



# WHL

WOOLWORTHS  
HOLDINGS LIMITED  
2011 ANNUAL  
FINANCIAL  
STATEMENTS

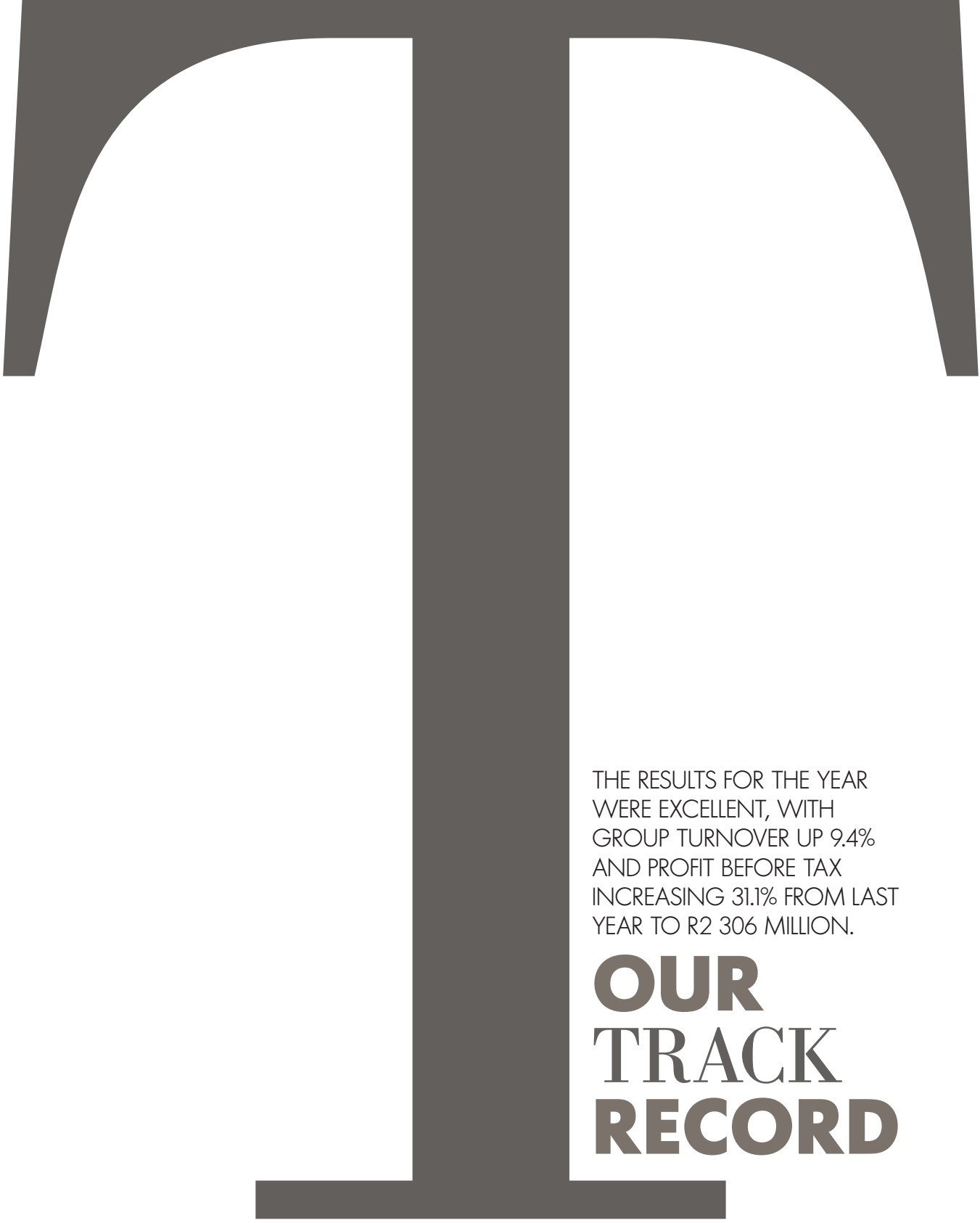


---

## CONTENTS

<b>FINANCE DIRECTOR'S REPORT</b>	<b>4</b>
<b>REPORT OF THE GROUP SECRETARY</b>	<b>12</b>
<b>REPORT OF THE AUDIT COMMITTEE</b>	<b>13</b>
<b>REPORT OF THE INDEPENDENT AUDITORS</b>	<b>15</b>
<b>DIRECTORS' REPORT</b>	<b>16</b>
<b>GROUP ANNUAL FINANCIAL STATEMENTS</b>	
<b>Statement of comprehensive income</b>	<b>20</b>
<b>Statement of financial position</b>	<b>21</b>
<b>Statement of changes in equity</b>	<b>22</b>
<b>Statement of cash flows</b>	<b>24</b>
<b>NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS</b>	
1. Significant accounting policies	25
2. Revenue	38
3. Profit before tax	38
4. Tax	39
5. Earnings per share	40
6. Diluted earnings per share	41
7. Related party transactions	41
8. Property, plant and equipment	48
9. Investment properties	49
10. Intangible assets	50
11. Investment in associate	51
12. Prepaid employment costs	52
13. Participation in export partnerships	52
14. Other loans	53
15. Deferred tax	54
16. Inventories	55
17. Trade and other receivables	55
18. Derivative financial instruments	56
19. Ordinary share capital	57
20. Share premium	66
21. Reserves	66
22. Interest-bearing borrowings	67
23. Trade and other payables	67
24. Retirement benefit information	68
25. Provisions	70
26. Capital commitments	70
27. Contingent liabilities	70
28. Financial risk management	71
29. Management of capital	82
30. Comparative figures	82
31. Distributions to shareholders	83
32. Cash flow information	84
33. Operating leases	85
34. Finance leases	86
35. Acquisition of franchise operations	86
36. Investment in joint ventures	87
37. Events after the reporting date	87
38. Segmental information	88
<b>COMPANY ANNUAL FINANCIAL STATEMENTS</b>	<b>97</b>
<b>ANNEXURE 1 – INTEREST IN SUBSIDIARIES</b>	<b>115</b>
<b>GLOSSARY OF FINANCIAL TERMS</b>	<b>117</b>





THE RESULTS FOR THE YEAR  
WERE EXCELLENT, WITH  
GROUP TURNOVER UP 9.4%  
AND PROFIT BEFORE TAX  
INCREASING 31.1% FROM LAST  
YEAR TO R2 306 MILLION.

**OUR  
TRACK  
RECORD**

## FINANCE DIRECTOR'S REPORT

Although economic conditions during the year remained tough in South Africa – especially after the buoyant World Cup period – the upper end of the market was supported by a more confident customer. Real growth in consumer spending was experienced in South Africa, together with lower levels of inflation and a continuing strengthening rand.

This was in stark contrast to the difficult economic conditions that prevailed in Australia, the Group's other major trading region, where further increases in interest rates put the consumer under increased pressure and the market reacted with heavy discounting.

Despite the conditions the results for the year were excellent, with Group turnover up 9.4% and profit before tax increasing 31.1% from last year to R2 306 million.

As a result of the improved operating performance, as well as the improvements in balance sheet efficiency, the Group's return on equity increased from 39.4% to 44.1%.

Earnings per share	<b>52 weeks to 26 June 2011 cents</b>	52 weeks to 27 June 2010 cents	Change %
EPS	<b>212.2</b>	162.4	30.7
HEPS	<b>214.9</b>	164.6	30.6
Diluted HEPS	<b>209.8</b>	159.3	31.7
Adjusted HEPS	<b>214.9</b>	157.2	36.7

Headline Earnings per share ("HEPS") was 30.6% higher than last year, and adjusted HEPS, which strips out capital related transactions as well as last year's R57 million abnormal post-tax foreign exchange-related profit, was 36.7% higher.

Diluted EPS and diluted HEPS were 31.8% and 31.7% higher respectively. Dilution arises from share options granted in terms of employee share option schemes, with the increased level of dilution this year arising mainly from the impact of the sharp recovery in the Woolworths share price.

The Group's dividend policy has been maintained at a cover ratio of 1.5 times (adjusted) HEPS, which resulted in the total dividend increasing 36.7% to 143.5 cents per share.

### GROUP TURNOVER UP

# 9.4%

## SEGMENTAL PERFORMANCE

These group results are best explained on a segmental basis.

Group results Divisional contribution	<b>2011 Rm</b>	2010 Rm	Change %
Woolworths retail	<b>1 965</b>	1 435	36.9
Forex-related gain (pre-tax)	<b>–</b>	79	
	<b>1 965</b>	1 514	29.8
Net interest	<b>50</b>	28	78.6
Country Road	<b>162</b>	142	14.1
WFS JV	<b>129</b>	75	72.0
<b>Group PBTAE</b>	<b>2 306</b>	1 759	31.1

## WOOLWORTHS RETAIL

The Woolworths Retail segment, which comprises Clothing and General merchandise and Food grew turnover 10.0%, with comparable store sales (sales from stores that were open at the beginning of the prior year) growing by 7.9%.

Woolworths Retail Income Statement	<b>2011 Rm</b>	2010 Rm	Change %
Sales	<b>22 609</b>	20 557	10.0
Cost of sales	<b>15 475</b>	14 444	7.1
Gross profit	<b>7 134</b>	6 113	16.7
Other revenue	<b>103</b>	86	19.8
Expenses	<b>5 279</b>	4 770	10.7
Store costs	<b>3 193</b>	2 885	10.7
Other operating costs	<b>2 086</b>	1 885	10.7
Operating profit	<b>1 958</b>	1 429	37.0
Earnings from associate and joint venture	<b>7</b>	6	16.7
<b>Profit before tax</b>	<b>1 965</b>	1 435	36.9

# WOOLWORTHS RETAIL ACHIEVED AN OPERATING MARGIN OF 8.7%, UP FROM 7.0% IN 2010 AND AHEAD OF THE 3-YEAR TARGET OF 8%.

Gross margin improved once again from 29.7% to 31.6% as a result of increased international procurement, buoyed by the stronger rand. This improvement is explained in more detail in the segmental analysis below.

Store costs (comprising of employment costs, occupancy costs and depreciation, as well as general store expenses such as plastic bags, cleaning, security and maintenance) grew 10.7%, impacted by the 46 new corporate stores opened during the year, which added 7.6% to trading space. Of the new stores, 23 were acquired from franchisees towards the end of the year. The franchise conversion transaction is more fully described below.

Other operating costs increased by 10.7%. These costs are incurred in centralised product buying and planning activities, marketing, franchise operations, and real estate development, as well as central support services such as HR, finance, IT and corporate governance.

The Group's share-based payment (IFRS 2) charge relates to the Group's executive share incentive and black economic empowerment employee share incentive schemes, and was 34.0% higher mainly as a result of the introduction of an executive retention scheme last year.

Excluding the IFRS 2 charge, unrealised foreign exchange losses and incentives, which were higher due to the Group's out-performance, costs grew by 6.1%.

Overall, Woolworths Retail achieved an operating margin of 8.7%, up from 7.0% in 2010 and ahead of the 3-year target of 8% set in June 2009. The focus on productivity to achieve positive operating margin leverage remains a key commitment.

Both the Clothing and General merchandise and Food segments enjoy high returns on equity from their low capital utilisation – although their major operating asset, the store leases – are not capitalised. This year's focus on operating efficiencies and inventory levels has led to an increase from 68.6% to an extremely satisfactory 90.5%.

PROFIT BEFORE TAX  
INCREASED BY

# 36.9%

## CLOTHING AND GENERAL MERCHANDISE

Clothing and General merchandise Income Statement	2011 Rm	2010 Rm	Change %
Sales	8 591	7 913	8.6
Cost of sales	4 840	4 749	1.9
Gross profit	3 751	3 164	18.6
Other revenue	25	21	19.0
Expenses	2 462	2 217	11.1
Operating profit	1 314	968	35.7
Earnings from associate and joint venture	4	3	33.3
<b>Profit before tax</b>	<b>1 318</b>	971	35.7

## FINANCE DIRECTOR'S REPORT (CONTINUED)

Segmental turnover grew 8.6%, whilst apparel sales grew 10.6% driven mainly by strong performances in Lingerie, Footwear & Accessories, and Babywear. Including Country Road's South African sales (which are now included in the Country Road segment), total apparel sales grew 11.5% (and by 9.4% in comparable stores), ahead of market growth of 9.5%.

General merchandise ("GM") sales contracted by 2.7% following our decision to rationalise the unprofitable cellular handset business. Excluding this, GM sales grew by 5.2%.

Clothing volume growth in comparable stores, which had turned positive in the last quarter of the previous year after three years of contraction, was 6.1%.

New space added 2.1% to turnover growth and price movement (our internal product inflation measured by the movement in the average unit price of the units we sell) added 3.3%.

Improved trading conditions, the strong rand, and the continued improvement in the buying, planning and inventory management processes and process execution resulted in higher gross margins, which improved from 40.0% to 43.7%.

Expense growth (including the allocation of Group costs) of 11.1% saw Clothing and General merchandise achieve a 35.7% growth in profit and an operating margin of 15.3%, up from 12.3% last year.

We expect sales in comparable stores to continue to show modest growth, and whilst new store development in South Africa slows in the next three years, we will be expanding the store footprints of our existing portfolio. We plan to add between 6% and 7% to Clothing and General merchandise trading space in each of the next three years.

In addition to this space growth, the acquisition of 23 formerly franchised stores during the year, together with a further 31 stores acquired after the year end, will add approximately R450 million to Clothing and General merchandise sales in 2012, and R150 million to profit before tax.

## FOOD

Food Income Statement	2011 Rm	2010 Rm	Change %
Sales	13 535	12 227	10.7
Cost of sales	10 237	9 355	9.4
Gross profit	3 298	2 872	14.8
Other revenue	78	65	20.0
Expenses	2 732	2 476	10.3
Operating profit	644	461	39.7
Earnings from associate and joint venture	3	3	-
<b>Profit before tax</b>	<b>647</b>	<b>464</b>	<b>39.4</b>

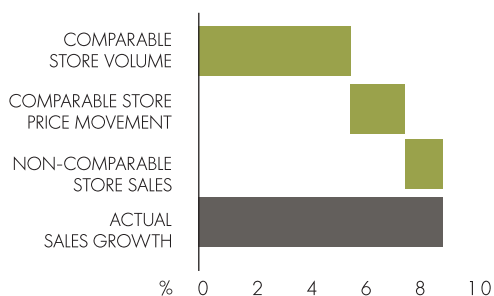
Food also experienced strong growth for the year with sales up 10.7% in total and 8.4% in comparable stores. On average Woolworths out-performed the market by 4.1% for the 12 month period.

New space added 2.3% to turnover and internal inflation was 3.0%. Woolworths premium-branded product offering comprises a lower proportion of staple commodities than our competitors, and as such, our price movement tends to be less volatile. In a downward period of the cycle, our inflation tends to be slightly higher than the industry.

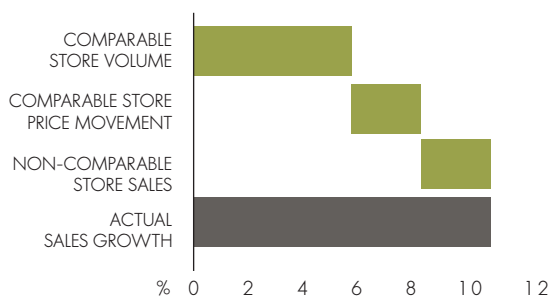
Gross margins improved by 0.9% to 24.4% as a result of ongoing value chain optimisation.

Expenses grew 10.3%, with core expense growth impacted by new stores and non-comparable costs as detailed in the Clothing and General merchandise segment above.

### CLOTHING & GENERAL MERCHANDISE SALES GROWTH ( % ON LAST YEAR )



### FOOD SALES GROWTH ( % ON LAST YEAR )





Despite this, profit grew 39.4% and operating margin reached 4.8%, up from 3.8% in the previous year.

We expect sales in comparable stores to continue to show modest growth, and our emphasis will be on opening fewer but larger Food stores and expanding the footprints of our existing portfolio as we find that customers are willing to increase the content of their basket within a larger store environment that provides a more complete product range.

We plan to open six new Food stores (in addition to two full line stores) in 2012, a further five stores in 2013 and four in 2014 (with four full line stores opening). This will add 8% to total trading space in 2012, 7% in 2013 and 5% in 2014.

## COUNTRY ROAD

Country Road Income Statement	2011 A\$m	2010 A\$m	Change %
Sales	428	423	1.2
Cost of sales	174	187	(7.0)
Gross profit	254	236	7.6
Other revenue	4	4	-
Expenses	234	218	7.3
Store costs	181	165	9.7
Other operating costs	53	53	-
Operating profit	24	22	9.1
Finance costs	1	1	-
<b>Profit before tax</b>	<b>23</b>	21	9.5

## OPERATING PROFIT INCREASED BY

# 9.1%

Sales in comparable stores were down a disappointing 8.6% (in Australian dollar terms) reflecting the very challenging trading conditions in Australia – comparable sales there were down 10.9%. This was offset by an increase in South African (rand denominated) sales of 24% (with comparable store sales up 7.9%) where the Country Road and Trener brands continue to perform well. Overall, the Country Road segment's sales grew 1.2% in Australian dollar terms, supported by space growth in Country Road and the continued roll out of the Trener brand in both Australia and South Africa.

With pressure on top line growth, costs were well managed with better sourcing, supplier rebates, and a strong Australian dollar resulting in operating margin improving from 5.2% to 5.6%, supporting growth in profit before tax of 9.5% in Australian dollar terms.

The segment is targeting a return on sales of 8% in the medium term. In addition to the 14 Country Road and five Trener stores opened in 2011, the business plans to open a further three stores in South Africa in 2012 (whilst closing one in Australia), and then opening a further three stores in Australia in each of the subsequent years.

Return on equity improved from 17.9% to 23.1% in Australian dollar terms due to the higher operating margin and the stronger balance sheet. Country Road's balance sheet includes trademarks of A\$11.3 million, which are excluded from the Group balance sheet, having been written down on acquisition. Return on equity, excluding the trademarks, would be 26.9%.

**WOOLWORTHS FINANCIAL SERVICES  
(WFS)**

Woolworths Financial Services Income Statement	2011 Rm	% to book	2010 Rm	% to book	Change %
Interest income	1 092	18.0	1 167	19.5	(6.4)
Interest paid	333	5.5	386	6.4	(13.7)
Net interest income	759	12.5	781	13.0	(2.8)
Impairment	86	1.4	308	5.1	(72.1)
Risk-adjusted margin	673	11.1	473	7.9	42.3
Non-interest revenue	424	7.0	365	6.1	16.2
Operating costs	705	11.6	623	10.4	13.2
<b>Profit before tax</b>	<b>392</b>	6.5	215	3.6	82.3
Financial services assets (average)	6 072		5 995		
Return on equity	23.5%		13.9%		
Joint venture profit before tax	392		215		
Taxation	134		65		
Profit after tax	258		150		
Less 50%	129		75		
<b>Equity accounted</b>	<b>129</b>		75		

The joint venture with ABSA showed modest but consistent growth throughout the year with the average book just 1.3% higher, but ending the year 4.8% ahead of the prior year. Whilst there is no constraint on the venture's appetite to grant credit, we have continued to be constrained by the limitations of our point-of-sale and back-office systems in processing credit limit increases and new account applications. We are working on systems upgrades to resolve these issues.

The business continues to operate three key products – the In-Store Card that can be used only for purchases in Woolworths stores, Woolworths Visa Credit Cards, and Personal Loans. In addition to the yield on these assets, the business generates insurance and other non-interest revenues in line with the regulations of the National Credit Act.

Interest income declined 6.4% to R1 092 million with the gross yield on the assets contracting from 19.5% to 18.0% due to the reduction in the interest rate formulae governed by the National Credit Act. As underlying funding rates reduced by only 0.9%, the net interest margin declined by just 0.5% to 12.5%, yielding R759 million, a reduction of 2.8% on last year.

The impairment charge (comprising of bad debts written off during the year as well as the movement in the provision for doubtful debts) improved sharply from 5.1% of the book to a pleasing 1.4%, as a result of continued risk assessment for new accounts and the continued focus on the appropriate resourcing of the collections process.

The yield on the book after the impairment charge is taken into account is the "risk-adjusted yield". The improved impairments led to an increase in the yield from 7.9% to 11.1%, increasing the risk-adjusted margin by 42.3% to R673 million.

Non-interest revenue increased by 16.2% as a result of improved collections activity and the restructuring of the insurance business into a more profitable cell-captive arrangement.

Expenses grew 13.2% as a result of the further investment in collection capacity and book growth initiatives.

Profit before tax grew 82.3%, with the profit to book ratio increasing markedly to 6.5%, from 3.6% a year earlier.

The book has a gearing ratio of 84% funded by ABSA at a three month JIBAR-linked rate. This gearing leverages the operating ratio to generate a return on equity of 23.5%, ahead of the joint venture's increased medium-term target of 22%, and up from 13.9% returned in the previous year.

**TREASURY OPERATIONS AND CASH  
POSITION**

The Group maintained a net cash positive position throughout the year, with net interest increasing from R28 million in the previous year to R50 million.

The table demonstrates how cash flow from operating activities is utilised.

The Woolworths Retail segment is extremely cash generative, demonstrated by the increase in cash generated by operating activities (including JV income) of 33% to R3 097 million. Improvements in net working capital released a further R401 million as a result of the increased utilisation of supplier credit.

Provisional tax payments amounted to R985 million.

The net cash outflow on capital expenditure, which is explained in more detail below, amounted to R585 million – whilst a further R140 million relating to the 2011 capital expenditure programme was rolled over into 2012.

The Group's dividend policy has been maintained at a cover ratio of 1.5 times headline earnings, and is designed such that the Group operates on a broadly "cash-neutral" basis.

The Board also considers the appropriateness of special dividends or share repurchases if no other opportunities present themselves for the utilisation of excess cash. During the year, shares to the value of R339 million were repurchased from the market and since the year-end a further R275 million has been spent on share repurchases.

## TAXATION

The Group's effective tax rate increased from 27.9% to 28.6%. Despite an increase in STC resulting from dividends (the Group had made a distribution from share premium in lieu of a dividend in the previous year) the effective rate decreased due to tax deductions arising from the settlement of share options, the impact of the inclusion of the after-tax equity accounted WFS joint venture result in the Group profit, and a lower effective rate in Country Road's result.

## FINANCIAL POSITION

### CAPITAL EXPENDITURE

The Group invested R623 million in property, plant and equipment: R269 million related to the South African store development programme which added nine new corporate stores (8 580 square metres), as well as expenditure on refurbishments and modernisations across the existing real estate portfolio.

Country Road invested R107 million in its 22 new store and concession locations, adding 4 315 square metres to trading space.

A further R139 million was invested in IT systems as we continually improve our inventory planning and management systems, and invest in capacity and replacement.

### ACQUISITION OF PREVIOUSLY FRANCHISED STORES

At the beginning of the year the decision was taken to wind down local franchise operations to simplify the business. Offers were made to purchase all local franchise stores with the offers expiring at year-end on 24 June 2011.

23 franchise stores were acquired for a cost of R250 million, with a further 31 stores acquired subsequent to the year-end for R384 million. This investment equates to a conversion of 75% of the sales of the former franchise portfolio. 18 franchise stores remain, and we are committed to working with the

franchisees to ensure a mutually rewarding relationship to the end of their contract terms.

Whilst the impact of the acquisitions during the year were limited as most transactions were completed towards the end of the year, the impact will be material to the results for the year ended 2012.

Group turnover is expected to increase by approximately R450 million, being the retail margin that was previously earned by the franchisees. Allowing for mark downs and other gross profit costs that will now be borne by the business, approximately R400 million of this additional turnover will be captured in gross profit.

