



Focussing  
on what  
matters...

2002 Concise Report  
to Shareholders



WOOLWORTHS LIMITED

A.B.N. 88 000 014 675



'We are all here to deliver a better shopping experience for our customers. We are focussed, innovative, efficient and continually building on our success.'

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Woolworths has over 310,000 shareholders, of whom around 50,000 are our employees. Last year we welcomed more than 7,000 new faces into the Company from Franklins and Tandy. We now employ more than 145,000 people in over 1,500 stores all around Australia.

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

# Delivering Now – and in the Future

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

## Achievements

- Earnings per share (EPS) up – 25.1% to 50.2 cents
- Dividends per share – up 22.2% to 33 cents
- Sales – up 17.0% to \$24.5 billion
- Costs – down 38 basis points to 21.84%
- Earnings before Interest and Tax (EBIT) – up 17.8%
- Net Operating Profit after Tax and servicing Income Notes – up 22.2% to \$523.2 million
- Earnings per share before goodwill – up 28.0% to 52.5 cents
- Funds Employed rose 6.6%, less than half the rate of sales growth
- Average Return on Funds Employed (ROFE) – up to 38.1%
- Average Return on Equity (ROE) – rose from 43.2% to 48.1%
- Free cash flow after taking into account the Franklins acquisition was 74% of operating net profit after servicing Income Notes

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# Chairman's Report to Shareholders



**James Strong.** Chairman

More details of performance are contained in the review by Chief Executive Roger Corbett, and in the comprehensive review of operations later in his Report.

## Role of the Board

Among the key responsibilities of a Board are:

- CEO and key management selection, remuneration and succession planning,
- working closely with management on strategies for competitiveness, profitability and growth, and
- close monitoring of performance, reporting, and corporate governance including audit, risk and compliance with laws, policies and procedures.

I would like to comment briefly on these areas as recent events both overseas and in Australia have brought these matters into sharp focus.

## Management

Woolworths has an outstanding management team under Roger Corbett. Our results are based on their very professional and straightforward approach to business. It is characterised by attention to every detailed aspect and a “hands-on” culture.

The Board regards maintenance of high calibre management as fundamental to success and spends significant time on future development and succession issues.

There is a very open and productive relationship between the Board and the management group.

## Remuneration

Three years ago the Board and management committed to a long term growth plan to deliver sustained improvement in shareholder returns.

This required a major review of every aspect of the business, which in turn depended on having a stable and dedicated management structure.

At that time a long term management incentive plan (LTIP) was introduced, making it possible for executives to share in the benefits of building future value for shareholders.

The Board considers that the current LTIP, based on issuing options to senior executives, has been a major positive contributor to the success of the Company as the LTIP was:

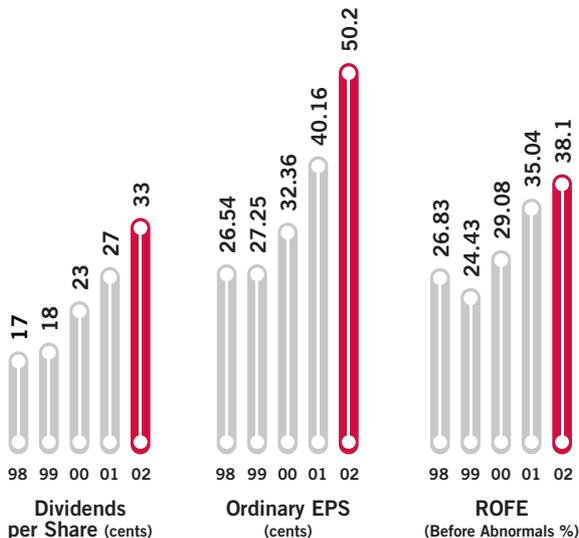
	This Year	Last Year	Previous Five Year Average
Sales	+17.0%	+10.1%	+9.5%
Earnings before interest and tax (EBIT)	+17.8%	+13.7%	+12.5%
Net profit after tax	+22.2%	+17.7%	+12.9%
Earnings per share (EPS)	+25.1%	+24.1%	+13.0%
Dividends per share	+22.2%	+17.4%	+12.5%

The past year has seen a continuation of the excellent financial and operational results as illustrated by all key performance measures highlighted in the table above.

It was another year of “double digit” growth in sales, with higher growth in profitability. This was assisted mainly by continuing cost reductions and efficiencies through “Project Refresh”.

Balance sheet management again produced significant benefits. Reduced levels of inventory produced an increase in negative working capital, higher free cash flows and a reduction in net repayable debt.

As a result, both the levels of earnings per share and dividends to shareholders, increased by more than 20%, together with further increases in the Company's share price.



- rigorously constructed with aggressive performance targets measured by reference to both internal and external benchmarks,
- approved by shareholders and supported by related interest groups,
- continuously disclosed and reported, and
- broadly based to include a wide range of management with real influence on performance.

The success of the Company means that the LTIP has delivered significant benefits for shareholders as well as rewards for executives. Over the last three years, the appreciation in capital value of the Company has been in excess of \$7 billion, driven by sustainable top line sales growth and bottom line earnings per share.

For these reasons, the Board has continued the LTIP and has reviewed and applied even more stringent targets and performance hurdles to take account of the success achieved to date.

The Board will monitor closely the current debate on all forms of remuneration and any developments which occur and will take these into account for future policy.

In the interim, this Report includes a comprehensive section on the LTIP including an indication of the cost of options this year, if these had been taken through the Statement of Financial Performance.

As soon as agreed accounting and valuation methods are introduced, obviously we will adopt these reporting standards. A premature introduction is unwise, given the complexities involved.

## Governance

Unacceptable actions and conduct in some other businesses, both in Australia and around the world, have resulted in a great deal of comment and action in relation to corporate governance.

Woolworths has, for some time, had a strong governance commitment aimed at achieving best practice, as acknowledged by external independent surveys. The Board has determined to further enhance these by taking action in relation to audit arrangements. These are described more fully in the section on Corporate Governance later in this Report.

## Future strategies

The Board and management follow a structured program of regularly reviewing our competitive position, future growth opportunities and programs to drive improving performance.

A significant factor in our recent progress has been acting swiftly and decisively to changes in the retailing environment. We will continue to seek avenues to grow our business profitability. Roger Corbett's Report refers to the immediate outlook and our determination to sustain profitable growth.

## People

Ultimately, Woolworths depends on more than 145,000 people delivering enthusiastic and high quality service to our customers.

The culture of the Company is based on understanding and unlocking the potential of people who enjoy being contributors to a successful organisation with a practical focus on customers.

We are seeking to improve every aspect of their training, development, career opportunities and reward systems.

On behalf of the Board I would like to thank our management, staff, suppliers and shareholders for another year of growth underpinned by stability and real progress. •

**James Strong**  
Chairman

# Group Managing Director's Report to Shareholders



**Roger Corbett.** Group Managing Director/CEO

It is a pleasure to report to over 310,000 shareholders of Woolworths Limited, including more than 50,000 employee shareholders, on the outstanding result recorded by our Company in the 2001/2 year.

Against a background of global uncertainty the Australian economy performed well, with Woolworths' strong commitment to the purchase of Australian products and to employment in rural and regional Australia playing a role in ensuring the continuing stability and strength of the economy.

Our Company remains totally focussed on the delivery of value to all of our stakeholders - to our customers, our shareholders, suppliers, employees and the community.

## Serving our customers better

We acknowledge that to continue to be successful we need to serve our market better than our competitors by providing better ranging (especially of fresh food) as well, of course, as the brands you know and trust at our Everyday Low Prices.

Last year's 25.1 % increase in Earnings Per Share to 50.2 cents and the 22.2% growth in Dividends Per Share to 33 cents, provided solid evidence that Woolworths Limited continues to gain strength and I have every confidence that this pattern of growth in shareholder returns can continue.

Our sales growth increase of 17% over last year was very satisfactory, with net operating profit growth up 22.2%, underpinned by continuing reductions in the cost of doing business. With the ongoing and sustainable cost savings being generated through 'Project Refresh' now focussing on areas such as IT, logistics and the supply chain, the Company remains well on track to maintain annual percentage sales growth in high single digits and profit growth in low double digits.

## Continuous improvement

The operational highlight of the year was the successful integration of 67 Franklins stores into the Supermarket Division. In all of our stores we remain totally dedicated to the achievement of continuous improvement in standards of customer service. Last year we made excellent progress in improving standards of presentation and better 'front end' service levels have made a major contribution to enhancing the quality of customers' experiences in our stores.

In the current year our business is on track to generate good returns as we grow sales, reduce costs still further, and continue to streamline the balance sheet.

We will ensure that Woolworths offers its customers a wider range of products and services than our competitors and that we do so at the lowest possible prices. We will remain innovative and creative, constantly alert to changes in customer demand, positioning the business to meet the changing wants and needs of our customers.

Woolworths has identified many opportunities for continuing growth in both revenues and earnings across all of our Divisions.

Woolworths/Safeway Supermarkets became increasingly accessible to Australians last year as new stores were developed. We plan to open 15 to 25 additional stores annually for the foreseeable future. Sales in this core business are expected to continue their existing strong growth, given our relatively low share of the national fresh food market and the comparative immaturity of a significant number of newer stores.

In General Merchandise, the first of our reduced-size BIG W stores, specifically addressing the lower sales volumes of rural and regional Australia, opened in Kingaroy, Queensland, in May 2002. Forty more stores of this type are planned over time and early indications are that the smaller format BIG W store will be very popular with customers.



## Overcoming difficult conditions

Our Consumer Electronics Division, comprising Dick Smith Electronics and Tandy Electronics, did not perform last year at optimum level, but I believe that the Division's issues, which we have identified for action, have now been overcome and that Consumer Electronics is ideally placed to grow its share of a market sector which itself is growing strongly.

Our smaller, but no less important, businesses of liquor, comprising the Woolworths Liquor and Safeway Liquor supermarket offer and the separate Dan Murphy, BWS & First Estate branded liquor outlets, will be a major growth opportunity in the current year and beyond.

The Woolworths Plus Petrol business has expanded to over 260 outlets nationally and is proving to be a strong driver of customer loyalty in our supermarkets. We are targeting expansion to 350 canopies within three years.

Our Woolworths Ezy Banking facility has potential for further expansion in the services and benefits which have received good customer response to date.

We have a significant opportunity available to us to use leading-edge world technology to enhance the logistics of our business, a key cost area. This will result in substantial cost reductions going forward, which in turn will increase our ability to significantly grow our volume, to drive EPS growth and to reduce prices to our customers.

As I said at the announcement of the Annual Results earlier this year, 'cost savings continue to be the engine that allows us to reward both customers and shareholders'. This philosophy pervades everything we do at Woolworths and our focus on that objective will enable us to continue to deliver increasing rewards to our shareholders over time. ►

# Group Results Summary

	53 weeks ended 30 June 2002		52 weeks ended 24 June 2001		Increase	
	Before Goodwill \$m	After Goodwill \$m	Before Goodwill \$m	After Goodwill \$m	Before Goodwill %	After Goodwill %
<b>Earnings before Interest and Tax(EBIT)</b>						
Food and liquor	754.7	734.7	622.5	614.0	21.2%	19.7%
Petrol	12.7	12.7	4.6	4.6	176.1%	176.1%
<b>Total Supermarkets</b>	<b>767.4</b>	<b>747.4</b>	<b>627.1</b>	<b>618.6</b>	<b>22.4%</b>	<b>20.8%</b>
BIG W	93.5	93.5	83.4	83.4	12.1%	12.1%
Consumer electronics	31.3	28.0	31.3	30.8	-	(9.1%)
<b>Total General merchandise</b>	<b>124.8</b>	<b>121.5</b>	<b>114.7</b>	<b>114.2</b>	<b>8.8%</b>	<b>6.4%</b>
<b>Total trading result</b>	<b>892.2</b>	<b>868.9</b>	<b>741.8</b>	<b>732.8</b>	<b>20.3%</b>	<b>18.6%</b>
Property	34.2	34.2	33.1	33.1	3.3%	3.3%
Central overheads	(77.8)	(77.8)	(59.0)	(59.0)	31.9%	31.9%
<b>Continuing operations</b>	<b>848.6</b>	<b>825.3</b>	<b>715.9</b>	<b>706.9</b>	<b>18.5%</b>	<b>16.7%</b>
Wholesale	7.4	7.4	5.1	5.0	45.1%	48.0%
Discontinued operations	-	-	(5.3)	(5.3)	-	-
<b>Group EBIT</b>	<b>856.0</b>	<b>832.7</b>	<b>715.7</b>	<b>706.6</b>	<b>19.6%</b>	<b>17.8%</b>

	53 weeks ended	52 weeks ended	Increase %	Normalised* %
	30 June 2002 \$m	24 June 2001 \$m		
<b>Sales/Profit</b>				
<b>Sales</b>				
Food and liquor	19,595.0	16,772.3	16.8%	14.6%
Petrol	1,119.3	747.1	49.8%	47.0%
<b>Total Supermarkets</b>	<b>20,714.3</b>	<b>17,519.4</b>	<b>18.2%</b>	<b>16.0%</b>
BIG W	2,280.5	2,069.8	10.2%	8.6%
Consumer electronics	659.0	418.0	57.7%	54.4%
<b>Total General merchandise</b>	<b>2,939.5</b>	<b>2,487.8</b>	<b>18.2%</b>	<b>16.3%</b>
Continuing operations	23,653.8	20,007.2	18.2%	16.0%
Wholesale	819.2	697.8	17.3%	15.5%
Other discontinued operations	-	210.1	-	-
<b>Group sales</b>	<b>24,473.0</b>	<b>20,915.1</b>	<b>17.0%</b>	<b>14.9%</b>
<b>Margins</b>				
Gross profit	25.24%	25.60%	-0.36 pts	-
Cost of doing business	21.84%	22.22%	-0.38 pts	-
EBIT to sales	3.40%	3.38%	+0.02 pts	-

\* Normalised for 52 weeks

	53 weeks to 30 June 2002 \$m	52 weeks to 24 June 2001 \$m	Change %
<b>Profit</b>			
Earnings before interest, tax, depreciation amortisation and rent (EBITDAR)	1,911.4	1,616.4	18.2%
Property rent-base	592.6	497.3	19.2%
Property rent-turnover contingent	79.4	76.9	3.3%
Fitout rent	55.7	25.8	115.9%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,183.7	1,016.4	16.5%
Depreciation	327.7	300.6	9.0%
Goodwill amortisation	23.3	9.1	156.0%
Earnings before interest and tax (EBIT)	832.7	706.6	17.8%
Net interest expense – Note 1	50.5	13.1	
WINS distribution	39.8	47.7	
Income tax expense	218.5	217.4	
Net operating profit after income tax	523.9	428.4	22.3%
Outside equity interests	(0.7)	(0.4)	
Net operating profit after tax attributable to the members of Woolworths Limited	523.2	428.0	22.2%

	53 weeks to 30 June 2002 \$m	52 weeks to 24 June 2001 \$m	Change %
<b>Returns</b>			
Funds employed	2,256.6	2,117.6	+6.6%
Return on Funds Employed (ROFE)	38.10%	35.04%	+3.1%
Return on Equity (ROE)	48.10%	43.19%	–
Weighted average ordinary shares on issue (million)	1,041.3	1,065.8	-2.3%
Ordinary earnings per share (cents)	50.24	40.16	25.1%
Earnings per share pre Goodwill (cents)	52.48	41.01	28.0%
Fully diluted earnings per share	49.30	39.65	24.3%
Interim dividend per share (cents)	15.0	12.0	
Final dividend per share (cents) – Note 2	18.0	15.0	
Total dividend per share (cents)	33.0	27.0	22.2%

Note 1 – Interest capitalisation \$7.1m (LY \$11.9m).

Note 2 – Final dividend payable 8 October 2002 will be fully franked at 30%



Adding value through more choice, great service and competitive prices.

# Supermarket Group

The Supermarket Group had a good year with sales up 18.2% (16% on a normalised 52 week period) over last year and growth in market share. Cost savings resulted in both reduced prices and improved profitability.

