

Focussing on what matters...

2002 Financial Report
to Shareholders



WOOLWORTHS LIMITED

A.B.N. 88 000 014 675

Contents

1	Statement of Financial Performance	25	16	Foreign currency
2	Statement of Financial Position			receivables and payables
3	Statement of Cash Flows	25	17	Provisions
6	Notes to the Financial Statements	26	18	Contributed equity
6	1	27	19	Earnings per share
	Significant accounting	29	20	Reserves
	policies	29	21	Total equity reconciliation
12	2	30	22	Woolworths Income Notes
	Profit from ordinary	30	23	Contingent liabilities
	activities	31	24	Commitments for
14	3			expenditure
	Net finance costs	31	25	Events subsequent to
14	4			balance date
	Auditors' remuneration	31	26	Employee entitlements
14	5	38	27	Related parties
	Taxation	39	28	Remuneration of directors
16	6			and executives
	Dividends paid or provided	41	29	Financial instruments
17	7	45	30	Deed of cross guarantee
	Segment disclosures	48	31	Controlled entity disclosures
19	8	50	32	Business acquisitions
	Receivables			
19	9			
	Other assets			
20	10			
	Investments accounted for			
	using the equity method			
21	11			
	Other financial assets			
21	12			
	Property, plant and			
	equipment			
23	13			
	Intangibles			
23	14			
	Interest bearing liabilities			
24	15			
	Financing arrangements			
		51		Directors' Declaration
		52		Independent Audit Report
		53		Directory

Statement of Financial Performance

	Note	Consolidated		Woolworths Limited	
		53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
Revenue from sale of goods	2a	24,473.0	20,915.1	8,312.2	7,173.1
Other operating revenue	2a	511.8	473.6	252.0	163.8
Total revenue from operations		24,984.8	21,388.7	8,564.2	7,336.9
Cost of sales		(18,807.8)	(16,034.6)	(6,419.0)	(5,501.9)
Gross profit		6,177.0	5,354.1	2,145.2	1,835.0
Other revenue from ordinary activities	2b	245.0	260.2	308.0	448.2
Share of loss in associated company accounted for using the equity method	10b	(0.3)	(1.5)	–	–
Branch expenses		(4,297.5)	(3,648.3)	(1,486.0)	(1,196.0)
Administration expenses		(1,291.5)	(1,257.9)	(490.3)	(528.5)
Earnings before interest and tax		832.7	706.6	476.9	558.7
Interest expense	3	(60.1)	(23.8)	(59.1)	(22.7)
Interest income	3	9.6	10.7	8.3	10.0
Profit from ordinary activities before income tax expense		782.2	693.5	426.1	546.0
Income tax expense	5	(218.5)	(217.4)	(36.1)	(52.0)
Net profit from ordinary activities after income tax expense		563.7	476.1	390.0	494.0
Net profits attributable to outside equity interests		(0.7)	(0.4)	–	–
Operating net profit attributable to the members of Woolworths Limited		563.0	475.7	390.0	494.0
Decrease in foreign currency translation reserve	20	1.3	1.1	–	–
Total revenue, expense and valuation adjustments attributable to members of Woolworths Limited recognised directly in equity		1.3	1.1	–	–
Total changes in equity other than those resulting from transactions with owners as owners		564.3	476.8	390.0	494.0
Earnings per share (EPS)					
Basic EPS (cents per share)	19	50.24	40.16	–	–
Diluted EPS (cents per share)	19	49.30	39.65	–	–
Weighted average number of shares used in the calculation of basic EPS (million)	19	1,041.3	1,065.8	–	–
Reconciliation of retained profits					
Retained profits at beginning of period		279.9	368.9	4.1	74.8
Net profit attributable to the members of Woolworths Limited		563.0	475.7	390.0	494.0
Woolworths income notes distribution		(39.8)	(47.7)	(39.8)	(47.7)
Dividends paid or provided	6	(345.9)	(284.1)	(345.9)	(284.1)
Special dividend of \$5.82 per fully paid ordinary share paid to shareholders participating in off market buy-backs	6	–	(232.9)	–	(232.9)
Retained profits at end of period		457.2	279.9	8.4	4.1

The statement of financial performance should be read in conjunction with the notes to the financial statements set out on pages 6 to 50.

Statement of Financial Position

	Note	Consolidated		Woolworths Limited	
		As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
Current assets					
Cash		295.0	256.0	224.2	196.6
Receivables	8	258.6	194.9	85.3	58.7
Inventories		1,838.4	1,731.8	585.6	542.4
Property, plant and equipment	12	98.3	126.8	–	–
Current tax asset		–	–	–	1.7
Other	9	97.7	79.0	39.5	27.7
Total current assets		2,588.0	2,388.5	934.6	827.1
Non-current assets					
Receivables	8	139.5	44.2	1,776.5	1,706.7
Investments accounted for using the equity method	10	–	16.8	–	–
Other financial assets	11	1.2	1.4	105.9	96.1
Property, plant and equipment	12	2,267.3	2,130.7	562.9	470.0
Intangibles	13	545.0	313.4	216.3	110.3
Deferred tax assets – timing differences		181.8	187.7	82.4	97.9
Other	9	0.8	0.5	0.8	0.5
Total non-current assets		3,135.6	2,694.7	2,744.8	2,481.5
Total assets		5,723.6	5,083.2	3,679.4	3,308.6
Current liabilities					
Accounts payable		2,000.6	1,666.4	1,265.6	1,017.0
Accruals		440.1	399.0	212.5	183.2
Interest bearing liabilities	14	34.1	341.7	33.3	340.2
Current tax liabilities		113.4	125.0	25.3	–
Provisions	17	509.6	427.3	330.3	263.8
Total current liabilities		3,097.8	2,959.4	1,867.0	1,804.2
Non-current liabilities					
Interest bearing liabilities	14	498.2	301.9	482.9	285.0
Deferred tax liabilities		76.3	111.7	–	37.1
Provisions	17	228.8	184.6	95.6	70.3
Total non-current liabilities		803.3	598.2	578.5	392.4
Total liabilities		3,901.1	3,557.6	2,445.5	2,196.6
Net assets		1,822.5	1,525.6	1,233.9	1,112.0
Equity					
Contributed equity	18	593.8	476.2	593.8	476.2
Reserves	20	184.1	182.8	48.7	48.7
Retained profits		457.2	279.9	8.4	4.1
Equity attributable to the members of Woolworths Limited		1,235.1	938.9	650.9	529.0
Woolworths Income Notes	22	583.0	583.0	583.0	583.0
Outside equity interest in controlled entities:					
Reserves		0.9	0.9	–	–
Retained profits		3.5	2.8	–	–
Total outside equity interest		4.4	3.7	–	–
Total equity	21	1,822.5	1,525.6	1,233.9	1,112.0

The statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 6 to 50.

Statement of Cash Flows

	Consolidated		Woolworths Limited	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
Cash flows from operating activities				
Receipts from customers	25,704.7	22,075.7	8,705.5	7,505.2
Receipts from vendors and tenants	477.0	439.9	241.8	251.5
Payments to suppliers and employees	(24,722.1)	(21,455.9)	(8,348.8)	(7,493.4)
Dividends received from related entities	–	–	239.1	348.7
Interest and other borrowing costs paid	(67.2)	(35.7)	(66.2)	(34.6)
Interest received	9.6	10.7	8.3	10.0
Income tax paid	(238.1)	(225.7)	(20.8)	(68.4)
Other	10.6	–	10.6	–
Net cash provided by operating activities	1,174.5	809.0	769.5	519.0
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment	203.8	173.1	37.6	21.2
Proceeds from the sale of businesses	5.7	76.1	5.7	76.1
Proceeds from sale of investment	11.2	–	11.2	–
Payments for property, plant and equipment	(596.7)	(537.4)	(223.6)	(149.6)
Payment for purchase of investments	–	(18.3)	(7.1)	(25.8)
Advances of employee loans	(42.7)	(30.8)	(42.7)	(30.8)
Loans to related entities	(139.9)	–	(114.5)	(163.9)
Loans repaid by related entities	80.0	–	80.0	–
Payment for purchase of businesses	(307.9)	(257.0)	(143.1)	(42.6)
Proceeds from assignment of employee loans	–	45.0	–	45.0
Net cash used in investing activities	(786.5)	(549.3)	(396.5)	(270.4)
Cash flows from financing activities				
Proceeds from issue of shares	56.7	44.0	56.7	44.0
Payments for buy-back of shares	–	(349.4)	–	(349.4)
(Repayment of) / proceeds from short term deposits	(2.2)	0.1	(1.9)	(0.1)
Proceeds from external borrowings	1,369.4	3,187.0	1,368.0	3,185.5
Repayment of external borrowings	(1,481.6)	(2,975.6)	(1,476.9)	(2,970.7)
Dividends paid	(251.5)	(212.1)	(251.5)	(212.1)
Woolworths Income Notes distribution	(39.8)	(47.7)	(39.8)	(47.7)
Net cash used in financing activities	(349.0)	(353.7)	(345.4)	(350.5)
Net increase/(decrease) in cash held	39.0	(94.0)	27.6	(101.9)
Cash at the beginning of the financial period	256.0	350.0	196.6	298.5
Cash at the end of the financial period	295.0	256.0	224.2	196.6

The statement of cashflows should be read in conjunction with the notes to the financial statements set out on pages 6 to 50.

Statement of Cash Flows (cont)

	Consolidated		Woolworths Limited	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
Non-cash financing and investing activities				
Dividend Reinvestment Plan				
In accordance with the Company's Dividend Reinvestment Plan 20% of the dividend paid was reinvested in the shares of the Company.				
Dividends paid (excluding special buy-back dividend)	312.4	266.8	312.4	266.8
Issuance of shares under the Plan	(60.9)	(54.7)	(60.9)	(54.7)
Net cash outflow	251.5	212.1	251.5	212.1
Reconciliation of net cash provided by operating activities to operating profit after tax				
Operating profit after income tax	563.7	476.1	390.0	494.0
Depreciation	297.3	275.0	93.7	84.3
Amortisation	53.6	34.7	20.4	13.0
Share of loss of equity accounted associates	0.3	1.5	–	–
Provision for diminution in value of other financial assets	–	–	–	1.5
Loss on sale of Crazy Prices	3.6	11.4	3.6	11.4
(Profit)/Loss on sale of other businesses	(1.9)	1.3	(1.9)	1.3
(Profit)/Loss on sale of investment	(8.4)	–	(8.4)	–
(Profit)/Loss on sale of property, plant and equipment	2.9	0.6	0.4	(0.8)
Borrowing costs capitalised	(7.1)	(11.9)	(7.1)	(11.9)
(Increase)/decrease in deferred tax asset	22.0	(0.8)	32.5	11.2
Increase/(decrease) in income tax payable	(11.6)	18.4	20.6	(13.2)
Increase/(decrease) in deferred tax liability	(35.4)	(26.1)	(40.1)	(13.8)
(Increase)/decrease in receivables	(55.8)	(39.6)	(16.8)	(19.7)
(Increase)/decrease in inventories	(86.4)	(60.0)	(35.5)	(43.0)
(Increase)/decrease in sundry debtors and prepayments	(13.6)	15.5	(10.6)	2.2
Increase/(decrease) in payables	334.2	94.6	248.4	9.6
Increase/(decrease) in sundry payables and provisions	117.1	18.3	80.3	(7.1)
Net cash provided by operating activities	1,174.5	809.0	769.5	519.0

