

WOOLWORTHS LIMITED

A.B.N. 88 000 014 675

Healthy growth

2000 CONCISE REPORT TO SHAREHOLDERS ▶





We're all here to *deliver* to our customers
a *better shopping* experience ~
each and *every time*.

Who we are... Woolworths is owned by 320,000 shareholders, of whom 35,000 are employees, which makes us one of the largest employee ownership corporations in Australia. We serve over 13 million Australians every week through 1,114 stores and we employ over 125,000 people. We are dedicated to growing a company that we are proud of in terms of what it delivers to our customers, our shareholders and our people.

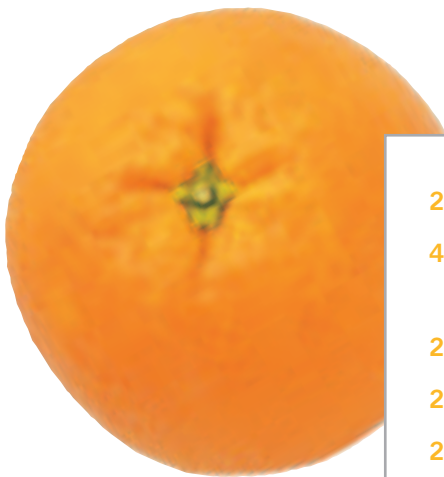
Our purpose highlights what is important to us. It answers the basic and fundamental question of why we are in business. It gives our people a reason for coming to work each day, and it gives us a future focus by detailing what we are striving to achieve. Most importantly, the more we succeed in living this vision, the more our success as a company will be translated into valuable returns for you, our shareholders.

This Report is a concise report in accordance with Section 314 (2) of the Corporations Law. A copy of the full Financial Report and Auditors' Report will be sent to members, free of charge, upon request to the Share Registrar, details of which are set out inside the back cover of this Report.

'Refresh'

delivers its first instalment on its promise of healthy growth...

- to continue to increase shareholder returns,
- to grow our enterprise,
- to improve our operating efficiencies, and
- to achieve world class retail operations.



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John Dahlsen

I am pleased to report on a result for the year which has exceeded expectations and has delivered to shareholders the benefits of strong earnings growth together with a substantially improved balance sheet. Through the ‘Project Refresh’ initiatives, we are taking a dynamic approach to supply chain and inventory management, buying and marketing and operations which will provide significant benefits well into the future. ▶

	Previous five years average	This year
Sales	+10.0%	+8.4%
Earnings before interest and tax (EBIT)	+11.1%	+15.2%
Net profit after tax	+9.3%	+16.5%
Earnings per share	+6.6%	+18.8%
Dividends per share	+8.4%	+27.8%

Whilst this is a very good result, we would emphasise that this is but the first instalment of a continuous approach to Total Shareholder Return.

The increase in the dividend to 23 cents per share for the year represents a significant increase on last year made possible by the 18.8% increase in earnings per share to 32.4 cents and better balance sheet management.

In my report to you last year, I referred to the Board’s concern at the decline in return on funds employed (ROFE), as well as the need to converge shareholder and employee interests as a vital catalyst in the delivery of shareholder value. I am pleased to report that the five-year decline in ROFE has now been reversed.

Our 75th year has been an eventful, crucial and positive year. We have seen the commencement of 'Project Refresh'. Cost reductions and other benefits from this initiative are only just beginning to be delivered.

We have seen a new approach to strategic capital management including the successful buy-back of 100 million shares in order to further drive earnings per share.

Significant potential exists in our increasing emphasis upon working capital management, with over \$400 million already extracted from working capital.

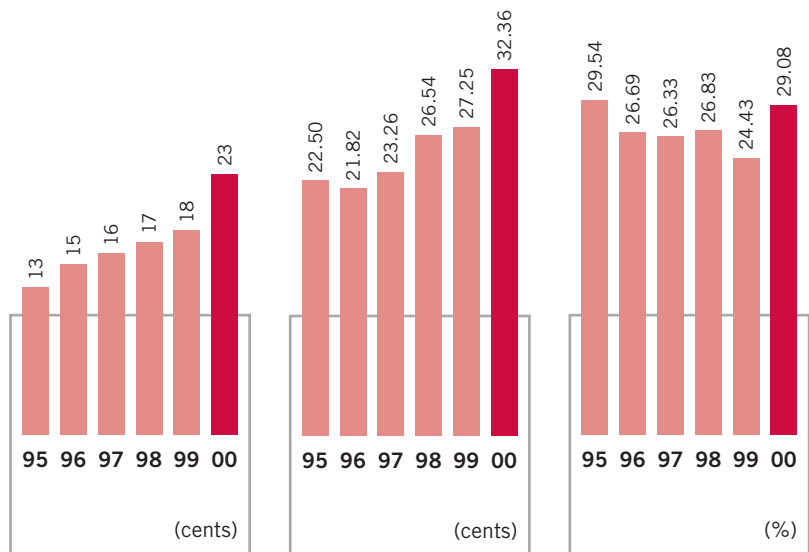
The Rockmans Fashion and Chisholm Manufacturing businesses have been successfully sold, in order to bring focus to our core business. Sales growth is now being assisted by synergistic 'bolt-on' acquisitions.

All in all, a very positive year.

During the year, the Board welcomed the appointments of Dr Roderick Deane and Mr James Strong as Directors and Mr Bill Wavish, the Chief Financial Officer was also appointed as a Director. These appointments extend and strengthen the Board's experience and expertise to deal with the important issues facing the Company in the years ahead.

Also during the year, your Board has recommended the appointment of new Auditors, Deloitte Touche Tohmatsu. Our thanks go to BDO for their past services.

Despite the imposition on management of the significant changes from the Y2K and GST programmes, together with the 'Project Refresh' initiatives, the Board is extremely pleased with the way in which management has accepted and dealt with these major challenges and changes. We thank Roger Corbett and his team who



Dividends per share

Ordinary EPS

**ROFE
(before abnormals)**

we believe are well placed to continue taking this Company forward.

We have undertaken major strategic initiatives in the past year and expect to achieve significant ongoing benefits for shareholders.

We approach the new financial year with a sense of exhilaration and excitement. Our core businesses are responding well to the management team and to the focus on delivering value to both our customers and our shareholders.

As the benefits of this focus are increasingly being harvested, we are now able to turn more of our attention to growing the total business by new initiatives and by acquisitions.

My thanks go to the Board, the Executive team and the over 125,000 employees across Australia who played a vital role in delivering these results.

To our over 320,000 shareholders including over 35,000 employee shareholders, we can assure you that we will continue to deliver improved shareholder value.

John Dahlsen
Chairman



Good progress in improving our offering to customers and lowering our costs

It is pleasing to report costs falling 0.86% of turnover (or \$172 million) of which 22% (\$38 million or 0.19%) has been passed onto our shareholders and 78% (\$134 million or 0.67%) to our customers in lower price and mix. In so doing, we are able to serve our twin goals of increasing shareholder returns and giving greater customer satisfaction, which in turn drives volume to the further benefit of our shareholders. ▶



Our major achievements:

- Funds employed fell 18.8% on sales up 8.4%
- Return on funds employed (ROFE) rose from 24.43% to 29.08%
- Return on investment (ROI) rose from 21.88% to 28.92%

The Woolworths Group results for the year 1999/2000 in summary are as follows:

- Sales up 8.4% to \$20,020 million
- Earnings before interest, depreciation, amortisation and taxation (EBITDA) up 12.5% to \$910.4 million
- Earnings before interest and taxation (EBIT) up 15.2% to \$621.6 million
- Net operating profit after taxation up 16.5% to \$364.1 million
- Total profit after taxation, abnormal items and outside equity interests up 15.0% to \$295.5 million
- Ordinary earnings per share (EPS) up 18.8% to 32.36 cents
- Dividend per share (DPS) up 27.8% to 23 cents

Earnings before interest and tax (EBIT)

	Current \$m	Previous \$m	Increase %
Supermarkets	601.3	514.7	+16.8
General merchandise	104.8	90.0	+16.4
Wholesale	0.1	(4.2)	
Trading	706.2	600.5	+17.6
Less: – Property	24.8	33.0	-24.8
– Central overheads	(109.4)	(94.1)	+16.3
	(84.6)	(61.1)	
Total	621.6	539.4	+15.2

Group results summary

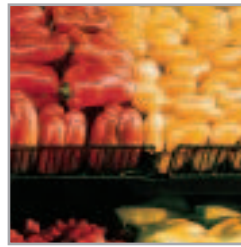
	Current \$m	Previous \$m	Increase %
Sales	20,019.9	18,465.1	+8.4
Gross profit	25.51%	26.18%	-0.67% pts
Cost of doing business	22.40%	23.26%	-0.86% pts
Earnings before interest, depreciation and tax	910.4	809.3	+12.5
Depreciation and amortisation	288.8	269.9	
Earnings before interest and tax	621.6	539.4	+15.2
EBIT to sales	3.11%	2.92%	+0.19% pts
Net interest expense ¹	27.8	45.5	
WINS distribution	26.1	–	
Operating income tax expense	203.6	181.3	
Net operating profit after income tax	364.1	312.6	+16.5
Abnormal items before income tax ²	(93.9)	(86.4)	
Abnormal income tax expense	33.8	31.1	
Adjustment to tax rates	(8.4)	–	
Abnormal items after income tax	(68.5)	(55.3)	
Outside equity interests	(0.1)	(0.3)	
Total profit after tax, abnormal items and outside equity interests	295.5	257.0	+15.0
Funds employed	1,915.3	2,359.4	-18.8
ROFE	29.08%	24.43%	+4.65% pts
Weighted average ordinary shares on issue (million)	1,125	1,146	-1.8
Ordinary earnings per share (cents)	32.36	27.25	+18.8
Interim dividend per share (cents)	10.0	8.0	
Final dividend per share ³ (cents)	13.0	10.0	
Total dividend per share (cents)	23.0	18.0	+27.8

1 Interest capitalisation \$5.8m (LY \$8.2m).

2 GST costs \$53.2m, Project Refresh \$68.1m, gain on Rockmans disposal (\$11.0m), asset writedown no longer required (\$20.7m), warehouse rationalisation \$4.3m.

3 Final dividend will be franked at 34%. All other dividends fully franked at 36%. Final dividend payable 5 October 2000.

Supermarkets



Good progress was made during the year in improving our offering to customers and in lowering our costs. This was evidenced by sales growing by 8.3%, which was faster than the industry average, thus our market share grew whilst EBIT margin also increased.

Much remains to be done in continuing to build upon this improvement. The recent change to a central Shared Service Buying function is an example.

Supermarket performance

All States improved their performance on the previous year with good sales gains, lower costs and better working capital controls evident. The emphasis on better control of working capital and inventory was reflected in the improved return on funds employed (ROFE). In all, 26 new supermarkets were opened during the year bringing the total to 585. Total trading area grew by 4% and comparable sales were up by a healthy 4.8%.

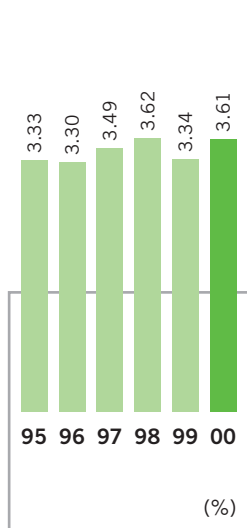
The fiscal year 1999/2000 was one of dynamic change within the Supermarket Division.

Supermarket division	2000	1999	Increase
Sales (\$m)	16,671.2	15,398.6	+8.3%
Gross margin (%)	24.83	25.16	-0.33% pts
Cost of doing business (%)	21.22	21.82	-0.60% pts
EBIT to sales (%)	3.61	3.34	+0.27% pts
EBIT (\$m)	601.3	514.7	+16.8%
Funds employed (\$m)	1,295.5	1,443.3	-10.2%
Return on funds employed (%)	46.4	35.7	+10.7% pts

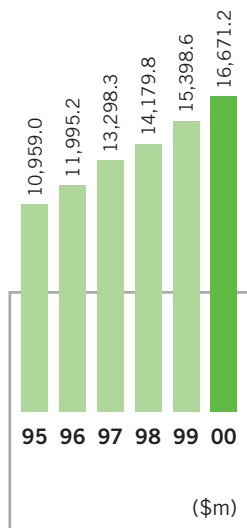
Highlights included the announcement of 'Project Refresh' and the formation of the Shared Services Buying team. Y2K and GST also presented unique challenges and our State Offices and store teams rallied strongly to further enhance the delivery of value, quality and service to our customers in a challenging competitive environment.

New South Wales / Australian Capital Territory

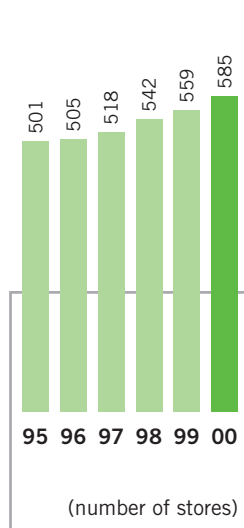
New South Wales and ACT Supermarkets produced a much improved sales result for the year. A highlight was an excellent result from the Meat department with the emphasis on quality, range and innovation particularly



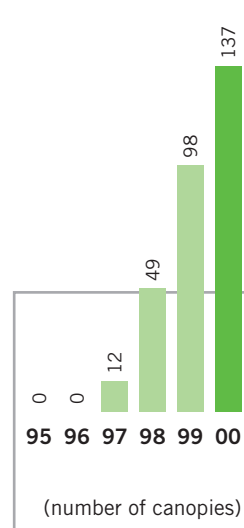
Supermarkets EBIT percentage



Supermarkets group sales



Supermarket stores



Petrol canopies



Supermarket buying and marketing team:

(Left to right)

- Bernie Brookes**
Chief General Manager
Supermarket Buying and Marketing
- Peter Pokorny**
General Manager Fresh Foods
- Grant O'Brien**
Senior Business Manager
Marketing
- Bevan Hillen**
Senior Business Manager
Deli/Bakery
- Jon McAtamney**
Senior Business Manager
Produce
- Pat McEntee**
Senior Business Manager
Meat
- James Aylen**
Senior Business Manager
Grocery 2
- Ian MacDonald**
Senior Business Manager
Perishables
- Avner Nahmani**
Senior Business Manager
Liquor and Tobacco
- Murray Johnston**
Senior Business Manager
Grocery
- Ian Dunn**
Senior Business Manager
Trade Development and
Relations
- Gavin Custance**
Senior Business Manager
Inventory
- Liz Mintzis**
Senior Business Manager
General Merchandise and
Cleansing
- Greg Dharam**
Senior Business Manager
State Liaison
- David Hunt**
Senior Business Manager
Merchandising Support

in the areas of convenience meals which was very well received by our customers. Our new store and refurbishment program not only generated additional sales, but also provided more customers with a better shopping experience. The improved service from our Minchinbury Distribution Centre helped our NSW stores serve our customers better with a better in-stock position.

Victoria

We recorded another strong year. We added five new stores, which were opened during the first half of the year.

The Liquor and Meat departments performed extremely well. Case discount promotions of wine helped the Liquor department achieve a marked increase on last year. Higher distribution costs were incurred with the Hume (QP2) distribution centre and the new distribution facility at Mulgrave, which was recently commissioned. The overall control of costs in our Victoria operation was very good and was assisted by a major focus on productivity. The contribution to group profit result was excellent.

Queensland

The result was very strong and was underpinned by further growth in market share.

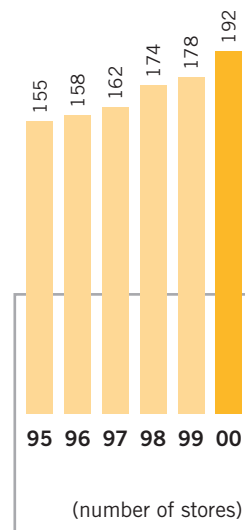
Queensland is still experiencing good population growth and continues to offer excellent opportunities for future development. June 2000 saw the opening of the new Currimundi Marketplace Centre including a new Supermarket, which was our first new site on the Sunshine Coast region in 21 years. It has been very successful and will be followed by two other new locations over the next financial year at Buderim and Chancellor Park. Other opportunities also exist on the Sunshine Coast and other regional areas of Queensland to further improve growth.

