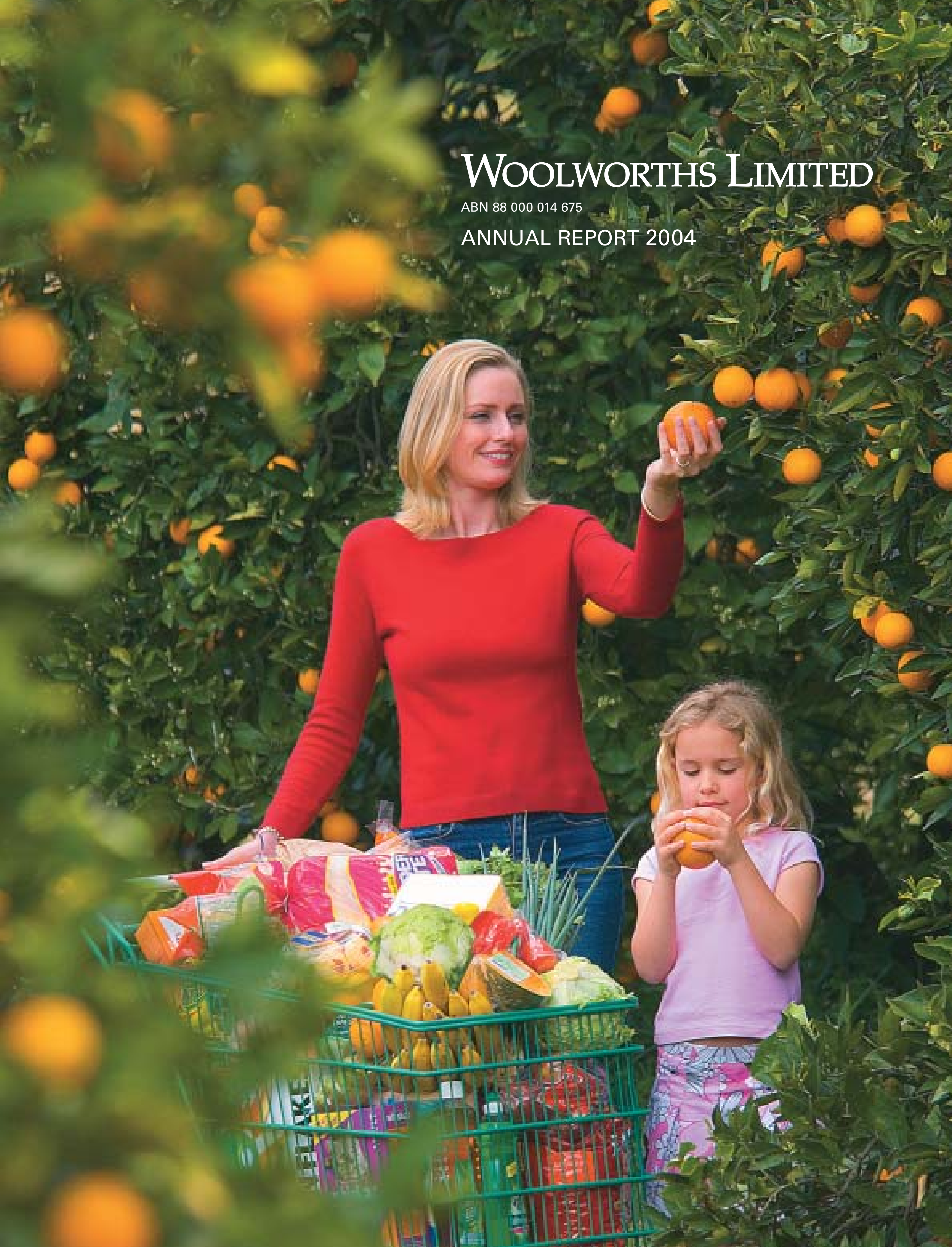
WOOLWORTHS LIMITED

ABN 88 000 014 675

ANNUAL REPORT 2004



HIGHLIGHTS

In summary, Woolworths' results for the year 2003/2004 are as follows:

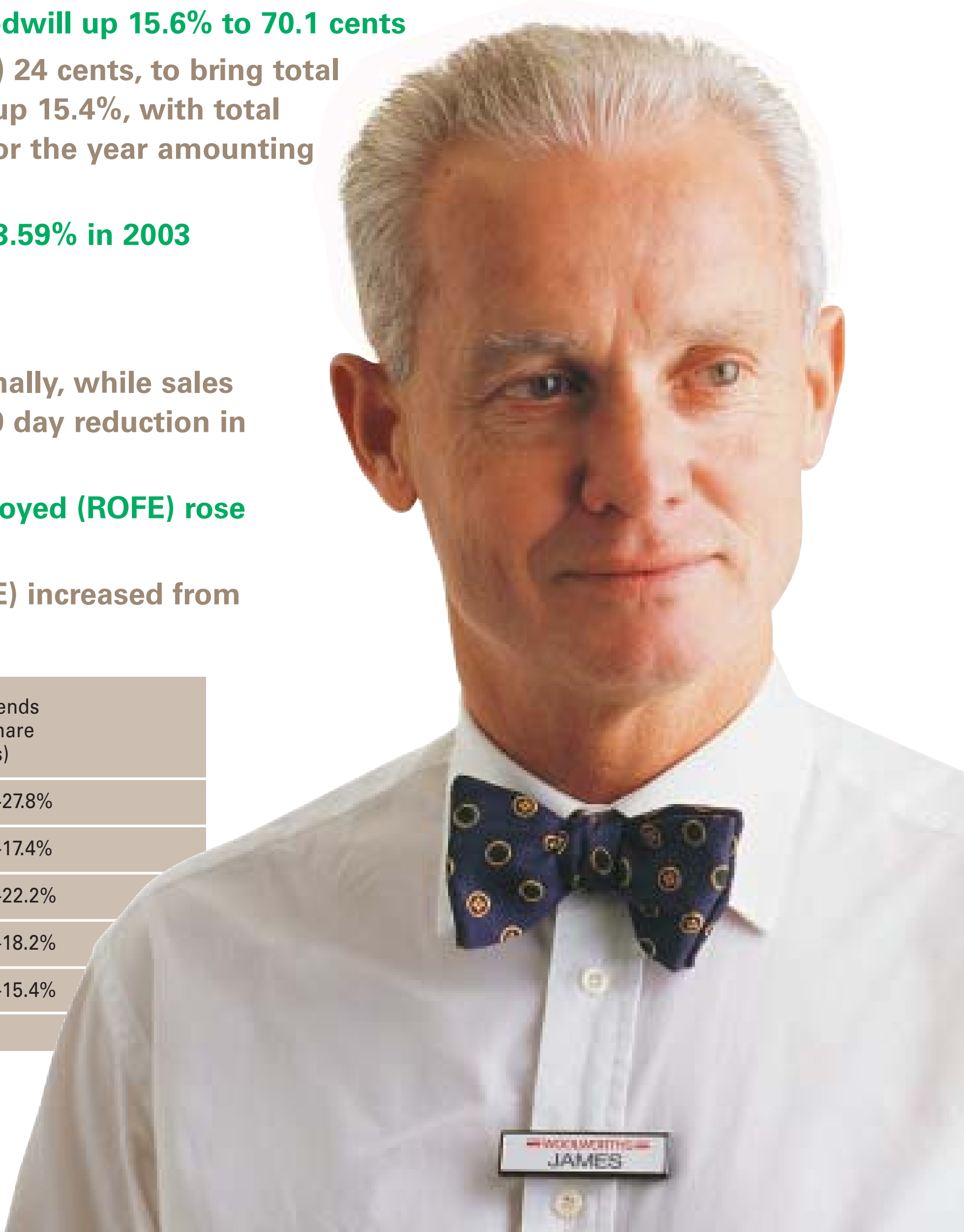
- **Sales up 6.7% from continuing operations**
- **Total sales for this year compared with last year up 6.1% to $27,934 million**
- **Earnings before interest, taxation, depreciation, and amortisation (EBITDA) up 9.6% to $1,472.7 million**
- **Earnings before interest and taxation (EBIT) up 12.6% to $1,065.1 million**
- **Net operating profit after tax and servicing income notes up 12.8% to $687.8 million**
- **Earnings per share (EPS) after goodwill up 16.0% to 67.4 cents**
- **Earnings per share before goodwill up 15.6% to 70.1 cents**
- **Final dividend per share (DPS) 24 cents, to bring total DPS for the year to 45 cents, up 15.4%, with total dividend paid and proposed for the year amounting to $462.5 million**
- **EBIT margins improved from 3.59% in 2003 to 3.81% in 2004**

Other Highlights:

- **Funds employed down marginally, while sales up 6.7%, underpinned by a 2.0 day reduction in inventory days to 32.1 days**
- **Average return on funds employed (ROFE) rose from 42.8% last year to 49.3%**
- **Average return on equity (ROE) increased from 49.3% last year to 51.0%**

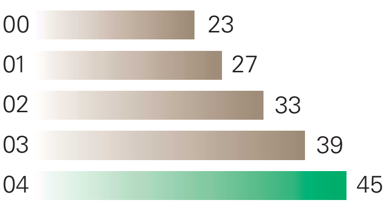
Five year shareholder returns	Earnings per share[1] (cents)		Dividends per share (cents)	
2000	32.9	+18.9%	23	+27.8%
2001	41.0	+24.7%	27	+17.4%
2002	52.5	+28.0%	33	+22.2%
2003	60.7	+15.7%	39	+18.2%
2004	70.1	+15.6%	45	+15.4%

(1) Before goodwill amortisation.

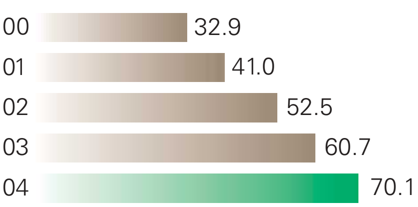


CHAIRMAN'S REPORT TO SHAREHOLDERS

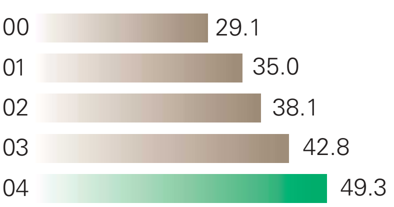
DIVIDENDS PER SHARE (cents)



EPS BEFORE GOODWILL (cents)



ROFE[1] (%)



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

The success of Woolworths has always been, and will continue to be borne out of our straightforward approach to business and our clear vision for providing the best value products and services to Australians.

In the 2003/04 financial year, Woolworths delivered earnings before interest and tax of over $1 billion and again produced strong returns for shareholders. Our consistent financial performance has been underpinned by steady sales growth from our continuing operations of 6.7% and further reductions in costs through Project Refresh.

We recorded another year of double digit earnings growth, demonstrating our ability to manage all aspects of the business effectively while still maintaining a focus on long term strategic plans.

The increase in both earnings per share and dividends per share reflects the strength of Woolworths and its ability to maximise both shareholder returns and customer satisfaction in a highly competitive retail environment.

KEY PERFORMANCE INDICATORS

Woolworths aims for efficiency in operations, delivering the most competitive prices for its customers and the best possible returns for its shareholders. In FY04, Woolworths' performance measures have continued to improve.

The quality of this year's results, coupled with Woolworths' consistent performance in previous years, is best summarised by the Company's ability to deliver strong Total Shareholder Returns (TSR). When compared to the ASX 100, Woolworths has delivered higher returns than its competitors in the retail, food and liquor industries. For the five years to June 2004, Woolworths' TSR was the highest of the Company's peers listed on the ASX 100 Industrial Index.

Contents

LEADERSHIP

THE BOARD

In January 2004, John Astbury joined the Woolworths Board, bringing 30 years' experience in senior financial and executive management roles in both Australia and the United Kingdom. Our Board has been characterised by stability and close involvement with Management.

EXECUTIVE MANAGEMENT TEAM

The Board places great value in the outstanding contribution of Roger Corbett. As Chief Executive Officer over the past five years, he has helped build Woolworths into a stronger and more efficient Company. I am pleased Roger has agreed to continue leading Woolworths for up to a further two years.

Recent senior management changes in leadership at Woolworths include the appointment of Michael Luscombe to Director, Supermarkets. I am confident Michael will continue to build on the success and hard work of Tom Flood. Tom retired in August this year and, on behalf of the Board and the Executive Management team, I would like to thank him for his huge contribution, particularly in driving supermarket performance in a very competitive period.

Marty Hamnett has moved into the role of Director, General Merchandise, covering the BIG W and Consumer Electronics businesses.

REMUNERATION

Woolworths currently has a predominantly performance-based remuneration structure. The Long Term Incentive Plan (LTIP) has been a key factor in delivering outstanding results for shareholders over the past five years, being linked to tough performance hurdles including EPS and TSR.

The Board has reviewed the LTIP in light of changes to Australian Accounting Standards and the objectives of ensuring it provides the necessary degree of incentive and reward at a reasonable cost to shareholders over the longer term. As a result of this review, a new LTIP structure has been proposed for shareholder approval at this year's Annual General Meeting.

The new LTIP structure will provide the flexibility for the Board to ensure that the incentive elements of the LTIP will remain commensurate with the Company's performance in the longer term, whilst accounting for the potential impact of regulatory changes including those to Australian Accounting Standards.

We will, however, ensure that the performance hurdles for all of the rewards available under the new LTIP, continue to be rigorous and based on both corporate financial performance and rewards to shareholders measured against appropriate external benchmarks.

The Board believes in the importance of linking executive performance to the Company's performance and actual results. In the past five years, Woolworths has delivered capital growth well in excess of $7 billion dollars, to the benefit of all our shareholders.

GOVERNANCE

Woolworths' commitment to corporate governance is aimed at achieving best practice and conducting ourselves with fairness, honesty and transparency. In recent years, we have reviewed and improved our audit standards and we maintain our objective of ensuring the highest standards of corporate conduct and reporting standards.

OUR PEOPLE

The Board extends its sincere thanks to the approximately 140,000 members of the Woolworths team whose dedicated work upholds the reputation and standards of the Woolworths brand.

I would also like to thank our suppliers – their partnership is integral to the success of Woolworths and their assistance in improving our supply chain management has been and will continue to be, greatly appreciated. The Board expressly appreciates the dedication of all of the Executive and Management team whose hard work has been central to the success of Woolworths.

Finally, thanks to our customers who continue to choose Woolworths for its competitive pricing, quality brands and superior service. We look forward to the challenges ahead and the opportunity to continue creating value for our customers and shareholders, together with rewards for our suppliers and employees.

James Strong
Chairman
Woolworths Limited

GROUP MANAGING DIRECTOR'S REPORT

It is my pleasure to report on behalf of my colleagues to our shareholders on a strong result in a year which had some unique characteristics in a highly competitive market. We produced solid sales increases, continued cost reductions, excellent profits, a strengthened balance sheet and strong cash flows.

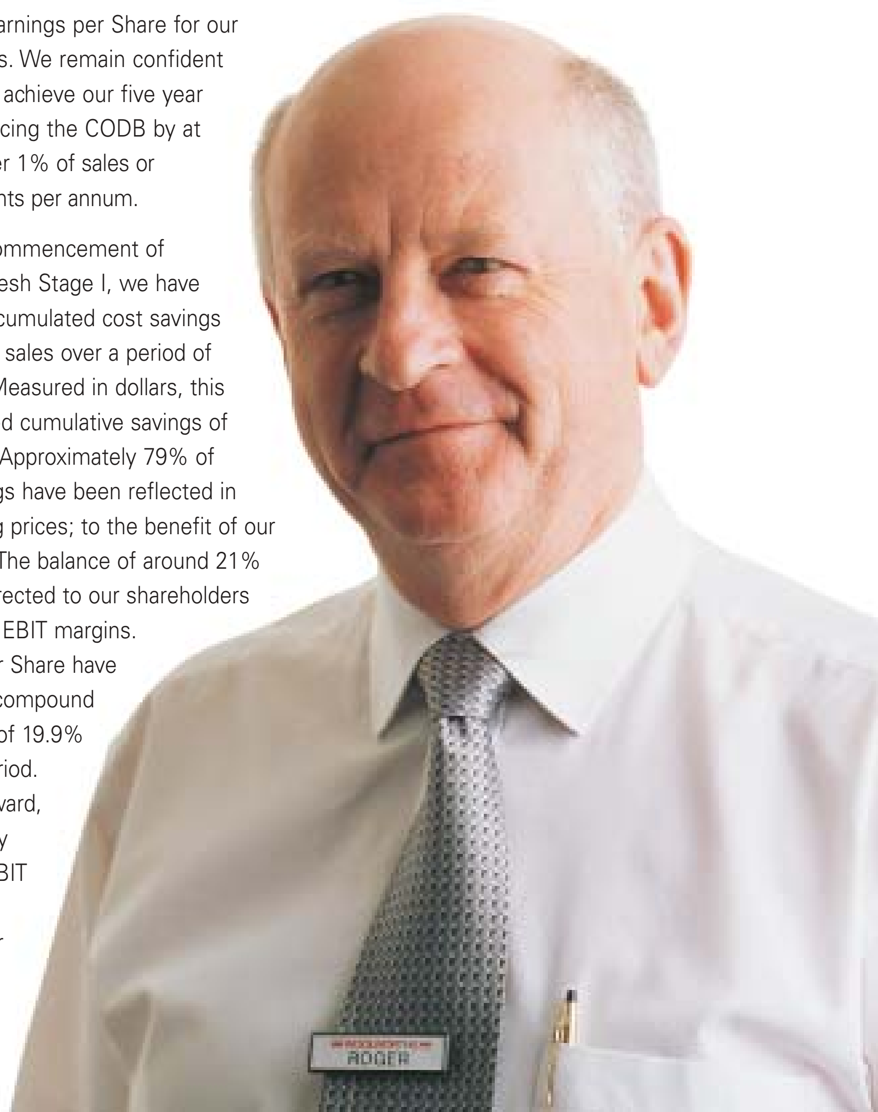
This result, in a very competitive year, reflects the absolute commitment and performance of our people, and the support of our suppliers. The ongoing trust and loyalty of our customers is vital to this result.

Woolworths will continue to provide our customers with greater convenience, superior freshness and quality, the best ranges and consistently lower prices across all our businesses.

This continued and detailed focus on all aspects of our business placed us in a good position in a year which saw supermarket sales increases affected by the 'once off catch-up' roll out of competitors' petrol offers. As previously stated, this has resulted in some rebalancing. However, the impact of this will diminish during the coming year as a further 110 Woolworths/Caltex jointly branded sites are rolled out. The Woolworths/Caltex new sites continue to positively reflect in sales growth of adjoining supermarkets.

We remain focussed on cost savings. As a result of continuing savings effected by the first stage of Project Refresh and now the well-developed second stage of Project Refresh we have achieved a further 0.54% reduction in our costs as a percentage of sales for the year. The Cost of Doing Business (CODB) cost reduction, excluding petrol fractionalisation, meets our previously stated target of achieving at least a 20 basis points per annum reduction in CODB. This has benefited both our customers and our shareholders as planned. As we move forward we will continue to reduce our costs as foreshadowed. This will be reflected in better prices for our customers and growth in Earnings per Share for our shareholders. We remain confident that we will achieve our five year goal of reducing the CODB by at least another 1% of sales or 20 basis points per annum.

Since the commencement of Project Refresh Stage I, we have achieved accumulated cost savings of 2.85% of sales over a period of five years. Measured in dollars, this has produced cumulative savings of $2.5 billion. Approximately 79% of these savings have been reflected in lower selling prices; to the benefit of our customers. The balance of around 21% has been directed to our shareholders in improved EBIT margins. Earnings per Share have grown at a compound annual rate of 19.9% over this period. Moving forward, as previously indicated, EBIT margins and Earnings per Share will continue to grow. Of a minimum cost saving of 20 basis points per annum at least 10 basis points will be directed to Earnings per Share and 10 basis points to price reductions. Should we achieve a better than 20 basis points reduction, the allocation will depend upon what is determined as being in the best interests of our shareholders at that time. It will either go to further price reductions should that be seen as necessary for competitive purposes, or EBIT, depending on the circumstances existing at that time.



Our major supply chain and IT initiatives are now well developed, and we are ahead of our anticipated cost savings and implementation; including both infrastructure (i.e. Distribution Centres) and IT initiatives. Our StockSmart system (Distribution Centre forecast based replenishment) is operating effectively in all our major Distribution Centres. During the year, AutostockR, which is an automated re-ordering store stock system, has been installed in all our supermarkets throughout Australia, ahead of schedule, within budgeted cost and functionality, is exceeding our expectations.

In addition, progress is well underway with the introduction of roll cages (units that enable stock to be pre-packed at our Distribution Centres and delivered direct to store) in Western Australia and plans are on track for the other States over the coming months. Our new Distribution Centre in Western Australia is almost complete and will come on line later this year. Extensive rebuilding and refurbishment of the facilities in South Australia have been completed and are on track. Contracts have been let for the construction of our major Distribution Centres in Wodonga, in Victoria, and Wyong, NSW, and we expect these facilities to be substantially complete in 2005. Further planning and detailing is well advanced and it is anticipated that these facilities will be constructed to feasibility and budgeted figures.

Our solid performance has extended to the balance sheet. A further reduction in inventory of two days compared with last year has been achieved, combined with improvements in working capital, has helped reduce Funds Employed. Average Return on Funds Employed has increased from 42.8% last year to 49.3% this year.

Our capital management strategy continued during the year with a $141 million on-market share buy-back at an average cost of $11.09 per share. Capital management has, over time, helped drive growth in Earnings per Share. However, this has not precluded us from taking advantage of many growth opportunities including several acquisitions.

An overview of our operating divisions and business performance is set out on the following pages.

For the 2005 financial year, we are forecasting that our sales will continue to grow in higher single digits and net profit after tax will increase in the range of 10% to 15%.

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

Finally, I would like to thank our Board, my colleagues and our suppliers for their support throughout the year. Without this ongoing support and teamwork we would not be able to provide our shareholders with the results achieved this year. Together as shareholders, employees, suppliers and customers we constitute Woolworths, a great Australian company. Thank you.

Roger Corbett
Group Managing Director/CEO
Woolworths Limited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THE RESULTS IN BRIEF

	FY04 52 weeks $m	FY03 52 weeks $m	Change %
SALES			
Food and liquor[1]	21,998	21,039	4.6
Petrol	2,195	1,711	28.3
Total Supermarkets	**24,193**	**22,750**	**6.3**
BIG W	2,718	2,500	8.7
Consumer Electronics	886	791	12.0
General Merchandise Group	**3,604**	**3,291**	**9.5**
Continuing Operations	**27,797**	**26,041**	**6.7**
Wholesale	137	280	(51.1)
Group Sales	**27,934**	**26,321**	**6.1**

(1) Excluding $297 million (FY03:$222 million) from our MGW joint venture (retail liquor $172 million (FY03:$133 million), hotels $125 million (FY03:$89 million)).

	FY04 52 weeks		FY03 52 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 and liquor	965.6	941.7	848.2	825.1	13.8	14.1
Petrol	18.6	18.6	29.9	29.9	(37.8)	(37.8)
Total Supermarkets	**984.2**	**960.3**	**878.1**	**855.0**	**12.1**	**12.3**
BIG W	116.2	116.2	103.7	103.7	12.1	12.1
Consumer Electronics	48.2	44.1	41.2	37.0	17.0	19.2
Total General Merchandise	**164.4**	**160.3**	**144.9**	**140.7**	**13.5**	**13.9**
Total Trading Result	**1,148.6**	**1,120.6**	**1,023.0**	**995.7**	**12.3**	**12.5**
Property	21.7	21.7	26.6	26.6	(18.4)	(18.4)
Central overheads	(79.0)	(79.0)	(76.7)	(76.7)	3.0	3.0
Continuing Operations	**1,091.3**	**1,063.3**	**972.9**	**945.6**	**12.2**	**12.4**
Wholesale	1.8	1.8	0.2	0.1	–	–
Group EBIT	**1,093.1**	**1,065.1**	**973.1**	**945.7**	**12.3**	**12.6**

	FY04 52 weeks $m	FY03 52 weeks $m	Change %
PROFIT			
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	2,282.5	2,102.7	8.6
Property rent – base	664.2	620.2	7.1
Property rent – turnover contingent	79.0	77.1	2.5
Fitout rent	66.6	61.4	8.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,472.7	1,344.0	9.6
Depreciation	379.6	370.9	2.3
Goodwill Amortisation	28.0	27.4	2.2
Earnings before interest and tax (EBIT)	1,065.1	945.7	12.6
Net interest expense[(1)]	47.3	39.7	
Woolworths Income Notes distribution	42.9	41.1	
Operating income tax expense	286.7	255.0	
Net operating profit after income tax	688.2	609.9	12.8
Outside equity interests	(0.4)	(0.4)	
Net operating profit after tax and servicing WINs	687.8	609.5	12.8
Margins			
Gross Profit	24.91%	25.14%	–0.23 pts
Cost of Doing Business	21.10%	21.55%	–0.45 pts
EBIT to sales	**3.81%**	**3.59%**	**+0.22 pts**

RETURNS			
Funds employed	2,157.7	2,161.5	–0.18
Return on funds employed (ROFE)	49.3%	42.8%	+6.5 pts
Weighted average ordinary shares on issue (million)	1,020.5	1,049.2	–2.7
Ordinary earnings per share (cents)	67.40	58.09	+16.0
Fully diluted earnings per share (cents)	66.63	57.20	+16.5
Earnings per share pre-goodwill (cents)	70.14	60.70	+15.6
Interim dividend per share (cents)	21.0	18.0	+16.7
Final dividend per share (cents)[(2)]	24.0	21.0	+14.3
Total dividend per share (cents)	45.0	39.0	+15.4

(1) After interest capitalisation of $5.5 million to property developments (2003:$1.5 million)
(2) Final dividend payable 8 October 2004 will be fully franked at 30% (2003:30%)

BRANDPOWER

WOOLWORTHS' SUPERMARKETS DIVISION, trading as Woolworths and Safeway, is Australia's leading food retailer, with 708 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 convenient locations in NSW, South Australia, ACT, Western Australia and Queensland.*

DAN MURPHY'S has expanded from its home state in Victoria where it is a household name, and has 26 destination outlets in Victoria, NSW, ACT, SA and Queensland.* 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.

PETROL is our expanding business, which started in 1997 with one outlet and now comprises approximately 410 outlets operating under an alliance with Caltex across Australia.

