Woolworths Limited

A.B.N. 88 000 014 675

'Serving our customers better each time they shop'

2003 Report to Shareholders

Strong growth in sales, profits and dividends underpinned by cost savings and capital management continue to deliver rewards for both customers and shareholders.

Cover picture shows Nicole, Service Cashier at Kellyville (NSW) Supermarket.

Delivering now – and in the future

Highlights

- Earnings per share before goodwill up 15.7% to 60.7 cents
- Dividends per share up 18.2% to 39 cents
- Sales for continuing operations up 12.2% (52 week comparable basis)
- Costs for continuing operations down 66 basis points to 21.66%
- Earnings before Interest and Tax from continuing operations up 14.6%
- Net Operating Profit after Tax and servicing Income Notes up 16.5% to $609.5 million
- Free cash flow up 70.2% to $665 million, exceeds net operating profit after tax and servicing Income Notes

Contents

Chairman's Report to shareholders

Our fourth year of consistently meeting key performance criteria:
• Sales growth in the upper single digits;
• EBIT to outperform sales growth assisted by cost savings; and
• EPS to outperform EBIT growth assisted by capital management.

James Strong Chairman

Key Strategies

The consistent financial performance of the Group is achieved through simultaneous strong growth in sales turnover combined with further reductions in the cost of doing business.

These strategies are combined with very tight capital management policies of inventory reduction and share buy-backs to drive robust growth in earnings per share (EPS).

Highlights of Results

All key performance measures improved substantially:

- EPS before goodwill increased by 15.7% to 60.7 cents
- Dividend increased by 18.2% to 39 cents per share
- The balance sheet is healthy
- Inventory was reduced by 3.2 days with a cash flow benefit of about $170 million and
- Free cash flow increased by 70% from $391 million to $665 million

The quality of these results is illustrated by two observations: free cash flow exceeded net profit, and net repayable debt was up by only $122 million to $360 million, despite a large share buy-back during the year.

In April 2003, the Company implemented an off-market share buy-back by repurchasing 46.7 million shares (4.4% of issued capital). This was the third buy-back in four years. Over this period, a total of more than $1.4 billion has been returned to shareholders by share buy-backs.

It is the intention of the Board to continue to closely monitor our balance sheet to produce ongoing optimum results for shareholders. At the same time, our conservative gearing makes it possible to execute any attractive investment opportunities which may arise.

Group Results	2003 52 weeks $m	2002 53 weeks $m	change %
Sales	**26,321**	24,473	7.6 (1)
Earnings per share before Interest and tax (EBIT)	**945.7**	832.7	13.6
Net profit after tax	**609.5**	523.2	16.5
Earnings per share	**60.70**	52.48	15.7
Dividends per share	**39.0**	33.0	18.2

(1) 12.2% for continuing operations on a 52 week comparable basis

Board Changes

During the year, John Ballard and Bill Wavish each resigned from the Board. John had served for six years as a Director, and Bill for three years. On behalf of their colleagues in Woolworths and shareholders, I thank them both for their very valuable contributions. We are pleased that Bill is continuing to work with Roger Corbett on major business issues.

Governance

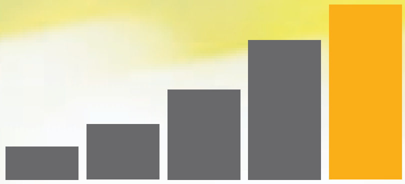
Given the current focus on governance issues, the Board has continued to devote considerable attention to the complex policies and practices involved in a corporation the size of Woolworths. We are committed to maintaining the high ratings given to us in recent external surveys of corporate governance standards in public companies.

Another important responsibility of the Board is planning management succession across the Group. The Board ensures it pays close attention to this area. With a relatively small Board, all Directors are directly involved in all important issues for the Company.

The Board is currently reviewing arrangements to phase out the Directors' Retirement scheme, which will not apply to future Board appointments.

Dividends per Share (cents)

1999	2000	2001	2002	2003
18	**23**	**27**	**33**	**39**



Ordinary EPS before Goodwill (cents)

1999	2000	2001	2002	2003
27.7	**32.9**	**41.0**	**52.5**	**60.7**

ROFE[(1)] (%)

1999	2000	2001	2002	2003
24.4	**29.1**	**35.0**	**38.1**	**42.8**

(1) Based on average of opening and closing funds employed

Remuneration

As outlined in my report last year, Woolworths has an appropriate remuneration structure which is a key element of maintaining a stable management team. This includes a long term incentive plan (LTIP) designed to enable valuable executives to share in the benefits of continually building future value for shareholders.

The Board remains firmly committed to this approach, and to the broadest possible share ownership within the Company. Currently more than 50,000 employees are shareholders in the Company. This Report contains details in the notes to the accounts of current employee share plans, including options.

To be valid and to operate in the interests of the Company, any executive option plan must be rigorously constructed with aggressive performance targets, including external comparisons, broadly based to engage management, be approved by shareholders and be continuously disclosed. The Board has continued to set tough performance hurdles in new options issues, and to meet each of the criteria mentioned above.

Our LTIP has resulted in significant rewards, appropriately to a management team which has delivered capital growth for shareholders in excess of $7 billion over recent years.

Future Strategies

A feature of Woolworths is the open and productive relationship between the Board and senior management. We regularly review a wide range of strategies and opportunities to drive further our key elements of revenue growth and cost containment.

Growth within our existing businesses (commonly referred to as organic growth) remains our first source of development, but external opportunities are under constant review, and we have the financial strength to act quickly.

The Culture of Woolworths

The success of Woolworths is based on a tradition of a straightforward approach to business – clear strategies, their execution on the basis of attention to detail, generation of a positive internal culture and a continuous focus on customers.

Retailing is a very competitive business with low margins. This places a great deal of emphasis on the quality of day-to-day operations in stores and throughout the supply chain, in order to drive sales whilst controlling costs.

Roger Corbett has provided excellent leadership to nurture and foster that hands-on approach, both personally and through a dedicated and talented management team, developed within Woolworths.

Management is taking a wide range of actions to accelerate training programs, including the creation of our own university programs in close co-operation with a leading tertiary institution.

Our People

On behalf of the Board, I would like to pay tribute to the more than 145,000 people who are Woolworths. Their enthusiastic and confident approach is central to the character and reputation of the Group. We intend to continue to open up more opportunities for our own people to grow and realise their potential through personal and professional development within a stable and positive team environment.

Our thanks also to our suppliers, most of whom have long term relationships with Woolworths. Their partnership is vital to the quality of our business and its continuing success.

Finally, an enthusiastic vote of thanks to an outstanding management team. One of the defining attributes of any successful organisation is always the quality of its people.

Group Managing Director's Report

It is my pleasure to report to shareholders on Woolworths' excellent results for 2002/03, as well as to address the Company's growth plans and sources of competitive strength going forward.

Roger Corbett Group Managing Director/CEO

2002-2003 Business performance

This year's results, the Company's best in five years, reflect the dedication and commitment of Woolworths' employees, support from suppliers and customer preference for Woolworths' value for money offer. I would like to take this opportunity to thank my more than 145,000 colleagues in Woolworths in our stores, distribution centres, support offices, regional offices and so many places throughout the Company, for their contribution to this result. This result could only be achieved through the dedicated application of all our people in every division of the Company.

We have continued to achieve excellent sales and profit growth in a competitive market. Strong comparable store sales across all our divisions show a customer preference for Woolworths' lower prices, greater convenience, superior quality, freshness and better ranges delivered to over 16 million customers per week. This, combined with our planned store roll-out program providing a 6.1% increase in trading area, underpinned our sales growth of 12.2% for the year from continuing operations (on a 52 week comparable basis).

We have continued to vigorously pursue cost savings with a further 0.66% reduction in costs as a percentage of sales for the year, for continuing operations, including petrol. This has greatly benefited both customers and shareholders. We will continue to reduce costs in the future, which will be reflected in better prices for our customers and growth in Earnings Per Share for our shareholders.

Over the past four years, Project 'Refresh' Level I initiatives and improving efficiency of operations have delivered cost savings

amounting to 2.4% of sales. This was a cumulative saving over the last four years of $1.7 billion. An average of over 0.1% of the savings per annum has been directed towards EBIT and therefore to the benefit of our shareholders. We have also been able to direct large savings to our customers, in turn assisting to drive volume, which has produced further efficiency, therefore benefiting both our customers and shareholders. Approximately 81% of these savings have been reinvested in lower selling prices. Going forward we anticipate annual savings of at least 0.2% of sales and 1% of sales over a five year period, with a minimum of 0.1% going to the benefit of shareholders each year. Should our savings be more than 0.2%, then a decision will be made, dependent upon market conditions, of an appropriate sharing of these savings to the benefit of both our customers and shareholders. Earnings per share have grown at a compound annual rate of 20.8% over this period.

Whilst the benefits of Project 'Refresh' Level I will continue to flow and further Level I initiatives are planned to be implemented, our focus has now shifted to Project 'Refresh' Level II, which is our end-to-end supply chain improvement program.

Progress to date on Refresh Level II is on track, and in some areas is exceeding our expectation. For example, the roll-out to stores of AutostockR which is our store perpetual inventory and replenishment system, is being accelerated and is anticipated to be live in all our stores five months ahead of the original schedule.

Stocksmart (Distribution Centre forecast based replenishment system) has been installed on time, on target and is producing the functions expected in all our distribution centres throughout Australia. This has been a significant contributor to the excellent stock management results we have achieved in the Supermarket division for the period under review.

We are focussed on achieving our 5 year target of reducing the cost of doing business by at least another 1% of our sales or 20 basis points per annum.

Our strong performance in the year was supported by excellent progress in managing the key variables of our balance sheet. A significant reduction in inventory of 3.2 days compared with last year was a key factor which contributed $170 million to free cash flow.

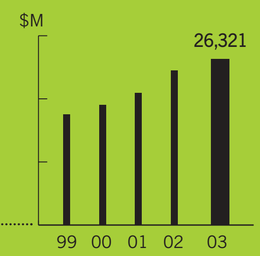
The strength of our balance sheet and cash flows enabled us to undertake a further off market share buy-back in April 2003 with $534 million returned to shareholders, taking total capital returns to shareholders over the past four years to over $1.4 billion.

Our capital management strategy over this time has helped drive growth in earnings per share, but has also not precluded us from taking advantage of many growth opportunities such as the Franklins and Tandy acquisitions.

The figures

	FY03 52 weeks $m	FY02 53 weeks $m	Change %	Normalised* %
Sales				
Food, Liquor and Groceries	21,039	19,595	7.4	9.4
Petrol	1,711	1,119	52.9	55.8
Total Supermarkets	**22,750**	**20,714**	**9.8**	**11.9**
BIG W	2,500	2,281	9.6	11.3
Consumer Electronics	791	659	20.0	22.5
General Merchandise Group	**3,291**	**2,940**	**11.9**	**13.8**
Continuing Operations	26,041	23,654	10.1	12.2
Wholesale	280	819	-65.8	-65.2
Group Sales	**26,321**	**24,473**	**7.6**	**9.6**

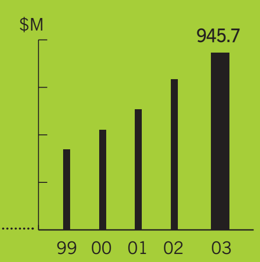
↑10.7%
SALES COMPOUND ANNUAL GROWTH RATE 1999-2003



	FY03 52 weeks		FY02 53 weeks		Change	
	Before Goodwill $m	After Goodwill $m	Before Goodwill $m	After Goodwill $m	Before Goodwill %	After Goodwill %
Earnings before Interest and Tax (EBIT)						
Food, Liquor and Groceries	848.2	825.1	754.7	734.7	12.4	12.3
Petrol	29.9	29.9	12.7	12.7	135.4	135.4
Total Supermarkets	**878.1**	**855.0**	**767.4**	**747.4**	**14.4**	**14.4**
BIG W	103.7	103.7	93.5	93.5	10.9	10.9
Consumer Electronics	41.2	37.0	31.3	28.0	31.6	32.1
Total General Merchandise	**144.9**	**140.7**	**124.8**	**121.5**	**16.1**	**15.8**
Total Trading Result	**1,023.0**	**995.7**	**892.2**	**868.9**	**14.7**	**14.6**
Property	26.6	26.6	34.2	34.2	-22.2	-22.2
Central Overheads	(76.7)	(76.7)	(77.8)	(77.8)	-1.4	-1.4
Continuing Operations	**972.9**	**945.6**	**848.6**	**825.3**	**14.6**	**14.6**
Wholesale	0.2	0.1	7.4	7.4	-97.3	-98.6
Group EBIT	**973.1**	**945.7**	**856.0**	**832.7**	**13.7**	**13.6**

* Normalised for 52 weeks

↑15.1%
EBIT COMPOUND ANNUAL GROWTH RATE 1999-2003



	FY03 52 weeks $m	FY02 53 weeks %	Change %
Profit			
Earnings before interest, tax, depreciation amortisation and rent (EBITDAR)	2,102.7	1,888.7	11.3
Property rent – base	620.2	569.9	8.8
Property rent – turnover contingent	77.1	79.4	-2.9
Fitout rent	61.4	55.7	10.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,344.0	1,183.7	13.5
Depreciation	370.9	327.7	13.2
Goodwill Amortisation	27.4	23.3	17.6
Earnings before interest and tax (EBIT)	945.7	832.7	13.6
Net interest expense(1)	39.7	50.5	
Woolworths Income Notes distribution	41.1	39.8	
Operating income tax expense	255.0	218.5	
Net operating profit after income tax	609.9	523.9	16.4
Outside equity interests	(0.4)	(0.7)	
Net operating profit after tax and servicing WIN's	609.5	523.2	16.5
Margins			
Gross Profit	25.14%	25.24%	-0.10pts
Cost of Doing Business	21.55%	21.84%	-0.29pts
EBIT to sales	**3.59%**	**3.40%**	**+0.19pts**
Returns			
Funds employed	2,161.5	2,256.6	-4.21
Return on funds employed (ROFE)	42.8%	38.1	+4.7pts
Weighted average ordinary shares on issue (million)	1,049.2	1,041.3	0.8
Ordinary earnings per share (cents)	58.09	50.24	15.6
Fully diluted earnings per share (cents)	57.20	49.30	16.0
Earnings per share pre goodwill (cents)	60.70	52.48	15.7
Interim dividend per share (cents)	18.0	15.0	20.0
Final dividend per share (cents)(2)	21.0	18.0	16.7
Total dividend per share (cents)	**39.0**	**33.0**	**18.2**

(1) After interest capitalisation of $1.5M to property developments (2002 – $7.1M)
(2) Final dividend payable 3 October 2003 will be fully franked at 30%

Woolworths Limited consists of leading Australian business brands. We take a look at how these businesses performed during the year.

Brand Power

Supermarkets Group

Woolworths' Supermarkets Division, trading as **Woolworths** and **Safeway,** is Australia's leading food retailer, with 694 stores nationwide. As 'The Fresh Food People', Woolworths/Safeway provide their 13 million customers per week with unmatched value through the availability of the best-priced and widest range of fresh produce, dry groceries and other merchandise, underpinned by Woolworths' quality assurance commitment.

BWS (Beer, Wine, Spirits) stocks a comprehensive range of top-selling beers, ready-to-drink beverages, wines and spirits at its 212 convenient locations in NSW, South Australia, ACT, Western Australia and Queensland*. **Dan Murphy's** is a household name in Victoria with 13 outlets located in Victoria as well as two in the ACT and four in NSW at year end. The Dan Murphy's philosophy is based on providing the biggest range of liquor and guaranteeing the lowest prices.

First Estate offers New South Wales wine consumers one of the most extensive and affordable premium wine ranges anywhere in Australia. **EzyBanking** is a joint initiative of Woolworths Limited and the Commonwealth Bank of Australia. EzyBanking offers choice in financial services in a way which combines convenience and simplicity with lower costs, making life easier for customers.

*Owned and operated by MGW Hotels Pty Ltd, a joint venture company, which is 50% owned by Woolworths Limited.

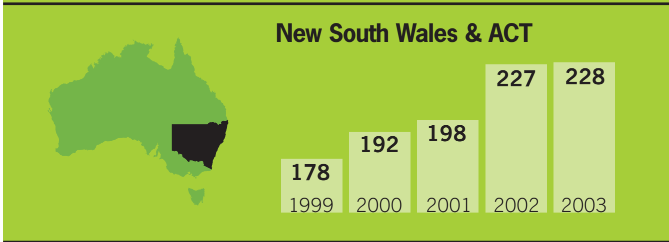
General Merchandise Group

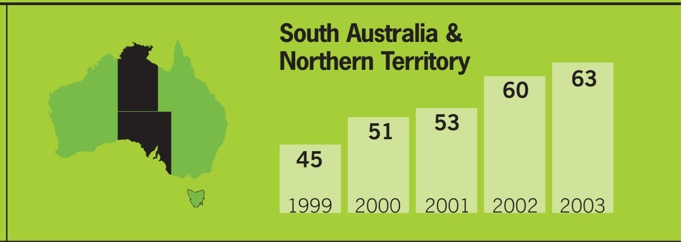
BIG W is the Discount Department Store Division of Woolworths, with 104 stores across Australia. BIG W's mission is to provide its customers with the highest quality of recognised brand merchandise at the best possible prices…every day.

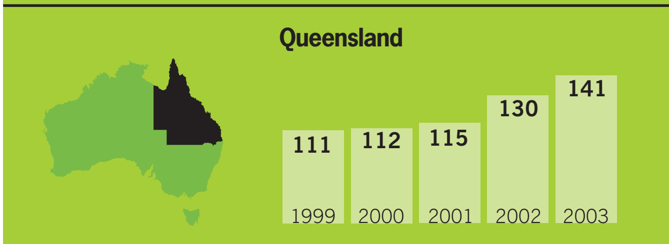
Dick Smith Electronics now has a network of 153 outlets across Australia and New Zealand and is committed to providing its customers with the latest technology and quality products at competitive prices, backed up with after-sales support. **Dick Smith Electronics PowerHouse** stores are electronics superstores which provide an extensive range of well-known brands in an interactive environment at highly competitive prices. There are now 16 PowerHouse stores nationwide. **Tandy** has 179 Company-owned stores operating in Australian metropolitan and regional areas. Tandy's broad product range includes home entertainment, computers, communications and electronics, which combines convenience and lower prices with expert sales support.

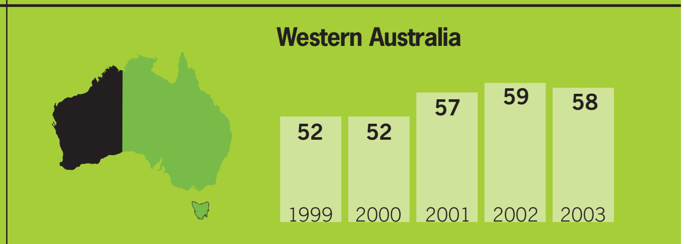
Supermarkets Group Sales – including petrol – rose 11.9% on a comparable 52 week basis. EBIT grew faster than Sales at 14.4%, assisted by costs falling 0.6% points.

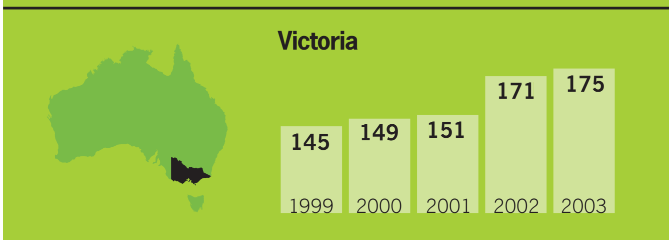
Our supermarkets nationwide

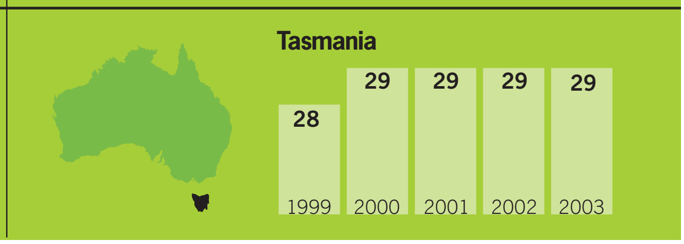












Supermarket sales (including petrol) rose 11.9% (when adjusting for the extra week in FY2002). Food and liquor sales grew 9.4%, outperforming total market growth and increasing market share.

Woolworths' share of the Food, Liquor and Grocery (FLG) market is estimated to have increased by approximately 0.5% in the year. Comparable or 'like for like' store sales for the year grew 5.4%. Comparable sales in our ex Franklins' stores grew 11.0%, with comparable sales in our existing Supermarkets growing 5.1% (including petrol).

Earnings before interest and tax (EBIT) grew faster than sales at 14.4%, underpinned by cost savings, with the cost of doing business falling by 60 basis points. EBIT margin increased by 15 basis points on last year.

A significant milestone was also achieved with days inventory falling below 30 days, a 3.2 days reduction in inventory at year end compared with last year. This stock reduction was greatly assisted by the successful completion of the implementation of Stocksmart, the perpetual inventory/replenishment system for our distribution centres.

There were 18 new Supermarkets opened during the year, bringing the total number of stores to 694 (an increase of 2.7%).

Total trading area for the Group grew 5.0% (4.26% excluding liquor), significantly assisted by profitable expansion of existing stores.

Liquor

Our liquor business continues to perform well, reporting strong growth in sales and profits. Customer reaction and support for our liquor offering has been high, driving store sales growth. We now have 576 liquor outlets across all our brands (including our joint investment in MGW Hotels Pty Ltd ('MGW') in Queensland).

Woolworths has brought significantly greater price competition to the Australian liquor market over the last two to three years, with customers benefiting from these lower prices. Despite this, our liquor profitability rate exceeds that of our Supermarkets business.

Expansion of the Dan Murphy's liquor business has had wide customer acceptance, with excellent value for money and extensive product ranging. This outstanding customer offering has been expanded in the FY03 year with five new stores opened in NSW/ ACT, and a further three stores opened in Victoria, with 20 Dan Murphy's stores now operating in NSW/ACT and Victoria.

In addition, we acquired two liquor chains in South Australia, Super Cellars and Le Grog comprising 22 liquor stores.

Supermarkets Group (including petrol)
2002-2003 Financial Summary

	2003 52 weeks	2002 53 weeks	Change
Sales ($ mil)	**22,749.5**	20,714.3	+9.8%[(1)]
Gross margin (%)	**24.39**	24.84	-0.45%pts
Cost of Doing Business (%)	**20.63**	21.23	-0.60%pts
EBIT to sales (%)	**3.76**	3.61	+0.15%pts
EBIT before Goodwill ($ mil)	**878.1**	767.4	+14.4%
EBIT after Goodwill ($ mil)	**855.0**	747.4	+14.4%
Funds Employed ($ mil)	**1,457.0**	1,495.5	-2.6%
Av. Return on Funds Employed (%)	**57.9**	53.2	+4.7%pts

(1) 11.9% increase on a comparable 52 week basis

Sales from our 50% owned Queensland liquor business, MGW, were $222 million for the year. This comprised $133 million from liquor stores operations and $89 million from hotel operations.

We expect strong growth in the future as store refurbishment, relocations and general repositioning of the business progresses. This will include the introduction of Dan Murphy's stores into Queensland over the next 12 months. MGW sales are not consolidated into Woolworths Group sales, as this entity is not a controlled entity in accordance with Australian Accounting Standards.

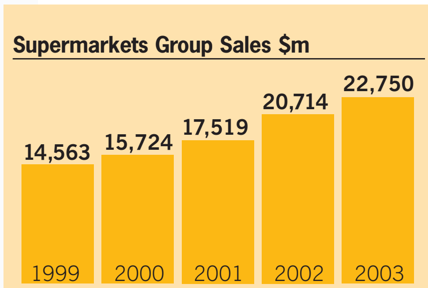
Total liquor sales for the year (including MGW) exceeded $1.7 billion, and we are confident of exceeding our stated sales target of $2.5 billion in the near to medium term.

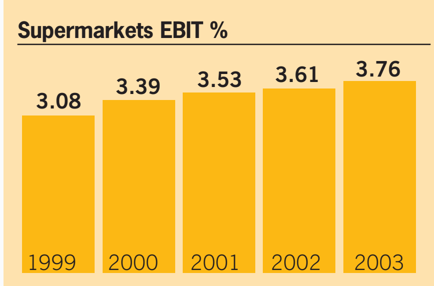
Petrol

The Woolworths Petrol chain continued to grow rapidly with sales up 55.8% (after adjusting for the extra week in FY2002). The offering of a petrol discount (currently 4c/litre) off the lowest local price with purchases of $30 or more from Supermarkets or BIG W stores is clearly attractive to our customers.

Sales growth has been driven by both a significant increase in volume in existing canopies and by the addition of 31 new canopies. With a current volume of around 46 million litres per week, we have about an 11% share of the petrol retail market. The strong volume growth has helped fractionalise fixed costs and

Value, quality and service are fundamental to our continued future success and growth





combined with tightly controlled variable costs has driven EBIT growth in our petrol business to over 100% above last year.

A further 31 petrol canopies were opened during the year, taking the chain to 287 canopies. We anticipate growing our petrol chain to around 450 canopies. We believe a chain of around 450 canopies, most of which will be in close proximity to our Supermarkets, is the optimum number of canopies to drive profitable sales in our Supermarkets.

Woolworths/Caltex joint venture

On August 21, 2003, the Company announced a joint venture with Caltex Australia Ltd which will greatly enhance the value of Woolworths' petrol discount offer by adding around 160 outlets to our existing network of nearly 290 outlets, all of which will be leased by the joint venture company. The strongly co-branded joint venture outlets, in every State and Territory, will all be in carefully selected locations near our stores.

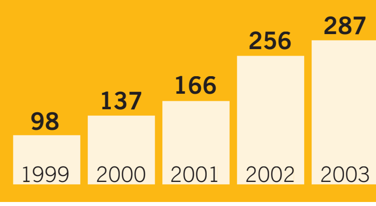
Woolworths will set retail petrol prices in accordance with its current petrol pricing policy which will be adopted by the joint venture. Woolworths will also set the redemption discounts. Caltex will manage the joint venture site operations.

Caltex will provide the joint venture with a secure supply of quality fuel.

The joint venture will commence operations prior to Christmas 2003 and will be earnings positive from the outset.

287 petrol canopies

Number of petrol canopies



Petrol continues to be a popular addition to the Woolworths' offer to its customers

Wholesale

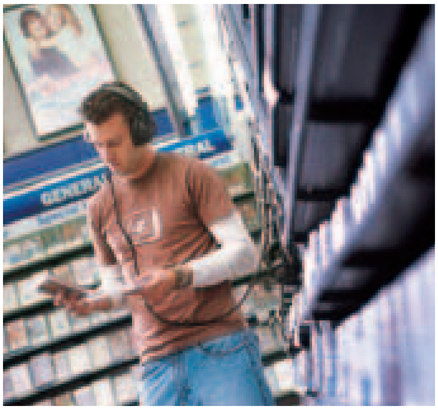
As announced at the release of our half year results, all trading operations for Australian Independent Wholesalers (AIW) had ceased by the end of the first half with the sale of AIW's Queensland operations to Australian Retail Logistix Limited (an association of small Queensland retailers), in December 2002.

Despite the closing of the AIW business, the wholesale division (including Statewide Independent Wholesalers (SIW) in Tasmania) recorded an operating profit of $0.1 million ($2.0 million loss in AIW) compared with a profit of $7.4 million in the previous year.

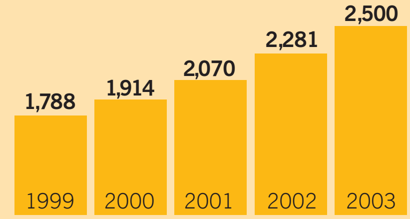
Health & Beauty

We intend to significantly increase our health and beauty offering (without a pharmacist) in around 100 stores during the course of the 2003/4 financial year. We anticipate having our first licensed pharmacist operating a pharmacy within a Supermarket in calendar 2004. This will enable the public to enjoy the current high service levels of ethical pharmacist protection at lower prices. This offer is particularly appropriate in areas where convenience and cost benefits can be delivered, without reducing professional service and community support. ■

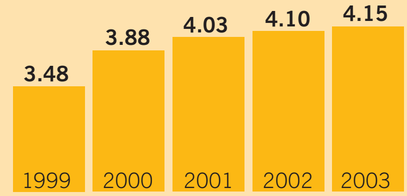
General Merchandise Group BIG W recorded a strong result in a highly competitive market. The following key milestones were achieved: Sales exceeded $2.5 billion; EBIT exceeded $100 million; Cost of doing business fell below 27% and Store numbers exceeded 100.



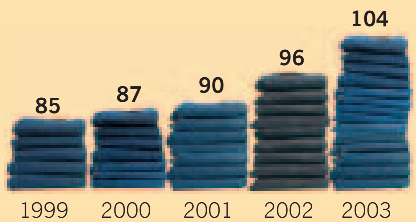
BIG W Sales ($m)



BIG W EBIT (%)



BIG W Stores



Sales increased 11.3% (after adjusting for the extra week in 2002), underpinned by comparable store sales, which showed consistent growth over the year of 4.2% in the first half, 4.3% in the second half and 4.2% for the full year. Solid sales growth was achieved across all merchandise categories, particularly small appliances and home entertainment, including music, DVD and computer consumables, toys and sporting goods.

Our longstanding and well accepted everyday low price (EDLP) strategy, underwritten by ongoing cost reductions, has been the cornerstone of the Group's consistent growth in sales and earnings over the past decade.

Cost of doing business fell 47 basis points, driven through several in store initiatives which included new night fill and back office processes.

EBIT rose faster than sales at 12.6% (when adjusted for the extra week in FY2002), with EBIT margin increasing from 4.1% in FY02 to 4.15% in FY03.

Days inventory also improved, with 2.5 days less inventory at year end compared with the previous year.

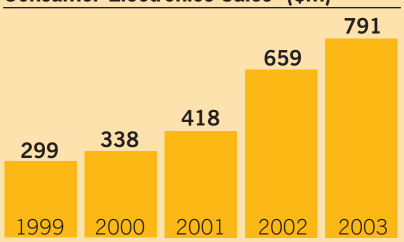
A record eight stores were opened in the year (all in the first half), which added over 9% trading area, taking the total number of stores to 104. We anticipate sufficient demand to add in the order of six to ten new stores each year to at least 150 stores.