A major achievement during the year was the successful integration into the Woolworths Supermarket Group of 67 of the 72 ex-Franklins stores acquired from Dairy Farm International. This added \$1.05 billion of sales in the financial year, exceeding our acquisition expectations as customer numbers and sales volumes in most of the acquired stores increased from levels being achieved prior to acquisition. (The incremental sales revenue was \$1.01 billion after accounting for four existing stores required to be disposed of as a consequence of the acquisition. These four stores traded to expectations). The Franklins' acquisition added \$20 million to EBIT, which was a little ahead of expectations.

At the date of this Report, all 72 of the acquired ex-Franklins stores are trading, including four as Dan Murphy outlets.

The Company also continued to actively expand the number of liquor and petrol outlets.

## Good growth in a competitive marketplace

During the year the food, liquor and grocery (FLG) market environment was good. The year started well. Sales were strong between September and November, eased off slightly from December to February, and then strengthened from March to June. The year saw our share of the national FLG market grow from 25.6% to 28.3%, assisted by the extra ex-Franklins stores.

Competition was keen across all States as three multinationals – Aldi from Germany, Pick'n Pay and Metro from South Africa – and three local groups – Coles/BiLo, Action and the independents (the latter with close to 50% of the FLG market) – sought to improve their position. Our FLG market share grew in each State in Australia throughout the year, finishing at a high of 28.3%. Woolworths believes that there is

room in the Australian market for all entrants with their differing market propositions and product offerings. Woolworths' has a relatively low FLG market share by world standards compared to similar sized markets in the UK, Europe and North America.

## Costs a major focus

The drive for lower costs under "Project Refresh" continued to deliver savings, with the Cost of Doing Business (CODB) falling a further 24 basis points (0.24%) of which two-thirds went to customers by way of lower prices and one-third to shareholders by way of increased earnings before interest and tax (EBIT). The ex-Franklins stores have a higher cost structure which is being gradually reduced towards Woolworths' standards. The ex-Franklins' stores have an opportunity for greater productivity through reduced costs as a proportion of sales and improvement in sales per square metre. As we have lowered costs, prices have been rolled back and our supermarket pricing has become even more competitive. Our customers have reacted positively.

The supply chain underwent significant change and rationalisation during the year. The acquisition of the ex-Franklins stores accelerated additional supply chain requirements and put significant pressure on our resources which was well-handled by the new structure.

## Supermarket performance

Woolworths finished the year with 676 supermarkets – up from 603 last year end. Apart from the 67 ex-Franklins stores re-opened as Woolworths Supermarkets, a further 23 new stores were opened ▶

Supermarket Group including Petrol 2001 – 2002 Financial Summary	2002	2001	Change
Sales (\$ million)	20,714.3	17,519.4	18.2%
Gross margin (%)	24.84	25.00	-0.16% pts
Cost of Doing Business (%)	21.23	21.47	-0.24% pts
EBIT to sales (%)	3.61	3.53	+0.08% pts
EBIT before Goodwill (\$ million)	767.4	627.1	22.4%
EBIT after Goodwill (\$ million)	747.4	618.6	20.8%
Funds Employed (\$ million)	1,495.5	1,312.6	13.9%
Av. Return on Funds Employed (%)	53.2	48.1	+5.1% pts

## Supermarkets (cont)

and 17 stores were closed. Sales excluding petrol rose 16.8% to \$19.6 billion, or 14.6% adjusting for the effect of the 53rd week. Comparative (like-for-like) store sales increased 5.5%. Earnings before goodwill excluding petrol, rose 21.2% to \$754.7 million, or to 3.85% of sales.

With Supermarket Group earnings rising 20.8% after goodwill, sales up 18.2%, and funds employed at \$1,495.5 million – up 13.9%, the Return on average Funds Employed increased to 53.2%.

## Buying and Marketing Shared Services, the benefits continue

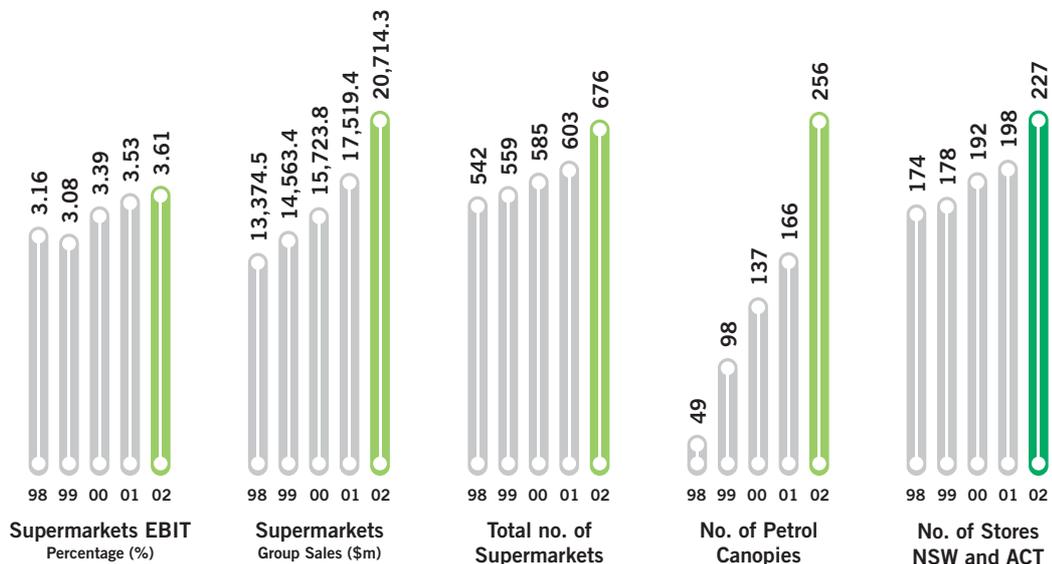
The central buying and marketing team which operates as a shared service under Bernie Brookes has now been in place for almost two years, and has proved to be a successful move, with benefits now increasingly being realised.

The response to date from suppliers indicates that these shared service arrangements have further improved our excellent supplier partnerships.

## Store operations

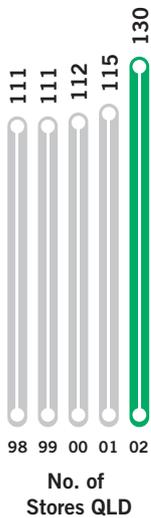
Store operations under Tom Flood, improved levels of execution during the year. Store supervision and human resources management were restructured.

These two executives, together with Naum Onikul, now report to Bill Wavish as Director, Woolworths Supermarkets Group, unifying the reporting lines of the Supermarket Division. ▶





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



## Supermarkets (cont)

### Liquor – store expansions

There was emphasis on growing our share of the liquor market during the year as the four brands – Dan Murphy ‘category killer’ liquor outlets; Woolworths/Safeway Liquor attached to supermarkets, BWS beer, wine and spirits local stores and First Estate fine wine shops, all were expanded. Total liquor sales (including non-consolidated sales in Queensland) grew from \$1.1 billion to \$1.4 billion. Liquor licensing is different in each State and Territory, but in general terms, there is a slow move toward less regulation which will lead to greater convenience for consumers and present further opportunities for our business to grow. One example of deregulation was the decision to phase out the liquor licence ‘cap’ in Victoria. In Queensland, we decided not to wait for legislative change and entered into a joint venture in hotels, in order to be able to open liquor outlets. The joint venture now operates 23 hotels and 90 liquor outlets and is trading above expectations.

### Plus Petrol – more growth

Petrol continues to be a very popular addition to the Woolworths customer offer. Woolworths Plus Petrol sales for the year exceeded \$1 billion for the first time. At year end there were 256 canopies open. The standard offer of 2 cents per litre discount off the lowest local price when a minimum designated amount is spent in a Woolworths Supermarket or BIG W, is regularly complemented by offers of 4 and 6 cents discount. Petrol earnings before discounts and the positive effect on other sales, rose to \$12.7 million on sales of \$1.12 billion, or 1.13% of sales.

### Integration of HomeShop and GreenGrocer.com.au Pty Limited (GreenGrocer)

Our internet food retailing trading under the HomeShop and GreenGrocer brands is now 100% owned and the back offices have been combined. The operations produced a loss of \$5.7 million during the 2001/2 year which we consider a development cost but which was fully expensed during the period. In the 2002/3 year a significant improvement is expected.



### Ezy Banking

Our Supermarket and BIG W based banking offer continued to grow strongly with very good new customer acceptance. The convenient offer includes extended opening hours and a 'fee-free' service for customers. In addition, rewards are offered on both debit and credit card transactions.



Our expanding range of products and services ensures that we offer a total service to our customers.



## Wholesale activities wind down

Trading results from wholesale operations in Queensland, New South Wales, Victoria and Tasmania continued to improve. During the year sales, earnings and return on funds employed also increased.

However, in the second half year, Foodworks, a major early trading partner of Australian Independent Wholesalers (AIW), decided to obtain its supplies elsewhere. This caused a re-evaluation of our plans and a consequent decision to exit the wholesale sector. The exit will be executed progressively with Victoria and New South Wales closing in coming months. We are working to support the emergence of a new wholesale co-operative in Queensland. ►



Building on  
success through  
value and  
innovation in  
all that we do.

# General Merchandise

BIG W increased its store count from 90 to 96 during the year. Comparative (like-for-like) store sales grew 3.9%, although in the second half year, and since year end, this has increased to 5%. The overall sales increase was 10.2%, or 8.6% on a normalised 52 week basis.

Aspects of the general merchandise market were difficult in Australia across the year, although December was a strong month. BIG W's Everyday Low Price offer delivered unbeatable value to customers and served the business well. There has been strong customer response to this genuine price offer. Overall BIG W produced an outstanding result.

## Strong profit, Strong growth

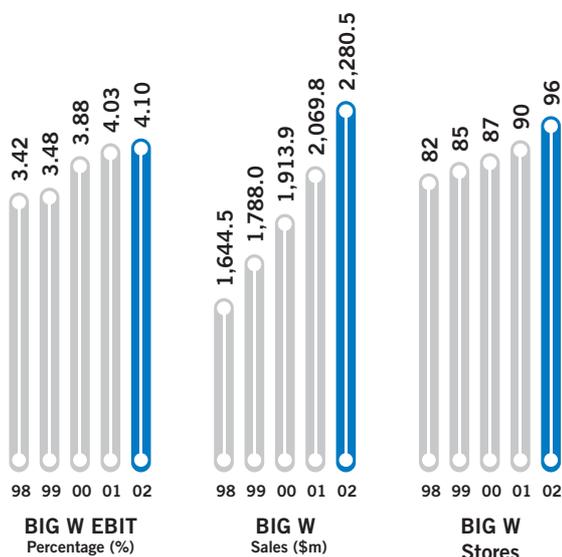
Earnings exceeded the sales increase, with EBIT rising 12.1% on sales up 10.2%. Of the 17 basis point reduction in costs, approximately one half went to customers with better prices, and approximately one

<b>BIG W</b>	<b>2002</b>	<b>2001</b>	<b>Change</b>
<b>2001 – 2002 Financial Summary</b>			
Sales (\$ million)	2,280.5	2,069.8	10.2%
Gross margin (%)	31.30	31.40	-0.10% pts
Cost of Doing Business (%)	27.20	27.37	-0.17% pts
EBIT to sales (%)	4.10	4.03	+0.07% pts
EBIT (\$ million)	93.5	83.4	12.1%
Funds Employed (\$million)	299.2	273.9	9.2%
Av. Return on Funds Employed (%)	32.6	30.1	+2.5% pts

half or 8 basis points went to shareholders. Funds employed rose 9.2% to \$299.2 million, allowing the Return on average Funds Employed to rise to 32.6%. Despite the opening of six new stores in the latter half of the year, stock levels were well-controlled.

Late in the financial year a new lower cost format BIG W store opened at Kingaroy in rural Queensland. The outlet has a slightly different range from a normal BIG W store, but will operate under the same name. It has traded well and the format will be further expanded.

During the year, the BIG W senior management baton successfully passed from Dick McMorrison to Marty Hamnett, as Dick took on broader group responsibilities. ►



## General Merchandise (cont)

<b>Consumer Electronics 2001 – 2002 Financial Summary</b>	<b>2002</b>	<b>2001</b>	<b>Change</b>
Sales (\$ million)	659.0	418.0	57.7
Gross margin (%)	37.16	39.46	-2.30% pts
Cost of Doing Business (%)	32.91	32.09	+0.82% pts
EBIT to sales (%)	4.25	7.37	-3.12% pts
EBIT before goodwill (\$ million)	31.3	31.3	–
EBIT after goodwill (\$million)	28.0	30.8	-9.1
Funds Employed (\$million)	253.0	208.3	21.5
Av. Return on Funds Employed (%)	12.1	22.1	-10.0% pts

### Consumer Electronics

The year was a difficult one for our Consumer Electronics business trading as Dick Smith Electronics, Tandy and Dick Smith Electronics PowerHouse. Our consumer electronics business in Australia recorded strong sales growth but grappled with several significant issues – soft demand for mobile telephones and personal computers and the integration of Tandy into the Consumer Electronics Division, particularly the consolidation of warehouse facilities.

Mobile telephones, which represent a large part of the communications category, had both weak sales and significantly lower than planned margins. Sales of personal computers were below expectations though improved towards the end of the year and this trend has continued.

The integration of Tandy into the overall electronics business presented some operational difficulties but these have now been overcome. The consolidation during the year of five warehouses into one national warehouse at Chullora in Sydney proved challenging but the new distribution centre is now working well.

### Improvements ahead

The earnings from Consumer Electronics, before goodwill, were flat during the year and the result was clearly below expectations.



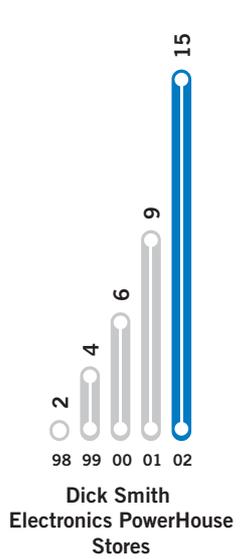
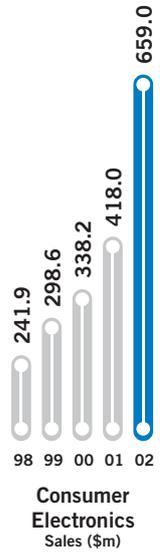
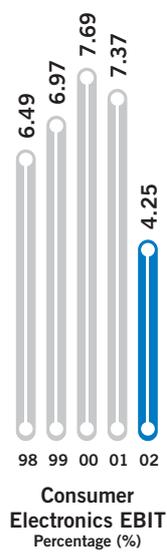
Return on Funds Employed fell to 12.1% and management have accepted the challenge to improve this significantly.

The Consumer Electronics business is now under the leadership of Greg Foran and his team and we expect improved results in both FY03 and FY04.

We have chosen to represent the Consumer Electronics result separately and in detail to shareholders for the first time this year. ▶



Our Consumer electronics businesses ensure a greater choice and better value for our customers.



# 'Project Refresh' – Reducing Costs, Increasing Effectiveness

The benefits of 'Project Refresh Level One' continue to be delivered on a daily basis throughout all our stores.

Over the last three years the cost of doing business as a percentage of sales has fallen from 23.95% to 21.84%, giving cumulative cost savings to date of \$1,042 million, of which 85% has gone to customers and 15% to shareholders.

Whilst 'Level One' savings (line items and reorganisation benefits) will continue to increase long term, we are now expending more effort on achieving 'Project Refresh Level Two' savings which involve spending \$1 billion on improvements to the supply chain over the next five years in both logistics and enabling technology.

## Significant non recurring items

Significant non recurring items for the year were not material at a net cost of \$12.9 million. The major items included a profit on the sale of Australian Good Taste Magazine (\$8 million) and State tax recoveries (\$11 million), offset by a provision to exit the wholesale operation AIW (\$12 million) and the cost of ex-Franklins store training wages (\$12 million).

