, target and stretch measures the Board set, recognised the potential for significant uncertainty and an ongoing and uneven impact from COVID-19. Lockdowns of varying durations continued to drive high levels of in-home consumption, which, together with strong execution of our trade plans, resulted in elevated trading during parts of the year. Sales from continuing and discontinued operations were \$67,278 million, representing growth of 5.6%, which was an outcome substantially above stretch. Similarly, earnings before interest and taxes (EBIT) from continuing and discontinued operations before significant items of \$3,663 million grew 13.7% to also exceed stretch. Trade Working Capital Days improved by 1.8 days, 1.5 days ahead of budget, which was also a stretch result. Voice of Customer (VOC) Net Promoter Score (NPS) results were positive overall through a highly volatile and challenging year, landing between entry and target. We achieved a strong improvement in reducing customer injuries in F21, with the Customer Claims measure exceeding stretch. Total Recordable Injuries and Hours Lost for team both failed to meet entry. While disappointed in this outcome, we also recognise that it has been significantly impacted by COVID-19.

The Board believes that the 115.5% scorecard result of between target and stretch and the resulting Short-Term Incentive (STI) outcome for F21 appropriately balances the impact of all these factors and reflects the team's strong performance throughout this volatile year.

F21 Reward outcomes: WISP

Awards made under the F19-21 Woolworths Incentive Share Plan (WISP) achieved an outcome of between target and stretch, resulting in 77.5% of the maximum performance rights vesting. Sales per square metre (Sales/sqm) improved in each year of the plan period to achieve a result of \$18,294 in F21 – driven in particular by strong sales growth in Australian Food and Endeavour Drinks – for an outcome close to stretch. Return

on funds employed (ROFE) increased by 150 bps over the plan period, resulting in an outcome between entry and target, with EBIT over the period increasing at a faster rate than funds employed. The Board is also pleased with the substantial value that the team delivered to our shareholders over this period, achieving a Total Shareholder Return (TSR) of 61%, ranking Woolworths at the 89th percentile of our comparator group.

Management changes in F21

We continued to build management team strength during F21, developing our team, promoting diversity, and deepening our succession bench strength. Claire Peters, who was Managing Director of Woolworths Supermarkets for over three years until the end of September 2021, was appointed as Managing Director of B2B and Everyday Needs. After two years as Managing Director of Woolworths New Zealand, Natalie Davis returned to Australia in October 2021 and assumed the role of Managing Director of Woolworths Supermarkets.

Executive Remuneration Framework Review

During F21 the Board reviewed the appropriateness of the executive remuneration framework, and identified two opportunities to strengthen alignment of the underlying performance measures with the Group's strategic objectives. From F22, the Safety metric in the STI scorecard will evolve to a new broader measure – Severity Rate – which includes all team and customer injuries or illnesses (first aid through to lost time injuries, both physical and psychological) and events with potential for high severity. We will also introduce a Reputation measure in our Long-Term Incentive (LTI), replacing the Sales/sqm measure, which will operate alongside our financial performance measures of Relative TSR and ROFE. The Board believes that reputation is a key measure of the Group's ability to deliver its strategy and be at our best for our customers, team, and communities. Sales/sqm will remain an important metric used by the Group, but has become less important as a Group performance measure given the move towards an ecosystem business.

In summary

F21 was a year when the Group's values came to life, with our team putting the needs and safety of our customers and communities first. The Group made progress on our strategy despite the disruption caused by COVID-19, and has taken further steps to build its food and everyday needs retail ecosystem with the announced investment in PFD (completed in F22), further investment in Quantum, and the launch of Healthy Life and PetCulture. Through the Endeavour Group demerger, the Board and management have focused on a smooth transition of remuneration arrangements so that executives remain aligned with delivery of the strategy and growth of shareholder value in both organisations. We look forward to ongoing dialogue with, and the support of, our shareholders in F22 as we deliver shareholder value and create better experiences together for a better tomorrow.



Siobhan McKenna
Chair – People Committee

Remuneration Report 2021

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The report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (Cth).

Who is covered by this Report?

The Remuneration Report outlines Woolworths Group's remuneration framework and the outcomes for the year ended 27 June 2021 for our Key Management Personnel (KMP). KMP have the authority and responsibility for planning, directing and controlling the activities of Woolworths Group. F21 KMP are:

	NAME	POSITION	APPOINTED	PEOPLE COMMITTEE
Non-executive KMP Board	Gordon Cairns	Chairman	1 September 2015	☑
	Maxine Brenner	Non-executive Director	1 December 2020	-
	Jillian Broadbent AC	Non-executive Director	28 January 2011 to 12 November 2020	-
	Jennifer Carr-Smith	Non-executive Director	17 May 2019	☑
	Holly Kramer	Non-executive Director	8 February 2016	Chair ¹
	Siobhan McKenna	Non-executive Director	8 February 2016	Chair ²
	Scott Perkins ³	Non-executive Director	1 September 2014	-
	Kathryn Tesija	Non-executive Director	9 May 2016	☑
Executive KMP	Michael Ullmer AO	Non-executive Director	30 January 2012	☑
	Brad Banducci	Chief Executive Officer	26 February 2016	
	Natalie Davis ⁴	Managing Director, Woolworths Supermarkets	1 October 2020	
	Stephen Donohue	Managing Director, Endeavour Drinks	1 April 2018	
	Stephen Harrison	Chief Financial Officer	1 August 2019	
	Claire Peters ⁵	Managing Director, Woolworths Supermarkets	13 June 2017 to 30 September 2020	

1 Ms Kramer was Chair and a member of the People Committee until 31 December 2020.

2 Ms McKenna was appointed Chair of the People Committee from 1 January 2021.

3 Mr Perkins was a member of the People Committee until 31 December 2020.

4 Ms Davis became a KMP on 1 October 2020 when she was appointed Managing Director, Woolworths Supermarkets.

5 Ms Peters was Managing Director, Woolworths Supermarkets until 30 September 2020, after which she ceased to be a KMP.



1 2021 REMUNERATION AT A GLANCE

1.1 OUR REMUNERATION FRAMEWORK ALIGNED TO OUR STRATEGIC PRIORITIES

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

Strategic priorities

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



Better together for a better tomorrow for our customers, teams, and communities



Accelerate digital, eCommerce and convenience for our increasingly connected customers



Differentiate our food customer propositions



Stand-up Endeavour Group



Evolve our portfolio and build strong adjacencies



Keep our business COVIDSafe and future proof our E2E operating model

Remuneration principles

Objective: Support Business Transformation



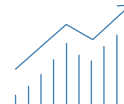
Reinforce our purpose, customer 1st team 1st strategy and Ways-of-Working



Build the retailer of the future by attracting, retaining and motivating team members with diverse skills, capabilities and backgrounds



Encourage our team members to think and behave like owners



Drive short and long-term performance consistent with our risk appetite



Be simple and easily understood

Remuneration governance

In delivering the remuneration outcomes to team members, the Board may apply discretion so that it effectively delivers appropriate outcomes for our shareholders, customers and team. In considering whether discretion is required, the Board reviews PC recommendations based on the CEO's proposal for performance and incentive outcomes. This discretion review incorporates advice from the Chief Risk Officer, Chief Legal Officer, Chief People Officer, and Head of Internal Audit, as well as consultation with Committee Chairs and all Directors.

1.1 OUR REMUNERATION FRAMEWORK ALIGNED TO OUR STRATEGIC PRIORITIES (CONTINUED)

F21 Remuneration framework

Our Remuneration Framework Supports the Group Strategy

Total Fixed Remuneration (TFR)

TFR consists of Base Salary, Superannuation and Car Allowance

TFR is set in relation to the external market and considers:

- Strategic value of the role.
- Size and complexity of the role.
- Individual responsibilities.
- Experience and skills.

TFR is positioned so that Total Target Remuneration (TTR) is around median of our Comparator Group, which includes the ASX25 plus additional reference as required to major national and international retailers. Generally, executives who are new to role will start on a TTR package below median, and move up to median as they develop skills and experience in the role.

Short-Term Incentive (STI)

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

Business performance is measured through a STI balanced scorecard, with 60% weighted on financial objectives and 40% on non-financial objectives:

- Sales (20%).
- Earnings Before Interest and Tax (EBIT) (20%).
- Working Capital Days (20%).
- Customer Satisfaction (20%).
- Safety (20%).

Individual performance includes assessment against business, strategic and Ways-of-Working goals and Core Values.

Long-Term Incentive (LTI)

Performance rights vesting subject to performance progress over three years

The LTI aligns executives to overall company performance through three equally weighted measures focused on strategic business drivers and long-term shareholder return:

- Relative Total Shareholder Return (rTSR).
- Sales Per Square Metre (Sales/sqm).
- Return on Funds Employed (ROFE).

1.2 F21 EXECUTIVE KMP REMUNERATION MIX

What is the remuneration mix for Executive KMP?

The remuneration mix for Executive KMP is weighted towards variable remuneration. In the Total Target Mix, 67% of the remuneration is performance-based pay, and 50% of TTR is delivered in equity.

TOTAL TARGET MIX

Total Fixed Remuneration 33.4%	Performance based				
	Target STI 33.3% (100% of TFR)		Target LTI 33.3% (100% of TFR)		
	Cash 16.65%	Deferred 16.65%	rTSR with 11.1%	Sales/sqm 11.1%	ROFE 11.1%

TOTAL MAXIMUM MIX

Total Fixed Remuneration 23.8%	Performance based				
	Maximum STI 35.7% (150% of TFR)		Maximum LTI 40.5% (170% of TFR)		
	Cash 17.86%	Deferred 17.86%	rTSR with 13.5%	Sales/sqm 13.5%	ROFE 13.5%

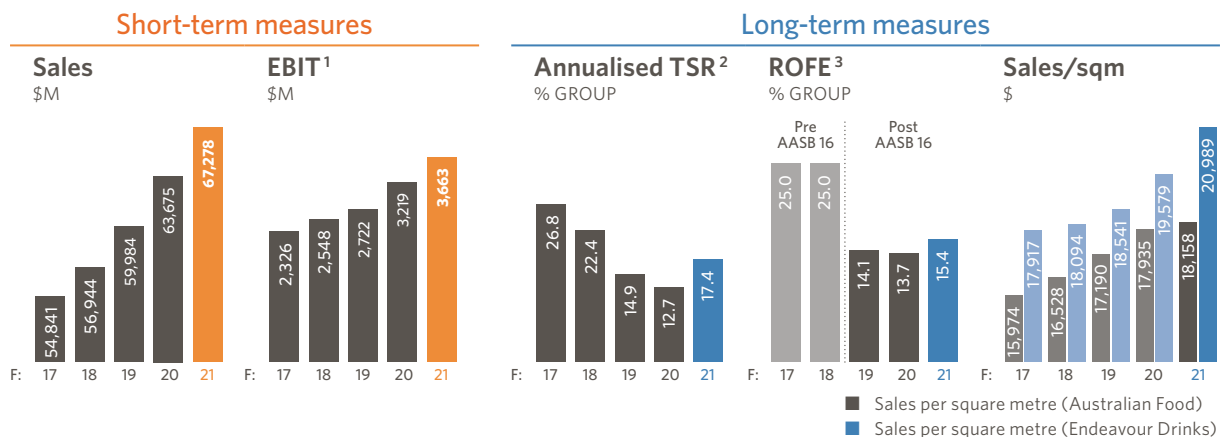


Remuneration Report

1.3 HOW WE PERFORMED AND REMUNERATION RECEIVED

Group five-year performance summary

The remuneration outcomes for our Executive KMP vary with short-term and long-term performance outcomes. The graphs and table below show Executive KMP remuneration outcomes and the Group's core financial performance measures over the past five years.



STI and LTI outcomes

	F17	F18	F19	F20	F21
STI (% of Target)	109.8	91.2	68.1	70.0	115.5
LTI (% of Maximum)	Nil	Nil	78.4	64.3	77.5
Woolworths Group ordinary share price closing (\$)	25.36	29.96	33.23	36.39	42.88 ⁴

1 From continuing and discontinued operations and before significant items. For F21 EBIT significant items were a net gain of \$59 million, including net gain on acquisition of a majority share of Quantum (\$221 million), costs on Endeavour Group demerger and PFD acquisition (\$68 million), strategic decisions related to Supply Chain restructure (\$44 million) and Metro Food Stores impairments (\$50 million).

2 Annualised TSR is point to point TSR for the financial year.

3 Group ROFE is defined on page 59. The F21 outcome of 15.4% differs from the Group reported ROFE of 16.6% following adjustment to exclude the demerger distribution liability, the impact of the acquisition of Quantum, and Endeavour Group corporate costs.

4 The sum of the closing share prices of Woolworths Group (\$36.78) and Endeavour Group (\$6.10) on the last trading day of Woolworths Group's financial year (25 June 2021). Endeavour Group shares commenced trading on a conditional basis on 24 June 2021.

F21 Executive KMP

The table below presents the remuneration actually paid to, or vested for, Executive KMP in F21.

EXECUTIVE KMP	TOTAL FIXED REMUNERATION	RELOCATION ¹ AND OTHER BENEFITS	F21 CASH STI	VESTED F19 ² DEFERRED STI	VESTED ² F19-21 LTI	TOTAL
Brad Banducci Chief Executive Officer	2,600,000	4,421	1,651,650	1,355,578	5,210,060	10,821,709
Natalie Davis³ Managing Director, Woolworths Supermarkets	714,319	44,548	407,813	170,486	454,301	1,791,467
Stephen Donohue Managing Director, Endeavour Drinks	962,000	4,421	611,111	410,329	2,004,749	3,992,610
Stephen Harrison Chief Financial Officer	900,001	4,421	519,750	0	1,254,228	2,678,400
Claire Peters⁴ Managing Director, Woolworths Supermarkets	325,000	140,430	187,688	385,094	2,031,873	3,070,085

1 Relocation and other benefits include the deemed premium in respect of Directors and Officers Indemnity Insurance. In relation to Ms Davis and Ms Peters, it also includes relocation benefits and associated fringe benefits tax.

2 Vested F19 Deferred STI and Vested F19-21 LTI is based on the five-day Volume Weighted Average Price of Woolworths Group shares up to and including 1 July 2021 (\$37.6069).

3 Ms Davis was appointed Managing Director, Woolworths Supermarkets and became Executive KMP on 1 October 2020. Disclosed remuneration reflects remuneration earned from 1 October 2020. Total Fixed Remuneration, Relocation and other benefits, and F21 Cash STI represent nine of the 12 months in F21. Vested F19 Deferred STI is nine of the 24 months deferral period, and vested F19-21 LTI represents nine of the 36 months of the F19-21 plan.

4 Ms Peters was Managing Director, Woolworths Supermarkets until 30 September 2020, after which she commenced a new role, which is not recognised as Executive KMP. Disclosed remuneration reflects remuneration earned to 30 September 2020. Total Fixed Remuneration, Relocation and other benefits, and F21 Cash STI represent three of the 12 months in F21. Vested F19 Deferred STI is 15 of the 24 months deferral period, and vested F19-21 LTI represents 27 of the 36 months of the F19-21 plan.

Further detail of individual remuneration outcomes is provided on pages 61 to 63 of this report.

2 EXECUTIVE KMP REMUNERATION

2.1 SHORT-TERM INCENTIVE

Our approach and rationale: F21 Short-Term Incentive

We believe that alignment of our STI arrangements from the CEO through to our store teams is a key symbol of our Customer 1st Team 1st Brand and Culture approach to transforming our business. Individual STI outcomes reflect business performance against the STI scorecard and individual contribution to these results, including our Ways-of-Working and Core Values. The Board also reviews executive behaviour and any malus policy considerations when determining STI outcomes for Executive KMP. All measures and targets are reviewed annually so that STI drives the right outcomes each year. Intended changes for the F22 plan are set out in [section 2.5](#).

Assessing business performance:

The STI balanced scorecard includes a mix of metrics, with 60% weighting on financial metrics and 40% weighting on non-financial metrics. Five equally weighted business scorecard measures drive outcomes for shareholders, customers and our team:



Customer Satisfaction

Our strategy is underpinned by great customer experiences and success is dependent on us delivering convenient ways to shop and competitive prices for our customers so they continue to choose us over our competitors. Our online platforms are key to delivering new and improved ways customers can shop with us. Customer feedback measures include Net Promoter Score (NPS) to better measure progress against our ambition to deliver better shopping experiences. We use Voice of Customer (VOC) and NPS methodology weighted 30% to our eCommerce customers and 70% to our in-store customers to measure overall customer satisfaction.

Safety

We are a people business and the safety of our team and customers is of great importance. Safety performance is measured using three equally weighted measures, which includes improvement in: (i) customer claims; (ii) total recordable (team member) injuries; and (iii) hours lost. We measure the number of injuries as opposed to frequency rates so that our measures are easier to understand and communicate. Hours lost are included in the overall safety performance to help us understand both the frequency and severity of injuries.

Sales, EBIT and Working Capital Days

It is critical for the sustainability of our business to constantly work towards improving all elements of our financial performance, including the productivity of store selling space, the efficiency of our stores, supply chain and overall management of costs and the effective management of inventory and working capital. Sales, EBIT and Working Capital performance are all key financial performance metrics used to measure the creation of value for our shareholders.

Assessing individual performance:

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

- Business strategy and performance goals that capture how individuals contribute to the performance of the business during the year, and their contribution to initiatives that will transform our business for the future.
- Ways-of-Working and people goals that capture how business strategy and performance goals have been delivered, and how leaders set their teams up for success.

The Board also has discretion to adjust the vesting of Deferred STI (DSTI) for individuals, which may be reduced (including to zero) for cases of behaviour inconsistent with our Ways-of-Working or Core Values (see malus policy on [page 68](#)). These would be the most serious of cases that would not have been adequately dealt with through normal performance management or consequence frameworks.

Delivering STI outcomes:

Depending on business and individual performance:

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

This gives the Board sufficient opportunity to vary STI outcomes so they reflect differing levels of performance. The Board also has discretion to vary STI awards due to factors that are beyond these performance measures so that rewards appropriately reflect complete performance.

Group Executive STI awards are delivered:

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

The 50% deferred component supports increased share ownership, facilitates retention, and is a risk management lever to facilitate malus policy application during the deferral period.



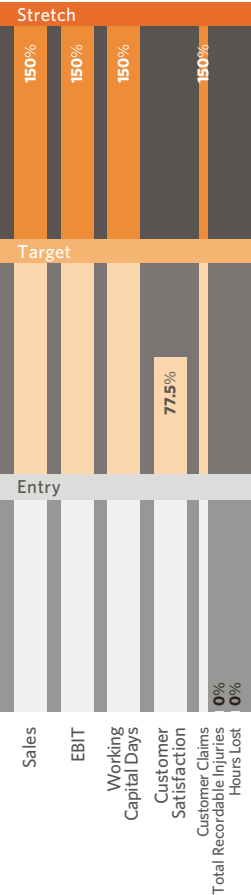
2.1 SHORT TERM INCENTIVE (CONTINUED)

Performance against: F21 STI measures

The scorecard performance outcome for F21 was 115.5% of target.

F21 performance against the STI scorecard was above target.
115.5% of Target
77.0% of Max

F21 ACTUAL PERFORMANCE



Sales¹

Sales from continuing and discontinued operations was \$67,278 million, representing growth of 5.7%, and two-year average growth of 7.1%². Sales growth in excess of Stretch was achieved in all businesses apart from NZ Food, with sales growth as follows: Australian Food 5.6%; Endeavour Drinks 9.9%; NZ Food -0.6% (NZD); BIG W 11.6% and Hotels 7.3%. Growth was impacted both by elevated in-home consumption in response to COVID-19 restrictions for our Food and Drinks businesses, despite cycling the significant growth of H2 F20, and strong trading performance. **Overall performance was above Stretch for F21.**

ENTRY: \$63.9BN	TARGET: \$64.8BN	STRETCH: \$65.6BN	ACTUAL F21: \$67.2BN ¹
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- 1 Sales is the revenue from the sale of goods and services, excluding other operating revenue.
2 Two-year average sales growth excludes Petrol, which was sold in 2019.

Earnings Before Interest and Tax³

EBIT from continuing and discontinued operations before significant items was \$3,663 million, representing growth of 13.7%. Outperformance was delivered across all business units apart from New Zealand Food, with flow-through from strong top-line achieved despite significant COVID-19 costs incurred through the year. **Overall performance was above Stretch for F21.**

ENTRY: \$3.25BN	TARGET: \$3.32BN	STRETCH: \$3.38BN	ACTUAL F21: \$3.66BN
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- 3 Significant items not included in this measure were a net gain of \$59 million, including a net gain on acquisition of a majority share of Quantum (\$221 million), costs on Endeavour Group demerger and PFD acquisition (\$68 million), strategic decisions related to Supply Chain restructure (\$44 million) and Metro Food Stores impairments (\$50 million).

Working Capital Days

Trade Working Capital improved by 1.8 days, 1.5 days ahead of budget. At a Group level, Inventory improved by 0.7 days, Accounts Payable by 0.9 days and Accounts Receivable by 0.2 days. **Overall performance was above Stretch for F21.**

ENTRY: 0.9 DAYS	TARGET: 0.5 DAYS	STRETCH: 0.1 DAYS	ACTUAL F21: (0.9) DAYS
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Customer Satisfaction

Group VOC NPS was 56.1 for F21. VOC NPS results were positive through a highly volatile and challenging year in F21. The result was driven by positive movements in Australian Food, NZ Food, Dan Murphy's, BWS and BIG W. **Overall performance was between Entry and Target for F21.**

ENTRY: 55.0	TARGET: 57.0	STRETCH: 59.0	ACTUAL F21: 56.1
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Safety

The F21 performance was dominated by COVID-19 and some atypical patterns due to the impact of the pandemic across our network. Positively, we achieved a strong improvement in reducing customer injuries in F21, with our customer claims measure exceeding stretch, 1,891 or 63% of our total sites did not record either a Total Recordable Injury, or a Customer injury/claim in F21. However, the Total Recordable Injury and Hours Lost metrics did not meet their F21 entry targets. The material increase in manual activity during the pandemic period was reflected in an increase in musculoskeletal injuries and associated recovery time.

ENTRY: -2%	TARGET: -4%	STRETCH: -6%	ACTUAL F21: -7.38%
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ENTRY: -1%	TARGET: -3%	STRETCH: -5%	ACTUAL F21: 5.18%
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ENTRY: -1%	TARGET: -3%	STRETCH: -5%	ACTUAL F21: 5.34%
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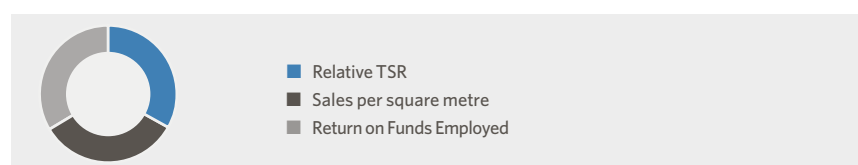
2.2 LONG-TERM INCENTIVE

Our approach and rationale: Long-Term Incentive

The Group's Long-Term Incentive (LTI) Plan is called the Woolworths Incentive Share Plan (WISP). The following information applies to awards made under the F19, F20 and F21 plans. Intended changes for the F22 plan are set out in [section 2.5](#).

Assessing business performance:

The LTI rewards executives subject to performance against three equally weighted measures over a three-year performance period:



Relative TSR (rTSR)

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

Sales per square metre (Sales/sqm)

Sales/sqm measures sales productivity improvements across the Food and Drinks businesses. Efficient use of our physical network for in-store and online sales is important to our success.

Return on Funds Employed (ROFE)

ROFE is an important measure to drive behaviours consistent with the delivery of long-term shareholder value. ROFE improvements can be delivered through earnings growth as well as the disciplined allocation of capital, management of assets, and working capital which is important for a business that is building capabilities for the future. ROFE is defined as EBIT (from continuing and discontinued operations) before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed, including significant item provisions.

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

The vesting schedule for these measures, which are each one third of the total award, is:

	rTSR ¹	SALES/sqm	ROFE	TOTAL % MAX
Entry	16.66%	6.66%	6.66%	29.98%
Target	n/a	20.00%	20.00%	
Stretch	33.34%	33.33%	33.33%	100%

¹ Consistent with market practice, 50% of the rTSR tranche vests at the 50th percentile which is the entry point for vesting to occur.

Assessing individual performance:

The Board has discretion to adjust the vesting outcome for individuals, which may be reduced (including to zero) for behaviour inconsistent with our Ways-of-Working or Core Values (see malus policy on [page 68](#)). These would be the most serious of cases that would not have been adequately dealt with through normal performance management or consequence frameworks.

Delivering LTI Outcomes:

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



2.2 LONG TERM INCENTIVE (CONTINUED)

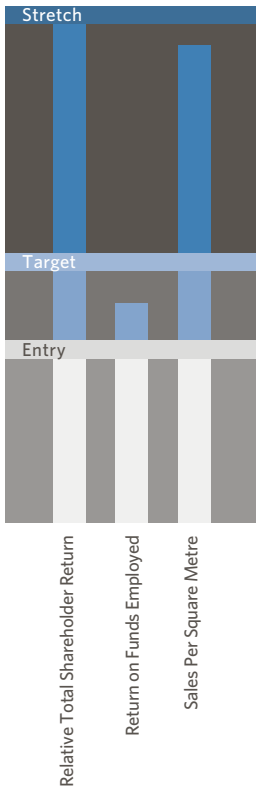
Performance against: F19-21 LTI Measures

The Woolworths Incentive Share Plan (WISP) replaced the Transformation Incentive Plan (TIP) that had operated for the first two years of the Group’s transformation. The F19-21 WISP was granted effective July 2018 with a lower level of award than TIP, reflecting a more stabilised operating environment. We set challenging performance targets so that maximum outcomes would only be delivered if very demanding stretch objectives were achieved.

The F19-21 Award achieved above target performance.

131.7% of Target
77.5% of Max

F19 TO F21
ACTUAL PERFORMANCE



Relative Total Shareholder Return

Woolworths Group’s TSR over the three-year performance period was 61.03%, ranking 4th in our peer group, which was an 89.7th percentile performance. The demerger of Endeavour Group occurred at the end of the three-year performance period for the F19-21 plan, and in these circumstances an adjustment factor is applied to recognise the impact of the demerger from a share price perspective. **Performance of this metric was above Stretch.**

ENTRY: 50TH PERCENTILE	STRETCH: 75TH PERCENTILE	ACTUAL RESULT: 89.7TH PERCENTILE
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Return on Funds Employed¹

Group ROFE for the purposes of the LTI metric for F21 was 15.4%, an increase of 150bps over the three-year plan period. The improvement was driven by EBIT growth of 18.2% over the three-year plan period compared to an increase in funds employed of 7.0% over the same period. Reported ROFE was 16.9%; however, ROFE as an LTI measure was adjusted to exclude the demerger distribution liability, the impact of the acquisition of Quantum, and Endeavour Group corporate costs. **Performance of this metric was between Entry and Target.**

ENTRY: 15.1%	TARGET: 15.9%	STRETCH: 17.1%	ACTUAL RESULT: 15.4%
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1 Group ROFE from continuing and discontinued operations is calculated as EBIT from continuing and discontinued operations before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed, including significant item provisions.

