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$59,984M

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

5.3% increase from 2018 (52 weeks)

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INDIVIDUALLY SIGNIFICANT ITEMS

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

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ADOPTION OF NEW LEASE ACCOUNTING STANDARD

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

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Consolidated Statement of Profit or Loss

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

		CENTS	CENTS
Earnings per share (EPS) attributable to equity holders of the parent entity			
Basic EPS	4.1	**206.2**	132.6
Diluted EPS	4.1	**204.9**	132.3
EPS attributable to equity holders of the parent entity from continuing operations			
Basic EPS	4.1	**114.3**	123.4
Diluted EPS	4.1	**113.6**	123.1

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

Consolidated Statement of Other Comprehensive Income

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

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

Consolidated Statement of Financial Position

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

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

Consolidated Statement of Changes in Equity

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

2018	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 25 June 2017	5,719	(104)	357	3,554	9,526	350	9,876
Profit for the period	–	–	–	1,724	1,724	71	1,795
Other comprehensive loss for the period, net of tax	–	–	(41)	(1)	(42)	–	(42)
Total comprehensive income for the period, net of tax	–	–	(41)	1,723	1,682	71	1,753
Dividends paid	–	–	–	(1,208)	(1,208)	(53)	(1,261)
Dividends received – shares held in trust	–	–	–	2	2	–	2
Issue of shares to satisfy employee long-term incentive plans	–	21	(21)	–	–	–	–
Issue of shares to satisfy the dividend reinvestment plan	482	(3)	–	–	479	–	479
Purchase of shares by the Woolworths Employee Share Trust	–	(60)	–	–	(60)	–	(60)
Share-based payments expense	–	–	58	–	58	–	58
Other	–	–	–	2	2	–	2
Balance at 24 June 2018	6,201	(146)	353	4,073	10,481	368	10,849

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

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Consolidated Statement of Cash Flows

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

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

Notes to the Consolidated Financial Statements

for the period ended 30 June 2019

1 BASIS OF PREPARATION

1.1 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

1.2 SIGNIFICANT ACCOUNTING POLICIES

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

1.2.1 Basis of consolidation

The Consolidated Financial Statements of the Company incorporate the assets, liabilities, and results of all subsidiaries as at and for the period ended 30 June 2019. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

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

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1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2.2 Inventories

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

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

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

1.2.3 Foreign currency

(i) Functional and presentation currency

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

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

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

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

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

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

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

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

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

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

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

1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2.4 Goods and Services Tax (GST)

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

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

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

1.2.5 New and amended standards adopted by the Group

The Group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board which are effective for annual reporting periods beginning on or after 25 June 2018.

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

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

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

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

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

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

1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2.6 Issued standards and interpretations not early adopted

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

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

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

AASB 16 *Leases*

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

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

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

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

Transition

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

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

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

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

1.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2.6 Issued standards and interpretations not early adopted (continued)

AASB 16 *Leases* (continued)

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

Impact on the adoption of AASB 16 Leases

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

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

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

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

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

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

1.4 INDIVIDUALLY SIGNIFICANT ITEMS

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

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

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

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

BIG W network review

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

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

Sale of the Petrol business

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

2 GROUP PERFORMANCE

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

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

Loyalty program

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

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5 OTHER INFORMATION

2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS

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

2.2.1 Operating segment reporting

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

The Group's reportable segments are as follows:

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

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

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

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

2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS (CONTINUED)

2.2.1 Operating segment reporting (continued)

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

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

1 Other revenue is comprised of sublease income and other revenue from non-operating activities across the Group.
2 Capital expenditure is comprised of property, plant and equipment and intangible asset additions, and those assets acquired on the acquisition of businesses.

2.2 SEGMENT DISCLOSURES FROM CONTINUING OPERATIONS (CONTINUED)

2.2.2 Geographical information

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

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

2.3 FINANCE COSTS FROM CONTINUING OPERATIONS

Finance costs includes interest on borrowings and derivatives.

	2019 53 WEEKS $M	2018 52 WEEKS $M
Interest expense	**174**	202
Less: interest capitalised [1]	**(39)**	(34)
Other	**(9)**	(14)
	126	154

1 Weighted average capitalisation rate was 6.27% (2018: 6.85%).

SIGNIFICANT ACCOUNTING POLICIES

Finance costs

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

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

3 ASSETS AND LIABILITIES

3.1 TRADE AND OTHER RECEIVABLES

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

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

1 Includes supplier rebates of $84 million (2018: $100 million).

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

Impairment of trade and other receivables

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

3.2 OTHER FINANCIAL ASSETS AND LIABILITIES

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

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

SIGNIFICANT ACCOUNTING POLICIES

Derivatives

Refer to Note 4.7 for details of derivatives.

Listed equity securities

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

Investments in associates

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

3.3 PROPERTY, PLANT AND EQUIPMENT

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

2019	DEVELOPMENT PROPERTIES $M	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES $M	LEASEHOLD IMPROVEMENTS $M	PLANT AND EQUIPMENT $M	TOTAL [1] $M
Cost	722	1,647	2,983	11,631	16,983
Less: accumulated depreciation, amortisation, and impairment	(47)	(304)	(1,272)	(5,841)	(7,464)
Carrying amount at end of period	675	1,343	1,711	5,790	9,519
Movement:					
Carrying amount at start of period	677	1,188	1,586	5,575	9,026
Additions	238	61	350	1,391	2,040
Acquisition of businesses	–	33	1	2	36
Disposals [2]	–	(6)	(10)	(22)	(38)
Transfer to assets held for sale	(24)	(171)	(26)	(12)	(233)
Depreciation expense	–	(27)	–	(994)	(1,021)
Amortisation expense	–	–	(182)	–	(182)
Impairment reversal/(expense)	–	37	–	(166)	(129)
Transfers and other	(219)	220	(11)	2	(8)
Effect of movements in exchange rates	3	8	3	14	28
Carrying amount at end of period	675	1,343	1,711	5,790	9,519