Western Australia

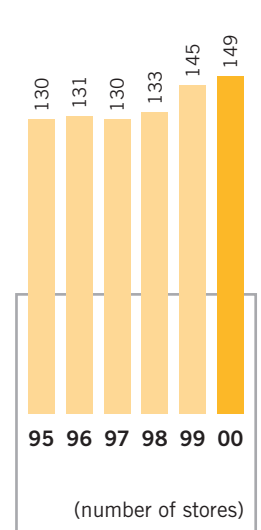
Sales grew satisfactorily and were assisted by the addition of 3 Liquor stores and 2 store refurbishments. There was also good growth experienced in Liquor, Meat, Service Deli and Seafood. With the acquisition of the four Advantage stores in July 2000, approximately 800 people have joined the Woolworths team, which will give them the opportunity of a broader career path.

South Australia/Northern Territory

During the year we increased our market penetration by opening stores at Athelstone and Virginia as well as opening a new Supermarket at Felixstow. We also opened Regent Arcade Liquor and King William Road Liquor, and agreed to purchase 13 liquor licences from Booze Brothers. They will give us better representation in the Adelaide metropolitan area. Sales improved significantly in the second half with a concentrated effort particularly in the Meat and Grocery departments.



**Supermarket stores:
NSW and ACT**



**Supermarket stores:
VIC**

Supermarkets

All States improved their performance with good sales gains, improved cost control and better working capital controls evident.

Tasmania

Tasmania Supermarkets performed well in a slower growth economy. Pricing was lowered in order to improve the offering to our customers. We opened two new Supermarkets at Legana in Launceston and our City store in Hobart. Both these stores have continued to trade well above expectations. A recent new store opening in the new fiscal year in Mowbray Marketplace Shopping Centre, produced record results as customers came to find out what the latest Supermarket in Tasmania had to offer. Limited trading hours continue to restrict our ability to serve our customers at the times they wish to shop. The benefits to consumers and the economy of extension to trading hours are substantial.

Liquor

Liquor sales were strong with Dan Murphy's making a larger contribution to overall profits. We have recently purchased the Booze Bros liquor chain of 13 stores in South Australia and the Toohey Bros chain of 11 stores in New South Wales. These 'bolt-on' acquisitions

serve to improve our under-representation in the retail liquor market.

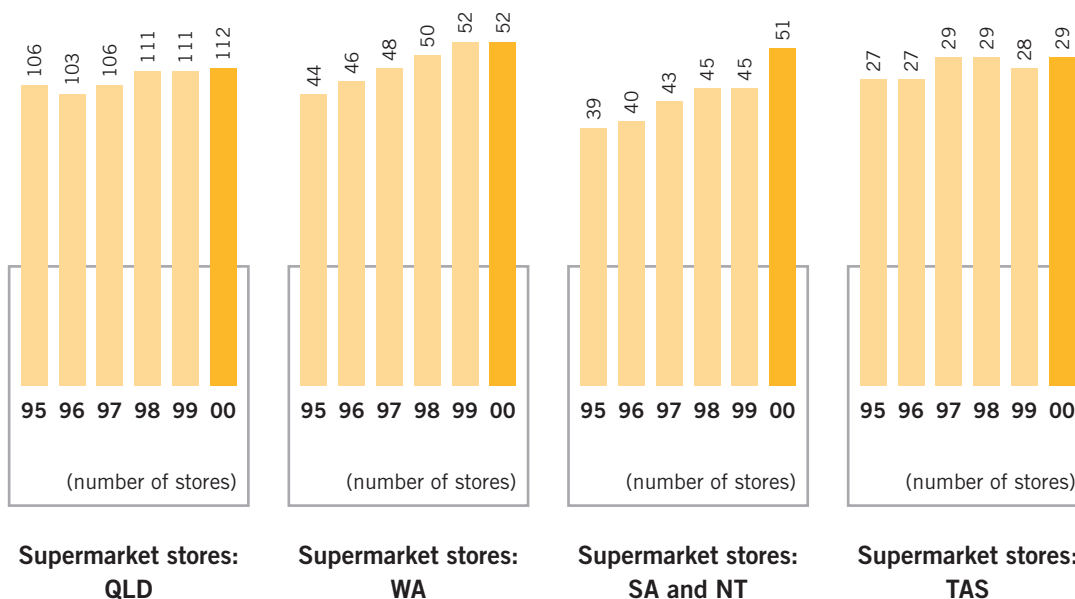
The year ahead

The year ahead will present new challenges and opportunities for all our States.

This is despite the continued legislative restrictions on trading hours in Queensland; Western Australia; South Australia and Tasmania which hinder both economic growth and ignore consumers demands for more convenience and more choice in their shopping.

With most of the externally imposed changes (Y2K and GST) successfully behind us, we move into the new financial year with a sense of vigour. We are committed to leveraging the benefits of the Shared Services Buying and Marketing operation to further improve our offer to customers.

Our focus is to deliver to our customers the best quality, best value, best service each and every day. ■



General merchandise

Overall sales for this Division were \$2,768 million, an increase of 6% on last year. Sales for BIG W grew a healthy 7% for the year with comparable store sales up 5%. The Crazy Prices store sales were up 18.8% assisted by 18 new store openings to bring the total to 135. Dick Smith Electronics continues its strong growth with sales ahead 13.3% on last year. This included new store sales with two PowerHouses and four regular store openings.

Two of the new format stores were opened during the year, in Narellan in NSW and Maryborough in Queensland, bringing the BIG W chain to 87 stores and adding 2% to the total trading area. In addition, three stores; Woden in Canberra, Campbelltown in Sydney and Mackay in Queensland, were refurbished and converted to the new format. We have also developed a 4,000 m² format that can be located in smaller markets with lower turnovers.

General merchandise division	2000	1999	Increase
Sales (\$m)	2,768.4	2,610.7	+6.0%
Gross margin (%)	31.00	31.53	-0.53% pts
Cost of doing business (%)	27.21	28.08	-0.87% pts
EBIT to sales (%)	3.79	3.45	+0.34% pts
EBIT (\$m)	104.8	90.0	+16.4%
Funds employed (\$m)	377.3	470.0	-19.7%
Return on funds employed (%)	27.8	19.1	+8.7% pts

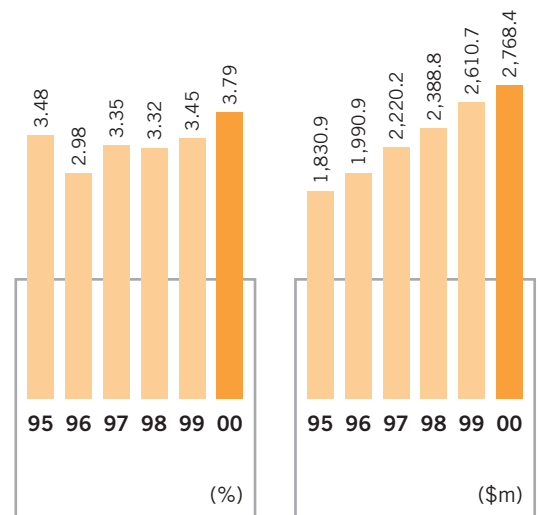
Significant technology advances have been made during the year. These included an upgraded layby system as well as upgrading point of sale equipment, at both the checkouts and the back office and implementing PC based technology to allow cash office automation and greater use of electronic communication. A major upgrade of our core merchandising and finance systems is also being undertaken. All these initiatives are helping to improve BIG W's operating efficiency and reduce operating costs, which in turn assists in

General merchandise performance

BIG W

BIG W comparable store sales growth was up 5% and showed strong profit growth with good stock and cost control allowing return on funds employed to exceed 20% for the first time. BIG W's market share increased in a difficult market, assisted by the development of our new format stores, which cover an area of between 5500 m² and 6500 m². These new larger format stores put the merchandising emphasis on 'lifestyle' presentation and their overall aim is to make the shopping experience better for our customers.

Merchandising initiatives included new and expanded home electrical areas, individual photo centres, and expanded health and beauty aids ranges to all stores.



General merchandise EBIT percentage

General merchandise sales

BIG W

The strategy remains to drive volume through better deals, consistently better products at everyday low prices and new store growth.

fulfilling our promise to customers to offer quality products at everyday low prices.

BIG W is a high volume, low-cost, low margin business. The strategy remains to drive volume through better deals, consistently better products at everyday low prices and new store growth in areas where we are not represented or see opportunities for future growth.

Crazy Prices

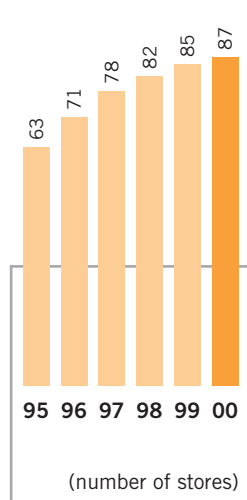
The Crazy Prices stores chain continued to make good sales and profit progress with its format of branded and unbranded general merchandise at significantly discounted prices.

Merchandising strategy is being revamped and a detailed review of our supply chain is being undertaken, including a major overhaul of our computer systems, with the aim of speeding up delivery, reducing operating costs and keeping prices to customers as low as possible.

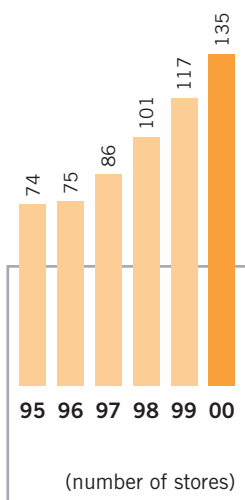
Dick Smith Electronics

Dick Smith Electronics had another excellent year with increased computer sales replacing mobile phones as the main source of sales growth. The chain increased to 129 stores with two new PowerHouse formats and four new regular stores opening. The chain of PowerHouse stores is proving to be very successful and has significant potential for expansion.

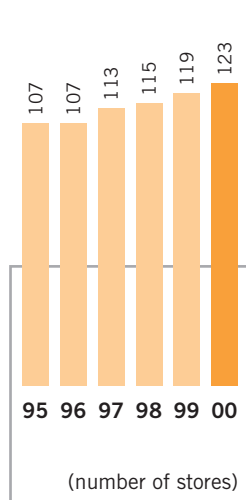
The trend towards convergent technology requires a more sophisticated level of retail offer to meet customer demands. Home, office and domestic technology has converged and Dick Smith Electronics has embraced the total range of related products from computers to TVs to smart phones, DVD and beyond. ■



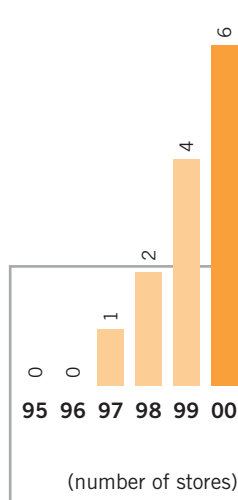
BIG W stores



Crazy Prices stores



Dick Smith Electronics regular stores



Dick Smith Electronics PowerHouse stores

Other activities

AIW/Wholesaling

Australian Independent Wholesalers Pty Ltd (AIW) total sales rose 13.4% to \$1,031.3 million during the year approximately half of which are external to the Woolworths Group. External sales rose 27.3% which resulted in a profit improvement to break even whilst better than halving net funds employed. We continue to believe that remaining in wholesaling, with AIW trading as a strong viable competitor in the wholesale trade, serves a useful purpose, although we have considered entertaining a partnership in this business.

Plus Petrol

The chain of 137 canopies at financial year end, was an increase of 39.8% over the prior year and has provided strong customer support for our Supermarkets and BIG W stores through the 2 cents per litre discount scheme. We expect to continue to expand to 200 canopies in due course.

Ezy Banking

The rollout of our banking products, nationally, was completed after the year-end. Customers have reacted very favourably to the special benefits of these new accounts, notably in country areas, with Ezy Banking being voted 'The Best New Banking Product of the Year'.

Our aim now is to increase usage of the account by customers as their primary card. The 150,000 accounts opened in the first year are consistent with our expectations.

Homeshop and Internet

As we focus increasing attention and management time on our numerous opportunities involving the Internet, the more apparent it becomes that Woolworths is already well placed to maximise outcomes. Our food retailing Internet site – 'Homeshop' – is growing



as we have become more comfortable with the fulfilment and the economics. We are now beginning to roll out to more locations in Australia. In the new financial year we successfully launched 'Homeshop' in the Australian Capital Territory and extension to other States is planned.

Of the other Internet opportunities, business-to-business (B2B) appears to be the most rewarding in the foreseeable future. This is in addition to existing electronic links with our suppliers. Since the year end we have announced our intention to join the WWRE global vertical retail exchange comprising the world's largest retailer groups. This exchange has the potential to combine volume and the latest technology with lower costs. We have also announced our participation in the Australian domestic horizontal 'Cyberlynx' e-procurement initiative to access lower costs for indirect purchases of goods and services. Other business to consumer (B2C) opportunities are also being considered.

Property

Development of our Marketplace Shopping Centres has long been an important part of our strategy of retail penetration in expanding sub-regional areas. In 1999/2000, whilst no property development profits were derived from this activity, the benefits of these to our stores were far beyond that measure.

In the year just completed we entered into arrangements to redevelop and sell a major regional Centre, 'The Green Hills' in Maitland, NSW. We also opened Marketplace Centres at Carnes Hill in NSW and Currimundi in Queensland.

We continue to examine opportunities for this highly successful retail concept, particularly in the new growth regions across Australia. ■

Project Refresh

In August last year, we announced the implementation of 'Project Refresh'. It is a significant and far reaching initiative which covers all aspects of our business as we re-examine everything we do.

Whilst the Supermarkets central Shared Service Buying function is the most recognisable change for our suppliers, 'Project Refresh' also covers Supply Chain, Information Technology, Human Resources, Organisational Redesign and Cost of Doing Business programmes.

Earlier this year we announced that within three years, we expected annual savings, as a result of this initiative, to reach \$100 million. Following FY00 'Project Refresh' savings of in excess of \$25 million, we can now confirm that these estimated annual savings by FY03 will reach \$134 million.

The initial benefits will be extended to all areas of our businesses and will become part of our operational and corporate culture.

Every effort is being made to achieve our gains without redundancies, by retraining and redeployment. The members of the teams working on 'Project Refresh' are drawn from every State in Australia with around 30 people working on the various initiatives at any one time.

Supermarkets Shared Services

The change to central Shared Service Buying and Marketing was the result of a restructure of the business from a State based buying and marketing structure to a single functionally based business. Some of the main building blocks for the new structure – which we have called 'Shared Services' – were developed by examining best practices from supermarket operations from around Australia and the world.



The new structure replaces a system of six State buying and marketing operations and enables us to buy most products centrally, while still maintaining State buying in some fresh foods categories. It has the capacity to considerably increase efficiency, eliminate duplication, improve supplier relations and drive supply chain economies.

The new Shared Services function allows us to buy more effectively, to offer more consistent quality fresh food and increase value through better buying and reduced pricing. Our decisions will also be better informed because of the establishment of cross-functional teams, made up of people with experience in buying, marketing, stock control and store management.

The new structure will further encourage a strong service culture, enabling business managers to provide quicker service and better support to store managers and their teams.

Supply chain

As the year progressed, the considerable strategic advantages of our major new warehousing and distribution facilities became more apparent. We saw improved in-stock positions, particularly at the Christmas and Easter peak trading periods.

Following a comprehensive review of our supply chain management, we have formed a single supply chain structure which applies both technology and logistics as one function for the total Company. It is expected that this will bring significant advantages to the Company, in stock flow, stock turns and in-stocks.

Much more remains to be done in this area and the financial rewards we will generate from a total supply chain management strategy are considerable.

Supply chain executive team:

(Left to right)

Daniel Kochanowicz
National Supply Chain
Strategy Manager

Charles McLaughlin
National Transport Manager

Paul Hill
National Supply Chain
Performance Manager

Michael Luscombe
General Manager
Supply Chain

Peter Ramsay
Divisional Program
Office Manager

Craig Hope-Johnstone
National Supply Chain
Operations Manager

Supplier relations

The quality of our relationships with our supplier partners is an important ingredient in the provision of a superior offer to our customers. As a consequence of the work in implementing Supermarkets central buying, and the communication with our suppliers of the implications of these changes, it is apparent that we are making good progress. The feedback from suppliers, which we continually monitor, confirms this.

Information technology

During the year, the management of our IT service function was re-organised to be more closely aligned with the needs of the businesses it serves and to improve the responsiveness and cost effectiveness of IT.

A large number of initiatives are under way following the establishment of a corporate IT to co-ordinate IT activities across the Company to implement, where appropriate, common approaches to IT.

Major projects are being driven by cross-functional teams, in close collaboration with Supply Chain management, in order to deliver the substantial benefits available in this area.