Sales per square metre²

Total sales/sqm was \$18,294 for F21. Over each year of the plan period, an improvement in sales/sqm has been achieved, driven in particular by strong sales growth in Australian Food and Endeavour Drinks. Over the plan period, 5.8% CAGR sales growth and 2.1% CAGR space growth delivered a 3.6% CAGR in sales/sqm³. **Performance of this metric was between Target and Stretch.**

ENTRY: \$16,855	TARGET: \$17,413	STRETCH: \$18,351	ACTUAL RESULT: \$18,294
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2 Sales per square metre is calculated as total Group Sales (continuing and discontinued operations)/sqm for both continuing and discontinued operations.
3 Due to rounding and cumulative growth the sales/sqm CAGR at 3.6% is not a direct function of sales CAGR (5.8%) less space CAGR (2.1%).

2.3 WHAT WE PAID EXECUTIVE KMP IN F21 AND PROGRESS ON MINIMUM SHAREHOLDING REQUIREMENTS

The following pages compare actual, target, and maximum remuneration received during F21 for the Executive KMP. Amounts include:

- Total fixed remuneration received (including base salary, superannuation, and car allowance).
- Relocation and other benefits received, including the deemed premium in respect of Director's and Officer's indemnity insurance (\$4,421).
- Cash STI received for business and individual performance in F21.
- Equity that vested during the year at face value for each plan.
- Equity granted in F21 and all unvested equity awards (Share Rights for DSTI and Performance Rights for LTI).

At the end of F21, the demerger of Endeavour Group (ASX:EDV) had an impact on the operation of Woolworths Group's share plans. Unvested share rights or performance rights did not receive Endeavour Group shares upon demerger. This reduced the value of these rights after Woolworths share price traded lower to reflect the demerger of Endeavour.

Consistent with the Group share plan rules, and to maintain the integrity of our Group share plans so that team members were, on balance, no better or worse off as a result of the demerger, the underlying unvested awards were adjusted by increasing the number of share rights or performance rights by a factor of 1.1653, determined using a standard formula¹. This variation was applied to the following plans that were on foot at the time of the demerger, and is reflected in the individual balances in the Executive KMP tables below:

- Awards that vested in F21: F19 DSTI and F19-21 WISP.
- Awards that may vest in the future: F20 DSTI, F20-22 WISP, and F21-23 WISP.

The above variation also applies to awards retained by departed Endeavour Group team members. For these team members, it was determined that the portion of any unvested WISP rights that related to tenure after the demerger would not be cash settled and were forfeited.

Awards from the F19 DSTI and F19-21 WISP vested on 1 July 2021 for our Executive KMP. The disclosed value of the vested awards uses the Woolworths Group five-day VWAP up to and including 1 July 2021. The change in share price and the accumulated dividends that would have been earned and reinvested over the period in the form of additional shares at vesting are contributing factors in the final value received by the Executive KMP from the respective plans.

The individual tables below also show progress against the Minimum Shareholding Requirements (MSR) as at 1 July 2021 (\$37.6069). Further detail on the MSR requirements are included in [Section 3.4](#).

Brad Banducci CHIEF EXECUTIVE OFFICER

Term as KMP: Full Year

Actual remuneration received for F21 v Target and Maximum (\$000)

Actual Remuneration	2,600	4	1,652	1,197	4,200	1,169	10,822
Target Remuneration	2,600	4	1,300	1,300	2,600		7,804
Maximum Remuneration	2,600	4	1,950	1,950	4,420		10,924

Progress on Minimum Shareholding Requirement (MSR) as at 1 July 2021 (\$000)

ACTUAL	\$19,075
TARGET	\$5,200

Equity granted (\$000)

F21 DSTI	1,652
F21-23 WISP	5,283
Total	6,935

Unvested LTI and STI Awards (\$000)

F20 DSTI	0
F20-22 WISP	5,831
F21 DSTI	1,652
F21-23 WISP	5,283
Total	12,766

Vested LTI and STI Awards (\$000) including share price uplift

F19 DSTI	1,356
F19-21 WISP	5,210
Total	6,566

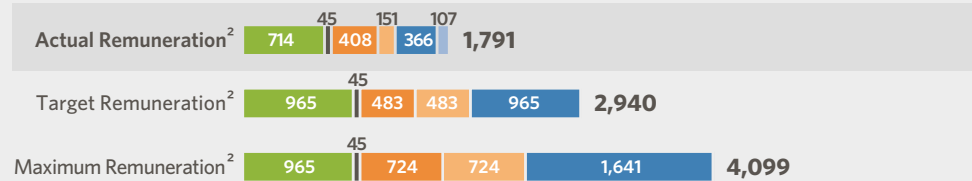
LEGEND ■ TFR ■ Relocation and other benefits ■ Cash STI ■ DSTI (grant share price) ■ LTI (grant share price) ■ Vested DSTI and LTI (vested share price)

¹ Number of rights held immediately prior to demerger x ((WOW five-day VWAP post demerger + EDV five-day VWAP post demerger)/WOW five-day VWAP post demerger) - Number of rights held immediately prior to demerger. In this case, the WOW VWAP was \$37.5475 and the EDV VWAP was \$6.2068.



Remuneration Report

2.3 WHAT WE PAID EXECUTIVE KMP IN F21 AND PROGRESS ON MINIMUM SHAREHOLDING REQUIREMENTS (CONTINUED)

Natalie Davis MANAGING DIRECTOR, WOOLWORTHS SUPERMARKETSTerm as KMP: from 1 October 2020¹**Actual remuneration received for F21 v Target and Maximum (\$000)****Progress on Minimum Shareholding Requirement (MSR)**
as at 1 July 2021 (\$000)**ACTUAL** \$6,369**TARGET** \$965**Equity granted (\$000)**

F21 DSTI	544
F21-23 WISP	1,772
Total	2,316

Unvested LTI and STI Awards (\$000)

F20 DSTI	365
F20-22 WISP	1,955
F21 DSTI	544
F21-23 WISP	1,772
Total	4,636

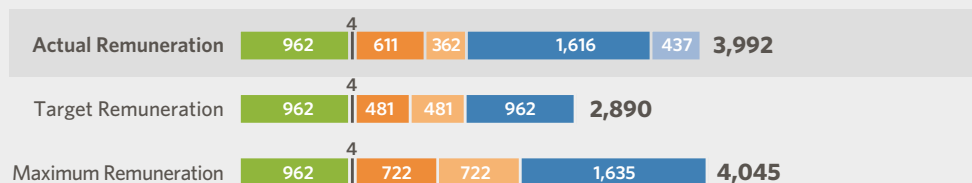
Vested LTI and STI Awards (\$000)
including share price uplift

F19 DSTI	455
F19-21 WISP	1,817
Total	2,272

- 1 Ms Davis was an Executive KMP for nine months of F21 after commencing in the Managing Director, Woolworths Supermarkets role on 1 October 2020.
- 2 Actual Remuneration is prorated to report the proportion of each component of remuneration that can be attributed to the period as Executive KMP. For TFR and Cash STI that is nine out of 12 months, for DSTI that is nine out of 24 months, and for LTI that is nine out of 36 months. Target and Maximum Remuneration represent full year remuneration package settings.

Stephen Donohue MANAGING DIRECTOR, ENDEAVOUR DRINKS

Term as KMP: Full Year

Actual remuneration received for F21 v Target and Maximum (\$000)**Progress on Minimum Shareholding Requirement (MSR)**
as at 1 July 2021 (\$000)**ACTUAL** \$3,809**TARGET** \$962**Equity granted (\$000)**

F21 DSTI	611
F21-23 WISP ¹	1,769
Total	2,380

Unvested LTI and STI Awards (\$000)

F20 DSTI	402
F20-22 WISP	1,433
F21 DSTI	611
F21-23 WISP ¹	646
Total	3,092

Vested LTI and STI Awards (\$000)
including share price uplift

F19 DSTI	410
F19-21 WISP	2,005
Total	2,415

- 1 66.94% of Mr Donohue's F21-23 WISP award would not be cash settled and was forfeited upon his departure from the Woolworths Group as a result of the Endeavour Group demerger. The initial award was \$1.769 million, and the value remaining unvested after the adjustment was \$0.646 million.

LEGEND ■ TFR ■ Relocation and other benefits ■ Cash STI ■ DSTI (grant share price) ■ LTI (grant share price) ■ Vested DSTI and LTI (vested share price)

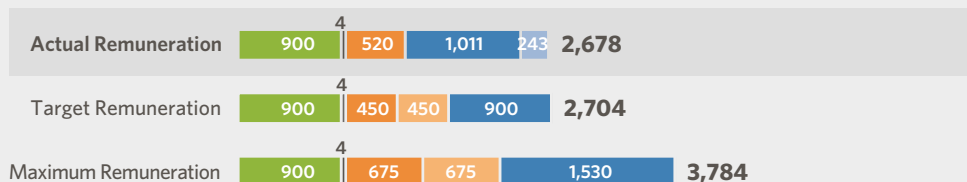
2.3

WHAT WE PAID EXECUTIVE KMP IN F21 AND PROGRESS ON MINIMUM
SHAREHOLDING REQUIREMENTS (CONTINUED)

Stephen Harrison CHIEF FINANCIAL OFFICER

Term as KMP: Full Year

Actual remuneration received for F21 v Target and Maximum (\$000)

Progress on Minimum
Shareholding
Requirement (MSR)
as at 1 July 2021 (\$000)

ACTUAL \$3,805

TARGET \$900

Equity granted
(\$000)

F21 DSTI	520
F21-23 WISP	1,829
Total	2,349

Unvested LTI and STI
Awards (\$000)

F20 DSTI	345
F20-22 WISP	2,018
F21 DSTI	520
F21-23 WISP	1,829
Total	4,712

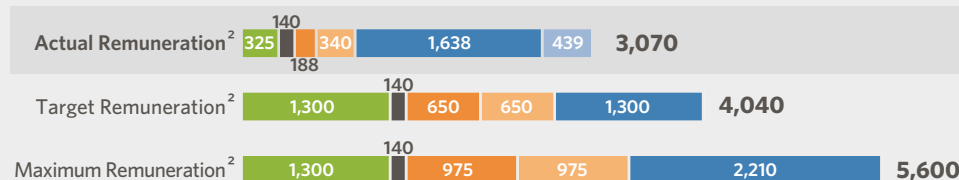
Vested LTI and STI
Awards (\$000)
including share price uplift

F19 DSTI	0
F19-21 WISP	1,254
Total	1,254

Claire Peters MANAGING DIRECTOR, WOOLWORTHS SUPERMARKETS

Term as KMP: until 30 September 2020¹

Actual remuneration received for F21 v Target and Maximum (\$000)

Progress on Minimum
Shareholding
Requirement (MSR)
as at 1 July 2021 (\$000)

ACTUAL \$4,151

TARGET \$1,300

Equity granted
(\$000)

F21 DSTI	751
F21-23 WISP	2,642
Total	3,393

Unvested LTI and STI
Awards (\$000)

F20 DSTI	544
F20-22 WISP	2,915
F21 DSTI	751
F21-23 WISP	2,642
Total	6,852

Vested LTI and STI
Awards (\$000)
including share price uplift

F19 DSTI	616
F19-21 WISP	2,709
Total	3,325

- 1 Ms Peters was an Executive KMP for three months of F21 while in the role of Managing Director, Woolworths Supermarkets, which she performed until 30 September 2020.
- 2 Actual Remuneration is prorated to report the proportion of each component of remuneration that can be attributed to the period as Executive KMP. For TFR and Cash STI that is three out of 12 months, for DSTI that is 15 out of 24 months, and for LTI that is 27 out of 36 months. Target and Maximum Remuneration represent full year remuneration package settings.

LEGEND ■ TFR ■ Relocation and other benefits ■ Cash STI ■ DSTI (grant share price) ■ LTI (grant share price) ■ Vested DSTI and LTI (vested share price)



Remuneration Report

2.4 TERMS OF EXECUTIVE KMP SERVICE AGREEMENTS

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

Termination by Company

Where the notice period is worked:

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

Where the notice period is paid in lieu:

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

In both circumstances:

- The extent to which STI, DSTI and LTI arrangements remain in place will be treated in accordance with the relevant rules for the award, including any exercise of discretion by the Board. Refer to [Section 3.3](#) for further details.

If termination is for cause:

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

Termination by Executive KMP

Where the notice period is worked:

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

Where the notice period is paid in lieu:

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

In both circumstances:

- The extent to which STI is payable will be treated in accordance with the relevant rules for the award, including any exercise of discretion by the Board.
- Unvested DSTI and LTI are treated in accordance with the relevant rules for the award and at the discretion of the Board. Refer to [Section 3.3](#) for further detail.

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

2.5 REMUNERATION FRAMEWORK CHANGES FOR F22

In F21, the People Committee commissioned PwC to undertake a comprehensive independent review of the Group's current remuneration framework. The purpose of the review was to confirm that the remuneration framework remains fit for purpose, recognising Woolworths Group's significant growth in recent years, an evolving business, with changing company portfolio strategy, and operating amidst changing external stakeholder expectations of remuneration for large ASX listed companies.

The review confirmed that the current remuneration framework is fit for purpose, demonstrating a strong link between pay and performance, and is relatively aligned to the broader Australian market and as such, the Board determined that no significant change was required. However, the progress of the Group's transformation over F21 led the Board to introduce a number of changes to strengthen alignment of the performance measures with the Group's strategic objectives.

These changes are outlined on the following page.



2.5 REMUNERATION FRAMEWORK CHANGES FOR F22 (CONTINUED)

The following table outlines the changes for F22 to the remuneration framework:

F21 COMPONENT		CHANGES EFFECTIVE 1 JULY 2021 (F22)		RATIONALE	
Short-Term Incentive					
Adjustment to Safety Performance Measure (20% weighting)					
Safety performance is measured using three equally weighted measures, which includes improvement in: (i) customer claims; (ii) total recordable (team member) injuries; and (iii) hours lost.		Safety performance will be measured by the Severity Rate, which is a blended measure that includes all team and customer injuries/illnesses (first aid through to lost time injuries, both physical and psychological) and those events with a high potential severity (potential to cause a fatality). The higher the severity of an incident (actual or potential), the higher its severity score. The total of all severity scores is then divided by the event count to determine the Severity Rate.		The safety of our team and customers is very important to us, so we have broadened our existing measure. The new measure will ensure that the most serious incidents will have the biggest impact on the outcomes for the safety measure. Including a broader range of safety incidents will help us monitor more complex and emerging risks to the wellbeing of our team and customers.	
Long-Term Incentive					
Removal of Sales/sqm performance measure and introduction of Reputation performance measure (20% weighting – see below)					
Efficient use of our physical network for in-store and online Food sales in Australia and New Zealand.		Reputation, using the RepTrak measure, and calculated as the average of the previous 12 months rolling 12-month scores in the final year of the plan vs. the baseline. This measures brand reputation across four key metrics; trust, admiration, positive feeling, and esteem.		Reputation plays a key role in the extent to which customers choose to engage with Woolworths Group, and has a high correlation to sales. It represents delivery against our purpose (internally), commitments (externally) and evolving expectations of our customers. It also takes into account our relationship with our team, suppliers, and other key stakeholders. Including this measure in the LTI will keep these matters in sharp focus as we seek to deliver our strategy. While Sales/sqm remains a key internal metric in driving strong performance outcomes, it is becoming less relevant as a Group performance measure as eCommerce continues to grow and the Group builds its ecosystem, which includes businesses where the key value drivers are different to traditional retail businesses. A focus on sales and retail productively will continue through sales and EBIT in the STI and ROFE in the LTI.	
Weighting of performance measures					
rTSR – 33.34% ROFE – 33.33% Sales/sqm – 33.33%		rTSR – 40% ROFE – 40% Reputation – 20%		Introducing a non-financial measure of Reputation in the LTI reinforces an important long-term driver of success. However, until it is more embedded in the Group, the majority of LTI measures (80%) remain weighted to financial performance.	
Vesting schedule					
	rTSR	SALES/ sqm	ROFE	TOTAL % MAX	
Entry	16.66%	6.66%	6.66%	29.98%	The change in weighting of the LTI components results in an accompanying change in the LTI vesting schedule.
Target	n/a	20.00%	20.00%		
Stretch	33.34%	33.33%	33.33%	100%	
	rTSR	ROFE	REPUTATION	TOTAL % MAX	
Entry	20%	8%	4%	32%	
Target	n/a	24%	12%		
Stretch	40%	40%	20%	100%	

The CEO's F22-24 WISP grant reflects these changes, and will be put to shareholders at the 2021 AGM.



3 GOVERNANCE

3.1 ROLE OF THE BOARD

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

When reviewing performance and determining incentive outcomes, the Board starts from the presumption that performance outcomes that determine incentive awards should align with market-reported outcomes, management activity and shareholder outcomes. To achieve this alignment, the Board retains discretion over final performance and incentive outcomes, and recognises that there are cases where adjustments should be made. The Board considers PC recommendations and consequences of risk-related matters, including whether malus should be applied in the process of finalising incentive and reward outcomes. In determining reward outcomes, the Board will also pay specific attention to items that are:

- Outside of the control of management.
- The result of portfolio/strategy changes implemented but not envisaged in the original performance targets.
- Due to significant change in asset valuations outside the normal course of business.
- Significant risk management and compliance matters.

3.2 ROLE OF THE PEOPLE COMMITTEE (PC)

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

The PC reviews the CEO's proposal for performance and incentive outcomes with a risk lens. This incorporates advice from the CRO, CLO, CPO, and Head of Internal Audit, as well as consultation with Committee Chairs and all Directors to help inform its recommendations to the Board on the consequence of risk-related matters on variable remuneration of the CEO and his direct reports, and overall Group STI and LTI outcomes.

A copy of the PC Charter is available on the company's website: www.woolworthsgroup.com.au

The chair of the Board and the chair of the PC regularly engage with external stakeholders on remuneration arrangements.

Independent Remuneration Advisors

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

The requirement for external remuneration advisor services is assessed annually in the context of matters the PC needs to address. External advice is used as a guide, and does not serve as a substitute for Directors' thorough consideration of the relevant matters.

The Board and PC engaged PwC as its independent Remuneration Advisor. While Woolworths seeks regular input from PwC, no remuneration recommendations, as defined by the *Corporations Act 2001* (Cth), were made by our remuneration advisors.

3.3 TREATMENT OF UNVESTED EQUITY AWARDS UPON EXIT

For the DSTI and LTI plans, the Board has overriding discretion over the treatment of awards when an executive ceases employment. At the 2020 AGM, shareholders again approved providing the Board with discretion to determine how unvested share rights awards will be treated when an executive ceases employment.

The approach the Board would expect to take when exercising this discretion is:

REASON FOR LEAVING	DEFERRED STI	UNVESTED LTI
Genuine retirement	Remain on foot until the end of the deferral period and vest at that time	Award pro-rated for portion of the performance period participant has worked and remains 'on foot' until the end of the performance period
Death, illness and incapacity		
Termination for cause/gross misconduct/poor performance	Award forfeited	Award forfeited
Resignation	Award forfeited	Award forfeited
Mutual separation, redundancy, or other reasons as determined by Board	The Board will determine the appropriate treatment in the circumstances on a case by case basis	

In cases of resignation, the Board will consider the circumstances surrounding each case to allow for the appropriate treatment. For instance, where the executive is not resigning to join a direct competitor and all reasonable steps have been taken to continue to support the success of the business through to their final date of employment, the Board may consider it appropriate to allow some incentive awards to remain on foot.

In any case, where an award remains on foot post employment, the Board retains absolute discretion under the various plan rules as to the final vesting outcome. The Board will continue to monitor the executive post employment and if they do not meet their post-employment obligations, the Board may lapse any remaining awards. For example, in cases where:

- The executive resigns to join a competitor organisation, or in the Board's opinion the executive does not support the business to their final day of employment, any unvested DSTI and LTI will generally lapse.
- The executive retires from Woolworths, but then at a later date (and prior to vesting of awards) undertakes actions inconsistent with retirement, it may result in the Board reconsidering the treatment of any unvested awards.

The Board will disclose any exercise of discretion in relation to Executive KMP in the Remuneration Report.



3.4 OTHER GOVERNANCE REQUIREMENTS

Hedging policy	Under the Securities Trading policy, senior executives and other specified team members (Specified Persons) may not enter into any derivative (including hedging) transaction that will protect the value of either unvested securities or vested securities that are subject to a disposal restriction, issued as part of our share plans. Compliance with the policy is a condition of participation in the plans.
Malus policy	The Executive KMP STI and LTI arrangements are subject to malus provisions that enable the Board to adjust unpaid and/or unvested awards (including to reduce to zero) where it is appropriate to do so. The Board may determine that any unpaid cash STI or unvested DSTI or LTI awards will be forfeited in the event of wilful misconduct, dishonesty or severe breach of our Code of Conduct by the executive. The Board may also adjust these awards in cases of unexpected or unforeseen events impacting performance outcomes, performance with regard to non-financial risk, an outcome which would cause significant reputational damage to the Woolworths Group brand, or a broader assessment of performance indicating there should be an adjustment.
Minimum shareholding requirements (MSR)	<ul style="list-style-type: none"> • CEO: 200% of TFR. • Other Executive KMP: 100% of TFR. • Compliance is required within four years of appointment for the CEO and within five years for other Executive KMP. No shares may be sold until the MSR is reached. • MSR includes the aggregate value of current shareholdings and unvested DSTI awards for Executive KMP.
Dividends	Shares equivalent to the value of dividends that would have been earned and reinvested over the performance period are provided at the time of vesting. No dividend equivalent shares will be provided on awards (or portions thereof) that do not vest.
Blackout Periods	<p>Under the Securities Trading Policy, Specified Persons and their closely related parties must not deal in Woolworths Group Securities during a Blackout Period. Blackout Periods operate in the lead up to certain key announcements, namely:</p> <ul style="list-style-type: none"> • Quarter 1 sales results and Woolworths Annual General Meeting. • Quarter 3 sales results. • Half and Full Year results. <p>The Chairman, on recommendation of the Chief Legal Officer and Company Secretary, may vary or impose a restriction during other periods where deemed appropriate. Woolworths Group team members, including Specified Persons and their closely related parties, must also not deal in securities if they possess inside information, whether or not a Blackout Period applies to them.</p>

4 NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

4.1 NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY AND STRUCTURE

Non-executive Director fees are paid from an aggregate annual fee pool of \$4,000,000, as approved by shareholders at the AGM on 18 November 2010. Total Board and Committee fees paid during F21 were \$3,208,114 (refer to [Section 5.1](#) for individual details).

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

The table below provides a summary of F21 Board and Committee fees:

BOARD AND COMMITTEE FEES (\$)¹	CHAIR	MEMBER
	F21 FEE INCL. SUPER	F21 FEE INCL. SUPER
Woolworths Group Board	\$790,531	\$254,990
Audit and Finance Committee²	\$65,000	\$32,500
People Committee³	\$65,000	\$32,500
Risk Committee⁴	\$65,000	\$32,500
Sustainability Committee	\$65,000	\$32,500
Nomination Committee	Nil	Nil

1 There are no changes to Board and Committee fees for F22.

2 Formerly the Audit, Risk and Compliance Committee.

3 Formerly the People Performance Committee.

4 The Risk Committee was established on 1 May 2021.

4.2 NON-EXECUTIVE DIRECTORS' MINIMUM SHAREHOLDING REQUIREMENT

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

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

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

As of the financial year end, all Non-executive Directors hold, or are on track to achieve, the minimum shareholding requirement. Details of the current shareholdings for Non-executive Directors as at 27 June 2021 are provided in [Section 5.3](#).

4.3 NON-EXECUTIVE DIRECTORS' EQUITY PLAN

The Non-executive Director equity plan (the plan) was introduced to encourage and facilitate share ownership. The plan provides a pre-set automated mechanism for participants to acquire shares, recognising that Non-executive Directors can often be limited in their ability to purchase shares because of Australian insider trading laws. Non-executive Director share rights are allocated quarterly at the same time as the underlying shares are issued to the plan's trustee. For Australian-based directors, these rights convert into ordinary shares each half year; and for US-based directors, these rights convert into shares at the end of the director's tenure or other prescribed events (with additional shares equivalent to the dividends that would have been earned and reinvested on those rights), subject to compliance with the Securities Trading policy.

The plan supports the minimum shareholding requirement for Board members as it allows Non-executive Directors to reach the minimum shareholding requirements more quickly, as shares are acquired on a pre-tax basis. Details of the share rights allocated to Non-executive Directors are set out in [Section 5.2](#).

The Group will be seeking shareholder approval to continue this plan for a further three years at the 2021 AGM.



5 KMP STATUTORY DISCLOSURES

5.1 KMP REMUNERATION

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

SHORT-TERM BENEFITS							
		DIRECTOR FEES \$	FEES SACRIFICED UNDER NEDP ¹ \$	NON-MONETARY AND OTHER BENEFITS ² \$	ADJUSTMENT DUE TO THE IMPACT OF DEMERGER ³ \$	POST EMPLOYMENT BENEFITS ⁴ \$	TOTAL \$
Non-executive Directors							
G M Cairns ⁵	F21	678,837	89,985	4,421	7,429	21,694	802,366
	F20	511,423	100,003	2,698	-	21,003	635,127
M N Brenner ⁶	F21	192,964	-	2,575	-	12,655	208,194
	F20	186,738	150,002	2,698	-	15,752	355,190
J R Broadbent, AC ⁷	F21	102,595	37,480	1,700	-	-	141,775
	F20	263,532	24,987	2,698	-	-	291,217
J C Carr-Smith ⁸	F21	253,740	49,981	4,421	13,207	-	321,349
	F20	265,096	66,398	2,698	-	21,003	355,195
H S Kramer	F21	330,817	-	4,421	-	5,424	340,662
	F20	304,238	-	2,698	-	15,752	322,688
S L McKenna	F21	352,424	-	4,421	-	5,424	362,269
	F20	360,947	-	2,698	-	10,501	374,146
S R Perkins	F21	319,990	-	4,421	-	-	324,411
	F20	359,990	-	2,698	-	-	362,688
K A Tesija ⁸	F21	221,657	119,963	4,421	9,905	-	355,946
	F20	203,031	120,009	2,698	-	10,501	336,239

1 Amounts represent Non-executive Directors' fees sacrificed in the current period to purchase share rights under the Non-executive Directors' Equity Plan plus amounts sacrificed in previous periods but used to purchase share rights in the current period. Refer to Section 4.3 for further details.