2018	DEVELOPMENT PROPERTIES $M	FREEHOLD LAND, WAREHOUSE, RETAIL, AND OTHER PROPERTIES $M	LEASEHOLD IMPROVEMENTS $M	PLANT AND EQUIPMENT $M	TOTAL $M
Cost	729	1,472	2,528	10,241	14,970
Less: accumulated depreciation, amortisation, and impairment	(52)	(284)	(942)	(4,666)	(5,944)
Carrying amount at end of period	677	1,188	1,586	5,575	9,026
Movement:					
Carrying amount at start of period	565	1,271	1,493	5,109	8,438
Additions	217	19	245	1,469	1,950
Acquisition of businesses	–	–	–	1	1
Disposals [2]	(48)	(19)	(16)	(40)	(123)
Transfer (to)/from assets held for sale	(12)	(113)	8	(37)	(154)
Depreciation expense	–	(28)	–	(917)	(945)
Amortisation expense	–	–	(140)	–	(140)
Transfers and other	(43)	66	–	3	26
Effect of movements in exchange rates	(2)	(8)	(4)	(13)	(27)
Carrying amount at end of period	677	1,188	1,586	5,575	9,026

1 Includes assets under construction of $779 million.

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

3.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

Carrying value

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

Depreciation

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

The expected useful lives are as follows:

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

Proceeds from sale of assets

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

Impairment

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

CRITICAL ACCOUNTING ESTIMATES

Estimation of useful life of assets

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

3.4 INTANGIBLE ASSETS

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

3.4.1 Carrying amounts of and movements in intangible assets

2019	GOODWILL $M	BRAND NAMES $M	LIQUOR, GAMING LICENCES, AND OTHER $M	TOTAL $M
Cost	4,342	255	2,284	6,881
Less: accumulated amortisation and impairment	(125)	(1)	(229)	(355)
Carrying amount at end of period	4,217	254	2,055	6,526
Movement:				
Carrying amount at start of period	4,155	250	2,060	6,465
Acquisition of businesses	27	–	19	46
Other acquisitions	–	–	5	5
Disposals, transfers, and other	(2)	–	(8)	(10)
Amortisation expense	–	–	(19)	(19)
Impairment expense	(19)	–	(2)	(21)
Effect of movements in exchange rates	56	4	–	60
Carrying amount at end of period	4,217	254	2,055	6,526

2018	GOODWILL $M	BRAND NAMES $M	LIQUOR, GAMING LICENCES, AND OTHER $M	TOTAL $M
Cost	4,260	251	2,274	6,785
Less: accumulated amortisation and impairment	(105)	(1)	(214)	(320)
Carrying amount at end of period	4,155	250	2,060	6,465
Movement:				
Carrying amount at start of period	4,216	256	2,061	6,533
Acquisition of businesses	17	–	18	35
Other acquisitions	–	(1)	6	5
Disposals, transfers, and other	(8)	–	(7)	(15)
Amortisation expense	–	–	(18)	(18)
Effect of movements in exchange rates	(70)	(5)	–	(75)
Carrying amount at end of period	4,155	250	2,060	6,465

3.4 INTANGIBLE ASSETS (CONTINUED)

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

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

1 Excludes ALH owned retail sites, which are included in ALH Group.

SIGNIFICANT ACCOUNTING POLICIES

Goodwill

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

Other intangible assets

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

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

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

Impairment

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

CRITICAL ACCOUNTING ESTIMATES

Estimation of useful life of assets

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

3.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2019

BIG W

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

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

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

Endeavour Drinks

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

Other

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

2018

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

3.5 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

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

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

Calculation of recoverable amount

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

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

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

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

Reversal of impairment

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

3.5 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

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

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

3.6 INCOME TAXES

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

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

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

3.6.2 Reconciliation between profit before income tax and income tax expense

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

3.6 INCOME TAXES (CONTINUED)

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

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

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

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

Unrecognised deferred tax assets

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

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

3.6 INCOME TAXES (CONTINUED)

3.6.4 Tax consolidation

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

Current tax

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

Deferred tax

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

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

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

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

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

3.7 TRADE AND OTHER PAYABLES

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

	2019 $M	2018 $M
Trade payables	**5,219**	5,149
Accruals	**1,242**	1,435
Contract liabilities	**215**	209
	6,676	6,793

Contract liabilities

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

3.8 PROVISIONS

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

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

3.8 PROVISIONS (CONTINUED)

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

Employee benefits

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

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

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

Self-insurance

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

Restructuring

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

Onerous contracts and store exit costs

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

3.8 PROVISIONS (CONTINUED)

CRITICAL ACCOUNTING ESTIMATES

Discount rates

Where a provision is measured using the cash flows estimated to settle the obligation, with the exception of employee benefits, the cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Employee benefits are discounted by reference to market yields at the end of the reporting period on high quality corporate bonds. Rates are reviewed periodically and, given the nature of the estimate, reasonably possible changes are not considered likely to have a material impact.

Employee benefits assumptions

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

Actuarial assumptions

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

Restructuring, onerous contracts, and store exit costs

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

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

3.9 OTHER NON-CURRENT LIABILITIES

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

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

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4 CAPITAL STRUCTURE, FINANCING, AND RISK MANAGEMENT

4.1 EARNINGS PER SHARE

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

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

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

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

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

4.2 DIVIDENDS

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

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

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

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

Dividend Reinvestment Plan (DRP)

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

Shares will be allocated to shareholders under the DRP for the 2019 final dividend at an amount equal to the average of the daily volume weighted average market price of ordinary shares of the Company traded on the ASX over the period of 10 trading days commencing on 6 September 2019. The last date for receipt of election notices for the DRP is 5 September 2019. The Company may acquire shares on-market during this period to satisfy its obligations under the DRP.

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

Franking credit balance

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

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

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

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

4.3 CONTRIBUTED EQUITY

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

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

Share buy-back

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

Share capital

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

Share options and performance rights

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

4.4 RESERVES

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

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

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

4.4 RESERVES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in the Consolidated Statement of Profit or Loss when the hedged transaction impacts profit or loss, consistent with the applicable accounting policy. Refer to Note 4.7 for details of hedging.

Foreign currency translation reserve (FCTR)

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

Remuneration reserve

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

Asset revaluation reserve

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

Equity instrument reserve

The equity instrument reserve arises on the revaluation of investments in listed equity securities. Subsequent to initial recognition, these investments are measured at fair value with any changes recognised in other comprehensive income. Upon disposal, the cumulative gain or loss recognised in other comprehensive income is transferred to retained earnings.

4.5 CASH AND CASH EQUIVALENTS

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

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4.6 BORROWINGS

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

4.6.1 Capital structure

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

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

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

4.6.2 Borrowings

(i) Borrowing transactions during 2019

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

(ii) Upcoming maturities

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

4.6.3 Movements in borrowings

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

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.