## Central overheads

The 31.9% or \$18.8 million increase in central overheads was due to \$6.6 million in Project Refresh costs no longer charged to provisions and \$12.0 million of costs relating to strengthening group Human Resources, Information Technology and Internal Audit teams. Half of these costs were additional and half transferred from operating divisions. In addition all the significant non recurring items referred to above, with the exception of the ex-Franklins store training wages, were included in central overheads with a net cost of \$1.1.million.

## Balance sheet, capital management and cash flow

Working capital improvements, led by inventory reducing 3.3 days to 37.3 days, allowed the negative working capital to increase from \$516 million to \$796 million. Total creditors rose 1.4 days to 45.3 days.

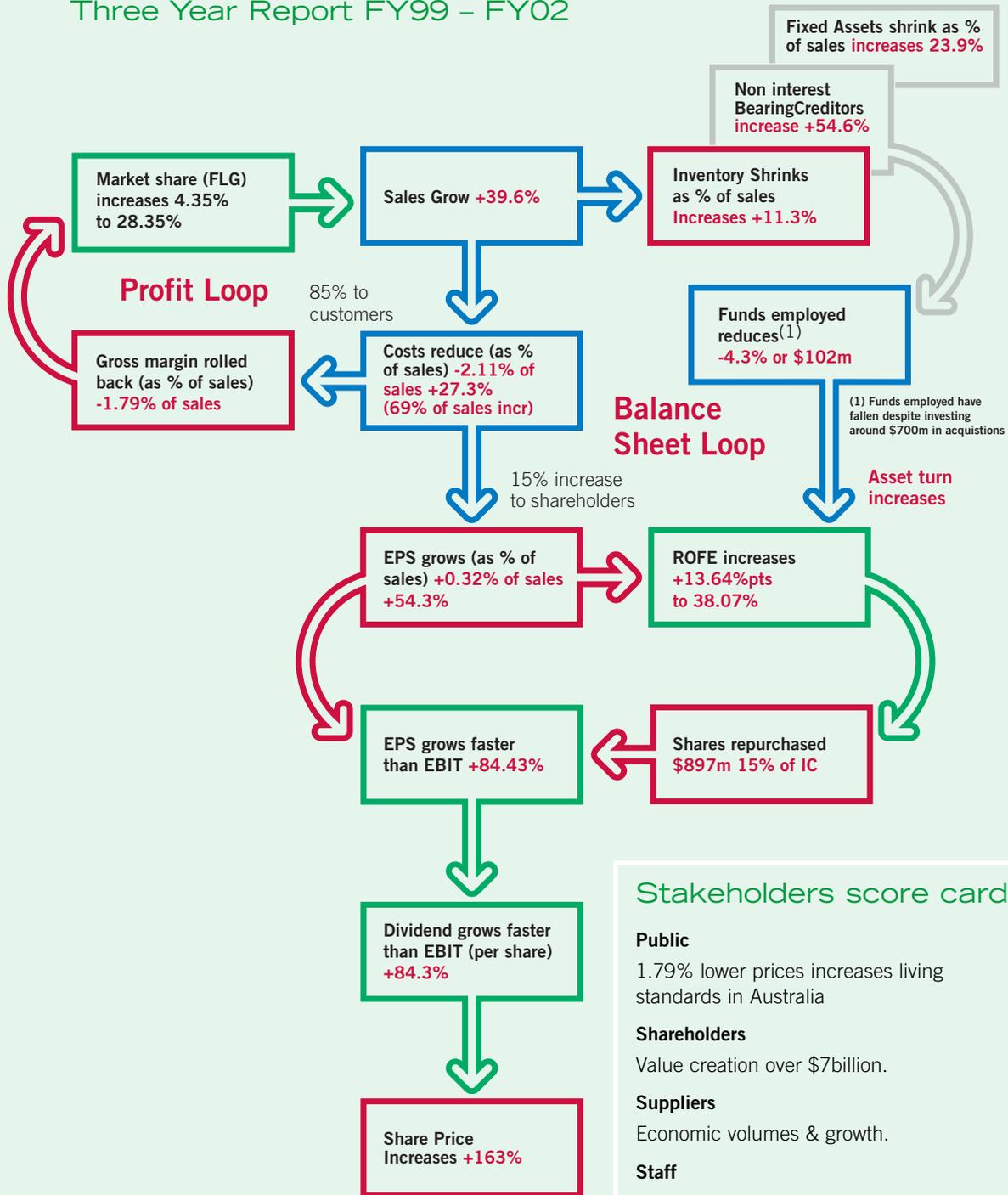
In spite of the \$373.2 million spent on acquiring and refurbishing the ex-Franklins stores, free cash flow rose 61% to \$390.9 million. This led to net repayable debt reducing to \$237.3 million at the year end.

Funds employed increased by 6.6% (on normalised sales growing 14.9%) allowing Return on average Funds Employed (ROFE – the pre-tax measure), to rise to 38.1%. With no share buy-backs during the year, Total Equity (including Minority Interests and Perpetual Equity ) rose from \$1,526 million to \$1,823 million, and Shareholders Equity rose from \$939 million to \$1,235 million.

The Board remains alert to further buy-back opportunities including franking tax effective capital returns. Return on average Equity (ROE -the post-tax measure) rose 4.9%pts to 48.1%. Woolworths is one of six Australian Fortune 500 companies and ranks in the top 1% of global Fortune 500 companies in ROE. ▶

# Woolworths Double Loop

Three Year Report FY99 – FY02





Nurturing  
talent through  
reward, training  
and partnership.

# Our People, Our Responsibility

The Woolworths team now totals more than 145,000 employees or 1 in 59 working Australians, some 50,000 in regional and rural areas.

The Australian retail environment is dynamic, fast-paced and ever-changing. Since 1993, Woolworths has created almost 73,000 jobs (or around 8,000 annually) thereby contributing to the ongoing growth and success of our business and the Australian economy.

Our people strive to provide our customers with service levels which exceed their expectations. Around 16 million customer transactions take place every week in the 1533 Woolworths Group Stores, and we work together to ensure that customers enjoy a better experience each and every time they shop.

Woolworths' continued growth in an innovative and competitive environment, coupled with the re-organisation of business units, has created diverse career opportunities for our people. In the past year, over 300 employees were reassigned to new roles, ensuring minimal retrenchments. Woolworths supports educational and cultural programs assisting the personal development of young people, with over 50,000 employees in Woolworths aged between 16 and 21.

We recruit 2,000 new trainees and apprentices, nationally, every year and are the largest employer of apprentices in the nation. Our accreditation as a Registered Training Organisation (RTO) assures our people receive ongoing support during their training and development. In 2002, over 6,000 trainees and apprentices in Woolworths are studying both on-the-job and off-the-job skills in many areas of our business.

In the near future we will be establishing the Woolworths Academy, which will partner with recognised academic institutions to offer employees accredited undergraduate and postgraduate qualifications in line with the Company's development and succession needs.

Our people are building partnerships with rural and regional customers, growers, suppliers and communities across Australia, all of whom are integral to the success of Woolworths. With around 50,000

employee shareholders, Woolworths has more employee shareholders than any other company in Australia. All of these employees are sharing in our success. Our people have made Woolworths the successful Company it is today, and our people work hard to deliver to our customers every day to ensure its ongoing success.

I am proud of everything our Woolworths people have achieved in all areas of our operations, including all of the support teams, whether in distribution centres or any other part of the business. I appreciate their efforts and commit to continuing to develop job opportunities throughout the Company.

## Environment

During the year under review, Woolworths continued to build on our commitment to responsible environmental management across all of our operations.

A corporate environmental policy is being developed and will be adopted throughout Woolworths' operations in coming months. The policy will reflect not only our environmental commitment but also the Company's pragmatic and commercially appropriate approach to environmental issues.

### **Environmental actions taken during the year included:**

**National Packaging Covenant** – The National Packaging Covenant is a self-regulatory agreement between industries in the packaging chain, aimed at providing guidelines for more effective management of packaging waste. As a signatory to the Covenant, Woolworths has a commitment to produce Action Plans and formally report to the Covenant Council on an annual basis on our progress against those Action Plans. The first of these Action Plans has been approved and is being progressively implemented.

**National Waste Review** – Diversion of waste from landfill is an important Woolworths and community environmental objective. A National Waste Review is being conducted in Woolworths Supermarkets to better understand the key contributors to the waste stream in stores and to identify opportunities to maximise cost-effective waste diversion. A test program is being implemented in NSW, focussing on cardboard, plastics and produce waste. The results of the review will enable Woolworths to measure and benchmark waste management performance in all of its Supermarkets. ▶

## Woolworths Limited (cont)

**Plastic Bag In-Store Recycling** – Woolworths was the first Australian retailer to introduce recycling of supermarket plastic shopping bags in the mid-1980's. Collection bins are available in supermarkets and customers are encouraged to return plastic bags for recycling. Recycled bags are collected and processed by a number of recycling agents throughout Australia into various other products.

### Community responsibility

It is Woolworths' policy to build partnership relationships with a small number of community organisations as well as to provide support at store level in each of the communities we serve and in areas where the Company's support can make a significant difference.

In addition, as one of Australia's leading employers, Woolworths is committed to a number of long-term projects which are focussed on delivering sustainable employment solutions and education guidance to disadvantaged people, particularly those in rural communities.

Some examples of Woolworths' investment in community institutions and projects, particularly those where employees can be directly involved, are:

**Children's Hospitals** – Woolworths, its employees, suppliers and customers have helped raise some \$13 million for Children's Hospitals across Australia over the past six years. In 2002, Woolworths Supermarkets in NSW and the ACT contributed a total of nearly \$1 million to The Children's Hospital at Westmead and to a number of regional hospitals. Last year Queensland Care for Kids campaign raised over \$1 million for the Brisbane Royal Children's Hospital and Safeway Stores contributed \$500,000 for the Melbourne Children's Hospital.

BIG W has contributed \$1.5 million over five years to the development of the Sydney Children's Hospital, with a new north wing now named the BIG W Wing.

**Harmony Day** – In 2002 Woolworths again partnered with the Federal Government to promote Harmony Day in all our stores. Harmony Day is Australia's largest national multicultural event. Through the distribution of badges and display of posters in all stores, the Company demonstrated its ongoing commitment to fostering multicultural relationships and to diversity in the workplace.

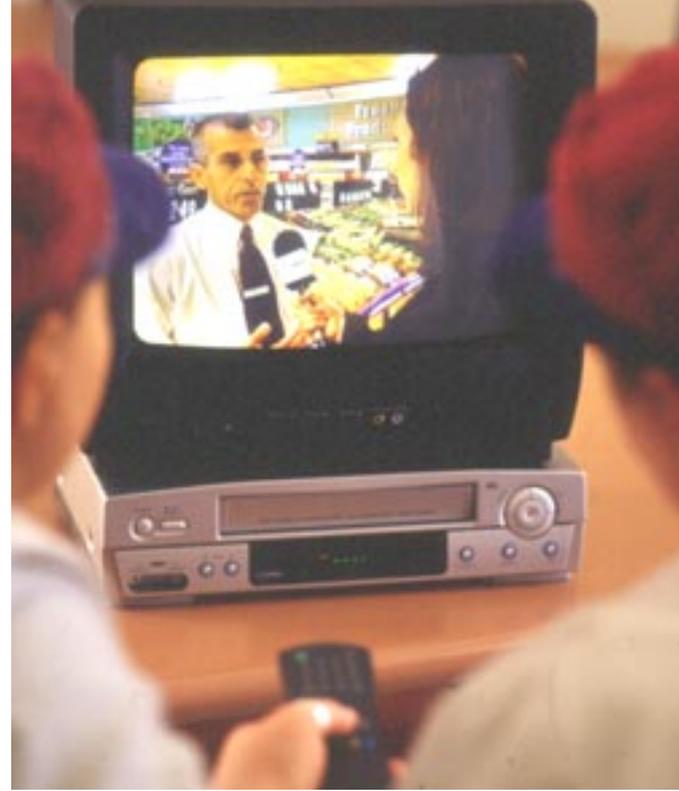
**AFS Intercultural Programs Student Exchange** – Woolworths continues to offer children of employees the chance to study for a year in another country as part of the student exchange program administered



through AFS Intercultural Programs. The Company funds AFS to pay for each Woolworths/AFS scholarship recipient's travel and associated expenses and the scholarships are eagerly sought after by employees and their families.

**JDRF 'Walk for the Cure'** – Last year Woolworths again encouraged employees to join Company teams involved in the annual 'Walk for the Cure'. Over the past decade this event, organised by the Juvenile Diabetes Research Foundation (JDRF) has raised millions of dollars towards research into the causes and a possible cure for juvenile diabetes – a major health issue in Australia. Woolworths 'Walk' teams participated in Sydney and Melbourne while stores in New South Wales and Victoria staged community activities to support the event.

It is Woolworths' intention to develop a 'Woolworths Community Foundation' to assist the community which we serve. Over time the Foundation will build



By focussing on our people and supply chain efficiencies we have been able to dramatically improve customer service and benefits.



partnerships with organisations aligned with our three key community support priorities – Children’s hospitals; rural and regional Australia and education and employment.

**SIFE AUSTRALIA** – (Students in Free Enterprise). Woolworths has been a sponsor of SIFE for over three years and was instrumental in introducing this unique concept into Australia.

SIFE provides Australians with the opportunity to make a difference, and to develop leadership, teamwork and communication skills through learning, practising and teaching the principles of innovation and enterprise.

The students undertake projects which can include such things as helping underprivileged children develop better academic skills through their tutorship; helping people in the community to become more self sufficient through the development of business skills; and providing enhanced business training to local small businesses.

This year 16 universities presented their projects to a group of senior business leaders who selected the team from the University of South Queensland, Wide Bay Campus, as having completed projects which best exemplified the ideals of the SIFE program. The team then went on to compete with the best from over 50 countries in the international competition in Amsterdam in September this year.

**YWCA** – Through Woolworths' support, the YWCA in Lismore, NSW has developed an after school program for around 150 children of disadvantaged families; a Big Sister/Big Brother program that provides adult mentors for disadvantaged children and young people; and a Family Support program that includes counselling and advice for parents and the opportunity to participate in parenting classes.

These programs will continue with more school and holiday programs to assist the youth and families of Lismore. ►

## Woolworths Limited (cont)

### Excellent growth with more to come

In a number of places in this Report and in my own comments, growth has been addressed. Given the continuation of current retail and economic conditions, Woolworths is committed to maintaining a strong growth pattern. Last year we benefited from the fortuitous opportunity to purchase some 72 Franklins stores. This benefit will continue to be felt in the FY2002/3 and onward as ex-Franklins stores move closer towards Woolworths' costs and productivity norms.

Looking further ahead, ongoing growth will be delivered by organic sales growth, expansion of store numbers and types, and some bolt-on acquisitions as available. Sustainable benefits will continue to accrue from the cost savings available from Level One of Project Refresh and the very significant opportunities afforded by Level Two of Project Refresh in the areas of logistics and enabling technology.

These benefits are already enjoyed by the best international retailers and Woolworths' volume lends itself to gaining significant economies of scale from these technological and logistics initiatives.

Should a major acquisition become available and meet our corporate criteria, we have the capacity to act.

### Current trading and future outlook

We confirm our commitment to the theme consistently stated and delivered for the past three years. We believe that our sales will grow in the high single digits, and our earnings (EBIT and EPS) in the low double digits, for the foreseeable future.

Since the year end, sales have continued where the previous year left off. In the 12 weeks since the year end, sales from continuing businesses have grown 15%, assisted by the ex-Franklins store sales. The rate of comparable (like for like) stores sales growth has remained at 5%. For the full FY2002/3 year, subject to a continuation of the current trading environment, we anticipate normalised (52 week) group sales from continuing operations to grow 10% from \$23.2 billion to \$25.5 billion, and earnings per share (EPS) to grow 10% to 15% to a range of 55 cents to 57 cents per share after goodwill, and 57 cents to 60 cents per share before goodwill.



I would like to express my sincere appreciation to the 145,000 people in Woolworths who have, together with our suppliers and customers, made this year's results possible.