BIG W
2002-2003 Financial Summary

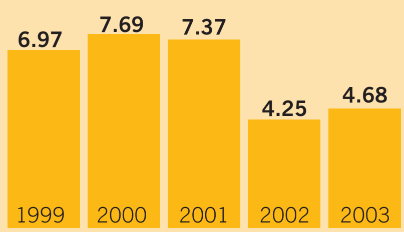
	2003 52 weeks	2002 53 weeks	Change
Sales ($ mil)	**2,500.3**	2,280.5	+9.6%(1)
Gross Margin (%)	**30.88**	31.30	-0.42%pts
Cost of Doing Business (%)	**26.73**	27.20	-0.47%pts
EBIT to Sales (%)	**4.15**	4.10	+0.05%pts
EBIT*($ mil)	**103.7**	93.5	+10.9%
Funds Employed ($ mil)	**269.5**	299.2	-9.90%
AVE ROFE (%)	**36.5**	32.6	+3.9%pts

*No purchased goodwill in BIG W
(1) 11.3% increase on a comparable 52 week basis

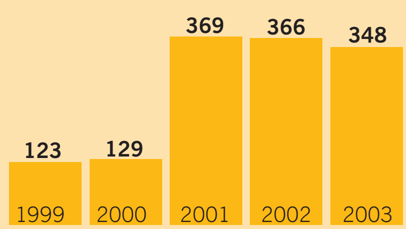
Consumer Electronics Sales[1] ($m)



Consumer Electronics EBIT (%)



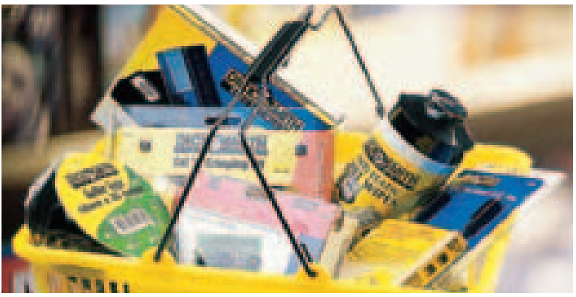
Consumer Electronics Stores



Consumer Electronics
2002-2003 Financial Summary

	2003 52 weeks	2002 53 weeks	Change
Sales ($ mil)	**791.2**	659.0	+20.0%[1]
Gross Margin (%)	**33.59**	37.16	-3.57%pts
Cost of Doing Business (%)	**28.91**	32.91	-4.00%pts
EBIT to Sales (%)	**4.68**	4.25	+0.43%pts
EBIT before goodwill ($ mil)	**41.2**	31.3	+31.6%
EBIT after goodwill ($ mil)	**37.0**	28.0	+32.1%
Funds Employed ($ mil)	**245.1**	253.0	-3.1%
AVE ROFE (%)	**14.9**	12.1	+2.8%pts

(1) 22.5% increase on a comparable 52 week basis



Consumer Electronics Driving increased sales of an improved range of the latest technology in consumer electronic products with superior in-store and after sales service.

This was a rewarding year for our Consumer Electronics business, highlighted by sales growth of 20%, a significant reduction in costs (4.0% of sales) and a profit increase of 32%.

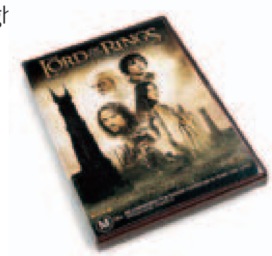
Competitive pricing and a strong retail offering have been key factors in driving sales growth for the year of 22.5% (after adjusting for the extra week in FY2002) and comparable store sales growth of 18.1%. Strong growth over the year was experienced in communications, particularly in mobile phones and in home entertainment through TVs and computer games.

The cost of doing business reduced from 32.91% to 28.91%. This reduction was accompanied by a planned reduction in gross margin which fell by 3.57% points, through reduced prices and changes in product mix.

As a result, EBIT has risen faster than sales at 32.1%, with EBIT margin rising 43 basis points to 4.68%.

Inventory control was strong, with stock on hand at year end down 5% on the previous year, despite sales growing at over 20%.

Our objectives are to continue to drive sales and reduce costs through improved processes whilst emphasising 'speed to market' of a 'refreshed' range of latest technology merchandise.

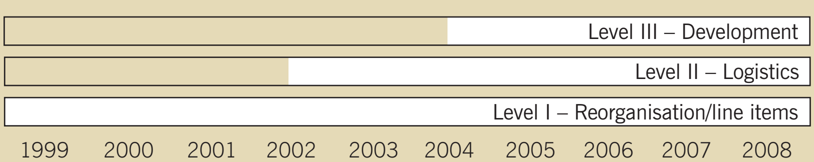


Project 'Refresh'

Behind the scenes

Improving the supply chain benefits all Woolworths customers, shareholders and suppliers. Level II of Project 'Refresh' promises to deliver just that.

Project Refresh
Cumulative savings of $6.9 billion (est.) over 9 years



Project 'Refresh' is now approaching its fourth anniversary. Since its commencement, 'Refresh' has concentrated on a number of initiatives, including a significant business restructuring program as well as numerous cost reduction programs. These initiatives are collectively known as 'Refresh' Level I initiatives.

Over the past four years, Project 'Refresh' Level I initiatives and improving efficiency of operations have delivered cost savings amounting to 2.4% of sales. This was a cumulative saving over the last four years of $1.7 billion.

Whilst the benefits of 'Refresh' Level I will continue to flow, and indeed further Level I initiatives are planned to be implemented, our major focus has now shifted to 'Refresh' Level II, which is our end-to-end supply chain improvement program.

Our Supply Chain strategy was developed after evaluating logistics features of

The benefits of Project 'Refresh' continue to be delivered on a daily basis

leading global retailers and determining an optimum solution for Woolworths. This solution addresses the following key design considerations:

- store supply chain costs (from the Supermarket backdock to the shelf);
- Distribution centre (DC) location and numbers;
- DC function (cross docking and flow through);
- composite supply chain (integrating cold and ambient);
- transport management (primary and secondary freight); and
- process improvements across the network.

Project 'Refresh' Levels I and II are expected to reduce our costs by a minimum of 20 basis points per annum.

Extensive and detailed planning has been under way now for almost two years to ensure each Project 'Refresh' Level II (Distribution Centre forecast based replenishment) initiative will be effective upon implementation. However, the interaction of the initiatives provides greater impetus to the overall Project outcome and benefits.

Significant progress on Project 'Refresh' Level II has been made to date, with implementation of several initiatives now well down the track.

We have introduced Every Day Low Pricing (EDLP) for key icon lines in the Supermarkets. There has been strong customer acceptance of this offer, with sales increases across all EDLP lines.

Managing our supply chain is now a priority

Our inventory replenishment program is well under way, with Stocksmart being implemented fully in our Distribution Centres. The implementation of this application has been pivotal in the 3 day reduction in Supermarkets inventory as at year end. Significant progress has also been made in respect of store replenishment, with AutostockR (store forecast based replenishment) now operating in 39 stores. Immediate inventory reductions are obtained on the introduction of AutostockR whilst improving in-stock positions. We have accelerated our plans to complete the roll-out of AutostockR to all Supermarkets ahead of our original schedule.

The number of Supermarket distribution centres (DC's) will be reduced from 31 to 9 regional DC's (RDC's) and 2 national DC's (NDC's). The strategic location of these DC's is imperative in order to optimise network efficiencies. Three RDC sites have already been secured (at Warnervale NSW, Wodonga, Victoria and the Perth Airport, WA). The rationalisation of DC's, combined with new cross dock and flow through processes, supported by new warehouse management systems, will utilise very effectively our site advantages and further reduce both cost and stock levels, and the cost of transport from DC's to stores.

Reducing the volume of our direct store deliveries and introducing electronic store delivery will reduce costs by utilising our DC's infrastructures as well as eliminating administration costs.

For stores, the introduction of phased replenishment store restocking capabilities, along with store ready unit load devices (eg. shelf ready trays) and roll cages, will reduce overall costs. Roll cages have already been successfully trialled.

Lastly, the cost of inbound freight will be reduced by Woolworths' management of inbound freight volumes into our DC's and utilising a transport management system (TMS). The TMS is currently being developed with vendor engagement, and take up is on track.

Effective capital management

Balance Sheet

Our strong performance in the year was not limited to sales and profitability. The balance sheet remains strong and conservative, reflecting continued improvement in asset turns with strengthening cash flow.

Our net investment in inventory in each of the trading divisions has been further reduced. Inventory at year end was only $4.7 million above that reported last year, despite sales increasing by 12.2% (on a comparable 52 week basis for continuing operations), translating to a 3.2 day reduction in inventory, with a corresponding cash flow benefit of approximately $170 million. The deployment of Stocksmart in all our distribution centres was a key factor in reducing inventory levels in our Supermarkets Group.

Trade and other creditors increased in line with sales, with days creditors remaining unchanged. Receivables increased slightly less than sales, assisted by the AIW disposal. Working capital continues to improve, with negative working capital increasing 34% from $655 million last year to $879 million.

The significant increase in negative working capital and a return to more normal levels of capital expenditure (following the acquisition and refurbishment of ex-Franklins stores in the previous year) saw funds employed at year end which was $95 million lower than the previous year. Net capital expenditure in FY03 was $518 million compared with $688 million in FY02. Fixed assets and intangibles increased by $129 million, after allowing for depreciation and amortisation.

Average return on funds employed (ROFE) increased from 38.1% last year to 42.8%.

Shareholders' equity remained unchanged from last year at $1,235 million mainly due to the $534 million return of capital to shareholders undertaken in April this year by way of a share buy-back. Shareholders'

equity would have been $183 million below last year, however recent changes in Australian Accounting Standards[1,2] added $183 million to retained earnings.

Average Return on Equity (ROE) increased from 48.1% last year to 49.3%. Adjusting for the non-comparable effect of changes in Australian Accounting Standards, average ROE would have increased to 53.3%.

Capital expenditure

Net Capital expenditure for FY04 to FY08 will be in the order of $650 million per annum, assuming the new Distribution Centres will be sold following their construction and lease back.

Cash flow

Free Cash Flow increased by 70% from $391 million last year to $665 million. The significant growth was due to strong cash flows from operations, driven by a reduction in working capital (the 3.2 days reduction in inventory alone added $170 million to cash flow) and strong profit growth.

(1) The final dividend for the year ended 29 June 2003 amounting to $215 million has not been recognised in the financial statement in accordance with the revised AASB 1044 as the dividend had not been declared or publicly proposed at 29 June 2003.
(2) As a result of a change in AASB 1028, the provisions for annual leave and long service leave have been restated with an offsetting adjustment of $31.9 million being made to opening retained earnings.

Following the share buy-back of $534 million, net repayable debt increased by only $122 million to $360 million. Daily average debt was down on the previous year by around $220 million until the time of the share buy-back.

Capital management

Our strong balance sheet and significant cash flows provided the opportunity to undertake a significant off market share buy-back without impacting our ability to consider acquisitions or to seek other growth opportunities.

The Company repurchased 46.7 million shares (4.4% of issued capital) on 14 April 2003. The price was determined by tender, with the final buying price established at $11.40 per share. The total cost of the buy-back/reduction in shareholders equity was $534 million (including costs of $2 million). By agreement with the Australian Taxation Office, the buy-back price was split into two components:

- a capital component of $2.88 per share amounting to a reduction in share capital of $134.4 million; and
- a fully franked dividend component of $8.52, which amounted to $397.6 million.

The positive effect of the share buy-back on EPS will only be evident in FY04.

Growth We see a considerable number of opportunities for continuing growth in both sales and earnings.

We anticipate overall sales growth for FY04, and the foreseeable future, to be in the upper single digits, given the continuation of current economic, business and retail conditions.

By world standards we have a relatively low share of the national food liquor and grocery market (FLG) and in particular the fresh food business.

We have a large proportion of our stores in the early stage of their life, with significant potential for growth.

We will continue to develop our fresh food business on the strong brand position we already possess in this segment.

Our major emphasis is to continue to drive our core businesses to world class standards of execution at all levels, bringing to our customers diverse, interesting and wide ranges of merchandise, always fresh and at everyday low and consistent prices. These ranges feature the major industry brands and the Company's respected 'Fresh Food' offer.

While retaining a strong commitment to branded merchandise, it must be recognised that Woolworths 'Homebrand' continues to be Australia's largest supermarket grocery brand.

We will have a continued focus on improving in-store standards of execution and service, together with delivering the best quality at the lowest possible prices.

The flow on effect of Project 'Refresh' Level I and the success of Project 'Refresh' Level II will deliver continued cost savings that will result in ongoing reductions in prices to our customers. The trend towards gradual deregulation of both trading hours and product restrictions continues to assist sales.

It is anticipated that we will add 15 to 25 Supermarkets each year for the foreseeable future, which together with the continued profitable expansion and refurbishment of existing stores, should increase trading area between 3% and 5% per year.

BIG W has the ability to expand its chain in the order of 6 to 10 new stores each year from 104 stores today to over 150 stores.

The Petrol business presently has 287 outlets and will grow to around 450 outlets.

Dan Murphy's is expected to open between 6 and 12 new destination liquor outlets per annum, with plans to extend the roll out of these stores into Queensland under our MGW joint venture. We plan to grow our liquor business from a current level of around $1.7 billion sales (including our MGW joint venture in Queensland) to over $2.5 billion. Our ability to secure retail sites is enhanced by our high sales per square metre, which makes our stores highly attractive to landlords. Our store expansion program is supported by detailed plans for the next two to three years.

The strength of our balance sheet allows us to address larger acquisitions should they become available. Whilst active monitoring is maintained on a number of businesses, any acquisitions would need to fit our disciplined strategic approach and be incremental to shareholder value.

Central overheads and net property income

Central overheads declined by $1.1 million from $77.8 million (0.32% of sales) last year to $76.7 million (0.29% of sales).

Net Property Income was $7.6 million less than the previous year, mainly due to three factors. First, increased property expenses of $5.5 million, where the centralisation of lease management and other administration functions previously undertaken in the trading divisions is now managed and reported centrally in the property division. Second, reduced external rental income of $1 million due to property disposals. Finally, net zero gains/losses on property disposals were recorded compared with a $1 million profit reported last year.

Performance Guidance

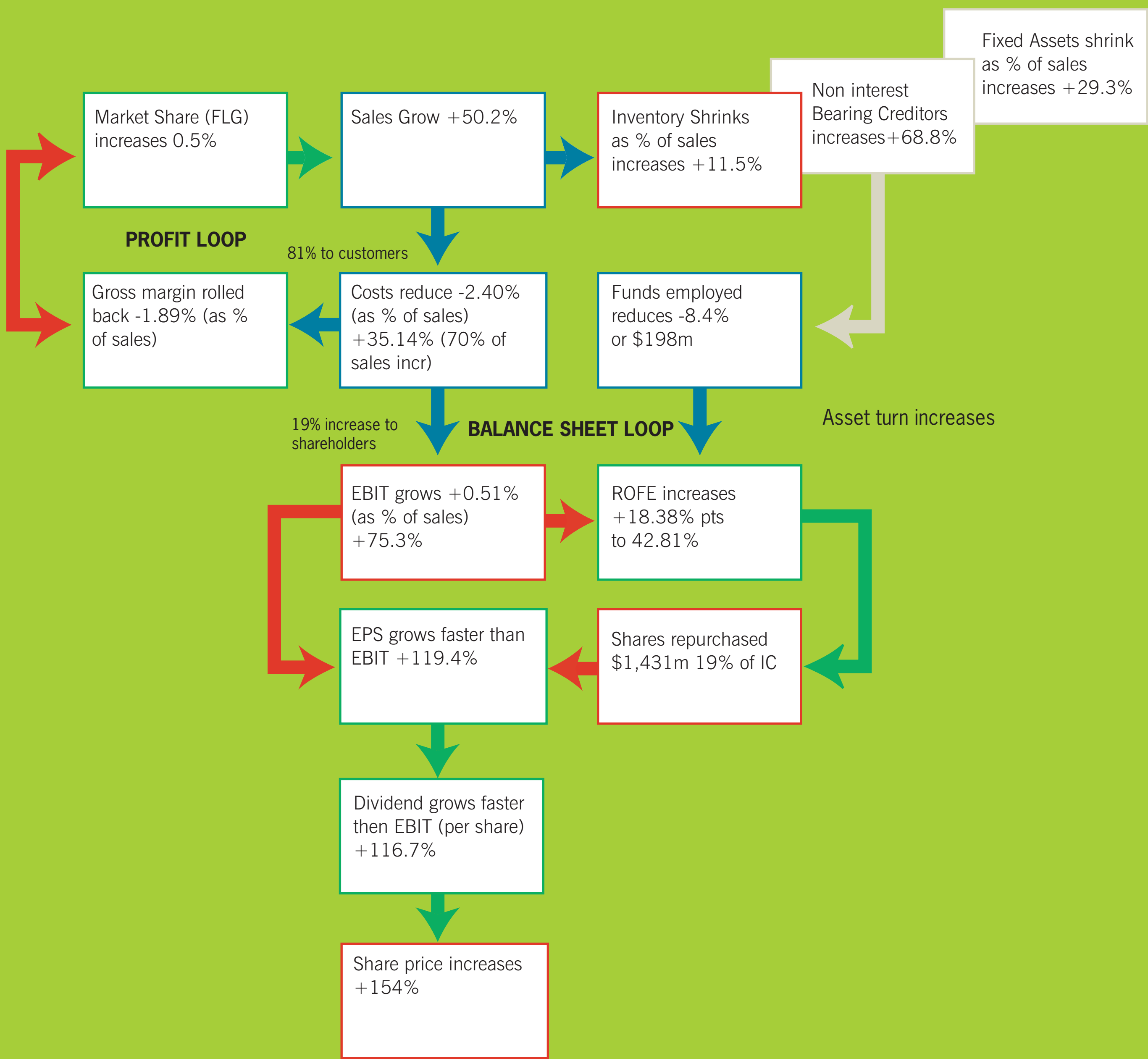
For FY04 we have maintained the goals that we set in 1999 and have consistently delivered over the last four years. We believe that our sales will grow in the upper single digits and our earnings in the low double digits for the foreseeable future.

For FY04 we anticipate that earnings per share before goodwill will be in a range between 67 cps and 70 cps, a growth rate between 10% and 15%. Earnings per share after goodwill will be in a range between 64 cps and 67 cps, a growth rate between 10% and 15%.

As previously advised, the more precise sales guidance provided in FY03 was a unique situation given the circumstances in that year, which included the comparison year (FY02) being a 53 week period, the impact of the Franklins acquisition and the impact of our exiting the wholesale (AIW) business.

This guidance is given subject to current trading patterns and the present business, competitive and economic climate being maintained.■

Woolworths Double Loop
Four Year Report FY99 – FY03



Stakeholders score card

Public
1.89% lower prices increases living standards in Australia.

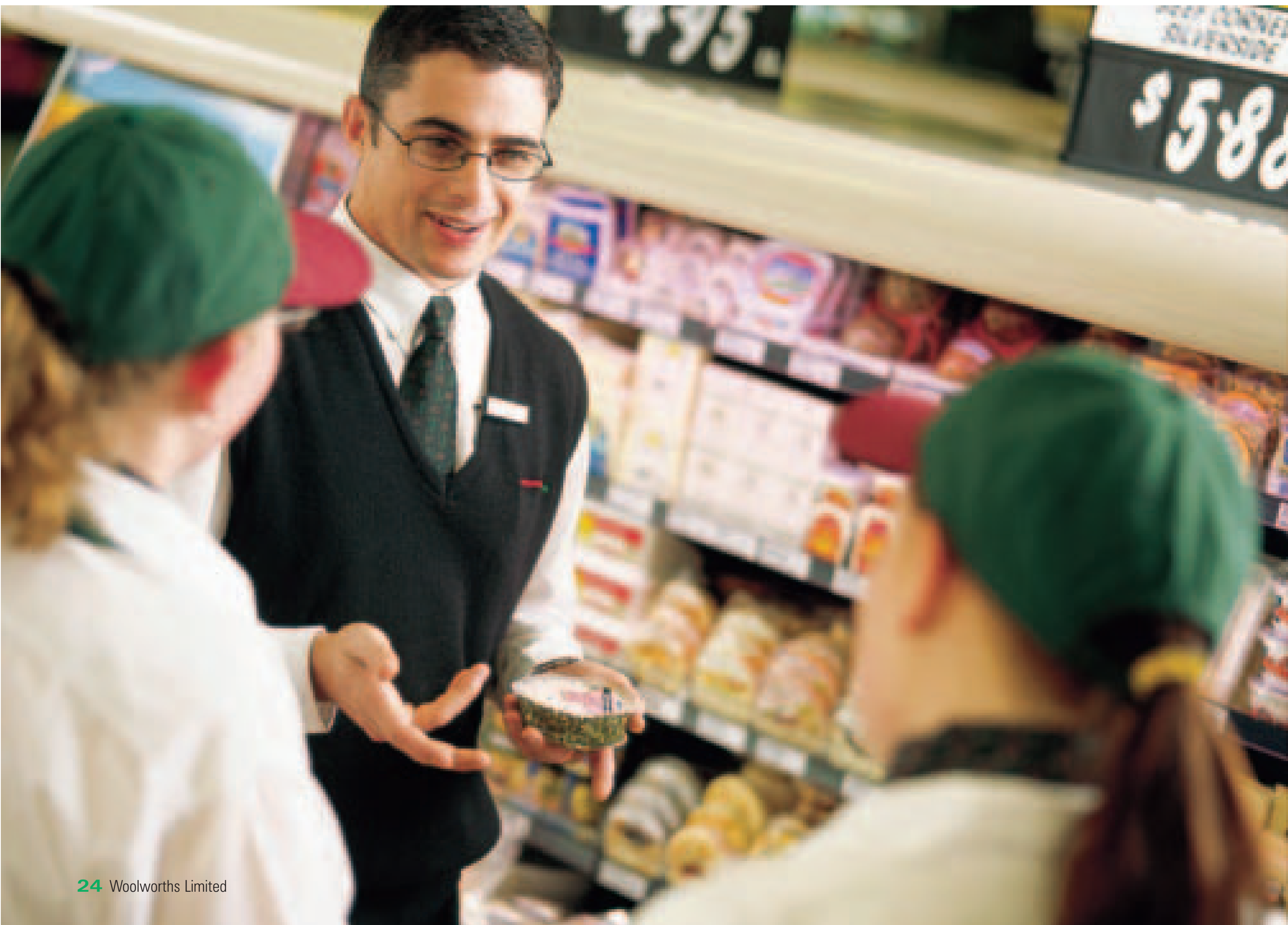
Shareholders
Value creation over $7 billion.

Suppliers
Economic volumes and growth.

Staff
Expanded career opportunities and enjoying share ownership.

Our people our responsibility We're always looking for new ways to improve our performance, to innovate, and exceed what is expected of us.

PeoplePower



Focussed on Customer service

Customer service is our most critical function. Offering the best possible service is paramount as a national retailer of our scale and scope. In short, our business success hinges on satisfying our customers' needs, every day.

It is why we take great care to employ people who understand the importance of service and excel in providing it.

This is reflected in the care and attention to detail of our people, in everything we do. Such commitment to individual excellence is intrinsic to our culture and permeates every part of our business – from the boardroom to the stores.

Our unique culture is an expression of the dedication and loyalty of our staff. It is a culture which values reliability, trust, honesty and hard work. It has grown over decades, and is promoted and sustained as an integral part of our people development.

All of our people, whether in stores or in our supporting functions, know our business extremely well, and are selected as much for their 'people skills' as their retailing or specialist ability.

We encourage our people to reach beyond their immediate roles and responsibilities. We involve people from all parts of the business in new projects, expose them to new skills and develop their potential leadership abilities.

By developing our employees' skills, we expand our intellectual capital.

The Woolworths culture is about developing our own talent and encouraging outstanding performance from among our existing employees at all levels.

We run a hands-on human resources function which focuses on activities that have a direct and positive impact on the success of our business.

Woolworths has always believed in its people. It has been an innovator in people management for decades. We encourage all our employees to achieve their personal goals within the Company, through the diversity of opportunity available.

Employees from all parts of the business and at all levels in Woolworths are encouraged to learn new skills.

Indeed, we are proud to have more apprentices and trainees than any other Australian company. We are currently training about 7,500 employees in nationally recognised and accredited Certificate II, III and IV qualifications. They are learning how to execute their daily tasks more effectively, as well as improving their broader career prospects within Woolworths. In the last two years, some 1,300 employees have already completed their program and attained their qualification.

As a corporate leader in people development, we understand the benefits of getting the best from our employees and nurturing the skills of our future managers and leaders.

Cultivating talent is not a new thing for Woolworths. Many of our most senior managers have come through the ranks of the Company, and loyalty is a valued ethic throughout the organisation.

Our people are our greatest asset. Dedicating time and resources to their personal development has reaped huge dividends.

Our unique culture is also an expression of the dedication and commitment of our people

Environment and Community
Our heritage and our duty

Environment

Woolworths commitment to responsible environmental management is one of our core values and, while business priorities may shift, these values are held constant.

As Australia's leading food retailer, Woolworths recognises that practicable, efficient and sustainable environmental strategies are frequently also preferred business strategies. The Company therefore encourages and supports cost-effective and achievable environmental management initiatives which both meet community and shareholder expectations and over time add to shareholder value.

Environmental initiatives during the year included the following activities:

National Packaging Covenant

Woolworths is a signatory to the National Packaging Covenant, a voluntary and self-regulatory agreement between government, industries and companies in the packaging chain. In 2002/03, the Company made a significant financial commitment to the Covenant's Kerbside Transitional Funding Arrangements Scheme and also implemented Woolworths' first set of agreed Covenant Action Plans.

These Action Plans include the use of recycled plastic pallets; major recycling programs in stores for cardboard and shrink wrap; development of markets for recycled materials; green waste programs; office recycling programs; and in store recycling awareness programs.

The Company is now developing a further set of Action Plans for implementation in the coming year which meet the Covenant's objectives.

Other environmental activities include the trial and deployment of alternative fuel programs and the implementation of 'Energy Smart' electricity reduction programs.

Plastic Bags – Management Code of Conduct

Woolworths and other major retailers have committed to a voluntary Code of Conduct, endorsed by Federal and State Environmental Ministers, which is aimed at reducing lightweight plastic bag usage in Supermarkets by 25% and increasing recycling by the end of 2004, and to target further reduction (to 50%) by the end of 2005. This will require a considerable effort from both Woolworths and our customers, but is preferable to a government-imposed 25 cent per bag levy (equating to a $2 billion retail industry 'tax' on our customers). Such a tax would fall more heavily on the least advantaged in our community and on smaller retailers.

'Woolworths has been pleased and proud to work with the Fred Hollows Foundation...'

Picture shows: Roger Corbett, Barry and Colleen Orr with representatives of the Fred Hollows Foundation and the Jawoyn Community Stores Project.

Woolworths supports a voluntary approach, through the Code of Conduct, and will support Clean Up Australia to reduce the impact of plastic bags on the environment. It should be noted that most plastic bags in the litter stream are smaller non-supermarket bags.

Community

In 2002/03, we continued to build our community partnerships with a number of organisations to assist their vital work in the community. These included:

Children's Hospitals

In-store activities in Supermarkets and BIG W stores raised around $3.5 million on behalf of Children's Hospitals across Australia. These activities were strongly supported by our employees, who devised many innovative ways of fundraising in-store.

In September 2003, our 'Fresh Future' campaign raised a further $1million. 'Fresh Future', which was widely publicised, marks the first time the Company has undertaken a nationally coordinated campaign, at the same time of the year, to support Children's Hospitals.

Fred Hollows Foundation

Woolworths has been pleased and proud to work with the Fred Hollows Foundation to make a contribution to the provision of healthy and fresh foods for several indigenous communities situated in remote areas near Katherine in the Northern Territory.

One of our most experienced store managers, Barry Orr, was seconded to live and work within the remote N.T. communities teaching them the skills necessary to operate their own retail facilities, which now carry extended ranges of fresh and nutritious foods. Barry's and his family's contribution to the success of this program has been outstanding, and his work has been extended for a further year as a result.

Australia Day Ambassador Program

The Company continues to foster country/city community relationships through its sponsorship of the Australia Day Ambassador Program, which enables high profile Australians to visit regional towns and cities on Australia Day to promote national spirit and unity. In 2003, Woolworths sponsored the Program in New South Wales and Victoria and, for the first time, in Tasmania and the ACT.

Other Community Support

Woolworths has supported a range of other community organisations and activities during the past year. These included the Juvenile Diabetes Research Foundation's 'Walk for the Cure'; the YWCA's school-based care and support programs for disadvantaged children, young people and families in Northern NSW, and the AFS Intercultural Programs Student Exchange, under which children of employees are offered a chance to study for a year in another country as part of a cultural exchange program.

We also gave $50,000 to the appeal for victims of the Canberra bushfires and raised an equivalent amount through employee and customer contributions collections in our ACT stores.

Local Community Program

Our newly-introduced Local Community Program complements our other fund-raising activities by providing each Supermarket and BIG W store, across Australia, with a budget to assist community groups in their local area through the provision of shopping vouchers. Many store staff have developed creative ways to help the community through 'Community Days', and some stores have banded together to make larger contributions to projects considered particularly worthy of Woolworths' support.

SIFE Australia (Students In Free Enterprise)

Woolworths has been a sponsor of SIFE for more than four years, and has played a major role in introducing the program to Australia. SIFE provides young Australians with the opportunity to develop leadership, teamwork and communication skills through learning, practising and teaching the principles of innovation and enterprise.

