

COMPANY NUMBER: 3855289

Annual Report and Accounts 2003

Woolworths Group plc



WOOLWORTHS GROUP PLC



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**Profit before taxation,
exceptional items and
amortisation of goodwill
increased 60 per cent
to £52.8 million**

**Adjusted earnings per share*
increased 63 per cent to
2.6 pence per share**

**Net cash
at the year-end of
£35.2 million**

**Group sales
up 4.5 per cent to
£2.7 billion**

**Full year dividend
increased by 10.4 per cent
to 1.325 pence per share**

* Throughout this document adjusted earnings per share is as calculated in note 11 to the financial statements.

The Woolworths Group at a glance

Woolworths Mainchain

Mainchain stores comprise the traditional Woolworths outlets located in small towns and city suburbs, targeted at meeting basic everyday shopping requirements, as well as larger stores located on prime shopping streets in major regional shopping centres. The product offer covers Toys, Children's Clothing, Events, Confectionery, Home and Entertainment. Larger stores include a more comprehensive range of Home and Children's Clothing.

Overview

Number of stores: 808
Average size sq ft: 8,460

Woolworths big W

Woolworths big W is a superstore format developed to meet consumer demand for out-of-town shopping. Stores offer convenient shopping for a wide range of products including Homewares, Clothing, Garden Supplies, Car Care, Toys, Confectionery, Electrical Goods, Health and Beauty and Seasonal Products. Woolworths big W focuses on providing customers with a unique and enjoyable shopping experience delivered through a combination of enhanced customer service, convenient locations and longer opening hours. Where the size of the store allows, the product offer is enhanced by complementary concessions such as Thomas Cook, Carphone Warehouse and Burger King. The first two Woolworths big W stores opened in 1999.

Overview

Number of stores: 18
Average size sq ft: 81,400

MVC

MVC is a specialist retailer of Home Entertainment products (CDs, videos, DVDs and game software). MVC operates a cardholder loyalty scheme with over 2.9 million active cardholders. MVC targets the frequent high-spending buyer of Entertainment products and aims to distinguish itself from other specialist high street Entertainment retailers by offering a comprehensive product range, including an extensive back catalogue at competitive prices.

Overview

Number of stores: 85
Average size sq ft: 3,700

9Streets Online
Streets Online is an online retailer of Entertainment products, including music, videos, DVDs and game software. It also provides web services to the Woolworths and MVC sites.

EUK
EUK is the country's largest wholesale distributor of Home Entertainment products (CDs, videos, DVDs and game software), supplying Britain's retailers with their music, video and games product. EUK offers a value added wholesale service which includes managing retailers' inventory, merchandising, staff training, product labelling and security tagging. EUK has also established EUK Direct, offering a wholesale distribution service and a 'direct to home' solution for Entertainment retailers on the internet.

VCI
VCI is an AudioVisual Entertainment group with two divisions: Video and Music. The Video division of VCI is the leading independent video publisher in the UK, with established relationships with major content providers. Demon Music is one of the UK's leading publishers of mid and low-priced music and also has joint ventures with the Ministry of Sound. Both divisions own or licence content which is sold to retailers and wholesalers as CDs, videos and DVD's. In July 2002, VCI acquired a majority share in Banana Split Productions Limited, a company that specialises in the creation and production of pre-recorded videos, feature film trailers, television programming and advertisements.

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Designed and produced
by williams and phoa

**Further progress
on developing formats**

**Further improvement
in retail disciplines
and systems**

**Shrinkage down
0.3 per cent and availability
continuing to improve**

**Significant strengthening
of operational
management team**

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Chairman's Statement

Recovery programme on course...

Gerald Corbett
Chairman

This report marks the first full year of independence for the Woolworths Group following demerger from Kingfisher plc in August 2001. Whilst there remains much to do for the business to perform to its full potential, significant progress has been made.

Profit before tax, exceptionals, and goodwill amortisation increased by 60 per cent to £52.8 million, on turnover up 4.5 per cent to £2.7 billion. Net exceptional charges of £11.8 million were incurred, relating in particular to the closure of the Woolworths General Store format and the reorganisation of Head Office functions. After exceptional items and goodwill amortisation profit before tax was £38.0 million compared with last year's loss of £46.4 million. The Group finished the year in a strong financial position with net cash balances of £35.2 million.

The adjusted earnings per share grew by 63 per cent, from 1.6 pence per share to 2.6 pence per share. The Directors are recommending a final dividend of 1.0 pence per share, an increase of 11.1 per cent which will provide a full year dividend of 1.325 pence per share, an increase of 10.4 per cent on the previous year. The Board's policy is to generate progressive dividend growth as well as further improvement in dividend cover similar to the average of the general merchandise retailing sector, which at present is approximately 2-2.5 times.

Having stabilised the business in the period immediately following the demerger, paid off the inherited debt, reduced the excess stock and strengthened the management at all levels, the priority for the year was to deliver a recovery in Woolworths' profitability. The new team, under Trevor Bish-Jones' leadership, has focused primarily on simplifying the business, strengthening the infrastructure (systems and supply chain) and improving core retail competencies. This has resulted in better in-store availability of product throughout the year, (particularly during the crucial Christmas period), lower Head Office costs, better in-store disciplines, and an improvement in margin in the Woolworths Mainchain. The recovery in profitability was also helped by the new Kingstore EPOS (electronic point of sale) till system now in 160 stores, representing over 40 per cent of our retail space, improved planning and replenishment systems, the new Hong Kong buying office and a more competitive product offer particularly in Toys and Home.

Our rigorous focus on operational disciplines in Woolworths will continue this year. With over six million customers per week and £2.2 billion in sales this year, our focus is not on aggressively growing our sales, but on improving our margin. The plans Trevor outlines in his review focus on improvement to our product, our promotions and our processes, continued rollout of new systems and more operational improvements, as well as further cost reductions. Successful retailing is about detail and there remains significant potential for profit improvement by doing what we do better.

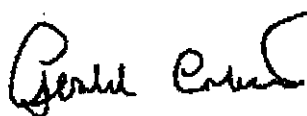
Longer-term growth will be driven by strengthening the Woolworths high street proposition and getting our out-of-town format, Woolworths big W, trading to its full potential. Progress on both these areas has been made during the year and is covered in detail in the Chief Executive's Review. The strength of the Woolworths brand and the overall power of our market position are a good base on which to build.

Our Entertainment businesses had another good year. In particular third party business at Entertainment UK expanded significantly, the new Greenford distribution centre operated efficiently, and VCI made further good progress.

During the year £51.0 million of capital investment was incurred; £20.3 million was on new systems and £12.4 million was on opening five new Woolworths big W's to take the total to 18. A similar level of capital investment is planned for this year.

We are well aware of how much there remains to do for Woolworths to achieve its full potential, however we are encouraged by the progress to date. Since the demerger the business has been stabilised, good progress has been made on operational initiatives and we are well on the way to delivering a recovery in the performance of the business. We also have a clearer articulation of our customer and store propositions and remain confident about the future growth potential of the Group.

On behalf of the Board, I would like to thank our colleagues for all their efforts during the year. I am consistently impressed by the commitment they show and the affection they have for Woolworths. The people we have in place give us great confidence for the future.



Gerald Corbett
Chairman

Chief Executive's Review

Trevor Bish-Jones
Chief Executive

**...a simpler
clearer business...**

During the past year the focus for the Group has been on sustainable profit recovery. Whilst we have rigorously removed excess costs and simplified the business, we have also continued to invest in and develop the business for the future. Going forward there is significant opportunity as we refine and build on the Recovery Plan.

In the 52 weeks ended 1 February 2003 the Group achieved total sales of £2,717.4 million, which represents an increase of 4.5 per cent over the 52-week period ended 2 February 2002. Sales growth was driven by a 3.1 per cent increase at Woolworths and a 16.5 per cent increase in the Entertainment businesses. Total Group retail like-for-like sales for the year increased by 0.2 per cent with like-for-like sales in the Woolworths Mainchain decreasing 0.4 per cent, in Woolworths big W increasing by 3.1 per cent and MVC increasing by 7.0 per cent.

Profit before taxation, exceptional costs and goodwill amortisation increased by 60 per cent to £52.8 million (2002: £33.0 million). The components of this £19.8 million improvement comprise an overall improved trading performance of £27.1 million (61 per cent increase) and a reduction in interest costs of £3.3 million (24 per cent decrease), offset in part by a £10.6 million increase in common costs. This increase is primarily due to the first full year of the Corporate Centre, but also reflects the one-off dividend income received in the prior year at demerger.

After exceptional items, profit before tax for the year is £38.0 million, which compares with a loss in 2002 of £46.4 million.

The Woolworths Recovery Plan detailed in last year's Interim Statement focuses on four key elements: simplifying the business, strengthening the infrastructure, rebuilding core retail competencies and developing clearer propositions across all our retail formats. Good progress is being made across all these areas.

Simplifying the Business
At the start of the year four Woolworths formats were trading, each with independent management structures and commercial policies. This was overly complex and costly. To address this, the City and Local format management was amalgamated and the rollout of the loss making General Store format stopped, with the stores now being converted back to the Woolworths Mainchain format. Additionally, big W was re-branded Woolworths big W and the separate buy and supply teams that had existed for Woolworths and big W were integrated.

The overall impact of these changes was to remove over 140 roles from central functions generating expected annualised savings of some £5 million from August 2002. Consolidation of the buying team is already leading to better product ranges and buying leverage.

We have also sought to simplify our Entertainment businesses. In October 2002 the Streets Online Head Office was relocated to the EUK site at Hayes. In addition, the MVC Head Office is to close in April 2003 and the MVC team will move to Woolworths Head Office and work more closely with the Woolworths Entertainment business. Both of these actions will generate further savings of over £3 million per annum.

Strengthening the Infrastructure
During the year, investment in Woolworth's IT systems infrastructure totalled £18.4 million. The building blocks required to give Woolworths integrated systems are now established, providing greater control over stock and enhancing the in-store experience for our customers.

Good progress is being made on the migration of all product categories to the new range planning and replenishment system and, by Summer 2003, all areas will be fully functional. We continue the rollout of the Kingstore till system where a further 160 stores will be converted this year so that by January 2004 over 320 stores will be converted, representing 67 per cent of our retail space. We anticipate that the programme will be completed during 2005.

In recent years, a weakness of the business has been the physical supply chain which comes under particular pressure over the Christmas period. To address this, a supply chain review was undertaken in 2002 to achieve a more robust approach to planning. This allowed us to flow the seasonal Christmas stock into the stores earlier and increased our delivery frequencies which resulted in a more controlled and timely supply of product to the stores and improved availability for our customers.

In 2003, we are seeking further improvements in the supply chain by increasing warehouse operating hours and reviewing pack sizes.

The supply chain review has also highlighted the need in the longer term to update the infrastructure to support the needs of the business. As we grow, further distribution capacity will become necessary and the location of the warehouse sites will need to be optimised. We have made good progress towards defining the optimal configuration of the distribution network to lower costs and to ensure adequate capacity. We will give a full update on our supply chain strategy at our Interim results in September.

Chad Valley is Woolworth's long-standing and respected toy brand. It stands for fun toys and games for all the family at competitive prices. The extensive range offers over 700 product lines for babies, toddlers, boys and girls.

Ladybird clothing has been sold in Woolworths stores since 1932. An extremely popular brand for children's clothes in the UK, it is also sold under licence by selected partners.

Woolworths Group has a leading market position in home entertainment products (music, video, games) and offers high street retailing through MVC and Woolworths; online shopping through Streets Online; wholesale distribution through EUK; and video, DVD and music production through VCI.

COOK! is Woolworths own brand of kitchenware. Smart, sleek and stylish stainless steel utensils and kitchen accessories create a contemporary feel in the kitchen at affordable prices.

...a focus on the right products for our customers...

For customers who wish to update their homes without the cost of redecorating, Woolworths offers a wide variety of accessories perfect for adding colour and texture to a room. Prices for cushions shown here start at £5.99.

Creating a designer look in the home need not break the bank. Woolworths offers a range of beautiful home adornment pieces, with vases starting at £3.99.

With sleek lines and a modern aluminium finish this square frame, small display dish and teardrop vase are an ideal gift. Prices start at £4.99.

COOK! wooden bowl with stainless steel handles and butchers block bring clean lines and contemporary design to the kitchen. Bowl retails at £7.99, butchers block retails at £9.99.

* Prices at time of publication.

Rebuilding Core Retail Competencies

Key to the success of any retailer is the ability to source and develop product that customers really want. During the year we have enjoyed some notable successes, particularly in the Toy area where our exclusive Chad Valley products have won industry awards and helped to drive a 1.5 per cent growth in our market share in Toys.

Our Home ranges are also improving and delivering enhanced margins as we move to more direct Far Eastern sourcing. This has been facilitated by the establishment of a dedicated Woolworths Group product sourcing office in Hong Kong and direct shipments have increased by 10 per cent in the year. In a very competitive Clothing market we have also gained market share through the ongoing evolution of our Ladybird brand.

In recent years many basic retail disciplines in-store have slipped. Poor on-shelf availability, long queues, insufficient staff at key points of the day, untidy stock rooms and high shrinkage (stock losses) became all too frequent. The new operations team have begun to address this by putting in place a store standards and shrinkage reduction programme and have introduced new 'queue busting' techniques, putting in more tills and employing more staff for critical times of the year (an additional 6,000 at Christmas 2002). The rollout of Kingstore is a further benefit.

These programmes have already led to a reduction in shrinkage of 0.3 per cent (as a percentage of sales) in the year, fewer queues at Christmas, better availability and higher standards in-store. As regular Woolworths customers will be aware, however, the results are inconsistent and there remains much to do. This is being addressed by upgrading the quality of our field management.

Developing Clearer Propositions
With annual turnover of £2.2 billion and over six million customers a week, Woolworths is the backbone of the Group and provides a significant base on which to build. A key driver of the enhanced product development has been the clearer identification of our target customers and understanding their spending habits, lifestyles and aspirations. Our customers, while being value conscious, do exhibit aspirational taste. They express a desire for us to strengthen our Kids offer and view us as a potential destination store for family celebrations.

We are committed to making Woolworths famous for Kids and Celebrations and have implemented changes to the in-store space allocation that supports this strategy. This, along with the introduction of better ranges covering higher price points, is resulting in a positive customer reaction and is beginning to drive sales and margin increases.

To further validate the strategy, a number of trial stores were reformatted during October 2002 to test how far and fast the strategy could be developed. The reformatting involved a combination of changes to space allocation, product assortment and store refurbishment. Early results from the Christmas period are encouraging, particularly those stores where both radical changes to space and product offer were made in tandem with an in-store refit.

However, it is imperative that we understand how these stores trade outside of Christmas, and that we have a statistically robust set of trial stores. Consequently four further stores will have a major refit in May 2003 and up to 30 stores will have a minor refit. Their performance will determine the pace at which we embark on a store refurbishment programme.

**...to drive a
significant growth
in profitability...**

Woolworths big W

During the past year a further five Woolworths big Ws were opened, bringing the total number of stores trading to 18. Each one set a new standard for sales achieved in the opening weeks as we refined supporting marketing activity.