BIG W is the Discount Department Store Division of Woolworths, with 111 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 164 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 18 PowerHouse stores.

Tandy has 148 Company-owned stores operating in Australian metropolitan and regional areas.

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

WOOLWORTHS SELLS LEADING AUSTRALIAN BRANDS AT COMPETITIVE PRICES IN ALL STORES

SUPERMARKETS
(INCLUDING LIQUOR AND PETROL)

Supermarket sales (including liquor and petrol) rose 6.3% with Food and Liquor sales growing 4.6% for the year.

Comparable store sales for Food and Liquor grew 2.7% for the full year, with comparable sales since June showing an increase compared to the fourth quarter of FY04.

SUPERMARKETS (INCLUDING LIQUOR AND PETROL)
2003/04 FINANCIAL SUMMARY

	2004 52 weeks	2003 52 weeks	Change
Sales ($mil)	24,192.5	22,749.5	+6.3%
Gross margin (%)	24.11	24.39	–0.28% pts
Cost of doing business (%)	20.14	20.63	–0.49% pts
EBIT to sales (%)	3.97	3.76	+0.21% pts
EBIT to sales (%) (excluding petrol)	4.28	3.92	+0.36% pts
EBIT before goodwill ($mil)	984.2	878.1	+12.1%
EBIT after goodwill ($mil)	960.3	855.0	+12.3%
Funds employed ($mil)	1,387.2	1,457.0	–4.8%
Average return on funds employed (%)	67.5	57.9	+9.6% pts

Gross margins have been impacted by continued price reductions to customers, offset by improved shrinkage control and better buying.

EBIT (including petrol) grew faster than sales at 12.3%, underpinned by cost savings with CODB falling by 49 basis points. EBIT margin increased by 21 basis points on last year. EBIT margin, excluding petrol, at 4.28% was equal to the first half.

Days inventory for supermarkets has continued to be reduced, with a further reduction of 2.3 days this year to 25.8 days. This stock reduction reflected the implementation last year of Stocksmart (distribution centre forecast replenishment) and this year in part from the rollout of AutostockR. These systems also provide us with the opportunity to re-range the store without decreasing stock availability levels.

There were 18 new supermarkets opened during the year bringing the total number to 708. Total trading area for the Division grew by 3.1%, within our stated range, with most of this occurring in the fourth quarter.

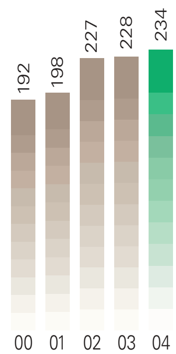
EBIT GREW FASTER THAN SALES AT 12.3%

Other major initiatives included:

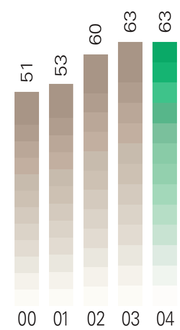
- the One Touch Stores Program involving the use of roll cages, shelf ready trays and unit-load devices to improve the efficiency and reduce the cost of delivery of stock to stores;
- the planned consolidation of 31 current Supermarket Distribution Centres to nine Regional and two National Distribution Centres of significantly larger size and scale which is well underway; and
- the improvement in the control of primary and secondary freight and the Vendor Collaboration Program to improve efficiencies across the supply chain through sharing information and feedback which will enable Project Refresh Level II to achieve its full benefits.

SUPERMARKETS STORE NUMBERS

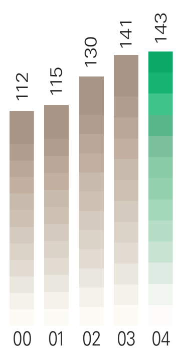
NEW SOUTH WALES & ACT



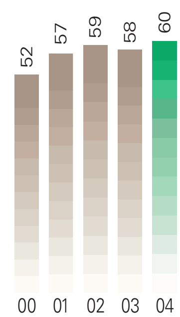
SOUTH AUSTRALIA & NORTHERN TERRITORY



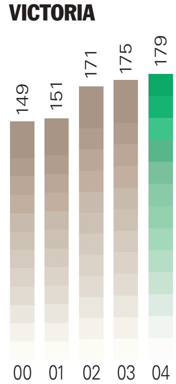
QUEENSLAND



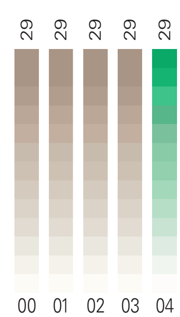
WESTERN AUSTRALIA



VICTORIA



TASMANIA



LIQUOR

Our liquor business continues to perform well, reporting strong growth in sales and profits. Customer reaction and support of our liquor offering has been high which has been a key element in driving our sales growth at a rate three times as fast as the market.

Woolworths continues to bring greater price competition in the Australian liquor market as it has over the past three years, with customers benefiting from the lower prices.

Dan Murphy's has had wide customer acceptance, providing customers with excellent value for money and extensive product ranging, together with personalised fine wine advice and expertise. Dan Murphy's range is the most extensive in Australia, benefiting our smaller wine producers and our customers. This outstanding customer offering has been expanded in the FY04 year with seven new stores, two opened in Queensland, two in NSW/ACT and a further three stores opened in Victoria.

Sales from our 50% owned Queensland liquor business, MGW (a Joint Venture with the Bruce Mathieson Group), were $296.8 million for the year, an increase of 34%. This comprised $172.2 million from liquor stores operations and $124.6 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 roll out of further 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.

As of the end of FY04, Woolworths Limited had 26 Dan Murphy's destination outlets, 168 BWS and fine wine neighbourhood stores, and 344 Woolworths/Safeway attached liquor stores. MGW had 31 hotels and 110 liquor stores (which includes 2 Dan Murphy's outlets).

Total liquor sales for the year (including MGW) were $2.1 billion and we are confident of exceeding our stated target of $2.5 billion in the near to medium term.

TOTAL LIQUOR SALES FOR THE YEAR WERE $2.1 BILLION*

** Includes total MGW sales.*

PETROL

Our Petrol Division continued to grow rapidly with sales of $2.2 billion up 28.3% on the previous year. The offer of a petrol discount (currently 4c/litre discount) off the lowest local price with purchases of $30 or more from our Supermarkets or BIG W stores, remains attractive to our customers.

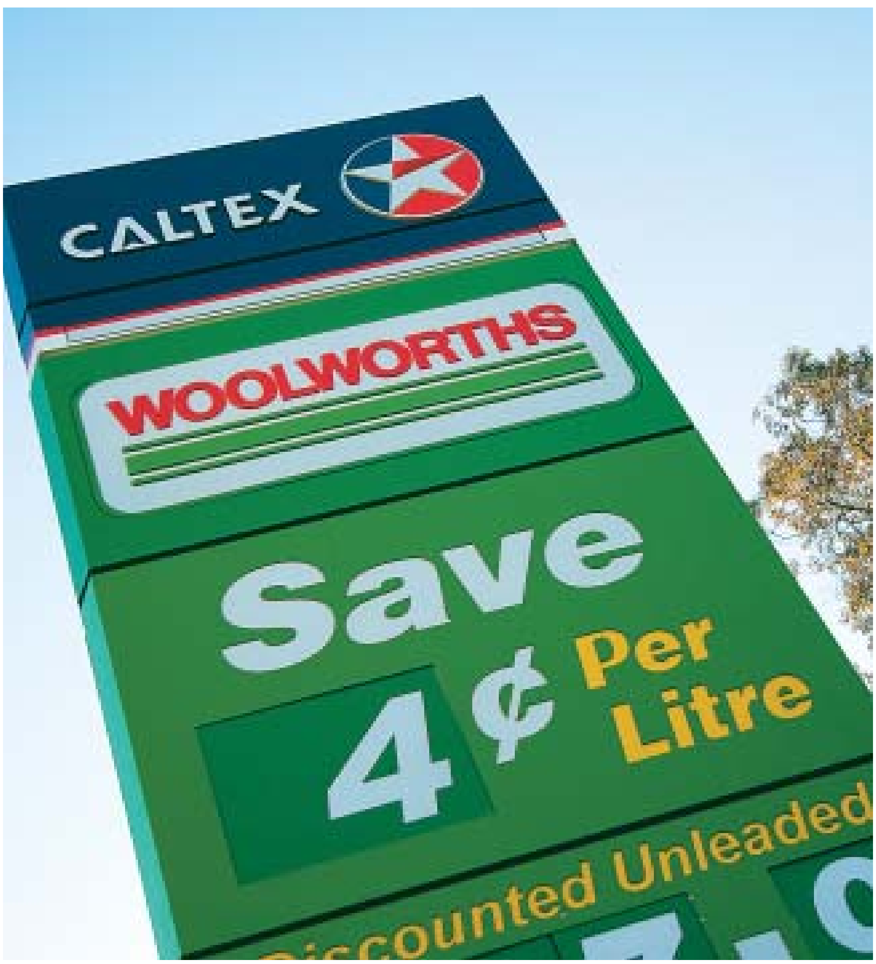
Sales growth has been driven by both a significant increase in volume in existing petrol canopies and by the addition of new canopies. Current volume is approximately 60 million litres per week (including Caltex alliance sites). The rollout of other competitors' petrol discount schemes resulted in high levels of pump price competition which reduced petrol gross margins. As a result, despite tight cost control, EBIT declined over the year.

At the end of the financial year we had 359 petrol sites including 44 Woolworths/Caltex alliance sites. Excluding the alliance sites, we opened an additional 28 petrol canopies. We are well on track to achieve our target to have around 410 sites by the end of the first quarter.

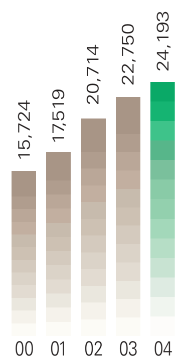
We believe a chain of around 470 petrol canopies, most of which will be in close proximity to our supermarkets, is the optimum number of canopies to drive profitable sales for our existing chain of Supermarket and BIG W stores.

WHOLESALE

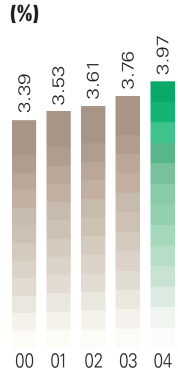
Following the closure of the AIW business, the Wholesale Division (including Statewide Independent Wholesalers (SIW) in Tasmania) recorded an operating profit of $1.8 million compared with a profit of $0.1 million in the previous year.



SUPERMARKETS SALES ($M)



SUPERMARKETS EBIT (%)



GENERAL MERCHANDISE

BIG W recorded a strong result in a continuing competitive market. The 2003/2004 year saw the Division achieve sales of $2.7 billion and EBIT of $116 million with cost of doing business falling below 26%.

BIG W
2003/04 FINANCIAL SUMMARY

	2004 52 weeks	2003 52 weeks	Change
Sales ($mil)	2,717.9	2,500.3	+8.7%
Gross margin (%)	30.25	30.88	–0.63% pts
Cost of doing business (%)	25.98	26.73	–0.75% pts
EBIT to sales (%)	4.28	4.15	+0.13% pts
EBIT ($mil)	116.2	103.7	+12.1%
Funds employed ($mil)	325.7	269.5	+20.9%
Average return on funds employed (%)	39.0	36.5	+2.5% pts

Sales increased 8.7%, underpinned by comparable store sales, with improving growth over the year of 4.2% in the first half, 6.9% in the second half and 5.3% for the full year. Solid growth was achieved with Home Entertainment (including music, DVD and computer consumables) being particularly strong.

Our longstanding and well accepted 'Everyday Low Price' (EDLP) strategy, underwritten by ongoing cost reductions, has been the cornerstone of the Division's consistent growth in sales and earnings over the past decade.

CODB fell 75 basis points driven by several in-store initiatives which included new night fill and back office processes.

EBIT rose faster than sales at 12.1% with EBIT margin increasing from 4.15% in FY03 to 4.28% this year.

Funds employed increased during the year due to stock levels being higher as a result of bringing forward the mid-year toy sale, as well as capital expenditure on an extension to the existing Monarto (S.A.) Distribution Centre and further store refurbishments. Despite this increase, the average return on funds employed increased to 39% (FY03 36.5%).

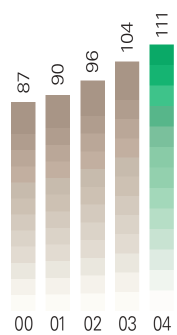
Seven stores were opened during the year taking the total number of stores in the Division to 111. We anticipate sufficient demand to grow in the order of six to ten new stores each year to a total of at least 150 BIG W stores.

Customer acceptance of the EDLP strategy has been strong despite significant promotional advertising and increased "percentage off" sales by our major competitors. Stores were refitted

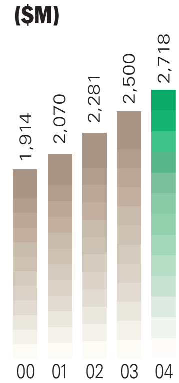
to cater for the expansion of the Home Entertainment category which also assisted in our focus on meeting increasing customer demand in this growing part of our business.

TOTAL GENERAL MERCHANDISE SALES FOR THE YEAR WERE $2.7 BILLION

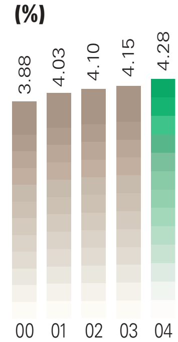
BIG W STORES



BIG W SALES ($M)



BIG W EBIT (%)



CONSUMER ELECTRONICS

This was a rewarding year for our Consumer Electronics business comprising Dick Smith Electronics, Tandy and Dick Smith Electronics PowerHouse. The 2003/04 year achieved sales growth of 12%, a significant reduction in the cost of doing business of 230 basis points and an EBIT increase of 19.2%.

CONSUMER ELECTRONICS 2003/04 FINANCIAL SUMMARY

	2004 52 weeks	2003 52 weeks	Change
Sales ($mil)	886.3	791.2	+12.0%
Gross margin (%)	31.59	33.59	–2.00% pts
Cost of doing business (%)	26.61	28.91	–2.30% pts
EBIT to sales (%)	4.98	4.68	+0.30% pts
EBIT before goodwill ($mil)	48.2	41.2	+17.0%
EBIT after goodwill ($mil)	44.1	37.0	+19.2%
Funds employed ($mil)	220.4	245.1	–10.1%
Average return on funds employed (%)	18.9	14.9	+4.0% pts

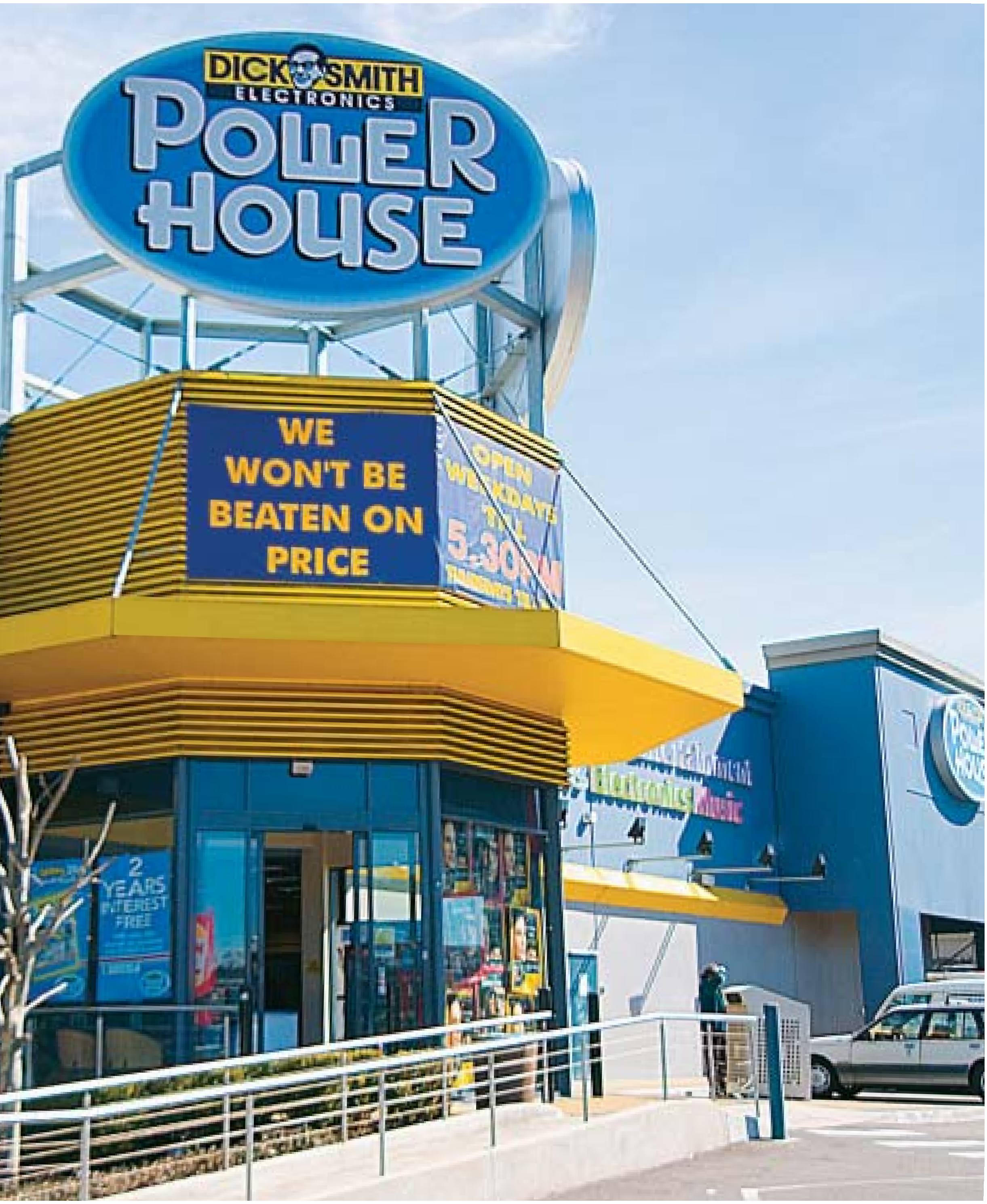
Competitive pricing and a strong retail offering have been key factors in driving sales growth for the year of 12.0% and comparable store sales growth of 10.1%. Excellent growth over the year was experienced in computer and home entertainment, specifically in TVs and DVDs.

CODB reduced from 28.91% to 26.61%. This reduction was accompanied by a planned reduction in gross margin which fell by 200 basis points through reduced selling prices and some changes in the product mix.

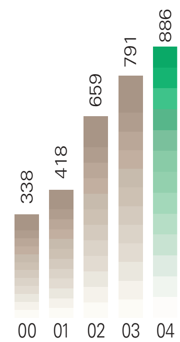
As a result, EBIT has risen faster than sales at 19.2%, with EBIT margin rising 30 basis points to 4.98%.

Inventory control was strong with days stock on hand at year end down over 12 days, compared with the previous year despite sales growing at 12%.

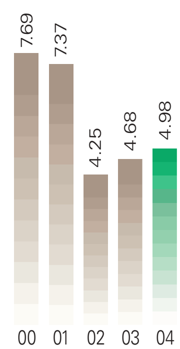
Return on funds employed increased from 14.9% to 18.9% in this financial year. There were two new PowerHouse stores and 13 Dick Smith Electronics stores opened during the year including our first PowerHouse store in New Zealand.



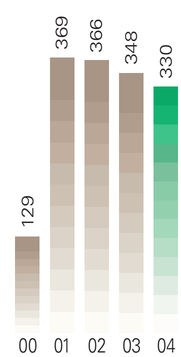
CONSUMER ELECTRONICS SALES ($M)



CONSUMER ELECTRONICS EBIT (%)



CONSUMER ELECTRONICS STORES



SENIOR MANAGEMENT


ROGER CORBETT

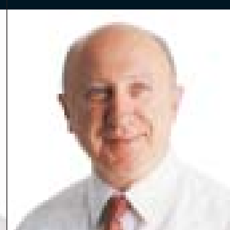

TOM POCKETT


MARTY HAMNETT

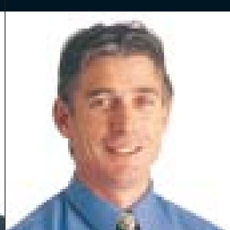

MICHAEL LUSCOMBE

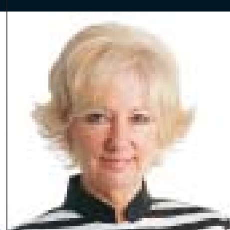

STEVE BRADLEY

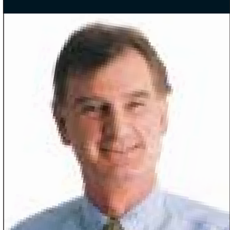

BERNIE BROOKES


NAUM ONIKUL

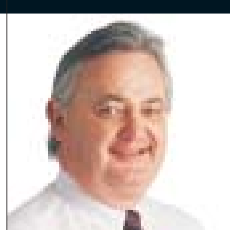

JULIE COATES

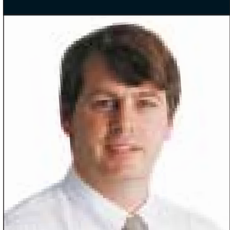

GREG FORAN


JUDY HOWARD


ROHAN JEFFS


ALVIN NG


PETER SMITH


PETER THOMAS


PENNY WINN

ROGER CORBETT
Group Managing Director/Chief Executive Officer

TOM POCKETT
Chief Financial Officer

MARTY HAMNETT
Director, General Merchandise

MICHAEL LUSCOMBE
Director, Supermarkets

STEVE BRADLEY
Chief Logistics and Information Officer

BERNIE BROOKES
Chief General Manager – Stage 3 of Project Refresh

NAUM ONIKUL
Chief General Manager – Free Standing Liquor and Petrol

JULIE COATES
General Manager – Human Resources

GREG FORAN
General Manager – BIG W

JUDY HOWARD
General Manager – Woolworths Academy

ROHAN JEFFS
General Manager – Corporate Services

ALVIN NG
General Manager – Dick Smith Electronics

PETER SMITH
General Manager – Supermarket Operations

PETER THOMAS
General Manager – Property

PENNY WINN
General Manager – Mercury Program

WOOLWORTHS' FOCUS IS:

WOOLWORTHS' FOCUS IS

"PROJECT REFRESH"

"Project Refresh", since its inception in 1999, has concentrated on achieving improved business efficiency processes and business restructuring programs which has resulted in significant changes in the way we do business as well as significant cost reduction programs.

Our Supply Chain strategy is a "whole of business transformation" delivering value to our customers.

Over the past five years, "Project Refresh" has delivered cost savings amounting to 2.85% of sales. Measured in dollars, this was a cumulative savings over the past five years of $2.5 billion.

Our focus is on our end-to-end supply chain improvement program and addresses the following key design considerations:

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

Woolworths carried out extensive and detailed planning to ensure each initiative will be effective on implementation. Each initiative is on its own a significant improvement. However, the interaction of these initiatives provides greater impetus to the overall project outcome and benefits.

Significant progress 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 our supermarkets. There has been strong customer acceptance of this offer.

Our inventory replenishment program is progressing well. Stocksmart (DC forecast based replenishment) was implemented fully in our DCs last year. We have completed the roll-out of AutostockR (store forecast based replenishment) to all supermarkets, five months ahead of the original schedule and within budget. We now have AutostockR in all our stores nationally, a significant achievement for the year.

Supermarket DCs will be reduced from 31 DCs to nine Regional Distribution Centres (RDCs) and two National Distribution Centres (NDCs). The strategic location of these DCs is imperative in order to optimise network efficiencies.

OUR SUPPLY CHAIN INITIATIVES ARE WELL UNDERWAY AND ON TRACK

Four RDC sites have already been secured – Wyong in NSW; Wodonga in Victoria; Perth and Brisbane.

Investment in existing DC infrastructure is also being undertaken in NSW, VIC and SA to fully enable the future DC network. Designs are completed with construction contracts either secured or under tender. Perth will be the first RDC to be implemented and will be a 'blueprint' for our future transitions. The Perth temperature controlled facility and the ambient facility will be commissioned during 2005 – construction for both components is ahead of schedule.

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

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

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.

During the year, roll cages have been successfully implemented in 40 of our Western Australian stores and two DCs – expectations have been exceeded in stores, DCs and transport. Rollout into Victoria, South Australia and Queensland is planned over the coming months. Rollout to New South Wales will align with the opening of the RDCs.

The cost of inbound freight will be reduced by Woolworths' management of inbound freight volumes into our DC and utilising a transport management system (TMS). The primary freight TMS was implemented during the year ahead of schedule and below budget. Secondary freight is planned for 2005.

Woolworths values its relationship with its suppliers and aims to work with them to improve efficiencies across the supply chain. We will do this through collaboration with our vendors, sharing information, requesting feedback to improve and by harnessing innovation so that mutually beneficial outcomes are achieved. Consultations with approximately 1,100 of our vendors nationally have been undertaken.

Our supply chain initiatives are well underway and on track.

WOOLWORTHS' FOCUS IS

GROWTH

We anticipate overall sales growth for FY05, and the foreseeable future, to be in the upper single digits, assisted by bolt-on acquisitions, given the continuation of current economic, business and retail conditions.

The Australian food, liquor and grocery (FLG) market continues to be very competitive by world standards. According to the independent industry consultant Dimasi Strategic Research, the Australian FLG market is approximately $70 billion in sales. Of this market, Woolworths has a 28.4% market share, with the smaller chains, together with other independent grocers and specialty food stores, holding 49.1%.

By world standards, we have a relatively low share of the FLG market and in particular in the fresh food business. The majority of bread, meat, fruit and vegetables are sold through the independents. We have a large proportion of our stores in the early stage of their life cycle 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. The Group over the past five years has established and grown numerous new categories, in particular, petrol, liquor, electronics and hotels and has significantly expanded existing categories such as our fresh offers including meat, seafood and produce. The Group is focused on continuing this successfully into the future; bringing to our customers diverse, interesting and wide ranges of merchandise, always fresh and at fair, low and consistent prices.