Roger Corbett
Group Managing Director/CEO

Woolworths
Fresh Future
Children's Hospital Appeal

Senior Management Group

Vision

Value

PETER SMITH
General Manager –
Supermarket Operations

BERNIE BROOKES
Chief General Manager –
Supermarket Buying
and Marketing

TOM FLOOD
Director, Supermarkets

TOM POCKETT
Chief Financial Officer

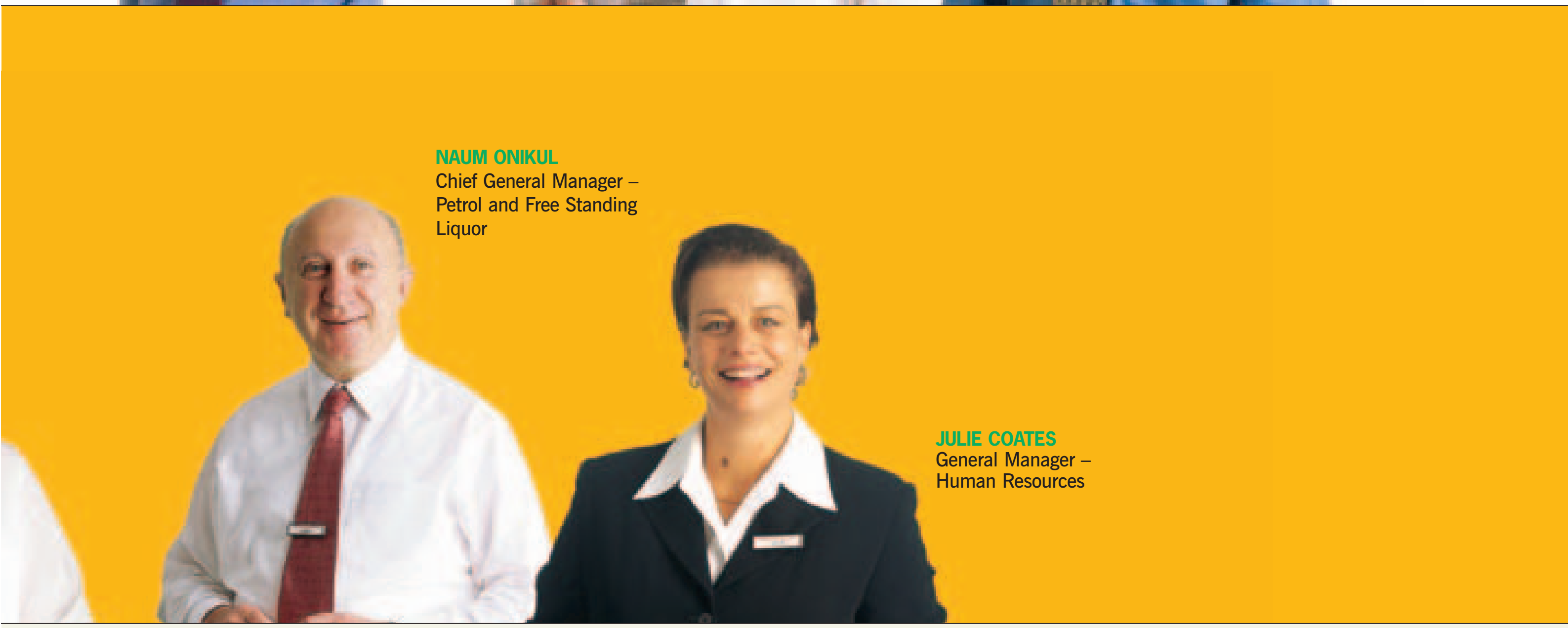
ROHAN JEFFS
General Manager –
Corporate Services

ROGER CORBETT
Group Managing Director/
Chief Executive Officer

MARTY HAMNETT
Director, General Merchandise and General Manager BIG W

PETER THOMAS
General Manager – Property

GREG FORAN
General Manager – Dick Smith Electronics/Tandy



NAUM ONIKUL
Chief General Manager – Petrol and Free Standing Liquor

JULIE COATES
General Manager – Human Resources

JUDY HOWARD
General Manager – Woolworths Academy

MICHAEL LUSCOMBE
General Manager – Supply Chain

GARY REID
General Manager – Business Development

STEVE BRADLEY
General Manager – Information Technology

1

Board of Directors

1. James Alexander Strong

Chairman. Member Corporate Governance Committee, Member Audit Committee and Personnel Policy Committee.

Mr Strong is also Chairman of Insurance Australia Group Limited (IAG) and Rip Curl Group Pty Ltd. He is also a member of the Boards of various Arts and Sporting organisations.

He was the Chief Executive and Managing Director of Qantas Airways Limited until March 2001, and previously the Chief Executive of Australian Airlines Limited, Managing Partner and National Chairman of Corrs Chambers Westgarth Solicitors and Group Chief Executive of DB Group Limited (New Zealand). He was appointed a Director of Woolworths Limited in March 2000 and Chairman in April 2001. Age 59.

2. Roger Campbell Corbett AM, BCom, FAIM

Group Managing Director and Chief Executive Officer.

Mr Corbett was appointed Group Managing Director and Chief Executive Officer in January 1999, having been Chief Operating Officer since July 1998, Managing Director, Retail since July 1997 and Managing Director of BIG W since May 1990. He has had more than 40 years experience in retail and was previously Director of Operations and a Director of David Jones (Australia) Pty Limited, as well as Merchandising and Stores Director and a Director of Grace Bros. Mr Corbett was appointed a non-executive Director of Fairfax Holdings Limited in February 2003. He was appointed a Director of Woolworths Limited in 1990. Age 61.

3. Adrienne Elizabeth Clarke AO PhD, FAA, FTSE

Member Personnel Policy Committee and Corporate Governance Committee.

Professor Clarke is a Director of Fisher & Paykel Healthcare Corporation Limited, WMC Resources Limited, Tridan Limited and Hexima Limited. She is Laureate Professor at the University of Melbourne, with a distinguished record of achievement in the Sciences of Botany and Biology. She was previously Chairman of the CSIRO Board (1991–1996) and a member of the Innovation Economy Advisory Board of the Victorian Government. She was a Member of the Prime Minister's Supermarket to Asia Council (1996–2001) and is a Member of the Federal Government's Trade Policy Advisory Group. She was appointed a Director in July 1994. Age 65.

4. Diane Jennifer Grady BA (Hons), MA, MBA

Chairman, Personnel Policy Committee and Member Corporate Governance Committee.

Ms Grady is also a Director of BHP Steel Limited, Lend Lease U.S. Office Trust and Wattyl Limited, and a Trustee of the Sydney Opera House.

Previously, Ms Grady was a partner at McKinsey and Co. where she led the firm's Retailing and Consumer Goods practice in Australia. In that capacity, she advised retailing clients in Australia, the USA and the UK on strategic, organisational and operational issues and assisted major consumer goods companies in Australia to develop


2

3

4

5

6

strategies and trade terms for their retail accounts. Ms Grady was also a worldwide leader of McKinsey's Change Management and Organisation Practice. She was appointed a Director in July 1996. Age 55.

5. Leon Michael L'Huillier BCom (Hons), MBA, M Phil

Chairman Audit Committee, Member Corporate Governance Committee.

Mr L'Huillier is a Director of Repco Limited, Chairman of its Audit Committee, and is Chairman of the Vision CRC, one of Australia's largest medical research organisations. He is a director of MGW Hotels Pty Limited, the Woolworths joint venture in the Queensland liquor industry. He is an experienced Chief Executive and Company Director in the grocery manufacturing and liquor industries, most recently as the CEO of Lion Nathan Aust. Pty Ltd. He has broad experience as an independent Director of major organisations in logistics, property and financial services. He was previously a Director and Audit Committee Chairman of Fortis Limited, a Director of MPG Logistics (now part of Mayne Logistics) and was the former Chairman of the Australian Prime Property Fund, a major retail shopping centre group. He is a former Director of MLC Limited and Challenge Bank Limited. He was appointed a Director in September 1997. Age 60.

6. Roderick Sheldon Deane

PhD, BCom (Hons), FCA, FCIM, FNZIM, LLD (honorary from Victoria University)

Member Corporate Governance Committee, Member Audit Committee.

Dr Deane is the Chairman of Telecom Corporation of New Zealand Limited (having previously held the position of Chief Executive and Managing Director). He is also the Chairman of Fletcher Building Limited, Te Papa Tongarewa (The Museum of New Zealand), ANZ Banking Group (New Zealand) Limited, the NZ Seed Fund and a Director of ANZ Banking Group Limited. Dr Deane is a board member and Patron of New Zealand's largest charitable organisation, the IHC, and is Chairman of the City Gallery Wellington Foundation. He was previously Chief Executive of the Electricity Corporation of NZ Limited, Chairman of the State Services Commission and Deputy Governor of the Reserve Bank of NZ. He was appointed a Director of Woolworths Limited in April 2000. Age 62.

Directors' Statutory Report

This Report is given by the Directors in respect of Woolworths Limited (the Company) and the consolidated entity consisting of the Company and the entities it controlled (the Group) for the financial period ended 29 June 2003.

The Directors

The persons who have been Directors of the Company at any time during or since the end of the financial period and up to the date of this Report are:

J A Strong	Chairman
R C Corbett	Group Managing Director and Chief Executive Officer
A E Clarke	
R S Deane	
D J Grady	
L M L'Huillier	
J C Ballard	Retired as a Director on 30 March 2003
W P R Wavish	Retired as a Director on 16 May 2003

The experience, qualifications and special responsibilities of each of the Directors are set out against their respective names on pages 30 and 31.

Principal activities

The principal activities during the period of the consolidated entity, constituted by the Company and the Group it controlled from time to time during the period, consisted of food, general merchandise and speciality retailing through chain store operations.

No significant change in the nature of the activities of the Company and its entities occurred during the period.

Consolidated results and review of operations

The net amount of consolidated profit for the financial period after income tax expense and Woolworths Income Notes distributions attributable to members of the Company and its controlled entities was $609.5 million (2002: $523.2 million). No extraordinary expenses were incurred by the consolidated entity in the period.

A review of the operations of the consolidated entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report and the Group Managing Director's Report on pages 2 to 27, inclusive.

Dividends

The amounts set out below have been paid by the Company during the financial period or have been declared by the Directors of the Company, by way of dividend, but not paid during the financial period up to the date of this Report. All dividends were fully franked at the tax rate indicated.

	Franking tax rate %	Dividend cents/share	Total paid/ payable $m
Final 2002 Dividend			
Paid on 8 October 2002	30	18	188.9
Interim 2003 Dividend			
Paid on 30 April 2003	30	18	192.0
Final 2003 Dividend			
Payable on 3 October 2003	30	21	215.1

Significant changes in the state of affairs

Other than as referred to in the Group Managing Director's Report, the significant changes in the state of affairs of the consolidated entity during the financial period were as follows:

A net decrease in the issued share capital of the Company of 28,278,609 fully paid ordinary shares as a result of:

(i) the buy-back of 46,658,944 fully paid ordinary shares at $11.40 per share pursuant to the Buy-Back offer dated 14 April 2003;

(ii) the issue on 8 October 2002 of 3,083,520 fully paid ordinary shares and on 30 April of 3,166,282 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan in respect of the 2002 Final Dividend and the 2003 Interim Dividend, respectively;

(iii) the issue on various dates of a total of 2,809,657 fully paid ordinary shares pursuant to the Employee Share Plan;

(iv) the issue on various dates purchased for cash at the relevant exercise price of 7,745,301 fully paid ordinary shares as a result of the exercise of options held by a number of executives under the Long Term Incentive Plan (LTIP);

(v) the issue on 14 March 2003 of 1,523,575 fully paid ordinary shares pursuant to the Employee Share Issue Plan; and

(vi) the issue of 52,000 fully paid ordinary shares on 20 July 2002 pursuant to an Executive Service Contract for no cash consideration.

On 1 July 2002, 6,514,000 options were granted under the LTIP.

As at 29 June 2003, there were 77,878 (2002:75,661) full time equivalent employees of the Group of which 68,119 (2002:25,708) were employed by the Company.

Matters subsequent to the end of the financial period

a) On 25 August 2003, the Directors declared a Final Dividend of 21 cents per share, fully franked at the 30% tax rate, on each of the issued ordinary shares of the Company. The Final Dividend is payable on 3 October 2003.

b) As at the date of this report 7,831,350 options were offered under the LTIP.

c) As indicated in the Group Managing Director's Report on 21 August 2003, the Company announced a proposed joint venture with Caltex Australia Limited to extend Woolworths' petrol discount offer initially to an additional 120 outlets, which will be contributed to the joint venture along with all of the Company's existing 290 outlets. All joint venture outlets will be supplied fuel by Caltex and will be leased by the joint venture, which will be owned 50% by Woolworths and 50% by Caltex.

Except for the matters disclosed in the Chairman's Report and the Group Managing Director's Report on pages 2 to 27, there is, at the date of this Report, no other matter or circumstance which has arisen since 29 June 2003 that has significantly affected or may significantly affect:

(i) the operations in future financial periods subsequent to the financial period ended 29 June 2003 of the consolidated entity constituted by the Company and the entities it controls from time to time; or

(ii) the results of those operations in future financial periods; or

(iii) the state of affairs, in future financial periods, of the consolidated entity.

Likely developments and expected results of operations

Other than comments on likely developments or expected results of certain of the operations of the consolidated entity which are included in the Chairman's Report and the Group Managing Director's Report on pages 2 to 27, in the opinion of the Directors, further information on likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have been omitted as the Directors believe it would be likely to result in unreasonable prejudice to the Group's interests if such further information were included in this Report.

Meetings of Directors

The table below sets out the number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the financial period ended 29 June 2003 and the number of meetings attended by each Director. The Board determined that in order to deal effectively with all of the matters requiring its consideration, including ongoing strategic issues, a majority of the Board meetings were held over two days. In addition to attending formal Board & Board Committee meetings, the Directors undertake other duties including attending strategic review sessions, retail market study trips, as well as Board & Board Committee preparation & research. These additional responsibilities constitute a further significant time commitment by Directors.

	Meetings of Directors whilst a Director Held/Attended	Meetings of Audit Committee Held/Attended	Meetings of Personnel Policy Committee Held/Attended	Meetings of Corporate Governance Committee Held/Attended	Meetings of ad hoc Committees[4]
A E Clarke[2,3]	8/7		5/5	8/7	
R C Corbett	8/8				2
R S Deane[1,3]	8/8	4/4		8/8	
D J Grady[2,3]	8/8		5/5	8/8	
L M L'Huillier[1,3]	8/8	4/4		8/8	2
J A Strong[1,2,3]	8/8	4/4	5/5	8/8	4
J C Ballard[3]*	6/6			6/6	
W P R Wavish*	8/7				

* *Mr Ballard retired as a Director on 30 March 2003 and Mr Wavish retired as a Director on 16 May 2003.*

1 *Member Audit Committee.*

2 *Member Personnel Policy Committee.*

3 *Member Corporate Governance Committee.*

4 *These are ad hoc Committees which attended to delegated matters on behalf of the Board.*

Directors' Statutory Report (continued)

Directors' interests in shares/options

Particulars of Directors' relevant interests in shares in the Company or options to acquire unissued shares in the Company as at 26 September 2003 are set out below:

Director	Relevant interest in ordinary shares in Woolworths Limited
J A Strong	61,683
A E Clarke	32,642
R C Corbett*	3,341,165
R S Deane	40,000
D J Grady	32,296
L M L'Huillier*	119,044

* *These relevant interests include superannuation fund, trust, joint or other ownership structure.*

Directors' and Executive Officers' Emoluments

The Personnel Policy Committee is responsible for advising the Board on the remuneration and benefit policies of the Company to ensure that they are consistent with its financial and strategic goals and human resource objectives.

The Committee has continued throughout the year to review the remuneration structure and benefit levels to ensure they meet these goals and objectives.

Non-executive Directors' Fees and Allowances

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid in Directors' fees, as approved at the Annual General Meeting on 20 November 2000, is $1,250,000 per annum.

At the date of this Report, the amount of Directors' base fees paid to each non-executive Director is $110,000 per annum. The Chairman receives a multiple of three times this amount.

In addition to the above base fees, Directors, other than the Chairman, receive a fee of $10,000 per annum for service on a Board Committee and the Board Committee Chairman receives $20,000 per annum, in addition to the Director's base fee.

An overseas Directors' Allowance of $10,000 is also provided to any non-executive Directors residing outside Australia, representing the additional time and cost involved.

No Directors' fees are paid to executive Directors.

The structure and level of Directors' fees were determined on the basis of independent research and advice on the fees paid to non-executive Directors of Australian listed corporations.

The total amount of non-executive Directors fees paid during the year to 29 June 2003 was $1,099,165, excluding Superannuation Guarantee contributions and retirement allowance payments and accruals.

On appointment, the Company and each of the non-executive Directors has executed a Director's Retirement Deed with the Company. The terms and benefit level comprising this Allowance was approved by shareholders in November 1998.

Under these Deeds, each non-executive Director is entitled to receive an allowance on retirement as a Director ("Allowance"). The maximum amount of the Allowance is equivalent to five times the average annual emoluments of the non-executive Director (excluding out-of-pocket expenses) over the three years prior to their retirement date. The maximum entitlement accrues after ten years service as a non-executive Director, and is reduced, pro rata, for periods of service less than ten years with no entitlement for periods of service of less than three years. The amount of the Allowance is additional to compulsory contributions made pursuant to the Superannuation Guarantee legislation.

The total of $1,227,722, representing the full amount of the accrual for these Allowances, has been set aside by way of an accrual.

The Board is currently reviewing this Allowance and has determined that it will not apply to future Board appointments.

The details of each non-executives Directors' emoluments during the financial year are set out below:

Non-executive Directors' emoluments for the financial year to 29 June, 2003	Directors' Fees(1) $	Superannuation Contributions $	Other $	Total payments to each Director $	Accrued Retirement Allowance $
J C Ballard(2)	142,500	10,211	311,858(2)	464,569	–
A E Clarke	136,666*	11,088	–	147,754	521,956
D J Grady	153,333*	11,088	–	164,421	358,989
L M L'Huillier	153,333	11,088	–	164,421	254,216
J A Strong	360,000*	10,328	–	370,328	62,695
R S Deane	153,333	11,088	–	164,421	29,866
Total	**1,099,165**	**64,891**	**311,858**	**1,475,914**	**1,227,722**

(1) These fees include an adjustment for the prior financial year.

(2) Mr J C Ballard retired on 30 March 2003. This amount comprises a retirement allowance upon his retirement as a director after five and a half years service. The amount is calculated in accordance with the formula set out in the Directors' Retirement Deed described above.

* *These include Directors' fees "sacrificed" for the purchase of shares in the Company under the Non-Executive Directors' Share Plan.*

Executive Directors' and Executive Officers' Remuneration

The structure of remuneration for the Chief Executive Officer, Senior Executives and all other Management is described below and it is the role of the Personnel Policy Committee to advise the Board on the most appropriate remuneration structure as part of the Company's remuneration policies and practices. An outline of the Committee's role in this regard is set out on page 41 of this Report.

The remuneration policy for all Executives and Management is structured to provide both fixed and variable performance based remuneration.

The fixed remuneration comprises salary, superannuation contributions (under the terms of the Woolworths Group Superannuation Scheme), the use of a fully maintained motor vehicle and, where appropriate, paid car parking facilities.

Short Term Incentive Plan

The variable remuneration comprises an annual cash incentive bonus under the Short Term Incentive Plan (STIP) payable upon achievement of Key Performance Indicators (KPIs), which set specific financial and trading performance targets for the year under review. In addition, individual KPIs are set for the senior management levels. These are adjusted at the commencement of each year to meet the specific objectives of each main business in which the Executive has responsibilities.

Group, Divisional and major business performance for the financial period has resulted in incentive bonus payments under the STIP for a substantial number of Managers and Executives in the Group on the basis of achievement of each KPI, at various levels, for each business.

In the financial period, the Personnel Policy Committee continued its review of the STIP, and as a result of the Committee's recommendations, the Board has agreed to further changes to the KPI targets and thresholds to more closely align Executives' remuneration with their respective business performance targets, other strategic business measures and where appropriate their individual objectives.

The STIP, together with the limitation on increases in fixed remuneration, has emphasised a structure which provides a more 'at risk' reward for Senior Managers and Executives, including a higher overall remuneration for superior and consistent performance across each of the KPIs and designated financial, trading and strategic objectives.

Long Term Incentive Plan

The other major performance based component of the remuneration strategies is the LTIP.

Under the LTIP, options are granted, but only vest subject to the achievement of specific market related performance hurdles. There is an Earnings Per Share (EPS) performance hurdle for 50% of the total grant in respect of the options grants in 1999, 2000 and 2001. This performance hurdle requires EPS growth at 8% per annum compound, over each of the first five years of the option period. There is also a market comparative Total Shareholder Return (TSR) performance hurdle, measured over the same five year period, for the remaining 50% of the options granted. To qualify for TSR vesting requires a minimum TSR at the 60th percentile of comparable companies in the ASX All Industrials Index. The maximum TSR vesting requires performance over the five years at the 75th percentile of the TSR Index. The vesting scale is set out in Note 25 to the Financial Statements.

The Personnel Policy Committee has reviewed the EPS and TSR performance hurdles, having regard to the objectives of the LTIP of ensuring that they require achievement of above market peer performance on both the EPS and TSR criteria. As a result of this review, the Board approved the grant of 6,514,000 options to 329 Executives in July 2002, and a further offer of 7,831,350 options to 1500 Executives and Senior Managers in August 2003, each grant being made on the basis of an increase in the EPS growth hurdle to 10% and 11% over the period of four years and five years from the grant date and achievement of the same TSR hurdle over the five years from the grant date as for previous grants of options under the LTIP.

The Board considers that the LTIP has been a major factor in providing the appropriate incentive for the superior performance by the Company over the past four years in the key areas of shareholder value creation and growth in shareholder returns. The LTIP has also been instrumental in the retention of the Company's key Executives and Senior Managers during a highly competitive period, particularly in the food retail industry

The Board also considers that both the STIP and LTIP have been successful in meeting the Company's financial and other corporate objectives by setting appropriate hurdles for achievement of performance based variable remuneration so as to ensure that rewards to Managers and Executives are commensurate with measurable improvements in Company, business unit and, where appropriate, individual performance across all of the critical financial and operating measures and strategic objectives, as well as being measured against designated real comparative gains in shareholder value and in particular strong EPS growth and superior TSR performance.

Details of the nature and amount of each element of the emoluments of Executive Directors and of the five additional Executive Officers for the Group and the Company receiving the highest emoluments for the financial year are detailed on page 36. Details of options granted to those Executive Directors and Executives are also shown on page 36. No options were issued to non-Executive Directors during the financial year. In addition to the emoluments disclosed, Directors and Executive Officers are eligible to receive a discount on personal purchases from stores operated by the Group identical to the discount available to all employees of the Group.

Directors' Statutory Report (continued)

Emoluments of Executive Directors and Executive Officers

	Salary $	Short Term Incentive Plan (STIP)(1) $	Other benefits(2) $	Superannuation contributions(3) $	Total cash emoluments $	Options granted during the financial year	Unvested Options as at 1 July 2002	Value of unvested options(4) $
Executive Directors								
R C Corbett	1,631,182	1,713,668	47,331	38,817	3,430,998	–	666,666	216,000
W P R Wavish	812,319	511,140	58,919	121,848	1,504,226	200,000*	600,000	73,200
Executive Officers								
K R McMorron	538,949	344,642	43,272	80,842	1,007,705	–	500,000	61,000
B Brookes	507,536	329,856	26,541	76,130	940,063	160,000	660,000	114,214
M Luscombe	507,536	274,080	11,882	76,130	869,628	160,000	590,000	107,114
N J Onikul	490,000	231,984	13,035	131,000	866,019	–	500,000	61,000
T Flood	490,869	271,168	21,194	73,630	856,861	160,000	360,000	77,614

Note:

1 *STIP payments made in the financial year to 29 June 2003 are based on performance for the financial year to 30 June 2002. Payments in respect of the year to 29 June 2003 were made in September 2003.*

2 *Other benefits include the cost to the Company of motor vehicles, where these are applicable. These amounts include fringe benefits tax, where applicable.*

3 *Superannuation contributions comprise Company and deemed member contributions and any additional voluntary contributions (AVCs) paid into the Executives' account in the Company's Superannuation Scheme in lieu of salaries or STIP payments.*

4 *The value of options granted in the financial year to 29 June 2003 and in prior periods, to Executive Directors and each of the five named Executives receiving the highest emoluments and which had not vested prior to the commencement of the 2003 financial period, has been included by law and in accordance with the Australian Securities and Investments Commission (ASIC) "Guidelines to valuing options in annual director's reports", released as an attachment to ASIC Media Release 03-202, dated 30 June 2003. These options have been valued using the Black-Scholes valuation methodology as at the respective date of option grant. The valuation takes into account the Company's share price at grant date; a risk free interest rate; the exercise price; the expected life of the option; the volatility in the price of underlying shares; expected dividends; and the probability of the options being forfeited. In respect of options issued under the LTIP only, this valuation is further adjusted to take into account the deemed probability of achieving the EPS and TSR performance hurdles assessed at the date of grant of the options. The total value of the options is then spread over the period from grant date to vesting date.*

* *These options will not vest or be exercisable under the terms of a current agreement between the Company and Mr Wavish.*

Details of the valuation of options granted during the year ended 29 June 2003 in respect of all Executives are set out in the Financial Report Note 25 "Employee Benefits".

Share options

During the financial year ended 29 June 2003, there were 6,514,000 options granted to acquire that number of unissued fully paid shares in the Company, and since the end of the period and up to the date of this Report, there are 7,831,350 options offered under the LTIP. As at the date of this Report, there are 38,165,775 options outstanding to acquire that number of unissued fully paid ordinary shares in the Company, particulars of the issue prices and the expiry dates of which are referred to on page 37. During, or since, the financial year and up to the date of this Report, 11,627,301 fully paid ordinary shares in Woolworths Limited have been issued by virtue of the exercise of certain of those options granted under the LTIP, Executive Share Option Plan (ESOP) or Executive Service Contracts (ESC). Details of amounts paid on the exercise of each of those options are set out opposite.

Shares issued during/since the financial year under LTIP, ESOP, ESC	Amount paid per share $
225,000	4.57
332,000	5.87
1,279,926	5.16
8,477,375	5.11
313,000	6.17
1,000,000	7.84

No person entitled to exercise any option granted under the ESOP, LTIP or the ESC has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Current Australian Accounting Standards do not require options to be recorded as an expense in the statement of financial performance. Had the options granted during the financial year been expensed, the impact on the statement of financial performance would have been to reduce operating net profit for the financial period to 29 June 2003 by $2.1 million.

Details of the number of outstanding options, as at the date of this Report, under each of the Company's Share Option Plans are set out below:

Options over unissued fully paid ordinary shares in Woolworths Limited granted and outstanding under Executive Share Option Plan (ESOP) and Long Term Incentive Plan (LTIP)

Option Grant Date	Plan Type	Option Expiry Date	Options Outstanding	Number of Holders	Exercise Price ($)
1 Mar 1999	ESOP	1 Mar 2004	282,000	39	5.16
1 July 1999	LTIP	1 July 2009**	21,590,625*	260	5.11
1 July 2000	LTIP	1 July 2010**	2,637,500*	42	6.17
1 July 2001	LTIP	1 July 2011**	7,213,650*	135	10.89
1 July 2002	LTIP	31 December 2007**	6,442,000*	323	12.94
Total	–	–	38,165,775	510	–

* *These options are subject to performance hurdles. July 1999, 2000 and 2001 options have partially vested.*

** *This is the latest date for exercise of options. LTIP Rules specify earlier available dates for exercise of a portion of vested options.*

There are no options on issue to the Executive Director as at 26 September 2003.

Executive Service Contracts

The Company has entered into Service Contracts with its Executives and Senior Managers during and since the financial year. The objective of these Contracts is to provide certainty and consistency in employment terms and performance-based remuneration incentives under the STIP and the LTIP.

Environmental regulation

Except as set out below, the operations of the Group are not subject to any particular and significant environmental regulation under a law of the Commonwealth of Australia or of any of its States or Territories.

The Woolworths Petrol operations are subject to regulations and standards governing the construction and operation of the facilities relating to the storage and dispensing of petroleum products.

The Group may also from time to time be subject to various State and Local Government food licensing requirements and environmental and town planning regulations incidental to the development of shopping centre sites.

As outlined in the Group Managing Director's Report on page 26 and 27 the Supermarkets Group has implemented a number of environmental initiatives involving the recycling of store and distribution centre plastic, green waste and cardboard waste. The Group has not incurred any significant liabilities under any environmental legislation.

Directors' and Officers' indemnity/insurance

(i) The Constitution of the Company provides for an indemnity (to the maximum extent permitted by law) in favour of each Director of the Company referred to on pages 30 and 31 of this Report, the Company Secretary, previous Directors and secretaries and all previous and present Executive Officers ('Officers'), against any liability to third parties (other than related Woolworths Group companies) incurred on or after 15 April 1994 by such Officers unless the liability arises out of conduct involving a lack of good faith. The indemnity includes costs or expenses incurred by an Officer in successfully defending proceedings or in connection with an application in which the court grants relief to the specified persons under the Corporations Act, 2001.

Directors' Statutory Report (continued)

(ii) Each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality.

(iii) During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring Officers (and any persons who are Officers in the future) against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998 pursuant to section 341(1) of the Corporations Act 2001 relating to the 'rounding off' of amounts in the Financial Report and Directors' Report. In accordance with that Class Order, amounts therein have been rounded off to the nearest tenth of a million dollars except where otherwise indicated.

This Report is made out in accordance with a Resolution of the Directors of the Company on 26 September 2003.

James Strong
Chairman

Roger Corbett
Group Managing Director/CEO

Corporate Governance

Board responsibilities and objectives

The Board of Directors of the Company acknowledges its accountability to shareholders for the creating of shareholder value and the safeguarding of shareholders' funds. The Board aims to achieve these objectives through the adoption and monitoring of corporate strategies, plans, policies and performance; the review of Chief Executive Officer and senior management performance, conduct and reward; the monitoring of the major risks of the Company's businesses; and by ensuring the Company has policies and procedures to satisfy its legal and ethical responsibilities.

Composition of the board/committees

The Board has adopted a policy of ensuring that it is composed of a majority of non-executive Directors who, with the executive Directors, comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. With the exception of the Chief Executive Officer, all of the Directors are non-executive Directors. The Chairman is selected from the non-executive Directors, each of whom is appointed to the Corporate Governance Committee. The non-executive Directors are also appointed to one of the Audit Committee, the Personnel Policy Committee or to the Board of Trustees of the Company's Superannuation Scheme. The Audit Committee and Personnel Policy Committee have each adopted comprehensive Charters defining their role and responsibilities, as summarised in this Report.

Directors' policy statements

The Directors have approved and adopted Policy Statements setting out their fiduciary duties relating to:

- Exercise of due care and diligence;
- Ensuring disclosure of material matters;
- Dealing with conflict of interest and duties;
- Access to information and independent advice;
- Confidentiality;
- Dealing in securities of the Company and insider trading; and
- Fair, open, ethical and honest standards of conduct and dealing.

Corporate governance committee

The Corporate Governance Committee consists of the non-executive Directors and its main responsibilities are to review all matters relating to corporate governance, including the composition, criteria for membership, appointment, retirement and performance of the Board of Directors, the Board Committees and the Chief Executive Officer of the Company.

