ASX Announcement

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23 February 2022

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

Appendix 4D and Half-Year Financial Report

Attached for release to the market are the ASX Appendix 4D and the F22 Half-Year Financial Report for the period ended 2 January 2022.

Authorised by: Kate Eastoe, Group Company Secretary

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Appendix 4D
under ASX Listing Rule 4.2A

Current reporting period	**28 June 2021 to 2 January 2022**
Prior corresponding period	**29 June 2020 to 3 January 2021**

Results for announcement to the market

Key information

	% CHANGE		$M
Total revenue from continuing operations	**8.0**	**to**	**31,894**
Profit from continuing operations after tax attributable to equity holders of the parent entity	**(20.6)**	**to**	**676**
Profit attributable to equity holders of the parent entity	**522.0**	**to**	**7,063**

Details relating to dividends[1]

	CENTS PER SHARE	$M
2021 final dividend paid on 8 October 2021	**55**	**697**
2022 interim dividend declared on 23 February 2022 [2,3]	**39**	**473[4]**

1 All dividends are fully franked at a 30% tax rate.
2 Record date for determining entitlement to the 2022 interim dividend is 4 March 2022.
3 The 2022 interim dividend is payable on or around 13 April 2022, and is not provided for at 2 January 2022.
4 Represents the anticipated dividend based on the shares on issue 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 2022 interim dividend at an amount equal to the average of the daily volume weighted average market price of ordinary shares of Woolworths Group Limited traded on the Australian Securities Exchange (ASX) over the period of 10 trading days commencing on 8 March 2022. The last date for receipt of election notices for the DRP is 7 March 2022. The Company intends to issue new shares to satisfy its obligations under the DRP.

Net tangible assets per share

	AS AT		
	2 JANUARY 2022[1] CENTS PER SHARE	27 JUNE 2021 CENTS PER SHARE	3 JANUARY 2021 CENTS PER SHARE
Net tangible assets per share	**21.2**	(563.0)	127.5

1 The net assets position of the Group substantially improved during the half-year ended 2 January 2022 as the Group derecognised the $7,870 million demerger distribution liability, which related to the distribution of Endeavour shares to shareholders, and was included in the net tangible assets per share calculation as at 27 June 2021.

Details of subsidiaries, associates and joint ventures

Entities where control was gained or lost

During the half-year ended 2 January 2022, the Group gained control of the following entities: PFD Food Services Pty Ltd (28 June 2021), Wpay New Zealand Limited (22 September 2021), Metro 60 Pty Limited (29 October 2021), and Grand Horizons Pty Ltd (3 November 2021).

On 28 June 2021, the Group lost control of Endeavour Group Limited and its subsidiaries.

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Appendix 4D
under ASX Listing Rule 4.2A

Details of associates and joint ventures

	LEGAL OWNERSHIP INTEREST AS AT		
	2 JANUARY 2022	27 JUNE 2021	3 JANUARY 2021
Pet Culture Group Pty Limited [1]	**57.6%**	60.0%	60.0%
173 Burke Rd JV Pty Ltd [1]	**50.1%**	50.1%	50.1%
NP Fulfilment Group Pty Limited	**40.0%**	–	–
Samsara Eco Pty Ltd	**25.0%**	25.0%	–
B & J City Kitchen Pty Ltd	**23.0%**	23.0%	23.0%
Sherpa (Aust) Pty Ltd	**20.8%**	20.8%	20.8%
FutureFeed Pty Ltd	**20.4%**	20.4%	20.4%
Endeavour Group Limited [2]	**14.6%**	85.4%	85.4%

1 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.

2 On 28 June 2021, following the Endeavour Group demerger, the Group's interest in this entity reduced from 85.4% to 14.6%. As a result, the Group lost control of this entity and it is no longer considered to be a subsidiary of the Group. The Group classifies this entity as an investment in associate and applies the equity method of accounting.

Other

Additional Appendix 4D 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 Half-Year Financial Report 2022, and Press Release (F22 Half-Year Profit and Dividend Announcement).

The Consolidated Financial Statements contained within the Half-Year Financial Report 2022, upon which this report is based, have been reviewed by Deloitte Touche Tohmatsu.

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Half-Year

Financial Report 2022



Woolworths Group Limited
ABN 88 000 014 675

Woolworths Group

Half-Year Financial Report 2022

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Directors' Report

This Half-Year Financial Report is presented by the directors in respect of Woolworths Group Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 2 January 2022 (the Group).

In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report is as follows:

The Directors

The Directors of the Company at any time during or since the end of the half-year, and up to the date of this report, are:

Non-executive Directors

G M Cairns (Chairman)
M N Brenner
J C Carr-Smith
P W Chronican (appointed on 1 October 2021)
H S Kramer
S L McKenna
S R Perkins
K A Tesija
M J Ullmer AO (retired on 27 October 2021)

Executive Directors

B L Banducci (Managing Director and Chief Executive Officer)

Review and results of operations

Refer to F22 Half-Year Profit and Dividend Announcement for the 27-week period ended 2 January 2022.

Rounding of amounts

The Half-Year Financial Report is 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*.

Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 3.

The Half-Year Financial Report is made in accordance with a resolution of the Directors of the Company on 23 February 2022.



Gordon Cairns
Chairman



Brad Banducci
Chief Executive Officer

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Auditor's Independence Declaration

Deloitte.