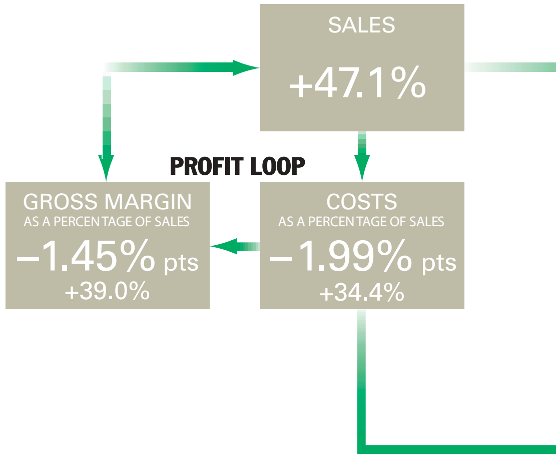
Our range features the major industry brands and the Company's respected 'Fresh Food' offer. While retaining a strong commitment to branded merchandise, it must be recognised that Woolworths "Homebrand" continues to be Australia's largest supermarket grocery brand by sales.

We will have a continued focus on improving in-store execution and service together with delivering best quality at the most competitive prices.

The continued flow-on effect of Project Refresh Level I and the success of Project Refresh Level II, will deliver cost savings that will result in continuous reductions in prices to our customers.

The trend toward gradual deregulation of both trading hours and other regulatory restrictions will further assist sales.

It is anticipated that we will continue to add 15 to 25 new supermarkets each year for the foreseeable future, which, together with the continued profitable expansion of existing stores should increase total trading area by between 3% and 5% per year. BIG W has the ability to expand its chain in the order of 6 to 10 each year from 111 today to at least 150. The Petrol business presently has approximately 410 outlets and will grow to around 470. Dan Murphy's is expected to open between 6 and 12 destination liquor outlets per annum, with plans to continue to extend the roll out of these stores into Queensland under our MGW joint venture. We plan to grow our

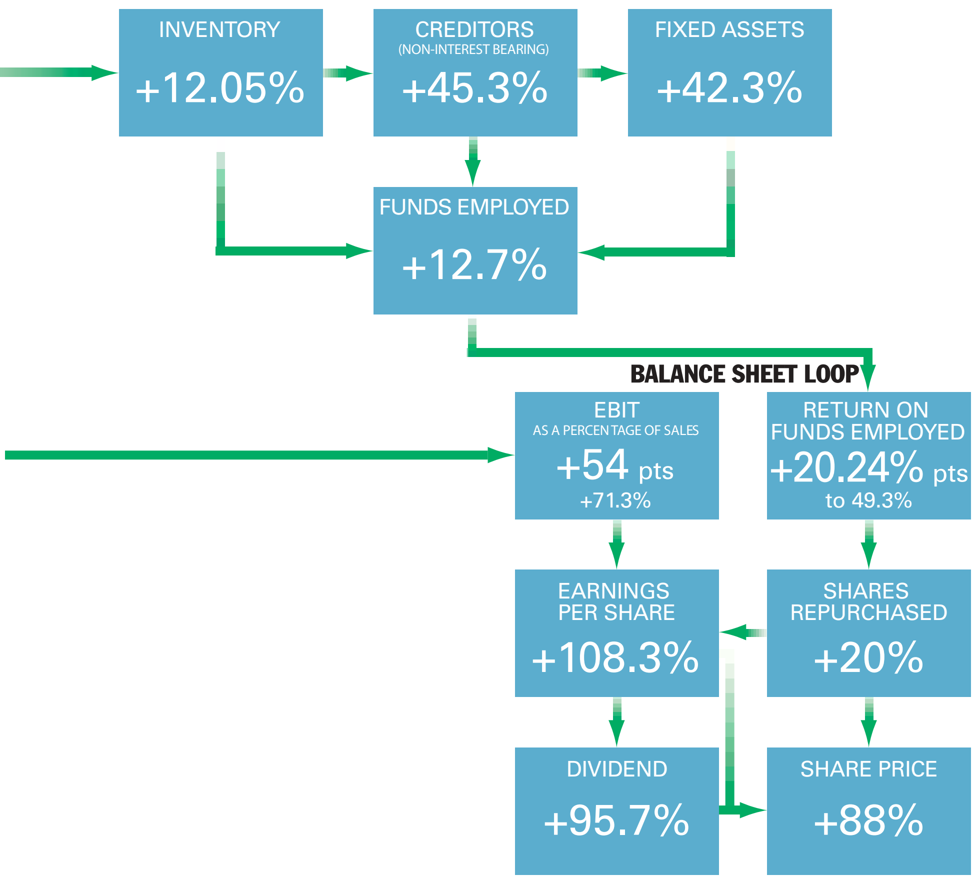


OUR STAKEHOLDERS

OUR CUSTOMERS
1.45% LOWER PRICES INCREASES LIVING STANDARDS

MANY OPPORTUNITIES FOR CONTINUING GROWTH IN BOTH SALES AND EARNINGS

WOOLWORTHS' DOUBLE LOOP
FOUR YEAR REPORT FY00 – FY04



liquor business from a current sales level of around $2.1 billion (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 Group will continue to seek appropriate "bolt-on" acquisitions that are value accretive and fit our overall strategy. Over the past five years, the Group has successfully acquired and integrated Franklins, Tandy and numerous liquor acquisitions including Dan Murphy's, Booze Bros, Liberty Liquor, Baily & Baily, Porters and Supa Cellars. We have also entered into the MGW joint venture which has acquired 31 hotels and 110 liquor stores. The Group has a disciplined approach to any acquisition including rigorous financial disciplines.

The strength of our balance sheet allows us to address larger acquisitions should they become available.

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

OUR STAKEHOLDERS

OUR SHAREHOLDERS
VALUE CREATION OF OVER $7 BILLION

OUR STAKEHOLDERS

OUR SUPPLIERS
ECONOMIC VOLUMES AND GROWTH

OUR STAKEHOLDERS

OUR EMPLOYEES
EXPANDED CAREER OPPORTUNITIES AND SHARE OWNERSHIP

WOOLWORTHS' FOCUS IS

CAPITAL MANAGEMENT

BALANCE SHEET AND CASH FLOW

Our solid performance for the year has also been reflected in our balance sheet and working capital position which both remain strong and have continued to improve during the year.

We have reduced our net investment in inventory. Inventory at year end was only $3.9 million above that reported last year despite sales increasing by $1.6 billion. This translated to a two day reduction in inventory, with a corresponding cash flow benefit of approximately $115 million.

Trade creditors and other creditors increased in line with sales with days creditors not materially changing. Receivables decreased due largely to externally refinancing the MGW debt. Working capital continues to improve with negative working capital increasing 34% (or $294 million) from $879 million last year to $1,173 million.

The increase in negative working capital saw funds employed at year end $3.8 million lower than the previous year. Net capital expenditure in FY04 was $637 million compared with $518 million in FY03. FY04 expenditure included $53 million for new Distribution Centres and $39 million for Norwest Office Park, (the sale of which is currently underway). Fixed assets, including investments, and intangibles increased by $291 million, after allowing for depreciation and amortisation.

Average return on funds employed increased from 42.8% last year to 49.3%.

Shareholders' equity increased by $228.9 million during the year to $1,464.3 million.

Average Return on Equity increased from 49.3% last year to 51.0%.

Net repayable debt at year end decreased by $196 million to $164 million due to solid cash flows from operations underpinned by strong profit growth and a reduction in working capital. Daily average debt was up on the previous year by around $206 million due to a combination of off-market and on-market buy-back activity.

THE BALANCE SHEET REMAINS STRONG AND CONSERVATIVE REFLECTING CONTINUED IMPROVEMENT IN ASSET RETURNS

Free cash flow was $640 million which represented 93% of our net profit after tax. Free cash flow is net of capital expenditure on Norwest Office Park and our new Distribution Centres.

CAPITAL MANAGEMENT

Over the past five years, $3.3 billion, comprising off and on-market buy-backs and dividends, have been returned to shareholders. Our capital management strategy over this time has helped drive growth in Earnings per Share whilst not precluding us from taking advantage of many growth opportunities.

During the year, the Company repurchased 12.7 million shares on market at a cost of $141 million.

Franking credits available for distribution as at 27 June 2004 amounted to $404 million (prior to final dividend).

Share buy-backs and other capital management initiatives remain under continual review.

CENTRAL OVERHEADS AND NET PROPERTY INCOME

Central overheads marginally increased by $2.3 million or 3% from $76.7 million (0.29% of sales) last year to $79.0 million (0.28 % of sales), due to a number of minor items.

Net Property Income was $4.9 million less than the previous year. This was primarily due to a reduction in internal rental charges.

CURRENT TRADING AND FUTURE OUTLOOK

Since the end of the financial year, sales from continuing businesses have grown at around 6.7%.

Food and Liquor comparable sales since June have seen a very pleasing change in trend in comparison to the fourth quarter of FY04. Comparable (like for like) sales for Food and Liquor since the end of the year has increased by 2.65% compared with 1.5% for the fourth quarter of FY04. We are confident that this improving trend will continue.

BIG W and Consumer Electronics comparable sales to date are better than last years comparable sales growth.

We believe that our FY05 sales will grow in the upper single digits and we anticipate that net profit after tax (NPAT) will increase in the range of 10%–15%.

The Board has decided to revisit capital management strategies after the resolution of the current takeover offer for ALH. This, together with the approximately 17 million employee options which have been exercised by option holders to date under the 1999 Long Term Incentive Plan, led the Board to decide to provide profit growth guidance at this time, which it considered to be more relevant for shareholders.

Subject to the current circumstances, our ongoing objectives remain to continually review and implement appropriate capital management strategies, to maintain an efficient balance sheet and to achieve low double digit EPS growth.

WOOLWORTHS' FOCUS IS

PEOPLE POWER

The success of our business relies on our ability to provide our customers with a better shopping experience satisfying their needs, each and every time they enter one of our stores. It is why we take great care to employ people who understand the importance of service and excel in providing it.

As a major employer, Woolworths is dedicated to developing the careers of many young Australians. We employ around 140,000 people, half of whom are under the age of 25. We are one of the largest employers of trainees and apprentices in the country and are proud of the jobs and career opportunities we offer to all Australians.

All of our people, whether in stores or support functions, know our business extremely well. Our employees' experience and knowledge of how our business operates is one of our most valuable assets and contributes to our ongoing success. Woolworths has a strong culture of developing and promoting people from within the business and encouraging outstanding performance from our existing employees at all levels. Training and development remains a key focus for Woolworths with the formation of the Woolworths Academy and a partnership with the Macquarie Graduate School of Management (MGSM).

The Woolworths Academy offers structured formal education from induction through to university level programs for Woolworths employees, providing our people with the skills and knowledge they need to take our business into the future. The Academy incorporates all Learning and Development programs across the Woolworths business and our partnership with MGSM, one of Australia's top business schools, completes our ability to offer nationally recognised, formally accredited, business-related qualifications at all levels of our business from certificate through to post-graduate degrees.

We run a hands-on Human Resources function focusing on activities that have a direct and positive impact on the success

OUR EMPLOYEES' SERVICE COMMITMENT UNDERPINS OUR CUSTOMERS' BETTER SHOPPING EXPERIENCE EACH AND EVERY TIME THEY SHOP

of our business. We have implemented a series of new initiatives to ensure we attract the best possible people to our Woolworths team. This year we launched a new careers website and implemented an e-recruitment program across the entire business. Together, these initiatives allow our Human Resources teams to ensure we place the right people in the right jobs across our Company. More than 200,000 people have already expressed interest in working for Woolworths using the online system. The system continues to offer a number of benefits to job applicants, both external and internal, and to the business as a whole.

Woolworths believes in its people, encouraging them to achieve their personal goals within the Company through the diversity of opportunities available. A key to our succession planning strategy is to grow the talent already within our teams to develop our future leaders. This is not new for Woolworths. Many of our senior managers have come through the ranks of the Company and our employees' average length of service shows that this trend continues. We have approximately 1,200 employees who have been with us for more than 25 years and the average length of service of a Supermarket Store Manager is 16 years. This achievement demonstrates the diverse opportunities available to our people and the passion that they have for Woolworths.

Our teams not only make a great contribution to our business but also the community. Every year we recognise individuals who have gone above and beyond their day job to make a substantial contribution to the Company, the customer or the community. It's the attitudes and actions of our employees that make us a great Australian company. We couldn't make the community contribution we do without outstanding work from our people.

We depend on our people and we are dedicated to providing opportunities for them to excel and contribute to the ongoing growth of our Company.

WOOLWORTHS' FOCUS IS

ENVIRONMENT

"TRIPLE BOTTOM LINE" – THE WOOLWORTHS WAY

The business environment today places a greater than ever demand on companies to disclose more than just the financial position of the entity. The importance of non-financial information to a wide range of stakeholders reflects our view that the transparency of economic, social and environmental performance is central to responsible corporate citizenship and to responsible contemporary management.

OUR TRIPLE BOTTOM LINE: IT IS MORE THAN THE DOLLARS THAT COUNT

As Australia's leading food retailer and one of ten of its largest public companies, Woolworths recognises that it has a significant environmental, social and economic footprint in the communities within which it operates. We are committed to ensuring that our footprint is managed responsibly and in a way that balances the need to create shareholder value and the needs of the broader community, both now and in future generations.

A key element of our 'Triple Bottom Line' commitment is transparency. For that reason, we have sought to identify a number of environmental, social and economic indicators. Drawing on guidance issued by the Global Reporting Initiative (GRI), we believe the indicators selected provide a balanced view of our key environmental, social and economic impacts during the last year.

ENVIRONMENTAL IMPACT – MANAGING FOR FUTURE GENERATIONS

With over 1,700 stores mainly in Australia and around 16 million customers per week, we recognise that we have an obligation to consider and manage our environmental impact responsibly.

Woolworths has a proud history of responsible environmental management. In recent years, significant focus has been placed on improving both the energy efficiency of our stores as well as ways that we can minimise waste entering Australia's natural environment. Initiatives that we have introduced include:

- Waste minimisation and recycling programs in place within each supermarket store;
- Our "green waste" program aimed at reducing the amount of fruit and vegetable waste entering landfills by working with local farmers to recycle green waste as animal feed and fertilisers; and
- Introduction of numerous energy saving measures in our stores including more efficient lighting and "ozone friendly" refrigeration systems.

WOOLWORTHS PLAYS A SIGNIFICANT ROLE IN MANY COMMUNITIES AND REGIONAL AREAS ACROSS AUSTRALIA

ENVIRONMENTAL ACTIONS TAKEN

Plastic Bags – Retail Industry Management Code of Conduct

Woolworths and other major retailers have committed to a voluntary Australian Retailers Association Code of Practice for the Management of Plastic Bags endorsed by Federal and State Environment Ministers, which is aimed at reducing lightweight plastic bag usage, based on a December 2002 benchmark, by:

- 25% by the end of 2004; and
- a targeted 50% by the end of 2005.

We believe that a voluntary Code is preferable to a Government imposed bag levy which would place a proportionately greater burden and cost on the least advantaged in our community and on smaller retailers.

Considerable effort has been made by Woolworths to achieve these targets, with the Company already achieving a 25% reduction through a combination of initiatives including:

- The sale of over 6 million reusable checkout bags including the Woolworths Green Bag;
- Removal of smaller checkout bags from general use in most supermarkets;
- Introduction of checkout bags with greater capacity complemented with Checkout Service Staff training titled "Fill the Bag not the Environment";
- Measures designed to improve control and raise employee awareness of plastic bag stock levels within stores; and
- Measures designed to raise customer awareness including in-store signage and in-store radio messages.

MINIMISATION AND RECYCLING – THE NATIONAL PACKAGING COVENANT

In addition to a reduction of plastic bag usage, Woolworths recognises that it has an important part to play in the packaging supply chain between manufacturers and customers.
We support Australia's efforts to find practical and cost effective ways to reduce the impact on the environment of packaging waste through our participation in the National Packaging Covenant.

As part of our commitment to the National Packaging Covenant, we have prepared an action plan aimed at minimising the amount of packaging waste that enters the Australian environment. A number of initiatives that have been implemented under that action plan have included:

- The introduction of recycled plastic checkout bags, that have a minimum of 30% recycled content, within all supermarkets; and
- The use of the 'Packaging Materials Specifications' Guide' by our merchandise buyers during the purchasing process with a focus on working with our suppliers to reduce unnecessary packaging and increase recycled content in line with the Environmental Code of Practice for Packaging.

OUR ENERGY AND GREENHOUSE GAS FOOTPRINT

Some of the significant drivers of Woolworths' energy consumption are refrigeration, lighting and air-conditioning within our store network. Minimising that energy consumption not only helps Australia manage its greenhouse gas emissions, it also helps us manage our cost of doing business.

In recent years we have made significant inroads to improving the energy efficiency of our store network through a combination of initiatives covering refrigeration, lighting and air-conditioning and we will continue to explore new technologies as they become available.

WOOLWORTHS' FOCUS IS

COMMUNITY

Through its staff, suppliers and customers, Woolworths has a long history of supporting Australian communities, through a wide range of community organisations and projects.

We have introduced a Community Support program in which each of our supermarkets and BIG W stores contributes an amount to worthy causes within its community. We have provided over $4 million under this program in the past year.

In addition to our direct support, a lot of what we do in the community comes from our store staff. We could not make this contribution to the community without the outstanding work from our people. During the year, Woolworths continued to focus on the wider community and is proud to have supported many projects, including the following:

Children's Hospitals – The major beneficiaries of the $3.4 million received from the generosity of Woolworths' staff and customers were Children's Hospital wards across Australia. The annual "Fresh Future Children's Hospital" Appeal drove these fundraising efforts in stores. The enthusiasm of our staff is to thank for this outstanding contribution. Woolworths also participated in a number of programs supporting children's health and welfare across Australia.

Harmony Day – Woolworths continued its longstanding support of Harmony Day which aims to highlight the importance of community harmony and connecting people in our diverse society. Its significance is such that it has grown to be Australia's largest national multicultural event.

Joining with the local Scouts and Guides, Woolworths and Safeway Supermarkets hosted barbecues to celebrate Harmony Day and took the opportunity to help connect people in their local communities.

The Australia Day Ambassador Program – Woolworths was once again proud to sponsor the Australia Day Ambassador Program, a successful initiative of The Australia Day Council. The program sends high achieving Australians, such as prominent sporting, entertainment, community and business leaders to attend community celebrations organised by their local Councils.

Woolworths has more stores in rural areas and more people employed in those stores than any other retail company. Australia Day is a great opportunity to support our partnerships with rural and regional customers, growers, suppliers and communities.

National Breast Cancer Centre Awareness Campaign – In continuing our support of regional Australia, Woolworths is proud to support the National Breast Cancer Centre with its Breast Cancer awareness campaign taking the message "any change is worth talking about" to women in regional Australia.

Fred Hollows Program – Woolworths has been pleased to work with the Fred Hollow's Foundation through the Community Stores Program, providing healthy and fresh foods for the Aboriginal people living near Katherine in the Northern Territory. It is hoped this initiative will become a model for other Indigenous communities across Australia.

Woolworths is also proud to have supported and been associated with other worthwhile activities including: Australian Red Cross fund raising; contributions to the Juvenile Diabetes Research Foundation; the Humour Foundation, to enable their continuing visits of Clown Doctors to sick children.

OUR SOCIAL IMPACT

The geographic breadth of our operations means that Woolworths has a presence in most Australian communities.

We recognise that engaging responsibly with the communities within which we operate is critical to both our short and long-term success.

DEVELOPING OUR PEOPLE

We encourage our staff to reach beyond their immediate roles and responsibilities and actively support their development.

Woolworths has a strong culture of developing and promoting people from within the business.

PROTECTING OUR PEOPLE

We are committed to providing our employees with a safe working environment. Over the past year, we have achieved health and safety improvements in our operations.

A number of health and safety initiatives that Woolworths will focus on in the coming year include:

- The development and implementation of a National Health and Safety Management system based on the Australian Standard, AS 4801 and aligned to the various workers' compensation self-insurance licensing requirements in place across each state;
- Over $7 million in proposed investments in health and safety-related projects; and
- Implementation of spill control systems across our supermarkets.

BOARD OF DIRECTORS

JAMES STRONG

ROGER CORBETT

LEON L'HUILLIER

JAMES ALEXANDER STRONG

Chairman of the Board. Chairman, Corporate Governance Committee, Member, Audit Committee and Member, 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 60.

ADRIENNE CLARKE

RODERICK DEANE

DIANE GRADY

JOHN ASTBURY

ROGER CAMPBELL CORBETT
AM, BCom, FAIM

Group Managing Director and Chief Executive Officer, Member, Board of Trustees, Woolworths Group Superannuation Scheme.

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.

Mr Corbett 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 is a director of MGW Hotels Pty Limited, the Woolworths joint venture in the Queensland liquor industry, and a director of Bruandwo Pty Limited which owns MGW Hotels Pty Limited. He was appointed a Director of Woolworths Limited in 1990. Age 62.

ADRIENNE ELIZABETH CLARKE
AC, PhD, FAA, FTSE

Member, Personnel Policy Committee and Member, 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); a Member of the Prime Minister's Supermarket to Asia Council (1996 -2001) and a Member of the Federal Government's Trade Policy Advisory Group 2000–2004. She was appointed a Director of Woolworths Limited in July 1994. Age 66.

DIANE JENNIFER GRADY
BA (Hons), MA, MBA

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

Ms Grady is also a Director of Bluescope Steel Ltd, 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 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 of Woolworths Limited in July 1996. Age 56.

LEON MICHAEL L'HUILLIER
BCom (Hons), MBA, M Phil

Chairman, Audit Committee and Member, Corporate Governance Committee.

Mr L'Huillier is also a Director of Repco Limited, and Chairman of its Audit and Remuneration Committee. He is an experienced Chief Executive and Company Director in the grocery manufacturing and liquor industries, most recently as the CEO of Lion Nathan. 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 is a director of MGW Hotels Pty Limited, the Woolworths joint venture in the Queensland liquor industry, and a director of Bruandwo Pty Limited which owns MGW Hotels Pty Limited. He was appointed a Director of Woolworths Limited in September 1997. Age 61.

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

Member, Corporate Governance Committee and 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 National Bank 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 63.

JOHN FREDERICK ASTBURY
FAICD

Chairman, Board of Trustees, Woolworths Group Superannuation Scheme, Member, Audit Committee and Member, Corporate Governance Committee.

Mr Astbury is also a Director of AMP Limited and of IAG Limited. He was previously Finance Director of Lend Lease Corporation Limited and Chief General Manager, National Australia Bank Limited. He has a long career in banking and financial services in both the UK and Australia.

Mr Astbury was appointed a Director of Woolworths Limited in January 2004. Age 60.

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 27 June 2004.

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:

JA Strong	Chairman
RC Corbett	Group Managing Director and Chief Executive Officer
JF Astbury	Appointed a Director on 29 January 2004
AE Clarke	
RS Deane	
DJ Grady	
LM L'Huillier	

The experience, qualifications and special responsibilities of each of the Directors are set out against their respective names on pages 32 and 33.

PRINCIPAL ACTIVITIES

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

No significant changes in the nature of the activities of the Company and its entities occured during the year.

As at 27 June 2004, there were 77,996 (2003:77,878) full time equivalent employees of the consolidated entity and 67,478 (2003:68,119) employed by the Company.

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 $687.8 million (2003: $609.5 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 1 to 17, 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 2003 Dividend – Paid on 3 October 2003	30	21	215.1
Interim 2004 Dividend – Paid on 30 April 2004	30	21	213.6
Final 2004 Dividend – Payable on 8 October 2004	30	24	248.9

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 increase in the issued share capital of the Company of 997,627 fully paid ordinary shares as a result of:

(i) the on-market buy-back of 12,702,643 fully paid ordinary shares at various prices per share pursuant to a Notice to ASX dated 13 October 2003;

(ii) the issue on 3 October 2003 of 3,577,510 fully paid ordinary shares and on 30 April 2004 of 3,582,336 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan in respect of the 2003 Final Dividend and the 2004 Interim Dividend, respectively;

(iii) the issue on various dates of a total of 135,249 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 4,860,000 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 May 2004 of 1,545,175 fully paid ordinary shares pursuant to the Employee Share Issue Plan;

On 1 July 2003, 7,523,350 options were granted under the LTIP.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

(a) On 20 August 2004, the Directors declared a Final Dividend of 24 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 8 October 2004.

(b) Between 1 July 2004 and 24 September 2004 16,626,793 shares were allotted as a result of the exercise of options granted in July 1999 under the LTIP.

(c) At 27 June 2004 a subsidiary of Woolworths Limited, Bergam Pty Limited (Bergam) held approximately 3% of the ordinary share capital of Australian Leisure & Hospitality Group Limited (ALH). Subsequent to the balance date, Bergam increased its holding to approximately 15.8% and agreed to sell this holding to Bruandwo Pty Limited (Bruandwo).

On 9 July 2004, Bruandwo, which is equally owned by The Bruce Mathieson Group and Woolworths Limited made a cash takeover offer for all of the issued ordinary shares in ALH that it did not already have a relevant interest in. At 24 September 2004 Bruandwo had a relevant interest of approximately 15.8% in ALH.

(d) On 30 June 2004, the Company amended the Trust Deed in respect of the Woolworths Income Notes (WINs) to provide for entitlements to distributions to holders of WINs to be unconditional.

Except for the matters disclosed in the Chairman's Report and the Group Managing Director's Report, there is, at the date of this Report, no other matter or circumstance which has arisen since 27 June 2004 that has significantly affected or may significantly affect:

(i) the operations in future financial periods subsequent to the financial period ended 27 June 2004, 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, 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 on page 36 sets out the number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the financial period ended 27 June 2004 and the number of meetings attended by each Director. The Board has previously determined that in order to deal effectively with all of the matters requiring its consideration, including ongoing strategic issues, a number of the Board meetings should be held over two days. During 2003/04 there were six Board Meetings which extended over two days. In addition to attending formal Board and Board Committee meetings, the Directors undertake other duties including attending strategic review sessions, retail market study trips, attendance at Company conferences, store visits, as well as Board and Board Committee Meeting preparation and research. These additional responsibilities constitute a further significant time commitment by Directors.