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

3 To maintain the award values, Non-executive Directors received an adjustment increasing the number of share rights under the Non-executive Directors' Equity Plan using a standard formula that has been applied in other comparable demerger situations. Refer to Section 2.3 for further details.

4 Post employment benefits represents superannuation paid directly to the Non-executive Directors' nominated superannuation fund. If the Group is not required to pay superannuation, the payment may be made as cash.

5 The F20 Chairman's fee of \$632,429 (excluding non-monetary and other benefits) reflects the 20% reduction in his Board fee announced to the market on 27 November 2019. The F20 approved fee was \$790,531.

6 Ms Brenner was appointed as a Non-executive Director on 1 December 2020.

7 Ms Broadbent ceased being a Non-executive Director on 12 November 2020.

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

5.1 KMP REMUNERATION

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

		SHORT-TERM BENEFITS				SHARE-BASED PAYMENTS ^{6, 7}				
		SALARY ¹	CASH INCENTIVE ²	NON- MONETARY AND OTHER BENEFITS ³	POST EMPLOYMENT BENEFITS ⁴	OTHER LONG-TERM BENEFITS ⁵	EQUITY GRANTS AT RISK ⁸	OTHER EQUITY GRANTS ⁹	TOTAL	
		\$	\$	\$	\$	\$	\$	\$	\$	
Executive KMP										
B L Banducci	F21	2,637,799	1,651,650	4,421	25,208	39,085	3,377,492	640,772	8,376,427	
	F20	2,633,994	-	2,698	25,000	39,239	2,247,457	1,160,049	6,108,437	
N Davis ¹⁰	F21	672,025	407,813	44,548	55,292	10,552	977,294	185,423	2,352,947	
S J Donohue	F21	916,997	611,111	4,421	25,208	14,193	1,500,750	618,432	3,691,112	
	F20	946,943	336,700	2,698	25,000	14,266	753,728	186,725	2,266,060	
S Harrison ¹¹	F21	862,442	519,750	4,421	25,208	13,232	906,811	143,989	2,475,853	
	F20	823,231	285,542	2,473	22,917	35,232	526,398	-	1,695,793	
C E Peters ¹²	F21	343,008	187,688	140,430	-	4,981	353,944	121,064	1,151,115	
	F20	1,325,733	455,000	291,001	-	19,030	1,056,467	430,808	3,578,039	

1 Salary includes the net change in accrued annual leave within the period and a car allowance.

2 Represents the cash component of the F21 STI, which was 50% of the total STI award. The remaining 50% is deferred in share rights for two years.

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

4 Post employment benefits represents superannuation paid directly to the Executive KMP's nominated superannuation fund. If the Group is not required to pay superannuation, the payment may be made as cash.

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

6 Represents the portion of the fair value of share rights expected to vest and is recognised as an expense over the vesting period. The amount recognised is adjusted to reflect the expected number of instruments that will vest for non-market based performance conditions, including ROFE and sales per square metre. No adjustment for non-vesting is made for failure to achieve the relative TSR performance hurdle, as this is taken into account in the fair value at grant date.

7 Share-based payments for Mr Donohue in F21 includes the impact of accelerated vesting as a result of the demerger.

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

9 Other equity grants are grants which are not subject to any further performance conditions except continuous employment, subject to the operation of the Group's malus policy.

10 Ms Davis became an Executive KMP on 1 October 2020, after commencing as Managing Director, Woolworths Supermarkets. Amounts represent the payments relating to the period in F21 during which Ms Davis was KMP.

11 Mr Harrison became an Executive KMP on 1 August 2019 after commencing as Chief Financial Officer. Amounts represent the payments relating to the period in F20 during which Mr Harrison was KMP.

12 Ms Peters ceased to be an Executive KMP on 30 September 2020, when Ms Peters transitioned from the Managing Director, Woolworths Supermarkets role to the Managing Director, B2B and Everyday Needs role. Amounts represent the payments relating to the period in F21 during which Ms Peters was KMP.



Remuneration Report

5.2 KMP SHARE RIGHT MOVEMENTS

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

	OPENING BALANCE NO.	SHARE RIGHTS GRANTED UNDER THE NON-EXECUTIVE DIRECTORS' EQUITY PLAN		SHARE RIGHTS VESTED NO.	ADJUSTMENT DUE TO THE IMPACT OF DEMERGER ²		CLOSING BALANCE NO.
		NO.	\$ ¹		NO.	\$	
Non-executive Directors							
G M Cairns	1,377	2,281	89,985	(2,563)	180	7,429	1,275
M N Brenner	-	-	-	-	-	-	-
J R Broadbent, AC	2,066	1,024	37,480	(3,090)	-	-	-
J C Carr-Smith	688	1,267	49,981	-	320	13,207	2,275
H S Kramer	914	1,623	63,981	(1,787)	123	5,076	873
S L McKenna	-	-	-	-	-	-	-
S R Perkins	-	-	-	-	-	-	-
K A Tesija	-	-	-	-	-	-	-
M J Ullmer, AO	1,653	3,041	119,963	(3,235)	240	9,905	1,699

1 Amounts represent Non-executive Directors' fees sacrificed in the current period to purchase share rights under the Non-executive Directors' Equity Plan plus amounts sacrificed in previous periods but used to purchase share rights in the current period.

2 To maintain the award values, Non-executive Directors received an adjustment increasing the number of share rights under the Non-executive Directors' Equity Plan using a standard formula that has been applied in other comparable demerger situations. Refer to [Section 2.3](#) for further details.

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

		OPENING BALANCE NO.	SHARE RIGHTS GRANTED		SHARE RIGHTS VESTED ³		SHARE RIGHTS LAPSED ⁴ NO.	ADJUSTMENT DUE TO THE IMPACT OF DEMERGER ⁵		CLOSING BALANCE NO.
			NO. ¹	\$ ²	NO.	\$		NO.	\$	
Executive KMP										
B L Banducci	F21	580,116	132,150	4,014,146	(186,835)	(7,429,935)	(77,032)	74,260	2,711,379	522,659
	F20	731,774	178,034	5,732,006	(272,170)	(9,904,402)	(57,522)	-	-	580,116
N Davis ⁶	F21	116,405	44,619	1,582,286	-	-	-	26,620	976,697	187,644
S J Donohue	F21	192,222	58,353	1,745,586	(48,874)	(1,943,590)	(74,241)	21,073	796,854	148,533
	F20	207,739	63,308	1,698,867	(61,798)	(2,252,111)	(17,027)	-	-	192,222
S Harrison ⁷	F21	135,252	53,155	1,606,953	(33,401)	(1,328,270)	(18,545)	22,556	815,715	159,017
	F20	137,168	49,717	1,282,939	(40,480)	(1,475,217)	(11,153)	-	-	135,252
C E Peters ⁸	F21	283,945	72,688	2,358,908	(84,125)	(3,345,429)	(40,056)	-	-	232,452
	F20	285,839	88,152	2,344,926	(75,483)	(2,709,517)	(14,563)	-	-	283,945

1 The holders of share rights issued in accordance with the Group's LTI and DSTI awards are entitled to dividends that would have been paid on the underlying award over the vesting period, which are received as additional share rights (Dividend Equivalent Rights or DERs) on vesting of the award. DERs vest on the same conditions as the underlying LTI or DSTI award to which they relate. The number of share rights granted during the period includes those share rights granted in accordance with the period's LTI and DSTI awards and DERs.

2 Share rights granted is the total fair value of share rights granted during the period determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the share right, in accordance with Australian Accounting Standards.

3 The value of share rights vested during the period is calculated based on the VWAP of Woolworths Group Limited shares traded in the five days prior to and including the date of vesting.

4 The number of share rights which lapsed as a result of failure to meet performance hurdles relates to the F18 LTI plans (F20: F17 LTI plans). In addition, for Mr Donohue, the total also includes performance share rights that have lapsed in the F20 and F21 WISP plans as a result of the demerger.

5 To maintain the award values, team members received an adjustment increasing the number of share rights or performance share rights in the on foot plans using a standard formula that has been applied in other comparable demerger situations. Refer to [Section 2.3](#) for further details.

6 Ms Davis' opening balance is as at 1 October 2020, the date on which Ms Davis became an Executive KMP, and includes awards granted prior to the period during which Ms Davis was KMP.

7 Mr Harrison's opening balance in F20 is as at 1 August 2019, the date on which Mr Harrison became an Executive KMP, and includes awards granted prior to the period during which Mr Harrison was KMP.

8 Ms Peters' closing balance is as at 30 September 2020, after which Ms Peters ceased to be an Executive KMP.

5.3 KMP SHARE MOVEMENTS

The table below summarises the movements in F21 of interests in shares of Woolworths Group Limited relating to the period during which individuals were KMP.

	OPENING BALANCE NO.	SHARES ISSUED UNDER DRP NO.	SHARES RECEIVED ON VESTING OF SHARE RIGHTS NO.	SHARES PURCHASED/ (DISPOSED) NO.	CLOSING BALANCE NO.
Non-executive Directors					
G M Cairns	35,348	770	2,563	-	38,681
M N Brenner ¹	2,731	-	-	-	2,731
J R Broadbent, AC ²	73,474	-	3,090	-	76,564
J C Carr-Smith	-	-	-	-	-
H S Kramer	11,488	-	1,787	-	13,275
S L McKenna	10,730	85	-	-	10,815
S R Perkins	17,473	-	-	-	17,473
K A Tesija	8,980	-	-	-	8,980
M J Ullmer, AO	27,809	-	3,235	-	31,044
Executive KMP					
B L Banducci	195,808	-	186,835	(50,000)	332,643
N Davis ³	98,977	-	-	-	98,977
S J Donohue	26,077	-	48,874	(48,874)	26,077
S Harrison	25,000	-	33,401	-	58,401
C E Peters ⁴	22,625	-	84,125	-	106,750

1 Ms Brenner's opening balance is as at 1 December 2020, the date on which Ms Brenner became a Non-executive Director, and includes shares acquired prior to the period during which Ms Brenner was a Non-executive Director.

2 Ms Broadbent ceased being a Non-executive Director on 12 November 2020 and the closing balance of shares is as at that date.

3 Ms Davis' opening balance is as at 1 October 2020, the date on which Ms Davis became an Executive KMP, and includes shares acquired prior to the period during which Ms Davis was an Executive KMP.

4 Ms Peters ceased to be an Executive KMP on 30 September 2020 and the closing balance of shares is as at that date.



Remuneration Report

5.4 SHARE RIGHTS OUTSTANDING FOR EXECUTIVE KMP

The table below sets out the grants and outstanding number of share rights for current Executive KMP. No amounts were paid or are payable by the recipient on receipt of the share rights and there are no outstanding vested share rights as at 27 June 2021.

	AWARD	GRANT DATE ¹	PERFORMANCE PERIOD START DATE	PERFORMANCE PERIOD END DATE ²	NO. OF RIGHTS EXCLUDING DERS AND IMPACT OF DEMERGER AT 27 JUNE 2021
Executive KMP					
B L Banducci	F19 LTI	21/11/2018	01/07/2018	01/07/2021	140,194
	F19 DSTI	17/09/2019	01/07/2019	01/07/2021	29,313
	F20 WISP	16/12/2019	01/07/2019	01/07/2022	133,049
	F21 WISP	12/11/2020	01/07/2020	01/07/2023	120,557
					423,113
N Davis	F19 LTI	30/11/2018	01/07/2018	01/07/2021	48,899
	F19 DSTI	17/09/2019	01/07/2019	01/07/2021	9,831
	F20 WISP	01/07/2019	01/07/2019	01/07/2022	44,622
	F20 DSTI	17/09/2020	01/07/2020	01/07/2022	8,324
	F21 WISP	01/07/2020	01/07/2020	01/07/2023	40,433
					152,109
S J Donohue	F19 LTI	30/11/2018	01/07/2018	01/07/2021	53,946
	F19 DSTI	17/09/2019	01/07/2019	01/07/2021	8,874
	F20 WISP	01/07/2019	01/07/2019	01/07/2022	32,698
	F20 DSTI	17/09/2020	01/07/2020	01/07/2022	9,183
	F21 WISP	01/07/2020	01/07/2020	01/07/2023	14,746
					119,447
S Harrison	F19 LTI	30/11/2018	01/07/2018	01/07/2021	33,751
	F20 WISP	01/07/2019	01/07/2019	01/07/2022	46,055
	F20 DSTI	17/09/2020	01/07/2020	01/07/2022	7,875
	F21 WISP	01/07/2020	01/07/2020	01/07/2023	41,731
					129,412

	GRANT DATE FAIR VALUE OF PERFORMANCE SHARE RIGHT ⁴					MODIFIED FAIR VALUE OF PERFORMANCE SHARE RIGHT ⁵			
	CEO			OTHER KMP		ALL KMP			
	TSR	SALES PER TRADING SQM AND ROFE	DSTI	TSR	SALES PER TRADING SQM AND ROFE	DSTI	TSR	SALES PER TRADING SQM AND ROFE	DSTI
F19 LTI	\$13.65	\$29.67	-	\$14.46	\$29.72	-	\$43.10	\$43.10	-
F19 DSTI	-	-	\$36.91	-	-	\$36.91	-	-	\$40.89
F20 WISP	\$28.11	\$38.37	-	\$17.53	\$33.02	-	\$37.41	\$40.89	-
F20 DSTI	-	-	-	-	-	\$36.48	-	-	\$39.22
F21 WISP	\$22.13	\$38.88	-	\$21.07	\$36.90	-	\$18.01	\$39.22	-

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

- Grant date is the date on which there is a shared understanding of the terms and conditions of the share-based payment arrangement.
- Exercise of share rights will occur the day after the full year results are announced to the market.
- The maximum value of award to vest represents the total maximum value of employee benefits expense, as based on the value at grant date that would be recorded if all share rights which remain outstanding at 27 June 2021 satisfied all relevant vesting conditions.

NO. OF DERS EXCLUDING IMPACT OF DEMERGER AT 27 JUNE 2021	ADJUSTMENT DUE TO IMPACT OF DEMERGER AT 27 JUNE 2021	TOTAL NO. OF RIGHTS AT 27 JUNE 2021	MAXIMUM VALUE OF AWARD TO VEST \$ ³
13,091	25,477	178,762	4,409,719
1,620	5,113	36,046	1,280,055
7,357	23,209	163,615	5,523,845
3,218	20,461	144,236	4,654,831
25,286	74,260	522,659	15,868,450
4,604	8,848	62,351	1,552,922
543	1,715	12,089	429,308
2,467	7,784	54,873	1,536,068
222	1,412	9,958	357,627
1,079	6,861	48,373	1,493,484
8,915	26,620	187,644	5,369,409
5,081	9,759	68,786	1,713,193
489	1,548	10,911	387,484
1,806	5,706	40,210	1,125,598
245	1,557	10,985	394,493
392	2,503	17,641	544,668
8,013	21,073	148,533	4,165,436
3,179	6,105	43,035	1,071,855
2,546	8,034	56,635	1,585,403
210	1,335	9,420	338,305
1,114	7,082	49,927	1,541,444
7,049	22,556	159,017	4,537,007

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- 4 The fair value of share rights with the relative TSR performance measure is calculated at the date of grant using a Monte Carlo simulation model, taking into account the impact of the relative TSR condition whilst the fair value of other share rights are calculated using a Black-Scholes option pricing model. The value disclosed is an input to the calculation of the grant date fair value of the share rights recognised as an expense in each reporting period. No performance conditions, other than ongoing employment, are attached to Deferred STI share rights awards, subject to the operation of the Group's malus policy.
- 5 The modified fair value of performance share rights has been determined at 24 June 2021, being the date the team members received an adjustment increasing the number of share rights in the on foot plans. The relative TSR performance measure is calculated using a Monte Carlo simulation model, taking into account the impact of the relative TSR condition whilst the fair value of other share rights are calculated using a Black-Scholes option pricing model. The value disclosed is an input to the calculation of the value of the share rights recognised as an expense in each reporting period.



Auditor's Independence Declaration

Deloitte.

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

26 August 2021

Dear Board Members

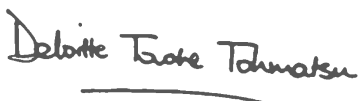
Auditor's Independence Declaration

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

As lead audit partners for the audit of the financial report of Woolworths Group Limited for the year ended 27 June 2021, we declare that to the best of our knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants
Sydney, 26 August 2021



T C Elliott
Partner
Chartered Accountants
Sydney, 26 August 2021

2021 Financial Report

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\$55,694M

Revenue from the sale of goods and services from continuing operations
4.9% increase from 2020.

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QUANTIUM ACQUISITION

On 31 May 2021, the Group acquired an additional equity interest in Quantum resulting in the Group gaining control of Quantum. Detailed disclosure of this acquisition is included in [Note 5.1](#).

[SEE PAGE 129](#)



ENDEAVOUR DEMERGER

On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group. Detailed disclosure of Endeavour Group as a discontinued operation is included in [Note 5.2](#).

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Consolidated Statement of Profit or Loss

	NOTE	2021 \$M	RESTATED' 2020 \$M
Continuing operations			
Revenue from the sale of goods and services	2.1	55,694	53,080
Cost of sales		(39,366)	(37,750)
Gross profit		16,328	15,330
Other revenue		117	148
Branch expenses		(9,838)	(9,564)
Administration expenses		(3,784)	(3,888)
Earnings before interest and tax		2,823	2,026
Finance costs	2.3	(613)	(671)
Profit before income tax		2,210	1,355
Income tax expense	3.7.1	(604)	(417)
Profit for the period from continuing operations		1,606	938
Discontinued operations			
Profit for the period from discontinued operations, after tax	5.2	533	271
Profit for the period		2,139	1,209
Profit for the period attributable to:			
Equity holders of the parent entity		2,074	1,165
Non-controlling interests		65	44
		2,139	1,209
Profit for the period attributable to equity holders of the parent entity related to:			
Profit from continuing operations		1,606	928
Profit from discontinued operations		468	237
		2,074	1,165
		CENTS	CENTS
Earnings per share (EPS) attributable to equity holders of the parent entity			
Basic EPS	4.1	165.0	92.7
Diluted EPS	4.1	164.2	92.2
EPS attributable to equity holders of the parent entity from continuing operations			
Basic EPS	4.1	127.7	73.9
Diluted EPS	4.1	127.1	73.5

1 Refer to Note 1.1 for further details.

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

Consolidated Statement of Other Comprehensive Income

	2021 \$M	RESTATED ¹ 2020 \$M
Profit for the period	2,139	1,209
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss, net of tax</i>		
Effective portion of changes in the fair value of cash flow hedges	25	(9)
Foreign currency translation of foreign operations	(9)	(54)
<i>Items that will not be subsequently reclassified to profit or loss, net of tax</i>		
Fair value (loss)/gain on equity investments designated as at fair value through other comprehensive income	(5)	1
Actuarial (loss)/gain on defined benefit superannuation plans	(11)	4
Other comprehensive income/(loss) for the period, net of tax	-	(58)
Total comprehensive income for the period	2,139	1,151
Total comprehensive income for the period attributable to:		
Equity holders of the parent entity	2,076	1,109
Non-controlling interests	63	42
	2,139	1,151
Total comprehensive income for the period from continuing operations attributable to:		
Equity holders of the parent entity	1,619	872
Non-controlling interests	-	10
	1,619	882

1 Refer to Note 1.1 for further details.

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



Consolidated Statement of Financial Position

	NOTE	2021 \$M	RESTATED ¹ 2020 \$M
Current assets			
Cash and cash equivalents	4.5.1	1,009	2,068
Trade and other receivables	3.1	649	740
Inventories		3,132	4,434
Other financial assets	3.2	19	534
Other current assets		18	16
		4,827	7,792
Assets held for sale or distribution	5.3.1	10,959	333
Total current assets		15,786	8,125
Non-current assets			
Trade and other receivables	3.1	133	154
Other financial assets	3.2	105	168
Lease assets	3.3.1	9,553	12,062
Property, plant and equipment	3.4	7,477	8,742
Intangible assets	3.5	4,671	7,717
Investments in associates		30	57
Deferred tax assets	3.7.3	1,371	1,327
Other non-current assets		110	120
Total non-current assets		23,450	30,347
Total assets		39,236	38,472
Current liabilities			
Trade and other payables	3.8	6,467	7,508
Lease liabilities	3.3.2	1,495	1,826
Borrowings	4.6.3	119	2,027
Current tax payable		252	131
Other financial liabilities	3.2	165	84
Provisions	3.9	1,518	1,881
Other current liabilities	5.3.2	7,870	-
		17,886	13,457
Liabilities associated with assets held for distribution	5.3.1	5,231	-
Total current liabilities		23,117	13,457
Non-current liabilities			
Lease liabilities	3.3.2	10,521	12,902
Borrowings	4.6.3	2,753	1,904
Other financial liabilities	3.2	251	3
Deferred tax liabilities	3.7.3	-	204
Provisions	3.9	804	918
Other non-current liabilities		51	52
Total non-current liabilities		14,380	15,983
Total liabilities		37,497	29,440
Net assets		1,739	9,032
Equity			
Contributed equity	4.3	5,253	6,022
Reserves	4.4	(6,989)	391
Retained earnings		3,115	2,329
Equity attributable to equity holders of the parent entity		1,379	8,742
Non-controlling interests	5.4.3	360	290
Total equity		1,739	9,032

¹ Refer to [Note 1.1](#) for further details.

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

Consolidated Statement of Changes in Equity

2021

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY					NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED EARNINGS \$M	TOTAL \$M		
Balance at 28 June 2020	6,197	(175)	391	2,329	8,742	290	9,032
Profit for the period	-	-	-	2,074	2,074	65	2,139
Other comprehensive income/(loss) for the period, net of tax	-	-	13	(11)	2	(2)	-
Total comprehensive income for the period, net of tax	-	-	13	2,063	2,076	63	2,139
Dividends paid	-	-	-	(1,277)	(1,277)	(50)	(1,327)
Demerger distribution	(904)	-	(6,966)	-	(7,870)	-	(7,870)
Issue/(transfer) of shares to satisfy employee long-term incentive plans	-	139	(139)	-	-	-	-
Issue of shares to satisfy the dividend reinvestment plan	173	-	-	-	173	-	173
Purchase of shares by the Woolworths Employee Share Trust	-	(177)	-	-	(177)	-	(177)
Recognition of non-controlling interest from acquisition of subsidiary	-	-	-	-	-	56	56
Recognition of put option over non-controlling interest	-	-	(390)	-	(390)	-	(390)
Share-based payments expense	-	-	102	-	102	1	103
Balance at 27 June 2021	5,466	(213)	(6,989)	3,115	1,379	360	1,739

2020

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY					NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED EARNINGS \$M	TOTAL \$M		
Balance at 30 June 2019, as previously reported	6,033	(205)	490	3,783	10,101	383	10,484
Adjustment on initial application of AASB 16, net of tax	-	-	-	(1,329)	(1,329)	(69)	(1,398)
Adjusted balance at 1 July 2019	6,033	(205)	490	2,454	8,772	314	9,086
Profit for the period	-	-	-	1,165	1,165	44	1,209
Other comprehensive income/(loss) for the period, net of tax	-	-	(60)	4	(56)	(2)	(58)
Total comprehensive income for the period, net of tax	-	-	(60)	1,169	1,109	42	1,151
Dividends paid	-	-	-	(1,297)	(1,297)	(66)	(1,363)
Issue/(transfer) of shares to satisfy employee long-term incentive plans	-	135	(135)	-	-	-	-
Issue of shares to satisfy the dividend reinvestment plan	164	(3)	-	3	164	-	164
Purchase of shares by the Woolworths Employee Share Trust	-	(102)	-	-	(102)	-	(102)
Share-based payments expense	-	-	96	-	96	-	96
Balance at 28 June 2020	6,197	(175)	391	2,329	8,742	290	9,032

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



Consolidated Statement of Cash Flows

	NOTE	2021 \$M	2020 \$M
Cash flows from operating activities			
Receipts from customers		72,688	68,898
Payments to suppliers and employees		(66,526)	(62,831)
Payments for the interest component of lease liabilities	3.3.4	(687)	(701)
Finance costs paid on borrowings		(113)	(155)
Income tax paid		(738)	(650)
Net cash provided by operating activities	4.5.2	4,624	4,561
Cash flows from investing activities			
Proceeds and advances from the sale of property, plant and equipment		389	261
Payments for property, plant and equipment and intangible assets		(2,389)	(2,149)
Proceeds from the sale of subsidiaries and investments, net of cash disposed		19	34
Payments for the purchase of businesses, net of cash acquired		(209)	(81)
Payments for the purchase of investments		(35)	(10)
Proceeds from/(net advances) to related parties		12	(4)
Dividends received		13	4
Net cash used in investing activities		(2,200)	(1,945)
Cash flows from financing activities			
Repayment of the principal component of lease liabilities	3.3.4	(1,158)	(1,066)
Proceeds from borrowings	4.6.3	971	1,554
Repayment of borrowings	4.6.3	(1,525)	(799)
Dividends paid	4.2	(1,104)	(1,133)
Dividends paid to non-controlling interests		(50)	(66)
Payments for shares held in trust		(177)	(102)
Net cash used in financing activities		(3,043)	(1,612)
Net (decrease)/increase in cash and cash equivalents		(619)	1,004
Effects of exchange rate changes on cash and cash equivalents		(3)	(2)
Cash and cash equivalents at start of period		2,068	1,066
Cash and cash equivalents at end of period	4.5.1	1,446	2,068

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

Notes to the Consolidated Financial Statements

for the period ended 27 June 2021

1 BASIS OF PREPARATION

1.1 BASIS OF PREPARATION



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

Woolworths Group Limited (the Company) is a for-profit company which is incorporated and domiciled in Australia. The Financial Report of the Company is for the 52-week period ended 27 June 2021 and comprises the Company and its subsidiaries (together referred to as the Group). The comparative period is for the 52-week period ended 28 June 2020.

The Financial Report was authorised for issue by the directors on 26 August 2021.

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

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

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

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

- On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group, which resulted in two of the Group's separate major business lines, Endeavour Drinks and Hotels, being classified as discontinued operations. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group has:
 - presented the profit or loss from Endeavour Group separately from its continuing operations in its Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income in the current period and restated the prior period. Refer to [Note 5.2](#) for further details;
 - presented the assets and liabilities of Endeavour Group as held for distribution separately from other assets and liabilities in the Consolidated Statement of Financial Position as at 27 June 2021 with no re-presentation of amounts presented in the prior period. Refer to [Note 5.3](#) for further details; and
 - continued to present the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows including both continuing operations and discontinued operations.
- The Group has reclassified \$266 million from non-current lease liabilities to current lease liabilities in the Consolidated Statement of Financial Position as at 28 June 2020, to reflect that these lease liabilities are expected to settle within 12 months after the reporting period. This has not resulted in a change to the total liabilities or net assets of the Group at 28 June 2020.