Early work by the 'Project Refresh' team identified a number of high level opportunities for improvement in IT. The year under review started with a detailed analysis of IT throughout Woolworths conducted by a 'Refresh' team.

The planned preparation for the Year 2000 and the introduction of GST was handled well despite the need for major changes to many aspects of our computer systems. One of the ancillary benefits was also the introduction of improved processes for testing and change control. ■

Sale of businesses

At this time last year we announced that we would exit Rockmans and Chisholm in order to focus more upon our core businesses. Rockmans was sold in February 2000. Following the year-end, we announced the sale of Chisholm Packaging and Chisholm Printing through a management buyout, and the sale of Chisholm Smallgoods to an international operator. In aggregate, these transactions were achieved in excess of book value.

Quality/safety

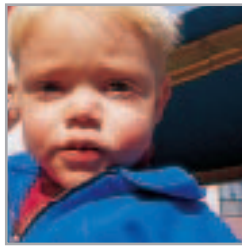
Our customers' concern for food safety and product quality has meant that we are committed to working with our suppliers to ensure that they provide products which meet our high standards of quality and safety.

The continued extension of our Woolworths Vendor Quality Management System (WVQMS) ensures our suppliers introduce systems and procedures that identify and control potential hygiene hazards within the supply chain in order to guarantee food safety and quality to our customers.

We also submit our general merchandise to strict quality control testing procedures at our 'Qualtest' laboratories, which require these products to meet all Australian Standards of safety, labelling and packaging.

Goods and Services Tax (GST)

The introduction and implementation of the GST six days after the recent financial year end has cost Woolworths \$53.2 million in abnormal expense. Initial monitoring has not been without its problems, but we regard our 99.902% accuracy in handling price changes to over 120,000 product lines across the continent to be very satisfactory. We remain committed to passing on benefits received to our customers. Slightly over half our products are subject to 10% GST. Our total product basket across all



of our businesses following the introduction of GST shows a small increase in the order of 0.4% in prices to our customers. Within that figure, the supermarket basket has changed only marginally, and the general merchandise basket has increased by about 3%.

Environment

Woolworths is committed to pursuing best environmental practice, in particular through our waste minimisation and recycling programmes. These include the reduction of non-recyclable packaging and materials in all areas of our operations, and in working with suppliers and trialing green and liquid waste recycling initiatives.

In addition, the use of 'environmentally friendly' refrigerants in our store refrigeration equipment has been a major initiative in the food retail industry.

We also support uniform legislative requirements for the appropriate labelling of genetically modified food products which will provide our customers with accurate and meaningful information upon which to base their purchasing decisions.

Community

Woolworths is a major participant in and supporter of each community in which it operates.

Whilst we provide our major funding support to Childrens' Hospitals across Australia, we also make other contributions at State and community level and we always seek to assist communities in need following natural disasters.

Woolworths considers that it has a particular responsibility to support rural and regional areas where we employ over 45,000 people and provide essential goods and services to many millions of our customers each week.

Our current focus is on endeavouring to re-invigorate rural and regional communities through support for rural youth unemployment research and rural family assistance programmes. We intend building on these initiatives to develop an ongoing youth employment programme in these communities as we believe that this is an area of immediate need for their future.

Woolworths will play a unique role in maintaining the vitality of all aspects of the Australian community tradition.

People development

With over 125,000 full-time, part-time and casual employees, Woolworths is the second largest private employer in Australia. All our human resource activities are geared towards recruiting, training and developing the people who will deliver our promise of 'a better shopping experience each and every time'. The values which support this central purpose have been developed so as to become part of our culture and expected behaviour for all our people.

Training programmes, in particular, are a very important aspect of maximising productivity. A major objective is the provision of these services, electronically, across the continent.

Human resource assessment and development systems are being continuously upgraded to ensure that they are modern, flexible and cater for a business that is spread across over 1,114 outlets, many of which trade for 24 hours, seven-days-a-week. These programmes are designed to be inter-active and individually tailored to meet both the needs of our business and our employees.

We're all here to deliver...



With over 125,000 employees, Woolworths is the second largest private employer in Australia. We are the biggest employer of apprentices in the nation. We employ more than 45,000 young people working in our business. Around one-third of our young people are under 20 years of age. We take very seriously our responsibilities to give their working lives a great start.



All our human resource activities are geared towards recruiting, training and progressing the people who will deliver our promise of 'a better shopping experience each and every time'. The values which support this central purpose have been developed in the year under review so as to become part of the culture and expected behaviour for all our people.

Woolworths caters for the training and development needs of staff at all levels through our various apprenticeship and traineeship programmes. We currently have more than 4,000 trainees studying full time in the many areas of Woolworths operations, including store management, transport and distribution. We will be expanding this programme to incorporate information technology, merchandising and office administration. To broaden our people's experience, we have implemented more retail exchange programmes and we will continue to pursue these programmes, not only with other retailers, but also with other service organisations across the world.

Employee Share Plans

The comprehensive review of the Company's Employee Share Plans in 1999 has provided broad based Plans which have resulted in one of the largest employee ownership corporations in Australia. Over 35,000 of our employees are now shareholders in Woolworths following the approval by shareholders at the 1999 Annual General Meeting to the issue of 75 shares to employees in celebration of Woolworths 75th anniversary year.

Following this year's excellent result, we intend to recommend to shareholders the issue of a further 25 shares to those employees under the Plan on the basis of achievement of a performance hurdle linked to an increase in earnings per share for the immediate prior financial year.

The Company also received shareholder approval to the implementation of a new Executive Option Plan providing for the grant of options to over 300 of the Company's executives. The vesting of these options is linked to the achievement of challenging performance hurdles aligned to increases in shareholder returns and value over the longer term.

Incentive programmes/ shareholder wealth creation

Under the new Plans, management is rewarded on performance-based measures in both the short and long term. These measures have been varied and the performance hurdles raised during the year. The short term annual bonus measures have been broadened to include increases in sales, return on funds employed (ROFE) and reductions in cost of doing business (CODB). As the trend in these measures improved significantly during the year, the new incentives clearly had a positive impact.

The long term Executive Option Plan has much higher hurdles, requiring growth over a five year period in earnings per share (EPS) at 8% pa compound and Total Shareholder Return (TSR), as a minimum, in the top 40% of the 100 largest Australian listed industrial companies (excluding financial companies).

The objectives of both the short term and long term incentive Plans is to drive shareholder returns, and the benefits to all stakeholders is reinforced regularly in communications with management.

The 18.8% increase in EPS in 1999/2000 helped to drive the share price, and the 27.8% increase in dividend added to TSR. Management is well aware that the excellent 1999/2000 result is the first step in a continuous process of driving shareholder wealth creation.

The key components of driving EPS performance are:

- increasing sales momentum;
- reducing costs as a percentage of sales;
- magnifying the positive profit results with good capital management.

In explaining the benefits of the positive effects of the retail profit cycle to our management, we have added our own version of a balance

Growth

As a high volume, low margin retailer, growth is critical to our business and will continue to be an integral and important part of Woolworths' strategy.

sheet cycle to show pictorially how all the functions our staff perform each day come together to grow EPS and shareholder value. This demonstrates that by doing the basic things well, we are all working hard for our shareholders, whilst at the same time improving our offering to our customers.

Capital management

Our actual expenditure on capital assets was less than originally anticipated as approximately \$80 million of projects were deferred to gain the benefit of saving up to 20% of the cost due to the removal of wholesale sales tax following the introduction of GST. In addition, more store assets were leased in order to improve financial efficiency.

Looking forward, we anticipate a significantly greater proportion of capital expenditure on information technology (IT).

Our focus on controlling all assets in the balance sheet, including inventory and capital expenditure, has resulted in \$444.1 million less funds employed by the Company at the end of the 1999/2000 financial year than was the case in 1998/9 despite sales growth of 8.4%. This assisted the Company in funding the buy-back of 100 million shares for \$492 million. Despite this, the improvement in share price by more than 9%, meant an increase in market capitalisation. We are delighted with the overwhelming shareholder and expert analyst support for the buyback.

The issue of \$600 million in Woolworths Income Notes during the year served to broaden funding sources and to lengthen maturities.

During the year a reduction in inventory levels closer to international best practice, allowed net working capital to turn negative.

Your Board has previously advised that it will keep the possibility of a further share buy-back

under review. As a minimum, we would expect to buyback the equivalent of the shares issued under the Dividend Reinvestment Plan plus a further 2% of issued capital.

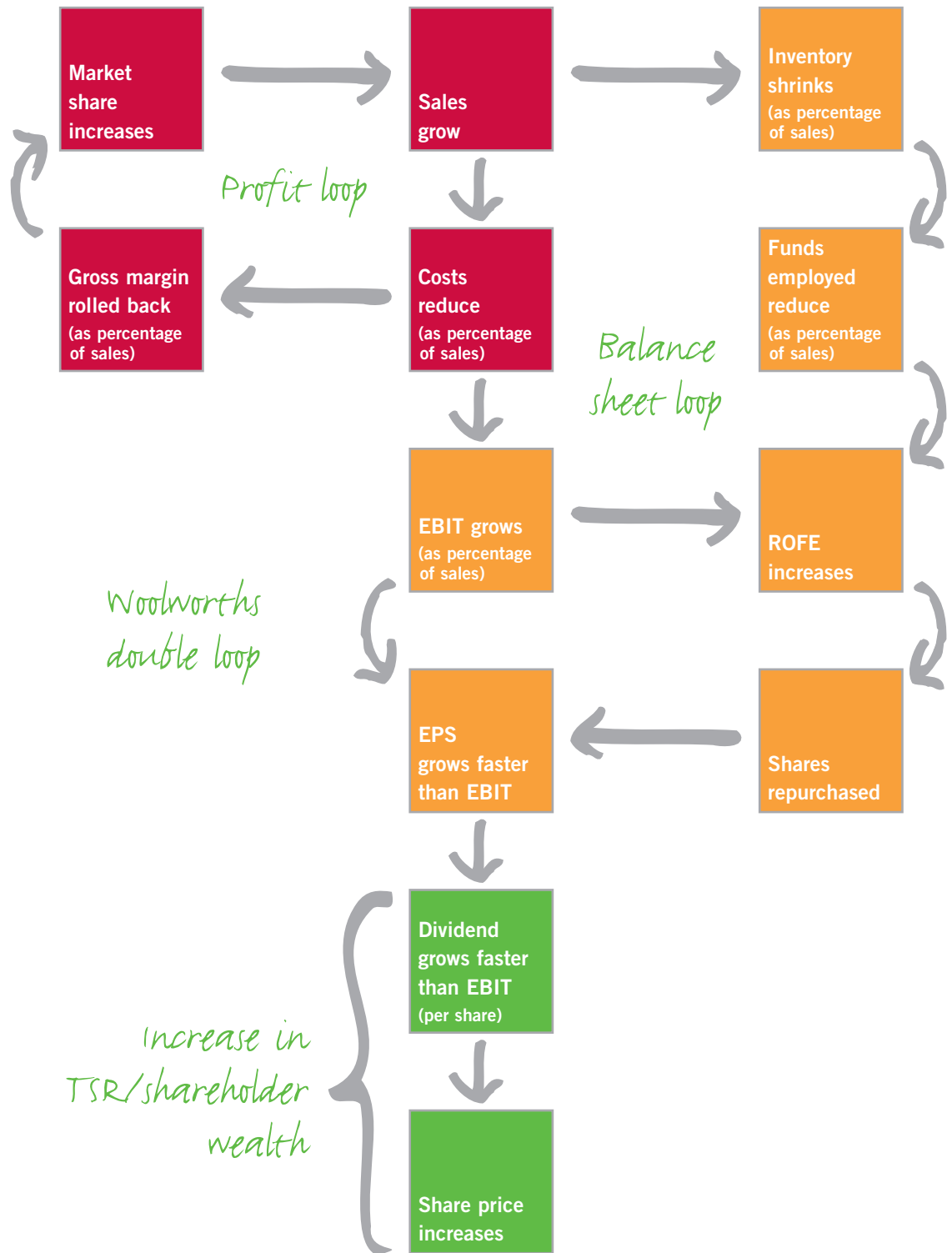
Growth in the business

As a high volume, low margin retailer, growth is critical to our business and will continue to be an integral and important part of Woolworths' strategy.

Woolworths has significant operating and financial strengths, which allow us to efficiently leverage growth of both sales and earnings.

Looking forward, Woolworths' growth will come from:

- 1 Growth of the core business. We have a share of the fresh food market of approximately 20%, which gives substantial scope for further growth from the customers already in our stores. This can be increased over time by selling a wider range of products and opening longer hours as the trend towards deregulation continues.
- 2 Our competitive strategy of price, range, quality and convenience provides a strong basis for overall growth in our share of sales and customers.
- 3 We have a significant proportion of new stores which are in the early stages of development and therefore have far higher growth potential than more mature stores.
- 4 Analysis of population and geographic data, which has been independently verified, supports the view that we can sustain an annual growth rate in new stores for Supermarkets of in the order of 20–30 and BIG W in the order of 5, for the foreseeable future. The Dick Smith Electronics PowerHouse store rollout is just beginning. The Plus Petrol business



presently has 137 outlets and this will grow to 200.

- 5 We continue to experiment with new format stores in both our Supermarket and General Merchandise divisions in order to develop formats that will take advantage of the areas not covered by our existing formats. We now have sufficient experience to indicate that this is a viable strategy for future growth.
- 6 We continue to seek, with success, 'bolt on' businesses, which leverage on our present major businesses. The Toohey Bros chain in NSW, Booze Bros chain in South Australia, Advantage Supermarkets in Western Australia and Dan Murphy chain in Victoria are examples to date. We plan to continue with this strategy. Banking and Petrol are examples of 'adjacent business' strategies which will grow our business. We also plan to use our banking customer shopping information to extend our service levels and range of services offered to Woolworths customers.
- 7 We are actively pursuing Internet and electronic shopping options for future growth. Our Home Shop service is being progressively extended and is gaining increased acceptance. We are confident that in the future this will provide an additional means of growth and access to valuable customer shopping information.
- 8 We will also examine more substantial acquisitions, if they demonstrably add to shareholder value.
- 9 Other growth opportunities are continually being developed as a major part of the Company's strategy development.

Summary

The Board and Management are confident that, given ongoing satisfactory economic conditions,

Woolworths will continue to deliver sales growth in the high single digit and profit in the lower double-digit ranges for the foreseeable future, i.e. 3 to 5 years. Beyond that time frame, Woolworths will continue to develop growth strategies. Growth remains a key factor in Woolworths' strategies for the future.

Current trading and future outlook

The new financial year has begun satisfactorily following a better than expected final quarter sales in the previous year.

In the first two months of the new financial year, the Supermarket Group sales have continued to grow at over 8%, and the General Merchandise Group sales (adjusted to exclude Rockmans) increased very satisfactorily at over 9%. Overall sales (adjusted to exclude Rockmans) are up more than 8%, with AIW wholesale sales down due to the exit from unprofitable cigarette and export businesses. This suggests that GST has had no negative effect upon our sales.