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23 February 2022

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

Dear Board Members

Auditor's Independence Declaration to Woolworths Group Limited

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 review of the financial report of Woolworths Group Limited for the half-year ended 2 January 2022, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Partner
Chartered Accountants

Taralyn Elliott
Partner
Chartered Accountants

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Consolidated Statement of Profit or Loss

	NOTE	HALF-YEAR ENDED 2 JANUARY 2022 $M	HALF-YEAR ENDED RESTATED[1] 3 JANUARY 2021 $M
Continuing operations			
Revenue from the sale of goods and services	2	**31,894**	29,535
Cost of sales		**(22,491)**	(20,943)
Gross profit		**9,403**	8,592
Other revenue		**143**	78
Branch expenses		**(5,753)**	(5,129)
Administration expenses		**(2,556)**	(1,987)
Earnings before interest and tax		**1,237**	1,554
Finance costs	3	**(305)**	(331)
Profit before income tax		**932**	1,223
Income tax expense		**(253)**	(372)
Profit for the period from continuing operations		**679**	851
Discontinued operations			
Profit for the period from discontinued operations, after tax	12	**6,387**	324
Profit for the period		**7,066**	1,175
Profit for the period attributable to:			
Equity holders of the parent entity		**7,063**	1,135
Non-controlling interests		**3**	40
		7,066	1,175
Profit for the period attributable to equity holders of the parent entity related to:			
Profit from continuing operations		**676**	850
Profit from discontinued operations		**6,387**	285
		7,063	1,135
Earnings per share (EPS) attributable to equity holders of the parent entity			
Basic EPS		**571.0**	90.5
Diluted EPS		**568.0**	90.1
EPS attributable to equity holders of the parent entity from continuing operations			
Basic EPS		**54.7**	67.8
Diluted EPS		**54.4**	67.6

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 Condensed Notes to the Consolidated Financial Statements.

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Consolidated Statement of Other Comprehensive Income

	HALF-YEAR ENDED	
	2 JANUARY 2022 $M	RESTATED[1] 3 JANUARY 2021 $M
Profit for the period	**7,066**	1,175
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss, net of tax		
Effective portion of changes in the fair value of cash flow hedges	**29**	(44)
Foreign currency translation of foreign operations	**27**	5
Items that will not be subsequently reclassified to profit or loss, net of tax		
Fair value gain/(loss) on equity investments designated as at fair value through other comprehensive income	**19**	(6)
Other comprehensive income/(loss) for the period, net of tax	**75**	(45)
Total comprehensive income for the period	**7,141**	1,130
Total comprehensive income for the period attributable to:		
Equity holders of the parent entity	**7,138**	1,091
Non-controlling interests	**3**	39
	7,141	1,130
Total comprehensive income for the period from continuing operations attributable to:		
Equity holders of the parent entity	**751**	811
Non-controlling interests	**3**	–
	754	811

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 Condensed Notes to the Consolidated Financial Statements.

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Consolidated Statement of Financial Position

	NOTE	AS AT 2 JANUARY 2022 $M	27 JUNE 2021 $M	3 JANUARY 2021 $M
Current assets				
Cash and cash equivalents	5	**1,006**	1,009	2,135
Trade and other receivables		**1,077**	649	853
Inventories		**3,554**	3,132	4,808
Other financial assets		**34**	19	157
Other current assets		**48**	18	9
		5,719	4,827	7,962
Assets held for sale or distribution		**166**	10,959	178
Total current assets		**5,885**	15,786	8,140
Non-current assets				
Trade and other receivables		**151**	133	162
Other financial assets		**82**	105	176
Lease assets		**10,178**	9,553	12,759
Property, plant and equipment		**7,822**	7,477	8,960
Intangible assets		**5,309**	4,671	7,740
Investments accounted for using the equity method	6	**1,683**	30	72
Deferred tax assets		**1,341**	1,371	1,358
Other non-current assets		**372**	110	117
Total non-current assets		**26,938**	23,450	31,344
Total assets		**32,823**	39,236	39,484
Current liabilities				
Trade and other payables		**7,153**	6,467	8,530
Lease liabilities		**1,561**	1,495	1,852
Borrowings	7	**409**	119	721
Current tax payable		**32**	252	256
Other financial liabilities		**172**	165	126
Provisions		**1,713**	1,518	1,818
Other current liabilities	12	**–**	7,870	–
		11,040	17,886	13,303
Liabilities directly associated with assets held for distribution		**–**	5,231	–
Total current liabilities		**11,040**	23,117	13,303
Non-current liabilities				
Lease liabilities		**10,992**	10,521	13,534
Borrowings	7	**3,509**	2,753	1,905
Other financial liabilities		**698**	251	–
Deferred tax liabilities		**–**	–	185
Provisions		**837**	804	824
Other non-current liabilities		**55**	51	51
Total non-current liabilities		**16,091**	14,380	16,499
Total liabilities		**27,131**	37,497	29,802
Net assets		**5,692**	1,739	9,682
Equity				
Contributed equity	9	**5,230**	5,253	6,226
Reserves		**(7,438)**	(6,989)	271
Retained earnings		**7,774**	3,115	2,858
Equity attributable to equity holders of the parent entity		**5,566**	1,379	9,355
Non-controlling interests		**126**	360	327
Total equity		**5,692**	1,739	9,682

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

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Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 2 JANUARY 2022	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY						
	SHARE CAPITAL $M	SHARES HELD IN TRUST $M	RESERVES $M	RETAINED EARNINGS $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 27 June 2021	**5,466**	**(213)**	**(6,989)**	**3,115**	**1,379**	**360**	**1,739**
Profit for the period	–	–	–	**7,063**	**7,063**	**3**	**7,066**
Other comprehensive income for the period, net of tax	–	–	**75**	–	**75**	–	**75**
Total comprehensive income for the period, net of tax	–	–	**75**	**7,063**	**7,138**	**3**	**7,141**
Dividends paid	–	–	–	**(697)**	**(697)**	**(5)**	**(702)**
Share buy-back	**(250)**	–	–	**(1,750)**	**(2,000)**	–	**(2,000)**
Demerger of Endeavour Group	–	–	**(43)**	**43**	–	**(282)**	**(282)**
Issue/(transfer) of shares to satisfy employee long-term incentive plans	–	**158**	**(158)**	–	–	–	–
Issue of shares to satisfy the dividend reinvestment plan	**94**	–	–	–	**94**	–	**94**
Purchase of shares by the Woolworths Employee Share Trust	–	**(25)**	–	–	**(25)**	–	**(25)**
Recognition of non-controlling interest on acquisition of subsidiary	–	–	–	–	–	**50**	**50**
Recognition of put option over non-controlling interest	–	–	**(411)**	–	**(411)**	–	**(411)**
Share-based payments expense	–	–	**88**	–	**88**	–	**88**
Balance at 2 January 2022	**5,310**	**(80)**	**(7,438)**	**7,774**	**5,566**	**126**	**5,692**