I would also like to express my great appreciation to the Chairman and the Board, whose input, demanding independent assessment and support are invaluable. Much of Woolworths' success is the result of the effective working relationship between the Board, its Chairman and management. ●

A handwritten signature in black ink, appearing to read 'Roger Corbett'.

**Roger Corbett**  
Group Managing Director/CEO



# Corporate Support Group

**Roger Corbett**  
Group Managing Director/CEO

**Bill Wavish**  
Director – Woolworths Supermarkets Group. Previously Finance Director

**Tom Pockett**  
Chief Financial Officer

**Rohan Jeffs**  
General Manager – Corporate Services

**Marty Hamnett**  
General Manager – BIG W

**Greg Foran**  
General Manager – Dick Smith Electronics/Tandy

**Dick McMorrison**  
Chief General Manager – General Merchandise

**Bernie Brookes**  
Chief General Manager – Supermarket Buying and Marketing

**Julie Coates**  
General Manager – Human Resources

**Tom Flood**  
Chief General Manager – Supermarket Operations

**Naum Onikul**  
Chief General Manager – Petrol, Free Standing Liquor, Ezy Banking and E-commerce

**Michael Luscombe**  
General Manager – Supply Chain

**Judy Howard**  
General Manager – Woolworths Academy

**Gary Reid**  
General Manager – Business Development

**Steve Bradley**  
General Manager – Corporate Information Technology

# Board of Directors

## James Alexander Strong Chairman.

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

Mr Strong is also Chairman of Insurance Australia Group Limited (IAG) and Rip Curl Group Pty Ltd. He is also a member of the Boards of various Arts and Sporting organisations. He was the Chief Executive and Managing Director of Qantas Airways Limited until March 2001, and previously the Chief Executive of Australian Airlines Limited, Managing Partner and National Chairman of Corrs Chambers Westgarth Solicitors and Group Chief Executive of DB Group Limited (New Zealand). He was appointed a Director of Woolworths Limited in March 2000 and Chairman in April, 2001. Age 58.

## Roderick Sheldon Deane

PhD, BCom (Hons), LL.D (Hon), FCA, FCIM, FNZIM, FCA, FCIM, FNZIM.

**Member Corporate Governance Committee and Audit Committee.**

Dr Deane is the Chairman of Telecom Corporation of New Zealand Limited (having previously held the position of Chief Executive and Managing Director). He is also the Chairman of Fletcher Building Limited, Te Papa Tongarewa (The Museum of New Zealand), ANZ Banking Group (New Zealand) Limited, the NZ Seed Fund and is a Director of ANZ Banking Group Limited (Melbourne), and TransAlta Corporation (Canada). He was appointed a Director in April 2000. Age 61.

## Diane Jennifer Grady

BA (Hons), MA, MBA

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

Ms Grady is also a Director of BHP Steel Ltd, Lend Lease U.S. Office Trust and Wattyl Limited and is a Trustee of the Sydney Opera House. Previously Ms Grady was a partner at McKinsey and Co. where she led the firm's Retailing and Consumer Goods practice in Australia. In that capacity, she advised retailing clients in Australia, the USA and the UK on strategic, organisational and operational issues and assisted major consumer goods companies in Australia to develop strategies and trade terms for their retail accounts. Diane was also a worldwide leader of McKinsey's Change Management and Organisation Practice. She was appointed a Director in July, 1996. Age 54.

## Roger Campbell Corbett

B Com, FAIM, FRMIA

**Group Managing Director and Chief Executive Officer.**

Mr Corbett was appointed Group Managing Director and Chief Executive Officer in January 1999, having been Chief Operating Officer since July 1998, Managing Director, Retail since July 1997 and Managing Director, BIG W since May 1990. He has had more than 40 years experience in retail and was previously Director of Operations and a Director of David Jones (Australia) Pty Limited as well as Merchandising and Stores Director and a Director of Grace Bros. He was appointed a Director in 1990. Age 60.

## William Paul Renton Wavish

CMANZ, CA(NZ), ACIS, ANZIM

**Director – Woolworths Supermarkets Group. Previously Finance Director.**

Mr Wavish was appointed Chief Financial Officer in April 1999 and Finance Director in June 2000. In August 2002 he was appointed Director, Woolworths Supermarkets Group. He has had a range of Chief Executive, Chief Operating Officer, Chief Financial Officer and Chairman positions in Australia and Hong Kong covering supermarkets, pharmacy, manufacturing, fast moving consumer goods, property development and acquisitions. In particular, he was CFO of the supermarket and food manufacturing Dairy Farm Group and later COO for North Asia for the Group. Age 54.

## Leon Michael L'Huillier

B Com (Hons), MBA, M Phil

**Chairman, Audit Committee and Member Corporate Governance Committee.**

Mr L'Huillier is a Director and Member of the Audit Committee of the Automotive Parts Group Limited (RepcO) and Chairman, the Co-operative Research Centre for Eye Research and Technology. He is an experienced Chief Executive and Company Director in the grocery manufacturing and liquor industries, most recently as the CEO of Lion Nathan Australia Pty Ltd. He has broad experience as an independent Director of major organisations in logistics, property and financial services. He was previously a Director and Audit Committee Chairman of Fortis Limited, a Director of MPG Logistics (now part of Mayne Logistics) and



The Directors recognise the contribution of the 145,000 employees and the continuing loyalty of our customers to the success of the past year



was the former Chairman of the Australian Prime Property Fund, one of Australia's largest retail shopping centre groups. He is a former Director of MLC Limited, and Challenge Bank Limited. He was appointed a Director in September 1997. Age 59.

### Adrienne Elizabeth Clarke AO

PhD, FAA, FTSE

**Member Personnel Policy Committee and Corporate Governance Committee.**

Professor Clarke is a Director of Fisher & Paykel Healthcare Corporation Limited, WMC Limited, Tridan Limited and Hexima Limited. She is Laureate Professor at the University of Melbourne with a distinguished record of achievement in the Sciences of Botany and Biology. She was previously Chairman of the CSIRO Board (1991-1996) and is co-Chair of the Knowledge, Innovation, Science & Engineering Council

of the Victorian Government. She was a Member of the Prime Minister's Supermarket to Asia Council (1996 – 2001) and is a Member of the Federal Government's Trade Policy Advisory Group. She was appointed a Director in July 1994. Age 64.

### John Charles Ballard

MBA, FAICD

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

Mr Ballard is Chairman of Wattyl Limited, a Director of CSR Limited and a Trustee of the Sydney Opera House Trust. He was previously Managing Director, Asia Pacific, for United Biscuits Limited and Managing Director Snack Foods, for Amatil Limited (now Coca-Cola Amatil Limited). He was appointed a Director in September 1997. Age 56. ●

# Directors' Statutory Report

This Report is given by the Directors in respect of Woolworths Limited (the Company) and the consolidated entity consisting of the Company and the entities it controlled (the Group) for the financial period ended 30 June 2002.

## The Directors

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

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### Non-executive Directors

J A Strong	Chairman
J C Ballard	
A E Clarke	
R S Deane	
D J Grady	
L M L'Huillier	
M J Phillips	Retired as a Director and Deputy Chairman on 31 August 2001

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### Executive Directors

R C Corbett	Group Managing Director and Chief Executive Officer
W P R Wavish	Director, Woolworths Supermarkets Group

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The experience, qualifications and special responsibilities of each of the Directors are set out against their respective names on pages 26 and 27.

## Principal activities

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

As indicated in the Group Managing Director's Report and this Report, during the period, the Company acquired the remaining equity interest in GreenGrocer.com.au Pty Limited and a 50% interest in MGW Hotels Pty Limited. The latter operates retail liquor stores, taverns and hotels in Queensland. The Company also completed its acquisition of 72 Franklins stores.

Otherwise, no significant change in the nature of the activities of the Company and its entities occurred during the period.

## Consolidated results and review of operations

The net amount of consolidated profit for the financial period after provision for income tax and Woolworths Income Notes distributions attributable to members of the Company and its controlled entities was \$523.2 million (2001: \$428 million). No extraordinary expenses were incurred by the consolidated entity in the period. A review of the operations of the consolidated entity and its principal businesses during the financial period and the results of those operations are set out in the Chairman's Report and the Group Managing Director's Report on pages 2 to 24, inclusive.

## Directors' Statutory Report (cont)

### Dividends

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

	Franking rate %	Cents per share	Total paid/ payable \$m
Final 2001 Dividend paid on 5 October 2001	30	15	155.4
Interim 2002 Dividend paid on 30 April 2002	30	15	157.0
Final 2002 Dividend payable on 8 October 2002	30	18	188.9

### Significant changes in the state of affairs

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

- (A) A net increase in the issued share capital of the Company of 13,697,775 fully paid ordinary shares as a result of:
- (i) the issue on 5 October 2001 of 2,757,647 and on 30 April 2002 of 2,502,302 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan in respect of the 2001 Final Dividend and 2002 Interim Dividend, respectively;
  - (ii) the issue on various dates of a total of 4,175,774 fully paid ordinary shares pursuant to the Employee Share Plan;
  - (iii) the issue on various dates, purchased for cash at the relevant exercise price, of 1,717,277 fully paid ordinary shares as a result of the exercise of options held by a number of executives under the Executive Share Option Plan, the Executive Option Plan and Senior Executive Service Contracts;
  - (iv) the issue on 20 March 2002 of 1,636,275 fully paid ordinary shares pursuant to the Employee Share Issue Plan;
  - (v) the issue on various dates of 908,500 fully paid ordinary shares under Executive Service Contracts
- (B) The grant of 9,522,350 options under the Executive Option Plan on 1 July 2001.

### Matters subsequent to the end of the financial period

On 26 August 2002 the Directors declared a Final Dividend of 18 cents per share, fully franked at a 30% tax rate, on each of the issued ordinary shares of the Company. The Final Dividend is payable on 8 October 2002.

Except for the matters disclosed in the Chairman's Report and the Group Managing Director's Report on pages 2 to 24 of this Report there is, at the date of this Report, no other matter or circumstance which has arisen since 30 June 2002 that has significantly affected or may significantly affect:

- (i) the operations in future financial periods subsequent to the financial period ended 30 June 2002, of the consolidated entity constituted by the Company and the entities it controls from time to time; or
- (ii) the results of those operations in future financial periods; or
- (iii) the state of affairs, in future financial periods, of the consolidated entity.

### Likely developments and expected results of operations

Other than comments on likely developments or expected results of certain of the operations of the consolidated entity which are included in the Chairman's Report and the Group Managing Director's Report on pages 2 to 24, in the opinion of the Directors, further information on likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have been omitted as the Directors believe it would be likely to result in unreasonable prejudice to the Group's interests if such further information were included in this Report.

## Directors' Statutory Report (cont)

Director	Meetings of Directors held whilst a Director Held/Attended	Meetings of Audit Committee Held/Attended	Meetings of Personnel Policy Committee Held/Attended	Meetings of Woolworths Group Superannuation Held/Attended	Meetings of other Committees <sup>(5)</sup> Held/Attended
J C Ballard <sup>(3,4)</sup>	10/9			5/5	
A E Clarke <sup>(2,3)</sup>	10/10		6/5		
R C Corbett	10/10				1/1
D J Grady <sup>(2,3)</sup>	10/10		6/6		
L M L'Huilier <sup>(1,3)</sup>	10/10	7/7			
M J Phillips <sup>(1)*</sup>	2/1	2/2			
J A Strong <sup>(1,2,3)</sup>	10/10	7/7	6/6		1/1
R S Deane <sup>(1,3)</sup>	10/9	5/5			
W P R Wavish	10/9				

\* Mr Phillips retired as a Director on 31 August 2001.

1 Member Audit Committee.

2 Member Personnel Policy Committee.

3 Member Corporate Governance Committee. The Corporate Governance Committee met to deal with issues relating to their responsibilities during normal Board meeting sessions of the Board.

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

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

### Meetings of Directors

The table above sets out the number of meetings of the Company's Directors (including meetings of Committees of Directors) held during the financial period ended 30 June 2002 and the number of meetings attended by each Director. The Board determined that in order to deal effectively with all of the matters requiring its consideration, including ongoing strategic issues, a number of the Board meetings were extended over two days.

### Directors interests in shares/options

Particulars of Directors' relevant interests in shares in the Company or options to acquire unissued shares in the Company at the date of this Report are set out below:

Director	Relevant interest in ordinary shares in Woolworths Limited	Options to acquire unissued ordinary shares in Woolworths Limited
J A Strong	31,336	–
J C Ballard*	47,921	–
A E Clarke	29,739	–
R C Corbett*	2,118,165	1,223,000
D J Grady	27,420	–
L M L'Huilier*	112,044	–
R S Deane	40,000	–
W P R Wavish*	160,835	1,050,000

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

## Directors' Statutory Report (cont)

### Directors' and Executive Officers' Emoluments

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

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

#### **Non-executive Directors Fees and Allowances**

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

At the date of this Report, the amount of Directors' base fees paid to each non-executive Director is \$110,000 per annum. The Chairman receives a multiple of 3 times this amount.

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

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

No Directors' fees are paid to executive Directors.

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

The total amount of non-executive Directors fees paid during the financial year to 30 June 2002 was \$1,031,918, excluding Superannuation Guarantee Contributions and Retirement Allowance Accruals and payments.

On appointment, each of the non-executive Directors has been offered and has executed a Directors Retirement Deed with the Company.

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

The total of \$881,344 representing the full amount of the accrual for these allowances, has been set aside by way of a provision.

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

#### **Non-executive Directors' emoluments for the financial period to 30 June 2002**

	Director Fees <sup>(1)</sup> \$	Superannuation contributions <sup>(1)</sup> \$	Other \$	Total payments to Director \$	Accrued Retirement Allowance \$
M J Phillips	55,416	–	*686,087	741,503	
J C Ballard	**124,167	9,070	–	133,237	135,158
A E Clarke	**144,807	8,536	–	153,343	379,009
D J Grady	**124,167	8,536	–	132,703	227,930
L M L'Huillier	124,167	8,436	–	132,603	139,247
J A Strong	**335,027	10,757	–	345,784	
R S Deane	124,167	9,636	–	133,803	
<b>Total</b>	<b>1,031,918</b>	<b>54,971</b>	<b>686,087</b>	<b>1,772,976</b>	<b>881,344</b>

\* Mr M J Phillips retired on 31 August, 2001. This amount comprises a Retirement Allowance upon the retirement of Mr M J Phillips as a Director and Deputy Chairman after 9 years service including 4 years as Deputy Chairman. The amount is calculated in accordance with the formula set out in the Directors' Retirement Deed between the Company and Mr M J Phillips details of which are set out above.

\*\* These include Directors fees 'sacrificed' to purchase shares in the Company under the Non-Executive Directors Share Plan.

1 Certain of these amounts include adjustments for the prior period.

## Directors' Statutory Report (cont)

### **Executive Directors' and Executive Officers' Remuneration**

The structure of remuneration for the Chief Executive Officer, Senior Executives, and all other Executives, is described below and it is the role of the Personnel Policy Committee to advise the Board on the most appropriate structure as part of the Company's remuneration policies and practices. An outline of the Committee's role in this regard is set out on pages 40 and 41 of this Report.

The remuneration structure for all Executives provides both fixed and variable (performance based) remuneration.

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

### **Short Term Incentive Plan**

The variable remuneration comprises an annual cash incentive bonus under the Short Term Incentive Plan (STIP) payable upon achievement of Key Performance Indicators (KPIs), which set specific financial and trading performance targets for the year under review. These are reviewed and adjusted at the commencement of each year to ensure they meet the specific objectives of each main business for which the Executive is responsible.

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

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

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

### **Long Term Incentive Plan**

The other major performance based component of the remuneration strategy is the Long Term Incentive Plan ('LTIP').