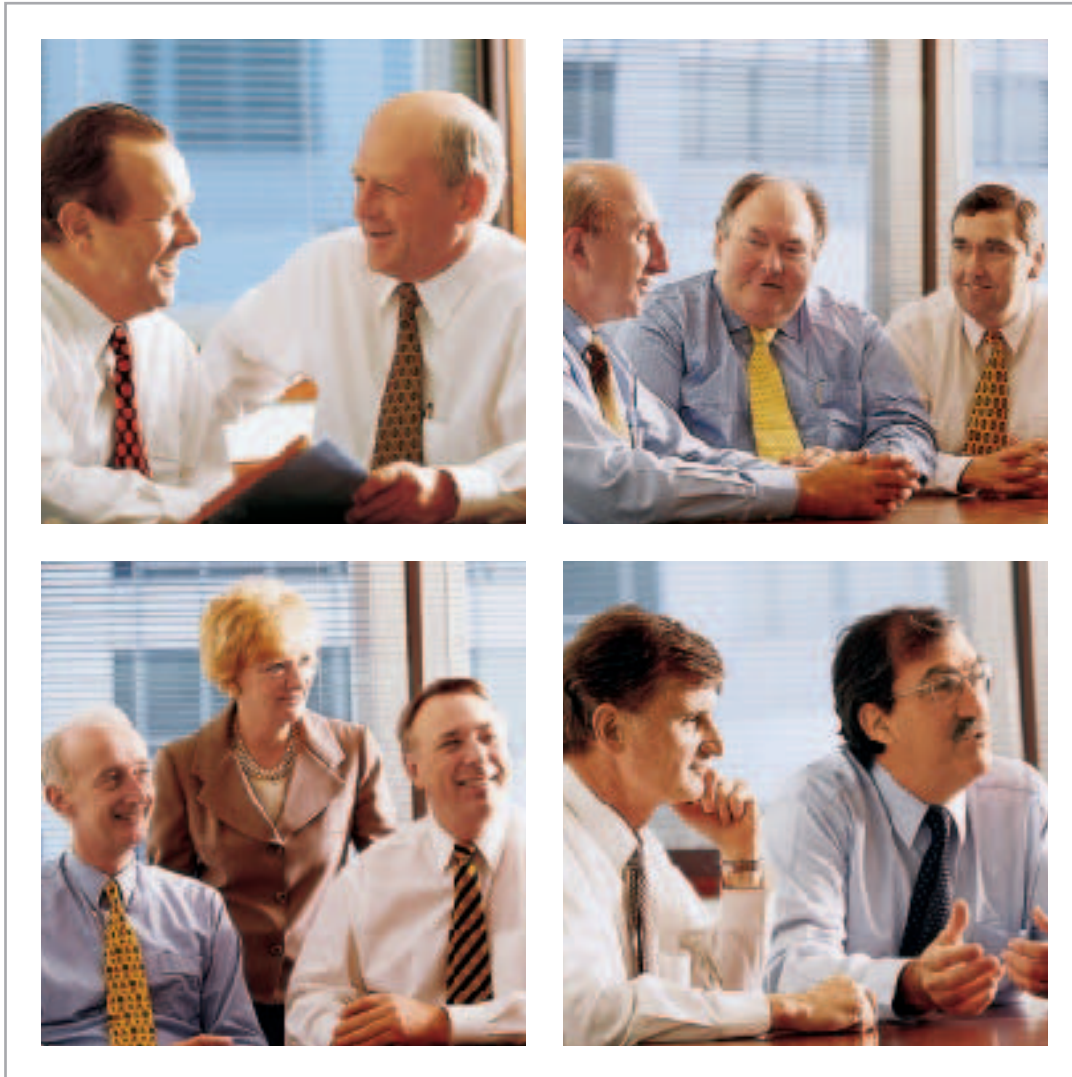
Conclusion

I would like to express my sincere appreciation for the contribution to these excellent results by our Management and the whole of our team of over 125,000 people. We are all committed to continued and ongoing improvement in our offer to our customers and increased value to our shareholders.



Roger Corbett
Group Managing Director and
Chief Executive Officer

BUSINESS STRUCTURE AT A GLANCE ▶



▲ The corporate support team:

(Top left • left to right)

Bill Wavish
Finance Director

Roger Corbett
Group Managing Director/
Chief Executive Officer

(Bottom left • left to right)

Steve Bradley
Corporate Manager IT

Judy Howard
General Manager
Human Resources

Michael Luscombe
General Manager
Supply Chain

(Top right • left to right)

Naum Onikul
Chief General Manager
Supermarket Operations

Dick McMorrin
Chief General Manager
General Merchandise

Bernie Brookes
Chief General Manager
Supermarket Buying
and Marketing

(Bottom right • left to right)

Rohan Jeffs
General Manager
Corporate Services

Gary Reid
General Manager
Business Development





General merchandise division



◀ The supermarkets executive team:

(Left to right • top to bottom)

Hans Sidler
General Manager Petrol

Naum Onikul
Chief General Manager
Supermarket Operations



David Fletcher
General Manager Finance

Tony Leon
General Manager
Dan Murphy

Tom Flood
General Manager
Victoria



Tim Orgias
General Manager
South Australia/
Northern Territory

Michael Kent
General Manager
Tasmania

Tony McFadzean
General Manager
New South Wales/
Australian Capital Territory

Marty Hamnett
General Manager
Queensland

Len de Nooyer
General Manager
Western Australia



◀ The general merchandise executive team:

(Left to right)

Bob Newey
General Manager Crazy Prices

Jeff Grover
Managing Director
Dick Smith Electronics

Dick McMorron
Chief General Manager
General Merchandise



◀ The BIG W executive support team:

(Left to right • top to bottom)

Garry Smith
General Manager Stores

Ross Kerr
General Manager
Merchandise and Marketing

Dick McMorron
Chief General Manager
General Merchandise

Ron Barnett
Controller Warehousing and
Supply Chain Management

Doug Everett
General Manager Finance



Paul Jones
Controller Buying
Administration

Neil Kerry
Controller Hard Goods



Launa Inman
Controller Soft Goods

Ralph Kemmler
Controller Store Planning,
Development and Maintenance



John Holman
Controller Marketing

David Hunt
Controller IT

It's a fresh



Our report to shareholders last year said we had embarked on a significant process of change across the Group. Our objectives are to create an environment where we respond to customers' needs as fast as possible, and to create greater value for shareholders.



1: Today, customers demand value, range, quality, price and convenience. Woolworths consistently strives to respond to this new retail environment by providing our more than 13 million customers a week with a shopping experience that gets better and better every time.

2: Our liquor business is proving to be highly successful, with Dan Murphy making a larger contribution to overall profits. The business continues to grow as we improve on our range, service and product offer. As part of the ongoing plan to broaden the business, we acquired 11 fine wine retail outlets in Sydney during the year, 16 liquor stores in Adelaide and a number of new liquor outlets in Perth. This is in line with our promise made in February 2000 to augment the Company's sales growth through acquisitions which complement our core business.

approach



3: At Woolworths we understand that our customers are more aware of health and nutrition than ever before. They want the very best range and quality of fresh food along with the best competitive prices. In August 2000 Woolworths launched a new chapter in the Fresh Food People story. This approach caters to broader food tastes in our community recognising the growth of international food styles, the desire for more innovative fresh ingredients and the need to provide easy-to-assemble meal ingredients.



4: Customers are now more focused on the way food is packaged and delivered.



5: Ezy Banking has been successful because customers are looking for a fresh and simple solution to their daily financial service needs.

6: Our customers place great faith in the quality of food and other products they buy from Woolworths. In order to deserve this confidence we do a lot of work behind the scenes on quality assurance to make our promise a reality.

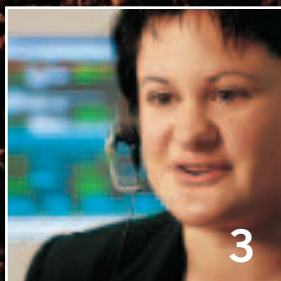
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2



3



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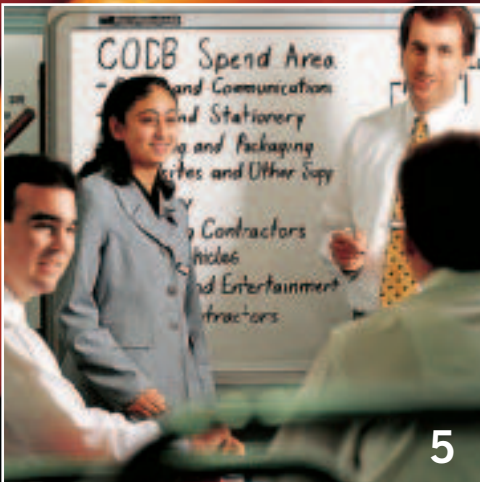
1 & 2: StockSMART is our stock management and replenishment project. It will speed up the supply of stock from distribution centres to store shelves with the ultimate aim of removing unnecessary inventory from the supply chain.

3: This year a national IT help desk was set up in Sydney. The move from six state-based desks means that our people in more than 1,100 stores, support offices and distribution centres get consistent information and better service – and that helps them help customers.

4: The Fresh Food People have a 'buy Australian' commitment. We search across the whole of Australia to find the freshest finest quality. With oranges, for example, we only bring fruit into the country when a change of growing season means our own growers have no fruit to supply us. We are working with farmers to meet customer demands together. In November 1999 and again in April 2000 we held a series of meetings with produce suppliers to discuss the Fresh Food People Code of Conduct that underpins the training of Woolworths buyers and sets guidelines for the building of collaborative business relationships in support of Australian primary industry. We have also launched an e-mail service to quickly serve producers with any queries they may have about doing business with Woolworths on producerissues@woolworths.com.au.

roots up.

'Refresh' is already much more than a project – it's becoming a journey of continuous improvement covering supply chain, IT, organisational redesign, human resources and cost of doing business. We are also moving to develop cultural change in Woolworths.



5: An exciting part of Project Refresh is that key areas of the business are being managed by working teams drawn from right around the company. Teams are working to determine where savings can be made in the cost of doing business. The teamwork is creating enormous excitement as our people see the potential of benefit to the Company and recognise – through their involvement – that they are adding value and changing things in a tangible way.

6: Supply chain efficiencies continued to be delivered in the year under review by the distribution centres which have been a critical part of our recent capital expenditure programme. As the year progressed the considerable strategic advantages of these assets became even more apparent. We have seen improved in-stock positions and lower costs as a percentage of sales.

THE BOARD OF DIRECTORS ▶



John Christian Dahlsen LLB, MBA
Chairman
Non-executive, Chairman Personnel Policy Committee and Corporate Governance Committee, Member Audit Committee and Strategy Committee

Mr Dahlsen is a commercial Solicitor and former partner and consultant with the national law firm Corrs Chambers Westgarth. He is currently a Director of Australia and New Zealand Banking Group Limited, Southern Cross Broadcasting (Aust.) Limited, and Chairman of Melbourne Business School Limited. He was previously the Deputy Chairman of Myer Emporium Limited and has had a life time involvement through family interests in wholesaling and retailing of building products and roof truss manufacturing. He was appointed a Director in 1992 and Chairman in June 1997. Age 65.



Mervyn John Phillips AM B Ec, FCPA, FAIB
Deputy Chairman
Non-executive, Chairman Audit Committee, Member Corporate Governance Committee

Mr Phillips is Chairman of the Australian Gas Light Company, IBJ Australia Bank Limited and the Foreign Investment Review Board. He is also a Director of QBE Insurance Group Limited and WMC Limited. Mr Phillips was previously Deputy Governor and Deputy Chairman of the Reserve Bank of Australia. He was appointed a Director in 1992. Age 70.



Roger Campbell Corbett B Com, FAIM, FRMIA
Group Managing Director and Chief Executive Officer, Chairman Strategy Committee

Mr Corbett was appointed Group Managing Director and Chief Executive Officer in January 1999, having been Chief Operating Officer since July 1998, Managing Director, Retail since July 1997 and Managing Director of BIG W since May 1990. He has had 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. He was appointed a Director in 1990. Age 58.



John Charles Ballard MBA, FAICD
Non-executive Director
Chairman Board of Trustees, Woolworths Group Superannuation Scheme, Member Corporate Governance Committee and Strategy Committee

Mr Ballard is a Director of WattyI Ltd and Email Limited. He was previously Managing Director, Asia Pacific, for United Biscuits Ltd and Managing Director Snack Foods, for Amatil Ltd (now Coca-Cola Amatil Ltd). He was appointed a Director in September 1997. Age 54.



Adrienne Elizabeth Clarke AO PhD, FAA, FTSE
Non-executive Director
Member Personnel Policy Committee and Corporate Governance Committee

Professor Clarke is a Director of WMC Limited, Tridan Ltd, Hexima Ltd and AMRAD Corporation Ltd. She is Laureate Professor at the University of Melbourne with a distinguished record of achievement in the Sciences of Botany and Biology. She was previously Chairman of the CSIRO Board (1991–1996) and is co-Chair of the Knowledge, Innovation, Science & Engineering Council of the Victorian Government and a Member of the Prime Minister's Supermarket to Asia Council and Member of the Federal Government's Trade Policy Advisory Group. She was appointed a Director in July 1994. Age 62.

◀ (Top to bottom)

- John Dahlsen
- John Phillips
- Roger Corbett
- John Ballard
- Adrienne Clarke



Diane Jennifer Grady BA (Hons), MA, MBA

Non-executive Director

Member Personnel Policy Committee, Corporate Governance Committee and Strategy Committee

Ms Grady is a Director of Lend Lease Corporation, Watty Ltd, Lend Lease U.S. Office Trust and a Trustee of the Sydney Opera House. Previously she 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. She also assisted six major consumer goods companies in Australia in developing strategies and trade terms for their major retail accounts. She was appointed a Director in July 1996. Age 52.

Leon Michael L'Huillier B Com (Hons), MBA, M Phil

Non-executive Director

Member Audit Committee, Corporate Governance Committee and Strategy Committee

Mr L'Huillier is Chairman of Macquarie Corporate Telecommunications Holdings Pty Limited, a Director of Fortis Australia Limited and an external adviser to PricewaterhouseCoopers. He is a former CEO of major manufacturers of fast moving consumer goods, most recently as CEO of Lion Nathan Australia. His recent experience as a Director includes grocery logistics, warehousing and supply chain operations, the development and management of some of Australia's major regional shopping centres, and banking and financial services. He is presently involved with several technology, biotechnology and e-business ventures. He was appointed a Director in September 1997. Age 57.

James Alexander Strong LLB

Non-executive Director

Member Corporate Governance Committee

Mr Strong is Chief Executive and Managing Director of Qantas Airways Limited, and a member of the Board of Opera Australia. He is also a Director of the Australian Grand Prix Board and is Deputy Chair of the Australia Business Arts Foundation. He was previously the Chief Executive of Australian Airlines Limited, Managing Partner and National Chairman of Corrs Chambers Westgarth Solicitors and Group Executive of DB Group Limited (New Zealand). He was appointed a Director in March 2000. Age 56.

Roderick Sheldon Deane PhD, BCom (Hons),

FCA, FCIM, FNZIM, LLD (honorary from Victoria University)

Non-executive Director

Member Corporate Governance Committee

Dr Deane is the Chairman of Telecom Corporation of New Zealand (having previously held the position of Chief Executive and Managing Director for seven years). He is also the Chairman of Fletcher Challenge Limited, Te Papa Tongarewa (The Museum of New Zealand), ANZ Banking Group (New Zealand) Limited and a Director of ANZ Banking Group Ltd, TransAlta Corporation (Canada) and eVentures New Zealand Limited. He was appointed a Director in April 2000. Age 58.

William Paul Renton Wavish

CMANZ, ACANZ, ACIS, ANZIM

Finance Director

Member Strategy Committee

Mr Wavish was appointed Chief Financial Officer in April 1999. He has had a range of CEO, COO, CFO and Chairman positions in Australia and Hong Kong covering retailing, property development, acquisitions and consulting, manufacturing and fast moving consumer goods. In particular, he was Chief Financial Officer of the Dairy Farm Group and later Chief Operating Officer for North Asia for the supermarket, food manufacturing and retailing group. He was appointed a Director in June 2000. Age 52.

▲
(Left to right)

Diane Grady

Leon L'Huillier

James Strong

Roderick Deane

Bill Wavish

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 25 June 2000. ▶

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:

Name	Title
J C Dahlsen	Chairman
M J Phillips	Deputy Chairman
J C Ballard	Director
A E Clarke	Director
D J Grady	Director
L M L'Huillier	Director
J A Strong	Director
R S Deane	Director
R C Corbett	Group Managing Director and Chief Executive Officer
W P R Wavish	Finance Director

The experience, qualifications and special responsibilities of each of the Directors are set out against their respective names on pages 28 to 29.

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, general merchandise and specialty retailing through chain store operations.

As indicated in the Group Managing Director's Report and this Report, the Company disposed of its interests in the Rockmans Fashion business and the Chisholm Manufacturing businesses during or since the end of the period. Otherwise, no significant change in the nature of the activities of the Company and its entities occurred during the period.

Consolidated results and review of operations

The net amount of consolidated profit for the financial period after provision for income tax and abnormal items, attributable to members of the Company and its controlled entities was \$295.5 million (1999: \$257.0 million). Abnormal expenses of \$93.9 million pre tax (1999: \$86.4 million), were incurred by the consolidated entity in the period.

A review of the operations of the consolidated entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report and the Group Managing Director's Report on pages 2 to 21, 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 paid were fully franked at the 36% tax rate (except the Final Dividend for 2000 at 34%).