Sales performance improved markedly over the year with second quarter like-for-like sales of a negative 0.5 per cent improving to a positive 4.0 per cent in the fourth quarter. This reflects improvements in both the product offer and the promotional stance that have flowed from the integration of the Woolworths and the Woolworths big W commercial functions.

Within the Woolworths big W chain we have stores that have an annual turnover well in excess of £15 million (including VAT) and attracting over a million customers. This gives a clear indication that customers find the format appealing. There is, however, a need to improve the financial returns from Woolworths big W. Much work has been undertaken during the year to reduce the capital required to open a store. Savings of approximately 12 per cent are being achieved, which augurs well for future stores.

Having regained sales momentum we are now putting in place plans to improve margins. Progress to date includes a new Health and Beauty supply arrangement with Savers and a renegotiated Clothing contract with Peacocks. The new Peacocks contract gives greater visibility and accountability over the performance of their clothing ranges. Driving the margin in Woolworths big W is key to its success and will govern the speed with which we rollout this format.

MVC

During the year MVC delivered like-for-like sales growth of 7.0 per cent, a very creditable performance in a difficult specialist music market. To enhance profitability and to simplify the business, we have begun to combine the MVC commercial function with that of Woolworths Entertainment. This will enable best practice and expertise to be shared across both MVC and Woolworths.

Uniquely in its market place MVC holds a substantial customer database which allows MVC to track the 2.9 million active customers who bought entertainment products at MVC last year. The potential of this data has not yet been fully exploited and we have now begun a series of test marketing activities to establish how this information can be used to drive profitability and sales, as well as enhance customer loyalty to the MVC format.

Entertainment UK (EUK)

During the year, Entertainment UK increased both third party and intragroup sales by an overall 26.4 per cent, driven by strong growth in the DVD and Games markets. EUK was also successful during the year in winning a number of new third party customers. Despite the general pressure on margins, the business' profitability improved driven by sales growth and efficiency gains within the distribution operation, where the costs to sales ratio was down 0.7 per cent year on year.

In addition EUK launched the Entertainment Product Directory which offers a product data service to e-commerce retailers.

An integral part of the EUK proposition is the returns facility it offers to its customers. Due to lease expiry on two existing returns locations, it will be necessary during the course of 2003 to relocate. The planning for the new returns operation is well underway and negotiations for a new site are well advanced.

VCI

Profit performance from VCI was strong on the back of the change in mix from VHS to DVD and strong autumn releases from both its Video and Music divisions. Particular video successes included 'Peter Kay's Phoenix Nights', 'Thomas the Tank Engine', 'Cold Feet' and the 'Royle Family'. Although sales fell by £18.0 million, this reflects the impact of the sale of Disc Distribution Limited in May 2002. Excluding Disc, sales for VCI rose by 25.2 per cent to £71.5 million.

In July 2002 the Group acquired a controlling stake in Banana Split Productions Limited, a company that specialises in the creation and production of pre-recorded videos, feature film trailers, television programming and advertisements. The acquisition supports VCI's strategy of seeking to develop its own content and since July 2002 the performance of Banana Split has been ahead of plan.

Demon Music Group, VCI's music publishing business, achieved a market share of 21.9 per cent making it the leading label in its sector. Total sales for Demon increased by 5.0 per cent despite the budget compilations market suffering amidst price deflation in the full price sector.

Streets Online

Streets Online is a well-established e-commerce brand and also supplies web expertise and support to both the Woolworths and MVC sites. During the year, to further remove costs from the business, the Streets Online Head Office was relocated to the EUK site at Hayes. The Group is now well positioned with a rationalised infrastructure and the capability to participate further in e-commerce in the future.

Entertainment UK is the UK's largest wholesale distributor of home entertainment products, supplying many of Britain's best known retailers with a significant proportion of their pre-recorded music and video products.

The MVC loyalty card is a unique way to deliver value to the customer. The substantial membership database gives MVC the ability to read customer trends and test marketing activities to assist the business in targeting the higher spending customer.

With Streetsonline.co.uk, MVC.co.uk and Woolworths.co.uk, the Woolworths Group is one of the UK's leading online entertainment retailers.

Financial Review

Christopher Rogers
Finance Director

...and positive cash generation...

Earnings Per Share and Dividend
Basic earnings per share was 1.8 pence compared to a loss of 3.4 pence in 2002. Adjusted earnings per share before exceptional items and the amortisation of acquisition goodwill was 2.6 pence compared to 1.6 pence in 2002.

The Board has proposed a final dividend of 1.0 pence per share making a total dividend for the year of 1.325 pence per share, an increase of 10.4 per cent on the previous year. The dividend is covered 2.0 times by earnings before exceptional costs and goodwill amortisation (1.3 times after exceptional costs and goodwill amortisation). This final dividend will be paid on 26 June 2003, to shareholders on the register at close of business on 4 April 2003, subject to the approval of shareholders at the Company's Annual General Meeting. This is to be held at 11.00am on Tuesday 24 June 2003 at The Hilton London Metropole, 225 Edgware Road, London, W2 2QC.

Exceptional Charges
Operating exceptional charges of £6.3 million are the net result of £13.0 million of restructuring costs and £6.7 million of exceptional income.

The principal components of the restructuring costs are (1) the closure of the Woolworths General Store (£3.0 million); (2) the restructuring of central functions at Woolworths Head Office (£4.4 million); and (3) the reorganisation of the MVC and Streets Online Head Offices together with the write-down of certain Streets Online fixed assets (£5.6 million).

As a result of the Group's acquisition of the minority interest in Streets Online, completed in March 2003, the level of provision made in 2002 against acquisition goodwill and for associated liabilities of Streets Online was reviewed and £6.7 million of the provision made in 2002 for those associated liabilities has been released as exceptional income.

Non-operating exceptional charges of £5.5 million relate to the disposal of pharmacy licences and other store assets as part of the closure of the Woolworths General Store format.

Cashflow and Net Debt
At the year-end the Group had net cash balances of £35.2 million. Cash generation across the Group remained healthy with a cash inflow from operating activities of £76.3 million, generated predominantly by the increase in profit for the year.

Working capital management remains a priority. Year-end stock was £37.6 million higher than the prior year due to five new Woolworths big W store openings in the year, a change in the mix at Entertainment UK from VHS to higher value DVD product and a conscious effort to improve availability at the start of the new financial year.

At demerger, the Group put in place a £250 million three-year committed revolving credit facility. This comprised a £83 million 364 day facility and a £167 million three-year loan. Due to the improving cash position, in June 2002 the 364 day facility was cancelled and the £167 million three-year element reduced to £150 million. At the balance sheet date the Group had an undrawn £150 million credit facility and in issue £100 million of 8.75 per cent Senior Notes due in 2006.

The net interest charge has further decreased this year to £10.6 million from £13.9 million in 2002. Net interest charges were covered 6.0 times before exceptional costs and goodwill amortisation.

Treasury Policy
The Group's Treasury Policy is intended to ensure that adequate financial resources are available for the development and growth of its operations whilst managing its currency, interest rate and counter-party credit risks. The Group Treasury strategy policy and controls are developed centrally and approved by the Board. The Group does not engage in speculative transactions.

The main elements of Treasury activity are outlined below:

Funding

The Treasury function ensures that the Group has sufficient secure financial resources to meet its medium-term business objectives whilst arranging a blend of facility maturities appropriate to its projected needs.

In addition to core financing arrangements, the Treasury function manages trade finance facilities and overdraft facilities associated with its day-to-day banking activities.

Currency

The Group's currency translation exposure is limited to movements in exchange rates to the extent that they affect balances held on its currency bank accounts and certain foreign currency assets and liabilities in the books of its Hong Kong based product sourcing company, Woolworths Group Asia Limited. Foreign currency bank balances are controlled by the Treasury function and are actively managed to a level that minimises currency translation exposures.

The Group's main currency exposure is its transaction exposure through movements in exchange rates on its purchases overseas that are not denominated in pounds sterling. These are mainly imports from Asia denominated in US dollars and imports from Europe denominated in Euros.

The Treasury Policy sets out a framework through which the Group's foreign currency transactions are hedged. All committed transactions are hedged up to 12 months forward. The Treasury function arranges monthly currency meetings with the Group's operating subsidiaries where firm and forecast exposures are identified and hedging decisions are made in line with Policy.

Interest

The Treasury Policy requires that an interest hedging plan for each year is approved by the Finance Director at the time of the annual budget. The Treasury function is permitted to hedge in accordance with this plan using interest rate products such as swaps, options, forward rate agreements and futures.

The Group continues to take a reasonably cautious approach to hedging its interest expense. The Group's core debt, the £100 million of Senior Notes, is maintained at a fixed rate providing certainty of exposure.

To date, interest payable on drawings from the Group's Revolving Credit Facility has been at floating rates driven by market conditions, the relatively short borrowing period that the Group's business requires each year and the variation in amounts borrowed during this period. Interest receivable on investments has also been at floating rates for short maturities given the seasonality of the Group's cashflows. Overall, interest receivable broadly offsets interest payable on drawings from the Revolving Credit Facility providing some certainty of exposure going forward.

Counter-Party Credit Risk

The Group actively manages its relationships with a panel of high quality financial institutions. Credit risk is controlled by the Treasury function setting counter-party credit limits by reference to published rating agency credit ratings. The Treasury Policy recognises that an exposure to a counter-party arises in relation to both derivatives and financial instruments.

Taxation

The effective tax rate for the 52 weeks to 1 February 2003 is 33.4 per cent. This compares to an effective tax rate of a negative 3.2 per cent for the prior year caused by the losses reported in that period, and an effective tax rate of 36.1 per cent for the six months to 3 August 2002 (six months to 4 August 2001: 36.1 per cent). Under existing tax legislation, it is anticipated that the effective Group tax rate will continue to move gradually towards the standard corporation tax rate.

The 1.0 per cent National Insurance Contributions increase, announced in the Chancellor's 2002 Budget to commence in April 2003, will impact the Group's profitability by an estimated extra charge of £1.5 million per annum.

Acquisitions and disposals
VCI, one of the Group's principal subsidiaries, completed a number of small transactions during the year. VCI sold the trade and assets of its distribution business, Disc Distribution Limited, on 31 May 2002, and VCI acquired 76.6 per cent of an independent production company, Banana Split Productions Limited, on 1 July 2002 for a net consideration (including expenses) of £2.1 million. Cinema Club ceased trading as a joint venture between VCI and Columbia Tri-Star on 31 May 2002, and has subsequently relaunched itself as the specialist budget catalogue division of VCI.

Pensions

On 1 April 2002 the Group established the Woolworths Group Pension Scheme (WGPS) (a funded defined benefit scheme) and the Woolworths Group Retirement Trust (WGRT) (a defined contribution scheme) to replace the Group's participation in the equivalent Kingfisher schemes. Employees were invited to join these replacement schemes and existing Kingfisher pension rights have been transferred across for those members who elected to do so. Under the Deed of Division agreed at demerger, the WGPS and the WGRT must remain in full force and effect for a period of at least two years from 31 March 2002. Existing and deferred pensioners have remained with the relevant Kingfisher scheme.

...to support progressive dividend growth.

Accounting for Pensions
Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) was issued in November 2000 to replace Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' (SSAP 24), and was initially supposed to be fully effective for the accounting periods ending on or after 22 June 2003. However full implementation of FRS 17 has now been deferred, pending the review of International Accounting Standard 19 'Employee Benefits'.

The Group has continued to account for pension costs under SSAP 24 although in accordance with the transitional arrangements for FRS 17, certain additional information is set out below.

Actuarial Valuation and MFR
During the year the first formal valuation of the WGPS, as at 1 April 2002, was carried out by independent actuaries. Following the results of the valuation, the Group agreed to increase its contribution to WGPS by 0.9 per cent to a rate of 13.5 per cent of pensionable pay, with effect from 3 February 2002. Under SSAP 24 the pension cost for the year is £17.0 million, which is split into a regular cost of £15.7 million and a variation of £1.3 million.

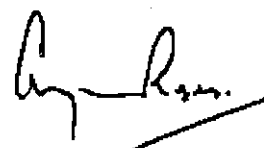
The actuary also assessed the Minimum Funding Requirement (MFR) level for the Group at the valuation date to have been 110 per cent. Although recent investment conditions since the valuation have not been favourable, we estimate that the MFR level at the end of the financial year remains above 100 per cent.

Impact of Financial Reporting Standard 17 'Retirements Benefits'
The valuation of the WGPS as at 1 February 2003, as measured in accordance with FRS 17, was a net pension deficit of £94.4 million after the benefit of potential deferred taxation at 30 per cent amounting to £40.4 million. This compares to a net pension deficit of £28.3 million as at 1 April 2002 after the benefit of potential deferred taxation at 30 per cent amounting to £12.1 million.

The increase in the deficit over the year is primarily attributable to the actuarial loss that would have been recognised through the Statement of Total Recognised Gains and Losses as required by FRS 17 if fully implemented. Approximately £18 million of the increase in the deficit over the ten-month period results from the change in the assumptions used to value the liabilities with the balance due largely to a lower than expected value of assets in the fund as a result of the global downturn in equities.

Had the Group charged pension costs to the profit and loss account on the FRS 17 basis, then the charge for the ten-month period from 1 April 2002 to 1 February 2003 (when the WGPS has been in existence) would have been £15.2 million, compared to a pro-rated ten-month SSAP 24 charge of £14.2 million.

Going Concern
The Directors confirm that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these accounts.



Christopher Rogers
Finance Director

Corporate Social Responsibility

To all our colleagues and stakeholders

"How we do Business"

As we said in last year's Report and Accounts, the Group recognises that its activities, both in the UK and abroad, have an impact on both people and their environment. We believe that a commitment to Corporate Social Responsibility (CSR) should be reflected primarily in how one 'does business' day-to-day, as well as by standalone, charitable and 'green' initiatives.

In our Marketplace:

We recognise that as a retailer of products sourced from around the world, including developing nations like China, India and Bangladesh, we have a responsibility to apply and monitor ethical trading principles in our supply chain.

In our Workplace:

We recognise that none of our plans for success can be achieved without the hard work and commitment of our colleagues throughout the Group. They are entitled to equality of opportunity, dignity and respect as they go about their work.

In our Environment:

We recognise that the operations of our businesses will affect the environment. We have a responsibility to deal properly with the Group's energy consumption, waste and recycling obligations.

In our Community:


We recognise that as a major presence on the UK high street we are part of the community which provides our customers. We have the opportunity to bring a positive impact to those communities and to facilitate local educational and charitable initiatives.

This year, working with the help of PricewaterhouseCoopers LLP, Global Sustainable Business Solutions, the Company has:

- undertaken a Group-wide review of its current performance in CSR;
- established a CSR Committee with representation from all of our business areas to monitor the Group's CSR performance and to provide a forum to develop a programme of sustainable improvement;
- developed a suite of overriding Group principles to inform and support the operating companies' own policies;
- participated in the first 'Business in the Community' corporate responsibility index and the seventh 'Business in the Environment' index of corporate environmental engagement; and
- published a web-based CSR report.

For a full report on the Group's activities in CSR please refer to the Company's website www.woolworthsgroupplc.com and click on 'Corporate Social Responsibility'. Alternatively for a hard copy of the report please contact the Company Secretary.