The costs of running the stores (approximately R200 million), previously borne by the franchisee will now also be borne by Woolworths resulting in a net increase in group operating profit of R200 million. As some stores will only be converted in the second quarter of the year, the full annualised benefit of the acquisitions will only be recognised in 2013.

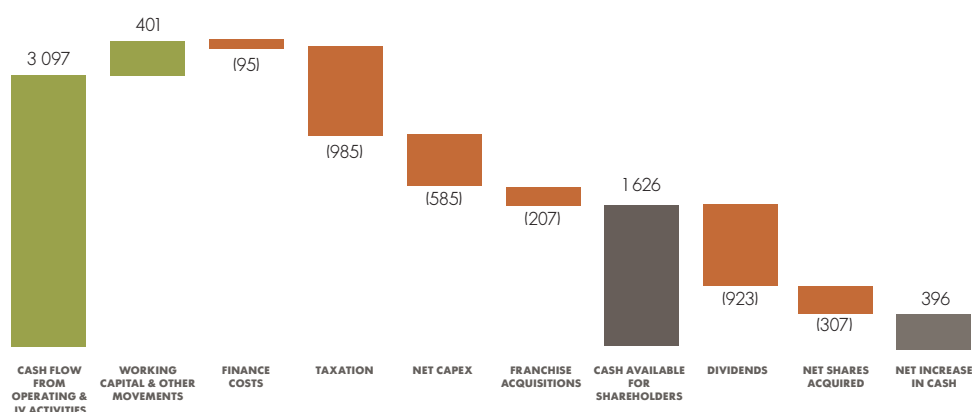
## FINANCIAL RISK MANAGEMENT

Financial risks related to funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk are managed by the treasury committee, which meets on a regular basis. Funding requirements are assessed in order to optimise funding structures.

Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining appropriate short-term committed and uncommitted banking facilities. Unutilised banking facilities total R2 049 million at June 2011 (2010: R2 443 million). During the year, we repaid a R1 billion fixed term loan upon maturity and reduced the level of committed facilities in order to minimise the costs related to these facilities and where we considered the level of facilities to be excessive.

Interest-bearing borrowings carry interest rate risk. As part of the process of managing the Group's fixed and floating rate borrowings mix, the interest rate characteristics of new

## CASH GENERATED (R MILLION)



borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

It is the Group's policy to cover all foreign currency exposures arising from the acquisition of goods and services with forward exchange contracts.

Woolworths Retail uses a pool method to manage these exposures and to provide an effective economic hedge. However, due to the complexity in documenting the relationship between hedging instruments and hedged items required in terms of IAS 39, hedge accounting is not applied to these transactions.

Hedge accounting is applied by Country Road.

We will continue to consider the repurchase of shares as and when excess cash permits.

---

## ACCOUNTING STANDARDS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards.

Various IFRS, IFRIC interpretations and amendments were adopted during the current year. These standards and amendments had no impact on the Group's reported results. Details can be found in note 1 on page 25 of the annual financial statements. All additional disclosures required by these standards have been provided for both the current and comparative period.

---

## PROSPECTS AND FINANCIAL TARGETS

We expect the year to June 2012 to remain challenging as global economic uncertainty continues. Inflation is expected to be higher than it was during 2011, constraining volume growth.

Whilst we continue to focus on ensuring competitive opening price points, we are committed to maintaining gross margins from continued improvements in sourcing. The key risks are the inflationary pressures emanating from China, and the possibility of a weaker rand. Both gross and operating margins will also be supported by the impact of the franchise store acquisitions.

Attention will also be given to improving underperforming stores by a critical analysis of costs and operational activities (especially those that impact availability and food waste). In Head Office, detailed cost-to-sell ratios have been set for all departments.

These margin and cost-reduction activities aim to help us to deliver to our medium term operating margin targets set for Clothing and General merchandise of 17%, and 6% for Food – an overall return on sales for the Woolworths Retail segment of 10.3%.

The Australian economy is expected to remain extremely difficult, with further interest rate increases possible.

The WFS joint venture is expected to continue to realise modest book growth as we work to upgrade our systems to facilitate credit limit increases and new account activity. The In-Store Card continues to be an important driver of retail sales, currently comprising 20% of Woolworths sales. Whilst this is not expected to increase, Personal Loans are planned to grow over the next three years. The risk-adjusted margin will reduce as impairments edge up as provisioning for new growth is raised – a net impairment charge of 4.5% would be a sustainable level in the medium-term.

The Group's effective tax rate is expected to increase slightly to 30%, or 26% after the replacement of STC with withholding tax on dividends.

Capital expenditure is expected to be approximately R850 million for the Group, increasing by R50 million in each of the following two years. We plan to add 124 648 m<sup>2</sup> in space over the next three years under our store development programme.

Approximately R400 million will also be spent on the balance of franchise space conversion during 2012, as described above.

The Group ended the year with a positive net cash position of R1.8 billion. From this, approximately R450 million was committed to the settlement of franchise acquisitions, R150 million to capital expenditure related to the 2011 store development programme, and R275 million was spent on share repurchases occurring after year end. The year-end cash balance also represents cash available for the dividend distribution in September.

---

**WHILST WE CONTINUE  
TO FOCUS ON ENSURING  
COMPETITIVE OPENING  
PRICE POINTS, WE  
ARE COMMITTED TO  
MAINTAINING GROSS MARGINS.**

---



---

## REPORT OF THE GROUP SECRETARY

In my capacity as Group secretary, I hereby confirm, in terms of the Companies Act 2008, as amended, that for the year ended 26 June 2011, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



**CL Lowe**  
Group secretary

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements were approved by the Board of directors on 24 August 2011 and signed on its behalf by:



**DA Hawton**  
Chairman



**I Moir**  
Group chief executive officer

# REPORT OF THE AUDIT COMMITTEE

## 1. AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

The committee has formal terms of reference that are reviewed and approved by the Board on an annual basis. The committee's roles and responsibilities include the statutory duties as per the Companies Act 2008 as amended and the responsibilities assigned to it by the Board.

During the financial year, the committee has conducted its affairs in compliance with its terms of reference. It has complied with its role and responsibilities as stated in the

terms of reference, a copy of which may be found at the website: [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za)

## 2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee consists of four independent, non-executive directors. Member's fees are included in the table of director's remuneration on page 44. The Group chief executive officer, the Group finance director, the head of corporate governance, the head of internal audit and the external auditors attend the meetings by invitation.

The committee met four times during year with attendance as follows:

NAME OF MEMBER	20 AUGUST 2010	15 NOVEMBER 2010	14 FEBRUARY 2011	13 MAY 2011
MJ Leeming* BCom, MCom, FCMA, FIBSA, AMP (Harvard) Year appointed: 2004	Present	Present	Present	Present
P Bacon** (British) Fellow of the Institute of Hospitality (FIH) Year appointed: 2011	N/A	N/A	N/A	Present
L Bakoro BCom (UCT), Post-graduate Diploma in Accounting (UCT), Higher Diploma in Tax Law (WITS), CA (SA). Year appointed: 2009	Present	Present	Present	Present
NL Colne*** (British) AMP (Harvard) Year appointed: 1994	Present	Present	N/A	N/A
SV Zilwa Bcomp (Hons), CTA, CA (SA), Advanced Taxation Certificate. Year appointed: 2002	Present	Present	Present	Present

### Notes:

\* Committee Chairman

\*\* Appointed to the committee with effect from 13 May 2011.

\*\*\* Retired from the Board and from the committee with effect from 18 November 2010.

## 3. STATUTORY DUTIES

In the conduct of its duties, the committee has performed the following statutory duties:

- considered and nominated the external auditors for appointment at the annual general meeting;
- determined the fees to be paid to the auditors and the auditor's terms of engagement;
- determined the nature and extent of any non-audit services;
- pre-approved any proposed agreement with the auditors for the provision of non-audit services;
- prepared a report, to be included in the annual financial statements for the financial year;
- received and dealt with any concerns or complaints;
- made submissions to the Board on any matter concerning the company's accounting policies, financial controls, records and reporting; and
- performed other functions determined by the Board.

The committee accepted and has performed the functions required under the Companies Act on behalf of the subsidiaries of the holding company.

## 4. EXTERNAL AUDIT

The committee meets independently with the external auditors formally prior to each committee meeting and on request.

The committee is satisfied that the joint external auditors, Ernst & Young Inc. and SAB&T Inc. are independent of the Group. The external auditors confirmed that they had complied with the ethical requirements regarding independence and were considered independent with respect to the Group as required by the Codes endorsed and administered by the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants and the International Federation of Accountants.

---

## REPORT OF THE AUDIT COMMITTEE (CONTINUED)

The committee, in consultation with the Board, agreed to the letter of engagement, the audit coverage plan and the audit fees for the 2011 financial year. Fees paid to the joint auditors can be found in note 3 on page 38 of the annual financial statements. The committee determined the nature and extent of non-audit services that were provided to the Group and pre-approved agreements with the external auditor for the provision of non-audit services. The committee notes that non-audit services performed during the year amounted to 17% of the audit fee.

The committee has nominated, for approval at the annual general meeting, Ernst & Young Inc. and SAB&T Inc. as the external auditors for the 2012 financial year. The committee is satisfied that the audit firms are accredited to appear on the JSE List of Accredited Auditors.

---

### 5. INTERNAL AUDIT

The audit committee is responsible for ensuring that the Woolworths internal audit function is independent and has the necessary resources and authority to enable it to discharge its duties. The audit committee oversees co-operation between the internal and external auditors and serves as a link between the Board and these functions.

The head of internal audit reports to the audit committee and meets with the chairman of the committee independently of management.

The committee reviews and has approved the internal audit coverage plan and the internal audit department's budget and resources. Internal audit has the responsibility for reviewing and providing assurance on the adequacy of the internal controls and the internal financial controls.

---

### 6. INTERNAL FINANCIAL CONTROLS

The committee has reviewed the written assessment of internal audit on the design, implementation and effectiveness of the internal financial controls of the company. Based on the results of this review, the committee is of the opinion that the internal financial controls form a sound basis for the preparation of reliable financial statements.

---

### 7. ANNUAL FINANCIAL STATEMENTS

The committee has reviewed the annual financial statements of the Group and is satisfied that they comply with International Financial Reporting Standards. It recommended the annual financial statements for approval by the Board.

---

### 8. GOING CONCERN

The committee reviewed the assessment of the going concern premise of the Group and recommended to the Board that the Group will be a going concern for the foreseeable future.

---

### 9. EXPERTISE AND EXPERIENCE OF THE GROUP FINANCE DIRECTOR AND FINANCE FUNCTION


On an annual basis the committee examines and reviews the competence of the Group finance director and the finance management team. It is satisfied that the Group finance director and the finance management team have the appropriate expertise and experience. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the Group's finance function.

---

### 10. INTEGRATED REPORTING

The committee is responsible to oversee the Integrated Report on behalf of the Board.

Signed this 24th day of August 2011.



Audit committee chairman



---

## REPORT OF THE INDEPENDENT AUDITORS

---

### AUDIT OPINION TO THE MEMBERS OF WOOLWORTHS HOLDINGS LIMITED

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group and Company annual financial statements of Woolworths Holdings Limited, which comprise the directors' report, the statement of financial position as at 26 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 116.

#### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and Company as at 26 June 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

*Ernst & Young Inc.*     *SABIT*

#### Ernst & Young Inc.

Director – M R Isaacs  
Registered Auditor  
Chartered Accountant (SA)  
Ernst & Young House  
35 Lower Long Street  
Cape Town  
24 August 2011

#### SAB&T Inc.

Director – A Darmalingam  
Registered Auditor  
Chartered Accountant (SA)  
SAB&T House  
Cnr. Birmingham &  
Canterbury Roads  
NI City, Goodwood  
24 August 2011

---

## DIRECTORS' REPORT

---

### NATURE OF BUSINESS

Woolworths Holdings Limited is an investment holding company, listed on the JSE Limited securities exchange and operates mainly through two subsidiaries, Woolworths (Proprietary) Limited and Country Road Limited and through a joint venture, Woolworths Financial Services (Proprietary) Limited.

Woolworths (Proprietary) Limited is a retail chain of stores offering a selected range of clothing, food and general merchandise, mainly under its own brand name. Woolworths has 293 corporate stores and 145 franchise stores in South Africa, Africa and the Middle East.

Country Road Limited, listed on the Australian Securities Exchange, is a retail chain of stores and concession retail outlets offering a range of clothing and homeware under its own brand name. Country Road Limited has 179 retail stores or concession retail outlets across Australia and New Zealand and is represented in selected Woolworths outlets and standalone stores throughout South Africa.

Woolworths Financial Services (Proprietary) Limited is operated jointly with ABSA and provides our customers with a credit offering to assist them to purchase merchandise in our Woolworths stores. It also offers a credit card, personal loans and insurance products.

The nature of the business of the subsidiaries held directly and indirectly is set out on page 115.

---

### REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Reviews of the financial results and the activities of the Group are contained in the 2011 Integrated Report and the annual financial statements.

---

### SHARE CAPITAL

Details of the authorised and issued share capital of Woolworths and the movements for the period under review are disclosed in note 19 of the Group annual financial statements.

---

### DIRECTORATE AND GROUP SECRETARY

The composition of the Board and the details of the directors and the Group secretary are reflected in the 2011 Integrated Report on pages 20 to 23.

---

### NEW APPOINTMENTS, RESIGNATIONS AND RE-ELECTION OF DIRECTORS RETIRING BY ROTATION

Two long serving non-executive directors Nigel Colne and Brian Frost retired at the company's Annual general meeting on 18 November 2010. On the same date Simon Susman was appointed a non-executive director and Deputy chairman and Ian Moir was appointed Group chief executive officer. Tom Boardman and Sir Stuart Rose were appointed non-executive directors on 27 September 2010 and on 19 January 2011 respectively.

In accordance with the Memorandum of Incorporation of the company, new additions to the Board and at least one-third of the Board are required to retire by rotation at each Annual general meeting. In accordance with the Memorandum of Incorporation of the company Ian Moir, Group chief executive officer, is not required to retire by rotation, by virtue of his fixed term contract. Retiring directors are those who have been appointed between annual general meetings and those who have been in office the longest since their re-election. No director can serve more than three years without being re-elected.

In terms of the Memorandum of Incorporation of the company, Peter Bacon, Lindiwe Bakoro, Sir Stuart Rose, Zyda Rylands and Simon Susman are due to retire at the next annual general meeting and being eligible, offer themselves for re-election.

Abridged curricula vitae of the directors seeking re-election are contained in the 2011 Integrated Report on pages 108 to 109.

The Board would like to propose the appointment of Zarina Bassa as director at the annual general meeting. A brief biography of Zarina can be found on page 110 of the 2011 Integrated Report.

Directors seeking re-election do not have service contracts.

## DIRECTORS' INTERESTS IN SHARES

As at the date of this report, the directors held directly and indirectly, the following interests in the company's ordinary issued share capital:

	2011 Beneficial		2010 Beneficial	
	Direct	Indirect	Direct	Indirect
<b>Non-executive directors</b>				
Buddy Hawton	30 000	–	50 000	–
Peter Bacon	25 000	–	25 000	–
Lindiwe Bakoro	–	–	–	–
Tom Boardman	–	–	–	–
Nigel Colne*	101 310	–	96 800	–
Brian Frost*	–	195 000	–	260 000
Mike Leeming	–	20 000	–	20 000
Chris Nissen	–	–	–	–
Sir Stuart Rose	–	–	–	–
Thina Siwendu	–	–	–	–
Simon Susman	49 513	10 572 106	111 754	10 514 356
Sindi Zilwa	–	–	–	–
<b>Executive directors</b>				
Ian Moir	1 225 617	318 123	1 184 000	–
Zyda Rylands	659 031	2 506 614	330 180	1 327 342
Norman Thomson	1 537 053	2 484 963	168 935	3 220 785
<b>Total</b>	<b>3 627 524</b>	<b>16 096 806</b>	1 966 669	15 342 483

\* Retired on 18 November 2010.

As at the date of this report, the directors held indirectly, the following interest in the company's preference issued share capital for the Woolworths Employee Share Ownership Trust:

	2011 Beneficial		2010 Beneficial	
	Direct	Indirect	Direct	Indirect
<b>Executive directors</b>				
Zyda Rylands	–	1 250 000	–	1 250 000
<b>Total</b>	–	1 250 000	–	1 250 000

There has been no changes to the directors' interests between the end of the reporting period and the date of the directors' report.

## DIRECTOR'S EMOLUMENTS

The emoluments of directors of the company are set out on pages 44 to 47.

---

## RELATED PARTY CONTRACTS

During the course of the year, no director had a material interest in any contract of significance with the company or any of its subsidiaries that could have given rise to a conflict of interest.

Transactions defined as related party transactions in terms of the International Financial Reporting Standards between the company or its subsidiaries and the directors or their associates are disclosed in note 7 on page 41 of the Group annual financial statements.

---

## DISTRIBUTIONS TO ORDINARY SHAREHOLDERS

### INTERIM

On 4 March 2011, a cash dividend of 50.5 cents per ordinary share (2010: 38.0 cents) was declared to shareholders recorded at the close of business on 11 March 2011 and paid on 14 March 2011.

### FINAL

On 24 August 2011, a cash dividend of 93.0 cents per share (2010: 67.0) was declared to shareholders recorded at close of business on 16 September 2011, to be paid on 19 September 2011.

---

## DISTRIBUTIONS TO CONVERTIBLE, REDEEMABLE, NON-CUMULATIVE PARTICIPATING PREFERENCE SHAREHOLDERS (THE WOOLWORTHS EMPLOYEE SHARE OWNERSHIP TRUST)

### INTERIM

On 4 March 2011, a cash dividend of 16.8 cents per share (2010: 8.7 cents) was declared to shareholders recorded at the close of business on 11 March 2011 and paid on 14 March 2011.

### FINAL

On 24 August 2011, a cash dividend of 44.6 cents per share (2010: 22.1 cents) was declared to shareholders recorded at close of business on 16 September 2011, to be paid on 19 September 2011.

---

## DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the annual financial statements and other information presented in the Integrated Report in a manner that fairly presents the financial position and the results of the operations of the company and the Group for the year ended 26 June 2011.

The external auditors are responsible for carrying out an independent examination of the annual financial statements in accordance with International Standards

on Auditing in the manner required by the South African Companies Act, 2008, as amended and for reporting their findings thereon. The auditors' report is set out on page 15 of these financial statements.

The annual financial statements set out on pages 16 to 116 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies which have been consistently applied in all material respects, and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

## INTERNAL CONTROL

The Board is accountable for the system of internal controls for the Group. The output of the risk management process, in conjunction with the work of the independent assurance providers, indicates to the directors that the controls, including financial controls, in place are adequate and effective. Furthermore, no material losses, exposures or financial misstatements have been reported to the directors for the financial year. This opinion recognises that the business is dynamic and that at any point in time there are new areas of risk exposure which may require management attention. As such, there is a continual focus on ensuring that the control environment within each business area is understood and maintained at the required level.

---

## GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to 24 June 2012 and details of the Group insurance arrangements. On the basis of this review and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the Group is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

---

## BORROWING POWERS

In terms of the Memorandum of Incorporation, the borrowing powers of the company are unlimited. However, all borrowings by the Group are subject to Board approval as required by the Board delegation of authority. The details of borrowings appear in note 22 on page 67 to the annual financial statements.

---

## SUBSIDIARY COMPANIES

An annexure containing full particulars of the subsidiary companies appears on page 115 of the annual financial statements.

---

## **EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

An additional 16 franchise stores have been purchased at a cost of R155 million between the year-end and the date of the approval of the financial statements.

Subsequent to year-end, 8 967 131 shares amounting to R275 million were repurchased and cancelled.

---

## **SPECIAL RESOLUTIONS**

The following special resolutions were passed during the course of the year.

### **WOOLWORTHS HOLDINGS LIMITED**

- General authority to repurchase shares.

### **WOOLWORTHS (PROPRIETARY) LIMITED**

- Amendment to Memorandum of Incorporation.

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	52 Weeks to 26 June 2011 Rm	52 weeks to 27 June 2010 Rm
<b>Revenue</b>	2	<b>25 841</b>	23 663
<b>Turnover</b>	2	<b>25 582</b>	23 393
<b>Cost of sales</b>	30.1	<b>16 683</b>	15 619
<b>Gross profit</b>		<b>8 899</b>	7 774
Other revenue	2	<b>127</b>	95
<b>Expenses</b>	3	<b>6 904</b>	6 215
Store costs		<b>4 448</b>	3 988
Other operating costs	30.1	<b>2 456</b>	2 227
<b>Operating profit</b>		<b>2 122</b>	1 654
Investment income	2	<b>132</b>	175
Finance costs	3.6	<b>84</b>	151
<b>Profit before earnings from joint ventures and associate</b>		<b>2 170</b>	1 678
Earnings from joint ventures	36	<b>129</b>	75
Earnings from associate	11	<b>7</b>	6
<b>Profit before tax</b>		<b>2 306</b>	1 759
Tax	4	<b>659</b>	491
<b>Profit for the year</b>		<b>1 647</b>	1 268
<b>Other comprehensive income:</b>			
Fair-value adjustments on financial instruments		<b>(29)</b>	54
Deferred tax on net fair-value adjustment on financial instruments		<b>12</b>	(14)
Exchange differences on translation of foreign subsidiaries		<b>37</b>	13
<b>Other comprehensive income for the year, net of tax</b>		<b>20</b>	53
<b>Total comprehensive income for the year</b>		<b>1 667</b>	1 321
<b>Profit attributable to:</b>			
Shareholders of the parent		<b>1 631</b>	1 258
Non-controlling interest		<b>16</b>	10
<b>Total comprehensive income attributable to:</b>			
Shareholders of the parent		<b>1 651</b>	1 304
Non-controlling interest		<b>16</b>	17
<b>Headline earnings per share (cents)</b>	5	<b>214.9</b>	164.6
<b>Earnings per share (cents)</b>	5	<b>212.2</b>	162.4
<b>Diluted headline earnings per share (cents)</b>	6	<b>209.8</b>	159.3
<b>Diluted earnings per share (cents)</b>	6	<b>207.2</b>	157.2

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	<b>As at 26 June 2011 Rm</b>	As at 27 June 2010 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>4 115</b>	3 633
Property, plant and equipment	8	<b>2 046</b>	1 991
Investment properties	9	<b>121</b>	121
Intangible assets	10	<b>693</b>	392
Investment in associate	11	<b>46</b>	40
Investment in joint ventures	36	<b>578</b>	574
Prepaid employment costs	12	<b>23</b>	29
Participation in export partnerships	13	<b>59</b>	63
Other loans	14	<b>84</b>	95
Derivative financial instruments	18	<b>–</b>	1
Deferred tax	15	<b>465</b>	327
<b>Current assets</b>		<b>4 950</b>	5 377
Inventories	16	<b>1 892</b>	1 676
Trade and other receivables	17	<b>733</b>	759
Derivative financial instruments	18	<b>10</b>	19
Tax		<b>22</b>	6
Cash and cash equivalents	32.5	<b>2 293</b>	2 917
<b>Total assets</b>		<b>9 065</b>	9 010
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the parent</b>		<b>4 008</b>	3 396
Share capital	19	<b>1</b>	1
Share premium	20	<b>94</b>	61
Treasury shares	19	<b>(1 333)</b>	(1 305)
Non-distributable reserve	21	<b>251</b>	218
Distribution reserves	21	<b>4 995</b>	4 421
<b>Non-controlling interest</b>		<b>85</b>	57
<b>Total shareholders' interest</b>		<b>4 093</b>	3 453
<b>Non-current liabilities</b>		<b>1 460</b>	1 362
Interest-bearing borrowings	22	<b>514</b>	521
Operating lease accrual	23	<b>455</b>	447
Derivative financial instruments	18	<b>–</b>	15
Post-retirement medical benefit liability	24	<b>315</b>	292
Deferred tax	15	<b>176</b>	87
<b>Current liabilities</b>		<b>3 512</b>	4 195
Trade and other payables	23	<b>3 148</b>	2 608
Provisions	25	<b>269</b>	248
Derivative financial instruments	18	<b>78</b>	20
Tax		<b>1</b>	285
Overdrafts and short-term interest-bearing borrowings	22	<b>16</b>	1 034
<b>Total equity and liabilities</b>		<b>9 065</b>	9 010

## GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Share capital Rm	Share premium Rm	Treasury shares Rm
<b>Shareholders' interest at 28 June 2009</b>		<b>1</b>	<b>142</b>	<b>(317)</b>
Issue of ordinary shares	19 & 20	–	666	(619)
Share repurchase	19	–	–	(410)
Share repurchase costs		–	–	–
Distributions to shareholders	31	–	(747)	41
Share-based payments	19	–	–	–
Total comprehensive income for the year		–	–	–
<b>Shareholders' interest at 27 June 2010</b>		<b>1</b>	<b>61</b>	<b>(1 305)</b>
Issue of ordinary shares	19 & 20	–	33	–
Shares repurchased and cancelled	19	–	–	–
Share repurchase	19	–	–	(146)
Share repurchase costs		–	–	–
Distributions to shareholders	31	–	–	–
Share-based payments	19	–	–	–
Settlement of share-based payments		–	–	118
Non-controlling interest arising on business acquisitions	35	–	–	–
Total comprehensive income for the year		–	–	–
<b>Shareholders' interest at 26 June 2011</b>		<b>1</b>	<b>94</b>	<b>(1 333)</b>

		2011	2010
<b>Distributions per share declared for the financial year (cents)</b>	31		
Ordinary shares		<b>143.5</b>	105.0
Interim		<b>50.5</b>	38.0
Final		<b>93.0</b>	67.0
Preference shares		<b>61.4</b>	30.8
Interim		<b>16.8</b>	8.7
Final		<b>44.6</b>	22.1



Non-distributable reserve	Distributable reserves					
Foreign currency translation reserve Rm	Share-based payments reserve Rm	Financial instrument revaluation reserve Rm	Retained profit Rm	Shareholders' interest before non-controlling interest Rm	Non-controlling interest Rm	Total Rm
<b>207</b>	<b>203</b>	<b>(45)</b>	<b>2 834</b>	<b>3 025</b>	<b>47</b>	<b>3 072</b>
-	-	-	-	47	-	47
-	-	-	-	(410)	-	(410)
-	-	-	(1)	(1)	-	(1)
-	-	-	(12)	(718)	(7)	(725)
-	149	-	-	149	-	149
11	-	35	1 258	1 304	17	1 321
<b>218</b>	<b>352</b>	<b>(10)</b>	<b>4 079</b>	<b>3 396</b>	<b>57</b>	<b>3 453</b>
-	-	-	-	33	-	33
-	-	-	(193)	(193)	-	(193)
-	-	-	-	(146)	-	(146)
-	-	-	(1)	(1)	-	(1)
-	-	-	(918)	(918)	(5)	(923)
-	186	-	-	186	-	186
-	(13)	-	(105)	-	-	-
-	-	-	-	-	17	17
33	-	(13)	1 631	1 651	16	1 667
<b>251</b>	<b>525</b>	<b>(23)</b>	<b>4 493</b>	<b>4 008</b>	<b>85</b>	<b>4 093</b>

## GROUP STATEMENT OF CASH FLOWS

	Note	52 Weeks to 26 June 2011 Rm	52 weeks to 27 June 2010 Rm
<b>Cash flow from operating activities</b>			
Cash inflow from trading	32.1	2 848	2 210
Working capital movements	32.2	377	215
<b>Cash generated by operating activities</b>		<b>3 225</b>	2 425
Investment income		123	167
Finance costs paid		(95)	(152)
Tax paid	32.3	(985)	(367)
<b>Cash generated by operations</b>		<b>2 268</b>	2 073
Dividends received from associate		1	1
Dividends received from joint ventures		125	35
Distributions to shareholders	32.4	(923)	(725)
<b>Net cash inflow from operating activities</b>		<b>1 471</b>	1 384
<b>Cash flow from investing activities</b>			
Investment in property, plant and equipment and intangible assets to maintain operations		(364)	(267)
Investment in property, plant and equipment and intangible assets to expand operations		(281)	(332)
Proceeds on disposal of property, plant and equipment and intangible assets		60	56
Acquisition of franchise operations	35	(207)	–
Participation in export partnerships		2	1
Loans and advances repaid by employees and share scheme participants		19	38
<b>Net cash outflow from investing activities</b>		<b>(771)</b>	(504)
<b>Cash flow from financing activities</b>			
Shares issued		33	47
Shares repurchased	19	(339)	(410)
Share repurchase costs		(1)	(1)
Finance lease payments		(18)	(20)
Short-term borrowings (repaid) / raised		(1 020)	20
Acquisitions – non-controlling interest		17	–
<b>Net cash outflow from financing activities</b>		<b>(1 328)</b>	(364)
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(628)</b>	516
<b>Net cash and cash equivalents at the beginning of the year</b>		<b>2 917</b>	2 391
<b>Effect of foreign exchange rate changes</b>		<b>4</b>	10
<b>Net cash and cash equivalents at the end of the year</b>		<b>2 293</b>	2 917

---

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

---

## 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated annual financial statements of Woolworths Holdings Limited ("the company") for the 52 weeks ended 26 June 2011 comprise the company, its subsidiaries, joint ventures and associate (together referred to as "the Group").

---

### STATEMENT OF COMPLIANCE

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), and the South African Companies Act, (71 of 2008), as amended.

---

### BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis, except where otherwise indicated.

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, except where the Group has adopted the IFRS and IFRIC interpretations and amendments listed below that became effective during the year. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative periods were provided.

**\* IFRS 2 (Revised) Share-based Payment: Group Cash-settled share-based payment arrangements – amendment (effective 1 January 2010):**

The amendments to IFRS 2 clarify that for share-based payment transactions among group entities, in the separate financial statements the entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. In all other circumstances, the entity receiving the goods or services shall measure the goods and services as a cash-settled share-based payment transaction.

The entity settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction.

**\* IFRS 3 (Revised) Business Combinations (effective 1 July 2010):**

The option to measure non-controlling interests either at fair value or the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the

event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

**\* Annual Improvements to IFRS**

In April 2009 and May 2010 the International Accounting Standards Board (IASB) issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. In some instances, the adoption of these amendments resulted in minor changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Various other new and amended IFRS and IFRIC interpretations that have been issued and are effective, have not been adopted by the Group as they are not applicable to its activities.

---

### BASIS OF CONSOLIDATION

The Group consolidates all of its subsidiaries. Accounting policies are applied consistently in all Group companies. The results of subsidiaries are included from the effective date of acquisition up to the effective date of disposal. All subsidiaries with the exception of the Woolworths Holdings Share Trust and the Woolworths Employee Share Ownership Trust have financial periods ending 26 June and are consolidated to that date. The results of subsidiaries with year ends differing from that of the Group are compiled for a rolling 12-month period ending 26 June and consolidated to that date.

The Group's interests in joint ventures and associate are accounted for by using the equity method of accounting.

All intragroup balances, transactions, income and expenses and profit or losses resulting from intragroup transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without leading to control being obtained or given up, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

---

### FOREIGN CURRENCY TRANSLATIONS

The presentation and functional currency of the Group and the company financial statements is the South African Rand.

Foreign currency transactions are recorded at the exchange rates ruling on the transaction dates. Monetary assets and liabilities designated in foreign currencies are subsequently translated at rates of exchange ruling at the reporting date, gains and losses thereon are recognised in profit or loss. Upon settlement, foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the settlement date and resulting gains and losses are recognised in profit or loss. Non-monetary assets and liabilities are consistently

---

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

translated at rates of exchange ruling at acquisition date.

Foreign operations are translated from their functional currency into rand at the rates of exchange ruling at the reporting date in respect of statement of financial position items and at an average rate per month in respect of statement of comprehensive income items. Gains and losses on the translation of foreign operations are recognised in other comprehensive income.

Translation gains and losses arising on loans which form part of the net investment in the foreign operation are reported in profit or loss in the company extending or receiving the loan. In the consolidated financial statements they are carried in equity until realised, and they are recognised in profit or loss.

---

### USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and subsequent years if the revision affects both.

### SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programmes, relevant market information, manner of recovery and management consideration.

In assessing residual values, the Group considers the remaining life of the asset, its projected disposal value and future market conditions. Refer to note 8.

#### PROVISION FOR NET REALISABLE VALUE OF INVENTORY

The provision for net realisable value of inventory represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting date will be sold below cost. Refer to note 16.

#### FAIR VALUE OF RIGHT TO ACQUIRE EQUITY INSTRUMENTS GRANTED

The fair value of rights to acquire shares granted in terms of share-based payment transactions is obtained using option pricing models and, in the case of options, assuming an option life of between 7 and 10 years, while convertible preference shares issued in terms of the broad based black economic empowerment scheme have a life of 8 years terminating in 2015. Other valuation assumptions include estimates of the volatility of the shares, dividend yield and the risk-free interest rate. Refer to note 19 for additional information regarding the fair value of such instruments at grant date.

#### REACQUIRED RIGHTS

The fair value attached to the reacquired rights is determined with the use of a discounted cash flow which takes into account the remaining term of the franchise agreement. The Group determines whether these assets are impaired at each reporting date. Key assumptions applied to the earnings portion of a discounted cash flow calculation include the sales growth rate, operating margin, return on investment, reinvestment of profits, working capital requirements and capital expenditure. The growth rate used to extrapolate cash flows beyond the most recent budget period is also estimated. In determining the discount rate applied to calculate the present value of future earnings, the Group estimates the market risk return. Refer to note 35.

#### IMPAIRMENT OF FINANCIAL ASSETS LOANS AND RECEIVABLES

When evidence of impairment of loans and receivables exists, the present value of the future cash flows of the asset discounted at the asset's original effective interest rate is determined and compared to the carrying value of the asset. Management judgement is required in the estimation of future cash flows.

#### PROVISION FOR EMPLOYEE BENEFITS

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are performed to assess the financial position of relevant funds and are based on assumptions which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions. Refer to note 24.

#### SIGNIFICANT JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The following areas require significant judgements to be made by management in the application of the Group's accounting policies.

#### PROBABILITY OF VESTING OF RIGHTS TO EQUITY INSTRUMENTS GRANTED IN TERMS OF SHARE-BASED PAYMENT SCHEMES

The cumulative expense recognised in terms of the Group's share-based payment schemes reflects the extent, in the opinion of the directors, to which the vesting period has expired and the number of rights to equity instruments granted that will ultimately vest.

At each reporting date, the unvested rights are adjusted by the number forfeited during the period to reflect the actual number of instruments outstanding. Management is of the opinion that this represents the most accurate estimate of the number of instruments that will ultimately vest.

## INCOME TAXES

The Group is subject to income tax in more than one jurisdiction. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

## DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

IFRIC 4 identifies situations where an arrangement entered into may have to be accounted for as a lease. The interpretation concludes that an arrangement is a lease when fulfilment thereof is dependent on the use of specific assets; and, when the arrangement conveys the right to use those assets. Judgement is exercised in assessing whether existing supplier agreements may contain a lease. In the opinion of management, the requirements of IFRIC 4 were not met during the current year as suppliers do not have to use specific assets to fulfil their supply obligation and, although the Group enforces stringent quality standards on goods sourced, it has no control over how assets are used. In addition, purchases are priced per individual order and the Group does not control physical access to suppliers' assets.

## CONSOLIDATION OF THE GROUP'S SHARE TRUSTS

The Group operates a share incentive scheme and a broad based black economic empowerment scheme through separate share trusts. These trusts are operated for the purposes of incentivising staff to promote the continued growth of the Group, and to promote black economic empowerment. The trusts are funded by loan accounts from companies within the Group and by dividends received from Woolworths Holdings Limited. The Group retains the residual risks associated with the trusts. In the judgement of management, the appropriate accounting treatment for these entities is to consolidate their results.

## PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recognised at cost which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, buildings and leasehold improvements are shown at cost less accumulated depreciation and any impairment in value. Land is measured

at cost, less any impairment in value. The property portfolio is valued internally on an annual basis and every three years by independent valuers for additional disclosure purposes. Furniture, fittings, motor vehicles and computers are shown at cost less accumulated depreciation and any impairment in value.

Subsequent expenditure including the cost of replacing parts of the asset, other than day-to-day servicing costs, are included in the cost of the asset when incurred if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the company, and the cost is reliably measurable.

An asset is depreciated from the time that it is available for use. Depreciation of an asset ceases at the earlier of the date the asset (or disposal group into which the asset falls) is classified as held for sale or included in a discontinued operation in accordance with IFRS 5 and the date that the asset is derecognised. The depreciable amount of an asset, being the cost of the asset less the residual value, is allocated on a straight-line basis over the estimated useful life of the asset. Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Whilst residual value is equal to or exceeds the carrying value, depreciation is discontinued.

Each part of an item of property, plant and equipment with a cost which is significant in relation to the total cost of the item is depreciated separately.

The residual values, useful lives and depreciation methods applied to assets are reviewed at each financial year-end based on relevant market information and management consideration.

Useful lives per asset category:

Buildings	15 to 40 years
Leasehold improvements	Written off over the lease period or shorter period if appropriate
Furniture, fittings and equipment	2 to 15 years
Computers	3 to 7 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in other operating costs in the year the asset is derecognised.

Items of property, plant and equipment are assessed for impairment as detailed in the accounting policy note on impairment.

---

## INTANGIBLE ASSETS

Intangible assets are initially recognised at cost, if acquired separately, or at fair value if acquired as part of a business combination. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised, but expensed in profit or loss in the year during which the expenses are incurred.

Other than goodwill, all of the Group's intangible assets are assessed as having finite useful lives. The Group's intangible assets are amortised over their useful lives using a straight-line basis. Computer software is amortised over a period between 5 to 10 years. Reacquired rights are amortised over the remaining contractual term of the franchise contracts acquired.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The residual value of an intangible asset may increase to an amount equal to or greater than the asset's carrying amount. Amortisation of intangible assets cease when the residual value is equal to or exceeds the carrying value.

The residual value of an intangible asset shall be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or if the residual value can be determined by reference to an active market and it is probable that the market will still exist at the end of the asset's useful life.

Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or is included in a disposal group that is classified as held for sale), or the date that the asset is derecognised.

Subsequent expenditure on intangible assets is capitalised if it is probable that future economic benefits attributable to the asset will flow to the Group and the expenditure can be reliably measured.

Intangible assets are derecognised upon disposal or where no future economic benefits are expected. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset. These gains and losses are recognised in profit or loss when the asset is derecognised.

Intangible assets are tested for impairment if indications of impairment exists. For impairment of intangible assets, refer to the policy on impairment of non-financial assets.

## COMPUTER SOFTWARE

Computer software acquired from external suppliers is initially recognised at cost. Computer software development

costs are capitalised if the recognition criteria outlined below under "Research and development" are met.

## RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred.

Development costs are recognised as an expense in the period in which they are incurred unless the technical feasibility of the asset has been demonstrated and the intention to complete and utilise the asset is confirmed. Capitalisation commences when it can be demonstrated how the intangible asset will generate probable future economic benefits, that it is technically feasible to complete the asset, that the intention and ability to complete and use the asset exists, that adequate financial, technical and other resources to complete the development are available and the costs attributable to the process or product can be separately identified and measured reliably.

## GOODWILL

Goodwill on acquisitions of subsidiaries is recognised as an asset and initially measured at cost.

After initial recognition, goodwill on acquisitions of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation can be made to a single cash generating unit or a group of cash generating units.

Goodwill is tested for impairment at every financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill is allocated. Where the cash generating unit's recoverable amount is less than its carrying value, an impairment loss is recognised. An impairment loss for goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill at year end.

Goodwill on acquisitions of equity accounted associates and joint ventures is included in the investments in associates or joint ventures and tested for impairment as part of the carrying value of the investment. Goodwill recognised on the acquisition of the associates or joint ventures (equity accounted) is calculated as the difference between the cost of the investment and the fair value of the proportionate net assets obtained. Any excess of the fair value of the proportionate net assets acquired over the cost of the investment is included in the profit or loss of the investor, in the year when acquired, as part of the proportionate share in the associates profit after tax.

When part of a cash generating unit that contains goodwill is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal. Goodwill disposed of in this manner is measured on the relative values of the operation disposed of and the portion of the cash generating unit retained.

---

## BUSINESS COMBINATIONS

All business combinations are accounted for by applying the acquisition method. Goodwill can arise on the acquisition of businesses and subsidiaries and represents the excess of the fair value of the consideration paid for the business consideration, the fair value of any existing interests and the value of non-controlling interest over the fair value of the net assets acquired. Any gain from a bargain purchase is recognised in profit or loss immediately. The fair value of the consideration paid is the fair value at the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree. Acquisition costs incurred are expensed.

---

## INVESTMENT PROPERTIES

Investment properties are land and buildings which are held either to earn rental income or for capital appreciation, or both.

Investment properties are accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property, plant and equipment.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in other operating costs in the year of retirement or disposal. Transfers are made from investment properties when there is a change in use or when the carrying amount will be recovered principally through a sale transaction.

---

## PREPAID EMPLOYMENT COSTS

Prepaid employment costs are recognised when loans are granted to employees in terms of the Group's share purchase scheme. The favourable terms on which the loans are granted create an enduring benefit to the Group in the form of incentivised staff.

Prepaid employment costs are initially recognised at an amount equal to the fair value adjustment on initial recognition of the share loans that give rise to the prepayment.

These costs are amortised to profit or loss over the period in which services are rendered by employees.

---

## TAXES

### CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and laws used to compute the amount are those enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset if the company has a legally enforceable right to offset the recognised

amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### DEFERRED TAX

Deferred tax is provided on the statement of financial position liability basis on the temporary differences at the reporting date between the carrying values, for financial reporting purposes, and tax bases of assets and liabilities.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profit will allow the deferred tax asset to be utilised, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable profit or loss. In respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilised.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available for utilisation of the asset.

Deferred tax liabilities are recognised for taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax liabilities are not recognised when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying values of its assets and liabilities.

Current and deferred tax is credited or charged directly to equity or other comprehensive income if it relates to items credited or charged directly to equity or other comprehensive income.

Deferred tax assets and liabilities are offset if the company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or different

---

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

taxable entities that intend to settle current tax assets and liabilities on a net basis, or realise the asset and settle the liability simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **SECONDARY TAX ON COMPANIES ("STC")**

STC including STC arising on the repurchase by the company of its own equity instruments is accounted for as part of the tax charge in the statement of comprehensive income and not as a deduction directly from equity, in the same period as the related dividend.

---

### **CURRENT ASSETS AND LIABILITIES**

Current assets and liabilities have maturity terms of less than 12 months or are expected to be settled in the Group's normal operating cycle.

---

### **INVENTORIES**

Merchandise, raw materials and consumables are initially recognised at cost, determined using the weighted average cost formula.

Subsequent to initial recognition, inventories are measured at the lower of cost and net realisable value. Net realisable value of merchandise is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Management estimate, based on their assessment of quality and volume, the extent to which merchandise on hand at the reporting date will be sold below cost.

Raw materials and consumables held for packaging of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

The carrying amount of inventories sold is recognised as an expense in the period in which the related revenue is recognised.

---

### **LEASES**

Finance leases are leases whereby substantially all the risks and rewards of ownership are transferred to the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset and the lease period, with a corresponding liability raised on the statement of financial position. The asset and liability is recognised at the commencement date at the lower of the fair value of the leased asset or the present value of the minimum lease payments calculated using the interest rate implicit in the lease at the inception of the lease. Any initial direct costs incurred are added to the amount recognised as an asset. Related finance costs are charged to profit or loss over the period of the lease using the effective interest rate method.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as

operating leases. Operating lease expenses and income with fixed escalation clauses (net of any incentive received from the lessor or incentives given to the lessee) are recognised in profit or loss on a straight line basis over the lease term. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset. Contingent rental escalations, such as those relating to turnover, are expensed in the period in which the escalation is determined.

---

### **SHORT-TERM EMPLOYEE BENEFITS**

Short-term employee benefits include salaries, bonuses, allowances and other fringe benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount and the obligation can be estimated reliably.

---

### **RETIREMENT BENEFITS**

Current contributions to defined contribution retirement funds are based on a percentage of the pensionable payroll and are recognised as an employee benefit expense when they are due. The Group has no further payment obligations once the contributions are paid.

The Group has an obligation to provide certain post-employment medical aid benefits to certain employees and pensioners. The calculated cost arising in respect of post-retirement medical aid benefits is charged to profit or loss as services are rendered by employees. The present value of future medical aid subsidies for past and current service is determined in accordance with IAS 19 Employee Benefits using actuarial valuation models. The cost of providing benefits under the plan is determined using the projected unit credit valuation method. Plan assets are assets which can only be used to satisfy the obligations of the fund and are measured at fair value. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the greater of the defined obligation and the fair value of the plan assets. The gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan. Any curtailment benefits or settlement amounts are recognised against income as incurred.

---

### **SHARE-BASED PAYMENT TRANSACTIONS**

Shares and rights to acquire shares granted to employees in terms of the Group's share incentive and black economic empowerment schemes, meet the definition of share-based payment transactions. Refer to note 19 for a detailed description of each of the schemes.



---

For share-based payment transactions among Group entities, in the separate financial statements, the entity receiving the goods or services measures the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. In all other circumstances, the entity receiving the goods or services shall measure the goods or services as a cash-settled share-based payment transaction. The entity settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction.

In its separate financial statements, the company accounts for the share-based payments transaction as an equity-settled share-based payment arrangement with a corresponding increase in its investment in subsidiaries.

The equity-settled share-based payment programmes allow Group employees to acquire shares in the company. The fair value of rights to acquire shares granted in the form of share options and convertible preference shares is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period in which the employees become unconditionally entitled to these rights. The fair value of the grants is measured using option pricing models, taking into account the terms and conditions under which the rights to acquire the shares were granted. In valuing the grants, market conditions imposed, where applicable, on the vesting or exercisability of the share rights are taken into account. No adjustments to the cost of share-based payment schemes are made if a market condition is not satisfied.

Non-vesting conditions are treated similarly to market conditions and are only taken into account to determine the fair value at grant date of the equity instruments granted. Where an award does not vest as the result of a failure to meet a non-vesting condition within the control of either the entity or the counterparty, it is accounted for as a cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. In such cases, the expense based on grant date fair value is still recognised over the vesting period unless a vesting condition is not met (whereby the award is forfeited).

Where shares were granted at a discount to the ruling market price, the intrinsic value was expensed over the vesting period of the grant. Changes in estimates of the number of shares or rights to acquire shares that will ultimately vest are included in the charge for the year. No subsequent adjustments are made to total equity after the vesting date.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the amount measured at the grant date at the fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other

than a market condition) that was specified at grant date. In addition, the Group recognises, over the remainder of the vesting period, the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee as measured at the date of the modification.

Where an equity-settled award is cancelled by the Group, it is accounted for as an acceleration of the vesting of the awards. It is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Outstanding rights to acquire shares could result in share dilution in the computation of earnings per share (refer to note 6).