Under the LTIP, options are granted but only vest subject to the achievement of specific performance hurdles. There is an Earnings Per Share (EPS) performance hurdle for 50% of the total grant in respect of the options grants in 1999, 2000 and 2001. This performance hurdle requires EPS growth at 8% per annum compound, over each of the first five years of the option period. There is also a market comparative Total Shareholder Return (TSR) performance hurdle, measured over the same 5 year period, for the remaining 50% of the option grant. To qualify for TSR vesting requires a minimum TSR at the 60th percentile of comparator companies in the ASX 100 Industrials Index. The maximum TSR vesting requires performance over the five years at the 75th percentile of the TSR Index.

During the year, the Personnel Policy Committee reviewed the EPS & TSR performance hurdles, having regard to the objectives of the LTIP of ensuring that they require achievement of above market peer performance on both the EPS and TSR criteria. As a result of this review, the Board approved the allocation of a further 9,522,350 options to 318 Executives on the basis of an increase in the EPS growth hurdle to 10% and 11% over the period of 4 years and 5 years from the grant date and achievement of the same TSR hurdle over the 5 years from the grant date as for previous allocations of options under the LTIP.

Senior Executives and certain other Executives have entered into Service Contracts which provide for the allocation of these additional options on 1 July 2002 (grant date), with vesting, subject to achievement of performance hurdles, in July, 2006 and July, 2007 as well as establishing other conditions of service.

The Board considers that the LTIP has been a major factor in providing the appropriate incentive for the superior performance by the Company over the past three years in the key areas of shareholder value creation and growth in shareholder returns. It has also been instrumental in the retention of the Company's key Executives during a period of retail industry instability.

## Directors' Statutory Report (cont)

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

Details of the nature and amount of each element of the emoluments of the Executive Directors and of the five additional Executive Officers for the Group and the Company receiving the highest emoluments for the financial period are (other than options and retention shares) detailed below. Details of options issued to those Executive Directors and Executives are shown on page 34 and retention share issues on page 36. No options were issued to non-executive Directors during the period. In addition to the emoluments disclosed, Directors and Executive Officers are eligible to receive a discount on private purchases from stores operated by the Group identical to that available to all employees of the Group.

### Executive Directors' and Executive Officers' emoluments

	Salary \$	Performance incentive bonus <sup>(1)</sup> \$	Other benefits <sup>(2)</sup> \$	Superannuation contributions <sup>(3)</sup> \$	Termination payments \$	Total emoluments \$
<b>Executive Directors</b>						
R C Corbett	1,711,526 <sup>(4)</sup>	1,282,500	41,350	256,729	–	3,292,105
W P R Wavish	687,500	550,000	47,193	103,125	–	1,387,818
<b>Executive Officers</b>						
N J Onikul	494,333	398,860	13,197	130,450	–	1,036,840
K R McMorron	516,795	325,000	27,785	78,125	–	947,705
B Brookes	478,000	346,500	24,642	71,250	–	920,392
M Luscombe	479,000	346,500	12,192	71,250	–	908,942
B Edwards	60,000	153,792	9,645	9,000	605,452 <sup>(5)</sup>	837,889
RK Jeffs	406,000	226,600	44,289	93,300	–	770,189

1 Performance incentive bonus (STIP) payments made in the financial period to 30 June 2002 are based on performance for the financial period to 24 June 2001. STIP payments in respect of the year to 30 June 2002 were made in September 2002.

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

3 Superannuation contributions comprise Company and deemed member contributions and any Additional Voluntary Contributions (AVCs) paid into the Executives' account in the Company's Superannuation Scheme in lieu of salaries or performance incentive bonuses.

4 This amount comprises Mr Corbett's salary of \$1,423,188 for the year together with a retrospective salary adjustment for a prior period of \$288,338.

5 This amount comprises accrued statutory entitlements and eligible termination payments to the executive who retired during the period.

Note: These exclude options and retention share issues the details of which are disclosed on pages 34 and 36 as they relate to prior periods in addition to the financial period to 30 June 2002.

## Directors' Statutory Report (cont)

### Share options

During the financial period ended 30 June 2002 and up to the date of this Report, there were 9,522,350 options granted over unissued ordinary shares in the Company under the Executive Option Plan. As at the date of this Report there are 38,629,175 options outstanding to acquire that number of unissued fully paid ordinary shares in the Company, particulars of the issue prices and the expiry dates of which are referred to on page 35. During, or since, the financial period and up to the date of this Report, 7,462,705 fully paid ordinary shares in Woolworths Limited have been issued by virtue of the exercise of certain of those options granted under the Executive Option Plan (EOP), Executive Share Option Plan (ESOP) or Executive Service Contracts (ESC). Details of amounts paid on the exercise of each of those options is set out below.

Number of shares issued during/since period under EOP; ESOP; ESC	Amount paid per share \$
355,000	3.55
50,000	4.57
153,329	5.16
1,390,917	5.87
12,500	6.17
5,500,959	5.11

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

Current Australian Accounting Standards do not require options to be recorded as an expense in the Statement of Financial Performance. Had the options issued under the various Option Plans been expensed, the impact on the Statement of Financial Performance would have been to reduce operating net profit for the financial period to 30 June 2002, by \$8.7 million (2001: \$5.9 million).

The value of options granted to Executive Directors and each of the five named Executives receiving the highest emoluments for the financial period are set out below.

Executive Directors and Executive Officers' Options	Value of options granted \$ <sup>(1,2)</sup>
<b>Executive Directors</b>	
RC Corbett	551,784
WPR Wavish	146,400
<b>Executive Officers</b>	
NJ Onikul	143,340
KR McMorrison	140,171
B Brookes	131,360
M Luscombe	103,000
RK Jeffs	91,560

1 Options granted to Executive Directors and Executive Officers over the last five years, have been valued 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, expected dividends 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 is then spread over the period the options become fully exercisable (3 to 5 years). Details of the valuations are set out in the Financial Report Note 26 – Employee Entitlements.

2 Total number of options granted to executive directors and those named executive officers over the last five years were as follows:

RC Corbett – 3,271,000
WPR Wavish – 1,200,000
NJ Onikul – 1,120,000
KR McMorrison – 1,118,000
B Brookes – 1,052,000
M Luscombe – 820,000
RK Jeffs – 668,000

Details of the number of issued and outstanding options under each of the Company's Option Plans and of the individual outstanding options issued to each of the Executive Directors is set out opposite.

## Directors' Statutory Report (cont)

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

Option grant date	Plan type	Option expiry date	Options outstanding	Number of holders	Exercise price \$
17 Nov 1997	ESC	17 Nov 2002	175,000	1	4.57
2 Mar 1998	ESOP	2 Mar 2003	175,000	24	5.87
1 Mar 1999	ESOP	1 Mar 2004	1,519,000	208	5.16
1 July 1999	EOP	***1 July 2009	**24,658,125	*270	5.11
1 July 2000	EOP	***1 July 2010	**2,990,000	*44	6.17
8 Dec 2000	EOP	1 July 2005	1,000,000	1	7.84
1 July 2001	EOP	1 July 2011	***8,112,050	147	10.89
Total			38,629,175		

\* Including the Executive Directors and Executive Officers named on page 34.

\*\* These options are subject to performance hurdles and, other than set out on page 32, are partially vested options.

\*\*\* This is the latest date for exercise of vested options. EOP rules specify earlier available dates for exercise of a portion of vested options as set out in EOP Rules.

\*\*\*\* Includes 600,000 options issued at an exercise price of \$5.11.

### Options on issue to Executive Directors at 25 September, 2002

Director	Number of options held	Exercise price \$	Date options granted	Date options first exercisable	Date options expire
R C Corbett	175,000	4.57	17 Nov 1997	17 May 2002	17 Nov 2002
	48,000	5.16	1 Mar 1999	1 Mar 2003	1 Mar 2004
	1,000,000	7.84	8 Dec 2000	1 July 2003	**1 July 2005
W P R Wavish	1,050,000	5.11	1 July 1999	*1 July 2002	1 July 2009

\* The date of first exercise is in relation to a proportion only of the vested options granted, as set out in EOP Rules, over the period of 3 to 5 years, respectively, and are subject to performance hurdles as set out on page 32.

\*\* Relates to TSR component; EPS component expires 1 July, 2003.

## Directors' Statutory Report (cont)

### Executive Service Contracts – Retention Incentive Bonus

In January 1999, April 1999 and May 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 organisational 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.

These Service Contracts provided for a retention based cash bonus equivalent to the Executives salary at the date of commencement of the Service Contract, adjusted for movements in the Company's share price, provided the Executives satisfactorily performed their responsibilities for the three year period of their Service Contracts. The Board could also elect to offer, in lieu of the cash bonus, to allot shares or grant options to subscribe for fully paid shares in the Company. In accordance with the Boards' election, 728,500 shares were allotted to Executives on 1 January 2002. Further allotments of 100,000 shares and 80,000 shares were made on 1 April 2002 and 17 May 2002, respectively. Details of retention shares allotted to an Executive Director and the five Executives receiving the highest remuneration in respect of the 53 weeks ended 30 June 2002 are shown in the table below.

Retention Shares granted to Executives and Executive Director	Contract Start Date	Contract Expiry Date	Number of retention shares allotted	Market price of shares at date of allotment \$	Value of retention shares allotted \$
<b>Executive Director</b>					
WPR Wavish	1 Apr 99	1 Apr 02	100,000	12.46	1,246,000
<b>Executive Officers</b>					
K R Mc Morron	1 Jan 99	1 Jan 02	100,000	11.24	1,124,000
NJ Onikul	1 Jan 99	1 Jan 02	100,000	11.24	1,124,000
B Brookes	1 Jan 99	1 Jan 02	65,000	11.24	730,600
M Luscombe	17 May 99	17 May 02	80,000	13.01	1,040,800
RK Jeffs	1 Jan 99	1 Jan 02	80,000	11.24	899,200

## Directors' Statutory Report (cont)

### Environmental regulation

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

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

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

As outlined on pages 21 and 22, the Supermarket Division has implemented a number of environmental initiatives.

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

### Directors' and Officers' indemnity/insurance

- (i) The Constitution of the Company provides an indemnity (to the maximum extent permitted by law) in favour of each Director of the Company referred to on page 28 of this Report; the Company Secretary, previous directors and secretaries and all previous and present executive officers ('Officers'), against any liability to third parties (other than related Woolworths Group companies) incurred on or after 15 April 1994 by such Officers unless the liability arises out of conduct involving a breach of law. The indemnity includes costs or expenses incurred by an Officer in successfully defending proceedings or in connection with an application in which the court grants relief to the specified persons under the Corporations Act, 2001.
- (ii) Each Director has entered into Deeds of Indemnity and Access which provide for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality.

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

### Rounding of amounts

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

This Report is made out in accordance with a Resolution of the Directors of the Company dated 25 September 2002.



**James Strong**  
Chairman



**Roger Corbett**  
Group Managing Director/CEO

# Corporate Governance

## Board responsibilities and objectives

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

## Composition of the board/committees

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

## Directors' policy statements

The Board has adopted Policy Statements setting out their fiduciary duties relating to Directors:

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

## Corporate governance committee

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

## Directors' independent advice

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

## Audit committee

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

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

## Corporate Governance (cont)

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

The Audit Committee processes are designed to establish a proactive framework and dialogue in which, the Committee, management and external and internal auditors review and assess the quality of earnings, liquidity, and strength of the Statement of Financial Position and transparency of reporting. The Audit Committee recommends any actions it deems appropriate.

### Composition

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

### Access and reporting

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

### Responsibilities

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

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

## Corporate Governance (cont)

### External audit appointment and supervision

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

### Internal audit appointment and supervision

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

### Personnel policy committee

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

The Personnel Policy Committee's role is to consider and make recommendations to the Board so that the remuneration policies and practices of the Company are consistent with its strategic and financial goals and human resource objectives.

In carrying out this role the Committee operates in consultation with and as necessary, independently of, the CEO of the Company in its recommendations to the Board in relation to:

- 1 Reviewing the Company's overall remuneration policies and strategies;
- 2 Reviewing, on an annual basis, the Management/Executive Salary and Remuneration Programme and Senior Executive/Chief Executive Officer remuneration structure and levels, including the Short Term Incentive Plan providing for performance related incentive bonuses and the Long Term Incentive Plan allocations;
- 3 Reviewing performance objectives and evaluation procedures for the Chief Executive Officer and Senior Executives;
- 4 Monitoring the Chief Executive Officer and Senior Executive Appraisal and Succession Planning Programmes and ensuring the Executive Development Programmes are appropriate to the Company's needs;
- 5 Determining and monitoring the effectiveness of the major elements of the remuneration packages and other terms and conditions of appointment and performance of the Senior Executives of the Company;

## Corporate Governance (cont)

- 6 Reviewing and recommending, on independent advice, non-executive Directors' remuneration, (within the maximum amount approved by shareholders) and non-executive Directors retirement benefits in accordance with a shareholder approved scheme, the Constitution of the Company and the Corporations Act 2001.

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

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

This review has resulted in adjustments to both the Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP) structures. Details of these changes are set out in the Directors' Statutory Report on pages 32 to 33.

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

## Executive options

The Board has consistently provided disclosure of options granted to Executives to shareholders to enable them to be fully informed.

Details of the Company's Long Term Incentive Plan (LTIP), under which options have been granted to over 310 executives, is set out in the Directors' Statutory Report.

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

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

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

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

During the period the LTIP has been in place, the value of Woolworths Limited shares has added over \$7 billion to shareholders' wealth, an increase of over 130% in 3 years on the basis of sustainable growth in sales and earnings per share.

## Corporate Governance (cont)

### Employee share plans

In addition to Executive Option Plans, the Company has established plans for the allocation of shares to over 50,000 of its eligible employees, the largest employee shareholder base of all listed Australian corporations. Details of these Plans are set out in the Financial Report Note 26 – Employee Entitlements.

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

### Risk management

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

The policies relating to Business Risk Management, continue to be monitored by the Board.

### Corporate conduct

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

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

These policies apply to all employees and set out the standards within which they are expected to act. The policies are aimed at the maintenance of standards of honesty, integrity and fair dealing by all employees in their dealings with customers, suppliers, the community, competitors and each other in the performance of their duties and responsibilities.