HALF-YEAR ENDED 3 JANUARY 2021	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY						
	SHARE CAPITAL $M	SHARES HELD IN TRUST $M	RESERVES $M	RETAINED EARNINGS $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 28 June 2020	6,197	(175)	391	2,329	8,742	290	9,032
Profit for the period	–	–	–	1,135	1,135	40	1,175
Other comprehensive loss for the period, net of tax	–	–	(44)	–	(44)	(1)	(45)
Total comprehensive (loss)/income for the period, net of tax	–	–	(44)	1,135	1,091	39	1,130
Dividends paid	–	–	–	(606)	(606)	(2)	(608)
Issue/(transfer) of shares to satisfy employee long-term incentive plans	–	121	(121)	–	–	–	–
Issue of shares to satisfy the dividend reinvestment plan	84	–	–	–	84	–	84
Purchase of shares by the Woolworths Employee Share Trust	–	(1)	–	–	(1)	–	(1)
Share-based payments expense	–	–	45	–	45	–	45
Balance at 3 January 2021	6,281	(55)	271	2,858	9,355	327	9,682

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

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Consolidated Statement of Cash Flows

	NOTE	HALF-YEAR ENDED 2 JANUARY 2022 $M	HALF-YEAR ENDED 3 JANUARY 2021 $M
Cash flows from operating activities			
Receipts from customers		**33,811**	38,659
Payments to suppliers and employees		**(31,235)**	(34,886)
Payments for the interest component of lease liabilities		**(322)**	(407)
Finance costs paid on borrowings		**(13)**	(67)
Income tax paid		**(510)**	(419)
Net cash provided by operating activities		**1,731**	2,880
Cash flows from investing activities			
Proceeds and advances from the sale of property, plant and equipment		**228**	298
Payments for property, plant and equipment and intangible assets		**(1,144)**	(1,005)
Proceeds from the sale of subsidiaries and investments, net of cash disposed		**53**	19
Payments for the purchase of businesses, net of cash acquired		**(396)**	(16)
Payments for the purchase of investments		**(23)**	(12)
Advances to related and non-related parties		**(17)**	–
Dividends received		**19**	6
Net cash used in investing activities		**(1,280)**	(710)
Cash flows from financing activities			
Repayment of the principal component of lease liabilities		**(554)**	(618)
Proceeds from borrowings		**1,988**	–
Repayment of borrowings		**(969)**	(956)
Proceeds from loan to related party	12	**1,712**	–
Distribution to related party	12	**(437)**	–
Payments for share buy-back		**(2,000)**	–
Dividends paid	8	**(603)**	(522)
Dividends paid to non-controlling interests		**(5)**	(2)
Payment for shares held in trust		**(25)**	(1)
Net cash used in financing activities		**(893)**	(2,099)
Net (decrease)/increase in cash and cash equivalents		**(442)**	71
Effect of exchange rate changes on cash and cash equivalents		**2**	(4)
Cash and cash equivalents at start of period	5	**1,446**	2,068
Cash and cash equivalents at end of period		**1,006**	2,135

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

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Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

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1 General information

1.1 BASIS OF PREPARATION

Woolworths Group Limited (the Company) is a for-profit company incorporated and domiciled in Australia. The Half-Year Financial Report of the Company is for the 27-week period ended 2 January 2022 and comprises the Company and its subsidiaries (together referred to as the Group). The comparative period is the 27-week period ended 3 January 2021.

The Half-Year Financial Report was authorised for issue by the Directors on 23 February 2022.

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 measured at fair value.

The accounting policies applied in the preparation of the Half-Year Financial Report are consistent with those applied in the Company's Financial Report for the 52-week period ended 27 June 2021 (2021 Financial Report), unless otherwise stated. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

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 28 June 2021, the Group lost control of Endeavour Group and in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* the Group:
  - presented the gain on demerger of Endeavour Group separately from its continuing operations in its Consolidated Statement of Profit or Loss in the current period, and has restated the amounts presented in the prior period in its Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income; and
  - continued to present the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows including both continuing and discontinued operations.
- During the period, the Board approved the establishment of a new operating segment, Australian B2B. In accordance with AASB 8 *Operating Segments*, the Group restated the amounts presented in the prior period to reflect the newly reportable segment as a separate segment. Refer to Note 4 for further details.

1.2 STATEMENT OF COMPLIANCE

The Half-Year Financial Report of the Group is a general purpose condensed financial report prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001*.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The Half-Year Financial Report does not include all of the information required for a full Financial Report, and should be read in conjunction with the 2021 Financial Report, and any public announcements by Woolworths Group Limited and its subsidiaries during the half-year in accordance with continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules.

1.3 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group adopted all relevant new and amended accounting standards and interpretations issued by the Australian Accounting Standards Board that are effective for annual reporting periods beginning on or after 28 June 2021. 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.

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1 General information

1.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, the directors are required to make estimates, judgements and assumptions that affect amounts reported in this Financial Report. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions, and other factors that are believed to be reasonable under the circumstances, and are reviewed on a regular basis. Actual results may differ from these estimates. The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follows.