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 24 September 2004 are set out below:

Director	Relevant interest in ordinary shares in Woolworths Limited
JF Astbury*	7,835
AE Clarke	36,362
RC Corbett*	1,341,165
RS Deane*	40,000
DJ Grady	33,031
LM L'Huillier*	119,044
JA Strong	66,561

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

DIRECTORS' STATUTORY REPORT (CONTINUED)

MEETINGS OF DIRECTORS

	Meetings of Directors whilst a Director Held/Attended	Meetings of Audit Committee Held/Attended	Meetings of Personnel Policy Committee Held/Attended	Meetings of Woolworths Group Superannuation Held/Attended	Meetings of Corporate Governance Committee Held/Attended	Meetings of ad hoc Committees[5]
JF Astbury*[1,3,4,5]	5/5	2/2		4/4	5/5	2
AE Clarke[2,3,5]	10/10		6/6		10/10	3
RC Corbett**	10/10			7/4		5
RS Deane[1,3,5]	10/10	5/5			10/10	3
DJ Grady[2,3,5]	10/10		6/6		10/10	3
LM L'Huillier[1,3,5]	10/10	5/5			10/10	4
JA Strong[1,2,3,5]	10/10	5/5	6/6		10/10	5

* *Mr JF Astbury was appointed a Director on 29 January 2004.*

** *Mr R Corbett is an Executive Director and consequently is not formally a Member of the Audit Committee or Personnel Policy Committee. He does, however, attend all meetings of these Committees. He is a member of the Board of Trustees of the Woolworths Group Superannuation Scheme.*

(1) Member Audit Committee.

(2) Member Personnel Policy Committee.

(3) Member Corporate Governance Committee.

(4) Mr JF Astbury is Chairman of the Board of Trustees of the Woolworths Group Superannuation Scheme.

(5) These are ad hoc Committees which attended to delegated matters on behalf of the Board.

REMUNERATION REVIEW

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. No Directors' fees are paid to executive Directors.

At the date of this Report, the amount of Directors' base fees paid to each non-executive Director appointed prior to January 2004 is $110,000 per annum. The Chairman receives a multiple of three times this amount. Directors appointed after December 2003 receive a base fee of $140,000 which has been increased in lieu of an entitlement to a Retirement Allowance as described below and which the Board has determined will not apply to Board appointments after December 2003.

In addition to the above base fees, the non-executive Directors, other than the Chairman, receive a fee of $10,000 per annum for service on a Board Committee (except the Corporate Governance Committee) and the Board Committee Chairman receives $20,000 per annum.

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 in attending to Board and Board Committee responsibilities.

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

The total amount of non-executive Directors' fees during the year to 27 June 2004 was $912,141, excluding Superannuation Guarantee contributions, Retirement Allowance accruals and other non-monetary benefits as shown in the table on page 37.

The Company and each of the non-executive Directors has entered into an Appointment Letter together with a Deed of Access, Insurance and Indemnity; a Disclosure Deed (as required under the ASX Listing Rules) and for non-executive Directors appointed prior to January 2004, a Directors' Retirement Deed. The Appointment Letter covers the key aspects of the duties, role and responsibilities of non-executive Directors.

Under the Directors' Retirement Deeds, which were approved by shareholders in November 1998, each non-executive Director (appointed prior to January 2004) 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 superannuation and out-of-pocket expenses) over the three years prior to their retirement date.

The details of each Non-Executive Director's emoluments during the financial period are set out below:

NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE FINANCIAL PERIOD TO 27 JUNE 2004

	Directors' Fees Paid During the Year $	Superannuation Contributions $	Retirement Allowance Accrual(1) $	Other Benefits $	Total $	Total Accrued Retirement Allowance(1) $
JF Astbury	72,141	4,668	–	862	77,671	–
AE Clarke	120,000*	10,800	138,975	2,068	271,843	669,122
RS Deane	130,000	11,002	88,229	2,068	231,299	288,646
DJ Grady	130,000*	11,002	110,695	2,068	253,765	543,334
LM L'Huillier	130,000	11,002	103,565	2,068	246,635	464,097
JA Strong	330,000*	11,002	302,782	2,068	645,852	740,297
Total	**912,141**	**59,476**	**744,246**	**11,202**	**1,727,065**	**2,705,496**

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

(1) *These amounts are only payable to directors following retirement pursuant to Retirement Deeds referred to on page 36, which only apply to non-executive Directors appointed before January 2004.*

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 $2,705,496 representing the full amount of the accrual for these Allowances, has been set aside by way of an accrual at 27 June 2004.

EXECUTIVE DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The structure of remuneration for the Chief Executive Officer, Senior Executives and all other Management is determined by the Board and it is the role of the Personnel Policy Committee to advise on the most appropriate remuneration structure to ensure that the Company's remuneration and benefit policies are consistent with its financial and strategic goals and human resource objectives.

The remuneration policy for all Management is structured to provide both fixed and variable components.

The fixed remuneration component comprises salary, superannuation contributions in accordance with the Trust Deed of the Woolworths Group Superannuation Scheme and, where appropriate, the use of a fully maintained motor vehicle.

The variable remuneration component is performance based and comprised of a Short Term Incentive Plan (STIP) and a Long Term Incentive Plan (LTIP).

Throughout the year, the Personnel Policy Committee has continued its ongoing review of the remuneration structure with emphasis on the variable components. The STIP has been reviewed to ensure that it provides incentives linked to specific Company performance measures. The LTIP has also been reviewed in consideration of new Australian Accounting Standards changes and the ongoing need to ensure that the employee incentive is linked to both Company performance and the delivery of shareholder reward.

SHORT TERM INCENTIVE PLAN

The STIP provides an annual cash incentive that is based on a maximum percentage of salary and payable upon the achievement of Company financial Key Result Areas (KRAs) as well as a component for individual performance.

The KRAs are Sales, Earnings Before Interest and Tax, Return on Funds Employed and Cost of Doing Business. All KRA targets are set at the beginning of the financial year for each business within the Woolworths Group and are measured based on improvements to the prior year. The targets and weightings for each KRA are reviewed and adjusted at the beginning of the financial year to reflect the specific objectives of each business within the Woolworths Group. Payment is made following the end of the financial year to which they relate.

The STIP has been structured to ensure that payments to the Chief Executive Officer, Senior Executives and all other Management are closely aligned to reflect business performance.

DIRECTORS' STATUTORY REPORT (CONTINUED)

LONG TERM INCENTIVE PLAN

The other variable component, the LTIP, is an equity based plan approved by shareholders in November 1999 that is designed to retain and reward executives by providing options that vest only upon attaining rigorous performance hurdles. The principles underlying the implementation of an effective equity based plan were determined as:

- employee and shareholder alignment;
- transparent rules;
- cost effective;
- market competitive; and
- motivational design.

Under the current LTIP, options are granted but only vest subject to the achievement of specific performance hurdles. There is an Earnings Per Share (EPS) performance hurdle for 50% of the total grant and a market comparative Total Shareholder Return (TSR) performance hurdle for the remaining 50% of each grant; both are measured over a four and five year period from grant date.

For grants in 1999, 2000 and 2001, the EPS performance hurdle requires EPS growth at 8% per annum compound over the five year vesting period. Subsequent to a review of the Plan structure by the Personnel Policy Committee during 2002, the EPS growth performance hurdle was strengthened for grants in 2002 and 2003 to 10% and 11% over a four and five year vesting period.

The TSR performance hurdle for all grants requires a minimum TSR at the 60th percentile of comparable companies in the ASX All Ordinaries Index. The maximum TSR vesting requires TSR at the 75th percentile. The vesting scale is set out in Note 25 to the Financial Statements.

During 2003, as part of the Personnel Policy Committee's ongoing review, the LTIP was offered to a broader management group to include roles identified as key to the Company's growth strategies. Approximately 800 store managers, buyers and distribution centre managers were granted options for the first time under the LTIP.

Since implementation of the LTIP, the value of Woolworths' shares has added over $7 billion to shareholders' wealth. The Board believes that the LTIP has been integral to the Company's strong financial performance over the five years from implementation due to:

- The design of the LTIP linking executive reward to increases in shareholder value;
- The rigorous performance hurdles for both the EPS and TSR measures;
- Full disclosure of the LTIP in the Company's shareholder reports; and
- The retention of key executives despite a highly competitive and challenging industry response to the Company's key business initiatives.

The Board does not intend to alter the structure or eligibility for the proposed 2004 LTIP offer.

The Personnel Policy Committee and the Board have, however, reviewed the LTIP during 2004 in light of the financial implications of the pending changes to Australian Accounting Standards. The Personnel Policy Committee has recommended, and the Board has endorsed, for shareholder approval, the implementation of a new LTIP structure. The details of the changes to the structure of the LTIP are set out in the Notice of Meeting for the Annual General Meeting on 26 November 2004.

The purpose of implementing the new LTIP structure, which is consistent with the principles noted earlier, is to provide the Board with the flexibility to determine the most appropriate type of reward structure: Options; Performance Rights; Performance Shares; Cash Awards which best meet the following criteria:

- Delivering superior corporate and shareholder returns;
- Providing rewards subject to the achievement of stringent performance hurdles that operate to attract, retain and motivate all Senior Executives and Senior Management; and
- Accounting for the potential impact of regulatory changes including those to Australian Accounting Standards.

This flexibility will enable use of instruments which have appropriate impact on the Company's financial statements. In addition, the proposed LTIP will allow the Company to purchase shares on market thereby minimising dilution of shareholders' equity.

Following the 2004 offer under the LTIP, the Board will determine the type and level of reward structure for each proposed annual grant under the LTIP to eligible Executives having regard to the above principles. The Board is committed to maintaining challenging hurdles that link LTIP to shareholder value.

EMOLUMENTS OF EXECUTIVE DIRECTOR AND EXECUTIVE OFFICERS

	Salary $	Short Term Incentive Plan[(1)] $	Non-monetary Benefits[(2)] $	Super-annuation Contri-butions $	Value of Options[(3)] $	Other Benefits $	Total $	Options Granted During/Since the Financial Year No.
Executive Director								
RC Corbett	1,792,692	2,298,961	53,485	–	–	2,068	4,147,206	–
Executive Officers								
S Bradley	527,536	385,600	17,024	79,130	204,983	2,068	1,216,341	100,000
B Brookes	527,536	273,659	13,786	79,130	205,638	2,068	1,101,817	60,000
T Flood	666,329	380,921	24,576	99,949	42,800	2,068	1,216,643	150,000
M Hamnett	501,448	347,100	7,556	75,217	184,710	2,068	1,118,099	150,000
M Luscombe	527,536	306,800	23,434	79,130	200,983	2,068	1,139,951	100,000
N Onikul	540,000	363,524	15,056	81,000	129,718	2,068	1,131,366	60,000
T Pockett	564,927	414,452	31,702	84,739	151,694	2,068	1,249,582	150,000

(1) These amounts are based on performance for the financial year ending 27 June 2004; however, they will be paid in FY05. In prior years, amounts paid, as opposed to provided, in the financial year have been disclosed. Consequently, amounts paid in the financial year ending 27 June 2004 have not previously been disclosed. The amounts paid in the financial year ending 27 June 2004, based on performance for the financial year ending 29 June 2003, were as follows: RC Corbett: $1,924,910; S Bradley: $351,537; B Brookes: $341,686; T Flood: $396,017; M Hamnett: $340,591; M Luscombe: $377,394; N Onikul: $405,000; T Pockett: $297,088.

(2) Non-monetary benefits includes the cost to the Company of motor vehicles, where these are applicable. These amounts include fringe benefits tax, where applicable.

(3) Values have been determined by calculating the grant-date fair value of all options granted using the Black-Scholes valuation methodology. 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 the underlying shares, dividend yield and the probabilities of options being forfeited and performance hurdles being achieved. The total value of the individual's options as calculated above is then spread over the period the options vest to determine the remuneration to be assigned in the financial year.

Details of the nature and amount of each element of the emoluments of the Executive Director and of the seven additional Executive Officers of the Group and the Company receiving the highest emoluments for the financial period are detailed on in the table above. Details of options issued to those Executive Directors and Executive Officers are also shown in the table above. 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.

SHARE OPTIONS

During the financial period ended 27 June 2004, there were 7,523,350 options granted to acquire that number of unissued fully paid shares in the Company. The Company is planning to grant up to 9 million options as part of the 2004 LTIP offer (excluding any grant to the Executive Director). As at the date of this Report there are 25,991,701 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 40. During, or since, the financial period and up to the date of this Report 21,906,817 fully paid ordinary shares in the Company 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 below.

Number of shares issued during/since financial period under LTIP; ESOP; ESC	Amount paid per share $
495,000	5.16
19,638,043	5.11
596,875	6.17
1,000,000	7.84
176,899	10.89

DIRECTORS' STATUTORY REPORT (CONTINUED)

OPTIONS OVER UNISSUED FULLY PAID ORDINARY SHARES IN WOOLWORTHS LIMITED GRANTED AND OUTSTANDING UNDER LONG TERM INCENTIVE PLAN (LTIP)

Option Grant Date	Plan Type	Option Expiry Date	Options Outstanding	Number of Holders	Exercise Price ($)
1 July 1999	LTIP	30 June 2009**	3,671,250	58	5.11
1 July 2000	LTIP	30 June 2010**	2,340,000*	42	6.17
1 July 2001	LTIP	30 June 2011**	6,487,101*	125	10.89
1 July 2002	LTIP	31 Dec 2007**	6,162,000*	300	12.94
1 July 2003	LTIP	31 Dec 2008**	7,331,350*	1,240	12.60
Total			25,991,701	1,765	

* *These options are subject to performance hurdles. July 1999 options are fully vested and July 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 non-executive Directors nor to the Executive Director as at 24 September 2004.

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.

Details of the number of outstanding options, as at the date of this Report, under each of the Company's Share Options Plan, are set out in the above table.

EXECUTIVE SERVICE CONTRACTS

The Company has entered into Service Contracts with its Senior Executives and Senior Managers, some of which were entered into during and since the financial year. The objective of these Contracts is to provide certainty and consistency in employment terms and conditions for both the Company and the employee.

ENVIRONMENTAL REGULATION

Except as set out below and in the Group Managing Director's Report, 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 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 32 and 33 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.

(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.

There are no proceedings commenced under section 237 of the Corporations Act 2001 made in respect of the Company during the financial year.

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 27 September 2004.

James Strong
Chairman

Roger Corbett
Group Managing Director/
CEO

CORPORATE GOVERNANCE

The Australian Stock Exchange ("ASX") Corporate Governance Council released "Principles of Good Corporate Governance and Best Practice Recommendations" on 31 March 2003 ("ASX Principles"). These ASX Principles have been incorporated in the ASX Listing Rules for reporting purposes.

Corporate Governance has been and remains the core of the Company's and Board's approach to the protection of shareholders' funds and enhancement of shareholder value.

Woolworths is committed to ensuring its policies and practices in the critical areas of financial reporting, remuneration reporting and corporate governance meet the highest levels of disclosure and compliance.

The Company has reviewed its current Corporate Governance Policies and Practices against the ASX Principles and considers that, except as indicated, they meet the ASX Principles for the financial period to 27 June 2004.

Those aspects of the ASX Principles which the Company is still progressing is in respect of those matters referred to in this Statement, including the public availability of material on Corporate Governance Policies and Procedures referred to in the ASX Principles. These are being developed on the Company's website (www.woolworthslimited.com.au).

Numbering in the following statement corresponds with the numbers assigned to each of the ASX Principles.

1. Lay solid foundations for management and oversight.

BOARD RESPONSIBILITIES AND OBJECTIVES

The Board of Directors of the Company acknowledges its accountability to shareholders for the creation 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 the 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 and by maintaining the highest standards of corporate governance.

Details of Board attendances and non-executive Director commitments are set out on pages 35 and 36 under "Meetings of Directors".

The day-to-day management and operations of the Company are delegated to the Chief Executive Officer who reports to the Board, as appropriate, on key management and operational issues.

2. Structure of the Board to add value.

COMPOSITION OF THE BOARD/COMMITTEES

The Board has adopted a policy of ensuring that it is composed of a majority of independent 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. Details of the skills, experience and expertise of each Director are set out on pages 32 and 33 of this Report. With the exception of the Chief Executive Officer, all of the Directors are non-executive Directors and each are considered to be independent. A determination of independence is based on the Board's assessment that the Director is free of any business or any other relationship that could be reasonably considered to materially interfere with the exercise of their independent judgement. 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 at least 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.

Information on the Company's Chairman is set out on page 32.

Information on the Company's Chief Executive Officer is set out on page 33.

There is no specified term of office for non-executive Directors and the period since appointment of each non-executive Director is set out on pages 32 and 33.

The Board is reviewing the terms of the Appointment Letter to ensure they are consistent, so far as is considered appropriate, with the ASX Principles.

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. Details of the number of Corporate Governance Committee meetings and their attendance by non-executive Directors is set out on page 36 of this Report.

The Committee also monitors the Company's corporate governance policies and practices against relevant external benchmarks.

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.

3. Promote ethical and responsible decision making.

DIRECTORS' POLICY STATEMENTS

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

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

4. Safeguard integrity in financial reporting.

FINANCIAL REPORT ACCOUNTABILITY

Woolworths Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to state to the Board, in writing, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

As part of the process of approving the Financial Statements, the CEO and CFO provide statements in writing to the Board on the effectiveness of the Company's risk management and internal compliance control systems.

AUDIT COMMITTEE

The Audit Committee of Directors is comprised of non-executive Directors who, at the date of this Report, are: Messrs LM L'Huillier (Chairman), JA Strong, JF Astbury and Dr RS 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 systems and practice, 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, health and safety, privacy, environment, trade practices and fair trading, trade weights and measures, and employment obligations. Woolworths has specific policies and processes for addressing these and other risk areas and the Audit Committee receives regular reports.

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 risk, 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 comprises 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 and internal auditors, at least twice a year, without any management present. The Committee has full access to the Group's records and personnel. The Audit Committee

CORPORATE GOVERNANCE (CONTINUED)

Chairman commits additional time and meets with the CEO, the CFO, senior management and external and internal auditors between meetings to discuss and review matters relating to Committee functions as appropriate.

- 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. The Committee's Charter includes providing periodical reports to the Board on the most significant risks facing the Group and the mitigation strategies and practices adopted by management.

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 focused and co-ordinated and that there is no duplication of effort.

- **Risk Management:** The Committee reviews the risk management frameworks of the Group and management reports and advises the Board on the effectiveness of risk management systems and practices.
- **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.
- **Risk Event "Consideration":** The Committee overseas the appropriate investigation and management reporting of significant risk events and incidents.
- **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 assist it to carry out its duties.
- **Complaint Handling Procedures:** The Committee has established procedures to review complaints received by the Company concerning accounting and other matters which fall within the scope of its Charter, including any confidential and anonymous submissions by employees.

EXTERNAL AUDIT APPOINTMENT AND SUPERVISION

- Appointment: The Committee nominates the external auditor to the Board and this appointment is reviewed every three years. Audit performance is reviewed annually.
- Partner Rotation: The Company requires the position of lead client service audit partner to rotate every five years.
- 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 advisers 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 reviews the overall scope, annual plans and budget for internal audit activities and overseas the alignment of risk management programs and 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/CEO.

5. Make timely and balanced disclosures.

The Company has detailed Policies and Procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and accountability at senior management level for that compliance. A summary of these Policies and Procedures will be available on the Company's website.

6. Respect the rights of shareholders.

The Company is committed to keeping shareholders fully informed of significant developments and activities of the Company. This commitment is delivered through the Company's website (www.woolworthslimited.com.au) which includes financial and shareholder information that is updated regularly to ensure transparency and a high level of communication of the Company's operations and financial situation, to the extent that this information is not commercially sensitive.

Information available to shareholders includes, but is not limited to, annual reports, half-yearly reports, quarterly sales results, share price updates, dividend history and frequently asked questions.

The Board requests the external auditor to attend each Annual General Meeting of the Company and to be available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report.

7. Recognise and manage risk.

RISK MANAGEMENT

Woolworths has a sound system of risk oversight and management and internal control.

Woolworths has a risk management policy framework and governance structure designed to ensure that the risks of conducting business are properly managed.

The Board oversees and reviews the effectiveness of risk management in the organisation and is assisted and advised in this role by its Corporate Governance and Audit and Personnel Policy Committees. Further, internal audit provides regular assurance to the Board and its Committees.

Management is responsible to the Board for identifying, managing, reporting upon and implementing measures to address risk.

8. Encourage enhanced performance.

The Chairman is responsible, in the first instance, for monitoring the contribution of individual Directors and counselling them on any areas for improvement. This has worked satisfactorily but the Board is considering a more formal process of review. The performance evaluation of key Executives is undertaken by the Personnel Policy Committee, in conjunction with the Chief Executive Officer on both a formal regular and informal ongoing basis.

9. Remunerate fairly and responsibly.

REMUNERATION REPORT

The broad structure and objectives of the Group remuneration policies and procedures are set out in the Remuneration Review section on pages 36 to 39 of the Directors' Report. This includes the amount and component of the remuneration for each of the top seven Senior Executives. The equity component of the remuneration is valued using the method described in the above Remuneration Review together with the benefits and expected outcomes of the remuneration structure.

PERSONNEL POLICY COMMITTEE

The Personnel Policy Committee of Directors comprises non-executive Directors, who at the date of this Report are: Ms DJ Grady (Chair), Prof AE Clarke and Mr JA Strong. Their attendance at meetings of the Committee are set out on page 36 of the Directors' Report.

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 objectives, policies and strategies;

2 Reviewing, on an annual basis, the Senior Management Salary and Remuneration Programme and Senior Executive/Chief Executive Officer remuneration structure and levels. This review includes the STIP for performance related incentive bonuses and the LTIP allocations;

CORPORATE GOVERNANCE (CONTINUED)

3 Reviewing performance evaluation procedures for the Chief Executive Officer and Senior Executives;

4 Monitoring the Chief Executive Officer and Senior Executive Performance 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, 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, the Personnel Policy Committee has continued its review of the overall remuneration structure for Senior Management. The objective of this review was to ensure the remuneration structure for Senior Management is set at levels that will continue to attract, motivate, reward and retain the highest quality people to achieve the Company's strategies. The Committee also seeks to ensure that long-term remuneration is aligned with shareholders' interests through rigorous performance hurdles.

A critical part of the performance based components of the variable remuneration structure is the STIP and LTIP. Details of these are set out on pages 37 and 38 of the Directors' Report. In particular, the Board believes that the LTIP which has a broad application to all levels of Senior Management, has been integral to the Company's strong performance over the five years since its implementation due to:

- Linking executive reward to increases in shareholder value; and
- Setting demanding performance targets on both EPS and TSR measures; and
- Making full disclosure of the LTIP in the Company's shareholder reports; and
- Retaining the key Senior Executive team over the past five years despite a highly competitive and challenging industry response to the Company's key business initiatives.

The Personnel Policy Committee and Board have reviewed the LTIP in light of the pending changes to Australian Accounting Standards relating to the treatment of options and shares issued under LTIP based Employee Share Plans.

As a result of this review, the Board has endorsed, for shareholder approval at the 2004 Annual General Meeting, implementation of a new LTIP structure which will provide the Board with the flexibility to determine the type of long term reward structure – Options; Performance Rights; Performance Shares; or Cash Awards.

This flexibility will enable use of instruments which have appropriate impact on the Company's financial statements. In addition, the proposed LTIP will allow the Company to purchase shares on market thereby minimising dilution of shareholder equity.

EMPLOYEE SHARE PLANS

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

The Plans are aimed at aligning Woolworths' employees interests with those of Woolworths shareholders.

10. Recognise the legitimate interests of stakeholders.

CORPORATE CONDUCT

In addition to the Directors' Policy Statements set out on page 43 of this Report, the Board has adopted a Corporate Governance Manual which provides for the Board's endorsement of the Company's corporate governance policies applicable to all levels of Management in the following key areas:

1 Code of Conduct/Ethics

2 Trade Practices/Fair Trading Practices

3 Tendering and Supply arrangements

4 Gifts and Gratuities/Political Donations

5 Occupational Health and Safety/Discrimination

6 Equal Employment Opportunity

7 Continuous Disclosure

The policies which have been incorporated in this Code of Conduct apply to all employees and set 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.