Directors' independent advice

The Directors, the Board and the Board Committees are empowered to seek external professional advice, as considered necessary, at the Company's expense, subject to prior consultation with the Chairman. If appropriate, any advice so received will be made available to all Directors.

Audit committee

The Audit Committee of Directors is comprised of non-executive Directors who, at the date of this Report, are: Messrs L M L'Huillier (Chairman) and J A Strong and Dr R S Deane.

The Audit Committee provides advice and assistance to the Woolworths Board in fulfilling the Board's responsibilities relating to the Group's risk management, financial statements, financial and market reporting processes, internal accounting and control systems, internal and external audit and such other matters as the Board may request from time to time.

The Committee also provides advice to the Board on legal and regulatory compliance, including health and safety, privacy, environment, trade practices and fair trading, trade weights and measures, and employment obligations.

The Audit Committee processes are designed to establish a proactive framework and dialogue in which the Committee, management and external and internal auditors review and assess the quality of earnings, liquidity and strength of the statements of financial performance and financial position, and transparency and accuracy of reporting. The Audit Committee recommends any actions it deems appropriate to the Board for its consideration.

Composition

- Membership: The Audit Committee is comprised of at least three independent non-executive members of the Board, appointed by the Board.
- Qualifications: All members have appropriate business and financial expertise to act effectively as members of the Committee, as determined by the Board.
- Chair: The Chair of the Committee is an independent non-executive Director who is not the Chairman of the Board.
- Secretary: The Secretary of the Audit Committee is appointed by the Board and has responsibility for circulating minutes and matters arising from each meeting to all members of the Committee and the Board.

Access and reporting

- Direct Access: The Audit Committee maintains direct, unfettered access to external auditors, internal auditors and management. The Committee meets regularly with external and internal auditors and the Board and Committee meet with the external auditors, at least twice a year without any management present. The Committee has full access to the Group's records and personnel.
- Reports: The key issues and reports discussed at each Committee meeting are reported to the Board by the Chairman of the Committee at the immediately following Board meeting.

Responsibilities

The Committee reviews and approves, annually, the overall audit strategy of the Group which uses a risk framework to identify, assess and assign accountability for risk and audit procedures. This ensures that the activities of external and internal audit are focussed and co-ordinated and that there is no duplication of effort.

- Risk Management: The Committee oversees the risk management framework of the Group, and reviews risk management reports.
- Accounting Standards and Quality: The Committee oversees the adequacy and effectiveness of the Group's accounting and financial policies and controls and risk management systems, and seeks assurance of compliance with relevant regulatory and statutory requirements.
- Financial Reports: The Committee oversees the Group's financial reporting processes and reports on the results of its activities to the Board. Specifically, the Committee reviews with management and the external auditor the Group's annual and interim financial statements, and reports to shareholders.
- Internal Controls: The Committee examines the adequacy of the nature, extent and effectiveness of the internal control processes of the Group.
- Special Reviews: The Committee undertakes other special duties as requested by the Board.
- Independent Advice: The Committee has the authority and resources to engage independent legal, accounting and other advice to carry out its duties.
- Complaint Handling Procedures: The Committee has established procedures to review any complaints concerning accounting matters received by the Company, including any confidential and anonymous submissions by employees.

External audit appointment and supervision

- Appointment: The Committee nominates the external auditor to the Board for appointment by shareholders, and this appointment is reviewed every three years, with a maximum tender period of five years. Audit performance is reviewed annually.
- Partner Rotation: The Company requires the lead client service audit partner to rotate every five years, regardless of the outcome of the audit tender.
- Independence: The Company will not invite to be appointed as Directors any ex-audit partners, and any proposed appointment in a management position will be subject to Board consent.
- Consulting: The Audit Committee reviews all non audit related 'consulting' tenders/submissions from the accounting firms. However, the Audit Committee has not set any nominal 'cap' on the level of non audit services to be performed by the external auditors, as they consider that this may restrict the ability for the Company to access the best advisors for the particular task. The Committee has procedures to review proposed services by the providers of the external audit which are unrelated to audit assurance activities.
- Audit Plans: Each year, the Audit Committee reviews and approves the overall scope and plans for the audit activities, including staffing and fees.
- Audit Reports: The Committee reviews all audit reports provided by the external auditor.

Internal audit appointment and supervision

- Appointment: The Audit Committee is involved in the performance assessment and appointment or termination of the senior internal auditor.
- Audit Plans: The Audit Committee consults with the internal auditor on the overall scope, plans and budget for internal audit activities.
- Reports: The Committee reviews all key internal audit reports.
- Access: The Committee has regular direct access to the senior internal auditor, who reports directly to the Group Managing Director.

Personnel policy committee

The Personnel Policy Committee of Directors is comprised of non-executive Directors, who at the date of this Report are: Ms D J Grady (Chair), Prof. A E Clarke and Mr J A Strong.

The Personnel Policy Committee's role is to ensure that the appropriate human resource strategies are in place, that the remuneration policies and practices of the Company are consistent with its strategic and financial goals and human resource objectives, and that processes are in place for succession planning and management development.

In carrying out this role, the Committee operates independently of senior management of the Company in its recommendations to the Board in relation to:

1 Reviewing the Company's overall remuneration policies and strategies;
2 Reviewing, on an annual basis, the Management/Executive Salary and Remuneration Programme and Senior Executive/Chief Executive Officer remuneration structure and levels, including the Short Term Incentive Plan providing for performance related incentive bonuses and the LTIP allocations;
3 Reviewing performance evaluation procedures for the Chief Executive Officer and Senior Executives;
4 Monitoring the Chief Executive Officer and Senior Executive Appraisal and Succession Planning Programmes, and ensuring the Executive Development Programmes are appropriate to the Company's needs;
5 Determining and monitoring the effectiveness of the major elements of the remuneration packages and other terms and conditions of appointment and continuing employment of Senior Executives of the Company;
6 Reviewing and recommending, on independent advice, non-executive Directors' remuneration (within the maximum amount approved by shareholders) and their retirement benefits in accordance with a shareholder approved scheme, the Constitution of the Company and the Corporations Act 2001.

The Personnel Policy Committee meets on a regular basis to carry out its responsibilities.

During the financial period and up to the date of this Report, the Committee has continued its review of the overall remuneration structure for Senior Management and Executive levels. The objective of this review was to make the remuneration for management more performance based and to align their interests more closely with those of the Company's shareholders through growth in shareholder returns.

This review has resulted in adjustments to both the Short Term Incentive Plan (STIP) and long term incentive plan (LTIP) structures. Details of these changes are set out in the Directors' Statutory Report on page 35.

The Committee will continue to closely monitor the application of these changes to the remuneration structure to ensure they meet the Committee's objectives in attracting and retaining the highest calibre of management to operate and grow the Company, to align their interests as closely as possible to those of our shareholders and to provide rewards to Executives and Management commensurate with increases in shareholder wealth.

Executive options

The Board has consistently endorsed the principle that full disclosure of options granted to executives be provided to shareholders to enable them to be fully informed.

Details of the Company's Long Term Incentive Plan (LTIP), under which options have been granted or offered to Executives and Senior Managers, are set out on page 35 of the Directors' Report.

The LTIP was established, with shareholder approval at the Annual General Meeting in 1999, as part of the Company's remuneration policy to place a stronger focus on longer term performance related remuneration linked to increases in shareholder returns.

The performance based hurdles of Earnings per Share (EPS) and Total Shareholder Return (TSR) were set at levels which the Board regarded as demanding and at the leading edge of performance based executive option plans in corporate Australia.

The Board believes that the LTIP has been integral to the Company's recent strong performance due to:

- The design of the LTIP as linking executive reward to increases in shareholder value; and
- The demanding performance targets on both EPS and TSR measures; and
- Full disclosure of the LTIP in the Company's reports; and
- The retention of the Key Executive team over the last 3 years despite comparative industry instability.

During the period the LTIP has been in place, the value of Woolworths Limited shares has added over $7 billion to shareholders' wealth, an increase of over 125% in 4 years.

Corporate Governance (continued)

Employee share plans

In addition to LTIP, the Company has established plans for the allocation of shares to over 50,000 of its permanent employees, the largest employee shareholder base of all listed Australian corporations. Details of these Plans are set out in Note 25: Employee Benefits.

The Plans are aimed at providing to Woolworths' employees the benefits of holding shares in the Company, as well as the perspective and expectations of a Woolworths' shareholder.

Risk management

Management of risk is an essential element of the Company's strategy. Within the common policy framework and controls set by the Company, the internal audit function has established a process to identify, assess and control material risks across the Group. Each business unit is responsible for the implementation of policies and procedures to manage those risks.

The policies and activities relating to risk management – including interest rate risk, credit risk and liquidity risk, as well as business continuity, disaster recovery and regulatory compliance – are regularly monitored by the Audit Committee.

Corporate conduct

The Board has endorsed the Company's longstanding corporate governance policies applicable to all levels of management in the following key areas:

1 Business Conduct/Ethics
2 Trade Practices/Fair Trading Practices
3 Tendering and Supply Arrangements
4 Trading in Company Shares/Options
5 Conflicts of Interest/Confidentiality
6 Gifts and Gratuities/Political Donations
7 Occupational Health and Safety/Discrimination
8 Equal Employment Opportunity
9 Continuous Disclosure

These Policies have been incorporated in a Code of Conduct which applies to all employees, and sets out the standards within which they are expected to act. The Policies are aimed at the maintenance of standards of honesty, integrity and fair dealing by all employees in their dealings with customers, suppliers, the community, competitors and each other in the performance of their duties and responsibilities.

Corporate Governance Statement

The Australian Stock Exchange ("ASX") Corporate Governance Council released "Principles of Good Corporate Governance and Best Practice Recommendations" on 31 March 2003. These ASX Principles have been incorporated in the ASX Listing Rules for reporting purposes. Woolworths has reviewed its current Corporate Governance Polices and Practices against the ASX Principles, and has had in place most of the ASX Principles for the financial year to 29 June 2003.

In respect of ASX Principle 4 – Integrity in financial reporting; Principle 5 – Disclosure; Principle 6 – Rights of shareholders at Company meetings and Principle 7 – Risk Management, these have been implemented, through practices and procedures which have been previously adopted and are in the course of review by the Company or the Board, for the purpose of expanding and incorporating them into a more formal process.

The ASX Principles are also under review, as well as other proposals relating to corporate governance practices which are being developed by the Financial Reporting Council in conjunction with the professional Australian accounting bodies and other government and regulatory stakeholders. Woolworths will ensure its policies and practices in the critical areas of financial reporting and good corporate governance achieve the highest level of compliance.

2003 Financial Report to Shareholders

Five Year Summary

	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks	1999 52 Weeks
Profit and Loss					
Sales[1] ($m)					
Food and Liquor	21,039.0	19,595.0	16,772.3	15,251.3	14,247.0
Petrol	1,710.5	1,119.3	747.1	472.5	316.4
Total supermarkets	22,749.5	20,714.3	17,519.4	15,723.8	14,563.4
BIG W	2,500.3	2,280.5	2,069.8	1,913.9	1,788.0
Consumer electronics	791.2	659.0	418.0	338.2	298.6
Total general merchandise	3,291.5	2,939.5	2,487.8	2,252.1	2,086.6
Continuing operations	26,041.0	23,653.8	20,007.2	17,975.9	16,650.0
Wholesale	280.4	819.2	697.8	675.3	520.7
Other discontinued operations[2]	–	–	210.1	337.6	356.6
Total group	**26,321.4**	**24,473.0**	**20,915.1**	**18,988.8**	**17,527.3**
Earnings Before Interest and Tax ($m)					
Food and Liquor	825.1	734.7	614.0	534.0	451.5
Petrol	29.9	12.7	4.6	(1.0)	(2.9)
Total supermarkets	855.0	747.4	618.6	533.0	448.6
BIG W	103.7	93.5	83.4	74.3	62.2
Consumer electronics	37.0	28.0	30.8	26.0	20.8
Total general merchandise	140.7	121.5	114.2	100.3	83.0
Total trading operations	995.7	868.9	732.8	633.3	531.6
Net property income	26.6	34.2	33.1	24.8	33.0
Head office overheads	(76.7)	(77.8)	(59.0)	(50.2)	(40.5)
Total unallocated[3]	(50.1)	(43.6)	(25.9)	(25.4)	(7.5)
Continuing operations	945.6	825.3	706.9	607.9	524.1
Wholesale	0.1	7.4	5.0	2.9	(2.1)
Other discontinued operations[2]	–	–	(5.3)	10.8	17.4
Total group	**945.7**	**832.7**	**706.6**	**621.6**	**539.4**
EBIT to Sales %					
Supermarkets	3.76	3.61	3.53	3.39	3.08
BIG W	4.15	4.10	4.03	3.88	3.48
Consumer electronics	4.68	4.25	7.37	7.69	6.97
Wholesale	0.04	0.90	0.72	0.43	(0.40)
Other discontinued operations	–	–	(2.52)	3.20	4.88
Total	**3.59**	**3.40**	**3.38**	**3.27**	**3.08**

	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks	1999 52 Weeks
Profit & Loss ($m)					
Sales	26,321.4	24,473.0	20,915.1	18,988.8	17,527.3
Cost of goods sold	19,703.0	18,296.0	15,561.0	13,983.4	12,790.3
Gross profit	**6,618.4**	**6,177.0**	**5,354.1**	**5,005.4**	**4,737.0**
Gross profit margin %	25.14	25.24	25.60	26.36	27.03
Cost of doing business (CODB)	(5,672.7)	(5,344.3)	(4,647.5)	(4,383.8)	(4,197.6)
CODB %	21.55	21.84	22.22	23.09	23.95
Selling, general and admin expenses (Excluding, rent, depreciation and amortisation)	(4,515.7)	(4,288.3)	(3,737.7)	(3,548.3)	(3,400.0)
EBITDAR	2,102.7	1,888.7	1,616.4	1,457.1	1,337.0
EBITDAR margin %	7.99	7.72	7.73	7.67	7.63
Rent (including fitout rent)	(758.7)	(705.0)	(600.0)	(546.7)	(527.7)
EBITDA	**1,344.0**	**1,183.7**	**1,016.4**	**910.4**	**809.3**
EBITDA margin (%)	5.11	4.84	4.86	4.79	4.62
Depreciation	(370.9)	(327.7)	(300.7)	(282.8)	(265.0)
Amortisation of goodwill	(27.4)	(23.3)	(9.1)	(6.0)	(4.9)
EBIT	**945.7**	**832.7**	**706.6**	**621.6**	**539.4**
EBIT margin (%)	3.59	3.40	3.38	3.27	3.08
Interest	(39.7)	(50.5)	(13.1)	(27.8)	(45.5)
WIN's interest	(41.1)	(39.8)	(47.7)	(26.1)	–
Profit before tax and abnormal items	**864.9**	**742.4**	**645.8**	**567.7**	**493.9**
Taxation	(255.0)	(218.5)	(217.4)	(203.6)	(181.3)
Profit after tax and before abnormal items	**609.9**	**523.9**	**428.4**	**364.1**	**312.6**
Adjustment for change in company tax rate	–	–	–	(8.4)	–
Abnormal items after tax	–	–	–	(60.1)	(55.3)
Outside equity interest	(0.4)	(0.7)	(0.4)	(0.1)	(0.3)
Net operating profit after tax and servicing income notes	**609.5**	**523.2**	**428.0**	**295.5**	**257.0**

Five Year Summary (continued)

	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks	1999 52 Weeks
Balance Sheet ($m)					
Funds employed					
Inventory	1,843.1	1,838.4	1,731.8	1,648.3	1,652.6
Accounts payable	(2,078.9)	(2,000.6)	(1,666.4)	(1,571.8)	(1,281.1)
Net investment in inventory	**(235.8)**	**(162.2)**	**65.4**	**76.5**	**371.5**
Fixed assets and investments	2,485.0	2,366.8	2,275.7	2,195.5	2,218.0
Intangibles	555.3	545.0	313.4	145.0	133.8
Receivables	543.1	496.6	318.6	297.0	289.2
Other creditors	(1,186.1)	(989.6)	(855.5)	(798.8)	(653.1)
Total funds employed[(4)]	**2,161.5**	**2,256.6**	**2,117.6**	**1,915.3**	**2,359.4**
Net tax balances	21.3	(7.9)	(49.0)	(64.4)	(28.3)
Provision for dividend[(5)]	–	(188.9)	(155.4)	(137.8)	(115.2)
Net assets employed	**2,182.8**	**2,059.8**	**1,913.2**	**1,713.1**	**2,215.9**
Net repayable debt[(6)]	(359.6)	(237.3)	(387.6)	(82.2)	(731.3)
Net assets	**1,823.2**	**1,822.5**	**1,525.6**	**1,630.9**	**1,484.6**
Noteholders' equity (WIN's)	583.0	583.0	583.0	583.0	–
Outside shareholders' equity	4.8	4.4	3.7	3.3	3.2
Shareholders' equity	1,235.4	1,235.1	938.9	1,044.6	1,481.4
Total equity	**1,823.2**	**1,822.5**	**1,525.6**	**1,630.9**	**1,484.6**
Cash Flow ($m)					
EBITDA	1,344.0	1,183.7	1,016.4	910.4	809.3
Movement in net investment in inventory	76.1	247.8	34.6	276.1	4.6
Other operating cash flows	155.5	38.7	8.7	56.7	(11.5)
Net interest paid (including cost of income notes)	(82.3)	(97.4)	(72.7)	(58.3)	(53.7)
Tax paid	(283.8)	(238.1)	(225.7)	(142.7)	(174.7)
Operating cash flow	**1,209.5**	**1,134.7**	**761.3**	**1,042.2**	**574.0**
Payments from property, plant and equipment	(593.4)	(596.7)	(537.4)	(420.8)	(764.9)
Proceeds on disposal of property Plant and equipment	114.5	203.8	173.1	111.0	145.7
Other investing cash flows	(65.3)	(350.9)	(154.2)	35.9	(17.8)
Free cash flow	**665.3**	**390.9**	**242.8**	**768.3**	**(63.0)**
Movement in gross debt	118.3	(114.4)	211.5	(519.8)	290.9
Other	–	–	–	–	–
Dividends paid	(307.3)	(251.5)	(212.1)	(173.5)	(154.1)
Proceeds from WIN's	–	–	–	583.0	–
(Advances)/repayments of employee loans	(25.5)	(42.7)	(30.8)	(19.1)	(14.2)
Buyback of shares	(534.1)	–	(349.4)	(548.4)	–
New shares issued	75.6	56.7	44.0	26.9	22.7
Net cash flow	**(7.7)**	**39.0**	**(94.0)**	**117.4**	**82.3**

	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks	1999 52 Weeks
Shareholder Value					
ROFE[7] Pre-tax return on funds employed					
Normal	42.81	38.07	35.04	29.08	24.43
Total	42.81	38.07	35.04	24.69	20.52
DU PONT analysis (abnormals excluded) (%)					
EBIT to sales	3.59	3.40	3.38	3.27	3.08
Service burden[8]	91.46	89.15	91.40	91.33	91.56
Tax burden[9]	70.52	70.57	66.34	64.14	63.29
Asset turn[10]	4.53	4.53	4.23	3.99	3.99
Financial leverage[11]	4.70	4.97	4.99	3.77	3.08
Return on equity[12]	49.34	48.13	43.19	28.92	21.88
Earnings per share					
Ordinary share price closing	12.68	13.15	10.85	6.18	5.00
Market capitalisation ($ millions)	12,945.0	13,797.0	11,235.2	6,550.8	5,764.2
Weighted average shares on issue	1,049.2	1,041.3	1,065.8	1,125.0	1,146.2
Normal basic EPS[13] (cents per share)	58.09	50.24	40.16	32.36	27.25
Total basic EPS[14] (cents per share)	58.09	50.24	40.16	26.27	22.42
EPS pre goodwill amortisation	60.70	52.48	41.01	32.89	27.67
Interim dividend ($m)	192.0	157.0	128.70	105.70	91.90
Interim dividend (cents per share)	18.0	15.0	12.0	10.0	8.0
Final dividend ($m)	215.1	188.9	155.4	137.8	115.3
Final dividend (cents per share)	21.0	18.0	15.0	13.0	10.0
Total dividend ($m)	407.1	345.9	284.1	243.5	207.2
Total dividend (cents per share)	39.0	33.0	27.0	23.0	18.0
Payout ratio (before abnormals) (%)	66.79	66.11	66.37	66.88	66.28
Payout ratio (after abnormals) (%)	66.79	66.11	66.37	82.40	80.63
Price/earnings ratio (times)	21.8	26.2	27.0	23.5	22.3
Price/cash flow ratio (times)	11.03	12.06	15.28	6.64	10.00
Growth rates (% increase)					
Sales	7.55	17.01	10.14	8.34	9.54
Sales per equivalent week	9.62	14.90	10.14	8.34	9.54
Sales per square metre	3.73	4.45	5.64	4.66	1.92
EBITDA	13.54	16.46	11.63	12.49	9.53
EBIT	13.57	17.84	13.67	15.24	4.49
Profit before tax and abnormal items	16.50	14.96	13.76	14.94	4.33
Profit after tax and servicing income notes	16.49	22.24	44.84	14.98	(8.02)
Normal basic EPS	15.63	25.10	24.12	18.75	2.68

Five Year Summary (continued)

	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks	1999 52 Weeks
Financial Strength					
Service cover ratio (times)	11.70	9.22	11.62	11.53	11.85
Fixed charges cover (times)	2.50	2.32	2.40	2.40	2.30
Sales to Inventory(15)	14.30	13.71	12.38	11.51	10.90
Capital expenditure to EBITDA (%)	44.15	50.42	52.88	46.22	94.52
Operating cash flow per share	1.15	1.09	0.71	0.93	0.50
Repayable gearing (%)(16)	16.47	11.52	20.26	4.80	33.01
Serviced gearing (%)(17)	43.18	39.82	50.73	38.83	33.00
Current assets to current liabilities (%)	80.79	83.55	80.71	90.37	109.85
Productivity					
Stores (number)					
Supermarkets					
NSW & ACT	228	227	198	192	178
Queensland	141	130	115	112	111
Victoria	175	171	151	149	145
South Australia & Northern Territory	63	60	53	51	45
Western Australia	58	59	57	52	52
Tasmania	29	29	29	29	28
Total Supermarkets	**694**	**676**	**603**	**585**	**559**
Freestanding Liquor	164	139	130	41	42
Plus Petrol	287	256	166	137	98
General Merchandise					
BIG W	104	96	90	87	85
Dick Smith Electronics	153	147	138	123	119
Dick Smith Electronics Powerhouse	16	15	9	6	4
Tandy	179	204	222	–	–
Crazy Prices	–	–	–	135	117
Rockmans	–	–	–	–	258
Total	**1,597**	**1,533**	**1,358**	**1,114**	**1,282**

	June 02	Opened	Closed	June 03
Stores (movement)				
Supermarkets				
New South Wales	227	2	1	228
Queensland	130	12	1	141
Victoria	171	4	0	175
South Australia & Northern Territory	60	5	2	63
Western Australia	59	1	2	58
Tasmania	29	0	0	29
Total Supermarkets movements	**676**	**24**	**6**	**694**
Freestanding Liquor	139	34	9	164
Plus Petrol	256	31	0	287
General Merchandise				
BIG W	96	8	0	104
Dick Smith Electronics	147	7	1	153
Dick Smith Electronics PowerHouse	15	1	0	16
Tandy	204	0	25	179
Total store movements	**1,533**	**105**	**41**	**1,597**

	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks	1999 52 Weeks
Area (sqm)					
Supermarkets	1,574,640	1,499,696	1,344,246	1,254,744	1,206,202
General Merchandise	695,338	640,832	602,718	614,515	619,333
Total	**2,269,978**	**2,140,528**	**1,946,964**	**1,869,259**	**1,825,535**
Sales per square metre (normalised 52 weeks)					
Supermarkets (excluding petrol)	13,361.1	12,819.7	12,477.1	12,154.9	11,811.5
General Merchandise	4,733.7	4,513.5	4,127.6	3,664.8	3,369.1
Total	**10,718.4**	**10,332.9**	**9,892.4**	**9,363.8**	**8,947.3**

Notes to statistics

1 *Sales for 1999 and 2000 have been restated to exclude WST.*

2 *Other discontinued operations include Chisholm Manufacturing and Crazy Prices sold in 2001 and Rockmans sold in 2000.*

3 *Unallocated expense represents corporate costs relating to the Woolworths Group as a whole, and profits derived by the Group's corporate property division including the disposal of development properties. These amounts are not identifiable against any particular operating segment and accordingly they remain unallocated, as required by Accounting Standard AASB 1005.*

4 *Funds employed is net assets excluding net tax balances, provision for dividends and net debt.*

5 *Following the introduction of AASB 1044, Provisions, Contingent Liabilities and Contingent Assets, which is effective for the year ended 29 June 2003, no provision for the final dividend has been raised at 29 June 2003 as the dividend had not been declared, determined or publicly recommended as at the balance date.*

6 *Net repayable debt is gross debt less cash on hand, cash at bank and cash on short term deposit.*

7 *Return on funds employed (ROFE) is EBIT as a percentage of average funds employed for the year.*

8 *Service burden is net operating profit before income tax expressed as a percentage of EBIT before abnormal items.*

9 *Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.*

10 *Asset turn is Total Sales divided by average Total Assets for the year.*

11 *Financial leverage is average Total Assets divided by average Shareholders' Funds for the year.*

12 *Return on equity is profit after income tax attributable to shareholders, divided by average shareholders' funds for the year.*

13 *Normal Basic Earnings Per Share (Normal EPS) is Profit After Tax and servicing WIN's divided into the weighted average number of ordinary shares on issue during the period. The weighted average number of shares on issue has been calculated in accordance with Accounting Standard AASB 1027. Normal EPS excludes abnormal items that arose in 1999 and 2000.*

14 *Total basic earnings per share is Profit After Tax attributable to Members of the Company and servicing WIN's divided into the weighted average number of ordinary shares on issue during the year. The weighted average number of ordinary shares on issue has been calculated in accordance with Accounting Standard AASB 1027. Fully diluted EPS is not significantly different from basic EPS.*

15 *Sales to inventory is total sales for the period divided by average inventory.*

16 *Repayable gearing is net repayable debt divided by net repayable debt plus total equity.*

17 *Serviced gearing is net repayable debt plus WIN's divided by net repayable debt plus total equity.*

Statement of Financial Performance

	Note	Consolidated 52 weeks ended 29 June 03 $m	Consolidated 53 weeks ended 30 June 02 $m	Woolworths Limited[1] 52 weeks ended 29 June 03 $m	Woolworths Limited[1] 53 weeks ended 30 June 02 $m
Revenue from sale of goods	2a	26,321.4	24,473.0	23,301.1	8,312.2
Other operating revenue	2a	493.2	511.8	419.4	252.0
Total revenue from operations		26,814.6	24,984.8	23,720.5	8,564.2
Cost of sales		(20,196.2)	(18,807.8)	(17,889.4)	(6,419.0)
Gross profit		6,618.4	6,177.0	5,831.1	2,145.2
Other non-operating revenue from ordinary activities	2b	139.7	245.0	444.6	308.0
Share of profit/(loss) in associated company accounted for using the equity method	10b	1.6	(0.3)	–	–
Branch expenses		(4,418.0)	(4,297.5)	(3,791.7)	(1,486.0)
Administration expenses		(1,396.0)	(1,291.5)	(1,223.8)	(490.3)
Earnings before interest and tax		945.7	832.7	1,260.2	476.9
Interest expense	3	(53.0)	(60.1)	(52.1)	(59.1)
Interest income	3	13.3	9.6	12.5	8.3
Net profit from ordinary activities before income tax expense		**906.0**	**782.2**	**1,220.6**	**426.1**
Income tax expense	5	(255.0)	(218.5)	(232.1)	(36.1)
Net profit from ordinary activities after income tax expense		**651.0**	**563.7**	**988.5**	**390.0**
Net profits attributable to outside equity interests		(0.4)	(0.7)	–	–
Net profit attributable to the members of Woolworths Limited		**650.6**	**563.0**	**988.5**	**390.0**
(Increase)/decrease in foreign currency translation reserve	19	(0.4)	1.3	–	–
Adjustment due to change in AASB 1028, “Employee Benefits”		(31.9)	–	(28.6)	–
Total revenue, expense and valuation adjustments attributable to members of Woolworths Limited recognised directly in equity		(32.3)	1.3	(28.6)	–
Total changes in equity other than those resulting from transactions with owners as owners		**618.3**	**564.3**	**959.9**	**390.0**
Earnings per share (EPS)					
Basic EPS (cents per share)	18	58.09	50.24	–	–
Diluted EPS (cents per share)	18	57.20	49.30	–	–
Weighted average number of shares used in the calculation of basic EPS (million)	18	1,049.2	1,041.3	–	–
Reconciliation of retained profits					
Retained profits at beginning of period		457.2	279.9	8.4	4.1
Reversal of provision for final dividend (upon adoption of AASB 1044, “Provisions, Contingent Liabilities and Contingent Assets”)	6	188.9	–	188.9	–
Adjustment due to change in AASB 1028, “Employee Benefits”		(31.9)	–	(28.6)	–
Net profit attributable to the members of Woolworths Limited		650.6	563.0	988.5	390.0
Woolworths Income Notes distribution		(41.1)	(39.8)	(41.1)	(39.8)
Dividends paid or provided	6	(380.9)	(345.9)	(380.9)	(345.9)
Special dividend of $8.52 per fully paid ordinary share paid to shareholders participating in off market buy-backs	6	(397.6)	–	(397.6)	–
Retained profits at end of period		**445.2**	**457.2**	**337.6**	**8.4**

The statement of financial performance should be read in conjunction with the notes to the financial statements set out on pages 55 to 98.

(1) As part of an internal reconstruction of operations, Woolworths Limited acquired the retail businesses of certain subsidiaries of the economic entity on 1 July 2002. The cost of acquisition represents the fair value of assets and liabilities acquired and was effected as a movement through loans to controlled entities.