Other financial assets and liabilities

Certain financial assets and liabilities are measured at fair value at the end of each reporting period. In particular, the key judgements applied in determining the fair value of put option over non-controlling interest involve a high degree of complexity, especially in the estimation of the amount expected to be paid at the time of exercise. Reasonably possible changes to the estimate would result in a change to the valuation of the put option liability, with any impact recognised in the Consolidated Statement of Profit or Loss.

Provisions

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. The critical accounting estimates required to measure the Group's provisions include but are not limited to discount rates, expected future salary and wage levels, periods of service, wage growth, future inflation, investment returns, and store exit costs in estimating the value of employee benefits, self-insurance, onerous contracts, and restructuring provisions.

Included in employee benefits is the team member remediation provisions, which represent the Group's best estimates of the expenditure required to settle the Group's obligations in accordance with the General Retail Industry Award (GRIA) and relevant enterprise agreements (EAs).

TEAM MEMBER REMEDIATION PROVISIONS

Salaried team member progress update

On 30 October 2019, the Group announced that a number of salaried team members had not been paid in full compliance with the Group's obligations under the GRIA. The Group has provided in excess of $500 million in relation to the remediation of these salaried team members. Significant progress has been made to remediate the impacted salaried team members, with over $427 million paid to those team members to date.

In June 2021, the Fair Work Ombudsman (FWO) issued legal proceedings against Woolworths Group Limited, seeking orders in relation to contraventions of the *Fair Work Act* and for further compensation of the affected salaried team members. Class action proceedings brought by Adero Law Firm against Woolworths Group Limited in 2019 also continue to run.

The Group is defending the FWO proceedings and the class action proceedings. While the Group has been guided by extensive advice from external counsel, these proceedings are at an early stage and the outcome and total costs associated with the proceedings are uncertain. There is a risk that the Court may determine these matters contrary to the Group's current assessment of the position, and require the Group to make further material remediation payments.

End-to-end payroll review

During the 2021 financial period, the Group established an end-to-end payroll review across all payroll systems and processes to test and ensure compliance with its obligations under the GRIA as well as other awards, Enterprise Agreements (EAs) and entitlements for team members across the Group. As part of this review, certain areas of non-compliance have been identified.

The review to date has resulted in the Group recognising a team member pay remediation provision of $144 million for the period (of which $123 million was recognised as a significant item, refer to Note 1.6 for further details) relating to payment shortfalls, predominantly of hourly paid team members employed pursuant to the Woolworths Supermarkets, Metro and BIG W EAs.

The calculation of this provision has involved a substantial volume of data and significant complexity. The Group has applied extensive resources to the review and analysis of its records, and the calculation of the likely remediation to affected team members. Notwithstanding this, uncertainty remains in relation to the Group's exposure, which may change.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

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1 General information

1.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Ongoing end-to-end payroll review

As at 2 January 2022, the Group's end-to-end payroll review has assessed more than 85% of team members and over 70% of Group's total payroll costs. The review is ongoing, with testing and analysis currently in progress across Primary Connect and New Zealand. This review, which the Group aspires to have substantially completed by the end of calendar 2022, may give rise to further provisions as it progresses to completion.

1.5 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. Strong sales growth for the Group from continuing operations for H22 (8.0%) was offset by $239 million of COVID costs. Compared to H2 F21, COVID costs increased due to the impact of COVID on the Group's stores and distribution centres. Group EBIT from continuing operations declined to $1,237 million for H22, reflecting the challenging operating environment in Australian Food, which led to higher direct and indirect COVID-related costs and BIG W store closures.

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

- **Australian Food** – sales growth was 3.4% but moderated over the period as lockdowns eased before strengthening in late December. EBIT declined to $1,217 million reflecting the higher operating costs caused by COVID and a delay in implementing productivity initiatives. Customer scores were also impacted by on-shelf availability as a result of supply chain disruption. In Woolworths Retail, sales increased by 3.2% with strong eCommerce growth offsetting a small decline in store-originated sales (-0.7%) as customers shifted back to in-home consumption due to COVID outbreaks. WooliesX B2C eCommerce sales increased by 50.5% reflecting higher demand due to COVID restrictions and material increases in both Home Delivery and Direct to boot capacity. Metro Food Stores returned to growth in the period with sales increasing by 7.2% due to store growth and strong sales in neighbourhood food stores. CBD and transit stores remain materially impacted by lower foot traffic.
- **Australian B2B** – sales for the period were $1,979 million compared to $631 million in the prior period. All B2B businesses reported higher sales, however, dollar growth in comparison to the prior period was largely as a result of the acquisition of PFD Food Services Pty Ltd (PFD), and the recognition of Endeavour Group revenue under the partnership agreements. In B2B Food, sales increased to $1,426 million, of which approximately 70% relates to PFD. PFD's sales growth improved in Q2 following the easing of restrictions in NSW and Victoria with H22 sales up on the prior period despite the COVID impacts on PFD's customers. In B2B Supply Chain (PC3), revenue for the period increased to $553 million. Primary Connect revenue increased largely through the recognition of Endeavour Group revenue, with primary freight revenue of $202 million in the period.
- **New Zealand Food** – sales increased by 10.7% driven by new lockdown restrictions from mid-August as well as higher inflation. EBIT increased to $191 million with growth impacted by higher costs of operating in a COVID environment. eCommerce sales increased by 25.4% to 13.5% of total sales.
- **BIG W** – sales and EBIT were materially impacted by store closures in NSW and Victoria during the period. Sales growth on a two-year basis remained strong but declined by 9.0% compared to the prior period. EBIT declined to $25 million due to lower sales. eCommerce sales increased by 69.4% in the period with growth and penetration moderating in Q2 as stores in NSW and Victoria reopened.
- **Other** – primarily includes the Group's share of profit or loss of investments accounted for using the equity method (including Endeavour Group) and Quantium, which is not considered a separately reportable segment. Quantium had a strong H1, signing new partnerships with Asda and Telstra, and the Group's share of Endeavour Group's profit for the period was $32 million. Refer to Note 6 for further details.