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

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



1.2 SIGNIFICANT ACCOUNTING POLICIES



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

1.2.1 Basis of consolidation

The Consolidated Financial Statements of the Company incorporate the assets, liabilities, and results of all subsidiaries as at and for the period ended 27 June 2021. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

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

1.2.2 Inventories

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

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

Net realisable value of inventory has been determined as the estimated selling price in the ordinary course of business, less estimated selling expenses.

1.2.3 Investments in associates

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

1.2.4 Foreign currency

(i) Functional and presentation currency

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

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

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

FOREIGN CURRENCY AMOUNT

APPLICABLE EXCHANGE RATE

Monetary assets and liabilities

Reporting date

Non-monetary assets and liabilities measured at historical cost

Date of transaction

Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Profit or Loss in the period in which they arise except:

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

1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

1.2.5 Goods and Services Tax (GST)

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

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

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

1.2.6 New and amended standards adopted by the Group

The Group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board which are effective for annual reporting periods beginning on or after 29 June 2020. None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period.

1.2.7 Issued standards and interpretations not early adopted

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

EFFECTIVE DATE	ADOPTION DATE	NEW STANDARDS, INTERPRETATIONS, AND AMENDMENTS	REFERENCE
1 January 2021	28 June 2021	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	AASB 2020-8
1 April 2021	28 June 2021	Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021	AASB 2021-3
1 January 2022	27 June 2022 ¹	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	AASB 2020-3
1 January 2023	26 June 2023 ¹	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	AASB 2020-1
1 January 2023	26 June 2023 ¹	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	AASB 2021-2
1 January 2023	26 June 2023 ¹	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	AASB 2021-5

¹ This represents the date the amendment is mandatorily effective for the Group. The Group may elect to early adopt the amendment.



1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS



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

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

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

- [Note 3.2](#) - Other financial assets and liabilities;
- [Note 3.3](#) - Leases;
- [Note 3.6](#) - Impairment of non-financial assets; and
- [Note 3.9](#) - Provisions.

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



1.4 INDIVIDUALLY SIGNIFICANT ITEMS



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

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

The significant items included within branch and administration expenses in the Consolidated Statement of Profit or Loss are as follows:

2021**Continuing operations****Australian Food**

Supply chain network review

Metro asset impairment

Other

Gain on disposal of previously held equity interest in Quantum

Transaction costs

Total Group significant items

PROFIT BEFORE INCOME TAX \$M	INCOME TAX BENEFIT \$M	PROFIT FOR THE PERIOD \$M
(44)	13	(31)
(50)	15	(35)
221	-	221
(68)	15	(53)
59	43	102

Supply chain network review

During the period, the Group announced the closure of the temperature-controlled operations at one site in New South Wales as part of the ongoing supply chain network review. An expense of \$44 million was recognised in the period relating to the estimated redundancy costs for impacted team members.

Metro asset impairment

During the period, the Group recognised expenses totalling \$50 million relating to non-cash asset impairments and other store exit costs for 13 Metro Food Stores. The charge is reflective of the negative impacts of COVID-19 on the Metro network's performance.

Gain on disposal of previously held equity interest in Quantum

During the period, the Group recognised a \$221 million net gain on disposal of its previously held interest in Quantum.

Following the Group's acquisition of an additional equity interest in Quantum, the Group's previously held equity interest of 47.2% was treated as if it were disposed of and reacquired at fair value. Accordingly, it was remeasured to its acquisition-date fair value and, when compared to its carrying amount, a gain of \$228 million was recognised.

In addition, the Group recognised a \$7 million net charge for transaction and integration costs and other transaction related gains.

Transaction costs

During the period, the Group incurred \$68 million in transaction costs related to the demerger of Endeavour Group (\$48 million) and costs associated with the acquisition of PFD (\$20 million). The costs include advisor fees and legal and other regulatory costs.



1.5 FINANCIAL REPORTING IMPACTS OF COVID-19



The COVID-19 pandemic has had a material impact on the Group's financial performance for the period. This section provides a summary of the key financial reporting impacts of COVID-19.

The financial performance of the Group and its reportable segments has been materially impacted by the COVID-19 pandemic. The Group's period ended 27 June 2021 (F21) trading performance was strong with sales growth of 5.7%, EBIT from continuing operations up 39.2% to \$2,823 million, and profit after tax from continuing operations attributable to equity holders of the parent entity up 72.7% to \$1,606 million. After very strong EBIT growth in the first half of F21 (H1 F21), EBIT growth for the second half of F21 (H2 F21) was impacted by the cycling of COVID-19 from late February in the prior period.

The financial performance of the Group's reportable segments, including the impacts of COVID-19, is as follows:

- **Australian Food** – sales increased by 5.4% for the period. H1 F21 sales growth of 10.6% benefitted from COVID-19-related demand. H2 F21 sales growth of 0.2% was impacted by cycling 10.4% sales growth in H2 of the period ended 28 June 2020 (F20) from COVID-19-related pantry loading. COVID-19 costs of \$205 million (excluding discretionary team discount and bonus payments) remained material but declined significantly on the prior period and, together with gross margin improvements, led to 13.7% EBIT growth for the period. In Woolworths Supermarkets, store-originated sales increased by 2.0% for F21 driven by a 7.2% increase in H1 F21. Sales slowed as expected in H2 F21 as customers shopped more frequently with smaller basket sizes. In WooliesX, eCommerce sales increased 74.7% compared to the prior period with sales penetration of 7.9%. Customer scores were broadly in line with the prior period with improvements in Ease of Pick up, Queue Wait Time and Fruit & Veg despite the ongoing disruption from COVID-19.
- **New Zealand Food** – sales growth in H1 F21 was impacted by low market growth, particularly during the summer tourist season. In H2 F21, sales declined by 7.8% as the business cycled New Zealand's restrictive COVID-19 lockdown period. EBIT declined 6.4% for the period reflecting the lower sales. eCommerce sales grew 27.7% despite cycling elevated sales from COVID-19 impacts in H2 F20.
- **BIG W** – after sales growth of 20.1% in H1 F21, sales growth moderated in H2 F21 but remained positive at 2.3% despite the negative impact of lockdowns across Victoria and New South Wales in the half. Gross margin improved with H2 F21 category mix changes due to cycling elevated sales of lower margin COVID-19-impacted categories, including Leisure and Toys and Home Essentials in F20. EBIT increased by 344.9% in the period to \$172 million.
- **Endeavour Drinks** – sales increased by 9.6% with EBIT increasing by 17.7%, reflecting a continuation of the in-home consumption and premiumisation trends. eCommerce sales increased 34.7% in F21 with sales penetration of 8.4%. Penetration has remained high even in periods when lockdowns and on-premise restrictions have eased.
- **Hotels** – delivered materially higher earnings than the prior period with EBIT increasing 52% to \$261 million. While some disruption to trading continued due to lockdowns, sales and EBIT growth in H2 F21 benefitted from cycling a period where venues were closed for most of the final four months of F20. The most significant impact of COVID-19 lockdowns and restrictions was in the key state of Victoria, where operations were somewhat impacted throughout the period. Hotels re-entered lockdown in early July 2020 and re-opened in early November with capacity limits and trading restrictions in place. There were further short-term snap lockdowns in both February and June.



FINANCIAL REPORTING IMPACTS OF COVID-19

In addition to the impact on financial performance, the Group has also considered the impact of the COVID-19 pandemic across its businesses. Details about the impact of COVID-19 are included in the following notes:

- [Note 3.1](#) – Trade and other receivables; and
- [Note 3.6](#) – Impairment of non-financial assets.

2 GROUP PERFORMANCE

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



The Group's revenue from continuing operations mainly comprises the sale of goods in-store and online.

	2021 \$M	RESTATED ¹ 2020 \$M
Sale of goods in-store	49,598	48,875
Sale of goods online	4,743	2,905
Other ²	1,353	1,300
	55,694	53,080

1 Refer to [Note 1.1](#) for further details.

2 Other includes revenue from wholesale distribution of food and related products, and commission received on financial services.



SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

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

Loyalty program

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



Notes to the Consolidated Financial Statements

2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS



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

2.2.1 Operating segment reporting from continuing operations

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

The Group's reportable segments from continuing operations are as follows:

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

There are varying levels of integration between the Group's reportable segments from continuing operations. This includes the common usage of property and services and administration functions. Intersegment pricing is determined on an arm's length basis.

On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group, which resulted in two of the Group's separate major business lines, Endeavour Drinks and Hotels, being classified as discontinued operations. Consequently, both reportable segments are no longer presented in the segment disclosures from continuing operations for the current and prior periods. Refer to [Note 5.2](#) for further details.

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

2021	AUSTRALIAN FOOD \$M	NEW ZEALAND FOOD \$M	BIG W \$M	OTHER \$M	CONSOLIDATED CONTINUING OPERATIONS \$M
Revenue from the sale of goods and services	44,441	6,652	4,583	18	55,694
Other revenue ¹	-	-	-	117	117
Total revenue	44,441	6,652	4,583	135	55,811
Earnings/(loss) before interest, tax, and significant items	2,432	336	172	(176)	2,764
Significant items ²	(94)	-	-	153	59
Earnings/(loss) before interest and tax	2,338	336	172	(23)	2,823
Finance costs					(613)
Profit before income tax					2,210
Income tax expense					(604)
Profit for the period from continuing operations					1,606
Depreciation and amortisation – lease assets	692	117	106	30	945
Depreciation and amortisation – non-lease assets	882	136	70	46	1,134
Capital expenditure³	1,209	322	102	541	2,174

1 Other revenue is comprised of operating lease rental income and revenue from non-operating activities across the Group and as such, is not allocated to the reportable segments.

2 Significant items net gain before tax of \$59 million includes \$94 million in Australian Food for the supply chain network review and the Metro asset impairment, which is offset by \$153 million in Other for the gain on disposal of previously held equity interest in Quantum and transaction costs.

3 Capital expenditure is comprised of property, plant and equipment, and intangible asset acquisitions.

2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS (CONTINUED)

2.2.1 Operating segment reporting (continued)

RESTATED ¹ 2020	AUSTRALIAN FOOD \$M	NEW ZEALAND FOOD \$M	BIG W \$M	OTHER ¹ \$M	CONSOLIDATED CONTINUING OPERATIONS ¹ \$M
Revenue from the sale of goods and services	42,151	6,823	4,106	-	53,080
Other revenue ²	-	-	-	148	148
Total revenue	42,151	6,823	4,106	148	53,228
Earnings/(loss) before interest, tax, and significant items	2,232	358	39	(144)	2,485
Significant items ³	(176)	-	-	(283)	(459)
Earnings/(loss) before interest and tax	2,056	358	39	(427)	2,026
Finance costs					(671)
Profit before income tax					1,355
Income tax expense					(417)
Profit for the period from continuing operations					938
Depreciation and amortisation – lease assets	647	114	103	25	889
Depreciation and amortisation – non-lease assets	828	128	65	58	1,079
Capital expenditure⁴	1,017	212	64	620	1,913

1 Re-presented following the classification of Endeavour Drinks and Hotels as discontinued operations during the current period. Refer to [Note 1.1](#) for further details.

2 Other revenue is comprised of operating lease rental income and revenue from non-operating activities across the Group and as such is not allocated to the reportable segments.

3 Significant items before tax of \$459 million includes \$176 million in Australian Food for the supply chain network strategy review and \$283 million in Other for Endeavour Group transformation costs and salaried team member remediation.

4 Capital expenditure is comprised of property, plant and equipment, and intangible asset acquisitions.

2.2.2 Geographical information

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

	AUSTRALIA		NEW ZEALAND		CONSOLIDATED CONTINUING OPERATIONS	
	2021 \$M	RESTATED ¹ 2020 \$M	2021 \$M	RESTATED ¹ 2020 \$M	2021 \$M	RESTATED ¹ 2020 \$M
Revenue from the sale of goods and services	49,042	46,257	6,652	6,823	55,694	53,080
Other revenue	95	129	22	19	117	148
Total revenue	49,137	46,386	6,674	6,842	55,811	53,228
Non-current assets ²	17,481	18,653	4,591	4,432	22,072	23,085

1 Refer to [Note 1.1](#) for further details.

2 Non-current assets excluding derivatives and deferred tax assets.



2.3 FINANCE COSTS FROM CONTINUING OPERATIONS



Finance costs includes interest on borrowings, derivatives, and lease liabilities.

	2021 \$M	RESTATED ¹ 2020 \$M
Interest expense – leases	528	529
Interest expense – non-leases	102	165
Less: interest capitalised ²	(10)	(10)
Other	(7)	(13)
	613	671

¹ Refer to [Note 1.1](#) for further details.

² Weighted average capitalisation rate was 2.72% (2020: 3.68%).



SIGNIFICANT ACCOUNTING POLICIES

Finance costs

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

All other finance costs are recognised in the Consolidated Statement of Profit or Loss in the period in which they are incurred. Leases finance costs comprise interest on lease liabilities calculated using the incremental borrowing rate. Non-leases finance costs comprise interest on borrowings calculated using the effective interest method and interest on derivatives.

3 ASSETS AND LIABILITIES

3.1 TRADE AND OTHER RECEIVABLES



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

	2021 \$M	2020 \$M
Current		
Trade receivables	137	138
Loss allowance	(6)	(10)
	131	128
Other receivables ¹	358	429
Loss allowance	(9)	(9)
	349	420
Prepayments	169	192
Total current trade and other receivables	649	740
Non-current		
Prepayments	-	40
Other receivables	133	114
Total non-current trade and other receivables	133	154
Total trade and other receivables	782	894

¹ Includes supplier rebates of \$52 million (2020: \$84 million).



FINANCIAL REPORTING IMPACTS OF COVID-19

The Group assesses the expected credit losses associated with its trade and other receivables on a forward-looking basis. COVID-19 has not had a material impact on the loss allowances recognised at the end of the period.



SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

Impairment of trade and other receivables

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



Notes to the Consolidated Financial Statements

3.2 OTHER FINANCIAL ASSETS AND LIABILITIES



Other financial assets and liabilities consists of derivatives, the Group's holdings in listed and unlisted investments, loans provided to related parties, convertible and Simple Agreement for Future Equity (SAFE) notes, and a put option over non-controlling interest.

	2021 \$M	2020 \$M
Other financial assets		
Current		
Derivatives	19	534
Total current other financial assets	19	534
Non-current		
Derivatives	7	14
Listed equity securities	-	84
Unlisted equity securities	33	10
Loans provided to related parties	3	15
Convertible and SAFE notes	62	45
Total non-current other financial assets	105	168
Total other financial assets	124	702
Other financial liabilities		
Current		
Derivatives	20	81
Put option over non-controlling interest	145	3
Total current other financial liabilities	165	84
Non-current		
Derivatives	6	3
Put option over non-controlling interest	245	-
Total non-current other financial liabilities	251	3
Total other financial liabilities	416	87



SIGNIFICANT ACCOUNTING POLICIES

Derivatives

Refer to [Note 4.7](#) for details of derivatives.

Listed and unlisted equity securities

The Group's investments in listed and unlisted equity securities are initially designated as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income, where investments are not held for trading. Investments are initially measured at fair value net of transaction costs and, in subsequent periods, are measured at fair value with any change recognised in profit or loss or other comprehensive income, depending on their initial designation. Dividends received from listed and unlisted equity securities are recognised in profit or loss.

3.2 OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans provided to related parties

Loans provided to related parties are recognised initially at fair value plus transaction costs and, in subsequent periods, are stated at amortised cost. The Group assesses the expected credit losses associated with loans provided to related parties on a forward-looking basis. The Group applies the simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the loan.

Convertible and Simple Agreement for Future Equity (SAFE) notes

A SAFE note is a convertible note with no maturity date, no interest rate, an automatic conversion on any priced share issue, and a valuation cap (the maximum value to which the SAFE will convert).

The Group's convertible and SAFE notes are financial assets measured at fair value through profit or loss. The convertible and SAFE notes are recognised initially at fair value plus transaction costs and, in subsequent periods, are measured at fair value with any change recognised in profit or loss.

Put option over non-controlling interest

The Group's put option over non-controlling interest is initially recognised at the present value of the amount expected to be paid at the time of exercise with a corresponding entry to other reserves (refer to [Note 4.4](#) for further details). At each reporting period, the discount is unwound in finance costs in the Consolidated Statement of Profit or Loss. Any changes in the estimate of the amount expected to be paid at the time of exercise are recognised in the Consolidated Statement of Profit or Loss.



CRITICAL ACCOUNTING ESTIMATES

Fair value of put option over non-controlling interest

The fair value of the put option liability over the non-controlling interest of Quantum has been determined as the present value of the amount expected to be paid at the time of exercise.

Amount expected to be paid at the time of exercise

In determining the amount expected to be paid at the time of exercise, the Group considers the key terms of the shareholders agreement and the business outlook. The fair value of the put option liability is determined using a revenue multiple, which is applied to the forecast of Quantum's last 12 months of revenue at the time of option exercise. The revenue multiple to be used is based on an agreed multiple adjusted for changes in revenue growth and EBITDA margin growth over a three-year period. Reasonably possible changes to these inputs would result in a change in the valuation. Refer to the sensitivity analysis in [Note 4.7.4](#) for further details.

Discount rate

The amount expected to be paid at the time of exercise has been discounted using the Group's marginal cost of debt for borrowing over a similar term.



Notes to the Consolidated Financial Statements

3.3 LEASES



The Group leases various properties (stores, support offices, distribution centres, and warehouses), equipment, and vehicles. Property rental contracts are typically made for fixed periods of five to 12 years with up to 10 options of two to five years. Other lease contracts are typically made for fixed periods of two to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

3.3.1 Lease assets

2021

	PROPERTIES \$M	PLANT AND EQUIPMENT \$M	OTHER \$M	TOTAL \$M
Cost	17,821	223	108	18,152
Less: Accumulated depreciation and impairment	(8,415)	(87)	(97)	(8,599)
Carrying amount at end of period	9,406	136	11	9,553
<i>Movement:</i>				
Carrying amount at start of period	11,912	133	17	12,062
Additions	460	71	6	537
Acquisition of businesses	109	1	-	110
Terminations	(29)	(3)	-	(32)
Remeasurements	1,253	-	-	1,253
Transfer of Endeavour Group's assets to held for distribution	(3,104)	(10)	(3)	(3,117)
Depreciation expense	(1,163)	(57)	(8)	(1,228)
Impairment expense	(30)	-	-	(30)
Other	(2)	1	(1)	(2)
Carrying amount at end of period	9,406	136	11	9,553

2020

	PROPERTIES \$M	PLANT AND EQUIPMENT \$M	OTHER \$M	TOTAL \$M
Cost	20,414	179	114	20,707
Less: Accumulated depreciation and impairment	(8,502)	(46)	(97)	(8,645)
Carrying amount at end of period	11,912	133	17	12,062
<i>Movement:</i>				
Recognition on initial application of AASB 16	12,113	112	14	12,239
Additions	776	68	11	855
Terminations	(62)	(2)	-	(64)
Remeasurements	328	(1)	-	327
Depreciation expense	(1,111)	(39)	(8)	(1,158)
Impairment expense	(34)	-	-	(34)
Derecognition arising from sub-lease	(90)	-	-	(90)
Other	(8)	(5)	-	(13)
Carrying amount at end of period	11,912	133	17	12,062

3.3 LEASES (CONTINUED)

3.3.2 Lease liabilities

	2021 \$M	2020 \$M
Movement:		
Carrying amount at start of period	14,728	-
Recognition on initial application of AASB 16	-	14,711
Additions	556	831
Acquisition of businesses	110	11
Terminations	(40)	(77)
Remeasurements	1,242	327
Transfer of Endeavour Group's liabilities to held for distribution	(3,429)	-
Interest expense from continuing operations	528	529
Interest expense from discontinued operations	159	172
Payments for the interest component of lease liabilities	(687)	(701)
Repayment of the principal component of lease liabilities	(1,158)	(1,066)
Other	7	(9)
Carrying amount at end of period	12,016	14,728
Current	1,495	1,826
Non-current	10,521	12,902
Carrying amount at end of period	12,016	14,728
MATURITY PROFILE OF CONTRACTUAL UNDISCOUNTED CASH FLOWS	2021 \$M	2020 \$M
One year or less	1,563	1,867
One year to two years	1,462	1,829
Two years to five years	2,851	3,830
Five years to 10 years	6,035	7,301
Over 10 years	3,856	6,101
Total undiscounted lease liabilities	15,767	20,928

Commitments for leases not yet commenced

At 27 June 2021, the Group had committed to leases which had not yet commenced. Accordingly, these lease contracts are not included in the calculation of the Group's lease liabilities. The Group has estimated that the potential future lease payments for these lease contracts as at the end of the financial period would result in an increase in undiscounted lease liabilities of \$983 million (2020: \$929 million).

3.3.3 Other amounts recognised in the Consolidated Statement of Profit or Loss from continuing operations

	2021 \$M	2020 \$M
Interest expense on lease liabilities (included in finance costs)	528	529
Variable lease payments not included in the measurement of lease liabilities ¹ (included in branch expenses)	75	48
Expense relating to short-term leases (included in branch expenses)	19	41

1 Variable lease payments represent 3% of total lease payments (2020: less than 2% of total lease payments).

3.3.4 Amounts recognised in the Consolidated Statement of Cash Flows

	2021 \$M	2020 \$M
Payments for short-term leases, service components of leases, and variable payments (included in payments to suppliers and employees)	601	558
Payments for the interest component of lease liabilities	687	701
Repayment of the principal component lease liabilities	1,158	1,066
Total cash outflow for leases	2,446	2,325



3.3 LEASES (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits from an identified asset for a period of time in exchange for consideration. A lease liability and corresponding lease asset are recognised at commencement of the lease.

Lease liabilities

Lease liabilities are measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, at the Group's incremental borrowing rate specific to the lease term. Lease payments (excluding non-lease components) include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Group under residual value guarantees;
- Exercise price of a purchase option that the Group is reasonably certain to exercise; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method. When there is a change in lease term or a change in future lease payments, lease liabilities are remeasured, with a corresponding adjustment to lease assets.

Lease assets

Lease assets are initially measured at cost comprising the initial lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs, and any restoration costs. Lease assets are subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease assets are tested for impairment in accordance with the policy adopted for non-financial assets in [Note 3.6](#).

Short-term leases

Short-term leases are those with a lease term of 12 months or less. The costs associated with these leases are recognised as an expense in the Consolidated Statement of Profit or Loss as incurred.

Holdover leases

In assessing whether the Group is reasonably certain to extend or renew a lease in holdover, the Group considers all relevant facts and circumstances that create an economic incentive for the Group to remain in the leased premises and whether a lease asset and lease liability should be recognised.

Non-lease components

The Group separates the non-lease components for property leases based on a residual method using property outgoing market data and separates the non-lease components for other leases based on the individual contract breakdown of these costs or otherwise best estimate of these costs. Non-lease components of lease payments are recognised as an expense in the Consolidated Statement of Profit or Loss as incurred and include items such as embedded property outgoings and repairs and maintenance.

3.3 LEASES (CONTINUED)



CRITICAL ACCOUNTING ESTIMATES

Determining the lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. Extension options are most common for property leases. At the end of the reporting period, the weighted average lease expiries for the portfolio of leases were:

WEIGHTED AVERAGE LEASE EXPIRY ¹	2021 YEARS	2020 YEARS
Australian Food	10.5	10.9
New Zealand Food	9.3	9.8
BIG W	8.7	8.8
Endeavour Drinks	8.7	8.5
Hotels	14.6	15.0
Other	6.6	7.7
Group²	10.4	10.7

1 Represents the weighted average number of years from the end of the reporting period to the end of the reasonably certain lease term.

2 The Group's weighted average lease expiry includes leases relating to Endeavour Group, which are included in liabilities associated with assets held for distribution at 27 June 2021. The Group's weighted average lease expiry at 27 June 2021, excluding the impact from the portfolio of leases relating to Endeavour Group, was 10.1 years.

During the current financial period, revising lease terms for exercising extension options resulted in an increase in recognised lease liabilities and lease assets of \$946 million (2020: \$223 million).

Discount rates

In calculating the lease liability, the lease payments are discounted using the rate implicit in the lease or the Group's incremental borrowing rate. Determining the incremental borrowing rate requires significant judgement. The discount rate is derived from key external market based rates, the Group's credit margin, and the length of the lease.

At the end of the reporting period, the weighted average incremental borrowing rate for the Group was 4.4%³ (2020: 4.8%).

3 The Group's weighted average incremental borrowing rate includes leases relating to Endeavour Group, which are included in liabilities associated with assets held for distribution at 27 June 2021. The Group's weighted average incremental borrowing rate at 27 June 2021, excluding the impact from the portfolio of leases relating to Endeavour Group, was 4.4%.



Notes to the Consolidated Financial Statements

3.4 PROPERTY, PLANT AND EQUIPMENT



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

2021	DEVELOPMENT PROPERTIES \$M	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES \$M	LEASEHOLD IMPROVEMENTS \$M	PLANT AND EQUIPMENT \$M	TOTAL¹ \$M
Cost	1,096	1,027	3,443	9,247	14,813
Less: accumulated depreciation and impairment	(71)	(163)	(1,786)	(5,316)	(7,336)
Carrying amount at end of period	1,025	864	1,657	3,931	7,477
<i>Movement:</i>					
Carrying amount at start of period	978	1,271	1,964	4,529	8,742
Additions	259	148	331	1,122	1,860
Acquisition of businesses	-	22	-	10	32
Disposals ²	(12)	(3)	(8)	(53)	(76)
Transfer to assets held for sale	(2)	(116)	-	-	(118)
Transfer of Endeavour Group's assets to held for distribution	-	(613)	(566)	(708)	(1,887)
Depreciation expense	-	(26)	(210)	(809)	(1,045)
Impairment expense	-	(9)	-	(16)	(25)
Transfers and other	(198)	191	146	(143)	(4)
Effect of movements in foreign exchange rates	-	(1)	-	(1)	(2)
Carrying amount at end of period	1,025	864	1,657	3,931	7,477

2020	DEVELOPMENT PROPERTIES \$M	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES \$M	LEASEHOLD IMPROVEMENTS \$M	PLANT AND EQUIPMENT \$M	TOTAL¹ \$M
Cost	1,055	1,527	3,769	10,645	16,996
Less: accumulated depreciation and impairment	(77)	(256)	(1,805)	(6,116)	(8,254)
Carrying amount at end of period	978	1,271	1,964	4,529	8,742
<i>Movement:</i>					
Carrying amount at start of period	675	1,343	1,711	4,523	8,252
Additions	464	34	275	1,097	1,870
Acquisition of businesses	-	33	-	6	39
Disposals ²	(9)	(3)	(12)	(32)	(56)
Transfer to assets held for sale	(16)	(244)	(1)	(71)	(332)
Depreciation expense	-	(26)	(218)	(748)	(992)
Transfers and other	(134)	139	212	(236)	(19)
Effect of movements in foreign exchange rates	(2)	(5)	(3)	(10)	(20)
Carrying amount at end of period	978	1,271	1,964	4,529	8,742

1 Carrying amount at the end of the period includes assets under construction of \$638 million (2020: \$715 million).

2 Net loss on disposal and write-off of property, plant and equipment, including those classified as held for sale, during the period from continuing operations was \$11 million (2020: \$11 million).