Statement of Financial Position

	Note	Consolidated		Woolworths Limited[1]	
		As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
Current assets					
Cash		287.3	295.0	267.4	224.2
Receivables	8	242.4	258.6	183.9	85.3
Inventories		1,843.1	1,838.4	1,482.6	585.6
Property, plant and equipment	12	133.7	98.3	–	–
Other	9	114.1	97.7	98.4	39.5
Total current assets		**2,620.6**	**2,588.0**	**2,032.3**	**934.6**
Non-current assets					
Receivables	8	186.0	139.5	1,127.8	1,776.5
Investments accounted for using the equity method	10	1.6	–	–	–
Other financial assets	11	1.2	1.2	106.0	105.9
Property, plant and equipment	12	2,348.5	2,267.3	1,504.9	562.9
Intangibles	13	555.3	545.0	382.6	216.3
Deferred tax assets – timing differences		172.6	181.8	176.6	82.4
Other	9	0.6	0.8	0.6	0.8
Total non-current assets		**3,265.8**	**3,135.6**	**3,298.5**	**2,744.8**
Total assets		**5,886.4**	**5,723.6**	**5,330.8**	**3,679.4**
Current liabilities					
Accounts payable		2,078.9	2,000.6	1,933.7	1,265.6
Accruals		541.9	440.1	455.4	212.5
Interest bearing liabilities	14	150.5	34.1	150.0	33.3
Current tax liabilities		144.1	113.4	141.8	25.3
Provisions	16	328.2	509.6	297.9	330.3
Total current liabilities		**3,243.6**	**3,097.8**	**2,978.8**	**1,867.0**
Non-current liabilities					
Interest bearing liabilities	14	496.4	498.2	483.0	482.9
Deferred tax liabilities		7.2	76.3	–	–
Provisions	16	316.0	228.8	293.2	95.6
Total non-current liabilities		**819.6**	**803.3**	**776.2**	**578.5**
Total liabilities		**4,063.2**	**3,901.1**	**3,755.0**	**2,445.5**
Net assets		**1,823.2**	**1,822.5**	**1,575.8**	**1,233.9**
Equity					
Contributed equity	17	606.5	593.8	606.5	593.8
Reserves	19	183.7	184.1	48.7	48.7
Retained profits		445.2	457.2	337.6	8.4
Equity attributable to the members of Woolworths Limited		**1,235.4**	**1,235.1**	**992.8**	**650.9**
Woolworths Income Notes	21	583.0	583.0	583.0	583.0
Outside equity interest in controlled entities:					
Reserves		0.9	0.9	–	–
Retained profits		3.9	3.5	–	–
Total outside equity interest		**4.8**	**4.4**	**–**	**–**
Total equity	20	**1,823.2**	**1,822.5**	**1,575.8**	**1,233.9**

The statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 55 to 98.

(1) As part of an internal reconstruction of operations, Woolworths Limited acquired the retail businesses of certain subsidiaries of the economic entity on 1 July 2002. The cost of acquisition represents the fair value of assets and liabilities acquired and was effected as a movement through loans to controlled entities.

Statement of Cash Flows

	Consolidated		Woolworths Limited[1]	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
Cash flows from operating activities				
Receipts from customers	27,963.8	25,704.7	24,647.6	8,705.5
Receipts from vendors and tenants	364.9	477.0	297.3	241.8
Payments to suppliers and employees	(26,766.6)	(24,722.1)	(23,540.4)	(8,348.8)
Dividends received from related entities	–	–	404.1	239.1
Interest and other borrowing costs paid	(54.5)	(67.2)	(53.6)	(66.2)
Interest received	13.3	9.6	12.5	8.3
Income tax paid	(283.8)	(238.1)	(242.5)	(20.8)
Other	13.5	10.6	13.5	10.6
Net cash provided by operating activities	**1,250.6**	**1,174.5**	**1,538.5**	**769.5**
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment	114.5	203.8	25.5	37.6
Proceeds from the sale of businesses	–	5.7	–	5.7
Proceeds from sale of investment	–	11.2	–	11.2
Payments for property, plant and equipment	(593.4)	(596.7)	(444.1)	(223.6)
Payment for purchase of investments	–	–	–	(7.1)
Advances of employee loans	(25.5)	(42.7)	(25.5)	(42.7)
Loans to related entities	(102.7)	(139.9)	(424.4)	(114.5)
Loans repaid by related entities	78.9	80.0	78.9	80.0
Payment for purchase of businesses	(41.5)	(307.9)	(18.2)	(143.1)
Net cash used in investing activities	**(569.7)**	**(786.5)**	**(807.8)**	**(396.5)**
Cash flows from financing activities				
Proceeds from issue of shares	75.6	56.7	75.6	56.7
Payments for buy-back of shares	(534.1)	–	(534.1)	–
(Repayment of)/proceeds from short term deposits	3.7	(2.2)	3.7	(1.9)
Proceeds from external borrowings	4,858.9	1,369.4	4,857.8	1,368.0
Repayment of external borrowings	(4,744.3)	(1,481.6)	(4,742.1)	(1,476.9)
Dividends paid	(307.3)	(251.5)	(307.3)	(251.5)
Woolworths Income Notes distribution	(41.1)	(39.8)	(41.1)	(39.8)
Net cash used in financing activities	**(688.6)**	**(349.0)**	**(687.5)**	**(345.4)**
Net increase/(decrease) in cash held	(7.7)	39.0	43.2	27.6
Cash at the beginning of the financial period	295.0	256.0	224.2	196.6
Cash at the end of the financial period	**287.3**	**295.0**	**267.4**	**224.2**

The statement of cashflows should be read in conjunction with the notes to the financial statements set out on pages 55 to 98.

(1) As part of an internal reconstruction of operations, Woolworths Limited acquired the retail businesses of certain subsidiaries of the economic entity on 1 July 2002. The cost of acquisition represents the fair value of assets and liabilities acquired and was effected as a movement through loans to controlled entities.

	Consolidated		Woolworths Limited[1]	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
Non-cash financing and investing activities				
Dividend Reinvestment Plan				
In accordance with the Company's Dividend Reinvestment Plan 19% (2002:20%) of the dividend paid was reinvested in the shares of the Company.				
Dividends paid (excluding special buy-back dividend)	380.9	312.4	380.9	312.4
Issuance of shares under the Plan	(73.6)	(60.9)	(73.6)	(60.9)
Net cash outflow	**307.3**	**251.5**	**307.3**	**251.5**
Reconciliation of net cash provided by operating activities to operating profit after tax				
Operating profit after income tax	651.0	563.7	988.5	390.0
Depreciation	335.9	297.3	270.3	93.7
Amortisation	62.4	53.6	54.3	20.4
Share of (profit)/loss of equity accounted associates	(1.6)	0.3	–	–
Loss on sale of Crazy Prices	–	3.6	–	3.6
(Profit)/Loss on sale of other businesses	–	(1.9)	–	(1.9)
(Profit)/Loss on sale of investment	–	(8.4)	–	(8.4)
(Profit)/Loss on sale of property, plant and equipment	5.8	2.9	5.7	0.4
Borrowing costs capitalised	(1.5)	(7.1)	(1.5)	(7.1)
(Increase)/decrease in deferred tax asset	9.2	22.0	(59.8)	32.5
Increase/(decrease) in income tax payable	30.7	(11.6)	54.8	20.6
Increase/(decrease) in deferred tax liability	(69.1)	(35.4)	–	(40.1)
(Increase)/decrease in receivables	16.2	(55.8)	(35.5)	(16.8)
(Increase)/decrease in inventories	(2.2)	(86.4)	(33.7)	(35.5)
(Increase)/decrease in sundry debtors and prepayments	(17.1)	(13.6)	(19.8)	(10.6)
Increase/(decrease) in payables	78.3	334.2	139.0	248.4
Increase/(decrease) in sundry payables and provisions	152.6	117.1	176.2	80.3
Net cash provided by operating activities	**1,250.6**	**1,174.5**	**1,538.5**	**769.5**

(1) As part of an internal reconstruction of operations, Woolworths Limited acquired the retail businesses of certain subsidiaries of the economic entity on 1 July 2002. The cost of acquisition represents the fair value of assets and liabilities acquired and was effected as a movement through loans to controlled entities.

Statement of Cash Flows (continued)

	Consolidated		Woolworths Limited[1]	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
Acquisition of businesses				
Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses at the date of acquisition were as follows:				
Consideration				
Cash paid	41.5	324.2	18.2	143.1
Fair value of net assets acquired				
Receivables	–	–	62.3	–
Property, plant and equipment	3.7	41.6	845.8	14.0
Other financial assets	–	–	0.1	–
Prepayments	–	5.1	40.4	0.5
Inventories	2.5	20.9	863.3	8.3
Liquor licences	30.3	9.5	53.6	5.4
Goodwill	–	–	128.9	–
Deferred tax assets	–	16.1	34.4	7.6
Accounts payable	–	–	(529.1)	–
Current tax liabilities	–	–	(61.7)	–
Deferred tax liabilities	–	–	–	–
Employee benefits	(0.1)	(9.2)	(166.4)	(4.0)
Loans due to controlled entities	–	–	(1,016.6)	–
Sundry payables and provisions	–	–	(238.3)	–
Interest bearing liabilities	–	–	(1.1)	–
Other liabilities	–	(5.3)	–	–
	36.4	**78.7**	**15.6**	**31.8**
Goodwill on acquisition	5.1	245.5	2.6	111.3
Consideration	**41.5**	**324.2**	**18.2**	**143.1**
Consideration (cash) – current year	41.5	307.9	18.2	143.1
– prior year	–	18.3	–	–
Equity accounted earnings	–	(2.0)	–	–
	41.5	**324.2**	**18.2**	**143.1**

Details of acquisitions are shown at Note 31.

Disposal of businesses				
Details of the aggregate cash inflow relating to the sale of businesses and the aggregate assets and liabilities of those businesses at the date of sale were as follows:				
Consideration				
Cash received	–	5.7	–	5.7
Net assets sold				
Plant and equipment	–	3.2	–	3.2
Inventories	–	4.3	–	4.3
Other liabilities	–	(0.1)	–	(0.1)
Net assets sold	**–**	**7.4**	**–**	**7.4**

(1) As part of an internal reconstruction of operations, Woolworths Limited acquired the retail businesses of certain subsidiaries of the economic entity on 1 July 2002. The cost of acquisition represents the fair value of assets and liabilities acquired and was effected as a movement through loans to controlled entities.

Notes to the Financial Statements

1 Significant accounting policies

The significant accounting policies that have been applied in the preparation of this general purpose financial report are as follows:

A. Basis of preparation

This report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical cost. The accounting policies adopted are consistent with those of the previous year's except as noted below in Sections S and U.

The financial periods of the Company end on the last Sunday in June of each year. The financial period of the Company ended on 29 June 2003, which comprised 52 weeks and the corresponding financial period to 30 June 2002 comprised 53 weeks.

B. Principles of consolidation

In these financial statements, Woolworths Limited is referred to as 'the Company' and the 'Consolidated' financial statements are those of the consolidated entity, comprising Woolworths Limited and its controlled entities.

All balances and the effects of all transactions between controlled entities that are included in the Consolidated financial statements have been eliminated.

Outside interests in the equity and results of controlled entities are shown as a separate item in the Consolidated financial statements.

Investments in associates are accounted for in the Consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

C. Revenue recognition

In general, revenue is recognised only when it is probable that the economic benefits comprising the revenue will flow to the entity and that the flow can be reliably measured.

In addition to these general criteria, specific revenue recognition criteria apply as follows:

Sales revenue

Sales revenue represents the revenue earned from the provision of products and rendering of services to parties external to the consolidated entity. Sales revenue is only recognised when control of the products has passed to the buyer and for services when a right to be compensated has been attained and the stage of completion of the contract can be reliably measured.

Interest, rents and dividends

Interest, rental and dividend revenue is recognised when the consolidated entity has attained control of a right to be compensated for the provision of, or investment of, its assets. With interest and rents, control of the right to be compensated will accrue over time. For dividends, the right to be compensated is usually attained with the approval of the dividend at a meeting of shareholders.

Proceeds from sale of assets

The gross proceeds of asset sales are recognised as revenue at the date that an unconditional contract of sale is exchanged with the purchaser.

D. Accounting for acquisitions

Assets and businesses acquired are accounted for using the cost method of accounting, whereby fair values are assigned to all the identifiable underlying assets acquired and the liabilities assumed at the date of acquisition.

Goodwill is brought to account on the basis described in Note 1(O).

E. Income tax

Tax effect accounting is applied using the liability method, whereby the income tax expense for the period is based on the accounting profit after adjustment for permanent differences.

The deferred tax assets and deferred tax liabilities represent the net cumulative effect of items of income and expense that have been brought to account for tax and accounting purposes in different periods.

Deferred tax assets pertaining to timing differences have only been brought to account where the benefits are expected to be realised beyond reasonable doubt.

F. Pre-opening expenses

Pre-opening expenses in connection with new stores are charged to the statement of financial performance in the period in which they are incurred.

Notes to the Financial Statements (continued)

1 Significant accounting policies (continued)

G. Stock valuation of finished goods

Short life retail stocks are valued at the lower of average cost or net realisable value.

Long life retail stocks have been valued by the retail inventory method to arrive at cost.

Warehouse stocks are valued at the lower of average cost or net realisable value.

These methods of valuation are considered to achieve a valuation reasonably approximating the lower of cost or net realisable value.

H. Purchase and promotional incentives

Purchase or promotional incentives are taken into income in the period to which the purchase or promotion relates, provided receipt of the incentive is reasonably assured.

I. Recoverable amount of non-current assets

The recoverable amount of a non-current asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write-down occurs. In determining the recoverable amount, expected future cash flows have not been discounted to their present values.

J. Valuation of non-current assets

Subsequent to initial recognition as assets, all non-current assets are measured at their original cost. This policy was adopted with effect from 28 June 1999.

K. Current property, plant and equipment

Land and buildings held with the intent of sale within the next twelve months are classified as current assets and are valued at the lower of cost or net realisable value.

L. Depreciation

(i) Buildings, fixtures, fittings and plant

Buildings and plant comprising lifts, air conditioning, fire protection systems and other installations are depreciated on a straight-line basis over the estimated useful life of the asset to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2003	2002
Buildings	25 – 40 years	25 – 40 years
Fixtures, fittings and plant	3 – 40 years	3 – 40 years

(ii) Leasehold improvements

The cost of leasehold improvements is amortised over the remaining period of the individual leases or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over a maximum period of 20 years.

(iii) Plant, equipment and shop fittings

Plant, equipment and shop fittings (including application software) are depreciated on a straight-line basis over the estimated useful life of the asset to the consolidated entity.

Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

	2003	2002
Plant, equipment and fittings	2.5 – 40 years	2.5 – 40 years

M. Foreign exchange

Transactions

Transactions in foreign currencies within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at period end and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial period, or where applicable, the contractual exchange rate. The resulting gains or losses are credited or charged to the statement of financial performance.

Specific commitments

Exchange gains and losses, and costs, premiums and discounts on transactions intended to hedge the purchase or sale of goods or services are deferred up to the date of, and included in the measurement of, the purchase or sale. In the case of hedges of monetary items, exchange gains and losses are brought to account in the period in which the exchange rates change. Gains or costs arising on entry into such hedging transactions are brought to account over the lives of the hedges.

Where a hedging transaction is terminated prior to maturity and the underlying transaction is still expected to occur, any gains or losses occurring prior to termination continue to be deferred and are brought to account in the measurement of the underlying transaction. Where the underlying transaction is no longer expected to occur, any previously deferred gains and losses are taken to statement of financial performance at the date of termination.

1 Significant accounting policies (continued)

Where a hedging transaction is redesignated as a hedge of another transaction, gains and losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur. Where the original transaction is no longer expected to occur, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.

General commitments
Exchange gains and losses on other hedge transactions are not deferred, but brought to account in the statement of financial performance in the period in which the exchange rates change. Gains or costs arising on entry into these transactions are brought to account at the time of entry and amortised over the lives of the hedges.

Foreign controlled entities
All foreign controlled entities are self-sustaining, as each is financially independent of the Company. The accounts of the foreign controlled entities are translated using the current rate method and any exchange differences are taken to the foreign currency translation reserve.

N. Receivables

Trade and other debtors
Trade and other debtors are carried at nominal amounts due less any provision for doubtful debts. Provision for doubtful debts is made when collection of the full nominal amount is no longer probable.

Short term deposits
Short term deposits are stated at the lower of cost and net realisable value. Interest income is brought to account in the period in which it is earned.

O. Intangibles

Liquor licences
Liquor licences are valued at deemed cost.

Liquor licences are considered to have an indefinite useful life. As a consequence, no amortisation has been charged.

Goodwill
Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of some, or all, of the assets or equity of another entity by entities within the consolidated entity.

Goodwill is amortised by the straight-line method over the period during which benefits are expected to be received, a period deemed to be 5 years for GreenGrocer.com.au Pty Limited and 20 years for all other relevant entities.

P. Investments

Interests in controlled entities are accounted for in the consolidated accounts as set out in Note 1(B) and at cost in Woolworths Limited's financial statements.

Interests in unlisted shares of associates are carried at the lower of cost and recoverable amount in Woolworths Limited's financial statements.

Interests in partnerships are stated at cost, adjusted by the consolidated entity's share of movements in the net assets of the partnership. The consolidated entity's share of the profit or loss of the partnership is brought to account as it is earned.

Interests in semi-government securities are carried at amortised cost, calculated after accounting for the discount or premium on acquisition. Interest income is taken to account as revenue on an effective yield basis.

Q. Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

The cost of improvements made on or to leasehold properties is accounted for as described in Note 1(L)(ii).

R. Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the consolidated entity which were unpaid at the end of the period. The amounts are unsecured and are usually settled within 45 days of recognition.

S. Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

Notes to the Financial Statements (continued)

1 Significant accounting policies (continued)

Change of accounting policy
Following the introduction of AASB 1044, Provisions, Contingent Liabilities and Contingent Assets, a provision for dividends is recognised only when dividends have been declared, determined or publicly recommended by the directors. AASB 1044 became effective for the year ended 29 June 2003 and no provision has been booked at 29 June 2003 as the final dividend had not been declared, determined or publicly recommended by this date.

Onerous contracts
An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

Restructurings
Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has either:

i. entered into firm contracts to carry out the restructuring; or
ii. raised a valid expectation in those affected by the restructuring that the restructuring will occur.

Where a restructuring arises as a consequence of an acquisition, a provision is recognised when, at or before the date of acquisition, the main features of a plan for restructuring are developed, and within three months of the date of acquisition, or by the time of completion of the financial report, the consolidated entity has developed a formal detailed plan for the restructuring and has either:

i. entered into firm contracts to carry out the restructuring; or
ii. raised a valid expectation in those affected by the restructuring that the restructuring will occur.

Such provisions are only made in respect of the restructuring of operations within the acquired entity.

T. Interest bearing liabilities

Loans and funds accepted on deposit are carried at their principal amounts, representing the present value of future cash flows associated with servicing of the debt. Interest is recognised as an expense of the period in which it accrues and is recorded as an accrual in the statement of financial position until it is paid. Costs incurred in connection with borrowing are capitalised and amortised over the period of the borrowing.

U. Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, annual leave, vested sick leave and other employee benefits expected to be settled within 12 months, are recognised, and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Change in accounting policy for annual leave and long service leave
As a result of the revision of AASB 1028, Employee Benefits, the provisions for annual leave and long-service leave have been restated at the beginning of the financial year. The financial effect of this change amounting to $31.9 million has been adjusted against opening retained earnings.

Long service leave
A liability for long service leave which is not expected to be settled within 12 months, is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to period end. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The expected future cash flows are discounted, using interest rates attaching to Commonwealth Government guaranteed securities which have terms to maturity, matching their estimated timing as closely as possible.

Employee share schemes
Shares issued to employees under the Employee Share Issue Plan and retention shares issued to executives under Executive Service Contracts as described in Note 25 are not considered to be a cost to the Company under current Australian Accounting Standards.

Options granted to executives to subscribe for fully paid ordinary shares are not considered to be a cost to the Company under current Australian Accounting Standards.

The financial effect of expensing the allotments of these shares and options for the 52 weeks ended 29 June 2003, had these been considered a cost to the Company, is shown in Note 25.

Superannuation
The Company has a Superannuation Scheme that provides accumulation type benefits to all permanent salaried employees and their dependants on retirement, disability or death. Defined benefits have been preserved for former members of some superannuation funds previously sponsored by the Company.

The Company's commitment in respect of accumulation benefits under the Scheme is limited to making the specified contributions in accordance with the Rules of the Scheme and/or any statutory obligations. In respect of defined benefits payable under the Scheme, the Company has committed to fund up to the level of members' vested benefits. For funding purposes, actuarial valuations are carried out every 3 years to determine the Company's liability for the defined benefit and accumulation enhancement portions of the Scheme. Annual actuarial reviews are performed to monitor the Scheme's funding position. The Company's contributions to the Superannuation Scheme are expensed in the statement of financial performance as incurred.

V. Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and lease finance charges.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the cost of qualifying assets.

Qualifying assets are assets that take more than 12 months to prepare for their intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the consolidated entity's outstanding borrowings during the year, in this case 7.0% (2002: 7.1%).

W. Derivative financial instruments

The consolidated entity enters into forward foreign exchange contracts and interest rate swap agreements.

Accounting for forward exchange contracts is in accordance with Note 1(M).

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement.

The amount recognised is adjusted against interest expense during the period.

X. Cash

For purposes of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

Y. Earnings per share

Basic earnings per share is determined by dividing the net profit attributable to the members of Woolworths Limited after deducting the Woolworths Income Notes distribution, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share by taking into account the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to potential dilutive ordinary shares.

Z. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the acquisition cost of an asset or as part of an item of expense;

or:

(ii) for receivables or payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
2 Profit from ordinary activities				
Profit from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating revenue				
Revenue from the sale of goods:				
Related parties	–	–	181.8	26.3
Other parties	26,321.4	24,473.0	23,119.3	8,285.9
Other operating revenue – rebates, discounts received and other	493.2	511.8	419.4	252.0
Interest:				
Related parties	5.9	2.6	5.9	2.6
Other parties	7.4	7.0	6.6	5.7
Total operating revenue	**26,827.9**	**24,994.4**	**23,733.0**	**8,572.5**
(b) Other non-operating revenue from ordinary activities				
Dividends:				
Related parties	–	–	404.1	239.1
Rent:				
Related parties	–	–	0.9	0.9
Other parties	11.7	13.7	0.6	2.9
Gross proceeds from disposal of non-current assets	114.5	203.8	25.5	37.6
Gross proceeds on sale of businesses	–	5.7	–	5.7
Gross proceeds on sale of investment	–	11.2	–	11.2
Recoveries of state franchise fees	13.5	10.6	13.5	10.6
Total other non-operating revenue from ordinary activities	**139.7**	**245.0**	**444.6**	**308.0**
Share of net profits of associate accounted for using the equity method	1.6	–	–	–
Total revenue	**26,969.2**	**25,239.4**	**24,177.6**	**8,880.5**

	Consolidated		Woolworths Limited	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m

2 Profit from ordinary activities (continued)

(c) Expenses				
Amounts provided for:				
Bad and doubtful debts	2.4	7.4	2.4	5.4
Employee benefits	215.9	200.4	194.8	69.2
Self-insured risks	122.7	125.2	115.4	63.3
Net loss/(profit) on disposal of:				
Property, plant, equipment, fixtures and fittings	5.8	2.9	5.7	0.4
Depreciation of:				
Buildings	8.4	9.0	–	–
Plant and equipment, fixtures and fittings	327.5	288.3	270.3	93.7
Amortisation of:				
Leasehold improvements	35.0	30.3	32.5	10.0
Goodwill	27.4	23.3	21.8	10.4
Contributions to defined benefit superannuation plans(1)	92.4	84.5	83.6	30.2
Operating lease rental expenses:				
Leased premises				
– minimum lease payments(1)	617.2	569.2	518.8	201.3
– contingent rentals	77.1	79.4	73.5	24.7
– sub-leases	3.0	0.7	1.4	–
Leased equipment				
– minimum lease payments	61.4	55.7	55.8	26.7
Total operating lease rental expenses	758.7	705.0	649.5	252.7

(1) The prior year comparatives have been restated to provide consistency with the current year presentation.

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
3 Net finance costs				
Interest income:				
Related parties	5.9	2.6	5.9	2.6
Other parties	7.4	7.0	6.6	5.7
	13.3	**9.6**	**12.5**	**8.3**
Interest expense:				
Other parties	(54.5)	(67.2)	(53.6)	(66.2)
Less: borrowing costs capitalised (Note 1(V))	1.5	7.1	1.5	7.1
	(53.0)	**(60.1)**	**(52.1)**	**(59.1)**
Net finance costs	**(39.7)**	**(50.5)**	**(39.6)**	**(50.8)**
4 Auditors' remuneration				
Audit services:				
Deloitte Touche Tohmatsu	0.822	0.734	0.792	0.734
Other services[1]:				
Deloitte Touche Tohmatsu	0.410	0.651	0.410	0.651
Deloitte Consulting	–	0.242	–	0.242
	0.410	**0.893**	**0.410**	**0.893**
Total auditors' remuneration	**1.232**	**1.627**	**1.202**	**1.627**
(1) Fees for other services comprise:				
Audit-related	*0.172*	*0.373*	*0.172*	*0.373*
Other services	*0.238*	*0.520*	*0.238*	*0.520*
	0.410	***0.893***	***0.410***	***0.893***

	Consolidated		Woolworths Limited	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
5 Taxation				
Prima facie income tax expense on the current period operating profit before income tax, calculated at 30% (2002 at 30%)	271.8	234.7	366.2	127.8
Tax effect of permanent differences:				
Amortisation of intangibles	7.4	7.0	5.6	3.6
Rebatable dividend income	–	–	(121.2)	(71.7)
Woolworths Income Notes distribution deductible	(12.3)	(12.0)	(12.3)	(12.0)
Future Income Tax Benefit not previously recognised now brought to account	–	(4.5)	–	(4.0)
Other permanent differences reducing tax payable	(6.8)	(2.9)	(6.8)	(3.4)
Other permanent differences increasing tax payable	0.8	1.4	1.0	1.0
Income tax expense on current year's operating profit	260.9	223.7	232.5	41.3
Over provision in prior period	(5.9)	(5.2)	(0.4)	(5.2)
Income tax expense attributable to operating profit	**255.0**	**218.5**	**232.1**	**36.1**
Income tax expense attributable to operating profit comprises:				
Provision for current income tax liability	301.9	248.2	273.8	40.8
Provision for deferred tax liability	(18.8)	(8.4)	(20.2)	7.4
Deferred tax asset	(22.2)	(16.1)	(21.1)	(6.9)
Over provision in prior period	(5.9)	(5.2)	(0.4)	(5.2)
	255.0	**218.5**	**232.1**	**36.1**
Future income tax benefits not brought to account as assets:				
Tax losses – capital	–	3.0	–	–
	–	**3.0**	**–**	**–**

The taxation benefits of tax losses not brought to account will only be obtained if:

a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;

b) conditions for deductibility imposed by the law are complied with; and

c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

On 14 September 1992, the Company entered into a Subvention Agreement under which the tax losses within Industrial Equities Limited (IEL) were used to reduce taxes that the Company and certain of its controlled entities otherwise would have been required to pay to the Australian Tax Office (ATO) in respect of its 1991 and 1992 operating profit. The agreement ensures that the Company and certain of its controlled entities will either make a subvention payment to IEL or to the ATO to the extent that the ATO does not allow IEL losses to be grouped against taxable income of the Company and those controlled entities. These financial statements have been prepared on the assumption that these taxes will be paid to the ATO. This basis is consistent with the prior period.

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. The impact of the mandatory elements of the tax consolidation system on existing deferred tax balances of the consolidated entity and Company have been reflected in the financial statements based on reasonable best estimates.

At the date of this report, the directors have not made a decision whether or not to elect to be taxed as a single entity.

In the event that the tax consolidation system is implemented, it is not expected that there will be a material impact on the financial statements of the economic entity.

	Consolidated		Woolworths Limited	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
6 Dividends paid or provided				
Final dividend of 21 cents proposed[(1)] (2002: 18 cents) per fully paid ordinary share 100% franked at 30% tax rate (2002: 100% franked at 30% tax rate)	–	188.9	–	188.9
Final dividend in respect of 2002 year of 18 cents per fully paid ordinary share paid 100% franked at 30% tax rate	188.9	–	188.9	–
Interim dividend of 18 cents (2002: 15 cents) per fully paid ordinary share paid 30 April 2003 (2002: 30 April 2002) 100% franked at 30% tax rate (2002: 100% franked at 30% tax rate) (Class C)	192.0	157.0	192.0	157.0
	380.9	345.9	380.9	345.9
Reversal of provision for dividend (upon adoption of AASB 1044, "Provision, Contingent Liabilities and Contingent Assets")	(188.9)	–	(188.9)	–
Special dividend of $8.52 per fully paid ordinary share on 24 April 2003 to shareholders participating in the off market share buy-back 100% franked at 30% tax rate (Class C)	397.6	–	397.6	–
Total dividends paid or provided	**589.6**	**345.9**	**589.6**	**345.9**
Dividends paid in cash or satisfied by the issue of new shares under the Dividend Reinvestment Plan during the 52 weeks ended 29 June 2003 and the 53 weeks ended 30 June 2002 were as follows:				
Paid in cash:				
Final and interim dividends	307.3	251.5	307.3	251.5
Special buy-back dividend	397.6	–	397.6	–
Satisfied by the issue of new shares	73.6	60.9	73.6	60.9
	778.5	**312.4**	**778.5**	**312.4**

(1) On 25 August 2003, the board of directors declared a dividend of 21c (2002: 18c) per share. The amount that will be paid on 3 October 2003 (2002: 8 October 2002) will be $215.1 million (2002: $188.9). No provision for the dividend has been made in the Year End Financial Report in line with the requirements of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" that was effective for the year ended 29 June 2003.

	Consolidated		Woolworths Limited	
	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m	52 weeks ended 29 June 03 $m	53 weeks ended 30 June 02 $m
6 Dividends paid or provided (continued)				
Franked dividends				
The franked portions of the dividends proposed as at 29 June 2003 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ending June 2004. Franking credits available for the subsequent financial year 30% (2002: 30%)	262.3	242.3	182.3	6.3

The above amounts represent the balances of the franking accounts as at the end of the financial period, adjusted for:

(a) franking credits that will arise from the payment of income tax payable at the end of the financial period; and

(b) franking debits that will arise from the payment of dividends provided at the end of the financial period.

These balances are calculated under the Simplified Imputation System which applied from 1 July 2002, under which the amount recorded in the franking account is the amount of income tax paid rather than franking credits based on after tax profits. Amounts debited to the franking account in respect of dividends paid after 30 June 2002 will be the franking credits attaching to those dividends rather than the gross amount of the dividends.