In addition to the impact on financial performance, the Group has also considered the impact of the COVID-19 pandemic across its businesses as follows:

- **Trade and other receivables** – the assessment of expected credit losses associated with the Group's trade and other receivables is conducted on a forward looking basis and COVID-19 has not had a material impact on the loss allowances recognised at the end of the period.
- **Impairment of non-financial assets** – the adverse impacts of COVID-19 on the Group's businesses are an observable indication that the Group's assets, individual cash-generating units (stores and branches), or groups of cash generating units may be impaired. In such instances, the Group estimated the recoverable amount of the asset or cash generating unit with an impairment loss recognised where the carrying amount of the asset or cash generating unit exceeded its recoverable amount. No material impairment charges were recognised during the period.

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1 General information

1.6 INDIVIDUALLY SIGNIFICANT ITEMS

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 the Consolidated Statement of Profit or Loss are as follows:

HALF-YEAR ENDED 2 JANUARY 2022	PROFIT BEFORE INCOME TAX $M	INCOME TAX BENEFIT/ (EXPENSE) $M	PROFIT FOR THE PERIOD $M
Continuing operations			
Team member pay remediation	**(123)**	**37**	**(86)**
Additional share-based payments expense as a result of the Endeavour Group demerger	**(46)**	**–**	**(46)**
Gain on sale of Endeavour Group shares held by the share trust	**24**	**(11)**	**13**
	(145)	**26**	**(119)**
Discontinued operations			
Gain on demerger of Endeavour Group	**6,387**	**–**	**6,387**
Total Group significant items	**6,242**	**26**	**6,268**

Team member pay remediation

As part of the end-to-end payroll review program, certain areas of non-compliance have been identified. During the period, the Group recognised a provision of $144 million relating to payment shortfalls, predominantly of hourly paid team members (refer to Note 1.4 for further details). This provision comprises:

- $123 million relating to prior period payment shortfalls of hourly paid team members and other one-off remediation charges, including on-costs and interest. The payment shortfalls of hourly paid team members predominantly relate to the previous three annual reporting periods. The annual amount has not had a material impact on the Group's financial performance in any of the individual periods to which they relate; and
- $21 million relating to the current period, which was recognised in continuing operations.

Additional share-based payments expense as a result of the Endeavour Group demerger

During the period, the Group incurred an additional share-based payments expense of $46 million relating to additional share rights awarded to team members whose unvested employee share plans were impacted by the Endeavour Group demerger. This charge reflects the fair value of the additional share rights awarded.

Gain on sale of Endeavour Group shares held by the share trust

During the period, the Group recognised a gain of $24 million relating to proceeds from the sale of Endeavour Group shares that were received by the Group's share trust on the demerger record date (1 July 2021).

Gain on demerger of Endeavour Group

On 28 June 2021, the Group lost control of Endeavour Group and recognised a gain of $6,387 million in discontinued operations, which mainly represents the difference between the net assets of Endeavour Group derecognised on transfer to shareholders and the combination of the (i) derecognition of the non-controlling interest share of Endeavour Group's net assets, (ii) recognition of the retained investment in Endeavour Group at fair value, and (iii) derecognition of the demerger distribution liability.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

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2 Revenue from the sale of goods and services from continuing operations

	HALF-YEAR ENDED	
	2 JANUARY 2022 $M	RESTATED[1] 3 JANUARY 2021 $M
Sale of goods in-store	**26,047**	26,337
Sale of goods online	**3,626**	2,465
Other[2]	**2,221**	733
Total	**31,894**	29,535

1 Refer to Note 1.1 for further details.
2 Other primarily comprises revenue from the distribution of food and related products for resale to other businesses, provision of supply chain services to business customers, and commission received on financial services.

3 Finance costs from continuing operations

	HALF-YEAR ENDED	
	2 JANUARY 2022 $M	RESTATED[1] 3 JANUARY 2021 $M
Interest expense – leases	**281**	276
Interest expense – non-leases	**41**	64
Less: Interest capitalised	**(5)**	(5)
Other[2]	**(12)**	(4)
Total	**305**	331

1 Refer to Note 1.1 for further details.
2 Other primarily comprises finance income recognised by the Group, in its capacity as a lessor, over the lease term.

4 Segment disclosures 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, including the Chief Executive Officer, in order to allocate resources to the segment and assess its performance. These business units offer different products and services, or service different customer types, and are managed separately.

During the period, the Board approved the establishment of a new operating segment, Australian B2B, which comprises B2B Food and B2B Supply Chain. B2B Food includes PFD, Woolworths International, Woolworths at Work, and Australian Grocery Wholesalers. B2B Supply Chain includes external Primary Connect revenue (including Endeavour Group and other third-party customers) and Statewide Independent Wholesalers (SIW) in Tasmania.

The Group's reportable segments are as follows:

- **Australian Food** – procurement of food and related products for resale and provision of services to retail customers in Australia;
- **Australian B2B** – procurement and distribution of food and related products for resale to other businesses and provision of supply chain services to business customers in Australia;
- **New Zealand Food** – procurement of food and drinks for resale and provision of services to retail customers in New Zealand;
- **BIG W** – procurement of discount general merchandise products for resale to retail customers in Australia; and
- **Other** – comprises Quantium, which is not considered a separately reportable segment, as well as various support functions including property and Group overhead costs, the Group's share of profit or loss of investments accounted for using the equity method (including Endeavour Group), and consolidation and elimination journals.

The financial performance of the Group, in particular BIG W, is affected by seasonality whereby earnings are typically greater in the first half of the financial period due to the Christmas trading period.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

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4 Segment disclosures from continuing operations

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

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.