Yours sincerely



Trevor Bish-Jones
Chief Executive
25 March 2003

Board of Directors

1. Gerald Corbett (51)

Chairman
Appointed in March 2001. Gerald led the demerger of Woolworths Group from Kingfisher plc in August 2001. Previously Chief Executive of Railtrack from 1997–2000, he was Finance Director of Grand Metropolitan plc from 1994–1997, and held the same position at Redland plc from 1987–1994. His retail experience includes five years as Group Financial Controller and Corporate Finance Director of Dixons from 1982–1987. He has also been Non-Executive Director of Burmah Castrol plc and MEPC plc.

2. Christopher Rogers (42)

Finance Director
Appointed in May 2001. Previously Commercial Director at Comet, a position he held from 1997, having been Finance Director at Comet from 1993. Christopher joined Kingfisher in 1988 as Corporate Finance Manager and was Group Finance Controller from 1991–1993. He qualified as a Chartered Accountant with Price Waterhouse.

3. Roger Jones (65)

Non-Executive Director
Appointed in July 2001. Previously a Director of Kingfisher plc and Managing Director of Woolworths plc from 1995 until his retirement in 1998. Prior to this he was Managing Director of Superdrug from 1992. Roger has spent the majority of his career at Woolworths having joined F.W.Woolworth in 1958. Currently a member of the Council for Barnados.

4. Trevor Bish-Jones (42)

Chief Executive
Appointed in March 2002. He held various senior positions at the Dixons Group plc between 1994–2001, latterly as Managing Director of Currys. Prior to Dixons Group plc, Trevor was at Boots PLC for 13 years in a number of senior retail, buying and marketing roles.

5. Andrew Beeson (58)

Non-Executive Director
Appointed in July 2001. He was, until January 2003, Chairman of Evolution Group plc, which merged with Beeson Gregory Group in 2002, the firm he founded in 1989. Prior to that he was a Director of ANZ McCaughan from 1987–1989, and a Director of ANZ Merchant Bank from 1985–1987.

6. Prue Leith OBE (62)

Non-Executive Director
Appointed in July 2001. She is currently a Non-Executive Director at Whitbread plc (since 1995) and is chairman of Ashridge Management College. Prue was previously a Non-Executive Director at Halifax plc from 1995–1999, at Argyll Group plc from 1989–1996, and at TriVen plc from 1999 until January 2003. She started Leith's Good Food, a commercial catering company in 1965, Leith's Restaurant in 1969 and Leith's School of Food and Wine in 1975.

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Directors' Report for the financial year ended 1 February 2003

The Directors are pleased to present their report and the consolidated financial statements of the Company and its subsidiaries for the financial year ended 1 February 2003.

Principal Activities

The Group trades principally as a UK-based General Merchandise retailer and Entertainment retailer/wholesaler.

Review of Activities

A detailed review of the Group's activities and of future plans is contained within the Chief Executive's Review on pages 4 to 9.

Results and Dividends

The profit on ordinary activities of the Group before taxation amounted to £38.0 million (2002: loss of £46.4 million) and the profit on ordinary activities after taxation amounted to £25.3 million (2002: loss of £47.9 million).

The Directors recommend the payment on 26 June 2003 of a final dividend of 1.0 pence per ordinary share (£14.1 million) which, together with the interim dividend of 0.325 pence per ordinary share paid on 4 December 2002, makes a total for the year of 1.325 pence per ordinary share. The total dividend payable to shareholders charged to the profit and loss account is £18.7 million. The Directors propose to transfer the retained profit of £6.5 million to reserves.

The Company provides a Dividend Reinvestment Plan enabling shareholders to apply their cash dividends to purchase additional ordinary shares in the market at competitive dealing rates. Full details can be obtained from the Registrar. If you have previously completed a mandate form to join the Plan, you need take no further action.

Directors

The Directors of the Company are shown on page 14.

The following have been Directors of the Company during the financial year ended 1 February 2003: Gerald Corbett, Christopher Rogers, Andrew Beeson, Roger Jones, Prue Leith OBE and Trevor Bish-Jones (appointed 18 March 2002). In accordance with Article 82 of the Articles of Association, Prue Leith OBE and Christopher Rogers retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election.

Directors' Interests

The Directors' interests in shares of the Company are shown within the Remuneration Report on pages 20 to 24. No Director has any interest in any shares or loan stock of any other Group company.

No Director was or is materially interested in any contract other than his/her service contract, subsisting during or existing at the end of the financial year which was significant in relation to the Group's business.

Corporate Governance – Combined Code Statement

During the financial year, the Group has complied with the requirements of Section (1) of the Combined Code. The Company recognises the importance of, and is committed to, high standards of Corporate Governance. The principles of good governance adopted by the Company have been applied in the following way:

The Board of Directors

The Board currently comprises the Chairman, the Chief Executive, the Finance Director and three Non-Executive Directors who are considered by the Board to be independent of management. Their biographies appear on page 14 and illustrate the Directors' range of backgrounds which provides an experienced and balanced Board to lead and control the Group. All Directors have access to the Company Secretary and may take independent professional advice at the Company's expense.

The Board has considered the question of Roger Jones' independence and unanimously determined that he is independent. Mr Jones was a director of Woolworths plc until March 1998 and of MVC Entertainment Limited and VCI plc until May 1999. The Board takes the view that Mr Jones' long association with the Woolworths business, coupled with his integrity and sound judgement make him uniquely positioned to both challenge and support the Executive Directors with practical advice and an independent outlook.

Non-Executive Directors are appointed for an initial term of three years and each Director may receive appropriate training as necessary. Andrew Beeson is the senior independent Non-Executive Director.

Directors' Report continued for the financial year ended 1 February 2003

The Board of Directors continued
During the year 12 Board meetings were held. The Directors attended as follows:

Board of Directors	Attendance
Andrew Beeson	10
Trevor Bish-Jones	11
Gerald Corbett	12
Roger Jones	12
Prue Leith OBE	8
Christopher Rogers	12

In addition, 3 further Board meetings took place during the year to deal with the technical grant of share options previously sanctioned by the Board. Gerald Corbett attended one such meeting with all 3 being attended by Trevor Bish-Jones and Christopher Rogers.

The Board meets not less than 11 times a year and has adopted a schedule of matters reserved for its decision. The Board receives detailed proposal papers in advance of meetings, together with management presentations to facilitate proper consideration and debate of matters brought before it.

The Board is primarily responsible for the strategic direction of the Group. Major strategic initiatives involving significant cost or perceived risk are undertaken only following their full evaluation by the Board. Progress is reported regularly and minuted, together with routine matters such as financial performance and current trading in each of the Group's business divisions.

The Board has established 3 core standing committees with defined terms of reference as follows:

The Audit Committee
During the year 3 Audit Committee meetings were held. The Committee members attended as follows:

Audit Committee	Attendance
Andrew Beeson	2
Roger Jones	3
Prue Leith OBE	3

Chaired by Roger Jones, the Committee comprises the 3 independent Non-Executive Directors. This Committee is responsible for providing the Board with independent and objective assurance on the control environment across the Group, for ensuring that the subsidiary companies are subject to an internal audit of the required quality and for making recommendations to the Board on the appointment of auditors and the audit fee. It also reviews the performance of the Group's auditors to ensure an independent, objective, professional and cost effective relationship is maintained.

Each of the Non-Executive Directors has, through their other business activities, significant experience in financial matters. Andrew Beeson (chairman until January 2003 of Evolution Group plc, a leading Corporate Finance and Stockbroking business) has significant, recent and relevant experience of financial and accounting issues.

The Committee is also responsible for the proper reporting of the financial performance of the Group and for reviewing financial statements before publication.

The meetings of the Audit Committee are also the forum used by the Non-Executive Directors to meet without the Executive Directors present to discuss the performance of the Group, its management and their ongoing stewardship of shareholders interests. The Non-Executive Directors also have the opportunity at this time to raise any issues of concern with the Company's auditors. In the year to 1 February 2003, the Non-Executive Directors held 2 such meetings.

Directors' Report continued

for the financial year ended 1 February 2003

The Nominations Committee

During the year 1 Nominations Committee meeting was held. The Committee members attended as follows:

Nominations Committee	Attendance
Andrew Beeson	1
Gerald Corbett	1
Roger Jones	1
Prue Leith OBE	1

Comprising the Chairman and the Non-Executive Directors, the Committee is chaired by Prue Leith OBE, and is responsible for monitoring and reviewing the composition, balance and expertise of the Board and for reviewing and recommending appointments to the Board.

The Remuneration Committee

During the year 4 Remuneration Committee meetings were held. The directors attended as follows:

Remuneration Committee	Attendance
Andrew Beeson	4
Roger Jones	4
Prue Leith OBE	3

Comprising the Non-Executive Directors, the Committee is chaired by Andrew Beeson. The Committee's aim is to ensure that the Executive Directors are rewarded for their contribution to the Group and motivated to enhance the return to shareholders. The Remuneration Committee is responsible, on behalf of the Board, for the Group's policy on the grant of share incentives to Executive Directors and other senior management as well as the specific remuneration and benefits packages for Executive Directors.

The Corporate Social Responsibility Committee

As part of the Corporate Governance framework the Board recognises the importance of CSR in guiding the way the Group does business. The CSR Committee, chaired by the Company Secretary, and with Group-wide representation, has been established to monitor and progress this commitment.

Further details can be found on page 13 and in the 2003 CSR report available on the Group's website www.woolworthsgroupplc.com.

Re-election of Directors

The Articles of Association require one-third of the Board to retire and submit themselves for re-election each year. At the present time no Director will have held office for more than three years since his last election or re-election. Details of Directors submitting themselves for re-election are shown on page 15.

Directors' Remuneration

The Remuneration Committee, on behalf of the Board, has adopted a policy that aims to attract and retain the directors needed to run the Group successfully. The full report of the Remuneration Committee, including full details of individual director's remuneration is shown on pages 20 to 24.

Relations with Shareholders and Bondholders

The Company maintains an active dialogue with its investors through a planned programme of investor relations activities. This is a key component of its corporate communications programme and is headed by the Finance Director. The Chairman and Chief Executive also attend the majority of these shareholder meetings.

The investor relations programme includes formal presentations in the UK and overseas (where appropriate) on full-year and interim results. One-to-one meetings between institutional investors and senior management are also regularly held.

Feedback from these meetings (including the non-attributed views of major institutional shareholders) is reported back to the Board as a whole. The Company Secretary is also charged with bringing to the attention of the Board any material matters of concern raised by the Company's stakeholders, including private investors.

Communication with investors also takes place through the Annual and Interim Reports and via the Group website www.woolworthsgroupplc.com. In addition, the Annual General Meeting provides an important opportunity for communication with both institutional and private shareholders.

Directors' Report continued for the financial year ended 1 February 2003

Accountability and Audit *Going Concern*

A statement in accordance with the going concern principle is included in the Financial Review on page 12.

Internal Control

The Board of Directors has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The effectiveness of the Group's systems of internal control is reviewed by the Audit Committee on behalf of the Board.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile, and confirms that there is an ongoing process for identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls. This process is regularly reviewed by the Audit Committee. The key procedures in place to enable this responsibility to be discharged are:

The Board of Directors

- has approved a set of policies, procedures and frameworks that are designed to facilitate the operation of effective internal control and which include the provision of quality internal and external reporting and compliance with applicable laws and regulations. These are periodically reviewed and updated;
- regularly reviews the Group's strategy and the strategies of the subsidiary companies;
- reviews and assesses the Group's key risks at least annually;
- reviews performance through a comprehensive system of reporting, based on an annual budget with monthly business reviews against actual results, analysis of variances, key performance indicators and regular forecasting;
- has well defined policies governing appraisal and approval of capital expenditure and treasury operations;
- seeks assurance that effective control is being maintained through regular reports from the Audit Committee and the Internal and External Audit functions.

Each Operating Company Board

- maintains systems for the continuous identification and evaluation of significant risks resulting from their strategies and their areas of the business;
- self certifies that it is clearly accountable for establishing and monitoring internal controls within its business, that processes are in place to provide reasonable assurance that material business risks are identified and managed appropriately, that internal controls have been effected and that they comply with the Group's policies; and reports on any control weaknesses or breakdown considered as material to the Group;
- reviews and monitors the effectiveness of the system of internal control through reports from the Group Internal and External Audit functions.

The Internal Audit Function

- is responsible for providing the Board with independent and objective assurance on the control environment across the Group and for ensuring that the subsidiary companies are subject to internal audit of the required quality.

These processes and organisational procedures enable the Directors to confirm that they have reviewed the effectiveness of the system of internal control.

Annual General Meeting

The Annual General Meeting will be held at The Hilton London Metropole, 225 Edgware Road, London W2 2QL on Tuesday 24 June 2003 at 11.00am. The notice of the Annual General Meeting and explanatory notes are set out in a separate circular that has been sent to all shareholders with the Annual Report and Accounts.

Employee Involvement

The Board seeks to instil high standards of customer care and service in each subsidiary company and the commitment of every employee to this business requirement is considered to be critical. Accordingly, the Corporate Centre has established a communication framework for employees concerning Group-wide business performance, community involvement, company benefits, people and innovation. Each subsidiary company has, in addition, their own communication strategies concerning their brands, company performance and people issues.

Training and links with the educational sector reinforce the Group's commitment to employee involvement and development. A graduate recruitment and fast-track development scheme, the Group Leadership Development Programme (GLDP) has been put in place and is open to new graduates and to managers in all subsidiary companies. A brochure describing the scheme has been produced and made available to all employees.

Employees are represented on the Trustee Board of the Group's pension schemes.

Directors' Report continued for the financial year ended 1 February 2003

Equal Opportunities

The Group is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, race, colour, nationality, ethnic or national origin, religion, HIV status, disability, sexuality, or unrelated criminal convictions and without arbitrary restrictions in respect of age, or is disadvantaged by conditions or requirements which cannot be shown to be justified.

The Group applies employment policies which are fair and equitable and which ensure entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability and competency.

The Group gives full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist.

Supplier Payment Policy

The Group's policy, in relation to all of its suppliers, is to settle its terms of payment when agreeing the terms of the transactions, to ensure that those suppliers are made aware of the terms of payment and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any code or standard on payment practice but it is the Group's policy to pay all of its suppliers within 30 days of the end of the month in which it receives the goods or services.

The number of days' purchases outstanding for payment by the Group at the year-end was 39 (2002: 35).

Political Contributions

During the year the Company made no political contributions.

Charitable Donations

During the year the Group has contributed £62,000 to communities in the UK.

Major Shareholders


As at 25 March 2003, the Company has been notified of the following interest in three per cent or more of the Company's shares.

	Number of ordinary shares	Per cent
Fidelity International Ltd	132,974,644	9.45
AXA Investment Managers	122,379,482	8.69
Scottish Widows Investment Partnership	57,432,891	4.08
M&G Investment Management Ltd		
Prudential plc	52,012,346	3.69
Prudential Assurance Company Ltd	49,448,794	3.51
Legal & General Investment Management Limited	48,473,865	3.44
Barclays PLC	43,084,874	3.06

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution proposing the reappointment of PricewaterhouseCoopers LLP as auditors of the Company is contained in the Notice of Annual General Meeting and will be put to the shareholders at the Annual General Meeting.