3.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES

Carrying value

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

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives to their residual values. Leasehold improvements are amortised over the expected useful life of the improvement. Useful lives are reassessed each reporting period. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

The expected useful lives are as follows:

Buildings	25–40 years
Plant and equipment	2.5–20 years
Leasehold improvements	Up to 25 years (retail properties) or 40 years (hotels)

Proceeds from sale of assets

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

Impairment

Property, plant and equipment are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in [Note 3.6](#).



Notes to the Consolidated Financial Statements

3.5 INTANGIBLE ASSETS



Intangible assets represents goodwill, brand names, licences, software, and other. Goodwill arises when the Group acquires a business at a cost which exceeds the fair value of net assets acquired and represents the synergies expected to arise from the purchase. Brand names have mainly been recognised as a result of New Zealand supermarket acquisitions and help to identify and differentiate the Group's network from others. Licences allow the Group to conduct certain business activities, including the resale of drinks and provision of leisure and hospitality services. Software includes programs and operating systems used by the Group. Other includes customer relationships and contracts and intellectual property and algorithms.

3.5.1 Carrying amounts of, and movements in, intangible assets

2021	GOODWILL \$M	BRAND NAMES \$M	LIQUOR AND GAMING LICENCES \$M	SOFTWARE ¹ \$M	OTHER \$M	TOTAL \$M
Cost	2,993	265	-	2,552	189	5,999
Less: accumulated amortisation and impairment	(112)	-	-	(1,194)	(22)	(1,328)
Carrying amount at end of period	2,881	265	-	1,358	167	4,671
<i>Movement:</i>						
Carrying amount at start of period	4,196	259	1,979	1,219	64	7,717
Acquisition of businesses ²	389	19	2	15	157	582
Other acquisitions	-	-	6	551	10	567
Disposals, transfers, and other	-	-	(1)	3	-	2
Transfer of Endeavour Group's assets to held for distribution	(1,696)	(12)	(1,969)	(104)	(64)	(3,845)
Amortisation expense	-	-	(17)	(318)	-	(335)
Impairment expense	(1)	-	-	(8)	-	(9)
Effect of movements in foreign exchange rates	(7)	(1)	-	-	-	(8)
Carrying amount at end of period	2,881	265	-	1,358	167	4,671

2020	GOODWILL \$M	BRAND NAMES \$M	LIQUOR AND GAMING LICENCES \$M	SOFTWARE ¹ \$M	OTHER \$M	TOTAL \$M
Cost	4,323	260	2,170	2,201	119	9,073
Less: accumulated amortisation and impairment	(127)	(1)	(191)	(982)	(55)	(1,356)
Carrying amount at end of period	4,196	259	1,979	1,219	64	7,717
<i>Movement:</i>						
Carrying amount at start of period	4,217	254	1,990	1,267	65	7,793
Acquisition of businesses	30	-	12	-	-	42
Additions	-	8	8	262	-	278
Disposals, transfers, and other	(4)	-	(15)	(19)	-	(38)
Amortisation expense	-	-	(16)	(291)	(1)	(308)
Effect of movements in foreign exchange rates	(47)	(3)	-	-	-	(50)
Carrying amount at end of period	4,196	259	1,979	1,219	64	7,717

1 Carrying amount at the end of the period includes assets under development of \$471 million (2020: \$335 million).

2 Acquisition of businesses relates to the acquisition of Quantum (refer to Note 5.1 for further details) and the acquisition of stores and venues.

3.5 INTANGIBLE ASSETS (CONTINUED)

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

2021

	GOODWILL \$M	BRAND NAMES \$M
Australian Food	381	3
New Zealand Food	2,112	243
Quantum ¹	388	19
	2,881	265

¹ Included in the Other reportable segment.

2020

	GOODWILL \$M	BRAND NAMES \$M	LIQUOR AND GAMING LICENCES \$M	OTHER \$M
Australian Food	381	3	-	-
New Zealand Food	2,119	244	-	-
Endeavour Drinks	962	12	1,016	-
Hotels	734	-	927	64
	4,196	259	1,943	64



SIGNIFICANT ACCOUNTING POLICIES

Goodwill

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

Other intangible assets

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

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

Brand names	Indefinite useful life
Liquor and gaming licences	Indefinite useful life
Victorian gaming entitlements	Life of the gaming entitlement (10 years)
Software	Three to five years (five to 10 years for core systems)
Customer relationships and contracts	Three to 10 years
Property development rights	Indefinite useful life
Intellectual property and algorithms	Nine years

Impairment

Intangible assets are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in [Note 3.6](#).



3.6 **IMPAIRMENT OF NON-FINANCIAL ASSETS**



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


The Group’s impairment testing is performed at both a total business unit level (group of CGUs) and an individual CGU level. The Group assessed the carrying amounts of property, plant and equipment, lease assets, goodwill and intangible assets and no impairments were recognised at the total business unit level. At an individual CGU level, no impairment charge was recognised other than for Metro Food Stores.

Metro Food Stores

On 23 June 2021, the Group announced it had completed a review of its Metro Food Stores network, given the impact of COVID-19 on sales in CBD and public transit sites. A total impairment charge of \$47 million has been recognised in branch expenses relating to store and lease assets across 13 stores. In addition, the Group recognised \$3 million of onerous contract and make good provisions for these stores.

In determining the impairment charge for these stores, the Group calculated the recoverable amount for each store based on a discounted cash flow model. The recoverable amount of each store was determined using assumptions included in the three-year strategic plan, which was formally approved by the Board during the second half of the period. The decrease in the recoverable amount of the cash-generating units reflects the material and negative impacts of COVID-19 on customer shopping habits, foot traffic, and sales in key transit traffic locations and a balanced view on the speed of recovery of CBD and transit customer movements and the likely impact of this on Metro Food Stores.

The assessment of the recoverable amount represents management’s best estimate, taking into account risks, uncertainties, and opportunities for improvement in each cash-generating unit. Management will continue to monitor the Metro Food Stores network to assess performance against these estimates and it is possible that future asset impairments may be required in relation to the Metro Food Stores network. For the 13 stores where store and lease assets were impaired, any change in assumption would result in a maximum additional impairment charge of \$8 million, at which point these stores would have store and lease assets with a carrying value of nil.



FINANCIAL REPORTING IMPACTS OF COVID-19

Calculation of recoverable amount

The three-year F22 Board approved business plan was used in assessing value in use. This plan incorporates the estimated impact on the Group from COVID-19, which has shaped trading through the last 12-18 months. Refer to critical accounting estimates for further details.

Inventories

The carrying value of assets subject to impairment testing includes inventories which are carried at the lower of cost or net realisable value. There have been no material changes to the Group’s inventory provisions as a result of COVID-19.



3.6 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

The carrying amounts of the Group's lease assets (refer to [Note 3.3](#)), property, plant and equipment (refer to [Note 3.4](#)), and intangible assets (refer to [Note 3.5](#)) are reviewed for impairment as follows:

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

Calculation of recoverable amount

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

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

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

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

Reversal of impairment

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



3.6 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)



CRITICAL ACCOUNTING ESTIMATES

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

In assessing value in use (VIU), estimated future cash flows are based on the Group's most recent Board approved business plan covering a period not exceeding five years. The three-year F22 Board approved business plan incorporates the estimated impact on the Group from COVID-19 restrictions, the vaccine rollout, and the market conditions forecast through the recovery phase. Whilst there continues to be a significant degree of uncertainty associated with the impacts of COVID-19, the assessment of the recoverable amounts represents management's best estimate taking into account the impacts on the Group and, other than in relation to the Metro Food Stores network, this has not resulted in a material change in the recoverable amount. However, if restrictions result in extensive store closures or disruption to the Group's supply chain, there is a risk of a material change in the recoverable amount which may result in impairment.

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

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

Pre-tax discount rates used vary depending on the nature of the business and the country of operation.

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

	2021 %	2020 %
Long-term growth rate	2.5	2.5
Pre-tax discount rate	10-13	9-13

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

3.7 INCOME TAXES



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

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

	2021 \$M	RESTATED ¹ 2020 \$M
Income tax expense		
Current tax expense	983	688
Adjustments recognised in the current year in relation to the current tax of prior periods	(10)	8
Deferred tax relating to the origination and reversal of temporary differences	(162)	(120)
	811	576
<i>Income tax expense is attributable to:</i>		
Profit from continuing operations (as reported in the Consolidated Statement of Profit or Loss)	604	417
Profit from discontinued operations (refer to Note 5.2)	207	159
	811	576

¹ Refer to Note 1.1 for further details.

3.7.2 Reconciliation between profit before income tax and income tax expense

	2021 \$M	RESTATED ¹ 2020 \$M
Profit before income tax – continuing operations	2,210	1,355
Profit before income tax – discontinued operations (refer to Note 5.2)	740	430
Profit before income tax	2,950	1,785
Income tax expense using the Australian corporate tax rate of 30%	885	536
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Non-deductible expenses	29	39
Non-assessable income	(89)	-
Unrecognised tax losses from the current period	3	4
Impact of differences in offshore tax rates	(5)	(6)
Other	(2)	(5)
	821	568
Adjustments relating to prior periods	(10)	8
Income tax expense	811	576

¹ Refer to Note 1.1 for further details.

3.7.3 Deferred tax balances recognised in the Consolidated Statement of Financial Position

	2021 \$M	2020 \$M
Deferred tax asset	1,371	1,327
Deferred tax liability	-	(204)
Net deferred tax asset	1,371	1,123



Notes to the Consolidated Financial Statements

3.7 INCOME TAXES (CONTINUED)

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

2021	OPENING BALANCE \$M	RECOGNISED IN PROFIT OR LOSS \$M	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$M	ACQUISITIONS AND OTHER \$M	TRANSFERS TO ASSETS HELD FOR SALE OR DISTRIBUTION \$M	CLOSING BALANCE \$M
Deferred tax assets						
Property, plant and equipment	73	111	-	-	(99)	85
Lease liabilities	4,549	154	-	1	(1,133)	3,571
Provisions, accruals, and other liabilities	924	(24)	5	10	(126)	789
Cash flow and fair value hedges	20	(5)	(10)	-	-	5
Total deferred tax assets	5,566	236	(5)	11	(1,358)	4,450
Deferred tax liabilities						
Intangible assets	(619)	-	-	(53)	550	(122)
Unrealised exchange differences	(33)	2	2	-	-	(29)
Lease assets	(3,796)	(22)	-	-	935	(2,883)
Prepayments	(1)	(5)	-	-	1	(5)
Other	6	(49)	(18)	(8)	29	(40)
Total deferred tax liabilities	(4,443)	(74)	(16)	(61)	1,515	(3,079)
Net deferred tax asset/(liability)	1,123	162	(21)	(50)	157	1,371

2020	OPENING BALANCE \$M	RECOGNISED ON INITIAL APPLICATION OF AASB 16 \$M	RECOGNISED IN PROFIT OR LOSS \$M	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$M	ACQUISITIONS AND OTHER \$M	CLOSING BALANCE \$M
Deferred tax assets						
Property, plant and equipment	48	-	25	-	-	73
Lease liabilities	-	4,391	158	-	-	4,549
Provisions, accruals, and other liabilities	1,008	(139)	57	(2)	-	924
Cash flow and fair value hedges	14	-	-	6	-	20
Total deferred tax assets	1,070	4,252	240	4	-	5,566
Deferred tax liabilities						
Intangible assets	(633)	-	-	-	14	(619)
Unrealised exchange differences	(32)	-	(5)	4	-	(33)
Lease assets	-	(3,669)	(127)	-	-	(3,796)
Prepayments	(7)	-	6	-	-	(1)
Other	(7)	-	6	-	7	6
Total deferred tax liabilities	(679)	(3,669)	(120)	4	21	(4,443)
Net deferred tax asset	391	583	120	8	21	1,123

Unrecognised deferred tax assets

At the reporting date, the Group has unused capital losses of \$1,170 million (2020: \$1,165 million) available for offset against future capital gains. A deferred tax asset has not been recognised in association with these capital losses as it is not probable that there will be sufficient capital gains available against which these capital losses can be utilised in the foreseeable future.

At the reporting date, the Group has unused revenue losses of \$56 million (2020: \$48 million). A deferred tax asset has not been recognised in respect of these revenue losses as it is not probable that there will be sufficient profit available against which these losses can be utilised during the five-year period that these losses remain available to be carried forward.

3.7 INCOME TAXES (CONTINUED)

3.7.4 Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax consolidated group with effect from 1 July 2002. Woolworths Group Limited is the head entity of the tax consolidated group and has assumed the current tax liabilities of the members in the tax consolidated group (the Woolworths tax group). Income tax expense or benefit, deferred tax assets, and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised by each subsidiary where the subsidiary would have been able to recognise the deferred tax asset or deferred tax liability on a standalone basis.

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

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

On 3 February 2020, Endeavour Group Limited and a number of its wholly-owned Australian resident subsidiaries exited the Woolworths tax group. As a result, no further obligation to the Company exists on balance date in relation to the period of time that these entities were a member of the Woolworths tax group.

Income tax expense of \$126 million (2020: \$117 million) was charged by the Company to subsidiaries during the period through at call intercompany accounts.



SIGNIFICANT ACCOUNTING POLICIES

Income tax expense in the Consolidated Statement of Profit or Loss for the period presented comprises current and deferred tax. Income tax is recognised in the Consolidated Statement of Profit or Loss except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax is also recognised in other comprehensive income, or directly in equity, respectively.

Current tax

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

Deferred tax

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

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

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

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

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



Notes to the Consolidated Financial Statements

3.8 TRADE AND OTHER PAYABLES

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

	2021 \$M	2020 \$M
Trade payables	4,832	5,843
Accruals	1,271	1,415
Contract liabilities	364	250
	6,467	7,508

Contract liabilities

Contract liabilities represent consideration received for performance obligations not yet satisfied primarily relating to the Group's loyalty programs and gift cards. Substantially all of the revenue deferred at period end will be recognised in the following period.

3.9 PROVISIONS

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

	2021 \$M	2020 \$M
Current		
Employee benefits	1,228	1,533
Self-insured risks	169	207
Restructuring, onerous contracts, store exit costs, and other	121	141
Total current provisions	1,518	1,881
Non-current		
Employee benefits	108	111
Self-insured risks	422	430
Restructuring, onerous contracts, store exit costs, and other	274	377
Total non-current provisions	804	918
Total provisions	2,322	2,799

3.9 PROVISIONS (CONTINUED)

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

	SELF-INSURED RISKS		RESTRUCTURING, ONEROUS CONTRACTS, STORE EXIT COSTS, AND OTHER	
	2021 \$M	2020 \$M	2021 \$M	2020 \$M
Movement:				
Balance at start of period	637	603	518	543
Net provisions recognised	162	187	30	128
Cash payments	(139)	(134)	(129)	(144)
Transfer of Endeavour Group liabilities to held for distribution	(45)	-	(10)	-
Other	(24)	(19)	(14)	(9)
Balance at end of period	591	637	395	518
Current	169	207	121	141
Non-current	422	430	274	377
Balance at end of period	591	637	395	518



SIGNIFICANT ACCOUNTING POLICIES

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

Employee benefits

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

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

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

Self-insurance

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

Restructuring

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

Onerous contracts and store exit costs

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



3.9 PROVISIONS (CONTINUED)

**CRITICAL ACCOUNTING ESTIMATES**

The estimates and judgements applied in determining the Group's provisions involve a high degree of complexity and have a risk of causing a material adjustment in subsequent periods. Any changes in the estimates and judgements of the provision in future periods will be recognised in the Consolidated Statement of Profit or Loss.

Discount rates

Where a provision is measured using the cash flows estimated to settle the obligation, with the exception of employee benefits, the cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Employee benefits are discounted by reference to market yields at the end of the reporting period on high quality corporate bonds. Rates are reviewed periodically and, given the nature of the estimate, reasonably possible changes are not considered likely to have a material impact.

Employee benefits

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

Included in employee benefits is the team member remediation provision which represents the Group's best estimate of the expenditure required to settle the obligation in accordance with the General Retail Industry Award (GRIA) and the Hospitality Industry (General) Award (HIGA). The calculation of this provision involves a substantial volume of data and a significant degree of complexity, interpretation, and estimation. In June 2021, the Fair Work Ombudsman issued a statement of claim to the Group challenging the Group's interpretation of certain clauses of the GRIA in its calculation of team member remediation payments. The Group is defending this claim however it is at an early stage of the proceedings and the potential outcome and total costs associated with this matter are uncertain. The Group's exposure may change materially based on the outcome of the legal proceedings.

Self-insurance

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

Restructuring, onerous contracts, and store exit costs

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

4 CAPITAL STRUCTURE, FINANCING, AND RISK MANAGEMENT

4.1 EARNINGS PER SHARE



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

	2021	RESTATED ¹ 2020
Profit for the period attributable to equity holders of the parent entity used in earnings per share (\$M)		
Continuing operations	1,606	928
Discontinued operations	468	237
	2,074	1,165
Weighted average number of shares used in earnings per share (shares, millions)²		
Basic earnings per share	1,256.9	1,257.9
Diluted earnings per share ³	1,262.6	1,265.4
Basic earnings per share (cents per share)²		
Continuing operations	127.7	73.9
Discontinued operations	37.3	18.8
	165.0	92.7
Diluted earnings per share (cents per share)^{2,3}		
Continuing operations	127.1	73.5
Discontinued operations	37.1	18.7
	164.2	92.2

1 Refer to Note 1.1 for further details.

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

3 Includes 5.7 million (2020: 7.5 million) shares deemed to be issued for no consideration in respect of employee performance rights.



Notes to the Consolidated Financial Statements

4.2 DIVIDENDS



Dividends are distributions of the Group's profit after tax before significant items and assets to its shareholders.

	2021			2020		
	CENTS PER SHARE	TOTAL AMOUNT \$M	DATE OF PAYMENT	CENTS PER SHARE	TOTAL AMOUNT \$M	DATE OF PAYMENT
Current year interim	53	671	14 April 2021	46	580	9 April 2020
Prior year final	48	606	6 October 2020	57	717	30 September 2019
Dividends paid during the period	101	1,277		103	1,297	
Issue of shares to satisfy the dividend reinvestment plan		(173)			(164)	
Dividends paid in cash		1,104			1,133	

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

On 26 August 2021, the Board of Directors declared a final dividend of 55 cents per share in respect of the 2021 financial period, fully franked at a 30% tax rate. The amount will be paid on or around 8 October 2021 and is expected to be \$697 million. As the dividends were declared subsequent to 27 June 2021, no provision had been made at 27 June 2021.

Dividend Reinvestment Plan (DRP)

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

Shares will be allocated to shareholders under the DRP for the 2021 final dividend at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 7 September 2021. The last date for receipt of election notices for the DRP is 6 September 2021. The Company intends to issue new shares to satisfy its obligations under the DRP.

During the period, 14.0% (2020: 12.6%) of the dividends paid were reinvested in shares of the Company.

Demerger distribution

A demerger distribution liability equal to the fair value of the net assets of Endeavour Group to be distributed of \$7,870 million has been recognised at 27 June 2021. The demerger distribution liability has been allocated between a capital reduction (\$904 million) and a demerger dividend (\$6,966 million). Refer to [Note 5.3.2](#) for further details on demerger accounting.

Franking credit balance

	2021 \$M	2020 \$M
Franking credits available for future financial periods (tax paid basis, 30% tax rate)	1,740	1,546

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

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

The above franking credit balance excludes \$692 million attributable to Endeavour Group which will transfer on demerger (2020: \$552 million) and \$18 million attributable to other non-controlling interests (2020: \$16 million).

4.3 CONTRIBUTED EQUITY

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

	2021		2020	
	NUMBER M	\$M	NUMBER M	\$M
SHARE CAPITAL				
1,267,652,417 fully paid ordinary shares (2020: 1,263,091,936)				
<i>Movement:</i>				
Balance at start of period	1,263.1	6,197	1,258.7	6,033
Issue of shares to satisfy the dividend reinvestment plan	4.6	173	4.4	164
Demerger distribution	-	(904)	-	-
Balance at end of period	1,267.7	5,466	1,263.1	6,197
SHARES HELD IN TRUST				
<i>Movement:</i>				
Balance at start of period	(5.1)	(175)	(6.9)	(205)
Issue of shares to satisfy employee long-term incentive plans	4.1	139	4.7	135
Issue of shares to satisfy the dividend reinvestment plan	-	-	(0.1)	(3)
Purchase of shares by the Woolworths Employee Share Trust	(4.1)	(177)	(2.8)	(102)
Balance at end of period	(5.1)	(213)	(5.1)	(175)
Contributed equity at end of period	1,262.6	5,253	1,258.0	6,022

Demerger distribution

On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group. Accounting for the demerger is guided by AASB Interpretation 17 *Distributions of Non-cash Assets to Owners*. A demerger distribution liability equal to the fair value of the net assets to be distributed of \$7,870 million has been recognised at 27 June 2021. The demerger distribution liability has been allocated between a capital reduction (\$904 million) and a demerger dividend (\$6,966 million). The value of the capital reduction has been determined in accordance with the tax allocation specified by an ATO ruling and has been recognised against share capital. Refer to [Note 5.3.2](#) for further details on demerger accounting.

Share capital

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

Share options and performance rights

Refer to [Note 6.2](#) for further details of outstanding options and performance rights. Performance rights carry no rights to dividends and no voting rights.



Notes to the Consolidated Financial Statements

4.4 RESERVES



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

2021	CASH FLOW HEDGE RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	REMUNERATION RESERVE \$M	DEMERGER RESERVE \$M	OTHER RESERVES \$M	TOTAL \$M
Balance at start of period	(38)	80	296	-	53	391
Effective portion of changes in the fair value of cash flow hedges, net of tax	(8)	-	-	-	-	(8)
Transfers to initial carrying amount of hedged items, net of tax	33	-	-	-	-	33
Foreign currency translation of foreign operations, net of tax	-	(9)	-	-	-	(9)
Share-based payments expense	-	-	102	-	-	102
Transfer of shares to satisfy employee long-term incentive plans	-	-	(139)	-	-	(139)
Demerger distribution	-	-	-	(6,966)	-	(6,966)
Recognition of put option over non-controlling interest	-	-	-	-	(390)	(390)
Change in the fair value of investments in equity securities	-	-	-	-	(3)	(3)
Balance at end of period	(13)	71	259	(6,966)	(340)	(6,989)

2020	CASH FLOW HEDGE RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	REMUNERATION RESERVE \$M	OTHER RESERVES \$M	TOTAL \$M
Balance at start of period	(29)	134	335	50	490
Effective portion of changes in the fair value of cash flow hedges, net of tax	(1)	-	-	-	(1)
Transfers to initial carrying amount of hedged items, net of tax	(8)	-	-	-	(8)
Foreign currency translation of foreign operations, net of tax	-	(54)	-	-	(54)
Share-based payments expense	-	-	96	-	96
Transfer of shares to satisfy employee long-term incentive plans	-	-	(135)	-	(135)
Change in the fair value of investments in equity securities	-	-	-	3	3
Balance at end of period	(38)	80	296	53	391

4.4 RESERVES (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in the Consolidated Statement of Profit or Loss when the hedged transaction impacts profit or loss, consistent with the applicable accounting policy. Refer to [Note 4.7](#) for details of hedging.

Foreign currency translation reserve (FCTR)

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

Remuneration reserve

The employee remuneration reserve comprises the fair value of share-based payment plans recognised as an expense in the Consolidated Statement of Profit or Loss. Refer to [Note 6.2](#) for details of share-based payments.

Shares issued by the Woolworths Employee Share Trust are charged against the reserve.

Demerger reserve

The demerger reserve comprises the demerger dividend which is the difference between the fair value of Endeavour Group's net assets to be distributed and the capital reduction. Refer to [Note 5.3.2](#) for details of demerger accounting.

Other reserves

Other reserves comprises the following:

- *Asset revaluation reserve*: arose on acquisition of the previously equity accounted investment in MGW Hotels Pty Ltd and relates to the change in fair value of the Group's interest in non-current assets from the date of acquisition of the initial investment to the date control was achieved.
- *Equity instrument reserve*: arises on the revaluation of investments in listed and unlisted equity securities. Subsequent to initial recognition, these investments are measured at fair value with any changes recognised in other comprehensive income.
- *Other reserve*: arises on recognition of put options over non-controlling interests. Subsequent to initial recognition, the corresponding put option liability is measured at fair value with any changes recognised in profit or loss.



Notes to the Consolidated Financial Statements

4.5 CASH AND CASH EQUIVALENTS



This section presents the components of the Group's cash and cash equivalents balance and a reconciliation of the Group's profit for the period to net cash flows provided by operating activities.

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

	2021 \$M	2020 \$M
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	1,009	2,068
Cash and cash equivalents (included within assets held for sale or distribution)	437	-
	1,446	2,068

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

	2021 52 WEEKS \$M	2020 52 WEEKS \$M
Profit for the period	2,139	1,209
<i>Adjustments for:</i>		
Depreciation and amortisation	2,608	2,458
Impairment of non-financial assets	56	34
Share-based payments expense	103	96
Gain on disposal of previously held equity interest in Quantum	(228)	-
Interest capitalised	(10)	(10)
Net loss on disposal and write-off of property, plant and equipment	11	11
Dividends received	(4)	(4)
Other	(57)	8
<i>Changes in:</i>		
Decrease/(increase) in inventories	103	(152)
(Decrease)/increase in trade payables	(115)	632
(Decrease)/increase in provisions	(183)	223
Decrease/(increase) in trade and other receivables	15	(37)
Increase in other payables	91	163
Increase in deferred tax assets	(140)	(118)
Increase in income tax payable	235	48
Net cash provided by operating activities	4,624	4,561



SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

4.6 BORROWINGS



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

4.6.1 Capital structure

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

The Group returns capital to shareholders when consistent with its long-term capital structure objectives and where it will enhance shareholder value.