HALF-YEAR ENDED 2 JANUARY 2022	AUSTRALIAN FOOD $M	AUSTRALIAN B2B $M	NEW ZEALAND FOOD $M	BIG W $M	OTHER $M	CONSOLIDATED CONTINUING OPERATIONS $M
Revenue from the sale of goods and services[1]	**23,780**	**1,979**	**3,838**	**2,348**	**(51)**	**31,894**
Other revenue[2]	**–**	**–**	**–**	**–**	**143**	**143**
Total revenue	**23,780**	**1,979**	**3,838**	**2,348**	**92**	**32,037**
Earnings/(loss) before interest, tax, and significant items	**1,217**	**18**	**191**	**25**	**(69)**	**1,382**
Significant items[3]	**–**	**–**	**–**	**–**	**(145)**	**(145)**
Earnings/(loss) before interest and tax	**1,217**	**18**	**191**	**25**	**(214)**	**1,237**
Finance costs						**(305)**
Profit before income tax						**932**
Income tax expense						**(253)**
Profit for the period from continuing operations						**679**
Depreciation and amortisation – lease assets	**360**	**29**	**64**	**55**	**28**	**536**
Depreciation and amortisation – non-lease assets	**477**	**22**	**82**	**42**	**55**	**678**
Capital expenditure[4]	**589**	**10**	**112**	**51**	**373**	**1,135**

1 Revenue from the sale of goods and services in Australian B2B includes $150 million of freight revenue. However, at a Group level, this is classified and recognised as a reduction in cost of sales. As a result, a $150 million reduction has been recognised in Other. This has not resulted in a change to earnings before interest and tax at a Group level.

2 Other revenue comprises operating lease rental income, share of profit or loss of investments accounted for using the equity method (including Endeavour Group), and revenue from non-operating activities across the Group and as such, is not allocated to the reportable segments.

3 Significant items net loss before tax of $145 million in Other includes $123 million of team member pay remediation, $46 million of additional share-based payments expense as a result of the Endeavour Group demerger, which is offset by $24 million for the gain on sale of Endeavour Group shares held by the share trust.

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

Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

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4 Segment disclosures from continuing operations

RESTATED[1] HALF-YEAR ENDED 3 JANUARY 2021	AUSTRALIAN FOOD $M	AUSTRALIAN B2B $M	NEW ZEALAND FOOD $M	BIG W $M	OTHER $M	CONSOLIDATED CONTINUING OPERATIONS $M
Revenue from the sale of goods and services[2]	22,988	631	3,465	2,581	(130)	29,535
Other revenue[3]	–	–	–	–	78	78
Total revenue	22,988	631	3,465	2,581	(52)	29,613
Earnings/(loss) before interest, tax, and significant items	1,317	9	181	133	(86)	1,554
Significant items	–	–	–	–	–	–
Earnings/(loss) before interest and tax	1,317	9	181	133	(86)	1,554
Finance costs						(331)
Profit before income tax						1,223
Income tax expense						(372)
Profit for the period from continuing operations						851
Depreciation and amortisation – lease assets	337	14	60	55	15	481
Depreciation and amortisation – non-lease assets	442	6	69	36	22	575
Capital expenditure[4]	507	6	111	33	228	885

1 Restated to conform with the new structure of the Group and the classification of Endeavour Drinks and Hotels as discontinued operations during the 2021 financial period. Refer to Note 1.1 for further details.

2 Revenue from the sale of goods and services in Australian B2B includes $130 million of freight revenue. However, at a Group level, this is classified and recognised as a reduction in cost of sales. As a result, a $130 million reduction has been recognised in Other. This has not resulted in a change to earnings before interest and tax at a Group level.

3 Other revenue comprises operating lease rental income, share of profit or loss of investments accounted for using the equity method, and revenue from non-operating activities across the Group and as such, is not allocated to the reportable segments.

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

5 Cash and cash equivalents

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

	AS AT	
	2 JANUARY 2022 $M	27 JUNE 2021 $M
Cash and cash equivalents (as presented in the Consolidated Statement of Financial Position)	**1,006**	1,009
Cash and cash equivalents (included within assets held for sale or distribution)	**–**	437
	1,006	1,446

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6 Investments accounted for using the equity method

Details of investments accounted for using the equity method

	AS AT 2 JANUARY 2022		AS AT 27 JUNE 2021	
	OWNERSHIP INTEREST %	$M	OWNERSHIP INTEREST %	$M
Endeavour Group Limited	**14.6**	**1,637**	85.4	–
Other individually immaterial investments in associates and joint ventures	–	**46**	–	30
		1,683		30

On 28 June 2021, the Group lost control of Endeavour Group Limited, an Australian company, and recognised the retained 14.6% equity interest at fair value as an investment in associate. The fair value was calculated using the VWAP of Endeavour Group Limited shares trading on the ASX in their first five trading days ($6.21).

Results of investments accounted for using the equity method

HALF-YEAR ENDED 2 JANUARY 2022	ENDEAVOUR GROUP LIMITED[1] $M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN ASSOCIATES $M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN JOINT VENTURES $M	TOTAL $M
Revenue	**6,337**	**102**	**25**	**6,464**
Profit/(loss) for the period, net of tax	**311**	**2**	**(5)**	**308**
Other comprehensive income for the period, net of tax	**16**	**–**	**–**	**16**
Total comprehensive income/(loss) for the period	**327**	**2**	**(5)**	**324**
Group's share of total comprehensive income/(loss) recognised for the period	**32**	**–**	**(3)**	**29**

1 As at 2 January 2022, the Group recognised its best estimate of its share of total comprehensive income of Endeavour Group. Subsequent to the reporting date, Endeavour Group released its 2022 Half-Year Financial Results. The difference between the Group's best estimate and its actual share of total comprehensive income was not material and will be adjusted in the next reporting period.