By Order of the Board


Jonathan Bloom
Company Secretary
25 March 2003

Directors' Remuneration Report for the financial year ended 1 February 2003

The following is a report by the Remuneration Committee which has been approved by the Board for submission to shareholders.

Composition and Terms of Reference

The Remuneration Committee consists of the independent Non-Executive Directors who are Andrew Beeson (Chairman), Prue Leith OBE and Roger Jones. Its composition and terms of reference are in line with the Combined Code. The Company complies fully with Section B of the Combined Code provisions on Directors' remuneration and in respect of the Remuneration Report content.

The Committee's aim is to ensure that the Executive Directors are rewarded for their contribution to the Group and are motivated to enhance the return to shareholders. The Remuneration Committee is responsible, on behalf of the Board, for setting the remuneration policy for Executive Directors. In addition, they have regard to pay and conditions for other employees in the Group especially the arrangements for Directors of subsidiaries who are not Directors of the Company.

The Committee is advised internally by the Director of Group Human Resources (Joan Howard) and the Head of Group Reward (Jonathan Davies). External advice was provided during the year by Towers Perrin in relation to salary benchmarking and the overall levels of remuneration packages in comparative companies. Towers Perrin was appointed by the Head of Group Reward on behalf of the Remuneration Committee and did not provide any other services to the Company or any other Group company or their individual Directors during the year.

In addition to data provided by Towers Perrin, the Committee also took into account information from other remuneration surveys.

Remuneration Policy

The Committee continues to maintain a policy consistent with Group Reward Principles applied for all employees throughout the Group and in line with the Company's business objectives which:

- attracts, retains and motivates high calibre Directors;
- is appropriate to the Company, taking into account information from independent sources and from within the retail sector as well as other companies of a comparable size;
- aligns the interests of Directors and shareholders by linking share and cash incentives to performance;
- complies with best practice and comprises a mix of fixed and variable pay with longer-term incentives.

When comparing remuneration packages with those in other companies, particular regard is taken of companies in the FTSE 250 and other retailers.

The reward principles applied throughout the Group provide for basic salaries to be set at the median for a range of comparative companies with reward for performance aimed at delivering an overall package that is competitive. For the two Executive Directors the variable, performance related remuneration (share options and Woolworths Group Incentive Plan) represents 40 per cent of the total package for 'on target' performance.

Components of Remuneration

Basic Salary

Basic salary for each Director is reviewed annually in the context of market conditions affecting executive remuneration, affordability and the level of increases awarded to staff throughout the Group. Basic salary levels are generally set at not more than the median for a range of comparative companies.

Benefits

In addition to salaries and the items described below, the Company provides a range of competitive benefits including pension, a fully-expensed car (or non-pensionable cash allowance) and private medical insurance.

Service Contract

The policy of the Committee is that notice periods should be set at not more than 12 months. No Executive Director has a service contract with a notice period longer than 12 months.

Bonus

For Executive Directors and directors of subsidiaries, the Woolworths Group Incentive Plan (WIP) applies (see page 21). Gerald Corbett, the Chairman, is not entitled to participate in the WIP.

Bonuses are non-pensionable.

Share Options

Executive Share Option Schemes

The Company operates the Woolworths Group plc Executive Share Option Scheme (the 'Executive Scheme') and the Woolworths Group plc 2002 Executive Share Option Scheme (the '2002 Executive Scheme') for Executive Directors and senior managers. The rules of the Executive Scheme mirror those operating under the equivalent Kingfisher Scheme prior to demerger. The Company introduced, following shareholder approval, the 2002 Executive Scheme in August 2002.

Options were granted in April 2002 and July 2002 under the Executive Scheme. Options were granted under the 2002 Executive Scheme in September 2002. Half-yearly grants were generally set at 35 per cent of salary for Senior Executives, 42.5 per cent of salary for Directors of subsidiary companies and at 50 per cent of salary for the two Executive Directors of the Company. The Chief Executive was granted an option in April 2002 at three times salary as part of the arrangements made when he joined the Company.

These share options are considered an important factor in providing long-term incentives to senior employees in the Group.

Directors' Remuneration Report continued for the financial year ended 1 February 2003

Share Options

Executive Share Option Schemes continued

For options granted in September 2001 under the rules of the Executive Scheme, a performance target of growth in fully diluted adjusted earnings per share (EPS) as shown in the profit and loss account of six per cent plus RPI over any three-year period (up to the tenth anniversary of the date of grant) was set. The options can only be exercised, between the third and tenth anniversaries of grant if this target is met. This target was set in the Kingfisher Executive Share Option Scheme and adopted by the Company at demerger. Participants who leave employment due to ill health, redundancy or retirement retain their options and the performance target does not have to be met. This target applies to an option granted to Christopher Rogers (see page 23).

For options granted from April 2002 onwards under the Executive Scheme and the 2002 Executive Scheme, new performance targets agreed at the 2002 Annual General Meeting apply. Under these grants EPS must increase by six per cent per annum (commencing with the Company's financial year immediately prior to the date of grant) plus RPI over a three-year period in order for the option to be exercised in full. If this is not achieved, growth in EPS of five per cent per annum plus RPI over the same period is required in order for up to 50 per cent of the option to be exercised. If either of these targets is not met after the first three-year period there will be a retest one year later over a four-year period, from the same base, and the same proportion of the option will be available for exercise. If neither of the targets has been achieved after four years the option will lapse.

In the event of a change of control of the Company the performance conditions will not be automatically waived. A minimum target of an increase in EPS of two per cent per annum plus RPI will normally have to be met. The option will normally be exercisable only in proportion to the number of months that have elapsed from grant to the date of early exercise against a total of 36 months.

Options are used to align the interests of Directors and Senior Executives with those of shareholders and to enable them to share in the success of the Group. The granting of options on a regular basis ensures any reward is spread over a number of years, is allied to the growth in share value over the long-term, and avoids substantial fortuitous one-off gains.

A one-off grant of options was made to a further 319 employees in the Group in September 2002. Each of these employees was granted an option over 10,000 shares under terms identical to the 2002 Executive Scheme. All options are approved for tax purposes and shares were bought to cover these options in the market and are held in the Woolworths Group Employee Share Ownership Trust.

The Committee intends to continue to make option grants every six months and to apply the same performance targets to options granted in 2003 as applied to options granted in 2002. This means that EPS must increase by six per cent per annum plus RPI for the option to be fully exercisable after three years with 50 per cent of the option becoming exercisable if the increase in EPS is five per cent per annum plus RPI. There will, again, be only one retest after four years on the same basis as described above.

The Committee believes that using EPS as the performance measure is consistent with the Company's strategy to grow profits at this stage in its development. The targets of six per cent and five per cent are considered challenging and EPS is a measure used by the majority of companies of similar size and provides a simple calculation which is clear to all interested parties. The targets apply to options granted in April 2002 and September 2002 to Trevor Bish-Jones and Christopher Rogers (see page 23).

A limit of five per cent (of the total issued share capital) on the number of new shares that can be issued to satisfy options granted under the Executive Schemes applies over a ten-year period.

Savings-Related Share Options

A savings-related share option scheme ('ShareSave') is open to all eligible employees in the UK. The second grant of options under ShareSave was made in May 2002 and it is intended that options will be granted annually under this arrangement provided the scheme continues to provide a cost effective method of enabling employees to share in the success of the Group.

The Committee is aware of the proposed changes to the accounting treatment of employee share options and will review the operation of the Executive Schemes and ShareSave when the new accounting standards are finalised.

Incentives and bonuses

Woolworths Group Incentive Plan

The Woolworths Group Incentive Plan (WIP) provides an integrated approach to variable pay through combining annual bonuses with long-term incentives. Participation is for Directors and Senior Executives, who will then not be eligible to participate in any other annual bonus plan for the same period as that in which they participate in the WIP.

For the year ended 1 February 2003 the award for Executive Directors of the Company was based on Group profit, whereas for Directors of subsidiaries the award was based on both Group and subsidiary company financial performance. Awards for on target performance (achievement of budgeted profits) are 25 per cent of basic salary. If the relevant profit target is not met, no award will be made for that portion of the award. If profits exceed the relevant targets then a greater percentage of bonus will be paid up to a ceiling of 100 per cent of basic salary. Penalties apply if stock and cash targets are not met. For the year ended 1 February 2003 the majority of participants were entitled to declared bonuses of between 10 per cent and 21.5 per cent of basic salary.

The declared bonus may be deferred for three years, at the completion of which it is matched by up to 25 per cent in shares which are purchased in the market at the time of electing to defer. The individual can request at any time to take part or all of the annual bonus immediately, but then forfeits the matching shares in proportion to the amount of bonus paid early. As the matching share element is relatively small no further performance conditions are considered appropriate. If the individual leaves employment with the Group for any reason during the three year deferment the matched shares will be forfeited.

The Company intends to make some amendments to the targets for the WIP for the year ending 31 January 2004. The declared bonus will still be calculated by reference to profit targets for the Group and subsidiary companies with the initial bonus level being 25 per cent of basic salary. Penalties will also apply if stock and cash targets are not met. In line with best practice guidelines, and consistent with the Woolworths Group Reward Principles, personal performance will also be used to determine part of the bonus. Matching share awards at 25 per cent of the declared bonus will continue to be available, subject to a three-year deferral.

Directors' Remuneration Report continued for the financial year ended 1 February 2003

Performance Graph

The Committee is required to include a graph showing the Total Shareholder Return ('TSR') for the Company against an appropriate index. The Committee has decided that the Index of General Retailers is appropriate and for further comparison, the TSR for companies in the FTSE 250 is also shown.

Performance Chart

Average taken over the 30 trading days since flotation on 28th August 2001, other points based on average over the 30 trading days prior to the year-end.



Service Contracts

Summary	Effective date of contract	Unexpired term	Notice period from Director	Notice period from Company	Provision for compensation on early termination
Director					
Gerald Corbett (Chairman)	01/07/02	19 months			see below
Trevor Bish-Jones	18/03/02		6 months	12 months	see below
Christopher Rogers	27/07/01		6 months	12 months	see below

Mr Corbett is the Chairman of the Company working on a part-time basis and receives an annual fee of £125,000 plus the use of a company car. Mr Corbett may give 6 months' written notice to terminate the service agreement. The service agreement also contains a provision that allows the Company to terminate his employment immediately and obliges the Company on such termination to pay a sum to Mr Corbett equal to the salary which he would have received for the unexpired period of the service agreement.

The service agreement of the Chief Executive, Trevor Bish-Jones, can be terminated by the Company giving 12 months' written notice and by Mr Bish-Jones giving 6 months' written notice. There are no special terms that apply on early termination except that if Mr Bish-Jones leaves the Company before 18 March 2004 he will be required to repay a proportion of the payments agreed when he joined the Company.

The service agreement of the Finance Director, Christopher Rogers, can be terminated by the Company giving 12 months' written notice and by Mr Rogers giving 6 months' written notice. If there is a change of control of the Company and the service agreement is terminated early, Mr Rogers may become entitled to a compensation payment based on 14 months salary. This provision was included in his service agreement when it was entered into in July 2001, prior to demerger.

The service agreements of both Executive Directors also contain post-termination restrictive covenants and a provision which permits the Company either to require the Director to perform duties outside the Director's normal duties or not to provide the Director with work during the notice period.

Note:

The part of the Remuneration Report shown above is not auditable.

Directors' Remuneration Report continued for the financial year ended 1 February 2003

Non-Executive Directors

Non-Executive Directors' remuneration consists of an annual fee for their services as members of the Board and of selected Committees. They do not have service contracts but instead have letters of appointment for a three-year period until 31 May 2004.

Non-Executive Directors' remuneration is determined by the Board.

Directors' Remuneration

	Salary £'000	Pension Supplement £'000	Bonus £'000	Benefits' £'000	2003 Total £'000	2002 Total £'000
For the year or from appointment						
Executive						
Gerard Corbett (Chairman)	208	38	-	20	266	988
Trevor Bish-Jones ²	320	13	570	19	922	-
Christopher Rogers ³	273	-	60	21	354	203
Keith Fleming ⁴	-	-	-	-	-	878
Total	801	51	630	60	1,542	2,069
Non-Executive						
Andrew Beeson	25	-	-	-	25	17
Roger Jones	25	-	-	-	25	17
Prue Leith OBE	25	-	-	-	25	17
Total	75	-	-	-	75	51

Notes:

- Benefits incorporate all taxable benefits and expense allowances arising from employment and relate mainly to the provision of a company car and salary supplements where pensionable salary is limited by the earnings cap. Benefits also include the cost of medical insurance.
- Trevor Bish-Jones received a cash payment of £300,000 on joining the Company. He was required to apply 40 per cent of this towards the acquisition of shares in the Company which he will hold for a period of not less than three years. Mr Bish-Jones actually applied over 90 per cent of the total cash (£275,000) towards the acquisition of shares in the Company on the terms described. As part of the terms agreed when he joined the Company Mr Bish-Jones was entitled to a bonus of £70,000 in August 2002 and a declared bonus equal to 50 per cent of his salary in April 2003 which replaces any entitlement that might otherwise arise under the Woolworths Group Incentive Plan. All these amounts are included in the figure for bonus shown above.
- Remuneration in 2002 for Christopher Rogers is for the seven months from the date of appointment.
- Keith Fleming left the Company on 22 January 2002.

Directors' Share Options

		Number of Options				Option exercise price pence	Date from which exercisable	Expiry date
Executive Share Option Schemes	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year			
Trevor Bish-Jones ¹		60,000	-	-	60,000	50.0	24/04/05	23/04/12
		2,040,000	-	-	2,040,000	50.0	24/04/05	23/04/12
		595,238	-	-	595,238	31.5	11/09/05	10/09/12
Total	-	2,695,238			2,695,238			
Christopher Rogers	2,213,114	265,000	-	-	2,213,114	30.5	26/09/04	25/09/11
		444,444	-	-	265,000	50.0	24/04/05	23/04/12
					444,444	31.5	11/09/05	10/09/12
Total	2,213,114	709,444			2,922,558			

Notes:

- Mr Bish-Jones received an Inland Revenue Approved Share Option over 60,000 shares at 50 pence per share. All other share options are unapproved.
- The market price of the Company's shares on Friday 31 January 2003 was 30.25 pence and the range of closing prices during the year was 23 pence to 54.75 pence.

		Number of Options				Option exercise price pence	Date from which exercisable	Expiry date
ShareSave	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year			
Christopher Rogers	6,229		-	-	6,229	30.5	01/12/04	31/05/05
		3,725	-	-	3,725	51.0	01/08/05	31/01/06
Total	6,229	3,725			9,954			

Directors' Remuneration Report continued for the financial year ended 1 February 2003

Woolworths Group Incentive Plan

	Number of Shares				Award price per share pence	Date from which restrictions lift
	At start of year	Awarded during year	Lapsed during year	At end of year		
Christopher Rogers	-	42,033	-	42,033	45.8	31/03/05

Directors' Interests in Shares

The Directors who held office at 1 February 2003 had, at that date, the following interests in the shares of the Company:

	2003 Ordinary shares	2002 Ordinary shares
Andrew Beeson	40,000	-
Trevor Bish-Jones	416,666	-
Gerald Corbett	500,000	500,000
Roger Jones	130,036	126,733
Prue Leith OBE	15,350	15,350
Christopher Rogers	303,287	257

There have been no changes in Directors interests in shares since the year-end.