Statement of Cash Flows (cont)

	Consolidated		Woolworths Limited	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
Acquisition of businesses				
Details of the aggregate cash outflow relating to the acquisition of businesses and the aggregate assets and liabilities of those businesses at the date of acquisition were as follows:				
Consideration				
Cash paid	324.2	257.0	143.1	42.6
Fair value of net assets acquired				
Property, plant and equipment	41.6	32.4	14.0	2.5
Prepayments	5.1	17.1	0.5	0.3
Inventories	20.9	64.6	8.3	6.5
Liquor licences	9.5	6.6	5.4	1.9
Current income tax asset	–	0.6	–	–
Deferred tax asset	16.1	6.0	7.6	–
Employee entitlements	(9.2)	(2.5)	(4.0)	–
Other liabilities	(5.3)	(39.7)	–	–
	78.7	85.1	31.8	11.2
Goodwill on acquisition	245.5	171.9	111.3	31.4
Consideration	324.2	257.0	143.1	42.6
Consideration (cash) – current year	307.9	257.0	143.1	42.6
– prior year	18.3	–	–	–
Equity accounted earnings	(2.0)	–	–	–
	324.2	257.0	143.1	42.6
Details of acquisitions are shown at Note 32.				
Disposal of businesses				
Details of the aggregate cash inflow relating to the sale of businesses and the aggregate assets and liabilities of those businesses at the date of sale were as follows:				
Consideration				
Cash received	5.7	76.1	5.7	76.1
Net assets sold				
Plant and equipment	3.2	45.0	3.2	45.0
Prepayments	–	6.7	–	6.7
Inventories	4.3	41.1	4.3	41.1
Other liabilities	(0.1)	(4.0)	(0.1)	(4.0)
Net assets sold	7.4	88.8	7.4	88.8

Notes to the Financial Statements

1 Significant accounting policies

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

A Basis of preparation

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

It has been prepared on the basis of historical cost. The accounting policies adopted are consistent with those of the previous years.

The financial periods of the Company end on the last Sunday in June of each year. The financial period of the Company ended on 30 June 2002, which comprised 53 weeks and the corresponding financial period to 24 June 2001 comprised 52 weeks.

B Principles of consolidation

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

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

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

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

C Revenue recognition

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

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

Sales revenue

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

Interest, rents and dividends

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

Proceeds from sale of assets

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

Notes to the Financial Statements (cont)

D Accounting for acquisitions

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

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

E Income tax

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

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

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

F Pre-opening expenses

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

G Stock valuation of finished goods

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

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

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

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

H Purchase and promotional incentives

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

I Recoverable amount of non-current assets

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

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

J Valuation of non-current assets

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

K Current property, plant and equipment

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

L Depreciation

(i) Buildings, fixtures, fittings and plant

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

Notes to the Financial Statements (cont)

	2002	2001
Buildings	25 – 40 years	25 – 40 years
Fixtures, fittings and plant	3 – 40 years	3 – 40 years

(ii) Leasehold improvements

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

(iii) Plant, equipment and shop fittings

Plant, equipment and shop fittings (including application software) are depreciated on a straight-line basis over the estimated useful life of the asset to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

	2002	2001
Plant, equipment and fittings	2.5 – 40 years	2.5 – 40 years

M Foreign exchange

Transactions

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

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

Specific commitments

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

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

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

General commitments

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

Notes to the Financial Statements (cont)

Foreign controlled entities

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

N Receivables

Trade and other debtors

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

Short term deposits

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

O Intangibles

Liquor licences

Liquor licences are valued at deemed cost.

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

Goodwill

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

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

P Investments

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

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

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

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

Q Leases

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

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

R Accounts payable and accruals

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

S Interest bearing liabilities

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

Notes to the Financial Statements (cont)

T Employee entitlements

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and vested sick leave are recognised, and are measured as the amount unpaid at period end at the current rates of pay in respect of employees' services up to that date.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to period end. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The expected future cash flows are discounted, using interest rates attaching to Commonwealth Government guaranteed securities which have terms to maturity, matching their estimated timing as closely as possible.

Employee share schemes

Shares issued to employees under the Employee Share Issue Plan and retention shares issued to executives under Executive Service Contracts as described in Note 26 are not considered to be a cost to the Company under current Australian Accounting Standards.

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

The financial effect of expensing the allotments of these shares and options for the 53 weeks ended 30 June 2002 and 52 weeks ended 24 June 2001, had these been considered a cost to the Company, are shown in Note 26.

Superannuation

The Company has a Superannuation Plan that exists to provide defined benefit and/or accumulation type benefits to employees and their dependents on retirement, disability or death.

For funding purposes, actuarial valuations are carried out approximately every 3 years for the Company's liability for the defined benefit and accumulation enhancement portions of the Plan. The Company's commitment in respect of accumulation benefits under the Plan is limited to making the specified contributions in accordance with the Rules of the Plan and/or any statutory obligations. The Company's contributions to the Superannuation Plan are expensed in the Statement of Financial Performance as incurred.

U Borrowing costs

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

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

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the consolidated entity's outstanding borrowings during the year, in this case 7.1% (2001: 7.6%).

V Derivative financial instruments

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

Neither of these types of derivative financial instruments is recognised in the financial statements at inception.

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

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

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

Notes to the Financial Statements (cont)

W Cash

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

X Earnings per share

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

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

Y Goods and services tax

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

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

or:

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

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

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

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
2 Profit from ordinary activities				
Profit from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating revenue				
Revenue from the sale of goods:				
Related parties	–	–	26.3	72.6
Other parties	24,473.0	20,915.1	8,285.9	7,100.5
Other operating revenue – rebates, discounts received and other	511.8	473.6	252.0	163.8
Interest:				
Related parties	2.6	–	2.6	–
Other parties	7.0	10.7	5.7	10.0
Total operating revenue	24,994.4	21,399.4	8,572.5	7,346.9
(b) Other revenue from ordinary activities				
Dividends:				
Related parties	–	–	239.1	348.7
Rent:				
Related parties	–	–	0.9	–
Other parties	13.7	11.0	2.9	2.2
Gross proceeds from disposal of non-current assets	203.8	173.1	37.6	21.2
Gross proceeds on sale of businesses	5.7	76.1	5.7	76.1
Gross proceeds on sale of investment	11.2	–	11.2	–
Recoveries of state franchise fees	10.6	–	10.6	–
Total other revenue from ordinary activities	245.0	260.2	308.0	448.2
Total revenue	25,239.4	21,659.6	8,880.5	7,795.1

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
(c) Expenses				
Amounts provided for:				
Bad and doubtful debts	7.4	2.1	5.4	1.2
Employee entitlements	200.4	169.9	69.2	59.1
Self-insured risks	125.2	69.7	63.3	36.2
Diminution in value of other financial assets	–	–	–	1.5
Net loss/(profit) on disposal of:				
Property, plant, equipment, fixtures and fittings	2.9	0.6	0.4	(0.8)
Depreciation of:				
Buildings	9.0	12.1	–	–
Plant and equipment, fixtures and fittings	288.3	262.9	93.7	84.3
Amortisation of:				
Leasehold improvements	30.3	25.7	10.0	7.7
Goodwill	23.3	9.1	10.4	5.3
Contributions to defined benefit superannuation plans	98.6	76.3	32.8	30.9
Operating lease rental expenses:				
Leased premises				
– minimum lease payments	591.9	496.0	224.0	189.6
– contingent rentals	79.4	76.9	24.7	22.5
– sub-leases	0.7	1.3	–	0.5
Leased equipment				
– minimum lease payments	55.7	25.8	26.7	13.0
Total operating lease rental expenses	727.7	600.0	275.4	225.6
(d) Individually significant non-recurring items				
Provision for business closure	(11.7)	–	(11.7)	–
Reversal of provision for write-down in value of assets	–	9.3	–	9.3
Gain on disposal of Rockmans business	–	2.8	–	2.8
Loss on disposal of Chisholm Manufacturing business	–	(4.1)	–	(4.1)
Loss on disposal of Crazy Prices business	(3.6)	(11.4)	(3.6)	(11.4)
Restructuring and Project Refresh costs	(1.7)	(1.0)	(1.7)	(1.0)
Profit on sale of investment	8.4	–	8.4	–
Provision for insurance claims receivable	(5.0)	–	(5.0)	–
Profit on sale of supermarkets	1.9	–	1.9	–
Recoveries of state franchise fees	10.6	–	10.6	–
Training wages ex-Franklins stores	(11.8)	–	(6.1)	–
Total individually significant non-recurring items	(12.9)	(4.4)	(7.2)	(4.4)

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
3 Net finance costs				
Interest income:				
Related parties	2.6	–	2.6	–
Other parties	7.0	10.7	5.7	10.0
	9.6	10.7	8.3	10.0
Interest expense:				
Other parties	(67.2)	(35.7)	(66.2)	(34.6)
Less: borrowing costs capitalised (Note 1(U))	7.1	11.9	7.1	11.9
	(60.1)	(23.8)	(59.1)	(22.7)
Net finance costs	(50.5)	(13.1)	(50.8)	(12.7)
4 Auditors' remuneration				
Audit services:				
Deloitte Touche Tohmatsu	0.734	0.577	0.734	0.545
Other services:				
Deloitte Touche Tohmatsu	0.651	1.480	0.651	1.480
Deloitte Consulting	0.242	0.499	0.242	0.048
	0.893	1.979	0.893	1.528
Total auditors' remuneration	1.627	2.556	1.627	2.073
5 Taxation				
Prima facie income tax expense on the current period operating profit before income tax, calculated at 30% (2001 at 34%)	234.7	235.8	127.8	185.6
Tax effect of permanent differences:				
Amortisation of intangibles	7.0	3.1	3.6	1.8
Depreciation of buildings	–	1.7	–	–
Building allowance deduction	–	(1.2)	–	–
Rebatable dividend income	–	–	(71.7)	(118.5)
Woolworths Income Notes distribution deductible	(12.0)	(16.2)	(12.0)	(16.2)
Future Income Tax Benefit not previously recognised now brought to account	(4.5)	–	(4.0)	–
Other permanent differences reducing tax payable	(2.9)	(7.7)	(3.4)	(0.9)
Other permanent differences increasing tax payable	1.4	1.9	1.0	0.2
Income tax expense on current year's operating profit	223.7	217.4	41.3	52.0
Over provision in prior period	(5.2)	–	(5.2)	–
Income tax expense attributable to operating profit	218.5	217.4	36.1	52.0