# Financial Statements

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**Bill Wavish.** Director, Woolworths Supermarkets Group. Appointed 26 August 2002 – Previously Finance Director



**Tom Pockett.** Chief Financial Officer. Appointed 26 August 2002

# Five Year Analysis

Weeks	2002 53	2001 52	2000 52	1999 52	1998 52
<b>Profit and Loss</b>					
<b>Sales<sup>(1)</sup> (\$m)</b>					
Food and Liquor	19,595.0	16,772.3	15,251.3	14,247.0	13,374.5
Petrol	1,119.3	747.1	472.5	316.4	–
Total supermarkets	20,714.3	17,519.4	15,723.8	14,563.4	13,374.5
BIG W	2,280.5	2,069.8	1,913.9	1,788.0	1,644.5
Consumer electronics	659.0	418.0	338.2	298.6	241.9
General merchandise	2,939.5	2,487.8	2,252.1	2,086.6	1,886.4
Continuing operations	23,653.8	20,007.2	17,975.9	16,650.0	15,260.9
Wholesale	819.2	697.8	675.3	520.7	388.8
Other discontinued operations <sup>(2)</sup>	–	210.1	337.6	356.6	351.4
<b>Total group</b>	<b>24,473.0</b>	<b>20,915.1</b>	<b>18,988.8</b>	<b>17,527.3</b>	<b>16,001.1</b>
<b>Earnings before interest and tax (\$m)</b>					
Food and Liquor	734.7	614.0	534.0	451.5	453.2
Petrol	12.7	4.6	(1.0)	(2.9)	(3.9)
Total supermarkets	747.4	618.6	533.0	448.6	449.3
BIG W	93.5	83.4	74.3	62.2	56.2
Consumer electronics	28.0	30.8	26.0	20.8	15.7
General merchandise	121.5	114.2	100.3	83.0	71.9
Total trading operations	868.9	732.8	633.3	531.6	521.2
Net property income	34.2	33.1	24.8	33.0	22.3
Head office overheads	(77.8)	(59.0)	(50.2)	(40.5)	(33.9)
Total unallocated <sup>(3)</sup>	(43.6)	(25.9)	(25.4)	(7.5)	(11.6)
Continuing operations	825.3	706.9	607.9	524.1	509.6
Wholesale	7.4	5.0	2.9	(2.1)	(9.7)
Other discontinued operations <sup>(2)</sup>	–	(5.3)	10.8	17.4	16.3
<b>Total group</b>	<b>832.7</b>	<b>706.6</b>	<b>621.6</b>	<b>539.4</b>	<b>516.2</b>
<b>EBIT to Sales %</b>					
Supermarkets	3.61	3.53	3.39	3.08	3.36
BIG W	4.10	4.03	3.88	3.48	3.42
Consumer electronics	4.25	7.37	7.69	6.97	6.49
Wholesale	0.90	0.72	0.43	(0.40)	(2.49)
Other discontinued operations	–	(2.52)	3.20	4.88	4.64
<b>Total</b>	<b>3.40</b>	<b>3.38</b>	<b>3.27</b>	<b>3.08</b>	<b>3.23</b>

## Five Year Analysis (cont)

Weeks	2002 53	2001 52	2000 52	1999 52	1998 52
<b>Profit &amp; Loss (\$m)</b>					
Sales	24,473.0	20,915.1	18,988.8	17,527.3	16,001.1
Cost of goods sold	18,296.0	15,561.0	13,983.4	12,790.3	11,710.4
<b>Gross profit</b>	<b>6,177.0</b>	<b>5,354.1</b>	<b>5,005.4</b>	<b>4,737.0</b>	<b>4,290.7</b>
<i>Gross profit margin %</i>	<i>25.24%</i>	<i>25.60%</i>	<i>26.36%</i>	<i>27.03%</i>	<i>26.82%</i>
Cost of doing business (CODB)	(5,344.2)	(4,647.5)	(4,383.8)	(4,197.6)	(3,774.5)
<i>CODB %</i>	<i>21.84%</i>	<i>22.22%</i>	<i>23.09%</i>	<i>23.95%</i>	<i>23.59%</i>
Selling, general and admin expenses (Excluding, rent, depreciation & amortisation)	(4,265.6)	(3,737.7)	(3,548.3)	(3,400.0)	(3,059.3)
EBITDAR	1,911.4	1,616.4	1,457.1	1,337.0	1,231.4
<i>EBITDAR margin %</i>	<i>7.81%</i>	<i>7.73%</i>	<i>7.67%</i>	<i>7.63%</i>	<i>7.70%</i>
Rent (including fitout rent)	(727.7)	(600.0)	(546.7)	(527.7)	(492.5)
<b>EBITDA</b>	<b>1,183.7</b>	<b>1,016.4</b>	<b>910.4</b>	<b>809.3</b>	<b>738.9</b>
<i>EBITDA margin (%)</i>	<i>4.84%</i>	<i>4.86%</i>	<i>4.79%</i>	<i>4.62%</i>	<i>4.62%</i>
Depreciation	(327.7)	(300.7)	(282.8)	(265.0)	(219.9)
Amortisation of goodwill	(23.3)	(9.1)	(6.0)	(4.9)	(2.8)
<b>EBIT</b>	<b>832.7</b>	<b>706.6</b>	<b>621.6</b>	<b>539.4</b>	<b>516.2</b>
EBIT margin (%)	3.40%	3.38%	3.27%	3.08%	3.23%
Interest	(50.5)	(13.1)	(27.8)	(45.5)	(42.8)
WINS' interest	(39.8)	(47.7)	(26.1)	–	–
<b>Profit before tax and abnormal items</b>	<b>742.4</b>	<b>645.8</b>	<b>567.7</b>	<b>493.9</b>	<b>473.4</b>
Taxation	(218.5)	(217.4)	(203.6)	(181.3)	(172.7)
<b>Profit after tax and before abnormal items</b>	<b>523.9</b>	<b>428.4</b>	<b>364.1</b>	<b>312.6</b>	<b>300.7</b>
Adjustment for change in company tax rate	–	–	(8.4)	–	–
Abnormal items after tax	–	–	(60.1)	(55.3)	(21.1)
Outside equity interest	(0.7)	(0.4)	(0.1)	(0.3)	(0.2)
<b>Net operating profit after tax and servicing income notes</b>	<b>523.2</b>	<b>428.0</b>	<b>295.5</b>	<b>257.0</b>	<b>279.4</b>

## Five Year Analysis (cont)

Weeks	2002 53	2001 52	2000 52	1999 52	1998 52
<b>Balance Sheet (\$m)</b>					
<b>Funds employed</b>					
Inventory	1,838.4	1,731.8	1,648.3	1,652.6	1,562.4
Accounts payable	(2,000.6)	(1,666.4)	(1,571.8)	(1,281.1)	(1,202.7)
<b>Net investment in inventory</b>	<b>(162.2)</b>	<b>65.4</b>	<b>76.5</b>	<b>371.5</b>	<b>359.7</b>
Fixed assets and investments	2,365.6	2,274.3	2,194.1	2,216.3	1,890.2
Intangibles	545.0	313.4	145.0	133.8	81.3
Receivables	497.8	320.0	298.4	290.9	261.3
Other creditors	(989.6)	(855.5)	(798.8)	(653.1)	(536.8)
<b>Total funds employed<sup>(4)</sup></b>	<b>2,256.6</b>	<b>2,117.6</b>	<b>1,915.3</b>	<b>2,359.4</b>	<b>2,055.7</b>
Net tax balances	(7.9)	(49.0)	(64.4)	(28.3)	(52.6)
Provision for dividend	(188.9)	(155.4)	(137.8)	(115.2)	(102.6)
<b>Net assets employed</b>	<b>2,059.8</b>	<b>1,913.2</b>	<b>1,713.1</b>	<b>2,215.9</b>	<b>1,900.5</b>
Net repayable debt <sup>(5)</sup>	(237.3)	(387.6)	(82.2)	(731.3)	(527.9)
<b>Net assets</b>	<b>1,822.5</b>	<b>1,525.6</b>	<b>1,630.9</b>	<b>1,484.6</b>	<b>1,372.6</b>
Noteholders' equity (WIN's)	583.0	583.0	583.0	–	–
Outside shareholders' equity	4.4	3.7	3.3	3.2	2.9
Shareholders' equity	1,235.1	938.9	1,044.6	1,481.4	1,369.7
<b>Total equity</b>	<b>1,822.5</b>	<b>1,525.6</b>	<b>1,630.9</b>	<b>1,484.6</b>	<b>1,372.6</b>
<b>Cash Flow (\$m)</b>					
EBITDA	1,183.7	1,016.4	910.4	809.3	738.9
Movement in net investment in inventory	247.8	34.6	276.1	4.6	28.3
Other operating cash flows	38.7	8.7	56.7	(11.5)	(22.3)
Net interest paid (including cost of income notes)	(97.4)	(72.7)	(58.3)	(53.7)	(42.8)
Tax paid	(238.1)	(225.7)	(142.7)	(174.7)	(193.1)
<b>Operating cash flow</b>	<b>1,134.7</b>	<b>761.3</b>	<b>1,042.2</b>	<b>574.0</b>	<b>509.0</b>
Payments from property, plant and equipment	(596.7)	(537.4)	(420.8)	(764.9)	(685.0)
Proceeds on disposal of property					
Plant and equipment	203.8	173.1	111.0	145.7	157.7
Other investing cash flows	(350.9)	(154.2)	35.9	(17.8)	(0.3)
<b>Free cash flow</b>	<b>390.9</b>	<b>242.8</b>	<b>768.3</b>	<b>(63.0)</b>	<b>(18.6)</b>
Movement in gross debt	(114.4)	211.5	(519.8)	290.9	221.0
Other	–	–	–	–	–
Dividends paid	(251.5)	(212.1)	(173.5)	(154.1)	(153.3)
Proceeds from WIN's	–	–	583.0	–	–
(Advances) / repayments of employee loans	(42.7)	(30.8)	(19.1)	(14.2)	3.5
Buyback of shares	–	(349.4)	(548.4)	–	–
New shares issued	56.7	44.0	26.9	22.7	23.3
<b>Net cash flow</b>	<b>39.0</b>	<b>(94.0)</b>	<b>117.4</b>	<b>82.3</b>	<b>75.9</b>

## Five Year Analysis (cont)

Weeks	2002 53	2001 52	2000 52	1999 52	1998 52
<b>Shareholder Value</b>					
<b>ROFE<sup>(6)</sup> Pre-tax return on funds employed</b>					
Normal	38.07	35.04	29.08	24.43	26.83
Total	38.07	35.04	24.69	20.52	25.11
<b>DU PONT analysis (abnormals excluded) (%)</b>					
EBIT to sales	3.40	3.38	3.27	3.08	3.23
Service burden <sup>(7)</sup>	89.15	91.40	91.33	91.56	91.71
Tax burden <sup>(8)</sup>	70.57	66.34	64.14	63.29	63.52
Asset turn <sup>(9)</sup>	4.53	4.23	3.99	3.99	4.18
Financial leverage <sup>(10)</sup>	4.97	4.99	3.77	3.08	2.94
Return on equity <sup>(11)</sup>	48.13	43.19	28.92	21.88	23.15
<b>Earnings per share</b>					
Ordinary share price closing	13.15	10.85	6.18	5.00	5.28
Market capitalisation (\$ millions)	13,797.0	11,235.2	6,550.8	5,764.2	6,019.2
Weighted average shares on issue	1,041.3	1,065.8	1,125.0	1,146.2	1,132.4
Normal basic EPS <sup>(12)</sup> (cents per share)	50.24	40.16	32.36	27.25	26.54
Total basic EPS <sup>(13)</sup> (cents per share)	50.24	40.16	26.27	22.42	24.67
EPS pre goodwill amortisation	52.48	41.01	32.89	27.67	26.78
Interim dividend (\$m)	157.0	128.70	105.70	91.90	90.90
Interim dividend (cents per share)	15.0	12.0	10.0	8.0	8.0
Final dividend (\$m)	188.9	155.4	137.8	115.3	102.6
Final dividend (cents per share)	18.0	15.0	13.0	10.0	9.0
Total dividend (\$m)	345.9	284.1	243.5	207.2	193.5
Total dividend (cents per share)	33.0	27.0	23.0	18.0	17.0
Payout ratio (before abnormals) (%)	66.11	66.37	66.88	66.28	64.34
Payout ratio (after abnormals) (%)	66.11	66.37	82.40	80.63	69.26
Price/earnings ratio (times)	26.2	27.0	23.5	22.3	21.4
Price/cash flow ratio (times)	12.06	15.28	6.64	10.00	11.70
<b>Growth rates (% increase)</b>					
Sales	17.01	10.14	8.34	9.54	8.12
Sales per equivalent week	14.90	10.14	8.34	9.54	10.20
Sales per square metre	4.41	5.64	4.66	1.92	1.28
EBITDA	16.46	11.63	12.49	9.53	16.40
EBIT	17.84	13.67	15.24	4.49	14.97
Profit before tax and abnormal items	14.96	13.76	14.94	4.33	16.09
Profit after tax and servicing income notes	22.24	44.84	14.98	(8.02)	8.29
Normal basic EPS	25.10	24.12	18.75	2.68	14.10

## Five Year Analysis (cont)

Weeks	2002 53	2001 52	2000 52	1999 52	1998 52
<b>Financial Strength</b>					
Service cover ratio (times)	9.22	11.62	11.53	11.85	12.06
Fixed charges cover (times)	2.32	2.40	2.40	2.30	2.30
Sales to Inventory <sup>(14)</sup>	13.71	12.38	11.51	10.90	10.49
Capital expenditure to EBITDA (%)	50.42	52.88	46.22	94.52	92.71
Operating cash flow per share	1.09	0.71	0.93	0.50	0.45
Repayable gearing (%) <sup>(15)</sup>	11.52	20.26	4.80	33.01	27.80
Serviced gearing (%) <sup>(16)</sup>	39.82	50.73	38.83	33.00	27.78
Current assets to current liabilities (%)	83.55	80.71	90.37	109.85	110.81
<b>Productivity</b>					
<b>Stores (number)</b>					
<b>Supermarkets</b>					
NSW & ACT	227	198	192	178	174
Queensland	130	115	112	111	111
Victoria	171	151	149	145	133
South Australia & Northern Territory	60	53	51	45	45
Western Australia	59	57	52	52	50
Tasmania	29	29	29	28	29
<b>Total Supermarkets</b>	<b>676</b>	<b>603</b>	<b>585</b>	<b>559</b>	<b>542</b>
Freestanding Liquor	139	130	41	42	38
Plus Petrol	256	166	137	98	49
<b>General Merchandise</b>					
BIG W	96	90	87	85	82
Dick Smith Electronics	147	138	123	119	115
Dick Smith Electronics Powerhouse	15	9	6	4	2
Tandy	204	222	-	-	-
Crazy Prices	-	-	135	117	101
Rockmans	-	-	-	258	257
<b>Total</b>	<b>1,533</b>	<b>1,358</b>	<b>1,114</b>	<b>1,282</b>	<b>1,186</b>

## Five Year Analysis (cont)

STORES (movement)	June 01	Opened	Closed	June 02
<b>Supermarkets</b>				
New South Wales	198	39	10	227
Queensland	115	18	3	130
Victoria	151	23	3	171
South Australia & Northern Territory	53	7	–	60
Western Australia	57	3	1	59
Tasmania	29	–	–	29
<b>Total Supermarkets movements</b>	<b>603</b>	<b>90</b>	<b>17</b>	<b>676</b>
Freestanding Liquor	130	16	7	139
Plus Petrol	166	90	–	256
<b>General Merchandise</b>				
BIG W	90	7	1	96
Dick Smith Electronics	138	11	2	147
Dick Smith Electronics PowerHouse	9	6	–	15
Tandy	222	2	20	204
<b>Total store movements</b>	<b>1,358</b>	<b>222</b>	<b>47</b>	<b>1,533</b>

	2002	2001	2000	1999	1998
<b>Weeks</b>	<b>53</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>
<b>Area (sqm)</b>					
Supermarkets	1,499,696	1,344,246	1,254,744	1,206,202	1,149,431
General Merchandise	640,832	602,718	614,515	619,333	589,029
<b>Total</b>	<b>2,140,528</b>	<b>1,946,964</b>	<b>1,869,259</b>	<b>1,825,535</b>	<b>1,738,460</b>
<b>Sales per square metre (normalised 52 weeks)</b>					
Supermarkets (excluding petrol)	12,819.5	12,477.1	12,154.9	11,811.5	11,635.8
General Merchandise	4,500.5	4,127.6	3,664.8	3,369.1	3,202.6
<b>Total</b>	<b>10,328.9</b>	<b>9,892.4</b>	<b>9,363.8</b>	<b>8,947.3</b>	<b>8,778.4</b>

### NOTES TO STATISTICS

- Sales for 1998, 1999 and 2000 have been restated to exclude WST.
- Discontinued operations includes Chisholm Manufacturing and Crazy Prices sold in 2001 and Rockmans sold in 2000.
- Unallocated expense represents corporate costs relating to the Woolworths group as a whole, and profits derived by the group's corporate property division including the disposal of development properties. These amounts are not identifiable against any particular operating segment and accordingly they remain unallocated, as required by Accounting Standard AASB 1005.
- Funds Employed is net assets excluding net tax balances, provision for dividends and net debt.
- Net repayable debt is gross debt less cash on hand, cash at bank and cash on short term deposit.
- Return On Funds Employed (ROFE) is EBIT as a percentage of average funds employed for the year.
- Service burden is net operating profit before income tax expressed as a percentage of EBIT before abnormal items.
- Tax burden is normal profit after income tax expressed as a percentage of normal profit before income tax.
- Asset turn is Total Sales divided by average Total Assets for the year.
- Financial leverage is average Total Assets divided by average Shareholders Funds for the year.
- Return on equity is profit after income tax attributable to shareholders, divided by average shareholders funds for the year.
- Normal Basic Earnings Per Share (Normal EPS) is Profit After Tax and servicing WIN's divided into the weighted average number of ordinary shares on issue during the period. The weighted average number of shares on issue has been calculated in accordance with Accounting Standard AASB 1027.
- Total basic earnings per share is Profit After Tax attributable to Members of the Company divided into the weighted average number of ordinary shares on issue during the year. The weighted average number of ordinary shares on issue has been calculated in accordance with Accounting Standard AASB 1027. Fully diluted EPS is not significantly different from basic EPS.
- Sales to inventory is total sales for the period divided by average inventory.
- Repayable gearing is net repayable debt divided by net repayable debt plus total equity.
- Serviced gearing is net repayable debt plus WIN's divided by net repayable debt plus total equity.