Notes:

1. Trevor Bish-Jones used part of his £300,000 bonus paid on commencement of his appointment to purchase 416,666 shares in the Company. The shares are currently held by the trustees of the Woolworths Group Employee Share Ownership Plan Trust (the ESOP) and Mr Bish-Jones has agreed that they cannot be sold until after March 2005.
2. Christopher Rogers acquired 303,030 shares in March 2002 with part of the payment made by the Company in respect of his entitlements under Kingfisher Incentive Plans. These shares were held by the trustees of the Woolworths Group Employee Share Ownership Plan Trust for release to Mr Rogers at 31 March 2003.

Pensions

Pensions and life assurance benefits are provided under the newly established Woolworths Group Pension Scheme (a defined benefit arrangement) and the Woolworths Group Retirement Trust (a defined contribution arrangement). During the year ended 1 February 2003 life assurance in excess of the earnings cap was provided for Trevor Bish-Jones who also received a salary supplement at 13 per cent of the difference between his basic annual salary and the Inland Revenue approved pensions earnings cap for the period to July 2002. From August 2002, contributions at 22 per cent of the difference between his basic annual salary and the earnings cap have been made directly to the Woolworths Group Supplementary Pension Scheme, a funded unapproved retirement benefits scheme. A total of £30,558 was paid into this scheme. Christopher Rogers is not subject to the earnings cap. Gerald Corbett is not entitled to participate in the Woolworths Group Pension Scheme but is provided with a supplement of 20 per cent of his basic annual salary.

The table below shows, as at the year-end, the accrued pension should the Director leave employment; the increase in the accrued pension during the year; the increase excluding inflation and member contributions; the transfer value of accrued pension and any increase/(decrease) in this value assessed on the transfer value basis of the Woolworths Group Pension Scheme.

This disclosure is in compliance with both the Stock Exchange Listing Rules and the Directors' Remuneration Report Regulations 2002.

	Age	Accrued annual pension at 1 February 2003 £'000	Director's contributions during the year £'000	Increase in accrued pension during the year £'000	Increase in accrued pension (net of inflation) £'000	Transfer value of increase (net of inflation and director's contributions) £'000	Transfer value of accrued pension at 1 February 2003 £'000	Transfer value of accrued pension at 2 February 2002 £'000	Increase/(decrease) in transfer value (net of director's contributions) £'000
Trevor Bish-Jones	42	4	4	1	1	4	8	-	4
Christopher Rogers	42	87	13	20	19	88	458	551	(106)

On behalf of the Board

Andrew Beeson
Chairman of the Remuneration Committee
25 March 2003

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Woolworths Group plc

We have audited the financial statements which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ('the auditable part').

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or the Group's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 1 February 2003 and of the profit and cash flows of the Group for the 52 week period then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- Those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP



Chartered Accountants and Registered Auditors
London
25 March 2003

Group Profit and Loss Account

		2003			2002		
	Note	Before Exceptional items £m	Exceptional items £m	Total £m	Before Exceptional items £m	Exceptional items £m	Total £m
Turnover – Group and share of joint ventures							
Continuing operations		2,767.1	–	2,767.1	2,621.5	–	2,621.5
Discontinued operations		–	–	–	1.6	–	1.6
Less: share of joint venture's turnover		(49.7)	–	(49.7)	(23.8)	–	(23.8)
Group turnover	3	2,717.4	–	2,717.4	2,599.3	–	2,599.3
Cost of sales	4	(1,943.1)	–	(1,943.1)	(1,850.3)	(18.0)	(1,868.3)
Gross profit		774.3	–	774.3	749.0	(18.0)	731.0
Selling expenses		(582.2)	–	(582.2)	(561.9)	–	(561.9)
Administrative expenses	4	(140.4)	(6.3)	(146.7)	(160.1)	(42.0)	(202.1)
Other operating income		10.3	–	10.3	9.5	–	9.5
Group operating profit/(loss)		62.0	(6.3)	55.7	36.5	(60.0)	(23.5)
Analysed as:							
Continuing operations		62.0	(6.3)	55.7	40.2	(60.0)	(19.8)
Discontinued operations		–	–	–	(3.7)	–	(3.7)
Share of operating (loss)/profit in joint ventures		(1.6)	–	(1.6)	3.1	–	3.1
Operating profit/(loss) including joint ventures		60.4	(6.3)	54.1	39.6	(60.0)	(20.4)
Non-operating exceptional items	5	–	(5.5)	(5.5)	–	(12.1)	(12.1)
Profit/(loss) before interest		60.4	(11.8)	48.6	39.6	(72.1)	(32.5)
Net interest payable	6	(10.6)	–	(10.6)	(13.9)	–	(13.9)
Profit/(loss) on ordinary activities before taxation	8	49.8	(11.8)	38.0	25.7	(72.1)	(46.4)
Taxation	9	(15.9)	3.2	(12.7)	(10.2)	8.7	(1.5)
Profit/(loss) on ordinary activities after taxation		33.9	(8.6)	25.3	15.5	(63.4)	(47.9)
Equity minority interest		(0.1)	–	(0.1)	0.7	–	0.7
Profit/(loss) for the financial year		33.8	(8.6)	25.2	16.2	(63.4)	(47.2)
Dividends payable to shareholders	10	(18.7)	–	(18.7)	(16.9)	–	(16.9)
Dividends payable to Kingfisher plc	10	–	–	–	(2,229.0)	–	(2,229.0)
Retained profit/(loss) for the financial year		15.1	(8.6)	6.5	(2,229.7)	(63.4)	(2,293.1)
Earnings/(loss) per share (pence)							
Basic	11			1.8			(3.4)
Diluted	11			1.7			(3.4)
Basic – adjusted*	11	2.6		1.8	1.6		(3.4)
Diluted – adjusted*	11	2.5		1.7	1.6		(3.4)

* Adjusted earnings per share is calculated before exceptional items and amortisation of acquisition goodwill.

The Group has no recognised gains and losses other than the gains and losses above and, therefore, no separate statement of total recognised gains and losses has been included.

Balance Sheet

		Group		Company	
	Note	2003 £m	2002 £m	2003 £m	2002 £m
Fixed assets					
Intangible assets	12	63.7	68.4	-	-
Tangible assets	13	332.6	345.5	0.1	0.1
Investments – own shares	14	4.2	2.3	4.2	2.3
– other investments	14	-	-	200.0	200.0
– joint ventures – share of gross assets	14	13.6	16.1	-	-
– share of gross liabilities	14	(13.4)	(16.0)	-	-
		400.7	416.3	204.3	202.4
Current assets					
Stocks		348.8	311.2	-	0.1
Debtors	15	155.0	122.8	381.6	332.4
Cash at bank and in hand	16	133.8	129.1	204.0	178.1
		637.6	563.1	585.6	510.6
Creditors due within one year	17	(477.7)	(428.5)	(433.9)	(369.1)
Net current assets		159.9	134.6	151.7	141.5
Total assets less current liabilities		560.6	550.9	356.0	343.9
Creditors due after one year	18	(98.0)	(97.5)	(98.0)	(97.5)
Provisions for liabilities and charges	26	(27.3)	(25.2)	0.3	1.0
Net assets		435.3	428.2	258.3	247.4
Capital and reserves					
Called up share capital	27, 28(a)	176.0	175.9	176.0	175.9
Share premium reserve	28(a)	0.2	-	0.2	-
Demerger reserve	28(a)	24.1	24.1	24.1	24.1
Revaluation reserve	28(a)	3.3	3.3	-	-
Profit and loss account	28(a)	231.4	224.9	58.0	47.4
Equity shareholders' funds	28(b)	435.0	428.2	258.3	247.4
Equity minority interests		0.3	-	-	-
		435.3	428.2	258.3	247.4

Approved by the Board on 25 March 2003

Christopher Rogers
Finance Director

Gerald Corbett
Chairman

Group Cash Flow Statement

	Note	£m	2003 £m	£m	2002 £m
Cash flows from operating activities					
Net inflow from operating activities	29(a)	76.3		211.5	
Outflow from closure of e-Woolworths		-		(4.7)	
			76.3		206.8
Dividends received from joint ventures			4.1		-
Returns on investments and servicing of finance					
Interest received		1.9		2.6	
Debt issue costs		-		(2.5)	
Interest paid		(12.3)		(16.8)	
			(10.4)		(16.7)
Taxation paid			(2.9)		(7.3)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(0.1)		(2.2)	
Purchase of tangible fixed assets		(41.9)		(72.9)	
Purchase of own shares		(1.9)		(2.3)	
Proceeds from sale of tangible fixed assets		0.5		-	
			(43.4)		(77.4)
Acquisitions and disposals					
Purchase of subsidiary undertaking		(2.5)		-	
Cash acquired with acquisition		0.4		-	
			(2.1)		-
Equity dividends paid			(17.3)		(9.8)
Cash inflow before use of liquid resources and financing	29(b)		4.3		95.6
Management of liquid resources					
Increase in short-term deposits with banks			(2.1)		-
Financing					
Bridging loan taken out		-		100.0	
Drawings from revolving credit facility		-		100.0	
Repayment of debt to Kingfisher on demerger		-		(200.0)	
Repayment of bridging loan		-		(100.0)	
Repayment of revolving credit facility		-		(100.0)	
Movement in short-term loan notes		(0.3)		(2.2)	
Issue of share capital		0.3		-	
Issue of long-term debt		-		100.0	
Movement in funding balances with Kingfisher group companies		-		136.9	
			-		34.7
Increase in cash in the period	29(b)		2.2		130.3

Notes to the Accounts

1. Basis of Preparation and Consolidation

The financial statements of the Company and its subsidiaries are made up to the nearest Saturday to 31 January each year. The financial year for 2003 represents the 52 weeks ended 1 February 2003. The comparative financial year for 2002 was the 52 weeks ended 2 February 2002.

Woolworths Group plc (the Group) came into existence on 28 August 2001 (financial year 2002) following demerger from Kingfisher plc (Kingfisher). The 2002 accounts were prepared using merger accounting principles, as if the companies comprising the Group had been part of the Group for that full financial year. However, 2002 administrative expenses include central costs relating to the Group's Corporate Centre from the point of demerger.

A separate Company Profit and Loss Account dealing with the results of Woolworths Group plc (the Company) has not been presented, as permitted by section 230 of the Companies Act 1985.

2. Accounting Policies

Accounting Conventions

The financial statements of the Company and its subsidiaries are prepared under the historical cost convention, except for certain land and buildings that are included in the financial statements at valuation, and are prepared in accordance with applicable accounting standards in the United Kingdom.

Basis for Consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiary undertakings, joint ventures and associated undertakings. Goodwill represents the excess of the purchase consideration over the fair value of attributable net assets at the date of acquisition. Joint ventures are accounted for using the gross equity method.

Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at contracted rates or, where no contract exists, at average monthly rates. Monetary assets and liabilities denominated in foreign currencies which are held at the year-end are translated into sterling at year-end exchange rates. Exchange differences on monetary items are taken to the Profit and Loss Account.

Goodwill and Intangible Assets

Intangible assets, which comprise goodwill arising on acquisitions and acquired licences and copyrights, are stated at cost less amortisation. Purchased goodwill arising on acquisitions is treated as an asset on the Balance Sheet and is amortised on a straight-line basis over its useful economic life (not exceeding 20 years).

In estimating the useful economic life of goodwill arising, account is taken of the nature of the business acquired, the stability of the industry, the extent of continuing barriers to market entry and expected future impact of competition. With the exception of Streets Online Limited (see note 4) all acquisitions are considered by the Directors to have an estimated useful economic life of 20 years.

Acquired licences and copyrights are amortised over the period of the underlying legal agreements, which do not exceed 20 years.

Depreciation

Tangible fixed assets are stated at cost/valuation less accumulated depreciation. Depreciation of tangible fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the estimated useful life of the asset to the Group.

Depreciation of tangible fixed assets is calculated by the straight-line method and the annual rates applicable to the principal categories are:

Freeholds	- 2 per cent
Long leaseholds	- 5 per cent
Short leaseholds	- over the life of the lease
Tenant's improvements	- shorter of the estimated useful life and the remaining life of the store lease
Fixtures and fittings	- between 10 per cent and 15 per cent
Computers and electronic equipment	- between 20 per cent and 50 per cent
Motor cars	- 25 per cent
Commercial vehicles	- 33 1/3 per cent

As permitted by Financial Reporting Standard 15 'Tangible Fixed Assets' the Group has adopted a policy of not revaluing freehold properties and previously revalued freehold properties are included at their valuation less accumulated depreciation.

Notes to the Accounts continued

Impairment of Fixed Assets and Goodwill

The need for any fixed asset or goodwill impairment write down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows. Discount rates used are based on the circumstances of the individual businesses.

Disposal of Land and Buildings

Profits and losses on disposal of land and buildings represent the difference between the net proceeds and the net carrying value at the date of sale. Sales are accounted for when there is an unconditional exchange of contracts.

Operating Leases

All operating lease payments are charged to the Profit and Loss Account on a straight line basis over the life of the lease.

Stocks

Stocks, which solely comprise finished goods, are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads. Provisions are made for obsolescence, mark-down and shrinkage.

Rebates Receivable from Suppliers

Volume related rebates receivable from suppliers are credited to the carrying value of the stock to which they relate. Where a rebate agreement with a supplier covers more than one year the rebates are recognised in the period in which they are earned.

Pensions

Companies within the Group offer either a defined benefit or a defined contribution scheme to employees. In each case a separate fund is being accumulated and held in a separately administered trust to meet the actuarial liabilities. The estimated costs of pensions in respect of the defined benefit scheme are charged to the profit and loss account so that they are spread over the working lives of employees. Variations to pension costs arising at each actuarial valuation date caused by differences between the assumptions used and actual experience are spread over the average future working lifetime of employees. Further details which also include the Group's adoption of the transitional arrangements for Financial Reporting Standard 17 'Retirement Benefits' are provided in note 30.

Deferred Taxation

Provision is made for deferred taxation using the full provision method in accordance with Financial Reporting Standard 19 'Deferred Taxation'. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing difference can be deducted.

Derivative Financial Instruments

Financial assets are recognised on the Balance Sheet at the lower of cost and net realisable value. Discounts and premia are charged or credited to the Profit and Loss Account over the life of the asset or liability to which they relate.

Derivative financial instruments are accounted for by using hedge accounting to the extent that they are held to hedge a financial asset or liability. Where such instruments do not hedge an underlying asset or liability, they are accounted for using fair value accounting.

When a financial instrument ceases to be a hedge, either as a result of the underlying asset or liability being extinguished, or because a future event is no longer likely to occur, the instrument will thereafter be marked to its fair value in the financial statements.

Income and expenditure arising on financial instruments for hedging purposes is recognised on an accruals basis, and credited or charged to the Profit and Loss Account in the financial period in which it arises.