2004 FINANCIAL REPORT TO SHAREHOLDERS

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FIVE YEAR SUMMARY

	2004 52 Weeks	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks
Sales[1] ($m)					
Food and liquor	21,997.6	21,039.0	19,595.0	16,772.3	15,251.3
Petrol	2,194.9	1,710.5	1,119.3	747.1	472.5
Total supermarkets	24,192.5	22,749.5	20,714.3	17,519.4	15,723.8
BIG W	2,717.9	2,500.3	2,280.5	2,069.8	1,913.9
Consumer electronics	886.3	791.2	659.0	418.0	338.2
Total general merchandise	3,604.2	3,291.5	2,939.5	2,487.8	2,252.1
Continuing operations	27,796.7	26,041.0	23,653.8	20,007.2	17,975.9
Wholesale	137.2	280.4	819.2	697.8	675.3
Other discontinued operations[2]	–	–	–	210.1	337.6
Total group	**27,933.9**	**26,321.4**	**24,473.0**	**20,915.1**	**18,988.8**
Earnings before interest and tax ($m)					
Food and liquor	941.7	825.1	734.7	614.0	534.0
Petrol	18.6	29.9	12.7	4.6	(1.0)
Total supermarkets	960.3	855.0	747.4	618.6	533.0
BIG W	116.2	103.7	93.5	83.4	74.3
Consumer electronics	44.1	37.0	28.0	30.8	26.0
Total general merchandise	160.3	140.7	121.5	114.2	100.3
Total trading operations	1,120.6	995.7	868.9	732.8	633.3
Net property income	21.7	26.6	34.2	33.1	24.8
Head office overheads	(79.0)	(76.7)	(77.8)	(59.0)	(50.2)
Total unallocated[3]	(57.3)	(50.1)	(43.6)	(25.9)	(25.4)
Continuing operations	1,063.3	945.6	825.3	706.9	607.9
Wholesale	1.8	0.1	7.4	5.0	2.9
Other discontinued operations[2]	–	–	–	(5.3)	10.8
Total group	**1,065.1**	**945.7**	**832.7**	**706.6**	**621.6**
EBIT to Sales (%)					
Supermarkets	3.97	3.76	3.61	3.53	3.39
BIG W	4.28	4.15	4.10	4.03	3.88
Consumer electronics	4.98	4.68	4.25	7.37	7.69
Wholesale	1.31	0.04	0.90	0.72	0.43
Other discontinued operations	–	–	–	(2.52)	3.20
Total	**3.81**	**3.59**	**3.40**	**3.38**	**3.27**

	2004 52 Weeks	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks
Profit & Loss ($m)					
Sales	27,933.9	26,321.4	24,473.0	20,915.1	18,988.8
Cost of goods sold	20,975.5	19,703.0	18,296.0	15,561.0	13,983.4
Gross profit	**6,958.4**	**6,618.4**	**6,177.0**	**5,354.1**	**5,005.4**
Gross profit margin (%)	24.91	25.14	25.24	25.60	26.36
Cost of doing business (CODB)	(5,893.3)	(5,672.7)	(5,344.3)	(4,647.5)	(4,383.8)
CODB %	21.10	21.55	21.84	22.22	23.09
Selling, general and admin expenses (excluding, rent, depreciation & amortisation)	(4,675.9)	(4,515.7)	(4,288.3)	(3,737.7)	(3,548.3)
EBITDAR	2,282.5	2,102.7	1,888.7	1,616.4	1,457.1
EBITDAR margin (%)	8.17	7.99	7.72	7.73	7.67
Rent (including fitout rent)	(809.8)	(758.7)	(705.0)	(600.0)	(546.7)
EBITDA	**1,472.7**	**1,344.0**	**1,183.7**	**1,016.4**	**910.4**
EBITDA margin (%)	5.27	5.11	4.84	4.86	4.79
Depreciation	(379.6)	(370.9)	(327.7)	(300.7)	(282.8)
Amortisation of goodwill	(28.0)	(27.4)	(23.3)	(9.1)	(6.0)
EBIT	**1,065.1**	**945.7**	**832.7**	**706.6**	**621.6**
EBIT margin (%)	3.81	3.59	3.40	3.38	3.27
Interest	(47.3)	(39.7)	(50.5)	(13.1)	(27.8)
WINs interest	(42.9)	(41.1)	(39.8)	(47.7)	(26.1)
Profit before tax and abnormal items	**974.9**	**864.9**	**742.4**	**645.8**	**567.7**
Taxation	(286.7)	(255.0)	(218.5)	(217.4)	(203.6)
Profit after tax and before abnormal items	**688.2**	**609.9**	**523.9**	**428.4**	**364.1**
Adjustment for change in company tax rate	–	–	–	–	(8.4)
Abnormal items after tax	–	–	–	–	(60.1)
Outside equity interest	(0.4)	(0.4)	(0.7)	(0.4)	(0.1)
Net operating profit after tax and servicing income notes	**687.8**	**609.5**	**523.2**	**428.0**	**295.5**

FIVE YEAR SUMMARY (CONTINUED)

	2004 52 Weeks	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks
Balance Sheet ($m)					
Inventory	1,847.0	1,843.1	1,838.4	1,731.8	1,648.3
Accounts payable	(2,176.3)	(2,078.9)	(2,000.6)	(1,666.4)	(1,571.8)
Net investment in inventory	**(329.3)**	**(235.8)**	**(162.2)**	**65.4**	**76.5**
Fixed assets and investments	2,758.8	2,485.0	2,366.8	2,275.7	2,195.5
Intangibles	572.3	555.3	545.0	313.4	145.1
Receivables	423.0	543.1	496.6	318.6	297.0
Other creditors	(1,267.1)	(1,186.1)	(989.6)	(855.5)	(798.8)
Total funds employed[4]	**2,157.7**	**2,161.5**	**2,256.6**	**2,117.6**	**1,915.3**
Net tax balances	58.7	21.3	(7.9)	(49.0)	(64.4)
Provision for dividend[5]	–	–	(188.9)	(155.4)	(137.8)
Net assets employed	**2,216.4**	**2,182.8**	**2,059.8**	**1,913.2**	**1,713.1**
Net repayable debt[6]	(163.9)	(359.6)	(237.3)	(387.6)	(82.2)
Net assets	**2,052.5**	**1,823.2**	**1,822.5**	**1,525.6**	**1,630.9**
Noteholders' equity (WINs)	583.0	583.0	583.0	583.0	583.0
Outside shareholders' equity	5.2	4.8	4.4	3.7	3.3
Shareholders' equity	1,464.3	1,235.4	1,235.1	938.9	1,044.6
Total equity	**2,052.5**	**1,823.2**	**1,822.5**	**1,525.6**	**1,630.9**
Cash Flow ($m)					
EBITDA	1,472.7	1,344.0	1,183.7	1,016.4	910.4
Movement in net investment in inventory	97.3	76.1	247.8	34.6	276.1
Other operating cash flows	69.2	155.5	38.7	8.7	56.7
Net interest paid (including cost of income notes)	(95.7)	(82.3)	(97.4)	(72.7)	(58.3)
Tax paid	(324.1)	(283.8)	(238.1)	(225.7)	(142.7)
Operating cash flow	**1,219.4**	**1,209.5**	**1,134.7**	**761.3**	**1,042.2**
Payments from property, plant and equipment	(718.7)	(593.4)	(596.7)	(537.4)	(420.8)
Proceeds on disposal of property, plant and equipment	138.1	114.5	203.8	173.1	111.0
Other investing cash flows	1.4	(65.3)	(350.9)	(154.2)	35.9
Free cash flow	**640.2**	**665.3**	**390.9**	**242.8**	**768.3**
Movement in gross debt	(133.7)	118.3	(114.4)	211.5	(519.8)
Dividends paid	(346.9)	(307.3)	(251.5)	(212.1)	(173.5)
Proceeds from WINs	–	–	–	–	583.0
(Advances)/repayments of employee loans	14.9	(25.5)	(42.7)	(30.8)	(19.1)
Buyback of shares	(140.9)	(534.1)	–	(349.4)	(548.4)
New shares issued	28.0	75.6	56.7	44.0	26.9
Net cash flow	**61.6**	**(7.7)**	**39.0**	**(94.0)**	**117.4**

	2004 52 Weeks	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks
Shareholder Value					
ROFE[7] Pre-tax return on funds employed (%)					
Normal	49.32	42.81	38.07	35.04	29.08
Total	49.32	42.81	38.07	35.04	24.69
DU PONT analysis (abnormals excluded) (%)					
EBIT to sales	3.81	3.59	3.40	3.38	3.27
Service burden[8]	91.53	91.46	89.15	91.40	91.33
Tax burden[9]	70.59	70.52	70.57	66.34	64.14
Asset turn[10]	4.64	4.53	4.53	4.23	3.99
Financial leverage[11]	4.46	4.70	4.97	4.99	3.77
Return on equity[12]	50.95	49.34	48.13	43.19	28.92
Earnings per share					
Ordinary share price closing ($)	11.62	12.68	13.15	10.85	6.18
Market capitalisation ($ millions)	11,874.8	12,945.0	13,797.0	11,235.2	6,550.8
Weighted average shares on issue	1,020.5	1,049.2	1,041.3	1,065.8	1,125.0
Normal basic EPS[13] (cents per share)	67.40	58.09	50.24	40.16	32.36
Total basic EPS[14] (cents per share)	67.40	58.09	50.24	40.16	26.27
EPS pre goodwill amortisation (cents per share)	70.14	60.70	52.48	41.01	32.89
Interim dividend ($m)	213.6	192.0	157.0	128.70	105.70
Interim dividend (cents per share)	21.0	18.0	15.0	12.0	10.0
Final dividend ($m)	248.9	215.1	188.9	155.4	137.8
Final dividend (cents per share)	24.0	21.0	18.0	15.0	13.0
Total dividend ($m)	462.5	407.1	345.9	284.1	243.5
Total dividend (cents per share)	45.0	39.0	33.0	27.0	23.0
Payout ratio (before abnormals) (%)	67.24	66.79	66.11	66.37	66.88
Payout ratio (after abnormals) (%)	67.24	66.79	66.11	66.37	82.40
Price/earnings ratio (times)	17.2	21.8	26.2	27.0	23.5
Price/cash flow ratio (times)	9.76	11.03	12.06	15.28	6.64
Growth rates (% increase)					
Sales	6.13	7.55	17.01	10.14	8.34
Sales per equivalent week	6.13	9.62	14.90	10.14	8.34
Sales per square metre (normalised 52 weeks)	1.41	3.73	4.45	5.64	4.66
EBITDA	9.58	13.54	16.46	11.63	12.49
EBIT	12.63	13.57	17.84	13.67	15.24
Profit before tax and abnormal items	12.72	16.50	14.96	13.76	14.94
Profit after tax and servicing income notes	12.85	16.49	22.24	44.84	14.98
Normal basic EPS	16.03	15.63	25.10	24.12	18.75

FIVE YEAR SUMMARY (CONTINUED)

	2004 52 Weeks	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks
Financial Strength					
Service cover ratio (times)[15]	11.81	11.70	9.22	11.62	11.53
Fixed charges cover (times)	2.52	2.50	2.32	2.40	2.40
Sales to Inventory (times)[16]	15.14	14.30	13.71	12.38	11.51
Capital expenditure to EBITDA (%)	48.80	44.15	50.42	52.88	46.22
Operating cash flow per share ($)	1.19	1.15	1.09	0.71	0.93
Repayable gearing (%)[17]	7.39	16.47	11.52	20.26	4.80
Serviced gearing (%)[18]	33.70	43.18	39.82	50.73	38.83
Current assets to current liabilities (%)	85.98	80.79	83.55	80.71	90.37
Productivity					
Stores (number)					
Supermarkets					
NSW & ACT	234	228	227	198	192
Queensland	143	141	130	115	112
Victoria	179	175	171	151	149
South Australia & Northern Territory	63	63	60	53	51
Western Australia	60	58	59	57	52
Tasmania	29	29	29	29	29
Total Supermarkets	**708**	**694**	**676**	**603**	**585**
Freestanding Liquor	192	164	139	130	41
Caltex/WOW Petrol	44	–	–	–	–
WOW Petrol	315	287	256	166	137
General Merchandise					
BIG W	111	104	96	90	87
Dick Smith Electronics	164	153	147	138	123
Dick Smith Electronics PowerHouse	18	16	15	9	6
Tandy	148	179	204	222	–
Crazy Prices	–	–	–	–	135
Total	**1,700**	**1,597**	**1,533**	**1,358**	**1,114**

	June 03	Opened	Closed	June 04
Stores (movement)				
Supermarkets				
New South Wales	228	8	2	234
Queensland	141	2	0	143
Victoria	175	4	0	179
South Australia & Northern Territory	63	2	2	63
Western Australia	58	2	0	60
Tasmania	29	0	0	29
Total Supermarkets movements	**694**	**18**	**4**	**708**
Freestanding Liquor	164	36	8	192
Caltex/WOW Petrol	0	44	0	44
WOW Petrol	287	28	0	315
General Merchandise				
BIG W	104	7	0	111
Dick Smith Electronics	153	13	2	164
Dick Smith Electronics PowerHouse	16	2	0	18
Tandy	179	0	31	148
Total store movements	**1,597**	**148**	**45**	**1,700**

	2004 52 Weeks	2003 52 Weeks	2002 53 Weeks	2001 52 Weeks	2000 52 Weeks
Area (sqm)					
Supermarkets (excluding petrol)	1,623,530	1,574,640	1,499,696	1,344,246	1,254,744
General Merchandise	731,788	695,338	640,832	602,718	614,515
Total	**2,355,318**	**2,269,978**	**2,140,528**	**1,946,964**	**1,869,259**
Sales per square metre (normalised 52 weeks)					
Supermarkets (excluding petrol)	13,549.2	13,361.1	12,819.7	12,477.1	12,154.9
General Merchandise	4,925.2	4,733.7	4,513.5	4,127.6	3,664.8
Total	**10,869.8**	**10,718.4**	**10,332.9**	**9,892.4**	**9,363.8**

NOTES TO FIVE YEAR SUMMARY

1. *Sales in 2000 have been restated to exclude WST.*
2. *Other discontinued operations includes 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, effective since the year ended 29 June 2003, no provision for the final dividend has been raised as the final dividend has 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 WINs divided into the weighted average number of ordinary shares on issue during the period. The weighted average number of ordinary shares on issue has been calculated in accordance with Accounting Standard AASB 1027. Normal EPS excludes abnormal items that arose in 2000.*
14. *Total basic earnings per share is profit after tax attributable to members of the company and servicing WINs divided into the weighted average number of ordinary shares on issue during the period. The weighted average number of ordinary shares on issue has been calculated in accordance with Accounting Standard AASB 1027. Total basic earnings per share includes abnormal items. Fully diluted EPS is not significantly different from normal basic EPS.*
15. *Service cover ratio is EBIT divided by the sum of interest and WINs interest.*
16. *Sales to inventory is total sales for the period divided by average inventory.*
17. *Repayable gearing is net repayable debt divided by net repayable debt plus total equity.*
18. *Serviced gearing is net repayable debt plus WINs divided by net repayable debt plus total equity.*

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	Consolidated 52 weeks ended 27 June 04 $m	Consolidated 52 weeks ended 29 June 03 $m	Woolworths Limited 52 weeks ended 27 June 04 $m	Woolworths Limited 52 weeks ended 29 June 03 $m
Revenue from sale of goods	2a	27,933.9	26,321.4	24,610.2	23,301.1
Other operating revenue	2a	547.3	493.2	466.0	419.4
Total revenue from operations		28,481.2	26,814.6	25,076.2	23,720.5
Cost of sales		(21,522.8)	(20,196.2)	(18,955.9)	(17,889.4)
Gross profit		6,958.4	6,618.4	6,120.3	5,831.1
Other non-operating revenue from ordinary activities	2b	151.0	139.7	35.7	444.6
Share of profit in associated company accounted for using the equity method	10b	3.1	1.6	–	–
Branch expenses		(4,627.6)	(4,418.0)	(3,976.9)	(3,791.7)
Administration expenses		(1,419.8)	(1,396.0)	(1,219.4)	(1,223.8)
Earnings before interest and tax		1,065.1	945.7	959.7	1,260.2
Interest expense	3	(57.4)	(53.0)	(56.6)	(52.1)
Interest income	3	10.1	13.3	9.1	12.5
Net profit from ordinary activities before income tax expense		**1,017.8**	**906.0**	**912.2**	**1,220.6**
Income tax expense	5	(286.7)	(255.0)	(272.2)	(232.1)
Net profit from ordinary activities after income tax expense		**731.1**	**651.0**	**640.0**	**988.5**
Net profit attributable to outside equity interests		(0.4)	(0.4)	–	–
Net profit attributable to the members of Woolworths Limited		**730.7**	**650.6**	**640.0**	**988.5**
(Increase)/decrease in foreign currency translation reserve	19	0.9	(0.4)	–	–
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		0.9	(32.3)	–	(28.6)
Total changes in equity other than those resulting from transactions with owners as owners		**731.6**	**618.3**	**640.0**	**959.9**
Earnings per share (EPS)					
Basic EPS (cents per share)	18	67.40	58.09	–	–
Diluted EPS (cents per share)	18	66.63	57.20	–	–
Weighted average number of shares used in the calculation of basic EPS (million)	18	1,020.5	1,049.2	–	–
Reconciliation of retained profits					
Retained profits at beginning of period		445.2	457.2	337.6	8.4
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		730.7	650.6	640.0	988.5
Woolworths Income Notes distribution		(42.9)	(41.1)	(42.9)	(41.1)
Dividends paid or provided	6	(428.7)	(380.9)	(428.7)	(380.9)
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		**704.3**	**445.2**	**506.0**	**337.6**

The statement of financial performance should be read in conjunction with the notes to the financial statements set out on pages 59 to 111.

STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated As at 27 June 04 $m	Consolidated As at 29 June 03 $m	Woolworths Limited As at 27 June 04 $m	Woolworths Limited As at 29 June 03 $m
Current assets					
Cash		348.9	287.3	314.9	267.4
Receivables	8	208.6	242.4	169.7	183.9
Inventories		1,847.0	1,843.1	1,472.3	1,482.6
Property, plant and equipment	12	259.6	133.7	26.2	–
Other	9	112.3	114.1	100.4	98.4
Total current assets		**2,776.4**	**2,620.6**	**2,083.5**	**2,032.3**
Non-current assets					
Receivables	8	96.4	186.0	1,049.8	1,127.8
Investments accounted for using the equity method	10	3.6	1.6	–	–
Other financial assets	11	28.0	1.2	106.0	106.0
Property, plant and equipment	12	2,467.6	2,348.5	1,609.6	1,504.9
Intangibles	13	572.3	555.3	392.1	382.6
Deferred tax assets		195.4	172.6	195.9	176.6
Other	9	5.7	0.6	5.7	0.6
Total non-current assets		**3,369.0**	**3,265.8**	**3,359.1**	**3,298.5**
Total assets		**6,145.4**	**5,886.4**	**5,442.6**	**5,330.8**
Current liabilities					
Accounts payable		2,176.3	2,078.9	1,994.4	1,933.7
Accruals		554.5	541.9	442.7	455.4
Interest bearing liabilities	14	18.0	150.5	17.0	150.0
Current tax liabilities		132.2	144.1	133.0	141.8
Provisions	16	348.0	328.2	316.7	297.9
Total current liabilities		**3,229.0**	**3,243.6**	**2,903.8**	**2,978.8**
Non-current liabilities					
Interest bearing liabilities	14	494.8	496.4	483.3	483.0
Deferred tax liabilities		4.5	7.2	3.6	–
Provisions	16	364.6	316.0	338.8	293.2
Total non-current liabilities		**863.9**	**819.6**	**825.7**	**776.2**
Total liabilities		**4,092.9**	**4,063.2**	**3,729.5**	**3,755.0**
Net assets		**2,052.5**	**1,823.2**	**1,713.1**	**1,575.8**
Equity					
Contributed equity	17	575.4	606.5	575.4	606.5
Reserves	19	184.6	183.7	48.7	48.7
Retained profits		704.3	445.2	506.0	337.6
Equity attributable to the members of Woolworths Limited		**1,464.3**	**1,235.4**	**1,130.1**	**992.8**
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		4.3	3.9	–	–
Total outside equity interest		**5.2**	**4.8**	**–**	**–**
Total equity	20	**2,052.5**	**1,823.2**	**1,713.1**	**1,575.8**

The statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 59 to 111.

STATEMENT OF CASH FLOWS

	Consolidated		Woolworths Limited[1]	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m
Cash flows from operating activities				
Receipts from customers	29,681.7	27,963.8	26,135.6	24,647.6
Receipts from vendors and tenants	415.4	364.9	341.8	297.3
Payments to suppliers and employees	(28,457.9)	(26,766.6)	(25,043.3)	(23,540.4)
Dividends received from controlled entities	–	–	–	404.1
Interest and other borrowing costs paid	(62.9)	(54.5)	(62.1)	(53.6)
Interest received	10.1	13.3	9.1	12.5
Income tax paid	(324.1)	(283.8)	(316.2)	(242.5)
Other	–	13.5	–	13.5
Net cash provided by operating activities	**1,262.3**	**1,250.6**	**1,064.9**	**1,538.5**
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment	138.1	114.5	31.8	25.5
Payments for property, plant and equipment	(718.7)	(593.4)	(449.7)	(444.1)
Payment for purchase of investments	(26.8)	–	–	–
Repayments/(advances) of employee loans	14.9	(25.5)	14.8	(25.5)
Loans to related entities	(69.9)	(102.7)	(90.8)	(424.4)
Loans repaid by related entities	153.4	78.9	153.4	78.9
Dividend received from related entity	1.1	–	1.1	–
Payments for purchase of businesses	(56.4)	(41.5)	(42.8)	(18.2)
Net cash used in investing activities	**(564.3)**	**(569.7)**	**(382.2)**	**(807.8)**
Cash flows from financing activities				
Proceeds from issue of shares	28.0	75.6	28.0	75.6
Payments for buy-back of shares	(140.9)	(534.1)	(140.9)	(534.1)
Proceeds from short term deposits	0.4	3.7	0.1	3.7
Proceeds from external borrowings	9,716.3	4,858.9	9,716.4	4,857.8
Repayment of external borrowings	(9,850.4)	(4,744.3)	(9,849.0)	(4,742.1)
Dividends paid	(346.9)	(307.3)	(346.9)	(307.3)
Woolworths Income Notes distribution	(42.9)	(41.1)	(42.9)	(41.1)
Net cash used in financing activities	**(636.4)**	**(688.6)**	**(635.2)**	**(687.5)**
Net increase/(decrease) in cash held	61.6	(7.7)	47.5	43.2
Cash at the beginning of the financial period	287.3	295.0	267.4	224.2
Cash at the end of the financial period	**348.9**	**287.3**	**314.9**	**267.4**

The statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 59 to 111.

(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 in the year ended 29 June 2003.

	Consolidated		Woolworths Limited[1]	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m
Non-cash financing and investing activities				
Dividend Reinvestment Plan				
In accordance with the Company's Dividend Reinvestment Plan 19% (2003: 19%) of the dividend paid was reinvested in the shares of the Company.				
Dividends paid (excluding special buy-back dividend in 2003)	428.7	380.9	428.7	380.9
Issuance of shares under the Plan	(81.8)	(73.6)	(81.8)	(73.6)
Net cash outflow	**346.9**	**307.3**	**346.9**	**307.3**
Reconciliation of net cash provided by operating activities to net profit from ordinary activities after income tax expense				
Net profit from ordinary activities after income tax expense	731.1	651.0	640.0	988.5
Depreciation	341.4	335.9	272.0	270.3
Amortisation	66.2	62.4	56.8	54.3
Share of profit of equity accounted associates	(3.1)	(1.6)	–	–
(Profit)/Loss on sale of property, plant and equipment	(31.6)	(12.1)	(4.0)	5.7
Borrowing costs capitalised	(5.5)	(1.5)	(5.5)	(1.5)
(Increase)/decrease in deferred tax asset	(22.8)	9.2	(19.3)	(59.8)
Increase/(decrease) in income tax payable	(11.9)	30.7	(8.8)	54.8
Increase/(decrease) in deferred tax liability	(2.7)	(69.1)	3.6	–
(Increase)/decrease in receivables	26.0	16.2	16.0	(35.5)
(Increase)/decrease in inventories	(0.1)	(2.2)	12.0	(33.7)
Increase in sundry debtors and prepayments	(4.7)	(17.1)	(8.5)	(19.8)
Increase in payables	97.4	78.3	60.7	139.0
Increase in sundry payables and provisions	82.6	170.5	49.9	176.2
Net cash provided by operating activities	**1,262.3**	**1,250.6**	**1,064.9**	**1,538.5**

(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 in the year ended 29 June 2003.

STATEMENT OF CASH FLOWS (CONTINUED)

	Consolidated		Woolworths Limited[1]	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $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	56.4	41.5	42.8	18.2
Fair value of net assets acquired				
Receivables	–	–	–	62.3
Property, plant and equipment	9.4	3.7	8.7	845.8
Other financial assets	–	–	–	0.1
Prepayments	–	–	–	40.4
Inventories	3.8	2.5	1.7	863.3
Liquor licences	32.1	30.3	22.3	53.6
Goodwill	–	–	–	128.9
Deferred tax asset	–	–	–	34.4
Accounts payable	–	–	–	(529.1)
Current tax liabilities	–	–	–	(61.7)
Employee benefits	(0.1)	(0.1)	–	(166.4)
Loans due to related entities	–	–	–	(1,016.6)
Sundry payables and provisions	–	–	–	(238.3)
Interest bearing liabilities	–	–	–	(1.1)
	45.2	**36.4**	**32.7**	**15.6**
Goodwill on acquisition	11.2	5.1	10.1	2.6
Consideration (cash)	**56.4**	**41.5**	**42.8**	**18.2**

Details of acquisitions are shown at Note 31.

(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 in the year ended 29 June 2003.

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.

The financial periods of the Company end on the last Sunday in June of each year. The financial period of the Company ended on 27 June 2004, which comprised 52 weeks and the corresponding financial period to 29 June 2003 comprised 52 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.

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 statement of financial performance 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 Freehold land and buildings

Freehold land and buildings and development properties are measured at cost. Borrowing and other holding and development costs on property under development are capitalised until completion of the development.

Annual internal assessments of the value of land and buildings are supplemented by independent assessments, which are performed at least every three years.

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:

	2004	2003
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:

	2004	2003
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 the statement of financial performance at the date of termination.

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 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 five 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 financial statements as set out in Note 1(B) and at cost in Woolworths Limited's financial statements.

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

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.

Dividends

Following the introduction of AASB 1044, Provisions, Contingent Liabilities and Contingent Assets, a provision for dividends is recognised only when they have been declared, determined or publicly recommended by the directors. AASB 1044 became effective for the year ended 29 June 2003 and no provision for dividend has been booked on 27 June 2004 or 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.

Self-insured risks

The Consolidated Entity provides for self-insured liabilities relating to workers' compensation and public liability claims. The provisions for such liabilities are based on independent actuarial assessments, which consider numbers, amounts and duration of claims, and allow for future inflation and investment return. Allowance is included for injuries which occurred before the balance date, but where the claim is expected to be notified after the balance date.

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.

Prior year 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 were restated at the beginning of the financial year ended 29 June 2003. The financial effect of this change, amounting to $31.9 million, was adjusted against opening retained earnings during the financial year ended 29 June 2003.

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 as described in Note 25 are not considered to be a cost to the Company under current Australian Accounting Standards and, accordingly, are not recognised as an expense in the statement of financial performance.

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 and, accordingly, are not recognised as an expense in the statement of financial performance.

Superannuation

The Company has a Superannuation Scheme that provides accumulation type benefits to all permanent salaried employees and their dependants on retirement or death. Defined benefits have been preserved for former members of some superannuation funds 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 three 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 7.5% (2003: 7.0%).

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 operating net profit after tax 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 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $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	–	–	206.4	181.8
Other parties	27,933.9	26,321.4	24,403.8	23,119.3
Other operating revenue – rebates, discounts received and other	547.3	493.2	466.0	419.4
Interest:				
Related parties	3.7	5.9	3.7	5.9
Other parties	6.4	7.4	5.4	6.6
Total operating revenue	**28,491.3**	**26,827.9**	**25,085.3**	**23,733.0**
(b) Other non-operating revenue from ordinary activities				
Dividends:				
Wholly-owned controlled entities[1]	–	–	–	404.1
Associate	–	–	1.1	–
Rent:				
Related parties	–	–	–	0.9
Other parties	12.9	11.7	2.8	0.6
Gross proceeds from disposal of non-current assets	138.1	114.5	31.8	25.5
Recoveries of state franchise fees	–	13.5	–	13.5
Total other non-operating revenue from ordinary activities	**151.0**	**139.7**	**35.7**	**444.6**
Share of net profits of associate accounted for using the equity method	3.1	1.6	–	–
Total revenue	**28,645.4**	**26,969.2**	**25,121.0**	**24,177.6**

(1) Following the internal reconstruction of operations of Woolworths Limited on 1 July 2002, it was necessary for related parties to pay dividends to Woolworths Limited. This was to ensure adequate retained earnings were available to allow the payment of the dividend to shareholders of Woolworths Limited during the year ended 29 June 2003.