	Cents per share	Total paid \$m
Final 1999 Dividend paid on 5 October 1999	10	115.6
Interim 2000 Dividend paid on 28 April 2000	10	105.6
Buyback Special Dividend paid on 7 April 2000	247	247.0
Final 2000 Dividend payable on 5 October 2000	13	137.8

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) A net decrease in the issued share capital of the Company of 92,833,426 fully paid ordinary shares as a result of:
- (i) the issue on 5 October 1999 of 4,655,931 and on 28 April 2000 of 4,690,598 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan in respect of the 1999 Final Dividend and 2000 Interim Dividend, respectively;
 - (ii) the issue on various dates of a total of 5,126,767 fully paid ordinary shares pursuant to the Employee Share Plan;
 - (iii) the issue on various dates of 568,145 fully paid ordinary shares as a result

of the exercise of options held by a number of executives under the Executive Share Option Plan and Senior Executive Service Contracts;

- (iv) the issue on 24 February 2000 of 2,658,750 fully paid ordinary shares pursuant to the Employee Share Issue Plan;
 - (v) the buy back of 10,542,691 fully paid ordinary shares pursuant to on-market buy backs between 27 September 1999 and 9 December 1999;
 - (vi) the buy back of 99,990,926 fully paid ordinary shares pursuant to the Buy Back Offer dated 1 March 2000 at \$4.92 per share.
- (B) The issue on 2 December 1999 of 6,000,000 Woolworths Income Notes to provide \$600 million by way of additional capital raising.
- (C) The grant of 32,715,000 options under the Executive Option Plan as of 1 July 1999.

Matters subsequent to the end of the financial period

- (A) On 28 August 2000 the Directors declared a Final Dividend of 13 cents per share, fully franked, on each of the issued ordinary shares of the Company. The Final Dividend is payable on 5 October 2000.
- (B) The transition of the Company's systems and procedures from the Wholesale Sales Tax to the Goods and Services Tax was satisfactorily completed.

Except for the matters disclosed in the Chairman's Report and the Group Managing Director's Report on pages 2 to 3 and on pages 4 to 21 of this Report there is, at the date of this Report, no other matter or circumstance which has arisen

since 25 June 2000 that has significantly affected or may significantly affect:

- (i) the operations in future financial periods subsequent to the financial period ended 25 June 2000, of the consolidated entity constituted by the Company and the entities it controls from time to time; or
- (ii) the results of those operations in future financial periods; or
- (iii) the state of affairs, in future financial periods, of the consolidated entity.

Likely developments and expected results of operations

Other than comments on likely developments or expected results of certain of the operations of the consolidated entity which are included

in the Chairman's Report and the Group Managing Director's Report on pages 2 to 21, in the opinion of the Directors, further information on likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have been omitted as the Directors believe it would be likely to result in unreasonable prejudice to the Group's interests if such further information were included in this Report.

Meetings of Directors

The table below sets out the number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the financial period ended 25 June 2000 and the number of meetings attended by each Director of the Company at those meetings.

Director	Meetings of Directors held whilst a Director	Meetings attended by Director	Meetings of Audit Committee Held/Attended	Meetings of Personnel Policy Committee Held/Attended	Meetings of Corporate Governance Committee Held/Attended	Meetings of Strategy Committee Held/Attended	Meetings of other committees* Held/Attended
J C Dahlsen ^{1,2,3,5}	17	17	12/11	10/10	11/11	6/5	9/9
J C Ballard ^{3,4,5}	17	17			11/11	6/6	7/7
A E Clarke ^{2,3}	17	14		10/10	11/10		7/7
R C Corbett ⁵	17	16				6/6	9/9
D J Grady ^{2,3,5}	17	15		10/9	11/11	6/6	7/7
L M L'Huillier ^{1,3,5}	17	15	12/10		11/10	6/6	7/7
M J Phillips ^{1,3}	17	16	12/11		11/11		7/7
J A Strong ^{3**}	3	3			3/3		2/2
R S Deane ^{3**}	3	2			3/3		1/1
W P R Wavish ^{5**}	1	1					

1 Member Audit Committee

2 Member Personnel Policy Committee

3 Member Corporate Governance Committee

4 Mr J C Ballard is Chairman of the Board of Trustees of the Woolworths Group Superannuation Scheme.

5 Member Strategy Committee

* These are ad hoc Committees which attended to special and administrative matters on behalf of the Board.

** Messrs J Strong, R Deane and B Wavish were appointed Directors in March, April and June 2000, respectively.

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 the date of this Report are set out below:

Director	Relevant interest in ordinary shares in Woolworths Limited	Options to acquire unissued ordinary shares in Woolworths Limited
J C Dahlsen	54,517*	–
J C Ballard	41,944**	–
A E Clarke	14,638	–
R C Corbett	70,165	2,271,000
D J Grady	15,323	–
L M L'Huillier	86,351	–
M J Phillips	13,485	–
J A Strong	–	–
R S Deane	40,000	–
W P R Wavish	10,000	1,200,000

* The relevant interest of Mr J Dahlsen comprises a beneficial interest through a superannuation fund.

** The relevant interest of Mr J Ballard comprises a legal interest of 10,944 shares and beneficial interests through a superannuation fund (16,000 shares) and a family trust (15,000 shares).

Election of Directors

Mr J A Strong, Dr R S Deane and Mr W P R Wavish were appointed Directors (on 10 March 2000, 14 April 2000 and 16 June 2000, respectively) as additions to the Board. These Directors will, together with Messrs M J Phillips and J C Dahlsen, who retire by rotation in accordance with the Constitution of the Company, submit themselves for re-election at the 2000 Annual General Meeting.

Directors' and Executive Officers' emoluments

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

Non-executive Directors

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by the shareholders. The current maximum amount which may be paid in Directors' fees, as approved at the Annual General Meeting on 16 November 1998, is \$950,000 per annum. For the reasons set out in the Explanatory Notes attached to the 2000 Notice of Annual General Meeting (AGM), it is proposed to increase the maximum amount by \$300,000 per annum to \$1,250,000 per annum, subject to the approval of shareholders at the 2000 AGM.

The amount of Directors' fees payable to each of the non-executive Directors is determined having regard to independent expert advice. No directors' fees are paid to executive Directors.

At the date of this Report, the amount of Directors' fees paid to each non-executive Director is \$80,000 per annum. This amount is currently under review. The Chairman receives a multiple of 3 times this amount and the Deputy Chairman a multiple of 1.75 times this amount.

No additional fees are paid to Directors for their participation in Board Committees or various other Board activities and responsibilities.

On appointment, non-executive Directors agree to limit their total number of other listed public company directorships to no more than six, as part of the Directors' Retirement Deed

provisions which each of the non-executive Directors has executed with the Company.

Under these Deeds, each Director who has been appointed for at least 3 years is entitled to receive an allowance, on retirement as a Director. 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 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 is in addition to contributions made pursuant to the Superannuation Guarantee legislation.

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

Directors' emoluments for the financial period to 25 June 2000

Director	Directors' fees \$	Superannuation contributions \$	Total \$
J C Dahlsen	225,000	7,080	232,080
M J Phillips	140,000	7,080	147,080
J C Ballard	70,000	5,600	75,600
A E Clarke	80,000	5,600	85,600
D J Grady	80,000	5,600	85,600
L M L'Huillier	80,000	5,600	85,600
J A Strong	114	798	912
R S Deane	3,333	233	3,566

Executive Directors' and Executive Officers' remuneration

The structure of remuneration for the Chief Executive Officer and Senior Executives is described below and it is the role of the Personnel Policy Committee to advise the Board on these as part of the Company's remuneration policies and practices. An outline of the Committee's role in this regard is set out on page 42 of this Report.

The remuneration policy for Senior Executives is structured to provide fixed and variable remuneration. The fixed remuneration comprises salary, superannuation contributions, (under the terms of the Woolworths Group Superannuation Scheme) and the use of a fully maintained motor vehicle, car parking facilities or in some instances, a car allowance. During the period under review, the variable remuneration comprised an annual cash incentive bonus under the Short Term Incentive Plan (STIP), which is payable upon achievement of corporate and/or business unit related Key Result Areas (KRA's) which set financial and trading performance targets for the year under review. These are adjusted to meet the specific objectives of each main business unit for the year.

Group, divisional and major business unit performance for the financial period have resulted in incentive bonus payments, under the STIP, for a substantial number of Executives in the Group on the basis of achievement of a proportion of each of the KRA's, at various levels for each business.

During the financial period, the Personnel Policy Committee continued its review of the STIP and as a result of the Committee's recommendations, the Board has agreed to further changes to the KRA targets to more closely align Executives' remuneration with individual business performance targets.

Executive Directors' and Executive Officers' emoluments

Director	Salary \$	Performance incentive bonus ¹ \$	Other benefits ² \$	Superannuation contributions ³ \$	Number of vested options granted ⁴	Value of vested options granted ⁵ \$	Total emoluments \$
Executive Directors							
R C Corbett	913,418	223,463	26,760	86,613	333,000	340,326	1,590,580
W P R Wavish	531,250	151,500	29,471	54,687	120,000	122,640	889,548
Executive Officers							
K R McMorrone	509,262	218,000	27,785	50,000	100,000	102,200	907,247
N J Onikul	450,000	148,080	17,396	83,333	100,000	102,200	801,009
J I P Grover	400,000	200,000	30,000	40,000	60,000	61,320	731,320
B Brookes	390,500	130,975	38,313	40,000	100,000	102,200	701,988
M Luscombe	417,236	79,900	13,637	40,000	70,000	71,540	622,313

1 Performance incentive bonus payment made in the financial period to 25 June 2000 and based on performance for the financial period to 27 June 1999. Bonus payments in respect of the year to 25 June 2000 will be made in September 2000.

2 Other benefits include the cost to the company of motor vehicles, car parking, car allowances, where these are applicable. These amounts include fringe benefits tax, where applicable.

3 In certain instances superannuation contributions include amounts paid in lieu of salaries or performance incentive bonuses.

4 These options comprise only those which were granted during the period and which have met the performance hurdles as set out below. The remainder are shown on page 37. The options issued to Mr R C Corbett were approved by shareholders at the 1999 AGM. Those issued to Mr W Wavish and Executive Officers were granted pursuant to the Executive Option Plan which was approved by shareholders at the 1999 AGM.

5 Options granted have been valued using the Black-Scholes valuation methodology as at the date of grant. The valuation takes into account the price at grant date, the exercise price, a deemed term of the option of five years, the volatility in the price of underlying shares and expected dividends. The emoluments in the table above do not include amounts representing the value of non-vested options granted during the financial period as they are subject to performance hurdles for each subsequent financial period and it is not considered appropriate to value the options prior to the performance hurdles being achieved.

Note: These benefits do not include those which may accrue under the Service Contracts referred to on this page as the entitlement to the benefits has not arisen.

The STIP, together with the Board's policy of limiting increases in fixed remuneration (salary and superannuation), has emphasised a remuneration structure for Executives which provide a more 'at risk' reward, in addition to a higher reward for superior and consistent performance linked to achievement across each of the KRA's.

The Executive Option Plan (Plan), which was approved by shareholders at the 1999 Annual General meeting (AGM) is the other major component of the new remuneration strategy. Under this long-term incentive plan (LTIP), there were 32,715,000 options granted during the period to over 300 Executives under the Plan. These options will be available for exercise by Executives only upon achievement of performance hurdles, linked to normal earnings per share (EPS) growth at 8% p.a.

compound and ASX market comparative total shareholder returns (TSR), over a five year period. The first tranche of the EPS hurdle, for the period under review, has been satisfied. This tranche comprises 10% of the total option allocation and will be available to be exercised from 1 July 2002.

Senior Executives and certain other Executives have also entered into Service Contracts, as approved by shareholders at the 1999 AGM, which provide for a retention based cash bonus, adjusted for movements in the Company's share price. The bonus is payable upon expiry of the agreed term of the Contract, provided the Executive meets the Contract performance requirements. The cash bonus for Senior Executives is proposed to be offered in the form of options or shares in the Company.

The 1999 AGM also approved the establishment of new Plans entitling non-executive Directors and Executives to purchase fully paid shares in the Company, at market value and on an on-market basis, through the sacrifice of a proportion of their Directors' fees, or in the case of Executives, of their salary or annual incentive bonus under the STIP. These Plans are intended to encourage increased ownership and retention, by Directors and Executives, of shares in the Company, to more closely align their interests with those of shareholders.

Both the STIP and LTIP are aimed at setting appropriate hurdles for achievement of performance based variable remuneration to provide rewards to Executives which are commensurate with measurable improvements in Company and business unit performance, across all of the critical financial and operating measures, as well as with substantial on-going gains in shareholder value and in particular in EPS growth and TSR.

Details of the nature and amount of each element of the emoluments of the Executive Directors and of the five additional Executive Officers for the Group and the Company receiving the highest emoluments for the financial period are detailed on page 35 together with details of options issued to those Executive Directors and Executive Officers during the financial period and which have vested under the terms of the Executive Option Plan.

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 in line with that available to all employees of the Group.

Share options

During the financial period ended 25 June 2000 and up to the date of this Report there were 32,715,000 options granted over unissued ordinary shares in the Company of which 3,200,000 were granted to Executive Directors and 4,300,000 in aggregate were granted to the five most highly remunerated officers during the financial period as part of their remuneration. Details of those options which have vested are set out on page 35. No options were granted to non-executive Directors. Whilst no options have been granted since the end of the financial period, invitations to newly appointed or promoted Executives to apply for options under the EOP, on the basis of a grant date of 1 July 2000, are expected to be made.

As at the date of this Report there are 38,127,000 options outstanding to acquire unissued fully paid ordinary shares in the Company, particulars of the issue prices and the expiry dates of which are referred to on page 37. During or since the financial period and up to the date of this Report 1,068,033 fully paid ordinary shares in Woolworths Limited have been issued by virtue of the exercise of certain of those options granted under the previous Executive Share Option Plan (ESOP) or Senior Executive Service Contracts (ESC) both of which have since been suspended. Details of amounts paid on each of those shares is set out below:

Number of shares issued	Amount paid per share
1,006,437	\$3.27
44,572	\$4.57
10,981	\$5.16
6,043	\$5.87

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

Options over unissued fully paid ordinary shares in Woolworths Limited granted and outstanding under Executive Share Option Plan (ESOP); Executive Option Plan (EOP) and Senior Executive Service Contracts (ESC)

Option grant date	Plan type	Option expiry date	Options outstanding	Number of holders	Issue/exercise price \$
26 Feb 1996	ESOP	26 Feb 2001	488,000	73	3.27
24 Feb 1997	ESOP	24 Feb 2002	685,000	30	3.55
24 Feb 1997	ESC	24 Feb 2002	255,000	3	3.55
17 Nov 1997	ESC	17 Nov 2002	225,000	2	4.57
2 Mar 1998	ESOP	2 Mar 2003	1,985,000	238	5.87
1 Mar 1999	ESOP	1 Mar 2004	1,939,000	271	5.16
1 July 1999	EOP	1 July 2009***	32,550,000**	306*	5.11
Total			38,127,000		

* Including the Executive Directors and Executive Officers named on page 35.

** These options are subject to performance hurdles and other than set out on page 35, are non-vested options.

*** This is the latest date for exercise of options. EOP rules specify earlier available dates for exercise.

Options on issue to Executive Directors

Director	Number of options held	Exercise price \$	Date options granted	Date options exercisable	Date options expire
R C Corbett	48,000	3.27	26 Feb 1996	26 Feb 2000	26 Feb 2001
	48,000	5.87	2 Mar 1998	2 Mar 2002	2 Mar 2003
	175,000	4.57	17 Nov 1997	17 May 2002	17 Nov 2002
	48,000	5.16	1 Mar 1999	1 Mar 2003	1 Mar 2004
	2,000,000*	5.11	1 July 1999	1 July 2002**	1 July 2004
W P R Wavish	1,200,000*	5.11	1 July 1999	1 July 2002**	1 July 2009

* Comprise vested options, referred to on page 35 and non-vested options.

** The date of exercise is in relation to a proportion only of the options granted, as set out in EOP Rules, over the period of 3 to 5 years, respectively, and are subject to performance hurdles as set out on page 35.

Environmental regulation

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 apart from those activities detailed below.

Chisholm Manufacturing, which was sold since the end of the year under review, comprised the Group's Smallgoods manufacturing, Meat Plants, Printing and Packaging Division and holds environmental licences for their respective State regulatory requirements.

The Group may also from time to time be subject to various State and Local Government

food licensing requirements and environmental and town planning and other regulations incidental to the development of shopping centre sites, including petroleum outlets.

As outlined in the Group Managing Director's Report on page 15, the Supermarket Division has implemented a number of initiatives involving the recycling of store and distribution centre plastic, green and cardboard waste and the use of 'environmentally friendly' refrigerant gases.

The Group has not incurred any significant liabilities under any environmental legislation.