---

## PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

---

## FINANCIAL INSTRUMENTS

### RECOGNITION AND MEASUREMENT

Financial instruments are initially recognised on the statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, which includes directly attributable transaction costs in the case of financial assets and liabilities not at fair value through profit or loss. Subsequent measurement for each category is specified in the sections below.

### DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is derecognised where the right to receive cash from the asset has expired, or the Group has transferred the asset and the transfer qualifies for derecognition. A transfer qualifying for derecognition occurs when the Group transfers the contractual rights to receive the cash flows of the financial asset, or retains the rights but assumes a contractual obligation to pay those cash flows in full without material delay to a third party under a 'pass-through' arrangement, or where the Group has transferred control or substantially all the risks and rewards of the asset. Where the Group has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

---

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. An exchange between the Group and an existing lender of debt instruments with substantially different terms or a substantial modification to an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The resulting difference between the carrying value on derecognition of the financial instrument and the amount received or paid is taken to profit or loss.

### FAIR VALUE

The fair value of instruments traded in an active market is determined with reference to quoted market bid and ask prices at close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analysis and option pricing models. The fair value of short-term receivables and payables with no stated interest rate may be measured at original invoice amount unless the effect of imputing interest is significant.

### OFFSET

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

### FINANCIAL ASSETS

The trade date method of accounting has been adopted for "regular way" purchases or sales of financial assets. The Group categorises its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

### LOANS AND RECEIVABLES

After initial recognition, such assets are carried at amortised cost, using the effective interest rate method, less accumulated impairment. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group has classified the following financial assets as loans and receivables:

#### – PARTICIPATION IN EXPORT PARTNERSHIPS

Amortised cost is the Group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability. A corresponding deferred tax liability is recorded, equal to the cost of original participation together with the Group's share of the partnership gross

profit less the Group's share of subsequent amounts received by the partnership.

#### – OTHER LOANS

Other loans comprise housing and other employee loans as well as loans to participants in the Group of share purchase schemes.

#### – TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise all trade and non-trade debtors other than financial services debtors. Short-duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

#### – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand as well as short-term deposits held at call with banks.

#### – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading or designated as at fair value through profit or loss. All derivative financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss unless they are designated as a hedging instrument in an effective hedge.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. After initial recognition, derivative financial instruments are measured at their fair values. Gains and losses arising on the change in the fair value of financial assets or liabilities at fair value through profit or loss are recognised under other operating expenses.

To the extent that a derivative instrument has a maturity period of longer than 12 months, the fair value of these instruments will be reflected as a non-current asset or liability.

### FINANCIAL LIABILITIES

Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to accounting policy on hedge accounting).

After initial recognition, financial liabilities are recognised at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit or loss which are measured at fair value.

Finance costs on financial liabilities at amortised cost are expensed in profit or loss in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in profit or loss when the liability is derecognised.

Gains and losses on financial liabilities at fair value through profit or loss arise from fair value movements and related transaction costs on these liabilities. These gains and losses

---

are recognised in profit or loss in the period in which they are incurred.

### **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as at fair value through profit or loss. All derivative financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss unless they are designated as a hedging instrument in an effective hedge.

### **FINANCIAL GUARANTEE CONTRACTS**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when it becomes due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially at fair value. Subsequently, the contract is measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18, unless it was designated as at fair value through profit or loss at inception and measured as such.

Financial guarantees are derecognised when the obligation is extinguished, expires or transferred.

The Group currently does not recognise any financial guarantee contracts as, in the opinion of the directors, the possibility of loss arising from these guarantees is remote.

### **HEDGE ACCOUNTING**

Gains or losses on the effective portion of cash flow hedges in respect of a risk associated with a recognised asset or liability, or highly probable forecast transaction or firm commitment are recognised in other comprehensive income and are recycled to profit or loss when the hedged cash flows impact the profit or loss. The gain or loss on the ineffective portion is recognised in the profit or loss in the period in which it arises. When a hedged forecast transaction is recognised as a non-financial asset or a non-financial liability, the cumulative gains and losses associated with the forecast transaction are removed from equity and included in the initial measurement of the non-financial asset or non-financial liability. When cash flow hedges result in the recognition of a financial asset or a financial liability, the cumulative gains or losses reflected in other comprehensive income are included in profit or loss in the same period in which the related asset or liability affects profit. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment occurs.

Derivative instruments not designated as hedging instruments or subsequently not expected to be effective hedges are classified as held for trading and recognised

at fair value with the resulting gains or losses being recognised in profit or loss in the period in which it arises.

---

## **IMPAIRMENT**

### **NON-FINANCIAL ASSETS**

The carrying amount of the Group's assets, other than goodwill, inventories, joint ventures, associates and deferred tax assets (see accounting policy note on each asset mentioned respectively), is reviewed at each statement of financial position date for any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The recoverable amount is the higher of an asset's or the cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

The excess of an asset's or cash generating unit's carrying amount over its recoverable amount is recognised as an impairment loss in profit or loss.

An impairment recognised previously may be reversed when estimates change as a result of an event occurring after the impairment was initially recognised. When an impairment loss is reversed the carrying value cannot exceed what the carrying value would have been at the date of the reversal had no impairment losses been recognised in the past on the particular asset. A reversal of an impairment loss is recognised in profit or loss.

### **FINANCIAL ASSETS**

The Group assesses at each statement of financial position date whether objective evidence exists that a financial asset or a Group of financial assets is impaired.

### **ASSETS CARRIED AT AMORTISED COST**

If there is objective evidence that assets carried at amortised cost are impaired, the loss is measured as the difference between the asset's carrying amount and present value of future cash flows discounted at its original effective interest rate. When impaired, the carrying amount of the asset is reduced through the use of provision for impairment account, and the amount of the loss is recognised in profit or loss. Assets together with the associated provision for impairment are written off when there is no realistic prospect of future recovery.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or

---

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of an impairment loss decreases due to an event occurring after recognition of the impairment, the previously recognised impairment loss is reversed. Such a reversal is recognised in profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost as if the asset has never been impaired at the reversal date.

For certain categories of loans and receivables, provisions for impairment are recognised based on the following considerations:

### – TRADE AND OTHER RECEIVABLES

For trade and other receivables, a provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Indicators of impairment include long overdue accounts, significant financial difficulties of the debtors and defaults in payments.

---

## TREASURY SHARES

Shares in Woolworths Holdings Limited held by wholly-owned Group companies are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average numbers of shares and the cost price of the shares is deducted from Group equity. Distributions received on treasury shares are eliminated on consolidation. No gains or losses are recognised in the Group statement of comprehensive income on the purchase, sale, issue or cancellation of treasury shares.

---

## INVESTMENT IN JOINT VENTURES AND ASSOCIATES

A joint venture is an entity which the Group jointly controls and an associate is an entity in which the Group has significant influence. The Group's interests in joint ventures and associate are accounted for by using the equity method of accounting, and the investments are accounted for at cost less accumulated impairment in the separate financial statements of the venturer companies.

Under the equity method, an investment in a joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of the net assets of the joint venture. The statement of comprehensive income reflects the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions

between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The share of the profit of a joint venture is shown on the face of the statement of comprehensive income. This is the profit attributable to the equity holding of the joint venture and therefore is profit after tax and non-controlling interests of the joint venture. Any dividend received by the Group is credited against the investment in the joint venture.

Financial results of the joint venture are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in a joint venture. The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the recoverable amount of the joint venture and the carrying value and recognises the amount in profit or loss.

---

## REVENUE

Revenue of the Group comprises:

- Turnover: net merchandise sales, sales to franchisees and logistics services.
- Other revenue: interest, royalties, dividends, rentals, and franchise and other commissions.

Value added tax is excluded.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably.

Revenue is recognised on the following basis:

- sale of merchandise is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandise, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group;
- logistics services relate to the transport of goods on behalf of third parties and is recognised when the service has been provided;
- interest income is recognised as interest accrues using the effective interest rate method;
- royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement;
- dividends are recognised when the shareholder's right to receive payment is established;
- commissions are recognised on an accrual basis in accordance with the substance of the relevant agreement when the sale which gives rise to the commission has occurred; and
- rental income for fixed escalation leases is recognised on a straight-line basis.

---

Contingent rentals are recognised in the period in which they arise.

Revenue is measured at the fair value of the consideration received or receivable and is stated net of related rebates and discounts granted.

---

## BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset, provided it is probable that it will result in future economic benefits to the entity and the costs can be measured reliably. All other borrowing costs are recognised as an expense when incurred.

---

## EXPENSES

Expenses, other than those specifically dealt with in another accounting policy, are recognised in profit or loss when it is probable that an outflow of economic benefits associated with a transaction will occur and that outflow can be measured reliably. Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

---

## EXCEPTIONAL ITEMS

Exceptional items are significant items, of an unusual nature, identified by management as warranting separate disclosure.

---

## SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker (CODM) to allocate resources to the segments and to assess their performance. The CODM has been identified as the Group's executives. Management has determined the operating segments based on the main internal reporting segments. The Group has identified five reportable segments:

- Clothing and General merchandise (C&GM) (Clothing, homeware, beauty and other lifestyle products)
- Food
- Country Road (Clothing retailers)
- Woolworths Financial Services (WFS) (Financial products and services)
- Treasury (Cash management activities)

The executive directors evaluate the segmental performance based on profit or loss before tax and exceptional items. To increase transparency and comparability of revenue, the Group has included additional voluntary disclosure of revenue from logistics services.

---

## EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share is calculated in accordance with Circular 8/2007 issued by the South African Institute of Chartered Accountants.

---

## DISTRIBUTIONS PAID TO SHAREHOLDERS

Distributions are recorded in the period in which the distribution is declared, and charged directly to equity.

---

## IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

The following IFRS and amendments, that are relevant to the Group, have been issued but are not yet effective for the period under review. The Group will adopt these no later than their effective dates.

**\* IFRS 9 Financial Instruments (effective 1 January 2013):** On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied. The IASB intends to expand IFRS 9 to add new requirements for impairment, and hedge accounting.

For Fair value option liabilities, the amount of change that is attributable to changes in credit risk must be presented in other comprehensive income, with the remainder in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9. The current version of IFRS 9 could impact the classification and measurement of financial assets and financial liabilities, the impact of which could be significant for the Group.

The Group is still determining the expected impact of IFRS 9.

**\* IFRS 10 Consolidated Financial Statements (effective 1 January 2013):** New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 establishes a single control model that applies to all entities including "special purpose entities", or "structured entities" as they are now referred to in the new standards. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The guidance that remains in IAS 27 relates primarily to separate financial statements.

- \* **IFRS 11 Joint Arrangements (effective 1 January 2013):** IFRS 11 will replace IAS 31: Interests in Joint Ventures. IAS 31 identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control.  
IFRS 11 will require that investments in joint ventures be equity accounted, while interests in joint operations are accounted for on the basis of the rights and obligations of the investor.
- \* **IFRS 12 Disclosure of Interests in other entities (effective 1 January 2013):** This standard will contain applicable disclosure requirements for subsidiaries, joint ventures, joint operations, associates and unconsolidated structured entities. It will also introduce a new term "structured entities", replacing the term "special purpose entities".
- \* **IFRS 13 Fair Value Measurement (effective 1 January 2013):** IFRS 13 will be a single source of fair value measurement guidance that clarifies the definition of fair value, provides a clear framework for measuring fair value and enhances the disclosures about fair value measurements. By publishing IFRS 13 Fair Value Measurement, the IASB established a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.
- \* **IAS 19 Employee Benefits (as amended in 2011) (effective 1 January 2013):** The IASB has issued numerous amendments to IAS 19. These range from fundamental changes like removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Actuarial gains and losses will be recognised in other comprehensive income as they occur. Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement.
- \* **IAS 24 Related Party Disclosures (effective 1 January 2011):** The amendments simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. In broad terms, two parties are related to each other if one party controls, jointly controls or significantly influences, the other party.  
The Group expects that adoption of the pronouncements listed above with the exception of IFRS 9 will have no material financial impact on the reported results in the period of initial application. However, the Group will comply with the additional disclosure requirements resulting from such initial application. Various other new and amended IFRS and IFRIC interpretations have been issued and are effective, have not been adopted by the Group as they are not applicable to its activities.



NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2011 Rm	2010 Rm
<b>2. REVENUE</b>		
Turnover	<b>25 582</b>	23 393
Clothing and General merchandise	<b>11 564</b>	10 749
Food	<b>13 535</b>	12 227
Logistics services and other	<b>483</b>	417
Investment income	<b>132</b>	175
Interest earned from cash and investments	<b>124</b>	164
Other	<b>8</b>	11
Other revenue	<b>127</b>	95
Rentals	<b>28</b>	26
Other	<b>99</b>	69
	<b>25 841</b>	23 663
<b>3. PROFIT BEFORE TAX INCLUDES:</b>		
<b>3.1 OPERATING LEASE EXPENSES</b>		
Land and buildings – rentals*	<b>1 067</b>	952
Plant and equipment	<b>18</b>	3
Provision for onerous lease commitments	<b>15</b>	8
<b>3.2 AUDITORS' REMUNERATION:</b>		
Audit fee	<b>9</b>	8
current year	<b>9</b>	8
Tax advisory and other services	<b>2</b>	2
<b>3.3 NET FOREIGN EXCHANGE LOSS/(PROFIT)</b>	<b>29</b>	(65)
<b>3.4 OTHER EXPENSES</b>		
Technical and consulting service fees	<b>76</b>	53
Depreciation and amortisation (refer to notes 8 & 10)	<b>489</b>	442
Impairment of property, plant and equipment	<b>24</b>	–
Loss on sale of property, plant and equipment and intangible assets	<b>4</b>	24
Unwinding of discount of provisions	<b>4</b>	4
Loss/(Profit) on fair value movements arising from derivative instruments	<b>15</b>	(2)
<b>3.5 EMPLOYMENT COSTS</b>	<b>3 166</b>	2 858
Short-term employment benefits	<b>2 769</b>	2 534
Share-based payments expense	<b>142</b>	106
Pension costs (refer to note 24)	<b>207</b>	186
Post-retirement medical benefit (refer to note 24)	<b>35</b>	30
Termination and other benefits	<b>13</b>	2
<b>3.6 FINANCE COSTS</b>		
Bank borrowings and overdrafts	<b>84</b>	151

\* Other occupancy costs of R64m has been excluded from the prior year Land and buildings – rentals.



	<b>2011 Rm</b>	2010 Rm
<b>4. TAX</b>		
Current year		
South Africa		
Normal tax	<b>603</b>	525
Deferred tax relating to the origination and reversal of temporary differences	<b>(41)</b>	(52)
Secondary tax on companies	<b>77</b>	–
Foreign tax	<b>33</b>	21
	<b>672</b>	494
Prior year		
Normal tax		
South Africa	<b>(17)</b>	(8)
Foreign	<b>(10)</b>	–
Deferred tax		
South Africa	<b>7</b>	5
Foreign	<b>7</b>	–
	<b>659</b>	491
	<b>2011 %</b>	2010 %
The rate of tax on profit is reconciled as follows:		
Standard rate	<b>28.0</b>	28.0
Disallowable expenditure	<b>0.3</b>	0.1
Share-based payments	<b>(0.5)</b>	0.7
Exempt income	<b>(0.6)</b>	–
Prior years	<b>(0.6)</b>	(0.2)
Secondary tax on companies	<b>3.3</b>	–
Foreign tax	<b>0.1</b>	0.1
Woolworths Financial Services	<b>(1.6)</b>	(1.2)
Other	<b>0.2</b>	0.4
Effective tax rate	<b>28.6</b>	27.9

## 5. EARNINGS PER SHARE

### BASIC AND HEADLINE EARNINGS

	Profit before tax Rm	Tax Rm	Minority share- holders' interest Rm	Attrib- utable profit Rm
<b>2011</b>				
Per the financial statements	2 306	(659)	(16)	1 631
BEE preference dividend paid	(19)	–	–	(19)
Basic earnings	2 287	(659)	(16)	1 612
Adjustments:				
Loss on disposal of property, plant and equipment and intangibles	4	(1)	–	3
Impairment of property, plant and equipment	24	(7)	–	17
Headline earnings	2 315	(667)	(16)	1 632
<b>2010</b>				
Per the financial statements	1 759	(491)	(10)	1 258
BEE preference dividend paid	(11)	–	–	(11)
Basic earnings	1 748	(491)	(10)	1 247
Adjustments:				
Loss on disposal of property, plant and equipment	24	(7)	–	17
Headline earnings	1 772	(498)	(10)	1 264

### WEIGHTED AVERAGE NUMBER OF SHARES

The weighted average number of ordinary shares in issue is calculated after eliminating shares repurchased during the year.

	Number of shares	
	2011	2010
Weighted average number of shares	759 496 127	768 040 305
Number of issued shares at the beginning of the year	759 464 119	774 731 831
Weighted average number of shares repurchased during the year	(2 181 712)	(9 189 868)
Weighted average number of shares issued during the year	2 213 720	2 498 342
<b>EARNINGS PER SHARE (CENTS)</b>		
Basic	212.2	162.4
Headline	214.9	164.6

	<b>2011 Rm</b>	2010 Rm
<b>6. DILUTED EARNINGS PER SHARE</b>		
<b>DILUTED EARNINGS</b>		
Basic earnings	<b>1 612</b>	1 247
Adjust for profit impact of assumed conversion of the dilutive potential ordinary shares:		
Pre-tax BEE preference dividend*	<b>–</b>	12
Diluted earnings	<b>1 612</b>	1 259
Headline adjustment	<b>20</b>	17
Diluted headline earnings	<b>1 632</b>	1 276

#### **DILUTED WEIGHTED AVERAGE NUMBER OF SHARES**

	<b>Number of shares</b>	
	<b>2011</b>	2010
Weighted average number of shares	<b>759 496 127</b>	768 040 305
Potential dilutive effect of outstanding number of share options	<b>18 444 030</b>	33 002 636
Diluted weighted average number of shares	<b>777 940 157</b>	801 042 941

The dilution arises from the outstanding in-the-money share incentive scheme share options that will be issued to employees at a value lower than the weighted average traded price during the past financial year.

#### **DILUTED EARNINGS PER SHARE (CENTS)**

Basic	<b>207.2</b>	157.2
% dilution	<b>2.4%</b>	3.2%
Headline	<b>209.8</b>	159.3
% dilution	<b>2.4%</b>	3.2%

\* The Group's BEE scheme is anti-dilutive in the current year.

## **7. RELATED PARTY TRANSACTIONS**

### **RELATED PARTIES**

The related party relationships, transactions and balances as listed below exist within the Group.

### **HOLDING COMPANY**

Refer to note 8 of the company annual financial statements for the transactions between the holding company and subsidiaries.

### **SUBSIDIARIES**

During the year, Group companies entered into various transactions. These transactions were entered into in the ordinary course of business. All such intragroup related party transactions and outstanding balances are eliminated in preparation of the consolidated financial statements of the Group.

**7. RELATED PARTY TRANSACTIONS (CONTINUED)**

**JOINT VENTURES**

The following related party transactions and balances occurred between the Group and the joint ventures:

	<b>2011 Rm</b>	2010 Rm
<b>WOOLWORTHS FINANCIAL SERVICES (PROPRIETARY) LIMITED</b>		
Service costs received by Woolworths (Proprietary) Limited	<b>102</b>	92
Merchant fee income paid by Woolworths (Proprietary) Limited	<b>(87)</b>	(81)
Accounts receivable by Woolworths (Proprietary) Limited	<b>39</b>	68
Accounts payable by Woolworths (Proprietary) Limited	<b>(12)</b>	(68)
<b>NEDGLEN PROPERTIES (PROPRIETARY) LIMITED</b>		
Rental paid by Woolworths Development (Proprietary) Limited	<b>(2)</b>	(2)
<b>ASSOCIATE</b>		
The following related party transactions and balances occurred between the Group and the associate:		
<b>RETAIL RISK MANAGEMENT ALLIANCE TRUST</b>		
Insurance premium paid by Woolworths (Proprietary) Limited	<b>(31)</b>	(30)
Dividend received by Woolworths (Proprietary) Limited	<b>1</b>	1
<b>KEY MANAGEMENT PERSONNEL</b>		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited and Woolworths (Proprietary) Limited. Key management personnel has been defined as the Board of directors of the holding company and the major operating subsidiary Woolworths (Proprietary) Limited, and the Chief executive officer of Country Road Limited. The definition of related parties include close family members of key management personnel. The Group has not engaged in transactions with close family members of key management personnel during the financial year.		
<b>KEY MANAGEMENT COMPENSATION</b>		
Short-term employee benefits	<b>51</b>	69
Woolworths Holdings Limited directors	<b>41</b>	64
Other key management personnel	<b>10</b>	5
Post-employment benefits		
Woolworths Holdings Limited directors	<b>1</b>	2
IFRS 2 value of share based payments expensed		
Woolworths Holdings Limited directors	<b>16</b>	11
	<b>68</b>	82

Short-term employee benefits comprise salaries, directors fees and bonuses payable within twelve months of the end of the year.

Post-employment benefits comprise of expenses determined in terms of IAS 19: Employee Benefits in respect of the Group's retirement and healthcare funds.

	<b>2011 Rm</b>	2010 Rm
<b>7. RELATED PARTY TRANSACTIONS (CONTINUED)</b>		
<b>SHARE PURCHASE SCHEME LOANS AND INVESTMENTS</b>		
Loans and investments at the beginning of the year	<b>61</b>	67
Loans repaid during the year	<b>(9)</b>	(6)
Loans and investments at the end of the year	<b>52</b>	61
<p>Details of the terms and conditions relating to these loans are disclosed in note 15. No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2010: nil).</p>		
<b>WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS</b>		
Balance outstanding at the beginning of the year	<b>2</b>	1
Annual spend	<b>2</b>	2
Annual repayments	<b>(2)</b>	(1)
Balance outstanding at the end of the year	<b>2</b>	2

Purchases made by key management personnel are at standard discounts granted to all employees of the company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other card holders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths visa credit card accounts of key management personnel (2010: nil).

#### **POST-EMPLOYMENT BENEFIT PLAN**

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of Country Road employees are disclosed in note 24 to the annual financial statements.

## NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### DIRECTORS' FEES AND EMOLUMENTS 2011

Emoluments paid to directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 26 June 2011 and comparatives for 27 June 2010 are set out below:

2011		Guaranteed pay				Short-term performance bonus	Long-term benefits		Retention
Name	Notes	Remuneration (1) R000's	Retirement, medical and related benefits R000's	Other benefits (2) R000's	Total guaranteed pay R000's	Performance bonus R000's	Interest-free loan benefit (3) R000's	Fair value of shares and options granted (4) R000's	Fair value of restricted shares (5) R000's
<b>Executive directors</b>									
Ian Moir	(6)	5 119	23	170	5 312	8 250		1 019	5 210
Simon Susman	(7)	1 660	273	13	1 946	2 839	869	1 136	
Norman Thomson		2 659	260	42	2 961	4 386	1 211	1 698	781
Zyda Rylands		2 761	580	18	3 359	4 861	998	2 637	1 344
		12 199	1 136	243	13 578	20 336	3 078	6 490	7 335

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R'000	Risk committee member R000's	Nominations committee member R000's	Sustainability committee member R000's	Transformation committee member R000's	Other benefits R000's	Total non-executive directors' fees R000's
<b>Non-executive directors</b>										
Buddy Hawton	(8)	850		155		75		30	7	1 117
Simon Susman	(9)	129		39	30	23	30	30	1 801	2 082
Peter Bacon	(10)	170	23	78	60				16	347
Lindiwe Bakoro		170	90		60				9	329
Tom Boardman	(11)	142		58			23	30	6	259
Nigel Colne	(12)	203	45	39	30	23			1	341
Brian Frost	(13)	85		39		23	30		21	198
Mike Leeming		170	180		120	45			12	527
Chris Nissen		170				45	30	120	18	383
Stuart Rose	(14)	204		39	30		15			288
Thina Siwendu		170			60			60	14	304
Sindi Zilwa		170	90		60			60	31	411
		2 633	428	447	450	234	128	330	1 936	6 586

---

**Notes:**

1. Remuneration includes fees paid by Country Road as follows: Ian Moir AU\$26 667, Simon Susman AU\$37 670 and Norman Thomson AU\$40 000.
2. Other benefits include discounts received on purchases made in our stores and executive accommodation for Ian Moir.
3. The interest-free loan relates to the purchases of shares under Woolworths Holding Share Trust. The benefit has been calculated at 7% (leverage) on the value of the outstanding loan.
4. IFRS 2, "Share-based payments" has been used to equate the annual expense value of shares, options, SARS, LTIP and DBP held at the end of the year. It includes the allocation of BEESOS scheme shares granted to Zyda Rylands. It is presented for information purposes only and does not represent a cash payment.
5. IFRS 2, "Share-based payments" has been used to equate the annual expense value relating to the allocation of restricted shares used as a retention scheme. It is presented for information purposes only and does not represent a cash payment.
6. Ian Moir was appointed as the Group chief executive officer on 18 November 2010.
7. Simon Susman retired as the Group chief executive officer on 18 November 2010.  
On his retirement and in terms of the rules of the share scheme:
  - the directors approved that he had the balance of 10 years (of which the last allocation was October 2006) to settle the interest-free share loan relating to the purchases of shares received whilst he was an employee and which are held in the Woolworths Holdings Share Trust. This benefit has been pro-rated for Simon up to the date of his retirement.
8. Buddy Hawton was a member of the transformation committee for the period July – December 2010.
9. Simon Susman was appointed as a non-executive Deputy Chairman on 18 November 2010.  
He was paid Deputy Chairman's fees from 19 November and earned committee fees from 1 January 2011.  
Other benefits of R1 801 223 include the following:
  - reimbursement for services rendered as Chairman of Woolworths Financial Services ( R129 000) from 1 February 2011 and reimbursement for services rendered as Chairman of The Woolworths Trust (R13 750) from 1 January 2011 based on a rate of R3 000 per hour;
  - fees as Chairman of Country Road of AU\$59 830;
  - post retirement healthcare benefit of R14 246;
  - discounts received on purchases made in our stores of R20 061; and
  - interest-free share loan relating to the purchases of shares under Woolworths Holding Share Trust whilst he was an employee of Woolworths of R1 212 033.The IFRS 2 charge for his shares and other share scheme instruments for the period as a non-executive director is R1 703 000.
10. Peter Bacon was appointed as a member of the audit committee from May 2011.
11. Tom Boardman was appointed as a non-executive director on 27 September 2010 and was appointed to the sustainability and remuneration committee with effect from that date. He was appointed as a member of the transformation committee from February 2011.
12. Nigel Colne retired from the Board on 18 November 2010. His fees as a director were paid in sterling as a British resident.
13. Brian Frost retired from the Board on 18 November 2010. He was reimbursed for services rendered as Chairman of The Woolworths Trust to that date at a rate of R3 000 per hour.
14. Stuart Rose was appointed as a non-executive director on 19 January 2011 and was appointed to the sustainability, risk and remuneration committees with effect from that date. His fees as a director are paid in sterling as a British resident.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

**DIRECTORS' FEES AND EMOLUMENTS 2010**

2010		Guaranteed pay				Short-term performance bonus	Long-term benefits		Retention
Name	Notes	Remuneration (1) R000's	Retirement, medical and related benefits R000's	Other benefits (2) R000's	Total guaranteed pay R000's	Performance bonus R000's	Interest-free loan benefit (3) R000's	Fair value of shares and options granted (4) R000's	Fair value of restricted shares (5) R000's
<b>Executive directors</b>									
Simon Susman	(11)	4 133	701	35	4 869	6 762	2 375	2 424	
Andrew Jennings	(6)	1 699	163	180	2 042	5 737		1 555	
Ian Moir	(7)	2 125	11	407	2 543	3 137			3 886
Norman Thomson	(11)	2 540	245	39	2 824	3 651	1 523	1 115	4
Zyda Rylands		2 642	550	11	3 203	4 186	1 142	1 920	7
		13 139	1 670	672	15 481	23 473	5 040	7 014	3 897

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R'000	Risk committee member R000's	Nominations committee member R000's	Sustainability committee member R000's	Transformation committee member R000's	Other benefits R000's	Total non-executive directors' fees R000's
<b>Non-executive directors</b>										
Buddy Hawton		750		140		67		53	11	1 021
Peter Bacon		150		70	53				16	289
Lindiwe Bakoro	(8)	125	58		39				5	227
Nigel Colne	(9)	396	78	70	53	42			3	642
Brian Frost	(10)	150		70		42	43	13	36	354
Mike Leeming	(11)	150	155		105	32			15	457
Chris Nissen		150				42	22	105	16	335
Thina Siwendu	(12)	125			39			39		203
Sindi Zilwa		150	78		53			53	29	363
		2 146	369	350	342	225	65	263	131	3 891



---

**Notes:**

1. Remuneration includes fees paid by Country Road as follows: Simon Susman AU\$91 875 and Norman Thomson AU\$39 167.
2. Other benefits include discounts received on purchases made in our stores and executive accommodation for Ian Moir and Andrew Jennings.
3. The interest-free loan relates to the purchase of shares under the Woolworths Holding Share Trust. The benefit has been calculated at 8.08% on the value of the outstanding loan.
4. IFRS 2, "Share-based payments" has been used to equate the annual expense value of shares, options, SARS, LTIP and DBP held at the end of the year. It includes the allocation of BEESOS scheme shares granted to Zyda Rylands. It is presented for information purposes only and does not represent a cash payment.
5. IFRS 2, "Share-based payments" has been used to equate the annual expense value relating to the allocation of restricted shares used as a retention scheme. It is presented for information purposes only and does not represent a cash payment.
6. Andrew Jennings resigned on 31 December 2009, completing his initial three year contract. He was paid R2 000 000 as a restraint of trade which prevented him from joining competitors for a period of two years from 31 December 2009 and was paid a further R2 000 000 in recognition of his contribution to the company.  
He was entitled to full participation in the 2010 short-term incentive scheme and was paid R5 737 490 in August 2010.  
In terms of the rules of the share scheme:
  - the directors approved that his share options vest and that he may exercise them at any time during the period of ten years from the original grant date up to 30 November 2016; and
  - he chose to remain on the SARS, LTIP and DBP schemes for the duration of the allocations he received as if he had continued to be an employee.
7. Ian Moir was appointed on 1 January 2010 with a three year contract expiring on 31 December 2012, and a renewal option of a further two years by the company.  
He was paid a signing-on bonus of R7 500 000, of which R5 000 000 is repayable in full should his contract be terminated prior to 31 December 2014.  
He received a once-off allocation of restricted shares to the value of R20 000 000.  
In compensation for the portion of the LTIP benefit he would have received from Country Road for the six months to June 2010, an amount of R5 926 050 was paid by the company.  
He participated in the 2010 short term incentive scheme of the company from the date of his employment.
8. Lindiwe Bakoro was appointed as a non-executive director on 26 August 2009 and was appointed to the audit and risk committees with effect from November 2009.
9. Fees are paid in sterling as a British resident.
10. Brian Frost was reimbursed for services rendered as Chairman of the Woolworths Trust.
11. Mike Leeming was appointed to the nominations committee with effect from November 2009.
12. Thina Siwendu was appointed as a non-executive director on 26 August 2009 and was appointed to the risk and transformation committees with effect from November 2009.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

**8. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings Rm	Leasehold improve-ments Rm	Furniture, fittings, equipment, and motor vehicles Rm	Computer equipment Rm	Total Rm
<b>2010</b>					
Cost	582	245	1 820	481	3 128
Accumulated depreciation	–	50	805	336	1 191
Net book value at June 2009	582	195	1 015	145	1 937
Current year movements:					
Additions	3	44	405	48	500
Disposals/scrappings – cost	(1)	(10)	(132)	(72)	(215)
Disposals/scrappings – accumulated depreciation	–	4	66	65	135
Depreciation	–	(22)	(274)	(79)	(375)
Foreign exchange rate differences – cost	–	6	8	2	16
Foreign exchange rate differences – accumulated depreciation	–	(2)	(4)	(1)	(7)
Balance at June 2010	584	215	1 084	108	1 991
Made up as follows:					
Cost	584	285	2 101	459	3 429
Accumulated depreciation	–	70	1 017	351	1 438
Net book value at June 2010	584	215	1 084	108	1 991
<b>2011</b>					
Current year movements:					
Additions	–	<b>12</b>	<b>433</b>	<b>74</b>	<b>519</b>
Additions – acquisition of franchise operations	–	–	<b>8</b>	–	<b>8</b>
Disposals/scrappings – cost	<b>(1)</b>	<b>(5)</b>	<b>(107)</b>	<b>(40)</b>	<b>(153)</b>
Disposals/scrappings – accumulated depreciation	–	<b>3</b>	<b>49</b>	<b>39</b>	<b>91</b>
Depreciation	–	<b>(25)</b>	<b>(309)</b>	<b>(77)</b>	<b>(411)</b>
Foreign exchange rate differences – cost	–	<b>18</b>	<b>24</b>	<b>5</b>	<b>47</b>
Foreign exchange rate differences – accumulated depreciation	–	<b>(6)</b>	<b>(12)</b>	<b>(4)</b>	<b>(22)</b>
Impairment	–	<b>(10)</b>	<b>(13)</b>	<b>(1)</b>	<b>(24)</b>
Balance at June 2011	<b>583</b>	<b>202</b>	<b>1 157</b>	<b>104</b>	<b>2 046</b>
Made up as follows:					
Cost	583	310	2 459	498	3 850
Accumulated depreciation	–	98	1 289	393	1 780
Accumulated impairment	–	10	13	1	24
Net book value at June 2011	583	202	1 157	104	2 046

	<b>2011 Rm</b>	2010 Rm
<b>8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
The net carrying amounts of assets held under finance leases were as follows:		
Motor vehicles	<b>10</b>	7
Computer equipment	<b>15</b>	22

Additions during the year include R13m (2010: R8 million) of assets held under finance leases.

The Group's land and buildings consist of retail stores, distribution centres and corporate owner-occupied properties.

At 26 June 2011, land and buildings were valued taking account of similar recent market transactions on arm's length terms.

The fair values were as follows:

	<b>Fair value Rm</b>	<b>Carrying value Rm</b>
<b>2011</b>		
Retail stores	<b>192</b>	<b>112</b>
Distribution centres	<b>740</b>	<b>394</b>
Corporate owner-occupied properties	<b>145</b>	<b>77</b>
<b>2010</b>		
Retail stores	192	113
Distribution centres	739	394
Corporate owner-occupied properties	143	77

Land and buildings are valued externally every three years and annually by internal valuers. The most recent external valuation was performed on 30 June 2009.

No depreciation on buildings was recognised during the current or prior year as residual values exceed carrying values. Land is not depreciated.

	<b>2011 Rm</b>	2010 Rm
<b>9. INVESTMENT PROPERTIES</b>		
Cost	<b>121</b>	121
No depreciation was recognised on investment properties in the current or prior year as the residual values exceeded the carrying values of all properties classified as investment properties.		
At 26 June 2011 investment properties were valued by internal valuers at R198 million (2010: R200 million).		
<b>RENTAL INCOME AND EXPENSE FROM INVESTMENT PROPERTIES</b>		
Rental income from investment properties	<b>15</b>	15
Direct operating expenses from investment properties that earned rental income during the year.	<b>5</b>	6
No restrictions exist on the sale of investment properties. Refer to note 33 for disclosure on operating leases.		

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

**10. INTANGIBLE ASSETS**

	Computer Software Rm	Goodwill Rm	Reacquired Rights Rm	Total Rm
<b>2010</b>				
Balance at the beginning of the year				
Cost	625	23	–	648
Accumulated amortisation	297	–	–	297
Net book value at June 2009	328	23	–	351
Current year movements				
Additions	107	–	–	107
Disposals/scrappings – cost	(54)	–	–	(54)
Disposals/scrappings – accumulated amortisation	54	–	–	54
Amortisation	(67)	–	–	(67)
Foreign exchange rate differences – cost	3	–	–	3
Foreign exchange rate differences – accumulated amortisation	(2)	–	–	(2)
Balance at June 2010	369	23	–	392
Made up as follows:				
Cost	681	23	–	704
Accumulated amortisation	312	–	–	312
Net book value at June 2010	369	23	–	392
<b>2011</b>				
Current year movements				
Additions	<b>96</b>	<b>–</b>	<b>–</b>	<b>96</b>
Additions – acquisition of franchise operations	<b>–</b>	<b>143</b>	<b>138</b>	<b>281</b>
Disposals/scrappings – cost	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>(2)</b>
Disposals/scrappings – accumulated amortisation	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Amortisation	<b>(72)</b>	<b>–</b>	<b>(6)</b>	<b>(78)</b>
Foreign exchange rate differences – cost	<b>11</b>	<b>–</b>	<b>–</b>	<b>11</b>
Foreign exchange rate differences – accumulated amortisation	<b>(7)</b>	<b>–</b>	<b>–</b>	<b>(7)</b>
Balance at June 2011	<b>395</b>	<b>166</b>	<b>132</b>	<b>693</b>
Made up as follows:				
Cost	<b>786</b>	<b>166</b>	<b>138</b>	<b>1 090</b>
Accumulated amortisation	<b>391</b>	<b>–</b>	<b>6</b>	<b>397</b>
Net book value at June 2011	<b>395</b>	<b>166</b>	<b>132</b>	<b>693</b>

## 10. INTANGIBLE ASSETS (CONTINUED)

### GOODWILL

The carrying value of goodwill comprises of:

Goodwill arising on acquisition of Virtual Market Place (Proprietary) Limited (1 April 2006)	13
Acquisition of franchise operations (27 March 2006)	10
Acquisition of franchise operations in the current year (refer to note 35)	143
	<hr/>
	166

Goodwill is tested for impairment by calculating the value in use of the cash generating unit or units to which the goodwill is allocated.

The carrying amount of goodwill allocated to each of the cash generating units is not significant in comparison with the total carrying amount of goodwill.

The cash flows generated by Virtual Market Place (Proprietary) Limited are based on the customer loyalty created by participation in the Myschool programme and the brand awareness that the programme generates.

The franchise businesses generate cash flows that are largely independent from the cash inflows of other assets and thus comprise cash generating units.

The recoverable amounts of the repurchased franchise businesses are based on value in use calculations. These calculations use cash flow projections based on historical information and financial budgets approved by management covering a two-year period.

Cash flows beyond this period are extrapolated using estimated growth in sales and costs based on historical performance.

The projected cash flows are discounted to their present value using the weighted average cost of capital. This was 13.2% in the current year (2010: 11.2%).

## 11. INVESTMENT IN ASSOCIATE

Woolworths Holdings Limited is a beneficiary of Retail Risk Management Alliance Trust, and in terms of the Trust Deed, companies can appoint trustees and are entitled to vote according to the three-year average percentage of premium contribution per beneficiary. During 2011, the Group contributed 28% (2010: 28%) of total premium.

Retail Risk Management Alliance Trust also holds an investment in Unison Risk Management Alliance (Proprietary) Limited that provides insurance broking services.

The following amounts represent the Group's share of the assets and liabilities, and income and profit of the associate:

	<b>2011 Rm</b>	2010 Rm
Total assets	<b>68</b>	58
Total liabilities	<b>(22)</b>	(18)
Net assets	<b>46</b>	40
Total revenue	<b>25</b>	26
Net profit for the year	<b>7</b>	6

R25 million (2010: R21 million) of the reserves in Retail Risk Management Alliance Trust and Unison Risk Management Alliance (Proprietary) Limited combined, are non-distributable in terms of the Short-Term Insurance Act, and protocols governing the trust. This amount is revised on an annual basis.

There are no contingent liabilities relating to the Group's interest in the associate, and no contingent liabilities of the associate itself.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	<b>2011 Rm</b>	2010 Rm
<b>12. PREPAID EMPLOYMENT COSTS</b>		
Balance at the beginning of year	<b>29</b>	37
Unwinding of prepayment on loans repaid during the year	<b>1</b>	(2)
Current employment costs released to profit or loss (included in employee benefits in note 3.5)	<b>(7)</b>	(6)
<b>Balance at the end of the year</b>	<b>23</b>	29
Details of loans granted in terms of the share purchase scheme participants loans are included in note 14.		
<b>13. PARTICIPATION IN EXPORT PARTNERSHIPS</b>		
Balance at the beginning of the year	<b>63</b>	65
Payments received relating to the current year	<b>(2)</b>	(1)
Current portion included in trade and other receivables	<b>(3)</b>	(2)
Notional interest accrued for the year	<b>1</b>	1
<b>Balance at the end of the year</b>	<b>59</b>	63
<p>The Group participates as a partner in a number of container export partnerships. The partnerships sold containers in terms of long-term suspensive purchase and credit sale agreements.</p> <p>Participation in export partnerships is measured at amortised cost using the effective interest rate method. Amortised cost is the Group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability. Any impairment to the participation in export partnerships would result in a corresponding reduction in the related deferred taxation liability and thus there would be no impact on the cash flow statement or the net profit of the Group.</p> <p>Due to the terms and conditions attaching to the participation in export partnerships it is not practicable within constraints of timeliness or cost to determine their fair values.</p> <p>The amount outstanding is considered to be neither past due nor impaired. Refer to note 28.3 for details of the Group's credit risk management policies.</p>		

	<b>2011 Rm</b>	2010 Rm
<b>14. OTHER LOANS</b>		
Housing and other employee loans	<b>11</b>	14
Balance at the beginning of the year	<b>14</b>	9
Loans (repaid)/granted during the year	<b>(4)</b>	4
Interest accrued for the period (included in note 2)	<b>1</b>	1
Share purchase scheme participant loans and investments	<b>73</b>	81
Balance at the beginning of the year	<b>81</b>	116
Loans repaid during the year	<b>(15)</b>	(41)
Notional interest accrued for the year (included in note 2)	<b>7</b>	6
	<b>84</b>	95

Housing loans bear interest at prime less 2% (2010: prime less 2%). The carrying values of the housing loans approximate fair value. Housing loans are required to be repaid on termination of employment.

Loans to the directors in respect of their indirect holdings in the share purchase scheme bear interest at market-related rates and are secured by shares in Woolworths Holdings Limited. Loans to directors and other employees participating directly in the share purchase scheme are interest free and are secured by shares in Woolworths Holdings Limited. The loans are repaid when participants take delivery of shares, over a period not exceeding ten years.

Other loans are not considered to be past due or impaired. The credit risk management policies of the Group are discussed in note 28.3.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	<b>2011 Rm</b>	2010 Rm
<b>15. DEFERRED TAX</b>		
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	<b>240</b>	165
Amount credited/(debited) to profit or loss	<b>27</b>	47
Property, plant and equipment	<b>8</b>	(26)
Prepayments	<b>(11)</b>	7
Working capital and other provisions	<b>8</b>	48
Export partnerships	<b>4</b>	2
Post-retirement medical benefit liability	<b>7</b>	6
Share-based payments	<b>18</b>	16
Other	<b>(7)</b>	(6)
Amounts credited/(debited) directly in other comprehensive income		
Foreign currency translation reserve adjustment	<b>5</b>	(1)
Financial instrument revaluation reserve adjustment	<b>12</b>	(14)
Amounts credited directly in equity		
Share-based payment reserve	<b>44</b>	43
Deferred tax arising from business combinations	<b>(39)</b>	-
Balance at the end of the year	<b>289</b>	240
Deferred tax liability	<b>(176)</b>	(87)
Deferred tax asset	<b>465</b>	327
Net deferred tax asset	<b>289</b>	240
Comprising:		
Property, plant and equipment	<b>(99)</b>	(107)
Prepayments	<b>(30)</b>	(19)
Working capital and other provisions	<b>292</b>	284
Participation in export partnerships	<b>(59)</b>	(63)
Post-retirement medical benefit liability	<b>89</b>	82
Share-based payments	<b>121</b>	59
Intangible assets	<b>(39)</b>	-
Other	<b>14</b>	4
	<b>289</b>	240

Deferred tax has been calculated at the standard corporate tax rate as at the reporting date as management expect to recover the carrying value of assets and settle the carrying value of liabilities through use.

Deferred tax assets are raised after due consideration of future taxable income.



	<b>2011 Rm</b>	2010 Rm
<b>16. INVENTORIES</b>		
Merchandise	<b>1 943</b>	1 738
Provision for shrinkage, obsolescence and mark down of inventory	<b>(63)</b>	(73)
Consumables	<b>5</b>	4
Raw materials	<b>7</b>	7
	<b>1 892</b>	1 676
<b>17. TRADE AND OTHER RECEIVABLES</b>		
Trade and other receivables	<b>762</b>	795
Provision for impairment	<b>(29)</b>	(36)
Trade and other receivables – net	<b>733</b>	759
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	<b>36</b>	34
Charge for the year	<b>3</b>	11
Amounts written off	<b>(4)</b>	(7)
Unused amounts reversed	<b>(6)</b>	(2)
Balance at the end of the year	<b>29</b>	36

Trade and other receivables are interest free unless overdue, and have payment terms ranging from seven days to 60 days. The provision for impairment of trade and other receivables is recognised when there is objective evidence obtained during the collection process such as inability to recover long overdue accounts and liquidity problems experienced by the debtors that indicate that the receivables might not be recoverable.

The carrying value of trade and other receivables is considered to approximate fair value.

The creation and release of provisions for impaired receivables has been included in other operating costs in the statement of comprehensive income up to the date of disposal.

At 26 June, the aging analysis of receivables is as follows:

	<b>Past due but not impaired</b>				
	<b>Total</b>	<b>Neither past due nor impaired</b>	<b>&lt; 90 days delinquent</b>	<b>90 – 120 days delinquent</b>	<b>&gt;120 days delinquent</b>
<b>2011</b>					
Trade and other receivables	<b>558</b>	<b>520</b>	<b>31</b>	<b>1</b>	<b>6</b>
<b>2010</b>					
Trade and other receivables	571	534	37	–	–

The aging analysis above does not include the aging of non-financial assets included in trade and other receivables. Refer to note 28.5 for the analysis of trade and other receivables.

The Group does not hold any collateral as security.

For detailed information regarding the credit quality of financial assets which are neither past due nor impaired, refer to note 28.3.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2011		2010	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
<b>18. DERIVATIVE FINANCIAL INSTRUMENTS</b>				
Interest rate swaps and collars held as hedging instruments – cash flow hedges	–	–	–	20
Forward exchange contracts held as hedging instruments – cash flow hedges	–	55	14	13
Forward exchange contracts – not hedge accounted for	9	23	4	2
Inflation swap instruments – not hedge accounted for	1	–	2	–
	<b>10</b>	<b>78</b>	20	35
Derivatives mature as follows:				
Within 12 months	10	78	19	20
After 12 months	–	–	1	15
	<b>10</b>	<b>78</b>	20	35

**Interest rate swaps**

The notional principal amount of the outstanding interest rate swap contracts at 26 June 2011 was nil (2010: R1 000 million). Gains and losses on calculating the fair value of the interest rate swaps are recognised in other comprehensive income. Interest rate swap contracts are measured at fair value. Fair value is determined by discounting future cash flows using prevailing market interest rates. The valuation of interest rate swaps is performed by external experts.