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	53 weeks ended	52 weeks ended	53 weeks ended	52 weeks ended
	30 June 02	24 June 01	30 June 02	24 June 01
	\$m	\$m	\$m	\$m
Income tax expense attributable to operating profit comprises:				
Provision for current income tax liability	248.2	230.6	40.8	47.0
Provision for deferred tax liability	(8.4)	(19.7)	7.4	(8.3)
Deferred tax asset	(16.1)	6.5	(6.9)	13.3
Over provision in prior period	(5.2)	–	(5.2)	–
	218.5	217.4	36.1	52.0
Future income tax benefits not brought to account as assets:				
Tax losses – capital	3.0	4.5	–	4.0
	3.0	4.5	–	4.0

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

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

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

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
6 Dividends paid or provided				
Final dividend of 18 cents (2001: 15 cents) per fully paid ordinary share proposed to be paid 8 October 2002 (2001: 5 October 2001) 100% franked at 30% tax rate (2001: 30%)	188.9	155.4	188.9	155.4
Interim dividend of 15 cents (2001: 12 cents) per fully paid ordinary share paid 30 April 2002 (2001: 27 April 2001) 100% franked at 30% tax rate (2001: 34%) (Class C)	157.0	128.7	157.0	128.7
Special dividend of \$5.82 per fully paid ordinary share on 22 June 2001 to shareholders participating in the off market share buy-back 100% franked at 34% (Class C)	–	232.9	–	232.9
Total dividends paid or provided	345.9	517.0	345.9	517.0
Dividends paid in cash or satisfied by the issue of new shares under the Dividend Reinvestment Plan during the 53 weeks ended 30 June 2002 and the 52 weeks ended 24 June 2001 were as follows:				
Paid in cash:				
Final and interim dividends	251.5	212.1	251.5	212.1
Special buy-back dividend	–	232.9	–	232.9
Satisfied by the issue of new shares	60.9	54.7	60.9	54.7
	312.4	499.7	312.4	499.7
Franked dividends				
The franked portions of the dividends proposed as at 30 June 2002 will be franked out of existing franking credits or out of franked credits arising from the payment of income tax in the period ending June 2003.				
Franking credits available for the subsequent financial year 30% (2001: 30%)	565.5	402.2	14.8	83.1

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

- (a) Franking credits that will arise from the payment of income tax payable at the end of the financial period; and
- (b) Franking debits that will arise from the payment of dividends proposed at the end of the financial period.

Notes to the Financial Statements (cont)

	Supermarkets ⁽¹⁾		BIG W		DSE	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m
7 Segment disclosures						
Business segments						
Sales to customers	20,714.3	17,519.4	2,280.5	2,069.8	659.0	418.0
Rebates, discounts and other	314.1	292.2	138.5	120.7	26.1	12.2
Inter-segment revenue					0.7	1.7
Segment revenue	21,028.4	17,811.6	2,419.0	2,190.5	685.8	431.9
Eliminations						
Unallocated revenue						
Total revenue						
Segment operating profit	747.4	618.6	93.5	83.4	28.0	30.8
Unallocated expenses						
– Property						
– Head office						
Net interest						
Profit from ordinary activities before tax						
Income tax on ordinary activities						
Profit from ordinary activities after tax						
Segment assets	3,194.1	2,727.0	528.4	485.1	345.3	303.4
Unallocated						
Total assets						
Segment liabilities	1,673.4	1,383.8	218.2	228.9	61.3	97.3
Unallocated						
Total liabilities						
Acquisition of assets	484.2	307.0	39.6	50.9	18.3	65.3
Unallocated						
Acquisition of assets						
Segment depreciation and amortisation	252.0	219.2	33.0	32.7	15.1	7.9
Unallocated						
Total depreciation and amortisation						
Segment other non cash expenses						
Unallocated						
Total other non cash expenses						
Share of loss of associates	(0.3)	(1.5)				
Carrying value of investment in associate	–	16.8				

Notes to the Financial Statements (cont)

	Wholesale ⁽²⁾		Entities disposed of ⁽³⁾		Consolidated	
	2002	2001	2002	2001	2002	2001
	\$m	\$m	\$m	\$m	\$m	\$m
Business segments						
Sales to customers	819.2	697.8	–	210.1	24,473.0	20,915.1
Rebates, discounts and other	23.7	2.3	–	–	502.4	427.4
Inter-segment revenue	189.6	683.2	–	54.0	190.3	738.9
Segment revenue	1,032.5	1,383.3	–	264.1	25,165.7	22,081.4
Eliminations					(190.3)	(738.9)
Unallocated revenue					264.0	317.1
Total revenue					25,239.4	21,659.6
Segment operating profit/(loss)	7.4	5.0	–	(5.3)	876.3	732.5
Unallocated expenses						
– Property					34.2	33.1
– Head office					(77.8)	(59.0)
Net interest					(50.5)	(13.1)
Profit from ordinary activities before tax					782.2	693.5
Income tax on ordinary activities					(218.5)	(217.4)
Profit from ordinary activities after tax					563.7	476.1
Segment assets	190.4	156.7	–	–	4,258.2	3,672.2
Unallocated					1,465.4	1,411.0
Total assets					5,723.6	5,083.2
Segment liabilities	133.6	99.3	–	0.6	2,086.5	1,809.9
Unallocated					1,814.6	1,747.7
Total liabilities					3,901.1	3,557.6
Acquisition of assets	3.8	3.5	–	0.5	545.9	427.2
Unallocated					99.5	154.5
Total acquisition of assets					645.4	581.7
Segment depreciation and amortisation	4.2	5.1	–	–	304.3	264.9
Unallocated					46.6	44.9
Total depreciation and amortisation					350.9	309.8
Segment other non cash expenses					–	–
Unallocated					60.9	54.7
Total other non cash expenses					60.9	54.7
Share of loss of associates					(0.3)	(1.5)
Carrying value of investment in associate					–	16.8

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

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

(3) Crazy Prices and Chisholm were disposed of during the 52 weeks ended 24 June 2001.

Inter segment pricing is determined on an arms length basis.

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

The periods reported are for the 53 weeks ended 30 June 2002 and 52 weeks ended 24 June 2001.

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
8 Receivables				
Current				
Trade receivables	105.0	91.8	13.5	9.0
Less: Provision for doubtful debts	(3.9)	(4.1)	(0.2)	(1.3)
	101.1	87.7	13.3	7.7
Other receivables	156.7	103.2	70.7	46.7
Less: Provision for doubtful debts	(6.8)	(0.8)	(5.3)	(0.4)
	149.9	102.4	65.4	46.3
Short term deposits	4.2	2.2	3.8	1.9
Staff and other advances	3.4	2.6	2.8	2.8
	258.6	194.9	85.3	58.7
Non-current				
Other debtors	2.5	8.8	2.4	8.7
Employee loans	77.1	35.4	77.1	35.4
Loans to controlled entities	–	–	1,637.1	1,662.6
Loan to associate	59.9	–	59.9	–
	139.5	44.2	1,776.5	1,706.7
9 Other assets				
Current				
Prepayments	97.4	78.9	39.2	27.6
Borrowing costs	1.1	0.6	1.1	0.6
Less: Amortisation	(0.8)	(0.5)	(0.8)	(0.5)
	97.7	79.0	39.5	27.7
Non-current				
Borrowing costs	0.8	0.5	0.8	0.5
	0.8	0.5	0.8	0.5

Notes to the Financial Statements (cont)

10 Investments accounted for using the equity method

(a) Details of investments in associates

Name	Principal activity	% Ownership	Investment carrying amount
MGW Hotels Pty Limited	Hotel operation and liquor retailing	50%	— ⁽¹⁾

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
(b) Movements in investments in associates				
Equity accounted amount at the beginning of the year	16.8	—	—	—
Amount paid on acquisition	—	18.3	—	—
Share of loss from ordinary activities before tax	(0.4)	(2.3)	—	—
Share of income tax credit related to ordinary activities	0.1	0.8	—	—
Acquisition of controlling interest in associates	(16.5) ⁽²⁾	—	—	—
Equity accounted amount at the end of the year	—	16.8	—	—
(c) Commitments				
Share of associates operating lease commitments payable:				
Not later than one year	1.1	0.3	—	—
Later than one year, not later than five	3.3	0.4	—	—
Later than five years	0.7	—	—	—
	5.1	0.7	—	—
Share of associates finance lease commitments payable:				
Not later than one year	—	0.2	—	—
Later than one year, not later than five	—	0.4	—	—
Later than five years	—	—	—	—
	—	0.6	—	—
(d) Contingent liabilities				
Bank guarantees	0.6	—	—	—
(e) Summarised financial position of associates				
The investment in MGW Hotels Pty Limited is not material to an evaluation of the operating performance and financial position of Woolworths Limited and consequently, its summarised financial position is not shown.				

(1) An amount of \$59.9 million has been advanced to MGW Hotels Pty Limited during the 53 weeks ended 30 June 2002. This amount is included in Non-current receivables. (See Note 8)

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

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
11 Other financial assets				
Non-current				
Controlled entities:				
Unlisted shares at cost	–	–	105.0	78.8
Other corporations:				
Associated entity unlisted shares at cost	–	–	–	18.3
Less: provision for diminution in value of shares	–	–	–	(1.5)
	–	–	–	16.8
Unlisted shares at cost	0.1	0.1	–	–
Semi-government securities, at cost	0.5	0.5	0.5	0.5
Other	0.6	0.8	0.4	–
	1.2	1.4	105.9	96.1

Semi-government securities

The semi-government securities were rolled on 18 February 2002 at a rate of 5.01% p.a. These securities are held pursuant to requirements under self insured workers compensation schemes within NSW.

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
12 Property, plant and equipment				
Current				
Development properties:				
At cost	98.3	126.8	–	–
	98.3	126.8	–	–
Non-current				
Development properties:				
At cost	179.2	199.1	–	–
Less: Accumulated depreciation on buildings	(0.2)	(3.8)	–	–
	179.0	195.3	–	–
Freehold warehouse, retail and other properties:				
At cost	364.5	338.1	–	–
Less: Accumulated depreciation on buildings	(29.3)	(18.4)	–	–
	335.2	319.7	–	–

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
Leasehold improvements:				
At cost	415.3	342.5	163.6	133.8
Less: Accumulated amortisation	(159.4)	(130.7)	(56.5)	(47.1)
	255.9	211.8	107.1	86.7
Plant and equipment:				
At cost	3,820.4	3,000.0	1,129.5	894.7
Less: Accumulated depreciation	(2,323.2)	(1,596.1)	(673.7)	(511.4)
	1,497.2	1,403.9	455.8	383.3
	2,267.3	2,130.7	562.9	470.0
Total property, plant and equipment – net book value	2,365.6	2,257.5	562.9	470.0