Directors' and Officers' indemnity/insurance

- (i) The Constitution of the Company provides an indemnity (to the maximum extent permitted by law) in favour of each Director of the Company referred to on page 30 of this Report; the Company Secretary, past directors and secretaries and all past 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 courts grant relief to the specified persons under the Corporations Law.
- (ii) 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 liability 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.
- (iii) During the year, each Director entered into Deeds of Indemnity and Access which provide 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 to Company documents and records, subject to undertakings as to confidentiality.

- (iv) Proceedings were concluded during the financial period against a subsidiary within the Group and two Group employees including an executive officer, relating to alleged contraventions of the Trade Practices Act.

The proceedings, brought by the Australian Competition and Consumer Commission (ACCC), were commenced in February 1999 in the Federal Court of Australia and continued until October 1999. They have involved the Company in significant legal expense during the financial period.

In relation to these proceedings, the Company agreed to provide indemnity to the two Group employees, including the executive officer referred to above, against any liability for costs and penalties that may be incurred in these proceedings unless the liability arose in circumstances involving breach of duty or lack of good faith. The action was amended by the ACCC during the course of these proceedings as a result of which, the claim against the executive officer was dismissed. The claim against the related body corporate and the other Group employee was continued. Legal costs incurred by the Group employee and the executive officer in defending these proceedings have been paid by the Company.

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 Law 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 12 September 2000.

J C Dahlsen
Director

R C Corbett
Director



(Left to right)

Roderick Deane
Director

Leon L'Huillier
Director

Rohan Jeffs
Company Secretary

Bill Wavish
Finance Director

Adrienne Clarke
Director

John Ballard
Director

Diane Grady
Director

John Dahlsen
Chairman

Roger Corbett
Group Managing Director
and Chief Executive Officer

Board responsibilities and objectives

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

Composition of the Board/Committees

The Board has adopted a policy of ensuring that it is composed of a majority of non-executive Directors who, with the executive Directors comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Boards' objectives. With the exception of the Chief Executive Officer and the Finance Director, all of the Directors are non-executive Directors. The Chairman is selected from and is appointed by the non-executive Directors each of whom are appointed to the Corporate Governance Committee. All non-executive Directors are, or will be, appointed to one of the Audit Committee, the Personnel Policy Committee or to the Board of Trustees of the Company's Superannuation Scheme. There are also ad hoc Committees established to review specific issues or activities. In the past year a Strategy Committee was convened. The Audit Committee and Personnel Policy Committee have each adopted comprehensive Charters defining their role and responsibilities, as summarised in this Report.

Directors' Policy Statements

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

- exercise of due care and diligence;
- ensuring disclosure of material matters;
- dealing with conflicts of interest and duties;
- access to information and independent advice;
- confidentiality;
- dealing in securities of the Company and insider trading; and
- fair, open, ethical and honest standards of conduct and dealing.

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 other Directors.

Corporate Governance Committee

The Corporate Governance Committee consists solely 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 to, retirement, performance and remuneration of the Board of Directors, the Board Committees and the Chief Executive Officer of the Company.

Audit Committee

The Audit Committee of Directors is comprised of non-executive Directors who, at the date of this Report, are: Messrs M J Phillips (Chairman), J C Dahlsen and L M L'Huillier.

The Audit Committee's role is to:

- 1 review and monitor internal financial controls to ensure they are adequate and effective to minimise financial and other major operating risks;
- 2 satisfy itself as regards the integrity and prudence of procedures for management control, including the review of management policies and/or practices;
- 3 review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles;
- 4 review the scope and effectiveness of the internal and external audit functions and to review findings and issues brought to its attention and investigate and report to the Board on appropriate action in response;
- 5 review the appointment, performance and remuneration of the external auditors;
- 6 monitor the management of identified risks and identify any new risks and action to be taken for their control; and
- 7 provide to the Board regular reports on risk management review.

The Audit Committee has, during the year, implemented a Business Audit review process in respect of the internal audit management functions, using independent consultants, to ensure they meet the Committee's objectives and policies.

During the year, the Committee regularly monitored, reviewed and reported to the Board, on Business Audit management and independent consultants reports on the Group's Year 2000 Action Plan. The aim of the Action Plan was to ensure that, so far as the Group could reasonably control, Year 2000 would not have a material adverse effect on systems, equipment and services which support the Group's main operating divisions.

There was no interruption to or interference with the Group's business as a result of the 1 January 2000 date change.

The Committee also regularly reviewed the Company's Action Plan for the implementation of the Goods and Services Tax as part of the Federal Government's 'New Tax System'. The Plan was satisfactorily completed.

The Audit Committee also meets with the external auditors and senior management to review the half yearly and annual financial statements and reports and at such other times as may be necessary to consider specific issues or matters which may arise from the internal and external audit process. The external auditors have direct access to the Audit Committee, if necessary, without management involvement. The Committee reports to the Board after each Committee meeting.

During the year the Committee reviewed the tender process for the provision of external audit services to the Group. As a result, it is proposed, subject to shareholders approval, to appoint Deloitte Touche Tohmatsu as the Company's auditors at the 2000 AGM.

Personnel Policy Committee

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

The Personnel Policy Committee's main role is to ensure that the remuneration policies and practices and the development of the Management and Executive of the Company are consistent with its strategic goals and human-resource objectives.

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 human relations policies and strategies;
- 2 reviewing, on an annual basis, the Management/Executive Salaries, Short and Long Term Incentive Plans and Remuneration Programme and Senior Executive/Chief Executive Officer remuneration structure and levels, including Share/Option Plan participation, performance objectives and adjustment to ensure they meet corporate/business unit performance criteria;
- 3 reviewing performance appraisal and evaluation procedures and results for the Chief Executive Officer and Senior Executives;
- 4 monitoring the Chief Executive Officer, Executive and Senior Management Succession Planning Programmes and ensuring the Executive Development Programmes are appropriate to the Company's current and future executive needs;
- 5 determining 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 non-executive Directors' remuneration (within the maximum aggregate amount approved by shareholders) and their retirement benefits in accordance with a shareholder approved scheme, and in accordance with the Constitution of the Company and the Corporations Law.

The Personnel Policy Committee meets as necessary to carry out its responsibilities.

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

This review by the Committee has resulted in the implementation of recommendations for changes to both the Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP) structures. Details of these changes are set out in the Directors' Statutory Report on pages 30 to 39.

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

Other committees

In addition to these Standing Committees, the Board appoints Directors, as necessary, to act as ad hoc Committees to deal with special and administrative and other matters.

During the year, the Board established a Strategy Committee comprising Messrs R Corbett (Chairman), J Dahlsen, J Ballard, Ms D Grady, Messrs L L'Huillier and B Wavish to review the strategic direction of the Australian and global retail environments and the opportunities for future growth and expansion of the Company. The Committee also played a key role in the review, adoption and implementation of the strategic approach to the re-engineering of the core businesses under the 'Project Refresh' initiatives. These have already had a significant impact on the structure and approach to cost control within the major Supermarket business and will continue to deliver benefits in the operational efficiencies, supplier relationships and total supply chain management in the years ahead.

This Committee also meets regularly to monitor progress in the 'Project Refresh' initiatives and the strategic developments and opportunities in the dynamic global retail environment.

Risk management

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

The policies relating to financial risk controls – in the areas of interest rate risk; credit risk and liquidity risk continue to be monitored by the Audit Committee.

Corporate conduct

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

- 1 business conduct/ethics
- 2 trade practices/fair trading practices
- 3 tendering and supply arrangements
- 4 trading in Company shares/options
- 5 conflicts of interest/confidentiality
- 6 gifts and gratuities/political donations
- 7 occupational health and safety/discrimination
- 8 equal employment opportunity

These policies 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.

The adoption by the Company of the Retail Industry Code of Conduct, developed in response to a Federal Parliamentary Inquiry Report in 1999, will be supported by internal dispute resolution procedures for suppliers to our Supermarket business.

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A copy of the full financial report and auditors' report will be sent to any shareholder free of charge on request to the Share Registrar, contact details for whom are set out inside the back cover.

Five year analysis

	2000 52 weeks	1999 52 weeks	1998 52 weeks	1997 53 weeks	1996 52 weeks
Sales (\$m)					
Supermarkets	16,671.2	15,398.6	14,179.8	13,298.3	11,995.2
General merchandise	2,768.4	2,610.7	2,388.8	2,220.2	1,990.9
Wholesale	580.3	455.8	273.3	55.7	–
Total	20,019.9	18,465.1	16,841.9	15,574.2	13,986.1
Stores (number)					
Supermarkets					
New South Wales	192	178	174	162	158
Queensland	112	111	111	106	103
Victoria	149	145	133	130	131
South Australia and Northern Territory	51	45	45	43	40
Western Australia	52	52	50	48	46
Tasmania	29	28	29	29	27
Freestanding liquor	41	42	38	38	27
Plus Petrol	137	98	49	12	–
General merchandise					
BIG W	87	85	82	78	71
Crazy Prices/Variety	135	117	101	86	75
Dick Smith Electronics	123	119	115	113	107
Dick Smith PowerHouse	6	4	2	1	–
Rockmans	0	258	257	252	246
Total	1,114	1,282	1,186	1,098	1,031
Area (square metres)					
Supermarkets	1,254,744	1,206,202	1,149,431	1,105,518	1,040,159
General merchandise	614,515	619,333	589,029	552,645	508,970
Total	1,869,259	1,825,535	1,738,460	1,658,163	1,549,129
EBIT earnings before interest and tax (\$m)					
Supermarkets	601.3	514.7	514.0	463.5	395.7
General merchandise	104.8	90.0	79.3	74.4	59.3
Wholesale	0.1	(4.2)	(10.9)	(5.8)	–
	706.2	600.5	582.4	532.1	455.0
Unallocated ¹	(84.6)	(61.1)	(66.2)	(83.1)	(63.2)
Total	621.6	539.4	516.2	449.0	391.8
EBIT to sales (%)					
Supermarkets	3.61	3.34	3.62	3.49	3.30
General merchandise	3.79	3.45	3.32	3.35	2.98
Wholesale	0.02	(0.92)	(3.99)	(10.41)	–
Total	3.11	2.92	3.06	2.88	2.80
Sales per square metre (\$)					
Supermarkets	13,286.5	12,766.2	12,336.4	12,029.0	11,532.1
General merchandise	4,505.0	4,215.3	4,055.5	4,017.4	3,911.6
Total	10,399.6	9,865.2	9,530.6	9,358.9	9,028.4
ROFE pre-tax return on funds employed² (%)					
Before abnormals	29.08	24.43	26.83	26.33	26.69
After abnormals	24.69	20.52	25.11	26.33	26.69

Five year analysis

	2000 52 weeks	1999 52 weeks	1998 52 weeks	1997 53 weeks	1996 52 weeks
Growth rates (% increase)					
Sales	8.42	9.64	8.14	11.35	9.35
Sales (equivalent weeks)	8.42	9.64	10.22	9.25	9.35
Same store sales	4.74	3.99	4.28	4.39	6.03
Sales per square metre (equivalent weeks)	5.68	3.51	3.79	1.70	3.76
EBITDA	12.49	9.53	16.40	15.38	7.67
EBIT	15.24	4.49	14.97	14.60	6.79
Normal profit before tax	14.94	4.33	16.09	13.09	5.56
Profit attributable to members	14.98	(8.02)	8.29	10.45	0.04
Normal basic EPS ³	18.75	2.68	14.10	6.60	(3.02)
Profit and loss (\$m)					
EBITDA	910.4	809.3	738.9	634.8	550.2
Depreciation and amortisation	(288.8)	(269.9)	(222.7)	(185.8)	(158.4)
Interest	(27.8)	(45.5)	(42.8)	(41.2)	(31.2)
WINS interest	(26.1)	–	–	–	–
Normal profit before tax	567.7	493.9	473.4	407.8	360.6
Taxation	(203.6)	(181.3)	(172.7)	(149.5)	(126.7)
Normal profit after tax	364.1	312.6	300.7	258.3	233.9
Abnormals after tax	(60.1)	(55.3)	(21.1)	–	–
Adjustment for change in company tax rate	(8.4)	–	–	–	–
Outside equity interests	(0.1)	(0.3)	(0.2)	(0.3)	(0.3)
Profit attributable to members	295.5	257.0	279.4	258.0	233.6
Earnings per share					
Weighted average shares on issue (million shares)	1,125.0	1,146.2	1,132.4	1,109.4	1,071.5
Normal basic EPS ³ (cents)	32.36	27.25	26.54	23.26	21.82
Total basic EPS ⁴	26.27	22.42	24.67	23.26	21.82
Interim dividend	10.0	8.0	8.0	7.0	7.0
Final dividend	13.0	10.0	9.0	9.0	8.0
Total dividend	23.0	18.0	17.0	16.0	15.0
Payout ratio (%)					
Normal	66.88	66.28	64.34	69.53	69.65
Total	82.40	80.62	69.26	69.53	69.65
Du Pont analysis (abnormals excluded)					
EBIT to sales	3.11	2.92	3.06	2.88	2.80
Debt burden ⁵	91.33	91.56	91.71	90.82	92.04
Tax burden ⁶	64.14	63.29	63.52	63.34	64.86
Asset turn ⁷	4.21	4.20	4.40	4.67	4.64
Financial leverage ⁸	3.77	3.08	2.94	2.82	2.88
Return on investment ⁹	28.92	21.88	23.15	21.88	22.34

	2000 52 weeks	1999 52 weeks	1998 52 weeks	1997 53 weeks	1996 52 weeks
Balance sheet (\$m)					
Funds employed					
Inventory	1,648.3	1,652.6	1,562.4	1,488.3	1,375.1
Accounts payable	(1,571.8)	(1,281.1)	(1,202.7)	(1,101.1)	(951.4)
Net investment in inventory	76.5	371.5	359.7	387.2	423.7
Fixed assets	2,194.1	2,216.3	1,890.2	1,589.3	1,310.1
Other assets	443.5	424.8	342.6	301.6	297.2
Other creditors	(798.8)	(653.0)	(536.8)	(485.2)	(413.1)
Total funds employed¹⁰	1,915.3	2,359.4	2,055.7	1,792.9	1,617.9
Net tax balances	(64.4)	(28.3)	(52.6)	(85.0)	(22.2)
Net debt ¹¹	(82.2)	(731.3)	(527.9)	(381.1)	(372.4)
Provision for dividend	(137.8)	(115.2)	(102.6)	(101.1)	(87.5)
Woolworths Income Notes	(583.0)	–	–	–	–
Outside equity interest	(3.3)	(3.2)	(2.9)	(2.5)	(2.2)
Shareholders funds	1,044.6	1,481.4	1,369.7	1,223.2	1,133.6
Cash flow (\$m)					
EBITDA	910.4	809.3	738.9	634.8	550.2
Movement in net investment in inventory	276.1	4.6	28.3	52.5	(55.4)
Other operating cash flows	56.7	(11.5)	(22.3)	59.8	1.2
Net interest paid	(33.6)	(53.7)	(42.8)	(41.1)	(31.2)
Tax paid	(142.7)	(174.7)	(193.1)	(46.2)	(222.1)
Operating cash flow	1,066.9	574.0	509.0	659.8	242.7
Gross capital expenditure	(420.8)	(764.9)	(685.0)	(699.4)	(446.8)
Proceeds on disposal	111.0	145.7	157.7	129.2	46.9
Other investing cash flows	16.8	(32.0)	3.2	(19.6)	(1.8)
Free cash flow	773.9	(77.2)	(15.1)	70.0	(159.0)
Movement in gross debt	(519.8)	290.9	221.0	53.2	50.4
Woolworths Income Notes	583.0	–	–	–	–
WINS interest paid	(24.7)	–	–	–	–
Dividends paid	(173.5)	(154.1)	(153.3)	(96.1)	(56.3)
Share buybacks	(548.4)	–	–	–	–
New shares issued	26.9	22.7	23.3	12.3	6.5
Net cash flow	117.4	82.3	75.9	39.4	(158.4)
Statistics					
Interest cover ratio (times)	11.53	11.85	12.06	10.90	12.56
Fixed charges cover (times)	2.40	2.30	2.30	2.19	2.19
Sales to inventory ¹²	12.13	11.49	11.04	10.88	10.67
Gross capital expenditure to EBITDA (%)	46.22	94.51	92.71	110.18	81.21
Operating cash flow per share	0.95	0.50	0.45	0.59	0.23
Gearing (%) ¹³	38.83	33.01	27.80	23.72	24.69
Current assets to current liabilities (%)	90.76	109.85	110.81	106.43	107.15
Total liabilities to total tangible assets (%) ¹⁴	64.88	67.86	65.20	64.53	60.31

Five year analysis

Notes

- 1 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.
- 2 Return On Funds Employed (ROFE) is EBIT as a percentage of average funds employed for the year. Normal ROFE is based on EBIT before abnormal items whilst Total ROFE includes the effect of abnormal items.
- 3 Normal Basic Earnings Per Share (Normal EPS) is Normal Operating Profit After Income Tax attributable to Members of the Company divided into the weighted average number of ordinary shares on issue during the year. The weighted average number of ordinary shares on issue has been calculated in accordance with Accounting Standard AASB 1027. Fully diluted EPS is not significantly different from basic EPS.
- 4 Total Basic Earnings Per Share (Total Basic EPS) includes the effect of abnormal items.
- 5 Debt burden is net operating profit before income tax expressed as a percentage of EBIT before abnormal items.
- 6 Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.
- 7 Asset turn is Total Sales divided by average Total Assets for the year.
- 8 Financial leverage is average total assets divided by average shareholders' funds for the year.
- 9 Return on Investment is net operating profit after income tax divided by average shareholders' funds for the year.
- 10 Funds Employed is net assets excluding net tax balances, provision for dividends and net debt.
- 11 Net debt is gross debt less cash on hand, cash at bank and cash on short term deposit.
- 12 Sales to inventory is total sales for the period divided by average inventory.
- 13 Gearing is net interest bearing debt divided by net interest bearing debt and shareholders' funds.
- 14 Total liabilities is total liabilities less provision for dividend and deferred income tax liability plus outside equity interests. Total tangible assets is total assets less intangibles, capitalised borrowing costs and future income tax benefit.