**Forward exchange contracts**

The notional principal amount of the outstanding contracts at 26 June 2011 amounts to R1 710 million (2010: R1 056 million). The related cash flows are expected to occur on the maturity dates of these contracts between 1 – 12 months. Refer to note 28.4. Gains and losses on forward exchange contracts held as hedging instruments in a designated and effective hedging relationships are recognised in other comprehensive income. Gains and losses on remaining contracts not hedge accounted are recognised directly in profit or loss. Forward contracts are measured at fair value which is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year end.

**Inflation swaps**

The notional principal amount of the outstanding inflation swap contracts at 26 June 2011 was R78 million (2010: R72 million). Gains and losses on the inflation swaps are recognised directly in profit or loss. The future cash flows on these swap contracts are expected to occur within the next 12 months. These swap contracts are measured at fair value which is determined by reference to the net settlements using appropriate valuation techniques.

These derivative instruments are considered to be neither past due nor impaired.

The maximum exposure to credit risk at the reporting date is the fair value of the above mentioned derivative instrument assets.

	<b>2011 R'000</b>	2010 R'000
<b>19. ORDINARY SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1 410 600 000 (2010: 1 410 600 000) ordinary shares of 0.15 cents each	<b>2 116</b>	2 116
89 400 000 (2010: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each	<b>134</b>	134
	<b>2 250</b>	2 250
<b>ISSUED</b>		
755 231 337 (2010: 759 464 119) ordinary shares of 0.15 cents each	<b>1 133</b>	1 139
88 267 306 (2010: 88 267 306) preference shares of 0.15 cents each	<b>132</b>	132
	<b>1 265</b>	1 271
<b>RECONCILIATION OF VALUE OF ORDINARY SHARES IN ISSUE:</b>		
Balance at the beginning of the year	<b>1 139</b>	1 162
3 945 838 (2010: 6 172 402) ordinary shares issued in terms of the share incentive scheme	<b>6</b>	9
Nil (2010: 17 378 892) ordinary shares were purchased from the market by subsidiary, E-Com Investments 16 (Proprietary) Limited	<b>-</b>	(26)
1 122 568 (2010: 4 061 222) shares were purchased from the market by subsidiary, Woolworths (Proprietary) Limited	<b>(2)</b>	(6)
7 056 052 (2010: nil) ordinary shares were purchased from the market by Woolworths Holdings Limited and cancelled	<b>(10)</b>	-
Balance at the end of the year	<b>1 133</b>	1 139

**RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE:**

	<b>Number of shares</b>	
	<b>2011</b>	2010
Balance at the beginning of the year	<b>759 464 119</b>	774 731 831
Shares issued	<b>3 945 838</b>	46 670 006
Shares repurchased and cancelled	<b>(7 056 052)</b>	-
Shares repurchased by subsidiaries	<b>(1 122 568)</b>	(61 937 718)
Balance at the end of the year	<b>755 231 337</b>	759 464 119

During the year, 7 056 052 (2010: nil) shares amounting to R193 million (2010: nil) were repurchased from the market and cancelled. 1 122 568 (2010: 4 061 222) shares amounting to R28 million (2010: R87 million) were repurchased from the market by Woolworths (Proprietary) Limited and are held as treasury shares by the Group. 3 998 422 (2010: nil) shares amounting to R118 million (2010: nil) were purchased from the market in the current year and allocated to employees on settlement of share-based payments.

In the prior year, 17 378 892 shares amounting to R323 million were repurchased from the market by E-Com Investments 16 (Proprietary) Limited and are held as treasury shares by the Group.

During the prior year, two specific share issues for cash were made to Woolworths (Proprietary) Limited, as follows:

Date issued	Number of shares	Subscription price R	Purchase price Rm
30 September 2009	29 497 604	14.56	429
26 March 2010	11 000 000	17.24	190
	40 497 604		619

For more information on the Group's capital management policy, refer to note 29.

## 19. ORDINARY SHARE CAPITAL (CONTINUED)

### SHARE INCENTIVE SCHEMES

#### EXECUTIVE INCENTIVE SCHEME

The Group operates a share purchase scheme as well as a share option scheme, details of which are given in the Remuneration Report.

Shares and share options granted in terms of the executive incentive scheme meet the definition of equity-settled share-based payments. The terms and conditions of the schemes are detailed in the Remuneration committee section of the Corporate Governance Report. The options vest in tranches of 20% per annum and expire 10 years after grant date. The options were valued using a binomial model and assume an option life of 10 years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 5% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the option life.

Shares granted in terms of the executive incentive scheme were granted at a discount to market value up to 1 January 2004. These shares also meet the definition of share-based payments and are valued at intrinsic value. The shares vest in tranches of 20% per annum.

	<b>Number of shares</b>	
	<b>2011</b>	2010
Shares held by participants		
Balance at the beginning of the year	<b>12 599 851</b>	17 897 461
Issued	<b>140 732</b>	262 528
Sold	<b>10 367</b>	(5 559 111)
Transferred to trust stock and shares released from the scheme	<b>(2 881 953)</b>	(1 027)
Balance at the end of the year	<b>9 868 997</b>	12 599 851
Market value at 26 June (rand)	<b>287 187 813</b>	317 516 245
Percentage of shares vested at 26 June	<b>93%</b>	82%
Weighted average issue price (rand)	<b>3.02</b>	3.31
Weighted average market price per share traded (rand)	<b>26.75</b>	16.72
Number of participants on management share scheme	<b>57</b>	69
Options granted to participants		
Balance at the beginning of the year	<b>9 890 072</b>	16 285 863
Exercised	<b>(4 381 197)</b>	(6 212 930)
Forfeited and expired	<b>(270 654)</b>	(182 861)
Balance at the end of the year	<b>5 238 221</b>	9 890 072
Percentage of options vested at the end of the year	<b>83%</b>	77%
Weighted average exercise price of options outstanding at year end (rand)	<b>11.06</b>	9.95
Weighted average exercise price of options exercised (rand)	<b>8.60</b>	7.96
Weighted average exercise price of options forfeited and expired (rand)	<b>14.96</b>	11.54
Weighted average market price per share traded (rand)	<b>26.86</b>	20.16
Number of participants on management option scheme	<b>143</b>	153

## 19. ORDINARY SHARE CAPITAL (CONTINUED)

### EXECUTIVE INCENTIVE SCHEME (CONTINUED)

Period of offer*	Number of share options outstanding		Original exercise price	Current exercise price**	Fair value at grant date***
	2011	2010			
25 May 2000 and 1 August 2010	–	209	2.70	1.72	–
30 June 2000 and 30 June 2010	–	6 667	3.00	2.02	–
27 October 2000 and 1 January 2011	–	398 291	2.77	1.79	–
1 February 2001 and 1 February 2011	–	15 601	2.82	1.84	–
1 March 2001 and 1 March 2011	–	2 800	2.82	1.83	–
1 April 2001 and 1 June 2011	–	140 931	3.03	2.04	–
1 July 2001 and 1 September 2011	<b>64 011</b>	160 850	3.33	2.34	–
1 October 2001 and 1 October 2011	<b>10 211</b>	10 211	3.59	2.60	–
1 November 2001 and 1 December 2011	<b>4 736</b>	50 357	3.59	2.59	–
1 January 2002 and 1 January 2012	<b>110 184</b>	168 496	3.46	2.46	–
1 April 2002 and 1 May 2012	–	4 562	3.43	2.43	–
4 April 2002 and 1 November 2012	–	67 671	3.98	2.97	–
20 May 2002 and 20 May 2012	<b>99 885</b>	253 032	3.78	2.77	–
1 August 2002 and 26 August 2012	<b>161 648</b>	295 647	3.98	2.98	–
1 January 2003 and 1 January 2013	<b>87 459</b>	87 459	4.42	3.39	2.14
1 February 2003 and 1 February 2013	<b>32 657</b>	32 657	4.49	3.46	1.84
12 August 2003 and 22 August 2013	<b>221 066</b>	432 698	5.16	4.10	2.88
22 September 2003 and 22 September 2013	–	300 347	5.76	4.66	2.31
1 October 2003 and 1 November 2013	–	28 612	6.10	4.98	2.26
1 January 2004 and 1 January 2014	–	31 860	7.28	6.06	2.93
1 February 2004 and 1 February 2014	<b>159 310</b>	159 310	7.25	6.03	2.67
2 March 2004 and 2 March 2014	<b>65 197</b>	65 197	6.84	5.65	2.47
1 April 2004 and 1 April 2014	<b>1 826</b>	1 826	7.33	6.10	2.63
1 December 2004 and 1 December 2014	<b>387 065</b>	727 868	10.59	9.06	3.55
29 March 2005 and 29 March 2015	<b>10 000</b>	273 013	10.18	8.66	3.44
1 May 2005 and 4 May 2015	<b>18 344</b>	292 922	9.73	8.24	3.15
1 July 2005 and 1 July 2015	<b>162 475</b>	254 908	10.33	8.80	3.30
1 August 2005 and 1 August 2015	<b>43 167</b>	63 516	11.58	9.92	3.73
24 August 2005 and 24 August 2015	<b>279 487</b>	533 213	11.31	9.66	3.66
1 September 2005 and 1 September 2015	<b>140 858</b>	140 858	11.64	9.96	3.67
1 November 2005 and 1 November 2015	<b>202 937</b>	261 010	12.45	10.68	4.11
3 January 2006 and 3 January 2016	<b>52 805</b>	52 805	14.11	12.16	4.43
1 April 2006 and 1 April 2016	<b>116 242</b>	116 242	16.33	14.15	5.16
1 May 2006 and 1 May 2016	<b>40 908</b>	54 433	16.56	14.35	5.27
23 August 2006 and 23 August 2016	<b>814 790</b>	1 188 467	13.30	11.42	4.25
1 September 2006 and 1 September 2016	<b>12 833</b>	25 665	13.17	11.31	4.10
<b>Balance carried forward to page 60</b>	<b>3 300 101</b>	6 700 211			

\* The period of offer refers to the total life of the options. Options not exercised at the end of the period of offer expire.

\*\* The original exercise price has been adjusted to take into account the effect of the special dividend paid to ordinary shareholders in December 2008.

\*\*\* Fair value of options prior to the IFRS 2 effective date of 7 November 2002 have not been determined.

**19. ORDINARY SHARE CAPITAL (CONTINUED)**  
**EXECUTIVE INCENTIVE SCHEME (CONTINUED)**

	Number of share options outstanding		Original exercise price	Current Exercise Price**	Fair value at grant date***
	2011	2010			
Period of offer*					
<b>Balance brought forward from page 59</b>	<b>3 300 101</b>	6 700 211			
1 October 2006 and 1 October 2016	<b>18 476</b>	18 476	13.58	11.68	4.54
4 October 2006 and 4 October 2016	<b>291 758</b>	291 758	13.71	11.80	4.64
1 November 2006 and 1 November 2016	<b>118 197</b>	190 453	15.56	13.46	5.21
14 November 2006 and 14 November 2016	<b>148 079</b>	308 027	15.74	13.61	5.06
1 December 2006 and 1 December 2016	<b>–</b>	734 652	16.81	14.58	5.23
15 February 2007 and 15 February 2017	<b>306 076</b>	413 181	20.35	17.75	6.57
1 March 2007 and 1 March 2017	<b>218 158</b>	350 461	20.35	17.75	6.47
1 April 2007 and 1 April 2017	<b>31 390</b>	31 390	21.53	18.78	7.07
20 April 2007 and 20 April 2017	<b>9 150</b>	22 872	22.03	19.22	7.09
15 May 2007 and 15 May 2017	<b>207 095</b>	207 095	24.13	21.11	7.08
1 June 2007 and 1 June 2017	<b>263 346</b>	295 101	22.92	20.00	7.17
17 October 2008 and 17 October 2018	<b>326 395</b>	326 395	10.57	8.81	1.59
	<b>5 238 221</b>	9 890 072			

\* The period of offer refers to the total life of the options. Options not exercised at the end of the period of offer expire.

\*\* The original exercise price has been adjusted to take into account the effect of the special dividend paid to ordinary shareholders in December 2008.

\*\*\* Fair value of options prior to the IFRS 2 effective date of 7 November 2002 have not been determined.

## 19. ORDINARY SHARE CAPITAL (CONTINUED)

### WOOLWORTHS SHARE APPRECIATION RIGHTS SCHEME

The share appreciation rights scheme provides executives with the opportunity to acquire shares of Woolworths Holdings Limited through the grant of conditional share appreciation rights. These constitute rights to receive shares equal in value to the increase in the Woolworths Holdings Limited share price between the price on the grant date of the instruments and the price on the date on which they are exercised. Vesting of the share appreciation rights is subject to performance conditions as determined by the Board of directors on an annual basis in respect of each new grant. The performance condition applied to grants is that the Group's headline earnings per share should increase by a cumulative 6% above inflation over a three-year period. If the performance condition is not met at the end of three years, retesting of the condition will be performed in year four and five against targets of growth in headline earnings per share exceeding cumulative inflation by 8% and 10% respectively.

The share appreciation rights offered in terms of the scheme have the substance of an option and meet the definition of an equity-settled share-based payment.

The share appreciation rights are valued using a binomial option pricing model, assuming a life of seven years. Other valuation assumptions include volatility set at historic trend levels, a continuous dividend yield of between 4.7% and 8.0% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the life of the rights.

	Number of rights	
	2011	2010
Rights granted to participants		
Balance at the beginning of the year	<b>26 076 055</b>	18 108 112
Granted	<b>6 437 330</b>	9 879 516
Exercised	<b>(1 929 107)</b>	–
Forfeited	<b>(2 953 672)</b>	(1 911 573)
Balance at the end of the year	<b>27 630 606</b>	26 076 055
Weighted average grant price of rights outstanding	<b>15.05</b>	12.38
Weighted average exercise price of rights granted (rand)	<b>23.36</b>	15.71
Weighted average exercise price of rights exercised (rand)	<b>10.26</b>	–
Weighted average exercise price of rights forfeited (rand)	<b>12.78</b>	11.73
Weighted average market price per right exercised (rand)	<b>29.20</b>	–
Number of participants on share appreciation rights scheme	<b>322</b>	362

Period of Offer	Number of share options 2011	Number of share options 2010	Original exercise price	Current exercise price*	Fair value at grant date
16 April 2008 and 16 April 2013	<b>4 020 518</b>	6 499 764	11.95	10.26	2.78
21 August 2008 and 21 August 2013	<b>7 693 464</b>	8 559 936	11.94	10.24	2.42
19 February 2009 and 19 February 2014	<b>1 228 868</b>	1 629 681	12.95	12.95	2.54
21 August 2009 and 27 August 2014	<b>7 015 334</b>	7 977 185	15.00	15.00	3.42
18 February 2010 and 18 February 2015	<b>1 284 292</b>	1 409 489	19.74	19.74	5.21
26 August 2010 and 26 August 2015	<b>5 643 350</b>	–	23.34	23.34	6.27
17 February 2011 and 17 February 2016	<b>744 780</b>	–	23.49	23.49	7.81

\* The original exercise price has been adjusted to take into account the effect of the special dividend paid to ordinary shareholders in December 2008.

**19. ORDINARY SHARE CAPITAL (CONTINUED)**
**WOOLWORTHS LONG-TERM INCENTIVE PLAN**

The long-term incentive plan provides executives with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares which are subject to the fulfilment of predetermined performance conditions covering a three-year period. The performance conditions applicable to this scheme are related to growth in headline earnings per share and the Group's total shareholder return (TSR) relative to the TSR of a peer group of 24 companies listed on the JSE. No vesting occurs unless the real headline earnings per share growth of the group equals or exceeds 5% (2% for grants after April 2008) over the three year period, while 100% vesting will occur if real headline earnings growth over the period equals or exceeds 13% (10% for grants after April 2008). In addition, no awards vest if the Group's TSR falls within the lower quartile when compared to the comparator group, while full vesting occurs if TSR falls within the upper quartile. These awards are based on the full value of Woolworths shares at that time plus an additional number of shares equal in value to the distributions that a participant would have earned if he had been the owner of the shares. Linear vesting occurs between the threshold level and full level of vesting for these two performance conditions.

The long-term incentive plan constitutes an equity-settled share-based payment.

The conditional awards are valued using a Monte Carlo simulation model, assuming a life of three years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 4.6% to 7.0% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the life of the awards.

	<b>Number of awards</b>	
	<b>2011</b>	2010
Awards granted to participants		
Balance at the beginning of the year	<b>4 734 536</b>	3 444 033
Granted	<b>972 333</b>	1 290 503
Exercised	<b>(1 352 742)</b>	–
Forfeited	<b>(471 876)</b>	–
Balance at the end of the year	<b>3 882 251</b>	4 734 536
Weighted average grant price of awards outstanding (rand)	<b>15.73</b>	12.81
Weighted average market price per award exercised (rand)	<b>29.20</b>	–
Number of participants on long term incentive plan	<b>20</b>	24

Period of Offer	<b>Number of share options 2011</b>	Number of share options 2010	Exercise price	Fair value at grant date
16 April 2008 and 16 April 2013	–	1 467 014	11.95	8.41
21 August 2008 and 21 August 2013	<b>1 728 615</b>	1 810 069	11.94	9.83
19 February 2009 and 19 February 2014	–	166 950	12.95	12.00
27 August 2009 and 27 August 2014	<b>1 181 303</b>	1 290 503	15.00	19.37
26 August 2010 and 26 August 2015	<b>972 333</b>	–	23.34	17.71



## 19. ORDINARY SHARE CAPITAL (CONTINUED)

### WOOLWORTHS DEFERRED BONUS PLAN

The deferred bonus plan allows selected executives to acquire Woolworths Holdings Limited shares at the ruling market price out of a portion of their declared annual bonus. A matching award (consisting of an equal number of Woolworths Holdings Limited shares) will be made to the participant after a three year period on the condition that the participant remains in the employment of the Group and retains the bonus shares over the period. The matching award is one Woolworths share for each share held plus an additional number of shares equal in value to distributions that a participant would have earned if he had been the owner of the matching shares from date of grant to date of vesting.

The bonus shares meet the definition of an equity-settled share-based payment.

	<b>Number of shares</b>	
	<b>2011</b>	2010
Bonus shares granted to participants		
Balance at the beginning of the year	<b>325 120</b>	172 411
Granted	<b>136 295</b>	152 709
Exercised	<b>(172 411)</b>	–
Forfeited	<b>–</b>	–
Balance at the end of the year	<b>289 004</b>	325 120
Weighted average fair value of awards granted during the period (rand)	<b>20.67</b>	15.67
Weighted average fair value of awards outstanding (rand)	<b>18.03</b>	13.96
Weighted average market price per award exercised (rand)	<b>29.20</b>	–
Number of participants on deferred bonus plan	<b>10</b>	5

The fair value is measured on the closing share price of Woolworths Holdings Limited at date of acquisition of the shares by the participant of the scheme.

### RESTRICTED SHARE PLAN

The Group operates a restricted share plan, details of which are given in the Remuneration Report in the 2011 Integrated Report. The ownership of these shares vests with Woolworths (Proprietary) Limited until service conditions are met by the employees.

Shares granted in terms of the restricted share plan meet the definition of equity-settled share-based payments. The terms and conditions of the schemes are detailed in the Remuneration committee section of the Corporate Governance Report. In terms of the plan, the Group agreed to purchase equity instruments to the value of R28 million in the current year (2010: R87 million) for the benefit of the participants. The number of equity instruments granted was therefore the cumulative number of instruments purchased until the R28 million (2010: R87 million) target was met. The participants will be entitled to the dividends and voting rights on the shares from grant date and the vesting will be staggered over a three to five year period.

Vesting in respect of the grants issued occurs as follows:

Period of offer	Year 0 – 2	Year 3	Year 4	Year 5
1 January 2010 and 1 January 2015	–	33%	33%	34%
19 May 2010 and 19 May 2013	–	50%	25%	25%
19 May 2010 and 19 May 2015	–	100%	–	–
26 August 2010 and 26 August 2015	–	50%	25%	25%
26 August 2010 and 26 August 2013	–	100%	–	–
17 February 2011 and 17 February 2016	–	50%	25%	25%
17 May 2011 and 17 May 2016	–	50%	25%	25%

**19. ORDINARY SHARE CAPITAL (CONTINUED)**  
**RESTRICTED SHARE PLAN (CONTINUED)**

	<b>Number of shares</b>	
	<b>2011</b>	2010
Shares granted in terms of the restricted share plan		
Balance at the beginning of the year	<b>4 046 093</b>	–
Issued	<b>1 122 608</b>	4 046 093
Balance at the end of the year	<b>5 168 701</b>	4 046 093
Market value at 26 June (rand)	<b>29.10</b>	25.20
Percentage of shares vested at 26 June	<b>0.0%</b>	0.0%
Weighted average price of shares purchased (rand)	<b>22.28</b>	21.45
Number of participants	<b>46</b>	25

Period of Offer	<b>Number of shares 2011</b>	Number of shares 2010	Exercise price	Fair value at grant date
1 January 2010 and 1 January 2015	<b>1 184 000</b>	1 184 000	–	16.89
19 May 2010 and 19 May 2013	<b>550 414</b>	550 414	–	23.34
19 May 2010 and 19 May 2015	<b>2 311 679</b>	2 311 679	–	23.34
26 August 2010 and 26 August 2015	<b>796 282</b>	–	–	24.93
26 August 2010 and 26 August 2013	<b>55 585</b>	–	–	25.16
17 February 2011 and 17 February 2016	<b>215 174</b>	–	–	25.56
17 May 2011 and 17 May 2016	<b>55 567</b>	–	–	28.74

## 19. ORDINARY SHARE CAPITAL (CONTINUED)

### BLACK ECONOMIC EMPOWERMENT SCHEME

In 2008, the Group's Black Economic Empowerment scheme, in terms of which convertible, redeemable non-cumulative participating preference shares were issued to qualifying employees of the Group, became effective.

The beneficial ownership of the shares, including the voting and distribution rights, resides with the participants of the shares from the date of inception.

The preference shares offered in terms of the scheme have the substance of an option and meet the definition of an equity-settled share-based payment. The terms and conditions of the scheme are detailed in the Corporate Governance Report.

The preference shares are convertible into ordinary shares to the extent that the growth in the Woolworths Holdings Limited share price exceeds a predetermined hurdle rate at the end of the scheme.

The preference shares are valued using a Black-Scholes model, assuming a life of eight years. In performing the valuation, the cost of the distribution stream attached to the scheme is added to the option costs, as a traditional share option does not receive distributions. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 4.2% and a risk-free interest rate based on the zero-coupon yield of SA Government bonds with a term consistent with the life of the instrument. Staff retention rates are a key assumption and have been modelled, based on historical experience, per category of employees participating in the scheme, namely executive, management and broad based employees.