Gains or losses on financial instruments accounted for on a fair value basis are reflected in the Profit and Loss Account as they arise.

ESOP

The Group's Employee Share Ownership Plan ('ESOP') is a separately administered trust. Liabilities of the ESOP are guaranteed by the Company and the assets of the ESOP mainly comprise shares in the Company. In accordance with Urgent Issues Task Force Abstract 13 'Accounting for ESOP Trusts', the assets, liabilities, income and costs of the ESOP have been included in the accounts of the Company.

Notes to the Accounts continued

3. Segmental Analysis

Turnover

Turnover arises in the UK only and represents retail sales, services supplied and other income. Turnover excludes Value Added Tax.

The analysis of turnover by destination is not materially different to the analysis of turnover by origin.

	2003 £m	2002 £m
(a) Turnover by origin		
Woolworths – continuing	2,158.4	2,093.6
Entertainment	1,229.1	1,034.3
Intergroup	(670.1)	(554.6)
Other*	–	24.4
Continuing operations	2,717.4	2,597.7
e-Woolworths – discontinued	–	1.6
Group Turnover	2,717.4	2,599.3

* Other turnover represents the sale of gift vouchers by a subsidiary of the Group (note 14).

	2003				2002			
	Before exceptional costs £m	Operating exceptional costs £m	Non- operating exceptional costs £m	Total £m	Before exceptional costs £m	Operating exceptional costs £m	Non- operating exceptional costs £m	Total £m
(b) Profit before interest and taxation								
Woolworths – continuing	42.4	(8.8)	(5.5)	28.1	25.3	(13.8)	–	11.5
Entertainment	29.0	(5.6)	–	23.4	22.7	(4.2)	–	18.5
Common (costs)/income	(11.0)	8.1	–	(2.9)	(4.7)	(42.0)	–	(46.7)
Continuing operations	60.4	(6.3)	(5.5)	48.6	43.3	(60.0)	–	(16.7)
e-Woolworths – discontinued	–	–	–	–	(3.7)	–	(12.1)	(15.8)
Profit/(loss) before interest	60.4	(6.3)	(5.5)	48.6	39.6	(60.0)	(12.1)	(32.5)

Common (costs)/income before exceptional costs relate to the Group's Corporate Centre, amortisation of acquisition goodwill of £3.0 million (2002: £7.3 million) and other consolidation adjustments.

	2003 £m	2002 £m
(c) Net assets		
Woolworths	564.5	532.2
Entertainment	177.8	180.8
Woolworths Group	(307.0)	(284.8)
Total Group	435.3	428.2

VCI Group, one of the Group's principal subsidiaries, sold the trade and assets of its distribution business, Disc Distribution Limited, on 31 May 2002. This business reported sales for the five months to 31 May 2002 of £17.5 million (2002: £49.9 million) and an operating loss of £2.5 million (2002: loss of £1.2 million).

Notes to the Accounts continued

4. Operating Exceptional Items

Operating exceptional costs total £6.3 million (2002: £60.0 million) and are analysed as follows:

	2003 £m	2002 £m
Restructuring costs	13.0	-
Demerger - related costs	-	15.3
Stock - related costs	-	18.0
(Reversal of)/provision for Streets Online Limited	(6.7)	26.7
Total operating exceptional items	6.3	60.0

Restructuring operating exceptional costs total £13.0 million and relate to (1) the closure of the Woolworths General Store format and the subsequent closure or reversion of these stores into the Woolworths Mainchain format (£3.0 million); (2) the restructure of central functions at Woolworths Head Office (£4.4 million); and (3) the reorganisation of the MVC and Streets Online Head Offices, together with the write-down of certain Streets Online fixed assets (£5.6 million).

Demerger-related operating exceptional costs in 2002 related to a number of one-off adjustments relating to the demerger transaction.

Stock-related operating exceptional charges in 2002 related to the write-off of overstated phonecard stock and unsaleable Entertainment stock (£11.5 million) and adjustments to the Group's stock NRV and shrinkage provisions (£6.5 million) in accordance with Financial Reporting Standard 18 'Accounting Policies'.

A first-year impairment review of the acquisition goodwill relating to Streets Online Limited was undertaken in 2002 in accordance with Financial Reporting Standard 10 'Goodwill and Intangible Assets'. The resulting provision of £26.7 million represented a full write-down of the goodwill and associated liabilities arising on the acquisition of Streets Online Limited. As a result of the Group's acquisition of the minority interest in Streets Online, completed in March 2003, the level of provision made in 2002 against acquisition goodwill and for associated liabilities of Streets Online was reviewed and £6.7 million of the provision made in 2002 for those associated liabilities has been released as exceptional income.

The tax effect of these operating exceptional costs in aggregate is £3.2 million credit (2002: £6.3 million credit).

The cash effect of the operating exceptional items is £5.8 million outflow (2002: £1.7 million outflow).

5. Non-Operating Exceptional Items

Non-operating exceptional items total £5.5 million (2002: £12.1 million) and are analysed as follows:

	2003 £m	2002 £m
Disposal of fixed assets	5.5	-
E-commerce restructuring	-	12.1
Total non-operating exceptional items	5.5	12.1

The disposal of fixed assets relates to the disposal of pharmacy licences and other store assets as part of the closure of the Woolworths General Store format. The e-commerce restructuring cost in 2002 related to the closure of e-Woolworths.

The tax effect of these non-operating exceptional costs is £nil (2002: £2.4 million credit).

There is no cash effect of these non-operating exceptional items (2002: £4.7 million outflow).

Notes to the Accounts continued

6. Net Interest Payable

	2003 £m	2002 £m
Interest receivable	2.0	2.9
Payable on Kingfisher funding	-	(9.7)
Payable on bank loans, overdrafts and term loans:		
Repayable within five years	(12.1)	(7.0)
Amortisation of bond issue costs	(0.5)	(0.1)
Total net interest payable	(10.6)	(13.9)

In 2003 and 2002 the Group's share of interest receivable/(payable) relating to joint ventures was £nil.

7. Employees and Directors

	2003 £m	2002 £m
Wages and salaries	316.3	309.7
Social security costs	16.0	16.2
Other pension costs	18.3	16.0
Total employment costs	350.6	341.9

The average number of employees in the Group was 36,321 (2002: 37,557) analysed as 33,017 (2002: 34,022) store based staff, 1,161 (2002: 1,235) distribution staff and 2,143 (2002: 2,300) administration staff. The full-time equivalent employees in the Group was 21,092 (2002: 20,220).

Directors' Remuneration

A detailed analysis of Directors' remuneration, including salaries, performance-related bonuses and long-term incentives, is provided in the Directors' Remuneration Report on page 23. A summary of the total remuneration of the Directors is comprised as follows:

	2003 £m	2002 £m
Directors' salaries and taxable benefits	0.9	0.9
Bonuses and long-term incentives	0.6	0.8
Compensation for loss of office	-	0.4
Total Directors' remuneration	1.5	2.1

8. Profit on Ordinary Activities Before Taxation

	2003 £m	2002 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Operating leases:		
Land and buildings	140.6	130.6
Plant and equipment	5.3	3.9
Depreciation of tangible fixed assets:		
Owned assets	56.1	58.3
Loss on the disposal of fixed assets	2.0	7.3
Net income from property portfolio transactions	(6.0)	(3.4)
Amortisation of acquisition goodwill	3.0	7.3
Amortisation of other intangible assets	1.2	1.5
Auditors' remuneration for audit:		
To PricewaterhouseCoopers LLP (Company £0.1m; 2002: £0.1m)	0.3	0.3
Auditors' remuneration for non-audit services	0.3	0.1

Total fees paid to PricewaterhouseCoopers LLP for non-audit services in the year were £0.3 million (2002: £0.1 million) relating to accounting services and support and has been charged to the profit and loss account in the year. Included within fees for non-audit services are amounts of £0.1 million (2002: £0.1 million) paid to the auditors' management consultancy practice which was sold by them during 2003. A further £2.1 million of fees relating to the financial year 2002 was capitalised in that year, of which £2.0 million related to costs incurred in the development of computer systems and £0.1 million related to the issue of the Senior Notes.

Notes to the Accounts continued

9. Taxation

(a) Analysis of charge in the year

	Note	2003 £m	2002 £m
UK Corporation tax			
Current tax			
UK corporation tax (charge)/credit on profits/(losses) for the year		(13.2)	2.4
Share of Joint Venture's tax charge		(1.4)	(2.0)
Adjustments in respect of prior periods		1.5	0.6
		(13.1)	1.0
Foreign tax charge on profits/(losses) for the year		(0.6)	(0.6)
Adjustments in respect of prior periods		0.1	0.2
Total current tax	9(b)	(13.6)	0.6
Current year deferred tax movement	26	0.9	(2.1)
Total taxation		(12.7)	(1.5)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2002: lower) than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	Note	2003 £m	2002 £m
Profit/(loss) on ordinary activities before tax		38.0	(46.4)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 per cent (2002: 30 per cent) to give expected (charge)/credit		(11.4)	13.9
Effects of:			
Expenses not deductible for tax purposes (primarily goodwill amortisation)		(2.7)	(14.3)
Capital allowances in excess of depreciation and other timing differences		(1.6)	(2.5)
Deferred tax not recognised on losses carried forward		-	2.3
Utilisation of tax losses		0.5	0.4
Adjustment to tax charge in respect of previous periods		1.6	0.8
Current tax (charge)/credit for the year	9(a)	(13.6)	0.6

(c) Factors that may affect future tax charges

The Group has an unrecognised tax asset of approximately £0.9 million relating to Advanced Corporation Tax ('ACT') previously paid within the VCI sub-group of companies. The future use of this ACT will be dependent on the Group's ability to have sufficient future profits for its use after allowing for shadow ACT on the Group's dividends, as required by statute.

A deferred tax asset has not been recognised on tax losses arising in earlier years of approximately £4.0 million (2002: £8.0 million). The future use of these losses can not be determined with any degree of certainty.

Notes to the Accounts continued

10. Dividends

	2003 £m	2002 £m
Interim paid – 0.325 pence per ordinary share (2002: 0.3 pence)	4.6	4.2
Final proposed – 1.0 pence per ordinary share (2002: 0.9 pence)	14.1	12.7
Paid to Kingfisher on demerger	–	2,223.4
Other dividends paid to Kingfisher	–	5.6
Total dividends	18.7	2,245.9
Received/receivable by ESOP Trust	0.1	0.1

11. Earnings per Share

	2003				2002	
	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic earnings per share						
Earnings attributable to ordinary shareholders	25.2	1,398.1	1.8	(47.9)	1,399.5	(3.4)
Effect of dilutive share options		78.8			23.8	
Diluted earnings per share	25.2	1,476.9	1.7	(47.9)	1,423.3	(3.4)
Supplementary earnings per share						
Basic earnings per share	25.2	1,398.1	1.8	(47.9)	1,399.5	(3.4)
Effect of exceptional items	11.8	–	0.8	72.1	–	5.1
Tax impact arising on exceptional items	(3.2)	–	(0.2)	(8.7)	–	(0.6)
Basic earnings per share before exceptional items	33.8	1,398.1	2.4	15.5	1,399.5	1.1
Amortisation of acquisition goodwill	3.0	–	0.2	7.3	–	0.5
Basic – adjusted earnings per share	36.8	1,398.1	2.6	22.8	1,399.5	1.6
Diluted earnings per share	25.2	1,476.9	1.7	(47.9)	1,423.3	(3.4)
Effect of exceptional items	11.8	–	0.8	72.1	–	5.1
Tax impact arising on exceptional items	(3.2)	–	(0.2)	(8.7)	–	(0.6)
Diluted earnings per share before exceptional items	33.8	1,476.9	2.3	15.5	1,423.3	1.1
Amortisation of acquisition goodwill	3.0	–	0.2	7.3	–	0.5
Diluted – adjusted earnings per share	36.8	1,476.9	2.5	22.8	1,423.3	1.6

Notes to the Accounts continued

12. Intangible Fixed Assets

	Group		
	Goodwill on acquisition of businesses £m	Other intangible assets £m	Total £m
Cost			
At 3 February 2002	90.7	20.5	111.2
Additions	1.8	1.6	3.4
Disposals	-	(4.3)	(4.3)
At 1 February 2003	92.5	17.8	110.3
Amortisation			
At 3 February 2002	(40.5)	(2.3)	(42.8)
Charge for the year	(3.0)	(1.2)	(4.2)
Disposals	-	0.4	0.4
At 1 February 2003	(43.5)	(3.1)	(46.6)
Net book amount			
At 1 February 2003	49.0	14.7	63.7
At 2 February 2002	50.2	18.2	68.4

13. Tangible Fixed Assets

	Group		Company
	Land and buildings £m	Fixtures, fittings and equipment £m	Fixtures, fittings and equipment £m
Cost/Revaluation			
At 3 February 2002	12.8	677.1	689.9
Additions	-	51.0	51.0
Disposals	(1.3)	(10.5)	(11.8)
At 1 February 2003	11.5	717.6	729.1
Depreciation			
At 3 February 2002	(2.0)	(342.4)	(344.4)
Charge for the year	(0.2)	(55.9)	(56.1)
Disposals	-	6.4	6.4
Impairment	-	(2.4)	(2.4)
At 1 February 2003	(2.2)	(394.3)	(396.5)
Net book amount			
At 1 February 2003	9.3	323.3	332.6
At 2 February 2002	10.8	334.7	345.5

	Group				
	Freehold £m	Long leasehold £m	Short leasehold £m	2003 Total £m	2002 Total £m
Land and buildings					
At cost	8.0	0.5	3.0	11.5	12.8
Aggregate depreciation	(0.2)	-	(2.0)	(2.2)	(2.0)
Net book amount	7.8	0.5	1.0	9.3	10.8

If freehold land and buildings had not been revalued, they would have been included at a cost of £6.3 million (2002: £6.7 million) and accumulated depreciation of £0.5 million (2002: £0.6 million).

Notes to the Accounts continued

14. Fixed Asset Investments

a) Company – Interests in Group Companies and Own Shares

	ESOP shares £m	Interests in Group companies £m	Total £m
At 3 February 2002	2.3	200.0	202.3
Additions	1.9	–	1.9
At 1 February 2003	4.2	200.0	204.2

The nominal value of the shares in the Company held by the ESOP Trust is £1.7 million (2002: £0.9 million).

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings and joint ventures whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group and have been disclosed in accordance with Section 231(5)(6) of the Companies Act 1985. A full list of investments will be attached to the Annual Return:

Company	Country of incorporation and operation	Per cent owned and voting rights	Description of share classes owned	Main activity
Principal subsidiaries				
Entertainment UK Limited	Great Britain	100	Ordinary	Wholesaling
MVC Entertainment Limited	Great Britain	100	Ordinary	Retailing
Streets Online Limited ^{1,2}	Great Britain	92.25	Ordinary	Retailing
VCI plc ¹	Great Britain	100	Ordinary	Publishing
Woolworths Group Finance Limited	Great Britain	100	Ordinary	Finance
Woolworths plc	Great Britain	100	Ordinary	Retailing
Principal joint ventures				
Flogistics Limited ³	Great Britain	50	Ordinary	Sale of Gift Vouchers

Notes

- 31 December year-end.
- The Group acquired the minority interest on 21 March 2003 for a cash consideration of £0.7 million.
- The Group continues to participate in the Kingfisher Gift-Voucher Scheme. The scheme is run by Flogistics Limited which, prior to demerger, was a wholly owned subsidiary of the Group but at demerger became a joint venture with Kingfisher.
- On 1 July 2002 the Group acquired a 76.6 per cent holding in Banana Split Productions Limited, a video production company for a net cash consideration of £2.1 million, generating goodwill of £1.8 million. There was no difference between the book value and the fair value of the assets acquired.