	Consolidated		Woolworths Limited	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m

2 PROFIT FROM ORDINARY ACTIVITIES (continued)

	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m
(c) Expenses				
Amounts provided for:				
Bad and doubtful debts	2.9	2.4	2.2	2.4
Employee benefits	221.0	215.9	200.9	194.8
Self-insured risks	121.8	122.7	113.4	115.4
Net loss/(profit) on disposal of:				
Property, plant, equipment, fixtures and fittings	(31.6)	(12.1)	(4.0)	5.7
Depreciation of:				
Buildings	9.7	8.4	0.2	–
Plant and equipment, fixtures and fittings	331.7	327.5	271.8	270.3
Amortisation of:				
Leasehold improvements	38.2	35.0	35.4	32.5
Goodwill	28.0	27.4	21.4	21.8
Contributions to defined benefit superannuation plans[1]	117.4	92.4	105.5	83.6
Operating lease rental expenses:				
Leased premises				
– minimum lease payments	659.2	617.2	554.7	518.8
– contingent rentals	79.0	77.1	75.0	73.5
– sub-leases	5.0	3.0	2.8	1.4
Leased equipment				
– minimum lease payments	66.6	61.4	58.5	55.8
Total operating lease rental expenses	809.8	758.7	691.0	649.5

(1) These amounts represent contributions to all members of the Woolworths Group Superannuation Scheme (Woolworths Super). Woolworths Super provides lump sum accumulation benefits to members on retirement or death, as well as lump sum defined benefits to former members of defined benefit categories of superannuation funds previously sponsored by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Woolworths Limited	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m
3 NET FINANCE COSTS				
Interest income:				
Related parties	3.7	5.9	3.7	5.9
Other parties	6.4	7.4	5.4	6.6
	10.1	**13.3**	**9.1**	**12.5**
Interest expense:				
Other parties	(62.9)	(54.5)	(62.1)	(53.6)
Less: borrowing costs capitalised (Note 1(V))	5.5	1.5	5.5	1.5
	(57.4)	**(53.0)**	**(56.6)**	**(52.1)**
Net finance costs	**(47.3)**	**(39.7)**	**(47.5)**	**(39.6)**
4 AUDITORS' REMUNERATION				
Audit services:				
Deloitte Touche Tohmatsu	0.780	0.775	0.780	0.750
Audit-related services:				
Deloitte Touche Tohmatsu	0.094	0.172	0.067	0.172
Other services:				
Deloitte Touche Tohmatsu[1]	0.227	0.238	0.158	0.238
Total auditors' remuneration	**1.101**	**1.185**	**1.005**	**1.160**

(1) Other services includes advice on finance redesign and International accounting standards, due diligence, actuarial reviews and tax consulting.

	Consolidated		Woolworths Limited	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m
5 TAXATION				
Prima facie income tax expense on the current period operating profit before income tax, calculated at 30% (2003 at 30%)	305.3	271.8	273.7	366.2
Tax effect of permanent differences:				
Amortisation of intangibles	8.2	7.4	7.0	5.6
Intercompany dividend income	–	–	–	(121.2)
Woolworths Income Notes distribution deductible	(12.9)	(12.3)	(12.9)	(12.3)
Other permanent differences reducing tax payable	(8.4)	(6.8)	(7.4)	(6.8)
Other permanent differences increasing tax payable	2.4	0.8	1.4	1.0
Income tax expense on current year's operating profit	294.6	260.9	261.8	232.5
Impact of tax consolidation system:				
Initial recognition of current and deferred tax balances of subsidiaries	–	–	(4.7)	–
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group	–	–	22.9	–
	–	–	18.2	–
Over provision in prior period	(7.9)	(5.9)	(7.8)	(0.4)
Income tax expense attributable to operating profit	**286.7**	**255.0**	**272.2**	**232.1**
Income tax expense attributable to operating profit comprises:				
Provision for current income tax liability	330.7	301.9	306.6	273.8
Provision for deferred tax liability	(24.8)	(18.8)	(2.2)	(20.2)
Deferred tax asset	(11.3)	(22.2)	(24.4)	(21.1)
Over provision in prior period	(7.9)	(5.9)	(7.8)	(0.4)
	286.7	**255.0**	**272.2**	**232.1**

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident 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.

The directors have elected for those entities within the Consolidated Entity that are wholly-owned Australian resident entities to be taxed as a single entity from 1 July 2002. Woolworths Limited is the head entity of the tax consolidated group and, consequently, records all tax balances. No tax-sharing arrangements have been entered into. The adoption of tax consolidation has not had any material impact on the income tax expense or deferred tax balances of the tax consolidated group.

	Consolidated		Woolworths Limited	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m
6 DIVIDENDS PAID OR PROVIDED				
Final dividend in respect of 2003 year of 21 cents (2002: 18 cents) per fully paid ordinary share paid 3 October 2003 (2002: 8 October 2002) 100% franked at 30% tax rate (2002: 100% franked at 30% tax rate)	215.1	188.9	215.1	188.9
Interim dividend of 21 cents (2003: 18 cents) per fully paid ordinary share paid 30 April 2004 (2003: 30 April 2003) 100% franked at 30% tax rate (2003: 100% franked at 30% tax rate) (Class C)	213.6	192.0	213.6	192.0
	428.7	380.9	428.7	380.9
Reversal of provision for final dividend (upon adoption of AASB 1044, Provisions, 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 an off market share buy-back 100% franked at 30% tax rate (Class C)	–	397.6	–	397.6
Total dividends paid or provided	**428.7**	**589.6**	**428.7**	**589.6**
Dividends paid in cash or satisfied by the issue of new shares under the Dividend Reinvestment Plan during the 52 weeks ended 27 June 2004 and the 52 weeks ended 29 June 2003 were as follows:				
Paid in cash:				
Final and interim dividends	346.9	307.3	346.9	307.3
Special buy-back dividend	–	397.6	–	397.6
Satisfied by the issue of new shares	81.8	73.6	81.8	73.6
	428.7	**778.5**	**428.7**	**778.5**

On 23 August 2004, the board of directors declared a final dividend in respect of the 2004 year of 24c (2003: 21c) per share. The amount that will be paid on 8 October 2004 (2003: 3 October 2003) will be $248.9 million (2003 : $215.1 million). 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".

	Consolidated		Woolworths Limited	
	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m	52 weeks ended 27 June 04 $m	52 weeks ended 29 June 03 $m
6 DIVIDENDS PAID OR PROVIDED (continued)				
Franked dividends				
The franked portions of the dividends proposed as at 27 June 2004 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 2005.				
Franking credits available for the subsequent financial year 30% (2003: 30%)	403.6	262.3	402.6	182.3

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Supermarkets[1]		BIG W		Consumer Electronics	
	2004 $m	2003 $m	2004 $m	2003 $m	2004 $m	2003 $m
7 SEGMENT DISCLOSURES						
Business segments						
Sales to customers	24,192.5	22,749.5	2,717.9	2,500.3	886.3	791.2
Rebates, discounts and other	306.7	288.4	198.9	160.9	30.6	27.5
Inter-segment revenue					0.3	0.5
Segment revenue	**24,499.2**	**23,037.9**	**2,916.8**	**2,661.2**	**917.2**	**819.2**
Eliminations						
Unallocated revenue						
Share of net profits of associate accounted for using the equity method	3.1	1.6				
Total revenue						
Segment operating profit	960.3	855.0	116.2	103.7	44.1	37.0
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	3,447.5	3,394.2	664.7	583.4	337.1	333.9
Unallocated						
Total assets						
Segment liabilities	2,030.0	1,916.3	328.3	301.8	103.3	70.6
Unallocated						
Total liabilities						
Acquisition of assets	362.7	409.6	68.1	47.5	17.2	21.8
Unallocated						
Acquisition of assets						
Segment depreciation and amortisation	305.1	294.8	32.8	35.2	19.8	18.5
Unallocated						
Total depreciation and amortisation						
Segment other non cash expenses						
Unallocated						
Total other non cash expenses						
Carrying value of investment in associate	3.6	1.6				

	Wholesale[2]		Consolidated	
	2004 $m	2003 $m	2004 $m	2003 $m

7 SEGMENT DISCLOSURES (continued)

	Wholesale[2] 2004 $m	Wholesale[2] 2003 $m	Consolidated 2004 $m	Consolidated 2003 $m
Business segments				
Sales to customers	137.2	280.4	27,933.9	26,321.4
Rebates, discounts and other	5.6	8.0	541.8	484.8
Inter-segment revenue	205.5	194.7	205.8	195.2
Segment revenue	**348.3**	**483.1**	**28,681.5**	**27,001.4**
Eliminations			(205.8)	(195.2)
Unallocated revenue			166.6	161.4
Share of net profits of associated accounted for using the equity method			3.1	1.6
Total revenue			**28,645.4**	**26,969.2**
Segment operating profit	1.8	0.1	1,122.4	995.8
Unallocated expenses				
– Property			21.7	26.6
– Head office			(79.0)	(76.7)
Net interest			(47.3)	(39.7)
Profit from ordinary activities before tax			**1,017.8**	**906.0**
Income tax on ordinary activities			(286.7)	(255.0)
Profit from ordinary activities after tax			**731.1**	**651.0**
Segment assets	61.2	69.5	4,510.5	4,381.0
Unallocated			1,634.9	1,505.4
Total assets			**6,145.4**	**5,886.4**
Segment liabilities	35.6	51.4	2,497.2	2,340.1
Unallocated			1,595.7	1,723.1
Total liabilities			**4,092.9**	**4,063.2**
Acquisition of assets	0.8	1.0	448.8	479.9
Unallocated			284.8	118.7
Total acquisition of assets			**733.6**	**598.6**
Segment depreciation and amortisation	3.0	2.7	360.7	351.2
Unallocated			46.9	47.1
Total depreciation and amortisation			**407.6**	**398.3**
Segment other non cash expenses			–	–
Unallocated			81.8	73.6
Total other non cash expenses			**81.8**	**73.6**
Carrying value of investment in associate			3.6	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 arms-length basis.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $m
8 RECEIVABLES				
Current				
Trade receivables	49.6	57.3	28.8	33.4
Less: Provision for doubtful debts	(3.6)	(3.7)	(1.8)	(0.3)
	46.0	**53.6**	**27.0**	**33.1**
Other receivables	162.0	190.1	141.2	151.9
Less: Provision for doubtful debts	(6.5)	(6.8)	(5.4)	(6.1)
	155.5	**183.3**	**135.8**	**145.8**
Short term deposits	0.2	0.6	–	0.1
Staff and other advances	6.9	4.9	6.9	4.9
	208.6	**242.4**	**169.7**	**183.9**
Non-current				
Other debtors	9.7	0.4	–	–
Employee loans	86.5	101.9	86.5	101.9
Loans to controlled entities	–	–	963.1	942.2
Loan to associate	0.2	83.7	0.2	83.7
	96.4	**186.0**	**1,049.8**	**1,127.8**
9 OTHER ASSETS				
Current				
Prepayments	111.2	113.9	99.3	98.2
Deferred costs	0.9	–	0.9	–
Borrowing costs	1.6	1.4	1.6	1.4
Less: Amortisation	(1.4)	(1.2)	(1.4)	(1.2)
	112.3	**114.1**	**100.4**	**98.4**
Non-current				
Deferred costs	5.3	–	5.3	–
Borrowing costs	0.4	0.6	0.4	0.6
	5.7	**0.6**	**5.7**	**0.6**

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Details of investments in associates

Name	Principal activity	% Ownership	Investment carrying amount $m
Bruandwo Pty Limited and its controlled entities (MGW Hotels Pty Limited)	Hotel operation and liquor retailing	50%	3.6[1]

	Consolidated As at 27 June 04 $m	Consolidated As at 29 June 03 $m
(b) Movements in investments in associates		
Equity accounted amount at the beginning of the financial period	1.6	–
Share of profit from ordinary activities before tax	4.4	2.0
Share of income tax expense related to ordinary activities	(1.3)	(0.4)
Dividend received	(1.1)	–
Equity accounted amount at the end of the financial period	**3.6**	**1.6**
(c) Share of reserves attributable to associate		
Retained profits:		
At the beginning of the financial period	1.6	–
At the end of the financial period	3.6	1.6
(d) Commitments		
Share of associate's capital expenditure commitments payable:		
Not later than one year	2.3	–
Share of associate's operating lease commitments payable:		
Not later than one year	3.6	2.7
Later than one year, not later than five years	8.9	6.5
Later than five years	6.8	3.5
	19.3	**12.7**
(e) Contingent liabilities		
Bank guarantees	0.8	0.8

(1) In addition to the equity accounted investment of $3.6 million (29 June 2003: $1.6 million), outstanding loans to MGW Hotels Pty Limited as at 27 June 2004 were $0.2 million (29 June 2003: $83.7 million). This amount is included in Non-Current Receivables. See Note 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $m
11 OTHER FINANCIAL ASSETS				
Non-current				
Controlled entities:				
Unlisted shares at cost (Note 30)	–	–	105.0	105.0
Listed shares at cost[1]	26.8	–	–	–
Unlisted shares at cost	0.1	0.1	0.1	0.1
Semi-government securities, at cost[2]	0.5	0.5	0.5	0.5
Other	0.6	0.6	0.4	0.4
	28.0	**1.2**	**106.0**	**106.0**

(1) Listed shares at cost comprises approximately 3% of the ordinary share capital of Australian Leisure & Hospitality Group Limited. See Note 24.

(2) These securities are held pursuant to requirements under self insured workers compensation schemes within NSW.

12 PROPERTY, PLANT AND EQUIPMENT				
Current				
Development properties:				
At cost	259.6	133.7	26.2	–
	259.6	**133.7**	**26.2**	**–**
Non-current				
Development properties:				
At cost	120.5	100.8	–	–
Less: Accumulated depreciation	(0.3)	(0.3)	–	–
	120.2	**100.5**	**–**	**–**
Freehold warehouse, retail and other properties:				
At cost	445.9	452.8	17.4	7.1
Less: Accumulated depreciation	(38.7)	(35.9)	(0.2)	(0.2)
	407.2	**416.9**	**17.2**	**6.9**
Leasehold improvements:				
At cost	520.6	487.6	392.2	368.2
Less: Accumulated amortisation	(226.4)	(190.7)	(119.3)	(86.3)
	294.2	**296.9**	**272.9**	**281.9**
Plant and equipment:				
At cost	4,541.1	4,153.3	2,479.4	2,143.0
Less: Accumulated depreciation	(2,895.1)	(2,619.1)	(1,159.9)	(926.9)
	1,646.0	**1,534.2**	**1,319.5**	**1,216.1**
	2,467.6	**2,348.5**	**1,609.6**	**1,504.9**
Total property, plant and equipment – net book value	**2,727.2**	**2,482.2**	**1,635.8**	**1,504.9**

Internal assessments of the value of land and buildings are performed annually and have been supplemented by independent valuations that have been determined at various dates within the last three years. Based on the most recent assessment, a provision of $60.5 million (2003: $29.9 million) is held against the value of land and buildings as at 27 June 2004.

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 $m	Warehouse, retail and other properties $m	Leasehold improvements $m	Plant and equipment $m
Consolidated – 2004				
Carrying amount at start of period	100.5	416.9	296.9	1,534.2
Additions	51.0	99.4	27.3	486.0
Disposals	(0.1)	(29.7)	(6.4)	(18.4)
Depreciation/amortisation expense	(0.8)	(8.9)	(38.2)	(331.7)
Transfers	(30.4)	(70.5)	14.6	(24.1)
Carrying amount at end of period	**120.2**	**407.2**	**294.2**	**1,646.0**
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**
Woolworths Limited – 2004				
Carrying amount at start of period	–	6.9	281.9	1,216.1
Additions	–	1.6	19.9	416.2
Disposals	–	(0.6)	(5.7)	(17.0)
Depreciation/amortisation expense	–	(0.2)	(35.4)	(271.8)
Transfers	–	9.5	12.2	(24.0)
Carrying amount at end of period	**–**	**17.2**	**272.9**	**1,319.5**
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**

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $m
13 INTANGIBLES				
Non-current				
Liquor licences:				
At cost	183.8	152.4	136.4	115.0
Accumulated amortisation	(13.1)	(13.1)	(7.8)	(7.8)
	170.7	**139.3**	**128.6**	**107.2**
Goodwill:				
At cost	504.5	490.8	335.7	325.4
Accumulated amortisation	(102.9)	(74.8)	(72.2)	(50.0)
	401.6	**416.0**	**263.5**	**275.4**
	572.3	**555.3**	**392.1**	**382.6**

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 since the year ended 24 June 2001, as set out in Note 1(O).

Aggregate amortisation expense is disclosed in Note 2(c).

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $m
14 INTEREST BEARING LIABILITIES				
Current				
Unsecured				
Short term securities	17.0	150.0	17.0	150.0
Secured				
Bank Loans	1.0	0.5	–	–
	18.0	**150.5**	**17.0**	**150.0**
Non-current				
Unsecured				
Other loans	484.9	484.5	483.3	483.0
Secured				
Bank loans	9.9	11.9	–	–
	494.8	**496.4**	**483.3**	**483.0**

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 & Poor's has rated the Program with a short term rating of A2. At period end there was $17 million (2003: $150 million) of commercial paper on issue under this Program.

Bank loans

Unsecured bank loans represent a two to three year $1.025 billion revolving credit facility, comprising a series of bilateral loan agreements, maturing from financial years 2006 to 2007. 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 facilities of $17 million that are 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 27 June 2004 (2003: nil).

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 $100 million US dollars which were 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 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $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	1,442.0	1,322.4	1,425.0	1,310.0
	1,455.0	**1,335.4**	**1,436.0**	**1,321.0**
Used at balance date				
Bank loan facilities	10.9	12.4	–	–
	10.9	**12.4**	**–**	**–**
Unused at balance date				
Bank overdrafts	13.0	13.0	11.0	11.0
Bank loan facilities	1,431.1	1,310.0	1,425.0	1,310.0
	1,444.1	**1,323.0**	**1,436.0**	**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 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $m
16 PROVISIONS				
Current				
Employee benefits (Note 25)	270.1	258.7	242.3	232.4
Self-insured risks	76.3	65.2	72.8	61.2
Other	1.6	4.3	1.6	4.3
	348.0	**328.2**	**316.7**	**297.9**
Non-current				
Employee benefits (Note 25)	157.9	142.0	141.6	127.0
Self-insured risks	206.7	174.0	197.2	166.2
	364.6	**316.0**	**338.8**	**293.2**
Total provisions	**712.6**	**644.2**	**655.5**	**591.1**

Movements in self-insured risk provisions(1) were as follows:

	Consolidated $m	Woolworths Limited $m
Balance at 29 June 2003	239.2	227.4
Additional provisions recognised	121.8	113.4
Reductions arising from payments/other sacrifices of future economic benefits	(78.0)	(70.8)
Balance at 27 June 2004	**283.0**	**270.0**
Current	76.3	72.8
Non-current	206.7	197.2

(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 valuations.

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $m
17 CONTRIBUTED EQUITY				
Issued and paid-up share capital				
Fully paid ordinary shares: 1,021,930,649 (2003: 1,020,933,022)	575.4	606.5	575.4	606.5
Fully paid ordinary shares carry one vote per share and the right to dividends.				
Reconciliation of fully paid share capital				
Balance at beginning of period	606.5	593.8	606.5	593.8
Issue of shares under employee share plan	–	35.9	–	35.9
Issue of shares as a result of options exercised under executive share option plans	28.0	39.7	28.0	39.7
Issue of shares as a result of dividend reinvestment plan	81.8	73.6	81.8	73.6
Shares bought back	(140.9)	(136.5)	(140.9)	(136.5)
Balance at end of period	**575.4**	**606.5**	**575.4**	**606.5**

	millions	millions	millions	millions
Reconciliation of fully paid share capital – (number of shares)				
Balance at beginning of period	1,020.9	1,049.2	1,020.9	1,049.2
Issue of shares under employee share plan	0.1	2.8	0.1	2.8
Issue of shares under employee share issue plan	1.5	1.5	1.5	1.5
Issue of shares as a result of options exercised under executive share option plans	4.9	7.7	4.9	7.7
Retention shares allotted in accordance with executives service contracts	–	0.1	–	0.1
Issue of shares as a result of dividend reinvestment plan	7.2	6.3	7.2	6.3
Shares bought back	(12.7)	(46.7)	(12.7)	(46.7)
Balance at end of period	**1,021.9**	**1,020.9**	**1,021.9**	**1,020.9**

	Consolidated 52 weeks ended 27 June 04	Consolidated 52 weeks ended 29 June 03

18 EARNINGS PER SHARE

Basic earnings per share (cents per share)	67.40	58.09
Diluted earnings per share (cents per share)	66.63	57.20

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)	687.8	609.5
	No. (m)	No. (m)
Weighted average number of ordinary shares (b)	1,020.5	1,049.2

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)	687.8	609.5
	No. (m)	No. (m)
Weighted average number of shares and potential ordinary shares (c)	1,032.3	1,065.5

(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	730.7	650.6
Woolworths Income Notes Distribution	(42.9)	(41.1)
Earnings used in the calculations of basic and diluted earnings per share	**687.8**	**609.5**

(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	1,020.5	1,049.2
Shares deemed to be issued for no consideration in respect of outstanding employee options	11.8	16.3
	1,032.3	**1,065.5**

Since 27 June 2004 17,047,196 shares (2003:4,015,861) and no (2003:nil) options have been issued.

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $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	(0.4)	(1.3)	–	–
	184.6	**183.7**	**48.7**	**48.7**
Reconciliation				
Capital profits reserve				
Balance at beginning of period	66.2	66.2	2.6	2.6
Balance at end of period	**66.2**	**66.2**	**2.6**	**2.6**
Asset revaluation reserve				
Balance at beginning of period	71.9	71.9	0.6	0.6
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	(1.3)	(0.9)	–	–
Net exchange differences on translation of controlled foreign entities	0.9	(0.4)	–	–
Balance at end of period	**(0.4)**	**(1.3)**	**–**	**–**
Total reserves	**184.6**	**183.7**	**48.7**	**48.7**

20 TOTAL EQUITY RECONCILIATION

Total equity at beginning of period	1,823.2	1,822.5	1,575.8	1,233.9
Total changes in equity recognised in the statement of financial performance	731.6	618.3	640.0	959.9
Transactions with owners as owners:				
– Issue of shares as per Note 17	109.8	149.2	109.8	149.2
– Shares bought back as per Note 17	(140.9)	(136.5)	(140.9)	(136.5)
– Woolworths Income Notes distribution	(42.9)	(41.1)	(42.9)	(41.1)
– Dividends paid or provided	(428.7)	(380.9)	(428.7)	(380.9)
– 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	0.4	–	–
Total equity at end of period	**2,052.5**	**1,823.2**	**1,713.1**	**1,575.8**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $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.

Subsequent to the year end, the WINs Trust Deed was amended. Refer to Note 24, Events Subsequent to Balance Date for an understanding of the amendment.

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $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, however there is a provision of $283 million for self-insured risks, which includes liabilities relating to workers' compensation claims, that has been recognised in the statement of financial position at balance date.				
Guarantees				
Trading guarantees(1)	30.3	8.7	18.9	7.8
Workers' compensation self-insurance guarantees(2)	268.0	159.8	268.0	151.2
Litigation				
Litigation in progress or threatened against the Company and certain of its controlled entities	19.5	8.7	19.5	8.7
Other				
Outstanding letters of credit issued to suppliers	27.8	21.2	12.9	10.7

(1) This item mainly comprises guarantees relating to conditions set out in development applications and contracts for sale of properties in the normal course of business.

(2) State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the outstanding liability. Guarantees held at each balance date do not fully represent the liability at these dates due to delays in issuing the guarantees.

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $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[1]	302.3	41.0	92.4	22.8
	302.3	**41.0**	**92.4**	**22.8**
Operating lease commitments				
Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:				
Not later than one year	763.3	698.4	646.8	607.6
Later than one year, not later than five years	2,465.8	2,332.0	2,136.5	2,052.9
Later than five years	4,507.2	3,984.1	4,085.3	3,639.6
Total future minimum lease payments not provided for	**7,736.3**	**7,014.5**	**6,868.6**	**6,300.1**

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 five year terms. Under most leases, the Company is responsible for property taxes, insurance, maintenance and expenses related to the leased properties. However, many of the more recent lease agreements have been negotiated on a gross or semi gross basis, which eliminates or significantly reduces the lessee's exposure to operational charges associated with the properties.

(1) Capital expenditure commitments at 27 June 2004 mainly comprise commitments that relate to the development and construction of new corporate headquarters and regional distribution centres.

24 EVENTS SUBSEQUENT TO BALANCE DATE

Woolworths Income Notes

On 30 June 2004, the Company amended the Woolworths Income Notes ("WINs") Trust Deed. The principal change to the terms of the WINs is that entitlements to distributions in respect of the WINs will now be unconditional, whereas previously they were non-cumulative.

As a result of these amendments to the terms of the WINs, the outstanding balance of $583 million will no longer be classified as part of Shareholders' Equity in the Statement of Financial Position, but will, instead, be classified as a non-current interest bearing liability. Going forward, distributions in respect of the WINs will be recorded as part of interest expense in the Statement of Financial Performance.

Australian Leisure & Hospitality Group Limited

At 27 June 2004 a subsidiary of Woolworths Limited, Bergam Pty Limited ("Bergam"), held approximately 3% of the ordinary share capital of Australian Leisure & Hospitality Group Limited ("ALH"). Subsequent to the balance date, Bergam has increased its holding to approximately 15.8%.

At present, Bruandwo Pty Limited (jointly owned by Woolworths Limited and The Bruce Mathieson Group) has made a takeover offer for ALH.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Woolworths Limited	
	As at 27 June 04 $m	As at 29 June 03 $m	As at 27 June 04 $m	As at 29 June 03 $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)	270.1	258.7	242.3	232.4
Non-current (Note 16)	157.9	142.0	141.6	127.0
Accrued salaries and wages (included in accruals)	171.7	155.9	165.7	146.8
	599.7	**556.6**	**549.6**	**506.2**

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 and a lump sum benefit on death.

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 Woolworths Super 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 valuations of Woolworths Super are made at intervals of no more than three years. The last actuarial valuation was as at 31 August 2002. A report dated 17 March 2003 by the Woolworths Super actuary, Peter Hughes, FIA, FIAA, 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 Woolworths Super member within the Company and its controlled entities.