Reconciliations

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

	Development properties	Warehouse, retail and other properties	Leasehold improvements	Plant and equipment
Consolidated – 2002				
Carrying amount at start of period	195.3	319.7	211.8	1,403.9
Additions	63.6	2.8	60.6	518.4
Disposals	(11.9)	(30.9)	(8.9)	(93.3)
Depreciation/amortisation expense	–	(9.0)	(30.3)	(288.3)
Transfers (to)/from current assets	(68.0)	52.6	22.7	(43.5)
Carrying amount at end of period	179.0	335.2	255.9	1,497.2
Consolidated – 2001				
Carrying amount at start of period	139.7	339.4	201.1	1,415.9
Additions	99.2	50.7	26.0	405.8
Disposals	(38.4)	(23.4)	(7.5)	(148.8)
Depreciation/amortisation expense	–	(12.1)	(25.7)	(262.9)
Transfers (to)/from current assets	(5.2)	(34.9)	17.9	(6.1)
Carrying amount at end of period	195.3	319.7	211.8	1,403.9
Woolworths Limited – 2002				
Carrying amount at start of period	–	–	86.7	383.3
Additions	–	–	18.2	223.4
Disposals	–	–	(0.6)	(40.6)
Depreciation/amortisation expense	–	–	(10.0)	(93.7)
Transfers from/(to) other group entities	–	–	12.8	(16.6)
Carrying amount at end of period	–	–	107.1	455.8
Woolworths Limited – 2001				
Carrying amount at start of period	–	–	85.0	386.8
Additions	–	–	8.9	143.1
Disposals	–	–	(5.6)	(59.8)
Depreciation/amortisation expense	–	–	(7.7)	(84.3)
Transfers from/(to) other group entities	–	–	6.1	(2.5)
Carrying amount at end of period	–	–	86.7	383.3

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
13 Intangibles				
Non-current				
Liquor licences:				
At cost	122.6	52.5	61.7	29.2
Accumulated amortisation	(13.1)	(13.1)	(7.8)	(7.8)
	109.5	39.4	53.9	21.4
Goodwill				
At cost	482.0	298.4	189.8	105.9
Accumulated amortisation	(46.5)	(24.4)	(27.4)	(17.0)
	435.5	274.0	162.4	88.9
	545.0	313.4	216.3	110.3

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

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
14 Interest bearing liabilities				
Current				
Unsecured				
Bank loans	–	340.0	–	340.0
Short term money market loans	33.0	–	33.0	–
Funds accepted on short term deposit	1.1	1.7	0.3	0.2
	34.1	341.7	33.3	340.2
Non-current				
Unsecured				
Other loans	483.3	285.0	482.9	285.0
	483.3	285.0	482.9	285.0
Secured				
Bank loans	14.9	16.9	–	–
	498.2	301.9	482.9	285.0

Short Term Securities

In December 2001 Woolworths arranged a perpetual \$800 million Commercial Paper Program to meet its short term funding requirements. The Program is supported by new standby facilities for a total value of \$400 million. Standard & Poors has provided an A2 rating to the Program. At period end there were no outstanding issues under this Program.

Bank loans

Unsecured bank loans represent a 2 to 4 year \$910 million revolving credit facility, comprising a series of bilateral loan agreements, maturing from financial years 2004 to 2006. Draw-down under the facility has a term of between one and six months, and may be rolled over on maturity. Interest is payable on roll-over, at a rate calculated as the Bank Bill Swap yield plus a margin. The facility is subject to a negative pledge agreement. At period end there were no outstanding draw-downs under this facility.

Notes to the Financial Statements (cont)

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

Short term money market loans

Short term money market loans represent monies borrowed from financial institutions participating in the money market on an 11am call basis. The latest maturity date for the borrowings outstanding at 30 June 2002 was 8 July 2002 and the weighted average interest rate for the amounts outstanding at the end of the period was 4.83%.

Funds accepted on short term deposit

Funds accepted on short term deposit represent retention monies held on certain construction projects and amounts received from certain retired employees.

Other loans

Other loans comprise Medium Term Notes of \$80 million and \$70 million which were issued in 1998 into the domestic market with a maturity date of 20 August 2007. Interest is payable, quarterly at the Bank Bill Swap rate plus a margin and semi-annually at a fixed rate on a bond basis, respectively. In January 2002, Woolworths arranged a new Medium Term Notes Program through which it issued \$200 million fixed rate Medium Term Notes maturing January 2007. Interest is payable semi-annually at a fixed rate on a bond basis. Other loans also comprise \$100 million US dollars which were issued in the United States capital markets in 1997 in the form of senior notes, maturing on 1 September 2007. Under the principal agreement, interest is payable semi-annually in US dollars, at a fixed rate. The Company has entered into cross currency swaps in respect of these borrowings (refer Note 29) which eliminate all foreign currency exposures.

	Consolidated		Woolworths Limited	
	As at 30 June 02	As at 24 June 01	As at 30 June 02	As at 24 June 01
	\$m	\$m	\$m	\$m
15 Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Bank overdrafts	13.0	12.0	11.0	10.0
Bank loan facilities	1,324.3	952.5	1,310.0	935.0
	1,337.3	964.5	1,321.0	945.0
Used at balance date				
Bank overdrafts	–	–	–	–
Bank loan facilities	14.9	356.9	–	340.0
	14.9	356.9	–	340.0
Unused at balance date				
Bank overdrafts	13.0	12.0	11.0	10.0
Bank loan facilities	1,309.4	595.6	1,310.0	595.0
	1,322.4	607.6	1,321.0	605.0

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

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
16 Foreign currency receivables and payables				
The Australian dollar equivalents of unhedged amounts receivable and payable in foreign currencies, calculated at year end exchange rates, are as follows:				
Amounts payable				
Current				
United States dollars	51.5	56.3	40.7	45.4
Hong Kong dollars	0.8	0.5	0.8	0.5
Japanese yen	0.2	–	–	–
Other currencies	2.0	0.5	2.0	0.5
17 Provisions				
Current				
Employee entitlements	225.4	194.7	90.2	74.9
Self-insured risks	74.1	57.2	30.0	20.1
Business closure	11.7	–	11.7	–
Restructuring	9.5	20.0	9.5	13.4
Dividends	188.9	155.4	188.9	155.4
	509.6	427.3	330.3	263.8
Non-current				
Employee entitlements	108.0	92.8	41.7	34.2
Self-insured risks	120.8	91.8	53.9	36.1
	228.8	184.6	95.6	70.3
Total provisions	738.4	611.9	425.9	334.1

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
18 Contributed equity				
Issued and paid-up share capital				
Fully paid ordinary shares: 1,049,211,631 (2001: 1,035,461,356)	593.8	476.2	593.8	476.2
Fully paid ordinary shares carry one vote per share.				
Reconciliation of fully paid share capital				
Balance at beginning of period	476.2	494.0	476.2	494.0
Issue of shares under employee share plan	47.5	37.4	47.5	37.4
Issue of shares under employee share issue plan (nil consideration)	–	–	–	–
Issue of shares as a result of options exercised under executive share option plans	9.2	6.6	9.2	6.6
Retention shares allotted in accordance with executives service contracts	–	–	–	–
Issue of shares as a result of dividend reinvestment plan	60.9	54.7	60.9	54.7
Shares bought back	–	(116.5)	–	(116.5)
Balance at end of period	593.8	476.2	593.8	476.2
Reconciliation of fully paid share capital – (number of shares)	millions	millions	millions	millions
Balance at beginning of period	1,035.5	1,060.0	1,035.5	1,060.0
Issue of shares under employee share plan	4.2	4.6	4.2	4.6
Issue of shares under employee share issue plan	1.6	1.5	1.6	1.5
Issue of shares as a result of options exercised under executive share option plans	1.7	1.8	1.7	1.8
Retention shares allotted in accordance with executives service contracts	0.9	–	0.9	–
Issue of shares as a result of dividend reinvestment plan	5.3	7.6	5.3	7.6
Shares bought back	–	(40.0)	–	(40.0)
Balance at end of period	1,049.2	1,035.5	1,049.2	1,035.5

Notes to the Financial Statements (cont)

	Consolidated	
	53 weeks ended 30 June 02	52 weeks ended 24 June 01
19 Earnings per share		
Basic earnings per share (cents per share)	50.24	40.16
Diluted earnings per share (cents per share)	49.30	39.65
Basic Earnings per Share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings (a)	\$m 523.2	\$m 428.0
Weighted average number of ordinary shares (b)	No. (m) 1,041.3	No. (m) 1,065.8
(a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the statement of financial performance as follows:		
Operating net profit attributable to the members of Woolworths Limited	\$m 563.0	\$m 475.7
Woolworths Income Notes Distribution	(39.8)	(47.7)
Earnings used in the calculation of basic earnings per share	523.2	428.0
(b) Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.		
Diluted Earnings per Share		
The earnings and weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings (c)	\$m 523.2	\$m 428.0
Weighted average number of shares and potential ordinary shares (d)	No. (m) 1,061.4	No. (m) 1,079.6

Notes to the Financial Statements (cont)

	Consolidated	
	53 weeks ended 30 June 02	52 weeks ended 24 June 01
(c) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:		
	\$m	\$m
Operating net profit attributable to the members of Woolworths Limited	563.0	475.7
Woolworths Income Notes Distribution	(39.8)	(47.7)
Earnings used in the calculation of diluted earnings per share	523.2	428.0
(d) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
	No. (m)	No. (m)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,041.3	1,065.8
Shares deemed to be issued for no consideration in respect of employee options	20.1	13.8
	1,061.4	1,079.6

Since 30 June 2002 5,805,461 shares have been issued. No options have been issued since 30 June 2002.

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
20 Reserves				
Reserves				
Capital profits reserve	66.2	63.7	2.6	2.6
Asset revaluation reserve	71.9	74.4	0.6	0.6
General reserve	46.9	46.9	45.5	45.5
Foreign currency translation reserve	(0.9)	(2.2)	–	–
	184.1	182.8	48.7	48.7
Reconciliation				
Capital profits reserve				
Balance at beginning of period	63.7	63.7	2.6	2.6
Transfer from asset revaluation reserve on disposal of non-current assets	2.5	–	–	–
Balance at end of period	66.2	63.7	2.6	2.6
Asset revaluation reserve				
Balance at beginning of period	74.4	74.4	0.6	0.6
Transfer to capital profits reserve	(2.5)	–	–	–
Balance at end of period	71.9	74.4	0.6	0.6
General reserve				
Balance at beginning of period	46.9	46.9	45.5	45.5
Balance at end of period	46.9	46.9	45.5	45.5
Foreign currency translation reserve				
Balance at beginning of period	(2.2)	(3.3)	–	–
Net exchange differences on translation of controlled foreign entities	1.3	1.1	–	–
Balance at end of period	(0.9)	(2.2)	–	–
Total reserves	184.1	182.8	48.7	48.7
21 Total equity reconciliation				
Total equity at beginning of period	1,525.6	1,630.9	1,112.0	1,200.5
Total changes in equity recognised in the statement of financial performance	564.3	476.8	390.0	494.0
Transactions with owners as owners:				
– Issue of shares as per note 18	117.6	98.7	117.6	98.7
– Shares bought back as per note 18	–	(116.5)	–	(116.5)
– Woolworths Income Notes distribution	(39.8)	(47.7)	(39.8)	(47.7)
– Dividends paid or provided	(345.9)	(284.1)	(345.9)	(284.1)
– Special dividend	–	(232.9)	–	(232.9)
Increase in outside equity interest	0.7	0.4	–	–
Total equity at end of period	1,822.5	1,525.6	1,233.9	1,112.0