The comparative franking account balance as at 30 June 2002 has been restated on the basis of the Simplified Imputation System.

Notes to the Financial Statements (continued)

	Supermarkets[1]		BIG W		DSE	
	2003 $m	2002 $m	2003 $m	2002 $m	2003 $m	2002 $m
7 Segment disclosures						
Business segments						
Sales to customers	22,749.5	20,714.3	2,500.3	2,280.5	791.2	659.0
Rebates, discounts and other	288.4	314.1	160.9	138.5	27.5	26.1
Inter-segment revenue					0.5	0.7
Segment revenue	**23,037.9**	**21,028.4**	**2,661.2**	**2,419.0**	**819.2**	**685.8**
Eliminations						
Unallocated revenue						
Share of net profits of associate accounted for using the equity method	1.6	–				
Total revenue						
Segment operating profit	855.0	747.4	103.7	93.5	37.0	28.0
Unallocated expenses						
– Property						
– Head office						
Net interest						
Profit from ordinary activities before tax						
Income tax on ordinary activities						
Profit from ordinary activities after tax						
Segment assets	3,394.2	3,194.1	583.4	528.4	333.9	345.3
Unallocated						
Total assets						
Segment liabilities	1,916.3	1,673.4	301.8	218.2	70.6	61.3
Unallocated						
Total liabilities						
Acquisition of assets	409.6	484.2	47.5	39.6	21.8	18.3
Unallocated						
Acquisition of assets						
Segment depreciation and amortisation	294.8	252.0	35.2	33.0	18.5	15.1
Unallocated						
Total depreciation and amortisation						
Segment other non cash expenses						
Unallocated						
Total other non cash expenses						
Share of gain/(loss) of associates	1.6	(0.3)				
Carrying value of investment in associate	1.6	–				

	Wholesale[2] 2003 $m	2002 $m	Consolidated 2003 $m	2002 $m

7 Segment disclosures (continued)

	Wholesale[2] 2003 $m	Wholesale[2] 2002 $m	Consolidated 2003 $m	Consolidated 2002 $m
Business segments				
Sales to customers	280.4	819.2	26,321.4	24,473.0
Rebates, discounts and other	8.0	23.7	484.8	502.4
Inter-segment revenue	194.7	189.6	195.2	190.3
Segment revenue	**483.1**	**1,032.5**	**27,001.4**	**25,165.7**
Eliminations			(195.2)	(190.3)
Unallocated revenue			161.4	264.0
Share of net profits of associate accounted for using the equity method			1.6	–
Total revenue			**26,969.2**	**25,239.4**
Segment operating profit/(loss)	0.1	7.4	995.8	876.3
Unallocated expenses				
– Property			26.6	34.2
– Head office			(76.7)	(77.8)
Net interest			(39.7)	(50.5)
Profit from ordinary activities before tax			**906.0**	**782.2**
Income tax on ordinary activities			(255.0)	(218.5)
Profit from ordinary activities after tax			**651.0**	**563.7**
Segment assets	69.5	190.4	4,381.0	4,258.2
Unallocated			1,505.4	1,465.4
Total assets			**5,886.4**	**5,723.6**
Segment liabilities	51.4	133.6	2,340.1	2,086.5
Unallocated			1,723.1	1,814.6
Total liabilities			**4,063.2**	**3,901.1**
Acquisition of assets	1.0	3.8	479.9	545.9
Unallocated			118.7	99.5
Total acquisition of assets			**598.6**	**645.4**
Segment depreciation and amortisation	2.7	4.2	351.2	304.3
Unallocated			47.1	46.6
Total depreciation and amortisation			**398.3**	**350.9**
Segment other non cash expenses			–	–
Unallocated			73.6	60.9
Total other non cash expenses			**73.6**	**60.9**
Share of gain/(loss) of associates			1.6	(0.3)
Carrying value of investment in associate			1.6	–

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

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

Inter-segment pricing is determined on an arm's length basis.

The consolidated entity operates predominantly in Australia. More than 99% of revenue, operating profit before income tax and total assets and liabilities relate to operations within Australia.

The periods reported are for the 52 weeks ended 29 June 2003 and 53 weeks ended 30 June 2002.

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
8 Receivables				
Current				
Trade receivables	57.3	105.0	33.4	13.5
Less: Provision for doubtful debts	(3.7)	(3.9)	(0.3)	(0.2)
	53.6	**101.1**	**33.1**	**13.3**
Other receivables	190.1	156.7	151.9	70.7
Less: Provision for doubtful debts	(6.8)	(6.8)	(6.1)	(5.3)
	183.3	**149.9**	**145.8**	**65.4**
Short term deposits	0.6	4.2	0.1	3.8
Staff and other advances	4.9	3.4	4.9	2.8
	242.4	**258.6**	**183.9**	**85.3**
Non-current				
Other debtors	0.4	2.5	–	2.4
Employee loans	101.9	77.1	101.9	77.1
Loans to controlled entities	–	–	942.2	1,637.1
Loan to associate	83.7	59.9	83.7	59.9
	186.0	**139.5**	**1,127.8**	**1,776.5**
9 Other assets				
Current				
Prepayments	113.9	97.4	98.2	39.2
Borrowing costs	1.4	1.1	1.4	1.1
Less: Amortisation	(1.2)	(0.8)	(1.2)	(0.8)
	114.1	**97.7**	**98.4**	**39.5**
Non-current				
Borrowing costs	0.6	0.8	0.6	0.8
	0.6	**0.8**	**0.6**	**0.8**

10 Investments accounted for using the equity method

(a) Details of investments in associates

Name	Principal activity	% Ownership	Investment carrying amount
MGW Hotels Pty Limited	Hotel operation and liquor retailing	50%	1.6[1]

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
(b) Movements in investments in associates				
Equity accounted amount at the beginning of the year	–	16.8	–	–
Amount paid on acquisition	–	–	–	–
Share of profit/(loss) from ordinary activities before tax	2.0	(0.4)	–	–
Share of income tax (expense)/credit related to ordinary activities	(0.4)	0.1	–	–
Acquisition of controlling interest in associates	–	(16.5)[2]	–	–
Equity accounted amount at the end of the year	**1.6**	**–**	**–**	**–**
(c) Commitments				
Share of associates operating lease commitments payable:				
Not later than one year	2.7	1.1	–	–
Later than one year, not later than five years	6.5	3.3	–	–
Later than five years	3.5	0.7	–	–
	12.7	**5.1**	**–**	**–**
(d) Contingent liabilities				
Bank guarantees	0.8	0.6	–	–

(1) In addition to the equity accounted investment of $1.6 million, outstanding loans to MGW Hotels Pty Limited as at 29 June 2003 were $83.7 million. This amount is included in Non-Current Receivables. (See Note 8)

(2) On 26 October 2001, Woolworths Limited acquired the remaining 61.9% in GreenGrocer.com.au Pty Limited, and as a wholly owned controlled entity, is now included in the consolidated financial statements in line with AASB 1024 Consolidated Accounts.

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
11 Other financial assets				
Non-current				
Controlled entities:				
Unlisted shares at cost	–	–	105.0	105.0
Unlisted shares at cost	0.1	0.1	0.1	–
Semi-government securities, at cost	0.5	0.5	0.5	0.5
Other	0.6	0.6	0.4	0.4
	1.2	**1.2**	**106.0**	**105.9**

Semi-government securities

The semi-government securities were rolled on 19 February 2003 at a rate of 4.69% p.a. These securities are held pursuant to requirements under self insured workers compensation schemes within NSW.

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
12 Property, plant and equipment				
Current				
Development properties:				
At cost	133.7	98.3	–	–
	133.7	**98.3**	**–**	**–**
Non-current				
Development properties:				
At cost	100.8	179.2	–	–
Less: Accumulated depreciation on buildings	(0.3)	(0.2)	–	–
	100.5	**179.0**	**–**	**–**
Freehold warehouse, retail and other properties:				
At cost	452.8	364.5	7.1	–
Less: Accumulated depreciation on buildings	(35.9)	(29.3)	(0.2)	–
	416.9	**335.2**	**6.9**	**–**
Leasehold improvements:				
At cost	487.6	415.3	368.2	163.6
Less: Accumulated amortisation	(190.7)	(159.4)	(86.3)	(56.5)
	296.9	**255.9**	**281.9**	**107.1**
Plant and equipment:				
At cost	4,153.3	3,820.4	2,143.0	1,129.5
Less: Accumulated depreciation	(2,619.1)	(2,323.2)	(926.9)	(673.7)
	1,534.2	**1,497.2**	**1,216.1**	**455.8**
	2,348.5	**2,267.3**	**1,504.9**	**562.9**
Total property, plant and equipment – net book value	**2,482.2**	**2,365.6**	**1,504.9**	**562.9**

12 Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of non-current property, plant and equipment at the beginning and end of the current and previous financial periods are set out below:

	Development properties	Warehouse, retail and other properties	Leasehold improvements	Plant and equipment
Consolidated – 2003				
Carrying amount at start of period	179.0	335.2	255.9	1,497.2
Additions	63.7	18.5	29.0	487.4
Disposals	(65.8)	(7.8)	(10.1)	(22.6)
Depreciation/amortisation expense	(0.8)	(7.6)	(35.0)	(327.5)
Transfers	(75.6)	78.6	57.1	(100.3)
Carrying amount at end of period	**100.5**	**416.9**	**296.9**	**1,534.2**
Consolidated – 2002				
Carrying amount at start of period	195.3	319.7	211.8	1,403.9
Additions	63.6	2.8	60.6	518.4
Disposals	(11.9)	(30.9)	(8.9)	(93.3)
Depreciation/amortisation expense	–	(9.0)	(30.3)	(288.3)
Transfers	(68.0)	52.6	22.7	(43.5)
Carrying amount at end of period	**179.0**	**335.2**	**255.9**	**1,497.2**
Woolworths Limited – 2003				
Carrying amount at start of period	–	–	107.1	455.8
Additions	–	8.2	197.0	1,086.2
Disposals	–	(1.1)	(10.1)	(20.0)
Depreciation/amortisation expense	–	(0.2)	(32.5)	(270.3)
Transfers	–	–	20.4	(35.6)
Carrying amount at end of period	**–**	**6.9**	**281.9**	**1,216.1**
Woolworths Limited – 2002				
Carrying amount at start of period	–	–	86.7	383.3
Additions	–	–	18.2	223.4
Disposals	–	–	(0.6)	(40.6)
Depreciation/amortisation expense	–	–	(10.0)	(93.7)
Transfers	–	–	12.8	(16.6)
Carrying amount at end of period	**–**	**–**	**107.1**	**455.8**

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
13 Intangibles				
Non-current				
Liquor licences:				
At cost	152.4	122.6	115.0	61.7
Accumulated amortisation	(13.1)	(13.1)	(7.8)	(7.8)
	139.3	**109.5**	**107.2**	**53.9**
Goodwill				
At cost	490.8	482.0	325.4	189.8
Accumulated amortisation	(74.8)	(46.5)	(50.0)	(27.4)
	416.0	**435.5**	**275.4**	**162.4**
	555.3	**545.0**	**382.6**	**216.3**

Following the change in the determination of useful life of liquor licences from 20 years to one of indefinite life, no amortisation has been charged, as set out in Note 1(O). Aggregate amortisation expense is disclosed in Note 2(c).

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
14 Interest bearing liabilities				
Current				
Unsecured				
Short term money market loans	–	33.0	–	33.0
Short term securities	150.0	–	150.0	–
Funds accepted on short term deposit	–	1.1	–	0.3
	150.0	**34.1**	**150.0**	**33.3**
Secured				
Bank Loans	0.5	–	–	–
	150.5	**34.1**	**150.0**	**33.3**
Non-current				
Unsecured				
Other loans	484.5	483.3	483.0	482.9
	484.5	**483.3**	**483.0**	**482.9**
Secured				
Bank loans	11.9	14.9	–	–
	496.4	**498.2**	**483.0**	**482.9**

14 Interest bearing liabilities (continued)

Short Term Securities

In December 2001, Woolworths, arranged a perpetual $800 million Commercial Paper Program to meet its short term funding requirements. The Program is supported by standby facilities for a total value of $400 million. Standard & Poors has rated the Program with a short term rating of A2. At period end, there was $150 million of commercial paper on issue under this Program.

Bank loans

Unsecured bank loans represent a two to four year $910 million revolving credit facility, comprising a series of bilateral loan agreements, maturing from financial years 2004 to 2006. Draw-downs under the facility are less than six months, and may be rolled over on maturity. Interest is payable on roll-over, at a rate calculated as the Bank Bill Swap Yield plus a margin. The facility is subject to a negative pledge agreement. At period end, there were no outstanding draw-downs under this facility.

Secured bank loans represent draw-downs on a multi-option facility secured by a mortgage over land and buildings and an equitable charge over the assets of a controlled entity. Interest is payable on this facility at both fixed and variable rates.

Short term money market loans

Short term money market loans represent monies borrowed from financial institutions participating in the money market on an 11am call basis. There were no borrowings outstanding at 29 June 2003.

Funds accepted on short term deposit

Funds accepted on short term deposit represent retention monies held on certain construction projects.

Other loans

Other loans comprise Medium Term Notes of $150 million (issued in 1998) and $200 million (issued in 2002) into the domestic market with a maturity date of 20 August 2007 and 31 January 2007 respectively. Interest is payable quarterly at the Bank Bill Swap Rate plus a margin on $80 million of Medium Term Notes. Interest on the remaining $270 million of Medium Term Notes is payable semi-annually at a fixed bond rate. Other loans also comprise US$100 million which was a private placement in the United States in 1997 in the form of senior notes, maturing on 1 September 2007. Under the Principal Agreement, interest is payable semi-annually in US dollars, at a fixed rate. The Company has entered into cross currency swaps in respect of these borrowings (refer Note 28) which eliminate all foreign currency exposures.

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
15 Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Bank overdrafts	13.0	13.0	11.0	11.0
Bank loan facilities	1,322.4	1,324.3	1,310.0	1,310.0
	1,335.4	**1,337.3**	**1,321.0**	**1,321.0**
Used at balance date				
Bank overdrafts	–	–	–	–
Bank loan facilities	162.4	14.9	150.0	–
	162.4	**14.9**	**150.0**	**–**
Unused at balance date				
Bank overdrafts	13.0	13.0	11.0	11.0
Bank loan facilities	1,160.0	1,309.4	1,160.0	1,310.0
	1,173.0	**1,322.4**	**1,171.0**	**1,321.0**

Bank loan facilities may be drawn at any time, subject to the covenants of the lending agreements. All facilities are denominated in Australian dollars. The bank overdraft facilities are unsecured and may be drawn at any time.

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
16 Provisions				
Current				
Employee benefits	258.7	225.4	232.4	90.2
Self-insured risks	65.2	74.1	61.2	30.0
Business closure	2.4	11.7	2.4	11.7
Restructuring	1.9	9.5	1.9	9.5
Dividends	–	188.9	–	188.9
	328.2	**509.6**	**297.9**	**330.3**
Non-current				
Employee benefits	142.0	108.0	127.0	41.7
Self-insured risks	174.0	120.8	166.2	53.9
	316.0	**228.8**	**293.2**	**95.6**
Total provisions	**644.2**	**738.4**	**591.1**	**425.9**

Movements in provisions were as follows:

	Consolidated			
	Self-Insured Risks(i) $m	Business Closure(ii) $m	Restructuring(iii) $m	Dividends(iv) $m
Balance at 30 June 2002	194.9	11.7	9.5	188.9
Additional provisions recognised	122.7	–	–	–
Reductions arising from payments/other sacrifices of future economic benefits	(78.4)	(9.3)	(7.6)	(188.9)
Balance at 29 June 2003	**239.2**	**2.4**	**1.9**	**–**
Current	65.2	2.4	1.9	–
Non-current	174.0	–	–	–

	Woolworths Limited			
	Self-Insured Risks(i) $m	Business Closure(ii) $m	Restructuring(iii) $m	Dividends(iv) $m
Balance at 30 June 2002	83.9	11.7	9.5	188.9
Provision acquired as a result of internal reconstruction of operations	102.2	–	–	–
Additional provisions recognised	115.4	–	–	–
Reductions arising from payments/other sacrifices of future economic benefits	(74.1)	(9.3)	(7.6)	(188.9)
Balance at 29 June 2003	**227.4**	**2.4**	**1.9**	**–**
Current	61.2	2.4	1.9	–
Non-current	166.2	–	–	–

(i) The provision for self-insured risks represents the estimated liability for workers compensation and public liability claims in all Woolworths' self-insured jurisdictions based on actuarial valuation.

(ii) The provision for business closure relates to the estimated remaining costs expected to be incurred in exiting from discontinued businesses.

(iii) The provision for restructuring relates to the costs involved in centralising certain business operations.

(iv) The introduction of AASB 1044, Provisions, Contingent Liabilities and Contingent Assets, is effective for the year ended 29 June 2003. AASB 1044 permits a provision for dividends to be raised only once dividends have been declared, determined or publicly recommended by the directors of a company. The board of directors declared the final dividend of 21 cents per share for the year ended 29 June 2003 on 25 August 2003 and hence no provision was raised at the balance date. The provision at 30 June 2002 represents the provision for the proposed final dividend for the year ended 30 June 2002.

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m

17 Contributed equity

Issued and paid-up share capital				
Fully paid ordinary shares: 1,020,933,022 (2002: 1,049,211,631)	606.5	593.8	606.5	593.8
Fully paid ordinary shares carry one vote per share.				
Reconciliation of fully paid share capital				
Balance at beginning of period	593.8	476.2	593.8	476.2
Issue of shares under employee share plan	35.9	47.5	35.9	47.5
Issue of shares under employee share issue plan (nil consideration)	–	–	–	–
Issue of shares as a result of options exercised under executive share option plans	39.7	9.2	39.7	9.2
Retention shares allotted in accordance with executives service contracts	–	–	–	–
Issue of shares as a result of dividend reinvestment plan	73.6	60.9	73.6	60.9
Shares bought back	(136.5)	–	(136.5)	–
Balance at end of period	**606.5**	**593.8**	**606.5**	**593.8**

Reconciliation of fully paid share capital – (number of shares)	millions	millions	millions	millions
Balance at beginning of period	1,049.2	1,035.5	1,049.2	1,035.5
Issue of shares under employee share plan	2.8	4.2	2.8	4.2
Issue of shares under employee share issue plan	1.5	1.6	1.5	1.6
Issue of shares as a result of options exercised under executive share option plans	7.7	1.7	7.7	1.7
Retention shares allotted in accordance with executives service contracts	0.1	0.9	0.1	0.9
Issue of shares as a result of dividend reinvestment plan	6.3	5.3	6.3	5.3
Shares bought back	(46.7)	–	(46.7)	–
Balance at end of period	**1,020.9**	**1,049.2**	**1,020.9**	**1,049.2**

Notes to the Financial Statements (continued)

	Consolidated	
	52 weeks ended 29 June 03	53 weeks ended 30 June 02

18 Earnings per share

Basic earnings per share (cents per share)	58.09	50.24
Diluted earnings per share (cents per share)	57.20	49.30

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

	$m	$m
Earnings (a)	609.5	523.2
	No. (m)	**No. (m)**
Weighted average number of ordinary shares (b)	1,049.2	1,041.3

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

	$m	$m
Earnings (a)	609.5	523.2
	No. (m)	**No. (m)**
Weighted average number of shares and potential ordinary shares (c)	1,065.5	1,061.4

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

	$m	$m
Operating net profit attributable to the members of Woolworths Limited	650.6	563.0
Woolworths Income Notes distribution	(41.1)	(39.8)
Earnings used in the calculations of basic and diluted earnings per share	**609.5**	**523.2**

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

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

	No. (m)	No. (m)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,049.2	1,041.3
Shares deemed to be issued for no consideration in respect of employee options	16.3	20.1
	1,065.5	**1,061.4**

Since 29 June 2003, 4,015,861 shares and no options have been issued.

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
19 Reserves				
Reserves				
Capital profits reserve	66.2	66.2	2.6	2.6
Asset revaluation reserve	71.9	71.9	0.6	0.6
General reserve	46.9	46.9	45.5	45.5
Foreign currency translation reserve	(1.3)	(0.9)	–	–
	183.7	**184.1**	**48.7**	**48.7**
Reconciliation				
Capital profits reserve				
Balance at beginning of period	66.2	63.7	2.6	2.6
Transfer from asset revaluation reserve on disposal of non-current assets	–	2.5	–	–
Balance at end of period	**66.2**	**66.2**	**2.6**	**2.6**
Asset revaluation reserve				
Balance at beginning of period	71.9	74.4	0.6	0.6
Transfer to capital profits reserve	–	(2.5)	–	–
Balance at end of period	**71.9**	**71.9**	**0.6**	**0.6**
General reserve				
Balance at beginning of period	46.9	46.9	45.5	45.5
Balance at end of period	**46.9**	**46.9**	**45.5**	**45.5**
Foreign currency translation reserve				
Balance at beginning of period	(0.9)	(2.2)	–	–
Net exchange differences on translation of controlled foreign entities	(0.4)	1.3	–	–
Balance at end of period	**(1.3)**	**(0.9)**	**–**	**–**
Total reserves	**183.7**	**184.1**	**48.7**	**48.7**
20 Total equity reconciliation				
Total equity at beginning of period	1,822.5	1,525.6	1,233.9	1,112.0
Total changes in equity recognised in the statement of financial performance	618.3	564.3	959.9	390.0
Transactions with owners as owners:				
– Issue of shares as per note 17	149.2	117.6	149.2	117.6
– Shares bought back as per note 17	(136.5)	–	(136.5)	–
– Woolworths Income Notes distribution	(41.1)	(39.8)	(41.1)	(39.8)
– Dividends paid or provided	(380.9)	(345.9)	(380.9)	(345.9)
– Reversal of provision for final dividend (upon adoption of AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”)	188.9	–	188.9	–
– Special dividend	(397.6)	–	(397.6)	–
Increase in outside equity interest	0.4	0.7	–	–
Total equity at end of period	**1,823.2**	**1,822.5**	**1,575.8**	**1,233.9**

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
21 Woolworths Income Notes				
Issued and paid-up quasi-equity securities				
Fully paid, on issue: 6,000,000 securities of $100 face value each	583.0	583.0	583.0	583.0

The Woolworths Income Notes (WINS) are perpetual and have no maturity date, and will not be repaid other than on a winding up of the Company or at Woolworths' option in certain defined circumstances.

The holders of WINS are entitled to a distribution calculated and paid quarterly in arrears, at a margin of 2.00% over the 90 day bank bill swap rate at the beginning of the relevant quarter. The payment of this distribution is contingent upon the Company having sufficient distributable profits in the previous financial period. Dividends may not be paid on Woolworths' ordinary shares after non-payment of a distribution until four subsequent quarterly distributions have been made or the missed distributions have been made up.

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
22 Contingent liabilities				
The details and estimated maximum amounts of contingent liabilities which may become payable are shown below. No provision has been made in the financial statements in respect of these contingencies.				
Guarantees				
Trading guarantees	8.7	8.9	7.8	7.9
Workers compensation self-insurance guarantees	159.8	137.9	151.2	104.8
Unsecured guarantees in respect of performance covenants in tenancy and other contracts. The total amount of these guarantees is indeterminable, but no event has or is anticipated to occur that would result in crystallisation of the liability	–	–	–	–
Under the terms of a Deed of Cross Guarantee, the Company has guaranteed the debts of certain controlled entities, thereby relieving them of the need to prepare financial statements under ASIC Class Order 98/1418	–	–	–	–
Litigation				
Litigation in progress or threatened against the Company and certain of its controlled entities	8.7	7.5	8.7	7.5
Other				
Outstanding letters of credit issued to suppliers	21.2	17.0	10.7	7.4

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
23 Commitments for expenditure				
Capital expenditure commitments				
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:				
Not later than one year	41.0	51.0	22.8	24.8
Later than one year, not later than two years	–	–	–	–
Later than two years, not later than five years	–	–	–	–
	41.0	**51.0**	**22.8**	**24.8**
Operating lease commitments				
Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:				
Not later than one year	698.4	613.6	607.6	233.4
Later than one year, not later than five years	2,332.0	2,104.9	2,052.9	802.9
Later than five years	3,984.1	3,799.5	3,639.6	1,599.7
Total future minimum lease payments not provided for	**7,014.5**	**6,518.0**	**6,300.1**	**2,636.0**

The commitments set out above do not include contingent turnover rentals, which are charged on many of the retail premises leased by the Company and its controlled entities. 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 Company and consolidated entity lease retail premises and warehousing facilities for periods of up to 40 years. Generally, the lease agreements are for initial terms of between 10 and 15 years and most include multiple renewal options for additional 5 year terms. Under most leases, the Company is responsible for property taxes, insurance, maintenance and expenses related to the leased properties. Many of the more recent lease agreements have been negotiated on a gross or semi gross basis, which eliminates or significantly reduces the lessee's exposure to operational charges associated with the properties.

24 Events subsequent to balance date

On 21 August 2003, the Company announced a proposed joint venture with Caltex Australia Limited to extend Woolworths' petrol discount offer initially to an additional 120 outlets which will be contributed to the joint venture along with all of the Company's existing 290 outlets. All joint venture outlets will be supplied fuel by Caltex and will be leased by the joint venture, which will be owned 50% by Woolworths and 50% by Caltex.

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	As at 29 June 03 $m	As at 30 June 02 $m	As at 29 June 03 $m	As at 30 June 02 $m
25 Employee benefits				
Aggregate employee benefits				
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (Note 16)	258.7	225.4	232.4	90.2
Non-current (Note 16)	142.0	108.0	127.0	41.7
Accrued salaries and wages (included in accruals)	155.9	111.3	146.8	59.8
	556.6	**444.7**	**506.2**	**191.7**

Superannuation plans

All permanent salaried employees of the Company and its controlled entities are eligible to join the Woolworths Group Superannuation Scheme (Woolworths Super). Woolworths Super provides lump sum accumulation benefits to members on retirement, death or disability.

The right to receive lump sum defined benefits based on years of service and final average salary has been preserved for former members of defined benefit categories of superannuation funds previously sponsored by the Company.

The Company and certain of its controlled entities are legally obliged to contribute to Woolworths Super at fixed rates as set out in the Trust Deed and Rules. Members contribute to Woolworths Super at fixed rates dependent upon their membership category. Company contributions to Woolworths Super meet the requirements of superannuation guarantee legislation.

The Company is also obliged to contribute at fixed rates to defined contribution retirement plans for certain employees under awards, industrial agreements and superannuation guarantee legislation. The Company and its controlled entities contributed to Woolworths Super and to various industry based superannuation funds during the current financial period.

Actuarial assessments of Woolworths Super are made at intervals of no more than three years. The last actuarial assessment was as at 31 August 2002. In a report dated 17 March 2003 by Peter Hughes, FIA, FIAA, the actuary concluded that the available net assets of Woolworths Super were sufficient to meet all benefits payable in the event of Woolworths Super's winding up or the voluntary or compulsory termination of the employment of each member within the Company and its controlled entities.

Woolworths Super assets at net market value and vested benefits, based on the last actuarial report, and the last annual financial report of Woolworths Super dated 31 August 2002, are set out below. Vested benefits are those benefits that would be currently payable to members on resignation from Woolworths Super, that do not depend on any other factor.

	2002 $m	2001 $m	2000 $m
Woolworths Super assets at net market value	686.5	670.0	643.6
Members Vested Benefits Reserve(1)	681.5(2)	653.0(3)	591.2(4)
Excess of Woolworths Super assets over members vested benefit reserves	5.0	17.0	52.4

(1) Members Vested Benefits Reserves are the sum of members vested benefits plus the Additional Death Benefit Reserve plus the Investment Fluctuation Reserve.
(2) Actual members vested benefits reserves as at 31 August 2002.
(3) Estimated members vested benefits reserves as at 31 August 2001.
(4) Estimated members vested benefits reserves as at 31 August 2000.

25 Employee benefits (continued)

From 5 May 2002, the Company changed the method it used to fund the benefits payable from Woolworths Super from a method which provided funding up to the members' accrued benefits to one which provided funding up to their vested benefits. This change was permitted by Woolworths Super Trust Deed and superannuation law and defers the cost of funding members' benefits up until the time they become vested in the members.

Member accrued benefits, based on the last actuarial report, and the last annual financial report of Woolworths Super dated 31 August 2002, were $708.2 million. Accrued benefits are the actuarial value of those benefits that Woolworths Super is expected to pay at some future date, based on membership of Woolworths Super and represent the sum of the members' accrued benefits plus the Additional Death Benefit Reserve plus the Investment Fluctuation Reserve.

If the accrued benefits funding method was used in the Scheme year ended 31 August 2002, a comparison of Woolworths Super's assets to members' accrued benefits reserves would show a deficit of $21.7 million. There is no obligation on the part of Woolworths Limited to fund this deficit.

Executive options

Executive Share Option Plan ('Former Option Plan')

The Former Option Plan was established in 1993 to enable executive employees to acquire an initial allocation of options in the Company and thereafter annually, subject to the achievement of certain profit targets, as outlined below. Following approval of the Executive Option Plan (noted below) by a special resolution of shareholders at the Annual General Meeting on 26 November 1999, no further grants will be made under the Former Option Plan.

General offers

Under the Former Option Plan an initial offer of 6,835,000 options was made to 218 executive employees of the Company in 1993. The number of options offered to each executive was based on the executive's management level. Upon appointment as an executive (or promotion to a more senior level), the executive may have been offered options or further options. A further total of 8,518,000 options were granted between 1 October 1993 and 1 March 1999, bringing the total number of options granted under this plan to 15,353,000.

Price and exercise

There was no amount paid in respect of the grant of the options. They may normally only be exercised after four years from the date of grant of the options. At the Company's discretion, options may be exercised at an earlier date in proportion to the time elapsed if a takeover bid is made for shares in the Company or if the participant retires, is made redundant or voluntarily ceases employment with Woolworths. If an executive resigns or is dismissed the options will generally lapse. Options expire after five years from the date of issue. Options may not be transferred. Each option is to subscribe for one fully paid ordinary share in the Company and, when issued, the shares will rank equally with all other fully paid ordinary shares. For options issued subsequently, the exercise price is the greater of 50 cents and the prevailing market price when the option was granted.

At 29 June 2003, there were 529,000 (2002: 1,988,000) options outstanding under the Former Option Plan.