Profit and loss statement

Discussion and analysis of the profit and loss statement

Sales

The consolidated entity's sales revenue for the 52 weeks ended 25 June 2000 was \$20,019.9 million (1999: \$18,465.1 million), an increase of 8.42% on the previous 52 week period. This growth was achieved despite disposing of the Rockmans business in early February 2000.

Sales growth was driven by growth of 4.8% in same store sales, and growth from the construction or acquisition of 90 new locations, which added a net 76,694 square metres of trading area, a net increase of approximately 4.3% from the end of the previous period. The net increases in stores and trading area have been adjusted to remove the effect of disposal of the Rockmans business.

Sales revenue increased across all segments with Supermarket sales up 8.2%, General Merchandise sales up 6.0% and Wholesale sales up 27.3%, on the previous 52 week period. After excluding the Rockmans business, General merchandise sales increased by 8.8%.

Earnings before interest and tax (EBIT)

EBIT for the current period was \$621.6 million (1999: \$539.4 million), an increase of 15.24% on the previous corresponding period. EBIT margin (EBIT as a percentage of sales) increased from 2.92% to 3.11%. This increase was predominantly due to a 0.86% decrease in Total Expenses as a percentage of sales resulting from an increased focus on costs in all segments. Some 0.67% of this decrease was returned to customers via lower prices and as a result of changes in sales mix both of which are reflected in lower gross margins, and the remainder is reflected in the rise in the EBIT margin.

The Supermarket segments EBIT for the 52 weeks was \$601.3 million, an increase of 16.83%. Supermarket EBIT margin grew from 3.34% in the previous period to 3.61%. This increase reflects a reduction in Total Expenses as a percentage of sales.

The profit contribution of the General Merchandise segment increased 16.44% to \$104.8 million. This growth was achieved despite the disposal of the Rockmans business in early February. The EBIT margin for General Merchandise increased from 3.45% in 1999 to 3.79%, resulting from lower operating costs.

The Wholesale segment showed an improved result, with a profit of \$0.1 million compared with a loss of \$4.2 million in the previous year. Unallocated expenses, representing corporate costs relating to the Woolworths group as a whole and profits derived by the group's corporate property division including losses on disposal of development properties, were \$84.6 million (1999: \$61.1 million).

Return on Funds Employed (EBIT before abnormal items as a percentage of average Funds Employed) increased to 29.08%, arresting the decline of previous years. Funds Employed decreased by \$444.1 million, mostly as a result of reduction in the proportion of accounts payable and provisions to inventory.

Net finance costs

Net finance costs reduced from \$45.5 million in the previous period to \$27.8 million in the current period. During the year \$5.8 million (1999: \$8.1 million) of borrowing costs were capitalised to qualifying development assets. This reduction in finance costs was largely due to lower average net debt as a result of the lower funds employed in the business and the \$600.0 million proceeds from the issue of the Woolworths Income Notes being used to repay existing bank debt facilities.

Abnormal items

Abnormal items that impacted on the 2000 result totalled \$93.9 million (1999: \$86.4 million). They were:

- restructuring and Project Refresh costs of \$68.1 million, before income tax;
- GST implementation costs, \$53.2 million before income tax;
- further costs relating to the rationalisation of warehousing and distribution functions, \$4.3 million before income tax;
- gain on disposal of the Rockmans business, \$11.0 million before income tax;
- reversal of provision for write down value of assets to recoverable amount which was raised in the previous year and no longer required, \$20.7 million before tax. A provision of \$9.3 million remains, \$3.0 million for the anticipated loss on disposal of Chisholm Manufacturing and \$6.3 million for the writedown in plant and equipment belonging to AIW to its recoverable amount.

The aggregate tax effect of the above items was \$33.8 million (1999: \$31.1 million).

Profit and loss statement

Income tax expense

Income tax expense in respect of the operating profit for the 52 weeks ended 25 June 2000 was \$178.2 million (1999: \$150.2 million). Included in the current year is an abnormal expense of \$8.4 million arising from restatement of the value of deferred tax assets and liabilities due to the reduction in the company income tax rate that will apply in the periods when the balances will be realised. The consolidated entity's effective tax rate reduced from 36.9% in the previous year to 35.7% in the current year.

Woolworths Income Notes (WINS) distribution

On 2 December 2000, Woolworths Limited issued perpetual quasi-equity securities with an aggregate face value of \$600.0 million. Holders of these securities receive a distribution that is 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. As the WINS possess the characteristics of equity, the payment is considered to be a deduction from operating profit after income tax when determining the amount attributable to members, rather than an expense.

The distributions of \$26.1 million include provision for distributions payable at the end of the current quarter, calculated at the current rate of 8.22%.

Adjustment for change in accounting policy

The consolidated entity changed its accounting policy with respect to the valuation basis of non-current assets as a result of electing to adopt the new accounting standard AASB1041: Revaluation of non-current assets in the 52 weeks ended 25 June 2000. This change in accounting policy, which is detailed more fully in Note 1 to the concise financial report, resulted in an increase of \$1.3 million in opening retained profits. This adjustment represents a reduction in the balance of accumulated depreciation on the consolidated entity's development properties to reflect depreciation as if it had always been calculated on the historic cost of the properties rather than the higher revalued amount.

Dividends paid or provided for

Dividends in respect of the 52 weeks ended 25 June 2000 were \$490.5 million, an increase of \$283.3 million from the previous period. In the current year an amount of \$247.0 million representing a special fully franked dividend was also paid to participating shareholders as part of an off-market buyback.

The Dividend payout ratio for the 52 week period was 82.40% as a percentage of operating profit attributable to members, after excluding the dividend component of the off-market buyback. This was an increase of 1.78% on the previous corresponding period.

Earnings per share (EPS)

Earnings per share (excluding abnormal items) increased from 27.25c per share to 32.36c per share. The growth in normal EPS of 18.8% exceeded the 16.5% growth in net profit after tax and before abnormal items due to the positive effect of the on-market and off-market share buybacks completed during the year.

Fixed charges cover

Fixed charges cover, a measure of the consolidated entity's ability to meet its major fixed rent and interest costs increased to 2.40 times (1999: 2.30 times).

Profit and loss statement

	Note	Consolidated	
		52 weeks ended 25 June 00 \$m	52 weeks ended 27 June 99 \$m
Revenue from operating activities	2	20,392.3	18,765.5
Revenue from outside the operating activities	2	174.3	159.9
Total revenue		20,566.6	18,925.4
Earnings before interest, abnormal items and tax		621.6	539.4
Net finance costs		(27.8)	(45.5)
Operating profit before abnormal items and income tax		593.8	493.9
Abnormal items	3	(93.9)	(86.4)
Operating profit before income tax		499.9	407.5
Income tax expense		(178.2)	(150.2)
Operating profit after income tax		321.7	257.3
Woolworths Income Notes distribution paid or payable		(26.1)	–
Outside equity interests in operating profit		(0.1)	(0.3)
Operating profit attributable to the members of Woolworths Limited		295.5	257.0
Retained profits at beginning of the period		562.6	512.8
Dividends provided for or paid	5	(490.5)	(207.2)
Adjustment due to early adoption of AASB 1041	1	1.3	–
Retained profits at the end of the financial period		368.9	562.6
Earnings per share (EPS)			
Basic EPS		26.27	22.42
Weighted average number of shares used in the calculation of basic EPS (million)		1,125.0	1,146.2

Diluted EPS is not materially different from Basic EPS

The profit and loss statement should be read in conjunction with the the discussion and analysis on pages 49 to 50 and the notes to the concise financial report on pages 56 to 59.

Balance sheet

Discussion and analysis of the balance sheet

Total assets

Total assets of the consolidated entity increased by \$114.6 million to \$4,816.8 million. This relatively small increase is the result of a reduction in the number of days inventory on hand, leading to an overall reduction in the value of inventory from the previous year.

Property, plant and equipment also shows only a small increase on prior period end due to lower expenditure upon new warehouses and tighter control on capital expenditure. Approximately \$80.0 million of capital expenditure was deferred until after the introduction of the Goods and Services Tax (GST). This was done due to the cost benefits that would be realised, as a result of the removal of wholesale sales tax and the ability to recover the GST paid on purchases made after 30 June 2000. The consolidated entity also entered into a sale and leaseback transaction involving \$84.0 million of plant and equipment used in the fitout of new stores and in major refurbishments in the supermarket segment. This also contributed to the small increase in property, plant and equipment during the current period.

Liabilities excluding borrowings

Current liabilities excluding borrowings increased by \$441.9 million. This increase was predominantly in accounts payable and accruals. The increase in current provisions was mainly due to a natural increase in the value of employee entitlements, the increased dividend rate and increased profit resulting in higher tax expense. Of the \$30.0 million provision for asset writedowns that was raised in the previous year, \$20.7 million was written back to profit and loss during the current year.

The increase in non-current liabilities was principally due to an increase in provisions for self-insured risks. This resulted from the consolidated entity's businesses in Victoria and Tasmania moving to self-insurance during the current year, and provisions made in the other self-insuring states during the year.

Borrowings

As at 25 June 2000, borrowings (net of cash amounts held) were \$82.2 million, a decrease of \$649.2 million from the end of the previous period. This decrease is the result of the deferral of non-essential capital expenditure, as noted above and the use of proceeds from the issue of the Woolworths Income Notes to repay existing bank debt facilities. Gearing (net debt/net debt and equity) reduced from 33.00% to 7.21%.

The consolidated entity's principal financial covenant of total liabilities to total tangible assets was 64.88% (1999: 67.86%), remaining well inside the limit of 75%.

Borrowing facilities

The consolidated entity now has committed borrowing facilities that total \$927.5 million with an average maturity of 3.2 years, and uncommitted credit lines in the Short Term Money Market. At 25 June 2000, \$920.4 million of committed facilities were undrawn and the consolidated entity had \$350.0 million of cash on hand, in bank accounts and on deposit.

Issued share capital

Issued share capital reduced by \$227.4 million during the period, to \$494.0 million as the result of on-market and off-market share buybacks made by the Company during the year. The number of shares that was issued under the Dividend Reinvestment Plan during the year was bought back on-market.

Woolworths income notes

On 2 December 1999, the Company allocated 6,000,000 unsecured, subordinated securities known as Woolworths Income Notes (WINS) via a public offering. The issue raised net proceeds of \$583.0 million. Costs of \$17.0 million relating to the issue were netted off against the proceeds.

The WINS have been classified as equity rather than debt in the balance sheet, as they exhibit the majority of the characteristics of equity. The WINS are perpetual in tenor and have no maturity date. They rank behind all claims other than those of ordinary and preference shareholders, in the event of a winding up of the Company. The payment of the quarterly distribution due to the holders of the WINS is non-cumulative and contingent upon the Company having sufficient distributable profits in the previous financial period. These characteristics are sufficient to support the classification of the WINS as equity instruments.

Balance sheet

	Note	Consolidated	
		As at 25 June 00 \$m	As at 27 June 99 \$m
Current assets			
Cash		350.0	232.6
Receivables		164.0	181.6
Inventories		1,648.3	1,652.6
Property, plant and equipment		98.0	86.0
Other		84.8	76.5
Total current assets		2,345.1	2,229.3
Non-current assets			
Receivables		47.7	30.5
Investments		1.4	1.7
Property, plant and equipment		2,096.1	2,130.3
Intangibles		145.0	133.9
Other		181.5	176.5
Total non-current assets		2,471.7	2,472.9
Total assets		4,816.8	4,702.2
Current liabilities			
Accounts payable		1,571.8	1,281.1
Accruals		334.3	318.7
Borrowings		129.9	6.1
Provisions		558.9	423.3
Total current liabilities		2,594.9	2,029.2
Non-current liabilities			
Borrowings		302.3	957.9
Provisions		288.7	230.5
Total non-current liabilities		591.0	1,188.4
Total liabilities		3,185.9	3,217.6
Net assets		1,630.9	1,484.6
Equity			
Share capital	7	494.0	721.4
Reserves		181.7	197.4
Retained profits		368.9	562.6
Shareholders' equity attributable to the members of Woolworths Limited		1,044.6	1,481.4
Woolworths Income Notes	8	583.0	–
Outside equity interest in controlled entities:			
Reserves		0.9	0.9
Retained profits		2.4	2.3
Total outside equity interest		3.3	3.2
Total equity		1,630.9	1,484.6

The balance sheet should be read in conjunction with the discussion and analysis on page 52 and the notes to the concise financial report set out on pages 56 to 59.

Statement of cash flows

Discussion and analysis of the cash flow statement

Cash flows from operations

For the 52 weeks ended 25 June 2000, cash flow from operations increased by \$492.9 million. This increase was predominantly due to a reduction of \$422.2 million in the value of working capital items resulting from a reduction in the value of inventory on hand and an increase in accounts payable and provisions balances from the end of the previous period.

Operating cash flow per share increased from 50 cents to 95 cents. This increase was influenced by the reduction in issued ordinary shares outstanding from the end of the previous period resulting from the on-market and off-market share buyback activity conducted by the Company during the period.

Cash flows from investing activities

The net cash outflow from investing activities reduced from \$651.2 million in the previous 52 week period to \$293.0 million. This decrease was due to the completion of two major warehouse developments at Minchinbury and Broadmeadows in the prior year as well as being due to the deferral of approximately \$80.0 million of non-essential expenditure on property, plant and equipment until after the introduction of the GST on 1 July 2000, and the sale and leaseback of \$84.0 million of supermarket fitout. Proceeds from the sale of the Rockmans business in early February 2000 also contributed to the reduction.

Cash flows from financing activities

The net cash flow from financing activities moved from an inflow of \$159.5 million in 1999 to an outflow of \$656.5 million in 2000. A number of factors contributed to this increase.

In December 1999, the Company issued quasi-equity securities called Woolworths Income Notes (WINS) for net proceeds of \$583.0 million, after expenses of \$17.0 million relating to the issue. The proceeds from this issue were utilised in repaying existing bank debt facilities and financing operating and capital expenditures.

In April 2000, the Company bought back and cancelled 100 million of its fully paid ordinary shares on issue, pursuant to an off-market offer made to all shareholders, at a total cost of \$492.0 million. On-market buybacks of 10.5 million shares were also completed during the first half of the period at a cost of \$55.4 million.