4.6 BORROWINGS (CONTINUED)

4.6.3 Movements in borrowings (continued)

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

4.6.4 Composition of debt

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

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

4.6 BORROWINGS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

Borrowings

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

4.7 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

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

4.7.1 Market risk

(i) Interest rate risk

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

(ii) Foreign exchange risk

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

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

To hedge the risk of adverse movements in foreign exchange rates in relation to borrowings denominated in foreign currency, the Group enters into cross currency swaps under which it agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. All foreign currency term borrowings are 100% hedged in this way.

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

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.1 Market risk (continued)

(iii) Hedging arrangements

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

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

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

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

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

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

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

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

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

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4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.1 Market risk (continued)

(iii) Hedging arrangements (continued)

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

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

(iv) Cash flow hedge reserve
The table below details the movements in the cash flow hedge reserve during the period:

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

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

4.7.2 Liquidity risk

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

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

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

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.2 Liquidity risk (continued)

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

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

2019	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)	**(260)**	**(350)**	**(362)**	**-**	**(972)**
Borrowings (fixed)	**(37)**	**(1,507)**	**(434)**	**-**	**(1,978)**
Trade and other payables[1]	**(6,461)**	**-**	**-**	**-**	**(6,461)**
	(6,758)	**(1,857)**	**(796)**	**-**	**(9,411)**
Derivative assets and liabilities					
Net foreign exchange contracts	**15**	**-**	**-**	**-**	**15**
Cross currency swaps pay floating	**(61)**	**(1,527)**	**(361)**	**-**	**(1,949)**
Cross currency swaps receive fixed/floating	**90**	**1,557**	**362**	**-**	**2,009**
Net pay interest rate swaps[2]	**(50)**	**(27)**	**6**	**-**	**(71)**
	(6)	**3**	**7**	**-**	**4**
Total	**(6,764)**	**(1,854)**	**(789)**	**-**	**(9,407)**

2018	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)	(127)	(22)	(564)	-	(713)
Borrowings (fixed)	(592)	(62)	(1,350)	-	(2,004)
Trade and other payables[1]	(6,584)	-	-	-	(6,584)
	(7,303)	(84)	(1,914)	-	(9,301)
Derivative assets and liabilities					
Net foreign exchange contracts	33	-	-	-	33
Cross currency swaps pay floating	(73)	(73)	(1,896)	-	(2,042)
Cross currency swaps receive fixed/floating	84	84	1,915	-	2,083
Net pay interest rate swaps[2]	(41)	(41)	(23)	-	(105)
	3	(30)	(4)	-	(31)
Total	(7,300)	(114)	(1,918)	-	(9,332)

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.

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7.3 Credit risk

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

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

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

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

4.7.4 Fair value measurement of financial instruments

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

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

Estimation of fair values

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

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

4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

Derivatives

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

Cash flow hedge

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

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

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

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

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

Fair value hedge

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

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

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

4.8 COMMITMENTS FOR EXPENDITURE AND OPERATING LEASE EXPENSE

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

4.8.1 Commitments for expenditure

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

	2019 $M	2018 $M
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, payable:		
Not later than one year	**398**	416
Later than one year, not later than two years	**–**	–
Later than two years, not later than five years	**–**	–
Total capital expenditure commitments	**398**	416
Operating lease commitments		
Future minimum rentals under non-cancellable operating leases, payable:		
Not later than one year	**1,998**	2,089
Later than one year, not later than five years	**7,415**	7,484
Later than five years	**12,378**	13,331
Total operating lease commitments	**21,791**	22,904
Total commitments for expenditure	**22,189**	23,320

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

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

From 1 July 2019, the Group adopted AASB 16 *Leases* and as a result the operating lease commitments set out above have been recognised in the Consolidated Statement of Financial Position, with the exception of the service component of lease payments. Refer to Note 1.2.6 for a reconciliation between the operating lease commitments at 30 June 2019 and the lease liabilities recognised at 1 July 2019.

4.8 COMMITMENTS FOR EXPENDITURE AND OPERATING LEASE EXPENSE (CONTINUED)

4.8.2 Operating lease expense from continuing operations

Operating lease expense recognised during the period was as follows:

	2019 53 WEEKS $M	2018 52 WEEKS $M
Minimum lease payments [1]	**2,207**	2,029
Contingent rentals	**36**	32
	2,243	2,061

1 The increase in minimum lease payments in 2019 is primarily attributable to the recognition of lease costs associated with the BIG W network review as outlined in Note 1.4.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

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

5 GROUP STRUCTURE

5.1 DISCONTINUED OPERATIONS

This section presents the profit or loss from components of the Group that have either been disposed of or are currently held for sale. During the period, the Group completed the sale of the Petrol business.

Petrol

On 1 April 2019, the Group completed the sale of its Petrol business to EG Group. The transaction resulted in the sale of 540 fuel convenience sites to EG Group for $1,682 million (proceeds of $1,725 million, net of a working capital adjustment of $28 million, and cash disposed of $15 million). As part of the transaction, the Group entered into a commercial alliance with EG Group covering fuel discount redemption, loyalty, and wholesale product supply for up to 15 years. In accordance with the terms of the agreement, customers are able to redeem the four cents per litre discount, and earn Woolworths Rewards points on fuel and merchandise purchases, at fuel convenience sites owned or operated by EG Group. The Group will also commence wholesale product supply to these fuel convenience sites.

5.1.1 Analysis of profit for the period from discontinued operations

The profit for the Petrol and Home Improvement businesses for the reporting period are separately set out below:

PETROL	2019 53 WEEKS $M	2018 52 WEEKS $M
Revenue from the sale of goods	**3,696**	4,784
Expenses	**(3,584)**	(4,616)
Earnings before interest and tax [1,2]	**112**	168
Finance income	**–**	1
Profit before gain on sale and tax	**112**	169
Gain on sale of the Petrol business	**1,088**	–
Profit before income tax	**1,200**	169
Income tax expense [3]	**–**	(51)
Profit for the period from Petrol discontinued operations	**1,200**	118
HOME IMPROVEMENT		
Revenue from the sale of goods	**–**	–
Expenses	**–**	3
Reversal of impairment of Home Improvement assets and store exit costs	**–**	24
Earnings before interest and tax	**–**	27
Finance costs	**–**	(3)
Profit before income tax	**–**	24
Income tax expense	**–**	(23)
Profit for the period from Home Improvement discontinued operations	**–**	1
Profit for the period from discontinued operations attributable to equity holders of the parent entity	**1,200**	119

1 Included in the Petrol EBIT for the nine-month period up to the date of sale are overhead and other costs of $14 million to $18 million (2018: $18 million to $24 million) that are expected to remain with the Group. A portion of these costs are recoverable in the short-term as a result of the Transition Services Arrangement. The Group plans to minimise the impact of these costs going forward.