# Concise Financial Report

## Statement of Financial Performance

### Discussion and analysis of the statement of financial performance

#### Sales

The consolidated entity's revenue from the sale of goods for the 53 weeks ended 30 June 2002 excluding GST was \$24,473.0 million (2001: \$20,915.1 million), an increase of 17.01% on the previous period. (14.9% for 52 weeks normalised).

Supermarket sales (including petrol) comprised 84.6% of group sales, BIG W sales were 9.3% with Consumer Electronics and Wholesale contributing 2.7% and 3.4% respectively.

Sales growth was underpinned by same store sales increases of 5.5% in Supermarkets and 3.9% in BIG W, the acquisition of 67 ex-Franklins stores which generated sales of over \$1.05 billion during the year, and other new store openings which added 2.7% to total trading area. Total trading area grew by 9.9%.

Sales revenue increased across all segments with Supermarket sales (including petrol) up 18.2%, (16.0% on a normalised 52 week basis), BIG W sales up 10.3% (8.6% on a normalised 52 week basis), and Consumer Electronics sales up 57.7% (54.4% on a normalised 52 week basis).

Sales revenue represents 97% of total revenue and virtually all reported revenue is translated into cash in the same year as it is earned.

#### Earnings before interest and tax (EBIT)

EBIT for the 53 weeks ended 30 June 2002 was \$832.7 million (2001: \$706.6 million), an increase of 17.8%. EBIT before goodwill amortisation of \$23.3 million (2001: \$9.1 million) was \$856.0 million, up 19.6% on the previous year total of \$715.7 million. Significant non-recurring items amounted to a net cost of \$12.9 million (2001: \$4.4 million). These items were:

	2002 \$m	2001 \$m
Net loss on disposal of businesses	3.6	12.7
Reversal of provision for writedown in value of assets	–	(9.3)
Provision for business closure	11.7	–
Restructuring and Project Refresh costs	1.7	1.0
Profit on sale on investment	(8.4)	–
Provision for insurance claims receivable	5.0	–
Profit on sale of supermarkets	(1.9)	–
Recoveries of state franchise fees	(10.6)	–
Training wages ex-Franklins stores	11.8	–
<b>Total</b>	<b>12.9</b>	<b>4.4</b>

EBIT also included losses on disposal of Property, Plant and Equipment of \$2.9 million (2001: \$0.6 million). EBIT growth was generated by a combination of strong sales growth and a reduction in costs. As a percentage of sales, cost of doing business for the group fell by 0.38%. Gross margin percentage fell by 0.36% as cost savings were passed on to customers through lower selling prices. EBIT margin (EBIT as a percentage of sales) increased from 3.38% to 3.40%.

EBIT growth in the Supermarket and BIG W divisions exceeded sales growth with EBIT before Goodwill amortisation rising 22.4% in supermarkets to \$767.4 million and rising 12.1% in BIG W to \$93.5 million. EBIT before Goodwill amortisation remained flat in Consumer electronics.

Central overheads rose to \$77.8 million from \$59.0 million in the 53 weeks ended 30 June 2002, an increase of 31.9%.

## Statement of Financial Performance (cont)

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Central overheads for the 53 weeks ended 30 June 2002, included Project Refresh costs of \$6.6 million and \$12.0 million of costs relating to the strengthening of Human Resources, Information Technology and Internal Audit, about half of which was additional and half was transferred from operating divisions. In addition, all significant non-recurring items as shown on the previous page, with the exception of Franklins training wages are included in central overheads. This was a net cost of \$1.1 million.

Property income increased to \$34.2 million mainly due to increases in rental income.

### **Return on funds employed (ROFE)**

ROFE measures the amount of EBIT generated from the average funds employed in the year. ROFE increased 3.15 pts to 38.1%.

This increase was achieved by strong growth in EBIT (up 17.8%) and by limiting growth in funds employed to only 6.6% despite spending \$373.1 million on the acquisition and refurbishment of Franklins stores.

### **Net finance costs**

Net finance costs increased from \$13.1 million in the previous period to \$50.5 million in the current period. The increase in net finance costs was due to the increase in borrowings required to fund the acquisition of the Franklins stores. Strong cash flows from operations, however, saw net repayable debt fall to \$237.3 million at year end (2001: 387.6 million).

During the year \$7.1 million (2001: \$11.9 million) of borrowing costs were capitalised into qualifying development assets.

The weighted-average cost of funds for the year was 7.1% (2001: 7.6%).

### **Income tax expense**

The consolidated entity's effective tax rate fell from 31.3% in the previous year to 27.9% in the current year. Australian Company tax rates were lowered from 34% in 2001 to 30% in 2002. A 2.1 percentage point reduction from the headline rate of 30% was attributable to permanent differences, the most significant being the deductibility of WINS distributions.

### **Operating Net Profit After Servicing WINS**

Operating net profit after servicing WINS rose by 22.2% to \$523.2 million. There was a strong correlation with cash flow, as free cash after taking into account the Franklins acquisition was 74.2% of operating net profit after servicing WINS.

### **Woolworths Income Notes (WINS) distribution**

On 2 December 2000, Woolworths Limited issued quasi-equity securities with an aggregate face value of \$600.0 million. Holders of these securities receive a distribution that is calculated and paid quarterly in arrears, at a margin of 2.0% over the 90 day bank bill swap rate at the beginning of the relevant quarter. As the WINS possess the characteristics of equity, the payment is considered to be a distribution from retained earnings, rather than an expense.

WINS distributions of \$39.8 million include provision for distributions payable at the end of the last quarter, calculated at the current rate of 7.05%. The decrease over the prior year (\$47.7 million) is due to the effect of changing interest rates.

### **Dividends paid or provided for**

Dividends paid and provided in the 2002 period at 33 cents per share increased 22.2% on the previous period (27 cents per share). The dividend pay-out ratio remained virtually unchanged from 2001 at 66.1% (2001 ratio was 66.4%).

### **Earnings per share (EPS)**

Basic earnings per share increased 25.1% from 40.16 cents per share in 2001 to 50.24 cents per share in 2002. The growth in EPS was attributable to a 22.2% increase in operating net profit attributable to members after WINS distributions.

## Statement of Financial Performance

	Note	Consolidated	
		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
Other operating revenue	2a	511.8	473.6
<b>Total revenue from operations</b>		<b>24,984.8</b>	<b>21,388.7</b>
Cost of sales		(18,807.8)	(16,034.6)
<b>Gross profit</b>		<b>6,177.0</b>	<b>5,354.1</b>
Other revenue from ordinary activities	2b	245.0	260.2
Share of loss in associated company accounted for using the equity method		(0.3)	(1.5)
Branch expenses		(4,297.5)	(3,648.3)
Administration expenses		(1,291.5)	(1,257.9)
<b>Earnings before interest and tax</b>		<b>832.7</b>	<b>706.6</b>
Interest expense		(60.1)	(23.8)
Interest income		9.6	10.7
<b>Profit from ordinary activities before income tax expense</b>		<b>782.2</b>	<b>693.5</b>
Income tax expense		(218.5)	(217.4)
<b>Net profit from ordinary activities after income tax expense</b>		<b>563.7</b>	<b>476.1</b>
Net profit attributable to outside equity interests		(0.7)	(0.4)
<b>Operating net profit attributable to the members of Woolworths Limited</b>		<b>563.0</b>	<b>475.7</b>
Decrease (increase) in foreign currency translation reserve		1.3	1.1
Total revenue, expense and valuation adjustments attributable to members of Woolworths Limited recognised directly in equity		1.3	1.1
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>564.3</b>	<b>476.8</b>
<b>Earnings per share (EPS)</b>			
Basic EPS (cents per share)		50.24	40.16
Diluted EPS (cents per share)		49.30	39.65
Weighted average number of shares used in the calculation of basic EPS (million)		1,041.3	1,065.8
<b>Reconciliation of retained profits</b>			
Retained profits at beginning of period		279.9	368.9
Net profit attributable to the members of Woolworths Limited		563.0	475.7
Woolworths income notes distribution		(39.8)	(47.7)
Dividends paid or provided	3	(345.9)	(284.1)
Special dividend of \$5.82 per fully paid ordinary share paid to shareholders participating in off market buy-backs	3	–	(232.9)
<b>Retained profits at end of period</b>		<b>457.2</b>	<b>279.9</b>

The statement of financial performance should be read in conjunction with the discussion and analysis on pages 50 and 51 and notes to the concise financial report set out on pages 57 to 62.

# Statement of Financial Position

## Discussion and analysis of the Statement of Financial Position

### Total assets

Total assets of the consolidated entity increased by \$640.4 million to \$5,723.6 million. Current assets increased by \$199.5 million, an increase of less than 10% on last year. Much of this increase was attributable to inventory which rose 6.2%, less than half the rate of sales growth (14.9% on a 52 week normalised basis). As at 30 June 2002 days inventory was 37.3 days, a reduction of 3.3 days from the previous year total of 40.6 days.

Non current assets rose \$440.9 million. This was due to acquisitions which included 72 ex-Franklins stores, the remaining shares in GreenGrocer.com.au Pty Limited (61.9%) and a number of free standing supermarkets and liquor outlets. These acquisitions cost a total of \$412.9 million including the refurbishment of ex-Franklins stores. More than half the expenditure on acquisitions was for Goodwill arising on acquisition (\$245.5 million).

### Liabilities excluding interest bearing liabilities (borrowings)

Current Liabilities excluding borrowings increased by \$446 million. Accounts payable which are trade creditors accounted for 75% of the increase (\$334.2 million). Growth in trade creditors was due to two factors, being strong sales growth (14.9% on a normalised 52 week basis), and timing differences.

Other current liabilities (accruals, current tax liabilities and provisions) increased by 11.7% which was slightly lower than the rate of sales growth (14.9% on a 52 weeks normalised basis).

Non-current liabilities excluding borrowings were almost the same in both years.

### Borrowings

As at 30 June 2002, net repayable debt (interest bearing liabilities net of cash amounts held) was \$237.3 million, a decrease of \$150.3 million on the previous period. This decrease is due to strong cash flows from operations underpinned by strong growth in earnings and net reductions in working capital.

### Gearing

Repayable gearing (net repayable debt/net repayable debt plus total equity) decreased by 8.8 ppts to 11.5%.

Serviced gearing (net repayable debt plus WINS/net repayable debt plus total equity) decreased by 10.9 ppts to 39.8%.

### Borrowing facilities

At 30 June 2002, the consolidated entity had committed borrowing facilities amounting to \$1,337.3 million with an average maturity of 3.4 years, and uncommitted credit lines in the Short Term Money Market. At 30 June 2002, \$1,322.4 million of committed facilities were unused and the consolidated entity had \$295.0 million of cash on hand, in bank accounts and on deposit.

### Contributed equity (issued share capital)

Contributed equity increased by a net \$117.6 million during the period, to \$593.8 million.

Movements were as follows:

- Shares issued pursuant to the dividend reinvestment plan (5.3 million shares – \$60.9 million),
- employee share plan (4.2 million shares – \$47.5 million),
- employee share issue plan (1.6 million shares – \$Nil),
- retention shares allotted in accordance with executive service contracts (0.9 million shares – \$Nil),
- executive share option plan (1.7 million shares – \$9.2 million).

### Woolworths Income Notes

The Woolworths Income Notes (WINS) balance has not altered since the end of June 2001.

## Statement of Financial Position

	Note	Consolidated	
		As at 30 June 02 \$m	As at 24 June 01 \$m
<b>Current assets</b>			
Cash		295.0	256.0
Receivables		258.6	194.9
Inventories		1,838.4	1,731.8
Property, plant and equipment		98.3	126.8
Other		97.7	79.0
<b>Total current assets</b>		<b>2,588.0</b>	<b>2,388.5</b>
<b>Non-current assets</b>			
Receivables		139.5	44.2
Investments accounted for using the equity method		–	16.8
Other financial assets		1.2	1.4
Property, plant and equipment		2,267.3	2,130.7
Intangibles		545.0	313.4
Deferred tax assets – timing differences		181.8	187.7
Other		0.8	0.5
<b>Total non-current assets</b>		<b>3,135.6</b>	<b>2,694.7</b>
<b>Total assets</b>		<b>5,723.6</b>	<b>5,083.2</b>
<b>Current liabilities</b>			
Accounts payable		2,000.6	1,666.4
Accruals		440.1	399.0
Interest bearing liabilities		34.1	341.7
Current tax liabilities		113.4	125.0
Provisions		509.6	427.3
<b>Total current liabilities</b>		<b>3,097.8</b>	<b>2,959.4</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities		498.2	301.9
Deferred tax liabilities		76.3	111.7
Provisions		228.8	184.6
<b>Total non-current liabilities</b>		<b>803.3</b>	<b>598.2</b>
<b>Total liabilities</b>		<b>3,901.1</b>	<b>3,557.6</b>
<b>Net assets</b>		<b>1,822.5</b>	<b>1,525.6</b>
<b>Equity</b>			
Contributed equity	5	593.8	476.2
Reserves		184.1	182.8
Retained profits		457.2	279.9
<b>Equity attributable to the members of Woolworths Limited</b>		<b>1,235.1</b>	<b>938.9</b>
Woolworths Income Notes	6	583.0	583.0
Outside equity interest in controlled entities:			
Reserves		0.9	0.9
Retained profits		3.5	2.8
<b>Total outside equity interest</b>		<b>4.4</b>	<b>3.7</b>
<b>Total equity</b>		<b>1,822.5</b>	<b>1,525.6</b>

The statement of financial position should be read in conjunction with the discussion and analysis on page 53 and notes to the concise financial report set out on pages 57 to 62.

# Statement of Cash Flows

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## Discussion and analysis of the Statement of Cash Flows

### **Cash flows from operations**

Cash flows from operations in the 2002 period were \$1,174.5 million, an increase of \$365.5 million from the 2001 period. Earnings before interest, tax, depreciation and amortisation (EBITDA) grew 16.5%. The net investment in inventory (inventory less accounts payable) declined, producing cash inflows of \$247.8 million, a large reduction compared with the decline of \$34.6 million recorded in the 2001 period. The reduction in net investment in inventory is reflected in an improvement in days inventory and days creditors. Days inventory fell 3 days (2002: 37 days, 2001: 40 days) and days creditors increased by 1 day (2002: 45 days, 2001: 44 days).

### **Cash used in investing activities**

The net cash outflow from investing activities was \$786.5 million compared with \$549.3 million in the 2001 period. The increase was the result of acquisition activity in the year with \$412.9 million invested in acquisition compared with \$257.0 million spent in the 2001 period. Businesses acquired were Franklins Supermarkets including refurbishment costs (\$373.1 million), various other freestanding Supermarket and liquor outlets (\$32.7 million) and the purchase of the remaining shares in Greengrocer.com.au Pty Limited.

### **Free Cash Flow**

Free cash flow which is the net of cash flows from operating activities less cash flows from investing activities amounted to \$388.0 million. up 49.4% on the previous year (\$259.7 million).

Free cash flow was 74.2% of operating profit after servicing income notes.

### **Cash used in financing activities**

Free cash flow of \$388.0 million together with proceeds from issue of shares of \$56.7 million was used to fund net dividend payments of \$251.5 million, Woolworths Income Notes distribution of \$39.8 million and a reduction in net repayable debt of \$150.3 million.

### **Fixed charges cover**

The fixed charges cover which is a measure of the consolidated entity's ability to meet its major fixed costs remained virtually unchanged from the 2001 period at 2.32 times.