Statement of cash flows

	Consolidated	
	52 weeks ended 25 June 00 \$m	52 weeks ended 27 June 99 \$m
Cash flows from operating activities		
Receipts from customers	20,031.0	18,446.2
Receipts from vendors and tenants	297.1	242.1
Payments to suppliers and employees	(19,084.9)	(17,885.9)
Interest and other borrowing costs paid	(42.5)	(56.4)
Interest received	8.9	2.7
Income tax paid	(142.7)	(174.7)
Net cash provided by operating activities	1,066.9	574.0
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	111.0	145.7
Proceeds from sale of businesses	39.5	–
Payments for property, plant and equipment	(401.2)	(695.6)
Payments for purchases of investments	–	(0.4)
(Advances)/repayment of employee loans	(19.1)	(14.2)
Loans to related entities	–	(1.0)
Payment for purchase of businesses	(23.2)	(85.7)
Net cash used in investing activities	(293.0)	(651.2)
Cash flows from financing activities		
Proceeds from issue of shares	26.9	22.7
Payments for the buyback of ordinary shares	(548.4)	–
Proceeds from issue of Woolworths Income Notes	583.0	–
Proceeds from deposits	–	5.1
Repayment of short term deposits	(0.2)	–
Proceeds from external borrowings	1,685.7	1,440.9
Repayment of external borrowings	(2,205.3)	(1,155.1)
Dividends paid	(173.5)	(154.1)
Woolworths Income Notes interest paid	(24.7)	–
Net cash (used in)/provided by financing activities	(656.5)	159.5
Net increase/(decrease) in cash held	117.4	82.3
Cash at the beginning of the financial period	232.6	150.3
Cash at the end of the financial period	350.0	232.6

The statement of cash flows should be read in conjunction with the discussion and analysis on page 54 and the notes to the concise financial report set out on pages 56 to 59.

Notes to the concise financial report

1 Basis of preparation of the concise financial report

This concise financial report has been prepared in accordance with Accounting Standard AASB 1039 'Concise Financial Reports', applicable Urgent Issues Group Consensus Views, and the Corporations Law. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the 52 weeks ended 25 June 2000. Other information contained in the concise report is also consistent with the entity's full financial report. The concise report does not and cannot be expected to, provide as full an understanding of the financial performance, financial position, financing and investing activities of the consolidated entity as the full financial report. It has been prepared on the basis of historical cost. The accounting policies adopted are consistent with those of the previous year except as noted below. Where necessary comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. The financial periods of the consolidated entity end on the last Sunday in June of each year. The financial period of the consolidated entity ended on 25 June 2000, which comprised 52 weeks and the corresponding Financial Statements to 27 June 1999 comprised 52 weeks.

Change in accounting policy

Valuation of non-current assets

Until 27 June 1999, different classes of non-current asset were carried at a variety of historical cost and valuation. With the exception of freehold land and buildings, which were revalued at approximately 3 yearly intervals, there was no regular policy to ensure that the valuations were current. On applying AASB 1041, with effect from 28 June 1999, the consolidated entity elected to revert to the cost basis for measuring all non-current assets. The directors chose this option because they considered that the cost of complying with the alternative policy permitted by AASB 1041 of revaluing non-current assets with sufficient regularity to ensure that the carrying amount of each item does not materially differ from its fair value at the reporting date would exceed the benefits that would be gained. In reverting from a revaluation to a cost basis, the carrying amount as at 27 June 1999 of all classes of non-current asset, other than development properties and leasehold improvements, has been deemed to be their cost. For leasehold improvements, adjustments were made to reinstate the amounts of accumulated amortisation that had previously been written back against the asset cost upon revaluation. The adjustments did not result in any change in the carrying value of the leasehold improvements. For development properties, retrospective adjustments were made to measure them at their cost of acquisition less any accumulated depreciation and recoverable amount write-downs, as if they had always been measured using the cost basis.

The retrospective adjustments made at the beginning of the year were:

- a reduction in the consolidated carrying value of development properties of \$13.8 million,
- an increase in consolidated retained profits of \$1.3 million, and
- a reduction in the consolidated asset revaluation reserve of \$15.1 million.

The change in accounting policy resulted in a reduction in the current year depreciation expense of \$0.1 million and an increase in consolidated net profit of the same amount compared with the previous basis, and a corresponding increase in the consolidated carrying amount of development properties at the end of the financial period.

Had the new accounting policy always been applied, consolidated retained profits as at 28 June 1999 would have been increased by \$1.3 million (tax expense \$NIL) to \$563.9 million for the depreciation relating to periods prior to 27 June 1999. Consolidated operating profit before income tax, income tax expense and net profit for the 52 weeks ended 25 June 2000 were not materially effected, nor are they expected to be materially effected in subsequent financial years. The change has not had a material effect on the balance sheet in prior or current financial periods, nor is it expected to in subsequent financial periods.

	Consolidated	
	52 weeks ended 25 June 00 \$m	52 weeks ended 27 June 99 \$m
2 Revenue		
Revenue from operating activities		
Revenue from the sale of goods	20,019.9	18,465.1
Rebates and discounts received and other operating income	372.4	300.4
	20,392.3	18,765.5
Revenue from outside operating activities		
Interest:		
Other parties	8.9	2.7
Rent:		
Other parties	9.9	11.5
Gross proceeds from disposal of non-current assets	111.0	145.7
Gross proceeds from disposal of business	44.5	–
	174.3	159.9
Total revenue	20,566.6	18,925.4

3 Abnormal items

Operating profit after income tax includes the following items that are considered abnormal by virtue of their size and effect:

Costs relating to Year 2000 testing and remedial software modifications	–	(22.2)
Costs relating to rationalisation of warehousing and distribution functions	(4.3)	(34.2)
Write down in value of assets to recoverable amount	20.7	(30.0)
Gain on disposal of Rockmans business	11.0	–
Restructuring and Project Refresh costs	(68.1)	–
GST implementation costs	(53.2)	–
Aggregate abnormal items before income tax	(93.9)	(86.4)
Aggregate tax effect	33.8	31.1
Aggregate abnormal items after income tax	(60.1)	(55.3)

4 Abnormal tax items

Expense arising from restatement of deferred tax balances due to change in the company income tax rate

8.4 –

5 Dividends paid or provided

Final dividend of 13 cents (1999 – 10 cents) per fully paid ordinary share proposed to be paid 5 October 2000 (1999 – 5 October 1999) 100% franked at tax rate of 34%

137.8 115.3

Interim dividend of 10 cents (1999 – 8 cents) per fully paid ordinary share paid 28 April 2000 (1999 – 30 April 1999) 100% franked at tax rate of 36% (Class C)

105.7 91.9

Special dividend of \$2.47 per fully paid ordinary share paid 7 April 2000 to shareholders participating in the off-market share buyback 100% franked at tax rate of 36% (Class C)

247.0 –

Total dividends paid or provided

490.5 207.2

Notes to the concise financial report

	Supermarkets		General merchandise		Wholesale		Consolidated	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
6 Segment disclosures								
Industry segments								
Sales to customers outside the consolidated entity	16,671.2	15,398.6	2,768.4	2,610.7	580.3	455.8	20,019.9	18,465.1
Unallocated revenue							546.7	460.3
Total revenue	16,671.2	15,398.6	2,768.4	2,610.7	580.3	455.8	20,566.6	18,925.4
Segment operating profit	601.3	514.7	104.8	90.0	0.1	(4.2)	706.2	600.5
Unallocated expenses							(84.6)	(61.1)
Net finance costs							(27.8)	(45.5)
Operating profit before abnormal items and income tax							593.8	493.9
Abnormal items							(93.9)	(86.4)
Operating profit before income tax							499.9	407.5
Segment assets	2,582.4	2,579.4	701.8	750.5	130.2	151.5	3,414.4	3,481.4
Unallocated							1,402.4	1,220.8
Total assets							4,816.8	4,702.2

	Consolidated	
	As at 25 June 00 \$m	As at 27 June 99 \$m
7 Share capital		
Fully paid ordinary shares:		
1,059,994,471 (1999:1,152,827,897)	494.0	721.4

Off-market buyback of ordinary shares

The Company cancelled 99,990,926 ordinary shares as a result of an off-market buyback offer which was completed on 7 April 2000. The offer price comprised a return of capital and a fully franked dividend, with the return of capital having a total value of \$245.0 million. Costs of \$0.9 million relating to the buyback offer were charged against issued capital.

Consolidated	
As at 25 June 00 \$m	As at 27 June 99 \$m

8 Woolworths Income Notes

Issued and paid-up quasi-equity securities

Fully paid, on issue:

6,000,000 securities of \$100 face value each (1999: NIL)	583.0	–
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On 2 December 1999, the Company allocated 6,000,000 unsecured, subordinated quasi-equity securities known as Woolworths Income Notes (WINS) via a public offering. The 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. Costs of \$17.0 million relating to the issue of the WINS were netted against the proceeds from the issue.

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.

9 Contingent liabilities

The details and estimated maximum amounts of contingent liabilities which may become payable are shown below. No provision has been made in the financial statements in respect of these contingencies.

Guarantees

Trading guarantees	6.8	11.8
Workers' compensation self-insurance guarantees	29.3	20.1
Unsecured guarantees in respect of performance covenants in tenancy and other contracts. The total amount of these guarantees is indeterminable but no event has or is anticipated to occur that would result in crystallisation of the liability.	–	–
Under the terms of a Deed of Cross Guarantee, the Company has guaranteed the debts of certain controlled entities, thereby relieving them of the need to prepare financial statements under ASIC Class Order 98/100.	–	–

Litigation

Litigation in progress or threatened against the Company and certain of its controlled entities	4.5	4.5
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Other

Outstanding letters of credit issued to suppliers	23.5	17.2
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10 Events subsequent to balance date

Since 25 June 2000, on 26 June 2000, the consolidated entity completed the acquisition of the business of Booze Bros, which consisted of 16 liquor stores located in South Australia.

On 27 June 2000, the consolidated entity completed the sale of its Chisholm printing and packaging businesses to a management buyout group. Proceeds from the sale were \$7.4 million.

On 1 July 2000, the consolidated entity completed the acquisition of 9 liquor stores that trade under the name of Toohey Bros in New South Wales.

On 12 July 2000, the consolidated entity acquired the Advantage Group, comprising 4 supermarkets in Western Australia.

On 26 July 2000, the consolidated entity contracted to dispose of its Chisholm smallgoods and meat manufacturing businesses. Proceeds from the sale will not be finalised until completion on 26 October 2000. The net book value of the businesses disposed of was \$34.1 million at the end of the current period.

The financial effects of the above transactions have not been brought to account in the financial statements for the 52 weeks ended 25 June 2000.

Directors' declaration

The Directors declare that in their opinion, the concise financial report of Woolworths Limited and the consolidated entity for the financial period ended 25 June 2000 as set out on pages 49 to 59 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the financial period ended 25 June 2000.

This Declaration is made on 12th day of September 2000 in accordance with a resolution of the Directors.



J C Dahlsen
Chairman



R C Corbett
Group Managing Director

Independent audit report

To the members of Woolworths Limited

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Woolworths Limited for the year ended 25 June 2000 included on the Woolworths Limited web site. The company's directors are responsible for the integrity of the Woolworths Limited web site. We have not been engaged to report on the integrity of the Woolworths Limited web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Scope

We have audited the concise financial report of Woolworths Limited for the financial year ended 25 June 2000 as set out on pages 49 to 59, in order to express an opinion on it to the members of the company. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Woolworths Limited for the year ended 25 June 2000. Our audit report on the full financial report was signed on [date], and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 'Concise Financial Reports'.

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

Audit opinion

In our opinion, the concise financial report of Woolworths Limited complies with Accounting Standard AASB 1039 'Concise Financial Reports'.

BDO
Chartered Accountants

Stephen La Greca
Partner

Dated at Sydney this 12th day of September 2000

Shareholder information

The shareholder information set out below was applicable as at 31 August 2000:

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	155,291	63,147,605	
1,001 – 5,000	138,530	252,547,175	13
5,001 – 10,000	12,992	92,557,877	31
10,001 – 100,000	6,137	124,664,480	246
100,001 – and over	267	527,557,951	86
	313,217	1,060,475,088	376

* Details of options over unissued FPO Shares are set out on page 37 of this Report.

(B) There were 21,654 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 Chase Manhattan Nominees Limited	90,002,074	8.51
2 Westpac Custodian Nominees Limited	78,190,239	7.39
3 National Nominees Limited	68,574,621	6.48
4 ANZ Nominees Limited	30,390,133	2.87
5 AMP Life Limited	17,821,376	1.68
6 Citicorp Nominees Pty Limited	17,195,764	1.63
7 Queensland Investment Corporation	16,649,037	1.57
8 Woolworths Custodian Pty Limited	14,229,409	1.34
9 MLC Limited	12,591,334	1.19
10 HSBC Custody Nominees (Australia)	8,282,229	0.78
11 AMP Nominees Pty Limited	6,565,843	0.62
12 Perpetual Nominees Limited (PMISF A/C)	6,468,665	0.61
13 Westpac Financial Services Limited	6,292,850	0.59
14 Commonwealth Custodian Services Limited	6,031,323	0.57
15 GIO Personal Investment Services Limited	5,970,251	0.56
16 Commonwealth Custodian Services Limited (No 8 Account)	5,795,101	0.55
17 The National Mutual Life Association of Australasia Limited	4,978,948	0.47
18 Commonwealth Custodian Services Limited (No17Account)	4,753,088	0.45
19 Westpac Financial Services Limited	5,371,604	0.47
20 CSS Board	3,837,935	0.36

Substantial shareholders

As at 31 August 2000 there were no substantial shareholders in the Company.

Unquoted equity securities

As at 31 August 2000 there were 38,324,000 options granted over unissued ordinary shares in the Company to 376 employees.

Woolworths Income Notes (WIN's)

The Company announced to the Australian Stock Exchange on 2 December 1999 an issue of 6,000,000 Woolworths Income Notes (WIN's). On 2 December 1999, the WIN's were issued to 20,480 holders.

Voting rights

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

Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact Woolworths Limited's external Share Registrar: ASX Perpetual Registrars Ltd by telephone on (02) 8280 7177 or 1800 500 661 or by facsimile on (02) 9261 8489 **or after 1 January 2001 Computershare Registry Services Pty Limited by telephone on (02) 8234 5108 or 1800 500 661 or by facsimile on (02) 8234 5050.**

Change 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.

Shareholder information

For any queries about Woolworths Limited please contact:

Shareholder Relations
5th Floor, 540 George Street
Sydney NSW 2000
Australia

Telephone: (02) 9323 1538
Facsimile: (02) 9323 1594
Email: mwheeler@woolworths.com.au

Final dividend

The final dividend of 13 cents per share was paid on 5 October 2000, to shareholders entitled to receive dividends and registered on 14 September 2000 (record date).

Direct payment to shareholders' accounts

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

Dividend reinvestment plan

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.

Uncertificated share register

The Share Register is wholly uncertificated. Shareholder statements are issued within five business days after the end of any month in which transactions are registered.

Woolworths communications

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

- the Chairman's Address to the Annual General Meeting;
- the Half Year Results Summary;
- our Internet site, www.woolworthslimited.com.au, provides shareholders with information about Woolworths Limited, including copies of Annual Reports, Chairman's AGM Address, Half Year Results Summary and Releases to the ASX by the Company. Shareholders who may be unable to attend the Annual General Meeting may view the proceeding 'live' on the Company's website. Shareholders may also address questions to the Chairman for consideration as indicated on this website.

Shareholder information

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. Unless otherwise advised, all shareholders will receive the Concise Report to Shareholders.

Stock exchange listings

Woolworths Limited ordinary shares and WIN's are listed on the Australian Stock Exchange.

American depository receipts

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

History of dividends paid

Date of dividend	Type	Cents per share	Franking rate	DRP price
30 Nov 1993	Final	6 cents	39%	\$2.951447
29 Apr 1994	Interim	6 cents	39%	\$2.885597
30 Nov 1994	Final	6 cents	39%+33%	\$2.604966
28 Apr 1995	Interim	6 cents	33%	\$2.722008
17 Nov 1995	Final	8 cents	39%+33%	\$2.895650
26 Apr 1996	Interim	7 cents	33%	\$2.865076
12 Nov 1996	Final	8 cents	36%	\$2.583203
24 Apr 1997	Interim	7 cents	36%	\$3.219037
15 Oct 1997	Final	9 cents	36%	\$3.938956
24 Apr 1998	Interim	8 cents	36%	\$5.345073
9 Oct 1998	Final	9 cents	36%	\$5.176125
30 Apr 1999	Interim	8 cents	36%	\$4.83
5 Oct 1999	Final	10 cents	36%	\$5.19
28 Apr 2000	Interim	10 cents	36%	\$4.92

Shareholders' calendar

2000

October

5th Payment date for final dividend

November

20th Annual General Meeting
Sydney Town Hall
483 George Street
Sydney
at 10am

2001

January/February

- Announcement of 2nd quarter sales results
- Half year results announcement

April

- Record date for interim dividend
- Payment of interim dividend
- Mailing of summary of half year results
- Announcement of 3rd quarter sales results

July

- Announcement of 4th quarter sales results

August/September

- Preliminary full year results and final dividend announcement

* Note timing of events can be subject to change