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
22 Woolworths Income Notes				
Issued and paid-up quasi-equity securities				
Fully paid, on issue:				
6,000,000 securities of \$100 face value each	583.0	583.0	583.0	583.0

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

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

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
23 Contingent liabilities				
The details and estimated maximum amounts of contingent liabilities which may become payable are shown below. No provision has been made in the financial statements in respect of these contingencies.				
Guarantees				
Trading guarantees	8.9	8.4	7.9	7.9
Workers' compensation self-insurance guarantees	137.9	128.3	104.8	104.8
Unsecured guarantees in respect of performance covenants in tenancy and other contracts. The total amount of these guarantees is indeterminable but no event has or is anticipated to occur that would result in crystallisation of the liability.	–	–	–	–
Under the terms of a Deed of Cross Guarantee, the Company has guaranteed the debts of certain controlled entities, thereby relieving them of the need to prepare financial statements under ASIC Class Order 98/1418.	–	–	–	–
Litigation				
Litigation in progress or threatened against the Company and certain of its controlled entities	7.5	4.5	7.5	4.5
Other				
Outstanding letters of credit issued to suppliers	17.0	15.8	7.4	5.9

Notes to the Financial Statements (cont)

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
24 Commitments for expenditure				
Capital expenditure commitments				
Estimated capital expenditure under firm contracts, not provided for in these financial statements, payable:				
Not later than one year	51.0	373.0	24.8	276.9
Later than one, not later than two years	–	–	–	–
Later than two, not later than five years	–	–	–	–
	51.0	373.0	24.8	276.9
Operating lease commitments				
Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:				
Not later than one year	613.6	550.4	233.4	208.0
Later than one year, not later than five years	2,104.9	1,973.4	802.9	754.1
Later than five years	3,799.5	3,811.8	1,599.7	1,479.2
Total future minimum lease payments not provided for	6,518.0	6,335.6	2,636.0	2,441.3

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

The Company and consolidated entity lease retail premises and warehousing facilities for periods of up to 70 years. Generally the lease agreements are for initial terms of between 10 and 15 years and most include multiple renewal options for additional 5 year terms. Under most leases, the Company is responsible for property taxes, insurance, maintenance and expenses related to the leased properties. Many of the more recent lease agreements have been negotiated on a gross or semi gross basis, which eliminates or significantly reduces the lessee's exposure to operational charges associated with the properties.

25 Events subsequent to balance date

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

	Consolidated		Woolworths Limited	
	As at 30 June 02 \$m	As at 24 June 01 \$m	As at 30 June 02 \$m	As at 24 June 01 \$m
26 Employee entitlements				
Aggregate employee entitlements				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements:				
Current (Note 17)	225.4	194.7	90.2	74.9
Non-current (Note 17)	108.0	92.8	41.7	34.2
	333.4	287.5	131.9	109.1

Notes to the Financial Statements (cont)

Superannuation plans

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

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

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

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

Actuarial assessments of Woolworths Super are made at intervals of no more than three years. The last actuarial assessment was as at 31 August 1999. In a report dated 7 April 2000 by Peter Hughes, FIA, FIAA, the actuary concluded that the available net assets of Woolworths Super were sufficient to meet all benefits payable in the event of Woolworths Super's winding up, or the voluntary or compulsory termination of the employment of each member within the Company and its controlled entities.

Woolworths Super assets at net market value, Members accrued benefits and vested benefits, based on the last actuarial report, and the last annual financial report of Woolworths Super dated 31 August 2001, are set out below. Accrued benefits are the actuarial value of those benefits that Woolworths Super is expected to pay at some future date, based on membership of Woolworths Super. Vested benefits are those benefits that would be currently payable to members on resignation from Woolworths Super, that do not depend on any other factor.

	2001	2000	1999
	\$m	\$m	\$m
Woolworths Super assets at net market value	670.0	643.6	566.6
Members accrued benefit reserves ⁽¹⁾	671.2 ⁽³⁾	640.6 ⁽⁴⁾	559.4 ⁽⁵⁾
(Deficiency) /Excess of Woolworths Super assets over members accrued benefit reserves	(1.2) ⁽⁶⁾	3.0	7.2
Members Vested Benefits Reserve ⁽²⁾	653.0	591.2	534.6

(1) Members Accrued Benefits Reserves are the sum of the members accrued benefits plus the Additional Death Benefit Reserve plus the Investment Fluctuation Reserve.

(2) Members Vested Benefits Reserves are the sum of members vested benefits plus the Additional Death Benefit Reserve plus the Investment Fluctuation Reserve.

(3) Estimated members reserves as at 31 August 2001.

(4) Estimated members reserves as at 31 August 2000.

(5) Actual members reserves as at 31 August 1999.

(6) The deficiency of Woolworths Super assets over Members Accrued Benefits Reserves for the period up to 4 May 2002 was paid by the Company in two instalments in May and June 2002. From 5 May 2002, the Company decided to fund to the members' vested benefits. This change in funding method is explained below.

Notes to the Financial Statements (cont)

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

If the new vested benefits funding method was used in the Scheme year ended 31 August 2001, a comparison of Woolworths Super's assets to members vested benefits reserves would show an excess of \$17.0 million:

	2001
	\$m
Woolworths Super assets at net market value	670.0
Members Vested Benefits Reserves	653.0
Excess of assets to Members Vested Benefits Reserve	17.0

Executive Options

Since the establishment of the first executive share option scheme in 1993, a total of 64,780,350 options to subscribe for fully paid ordinary shares in the Company have been granted to over 400 executives in accordance with the Executive Share Option Plan (ESOP), which has been discontinued, the Executive Option Plan (EOP), which replaced ESOP and Executive Service Contracts.

Executive Share Option Plan ('Former Option Plan')

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

General offers

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

Price and exercise

There was no amount paid in respect of the grant of the options. They may normally only be exercised after 4 years from the date of grant of the options. At the Company's discretion, options may be exercised at an earlier date in proportion to the time elapsed if a takeover bid is made for shares in the Company or, if the participant retires, is made redundant or voluntarily ceases employment with Woolworths. If an executive resigns or is dismissed the options will generally lapse. Options expire after 5 years from the date of issue. Options may not be transferred. Each option is to subscribe for one fully paid ordinary share in the Company and, when issued, the shares will rank equally with all other fully paid ordinary shares. For options issued subsequently, the exercise price is the greater of 50 cents and the prevailing market price when the option was granted.

At 30 June 2002 there were 1,988,000 (2001: 4,046,000) options outstanding under the Former Option Plan.

Executive Option Plan ('Option Plan')

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

Notes to the Financial Statements (cont)

Performance hurdles

Options granted to selected employees are issued and vest only on the basis of achievement of performance hurdles. Performance hurdles comprise an Earnings per Share (EPS) hurdle for 50% of each grant, which requires Earnings Per Share growth at 8% per annum compound and a market comparative Total Shareholder Return (TSR) hurdle measured over a five year period for the remaining 50% of each grant. In respect of the TSR hurdle the percentage of options in the total grant that become vested depends upon the Company's TSR figure relative to the percentile performance of the comparator companies, as shown below:

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

The EPS and TSR hurdles for options issued to the Group Managing Director are the same as those that apply to all other executives. Each grant of options will be divided into four tranches, with the tranches vesting and being exercisable progressively over years 3 to 5 following the grant date (Group Managing Director over 3 to 5 years), upon achievement of the specified performance hurdles.

Price and exercise

There is no amount paid in respect of the grant of options. Only vested options may be exercised and the first exercise date is the third anniversary of the date that the options are taken to be granted to the executive. At the Company's discretion, any or all of the options may be exercised at an earlier date if a takeover bid is made for shares in the Company or, if the participant retires, is made redundant or voluntarily ceases employment with the Company. If an executive resigns or is dismissed the options will generally lapse. Options expire after the earlier of 10 years from the date of grant or up to 12 months after termination of employment. Options are not transferable except with the approval of the Company or by force of law on death or legal incapacity. Each option is to subscribe for one new fully paid ordinary share in the Company and, when issued, the shares will rank equally with all other fully paid ordinary shares. The exercise price per share for those options comprising the initial grant date of 1 July 1999 is \$5.11. For options issued subsequently, the exercise price is based on the weighted average market price of the Company's shares traded on the ASX on the five (5) trading days prior to the date of the grant.

Since the establishment of this plan, a total of 45,432,350 options have been granted. At 30 June 2002 there were 43,327,350 (2001: 34,592,000) options outstanding. During the 53 week period ended 30 June 2002, 9,522,350 options (2001: 3,195,000) were granted. Of these, 8,522,350 were granted at an exercise price of \$10.89 and 1,000,000 were granted at an exercise price of \$7.84 (2001: 3,195,000 at \$6.17).

Former Executive Service Contracts ('Service Contracts')

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

From September 1993 a total of 3,995,000 options have been granted to executives under these Former Executive Service Contracts. At 30 June 2002, there were 225,000 (2001: 480,000) options outstanding. During the 53 week period ended 30 June 2002 no options were granted under these Former Executive Service Contracts (2001: Nil)

Option values

Current Australian Accounting Standards do not require equity based compensation payments including share options to be recorded as an expense in the Statement of Financial Performance. Had the Company recognised the expense, the impact on the Statement of Financial Performance would have been to reduce operating net profit for the 53 weeks ended 30 June 2002 by \$8.7 million (2001: \$5.9 million).

Notes to the Financial Statements (cont)

These amounts have been determined by calculating the fair value of all options granted to executives over the last five years using the Black-Scholes valuation methodology as at the respective dates of grant. The valuation takes into account the Company's share price at grant date, a risk free interest rate, the exercise price, a deemed term of the option, the volatility in the price of underlying shares, dividend yield and the probability of options being forfeited. In respect of options issued under the Executive Option Plan only, this valuation is further adjusted to take into account the deemed probability of achieving performance hurdles assessed at the date of grant of the options. The total value of the options as calculated above is then spread over the period the options become fully exercisable (3 to 5 years).

Details of all options granted to executives over the last five years including the financial effect for the 53 weeks ended 30 June 2002 and 52 weeks ended 24 June 2001, had the options been considered a cost to the Company are shown on below.