	Number of shares	
	2011	2010
Shares held by participants	<b>88 267 306</b>	88 267 306
Percentage of shares vested at 26 June	<b>16%</b>	–
Weighted average fair value of instruments (rand)	<b>2.76</b>	2.76
Number of participants on share scheme	<b>7 834</b>	8 706

Vesting occurs over an eight year period as follows:

Completed years of service subsequent to the effective date	Adjustment percentage
0 – 2	0
3	16
4	23
5	33
6	48
7	69
8	100

### DIRECTORS' INTEREST IN SHARES

Details of directors beneficial and non-beneficial interests in the shares of the company are disclosed in the Directors' Report. Shares and share options granted to executive directors are set out on pages 92 – 97 of the 2011 Integrated Report.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	<b>2011 Rm</b>	2010 Rm
<b>20. SHARE PREMIUM</b>		
Balance at the beginning of the year	<b>61</b>	142
Share issues in terms of the share incentive scheme	<b>33</b>	47
Share issues to Woolworths (Proprietary) Limited	<b>–</b>	619
Distribution to shareholders	<b>–</b>	(747)
Balance at the end of the year	<b>94</b>	61
<b>21. RESERVES</b>		
<b>NON-DISTRIBUTABLE RESERVE</b>		
Foreign currency translation reserve	<b>251</b>	218
<b>DISTRIBUTABLE RESERVES</b>		
Share-based payment reserve		
Balance at the beginning of the year	<b>352</b>	203
Share-based payments arising from the Group's share incentive schemes	<b>173</b>	149
Shares	<b>30</b>	5
Share options and other	<b>56</b>	33
Black economic empowerment preference shares	<b>56</b>	68
Deferred tax on share-based payments credited directly in equity	<b>44</b>	43
Settlement of share-based payments	<b>(13)</b>	0
Balance at the end of the year	<b>525</b>	352
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative instruments	<b>(23)</b>	(10)
Retained profit		
Company	<b>225</b>	434
Arising on consolidation of subsidiaries	<b>4 268</b>	3 645
	<b>4 995</b>	4 421

**NATURE AND PURPOSE OF RESERVES**

**Foreign currency translation reserve**

This reserve is used to record exchange differences arising from the translation of the results of foreign subsidiaries.

**Share-based payment reserve**

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer to note 19 for further details of the relevant schemes.

**Financial instrument revaluation reserve**

This reserve records the effective portion of the fair value movement on hedging instruments which are part of effective cash flow hedges.

**Retained profit**

Retained profit records the cumulative net profit and loss made by the Group after deducting distributions to shareholders and other utilisations of the reserve.

	<b>2011 Rm</b>	2010 Rm
<b>22. INTEREST-BEARING BORROWINGS</b>		
<b>NON-CURRENT – UNSECURED</b>		
Floating rate loan bearing interest at prime less 3.5%, maturing on 6 December 2012	<b>500</b>	500
Finance lease liabilities (refer to note 34)	<b>14</b>	21
	<b>514</b>	521
<b>CURRENT – UNSECURED</b>		
Floating rate loan matured on 30 November 2010 – Jibar plus 1.65%	–	1 000
Floating rate loan matured on 19 July 2010 – 5.66%	–	20
Finance lease liabilities (refer to note 34)	<b>16</b>	14
	<b>16</b>	1 034

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost which approximates fair value. Refer to note 28.2.

Interest on prime and jibar linked borrowings is payable on a quarterly basis. Interest on other loans is payable monthly. There have been no defaults or breaches of principal interest or redemption terms during the current or prior year.

The finance lease liabilities are measured at amortised cost at an average effective rate of 19.0% (2010: 20.8%). Maturity period varies between one – five years (refer to note 34). The fair value of the finance lease liabilities is estimated by discounting future cash flows using a market-related interest rate applicable to the Group. The fair value of the finance lease liabilities amounted to R25 million (2010: R24 million) at the end of the year.

Refer to the Group's liquidity risk management policies in note 28.4.

## 23. TRADE AND OTHER PAYABLES

Non-current		
Operating lease accrual	<b>455</b>	447
	<b>455</b>	447
Current		
Trade payables	<b>1 544</b>	1 345
Other payables	<b>1 584</b>	1 250
Operating lease accrual	<b>20</b>	13
	<b>3 148</b>	2 608

Trade and other payables are interest-free and have payment terms of up to 30 days.

The carrying value of trade and other payables approximates the fair value.

## 24. RETIREMENT BENEFIT INFORMATION

Woolworths permanent employees under the age of 60 are contributory members of the Wooltru Group Retirement Fund. Certain employees, in addition to belonging to the Wooltru Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. Actuarial valuations are carried out every three years for the Wooltru Retirement Fund and the other retirement funds in which Woolworths participates. The latest valuations of the Wooltru Group Retirement Fund as at 28 February 2008 and the other funds as at 31 December 2007, confirmed that the funds were in a sound financial position. The next valuation will be completed by the end of February 2012.

Country Road Limited provides superannuation benefits for various categories of employees in Australia. All funds are defined contribution funds which are administered externally and provide for benefits for death, total disability, retirement and resignation. All benefits are provided on an accumulation of contributions basis and accordingly no actuarial assessment is required. Contributions vary from employee to employee as determined by various awards and negotiated conditions of employment. Future company contributions required to meet the superannuation guarantee charge and contributions under awards are legally enforceable.

Total group contributions are charged to income as incurred and amounted to R207 million (2010: R186 million).

Woolworths subsidises a portion of the medical aid contributions of retired employees. The Group values its accrued and future liability in respect of post-retirement medical aid contributions annually in June. The liability was actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions. For the purposes of the valuation it was assumed that investment returns would be nil (2010: nil). The discount rate used to value the liability at 26 June 2011 is 9.1% (2010: 9.1%) per annum.

At 26 June 2011, the accrued liability amounted to R315 million (2010: R292 million) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the Group's in-house medical aid scheme. At that date, Woolworths had not funded the liability.

Employees who joined the healthcare fund after 1 November 2000 are not entitled to receive post-retirement healthcare benefits.

The funding status of the Wooltru Healthcare Fund determined in terms of IAS 19 is as follows:

	<b>2011 Rm</b>	2010 Rm
Funding liability	<b>308</b>	294
Funding deficit	<b>308</b>	294
Unrecognised actuarial gain/(loss)	<b>7</b>	(2)
Net obligation	<b>315</b>	292
Reconciliation:		
Net obligation at the beginning of the year	<b>292</b>	272
Net movement charged to employment cost in profit or loss (refer to note 3.5)	<b>35</b>	30
Current service cost	<b>7</b>	6
Interest on obligation	<b>28</b>	24
Contribution paid	<b>(12)</b>	(10)
Net obligation at the end of the year	<b>315</b>	292

## 24. RETIREMENT BENEFIT INFORMATION (CONTINUED)

	<b>2011 Rm</b>	2010 Rm
Funding liability at the beginning of the year	<b>294</b>	262
Interest cost	<b>28</b>	24
Current service cost	<b>7</b>	6
Contributions	<b>(12)</b>	(10)
Actuarial (gain)/loss	<b>(9)</b>	12
Funding liability at the end of the year	<b>308</b>	294

	<b>2011</b>	2010	2009	2008	2007
Funding liability	<b>308</b>	294	262	247	230
Fair value of assets	<b>-</b>	-	-	1	9
Funding deficit	<b>308</b>	294	262	246	221
Actuarial (gain)/loss on funding liability	<b>(9)</b>	13	(5)	1	8
Actuarial (loss)/gain on plan assets	<b>-</b>	-	-	(1)	2

### 2011

A one percentage point increase or decrease in the assumed medical inflation rate of 7.6% would have the following effect:

Medical inflation assumption	<b>7.6%</b>	<b>6.6%</b>	<b>8.6%</b>
Service cost for the year ended June 2011	<b>7</b>	<b>6</b>	<b>9</b>
Interest cost for the year ended June 2011	<b>28</b>	<b>23</b>	<b>31</b>
Medical inflation assumption	<b>7.6%</b>	<b>6.6%</b>	<b>8.6%</b>
Accrued liability at June 2011	<b>308</b>	<b>269</b>	<b>353</b>

### 2010

Medical inflation assumption	7.5%	6.5%	8.5%
Service cost for the year ended June 2010	6	5	8
Interest cost for the year ended June 2010	24	20	28
Medical inflation assumption	7.5%	6.5%	8.5%
Accrued liability at June 2010	294	256	342

The Group anticipates making contributions amounting to R13 million in the next financial year.

## 25. PROVISIONS

	Leave pay Rm	Provision for onerous lease com- mitments Rm	Employee benefits Rm	Other Rm	<b>Total 2011 Rm</b>	Total 2010 Rm
Balance at the beginning of the year	158	34	22	34	<b>248</b>	250
Raised	67	19	12	9	<b>107</b>	108
Released	–	(10)	–	–	<b>(10)</b>	(3)
Utilised	(54)	(1)	(13)	(8)	<b>(76)</b>	(107)
Balance at the end of the year	171	42	21	35	<b>269</b>	248

### LEAVE PAY

The leave pay provision is calculated using the estimated number of leave days due to the employees as at the end of the financial year. The leave pay provision will unwind as employees utilise their leave entitlement.

### PROVISION FOR ONEROUS LEASE COMMITMENTS

The provision for onerous lease commitments is calculated based on the present value of the unavoidable costs in fulfilling lease commitments, net of income receivable from the lease.

The onerous lease commitments provision reverses as the lease term runs down or if conditions change to the extent that the lease is no longer onerous.

### EMPLOYEE BENEFITS

The employee benefits provision consist primarily of Australian long-service leave entitlements. This provision is calculated based on the service period worked by each employee and probability assumptions are applied to determine the likelihood that an employee will eventually qualify for the entitlement. The provision unwinds as eligible employees redeem their entitlement or when the balance owing to an employee is paid out on termination of employment.

### OTHER

The other provision consists of a restructuring provision and a provision for sales returns.

## 26. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure not accrued at the reporting date

	<b>2011 Rm</b>	2010 Rm
Contracted for	<b>92</b>	183
Not contracted for	<b>842</b>	603
	<b>934</b>	786
Acquisitions of franchise operations		
Contracted for	<b>384</b>	–
	<b>1 318</b>	786

This expenditure on items of a capital nature will be financed by cash generated from the Group's activities and from available cash.

## 27. CONTINGENT LIABILITIES

There are no contingent liabilities.



## 28. FINANCIAL RISK MANAGEMENT

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of business. It is the Group's objective to minimise its exposure to the various financial risks through its risk management policies and procedures.

The Group attempts to manage financial risk where this involves activities in which it has appropriate competencies. To achieve this, the Group's treasury function is responsible for managing funding and the Group's financial risks within predetermined parameters.

The Group's overall treasury policy is reviewed and approved by the Woolworths Holdings Limited Board. The policy specifies the hedging level parameters, dealing limits (in terms of size and duration), the types of instruments that may be used, authorised counterparties and procedures for settling and recording transactions.

In addition, a treasury committee reports regularly to the Board on the implementation of treasury policies, focusing in particular on the amount of exposure to financial risk; the extent to which this risk is covered; the implications of expected future movement in market interest rates; as well as whether there are any deviations from treasury policy and the performance against budgets.

Financial services credit risk is managed by a credit risk committee attended by two directors of the Woolworths Holdings Limited Board.

### 28.1 FOREIGN CURRENCY MANAGEMENT

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Australian Dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. It is the Group's policy to fully cover all committed exposures.

#### TRANSACTIONAL FOREIGN EXCHANGE RISK

The Group has transactional currency exposures arising from the acquisition of goods and services in currencies other than the functional currency. It is the Group's policy that business units entering into such transactions must cover all such exposures with forward exchange contracts to hedge the risk of fluctuation in the foreign currency exchange rate (refer to the accounting policy note on hedge accounting).

Forward exchange contracts as well as trade payables at 26 June 2011 are summarised below. These amounts represent the net rand equivalent of Group commitments to purchase and sell foreign currencies.

	<b>Contract foreign currency amount m</b>	<b>Rand equiv- alent Rm</b>	<b>Average rate R</b>	<b>Fair value adjust- ment Rm</b>
<b>2011</b>				
<b>FORWARD EXCHANGE CONTRACTS</b>				
US Dollar	<b>230</b>	<b>1 667</b>	<b>7.25</b>	<b>(69)</b>
British Pound	<b>2</b>	<b>26</b>	<b>13.00</b>	<b>-</b>
Euro	<b>2</b>	<b>17</b>	<b>8.50</b>	<b>-</b>
		<b>1 710</b>		<b>(69)</b>
<b>TRADE PAYABLES</b>				
US Dollar	<b>32</b>	<b>204</b>	<b>6.38</b>	<b>18</b>
<b>2010</b>				
<b>FORWARD EXCHANGE CONTRACTS</b>				
US Dollar	128	1 003	7.81	5
British Pound	2	27	11.52	-
Euro	2	26	10.73	(3)
		<b>1 056</b>		<b>2</b>
<b>TRADE PAYABLES</b>				
US Dollar	14	106	7.57	(9)

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

#### TRANSACTIONAL FOREIGN EXCHANGE RISK (CONTINUED)

At 26 June 2011, the Group held 356 (2010: 305) forward exchange contracts designated as hedges of expected future purchases from suppliers outside South Africa for which the Group has firm commitments. Of these, 118 (2010: 92) are designated cash flow hedges in an effective hedging relationship.

The cash flow hedges resulted in a net unrealised loss of R48 million (2010: gain of R1 million) with a related deferred tax asset of R15 million (2010: liability R0.3 million) which was included in other comprehensive income in respect of these contracts.

The remaining 238 (2010: 213) forward exchange contracts are not designated as cash flow hedges. During the year, a loss of R15 million (2010: gain of R2m) was recognised in profit or loss in respect of these forward exchange contracts.

The following exchange rates applied during the year:

	Average rate		Closing rate	
	2011	2010	2011	2010
US Dollar/R	<b>6.99</b>	7.61	<b>6.82</b>	7.60
Australian Dollar/R	<b>6.89</b>	6.71	<b>7.17</b>	6.63

In the table below, the sensitivity of the Group's exposure to foreign currency risk is estimated by assessing the impact that a reasonably possible movement over the next 12 months in foreign exchange rates would have had on the profits and equity of the Group at the reporting date. The Group's exposure to other currencies is not considered to be material. An increase in the movement in foreign exchange rate is indicative of the functional currency weakening against the foreign currency.

	Move- ment in foreign exchange rate %	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other compre- hensive income Rm
<b>US DOLLAR</b>			
<b>2011</b>			
Foreign creditors	+5	10	-
	-5	(10)	-
Forward exchange contracts	+5	6	26
	-5	(6)	(28)
<b>2010</b>			
Foreign creditors	+5	6	-
	-5	(6)	-
Forward exchange contracts	+5	(3)	(28)
	-5	3	31

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

#### TRANSLATIONAL FOREIGN EXCHANGE RISK

##### Net investments in foreign subsidiaries

The Group has investments in foreign subsidiaries whose net assets (including cash) are exposed to foreign currency translation risk. This risk is not hedged.

	2011 Rm	2010 Rm
The Group has unhedged interests in foreign subsidiaries of:		
US Dollar	<b>507</b>	473
Euro	<b>(475)</b>	(500)
Australian Dollar*	<b>770</b>	614

A reasonably possible change in the Group's material translational foreign currencies, with all other variables being equal, will increase or decrease the profits or equity of the Group.

The sensitivity of the Group to such changes is presented in the table below. Reasonably possible changes over the next 12 months in the Group's material translational foreign currencies will result in movements in other comprehensive income observed in the foreign currency translation reserve.

	Movement in foreign exchange rate %	Decrease/ (increase) in other compre- hensive income Rm
<b>2011</b>		
US Dollar	<b>+5</b>	<b>(25)</b>
	<b>-5</b>	<b>25</b>
Euro	<b>+5</b>	<b>24</b>
	<b>-5</b>	<b>(24)</b>
Australian Dollar	<b>+5</b>	<b>(39)</b>
	<b>-5</b>	<b>39</b>
<b>2010</b>		
US Dollar	+5	(24)
	-5	24
Euro	+5	25
	-5	(25)
Australian Dollar *	+5	(31)
	-5	31

\* The unhedged interest in foreign subsidiaries in the prior year has been restated.

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

#### TRANSLATIONAL FOREIGN EXCHANGE RISK (CONTINUED)

##### Foreign cash

The Group has exposure to foreign currency translation risk through cash balances in currencies other than the South African rand. This risk is not hedged. Refer to note 32.5.

	2011 Rm	2010 Rm
Foreign cash balances are concentrated in the following major currencies:		
US Dollar	5	12
Australian Dollar	183	71
	<b>188</b>	<b>83</b>

The sensitivity of the Group's equity to changes in foreign cash balances resulting from a reasonably possible change in material foreign currencies in which the Group transacts is presented below.

The Group's sensitivity to the US Dollar is considered immaterial.

	Movement in foreign exchange rate %	Decrease/ (increase) in other compre- hensive income Rm
<b>2011</b>		
Australian Dollar	+5	(9)
	-5	9
<b>2010</b>		
Australian Dollar	+5	(4)
	-5	4

### 28.2 INTEREST RATE MANAGEMENT

The Group's interest rate risk arises from interest-bearing borrowings and cash and cash equivalents.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk, while fixed rate borrowings expose the Group to fair value interest rate risk. As part of the process of managing the Group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

In order to hedge the Group's exposure to the cash flow interest rate risk, the Group uses derivative instruments such as interest rate swaps and collars.

The Group is also exposed to the cash flow interest rate risk from its floating rate cash and cash equivalents. The cash flow interest rate sensitivity of the cash and cash equivalents is based on year-end cash balances.

The sensitivity of the Group's profits and equity to its exposure to interest rate risk from borrowings is presented below. The analysis considers the impact of a reasonably possible change over the next 12 months in three month Jibar, with all other variables held constant. At the reporting date, three month Jibar is 5.58% (2010: 6.64%).

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.2 INTEREST RATE MANAGEMENT (CONTINUED)

	<b>Movement in basis points</b>	<b>Decrease/ (increase) in profit before tax Rm</b>	<b>Decrease/ (increase) in other compre- hensive income Rm</b>
<b>2011</b>			
Floating rate loans	<b>+50</b>	-	-
	<b>-50</b>	-	-
Interest rate derivatives	<b>+50</b>	-	-
	<b>-50</b>	-	-
<b>2010</b>			
Floating rate loans	+50	5	-
	-50	(5)	-
Interest rate derivatives	+50	-	(3)
	-50	-	3

Reasonably possible changes in the prime interest rate will also impact the Group's profits and equity. The sensitivity of the Group's exposure to this variable is presented below.

	<b>Movement in basis points</b>	<b>Decrease/ (increase) in profit before tax Rm</b>	<b>Decrease/ (increase) in Equity Rm</b>
<b>2011</b>			
Other floating rate loans	<b>+50</b>	<b>3</b>	<b>2</b>
	<b>-50</b>	<b>(3)</b>	<b>(2)</b>
Cash and cash equivalents	<b>+50</b>	<b>(11)</b>	<b>(8)</b>
	<b>-50</b>	<b>11</b>	<b>8</b>
<b>2010</b>			
Other floating rate loans	+50	3	2
	-50	(3)	(2)
Cash and cash equivalents	+50	(14)	(10)
	-50	14	10

As at the reporting date, the prime interest rate is 9.0% (2010: 10.0%).

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**28.2 INTEREST RATE MANAGEMENT (CONTINUED)**

The interest rate pricing profile at 26 June 2011 is summarised as follows:

	2011		2010	
	Rm	Effective interest rate %	Rm	Effective interest rate %
<b>LOCAL INTEREST-BEARING BORROWINGS</b>				
Floating rate	500	5.5	1 500	8.1
% of total borrowings	100.0%		98.7%	
<b>FOREIGN INTEREST BEARING BORROWINGS</b>				
Floating rate – matured on 19 July 2010 – 5.66%	–	–	20	5.7
% of total borrowings	–	–	1.3%	

The carrying amounts of the Group's financial liabilities that are exposed to interest rate risk are as follows:

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	> 5 years Rm
<b>2011</b>					
Floating rate					
Loan bearing interest at prime less 3.5%	–	–	–	500	–
<b>2010</b>					
Floating rate					
Loan bearing interest at three month Jibar plus 1.65%	–	–	1 000	–	–
Loan bearing interest at prime less 3.5%	–	–	–	500	–
Floating rate loan maturing on 19 July 2010 – 5.66%	–	20	–	–	–
Interest rate swaps and collars	–	–	5	15	–

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.3 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, trade and other receivables and derivative financial instruments, as well as credit exposure to the Group's participation in export partnerships and other loans. The Group's maximum exposure to credit risk is equal to the carrying amount of these classes of assets. Refer to note 28.5.

The Group only deposits short-term cash surpluses and enters into derivative contracts with major banks of high quality credit standing.

Trencor Limited has materially warranted certain important cash flow aspects of the Group's participation in export partnerships, thus the credit quality of this receivable is considered to be high.

Trade and other receivables consist mainly of franchise and property related debtors. Rigorous credit granting procedures are applied to assess the credit quality of the customer, taking into account its financial position, credit rating and other factors.

Other loans include housing loans to employees and share purchase loans to directors of the Group. Security of housing loans is required, while share purchase loans are secured by shares in Woolworths Holdings Limited.

The holding company is exposed to credit risk mainly through amounts owing by subsidiaries and by its participation in export partnerships.

#### CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Rating	2011 Rm	Rating	2010 Rm
<b>FINANCIAL ASSETS</b>				
Participation in export partnerships	High grade	59	High grade	63
Other loans	High grade	84	High grade	95
Cash and cash equivalents	High grade	2 293	High grade	2 917
Derivative financial instruments	High grade	10	High grade	20
Trade and other receivables	High grade	520	High grade	534

#### Ratings

High grade – debtors are considered to have low credit risk when they have high quality credit standing or a guarantee on the amount owing is provided.

### 28.4 LIQUIDITY MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from adequate banking facilities ranging from overnight to 364 day facilities and the ability to close out market positions.

The Group has minimised its liquidity risk as shown by its substantial undrawn banking facilities.

	2011 Rm	2010 Rm
<b>BANKING FACILITIES:</b>		
Total banking facilities	2 079	2 463
Less: drawn down portion	(30)	(20)
Total undrawn banking facilities	2 049	2 443

All facilities and any security provided must be approved by the Board.

The Group's policy is to maintain appropriate committed and uncommitted banking facilities.

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**28.4 LIQUIDITY MANAGEMENT (CONTINUED)**

The undiscounted cash flows of the Group's borrowings, payables and derivative financial liabilities fall into the following maturity profiles:

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	> 5 years Rm
<b>2011</b>					
Interest-bearing borrowings	–	7	39	527	–
Forward exchange contracts	–	45	33	–	–
Trade and other payables	–	2 905	–	–	–
<b>2010</b>					
Interest-bearing borrowings	–	20	1 014	521	–
Forward exchange contracts	–	20	–	15	–
Trade and other payables	–	2 418	–	–	–

**BORROWING CAPACITY**

In terms of the company's Memorandum of Incorporation, there is no limit on the Group's authority to raise interest-bearing debt.