Woolworths Super's 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 2003, 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.

	As at 2003 $m	As at 2002 $m	As at 2001 $m
Woolworths Super's assets at net market value	769.0	686.5	670.0
Members' Vested Benefits Reserve[(1)]	762.9[(2)]	681.5[(3)]	653.0[(4)]
Excess of Woolworths Super assets over members vested benefit reserves	6.1	5.0	17.0

(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 2003.

(3) Actual members' vested benefits reserves as at 31 August 2002.

(4) Estimated members' vested benefits reserves as at 31 August 2001.

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.

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. Members' accrued benefits were estimated to be $794 million at 31 August 2003.

If the accrued benefits funding method was used in the Scheme year ended 31 August 2003, a comparison of Woolworths Super's assets to members' accrued benefits reserves would show a deficit of $25.0 million (2003: $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 were 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 were exercisable after four years from the date of grant of the options. At the Company's discretion, options could be exercised at an earlier date in proportion to the time elapsed if a takeover bid were made for shares in the Company or, if the participant retired, was made redundant or voluntarily ceased employment with Woolworths. If an executive resigned or is dismissed the options would 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 27 June 2004 there were no (2003: 529,000) options outstanding under the Former Option Plan.

Executive Option Plan ('Plan')

Establishment of the Plan was approved by a special resolution of shareholders at the Company's Annual General Meeting on 26 November 1999. The Plan was established to more closely align executive remuneration with shareholder value creation. Under the 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 Plan is limited to no more than 5% of the total number of shares on issue at the date of the invitation.

25 EMPLOYEE BENEFITS (continued)

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 is at least 8% per annum on a compound basis. 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 approved the allocation of further options on the basis of an increase in the EPS growth hurdle with 12.5% 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 12.5% of options vest. A further 12.5% of options vest after five years where a growth rate of at least 10% per annum compounded is sustained and an additional 12.5% vest if, over the five year period, an EPS 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 5.5 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.

Since the establishment of this Plan, a total of 59,469,700 (2003: 51,946,350) options have been granted. At 27 June 2004 there were 43,612,975 (2003: 41,842,825) options outstanding. During the 52 week period ended 27 June 2004, 7,523,350 options (2003: 6,514,000) were granted at an exercise price of $12.60 (2003: $12.94).

25 EMPLOYEE BENEFITS (continued)

The following table summarises movements from the beginning to the end of the financial year for all options outstanding at these dates:

Grant Date	Expiry Date	Exercise Price $	Balance at beginning of financial year No.	Options granted No.	Options exercised No.	Options lapsed No.	Balance at end of financial year No.
1 March 1999	1 March 2004	5.16	529,000	–	495,000	34,000	–
1 July 1999	30 June 2009	5.11	24,120,625	–	3,011,250	315,000	20,794,375
8 December 2000	1 July 2005	7.84	1,000,000	–	1,000,000	–	–
1 July 2000	30 June 2010	6.17	2,940,000	–	353,750	–	2,586,250
1 July 2001	30 June 2011	10.89	7,316,200	–	–	577,200	6,739,000
1 July 2002	31 December 2007	12.94	6,466,000	–	–	304,000	6,162,000
1 July 2003	31 December 2008	12.60	–	7,523,350	–	192,000	7,331,350
			42,371,825	**7,523,350**	**4,860,000**	**1,422,200**	**43,612,975**

Employee and Executive Shares

Employee Share Plan ('Share Plan')

The Share Plan was 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 below, as appropriate.

Eligibility

All permanent employees of Woolworths (other than executive officers) with one year (formerly two 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 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 three 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.

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 five 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 five 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 three 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 27 June 2004, there were 28,901 (2003: 39,233) participating employees who held a total of 14,261,125 (2003: 19,208,796) shares. During the 52 week period ended 27 June 2004, 135,249 (2003: 2,809,657) shares were issued.

The total amount receivable by the Company in relation to shares under the Share Plan was $89,711,131 as at 27 June 2004 (2003: $104,534,655).

25 EMPLOYEE BENEFITS (continued)

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.

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 27 June 2004, 1,545,175 (2003: 1,523,575) shares were issued to over 43,000 (2003: over 46,000) qualifying employees. The market price on the date of issue was $12.08 (2003: $11.32).

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).

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.

25 EMPLOYEE BENEFITS (continued)

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 27 June 2004, 19,445 (2003: 22,314) 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 in specified circumstances 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 at that time 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. 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 no shares were allotted during the year (2003: 52,000 shares).

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 were 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 amount paid on 1 January 2004 was $1.39 million. The total amount of cash bonus outstanding and payable on 1 January 2006 to individuals that have continued to be employed with the Company is $1.21 million.

26 RELATED PARTIES

Specified Directors

The names of each Specified Director of Woolworths Limited during the 52 weeks ended 27 June 2004 are Messrs LM L'Huillier (Non-executive), RC Corbett (Group Managing Director and Chief Executive Officer), JA Strong (Chairman, Non-executive), Dr RS Deane (Non-executive), Prof AE Clarke (Non-executive), Ms DJ Grady (Non-executive) and Mr JF Astbury (Non-executive, appointed 29 January 2004).

Details of directors' remuneration are disclosed at Note 27 and in the Directors' Statutory Report at pages 36 to 40.

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, Directors' Indemnity and Access Deeds and Directors' Disclosure Deeds referred to on pages 36 and 40 of the Directors' Statutory Report. Also, refer to Note 27.

Specified Directors' equity holdings in shares

Fully paid ordinary shares issued by Woolworths Limited

	Balance as at 30 June 2003 No.	Received on exercise of options No.	Net other change[1] No.	Balance as at 27 June 2004 No.
Specified directors				
JF Astbury	–	–	7,835	7,835
AE Clarke	31,628	–	4,041	35,669
RC Corbett	2,293,165	1,048,000	–	3,341,165
RS Deane	40,000	–	–	40,000
DJ Grady	29,479	–	3,552	33,031
LM L'Huillier	119,044	–	–	119,044
JA Strong	45,574	–	20,351	65,925

(1) Comprises new shares issued as a result of the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

Specified Executives

The Specified Executives of Woolworths Limited during the 52 weeks ended 27 June 2004 are as follows:

Name	Title at 27 June 2004	Employer
S Bradley[1]	General Manager – Corporate IT	All Specified Executives were employed by Woolworths Ltd during the year.
B Brookes[2]	Chief General Manager – Buying & Marketing – Supermarkets	
T Flood[3]	Director, Supermarkets	
M Hamnett	Director of General Merchandise	
M Luscombe[4]	General Manager – Supply Chain	
N Onikul	Chief General Manager – Freestanding Liquor & Petrol	
T Pockett	Chief Financial Officer	

(1) Mr Bradley was appointed Chief Logistics & Information Officer on 14 July 2004.
(2) Mr Brookes was appointed Chief General Manager Stage 3 of Project Refresh on 14 July 2004.
(3) Mr Flood retired from the Company on 31 August 2004.
(4) Mr Luscombe was appointed Director, Supermarkets on 1 September 2004.

26 RELATED PARTIES (continued)

Specified Executives' equity holdings in shares

Fully paid ordinary shares issued by Woolworths Limited

	Balance as at 30 June 2003 No.	Received on exercise of options No.	Net other change[1] No.	Balance as at 27 June 2004 No.
S Bradley	70,270	43,750	(55,018)	59,002
B Brookes	107,142	125,000	2,794	234,936
T Flood	6,063	26,000	(5,633)	26,430
M Hamnett	5,000	60,000	(60,000)	5,000
M Luscombe	87,230	100,000	–	187,230
N Onikul	131,468	125,000	(124,783)	131,685

(1) Comprises shares issued as a result of the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

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Specified Directors' and Specified Executives' equity holdings in share options

Executive share options issued by Woolworths Limited

	Balance as at 30 June 2003 No.	Granted as remuneration (Refer Note 27 for details) No.	Exercised No.	Balance as at 27 June 2004 No.	Balance vested as at 27 June 2004 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Specified directors								
RC Corbett	1,048,000	–	(1,048,000)	–	–	–	–	666,668
Specified executives								
S Bradley	903,750	100,000	(43,750)	960,000	300,000	243,750	56,250	105,000
B Brookes	1,035,000	60,000	(125,000)	970,000	250,000	250,000	–	–
T Flood	536,000	150,000	(26,000)	660,000	150,000	100,000	50,000	–
M Hamnett	520,000	150,000	(60,000)	610,000	120,000	120,000	–	10,000
M Luscombe	872,500	100,000	(100,000)	872,500	212,500	212,500	–	30,000
N Onikul	875,000	60,000	(125,000)	810,000	250,000	250,000	–	–
T Pockett	200,000	150,000	–	350,000	–	–	–	–

All share options issued to the Specified Executives during the financial year were made in accordance with the provisions of the LTIP. The Specified Executives in the table above were granted options on 1 July 2003. The fair value of the options granted was $2.33 per option. Further details of the terms and conditions of the Executive Option Plan and the options granted during the financial year are contained in Note 25 to the financial statements.

26 RELATED PARTIES (continued)

During the financial year the following Specified Directors and Specified Executives received ordinary shares in the Company as a result of the exercise of options granted as remuneration:

	Options exercised and ordinary shares allotted No.	Amount paid per ordinary share
Specified Directors		
RC Corbett	1,048,000	1,000,000 at $7.84 and 48,000 at $5.16
Specified Executives		
S Bradley	43,750	43,750 at $6.17
B Brookes	125,000	125,000 at $5.11
T Flood	26,000	26,000 at $5.16
M Hamnett	60,000	50,000 at $5.11 and 10,000 at $5.16
M Luscombe	100,000	87,500 at $5.11 and 12,500 at $6.17
N Onikul	125,000	125,000 at $5.11

Specified Directors' and Specified Executives' 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 and with other partly owned Controlled Entities are disclosed at Note 2 and Note 7.

Ownership interests in controlled entities are disclosed at Note 30 and the balances of loans receivable from controlled entities is 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 represented 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, $69.9 million was advanced to, and $153.4 million had been repaid by, an associate (MGW). 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.

27 SPECIFIED DIRECTORS' AND SPECIFIED EXECUTIVES' REMUNERATION

Set out in the following table are the remuneration for the Specified Directors and Specified Executives of Woolworths Limited during the financial year ending 27 June 2004.

	Primary			Post Employment		Equity		
	Salary/Fees $	Short Term Incentive Plan $	Non-monetary Benefits(1) $	Super-annuation Contri-butions $	Retirement Allowance Accrual(2) $	Options(3) $	Other Benefits $	Total $
Specified Directors								
JF Astbury	72,141	–	–	4,668	–	–	862	77,671
AE Clarke	120,000*	–	–	10,800	138,975	–	2,068	271,843
RC Corbett	1,792,692	2,298,961	53,485	–	–	–	2,068	4,147,206
RS Deane	130,000	–	–	11,002	88,229	–	2,068	231,299
DJ Grady	130,000*	–	–	11,002	110,695	–	2,068	253,765
LM L'Huillier	130,000	–	–	11,002	103,565	–	2,068	246,635
JA Strong	330,000*	–	–	11,002	302,782	–	2,068	645,852
Total	**2,704,833**	**2,298,961**	**53,485**	**59,476**	**744,246**	**–**	**13,270**	**5,874,271**
Specified Executives								
S Bradley	527,536	385,600	17,024	79,130	–	204,983	2,068	1,216,341
B Brookes	527,536	273,659	13,786	79,130	–	205,638	2,068	1,101,817
T Flood	666,329	380,921	24,576	99,949	–	42,800	2,068	1,216,643
M Hamnett	501,448	347,100	7,556	75,217	–	184,710	2,068	1,118,099
M Luscombe	527,536	306,800	23,434	79,130	–	200,983	2,068	1,139,951
N Onikul	540,000	363,524	15,056	81,000	–	129,718	2,068	1,131,366
T Pockett	564,927	414,452	31,702	84,739	–	151,694	2,068	1,249,582
Total	**3,855,312**	**2,472,056**	**133,134**	**578,295**	**–**	**1,120,526**	**14,476**	**8,173,799**

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

(1) *Non-monetary benefits includes the cost to the Company of motor vehicles, where these are applicable. These amounts include fringe benefits tax, where applicable.*

(2) *These amounts are only payable to directors following retirement.*

(3) *Values have been determined by calculating the grant-date fair value of all options granted using the Black-Scholes valuation methodology. 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 the underlying shares, dividend yield and the probabilities of options being forfeited and performance hurdles being achieved. The total value of the individual's options as calculated above is then spread over the period the options vest to determine the remuneration to be assigned in the financial year.*

For the purposes of providing a better understanding of the following sections, Specified Directors are all Non-Executive Directors, except for RC Corbett, who is an Executive Director; all Specified Executives are Executive Officers of the Company.

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. No Directors' fees are paid to executive Directors.

At the date of this Report, the amount of Directors' base fees paid to each non-executive Director appointed prior to January 2004 is $110,000 per annum. The Chairman receives a multiple of three times this amount. Directors appointed after December 2003 receive a base fee of $140,000 which has been increased in lieu of an entitlement to a Retirement Allowance as described below, which the Board has determined will not apply to Board appointments after December 2003.

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

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 in attending to Board and Board Committee responsibilities.

27 SPECIFIED DIRECTORS' AND SPECIFIED EXECUTIVES' REMUNERATION (continued)

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

The total amount of non-executive Directors' fees during the year to 27 June 2004 was $912,141, excluding Superannuation Guarantee contributions, Retirement Allowance accruals and other non-monetary benefits.

The Company and each of the non-executive Directors has entered into an Appointment Letter together with a Deed of Access, Insurance and Indemnity; a Disclosure Deed (as required under the ASX Listing Rules) and for non-executive Directors appointed prior to January 2004, a Directors' Retirement Deed. The Appointment Letter covers the key aspects of the duties, role and responsibility of non-executive Directors.

Under the Directors' Retirement Deeds, which were approved by shareholders in November 1998, each non-executive Director (appointed prior to January 2004) 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 $2,705,496 representing the full amount of the accrual for these Allowances, has been set aside by way of an accrual at 27 June 2004.

Non-executive Director's 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 27 June 2004, 26,488 shares (2003: 22,822) were purchased under the NEDSP.

Executive Director's and Executive Officers' Remuneration

The structure of remuneration for the Chief Executive Officer, Executives and all other Management is determined by the Board and it is the role of the Personnel Policy Committee to advise on the most appropriate remuneration structure to ensure that the Company's remuneration and benefit policies are consistent with its financial and strategic goals and human resource objectives.

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

The fixed remuneration component comprises salary, superannuation contributions in accordance with the Trust Deed of the Woolworths Group Superannuation Scheme and, where appropriate, the use of a fully maintained motor vehicle.

The variable remuneration component is performance based and comprised of a Short Term Incentive Plan (STIP) and a Long Term Incentive Plan (LTIP).

Throughout the year, the Personnel Policy Committee has continued its ongoing review of the remuneration structure with emphasis on the variable components. The STIP has been reviewed to ensure that it provides incentives linked to specific Company performance measures. The LTIP has also been reviewed in consideration of new Australian Accounting Standard changes and the ongoing need to ensure that the employee incentive is linked to both Company performance and the delivery of shareholder reward.

Short Term Incentive Plan

The STIP provides an annual cash incentive that is based on a maximum percentage of salary and payable upon the achievement of Company financial Key Result Areas (KRAs) as well as a component for individual performance.

The KRAs are Sales, Earnings Before Interest and Tax, Return on Funds Employed and Cost of Doing Business. All KRA targets are set at the beginning of the financial year for each business within the Woolworths Group and are measured based on improvements to the prior year. The targets and weightings for each KRA are reviewed and adjusted at the beginning of the financial year to reflect the specific objectives of each business within the Woolworths Group. Payment is made following the end of the financial year to which they relate.

The STIP has been structured to ensure that payments to the Chief Executive Officer, Senior Executives and all other Management are closely aligned to reflect business performance.

27 SPECIFIED DIRECTORS' AND SPECIFIED EXECUTIVES' REMUNERATION (continued)

Long Term Incentive Plan

The other variable component, the LTIP, is an equity based plan approved by shareholders in November 1999 that is designed to retain and reward executives by providing options that vest upon attaining rigorous performance hurdles. The principles underlying the implementation of an effective equity plan were determined as:

- Employee and shareholder alignment
- Transparent rules
- Cost effective
- Market competitive and
- Motivational design

Under the current LTIP, options are granted but only vest subject to the achievement of specific performance hurdles. There is an Earnings Per Share (EPS) performance hurdle for 50% of the total grant and a market comparative Total Shareholder Return (TSR) performance hurdle for the remaining 50% of each grant; both are measured over a four and five year period from grant date.

For grants in 1999, 2000 and 2001, the EPS performance hurdle requires EPS growth at 8% per annum compound over the five year vesting period. Subsequent to a review of the Plan structure by the Personnel Policy Committee during 2002, the EPS growth performance hurdle was strengthened for grants in 2002 and 2003 to 10% and 11% over a four and five year vesting period.

The TSR performance hurdle for all grants requires a minimum TSR at the 60th percentile of comparable companies in the ASX All Ordinaries Index. The maximum TSR vesting requires TSR at the 75th percentile. The vesting scale is set out in Note 25 to the Financial Statements.

During 2003, as part of the Personnel Policy Committee's ongoing review, the LTIP was offered to a broader management group to include roles identified as key to the Company's growth strategies. Approximately 800 store managers, buyers and distribution centre managers were granted options for the first time under the LTIP.

Since implementation of the LTIP, the value of Woolworths' shares has added over $7 billion to shareholders' wealth. The Board believes that the LTIP has been integral to the Company's strong financial performance over the five years from implementation due to:

- The design of the LTIP linking executive reward to increases in shareholder value
- The rigorous performance hurdles for both the EPS and TSR measures
- Full disclosure of the LTIP in the Company's shareholder reports and
- The retention of key executives despite a highly competitive and challenging industry response to the Company's key business initiatives

The Board does not intend to alter the structure or eligibility for the proposed 2004 LTIP offer.

The Personnel Policy Committee and the Board have, however, reviewed the LTIP during 2004 in light of the financial implications of the pending changes to Australian Accounting Standards. The Personnel Policy Committee has recommended, and the Board has endorsed, for shareholder approval, the implementation of a new LTIP structure. The details of the changes to the structure of the LTIP are set out in the Notice of Meeting for the Annual General Meeting on 26 November 2004.

The purpose of implementing the new LTIP structure, which is consistent with the principles noted earlier, is to provide the Board with the flexibility to determine the most appropriate type of reward structure: Options; Performance Rights; Performance Shares; Cash Awards which best meet the following criteria:

- Delivering superior corporate and shareholder returns;
- Providing rewards subject to the achievement of stringent performance hurdles that operate to attract, retain and motivate all Senior Executives and Senior Management;
- Accounting for the impact of regulatory changes including those to Australian Accounting Standards;

This flexibility will enable use of instruments which have appropriate impact on the Company's financial statements. In addition, the proposed LTIP will allow the Company to purchase shares on market thereby minimising dilution of shareholders equity.

27 SPECIFIED DIRECTORS' AND SPECIFIED EXECUTIVES' REMUNERATION (continued)

Following the 2004 offer under the LTIP, the Board will determine the type and level of reward structure for each proposed annual grant under the LTIP to eligible Executives having regard to the above principles. The Board is committed to maintaining challenging hurdles that link LTIP to shareholder value.

Executive Service Contracts

All of the Specified Executives have entered into service contracts with Woolworths Limited that contain standard terms and conditions in relation to their employment including remuneration, comprising both fixed and variable components as outlined in the Directors' Report.

The service contracts are continuous and may only be severed by termination of employment in circumstances covered by the contract. The notice periods required by the contracts in order to terminate are three months by the Company and eight weeks by the Specified Executive. The service contract does not limit the Company's right to terminate without notice for a number of circumstances including fraud, dishonesty, breach of duty or improper conduct. In addition, the Company is able to restrain the Specified Executives from involvement with a competitor for up to a maximum of twelve months.

The Base Salary of the Specified Executive is noted in the service contract at the commencement of the contract however the contract also provides for annual reviews aligned to Company policy. Annual reviews for the Specified Executives are conducted based on performance assessment for the prior year and market data obtained from independent advisors.

The Specified Executives are remunerated in the following manner:

- Base Salary which is paid in equal monthly installments
- Superannuation Contributions paid to the Woolworths Group Superannuation Scheme on a monthly basis
- Provision of a fully maintained vehicle
- Short Term Incentive Plan (STIP) paid annually after the announcement of the full year results and with payment calculated based on Company performance and individual performance and
- Long Term Incentive Plan (LTIP) provided through the annual grant of options with five year vesting periods that are subject to rigorous performance hurdles.

Details of the STIP and the LTIP are set out previously in this Note.

The Service Contract in respect of the Group Managing Director and Chief Executive Officer, Mr RC Corbett, dated 5 September 2001, was for an initial term of two years, on the following terms and conditions.

These include:

- Remuneration – on a fixed salary, superannuation contributions and fully maintained motor vehicle together with a performance component comprising a Short term Incentive Plan and Long Term Incentive Plan (details of the structure of the STIP and LTIP are set out in the Directors' Report and Note 25 – Employee Benefits).
- Term/Termination – in the event the initial term of two years was not achieved.
- Superannuation – including a lump sum defined benefit on expiry of the initial term or on early termination.
- Confidentiality and Restraint; Trade Secrets; Statutory Entitlements; and
- Retention Payment – comprising the grant of options to acquire one million fully paid ordinary shares in the Company, on the terms approved by shareholders at the Annual General Meeting of the Company on 23 November 2001.

This Contract was extended for a further 12 months on the same terms and conditions, subject to a review of the amounts payable by way of fixed and variable remuneration, as determined by the Board.

The Board has offered and Mr RC Corbett has agreed to a further extension to the Service Contract for a period of up to two years. The terms and conditions which will apply to the extension period are currently being reviewed and will be disclosed at or prior to the Annual General Meeting to be held on 26 November 2004.

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 27 June 2004. At the end of the period, there was $17 million of Commercial Paper on issue (Note 14). 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 (Notes 21 and 24). The variable rate payable on the WINs at the end of the period was 7.53% (2003: 6.59%). 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 27 June 2004 cover approximately 13% (2003: 13%) of the principal outstanding on the Domestic Medium Term Notes and 55% (2003: 60%) 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 (2003: $315.0 million).

At 27 June 2004, the notional principal amounts and periods of expiry of the interest rate swap agreements are as follows:

	As at 27 June 04 $m	As at 29 June 03 $m
Less than 1 year	90	150
1 – 2 years	–	130
2 – 3 years	140	–
3 – 4 years	185	140
4 – 5 years	100	185
Greater than 5 years	100	–
	615	**605**

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.

28 FINANCIAL INSTRUMENTS (continued)

At period end, the details of outstanding forward contracts and foreign currency options and collars are (Australian dollar equivalents):

	27 June 04 Buy $m	27 June 04 Average exchange rate	29 June 03 Buy $m	29 June 03 Average exchange rate
Forward contracts				
Maturing:				
Within 6 months:				
United States Dollars	100.5	0.70	1.1	0.65
Euros	21.1	0.58	–	–
Swiss Francs	6.9	0.87	–	–
Great Britain Pounds	0.8	0.38	–	–
Foreign Currency Options				
Purchased Options				
Maturing:				
Within 6 months				
United States Dollars	1.5	0.71	–	–
Collars				
Maturing:				
Within 6 months				
United States Dollars	8.6	0.70–0.75	–	–

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 27 June 2004.

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 5.912% (2003: 5.192%).

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 27 June 2004, 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 27 June 2004 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.

28 FINANCIAL INSTRUMENTS (continued)

	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 %
2004 Financial assets							
Cash and deposits	114.0	–	–	–	234.9	348.9	5.25
Receivables	–	–	–	–	305.0	305.0	–
Other financial assets	–	0.5	–	–	27.5	28.0	5.58
	114.0	**0.5**	**–**	**–**	**567.4**	**681.9**	
Financial liabilities							
Accounts payable	–	–	–	–	2,176.3	2,176.3	–
Accruals	–	–	–	–	554.5	554.5	–
Short term securities	17.0	–	–	–	–	17.0	5.49
Other bank loans:							
Fixed	–	–	–	7.5	–	7.5	6.80
Variable	3.4	–	–	–	–	3.4	6.21
Variable rate domestic notes	80.0	–	–	–	–	80.0	5.35
Fixed rate domestic notes	–	–	270.7	–	–	270.7	6.66
USD notes	–	–	134.2	–	–	134.2	6.76
Interest rate swaps*	(285.0)	–	285.0	–	–	–	6.10
Cross currency swaps:							
Fixed/floating	67.1	–	(67.1)	–	–	–	6.41
	(117.5)	**–**	**622.8**	**7.5**	**2,730.8**	**3,243.6**	
Net financial assets/(liabilities)	**231.5**	**0.5**	**(622.8)**	**(7.5)**	**(2,163.4)**	**(2,561.7)**	
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	6.80
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 liabilities	**(25.3)**	**(61.1)**	**(437.5)**	**(6.0)**	**(2,020.9)**	**(2,550.8)**	

* *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, financial assets and non-interest bearing monetary financial 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 are immaterial and as such they have been omitted from these disclosures.