2 Included in the Petrol EBIT for the nine-month period up to the date of sale is the cost of funding the full four cents per litre fuel discount offer of $44 million (2018: $63 million). The costs of funding the Group's share of fuel discounts were reported within Australian Food for the three-month period following the sale of the Petrol business.

3 The Petrol profit before gain on sale and tax for 2019 gave rise to a prima facie income tax expense of $33 million. This income tax expense has been offset by the de-recognition of a deferred tax liability on sale of the Petrol business. The income tax recognised in relation to the gain on sale of the Petrol business is nil as the Group has utilised a portion of existing capital losses to offset the capital gain on sale of the Petrol business. Refer to Note 3.6 for further details.

5.1 DISCONTINUED OPERATIONS (CONTINUED)

5.1.2 Cash flows from/(used in) discontinued operations

The condensed cash flows from/(used in) the Petrol and Home Improvement businesses during the period are set out below, including comparative information:

PETROL	2019 53 WEEKS $M	2018 52 WEEKS $M
Net cash inflow from operating activities	**34**	39
Net cash outflow from investing activities	**(23)**	(43)
Net cash outflow from financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	**11**	(4)
Cash and cash equivalents at start of period	**4**	8
Cash and cash equivalents at end of period [1]	**15**	4
HOME IMPROVEMENT		
Net cash outflow from operating activities	**–**	(41)
Net cash outflow from investing activities	**–**	(69)
Net cash outflow from financing activities	**–**	–
	–	(110)

1 Cash and cash equivalents at end of period for 2019 represents the cash position of the Petrol business at the date of sale.

5.1.3 Effect of sale on the Consolidated Statement of Financial Position

The major classes of assets and liabilities of the Petrol business sold as at 1 April 2019 are as follows:

	1 APRIL 2019 $M
Property, plant and equipment	**536**
Other assets	**150**
Trade and other payables	**(172)**
Provisions	**(27)**
Net assets and liabilities sold	**487**
Net proceeds from sale of the Petrol business	**1,682**
Transaction and other costs	**(107)**
Gain on sale of the Petrol business	**1,088**

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.

5.2 ASSETS HELD FOR SALE

This section sets out the assets and liabilities subject to a committed plan to sell.

At 30 June 2019, assets held for sale includes Group properties (2018: assets and liabilities relating to the Petrol business, and other Group properties, have been classified as held for sale).

	2019 $M	2018 $M
Property, plant and equipment	**209**	666
Other assets	**16**	155
Total assets classified as held for sale	**225**	821
Provisions	**–**	21
Total liabilities directly associated with assets held for sale	**–**	21

SIGNIFICANT ACCOUNTING POLICIES

Assets held for sale

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

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

5.3 SUBSIDIARIES

The following section sets out the list of Australian subsidiaries (which together with Woolworths Group Limited are referred to as the 'Closed Group') and their consolidated financial performance and position.

5.3.1 Deed of cross guarantee

Woolworths Group Limited and each of the wholly-owned subsidiaries set out below (together referred to as the Closed Group) have entered into a Deed of Cross Guarantee (the Deed), as defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (the Instrument). The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare, audit, and lodge separate financial reports.

COMPANY	
ACN 001 259 301 Pty Limited	Hydrogen Nominees Pty. Ltd
Advantage Supermarkets Pty Ltd	Hydrox Brands Pty Ltd [3]
Advantage Supermarkets WA Pty Ltd	Jack Butler & Staff Pty. Ltd.
Andmist Pty. Limited	J Brings Holdings Pty Limited [3]
Australian Grocery Wholesalers Pty Limited [1]	Jimmy Brings Australia Pty Limited [3]
Australian Independent Retailers Pty Ltd	Josona Pty Ltd
Australian Safeway Stores Pty. Ltd.	Kennedy Corporation Holdings Pty Limited
Barjok Pty Ltd	Kennedy Corporation Pty Limited
Calvartan Pty. Limited	Kiaora Lands Pty Limited
Cartology Pty Limited [2]	Langton's Brokerage Pty Ltd
Cellar Force Pty Ltd	Langtons Pty. Ltd.
Cellarmaster Wines Pty Limited	Leasehold Investments Pty Ltd
Cenijade Pty. Limited	Masters Installation Pty Limited [3]
Charmtex Pty Ltd	Nalos Pty Ltd
DB Deals Online Pty Limited [3]	Oxygen Nominees Pty. Ltd.
Drystone Pty Ltd [3]	PEH (NZ IP) Pty Ltd
Dentra Pty. Limited	Philip Leong Stores Pty Limited
Dorrien Estate Winery Pty Ltd	Pinnacle Liquor Group Pty Limited
Drumstar Pty Ltd	Pinnacle Wines Pty Limited
Endeavour Delivery Pty Limited [4]	Progressive Enterprises Holdings Limited
Fabcot Pty Ltd	QFD Pty. Limited
Fabsky Pty Ltd [3]	Queensland Property Investments Pty Ltd
Gembond Pty. Limited	SA Professional Bottling Pty Limited [3]
GreenGrocer.com.au Pty Ltd	Universal Wholesalers Pty Limited
Grocery Wholesalers Pty Ltd	V I Packaging Pty Ltd
HP Distribution Pty Ltd [3]	Vincentia Nominees Pty Ltd

1 Formerly Australian Liquor & Grocery Wholesalers Pty Ltd.
2 Formerly Woolworths (Publishing) Pty Ltd.
3 These wholly-owned subsidiaries became a party to the Deed by way of an Assumption Deed on 21 June 2019.
4 Formerly Nexday Pty. Limited.