Details of options granted to executives over the past five years

Option grant date	Plan type	No of options granted	No of executives	Exercised/ forfeited to 30/06/02	Balance outstanding 30 June 02	Exercise price \$	Term (years) ⁽⁷⁾	Value per option granted \$	Total value of options granted \$	Financial impact 53 weeks ended 30 June 02 \$	Financial impact 52 weeks ended 24 June 01 \$
24 Feb 97	ESC	450,000	5	450,000	–	3.55	4.5	0.42	189,000	–	28,000
24 Feb 97	ESOP	1,063,000 ⁽¹⁾	38	1,063,000	–	3.55	4	0.42	446,460	–	74,410
17 Nov 97	ESC	435,000 ⁽²⁾	4	210,000	225,000	4.57	4.5	0.61	265,350	27,641	51,596
2 Mar 98	ESOP	2,709,000 ⁽³⁾	279	2,375,000	334,000	5.87	4	1.05	2,844,450	711,113	711,113
1 Mar 99	ESOP	2,250,000 ⁽⁴⁾	293	596,000	1,654,000	5.16	4	0.74	1,665,000	414,056	416,250
1 Jul 99	EOP	32,715,000 ⁽⁵⁾	310	1,980,000	30,735,000	5.11	5	0.61	19,956,150	3,991,230	3,991,230
1 Jul 00	EOP	3,195,000	51	125,000	3,070,000	6.17	5	0.70	2,236,500	447,300	447,300
8 Dec 00	EOP	1,000,000 ⁽⁶⁾	1	–	1,000,000	7.84	3	0.81	810,000	270,000	135,000
1 Jul 01	EOP	8,522,350	149	–	8,522,350	10.89	5	1.67	14,232,325	2,846,465	–
Total		52,339,350		6,799,000	45,540,350				42,645,235	8,707,805	5,854,899

- (1) Includes 82,000 options issued to executive directors RC Corbett (CEO) – 48,000 and RJ Clairs (previous CEO – retired 31 December 1998) – 34,000.
- (2) Includes 175,000 options issued to executive director RC Corbett.
- (3) Includes 148,000 options issued to executive directors RC Corbett – 48,000 and RJ Clairs – 100,000.
- (4) Includes 48,000 options issued to executive director RC Corbett.
- (5) Includes 3,200,000 options issued to executive directors, RC Corbett (2,000,000) and WPR Wavish (1,200,000).
- (6) All options granted to executive director RC Corbett. These options were approved by shareholders at the 2001 AGM with an effective grant date of 8 December 2000.
- (7) Term is the period over which the options are fully exercisable. This is the period over which the total value of the options would have been amortised had they been considered a cost to the Company under current Australian Accounting Standards.

Employee and Executive Shares

Employee Share Plan ('Share Plan')

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

Eligibility

All permanent employees of Woolworths (other than executive officers) with 1 year (formerly 2 years) full time service, or its part-time or casual equivalent, are eligible to participate in the Share Plan. The Directors may permit offers to employees with less service. The number of shares currently offered to each eligible employee range from 100 to 7,500 (formerly 5,000) depending on the employee's position with Woolworths, salary and years of service.

Notes to the Financial Statements (cont)

Loans

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

Entitlement to shares

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

At 30 June 2002, there were 40,575 (2001: 35,391) participating employees who held a total of 18,904,289 (2001: 17,034,377) shares. During the 53 week period ended 30 June 2002 4,175,774 (2001: 4,614,984) shares were issued.

The total amount receivable by the company in relation to these shares was \$77,061,983 as at 30 June 2002 (2001: \$35,373,540).

Employee Share Issue Plan ('ESIP')

The ESIP was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. The ESIP allows for the issue of shares to eligible employees for no monetary consideration. The ESIP complies with the various conditions specified by Government taxation legislation, to enable permanent employees to obtain a benefit of up to the \$1,000 per employee per annum tax free concession on discounts under employee incentive schemes (Ongoing Offers).

Offers

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

Loans

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

Rights attaching to shares

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

Limit

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

During the 53 week period ended 30 June 2002 1,636,275 (2001: 1,450,950) shares were issued to over 40,000 qualifying employees. The market price on the date of issue was \$12.51 (2001: \$8.26).

Executive Management Share Plan ('EMSP')

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

Notes to the Financial Statements (cont)

Operation

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

Loans

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

Rights attaching to shares

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

Limit

Shares may not be acquired under the EMSP if as a result of that acquisition the maximum number of shares held under the EMSP and the Non-executive Director Share Plan (see Note 28) would exceed 2% of Woolworths total issued capital.

During the 53 week period ended 30 June 2002, 121,539 (2001: 106,682) shares were purchased under the EMSP.

Executive Service Contracts ('Service Contracts')

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

Two forms of Contract were entered into. In the first instance provision was made for the payment of a cash bonus equivalent to the executives' annual salary as at 1 January 1999 or at the date of commencement of the contract and adjusted for movements in the Company's share price. Alternatively at the election of the Directors, the bonus could be awarded through the allotment of shares for no monetary consideration or the grant of options with a nominal exercise price of 20 cents. Bonuses were payable on expiry of the Contract, a period of three years. In accordance with this election 728,500 shares were allotted to executives on 1 January 2002. A further 100,000 and 80,000 shares were allotted on 1 April 2002 and 17 May 2002, respectively.

Current Australian Accounting Standards do not require equity based compensation payments, including the grant of shares, to be recorded as an expense in the Statement of Financial Performance. Had the Company expensed the value of these shares, the impact on the Statement of Financial Performance would have been to reduce operating net profit for the 53 weeks ended 30 June 2002 by \$10.5 million. This value has been determined by reference to the market price of the shares at the respective dates of allotment.

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

Notes to the Financial Statements (cont)

27 Related parties

Directors

The names of each person holding office as a director of Woolworths Limited during the 53 weeks ended 30 June 2002 are Messrs, L M L'Huillier, M J Phillips, R C Corbett, J A Strong, W P R Wavish, J C Ballard, Dr R S Deane, Prof A E Clarke and Ms D J Grady. Mr M J Phillips retired on 31 August 2001.

Details of directors' remuneration and retirement benefits are disclosed at Note 28 and in the Directors' Statutory Report at pages 31 to 33 of the Concise Report to Shareholders.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial period, and there were no material contracts involving directors' interests existing at the end of the period other than the Directors' Retirement Deeds and Directors' Indemnity and Access Deeds referred to on pages 31 and 37 of the Directors' Statutory Report.

Directors' holdings of shares and options

The interests of directors and their director-related entities in shares and options to acquire shares in entities within the consolidated entity, as at 30 June 2002, are shown below:

	Consolidated	
	As at 30 June 02 Number held	As at 24 June 01 Number held
Woolworths Limited:		
Ordinary shares	511,628	458,127
Options over ordinary shares	4,423,000	3,471,000
Directors' transactions in shares and options		
During the 53 weeks ended 30 June 2002, the aggregate numbers of shares and share options acquired or disposed of by directors of the Company and their director-related entities was as follows:		
Woolworths Limited:		
Acquisitions		
Ordinary shares	175,781	111,704
Options over ordinary shares	1,000,000	–
Disposals		
Ordinary shares	48,000	–
Options over ordinary shares exercised	48,000	–

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

Directors' transactions with the Company or its controlled entities

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

Transactions within the wholly-owned group

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

Notes to the Financial Statements (cont)

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

The details of sales, dividends and lease rentals transacted within the wholly-owned group are disclosed at Note 2 and Note 7.

Ownership interests in controlled entities are disclosed at Note 31 and the balances of loans receivable from controlled entities is shown in Note 8.

Transaction with other related entities

During the year, \$139.9 million was advanced to an associate. As at 30 June 2002, \$80 million had been repaid by the associate. Aggregate amounts receivable from associates are shown at Note 8.

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

Consolidated		Woolworths Limited	
53 weeks ended	52 weeks ended	53 weeks ended	52 weeks ended
30 June 02	24 June 01	30 June 02	24 June 01
\$'000	\$'000	\$'000	\$'000

28 Remuneration of directors and executives

Directors' remuneration

Remuneration paid or payable, or otherwise made available, to directors by the Company.

6,453 ⁽¹⁾	5,020 ⁽²⁾	6,453 ⁽¹⁾	5,020 ⁽²⁾
----------------------	----------------------	----------------------	----------------------

Details of options granted to and exercised by directors during the year are set out in Note 27. The grant of these options is not considered to be a cost to the Company under current Australian Accounting Standards. The financial effect of expensing all options granted to directors together with those granted to executives had these been treated as a cost to the Company is shown in Note 26.

The number of directors of the Company whose remuneration is disclosed above, falls within the following bands for the 53 weeks ended 30 June 2002 and 52 weeks ended 24 June 2001 are as follows:

\$	2002	2001	\$	2002	2001
70,000 – 79,999	–	1	740,000 – 749,999	1 ⁽¹⁾	–
90,000 – 99,999	–	2	1,140,000 – 1,149,999	–	1
100,000 – 109,999	–	3	1,310,000 – 1,319,999	–	1 ⁽²⁾
130,000 – 139,999	4	–	1,380,000 – 1,389,999	1 ⁽³⁾	–
150,000 – 159,999	1	–	1,800,000 – 1,809,999	–	1
160,000 – 169,999	–	1	3,290,000 – 3,299,999	1	–
340,000 – 349,999	1	–			

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

- (1) Includes lump sum payment made on retirement of Mr M J Phillips.
- (2) Includes lump sum payment made on retirement of Mr J C Dahlsen.
- (3) Does not include the value of retention shares granted under an Executive Service Contract. The value of these shares is shown in the Directors Statutory Report.

Non-executive Director Share Plan (NEDSP)

The NEDSP was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. This plan allows non-executive directors to forego some of their future pre-tax directors fees

Notes to the Financial Statements (cont)

to acquire shares in the Company on market at prevailing ASX market prices. The rules of the NEDSP are virtually identical to the Woolworths Executive Management Share Plan as set out in Note 26.

During the 53 week period ended 30 June 2002, 26,143 shares (2001: 22,341) were purchased under the NEDSP.

Executives' remuneration

The amount received and receivable by executive officers of the consolidated entity and the Company in the current period whose remuneration is \$100,000 or more is \$87,947,433 (2001: \$67,536,981). The average amount received by executive officers was \$210,401 (2001: \$214,403).

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

A summary of the number of options granted to, exercised and forfeited by executive officers during the 53 weeks ended 30 June 2002 and all options outstanding at 30 June 2002 is set out below. The terms and conditions relating to the options are set out in Note 26. Options granted to executive officers are not considered to be a cost to the Company under current Australian Accounting Standards. The financial effect of expensing all options granted to executive officers over the last five years had these been considered a cost to the Company is shown in Note 26.

Granted	9,522,350
Exercised	1,717,277
Forfeited	902,723
Outstanding	45,540,350

During the 53 weeks ended 30 June 2002, 908,500 retention shares were allotted for no monetary consideration to certain executives under Executive Service Contracts. Shares granted for no consideration are not considered to be a cost to the Company under current Australian Accounting Standards. The financial effect of expensing these shares, had they been considered a cost to the Company, is shown at Note 26.