Movements in carrying amount of investments accounted for using the equity method

AS AT 2 JANUARY 2022	ENDEAVOUR GROUP LIMITED $M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN ASSOCIATES $M	INDIVIDUALLY IMMATERIAL INVESTMENTS IN JOINT VENTURES $M	TOTAL $M
Carrying amount at start of period	**–**	**26**	**4**	**30**
Acquisition of investment	**1,623**	**–**	**–**	**1,623**
Additional investment	**–**	**1**	**19**	**20**
Share of net profit/(loss) for the period, net of tax	**32**	**–**	**(3)**	**29**
Dividends received	**(18)**	**(1)**	**–**	**(19)**
Carrying amount at end of period	**1,637**	**26**	**20**	**1,683**

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6 Investments accounted for using the equity method

Summary financial position of investment in associate that is material to the Group

AS AT 2 JANUARY 2022	ENDEAVOUR GROUP LIMITED $M
Current assets	**2,341**
Non-current assets	**9,000**
Total assets	**11,341**
Current liabilities	**2,706**
Non-current liabilities	**5,053**
Total liabilities	**7,759**
Net assets	**3,582**
Group's share of net assets[1]	**509**
Fair value adjustment[2]	**1,128**
Carrying amount at end of period	**1,637**

1 As at 2 January 2022, the Group recognised its best estimate of its share of net assets of Endeavour Group. Subsequent to the reporting date, Endeavour Group released its 2022 Half-Year Financial Results. The difference between the Group's best estimate and its actual share of net assets was not material and will be adjusted in the next reporting period.

2 Fair value adjustment represents the difference between the recognition of the retained investment in Endeavour Group at fair value and the Group's share of Endeavour Group's net assets at the date when control was lost.

7 Borrowings

Borrowings of the Group at the reporting date are as follows:

	AS AT	
	2 JANUARY 2022 $M	27 JUNE 2021 $M
Current, unsecured		
Short-term money market loans	**347**	44
Bank loans	**62**	75
Total current borrowings	**409**	119
Non-current, unsecured		
Bank loans	**588**	1,350
Securities	**2,942**	1,416
Unamortised borrowing costs	**(21)**	(13)
Total non-current borrowings	**3,509**	2,753
Total	**3,918**	2,872

Financing transactions during the period

In September 2021, the Group successfully completed the following debt capital market transactions:

- EUR550 million (approximately $880 million) European Medium Term Notes issuance; and
- $700 million domestic Medium Term Notes issuance.

Both issuances were structured as Sustainability Linked Bonds (SLB), with a direct link to the Group's commitment to reducing carbon emissions. The SLB structure embeds a penalty (via a margin increase) into the terms of the notes if, at the respective testing dates of the notes, the Group's scope 1 and 2 emissions are not aligned with the forecast trajectory to meet the Group's 2030 emissions reduction target. The proceeds of the notes have been used for general corporate purposes, including the long-term funding of the Group's investments in Quantium and PFD.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

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8 Dividends

	HALF-YEAR ENDED 2 JANUARY 2022			HALF-YEAR ENDED 3 JANUARY 2021		
	CENTS PER SHARE	TOTAL AMOUNT $M	DATE OF PAYMENT	CENTS PER SHARE	TOTAL AMOUNT $M	DATE OF PAYMENT
Prior year final	**55**	**697**	**8 October 2021**	48	606	6 October 2020
Dividends paid during the period	**55**	**697**		48	606	
Issue of shares to satisfy the dividend reinvestment plan		**(94)**			(84)	
Dividends paid in cash		**603**			522	

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

On 23 February 2022, the Board of Directors declared an interim dividend in respect of the 2022 financial period of 39 cents per share, fully franked at a 30% tax rate. The amount will be paid on or around 13 April 2022 and is expected to be $473 million. As the dividends were declared subsequent to 2 January 2022, no provision has been made as at 2 January 2022.

Dividend Reinvestment Plan

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 2022 interim 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 8 March 2022. The last date for receipt of election notices for the DRP is 7 March 2022. The Company intends to issue new shares to satisfy its obligations under the DRP.

9 Contributed equity

	HALF-YEAR ENDED 2 JANUARY 2022		YEAR ENDED 27 JUNE 2021	
SHARE CAPITAL	NUMBER M	$M	NUMBER M	$M
1,211,975,683 fully paid ordinary shares (27 June 2021: 1,267,652,417)				
Movement:				
Balance at start of period	**1,267.7**	**5,466**	1,263.1	6,197
Issue of shares to satisfy the dividend reinvestment plan	**2.3**	**94**	4.6	173
Share buy-back	**(58.0)**	**(250)**	–	–
Demerger distribution	–	–	–	(904)
Balance at end of period	**1,212.0**	**5,310**	1,267.7	5,466
SHARES HELD IN TRUST				
Movement:				
Balance at start of period	**(5.1)**	**(213)**	(5.1)	(175)
Issue of shares to satisfy employee long-term incentive plans	**3.6**	**158**	4.1	139
Purchase of shares by the Woolworths Employee Share Trust	**(0.6)**	**(25)**	(4.1)	(177)
Balance at end of period	**(2.1)**	**(80)**	(5.1)	(213)
Contributed equity at end of period	**1,209.9**	**5,230**	1,262.6	5,253

Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

10 Commitments for capital expenditure

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

	AS AT	
	2 JANUARY 2022 $M	3 JANUARY 2021 $M
Estimated capital expenditure under firm contracts, payable:		
Not later than one year[1]	**1,380**	688
Later than one year, not later than two years	**377**	62
Later than two years, not later than five years	**45**	42
Total capital expenditure commitments[2]	**1,802**	792

1 The $692 million increase in estimated capital expenditure under firm contracts, payable not later than one year is mainly attributable to the development of automated regional and semi-automated national distribution centres.

2 As at 3 January 2021, the capital expenditure commitments of the Group included $22 million relating to the Endeavour Group, which the Group lost control of during the period.