	As at 27 June 04		As at 29 June 03	
	Carrying amount $m	Net fair value $m	Carrying amount $m	Net fair value $m
On-balance sheet financial instruments				
Financial liabilities				
Bank loans	10.9	10.9	12.4	12.4
Short term securities	17.0	17.0	150.0	149.4
Other loans	484.9	524.1	484.5	516.3
	512.8	**552.0**	**646.9**	**678.1**

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 (W.A.) Pty Limited
Universal Wholesalers Pty Limited
Nalos Pty Limited
Woolstar Pty Limited
Queensland Property Investments Pty Limited
Woolies Liquor Stores Pty Limited
Australian Safeway Stores Pty Limited
Woolworths (Q'land) Pty Limited
Australian Liquor & Grocery Wholesalers Pty Limited
Charmtex Pty Limited
DSE Holdings Pty Limited
Fabcot Pty Limited
A.C.N. 001 259 301 Pty Limited
Dentra Pty Limited
Woolworths Group Superannuation Scheme Pty Limited
Mac's Liquor Stores Pty Limited
Dick Smith (Wholesale) Pty Limited
Dick Smith Electronics (Franchising) Pty Limited
Advantage Supermarkets WA Pty Limited
Andmist Pty Limited
InterTAN Australia Pty Limited
Woolworths Trust Management Pty Limited, formerly Woolworths Managers Superannuation Scheme Pty Limited
Woolworths Trustee No.2 Pty Limited, formerly Woolworths Staff Superannuation Scheme Pty Limited
Woolworths (Victoria) Pty Limited
Woolworths (Publishing) Pty Limited
Barmos Pty Limited
Josona Pty Limited
QFD Pty Limited
Philip Leong Stores Pty Limited
Calvartan Pty Limited
Dick Smith Electronics Staff Superannuation Fund Pty Limited
Woolworths (South Australia) Pty Limited
Grocery Wholesalers Pty Limited
Woolworths Custodian Pty Limited
Barjok Pty Limited
Woolworths (R&D) Pty Limited
Jack Butler & Staff Pty Limited
Woolworths Executive Superannuation Scheme Pty Limited
Dick Smith Electronics Pty Limited
Dick Smith Management Pty Limited
Advantage Supermarkets Pty Limited
Leasehold Investments Pty Limited
Woolworths (Project Finance) Pty Limited
Gembond Pty Limited
Weetah Pty Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 101, which are party to the Deed as at 27 June 2004 is set out below. The following controlled entities (see Note 30) are excluded from this consolidation:

Australian Independent Retailers Pty Limited
Woolworths Insurance Pte Limited
DSE Investments Inc.
GreenGrocer.com.au Pty Limited
Shellbelt Pty Limited
Statewide Independent Wholesalers Limited
DSE (New Zealand) Limited
Como Imports (New Zealand) Ltd
Woolstar Investments Limited
DSE Merge Corporation
Advantage Supermarkets Unit Trust
Cenijade Pty Limited
Bergam Pty Limited
Dick Smith Electronics (HK) Ltd
Dick Smith Electronics (UK) Ltd
David Reid Electronics (1992) Limited

	52 weeks ended 27 June 2004 $m	52 weeks ended 29 June 2003 $m
Statement of financial performance		
Revenue from sale of goods	27,230.2	25,812.8
Other operating revenue	532.7	481.7
Total revenue from operations	27,762.9	26,294.5
Cost of sales	(20,892.8)	(19,756.5)
Gross profit	6,870.1	6,538.0
Other revenue from ordinary activities	162.9	152.1
Share of profit in associated company accounted for using the equity method	3.1	1.6
Other expenses from ordinary activities		
Branch expenses	(4,581.9)	(4,372.5)
Administration expenses	(1,425.2)	(1,378.0)
Earnings before interest and tax	1,029.0	941.2
Interest expense	(56.6)	(52.1)
Interest income	9.2	12.5
Profit from ordinary activities before income tax expense	**981.6**	**901.6**
Income tax expense	(269.5)	(249.2)
Net profit from ordinary activities after income tax expense	**712.1**	**652.4**
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	**712.1**	**620.6**
Reconciliation of retained profits		
Retained profit at beginning of period	422.1	432.2
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 removed from class order	25.7	–
Net profit from ordinary activities after income tax expense	712.1	652.4
Woolworths income notes distribution	(42.9)	(41.1)
Dividends paid or provided	(428.7)	(380.9)
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	**688.3**	**422.1**

29 DEED OF CROSS GUARANTEE (continued)

	As at 27 June 2004 $m	As at 29 June 2003 $m
Statement of financial position		
Current assets		
Cash	329.4	271.1
Receivables	196.0	230.4
Inventories	1,794.2	1,796.3
Property, plant and equipment	259.6	133.7
Other	111.8	113.7
Total current assets	**2,691.0**	**2,545.2**
Non-current assets		
Receivables	96.4	186.0
Investments accounted for using the equity method	3.6	1.6
Other financial assets	49.3	22.0
Property, plant and equipment	2,441.5	2,323.7
Intangibles	570.6	553.7
Deferred tax asset	195.0	172.1
Other	5.7	0.6
Total non-current assets	3,362.1	3,259.7
Total assets	**6,053.1**	**5,804.9**
Current liabilities		
Accounts payable	2,130.5	2,040.8
Accruals	547.1	535.2
Interest bearing liabilities	18.0	150.5
Current tax liabilities	132.2	153.9
Provisions	345.8	326.2
Total current liabilities	**3,173.6**	**3,206.6**
Non-current liabilities		
Interest bearing liabilities	482.3	482.5
Deferred tax liabilities	3.1	5.3
Provisions	363.7	315.2
Total non-current liabilities	**849.1**	**803.0**
Total liabilities	**4,022.7**	**4,009.6**
Net assets	**2,030.4**	**1,795.3**
Equity		
Contributed equity	575.4	606.5
Reserves	183.7	183.7
Retained profits	688.3	422.1
Equity attributable to the members of Woolworths Limited	**1,447.4**	**1,212.3**
Woolworths Income Notes	583.0	583.0
Total equity	**2,030.4**	**1,795.3**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 CONTROLLED ENTITY DISCLOSURES

Name	Legend	Place of incorporation	Woolworths Limited Investment 2004 $m	Woolworths Limited Investment 2003 $m	Beneficial holding 2004 %	Beneficial holding 2003 %
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 Limited	a	NT	0.2	0.2	100	100
Woolworths Trust Management Pty Limited, formerly Woolworths Managers Superannuation Scheme Pty Limited	a,c	NSW	–	–	100	100
Woolworths Trustee No.2 Pty Limited, formerly Woolworths Staff Superannuation Scheme Pty Limited	a,c	NSW	–	–	100	100
Woolworths (Publishing) Pty Limited	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 Limited	a	NSW	0.2	0.2	100	100
Australian Independent Retailers Pty Limited	b,e	VIC	0.1	0.1	49	100
DSE Holdings Pty Limited	a	NSW	20.6	20.6	100	100
Woolworths Custodian Pty Limited	a,c	NSW	–	–	100	100
Barmos Pty Limited	a,c	NSW	–	–	100	100
Fabcot Pty Limited	a,c	NSW	–	–	100	100
Nalos Pty Limited	a,c	NSW	–	–	100	100
Barjok Pty Limited	a,c	NSW	–	–	100	100
Josona Pty Limited	a,c	NSW	–	–	100	100
Woolstar Investments Limited	b,c	NZ	–	–	100	100
Woolworths Insurance Pte Limited	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 Limited	a	WA	3.4	3.4	100	100
Advantage Supermarkets Unit Trust	b	WA	2.1	2.1	100	100
Leasehold Investments Pty Limited	a	WA	2.0	2.0	100	100
Andmist Pty Limited	a,c	NSW	–	–	100	100
Woolworths (Project Finance) Pty Limited	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	100

30 CONTROLLED ENTITY DISCLOSURES (continued)

Name	Legend	Place of incorporation	Woolworths Limited Investment 2004 $m	Woolworths Limited Investment 2003 $m	Beneficial holding 2004 %	Beneficial holding 2003 %
Controlled entities of Woolworths Limited:						
Philip Leong Stores Pty Limited	a,c	QLD	–	–	100	100
Woolies Liquor Stores Pty Limited	a,c	SA	–	–	100	100
Calvartan Pty Limited	a,c	ACT	–	–	100	100
Australian Safeway Stores Pty Limited	a,c	VIC	–	–	100	100
Jack Butler & Staff Pty Limited	a,c	QLD	–	–	100	100
Woolworths Group Superannuation Scheme Pty Limited	a,c	QLD	–	–	100	100
Woolworths Executive Superannuation Scheme Pty Limited	a,c	QLD	–	–	100	100
Mac's Liquor Stores Pty Limited	a,c	QLD	–	–	100	100
Bergam Pty Limited	b,c	NSW	–	–	75	–
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 Limited	a,c	QLD	–	–	100	100
Controlled entities of Woolworths (Victoria) Pty Limited:						
Statewide Independent Wholesalers Limited	b,c	TAS	–	–	60	60
Controlled entities of DSE Holdings Pty Limited:						
Dick Smith Electronics Pty Limited	a,c	NSW	–	–	100	100
Dick Smith (Wholesale) Pty Limited	a,c	NSW	–	–	100	100
Dick Smith Management Pty Limited	a,c	NSW	–	–	100	100
Dick Smith Electronics (Franchising) Pty Limited	a,c	NSW	–	–	100	100
Dick Smith Electronics (HK) Limited	c,d	Hong Kong	–	–	100	100
DSE (New Zealand) Limited	b,c	NZ	–	–	100	100
Dick Smith Electronics (UK) Limited	c,d	UK	–	–	100	100
Dick Smith Electronics Staff Superannuation Fund Pty Limited	a,c	NSW	–	–	100	100
InterTAN Australia Pty Limited	a,c	NSW	–	–	100	100
Controlled entities of DSE (New Zealand) Limited:						
Como Imports (New Zealand) Limited	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.

e Woolworths Limited owns 49% of the total share capital of Australian Independent Retailers Pty Limited (AIR). This holding represents 100% of shares to which voting rights are attached. Woolworths Limited also has the right to appoint all directors of AIR.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 BUSINESS ACQUISITIONS

	Principal activity	Date of acquisition	Cost of acquisition $m
Businesses			
Baily & Baily stores	Liquor retail	Various	10.7
Porters stores	Liquor retail	Various	9.7
Miscellaneous businesses	Supermarkets & liquor retail	Various	36.0
Total business acquisitions			**56.4**

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 in the year ended 29 June 2003.

32 IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Woolworths will be required to prepare financial statements using Australian equivalents to International Financial Reporting Standards and their related pronouncements ("A-IFRS") as issued by the Australian Accounting Standards Board when the Company reports in respect of the 2006 financial year.

The Company will report for the first time in compliance with A-IFRS when the results for the half year ending 9 January 2006 are released. A-IFRS requires that entities complying with A-IFRS for the first time restate their comparative financial statements using all A-IFRS with the exception of certain requirements of AASB132 Financial Instruments: Disclosure and Presentation and AASB139 Financial Instruments: Recognition and Measurement. This means that the Company's opening A-IFRS balance sheet will be a restated comparative balance sheet dated 28 June 2004. Most adjustments required on transition to A-IFRS will be made retrospectively against opening retained earnings on 28 June 2004 in accordance with A-IFRS; however transitional adjustments relating to those standards above where comparatives are not required will only be made with effect from 27 June 2005 (ie the commencement of the 2006 financial year).

The 2004 financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and A-IFRS identified to date as potentially having a significant effect on the Company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and A-IFRS, as the Company is still assessing the impact of A-IFRS. No attempt has been made to identify all disclosures, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with A-IFRS.

In August 2003, the Woolworths Limited Board established a formal project to monitor and plan for the adoption of A-IFRS. An A-IFRS implementation team was established which involves representatives from the finance team, other departments and third party advisers. The team is liaising directly with each of the business units and reports to the Chief Financial Officer. The Company's A-IFRS project consists of three phases:

32 IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Assessment and Planning Phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to A-IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting A-IFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The Company considers the assessment and planning phase to be complete as at 27 June 2004.

Design Phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to A-IFRS. The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with A-IFRS requirements;
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of A-IFRS;
- developing revised A-IFRS disclosures;
- designing accounting and business processes to support A-IFRS reporting obligations;
- identifying and planning required changes to financial reporting and business source systems; and
- developing training programs for staff.

The company has commenced its design phase, with work progressing in each of the areas described above. The design phase is expected to be completed during the upcoming financial year.

Implementation Phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the company to generate the disclosures to comply with the requirements of AASB 1 ("First time adoption of Australian Equivalents to International Financial Reporting Standards" (AASB 1)).

Except for training that has been given to operational staff, the company has not yet commenced the implementation phase. However, the company expects this phase to be substantially complete during the year ending 26 June 2005.

32 IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Potential Impact of Conversion to A-IFRS

The following areas have been identified as being potentially significant to the Company:

Area of Impact	Impact
Impairment of assets Currently, assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. In determining recoverable amount, expected future cash flows are currently not discounted to their present value.	Under A-IFRS, both current and non-current assets are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Impairments of assets will be determined by comparing the carrying value of the group of assets identified as relating to each respective cash generating unit ("CGU") to the recoverable amount of the CGU. Impairment will be assessed on a discounted cash flow basis based on the relevant CGU. Goodwill and liquor licences are allocated to individual CGUs and tested for impairment. To the extent that any impairment is determined, this will be recognised immediately in the statement of financial performance. The Company is currently assessing the impact, if any, at transition. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.
Valuation of property, plant and equipment A-IFRS provides an option to value each class of property, plant and equipment at either cost or fair value. At the transition date, an election is available under the A-IFRS transition rules to use cost, fair value or deemed cost as the opening carrying value. It is the current intention of the Company to: ■ value property, plant and equipment on the cost basis, adjusted for any accumulated impairment balances; ■ to use deemed cost for freehold properties; ■ value non-current development properties at depreciated cost as they are primarily owner occupied. Any development properties where there is a current demonstrable intention to sell will be valued at the lower of carrying value and fair value.	Adjustments to carrying values, if any, of certain previously revalued assets may arise if the restatement to cost transition election is adopted. This will be recognised against opening retained earnings or past revaluation reserves. No ongoing revaluations are proposed and no significant future earnings impacts are expected

32 IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Area of Impact	Impact
Goodwill Goodwill is currently amortised over a 20-year period except for GreenGrocer.com.au which is amortised over five years.	Under A-IFRS, goodwill will not require amortisation. It will be subject to impairment testing at least annually. Refer impairment of assets above. There will be an increase in earnings and net assets as a result of the cessation of goodwill amortisation in future periods.
Liquor Licences Liquor licences are valued at cost and are not amortised as they are considered to have an indefinite useful life.	Under A-IFRS, liquor licences will be assessed as having indefinite useful lives and will be tested annually for impairment. Refer impairment of assets above. No transition date impact is expected.
Post Employment Benefits The Company does not currently recognise an asset or a liability for the net position of the defined benefit plan that it sponsors. Contributions to the defined benefit plan are expensed in the statement of financial performance when due and payable.	On transition to A-IFRS, the Company will recognise in the financial statements any surplus or deficit in the defined benefit plan arising between the market value of plan assets and the present value of any defined benefit obligations. The initial adjustment will be made retrospectively against opening retained earnings and will be based on actuarial calculations at 28 June 2004. After the transitional adjustment, further movements in the net position of the plan will be recognised in the statement of financial performance each period. These movements may fluctuate based on changes in the market value of plan assets and actuarial assessments of plan obligations.
Share based payments Share-based compensation forms part of the remuneration of employees of the Company (including executives) as disclosed in the notes to the financial statements. The Company does not currently recognise an expense for any share-based compensation granted.	Under A-IFRS, the Company will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met. The Company will not retrospectively recognise share-based payments vested before 1 January 2005 as permitted under A-IFRS first time adoption. The recognition of the expense will decrease the consolidated entity's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 7 November 2002 but not vested before 1 January 2005. In addition, employee share based expenses will reduce earnings on an ongoing basis.

32 IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Area of Impact	Impact
Taxation The Company currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences.	Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet. Consequently, new tax assets and liabilities could be recognised at transition (against opening retained earnings) and on an ongoing basis (against income tax expense). Tax assets and liabilities may potentially arise from the following: Liquor licences, Non depreciable leasehold improvements, Asset revaluations, Defined benefit plan, Hedging asset and Hedging liability. The net impact (directional or value) at transition and in the future is not capable of being determined until all A-IFRS adjustments are finalised.
Hedge Accounting The Company enters into forward exchange contracts, cross currency swaps and interest rate swaps in order to hedge its exposure to fluctuations in exchange rates and interest rates. The Company currently applies hedge accounting under Australian GAAP in relation to these derivatives.	Under A-IFRS, hedges are designated as fair value hedges, cash flow hedges or hedges of a net investment in a foreign entity, and the accounting differs depending on the designation. Where a hedge is designated as a fair value hedge, changes in the fair value of the hedge item to the extent of the risk hedged are recognised in profit or loss. Changes in the fair value of hedging instruments classified as cash flow hedges or hedges of a net investment in a foreign entity are recognised in equity to the extent they are effective hedges, and are recycled to the income statement when the hedged transaction affects the profit or loss. Any movement in fair value of the hedge instrument that is not effective is recognised immediately in profit and loss. The designation, documentation and effectiveness requirements under A-IFRS are quite specific. Hedges that do not meet these requirements will no longer qualify for hedge accounting. It is not possible to determine the impact of the change in hedging requirements until the future financial period ended 2 January 2005 when a full analysis of the impact of the standard can be conducted.

32 IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Area of Impact	Impact
Financial assets and financial liabilities Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value.	On adoption of A-IFRS, the consolidated entity will be required to classify these financial instruments into various specified categories (being either of trading assets, held to maturity investments, loans and receivables or available for sale financial assets). The classification of the instrument determines the instrument's subsequent measurement. A-IFRS also introduces stricter rules relating to the assessment of the transfer of risks and rewards which may impact the de-recognition of financial assets, such as securitisation of employee share loans. This may result in certain past arrangements being re-recognised on balance sheet. At transition, certain securitised employee share loans and related liabilities may also be reclassified on the statement of financial position. Proceeds received at inception may be categorised as a loan liability with a corresponding asset initially recognised equal to any loan provided, subject to impairment testing.
Leases The Company currently distinguishes between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits, using the existing quantitative guidelines under A-GAAP.	A-IFRS introduces qualitative indicators to assist in determining whether a lease transfers substantially all the risks and rewards of ownership to the lessee. There is also new guidance on how the minimum lease payments are allocated between land and leasehold improvement components. The current view is that there is no apparent substantial change in accounting requirements for existing leases but the analysis is yet to be completed.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 54 to 111:

(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 27 June 2004 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;

(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 27th day of September 2004 in accordance with a resolution of the Directors.

James Strong
Chairman

Roger Corbett
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 27 June 2004 as set out on pages 54 to 112. 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 27 June 2004 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 | Deloitte Touche Tohmatsu

G Couttas
Partner

Deloitte Touche Tohmatsu
Chartered Accountants

Sydney, 27 September 2004

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

The shareholder information set out below was applicable as at 20 September 2004.

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	180,490	70,693,628	–
1,001 – 5,000	123,609	236,711,019	771
5,001 – 10,000	11,340	80,846,401	59
10,001 – 100,000	5,389	110,443,515	399
100,001 and over	205	540,283,282	38
	321,033	**1,038,977,845**	**1,267**

* *Details of options over unissued FPO Shares are set out in the Directors Statutory Report on page 40. These options are unquoted securities*

(b) There were 8,731 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 JP Morgan Nominees Australia Limited	140,741,756	13.55
2 Westpac Custodian Nominees Limited	92,752,888	8.93
3 National Nominees Limited	92,499,234	8.90
4 Citicorp Nominees Pty Limited	27,894,652	2.68
5 Queensland Investment Corporation	16,754,175	1.61
6 ANZ Nominees Limited	15,492,026	1.49
7 Woolworths Custodian Pty Limited	13,817,798	1.33
8 RBC Global Services Australia Nominees Pty Limited	11,067,881	1.07
9 Cogent Nominees Pty Limited	8,409,573	0.81
10 AMP Life Limited	7,775,462	0.75
11 Citicorp Nominees Pty Limited	7,732,904	0.74
12 HSBC Custody Nominees (Australia) Limited	5,010,993	0.48
13 Citicorp Nominees Pty Limited	4,851,221	0.47
14 Australian Foundation Investment Company Limited	4,551,465	0.44
15 Perpetual Trustee Company Limited	4,512,634	0.43
16 Government Superannuation Office	4,270,676	0.41
17 Citicorp Nominees Pty Limited	2,833,538	0.27
18 Cogent Nominees Pty Limited	2,751,499	0.26
19 Transport Accident Commission	2,270,654	0.22
20 Victorian WorkCover Authority	2,135,171	0.21

Substantial shareholders

As at 20 September 2004 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 61,822,101 shares in the Company.

Unquoted equity securities

As at 20 September 2004 there were 25,991,701 options granted over unissued ordinary shares in the Company to employees.

Woolworths Income Notes (WINs)

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 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.

Final dividend

The final dividend of 24 cents per share will be paid on 8 October 2004, to shareholders entitled to receive dividends and registered on 3 September 2004 (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 Share Registrar in writing by the record date. Application forms are available from Woolworths Limited's 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)

Eligible shareholders may elect to participate in the Plan in respect to all or part of their shareholding, subject to any maximum and/or minimum number of shares to participate in the Plan that the Directors may specify. There is currently no minimum 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 Plan is 20,000. Application forms are available from Woolworths Limited's Share Registrar, or can be downloaded from Woolworths Limited website (see below).

Uncertificated share register

The Share Register is wholly uncertificated. Shareholder statements are issued to you within five 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 Releases to the ASX 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 (via an emailed link to the relevant publication on our website).

Visit our Woolworths Limited website www.woolworthslimited.com.au/shareholdercentre and click on the Register button in the Shareholder eCommunications panel. 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, under the code "WOW".

American depositary receipts

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

History of dividends paid

Date of dividend	Type	Cents per share	Franking Rate	DRP
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
30 Apr 2004	Interim	21 cents	30%	$11.49
8 Oct 2004	Final	24 cents	30%	$13.16

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. Details of shares acquired under this buy back are set out on page 34 of the Directors' Report.

SHAREHOLDERS' CALENDAR

2004

October
- 8th Payment date for Final Dividend
- 20th Announcement of 1st quarter sales results

November
- 26th Annual General Meeting

  Tumbalong Auditorium
  Sydney Convention & Exhibition Centre
  Darling Harbour
  Sydney 2000 NSW

December
- 15th Interest Payment on Woolworths Income Notes

2005

January/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
- Preliminary Full Year Results and Final Dividend announcement

September
- 15th Interest Payment on Woolworths Income Notes

Please note: the timing of events may be subject to change.

COMPANY DIRECTORY

Woolworths Limited – Registered Office

Level 5
540 George Street
Sydney NSW 2000

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

Web: www.woolworthslimited.com.au

National Supermarkets – Supermarket Operations

Corner Fairfield and Dursley Roads
Yennora NSW 2165

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

Web: www.woolworths.com.au

National Supermarkets – Shared Services

Corner Fairfield and Dursley Roads
Yennora NSW 2165

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

Web: www.woolworths.com.au

Ezy Banking

Level 3
540 George Street
Sydney NSW 2000

Tel: 13 72 88

Web: www.ezybanking.com.au

Woolworths Petrol

13 Redmyre Road
Strathfield NSW 2135

Tel: 1300 655 055
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

Web: www.bigw.com.au

Dick Smith Electronics

2 Davidson Street
Chullora NSW 2190

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

Web: www.dse.com.au

Secretary

Rohan KS 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

Web: 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

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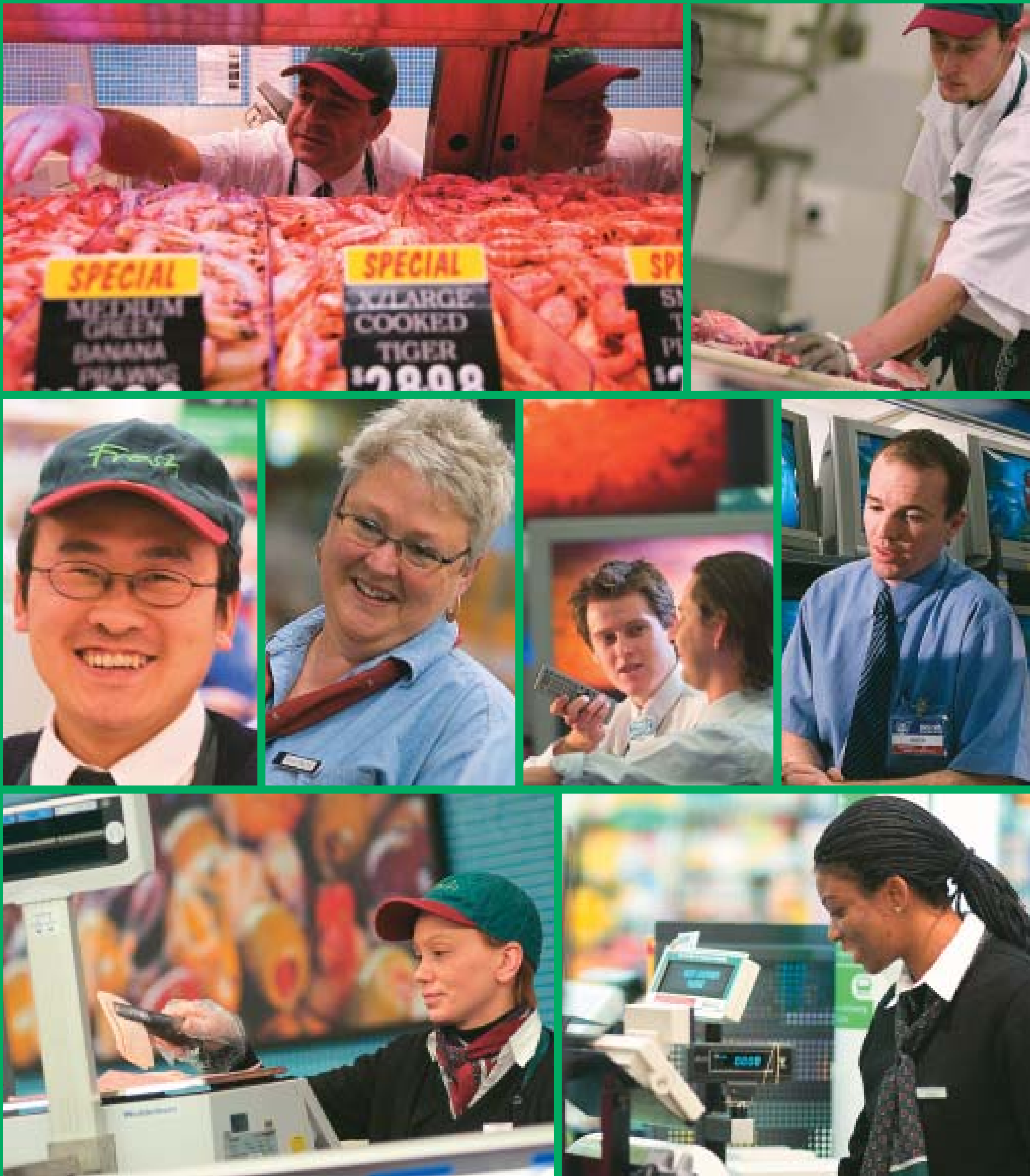

"Thank you"