	\$	2002	2001	\$	2002	2001
100,000 – 109,999		29	18	430,000 – 439,999	1	1
110,000 – 119,999		39	25	460,000 – 469,999	–	1
120,000 – 129,999		30	33	470,000 – 479,999	1	–
130,000 – 139,999		34	25	480,000 – 489,999	–	1
140,000 – 149,999		39	31	490,000 – 499,999	2	2
150,000 – 159,999		28	23	500,000 – 509,999	3	–
160,000 – 169,999		34	25	510,000 – 519,999	–	3
170,000 – 179,999		22	20	530,000 – 539,999	1	–
180,000 – 189,999		26	10	550,000 – 559,999	1	2
190,000 – 199,999		23	12	570,000 – 579,999	1	1
200,000 – 209,999		12	10	650,000 – 659,999	1	1
210,000 – 219,999		14	7	680,000 – 689,999	1	1
220,000 – 229,999		7	12	690,000 – 699,999	1	1
230,000 – 239,999		4	7	720,000 – 729,999	1	–
240,000 – 249,999		11	4	770,000 – 779,999	1	–
250,000 – 259,999		3	3	800,000 – 809,999	–	2
260,000 – 269,999		5	2	830,000 – 839,999	1	–
270,000 – 279,999		6	5	850,000 – 859,999	1 ⁽¹⁾	–
280,000 – 289,999		5	2	900,000 – 909,999	1	–
290,000 – 299,999		1	2	920,000 – 929,999	1	1
300,000 – 309,999		6	5	930,000 – 939,999	–	1
310,000 – 319,999		3	3	940,000 – 949,999	1	–
320,000 – 329,999		1	2	950,000 – 959,999	–	1
330,000 – 339,999		2	–	990,000 – 999,999	1 ⁽²⁾	–

Notes to the Financial Statements (cont)

	\$	2002	2001	\$	2002	2001
	340,000 – 349,999	2	1	1,020,000 – 1,029,999	–	1
	350,000 – 359,999	4	3	1,030,000 – 1,039,999	1	–
	370,000 – 379,999	1	1	1,140,000 – 1,149,999	–	1
	380,000 – 389,999	1	–	1,380,000 – 1,389,999	1	–
	390,000 – 399,999	–	1	1,400,000 – 1,409,999	–	1
	400,000 – 409,999	1	–	1,800,000 – 1,809,999	–	1
	410,000 – 419,999	1	–	3,290,000 – 3,299,999	1	–

- (1) Includes an amount of \$298,905 which relates to the payment of a retention bonus under an Executive Service Contract entered into with the Company on 1 July 1999.
- (2) Includes an amount of \$323,813 which relates to the payment of a retention bonus under an Executive Service Contract entered into with the Company on 1 July 1999.

29 Financial instruments

Off-balance sheet derivative instruments

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

Interest rate instruments

Bank loans, commercial paper issues, short term money market loans and other unsecured loans are subject to variable interest rates. Bank loan facilities and the commercial paper programme have been regularly utilised during the 53 weeks ended 30 June 2002 although there were no drawings or issues outstanding at period end. In addition, although they are not classified as a liability and do not appear as a financial instrument in this note, the Woolworths Income Notes (WINS) pay a distribution that is similar in nature to interest at variable rates. The variable rate payable on the WINS at the end of the period was 7.05% (2001: 7.02%). It is policy to protect part of the loans and the WINS from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap agreements.

Interest rate swap agreements

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

Swap agreements in place at 30 June 2002 cover approximately 13% (2001: 30%) of the principal outstanding on the Domestic Medium Term Notes and 100% (2001: 93%) of the face value of the WINS. The total of domestic notes subject to fixed rates, including the effect of the interest rate swaps is \$315.0 million (2001: \$115.0 million).

At 30 June 2002, the notional principal amounts and periods of expiry of the interest rate swap agreements are as follows:

	As at 30 June 02 \$m	As at 24 June 01 \$m
Less than 1 year	315	115
1 – 2 years	150	115
2 – 3 years	130	150
3 – 4 years	–	130
4 – 5 years	100	–
Greater than 5 years	45	145
	740	655

Notes to the Financial Statements (cont)

Foreign currency instruments

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

Forward exchange contracts and foreign currency options

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

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

	30 June 02		24 June 01		30 June 02	24 June 01
	Buy \$m	Sell \$m	Buy \$m	Sell \$m	Average exchange rate	Average exchange rate
Maturing:						
Within 6 months:						
United States dollars	12.5	–	62.1	–	0.55	0.50
Euro Dollars	0.3	–	–	–	0.59	–

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

No material gains, losses and costs have been deferred as at 30 June 2002.

Cross currency swap agreements

As part of a \$100 million issue of US dollars denominated Senior Notes during the 53 week period ended 29 June 1997, the consolidated entity entered into two cross currency swap agreements to fully hedge the US dollar value of the notes issued. The effect of the cross currency swaps is to offset all of the foreign currency and US dollar interest rate exposure on both interest and principal payments associated with the notes, which mature on 1 September 2007. Consequently, the maturity and settlement dates under the swaps match the maturity and coupon payments for the term of the notes. The exposure to the consolidated entity is in Australian dollars with 50% of the notes at a fixed rate coupon of 7.104% paid semi-annually, and 50% at a variable rate of the Bank Bill Swap rate plus a margin, paid quarterly. At balance date the effective variable rate was 5.492% (2001: 5.295%).

Credit exposure

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

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including derivatives, which are deliverable, credit risk may also arise from the potential failure of the counterparties to meet their obligations under the respective contracts at maturity. As at 30 June 2002, no material credit risk exposure existed in relation to potential counterparty failure on deliverable off-balance sheet financial instruments.

Interest rate exposure

The consolidated entity's exposure to interest rate risk and the effective average interest rate for each class of financial assets and financial liabilities as at 30 June 2002 is set out below. Exposure will arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

Notes to the Financial Statements (cont)

	Floating interest rate \$m	Fixed interest maturing in:			Non- interest bearing \$m	Total \$m	Average interest rate %
		1 year or less \$m	1 to 5 years \$m	Over 5 years \$m			
2002 Financial assets							
Cash and deposits	45.0	–	–	–	250.0	295.0	4.60
Receivables	–	–	–	–	398.1	398.1	–
Other financial assets	–	–	0.5	–	0.7	1.2	5.01
	45.0	–	0.5	–	648.8	694.3	–
Financial liabilities							
Accounts payable	–	–	–	–	2,000.6	2,000.6	–
Accruals	–	–	–	–	440.1	440.1	–
Revolving bilateral loan facility	–	–	–	–	–	–	5.14
Short term money market loans	33.0	–	–	–	–	33.0	4.83
Short term deposits	1.1	–	–	–	–	1.1	0.50
Other bank loans:							
Fixed	–	–	–	8.3	–	8.3	6.80
Variable	6.6	–	–	–	–	6.6	5.67
Variable rate domestic notes	80.0	–	–	–	–	80.0	5.57
Fixed rate domestic notes	–	–	200.0	70.0	–	270.0	6.51
USD notes	–	–	–	133.3	–	133.3	6.20
Interest rate swaps*	(140.0)	–	–	140.0	–	–	6.45
Cross currency swaps:							
Fixed/floating	67.1	–	–	(67.1)	–	–	6.23
	47.8	–	200.0	284.5	2,440.7	2,973.0	–
Net financial (liabilities)	(2.8)	–	(199.5)	(284.5)	(1,791.9)	(2,278.7)	–
2001 Financial assets							
Cash and deposits	67.2	–	–	–	188.8	256.0	4.71
Receivables	–	–	–	–	239.1	239.1	–
Other financial assets	–	–	–	–	18.2	18.2	–
	67.2	–	–	–	446.1	513.3	–
Financial liabilities							
Accounts payable	–	–	–	–	1,666.4	1,666.4	–
Accruals	–	–	–	–	399.0	399.0	–
Revolving bilateral loan facility	340.0	–	–	–	–	340.0	5.27
Short term money market loans	–	–	–	–	–	–	–
Short term deposits	1.7	–	–	–	–	1.7	0.50
Other bank loans:							
Fixed	–	–	–	8.9	–	8.9	6.80
Variable	8.0	–	–	–	–	8.0	5.39
Variable rate domestic notes	80.4	–	–	–	–	80.4	5.59
Fixed rate domestic notes	–	–	–	70.4	–	70.4	7.25
USD notes	–	–	–	134.2	–	134.2	6.20
Interest rate swaps*	(45.0)	–	–	45.0	–	–	6.45
Cross currency swaps:							
Fixed/floating	67.1	–	–	(67.1)	–	–	6.23
	452.2	–	–	191.4	2,065.4	2,709.0	–
Net financial (liabilities)	(385.0)	–	–	(191.4)	(1,619.3)	(2,195.7)	–

* Notional principal amounts

Notes to the Financial Statements (cont)

Net fair value of financial assets and liabilities

On-balance sheet

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

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

Off-balance sheet

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

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

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

	As at 30 June 02		As at 24 June 01	
	Carrying amount \$m	Net fair value \$m	Carrying amount \$m	Net fair value \$m
On-balance sheet financial instruments				
Financial liabilities				
Bank loans	14.9	13.3	356.9	357.8
Other loans	517.4	526.4	286.7	300.1
	532.3	539.7	643.6	657.9
Off-balance sheet financial instruments				
Financial assets				
Forward exchange contracts	–	(0.3)	–	(1.1)
	–	(0.3)	–	(1.1)
Financial liabilities				
Interest rate swaps	0.9	(9.5)	0.8	(11.1)
Cross currency swaps	1.8	21.1	1.7	6.6
	2.7	11.6	2.5	(4.5)

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

Notes to the Financial Statements (cont)

30 Deed of cross guarantee

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

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

The subsidiaries that are party to the Deed are:

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

Notes to the Financial Statements (cont)

A consolidated statement of financial performance and consolidated statement of financial position for the closed group representing the Company and the subsidiaries noted on page 45, which are party to the Deed as at 30 June 2002 is set out below:

	53 weeks ended 30 June 2002	52 weeks ended 24 June 2001
Statement of financial performance		
Revenue from sale of goods	24,022.5	20,794.3
Other operating revenue	503.4	465.5
Total revenue from operations	24,525.9	21,259.8
Cost of sales	(18,413.7)	(15,990.8)
Gross profit	6,112.2	5,269.0
Other revenue from ordinary activities	244.8	260.1
Share of loss in associated company accounted for using the equity method	(0.3)	(1.5)
Other expenses from ordinary activities		
Branch expenses	(4,261.1)	(3,606.4)
Administration expenses	(1,270.9)	(1,224.1)
Earnings before interest and tax	824.7	697.1
Interest expense	(59.2)	(22.7)
Interest income	8.9	10.1
Profit from ordinary activities before income tax expense	774.4	684.5
Income tax expense	(213.2)	(230.0)
Net profit from ordinary activities after income tax expense	561.2	454.5
Decrease in asset revaluation reserve	-	-
Total revenue, expense and valuation adjustments attributable to members of Woolworths Limited recognised directly in equity	-	-
Total changes in equity other than those resulting from transactions with owners as owners	561.2	454.5
Reconciliation of retained profits		
Retained profit at beginning of period	248.6	358.8
Adjustment to retained earnings: companies now included in class order	8.1	-
Net profit from ordinary activities after income tax expense	561.2	454.5
Woolworths income notes distribution	(39.8)	(47.7)
Dividends paid or provided	(345.9)	(284.1)
Special dividend of \$5.82 per fully paid ordinary share paid to shareholders participating in off market buy-backs	-	(232.9)
Retained profits at end of period	432.2	248.6

Notes to the Financial Statements (cont)