All of the above companies are registered in England and Wales.

b) Group – Own shares

	ESOP shares £m
At 3 February 2002	2.3
Additions	1.9
At 1 February 2003	4.2

c) Group – Interests in joint ventures and associated undertakings

	£m
Cost	
At 1 February 2003 and 3 February 2002	–
Share of post acquisition reserves	–
At 3 February 2002	0.1
Share of retained profit in year	0.1
At 1 February 2003	0.2
Group interest	
At 1 February 2003	0.2
At 2 February 2002	0.1

Notes to the Accounts continued

15. Debtors

	Group		Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	99.7	64.5	-	0.3
Owed by subsidiary undertakings	-	-	367.8	318.3
Owed by joint ventures	14.9	12.9	11.2	9.0
Corporation tax	-	4.8	1.4	2.7
Other debtors	13.2	4.7	0.8	1.0
Prepayments and accrued income	26.5	31.9	0.4	0.2
Amounts owed by Kingfisher	-	0.9	-	0.9
	154.3	119.7	381.6	332.4
Amounts falling due after more than one year:				
Other debtors	0.7	3.1	-	-
Total debtors	155.0	122.8	381.6	332.4

16. Cash at Bank and In Hand

Cash at bank and in hand includes cash deposits and bank balances of £243.6 million (2002: £221.9 million), less unrepresented cheques of £109.8 million (2002: £92.8 million).

17. Creditors Due Within One Year

	Group		Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Bank loans and overdrafts	(0.4)	-	-	-
Loan notes	(0.2)	(0.5)	(0.2)	(0.5)
Trade creditors	(212.4)	(169.4)	-	-
Owed to subsidiary undertakings	-	-	(375.8)	(319.3)
Owed to joint ventures	(14.3)	(16.3)	(11.1)	(7.7)
Corporation tax	(13.2)	(8.5)	-	(3.0)
Other taxation and social security	(81.1)	(82.5)	-	(1.8)
Other creditors	(76.6)	(74.4)	(31.4)	(23.1)
Accruals	(65.4)	(64.2)	(1.3)	(1.0)
Proposed dividends	(14.1)	(12.7)	(14.1)	(12.7)
Total creditors due within one year	(477.7)	(428.5)	(433.9)	(369.1)

18. Creditors Due After One Year

	Group		Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Medium-term loans repayable:				
Between two and five years	(98.0)	(97.5)	(98.0)	(97.5)

The bond liability above is stated net of issue costs. Interest is being accrued over the term of the bond in accordance with Financial Reporting Standard 4 'Capital Instruments'.

Notes to the Accounts continued

19. Interest Rate and Currency Profile of Gross Financial Liabilities

The Group has taken advantage of the exemption in Financial Reporting Standard 13 'Derivatives and Other Financial Instruments' in respect of short-term debtors and creditors and consequently these items are not included in the relevant analysis contained within notes 19 and 20.

	Note	Gross liabilities £m	Floating liabilities £m	Fixed liabilities £m	Weighted average interest rate on fixed liabilities per cent	Weighted average time for which rate is fixed years	Non-interest bearing liabilities £m	Weighted average time until maturity years
At 1 February 2003								
Sterling		(102.4)	(2.7)	(98.0)	8.75	4	(1.7)	4
Gross financial liabilities		(102.4)	(2.7)	(98.0)	8.75	4	(1.7)	4
Of which:								
Bank loans and overdrafts	17	(0.4)						
Loan notes	17	(0.2)						
Medium-term loans	18	(98.0)						
Onerous property contracts	26	(2.1)						
Other	26	(1.7)						
		(102.4)						
At 2 February 2002								
Sterling		(98.8)	(1.3)	(97.5)	8.75	5	-	5
Gross financial liabilities		(98.8)	(1.3)	(97.5)	8.75	5	-	5
Of which:								
Loan notes	17	(0.5)						
Medium-term loans	18	(97.5)						
Onerous property contracts	26	(0.8)						
		(98.8)						

20. Interest Rate and Currency Profile of Gross Financial Assets

	Note	Gross assets £m	Floating rate assets £m	Fixed rate assets £m	Non interest bearing assets £m
At 1 February 2003					
Sterling		128.9	128.2	-	0.7
Dollar		5.0	5.0	-	-
Euro		0.6	0.6	-	-
Other		-	-	-	-
Gross financial assets		134.5	133.8	-	0.7
Of which:					
Debtors due after more than one year	15	0.7			
Cash at bank and in hand	16	133.8			
		134.5			

	Note	Gross assets £m	Floating rate assets £m	Fixed rate assets £m	Non interest bearing assets £m
At 2 February 2002					
Sterling		123.2	123.2	-	-
Dollar		5.7	5.7	-	-
Euro		2.9	2.9	-	-
Other		0.4	0.4	-	-
Gross financial assets		132.2	132.2	-	-
Of which:					
Debtors due after more than one year	15	3.1			
Cash at bank and in hand	16	129.1			
		132.2			

Notes to the Accounts continued

21. Currency Risk

Foreign currency monetary assets and liabilities (notes 19 and 20) are actively managed to a level that minimises currency risk.

22. Maturity of Financial Liabilities

The maturity of the Group's gross financial liabilities is as follows:

	2003 £m	2002 £m
Within one year	(0.6)	(0.5)
Between two and five years	(99.7)	(97.5)
Over five years	(2.1)	(0.8)
	(102.4)	(98.8)

23. Borrowing Facilities

At 1 February 2003 the Group had the following undrawn committed borrowing facilities available:

	2003 £m	2002 £m
Expiring within one year	-	83.3
Expiring after one year but not more than two years	150.0	-
Expiring after two years	-	166.7
	150.0	250.0

24. Fair Values of Financial Assets and Liabilities

Set out below is a year-end comparison of fair and book values of the Group's financial instruments by category. Market values have been used to determine fair values.

			2003			2002	
		Notional principal amount £m	Book value £m	Fair value £m	Notional principal amount £m	Book value £m	Fair value £m
	Note						
Primary financial instruments held or issued to finance the Group's operations							
Long-term borrowings	18		(98.0)	(100.0)		(97.5)	(100.3)
			(98.0)	(100.0)		(97.5)	(100.3)
Derivative financial instruments held to manage the interest rate and currency profile							
Forward foreign currency contracts	25	103.0		(7.6)	93.3		2.1
		103.0		(7.6)	93.3		2.1

Notes to the Accounts continued

25. Hedges

Derivative financial instruments are accounted for using hedge accounting to the extent that they are held to hedge a financial asset or liability and their gains and losses are not recognised until the exposure that is being hedged is itself recognised. Where such instruments do not hedge an underlying asset or liability, they are accounted for using fair value accounting.

	Gains £m	Losses £m	Total net gains/(losses) £m
Unrecognised gains and losses on hedges at 3 February 2002	2.1		2.1
Gains and losses arising in previous years recognised during the year	(2.1)		(2.1)
Gains and losses arising in the previous years not recognised during the year	-		-
Gains and losses arising in the year not recognised during the year		(7.6)	(7.6)
Unrecognised gains and losses on hedges at 1 February 2003		(7.6)	(7.6)
Of which gains and losses expected to be recognised within one year		(7.6)	(7.6)

26. Provisions for Liabilities and Charges

	Insurance £m	Deferred tax £m	Onerous property contracts £m	Total £m
Balance at 3 February 2002	-	(24.4)	(0.8)	(25.2)
(Charge)/credit to profit and loss account	(1.7)	0.9	(1.3)	(2.1)
Balance at 1 February 2003	(1.7)	(23.5)	(2.1)	(27.3)

Within the onerous property contracts provision, the Group has provided against future liabilities for all long-term idle properties and properties sublet at a shortfall. The provision is based on the discounted value of future cash outflows relating to rent, rates and service charges. Insurance provisions at 1 February 2003 include self insurance provisions which represent the aggregate of outstanding claims plus a projection of losses incurred but not reported. Self Insurance provisions are expected to be utilised over a two-year period.

	Note	2003 £m	2002 £m
Provision for deferred taxation			
Accelerated capital allowances		(21.5)	(21.1)
Other timing differences		(2.0)	(3.3)
Total provision for deferred taxation		(23.5)	(24.4)
Opening balance		(24.4)	(22.3)
Deferred taxation credit/(charge) in profit and loss account for the year	9	0.9	(2.1)
Closing balance		(23.5)	(24.4)

At 1 February 2003 the Company had a deferred tax asset of £0.3 million (2002: £1.0 million).

27. Share Capital

	Number of shares m	£m
Company		
Authorised		
Ordinary shares of 12.5 pence each at 1 February 2003 and 2 February 2002	1,600.0	200.0
Called up and fully paid		
Ordinary shares of 12.5 pence each		
At 3 February 2002	1,407.1	175.9
Issued during the year	0.8	0.1
At 1 February 2003	1,407.9	176.0

The number of ordinary shares issued during the year was 808,456 with a nominal value of £0.1 million relating to Executive and ShareSave options exercised for a cash consideration of £0.3 million.

Notes to the Accounts continued

28. Capital and Reserves

a) Shareholders' Funds

	Called up share capital £m	Share premium reserve £m	Demerger reserve £m	Revaluation reserve £m	Profit and loss account £m	Total £m
Group						
At 3 February 2002	175.9	–	24.1	3.3	224.9	428.2
Issue of share capital	0.1	0.2	–	–	–	0.3
Retained profit for the financial year	–	–	–	–	6.5	6.5
At 1 February 2003	176.0	0.2	24.1	3.3	231.4	435.0
Company						
At 3 February 2002	175.9	–	24.1	–	47.4	247.4
Issue of share capital	0.1	0.2	–	–	–	0.3
Retained profit for the financial year	–	–	–	–	10.6	10.6
At 1 February 2003	176.0	0.2	24.1	–	58.0	258.3

b) Reconciliation of Movement in Shareholders' Funds

	Note	2003 £m	Group 2002 £m
Profit/(loss) for the financial year		25.2	(47.2)
Dividends	10	(18.7)	(2,245.9)
Retained profit/(loss) for the financial year		6.5	(2,293.1)
Issue of share capital	27, 28(a)	0.3	–
Opening equity shareholders' funds		428.2	2,721.3
Closing equity shareholders' funds		435.0	428.2

29. Consolidated Cash Flow

a) Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	Note	2003 £m	2002 £m
Group operating profit/(loss)		55.7	(23.5)
Depreciation, amortisation and impairment		62.7	67.1
(Reversal of)/provision for Streets Online Limited	4	(6.7)	26.7
(Increase)/decrease in stocks		(37.6)	90.5
(Increase)/decrease in debtors		(34.8)	2.5
Increase in creditors		35.0	48.2
Loss on disposal of fixed assets		2.0	–
Net cash inflow from operating activities		76.3	211.5

b) Analysis of Changes in Net Funds

	At 3 February 2002 £m	Cash flow £m	Non cash items £m	At 1 February 2003 £m
Cash and current bank accounts (net of overdraft)	129.1	2.2	–	131.3
Deposit with banks	–	2.1	–	2.1
Cash inflow before use of liquid resources and financing	129.1	4.3	–	133.4
Short-term loan notes	(0.5)	0.3	–	(0.2)
Medium-term loan	(97.5)	–	(0.5)	(98.0)
Net cash at end of year	31.1	4.6	(0.5)	35.2

Notes to the Accounts continued

c) Reconciliation of Net Cash Flow to Movement in Net Funds

	2003 £m
Increase in cash in the year	2.2
Deposit with banks	2.1
Movement in short-term loan notes	0.3
Non cash item	(0.5)
Change in net cash in the year	4.1
Net cash at the start of the year	31.1
Net cash at the end of the year	35.2

30. Pension Costs

On 1 April 2002 the Group established the Woolworths Group Pension Scheme (a funded defined benefit scheme to replace the Group's participation in the Kingfisher Pension Scheme (KPS)) and the Woolworths Group Retirement Trust (a defined contribution scheme to replace the Group's participation in the Kingfisher Retirement Trust (KRT)). Employees were invited to join these replacement schemes and existing Kingfisher pension rights have been transferred across for those members who elected to do so. Existing pensioners and deferred pensioners originating from the Group have remained with the relevant Kingfisher scheme.

Woolworths Group Retirement Trust (WGRT)

Payments to the WGRT are charged against profits as incurred. The pension cost for this scheme, charged to the profit and loss account, is £0.6 million, reflecting contributions paid to the WGRT since April 2002. In addition, the Group paid £0.1 million, also charged to the profit and loss account, in respect of its participation in the KRT for February and March 2002. Total payments to the KRT for the year ended 2 February 2002 were £0.6m.

Woolworths Group Pension Scheme (WGPS)

Following the establishment of the WGPS on 1 April 2002, the Trustees of the Kingfisher Pension Scheme transferred £131.4 million to the WGPS on 21 November 2002 in respect of the accrued benefits in that scheme for WGPS members who had elected to transfer them.

Actuarial valuation Statement of Standard Accounting Practice 24 'Accounting for Pension Costs'

The pension cost calculated in accordance with the SSAP 24 accounting standard has been assessed by independent actuaries, based on a valuation of the WGPS as at 1 April 2002 using the projected unit method and the following principal financial assumptions.

	Per cent p.a.
Price inflation	2.8
Pay increases	3.8
Pension increases	2.7
Discount rate before retirement	7.25
Discount rate after retirement	6.0

Assets were taken at market value, £165.2 million, and represented 94.7 per cent of the value of the scheme's liabilities after allowing for future pay increases. The past service deficit on the SSAP 24 assumptions therefore amounted to £9.3 million. This deficit has been amortised over the average future working lifetime of the scheme's active members (8.4 years) using the percentage of payroll method.

Following the results of the funding valuation, the Group agreed to contribute to the WGPS at a rate of 13.5 per cent of pensionable pay, backdated to 3 February 2002. The Group's contribution rate will be reviewed at the next formal valuation, due no later than 1 April 2005. Under SSAP 24 the pension cost for the year to 1 February 2003 is therefore £17.0 million, which is split into a regular cost of £15.7 million and a variation of £1.3 million.

During February and March 2002, the Group contributed to the KPS at the rate of 12.7 per cent of pensionable pay amounting to £2.3 million. For the ten-month period to 1 February 2003 the Group contributed to the WGPS at the rate of 12.6 per cent of pensionable pay, amounting to £13.6 million. Total contributions over the year therefore amounted to £15.9 million (total contribution to the KPS over the year to 2 February 2002 amounted to £15.2 million).