Notes to the Financial Statements (continued)

25 Employee benefits (continued)

Executive Option Plan ('Option Plan')

Establishment of the Executive Option Plan was approved by a special resolution of shareholders at the Company's Annual General Meeting on 26 November 1999. The Option Plan was established to more closely align executive remuneration with shareholder value creation. Under the Option Plan, eligible executives selected by the Company are invited to apply for up to a specified number of options over shares in the Company. The size and timing of invitations is at the discretion of the Company, but the total number of options outstanding and subject to invitation under the Option Plan is limited to no more than 5% of the total number of shares on issue at the date of the invitation.

Performance hurdles

Options granted to selected employees are issued and vest only on the basis of achievement of performance hurdles. Performance hurdles comprise Earnings per Share (EPS) and Total Shareholder Return (TSR) hurdles each for 50% of each grant.

Options granted prior to 30 June 2002

10% of options vest annually where the EPS growth or compound growth is at least 8% per annum. Where EPS growth over the initial three financial years from grant date is at least 8% per annum compounded over five years, all options relating to the EPS hurdle (50%) vest.

In respect of the TSR hurdle, the percentage of options in the total grant that become vested depends upon the Company's TSR figure relative to the percentile performance of the comparator companies, as shown below.

Woolworths TSR equals or exceeds the following percentile of the comparator companies	Percentage of options in total grant that will vest
60th percentile	12.5%
65th percentile	25.0%
70th percentile	37.5%
75th percentile	50.0%

Each grant of options is divided into four tranches, with the tranches becoming exercisable progressively over years three to five following the grant date, upon achievement of the specified performance hurdles.

Options granted subsequent to 30 June 2002

Options granted subsequent to 30 June 2002 continue to require the achievement of both EPS and TSR based performance hurdles. In order to encourage above share market peer performance, the board has approved the allocation of further options on the basis of an increase in the EPS growth hurdle with 12½% of options vesting after four years where the average annual EPS growth over the four year period is at least 10% per annum compounded. If the average annual EPS growth over the four year period is at least 11% per annum compounded, an additional 12½% of options vest. A further 12½% of options vest after five years where a growth rate of at least 10% per annum compounded is sustained and an additional 12½% vest if, over the five year period, a growth rate of at least 11% is achieved.

The TSR performance hurdle remains unchanged. Options become exercisable after a period of five years following the grant date, upon achievement of the specified performance hurdles.

Price and exercise

There is no amount paid in respect of the grant of options. Options may only be exercised when they become exercisable, as described above. Where permitted by the Company, any or all of the options may be exercised prior to becoming exercisable, however if an option holder resigns or is dismissed, the options will generally lapse.

Options expire after the earlier of 10 years (for grants prior to 30 June 2002) and 5½ years (for grants subsequent to 30 June 2002) from the date of grant or up to 12 months after termination of employment. Options are not transferable except with the approval of the Company or by force of law on death or legal incapacity. Each option is to subscribe for one new fully paid ordinary share in the Company and, when issued, the shares will rank equally with all other fully paid ordinary shares. The exercise price per share for those options comprising the initial grant date of 1 July 1999 is $5.11. For options issued subsequently, the exercise price is based on the weighted average market price of the Company's shares traded on the ASX on the five (5) trading days prior to the date of the grant.

25 Employee benefits (continued)

Since the establishment of this plan, a total of 51,946,350 options have been granted. At 29 June 2003, there were 41,842,825 (2002: 43,327,350) options outstanding under the Option Plan. During the 52 week period ended 29 June 2003, 6,514,000 options (2002: 9,522,350) were granted at an exercise price of $12.94 (2002: 8,522,350 at $10.89 and 1,000,000 at $7.84).

Former Executive Service Contracts ('Service Contracts')

In addition, the Company has entered into Service Contracts with certain executives as an incentive for them to remain with the Company. The Service Contracts are for a fixed period and may be extended by agreement between the parties. As part of the consideration under these contracts, options to acquire unissued shares in the Company have been granted to each executive. For all of those options, the terms and conditions are in all material respects the same as those offered under the Executive Share Option Plan detailed above.

From September 1993, a total of 3,995,000 options have been granted to executives under these Former Executive Service Contracts. At 29 June 2003, there were no (2002: 225,000) options outstanding. During the 52 week period ended 29 June 2003, no options were granted under these Former Executive Service Contracts (2002: Nil).

Option values

Current Australian Accounting Standards do not require equity based compensation payments, including share options to be recorded as an expense in the statement of financial performance. In November 2002, the Australian Accounting Standards Board (AASB) released exposure draft ED108, Share-Based Payment, which proposed that the fair value of options granted should be recognised in the statement of financial performance spread over the vesting period of the related options. It is anticipated that this exposure draft will be adopted as an Australian Accounting Standard applicable to reporting periods commencing on or after 1 January 2005. The proposed Accounting Standard will only apply to options granted on or after 7 November 2002.

The fair value of the options granted during the year ended 29 June 2003 is $10.5 million. Had these options been considered an expense to the Company, the financial effect for the year ended 29 June 2003 would have been $2.1 million.

These amounts have been determined by calculating the fair value of all options granted to executives during the year ended 29 June 2003 using the Black-Scholes valuation methodology as at the respective dates of grant. The valuation takes into account the Company's share price at grant date, a risk free interest rate, the exercise price, expected life of the option, the volatility in the price of underlying shares, dividend yield and the probabilities of options being forfeited and performance hurdles being achieved. The total value of the options as calculated above is then spread over the period the options vested (5 years).

Employee and executive shares

Employee Share Plan ('Share Plan')

The Share Plan has been established to enable all employees (other than executive officers) the opportunity to participate in the acquisition of shares in Woolworths Limited at market price with an interest free loan from the Company to finance the acquisition. The Rules of this Plan were amended, with approval of a special resolution of shareholders at the Annual General Meeting held on 26 November 1999. Amendments to the Rules have been indicated as appropriate.

Eligibility

All permanent employees of Woolworths (other than executive officers) with 1 year (formerly 2 years) full time service, or its part-time or casual equivalent, are eligible to participate in the Share Plan. The Directors may permit offers to employees with less service. The number of shares currently offered to each eligible employee range from 100 to 7,500 depending on the employee's position with Woolworths, salary and years of service.

Loans

The Company makes an interest free loan to the Trustee of the Plan, as agent for each participant, to finance the acquisition of shares. Loans are limited in recourse to the proceeds of sale of shares acquired. Dividends and other distributions on the shares are applied to repay the loan. Following amendment of the Plan Rules as noted above, part of each dividend or other distribution is paid to the participant to enable them to fund any tax liability arising from them. The loan may be repaid at any time after 3 years and in any event must be repaid when the employee ceases employment with Woolworths or after 10 years or when a takeover offer is accepted for the shares, whichever is the earlier. If loans are not repaid, the shares will be sold and the funds received after payment of costs and expenses will be applied to repay the loan.

Notes to the Financial Statements (continued)

25 Employee benefits (continued)

Entitlement to shares

Shares are allotted at the lower of the average market price of the shares in the Company traded on the ASX in the 5 trading days before the date of the offer, or in the 5 trading days up to and including the date Plan shares are allotted, with the total amount payable by each participant reduced by $1.00. Prior to amendment of the Plan Rules, shares were allotted at the average market price of the shares in the Company traded on the ASX in the 5 trading days before the date of the offer. All shares acquired under the Share Plan are held by a wholly owned subsidiary of the Company (Woolworths Custodian Pty Limited) as Trustee of the Share Plan. At any time after 3 years from the date of acquisition, a participant may request the Trustee to transfer the shares, but only if the loan made to acquire those shares is repaid in full. Shares may be transferred earlier at the discretion of the directors on the employee's death or retirement, but only if the loan made to acquire the shares is repaid in full. The Trustee may exercise the voting rights attached to the shares in the manner directed by the directors until they are transferred to the participant.

At 29 June 2003, there were 39,233 (2002: 40,575) participating employees who held a total of 19,208,796 (2002: 18,904,289) shares. During the 52 week period ended 29 June 2003, 2,809,657 (2002: 4,175,774) shares were issued.

The total amount receivable by the Company in relation to these shares was $104,534,655 as at 29 June 2003 (2002: $77,061,983).

Employee Share Issue Plan ('ESIP')

The ESIP was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. The ESIP allows for the issue of shares to eligible employees for no monetary consideration.

The ESIP complies with the various conditions specified by Government taxation legislation, to enable permanent employees to obtain a benefit of up to the $1,000 per employee per annum tax free concession on discounts under employee incentive schemes (Ongoing Offers).

Offers

The initial offer under the ESIP was 75 fully paid ordinary shares to each eligible staff member with a minimum period of continuous service. Shares are acquired in the individual employee's name and are non-transferable until the earlier of three years from the date of issue or the employees' cessation of employment. There is no provision for the forfeiture of shares.

Loans

As the shares issued under the ESIP are issued for no monetary consideration, the arrangement results in the Company giving financial assistance for the acquisition of shares.

Rights attaching to shares

Shares issued under the ESIP rank equally with all other fully paid ordinary shares.

Limit

The ESIP rules allow for the issue of additional shares to employees from time to time.

During the 52 week period ended 29 June 2003, 1,523,575 (2002: 1,636,275) shares were issued to over 46,000 qualifying employees. The market price on the date of issue was $11.32 (2002: $12.51).

25 Employee benefits (continued)

Executive Management Share Plan ('EMSP')

The EMSP was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. The EMSP allows executive management, including executive directors, to forego some of their future pre-tax remuneration to acquire shares in the Company on-market at prevailing market prices on the Australian Stock Exchange (ASX).

Operation

Under the EMSP, executive managers are given the opportunity to agree to sacrifice an amount of their future potential salary or bonus, which the Company will contribute to the Plan Trustee for the purchase of Woolworths shares on-market at the prevailing market price on the ASX. After acquisition of all shares during a particular buying period, the shares are allocated to the participating executive managers. The shares are allocated at the average buying price achieved by the Plan Trustee during the buying period. Allocation of the shares may be subject to conditions, which must be met, or the shares may be forfeited. The shares are also subject to forfeiture by a participant in a number of circumstances, including dishonesty, fraud or breach of duty by the participant.

Shares may only be withdrawn from the EMSP on cessation of employment or on application to the Plan Trustee. Applications during any non-disposal period will only be allowed in special circumstances.

Loans

Woolworths does not provide employees with any loans to assist in the acquisition of the shares under the EMSP. Funds advanced to the trustee of the Plan are funds that would otherwise have been distributed as remuneration to senior management.

Rights attaching to shares

Shares issued under the EMSP rank equally with all other fully paid ordinary shares. Dividends and all other rights attaching to the shares that have been allocated to a participant accrue to the participant.

Limit

Shares may not be acquired under the EMSP if as a result of that acquisition the maximum number of shares held under the EMSP and the Non-executive Director Share Plan (see Note 27) would exceed 2% of Woolworths total issued capital.

During the 52 week period ended 29 June 2003, 22,314 (2002: 121,539) shares were purchased under the EMSP.

Executive Service Contracts ('Service Contracts')

In January 1999, April 1999, May 1999 and July 1999, the Company entered into service contracts with senior executives and certain other executives which provided for the payment to these executives of retention based incentives. The objective of these contracts was to encourage these executives to remain with the Company at a time when the Company was embarking on a process of significant change. Project Refresh with its far reaching changes to organisation structure and business processes was about to be launched and in the absence of an appropriate long term incentive plan, these retention based contracts were considered necessary to retain the services of these executives.

Two forms of Contract were entered into. In the first instance provision was made for the payment of a cash bonus equivalent to the executives' annual salary as at 1 January 1999 or at the date of commencement of the contract and adjusted for movements in the Company's share price. Alternatively, at the election of the directors, the bonus could be awarded through the allotment of shares for no monetary consideration or the grant of options with a nominal exercise price of 20 cents. Bonuses were payable on expiry of the Contract, a period of three years. In accordance with this election, 52,000 shares were allotted on 20 July 2002 (2002: 908,500 shares).

Current Australian Accounting Standards do not require equity based compensation payments, including the grant of shares, to be recorded as an expense in the statement of financial performance. Had the Company expensed the value of these shares, the impact on the statement of financial performance would have been to reduce operating net profit for the 52 weeks ended 29 June 2003 by $0.6 million. This value has been determined by reference to the market price of the shares at the respective dates of allotment.

In the second instance, provision was made for the payment of a retention based cash bonus equivalent to the executives annual salary as at 1 January 1999 or at the date of commencement of the Contract. There is no adjustment to the amount of the bonus for the movement in the Company's share price. Also no provision is made for receipt of bonuses by way of allotment of shares or granting of options. The cash bonuses are payable on 1 January 2004 or at the election of the executive on 1 January 2006 for an additional 50% of the January 2004 bonus amount. The total amount of cash bonus payable on 1 January 2004 is $2.38 million or alternatively on 1 January 2006 is $3.57 million.

26 Related parties

Directors

The names of each person holding office as a director of Woolworths Limited during the 52 weeks ended 29 June 2003 are Messrs, L M L'Huillier, R C Corbett, J A Strong, W P R Wavish (resigned 16 May 2003), J C Ballard (resigned 30 March 2003), Dr R S Deane, Prof A E Clarke and Ms D J Grady.

Details of directors' remuneration and retirement benefits are disclosed at Note 27 and in the Directors' Statutory Report at pages 34 to 36.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial period, and there were no material contracts involving directors' interests existing at the end of the period other than the Directors' Retirement Deeds and Directors' Indemnity and Access Deeds referred to on pages 34 and 37 to 38 of the Directors' Statutory Report.

Directors' holdings of shares and options

The interests of directors and their director-related entities in shares and options to acquire shares in entities within the consolidated entity, as at 29 June 2003, are shown below:

	Consolidated	
	52 weeks ended 29 June 03 Number held	53 weeks ended 30 June 02 Number held
Woolworths Limited:		
Ordinary share	2,558,890	511,628
Options over ordinary share	1,048,000	4,423,000
Directors' transactions in shares and options		
During the 52 weeks ended 29 June 2003, the aggregate numbers of shares and share options acquired or disposed of by directors of the Company and their director-related entities was as follows:		
Woolworths Limited:		
Acquisitions(1)		
Ordinary shares	2,332,000	175,781
Options over ordinary shares	200,000	1,000,000
Disposals(1)		
Ordinary shares	–	48,000
Options over ordinary shares exercised	2,325,000	48,000

(1) Includes acquisitions or disposals of those directors that have resigned during the year ended 29 June 2003 through to the date of their resignation.

26 Related parties (continued)

The terms and conditions and number of options and shares granted under the Executive Share Option Plan, Executive Option Plan, Share Purchase Plan and Executive Service Contracts as set out in Note 25 were on the same basis as outlined in the Prospectus dated 19 May 1993, or pursuant to those plans approved by a special resolution of shareholders at the Company's Annual General Meeting held on 26 November 1999. All other transactions relating to shares were either new share issues as a result of the Dividend Reinvestment Plan on the same basis as transactions by other shareholders or on-market or off-market share purchases pursuant to share buy-backs.

Directors' transactions with the Company or its controlled entities
During the period, directors and their director related entities supplied goods or services to the consolidated entity and purchased goods from the consolidated entity. These transactions were immaterial in nature and were entered into on commercial terms and conditions available to other suppliers and customers.

Transactions within the wholly-owned group
The ultimate parent entity is Woolworths Limited, a company incorporated in New South Wales. The wholly-owned group consists of Woolworths Limited and its wholly-owned controlled entities. During the financial period and previous financial periods, Woolworths Limited advanced and repaid loans to, and received loans from, and provided treasury, accounting, legal, taxation and administrative services to, other entities within the wholly-owned group.

Entities within the wholly-owned group also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions.

The details of sales, dividends and lease rentals transacted within the wholly-owned group are disclosed at Note 2 and Note 6.

Ownership interests in controlled entities are disclosed at Note 30 and the balances of loans receivable from controlled entities are shown in Note 8.

As part of an internal reconstruction of operations, Woolworths Limited acquired the retail businesses of certain subsidiaries of the economic entity on 1 July 2002. The cost of acquisition represents the fair value of assets and liabilities acquired and was effected as a movement through loans to controlled entities.

Transactions with other related entities
During the year, $102.7 million was advanced to, and $78.9 million had been repaid by, an associate. Aggregate amounts receivable from associates are shown at Note 8.

Other related parties also exchanged goods in sale and purchase transactions on the basis of normal terms and conditions.

Notes to the Financial Statements (continued)

	Consolidated		Woolworths Limited	
	52 weeks ended 29 June 03 $'000	53 weeks ended 30 June 02 $'000	52 weeks ended 29 June 03 $'000	53 weeks ended 30 June 02 $'000

27 Remuneration of directors and executives

Directors' remuneration				
Remuneration paid or payable, or otherwise made available, to directors by the Company.	6,411[(1)]	6,453[(2)]	6,411[(1)]	6,453[(2)]

Details of options granted to and exercised by directors during the year are set out in Note 26. The grant of these options is not considered to be a cost to the Company under current Australian Accounting Standards. The financial effect of expensing options granted to directors and executives had these been treated as a cost to the Company is provided in Note 25.

The number of directors of the Company, whose remuneration is disclosed above, falls within the following bands for the 52 weeks ended 29 June 2003 and 53 weeks ended 30 June 2002 are as follows:

$	2003	2002	$	2003	2002
130,000 – 139,999	–	4	460,000 – 469,999	1[(1)]	–
140,000 – 149,999	1	–	740,000 – 749,999	–	1[(2)]
150,000 – 159,999	–	1	1,380,000 – 1,389,999	–	1[(3)]
160,000 – 169,999	3	–	1,500,000 – 1,509,999	1	–
340,000 – 349,999	–	1	3,290,000 – 3,299,999	–	1
370,000 – 379,999	1	–	3,430,000 – 3,439,999	1	–

Two executives were also directors of Woolworths Limited for which they received no separate remuneration.

(1) Includes lump sum payment made on retirement of Mr J C Ballard.

(2) Includes lump sum payment made on retirement of Mr M J Phillips.

(3) Does not include the value of retention shares granted under an Executive Service Contract. The value of these shares is shown in the Directors' Statutory Report.

Non-executive Director Share Plan (NEDSP)

The NEDSP was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. This plan allows non-executive directors to forego some of their future pre-tax directors' fees to acquire shares in the Company on market at prevailing ASX market prices. The rules of the NEDSP are virtually identical to the Woolworths Executive Management Share Plan as set out in Note 25.

During the 52 week period ended 29 June 2003, 22,822 shares (2002: 26,143) were purchased under the NEDSP.

Executives' remuneration

The amount received and receivable by executive officers of the consolidated entity and the Company in the current period whose remuneration is $100,000 or more is $98,466,894 (2002: $87,947,433). The average amount received by executive officers was $197,725 (2002: $210,401).

Executive officers are deemed to be all executive directors of Woolworths Limited and any of its controlled entities, and all salaried employees that are engaged in the strategic management of the business operations of the Woolworths Group, including executive grade operational personnel.

27 Remuneration of directors and executives (continued)

A summary of the number of options granted to, exercised and forfeited by executive officers during the 52 weeks ended 29 June 2003 and all options outstanding at 29 June 2003 is set out below. The terms and conditions relating to the options are set out in Note 25. Options granted to executive officers are not considered to be a cost to the Company under current Australian Accounting Standards. The financial effect of expensing all options granted to executive officers during the year ended 29 June 2003 had these been considered a cost to the Company is shown in Note 25.

	No.
Granted	6,514,000
Exercised	7,745,301
Forfeited	1,937,224
Outstanding	42,371,825

During the 52 weeks ended 29 June 2003, 52,000 (2002: 908,500) retention shares were allotted for no monetary consideration to certain executives under Executive Service Contracts. Shares granted for no consideration are not considered to be a cost to the Company under current Australian Accounting Standards. The financial effect of expensing these shares had they been considered a cost to the Company is shown at Note 25.

$	2003	2002	$	2003	2002
100,000 – 109,999	28	29	430,000 – 439,999	–	1
110,000 – 119,999	44	39	440,000 – 449,999	2	–
120,000 – 129,999	41	30	470,000 – 479,999	–	1
130,000 – 139,999	46	34	490,000 – 499,999	–	2
140,000 – 149,999	46	39	500,000 – 509,999	1	3
150,000 – 159,999	46	28	510,000 – 519,999	1	–
160,000 – 169,999	36	34	520,000 – 529,999	1	–
170,000 – 179,999	43	22	530,000 – 539,999	–	1
180,000 – 189,999	25	26	540,000 – 549,999	1	–
190,000 – 199,999	24	23	550,000 – 559,999	1	1
200,000 – 209,999	15	12	570,000 – 579,999	–	1
210,000 – 219,999	13	14	650,000 – 659,999	1	1
220,000 – 229,999	9	7	680,000 – 689,999	1	1
230,000 – 239,999	5	4	690,000 – 699,999	–	1
240,000 – 249,999	9	11	720,000 – 729,999	–	1
250,000 – 259,999	7	3	770,000 – 779,999	–	1
260,000 – 269,999	3	5	780,000 – 789,999	1	–
270,000 – 279,999	7	6	830,000 – 839,999	–	1
280,000 – 289,999	5	5	840,000 – 849,999	1	–
290,000 – 299,999	5	1	850,000 – 859,999	1	1 (1)
300,000 – 309,999	5 (3)	6	860,000 – 869,999	2	–
310,000 – 319,999	4	3	900,000 – 909,999	–	1
320,000 – 329,999	–	1	920,000 – 929,999	–	1
330,000 – 339,999	2	2	940,000 – 949,999	1	1
340,000 – 349,999	2	2	990,000 – 999,999	–	1 (2)
350,000 – 359,999	3	4	1,000,000 – 1,009,999	1	–
360,000 – 369,999	4	–	1,030,000 – 1,039,999	–	1
370,000 – 379,999	1	1	1,050,000 – 1,059,999	–	–
380,000 – 389,999	1	1	1,380,000 – 1,389,999	–	1
400,000 – 409,999	–	1	1,500,000 – 1,509,999	1	–
410,000 – 419,999	1	1	3,290,000 – 3,299,999	–	1
			3,430,000 – 3,439,999	1	–

(1) Includes an amount of $298,905 which relates to the payment of a retention bonus under an Executive Service Contract entered into with the Company on 1 July 1999.

(2) Includes an amount of $323,813 which relates to the payment of a retention bonus under an Executive Service Contract entered into with the Company on 1 July 1999.

(3) Includes an amount of $151,445 which relates to the payment of a retention bonus under an Executive Service Contract entered into with the Company on 1 January 1999.

28 Financial instruments

Off-balance sheet derivative instruments

Woolworths Limited is party to financial instruments with off-balance sheet risk in order to hedge exposure to fluctuations in interest and foreign exchange rates. The interest rate instruments that may be used include swaps and forward rate agreements. Foreign exchange instruments that may be used include forward contracts, cross currency swaps and options.

Interest rate instruments

Bank loans, commercial paper issues, short term money market loans and other unsecured loans are subject to variable interest rates. Bank loan facilities and the Commercial Paper Program have been regularly utilised during the 52 weeks ended 29 June 2003. At the end of the period, there was $150 million of Commercial Paper on issue. In addition, although they are not classified as a liability and do not appear as a financial instrument in this note, the Woolworths Income Notes (WINs) pay a distribution that is similar in nature to interest at variable rates. The variable rate payable on the WINs at the end of the period was 6.59% (2002: 7.05%). It is policy to protect part of the loans and the WINs from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap agreements.

Interest rate swap agreements

Under the swap agreements, the consolidated entity will receive interest at variable rates and pay interest at fixed rates. The contracts are used to protect against rising interest rates on the variable interest component of the underlying debt and WINs. The contracts are settled on a net basis, and the net amount receivable or payable on the contract is accrued against interest expense in the period in which settlement takes place. The swaps that were executed in respect of the Domestic Medium Term Notes are matched according to coupon payment dates and maturity.

All other swap contracts are settled on a quarterly basis to approximately match the dates on which the interest is payable on the Revolving Credit Facility and WINs.

Swap agreements in place at 29 June 2003 cover approximately 13% (2002: 13%) of the principal outstanding on the Domestic Medium Term Notes and 60% (2002: 100%) of the face value of the WINs. The total of domestic notes subject to fixed rates, including the effect of the interest rate swaps, is $315.0 million (2002: $315.0 million).

At 29 June 2003, the notional principal amounts and periods of expiry of the interest rate swap agreements are as follows:

	As at 29 June 03 $m	As at 30 June 02 $m
Less than 1 year	150	315
1 – 2 years	130	150
2 – 3 years	–	130
3 – 4 years	140	–
4 – 5 years	185	100
Greater than 5 years	–	45
	605	**740**

28 Financial instruments (continued)

Foreign currency instruments

The consolidated entity has exposure to movements in foreign currency exchange rates through term borrowings, anticipated sales of inventory and purchases of inventory and equipment, which are denominated in foreign currencies. In order to hedge against part of this exposure, the consolidated entity enters into forward exchange contracts and cross currency swap agreements. The term borrowings are fully hedged.

Forward exchange contracts and foreign currency options

Under these agreements, the consolidated entity has contracted to buy or sell foreign currencies in exchange for Australian dollars at a pre-determined rate to be settled at a future date. The maturity dates of the contracts are timed to match the anticipated timing of major foreign currency receipts and payments that are expected to occur within the ensuing financial period.

At period end, the details of outstanding forward contracts are (Australian dollar equivalents):

	29 June 03		30 June 02		29 June 03	30 June 02
	Buy $m	Sell $m	Buy $m	Sell $m	Average exchange rate	Average exchange rate
Maturing:						
Within 6 months:						
United States dollars	1.1	–	12.5	–	0.65	0.55
Euro Dollars	–	–	0.3	–	–	0.59

Where these contracts are used to hedge specific anticipated future transactions, any unrealised gains or losses on the contracts are deferred and will be recognised in the measurement of the underlying transactions when they occur. Amounts receivable and payable on open contracts are included in other debtors and other creditors respectively.

No material gains, losses and costs have been deferred as at 29 June 2003.

Cross currency swap agreements

As part of a $100 million issue of US dollar denominated Senior Notes in September 1997, the consolidated entity entered into two cross currency swap agreements to fully hedge the US dollar value of the notes issued. The effect of the cross currency swaps is to offset all of the foreign currency and US dollar interest rate exposure on both interest and principal payments associated with the notes, which mature on 1 September 2007. Consequently, the maturity and settlement dates under the swaps match the maturity and coupon payments for the term of the notes. The exposure to the consolidated entity is in Australian dollars, with 50% of the notes at a fixed rate coupon of 7.104% paid semi-annually, and 50% at a variable rate of the Bank Bill Swap rate plus a margin paid quarterly. At balance date, the effective variable rate was 5.192% (2002: 5.492%).

Credit exposure

The credit risk on financial assets of the consolidated entity, which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including 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. As at 29 June 2003, no material credit risk exposure existed in relation to potential counterparty failure on deliverable off-balance sheet financial instruments.

Interest rate exposure

The consolidated entity's exposure to interest rate risk and the effective average interest rate for each class of financial assets and financial liabilities as at 29 June 2003 is set out below. Exposure will arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Floating interest rate $m	Fixed interest maturing in: 1 year or less $m	1 to 5 years $m	Over 5 years $m	Non-interest bearing $m	Total $m	Average interest rate %
28 Financial instruments (continued)							
2003 Financial assets							
Cash and deposits	32.8	–	–	–	254.5	287.3	4.50
Receivables	–	–	83.7	–	344.7	428.4	5.80
Other financial assets	–	–	0.5	–	0.7	1.2	4.69
	32.8	**–**	**84.2**	**–**	**599.9**	**716.9**	
Financial liabilities							
Accounts payable	–	–	–	–	2,078.9	2,078.9	–
Accruals	–	–	–	–	541.9	541.9	–
Short term securities	150.0	–	–	–	–	150.0	4.90
Other bank loans:							
Fixed	–	0.4	–	6.0	–	6.4	5.82
Variable	6.0	–	–	–	–	6.0	5.06
Variable rate domestic notes	80.0	–	–	–	–	80.0	5.43
Fixed rate domestic notes	–	–	270.3	–	–	270.3	6.54
USD notes	–	–	134.2	–	–	134.2	6.76
Interest rate swaps*	(245.0)	60.7	184.3	–	–	–	6.15
Cross currency swaps:							
Fixed/floating	67.1	–	(67.1)	–	–	–	6.20
	58.1	**61.1**	**521.7**	**6.0**	**2,620.8**	**3,267.7**	
Net financial assets/(liabilities)	**(25.3)**	**(61.1)**	**(437.5)**	**(6.0)**	**(2,020.9)**	**(2,550.8)**	
2002 Financial assets							
Cash and deposits	45.0	–	–	–	250.0	295.0	4.60
Receivables	–	–	59.9	–	338.2	398.1	6.08
Other financial assets	–	–	0.5	–	0.7	1.2	5.01
	45.0	**–**	**60.4**	**–**	**588.9**	**694.3**	**–**
Financial liabilities							
Accounts payable	–	–	–	–	2,000.6	2,000.6	–
Accruals	–	–	–	–	440.1	440.1	–
Revolving bilateral loan facility	–	–	–	–	–	–	5.14
Short term money market loans	33.0	–	–	–	–	33.0	4.83
Short term deposits	1.1	–	–	–	–	1.1	0.50
Other bank loans:							
Fixed	–	–	–	8.3	–	8.3	6.80
Variable	6.6	–	–	–	–	6.6	5.67
Variable rate domestic notes	80.0	–	–	–	–	80.0	5.57
Fixed rate domestic notes	–	–	200.0	70.0	–	270.0	6.51
USD notes	–	–	–	133.3	–	133.3	6.20
Interest rate swaps*	(140.0)	–	–	140.0	–	–	6.45
Cross currency swaps:							
Fixed/floating	67.1	–	–	(67.1)	–	–	6.23
	47.8	**–**	**200.0**	**284.5**	**2,440.7**	**2,973.0**	**–**
Net financial (liabilities)	**(2.8)**	**–**	**(139.6)**	**(284.5)**	**(1,851.8)**	**(2,278.7)**	

* *Notional principal amounts.*

28 Financial instruments (continued)

Net fair value of financial assets and liabilities

On-balance sheet

The carrying value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities of the consolidated entity approximates their net fair value, and as such they have been omitted from these disclosures.

The net fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or the expected future cash flows, discounted where appropriate by current interest rates for assets and liabilities with similar risk profiles.