	As at 30 June 2002	As at 24 June 2001
Statement of financial position		
Current assets		
Cash	274.6	240.6
Receivables	247.0	181.2
Inventories	1,794.6	1,652.7
Property, plant and equipment	98.3	126.8
Other	97.4	72.8
Total current assets	2,511.9	2,274.1
Non-current assets		
Receivables	79.6	44.2
Investments accounted for using the equity method	–	16.8
Other financial assets	79.1	194.4
Property, plant and equipment	2,242.7	2,050.6
Intangibles	543.4	208.3
Deferred tax asset	181.0	180.7
Other	0.8	0.5
Total non-current assets	3,126.6	2,695.5
Total assets	5,638.5	4,969.6
Current liabilities		
Accounts payable	1,967.0	1,623.5
Accruals	435.8	375.7
Interest bearing liabilities	32.8	331.8
Current tax liabilities	116.4	139.6
Provisions	507.5	418.4
Total current liabilities	3,059.5	2,889.0
Non-current liabilities		
Interest bearing liabilities	482.9	293.5
Deferred tax liabilities	75.3	112.5
Provisions	228.3	183.3
Total non-current liabilities	786.5	589.3
Total liabilities	3,846.0	3,478.3
Net assets	1,792.5	1,491.3
Equity		
Contributed equity	593.8	476.2
Reserves	183.5	183.5
Retained profits	432.2	248.6
Equity attributable to the members of Woolworths Limited	1,209.5	908.3
Woolworths Income Notes	583.0	583.0
Total equity	1,792.5	1,491.3

Notes to the Financial Statements (cont)

Name	Legend	Place of incorporation	Woolworths Limited Investment		Beneficial holding	
			2002 \$m	2001 \$m	2002 %	2001 %
Woolworths Limited		NSW				
Controlled entities of Woolworths Limited:						
Woolworths Properties Pty Limited	a	NSW	23.5	23.5	100	100
Woolworths (Q'land) Pty Limited	a	NSW	10.0	10.0	100	100
Woolworths (Victoria) Pty Limited	a	VIC	4.0	4.0	100	100
Woolworths (South Australia) Pty Limited	a	SA	4.0	4.0	100	100
Woolworths (W.A.) Pty Limited	a	WA	2.5	2.5	100	100
Australian Liquor & Grocery Wholesalers Pty Ltd	a	NT	0.2	0.2	100	100
Woolworths Managers Superannuation Scheme Pty Limited	a,d	NSW	–	–	100	100
Woolworths Staff Superannuation Scheme Pty Limited	a,d	NSW	–	–	100	100
Woolworths (Publishing) Pty Ltd	a,d	QLD	–	–	100	100
Charmtex Pty Limited	a	NSW	0.5	0.5	100	100
Universal Wholesalers Pty Limited	a	NSW	0.1	0.1	100	100
Grocery Wholesalers Pty Ltd	a	NSW	0.2	0.2	100	100
Australian Independent Retailers Pty Ltd	a	VIC	0.1	0.1	100	100
DSE Holdings Pty Limited	a	NSW	20.6	20.6	100	100
SPAR Australia Pty Limited	a,d	NSW	–	–	100	100
Woolworths Custodian Pty Ltd	a,d	NSW	–	–	100	100
Barmos Pty Ltd	a,d	NSW	–	–	100	100
Fabcot Pty Limited	a,d	NSW	–	–	100	100
Nalos Pty Limited	a,d	NSW	–	–	100	100
Barjok Pty Ltd	a,d	NSW	–	–	100	100
Josona Pty Ltd	a,d	NSW	–	–	100	100
Woolstar Investments Ltd	c,d	NZ	–	–	100	100
Woolworths Insurance Pte Ltd	c	Singapore	1.2	1.2	100	100
DSE Merge Corporation	c,d	USA	–	–	100	100
DSE Investments Inc.	c	USA	3.8	3.8	100	100
Australian Independent Wholesalers Pty Ltd	a,d	NSW	–	–	100	100
Woolstar Pty Limited	a	ACT	0.6	0.6	100	100
Woolworths (R&D) Pty Limited	a,d	NSW	–	–	100	100
Advantage Supermarkets WA Pty Ltd	a	WA	3.4	3.4	100	100
Advantage Supermarkets Unit Trust	a	WA	2.1	2.1	100	100
Leasehold Investment Pty Ltd	a	WA	2.0	2.0	100	100
Andmist Pty Ltd	a,d	NSW	–	–	100	100
Woolworths (Project Finance) Pty Ltd	a,d	NSW	–	–	100	100
GreenGrocer.com.au Pty Limited	b	NSW	26.2	–	100	38.1
Controlled entities of Woolworths Properties Pty Limited:						
QFD Pty Limited	a,d	ACT	–	–	100	100
Dentra Pty Limited	a,d	ACT	–	–	100	100

Notes to the Financial Statements (cont)

Name	Legend	Place of incorporation	Woolworths Limited Investment		Beneficial holding	
			2002 \$m	2001 \$m	2002 %	2001 %
Controlled entities of Woolworths (Q'land) Pty Limited:						
Queensland Property Investments Pty Ltd	a,d	QLD	–	–	100	100
Philip Leong Stores Pty Limited	a,d	QLD	–	–	100	100
Controlled entity of Woolworths (South Australia) Pty Limited:						
Woolies Liquor Stores Pty Ltd	a,d	SA	–	–	100	100
Controlled entities of Woolworths (Victoria) Pty Limited:						
Statewide Independent Wholesalers Limited						
	b,d	TAS	–	–	60	60
Calvartan Pty Limited	a,d	ACT	–	–	100	100
Controlled entities of Calvartan Pty Limited:						
Australian Safeway Stores Pty Ltd	a,d	VIC	–	–	100	100
Jack Butler & Staff Pty Ltd	a,d	QLD	–	–	100	100
Controlled entities of Jack Butler and Staff Pty Ltd:						
Woolworths Group Superannuation Scheme Pty Ltd						
	a,d	QLD	–	–	100	100
Woolworths Executive Superannuation Scheme Pty Limited						
	a,d	QLD	–	–	100	100
Controlled entity of Australian Safeway Stores Pty Ltd:						
Mac's Liquor Stores Pty Limited	a,d	QLD	–	–	100	100
Controlled entities of DSE Holdings Pty Limited:						
Dick Smith Electronics Pty Limited						
	a,d	NSW	–	–	100	100
Dick Smith (Wholesale) Pty Ltd						
	a,d	NSW	–	–	100	100
Dick Smith Management Pty Ltd						
	a,d	NSW	–	–	100	100
Dick Smith Electronics Franchising Pty Ltd						
	a,d	NSW	–	–	100	100
Dick Smith Electronics (HK) Ltd						
	c,d	Hong Kong	–	–	100	100
DSE (New Zealand) Limited						
	b,d	NZ	–	–	100	100
Dick Smith Electronics Ltd						
	c,d	UK	–	–	100	100
Dick Smith Electronics Staff Superannuation Fund Pty Limited						
	a,d	NSW	–	–	100	100
InterTAN Australia Ltd						
	a,d	NSW	–	–	100	100
Controlled entities of DSE (New Zealand) Limited:						
Como Imports (New Zealand) Ltd						
	b,d	NZ	–	–	100	100
David Reid Electronics (1992) Limited						
	b,d	NZ	–	–	100	100
Controlled entity of Dentra Pty Limited:						
Weetah Pty Limited						
	a,d	NT	–	–	100	100
			105.0	78.8		

a These controlled entities have been granted relief from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial statements, pursuant to ASIC Class Order 98/1418. Full details of this relief are set out in Note 30.

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

c Controlled entities audited by another firm of auditors.

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

Notes to the Financial Statements (cont)

Name of business acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition \$m
32 Business acquisitions				
Controlled entities				
GreenGrocer.com.au Pty Limited	On-line food retailing	26 Oct 2001	61.9% ⁽¹⁾	7.1
Total controlled entities				7.1
Associated entities				
MGW Hotels Pty Limited	Hotel operation & liquor retailing	20 Sept 2001	50%	— ⁽²⁾
Total associated entities				—
Businesses				
Franklins stores	Supermarkets	Various	—	268.1
Miscellaneous businesses	Supermarkets & liquor retail	Various	—	32.7
Total businesses				300.8
Total acquisitions				307.9

(1) Up until 26 October 2001 Woolworths Limited owned 38.1% of the shares in GreenGrocer.com.au Pty Limited. GreenGrocer.com.au Pty Limited is now a wholly owned controlled entity.

(2) An amount of \$59.9 million advanced to MGW Hotels Pty Ltd is shown as a loan to associate under non current receivables. (See note 8)

Directors' Declaration

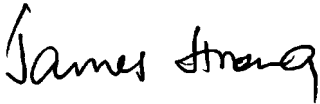
The Directors declare that the financial statements and notes set out on pages 1 to 50:

- a comply with Accounting Standards and the Corporations Regulations and other mandatory professional reporting requirements; and
- b give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial period ended on that date.

In the Directors' opinion:

- a the financial statements and notes are in accordance with the Corporations Act 2001, and
- b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c at the date of this Declaration, there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 30.

This Declaration is made on the 25th day of September 2002 in accordance with a resolution of the Directors.



James Strong
Chairman



Roger Corbett
Group Managing Director/CEO

Independent Audit Report

To the members of Woolworths Limited

Scope

We have audited the financial report of Woolworths Limited for the financial year ended 30 June 2002 as set out on pages 1 to 51. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

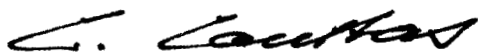
Audit opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



Deloitte Touche Tohmatsu
Chartered Accountants



G Couttas
Partner

Sydney, 25 September 2002

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

Directory

Woolworths Limited

Registered Office

Level 5, 540 George Street
Sydney NSW 2001

Tel: (02) 9323 1555

Fax: (02) 9323 1599

www.woolworthslimited.com.au

National Supermarkets

Supermarket Operations

13 Redmyre Road
Strathfield NSW 2135

Tel: (02) 8732 5555

Fax: (02) 8732 5580

www.woolworths.com.au

National Supermarkets

Shared Services

Cnr Fairfield and Dursley Roads
Yennora NSW 2165

Tel: (02) 9892 7111

Fax: (02) 9892 7171

www.woolworths.com.au

Ezy Banking

Level 3, 540 George Street
Sydney NSW 2001

Tel: 13 7288

www.ezybanking.com.au

Woolworths +Plus Petrol

20-26 Scrivener Street
Warwick Farm NSW 2170

Tel: (02) 8778 2655

Fax: (02) 8778 2670

Dan Murphy's

789 Heidelberg Road
Alphington VIC 3078

Tel: (03) 9497 3388

Fax: (03) 9497 2782

BIG W

3 City View Road
Pennant Hills NSW 2120

Tel: (02) 9847 1000

Fax: (02) 9847 1500

www.bigw.com.au

Dick Smith Electronics/Tandy

2 Davidson Street
Chullora NSW 2190

Tel: (02) 9642 9100

Fax: (02) 9642 9111

www.dse.com.au

Secretary

Rohan K S Jeffs

BA, LLB, LLM, FCIS

Share Registrar

Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street
Sydney NSW 2001

Tel: 1300 368 664

Fax: (02) 8234 5050

www.computershare.com.au

Auditor

Deloitte Touche Tohmatsu

Level 3, 225 George Street
Sydney NSW 2001

Principal registered office in Australia

Level 5, 540 George Street
Sydney NSW 2001

Tel: (02) 9323 1555



'Thank you'