The Group remains committed to solid investment grade credit ratings and a number of actions can be undertaken to support the credit profile, including the sale of non-core assets, further working capital initiatives, and adjusting growth capital expenditure and the property leasing profile. The Group's credit ratings¹ are BBB (stable outlook) according to Standard & Poor's and Baa2 (stable outlook) according to Moody's.

4.6.2 Borrowings

(i) Financing transactions during 2021

In September 2020, the \$654 million US Senior Notes matured. In November 2020, the \$229 million European Medium Term Notes also matured. The Group refinanced these maturities with a \$1 billion domestic Medium Term Note issuance in May 2020.

In December 2020, the Group entered into a \$384 million bank guarantee facility and \$398 million direct surety bond facility. The bank guarantee facility is backed by the international surety market. The facilities support the Group's workers' compensation obligations as a self-insurer, where bank guarantees are issued in favour of Australian workers' compensation authorities. These transactions refinanced the Group's \$500 million bank guarantee facility, which matured in January 2021.

In April 2021, the \$424 million US Senior Notes matured and the Group repaid this with its existing surplus cash and bank facilities.

(ii) Future financing activities

Subject to market conditions, the Group is intending to launch a debt capital markets transaction (total value estimated to be \$1,500 million) where the proceeds will be used for general corporate purposes, including the long-term funding of the Group's increased investment in Quantum, the acquisition of a controlling interest in PFD, and represents an opportunity to secure long-term, low cost debt and reduce the Group's overall cost of debt and weighted average cost of capital.

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



Notes to the Consolidated Financial Statements

4.6 BORROWINGS (CONTINUED)

4.6.3 Movements in borrowings

	NON-CASH MOVEMENTS				CASH MOVEMENTS		CLOSING BALANCE \$M
	OPENING BALANCE \$M	TRANSFERS FROM NON-CURRENT TO CURRENT \$M	EFFECT OF MOVEMENTS IN FOREIGN EXCHANGE RATES ¹ \$M	OTHER ² \$M	PROCEEDS \$M	REPAYMENTS \$M	
2021							
Current, unsecured							
Short-term money market loans	-	-	-	-	44	-	44
Bank loans	220	-	-	(4)	77	(218)	75
Securities	1,807	-	(500)	-	-	(1,307)	-
Total current borrowings	2,027	-	(500)	(4)	121	(1,525)	119
Non-current, unsecured							
Bank loans	500	-	-	-	850	-	1,350
Securities	1,420	-	-	(4)	-	-	1,416
Unamortised borrowing costs	(16)	-	-	3	-	-	(13)
Total non-current borrowings	1,904	-	-	(1)	850	-	2,753
Total	3,931	-	(500)	(5)	971	(1,525)	2,872

1 The \$500 million effect of movements in foreign exchange rates on securities represents the cumulative foreign exchange losses on facilities that matured during the period. These cumulative foreign exchange losses were offset by cumulative foreign exchange gains on cross currency swaps which also matured during the period. Refer to Note 4.7.1 for further details.

2 Other includes \$4 million of bank loans related to Endeavour Group which has been transferred to liabilities held for distribution.

	NON-CASH MOVEMENTS				CASH MOVEMENTS		CLOSING BALANCE \$M
	OPENING BALANCE \$M	TRANSFERS FROM NON-CURRENT TO CURRENT \$M	EFFECT OF MOVEMENTS IN FOREIGN EXCHANGE RATES \$M	OTHER \$M	PROCEEDS \$M	REPAYMENTS \$M	
2020							
Current, unsecured							
Short-term money market loans	39	-	-	-	-	(39)	-
Bank loans	235	108	-	-	54	(177)	220
Securities	-	1,769	38	-	-	-	1,807
Total current borrowings	274	1,877	38	-	54	(216)	2,027
Non-current, unsecured							
Bank loans	678	(108)	-	-	500	(570)	500
Securities	2,178	(1,769)	-	11	1,000	-	1,420
Unamortised borrowing costs	(4)	-	-	1	-	(13)	(16)
Finance leases	3	-	-	(3)	-	-	-
Total non-current borrowings	2,855	(1,877)	-	9	1,500	(583)	1,904
Total	3,129	-	38	9	1,554	(799)	3,931

4.6 BORROWINGS (CONTINUED)

4.6.4 Composition of debt

	CURRENCY	MATURITY	NOTIONAL VALUE		CARRYING VALUE	
			2021 \$M	2020 \$M	2021 \$M	2020 \$M
Short-term money market loans						
Money market loan, on call	AUD	At call	44	-	44	-
			44	-	44	-
Bank loans (current)						
Committed Revolving Credit Facility ¹	CNY	Feb 21	-	79	-	79
Bank loans ²	AUD	Sep 20	-	65	-	65
Bank loans ²	AUD	Apr 21	-	76	-	76
Bank loans	AUD	Jun 22	75	-	75	-
			75	220	75	220
Securities (current)						
US Senior Notes (US 144A)	USD	Sep 20	-	654	-	898
US Senior Notes (US 144A)	USD	Apr 21	-	424	-	637
European Medium Term Notes	JPY	Nov 20	-	229	-	272
			-	1,307	-	1,807
Bank loans (non-current)						
Revolving Credit Facility ³	AUD	Jun 22	150	-	150	-
Revolving Credit Facility	AUD	Oct 22	200	-	200	-
Syndicated Bank Loan	AUD	Nov 23	500	-	500	-
Syndicated Bank Loan	AUD	Nov 26	500	500	500	500
			1,350	500	1,350	500
Securities (non-current)						
Medium Term Notes (Green Bond) ⁴	AUD	Apr 24	400	400	413	420
Domestic Notes	AUD	May 25	400	400	400	400
Domestic Notes ⁴	AUD	May 30	600	600	603	600
			1,400	1,400	1,416	1,420

1 Drawn by a subsidiary outside the Woolworths Group Limited Deed of Cross Guarantee.

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

3 This facility has been classified as non-current at 27 June 2021 as its maturity date is 28 June 2022.

4 The Medium Term Notes (Green Bond) and Domestic Notes are the hedged item in a fair value hedge relationship and are subject to changes in the carrying amount due to fair value adjustments attached to each arrangement.



SIGNIFICANT ACCOUNTING POLICIES

Borrowings

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



4.7 FINANCIAL RISK MANAGEMENT



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

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

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

These risks affect the fair value measurements applied by the Group, which are detailed in [Note 4.7.4](#).

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

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

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

4.7.1 Market risk

(i) Interest rate risk

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

(ii) Foreign exchange risk

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

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

To hedge the risk of adverse movements in foreign exchange rates in relation to borrowings denominated in foreign currency, the Group enters into cross currency swaps under which it agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. All foreign currency term borrowings are 100% hedged in this way.

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

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.1 Market risk (continued)

(iii) Hedging arrangements

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

	NOTIONAL VALUE		FAIR VALUE ASSET		FAIR VALUE LIABILITY	
	2021 \$M	2020 \$M	2021 \$M	2020 \$M	2021 \$M	2020 \$M
Cash flow hedges						
Forward exchange contracts	710	1,523	2	7	(19)	(53)
Foreign currency options	190	74	1	2	-	-
Cross currency swaps						
US Senior Notes (US144A)	-	654	-	248	-	-
US Senior Notes (US144A)	-	424	-	229	-	-
European Medium Term Notes	-	229	-	42	-	-
			-	519	-	-
Interest rate swaps						
US Senior Notes (US144A)	-	654	-	-	-	(9)
US Senior Notes (US144A)	-	424	-	-	-	(20)
European Medium Term Notes	-	229	-	-	-	(2)
			-	-	-	(31)
Fair value hedges						
Interest rate swaps						
Medium Term Notes (Green Bond)	400	400	13	20	-	-
Domestic Notes	600	-	10	-	(7)	-
			23	20	(7)	-
Total			26	548	(26)	(84)

Forward exchange contracts and foreign currency options

At the reporting date, the net amount of unrealised losses under forward exchange contracts and foreign currency options hedging anticipated purchases of inventory and equipment is \$16 million (2020: \$44 million unrealised loss).

The hedge relationships are all assessed as highly effective with insignificant hedge ineffectiveness and the loss of \$16 million has been recognised in the hedge reserve (2020: \$44 million loss).

The weighted average exchange rates hedged by outstanding forward exchange contracts and foreign currency options are AUD/USD: 0.73 (2020: 0.67) and AUD/EUR: 0.63 (2020: 0.60).

Cross currency swaps

At the reporting date, there were no cross currency swaps outstanding. All cross currency swaps were settled during the period matching the maturity of the underlying debt which was repaid during the period.

Interest rate swaps – cash flow hedges

At the reporting date, there were no interest rate swaps designated in a cash flow hedge relationship. All interest rate swaps previously designated in cash flow hedge relationships were settled during the period, matching the maturity of the underlying debt which was repaid during the period.

Interest rate swaps – fair value hedges

At the reporting date, interest rate swaps designated as fair value hedges have an unrealised gain of \$16 million (2020: \$20 million unrealised gain). These interest rate swaps are designated to be in a 100% hedge relationship against the identified exposure, and the movement in the unrealised gain of a \$4 million loss has been recognised in the Consolidated Statement of Profit or Loss (2020: \$11 million gain), offsetting the movement in the fair value of the hedged item. The weighted average interest rate hedged is BBSW + 1.20% (2020: BBSW + 1.20%).



Notes to the Consolidated Financial Statements

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.1 Market risk (continued)

(iv) Cash flow hedge reserve

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

	2021 \$M	2020 \$M
Balance at start of period	(38)	(29)
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges:		
Forward exchange contracts and foreign currency options	(23)	(46)
Cross currency swaps	(19)	(3)
Interest rate swaps	31	47
Income tax related to gains/(losses) recognised in other comprehensive income	3	1
	(8)	(1)
Transfers to initial carrying amount of hedged items:		
Forward exchange contracts and foreign currency options	46	(13)
Income tax related to amounts transferred to initial carrying amount of hedged items	(13)	5
	33	(8)
Balance at end of period	(13)	(38)

(v) Sensitivity analysis

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

(vi) Power purchase agreement

The Group entered into a power purchase agreement (PPA) in May 2021 for a period of 10 years commencing January 2022.

The PPA is not a physical electricity supply contract but operates as a contract for difference where a strike price is agreed. If the electricity spot price is higher than the strike price, the counterparty will pay the difference to the Group. Similarly, if the electricity spot price is lower than the strike price, the Group will pay the difference to the counterparty. The PPA is classified as a derivative and is measured at fair value through profit or loss.

The fair value of the PPA at the execution date was nil. As the timing of the execution of the PPA was close to the end of the period, there has been no material change to the fair value of the PPA. The carrying value of the PPA at 27 June 2021 was nil.

4.7.2 Liquidity risk

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

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

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

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.2 Liquidity risk (continued)

At the reporting date, the Group has total undrawn committed facilities of \$2,100 million (2020: \$3,031 million) available. These facilities may be drawn at any time, subject to the terms of the lending agreements. Some facilities are subject to certain financial covenants and undertakings. No covenants have been breached during the period.

The following tables detail the Group's undiscounted non-derivative liabilities and derivative assets and liabilities and their contractual maturities. The maturity profile of the Group's undiscounted lease liabilities is included in Note 3.3.2.

2021	MATURITY ANALYSIS OF FINANCIAL LIABILITIES				
	ONE YEAR OR LESS \$M	ONE TO TWO YEARS \$M	TWO TO FIVE YEARS \$M	OVER FIVE YEARS \$M	TOTAL \$M
Non-derivative liabilities					
Borrowings (floating)	(135)	(363)	(524)	(504)	(1,526)
Borrowings (fixed)	(36)	(36)	(877)	(667)	(1,616)
Trade and other payables ¹	(6,103)	-	-	-	(6,103)
	(6,274)	(399)	(1,401)	(1,171)	(9,245)
Derivative assets and liabilities					
Net foreign exchange contracts	(20)	-	-	-	(20)
Net pay interest rate swaps ²	16	16	35	38	105
Put option over non-controlling interest	-	-	(409)	-	(409)
	(4)	16	(374)	38	(324)
Total	(6,278)	(383)	(1,775)	(1,133)	(9,569)

2020	MATURITY ANALYSIS OF FINANCIAL LIABILITIES				
	ONE YEAR OR LESS \$M	ONE TO TWO YEARS \$M	TWO TO FIVE YEARS \$M	OVER FIVE YEARS \$M	TOTAL \$M
Non-derivative liabilities					
Borrowings (floating)	(87)	(8)	(23)	(512)	(630)
Borrowings (fixed)	(1,535)	(36)	(895)	(684)	(3,150)
Trade and other payables ¹	(7,258)	-	-	-	(7,258)
	(8,880)	(44)	(918)	(1,196)	(11,038)
Derivative assets and liabilities					
Net foreign exchange contracts	(46)	-	-	-	(46)
Cross currency swaps pay floating	(1,319)	-	-	-	(1,319)
Cross currency swaps receive fixed/floating	1,354	-	-	-	1,354
Net pay interest rate swaps ²	(30)	6	12	-	(12)
	(41)	6	12	-	(23)
Total	(8,921)	(38)	(906)	(1,196)	(11,061)

¹ Excludes contract liabilities.

² Interest rate swaps are net settled.

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



Notes to the Consolidated Financial Statements

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.3 Credit risk

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

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

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

At the reporting date, no material credit risk exposure existed in relation to potential counterparty failure on such financial instruments (2020: nil). Other than the loss allowance recognised in relation to trade and other receivables in [Note 3.1](#), no financial assets were impaired or past due.

4.7.4 Fair value measurement of financial instruments

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

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	NOTE	FAIR VALUE ASSET		FAIR VALUE LIABILITY		FAIR VALUE HIERARCHY
		2021 \$M	2020 \$M	2021 \$M	2020 \$M	
Listed equity securities	3.2	-	84	-	-	Level 1
Forward exchange contracts and foreign currency options	4.7.1	3	9	(19)	(53)	Level 2
Cross currency and interest rate swaps	4.7.1	23	539	(7)	(31)	Level 2
Convertible and SAFE notes	3.2	62	45	-	-	Level 2
Unlisted equity securities	3.2	33	10	-	-	Level 3
Put option over non-controlling interest	3.2	-	-	(390)	-	Level 3

There were no transfers between level 1, level 2, or level 3 during the period.

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

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

Estimation of fair values

At each reporting period, the Group reviews any material adjustments for level 3 fair values and assesses whether any evidence can be obtained from third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified. Any material valuation adjustments are reported to the Board.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments categorised within level 2 and level 3 of the fair value hierarchy:

- The fair value of foreign exchange contracts is determined using a discounted cash flow model where future cash flows are estimated based on market forward exchange rates as at the end of the reporting period and the contract forward rate, discounted by the observable yield curves of the respective currency;
- The fair value of foreign currency options is determined using a Black-Scholes model;

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.4 Fair value measurement of financial instruments (continued)

Estimation of fair values (continued)

- The fair value of cross currency and interest rate swaps is determined using a discounted cash flow model where future cash flows are estimated based on market forward rates as at the end of the reporting period and the contract rates, discounted at a rate that reflects the credit risk of the various respective counterparties;
- The fair value of convertible notes is determined using a Black-Scholes model or a Monte Carlo simulation model;
- The fair value of unlisted equity securities is determined using the pricing from the latest external fundraising of the unlisted entity which represents the current market value of the investment or, where this is not available, using an appropriate model such as a discounted cash flow model based on estimated future cash flows, discounted at a rate that reflects the relative risks of the investment; and
- The fair value of the put option over non-controlling interests is determined as the present value of the amount expected to be paid at the time of exercise, discounted at the Group's cost of debt.

Level 3 sensitivity analysis

Put option over non-controlling interest

For the fair value of the put option over non-controlling interest, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have resulted in the following valuations:

		CHANGE IN REVENUE GROWTH				
2021 (\$M)		-2%	-1%	0%	+1%	+2%
	-2%	337	356	375	395	416
	-1%	345	364	383	403	424
CHANGE IN EBITDA	0%	353	372	390	412	433
MARGIN GROWTH	+1%	360	380	400	420	442
	+2%	368	388	408	429	451

Unlisted equity securities

Reasonably possible changes at the reporting date to significant unobservable inputs would not have resulted in a material change in the value of unlisted equity securities.



SIGNIFICANT ACCOUNTING POLICIES

Derivatives

Derivatives are initially recognised at fair value. Subsequently, at each reporting date, the derivative is remeasured at fair value and the gain or loss on remeasurement is recognised in the Consolidated Statement of Profit or Loss, unless the derivatives are designated as the hedging instrument in a cash flow hedge where the gain or loss is recognised in other comprehensive income. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months.

Cash flow hedge

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

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



Notes to the Consolidated Financial Statements

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash flow hedge (continued)

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

When a hedging instrument expires or is sold, terminated, or exercised, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss accumulated in equity is reclassified immediately into the Consolidated Statement of Profit or Loss. Gains or losses removed from equity during the period in relation to interest rate hedge instruments are recognised within finance costs in the Consolidated Statement of Profit or Loss.

Fair value hedge

A fair value hedge is a hedge of an exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss. Where a derivative is designated as the hedging instrument in a fair value hedge, the gain or loss on the hedging instrument is recognised in the Consolidated Statement of Profit or Loss, together with the gain or loss on the hedged item attributable to the hedged risk, in the line item relating to the hedged item.

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

4.8 COMMITMENTS FOR CAPITAL EXPENDITURE



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

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

	2021 \$M	2020 \$M
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	791	429
Later than one year, not later than two years	46	-
Total capital expenditure commitments¹	837	429

¹ Included within the capital expenditure commitments of the Group are \$14 million (2020: \$18 million) of capital expenditure commitments related to Endeavour Group which has been classified as a discontinued operation at 27 June 2021. The Endeavour Group capital expenditure commitments are estimated to be all payable in not later than one year (2020: all payable in not later than one year).

5 GROUP STRUCTURE

5.1 ACQUISITION OF SUBSIDIARY



This section presents information about material acquisitions that occurred during the period, including the assets acquired and liabilities assumed, consideration transferred, and goodwill arising from the acquisition. During the period, the Group acquired a controlling interest in Quantum.

On 31 May 2021, the Group acquired an additional equity interest in The Quantum Group Holdings Pty Limited (Quantum) which increased its shareholding from 47% to 75%, resulting in the Group gaining control of Quantum, for a total cash consideration of \$223 million. In addition, Quantum minority shareholders have a put option and the Group has an equivalent call option over the remaining 25% of the shares in Quantum, both of which are expected to be exercised after 30 June 2024.

Quantum is a world-class data science and advanced analytics business. Through this transaction the Group aspires to bring together Quantum's advanced analytics capability and the Group's retail capabilities to unlock value across the Group's retail ecosystem.

From the date of acquisition, Quantum's contribution to revenue and earnings before interest and tax was not material. If the acquisition had occurred at the start of the reporting period, management estimates that consolidated revenue and consolidated earnings before interest and tax would not have been materially different to what has been reported.

5.1.1 Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	\$M
Assets	
Cash and cash equivalents	54
Trade and other receivables ¹	58
Lease assets	110
Property, plant and equipment	3
Intangible assets	191
Deferred tax assets	11
Total assets	427
Liabilities	
Trade and other payables	57
Lease liabilities	110
Current tax payable	7
Provisions	18
Deferred tax liabilities	53
Total liabilities	245
Total identifiable net assets acquired	182

¹ Trade and other receivables comprise gross contractual amounts due of \$58 million, of which nil was expected to be uncollectable at the date of acquisition.



Notes to the Consolidated Financial Statements

5.1 ACQUISITION OF SUBSIDIARY (CONTINUED)

5.1.1 Identifiable assets acquired and liabilities assumed (continued)

(i) Fair values measured on a provisional basis

The fair value of Quantum's intangible assets (including customer relationships, brand names, and intellectual property and algorithms) has been measured provisionally, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the amounts recognised, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

5.1.2 Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$M
Consideration transferred	223
Non-controlling interest ¹	56
Fair value of pre-existing interest in Quantum	291
Fair value of identifiable net assets acquired	(182)
Goodwill	388

1 Based on the non-controlling interest's proportion of the fair value of identifiable net assets of Quantum and the non-controlling interest in entities controlled by Quantum.

The remeasurement to fair value of the Group's existing 47% interest in Quantum resulted in a gain of \$228 million. This represents the difference between the fair value of the Group's existing 47% interest (\$291 million) and the amount recognised in the Consolidated Statement of Financial Position prior to this acquisition (\$63 million). This gain has been included in administration expenses in the Consolidated Statement of Profit or Loss.

The goodwill is attributable mainly to the skills and technical talent of Quantum's workforce, the benefits from integrating Quantum into the Group's retail ecosystem, and intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

5.1.3 Put option

The Group has a put option liability over the remaining 25% of the shares in Quantum, which is expected to be exercised after 30 June 2024. Notwithstanding that the most likely outcome is that the put option will be exercised after 30 June 2024, minority shareholders can require the Group to purchase their shares at the put option valuation at the date of exercise. For employee shareholders leaving Quantum or employees classified as bad leavers, their shares are required to be acquired at a discount and for other shareholders at no discount. As the Group is not able to defer payment for more than 12 months, the Group is required to recognise this portion as a current liability.

The put option liability was initially recognised at the present value of the amount expected to be paid at the time of exercise within other financial liabilities with a corresponding charge directly to equity. At 27 June 2021, the carrying value of the put option liability was \$390 million, of which \$145 million has been recognised as a current financial liability and \$245 million has been recognised as a non-current financial liability (refer to [Note 3.2](#)).

In each reporting period, the discount on the put option liability is subsequently unwound up to the amount expected to be paid at the time of exercise through finance costs in the Consolidated Statement of Profit or Loss.

Any changes in the estimate of the amount expected to be paid at the time of exercise will be recognised in the Consolidated Statement of Profit or Loss.

5.1 ACQUISITION OF SUBSIDIARY (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES

Business combinations

The Group accounts for acquisitions of businesses using the acquisition method. The consideration transferred in a business combination is measured at fair value, as are the identifiable net assets acquired. Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree less the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment in accordance with the policy adopted for non-financial assets in [Note 3.6](#). Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the Consolidated Statement of Profit or Loss.

When a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured to its acquisition date fair value. The resulting gain or loss is recognised in the Consolidated Statement of Profit or Loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the Consolidated Statement of Other Comprehensive Income are reclassified to the Consolidated Statement of Profit or Loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.



Notes to the Consolidated Financial Statements

5.2 DISCONTINUED OPERATIONS



This section presents the profit or loss and cash flows from components of the Group that are currently held for distribution. On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group resulting in the discontinued operations of two separate major business lines, Endeavour Drinks and Hotels.

Endeavour Group Separation

On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group, which resulted in two of the Group's separate major business lines, Endeavour Drinks and Hotels, being classified as discontinued operations. On this date, the Group classified the respective assets and liabilities of Endeavour Group as held for distribution and presented these amounts at their carrying value and separately from other assets and liabilities in the Consolidated Statement of Financial Position as at 27 June 2021. Refer to [Note 5.3](#) for further details.

5.2.1 Segment disclosures from discontinued operations

The Group's reportable segments from discontinued operations are as follows:

- **Endeavour Drinks** – procurement and manufacture of drinks for resale to customers in Australia;
- **Hotels** – provision of leisure and hospitality services including food and drinks, accommodation, entertainment, and gaming in Australia; and
- **Other** – consists of various support functions for Endeavour Group.

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

2021	ENDEAVOUR DRINKS \$M	HOTELS \$M	OTHER \$M	TOTAL \$M
Revenue from the sale of goods and services	10,167	1,417	-	11,584
Other revenue	5	24	4	33
Expenses	(9,503)	(1,180)	(35)	(10,718)
Earnings/(loss) before interest, tax, and significant items	669	261	(31)	899
Significant items	-	-	-	-
Earnings/(loss) before interest and tax	669	261	(31)	899
Finance costs ¹				(159)
Profit before income tax				740
Income tax expense				(207)
Profit for the period from discontinued operations				533
Depreciation and amortisation – lease assets	146	137	-	283
Depreciation and amortisation – non-lease assets	145	101	-	246
Capital expenditure	151	149	3	303

¹ Finance costs from discontinued operations is presented after consolidation eliminations and therefore excludes any interest arising on intercompany amounts owed by Endeavour Group.

5.2 DISCONTINUED OPERATIONS (CONTINUED)

5.2.1 Segment disclosures from discontinued operations (continued)

2020

	ENDEAVOUR DRINKS \$M	HOTELS \$M	OTHER \$M	TOTAL \$M
Revenue from the sale of goods and services	9,275	1,320	-	10,595
Other revenue	4	23	-	27
Expenses	(8,710)	(1,171)	(7)	(9,888)
Earnings/(loss) before interest, tax, and significant items	569	172	(7)	734
Significant items	-	-	(132)	(132)
Earnings/(loss) before interest and tax	569	172	(139)	602
Finance costs ¹				(172)
Profit before income tax				430
Income tax expense				(159)
Profit for the period from discontinued operations				271
Depreciation and amortisation – lease assets	138	131	-	269
Depreciation and amortisation – non-lease assets	119	102	-	221
Capital expenditure	169	141	6	316

1 Finance costs from discontinued operations is presented after consolidation eliminations and therefore excludes any interest arising on intercompany amounts owed by Endeavour Group.

5.2.2 Cash flows from/(used in) discontinued operations

The condensed cash flows from/(used in) discontinued operations during the period are set out below:

	2021 \$M	2020 \$M
Net cash inflow from operating activities	1,114	782
Net cash outflow from investing activities	(318)	(269)
Net cash outflow from financing activities	(734)	(272)
Net increase in cash and cash equivalents	62	241
Cash and cash equivalents at start of period	375	134
Cash and cash equivalents at end of period	437	375



SIGNIFICANT ACCOUNTING POLICIES

Discontinued operations

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



Notes to the Consolidated Financial Statements

5.3 ASSETS HELD FOR SALE OR DISTRIBUTION AND ASSOCIATED LIABILITIES



This section presents the assets and liabilities subject to a committed plan for distribution or sale.

On 18 June 2021, the Group obtained shareholder approval for the separation of Endeavour Group. From this date, the Group classified the respective assets and liabilities of Endeavour Group as held for distribution.

5.3.1 Assets held for sale or distribution and associated liabilities

Assets held for sale includes property, plant and equipment subject to a sale transaction and assets held for distribution and liabilities associated with assets held for distribution comprise the assets and liabilities of Endeavour Group.