5.3 SUBSIDIARIES (CONTINUED)

5.3.1 Deed of cross guarantee (continued)

COMPANY	
Vinpac International Pty. Limited	Woolworths (Victoria) Pty Limited
W23 Pty Limited [1]	Woolworths (W.A.) Pty Limited
W23 Investments Pty Limited [1]	Woolworths Australian Communities Foundation Pty Limited
Weetah Pty. Limited	Woolworths Custodian Pty Ltd
Wine Ark Cellar Club Pty Ltd	Woolworths Executive Superannuation Scheme Pty Limited
Wine IQ Holdings Pty Ltd	Woolworths Export Company Pty Limited [2]
Winemarket Pty Ltd	Woolworths Format Development Pty Limited [3]
WGP No 1 Pty Limited [1]	Woolworths Group Superannuation Scheme Pty Ltd
WGP No 2 Pty Limited [1]	Woolworths Management Pty Ltd
Woolies Liquor Stores Pty. Ltd.	Woolworths Properties Pty Limited
Woolstar Pty. Limited	Woolworths Property Double Bay Pty Limited
Woolworths (International) Pty Limited	Woolworths Townsville Nominee Pty Ltd
Woolworths (Project Finance) Pty. Limited	Woolworths Trust Management Pty Limited
Woolworths (Q'land) Pty Limited	Woolworths Trustee No. 2 Pty Limited
Woolworths (R & D) Pty Limited	Zimi Wines Pty Ltd
Woolworths (South Australia) Pty Limited	

1 These wholly-owned subsidiaries became a party to the Deed by way of an Assumption Deed on 21 June 2019.

2 Formerly Mac's Liquor Stores Pty Limited.

3 Formerly Retail FM Pty Ltd.

5.3 SUBSIDIARIES (CONTINUED)

5.3.1 Deed of cross guarantee (continued)

A Statement of Profit or Loss and retained earnings, and Statement of Financial Position for the entities which are party to the Deed at the reporting date are as follows:

Statement of Profit or Loss and retained earnings

	2019 53 WEEKS $M	2018 52 WEEKS $M
Continuing operations		
Revenue from the sale of goods and services	**48,744**	46,308
Cost of sales	**(35,049)**	(33,170)
Gross profit	**13,695**	13,138
Other revenue	**206**	142
Branch expenses	**(9,231)**	(8,239)
Administration expenses	**(3,096)**	(3,014)
Earnings before interest and tax	**1,574**	2,027
Finance income	**272**	70
Profit before income tax	**1,846**	2,097
Income tax expense	**(468)**	(500)
Profit for the period from continuing operations	**1,378**	1,597
Discontinued operations		
Profit from discontinued operations, after tax	**1,200**	118
Profit for the period	**2,578**	1,715

Retained earnings		
Balance at start of period	**2,855**	2,347
Profit for the period	**2,578**	1,715
Dividends paid (refer to Note 4.2)	**(1,381)**	(1,208)
Share buy-back (refer to Note 4.3)	**(1,419)**	–
Dividends received – shares held in trust	**–**	2
Actuarial loss on defined benefit superannuation plans, net of tax	**(3)**	(1)
Balance at end of period	**2,630**	2,855

5.3 SUBSIDIARIES (CONTINUED)

5.3.1 Deed of cross guarantee (continued)

Statement of Financial Position

	2019 $M	2018 $M
Current assets		
Cash and cash equivalents	**827**	1,027
Trade and other receivables	**1,182**	1,498
Inventories	**3,561**	3,549
Other financial assets	**44**	52
	5,614	6,126
Assets held for sale	**204**	774
Total current assets	**5,818**	6,900
Non-current assets		
Trade and other receivables	**2,795**	2,261
Other financial assets	**2,604**	2,434
Property, plant and equipment	**7,296**	6,926
Intangible assets	**1,020**	995
Deferred tax assets	**726**	657
Total non-current assets	**14,441**	13,273
Total assets	**20,259**	20,173
Current liabilities		
Trade and other payables	**5,748**	5,691
Borrowings	**214**	553
Current tax payable	**53**	62
Other financial liabilities	**59**	50
Provisions	**1,335**	1,252
	7,409	7,608
Liabilities directly associated with assets held for sale	**-**	21
Total current liabilities	**7,409**	7,629
Non-current liabilities		
Borrowings	**2,852**	2,199
Other financial liabilities	**24**	61
Provisions	**954**	890
Other non-current liabilities	**223**	205
Total non-current liabilities	**4,053**	3,355
Total liabilities	**11,462**	10,984
Net assets	**8,797**	9,189
Equity		
Contributed equity	**5,828**	6,055
Reserves	**339**	279
Retained earnings	**2,630**	2,855
Total equity	**8,797**	9,189

5.3 SUBSIDIARIES (CONTINUED)

5.3.2 Details of wholly owned subsidiaries that are material to the Group

Material subsidiaries of Woolworths Group Limited, with the exception of those disclosed in Note 5.3.1 and Note 5.3.3, are as follows:

COMPANY	COUNTRY OF INCORPORATION	ULTIMATE AUSTRALIAN CONTROLLING ENTITY
Woolworths New Zealand Group Limited	New Zealand	Woolworths Group Limited
General Distributors Limited	New Zealand	Woolworths Group Limited

5.3.3 Details of non-wholly owned subsidiaries that have material non-controlling interests

		PROPORTION OF VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS		PROFIT ALLOCATED TO NON-CONTROLLING INTERESTS		NON-CONTROLLING INTERESTS		DIVIDENDS TO NON-CONTROLLING INTERESTS	
NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	2019 %	2018 %	2019 $M	2018 $M	2019 $M	2018 $M	2019 $M	2018 $M
ALH Group Pty Ltd	Australia	**25**	25	**56**	61	**351**	338	**42**	45
Individually immaterial subsidiaries		**n/a**	n/a	**10**	10	**32**	30	**9**	8
				66	71	**383**	368	**51**	53

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

	ALH GROUP PTY LTD	
	2019 $M	2018 $M
Current assets	**452**	450
Non-current assets	**4,331**	4,231
Current liabilities	**(1,800)**	(1,719)
Non-current liabilities	**(1,522)**	(1,584)
Revenue	**4,672**	4,442
Profit after tax	**222**	243
Total comprehensive income	**222**	243
Net cash inflow	**4**	15

5.4 PARENT ENTITY INFORMATION

This section presents the stand-alone financial information of Woolworths Group Limited.