### **Debt to cash flow**

Debt to cash flow measures the time in years that cash flows generated from earnings would take to repay the net repayable debt. This ratio was 0.2 years in the 2002 period, down from 0.48 years in 2001.

## Statement of Cash Flows

	Consolidated	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
<b>Cash flows from operating activities</b>		
Receipts from customers	25,704.7	22,075.7
Receipts from vendors and tenants	477.0	439.9
Payments to suppliers and employees	(24,722.1)	(21,455.9)
Interest and other borrowing costs paid	(67.2)	(35.7)
Interest received	9.6	10.7
Income tax paid	(238.1)	(225.7)
Other	10.6	–
<b>Net cash provided by operating activities</b>	<b>1,174.5</b>	<b>809.0</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of property, plant and equipment	203.8	173.1
Proceeds from the sale of businesses	5.7	76.1
Proceeds from sale of investment	11.2	–
Payments for property, plant and equipment	(596.7)	(537.4)
Payment for purchase of investments	–	(18.3)
Advances of employee loans	(42.7)	(30.8)
Loan to related entities	(139.9)	–
Loans repaid by related entities	80.0	–
Payment for purchase of businesses	(307.9)	(257.0)
Proceeds from assignment of employee loans	–	45.0
<b>Net cash used in investing activities</b>	<b>(786.5)</b>	<b>(549.3)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	56.7	44.0
Payments for buy-back of shares	–	(349.4)
(Repayment of)/proceeds from short term deposits	(2.2)	0.1
Proceeds from external borrowings	1,369.4	3,187.0
Repayment of external borrowings	(1,481.6)	(2,975.6)
Dividends paid	(251.5)	(212.1)
Woolworths Income Notes distribution	(39.8)	(47.7)
<b>Net cash used in financing activities</b>	<b>(349.0)</b>	<b>(353.7)</b>
Net increase/(decrease) in cash held	39.0	(94.0)
Cash at the beginning of the financial period	256.0	350.0
<b>Cash at the end of the financial period</b>	<b>295.0</b>	<b>256.0</b>
<b>Non-cash financing and investing activities</b>		
<b>Dividend reinvestment plan</b>		
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
Issuance of shares under the Plan	(60.9)	(54.7)
<b>Net cash outflow</b>	<b>251.5</b>	<b>212.1</b>

The statement of cash flows should be read in conjunction with the discussion and analysis on page 55 and notes to the concise financial report set out on pages 57 to 62.

# Notes to the Concise Financial Statements

## 1 Basis of preparation of the concise financial report

This concise financial report has been prepared in accordance with Accounting Standard AASB 1039 'Concise Financial Reports', applicable Urgent Issues Group Consensus Views, and the Corporations Act 2001. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the 53 weeks ended 30 June 2002. Other information contained in the concise report is also consistent with the entity's full financial report. The concise report does not and cannot be expected to, provide as full an understanding of the financial performance, financial position, financing and investing activities of the consolidated entity as the full financial report.

A full description of the accounting policies adopted by the consolidated entity is provided in the 2002 financial statements, which form part of the full financial report. The accounting policies of the consolidated entity are consistent with those of the previous year.

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

	Consolidated 53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
<b>2 Profit from ordinary activities</b>		
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
<b>(a) Operating revenue</b>		
Revenue from the sale of goods:		
Other parties	24,473.0	20,915.1
Other operating revenue – rebates, discounts received and other	511.8	473.6
Interest:		
Related parties	2.6	–
Other parties	7.0	10.7
<b>Total operating revenue</b>	<b>24,994.4</b>	<b>21,399.4</b>
<b>(b) Other revenue from ordinary activities</b>		
Rent:		
Other parties	13.7	11.0
Gross proceeds from disposal of non-current assets	203.8	173.1
Gross proceeds on sale of businesses	5.7	76.1
Gross proceeds on sale of investment	11.2	–
Recoveries of state franchise fees	10.6	–
<b>Total other revenue from ordinary activities</b>	<b>245.0</b>	<b>260.2</b>
<b>Total revenue</b>	<b>25,239.4</b>	<b>21,659.6</b>

## Notes to the Concise Financial Statements (cont)

	Consolidated	
	53 weeks ended 30 June 02 \$m	52 weeks ended 24 June 01 \$m
<b>3 Dividends paid or provided</b>		
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
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 (2000: 34%) (Class C)	157.0	128.7
Special dividend of \$5.82 per fully paid ordinary share paid 22 June 2001 to shareholders participating in the off market share buy-back 100% franked at 34% (Class C)	–	232.9
<b>Total dividends paid or provided</b>	<b>345.9</b>	<b>517.0</b>
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 52 weeks ended 24 June 2001 were as follows:		
Paid in cash:		
Final and interim dividends	251.5	212.1
Special buy-back dividend	–	232.9
Satisfied by the issue of new shares	60.9	54.7
	<b>312.4</b>	<b>499.7</b>
<b>Franked dividends</b>		
The franked portions of the dividends proposed as at 30 June 2002 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the 53 weeks ended 30 June 2002.		
Franking credits available for the subsequent financial year 30% (2001: 30%)	565.5	402.2

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.
- (b) Franking debits that will arise from the payment of dividends proposed at the end of the financial period.

## Notes to the Concise Financial Statements (cont)

	Supermarkets <sup>(1)</sup>		BIG W		DSE	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m
<b>4 Segment disclosures</b>						
<b>Business segments</b>						
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
<b>Segment revenue</b>	<b>21,028.4</b>	<b>17,811.6</b>	<b>2,419.0</b>	<b>2,190.5</b>	<b>685.8</b>	<b>431.9</b>
Eliminations						
Unallocated revenue						
<b>Total revenue</b>						
Segment operating profit	747.4	618.6	93.5	83.4	28.0	30.8
Unallocated expenses						
– Property						
– Head office						
Net interest						
<b>Profit from ordinary activities before tax</b>						
Income tax on ordinary activities						
<b>Profit from ordinary activities after tax</b>						
Segment assets	3,194.1	2,727.0	528.4	485.1	345.3	303.4
Unallocated						
<b>Total assets</b>						
Segment liabilities	1,673.4	1,383.8	218.2	228.9	61.3	97.3
Unallocated						
<b>Total liabilities</b>						
Acquisition of assets	484.2	307.0	39.6	50.9	18.3	65.3
Unallocated						
<b>Acquisition of assets</b>						
Segment depreciation and amortisation	252.0	219.2	33.0	32.7	15.1	7.9
Unallocated						
<b>Total depreciation and amortisation</b>						
Segment other non cash expenses						
Unallocated						
<b>Total other non cash expenses</b>						
Share of loss of associates	(0.3)	(1.5)				
Carrying value of investment in associate	–	16.8				

## Notes to the Concise Financial Statements (cont)

	Wholesale <sup>(2)</sup>		Entities disposed of <sup>(3)</sup>		Consolidated	
	2002 \$m	2001 \$m	2002 \$m	2001 \$m	2002 \$m	2001 \$m
<b>Business segments</b>						
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
<b>Segment revenue</b>	<b>1,032.5</b>	<b>1,383.3</b>	<b>–</b>	<b>264.1</b>	<b>25,165.7</b>	<b>22,081.4</b>
Eliminations					(190.3)	(738.9)
Unallocated revenue					264.0	317.1
<b>Total revenue</b>					<b>25,239.4</b>	<b>21,659.6</b>
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)
<b>Profit from ordinary activities before tax</b>					<b>782.2</b>	<b>693.5</b>
Income tax on ordinary activities					(218.5)	(217.4)
<b>Profit from ordinary activities after tax</b>					<b>563.7</b>	<b>476.1</b>
Segment assets	190.4	156.7	–	–	4,258.2	3,672.2
Unallocated					1,465.4	1,411.0
<b>Total assets</b>					<b>5,723.6</b>	<b>5,083.2</b>
Segment liabilities	133.6	99.3	–	0.6	2,086.5	1,809.9
Unallocated					1,814.6	1,747.7
<b>Total liabilities</b>					<b>3,901.1</b>	<b>3,557.6</b>
Acquisition of assets	3.8	3.5	–	0.5	545.9	427.2
Unallocated					99.5	154.5
<b>Total acquisition of assets</b>					<b>645.4</b>	<b>581.7</b>
Segment depreciation and amortisation	4.2	5.1	–	–	304.3	264.9
Unallocated					46.6	44.9
<b>Total depreciation and amortisation</b>					<b>350.9</b>	<b>309.8</b>
Segment other non cash expenses					–	–
Unallocated					60.9	54.7
<b>Total other non cash expenses</b>					<b>60.9</b>	<b>54.7</b>
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 Concise Financial Statements (cont)

	Consolidated as at 30 June 02 \$m	as at 24 June 01 \$m
<b>5 Contributed equity</b>		
<b>Issued and paid-up share capital</b>		
Fully paid ordinary shares:		
1,049,211,631 (2000: 1,035,461,356)	593.8	476.2
Fully paid ordinary shares carry one vote per share.		
<b>6 Woolworths Income Notes</b>		
<b>Issued and paid-up quasi-equity securities</b>		
Fully paid, on issue:		
6,000,000 securities of \$100 face value each	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 2.0% 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.

## Notes to the Concise Financial Statements (cont)

	Consolidated as at 30 June 02 \$m	as at 24 June 01 \$m
<b>7 Contingent liabilities</b>		
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.		
<b>Guarantees</b>		
Trading guarantees	8.9	8.4
Workers' compensation self-insurance guarantees	137.9	128.3
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.	–	–
<b>Litigation</b>		
Litigation in progress or threatened against the Company and certain of its controlled entities	7.5	4.5
<b>Other</b>		
Outstanding letters of credit issued to suppliers	17.0	15.8

## 8 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.

# Directors' Declaration

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The Directors declare that in their opinion, the concise financial report of the consolidated entity which comprises Woolworths Limited and its controlled entities, for the financial period ended 30 June 2002 as set out on pages 50 to 62 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the financial period ended 30 June 2002.

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

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### Scope

We have audited the concise financial report of Woolworths Limited for the financial year ended 30 June 2002 as set out on pages 50 to 63, in order to express an opinion on it to the members of the company. The concise 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 concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Woolworths Limited for the financial year ended 30 June 2002. Our audit report on the full financial report was signed on 25 September 2002, and was not subject to any qualification.

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

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

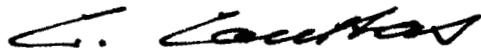
### Audit opinion

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



**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).

# Shareholder Information

The shareholder information set out below was applicable as at 25 September 2002.

## Distribution of equity securities

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

Range of fully paid ordinary (FPO) shares/options	Number of FPO holders	Number of FPO shares	*Number of option holders
1 – 1,000	167,835	66,174,178	
1,001 – 5,000	125,233	232,627,276	20
5,001 – 10,000	11,507	81,933,313	6
10,001 – 100,000	5,410	108,812,739	360
100,001 – and over	205	565,469,586	70
	<b>310,190</b>	<b>1,055,017,092</b>	<b>456</b>

\* Details of options over unissued FPO Shares are set out in the Directors Statutory Report on page 35.

(b) There were 8,929 holders of less than a marketable parcel of ordinary shares.

## 20 Largest Shareholders

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

Name	No. of Fully paid ordinary shares	Percentage of issued capital %
1 J P Morgan Nominees Australia Limited	152,569,192	14.46
2 Westpac Custodian Nominees Limited	81,391,030	7.71
3 National Nominees Limited	81,319,283	7.71
4 Citicorp Nominees Pty Limited	21,035,322	1.99
5 Woolworths Custodian Pty Limited	18,488,098	1.75
6 Queensland Investment Corporation	18,454,804	1.75
7 Commonwealth Custodial Services Limited	15,885,714	1.51
8 AMP Life Limited	15,784,597	1.50
9 MLC Limited	13,218,452	1.25
10 Citicorp Nominees Pty Limited	9,903,742	0.94
11 ANZ Nominees Limited	9,742,334	0.92
12 HSBC Custody Nominees (Australia) Limited	6,782,273	0.64
13 NRMA Nominees Pty Limited	5,967,104	0.57
14 Cogent Nominees Pty Limited	5,574,752	0.53
15 Citicorp Nominees Pty Limited	5,244,530	0.50
16 Perpetual Trustee Company Limited	4,992,723	0.47
17 The National Mutual Life Association of Australasia Limited	4,800,634	0.46
18 Cogent Nominees Pty Limited	4,778,686	0.45
19 Westpac Financial Services Limited	3,622,448	0.34
20 Citicorp Nominees Pty Limited	3,610,526	0.34

## Substantial shareholders

As at 25 September 2002, The Capital Group Companies, Inc. has provided substantial shareholding notices in relation to a relevant interest in 86,228,318 shares in the Company.

## Shareholder Information (cont)

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### **Unquoted equity securities**

As at 25 September 2002 there were 38,629,175 options granted over unissued ordinary shares in the Company to employees.

### **Woolworths Income Notes (WINS)**

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

### **Voting rights**

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

### **Shareholder enquiries**

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

Shareholders can access details about their shareholding via the Shareholder Centre on Woolworths Limited website at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au).

### **Changed your address?**

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

### **Shareholder information**

For any queries about your Woolworths Limited shareholding please contact:

Shareholder Relations

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

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

### **Final dividend**

The final dividend of 18 cents per share will be paid on 8 October 2002, to shareholders entitled to receive dividends and registered on 10 September 2002 (record date).

### **Direct payment to shareholders' accounts**

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

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

### **Dividend Reinvestment Plan (DRP)**

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

## Shareholder Information (cont)

### Uncertificated share register

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

### Woolworths communications

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

- The Half Year Results Summary, which is mailed with the Interim Dividend in April.
- Our Internet site, [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au), provides investors with information about Woolworths Limited, including copies of Annual Reports, Chairman's Address, Half Year Results Summary and Releases to the ASX by the Company.

### Removal from the annual report mailing list

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

### Stock exchange listings

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

### American depository receipts

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

### History of dividends paid

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

### On-market buy back

An announcement was made on 12 September 2001 of the Company's intention to buy back that number of shares as are allotted under the DRP plus 1% of issued capital. The Group Managing Directors' Report refers to this intention on page 18.

# Shareholders' Calendar

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## 2002 October

- **8th** Payment date for Final Dividend
  - **21st** Announcement of 1st quarter sales results
- 

## November

- **22nd** Annual General Meeting  
John Batman Theatre  
Melbourne Convention & Exhibition Centre  
Cnr Flinders & Spencer Streets  
Melbourne, VIC
- 

## December

- **16th** Interest Payment on Woolworths Income Notes
- 

## 2003 January/February

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

## March

- **17th** Interest Payment on Woolworths Income Notes
- 

## April

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

## June

- **16th** Interest Payment on Woolworths Income Notes
- 

## July

- Announcement of 4th quarter sales results
- 

## August/September

- Preliminary Full Year Results and Final Dividend announcement
- 

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

# Directory

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## **Woolworths Limited**

### **Registered Office**

Level 5, 540 George Street  
Sydney NSW 2001

Tel: (02) 9323 1555

Fax: (02) 9323 1599

[www.woolworthslimited.com.au](http://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](http://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](http://www.woolworths.com.au)

### **Ezy Banking**

Level 3, 540 George Street  
Sydney NSW 2001

Tel: 13 7288

[www.ezybanking.com.au](http://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](http://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](http://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](http://www.computershare.com.au)

## **Auditor**

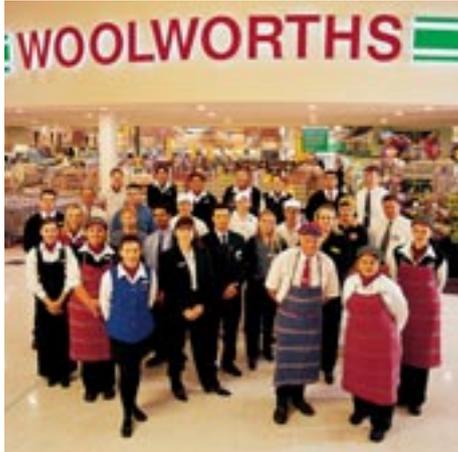
### **Deloitte Touche Tohmatsu**

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’