	2021 \$M	2020 \$M
Assets held for sale or distribution		
Assets held for sale		
Property, plant and equipment ¹	195	333
Total assets held for sale	195	333
Assets held for distribution		
Cash and cash equivalents	437	-
Trade and other receivables	159	-
Inventories	1,213	-
Other financial assets	89	-
Lease assets	3,117	-
Property, plant and equipment ¹	1,890	-
Intangible assets	3,845	-
Deferred tax assets	14	-
Total assets held for distribution	10,764	-
Total assets held for sale or distribution	10,959	333
Liabilities associated with assets held for distribution		
Trade and other payables	1,195	-
Lease liabilities ²	3,429	-
Borrowings ²	4	-
Current tax payable	111	-
Other financial liabilities	3	-
Provisions	315	-
Deferred tax liabilities	171	-
Other non-current liabilities	3	-
Total liabilities associated with assets held for distribution	5,231	-

¹ At 28 June 2020, \$3 million of this balance related to property, plant and equipment held for sale within Endeavour Group. At 27 June 2021, these assets of \$3 million have been included in assets held for distribution.

² Lease liabilities and borrowings are presented after consolidation eliminations and therefore excludes intercompany amounts owed by Endeavour Group.

5.3 ASSETS HELD FOR SALE OR DISTRIBUTION AND DIRECTLY ASSOCIATED LIABILITIES (CONTINUED)

5.3.2 Demerger accounting

The Group recognised a demerger distribution liability following shareholder approval for the separation of Endeavour Group. Accounting for demerger transactions is guided by AASB Interpretation 17 *Distribution of Non-cash Assets to Owners*. Liabilities for distributions payable to shareholders are measured at the fair value of the net assets to be distributed. The fair value of the Endeavour Group net assets has been determined by reference to the VWAP of Endeavour Group Limited shares traded on the ASX in their first five trading days (\$6.21). A demerger distribution liability equal to the fair value of the net assets to be distributed of \$7,870 million has been recognised at 27 June 2021, reflecting the obligation to distribute the assets of Endeavour Group to shareholders effective 28 June 2021.

The demerger distribution liability has been allocated between a capital reduction (\$904 million) and a demerger dividend (\$6,966 million). The value of the capital reduction has been determined in accordance with the tax allocation specified by an ATO ruling and has been recognised against share capital. The demerger dividend, being the difference between the fair value of the net assets to be distributed and the capital reduction, has been recognised in a demerger reserve, within equity.

On 28 June 2021, subsequent to the end of the period, the Group lost control of Endeavour Group and recognised a gain within equity of \$6,387 million equal to the difference between the net assets of Endeavour Group derecognised on transfer to shareholders (including a loan payable to the Group, which eliminated on consolidation) and the combination of (i) the non-controlling interest share of Endeavour Group's net assets, (ii) the fair value of the investment in Endeavour Group retained by the Group, and (iii) the demerger distribution liability. The gain was recognised within discontinued operations for the 2022 financial period.



SIGNIFICANT ACCOUNTING POLICIES

Assets held for sale or distribution

Assets are classified as either held for sale or distribution. Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and the sale is considered highly probable. Assets are classified as held for distribution if they are available for immediate distribution and the transaction is considered highly probable.

Assets held for sale or distribution are measured at the lower of their carrying amount and fair value less costs to distribute or sell, except for assets such as deferred tax assets, assets arising from employee benefits, and financial assets which are specifically exempt from this measurement requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell or distribute. A gain is recognised for any subsequent increases in fair value less costs to sell or distribute of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale or distribution of the asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale or distribution.

Interest and other expenses attributable to the liabilities associated with assets held for sale or distribution continue to be recognised.



Notes to the Consolidated Financial Statements

5.4 SUBSIDIARIES



The following section sets out the list of Australian subsidiaries (which together with Woolworths Group Limited are referred to as the Closed Group) and their consolidated financial performance and position.

5.4.1 Deed of cross guarantee

Woolworths Group Limited and each of the wholly owned subsidiaries set out below (together referred to as the Closed Group) have entered into a Deed of Cross Guarantee (the Deed), as defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (the Instrument). The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare, audit, and lodge separate financial reports.

(i) Parties to the Deed

COMPANY

ACN 001 259 301 Pty Limited	Hydrox Brands Pty Ltd
Advantage Supermarkets Pty Ltd	Jack Butler & Staff Pty. Ltd.
Advantage Supermarkets WA Pty Ltd	Josona Pty Ltd
Andmist Pty. Limited	Kiaora Lands Pty Limited
Australian Grocery Wholesalers Pty Limited	Leasehold Investments Pty Ltd
Australian Independent Retailers Pty Ltd	Macro Wholefoods Company Pty Limited ¹
Australian Safeway Stores Pty. Ltd.	Masters Installation Pty Limited
Barjok Pty Ltd	Nalos Pty Ltd
Calvartan Pty. Limited	Oxygen Nominees Pty. Ltd.
Cartology Pty Limited	PEH (NZ IP) Pty Ltd
Cenijade Pty. Limited	Philip Leong Stores Pty Limited
Charmtex Pty Ltd	Primary Connect International Pty Limited
DB Deals Online Pty Limited	Progressive Enterprises Holdings Limited
Drystone Pty Ltd	QFD Pty. Limited
Dentra Pty. Limited	Queensland Property Investments Pty Ltd
Drumstar Pty Ltd	Universal Wholesalers Pty Limited
Fabcot Pty Ltd	Vincentia Nominees Pty Ltd
Fabsky Pty Ltd	W23 Pty Limited
Gembond Pty. Limited	W23 Incubator Pty Limited ¹
GreenGrocer.com.au Pty Ltd	W23 Investments Pty Limited
Grocery Wholesalers Pty Ltd	W23 Investments 4 Pty Limited
HealthyLife Company Pty Limited ¹	W23 Ventures Pty Limited ²
HP Distribution Pty Ltd	W360 R&D Pty Limited ³
Hydrogen Nominees Pty. Ltd	Weetah Pty. Limited

¹ These wholly-owned subsidiaries became a party to the Deed by way of an Assumption Deed on 23 June 2021.

² Formerly W23 Investments 3 Pty Limited.

³ Formerly W23 Investments 2 Pty Limited.

5.4 SUBSIDIARIES (CONTINUED)

5.4.1 Deed of cross guarantee (continued)

(i) Parties to the Deed (continued)

COMPANY

WGP No 1 Pty Limited	Woolworths Custodian Pty Ltd
WGP No 2 Pty Limited	Woolworths Executive Superannuation Scheme Pty Limited
Woolies Liquor Stores Pty. Ltd.	Woolworths Format Development Pty Limited
Woolstar Pty. Limited	Woolworths Group Superannuation Scheme Pty Ltd
Woolworths (International) Pty Limited	Woolworths Group Payments Pty Limited ¹
Woolworths (Project Finance) Pty. Limited	Woolworths International Trading Pty Limited
Woolworths (Q'land) Pty Limited	Woolworths Management Pty Ltd
Woolworths (R & D) Pty Limited	Woolworths Marketplace Pty Limited ¹
Woolworths (South Australia) Pty Limited	Woolworths Properties Pty Limited
Woolworths (Victoria) Pty Limited	Woolworths Property Double Bay Pty Limited
Woolworths (W.A.) Pty Limited	Woolworths Townsville Nominee Pty Ltd
Woolworths360 Pty Limited	Woolworths Trust Management Pty Limited
Woolworths360 Investments Pty Limited	Woolworths Trustee No. 2 Pty Limited
Woolworths Australian Communities Foundation Pty Limited	WPay Pty Limited ¹

¹ These wholly-owned subsidiaries became a party to the Deed by way of an Assumption Deed on 23 June 2021.

A Statement of Profit or Loss and retained earnings, and Statement of Financial Position for the entities which are party to the Deed at the reporting date are as follows:

	2021 \$M	2020 \$M
Continuing operations		
Revenue from the sale of goods and services	48,713	49,550
Cost of sales	(34,290)	(35,251)
Gross profit	14,423	14,299
Other revenue	379	131
Branch expenses	(8,799)	(9,037)
Administration expenses	(3,721)	(3,577)
Earnings before interest and tax	2,282	1,816
Finance income	(11)	(280)
Profit before income tax	2,271	1,536
Income tax expense	(527)	(396)
Profit for the period	1,744	1,140
Retained earnings		
Balance at start of period	1,162	2,445
Adjustment on initial application of AASB 16, net of tax	-	(1,031)
Profit for the period	1,744	1,140
Dividends paid (refer to Note 4.2)	(1,277)	(1,297)
Actuarial (loss)/gain on defined benefit superannuation plans, net of tax	(12)	4
Adjustment for companies transferred out of the Closed Group	-	(99)
Balance at end of period	1,617	1,162



Notes to the Consolidated Financial Statements

5.4 SUBSIDIARIES (CONTINUED)

5.4.1 Deed of cross guarantee (continued)

	2021 \$M	RESTATED ¹ 2020 \$M
Current assets		
Cash and cash equivalents	819	1,501
Trade and other receivables	2,323	1,281
Inventories	2,695	2,700
Other financial assets	18	532
Other current assets	48	41
	5,903	6,055
Assets held for sale	185	293
Total current assets	6,088	6,348
Non-current assets		
Trade and other receivables	1,209	1,914
Other financial assets	4,286	4,225
Lease assets	8,124	8,032
Property, plant and equipment	6,392	5,949
Intangible assets	1,664	1,467
Investments in associates	30	57
Deferred tax assets	1,391	1,302
Other non-current assets	358	362
Total non-current assets	23,454	23,308
Total assets	29,542	29,656
Current liabilities		
Trade and other payables	5,563	5,576
Lease liabilities	1,300	1,522
Borrowings	119	1,948
Current tax payable	204	44
Other financial liabilities	165	80
Provisions	1,357	1,536
Other current liabilities	7,870	-
Total current liabilities	16,578	10,706
Non-current liabilities		
Lease liabilities	9,306	8,621
Borrowings	2,753	1,904
Other financial liabilities	251	3
Provisions	786	874
Other non-current liabilities	51	50
Total non-current liabilities	13,147	11,452
Total liabilities	29,725	22,158
Net assets¹	(183)	7,498
Equity		
Contributed equity	5,253	6,022
Reserves	(7,053)	314
Retained earnings	1,617	1,162
Total equity	(183)	7,498

¹ Refer to Note 1.1 for further details.

² The Closed Group is in a net liability position at 27 June 2021 due to the recognition of the Endeavour Group demerger distribution liability of \$7,870 million. This net liability position is expected to substantially reverse in 2022 as the Closed Group will recognise a gain on demerger. Refer to Note 6.4 for further details.

5.4 SUBSIDIARIES (CONTINUED)

5.4.2 Details of wholly owned subsidiaries that are material to the Group

Material subsidiaries of Woolworths Group Limited, with the exception of those disclosed in [Note 5.4.1](#) and [Note 5.4.3](#), are as follows:

COMPANY	COUNTRY OF INCORPORATION	ULTIMATE AUSTRALIAN CONTROLLING ENTITY
Woolworths New Zealand Group Limited	New Zealand	Woolworths Group Limited
Woolworths New Zealand Limited	New Zealand	Woolworths Group Limited
General Distributors Limited	New Zealand	Woolworths Group Limited

5.4.3 Details of non-wholly owned subsidiaries that have material non-controlling interests

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	PROPORTION OF VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS	
		2021 %	2020 %
Endeavour Group Limited	Australia	14.6	14.6
The Quantum Group Holdings Pty Limited	Australia	25	n/a
Individually immaterial subsidiaries	n/a	n/a	n/a

The movement in non-controlling interests is as follows:

2021

	ENDEAVOUR GROUP LIMITED \$M	THE QUANTUM GROUP HOLDINGS PTY LIMITED \$M	INDIVIDUALLY IMMATERIAL SUBSIDIARIES \$M	TOTAL NON-CONTROLLING INTERESTS \$M
Balance at start of period	259	-	31	290
Profit for the period	65	(1)	1	65
Other comprehensive loss for the period, net of tax	(2)	-	-	(2)
Total comprehensive income for the period, net of tax	63	(1)	1	63
Dividends paid	(41)	-	(9)	(50)
Recognition of non-controlling interest from acquisition of subsidiary	-	56	-	56
Share-based payments expense	1	-	-	1
Balance at end of period	282	55	23	360

2020

	ENDEAVOUR GROUP LIMITED \$M	ALH GROUP PTY LTD \$M	INDIVIDUALLY IMMATERIAL SUBSIDIARIES \$M	TOTAL NON-CONTROLLING INTERESTS \$M
Balance at start of period	-	285	29	314
Adjustment due to Restructure Scheme and ALH Merger	285	(285)	-	-
Adjusted balance	285	-	29	314
Profit for the period	34	-	10	44
Other comprehensive loss for the period, net of tax	(2)	-	-	(2)
Total comprehensive income for the period, net of tax	32	-	10	42
Dividends paid	(58)	-	(8)	(66)
Balance at end of period	259	-	31	290



Notes to the Consolidated Financial Statements

5.4 SUBSIDIARIES (CONTINUED)

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

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

	ENDEAVOUR GROUP LIMITED ¹	
	2021 \$M	2020 ² \$M
Current assets	1,771	1,993
Non-current assets	8,993	8,802
Current liabilities	3,812	2,886
Non-current liabilities	3,564	4,522
Revenue	11,595	4,141
Profit after tax	445	(64)
Total comprehensive income	431	(79)
Net cash inflow	62	144

1 Financial information is presented for Endeavour Group Limited and its controlled entities as a separate group and therefore includes intercompany charges and balances with the Group which are eliminated on consolidation. In 2021, amounts presented for the profit or loss include the following intercompany amounts:

- Revenue: \$11 million of sales between Endeavour Group and New Zealand Food; and
- Profit after tax: \$88 million of interest on lease liabilities and borrowings with the Group.

2 The 2020 revenue, profit after tax, total comprehensive income, and net cash inflow disclosures reflect the results of Endeavour Group Limited from 3 February 2020 onwards, being the date the Restructure Scheme to create Endeavour Group Limited was completed.

	THE QUANTUM GROUP HOLDINGS PTY LIMITED
	2021 ³ \$M
Current assets	110
Non-current assets	246
Current liabilities	83
Non-current liabilities	113
Revenue	192
Profit after tax	56
Total comprehensive income	54
Net increase in cash and cash equivalents	17

3 Included in profit after tax is \$36 million of non-recurring net income that is not part of the core operations of Quantum.

5.5 PARENT ENTITY INFORMATION



This section presents the stand-alone financial information of Woolworths Group Limited.

	2021 \$M	RESTATED ¹ 2020 \$M
Assets		
Current assets	5,611	5,826
Non-current assets	20,685	20,904
Total assets	26,296	26,730
Liabilities		
Current liabilities	16,211	9,695
Non-current liabilities	12,683	11,433
Total liabilities	28,894	21,128
Equity		
Contributed equity	5,253	6,022
Reserves		
Hedging reserve	(13)	(36)
Remuneration reserve	249	296
Equity instrument reserve	43	43
Demerger reserve	(6,966)	-
Other reserve	(390)	-
Retained earnings		
Profit reserve	1,230	1,281
Loss reserve	(2,004)	(2,004)
Total equity²	(2,598)	5,602
	2021 \$M	2020 \$M
Profit for the period	1,238	741
Other comprehensive income for the period, net of tax	14	7
Total comprehensive income for the period	1,252	748

1 Refer to Note 1.1 for further details.

2 The parent entity is in a negative equity position at 27 June 2021 due to the recognition of the Endeavour Group demerger distribution liability of \$7,870 million. This negative equity position is expected to substantially reverse in 2022 as the parent entity will recognise a gain on demerger. Refer to Note 6.4 for further details.

Guarantees

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details on the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 5.4.1. Other guarantees held by the parent entity are the same as those held by the Group as disclosed in Note 6.1.

Commitments for capital expenditure

	2021 \$M	2020 \$M
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	441	279
Later than one year, not later than two years	1	-
	442	279



Notes to the Consolidated Financial Statements

5.5 PARENT ENTITY INFORMATION (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES

Financial information for the Company, Woolworths Group Limited, has been prepared on the same basis as the Consolidated Financial Statements. The following are accounting policies that are significant to the Company only as the related transactions are either not material for the Group or eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost and are tested for impairment in accordance with the policy adopted for non-financial assets in Note 3.6. Dividends received from subsidiaries are recognised in profit or loss when a right to receive the dividend is established.

Lessor accounting

The Company recognises amounts due from lessees under finance leases as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. The Company recognises lease payments received under operating leases as rental income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

5.6 RELATED PARTIES



This section outlines the Group's transactions with its related parties, such as its subsidiaries and Key Management Personnel.

Transactions within the Group

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

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

Directors and Key Management Personnel

All transactions with directors and Key Management Personnel (including their related parties) were conducted on an arm's length basis in the ordinary course of business and under normal terms and conditions for customers and employees. Related parties of Key Management Personnel who are employees received normal employee benefits on standard terms and conditions.

The total remuneration for Key Management Personnel of the Group is as follows:

	2021 \$	2020 \$
Short-term employee benefits	12,149,747	10,190,022
Post employment benefits	197,807	169,512
Other long-term benefits	82,043	109,341
Share-based payments	8,825,971	6,476,698
	21,255,568	16,945,573

Equity instrument disclosures relating to Key Management Personnel

Details of equity instruments provided as compensation to Key Management Personnel and shares issued on exercise of these instruments, together with the terms and conditions of the instruments, are disclosed in the Remuneration Report.

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6.1 CONTINGENT LIABILITIES



Contingent liabilities are potential future cash payments where the likelihood of payment is not considered probable or cannot be measured reliably.

The Group has entered the following guarantees however the probability of having to make a payment under these guarantees is considered remote:

- Guarantees in the normal course of business relating to conditions set out in development applications and for the sale of properties; and
- Guarantees against workers' compensation self-insurance liabilities as required by State WorkCover authorities. The guarantees are based on independent actuarial advice of the outstanding liability.

No provision has been made in the Consolidated Financial Statements in respect of these contingencies, however there is a provision of \$591 million for self-insured risks (2020: \$637 million), which includes liabilities relating to workers' compensation claims, that have been recognised in the Consolidated Statement of Financial Position at the reporting date.

As at 27 June 2021, there are class action proceedings against the Group, on behalf of several representative applicants, seeking payments in favour of salaried team members, covered by the General Retail Industry Award, working in Supermarkets, Metro, and BIG W stores.

From time to time, entities within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the ordinary course of business. Consideration has been given to such matters and it has been determined that these matters are not at a stage to support a reasonable evaluation of the likely outcome.

6.2 EMPLOYEE BENEFITS



This section presents the Group's benefits provided to its employees, including remuneration, superannuation, share schemes, and retirement plans.

6.2.1 Employee benefits expense from continuing operations

	2021 \$M	RESTATED ¹ 2020 \$M
Remuneration and on-costs	7,742	7,673
Superannuation expense	587	556
Share-based payments expense	93	96
	8,422	8,325

¹ Refer to Note 1.1 for further details.

6.2.2 Share-based payments

Long-Term Incentive (LTI) plan

Equity settled share-based payments form part of the remuneration of eligible employees of the Group. The Group continues to operate the Woolworths Incentive Share Plan (WISP).

All sub-plans within the LTI plan are subject to performance hurdles being met. The Group's sub-plans are as follows:

- Performance rights sub-plan – delivers a right to acquire a share at a future date;
- Performance shares sub-plan – delivers a right to acquire a share immediately; and
- Cash award sub-plan – delivers a right to acquire cash at a future date.

No grants have been made under the performance shares or cash award sub-plans.

The performance rights sub-plan has been used to make long-term incentive offers to eligible employees. Upon exercise, each performance right offered under this sub-plan entitles the holder to one ordinary fully paid Woolworths Group Limited share.



Notes to the Consolidated Financial Statements

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.2 Share-based payments (continued)

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

GRANT YEAR	VESTING PERIOD (YEARS)	RELATIVE TOTAL SHAREHOLDER RETURN (TSR) ¹		SALES PER TRADING SQUARE METRE (SQM) ²	RETURN ON FUNDS EMPLOYED (ROFE) ¹
		WEIGHTING (%)	HURDLE/RANGE (PERCENTILE)	WEIGHTING (%)	WEIGHTING (%)
F19 ³	Three	33.34	50th – 75th	33.33	33.33
F20 ³	Three	33.34	50th – 75th	33.33	33.33
F21 ³	Three	33.34	50th – 75th	33.33	33.33

- 1 The Group's share price reset lower on 24 June 2021 to reflect the demerger of Endeavour Group which was implemented on 1 July 2021. In these circumstances an adjustment factor is applied by the ASX to historical share prices to recognise the impact of the demerger from a share price perspective. Accordingly, the Group has made no change to the TSR performance hurdle.
- 2 Hurdle/range not published for sales per trading SQM and ROFE for the F19, F20, and F21 grants, as the Group does not provide market guidance on these metrics and the targets are commercially sensitive. The LTI targets and performance will be published following the end of the performance period.
- 3 The TSR component vests progressively where TSR equals or exceeds the 50th percentile of the comparator group up to the full 33.34% vesting, where TSR equals the 75th percentile of the comparator group. Sales per trading SQM and ROFE components vest progressively, upon attaining certain hurdles, to a maximum weighting of 33.33% respectively.

The variables in the table below are used as inputs into the model to determine the fair value of performance rights.

	2021 F21 WISP	2020 F20 WISP
Grant date ¹	1 Jul 2020	1 Jul 2019
Performance period start date	1 Jul 2020	1 Jul 2019
Exercise date	1 Jul 2023	1 Jul 2022
Expected volatility ²	21.0%	15.0%
Expected dividend yield	4.0%	4.0%
Risk-free interest rate	0.3%	1.0%
Weighted average fair value at grant date	\$31.62	\$27.86

- 1 Grant date represents the date on which there is a shared understanding of the terms and conditions of the arrangement.
- 2 The expected volatility is based on the historical implied volatility calculated based on the weighted average remaining life of the performance rights adjusted for any expected changes to future volatility due to publicly available information.

Deferred Short-Term Incentive (Deferred STI)

The performance rights sub-plan has also been used to make offers of Deferred STI which have the following features:

- For the F19, F20, and F21 Deferred STI plan, a one-year performance measure linked to sales, EBIT, working capital, customer satisfaction, and safety; and
- If the performance hurdles are met, participants are required to remain employed for a further two years to gain access to the performance rights, or otherwise forfeit the performance rights unless the Board exercises its discretion in accordance with the performance rights sub-plan rules.

Sign-on and retention rights

The performance rights sub-plan has also been used to compensate new hires for foregone equity, and ensure that key employees are retained to protect and deliver on the Group's strategic direction. It has been offered to:

- Executives of newly acquired businesses in order to retain intellectual property during transition periods; or
- Attract new executives.

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

Recognition share plan

The performance rights sub-plan has also been used to reward employees of the Group. Participants are required to meet a service condition to gain access to the performance rights.

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.2 Share-based payments (continued)

Movements in outstanding performance rights

The following table summarises movements in outstanding rights:

	2021 NO. OF RIGHTS	2020 NO. OF RIGHTS
Outstanding at start of period	11,720,305	13,477,758
Granted during the period	4,733,490	4,230,388
Vested during the period	(3,963,884)	(4,664,750)
Lapsed during the period	(2,222,323)	(1,323,091)
Adjustments during the period ¹	1,605,750	-
Outstanding at end of period	11,873,338	11,720,305

¹ At the end of F21, the approved demerger of Endeavour Group had an impact on the operation of the Group's share plans, specifically where team members were holding unvested performance rights which were not entitled to receive Endeavour Group shares upon demerger. The impact of this was a loss of award value due to the Group's share price resetting lower on 24 June 2021 to reflect the demerger of Endeavour Group which was implemented on 1 July 2021. To maintain the integrity of the Group's share plans, underlying unvested awards were adjusted increasing the number of performance rights using a standard formula that has been applied in other comparable demerger situations.

Share-based payments expense for the period for the Group was \$102,797,905 (2020: \$95,696,477) which comprises \$93,001,705 from continuing operations (2020: \$95,696,477) and \$9,796,200 from discontinued operations (2020: nil).



SIGNIFICANT ACCOUNTING POLICIES

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date. The fair value excludes the effect of non-market based vesting conditions.

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

The fair value of instruments with non-market-based performance conditions (e.g. sales per trading SQM and ROFE) and service conditions and retention rights is calculated using a Black-Scholes option pricing model.

The fair value determined at grant date is expensed on a straight-line basis over the vesting period based on the number of equity instruments that will eventually vest. At each reporting period the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions.

Any change in original estimates is recognised in profit or loss with a corresponding adjustment to reserves.

6.2.3 Share schemes

The total shares purchased during the year were 4,385,989 (2020: 3,213,542) at an average price per share of \$42.90 (2020: \$36.21) to satisfy the vesting of share rights and allocation of shares under the Group's employee share plans.

No additional expense is recognised in relation to the shares purchased under the Employee Share Purchase Plan and the shares issued under the Non-executive Director Equity Plan as they are acquired out of salary sacrificed remuneration.

Woolworths Incentive Share Plan

3,373,381 rights were issued under the Woolworths Incentive Share Plan in 2021. Approval for the issue of securities under the Woolworths Incentive Share Plan to the Chief Executive Officer and Managing Director was obtained under ASX Listing Rule 10.14.

Employee Share Purchase Plan (SPP)

The SPP provides permanent full-time and part-time employees who are Australian tax residents and are aged 18 years or over with the opportunity to purchase shares from pre-tax income via salary sacrifice. The Group pays the associated brokerage costs.



Notes to the Consolidated Financial Statements

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.3 Share schemes (continued)

Non-executive Director Equity Plan

The Non-executive Director Equity Plan allows Non-executive Directors to acquire share rights through a pre-tax fee sacrifice plan.

6.2.4 Retirement plans

Defined benefit plans

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

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

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

An actuarial valuation was carried out at both reporting dates by Willis Towers Watson. The principal actuarial assumptions used for the purpose of the valuation are as follows:

	2021 %	2020 %
Discount rate	2.4	2.3
Expected rate of salary increase	2.5	2.5
Rate of price inflation	2.0	2.0

The average duration of the defined benefit obligation at the end of the reporting period is 6.1 years (2020: 6.4 years) which relates wholly to active participants.

(i) Categories of plan assets

The plan invests entirely in pooled superannuation trust products where prices are quoted daily. The asset allocation of the plan has been set taking into account the membership profile, the liquidity requirements of the plan, and risk appetite of the Group.