Financial information for the parent entity, Woolworths Group Limited, is as follows:

	2019 $M	2018 $M
Assets		
Current assets	**6,064**	6,120
Non-current assets	**12,616**	13,277
Total assets	**18,680**	19,397
Liabilities		
Current liabilities	**7,763**	8,514
Non-current liabilities	**4,030**	3,337
Total liabilities	**11,793**	11,851
Equity		
Contributed equity	**5,828**	6,055
Reserves		
Hedging reserve	**(30)**	(43)
Remuneration reserve	**335**	279
Equity instrument reserve	**34**	43
Retained earnings		
Profit reserve	**2,724**	3,216
Loss reserve	**(2,004)**	(2,004)
Total equity	**6,887**	7,546

	2019 53 WEEKS $M	2018 52 WEEKS $M
Profit for the period	**2,311**	1,505
Other comprehensive income for the period, net of tax	**2**	39
Total comprehensive income for the period	**2,313**	1,544

Guarantees

Guarantees arising from the Deed of Cross Guarantee with other entities in the wholly-owned Group (refer to Note 5.3.1) and agreements held by other subsidiaries are $807 million (2018: $700 million).

Other guarantees held by the parent entity are the same as those held by the Group as disclosed in Note 6.1.

Commitments for expenditure

	2019 $M	2018 $M
Capital expenditure commitments		
Estimated capital expenditure under firm contracts, payable:		
Not later than one year	**207**	285
Later than one year, not later than two years	**–**	–
Later than two years, not later than five years	**–**	–
	207	285

5.4 PARENT ENTITY INFORMATION (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

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

5.5 RELATED PARTIES

This section highlights the Group's transactions with its related parties, such as its subsidiaries and Key Management Personnel.

Transactions within the Group

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

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

Directors and Key Management Personnel

All transactions with directors and Key Management Personnel (including their related parties) were conducted on an arm's length basis in the ordinary course of business and under normal terms and conditions for customers and employees. Related parties of Key Management Personnel who are employees received normal employee benefits on standard terms and conditions.

The total remuneration for Key Management Personnel of the Group is as follows:

	2019 $	2018 $
Short-term employee benefits	**12,175,184**	14,217,931
Post employment benefits	**322,733**	297,319
Other long-term benefits	**161,569**	139,776
Share-based payments	**9,177,425**	6,594,300
	21,836,911	21,249,326

Equity instrument disclosures relating to Key Management Personnel

Details of equity instruments provided as compensation to Key Management Personnel and shares issued on exercise of these instruments, together with the terms and conditions of the instruments, are disclosed in the Remuneration Report.

6 OTHER

6.1 CONTINGENT LIABILITIES

Contingent liabilities are potential future cash payments where the likelihood of payment is not considered probable or cannot be measured reliably.

The Group has entered the following guarantees however the probability of having to make a payment under these guarantees is considered remote:

- Guarantees in the normal course of business relating to conditions set out in development applications and for the sale of properties; and
- Guarantees against workers' compensation self-insurance liabilities as required by State WorkCover authorities. The guarantees are based on independent actuarial advice of the outstanding liability.

No provision has been made in the Consolidated Financial Statements in respect of these contingencies, however there is a provision of $603 million for self-insured risks (2018: $596 million), which includes liabilities relating to workers' compensation claims, that have been recognised in the Consolidated Statement of Financial Position at the reporting date.

6.2 EMPLOYEE BENEFITS

This section presents the Group's benefits provided to its employees including salaries, superannuation, share schemes, and retirement plans.

6.2.1 Employee benefits expense from continuing operations

	2019 53 WEEKS $M	2018 52 WEEKS $M
Remuneration and on-costs	**7,903**	7,581
Superannuation expense	**613**	575
Share-based payments expense	**62**	58
	8,578	8,214

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.2 Share-based payments

Long-Term Incentive (LTI) plan

Equity settled share-based payments form part of the remuneration of certain employees of the Group. The Group continues to operate the Woolworths Long-Term Incentive (LTI) plan.

All sub-plans within the LTI plan are subject to performance hurdles being met. The Group's sub-plans are as follows:

- Performance rights sub-plan – delivers a right to acquire a share at a future date;
- Performance shares sub-plan – delivers a right to acquire a share immediately; and
- Cash award sub-plan – delivers a right to acquire cash at a future date.

No grants have been made under the performance shares or cash award sub-plans.

The performance rights sub-plan has been used to make offers of LTI plan which have the following features:

- Upon exercise, each performance right entitles the holder to one ordinary fully paid Woolworths Group Limited share; and
- Prior to F17, participants did not receive dividends on unvested equity.

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

		EPS		RELATIVE TOTAL SHAREHOLDER RETURN (TSR)		SALES PER TRADING SQUARE METRE (SQM) [3]	RETURN ON FUNDS EMPLOYED (ROFE) [3]
GRANT YEAR	VESTING PERIOD (YEARS)	WEIGHTING (%)	HURDLE/ RANGE (%)	WEIGHTING (%)	HURDLE/ RANGE (PERCENTILE)	WEIGHTING (%)	WEIGHTING (%)
F16 [1]	3	33.33	np [3]	66.67	51st – 75th	n/a	n/a
F17 [2]	3	n/a	n/a	33.34	50th – 90th	33.33	33.33
F18 [2]	3	n/a	n/a	33.34	50th – 90th	33.33	33.33
F19 [2]	3	n/a	n/a	33.34	50th – 90th	33.33	33.33

1 EPS component vests progressively upon attaining certain hurdles, to a maximum weighting of 33.33%. The TSR component vests progressively where TSR equals or exceeds the 51st percentile of the comparator group up to the full 66.67% vesting where TSR equals the 75th percentile of the comparator group.

2 The TSR component vests progressively upon attaining the gateway share price and where TSR equals or exceeds the 50th percentile of the comparator group up to the full 33.34% vesting where TSR equals the 90th percentile of the comparator group. Sales per trading SQM and ROFE components vest progressively, upon attaining certain hurdles, to a maximum weighting of 33.33% respectively.

3 Hurdle/range not published (np) for EPS for the F16 grant, and sales per trading SQM and ROFE for the F17, F18, and F19 grants, as the Group no longer provides market guidance on these metrics and the targets are commercially sensitive. The LTI targets and performance will be published following the end of the performance period.