The Group's funding policy differs from the accounting policy to the extent that different assumptions are used in setting the funding policy of the scheme. The funding policy has been set using the following assumptions (per annum): a discount rate for past service benefits of 6.25 per cent, a discount rate for future service benefits of 6.5 per cent, pay increases of 4.0 per cent, and price inflation and pension increases of 2.5 per cent.

Notes to the Accounts continued

Financial Reporting Standard 17 'Retirement Benefits'

The additional disclosures required by FRS 17 are set out below. These are in respect of the WGPS only and cover the ten-month period from 1 April 2002 to 1 February 2003, which reflects the actual lifetime of the WGPS so far.

The major assumptions used to calculate the liabilities under FRS 17 are set out below:

	1 February 2003 % p.a.	1 April 2002 % p.a.
Discount rate	5.3	6.0
Inflation	2.3	2.8
Pay increase	3.3	3.8
Pension increases	2.4	2.7

The following assumptions were made regarding future returns on the assets held by the WGPS:

	Expected rate of return % p.a.	1 February 2003 Market value £m	Expected rate of return % p.a.	1 April 2002 Market value £m
Equities	7.9	98.9	7.9	132.2
Bonds	4.4	36.6	5.3	33.0
Total	7.0	135.5	7.4	165.2

The amounts that would have appeared on the balance sheet under FRS 17 are:

	1 February 2003 £m	1 April 2002 £m
Market value of assets	135.5	165.2
Liabilities	(270.3)	(205.6)
Deficit in scheme	(134.8)	(40.4)
Related deferred tax assets	40.4	12.1
Net pension liability	(94.4)	(28.3)

The amounts that would have been charged to the profit and loss account over the ten months from 1 April 2002 to 1 February 2003 are:

	For the ten months ended 1 February 2003 £m
Current service cost	15.7
Past service costs	-
Curtailment/ settlement costs	-
Total charge against operating profit	15.7
Expected return on scheme assets	(10.7)
Interest on scheme liabilities	10.2
Total credit to finance income	(0.5)
Total profit and loss charge	15.2

Notes to the Accounts continued

The change in the scheme's deficit over the period is analysed below:

	For the ten months ended 1 February 2003 £m
Deficit in scheme at beginning of period	(40.4)
Current service cost	(15.7)
Expected return on scheme assets	10.7
Interest on scheme liabilities	(10.2)
Contributions	14.3
Actuarial loss charged to STRGL	(93.5)
Deficit in scheme at end of period	(134.8)

The amounts that would have been recognised in the Statement of Total Recognised Gains and Losses (STRGL) over the period is set out below.

	For the ten months ended 1 February 2003 £m
Actual return less expected return on scheme assets	(58.1)
Experience losses arising on the scheme liabilities	(17.1)
Changes in assumptions underlying the present value of scheme liabilities	(18.3)
Actuarial loss recognised in the STRGL	(93.5)

	For the ten months ended 1 February 2003
Actual return less expected return on scheme assets	
a) Amount (£m)	(58.1)
b) Per cent of scheme assets	42.8%
Experience losses arising on the scheme liabilities	
a) Amount (£m)	(17.1)
b) Per cent of scheme liabilities	6.3%
Total amount recognised in STRGL	
a) Amount (£m)	(93.5)
b) Per cent of scheme liabilities	34.6%

The effect of FRS 17 on the Group's net assets and reserves is set out below:

	1 February 2003 £m
Net assets excluding pension liability	435.3
Pension liability (net of deferred tax)	(94.4)
Net assets including pension liability	340.9
Profit and loss reserve excluding pension liability	231.4
Net pension liability	(94.4)
Profit and loss reserve including pension liability	137.0

Notes to the Accounts continued

31. Commitments

	2003 Land and buildings	2003 Plant and equipment	2002 Land and buildings	Group 2002 Plant and equipment
Annual commitments under non-cancellable operating leases expiring:				
Within one year	0.7	0.3	0.5	0.9
Within two to five years	4.7	3.9	5.9	2.7
After five years	137.4	-	127.0	-

The Company has no annual commitments under operating leases (2002: £nil).

Capital commitments contracted but not provided for by the Group amounted to £1.5 million (2002 : £2.7 million). The Company has no capital commitments (2002: £nil).

32. Contingent Liabilities

The Group has contingent liabilities as at 1 February 2003 of £2.0 million (2002: £4.4 million) which relate to royalties on the sale of specific audio and video products in the future by the Entertainment businesses.

In addition the Company has given a guarantee in respect of certain banking facilities of a subsidiary undertaking which amounted to £7.1 million (2002: £16.9 million).

33. Share Options

The granting of all options is made at the discretion of the Remuneration Committee, which consists solely of Non-Executive Directors.

Under the Executive Share Option Schemes, participants are granted options on a half-yearly basis and receive an annual allocation of options based on their position in the Group. The option exercise price is the market price at the time of grant. Options are capable of exercise after at least three years and within ten years of the date of grant.

Under the ShareSave Plan, eligible UK employees can enter into an Inland Revenue approved savings contract for a period of three years whereby shares may be acquired with repayments under the contract. The option exercise price is the average market price over three days shortly before an offer is made. No discount has been applied and options are exercisable within a six-month period from the conclusion of a three-year period from the date of the grant.

The rules of the Executive and ShareSave Plans include provision for the early exercise of options in certain circumstances.

Options granted under the various schemes over ordinary shares of 12.5 pence each including those noted in Director's Remuneration report on page 20 are shown in the table below:

	Date Options granted	Exercise price per share pence	No. of persons holding options	Exercisable from	Exercisable to	2003 No. of shares for which rights are exercisable	2002 No. of shares for which rights are exercisable
Executive Share Options	26/09/01	30.5	80	26/09/04	25/09/11	35,163,272	37,918,575
	24/04/02	50.0	80	24/04/05	23/04/12	8,401,809	-
	10/07/02	38.5	1	10/07/05	09/07/12	519,480	-
	01/08/02	30.5	1	26/09/04	25/09/11	1,705,967	-
	11/09/02	31.5	395	11/09/05	10/09/12	14,422,906	-
ShareSave	23/10/01	30.5	5,769	01/12/04	31/05/05	18,327,747	22,195,970
	06/06/02	51.0	3,727	01/08/05	31/01/06	7,814,710	-

The table above includes the options which will be met by shares held in the Employee Share Ownership Plan Trust (ESOP).

Notes to the Accounts continued

33. Share Options continued

The Employee Share Ownership Plan Trust (ESOP)

The Group's ESOP is a discretionary trust which has been funded by a £4.1 million (2002: £2.5 million) interest free loan from the Company and its subsidiaries to acquire shares in the Group.

The ESOP's current shareholding is 13,836,747 shares at a market value of £4.2 million on 1 February 2003. Dividends on these shares have not been waived. The cost of running the trust is included in the profit and loss account.

The ESOP has undertaken to transfer shares to employees on exercise of various options granted under the Executive Share Options Scheme and to hold shares awarded to participants in the Woolworths Group Incentive Plan (WIP). Shares are also held to cover the National Insurance (NI) charges that are payable on the exercise of share options.

As at 1 February 2003 the liabilities of the ESOP are as follows:

	2003 No. of shares for which rights subsist	2002 No. of shares for which rights subsist
Executive share options	9,937,608	3,822,952
Executive shares	719,696	-
WIP	286,422	-
NI	2,286,827	-
Unallocated	606,194	3,677,289

34. Related Party Transactions

Other than as disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during 2002 and 2003.

Transactions and balances with Banana Split Productions Limited in 2003 may be analysed as follows:

	Value of transactions £m	2003 Receivable at year-end £m
Trading balances	(0.3)	0.5

Joint Ventures

During the year the Company and its subsidiaries carried out a number of transactions with joint ventures in the normal course of business and on an arms-length basis. The names of the joint ventures, the nature of these transactions and their total value are shown below:

	Value of transactions £m	2003 Receivable/ (payable) at year-end £m	Value of transactions £m	2002 Receivable/ (payable) at year-end £m
Transactions with Flogistics Ltd in which the Group holds a 50 per cent interest				
Trading balances	42.0	(1.2)	57.8	0.4
Transactions with Cinema Club in which the Group held a 50 per cent interest				
Trading balances	(3.4)	(1.9)	(12.0)	(7.3)

The Cinema Club joint venture agreement terminated on 31 May 2002.

Three Year Record¹

Profit and Loss Account	2003 £m	2002 £m	2001 £m
Turnover			
Group and share of joint ventures	2,767.1	2,623.1	2,525.0
Less: share of joint ventures turnover	(49.7)	(23.8)	-
Group turnover	2,717.4	2,599.3	2,525.0
Cost of sales	(1,943.1)	(1,868.3)	(1,763.8)
Gross profit	774.3	731.0	761.2
Selling expenses	(582.2)	(561.9)	(529.8)
Administrative expenses	(146.7)	(202.1)	(172.6)
Other operating income	10.3	9.5	10.1
Group operating profit/(loss)	55.7	(23.5)	68.9
Analysed as:			
Continuing operations	55.7	(19.8)	85.6
Discontinued operations	-	(3.7)	(16.7)
Share of operating (loss)/profit in joint ventures	(1.6)	3.1	-
Operating profit/(loss) including joint ventures	54.1	(20.4)	68.9
Non-operating exceptional items	(5.5)	(12.1)	-
Profit/(loss) before interest	48.6	(32.5)	68.9
Net interest payable	(10.6)	(13.9)	(14.6)
Profit/(loss) on ordinary activities before taxation	38.0	(46.4)	54.3
Taxation	(12.7)	(1.5)	(13.8)
Profit/(loss) on ordinary activities after taxation	25.3	(47.9)	40.5
Earnings/(loss) per share (pence)			
Basic	1.8	(3.4)	2.9
Diluted	1.7	(3.4)	2.9
Basic - adjusted	1.8	(3.4)	2.9
Diluted - adjusted	1.7	(3.4)	2.9
Balance Sheet			
Intangible assets	63.7	68.4	89.5
Tangible assets	332.6	345.5	338.0
Investments	4.4	2.4	-
Total fixed assets	400.7	416.3	427.5
Net current assets ²	159.9	134.6	2,320.3
Non current liabilities	(27.3)	(25.2)	(26.6)
Capital employed	533.3	525.7	2,721.2
Equity shareholders' funds	435.0	428.2	2,721.3
Equity minority interest	0.3	-	(0.1)
Net debt	98.0	97.5	-
Capital employed	533.3	525.7	2,721.2

Notes:

1. Woolworths Group plc (the Group) came into existence on 28 August 2001 following the demerger from Kingfisher plc. As a result information is shown for only the past three years.
2. Net current assets in 2001 include an amount of £2,223.4 million in respect of amounts owed by Kingfisher which were subsequently cleared on demerger by way of a non-cash dividend to Kingfisher.

Shareholder Information

Analysis of Shareholders Geographic Breakdown as at 14 February 2003

Region	14-Feb-03 Shares	14-Feb-03 %	15-Feb-02 Shares	15-Feb-02 %	Change in Shares	Change in %
United Kingdom	1,067,656,241	75.84	1,028,186,788	73.08	39,469,453	2.76
North America	186,828,731	13.27	230,322,354	16.37	-43,493,623	-3.10
Europe	47,143,599	3.35	73,652,272	5.23	-26,508,673	-1.88
Asia	1,185,957	0.08	3,095,081	0.22	-1,909,124	-0.14
Africa			64,049		-64,049	
Rest of the world	50,000				50,000	
Unidentified	39,801,859	2.83	22,343,416	1.59	17,458,443	1.24
Total	1,342,666,387	95.37	1,357,663,960	96.49		
Issued capital	1,407,875,788		1,407,067,332			

Range of Shares as at 1 February 2003 a) All Origins

Range	Number of Holders	% of Total Holders	Number of Shares	% of Total Shares
1 - 1,000	25,134	61.35	10,856,547	0.77
1,001 - 5,000	12,473	30.44	27,464,474	1.96
5,001 - 10,000	1,683	4.11	12,437,636	0.88
10,001 - 100,000	1,223	2.98	31,965,606	2.27
100,001 +	457	1.12	1,325,151,195	94.12
Subtotals	40,970	100.00	1,407,875,458	100.00
Register totals	40,970		1,407,875,461	

b) Certified

Range	Number of Holders	% of Total Holders	Number of Shares	% of Total Shares
1 - 1,000	23,845	58.20	10,129,139	0.72
1,001 - 5,000	11,189	27.31	24,501,052	1.74
5,001 - 10,000	1,424	3.47	10,423,499	0.74
10,001 - 100,000	708	1.73	14,553,122	1.03
100,001 +	28	0.07	26,836,788	1.91
Subtotals	37,194	90.78	86,443,600	6.14
Register totals	40,970		1,407,875,461	

c) Crest

Range	Number of Holders	% of Total Holders	Number of Shares	% of Total Shares
1 - 1,000	1,289	3.15	727,408	0.05
1,001 - 5,000	1,284	3.13	2,963,422	0.21
5,001 - 10,000	259	0.63	2,014,137	0.14
10,001 - 100,000	515	1.26	17,412,484	1.24
100,001 +	429	1.05	1,298,314,410	92.22
Subtotals	3,776	9.22	1,321,431,861	93.86
Register totals	40,970		1,407,875,461	

Shareholder Information continued

Results and Financial Diary

Trading statement	14 May 2003*
Annual General Meeting	24 June 2003
Half-year results to July 2003 announced	10 September 2003*
Interim ordinary dividend paid	3 December 2003*

* Provisional.

Annual General Meeting

To be held at 11.00am on Tuesday 24 June 2003 at The Hilton London Metropole, 225 Edgware Road, London W2 2QL. Each shareholder is entitled to attend and vote at the meeting.

Dividend Payments

The proposed final dividend (if approved) will be paid on 26 June 2003 to shareholders on the register on 4 April 2003.

Payment of Dividends by BACS

Many shareholders have already arranged for dividends to be paid by mandate directly to their bank or building society account. The Company mandates dividends through the BACS ('Bankers' Automated Clearing Services') system. The benefit to shareholders of the BACS payment method is that the Registrar posts the tax vouchers directly to them, whilst the dividend is credited on the payment date to the shareholder's bank or building society account. Shareholders who have not yet arranged for their dividends to be paid direct to their bank or building society account and wish to benefit from this service should request the Company's Registrar (address below) to send them a Dividend/Interest mandate form or alternatively complete the mandate form attached to their dividend tax voucher in June.

Dividend Reinvestment Plan

The Company provides a Dividend Reinvestment Plan enabling shareholders to apply their cash dividends to purchase additional ordinary shares in the market at competitive dealing rates. Full details can be obtained from the Registrar. If you have previously completed a mandate form to join the Plan, you need take no further action.

Shareholder Information on the Internet

The Company maintains an investor relations zone on its website (www.woolworthsgroupplc.com) which allows access to share price information, management biographies, copies of company reports and other useful investor information.

In addition, Computershare Investor Services PLC, the Company Registrar, has introduced a facility where shareholders are able to access details of their shareholding in the company over the internet subject to complying with an identity check. This service can be accessed on their website www.computershare.com.

Woolworths Group plc is registered in England and Wales (Number 03855289).

Shareholder Information continued

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is being sent to all shareholders.
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shown above.

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