The percentage invested in each asset class is as follows:

	2021 %	2020 %
Equity instruments	54	56
Debt instruments	18	20
Real estate	8	6
Cash and cash equivalents	3	3
Other	17	15
Total	100	100

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.4 Retirement plans (continued)

Defined benefit plans (continued)

(ii) Movements in the present value of the defined benefit obligation and fair value of plan assets

The amount included in other non-current liabilities in the Consolidated Statement of Financial Position in respect of the net defined benefit liability is as follows:

	FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		NET DEFINED BENEFIT OBLIGATION	
	2021 \$M	2020 \$M	2021 \$M	2020 \$M	2021 \$M	2020 \$M
Balance at start of period	281	350	(319)	(405)	(38)	(55)
<i>Recognised in Consolidated Statement of Profit or Loss:</i>						
Current service cost	-	-	(6)	(7)	(6)	(7)
Finance income/(costs)	9	10	(10)	(11)	(1)	(1)
Contributions by plan participants	3	2	(3)	(2)	-	-
Total amount included in branch expenses	12	12	(19)	(20)	(7)	(8)
<i>Recognised in the Consolidated Statement of Other Comprehensive Income:</i>						
Return/(loss) on plan assets	40	(12)	-	-	40	(12)
Actuarial (loss)/gain	-	-	(56)	18	(56)	18
Total amount recognised in other comprehensive income, before tax	40	(12)	(56)	18	(16)	6
<i>Other movements:</i>						
Benefits paid	(41)	(84)	41	84	-	-
Contributions by employer	12	19	-	-	12	19
Administration costs	(3)	(4)	3	4	-	-
Transfer to liabilities held for distribution	(12)	-	15	-	3	-
Balance at end of period	289	281	(335)	(319)	(46)	(38)

(iii) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and expected rate of salary increase. At the reporting date, the Group's exposure to reasonably possible changes of the respective assumptions, while holding all other assumptions constant, is not considered material.

Defined contribution plans

The majority of employees in Australia and New Zealand are part of a defined contribution superannuation scheme and receive fixed contributions from the Group in accordance with the rules of the WGSP and/or any statutory obligations. The amount recognised as an expense for defined contribution plans is disclosed as superannuation expense in [Note 6.2.1](#).



SIGNIFICANT ACCOUNTING POLICIES

Defined benefit plans

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



Notes to the Consolidated Financial Statements

6.2 EMPLOYEE BENEFITS (CONTINUED)



SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined benefit plans (continued)

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

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

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

Defined contribution plans

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

6.3 AUDITORS' REMUNERATION



This section presents the total remuneration of the Group's external auditors for audit, assurance, and other services.

The auditors' remuneration for the Group is as follows:

	2021 \$'000	2020 \$'000
Deloitte and related network firms		
Audit or review of the financial report		
Group	1,729	2,115
Subsidiaries	2,713	2,562
Total audit or review of the financial reports	4,442	4,677
Statutory assurance services required by legislation to be provided by the auditor	40	55
Other assurance and agreed-upon procedures under other legislation or contractual agreements ¹	613	1,269
Other services:		
Tax compliance services	159	158
Consulting services	371	1,741
Other non-assurance services	6	134
Total other services	536	2,033
	5,631	8,034

¹ In 2021, other assurance and agreed upon procedures includes \$255,000 in relation to assurance services with respect to the Endeavour Group demerger, and \$133,000 in relation to review of the Sustainability Report (2020: other assurance and agreed upon procedures includes \$875,000 in relation to assurance services with respect to the Endeavour Group Transformation, and \$130,000 in relation to review of the Sustainability Report).

6.4 SUBSEQUENT EVENTS



This section outlines events which have occurred between the reporting date and the date the Financial Report is authorised for issue.

Other than as noted below in relation to the demerger of Endeavour Group, the acquisition of PFD, and the off-market buy-back, there has not arisen in the interval between 27 June 2021 and the date of this report any other event that would have a material impact on the Consolidated Financial Statements as at and for the period ended 27 June 2021.

Demerger of Endeavour Group

On 28 June 2021, the Group lost control of Endeavour Group and recognised the retained 14.6% equity interest at fair value. The fair value was calculated using the VWAP of Endeavour Group Limited shares traded on the ASX in their first five trading days (\$6.21). In addition, the Group derecognised the net assets held for distribution to shareholders (including a loan payable to the Group, which eliminated on consolidation) and the non-controlling interest share of Endeavour Group's net assets.

A gain of \$6,387 million was recognised within discontinued operations for the 2022 financial period, which represented the difference between the net assets of Endeavour Group derecognised on transfer to shareholders (including a loan payable to the Group, which eliminated on consolidation) and the combination of (i) the non-controlling interest share of Endeavour Group's net assets, (ii) the fair value of the investment in Endeavour Group retained by the Group, and (iii) the demerger distribution liability.

Settlement of loan payable to the Group

Effective from the separation date of 28 June 2021, Endeavour Group repaid \$1,712 million of intercompany loans payable to the Group. These were funded by the \$600 million bilateral bank facility and \$1,900 million syndicated bank facility put in place for Endeavour Group in June 2021.

Acquisition of PFD Food Services

Following ACCC approval on 10 June 2021, the Group completed the acquisition of a 65% equity interest in PFD Food Services Pty Ltd (PFD), resulting in the Group gaining control of PFD on 28 June 2021. In addition, PFD minority shareholders have a put option and the Group has an equivalent call option over the remaining 35% of the shares in PFD which is exercisable after three years from the acquisition date.

PFD is Australia's largest privately owned foodservice network and delivers a range of dry goods, frozen and chilled products, fresh seafood and meat, confectionery, paper products, and cleaning solutions. PFD has a broad and diverse range of customers, including pubs and clubs, cafés, airlines, hotels, restaurants, aged care and retirement villages, resorts and theme parks, convenience outlets, venue and field caterers, fast food outlets, schools and kindergartens, and sporting, child care and correctional facilities.

The investment supports the Group's Food and Everyday Needs Ecosystem strategy and is expected to unlock synergies for both businesses across the combined network and fleet. The Group will help to support PFD's growth through access to the Group's logistics, digital and data analytics, and operational capabilities. For the Group, it will enhance store range localisation and provide fleet synergies through better route and capacity optimisation across the combined network.

Consideration

The fair value of the consideration (including contingent consideration) is estimated to be \$431 million, of which \$324 million has been paid in cash but is subject to final working capital and net debt adjustments. The remaining balance of \$107 million is the Group's estimate of the contingent consideration payable which will be based on the normalised audited financial performance of the business for the 2021 financial period or as part of an earn out in the 2023 and 2024 financial periods.



Notes to the Consolidated Financial Statements

6.4 SUBSEQUENT EVENTS (CONTINUED)

Acquisition of PFD Food Services (continued)**Identifiable assets acquired and liabilities assumed**

The following table summarises the recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition:

	\$M
Assets	
Cash and cash equivalents	45
Trade and other receivables ¹	152
Inventories	127
Lease assets	369
Property, plant and equipment	47
Intangible assets	215
Deferred tax assets	14
Total assets	969
Liabilities	
Trade and other payables	266
Lease liabilities	369
Provisions	47
Other liabilities	89
Deferred tax liabilities	63
Total liabilities	834
Total identifiable net assets acquired	135

1 Includes trade receivables which comprise gross contractual amounts due of \$133 million, of which \$4 million has a loss allowance recognised against it at the date of acquisition.

(i) Fair values measured on a provisional basis

The fair value of PFD's intangible assets (including customer contracts and brand names) have been measured provisionally, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been provisionally recognised as follows:

	\$M
Consideration	431
Non-controlling interest ¹	47
Fair value of identifiable net assets acquired	(135)
Goodwill	343

1 Based on the non-controlling interest's proportion of the fair value of identifiable net assets of PFD.

The goodwill is attributable mainly to the skills and technical talent of PFD's workforce, the benefits from the inclusion of PFD in the Food and Everyday Needs Ecosystem, and intangible assets that do not qualify for separate recognition. None of the goodwill recognised is expected to be deductible for tax purposes.

6.4 SUBSEQUENT EVENTS (CONTINUED)

Acquisition of PFD Food Services (continued)

Put option

The Group has a put option liability over the remaining 35% of the shares in PFD which is exercisable after three years from the acquisition date. The put option liability will be initially recognised at the present value of the amount expected to be paid at the time of exercise within other financial liabilities with a corresponding charge directly to equity. At the acquisition date, the estimated value of the put option liability is in the range of \$400 million to \$450 million.

In each reporting period, the discount on the put option liability will be recognised through finance costs in the Consolidated Statement of Profit or Loss over the period until the put option is exercised.

At each reporting period, the amount expected to be paid under the put option will be re-assessed and any changes to the estimate will be recognised in the Consolidated Statement of Profit or Loss.

Off-market buy-back

On 26 August 2021, the Group announced a capital return of \$2 billion to shareholders by way of an off-market buy-back of Woolworths Group Limited ordinary shares.

The buy-back will be conducted through a tender process. Eligible shareholders who choose to participate can offer to sell some or all of their shares to the Group:

- at a discount between 10% to 14% (inclusive) at 1% intervals to the market price; or
- at the buy-back price, which is an election to sell shares at the price determined by the Group following completion of the tender process.

The buy-back price will be determined as the lowest price at which the Group can buy back the targeted amount of capital.

The buy-back is expected to return approximately \$840 million of franking credits to shareholders.



Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached Consolidated Financial Statements are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the Consolidated Financial Statements;
- (c) in the directors' opinion, the attached Consolidated Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and
- (d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the Instrument applies, as detailed in Note 5.4 to the Consolidated Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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



Gordon Cairns
Chairman



Brad Banducci
Chief Executive Officer

26 August 2021



Independent Auditor's Report



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Independent Auditor's Report to the Members of Woolworths Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Woolworths Group Limited (the Company), and its subsidiaries (the Group) which comprises the Consolidated Statement of Financial Position as at 27 June 2021, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the 52-week period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 27 June 2021 and of its financial performance for the 52-week period then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Quantum acquisition and accounting impacts</p> <p>As disclosed in Note 5.1, on 31 May 2021, the Group acquired an additional equity interest in The Quantum Group Holdings Pty Limited ("Quantum") for \$223 million. This increased the Group's shareholding from 47% to 75%, resulting in the Group gaining control of Quantum. This transaction has been accounted for as a business combination in accordance with AASB 3 <i>Business Combinations</i> (AASB 3), requiring the Group to recognise the fair value of Quantum's assets acquired and liabilities assumed, along with goodwill amounting to \$388 million, in the Consolidated Statement of Financial Position from the effective date. The Group's accounting for the acquisition in the year-end financial report remains provisional.</p> <p>In accordance with AASB 3, the Group's previously held equity interest of 47% has been treated as if it were disposed of and reacquired at fair value, resulting in a gain of \$228 million.</p> <p>The acquisition accounting for Quantum is complex and involves a high level of judgement in assessing the fair value of the assets acquired and liabilities assumed and the fair value of the Group's previously held equity interest.</p> <p>As part of the transaction, the Group has written a put option over the 25% non-controlling interest in Quantum. This put option has been valued at \$390 million in accordance with AASB 9 <i>Financial Instruments</i> (AASB 9) and AASB 132 <i>Financial Instruments: Presentation</i> (AASB 132), representing the present value of the amount expected to be paid at the expected exercise date of June 2024. The Group has classified \$145 million of the put option as a current liability to reflect the maximum unavoidable payment that would be payable if the minority holders exercise their put option within 12 months.</p> <p>As disclosed in Note 3.2, the put option valuation involves critical accounting estimates and judgements, specifically relating to future cash flows.</p> <p>Due to the complexity and judgements involved in the acquisition accounting, we determined this to be a key audit matter.</p>	<p>In conjunction with our valuation and accounting technical specialists, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key controls in respect of the accounting for and disclosure of the transaction • Reviewing the terms and conditions in the share sale agreement (SSA) and shareholders' deed • Evaluating management's accounting position paper, including the Group's conclusion that the acquisition represents a business combination in accordance with AASB 3 • Challenging management's determination of the fair value of assets acquired and liabilities assumed, in particular the identification and valuation of intangible assets acquired and the resulting deferred tax implications • Assessing the competency, qualifications, objectivity and methodologies of management's valuation experts • Assessing the fair value of the previously held equity interest • Recalculating the minority interest recognised • Assessing the Group's accounting treatment for the put option in accordance with Australian Accounting Standards. This included assessing management's calculation of the put option against the calculation methodology, time horizons and inputs stipulated in the SSA • Challenging the key assumptions used as inputs to the put option valuation, with a specific focus on forecast revenue and EBITDA, with reference to Quantum's past performance and other data sources • Evaluating with the assistance of our treasury specialist the appropriateness of the discount rate applied to the put option liability • Assessing the appropriateness of the disclosures included in the financial report.

Independent Auditor's Report

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Accounting for the demerger of Endeavour Group</p> <p>On 18 June 2021, the Group obtained shareholder approval for the demerger of Endeavour Group Limited (Endeavour). Endeavour was demerged from the Group on 28 June 2021, with the Group retaining a 14.6% interest. The Group will recognise a gain of \$6,387 million within discontinued operations on demerger in the 2022 financial year. This has been disclosed as a subsequent event in Note 6.4.</p> <p>In accordance with AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> (AASB 5) and as disclosed in Note 1.1 the Group's F21 financial report reflects:</p> <ul style="list-style-type: none"> two of the Group's separate major business lines, Endeavour Drinks and Hotels, being classified as discontinued operations in the F21 and F20 Consolidated Statement of Profit and Loss and Consolidated Statement of Other Comprehensive Income (and accompanying Notes to the Consolidated Financial Statements). Refer to Note 5.2 for further details. the carrying value of Endeavour's assets and liabilities as held for distribution in the F21 Consolidated Statement of Financial Position. Refer to Note 5.3 for further details. <p>In addition, as disclosed in Note 4.2, a demerger distribution liability has been recognised. This reflects the fair value of the net assets of Endeavour to be distributed. The demerger distribution of \$7,870 million has been allocated between a reduction in share capital of \$904 million and a demerger dividend of \$6,966 million.</p> <p>We determined this to be a key audit matter due to the financial impact of the transaction on the Group.</p>	<p>In conjunction with our accounting technical and tax specialists, our procedures included but were not limited to:</p> <ul style="list-style-type: none"> Obtaining and reviewing key demerger documents in relation to the accounting for the demerger with specific attention to: <ul style="list-style-type: none"> the determination of the demerger date (28 June 2021) the amount and recognition date of the demerger dividend the classification of Endeavour as held for distribution and its presentation as a discontinued operation in the F21 financial report calculation of the gain on demerger and the Group's assessment that, post demerger, significant influence in Endeavour is retained the taxation impacts of the demerger Evaluating the Group's determination of the assets and liabilities classified as held for distribution Assessing the completeness and accuracy of the classification of the Endeavour F21 and F20 results as discontinued operations in the Consolidated Statement of Profit and Loss and Consolidated Statement of Other Comprehensive Income. Performing a recalculation of the demerger distribution liability with reference to the VWAP of Endeavour shares traded on the ASX in its first five trading days and the determination of the amount recorded in share capital with reference to the ATO ruling Evaluating the key inputs used in the calculation of the gain on demerger, being the distribution value, the fair value of the retained investment at demerger date and the carrying value of Endeavour's net assets at demerger date Reviewing the appropriateness of disclosures in the financial report.
<p>IT systems</p> <p>The IT systems across the Group are complex and there are varying levels of integration. These systems are vital to the ongoing operations of the business and to the integrity of the financial reporting process and as a result, the assessment of IT systems forms a key component of our external audit.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> Discussing with management the IT environment and consideration of the key financial processes to identify IT systems to include in the scope of our testing Testing the design and implementation of the key IT controls of relevant financial reporting systems of the Group Responding to deficiencies identified by designing and performing additional procedures which included the identification and testing of compensating controls and varying the nature, timing and extent of the substantive procedures performed.



Independent Auditor's Report

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the 52-week period ended 27 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Report (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 52 to 75 of the Directors' Report for the 52-week period ended 27 June 2021.

In our opinion, the Remuneration Report of Woolworths Group Limited, for the 52-week period ended 27 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 26 August 2021

T Elliott

T C Elliott
Partner
Chartered Accountants
Sydney, 26 August 2021



Shareholder information (as at 30 July 2021)

The shareholder information set out below was applicable as at 30 July 2021.

DISTRIBUTION OF SHARES

Analysis of numbers of shareholders by size of holding:

RANGE OF SHARES	NUMBER OF SHAREHOLDERS	PERCENTAGE OF ISSUED CAPITAL %
1 - 1,000	247,405	6.71
1,001 - 5,000	105,619	17.78
5,001 - 10,000	10,195	5.62
10,001 - 100,000	4,525	6.87
100,001 and over	108	63.02
Total	367,852	100.00

All shares above are fully paid ordinary shares. Each fully paid ordinary share carries one voting right.

There were 7,365 holders of less than a marketable parcel of shares based on the closing market price on 30 July 2021 of \$38.76.

TOP 20 LARGEST SHAREHOLDERS

	NAME	NUMBER OF SHARES	PERCENTAGE OF TOTAL SHARES ISSUED %
1	HSBC Custody Nominees (Australia) Limited	313,230,039	24.71
2	JP Morgan Nominees Australia Pty Limited	207,711,442	16.39
3	Citicorp Nominees Pty Limited	92,037,814	7.26
4	BNP Paribas Nominees Pty Ltd	83,659,750	6.60
5	National Nominees Limited	40,322,880	3.18
6	Pacific Custodians Pty Limited	7,806,384	0.62
7	Australian Foundation Investment Company Limited	6,415,718	0.51
8	Woolworths Custodian Pty Ltd	6,087,401	0.48
9	Netwealth Investments Limited	4,895,999	0.39
10	Argo Investments Limited	3,479,526	0.27
11	Australian Executor Trustees Limited	3,063,086	0.24
12	Custodial Services Limited	3,009,827	0.24
13	Milton Corporation Limited	2,936,973	0.23
14	AMP Life Limited	1,772,944	0.14
15	Navigator Australia Ltd	1,644,830	0.13
16	UBS Nominees Pty Ltd	1,615,848	0.13
17	BKI Investment Company Limited	1,428,744	0.11
18	Nulis Nominees (Australia) Limited	1,164,557	0.09
19	Djerriwarrh Investments Limited	1,008,198	0.08
20	The Senior Master of the Supreme Court	959,970	0.08

SUBSTANTIAL SHAREHOLDERS

Woolworths Group Limited had received the following substantial shareholder notifications. As at 30 July 2021, no other substantial shareholder notices have been received.

HOLDER	SHARES HELD AT DATE OF NOTICE	PERCENTAGE OF SHARES HELD AT DATE OF NOTICE %	DATE OF NOTICE
BlackRock Group	80,972,196	6.43	29/05/2019
The Vanguard Group, Inc	63,412,121	5.00	29/07/2021

Shareholder information (as at 30 July 2021)

UNQUOTED EQUITY SECURITIES

As at 30 July 2021, there were 11,346,031 rights over unissued ordinary shares.

DIVIDEND

The final dividend of 55 cents per share is expected to be paid on or around 8 October 2021 to eligible shareholders. No discount will apply to the dividend reinvestment plan for the 2021 final dividend. There is currently no limit on the number of shares that can participate in the dividend reinvestment plan. The company intends to issue new shares to satisfy its obligations under the dividend reinvestment plan.

STOCK EXCHANGE LISTINGS

Woolworths Group Limited ordinary shares are listed on the Australian Securities Exchange (ASX) under code: WOW.

Woolworths Group Limited shares may be traded in sponsored American Depositary Receipts form in the United States.

CORPORATE GOVERNANCE STATEMENT

A copy of the Corporate Governance Statement can be found on our website. Visit www.woolworthsgroup.com.au

SHAREHOLDER CALENDAR¹

2021

September

3 Record date for Final Dividend

October

8 Payment date for Final Dividend

27 Announcement of first quarter sales results

27 Annual General Meeting

2022

February

23 Announcement of half year results

March

4 Record date for Interim Dividend

April

13 Payment date for Interim Dividend

28 Announcement of third quarter sales results

August

24 Announcement of F22 results

¹ Dates are subject to change.



Shareholder information (as at 30 July 2021)

SUBLEASES

The key terms and conditions of the subleases between Woolworths Group Limited and Endeavour Group Limited are as follows:

TERM	DESCRIPTION
Head lease	The subleases contain an obligation on Endeavour to perform and observe Woolworths' obligations as tenant under the head lease that relate to the liquor premises. There is an obligation on Woolworths to observe and perform its obligations under the head lease.
Commencement date and term	The term and further terms of each sublease align with the term and further terms under the relevant head lease, minus one day.
Option terms	Where Woolworths exercises its option to renew the head lease, it must offer a further term to Endeavour. However, in circumstances where head leases include an obligation to trade as a liquor store, Endeavour is obliged to exercise its option if Woolworths does.
Occupancy costs	The rent and outgoings payable are calculated according to the proportion of the area of the liquor premises against the area of the whole premises. All occupancy costs must be paid by Endeavour to Woolworths, with any adjustments to outgoings to be made at the end of the financial year.
Amenity	Endeavour must not do anything that would detract from the amenity of the supermarket premises or interfere with Woolworths' business.
Dealings	Endeavour must not assign, sublet or license without Woolworths' consent. Consent may be granted or withheld at Woolworths' absolute discretion. A change in control of Endeavour is a breach of the sublease.
Make good obligations	Endeavour is required to leave the liquor premises in good and tenantable repair and condition. Endeavour must comply with the make good requirements under the head lease.

Glossary

GLOSSARY

ACCC	Australian Competition and Consumer Commission
ASIC	Australian Securities and Investments Commission
AWEI	Australian Workplace Equality Index
CAGR	Compound annual growth rate
Cash realisation ratio	Operating cash flow as a percentage of Group net profit after tax before depreciation and amortisation
CLO	Chief Legal Officer
Comparable sales	Measure of sales excluding stores that have been opened or closed in the last 12 months and existing stores where there has been a demonstrable impact from store disruption because of store refurbishment or new store openings/closures
Cost of doing business (CODB)	Expenses relating to the operation of the business
CPO	Chief People Officer
CRO	Chief Risk Officer
Customer 1st Ranging	Developing a clearly defined range to provide an easier shopping experience for the customer
Customer fulfilment centre (CFC)	Dedicated online distribution centre
DC	Distribution centre
Delivery Now	Subscription services for delivery of online orders in under two hours
Delivery Unlimited	Subscription service that gives customers access to free delivery on any Next Day Delivery window and three-hour Same Day Delivery windows, or reduced fees for quicker delivery options
Direct to boot	Where a customer places an order online and drives to a dedicated area where a team member places the order directly in the customer's boot
Drive	Convenient options for customers to pick up online orders through Drive up or Drive thru facilities
E2E	End-to-end
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EBT	Earnings before taxes
eReceipts	Digital versions of receipts that are automatically saved in a customer's Everyday Rewards app
eStore	Dedicated store for the fulfilment of online orders sometimes incorporating automation



Glossary

GLOSSARY

Fixed charges cover ratio	Group earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) divided by rent and interest costs. Rent and interest costs include capitalised interest but exclude foreign exchange gains/losses and dividend income
Free cash flow	Cash flow generated by Woolworths Group after equity related financing activities including dividends and repayment of lease liabilities
Funds employed	Net assets employed excluding net tax balances and put option liability
MFC	Micro-fulfilment centre
MSRDC	Melbourne South regional distribution centre
n.m.	Not meaningful
NAIDOC	National Aborigines and Islanders Day Observance Committee
NDC	National distribution centre
Net assets employed	Net assets excluding net debt and other financial assets and liabilities
Net Promoter Score (NPS)	A loyalty measure based on a single question where a customer rates a business on a scale of zero to 10. The score is the net result of the percentage of customers providing a score of nine or 10 (promoters) less the percentage of customers providing a score of zero to six (detractors)
On-demand/express delivery	An express or scheduled delivery service providing online orders at the customer's convenience
Pick up	A service which enables collection of online shopping orders in store or at selected locations
Priority Assistance	Dedicated delivery windows for eligible vulnerable customers to ensure access to online delivery services
RDC	Regional Distribution Centre
Renewal	A total store transformation focused on the overall store environment, team, range and process efficiency (including digital)
Return on Funds Employed (ROFE)	Calculated as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed including significant items provisions
RMF	Risk Management Framework
S.T.A.N.D.	Support Through Australian Natural Disasters
Sales per square metre	Total sales for the previous 12 months by business divided by average trading area of stores and fulfilment centres
Simpler for Stores	Simplification of end-to-end processes for store teams, improving customer experience and productivity
Stock loss	The value of stock written off, wasted, stolen, cleared, marked down or adjusted from all stores nationally (sometimes expressed as a percentage of sales)
Total net debt	Borrowings less cash balances including debt hedging derivatives and lease liabilities

Glossary

GLOSSARY

Total stock loss	The value of stock written-off, wasted, stolen, cleared, marked-down or adjusted from all stores nationally (sometimes expressed as a percentage of sales)
TRIFR	Total Recordable Injury Frequency Rate
UP range	Range of products sourced and curated for Woolworths Supermarkets with a high proportion of premium customers
Upgrades	A light renewal typically involving a front-of-store upgrade, Produce/Bakery enhancement and grocery macro space relay
VOC NPS	VOC NPS is based on feedback from Everyday Rewards members. VOC NPS is the number of promoters (score of nine or 10) less the number of detractors (score of six or below)
Voice of Customer (VOC)	Externally facilitated survey of a sample of Woolworths Group customers where customers rate Woolworths Group businesses on several criteria. Expressed as the percentage of customers providing a rating of six or seven on a seven-point scale
Voice of Supplier (VOS)	A survey of a broad spectrum of suppliers facilitated by an external provider. The survey is used to provide an ongoing measure of the effectiveness of business relationships with the supplier community. VOS is the average of the suppliers' rating across various attributes, scored as a percentage of suppliers that provided a rating of six or seven on a seven-point scale
Voice of Team (VOT)	Survey measuring sustainable engagement of our team members as well as their advocacy of Woolworths as a place to work and shop. The survey consists of nine sustainable engagement questions, three key driver questions and two advocacy questions
VOT NPS	VOT NPS is a metric to assess Woolworths Team Member advocacy. VOT NPS is the percentage of promoters (those rating nine or 10 on a scale of 0-10) minus the percentage of detractors (those rating six or below on a scale of 0-10)
WGEA	Workplace Gender Equality Agency

Other non-IFRS measures used in describing the business performance include:

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Volume productivity metrics including transaction growth, items per basket and item growth
- Trading area
- Fixed assets and investments
- Net tax balances
- Closing trade payable days
- Change in average prices
- Margins including gross profit, CODB and EBIT
- Cash flow from operating activities before interest and tax
- Free cash flow after equity related financing activities excluding dividends
- Significant items
- Net investment in inventory
- Net assets held for sale
- Closing inventory days
- Average inventory days



Company directory

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COMPANY SECRETARIES

Kate Eastoe
Michelle Hall

INVESTOR RELATIONS

Paul van Meurs

AUDITOR

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FIVE YEAR SUMMARY

The Five Year Summary is available on the Woolworths Group [website](#).



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