Deferred Short-Term Incentive (Deferred STI)

The performance rights sub-plan has also been used to make offers of Deferred STI which have the following features:

- For the F17, F18, and F19 Deferred STI plan, a one-year performance measure linked to sales, EBIT, working capital, customer satisfaction, and safety; and
- If the performance hurdles are met, participants are required to remain employed for a further two years to gain access to the performance rights, or otherwise forfeit the performance rights unless the board exercises its discretion in accordance with the performance rights sub-plan rules.

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.2 Share-based payments (continued)

Sign-on and retention rights

The performance rights sub-plan has also been used to compensate new hires for foregone equity, and ensure that key employees are retained to protect and deliver on the Group's strategic direction. It has been offered to:

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

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

Recognition share plan

The performance rights sub-plan has also been used to compensate employees of the Group. Participants are required to meet a service condition and other performance measures to gain access to the performance rights.

Movements in outstanding performance rights

The following table summarises movements in outstanding rights:

	2019 NO. OF RIGHTS	2018 NO. OF RIGHTS
Outstanding at start of period	**10,692,594**	6,737,076
Granted during the period	**4,465,617**	5,691,731
Vested during the period	**(182,601)**	(586,663)
Lapsed during the period	**(1,497,852)**	(1,149,550)
Outstanding at end of period	**13,477,758**	10,692,594

Share-based payments expense for the period was $62,028,117 (2018: $57,710,434).

The variables in the table below are used as inputs into the model to determine the fair value of performance rights.

	2019 F19 LTI	2018 F18 LTI
Grant date [1]	**30 Nov 2018**	31 Oct 2017
Performance period start date	**1 Jul 2018**	1 Jul 2017
Exercise date	**1 Jul 2021**	1 Jul 2020
Expected volatility [2]	**15.0%**	16.0%
Expected dividend yield	**4.0%**	4.0%
Risk-free interest rate	**2.1%**	1.9%
Weighted average fair value at grant date	**$24.63**	$20.23

1 Grant date represents the offer acceptance date.

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

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.2 Share-based payments (continued)

SIGNIFICANT ACCOUNTING POLICIES

Share-based payments

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

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

The fair value of instruments with non-market-based performance conditions (e.g. EPS, sales per trading SQM, ROFE) and service conditions and retention rights is calculated using a Black-Scholes option pricing model.

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

6.2.3 Share schemes

The total shares purchased during the year were 491,884 (2018: 528,764) at an average price per share of $29.66 (2018: $26.94), comprised of purchases under the Employee Share Purchase Plan and the Non-executive Directors' Equity Plan. No additional expense is recognised in relation to these shares as they are acquired out of salary sacrificed remuneration.

Employee Share Purchase Plan (SPP)
The SPP provides permanent full-time and part-time employees who are Australian tax residents and are aged 18 years or over with the opportunity to purchase shares from pre-tax income via salary sacrifice. The Group pays the associated brokerage costs.

Non-executive Directors' Equity Plan (NEDP)
The NEDP allows Non-executive Directors to acquire share rights through a pre-tax fee sacrifice plan.

6.2.4 Retirement plans

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

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

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

An actuarial valuation was carried out at both reporting dates by Mr Nicholas Wilkinson, FIAA, Willis Towers Watson. The principal actuarial assumptions used for the purpose of the valuation are as follows:

	2019 %	2018 %
Discount rate	**2.9**	3.8
Expected rate of salary increase	**2.5**	2.5
Rate of price inflation	**2.0**	2.0

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.4 Retirement plans (continued)

Defined benefit plans (continued)
The average duration of the defined benefit obligation at the end of the reporting period is 6.8 years (2018: 6.3 years) which relates wholly to active participants.

(i) Categories of plan assets
The plan invests entirely in pooled superannuation trust products where prices are quoted daily. The asset allocation of the plan has been set taking into account the membership profile, the liquidity requirements of the plan, and risk appetite of the Group.

The percentage invested in each asset class is as follows:

	2019 %	2018 %
Equity instruments	**53.9**	58.5
Debt instruments	**18.6**	22.5
Real estate	**10.8**	3.5
Cash and cash equivalents	**3.7**	3.0
Other	**13.0**	12.5
Total	**100.0**	100.0

(ii) Movements in the present value of the defined benefit obligation and fair value of plan assets
The amount included in the Consolidated Statement of Financial Position in respect of the net defined benefit liability is as follows:

	2019 $M	2018 $M
Defined benefit obligation	**(405)**	(423)
Fair value of plan assets	**350**	372
Net defined benefit liability	**(55)**	(51)
Movement in the present value of the defined benefit obligation:		
Balance at start of period	**(423)**	(434)
Current service cost	**(7)**	(8)
Finance costs	**(16)**	(15)
Contributions	**(3)**	(3)
Actuarial loss	**(10)**	(15)
Benefits paid	**47**	47
Administrative expenses paid	**2**	2
Taxes paid	**1**	3
Disposals	**4**	–
Balance at end of period	**(405)**	(423)
Movement in the fair value of plan assets:		
Balance at start of period	**372**	371
Finance income	**13**	13
Return on plan assets	**6**	14
Contributions	**13**	26
Benefits paid	**(47)**	(47)
Administrative expenses paid	**(2)**	(2)
Taxes paid	**(1)**	(3)
Disposals	**(4)**	–
Balance at end of period	**350**	372
Net defined benefit liability	**(55)**	(51)

6.2 EMPLOYEE BENEFITS (CONTINUED)

6.2.4 Retirement plans (continued)

Defined benefit plans (continued)

(iii) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and expected rate of salary increase. At the reporting date, the Group's exposure to reasonably possible changes of the respective assumptions, while holding all other assumptions constant, is not considered material.

Defined contribution plans

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

SIGNIFICANT ACCOUNTING POLICIES

Defined benefit plans

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

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

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

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

Defined contribution plans

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

6.3 AUDITORS' REMUNERATION

This section presents the total remuneration of the Group's external auditors for audit, assurance, and other services.

The auditors' remuneration for the Group is as follows:

	2019 $'000	2018 $'000
Auditors of the parent entity – Deloitte Touche Tohmatsu Australia		
Audit or review of the financial reports	**3,055**	2,778
Assurance related services [1]	**341**	289
Tax compliance services	–	11
Other non-audit services [2]	**222**	193
	3,618	3,271
Other auditors [3]		
Audit or review of the financial reports	**432**	419
Assurance related services [1]	**50**	50
Tax compliance services	**62**	29
	544	498
Total auditors' remuneration	**4,162**	3,769

1 Assurance related services include various agreed upon procedures and review of the sustainability report.
2 Other non-audit services include financial due diligence and other sundry services.
3 Other auditors are international associates of Deloitte Touche Tohmatsu Australia.