Off-balance sheet

The net fair value of financial assets or liabilities arising from interest rate swap and forward rate agreements, and forward foreign currency contracts and swap agreements has been determined as the carrying value which represents the amount currently receivable or payable at period end.

For forward rate agreements, and interest rate and cross currency swaps, the net fair value has been determined by the net present value of cash flows due under the contracts, using a discount rate appropriate to the type and maturity of the contract.

For forward currency contracts, the net fair value is taken to be the unrealised gain or loss at period end calculated by reference to the current forward rates for contracts with similar maturity profiles.

	As at 29 June 03		As at 30 June 02	
	Carrying amount $m	Net fair value $m	Carrying amount $m	Net fair value $m
On-balance sheet financial instruments				
Financial liabilities				
Bank loans	12.4	12.4	14.9	13.3
Short term securities	150.0	149.4	–	–
Other loans	484.5	516.3	517.4	526.4
	646.9	**678.1**	**532.3**	**539.7**
Off-balance sheet financial instruments				
Financial assets				
Forward exchange contracts	–	–	–	(0.3)
	–	**–**	**–**	**(0.3)**
Financial liabilities				
Interest rate swaps	0.9	(15.9)	0.9	(9.5)
Cross currency swaps	1.8	19.1	1.8	21.1
	2.7	**3.2**	**2.7**	**11.6**

None of the classes of financial assets are readily traded on organised markets in standardised form.

Notes to the Financial Statements (continued)

29 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

It is a condition of the class order that the Company and each of the subsidiaries enter into a deed of cross guarantee (Deed). Under the Deed, the Company guarantees the payment of all debts of each of the subsidiaries in full in the event of a winding up. The subsidiaries in turn guarantee the payment of the debts of the Company in full in the event that it is wound up.

The subsidiaries that are party to the Deed are:

Woolworths Properties Pty Limited
Woolworths (Victoria) Pty Limited
Woolworths (W.A.) Pty Limited
Woolworths Managers Superannuation Scheme Pty Limited
Woolworths (Publishing) Pty Limited
Universal Wholesalers Pty Limited
Australian Independent Retailers Pty Limited
SPAR Australia Pty Limited
Barmos Pty Limited
Nalos Pty Limited
Josona Pty Limited
Woolstar Pty Limited
QFD Pty Limited
Queensland Property Investments Pty Limited
Philip Leong Stores Pty Limited
Woolies Liquor Stores Pty Limited
Calvartan Pty Limited
Australian Safeway Stores Pty Limited
Dick Smith Electronics Staff Superannuation Fund Pty Limited
Weetah Pty Limited
Woolworths (Q'land) Pty Limited
Woolworths (South Australia) Pty Limited
Australian Liquor & Grocery Wholesalers Pty Limited
Woolworths Staff Superannuation Scheme Pty Limited
Gembond Pty Limited
Charmtex Pty Limited
Grocery Wholesalers Pty Limited
DSE Holdings Pty Limited
Woolworths Custodian Pty Limited
Fabcot Pty Limited
Barjok Pty Limited
A.C.N. 001 259 301 Pty Limited
Woolworths (R&D) Pty Limited
Dentra Pty Limited
Jack Butler & Staff Pty Limited
Woolworths Group Superannuation Scheme Pty Limited
Woolworths Executive Superannuation Scheme Pty Limited
Mac's Liquor Stores Pty Limited
Dick Smith Electronics Pty Limited
Dick Smith (Wholesale) Pty Limited
Dick Smith Management Pty Limited
Dick Smith Electronics Franchising Pty Limited
Advantage Supermarkets Pty Limited
Advantage Supermarkets WA Pty Limited
Advantage Supermarkets Unit Trust
Leasehold Investments Pty Limited
Andmist Pty Limited
Woolworths (Project Finance) Pty Limited
InterTAN Australia Pty Limited

29 Deed of cross guarantee (continued)

A consolidated statement of financial performance and consolidated statement of financial position for the closed group representing the Company and the subsidiaries noted on page 94, which are party to the Deed as at 29 June 2003, is set out below:

	52 weeks ended 29 June 2003	53 weeks ended 30 June 2002
Statement of financial performance		
Revenue from sale of goods	25,812.8	24,022.5
Other operating revenue	481.7	503.4
Total revenue from operations	26,294.5	24,525.9
Cost of sales	(19,756.5)	(18,413.7)
Gross profit	6,538.0	6,112.2
Other non-operating revenue from ordinary activities	152.1	244.8
Share of profit/(loss) in associated company accounted for using the equity method	1.6	(0.3)
Other expenses from ordinary activities		
Branch expenses	(4,372.5)	(4,261.1)
Administration expenses	(1,378.0)	(1,270.9)
Earnings before interest and tax	941.2	824.7
Interest expense	(52.1)	(59.2)
Interest income	12.5	8.9
Net profit from ordinary activities before income tax expense	**901.6**	**774.4**
Income tax expense	(249.2)	(213.2)
Net profit from ordinary activities after income tax expense	**652.4**	**561.2**
Adjustment due to change in AASB 1028, "Employee Benefits"	(31.8)	–
Total revenue, expense and valuation adjustments attributable to members of Woolworths Limited recognised directly in equity	(31.8)	–
Total changes in equity other than those resulting from transactions with owners as owners	**620.6**	**561.2**
Reconciliation of retained profits		
Retained profit at beginning of period	432.2	248.6
Reversal of provision for final dividend (upon adoption of AASB 1044, "Provisions, Contingent Liabilities and Contingent Assets")	188.9	–
Adjustment due to change in AASB 1028, "Employee Benefits"	(31.8)	–
Adjustment to retained earnings: companies now included in class order	–	8.1
Net profit from ordinary activities after income tax expense	652.4	561.2
Woolworths Income Notes distribution	(41.1)	(39.8)
Dividends paid or provided	(380.9)	(345.9)
Special dividend of $8.52 per fully paid ordinary share paid to shareholders participating in off market buy-backs	(397.6)	–
Retained profits at end of period	**422.1**	**432.2**

Notes to the Financial Statements (continued)

	As at 29 June 2003	As at 30 June 2002
29 Deed of cross guarantee (continued)		
Statement of financial position		
Current assets		
Cash	271.1	274.6
Receivables	230.4	247.0
Inventories	1,796.3	1,794.6
Property, plant and equipment	133.7	98.3
Other	113.7	97.4
Total current assets	**2,545.2**	**2,511.9**
Non-current assets		
Receivables	186.0	79.6
Investments accounted for using the equity method	1.6	–
Other financial assets	22.0	79.1
Property, plant and equipment	2,323.7	2,242.7
Intangibles	553.7	543.4
Deferred tax assets	172.1	181.0
Other	0.6	0.8
Total non-current assets	**3,259.7**	**3,126.6**
Total assets	**5,804.9**	**5,638.5**
Current liabilities		
Accounts payable	2,040.8	1,967.0
Accruals	535.2	435.8
Interest bearing liabilities	150.5	32.8
Current tax liabilities	153.9	116.4
Provisions	326.2	507.5
Total current liabilities	**3,206.6**	**3,059.5**
Non-current liabilities		
Interest bearing liabilities	482.5	482.9
Deferred tax liabilities	5.3	75.3
Provisions	315.2	228.3
Total non-current liabilities	**803.0**	**786.5**
Total liabilities	**4,009.6**	**3,846.0**
Net assets	**1,795.3**	**1,792.5**
Equity		
Contributed equity	606.5	593.8
Reserves	183.7	183.5
Retained profits	422.1	432.2
Equity attributable to the members of Woolworths Limited	**1,212.3**	**1,209.5**
Woolworths Income Notes	583.0	583.0
Total equity	**1,795.3**	**1,792.5**

	Legend	Place of incorporation	Woolworths Limited Investment 2003 $m	2002 $m	Beneficial holding 2003 %	2002 %

30 Controlled entity disclosures

	Legend	Place of incorporation	2003 $m	2002 $m	2003 %	2002 %
Woolworths Limited		NSW				
Controlled entities of Woolworths Limited:						
Woolworths Properties Pty Limited	a	NSW	23.5	23.5	100	100
Woolworths (Q'land) Pty Limited	a	NSW	10.0	10.0	100	100
Woolworths (Victoria) Pty Limited	a	VIC	4.0	4.0	100	100
Woolworths (South Australia) Pty Limited	a	SA	4.0	4.0	100	100
Woolworths (W.A.) Pty Limited	a	WA	2.5	2.5	100	100
Australian Liquor & Grocery Wholesalers Pty Ltd	a	NT	0.2	0.2	100	100
Woolworths Managers Superannuation Scheme Pty Limited	a,c	NSW	–	–	100	100
Woolworths Staff Superannuation Scheme Pty Limited	a,c	NSW	–	–	100	100
Woolworths (Publishing) Pty Ltd	a,c	QLD	–	–	100	100
Charmtex Pty Limited	a	NSW	0.5	0.5	100	100
Universal Wholesalers Pty Limited	a	NSW	0.1	0.1	100	100
Grocery Wholesalers Pty Ltd	a	NSW	0.2	0.2	100	100
Australian Independent Retailers Pty Ltd	a	VIC	0.1	0.1	100	100
DSE Holdings Pty Limited	a	NSW	20.6	20.6	100	100
SPAR Australia Pty Limited	a,c	NSW	–	–	100	100
Woolworths Custodian Pty Ltd	a,c	NSW	–	–	100	100
Barmos Pty Ltd	a,c	NSW	–	–	100	100
Fabcot Pty Limited	a,c	NSW	–	–	100	100
Nalos Pty Limited	a,c	NSW	–	–	100	100
Barjok Pty Ltd	a,c	NSW	–	–	100	100
Josona Pty Ltd	a,c	NSW	–	–	100	100
Woolstar Investments Ltd	c,d	NZ	–	–	100	100
Woolworths Insurance Pte Ltd	d	Singapore	1.2	1.2	100	100
DSE Merge Corporation	c,d	USA	–	–	100	100
DSE Investments Inc.	d	USA	3.8	3.8	100	100
A.C.N. 001 259 301 Pty Limited	a,c	NSW	–	–	100	100
Woolstar Pty Limited	a	ACT	0.6	0.6	100	100
Woolworths (R&D) Pty Limited	a,c	NSW	–	–	100	100
Advantage Supermarkets Pty Limited	a,c	WA	–	–	100	100
Advantage Supermarkets WA Pty Ltd	a	WA	3.4	3.4	100	100
Advantage Supermarkets Unit Trust	a	WA	2.1	2.1	100	100
Leasehold Investments Pty Ltd	a	WA	2.0	2.0	100	100
Andmist Pty Ltd	a,c	NSW	–	–	100	100
Woolworths (Project Finance) Pty Ltd	a,c	NSW	–	–	100	100
GreenGrocer.com.au Pty Limited	b	NSW	26.2	26.2	100	100
Cenijade Pty Limited	b,c	NSW	–	–	100	100
Shellbelt Pty Limited	b,c	NSW	–	–	100	100
Gembond Pty Limited	a,c	NSW	–	–	100	–
Controlled entities of Woolworths Properties Pty Limited:						
QFD Pty Limited	a,c	ACT	–	–	100	100
Dentra Pty Limited	a,c	ACT	–	–	100	100
Controlled entities of Woolworths (Q'land) Pty Limited:						
Queensland Property Investments Pty Ltd	a,c	QLD	–	–	100	100
Philip Leong Stores Pty Limited	a,c	QLD	–	–	100	100
Controlled entity of Woolworths (South Australia) Pty Limited:						
Woolies Liquor Stores Pty Ltd	a,c	SA	–	–	100	100

Notes to the Financial Statements (continued)

	Legend	Place of incorporation	Woolworths Limited Investment 2003 $m	Woolworths Limited Investment 2002 $m	Beneficial holding 2003 %	Beneficial holding 2002 %

30 Controlled entity disclosures (continued)

	Legend	Place of incorporation	2003 $m	2002 $m	2003 %	2002 %
Controlled entities of Woolworths (Victoria) Pty Limited:						
Statewide Independent Wholesalers Limited	b,c	TAS	–	–	60	60
Calvartan Pty Limited	a,c	ACT	–	–	100	100
Controlled entities of Calvartan Pty Limited:						
Australian Safeway Stores Pty Ltd	a,c	VIC	–	–	100	100
Jack Butler & Staff Pty Ltd	a,c	QLD	–	–	100	100
Controlled entities of Jack Butler and Staff Pty Ltd:						
Woolworths Group Superannuation Scheme Pty Ltd	a,c	QLD	–	–	100	100
Woolworths Executive Superannuation Scheme Pty Limited	a,c	QLD	–	–	100	100
Controlled entity of Australian Safeway Stores Pty Ltd:						
Mac's Liquor Stores Pty Limited	a,c	QLD	–	–	100	100
Controlled entities of DSE Holdings Pty Limited:						
Dick Smith Electronics Pty Limited	a,c	NSW	–	–	100	100
Dick Smith (Wholesale) Pty Ltd	a,c	NSW	–	–	100	100
Dick Smith Management Pty Ltd	a,c	NSW	–	–	100	100
Dick Smith Electronics Franchising Pty Ltd	a,c	NSW	–	–	100	100
Dick Smith Electronics (HK) Ltd	c,d	Hong Kong	–	–	100	100
DSE (New Zealand) Limited	b,c	NZ	–	–	100	100
Dick Smith Electronics Ltd	c,d	UK	–	–	100	100
Dick Smith Electronics Staff Superannuation Fund Pty Limited	a,c	NSW	–	–	100	100
InterTAN Australia Pty Ltd	a,c	NSW	–	–	100	100
Controlled entities of DSE (New Zealand) Limited:						
Como Imports (New Zealand) Ltd	b,c	NZ	–	–	100	100
David Reid Electronics (1992) Limited	b,c	NZ	–	–	100	100
Controlled entity of Dentra Pty Limited:						
Weetah Pty Limited	a,c	NT	–	–	100	100
			105.0	105.0		

a These controlled entities have been granted relief from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial statements, pursuant to ASIC Class Order 98/1418. Full details of this relief are set out in Note 29.

b Controlled entities audited by Deloitte Touche Tohmatsu, but not covered by ASIC Class Order 98/1418.

c As a result of rounding, the investment by the Company in these controlled entities is not displayed.

d Controlled entities audited by another firm of auditors.

31 Business acquisitions

	Principal activity	Date of acquisition	Cost of acquisition $m
Businesses			
Super Cellars	Liquor retail	Various	15.2
Le Grog	Liquor retail	Various	7.3
Miscellaneous businesses	Supermarkets & liquor retail	Various	19.0
Total business acquisitions			**41.5**

As part of an internal reconstruction of operations, Woolworths Limited acquired the retail businesses of certain subsidiaries of the economic entity on 1 July 2002. The cost of acquisition represents the fair value of assets and liabilities acquired and was effected as a movement through loans to controlled entities.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 50 to 98:

a comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b give a true and fair view of the Company's and consolidated entity's financial position as at 29 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial period ended on that date.

In the Directors' opinion:

a the financial statements and notes are in accordance with the Corporations Act 2001; and

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

c at the date of this Declaration, there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 29.

This Declaration is made on the 26th day of September 2003 in accordance with a resolution of the Directors.

James Strong	**Roger Corbett**
Chairman	Group Managing Director/CEO

Independent Audit Report

To the members of Woolworths Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Woolworths Limited (the company) and the consolidated entity, for the financial year ended 29 June 2003 as set out on pages 50 to 99. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Woolworths Limited is in accordance with:

(a) the Corporations Act 2001, including:
- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 29 June 2003 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

G Couttas
Partner

Deloitte Touche Tohmatsu
Chartered Accountants

Sydney, 29 September 2003

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Shareholder Information

Shareholder information

The shareholder information set out below was applicable as at 16 September 2003.

Distribution of equity securities

(a) Analysis of numbers of shareholders by size of holding:

Range of fully paid ordinary (FPO) shares/options	Number of FPO holders	Number of FPO shares	Number of option holders*
1 – 1,000	171,567	68,691,378	
1,001 – 5,000	122,227	229,953,578	5
5,001 – 10,000	11,231	80,095,721	62
10,001 – 100,000	5,246	105,826,009	359
100,001 – and over	209	539,923,947	85
	310,480	1,024,490,633	511

* *Details of options over unissued FPO Shares are set out in the Directors' Statutory Report on page 37.*

(b) There were 8,927 holders of less than a marketable parcel of ordinary shares.

20 largest shareholders

The names of the 20 largest holders of shares are listed below:

Name	Fully paid ordinary shares	percentage of issued capital
1 J P Morgan Nominees Australia Limited	130,085,890	12.70
2 Westpac Custodian Nominees Limited	92,249,115	9.00
3 National Nominees Limited	83,937,808	8.19
4 Citicorp Nominees Pty Limited	20,637,265	2.01
5 Queensland Investment Corporation	16,262,157	1.59
6 Woolworths Custodian Pty Limited	15,994,791	1.56
7 AMP Life Limited	15,462,503	1.51
8 Citicorp Nominees Pty Limited	10,340,127	1.01
9 ANZ Nominees Limited	9,463,525	0.92
10 Commonwealth Custodial Services Limited	7,802,208	0.76
11 RBC Global Services Australia Nominees Pty Limited	7,454,599	0.73
12 Citicorp Nominees Pty Limited	6,087,786	0.59
13 Cogent Nominees Pty Limited	5,946,187	0.58
14 HSBC Custody Nominees (Australia) Limited	5,491,787	0.54
15 Perpetual Trustee Company Limited	4,885,415	0.48
16 Citicorp Nominees Pty Limited	4,844,255	0.47
17 Cogent Nominees Pty Limited	4,497,759	0.44
18 Citicorp Nominees Pty Limited	4,241,993	0.41
19 Government Superannuation Office	4,007,303	0.39
20 Citicorp Nominees Pty Limited	3,573,285	0.35

Substantial shareholders

As at 16 September 2003, there was one (1) substantial shareholder in the Company. The Capital Group Companies Inc. has provided substantial shareholding notices in relation to a relevant interest in 94,554,273 shares in the Company.

Unquoted equity securities

As at 16 September 2003, there were 38,624,025 options granted over unissued ordinary shares in the Company to employees.

Woolworths Income Notes

The Company announced to the Australian Stock Exchange (ASX) on 2 December 1999 an issue of 6,000,000 Woolworths Income Notes. These are listed on the ASX under the code – WOWHA.

Voting rights

On a show of hands, at a General Meeting of the Company, every member present in person or by proxy shall have one vote, and upon a poll, each person present in person or by proxy shall have one vote for each ordinary share held.

Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact Woolworths Limited's external Share Registrar: Computershare Investor Services Pty Limited by telephone on 1300 368 664 or by facsimile on (02) 8234 5050.

Shareholders can access details about their shareholding via the Shareholder Centre on Woolworths Limited website at www.woolworthslimited.com.au.

Changed your address?

If you change your address, please promptly notify our Share Registrar in writing. Please quote your Shareholder Reference Number and your old address as added security. Change of address advice forms can be downloaded via the Shareholder Centre on Woolworths Limited website at www.woolworthslimited.com.au.

Shareholder information

For any queries about your Woolworths Limited shareholding please contact:

Shareholder Relations
Level 5, 540 George Street
Sydney NSW 2000
Australia

Telephone: (02) 9323 1538
Facsimile: (02) 9323 1594

Shareholder Information (continued)

Final dividend

The final dividend of 21 cents per share will be paid on 3 October 2003, to shareholders entitled to receive dividends and registered on 10 September 2003 (record date).

Direct payment to shareholders' accounts

Dividends may be paid directly into bank, building society or credit union accounts in Australia. Payments are electronically credited on the dividend payment date and confirmed by mailed payment advice. Shareholders who want their dividends paid this way should advise Woolworths Limited's external Share Registrar in writing by the record date. Application forms are available from Woolworths Limited's external Share Registrar or can be downloaded from Woolworths Limited website.

If you subsequently change your bank account, please promptly notify the Share Registrar in writing, quoting your old bank account number as an added security check.

Dividend Reinvestment Plan (DRP)

The DRP was modified in February 2003 to:

- amend the pricing period, to commence the second trading day after the record date;
- be the volume weighted average price for the next 10 trading days; and
- these shares can be issued to participants as new shares or acquired on market and transferred to participants.

Eligible shareholders may elect to participate in the DRP in respect to all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the DRP that the Directors may specify. There is currently no minimum, but the maximum number of shares which a shareholder (other than a broker's clearing accounts, nominees and certain trustees) may designate as participating in the DRP is 20,000. Application forms are available from Woolworths Limited's Share Registrar or can be downloaded from Woolworths Limited website.

Uncertificated share register

The Woolworths Share Register is wholly uncertificated. Shareholder statements are issued within five (5) business days after the end of any month in which transactions are registered in respect of your shareholding.

Woolworths' communications

As well as this Annual Report, Woolworths' communications for shareholders include:

- The Chairman's Address to the Annual General Meeting.
- The Half Year Results Summary, which is mailed with the interim dividend in April.
- Our Internet site, www.woolworthslimited.com.au, provides investors with information about Woolworths Limited, including copies of Annual Reports, Chairman's Address, Half Year Results Summary and other Releases to the ASX made by the Company.

E-mail Registration – Enjoy the benefits of the electronic age

Register your e-mail address now and you can choose to receive Annual Reports, Notice of Annual General Meetings/ Proxy Forms or dividend advices by e-mail (directly or via an emailed link to the relevant publication on our website).

Visit our Woolworths Limited website www.woolworthslimited.com.au/shareholdercentre and click on e-mail register. Be sure to have your Shareholder Reference Number (SRN) handy. An e-mail will be sent to you for confirmation purposes. When you receive it, simply click 'reply' to confirm your details, then 'send'.

Removal from the Annual Report mailing list

Shareholders who do not want to receive the Annual Report should advise Woolworths Limited's Share Registrar in writing. These shareholders will continue to receive all other shareholder information, including Notices of all Annual General Meetings.

Stock exchange listings

Woolworths Limited ordinary shares are listed on the Australian Stock Exchange Ltd.

American Depository Receipts

Woolworths Limited shares may be traded in sponsored American Depository Receipts form in the United States.

History of dividend paid

Date of dividend	Type	Cents per share	Franking Rate	DRP Price
30 Nov 1993	Final	6 cents	39%	$2.951447
29 Apr 1994	Interim	6 cents	39%	$2.885597
30 Nov 1994	Final	6 cents	39+33%	$2.604966
28 Apr 1995	Interim	6 cents	33%	$2.722008
17 Nov 1995	Final	8 cents	39+33%	$2.895650
26 Apr 1996	Interim	7 cents	33%	$2.865076
12 Nov 1996	Final	8 cents	36%	$2.583203
24 Apr 1997	Interim	7 cents	36%	$3.219037
15 Oct 1997	Final	9 cents	36%	$3.938956
24 Apr 1998	Interim	8 cents	36%	$5.345073
9 Oct 1998	Final	9 cents	36%	$5.176125
30 Apr 1999	Interim	8 cents	36%	$4.83
5 Oct 1999	Final	10 cents	36%	$5.19
28 Apr 2000	Interim	10 cents	36%	$4.92
5 Oct 2000	Final	13 cents	34%	$6.61
27 Apr 2001	Interim	12 cents	34%	$7.99
5 Oct 2001	Final	15 cents	30%	$10.98
30 Apr 2002	Interim	15 cents	30%	$12.23
8 Oct 2002	Final	18 cents	30%	$11.78
30 Apr 2003	Interim	18 cents	30%	$11.71
3 Oct 2003	Final	21 cents	30%	$11.37

On-market buy back

An announcement was made on 12 September 2001 of the Company's intention to buy back that number of shares as are allotted under the DRP plus 1% of issued capital.

Shareholders' Calendar

2003

October

3rd Payment date for Final Dividend

27th Announcement of 1st quarter sales results

November

21st Annual General Meeting

Harbourside Auditorium
Sydney Convention & Exhibition Centre
Darling Harbour
Sydney NSW

December

15th Interest Payment on Woolworths Income Notes

2004

February

- Announcement of 2nd quarter sales results
- Half Year Results announcement

March

15th Interest Payment on Woolworths Income Notes

April

- Record date for Interim Dividend
- Payment of Interim Dividend
- Mailing of Summary of Half Year Results
- Announcement of 3rd quarter sales results

June

15th Interest Payment on Woolworths Income Notes

July

- Announcement of 4th quarter sales results

August/September

- Preliminary Full Year Results and Final Dividend announcement

Note timing of events can be subject to change.

Directory

Woolworths Limited

Level 5
540 George Street
Sydney NSW 2000

Tel: (02) 9323 1555
Fax: (02) 9323 1599

Website: www.woolworthslimited.com.au

National Supermarkets – Supermarket Operations

13 Redmyre Road
Strathfield NSW 2135

Tel: (02) 8732 5667
Fax: (02) 8732 5580

Website: www.woolworths.com.au

National Supermarkets – Shared Services

Cnr Fairfield and Dursley Roads
Yennora NSW 2165

Tel: (02) 9892 7111
Fax: (02) 9892 7171

Website: www.woolworths.com.au

Ezy Banking

Level 3
540 George Street
Sydney NSW 2000

Tel: 13 7288

Website: www.ezybanking.com.au

Woolworths Petrol

13 Redmyre Road
Strathfield NSW 2135

Tel: (02) 8732 5511
Fax: (02) 8732 5580

Dan Murphy's

789 Heidelberg Road
Alphington VIC 3078

Tel: (03) 9497 3388
Fax: (03) 9497 2782

BIG W

3 City View Road
Pennant Hills NSW 2120

Tel: (02) 9847 1000
Fax: (02) 9847 1500

Website: www.bigw.com.au

Dick Smith Electronics

2 Davidson Street
Chullora NSW 2190

Tel: (02) 9642 9100
Fax: (02) 9642 9111

Website: www.dse.com.au

Secretary

Rohan K S Jeffs BA, LLB, LLM, FCIS

Share Registrar

Computershare Investor Services
Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Tel: 1300 368 664
Fax: (02) 8234 5050

Website: www.computershare.com.au

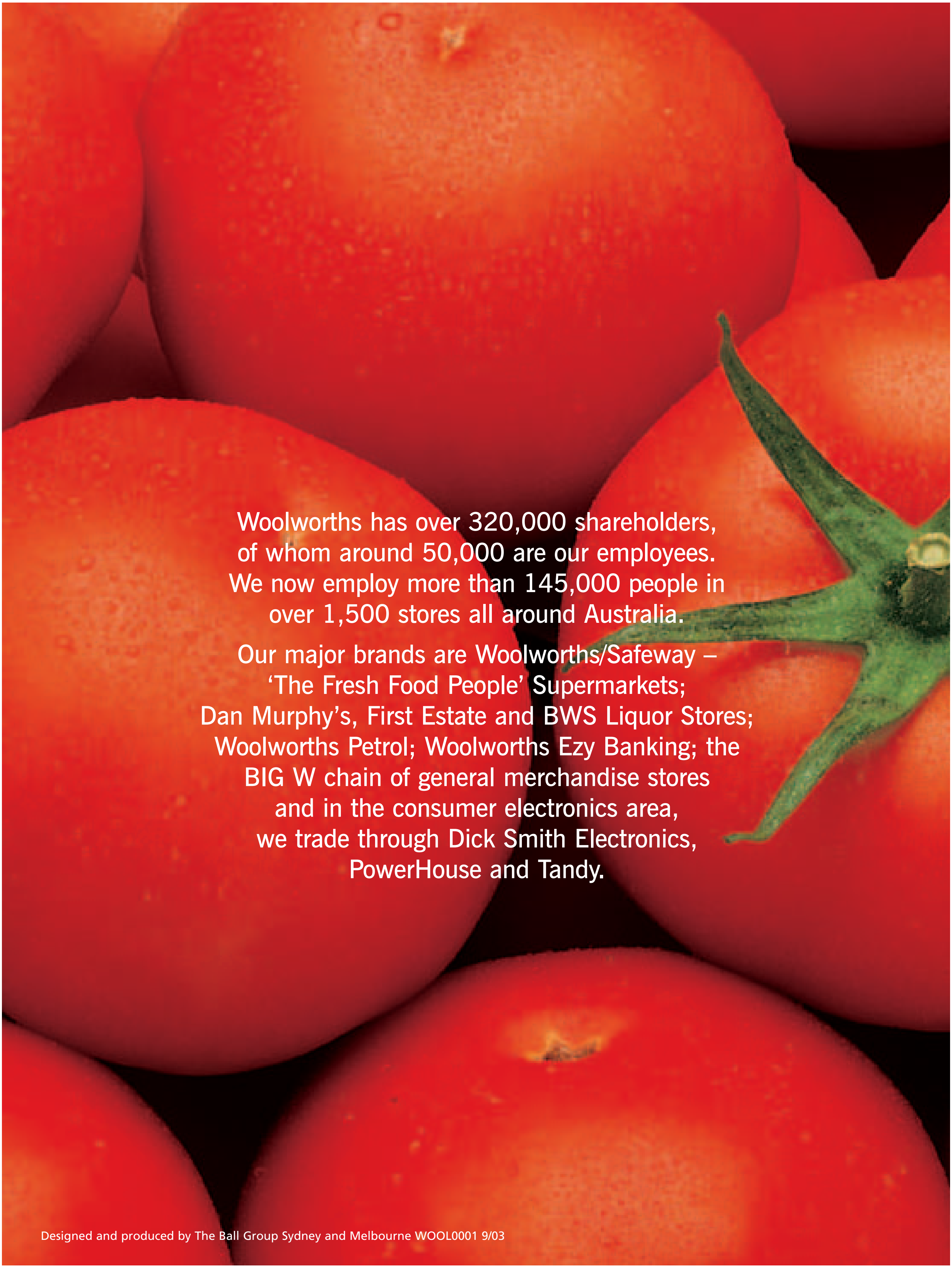
Auditor

Deloitte Touche Tohmatsu
Level 3
225 George Street
Sydney NSW 2000

Principal registered office in Australia

Level 5
540 George Street
Sydney NSW 2000

Tel: (02) 9323 1555



Woolworths has over 320,000 shareholders, of whom around 50,000 are our employees. We now employ more than 145,000 people in over 1,500 stores all around Australia.

Our major brands are Woolworths/Safeway – 'The Fresh Food People' Supermarkets; Dan Murphy's, First Estate and BWS Liquor Stores; Woolworths Petrol; Woolworths Ezy Banking; the BIG W chain of general merchandise stores and in the consumer electronics area, we trade through Dick Smith Electronics, PowerHouse and Tandy.

Designed and produced by The Ball Group Sydney and Melbourne WOOL0001 9/03

‘Thank you’

www.woolworthslimited.com.au