11 Acquisition of subsidiary

On 28 June 2021, the Group acquired a 65% equity interest in PFD Food Services Pty Ltd (PFD). This resulted in the Group gaining control of PFD for a total consideration of $441 million. 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 delivers a range of dry goods, frozen and chilled products, fresh seafood and meat, confectionery, paper products, and cleaning products. 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 will continue 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.

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11 Acquisition of subsidiary

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[2]	**215**
Deferred tax assets	**21**
Total assets	**976**
Liabilities	
Trade and other payables	**266**
Lease liabilities	**369**
Provisions	**47**
Borrowings	**89**
Deferred tax liabilities	**63**
Total liabilities	**834**
Total identifiable net assets acquired	**142**

1 Trade and other receivables include trade receivables which comprises gross contractual amounts due of $133 million, of which $4 million has a loss allowance recognised against it at acquisition date.

2 Intangible assets primarily include customer contracts of $168 million and brand names of $43 million, which were recognised on acquisition date. Customer contracts are being amortised on a straight-line basis over the estimated average life of the contracts, while brand names are indefinite life intangible assets and are subject to annual impairment testing.

GOODWILL

Goodwill arising from the acquisition has been recognised as follows:

	$M
Consideration	**441**
Non-controlling interest[1]	**50**
Fair value of identifiable net assets acquired	**(142)**
Goodwill	**349**

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.

PUT OPTION

The Group has a put option liability over the remaining 35% of the shares in PFD which is expected to be exercised after 30 June 2024. On acquisition, the put option liability of $411 million was 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.

During the period, the amount expected to be paid at the time of exercise was reassessed as the Group considered the key terms of the shareholders agreement and the business outlook. In the period, no material change to the estimate of the amount expected to be paid at the time of exercise was determined and a portion of the discount on the put option liability was unwound through finance costs in the Consolidated Statement of Profit or Loss. As at 2 January 2022, the carrying value of the put option liability was $415 million.

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12 Discontinued operations

Demerger of Endeavour Group

On 28 June 2021, the Group lost control of Endeavour Group. A gain of $6,387 million was recognised within discontinued operations and the demerger distribution liability of $7,870 million was derecognised.

Accounting for the demerger transaction is guided by AASB Interpretation 17 *Distributions of Non-cash Assets to Owners*. The demerger accounting at the date when control was lost is set out below:

	$M
Derecognition of assets held for distribution, excluding cash	**(10,327)**
Derecognition of cash held for distribution	**(437)**
Derecognition of liabilities associated with assets held for distribution	**5,231**
Derecognition of demerger distribution liability	**7,870**
Derecognition of non-controlling interest share of Endeavour Group's net assets	**282**
Recognition of intercompany loan receivable	**1,712**
Recognition of the retained investment in Endeavour Group at fair value	**1,623**
Recognition of leases for BWS stores attached to Woolworths Supermarkets or Metro Food Stores	**350**
Other	**83**
Gain on demerger	**6,387**

TRANSACTIONS WITH ENDEAVOUR GROUP

Effective from the separation date of 28 June 2021, Endeavour Group repaid $1,712 million of intercompany loans. 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.

Long-term strategic Partnership Agreements were established, which document the close and mutually beneficial relationship between both parties and reflects the way in which Endeavour Group has historically operated as part of the Group.

These agreements cover key business areas, including the provision of goods and services related to supply chain and stores, loyalty and FinTech, digital, media and business support, and occur on the basis of normal commercial terms and conditions. The provision of these goods and services were eliminated on consolidation prior to the demerger of Endeavour Group. However, from the date that control was lost on 28 June 2021, these transactions are disclosed as related party transactions. During the period, revenue from the sale of goods and services and other revenue from non-operating activities provided to Endeavour Group were $249 million and $46 million respectively.

In certain circumstances, the Group settles liabilities with third parties on behalf of Endeavour Group and subsequently recovers these costs directly from Endeavour. As a result, these transactions have not been disclosed as related party transactions. However, balances that remain unsettled with Endeavour Group at the reporting date, including amounts relating to third-party cost recoveries, are disclosed as related party receivables. As at 2 January 2022, the net receivable from Endeavour Group was $118 million.

Condensed Notes to the Consolidated Financial Statements for the half-year ended 2 January 2022

13 Contingent liabilities

The Group has entered into 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 $632 million for self-insured risks (27 June 2021: $591 million), which includes liabilities relating to workers' compensation claims that have been recognised in the Consolidated Statement of Financial Position at the reporting date.

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.

14 Subsequent events

As at the date of this report, there has not been any matter or circumstance occurring subsequent to the end of the reporting period that would have a material impact on the Half-Year Financial Report 2022.

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Directors' Declaration

The directors of the Company declare that, in the opinion of the directors:

a) The consolidated financial statements and notes for the half-year ended 2 January 2022 are in accordance with the *Corporations Act 2001*, including:

   i) complying with Australian Accounting Standards, International Financial Reporting Standards and any further requirements in the *Corporations Regulations 2001*; and

   ii) giving a true and fair view of the Group's financial position;

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the directors,





Gordon Cairns
Chairman

Brad Banducci
Chief Executive Officer

23 February 2022

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Independent Auditor's Review Report

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Independent Auditor's Review Report to the Members of Woolworths Group Limited

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the half-year financial report of Woolworths Group Limited (the Company) and its subsidiaries (the Group), which comprises the Consolidated Statement of Financial Position as at 2 January 2022, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash flows and the Consolidated Statement of Changes in Equity for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 4 to 23.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Woolworths Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated Group's financial position as at 2 January 2022 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report. We are independent of the Group in accordance with 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 annual 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 review report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the Half-Year 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 Half-Year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Independent Auditor's Review Report

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Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the Half-Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 2 January 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-Year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Partner
Chartered Accountants

Sydney, 23 February 2022

Taralyn Elliott
Partner
Chartered Accountants

Sydney, 23 February 2022

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