6.4 SUBSEQUENT EVENTS

This section outlines events which have occurred between the reporting date and the date the Financial Report is authorised for issue.

On 3 July 2019, the Group announced an agreement to merge its Endeavour Drinks and Hotels businesses into a single entity expected to be referred to as Endeavour Group Limited (Endeavour Group). The Bruce Mathieson Group has agreed to swap its interest in ALH (including all contractual entitlements) for a 14.6% stake in the combined Endeavour Group. Following the merger, the Group intends to pursue a separation of Endeavour Group through a de-merger or other value-accretive alternative. The separation will allow the Group to benefit from a simplified organisational structure, a greater focus on its core food and everyday needs markets, and opportunities to continue to build out the Group's retail ecosystem. The merger is subject to shareholder approval with a subsequent de-merger or other value-accretive alternative currently expected to complete in calendar year 2020.

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached Consolidated Financial Statements are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the Consolidated Financial Statements;

(c) in the directors' opinion, the attached Consolidated Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

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

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the Instrument applies, as detailed in Note 5.3 to the Consolidated Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

Gordon Cairns
Chairman

Brad Banducci
Chief Executive Officer

29 August 2019

Independent Auditor's Report

Deloitte.

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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 30 June 2019, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the 53-week period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the 53-week period then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Onerous lease provisions and asset impairment in the BIG W business
BIG W incurred a loss before interest, tax and significant items of $85 million as disclosed in Note 2.2 and continues to operate under a multi-year turnaround plan.
As described in Note 1.4, during the financial period the Group concluded the review of the BIG W network. This will result in the closure of 30 BIG W stores over the next three years and the closure of two distribution centres.
The result of the review, together with the revised three-year strategic plan for BIG W which reflects a more conservative margin recovery, has resulted in a decrease in the recoverable amount of the cash-generating units and consequently the recognition of an impairment charge of $166 million as disclosed in Note 3.5. Additional onerous leases have been identified and provided for as disclosed in Note 3.8.
Significant judgement is involved in the determination of the recoverable amount of property, plant and equipment and the onerous lease provisions.
Impairment – As disclosed in Note 3.5 the recoverable amount and carrying value of BIG W is $404 million. The Group determined the recoverable amount using a value-in-use model, based on discounted future cash flow forecasts derived from the three-year strategic plan. The cash flow forecast is an area of focus given the significance of the loss incurred by the business and the level of inherent judgement in relation to the assumptions applied to future trading results, particularly gross margins, to determine the recoverable amount.
Onerous lease obligations – Where the expected future benefits from a leased store are less than the future contractual lease payments for that store, the Group has recognised, in accordance with accounting standards, an onerous lease provision. The determination of this provision involves significant judgement in determining the expected timing of store closures; estimated future cash inflows (most significantly sub-lease income) and where applicable, expected termination payments to landlords.
	Our procedures included but were not limited to:
	• Updating our understanding of the Group's processes and controls over the assessment of the recoverable amount of property, plant and equipment and the assessment of onerous lease provisions.
	• Ensuring that the methodologies applied are consistent with the relevant accounting standards.
	• Evaluating the key assumptions used in the future cash flow forecasts derived from the three-year strategic plan with reference to historical performance and observable external trends.
	• Evaluating historical accuracy of forecast cash flows.
	• Involving internal specialists in our assessment of management's impairment models and discount rates used.
	• Performing sensitivity analysis in relation to the key assumptions used to estimate future cash flows.
	• Testing, on a sample basis, the mathematical accuracy of the value-in-use models and the onerous lease calculations.
	• In addition, for the onerous lease calculations we:
	  – evaluated assumptions in relation to the timing and amount of sub-lease income with reference to market benchmarking reports; and
	  – agreed the store cash flows to the value-in-use models and the lease cost and lease expiry dates to lease contracts.
	• Assessing the appropriateness of the disclosures included at Notes 1.4, 3.5 and 3.8.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
IT Systems 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.	Our procedures included but were not limited to: • Discussing with management the IT environment and consideration of the key financial processes to understand where IT systems were integral to the financial reporting process and to identify IT systems to include in the scope of our IT testing. • Testing the design 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.
AASB 16 *Leases* disclosure As described in Note 1.2.6, AASB 16 *Leases* (AASB 16) will be effective for the financial period commencing 1 July 2019 and will hatve a significant impact on the Group's Financial report. The Group has completed its assessment of the estimated impact of AASB 16. This results in an increase in the Group's lease assets and lease liabilities of $12.2 billion and $14.7 billion respectively as at 1 July 2019. The impact of the adoption of AASB 16 on the Group is dependent on a number of key judgements and estimates, primarily the determination of the lease term, non-lease components and appropriate discount rate for each lease.	Our procedures included but were not limited to: • Understanding the Group's processes and controls to determine the impact of AASB 16. • Understanding the Group's accounting policy and confirming compliance with the requirements of AASB 16. • Leveraging our understanding of the Group and global retailers to identify key risks and judgements that may impact on management's estimate. • Evaluating and challenging the key assumptions used in determining the impact of AASB 16 which included: – determining lease terms including options that are reasonably certain to be exercised; – assessing the appropriateness and consistency of the discount rate used (i.e. incremental borrowing rate) by using our internal specialists to benchmark the Group's rate curves to market curves; and – identification and valuation of non-lease components by using external data to benchmark the Group's assumptions. • Agreeing a sample of leases to the original lease contract terms or other supporting documentation. Recalculating the expected lease assets and lease liabilities for each of those leases included in our sample to assess the accuracy of management's AASB 16 calculation. • Testing the completeness of management's calculation by: – reconciling the Group's existing lease commitments to the AASB 16 calculation; – confirming the inclusion of a sample of leases selected from management's lease agreement records and rent expense general ledger accounts; and – attendance at lease sessions held across the Group to identify any other arrangements that may contain a lease. • Assessing the appropriateness of the disclosures included in Note 1.2.6.

Independent Auditor's Report

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the 53-week period ended 30 June 2019, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Financial Report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in pages 44 to 65 of the Directors' Report for the 53-week period ended 30 June 2019.

In our opinion, the Remuneration Report of Woolworths Group Limited, for the 53-week period ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

Sydney, 29 August 2019