**28.5 FINANCIAL INSTRUMENTS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Financial assets at fair value through profit or loss	Derivatives used as hedging instruments	Non-financial assets	Total
<b>26 JUNE 2011</b>					
<b>Assets as per statement of financial position</b>					
Participation in export partnerships	(note 13) 59	–	–	–	59
Other loans	(note 14) 84	–	–	–	84
Trade and other receivables	(note 17) 576	–	–	157	733
Derivative financial instruments	(note 18) –	10	–	–	10
Cash	(note 32.5) 2 293	–	–	–	2 293
Total	3 012	10	–	157	3 179
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Derivatives used as hedging instruments	Non-financial liabilities	Total
<b>Liabilities as per statement of financial position</b>					
Interest-bearing borrowings	(note 22) 530	–	–	–	530
Trade and other payables	(note 23) 2 905	–	–	243	3 148
Derivative financial instruments	(note 18) –	23	55	–	78
Total	3 435	23	55	243	3 756



## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.5 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

		Loans and receivables	Financial assets at fair value through profit or loss	Deriv- atives used as hedging instru- ments	Non- financial assets	Total
27 June 2010						
Assets as per statement of financial position						
Participation in export partnerships	(note 13)	63	–	–	–	63
Other loans	(note 14)	95	–	–	–	95
Trade and other receivables	(note 17)	571	–	–	188	759
Derivative financial instruments	(note 18)	–	6	14	–	20
Cash	(note 32.5)	2 917	–	–	–	2 917
<b>Total</b>		<b>3 646</b>	<b>6</b>	<b>14</b>	<b>188</b>	<b>3 854</b>

		Financial liabilities at amor- tised cost	Financial liabilities at fair value through profit or loss	Deriv- atives used as hedging instru- ments	Non- financial liabilities	Total
Liabilities as per statement of financial position						
Interest-bearing borrowings	(note 22)	1 555	–	–	–	1 555
Trade and other payables	(note 23)	2 418	–	–	190	2 608
Derivative financial instruments	(note 18)	–	2	33	–	35
<b>Total</b>		<b>3 973</b>	<b>2</b>	<b>33</b>	<b>190</b>	<b>4 198</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

**28. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**28.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

The table below summarises the gains and losses on financial instruments:

	<b>Fair value move- ment</b>	<b>Invest- ment income</b>	<b>Interest expense</b>	<b>Impair- ment loss</b>	<b>Total</b>
<b>2011</b>					
Loans and receivables	-	132	-	(3)	129
Financial liabilities at amortised cost	-	-	84	-	84
Financial instruments at fair value through profit or loss	(15)	-	-	-	(15)
Derivatives used as hedging instruments	(29)	-	-	-	(29)
<b>Total</b>	<b>(44)</b>	<b>132</b>	<b>84</b>	<b>(3)</b>	<b>169</b>
<b>2010</b>					
Loans and receivables	-	175	-	(4)	171
Financial liabilities at amortised cost	-	-	151	-	151
Financial instruments at fair value through profit or loss	2	-	-	-	2
Derivatives used as hedging instruments	54	-	-	-	54
<b>Total</b>	<b>56</b>	<b>175</b>	<b>151</b>	<b>(4)</b>	<b>378</b>

All financial instruments at fair value through profit or loss of the Group are classified as held for trading.

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses a three-level hierarchy to prioritise the inputs used in measuring fair value. The levels within the hierarchy are described below with level 1 having the highest priority and level 3 having the lowest.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

	Fair value measurement using	Carrying amount		Fair value	
		2011 Rm	2010 Rm	2011 Rm	2010 Rm
<b>FINANCIAL ASSETS</b>					
Participation in export partnerships		59	63	59	63
Other loans		84	95	113	95
Trade and other receivables		576	571	576	571
Derivative financial instruments		10	20	10	20
Forward exchange contracts	Level 2	9	18	9	18
Inflation swap instruments – not hedge accounted for	Level 2	1	2	1	2
Cash		2 293	2 917	2 293	2 917
<b>FINANCIAL LIABILITIES</b>					
Interest-bearing borrowings		530	1 555	525	1 544
Trade and other payables		2 905	2 418	2 905	2 418
Derivative financial instruments		78	35	78	35
Forward exchange contracts	Level 2	78	20	78	20
Interest rate swaps and collars	Level 2	–	15	–	15

Fair value information for other financial instruments not carried at fair value is provided in the respective notes to these financial statements.

## 29. MANAGEMENT OF CAPITAL

Group strategy is to maintain a broadly neutral net debt position.

The Group considers share capital (note 19), share premium (note 20), non-distributable and distributable reserves (note 21) as capital. Management has made progress in meeting the following objectives:

- to provide an adequate return to shareholders
- to safeguard Woolworths ability to continue as a going concern
- to be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders
- to use excess cash to buy back shares in order to maximise shareholder value by enhancing both earnings per share and return on equity.

The management of capital is reviewed by the Board of directors on a quarterly basis. The Group will manage the overall capital structure through payments to shareholders and share repurchases.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the needs of the Group. The Group monitors capital using return on equity (ROE).

The Group's policy is to keep ratios in line with annual targets.

	2011	2010
Return on equity	<b>44,1%</b>	39,4%

The Group ensures that it complies with the liquidity and solvency requirements for any share repurchase or dividend payment per the Companies Act. Debt covenants, which exist on long-term borrowings, are monitored by management on an ongoing basis. There has been no breach of any covenants during the year.

## 30. COMPARATIVE FIGURES

### RECLASSIFICATIONS OF COMPARATIVE FIGURES

- 30.1** Marketing expenses of R37m previously disclosed in cost of sales have been included in other operating costs.
- 30.2** The results, cash flows and net assets of Country Road South Africa, previously recorded in the C&GM segment, have been included in the Country Road segment in line with a change in operational structure. Comparative results have been restated.

These reclassifications have had no impact on the Group's reported results.

	<b>2011 Rm</b>	2010 Rm
<b>31. DISTRIBUTIONS TO SHAREHOLDERS</b>		
<b>ORDINARY SHAREHOLDERS:</b>		
Distribution no. 25 of 53.5 cents per share was declared on 26 August 2009 and paid on 28 September 2009	–	429
Less: distribution received on treasury shares	–	(14)
Distribution no. 26 of 38.0 cents per share was declared on 17 February 2010 and paid on 6 April 2010	–	318
Less: distribution received on treasury shares	–	(26)
Distribution no. 27 of 67.0 cents per share was declared on 25 August 2010 and paid on 20 September 2010	<b>569</b>	–
Less: distribution received on treasury shares	<b>(56)</b>	–
Distribution no. 28 of 50.5 cents per share was declared on 16 February 2011 and paid on 14 March 2011	<b>429</b>	–
Less: distribution received on treasury shares	<b>(43)</b>	–
<b>PREFERENCE SHAREHOLDERS:</b>		
Distribution no. 5 of 12.3 cents per share was declared on 26 August 2009 and paid on 28 September 2009	–	11
Less: distribution accruing to the holding company	–	(5)
Distribution no. 6 of 8.7 cents per share was declared on 17 February 2010 and paid on 6 April 2010	–	8
Less: distribution accruing to the holding company	–	(3)
Distribution no. 7 of 22.1 cents per share was declared on 25 August 2010 and paid on 20 September 2010	<b>20</b>	–
Less: distribution accruing to the holding company	<b>(9)</b>	–
Distribution no. 8 of 16.8 cents per share was declared on 16 February 2011 and paid on 14 March 2011	<b>15</b>	–
Less: distribution accruing to the holding company	<b>(7)</b>	–
<b>Total net distributions paid</b>	<b>918</b>	718

Distribution no. 29 of 93.0 cents per share was declared to ordinary shareholders on 24 August 2011.  
Distribution no. 9 of 44.6 cents per share was declared to preference shareholders on 24 August 2011.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2011 Rm	2010 Rm
<b>32. CASH FLOW INFORMATION</b>		
<b>32.1 CASH INFLOW FROM TRADING</b>		
Profit before tax	2 306	1 759
Earnings from associate	(7)	(6)
Earnings from joint ventures	(129)	(75)
Depreciation and amortisation	489	442
Impairment	24	–
Financial costs	84	151
Investment income	(132)	(175)
Loss on sale of property, plant and equipment and intangible assets	4	24
Movement in other provisions	19	46
Prepaid employment cost	7	6
Share-based payments	142	106
Operating lease accrual	12	(3)
Unrealised foreign exchange losses/(profits)	29	(65)
Net inflow from trading	2 848	2 210
<b>32.2 WORKING CAPITAL MOVEMENTS</b>		
Inventories	(183)	24
Trade and other receivables	44	26
Trade and other payables	516	165
Net inflow	377	215
<b>32.3 TAX PAID</b>		
<b>NORMAL AND FOREIGN TAX</b>		
Amounts owing at the beginning of the year	(279)	(107)
Amounts charged to profit or loss	(609)	(538)
Foreign currency translation reserve	1	(1)
Amounts (receivable)/owing at the end of the year	(21)	279
Cash amounts paid	(908)	(367)
<b>SECONDARY TAX ON COMPANIES</b>		
Amounts charged to profit or loss	(77)	–
Total tax paid	(985)	(367)
<b>32.4 DISTRIBUTIONS TO SHAREHOLDERS</b>		
Normal distribution to shareholders	(923)	(725)
Amounts charged to statement of changes in equity and paid	(923)	(725)
<b>32.5 CASH AND CASH EQUIVALENTS</b>		
Cash		
Interest earning		
Local – variable at interest rates of 2.0% to 3.0% (2010: 4.0% to 5.0%)	174	352
Local – dividend account at an interest rate of 2.0% to 3.0% (2010: 4.0% to 5.0%)	44	41
Foreign – variable at interest rates of 0.1% to 0.2% (2010: 0.1% to 0.2%) Refer to note 28.1.	188	83
Short-term interest-bearing deposits – variable at interest rates of 5.3% to 6.0% (2010: 6.3% to 9.8%) maturing between 1 to 3 months	1 887	2 441
Cash and cash equivalents	2 293	2 917

The carrying value of cash and cash equivalents is considered to approximate the fair value.

### 33. OPERATING LEASES

The Group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between 1 and 12 years with further renewal options thereafter. The commitments disclosed below comprise the minimum payments as well as additional contingent payments based on expected turnover levels.

	<b>2011 Rm</b>	2010 Rm
<b>33.1 OPERATING LEASE COMMITMENTS</b>		
Land and buildings:		
2010/11	<b>994</b>	1 034
2011/12 to 2014/15	<b>3 379</b>	3 078
Thereafter	<b>2 261</b>	2 040
	<b>6 634</b>	6 152
<b>33.2 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS PRINCIPAL LESSOR AT 26 JUNE</b>		
Land and buildings:		
2010/11	<b>20</b>	21
2011/12 to 2014/15	<b>56</b>	47
Thereafter	<b>7</b>	23
	<b>83</b>	91
<b>33.3 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS SUB-LESSOR AT 26 JUNE</b>		
Land and buildings:		
2010/11	<b>13</b>	21
2011/12 to 2014/15	<b>10</b>	18
Thereafter	<b>1</b>	1
	<b>24</b>	40

The operating lease accrual of R475 million (2010: R460 million) represents the difference between the cash flow impact and income statement impact of the above leases (refer to note 23).

Contingent rent payable is calculated based on turnover level. The amount recognised in the income statement was R94 million (2010: R80 million).

The total minimum lease payments during the year amounts to R1 050 million (2010: R1 054 million).

The total minimum lease payments received during the year amount to R48 million (2010: R46 million).

### 34. FINANCE LEASES

The Group has entered into finance leases for various items of vehicles and computer equipments. These leases have terms of renewal between 3 and 5 years. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2011		2010	
	Minimum payments Rm	Present value of payments Rm	Minimum payments Rm	Present value of payments Rm
Within one year	18	16	17	14
Between one to five years	16	14	23	21
Total minimum lease payments	34	30	40	35
Less amounts representing finance charges	(4)	–	(5)	–
Present value of minimum lease payments	30	30	35	35

### 35. ACQUISITION OF FRANCHISE OPERATIONS

On 2 September 2010, the Group announced its decision to wind down its South African franchise operations and made offers to purchase all local franchise stores. These offers expired on 26 June 2011. In line with this decision, the Group acquired 23 franchise stores for a cash consideration of R250 million.

Period	Number of Stores	Cost
27 September 2010 to 26 December 2010	7	50
27 December 2010 to 27 March 2011	6	68
28 March 2011 to 26 June 2011	10	132
	23	250
		<b>2011 Rm</b>
<b>Fair value of assets acquired at the date of acquisition</b>		
Property, plant and equipment		8
Reacquired rights		138
Deferred tax liability		(39)
		<b>107</b>
<b>Goodwill arising on acquisition</b>		
Consideration		250
less: fair value of identifiable net assets acquired		107
		<b>143</b>
The goodwill of R143 million comprises the fair value of intangible assets that do not qualify for separate recognition.		
<b>Purchase consideration</b>		
Net cash paid		207
Amount payable		43
		<b>250</b>

From the dates of the acquisitions, the franchise stores have contributed R171 million of revenue and R26 million to the profit before tax of the Group. Had the acquisitions of the acquired franchisees been effected at the beginning of the year, the revenue of the Group for the 52 weeks ended 26 June 2011 would have been R345 million higher, and the profit before tax for the year would have increased by R80 million. The directors of the Group consider these pro-forma numbers to represent an approximate measure of the performance of the combined Group and to provide a reference point for comparison in future years.



## 36. INVESTMENT IN JOINT VENTURES

The Group has the following interests in joint ventures:

<b>Name of the joint venture</b>	<b>% interest held</b>	<b>Nature of business</b>
Woolworths Financial Services (Proprietary) Limited	50	The company provides financial services to Woolworths customers.
Nedglen Property Development (Proprietary) Limited	30	The company is involved in property development and investment.

The following amounts represent the Group's share of the aggregate amount of the assets and liabilities, and income and expenses of the joint ventures:

	<b>2011 Rm</b>	2010 Rm
Assets:		
Current assets	<b>3 093</b>	2 866
Non-current assets	<b>64</b>	77
	<b>3 157</b>	2 943
Liabilities:		
Current liabilities	<b>(108)</b>	(71)
Non-current liabilities	<b>(2 471)</b>	(2 298)
	<b>(2 579)</b>	(2 369)
Net asset value	<b>578</b>	574
Income	<b>761</b>	801
Expenses	<b>(632)</b>	(726)
Profit after income tax	<b>129</b>	75
Share of the capital commitment of the joint ventures are as follows:		
Woolworths Financial Services (Proprietary) Limited	<b>–</b>	–
Nedglen Property Development (Proprietary) Limited	<b>–</b>	–

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

## 37. EVENTS AFTER THE REPORTING DATE

**37.1** An additional 16 stores amounting to R155 million have been purchased between the year-end and the date of approval of the financial statements. The initial accounting for these acquisitions are incomplete as at the date of this report. Had the acquisition of the acquired franchisees been effected at the beginning of the year, the revenue of the Group for the 52 weeks ended 26 June 2011 would have been R123 million higher, and the profit before tax for the year would have increased by R49 million. The directors of the Group consider these pro-forma numbers to represent an approximate measure of the performance of the combined Group and to provide a reference point for comparison in future periods. Agreements to purchase a further 15 stores amounting to R229 million are effective from dates subsequent to this report.

**37.2** Subsequent to year end, 8 967 131 shares amounting to R275 million were repurchased and cancelled.

**38. SEGMENTAL INFORMATION**
**38.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN**

	2011 Woolworths Retail					
	Total Rm	Intragroup Rm	Clothing and General Merchandise Rm	Food Rm	Logistics Rm	Country Road Rm
<b>OPERATING RESULTS</b>						
Revenue	25 841	–	8 616	13 613	483	3 000
Turnover	25 582	–	8 591	13 535	483	2 973
Cost of sales	16 683	(85)	4 840	10 237	483	1 208
Abnormal foreign exchange related gain	–	–	–	–	–	–
Gross profit	8 899	85	3 751	3 298	–	1 765
Other revenue	127	–	25	78	–	24
Expenses	6 904	85	2 462	2 732	–	1 625
<b>Segmental operating profit</b>	<b>2 122</b>	<b>–</b>	<b>1 314</b>	<b>644</b>	<b>–</b>	<b>164</b>
Investment income	132	–	–	–	–	3
Interest paid	(84)	–	–	–	–	(5)
Earnings from Woolworths Financial Services joint venture	129	–	–	–	–	–
Earnings from associate and property joint venture	7	–	4	3	–	–
<b>Profit before tax and exceptional item</b>	<b>2 306</b>	<b>–</b>	<b>1 318</b>	<b>647</b>	<b>–</b>	<b>162</b>
Return on equity	44.1%					

The Group's revenues from external customers for each product and service are disclosed in note 2. The cost to provide information for each product and service of the Group is excessive and is therefore not disclosed.

Revenues arise from direct sales to a broad base of public customers. There are no customers that individually contribute 10% or more to revenue of the Group.

Country Road represents the Group's results of its Australian subsidiary.

		2010 (Restated) Woolworths Retail							
Treasury Rm	Woolworths Financial Services Rm	Total Rm	Intra- group Rm	Clothing and General mer- chandise Rm	Food Rm	Logistics Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
<b>129</b>	-	23 663	(16)	7 934	12 292	417	2 861	175	-
-	-	23 393	-	7 913	12 227	417	2 836	-	-
-	-	15 698	(77)	4 749	9 355	417	1 254	-	-
-	-	79	-	79	-	-	-	-	-
-	-	7 774	77	3 243	2 872	-	1 582	-	-
-	-	95	(16)	21	65	-	25	-	-
-	-	6 215	61	2 217	2 476	-	1 461	-	-
-	-	1 654	-	1 047	461	-	146	-	-
<b>129</b>	-	175	-	-	-	-	-	175	-
<b>(79)</b>	-	(151)	-	-	-	-	(4)	(147)	-
-	<b>129</b>	75	-	-	-	-	-	-	75
-	-	6	-	3	3	-	-	-	-
<b>50</b>	<b>129</b>	1 759	-	1 050	464	-	142	28	75

39.4%

**38 SEGMENTAL INFORMATION (CONTINUED)**
**38.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN**

	2011				
	Total Rm	Intragroup Rm	Woolworths Retail Rm	Country Road Rm	Treasury Rm
<b>STATEMENTS OF FINANCIAL POSITION</b>					
Property, plant and equipment, investment property, intangible assets and loans	3 026	–	2 641	385	–
Inventories	1 892	–	1 547	345	–
Trade and other receivables and derivative financial assets	743	–	679	64	–
Cash	2 293	–	403	107	1 783
Segment assets	7 954	–	5 270	901	1 783
Investment in joint ventures	578	–	1	–	–
Investment in associate	46	–	46	–	–
Tax and deferred tax assets	487	–	402	85	–
Total assets	9 065	–	5 719	986	1 783
Trade and other payables and provisions	4 265	–	3 856	409	–
Borrowings	530	–	30	–	500
Segment liabilities	4 795	–	3 886	409	500
Tax and deferred tax liabilities	177	–	177	–	–
Total liabilities	4 972	–	4 063	409	500
Debt ratio	5.8%				
Depreciation and amortisation	489	–	397	92	–
Impairment	24	–	3	21	–
Share-based payment expense	142	–	142	–	–
Capital expenditure – gross additions	623	–	517	106	–
Capital commitments	934	–	809	125	–
Shareholding			100.0%	87.9%	100.0%

Woolworths Financial Services Rm	2010 (Restated)					
	Total Rm	Intragroup Rm	Woolworths Retail Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
-	2 691	-	2 317	374	-	-
-	1 676	-	1 354	322	-	-
-	779	-	707	72	-	-
-	2 917	-	459	16	2 442	-
-	8 063	-	4 837	784	2 442	-
<b>577</b>	574	-	1	-	-	573
-	40	-	40	-	-	-
-	333	-	267	66	-	-
<b>577</b>	9 010	-	5 145	850	2 442	573
-	3 630	-	3 355	275	-	-
-	1 555	-	35	20	1 500	-
-	5 185	-	3 390	295	1 500	-
-	372	-	366	6	-	-
-	5 557	-	3 756	301	1 500	-
-	17.3%					
-	442	-	366	76	-	-
-	-	-	-	-	-	-
-	106	-	106	-	-	-
-	607	-	460	147	-	-
-	786	-	652	134	-	-
<b>50.0%</b>			100.0%	87.9%	100.0%	50.0%

**38. SEGMENTAL INFORMATION (CONTINUED)**
**38.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS**

	2011		
	Total Rm	Woolworths Retail	
		Intragroup Rm	Clothing and General merchandise Rm
Revenue			
South Africa	<b>22 948</b>	–	<b>8 368</b>
BLNS***	<b>235</b>	–	<b>160</b>
Rest of Africa and Middle East	<b>97</b>	–	<b>88</b>
Australasia	<b>2 561</b>	–	–
	<b>25 841</b>	–	<b>8 616</b>
Turnover – based on location of end user/ customers			
South Africa	<b>22 714</b>	–	<b>8 343</b>
BLNS***	<b>235</b>	–	<b>160</b>
Rest of Africa & Middle East	<b>97</b>	–	<b>88</b>
Australasia	<b>2 536</b>	–	–
	<b>25 582</b>	–	<b>8 591</b>
	<b>Total Rm</b>	<b>Intragroup Rm</b>	<b>Woolworths Retail Rm</b>
Total assets – based on location of assets			
South Africa	<b>7 778</b>	–	<b>5 317</b>
Australasia	<b>800</b>	–	–
	<b>8 578</b>	–	<b>5 317</b>
Tax and deferred tax assets	<b>487</b>		
	<b>9 065</b>		
Capital expenditure (gross) – based on location of assets			
South Africa	<b>521</b>	–	<b>517</b>
Australasia	<b>102</b>	–	–
	<b>623</b>	–	<b>517</b>

\*\*\* Botswana, Lesotho, Namibia and Swaziland

<b>Food Rm</b>	<b>Logistics Rm</b>	<b>Country Road Rm</b>	<b>Treasury Rm</b>	<b>Woolworths Financial Services Rm</b>
<b>13 529</b>	<b>483</b>	<b>439</b>	<b>129</b>	<b>-</b>
<b>75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>-</b>	<b>2 561</b>	<b>-</b>	<b>-</b>
<b>13 613</b>	<b>483</b>	<b>3 000</b>	<b>129</b>	<b>-</b>
<b>13 451</b>	<b>483</b>	<b>437</b>	<b>-</b>	<b>-</b>
<b>75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>-</b>	<b>2 536</b>	<b>-</b>	<b>-</b>
<b>13 535</b>	<b>483</b>	<b>2 973</b>	<b>-</b>	<b>-</b>
<b>Country Road Rm</b>	<b>Treasury Rm</b>	<b>Woolworths Financial Services Rm</b>		
<b>101</b>	<b>1 783</b>	<b>577</b>		
<b>800</b>	<b>-</b>	<b>-</b>		
<b>901</b>	<b>1 783</b>	<b>577</b>		
<b>4</b>	<b>-</b>	<b>-</b>		
<b>102</b>	<b>-</b>	<b>-</b>		
<b>106</b>	<b>-</b>	<b>-</b>		

**38. SEGMENTAL INFORMATION (CONTINUED)**

**38.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS**

	2010		
	Total Rm	Woolworths Retail	
		Intragroup Rm	Clothing and General merchandise Rm
Revenue			
South Africa	20 831	(43)	7 722
BLNS***	204	–	143
Rest of Africa and Middle East	80	–	69
Australasia	2 548	–	–
	23 663	(43)	7 934
Turnover – based on location of end user/ customers			
South Africa	20 613	–	7 701
BLNS***	204	–	143
Rest of Africa & Middle East	80	–	69
Australasia	2 496	–	–
	23 393	–	7 913
	Total Rm	Intragroup Rm	Woolworths Retail Rm
Total assets – based on location of assets			
South Africa	7 955	–	4 940
Australasia	722	–	–
	8 677	–	4 940
Tax and deferred tax assets	333		
	9 010		
Capital expenditure (gross) – based on location of assets			
South Africa	460	–	460
Australasia	147	–	–
	607	–	460

\*\*\* Botswana, Lesotho, Namibia and Swaziland



Food Rm	Logistics Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
12 220	417	340	175	-
61	-	-	-	-
11	-	-	-	-
-	-	2 548	-	-
12 292	417	2 888	175	-
12 155	417	340	-	-
61	-	-	-	-
11	-	-	-	-
-	-	2 496	-	-
12 227	417	2 836	-	-
Country Road Rm	Treasury Rm	Woolworths Financial services Rm		
-	2 442	573		
722	-	-		
722	2 442	573		
-	-	-		
147	-	-		
147	-	-		



**COMPANY ANNUAL FINANCIAL STATEMENTS**

Statement of comprehensive income	98
Statement of financial position	99
Statement of cash flows	100
Statement of changes in equity	101

**NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS**

1. Significant accounting policies	25
2. Revenue	102
3. Profit before exceptional items	102
4. Exceptional items	102
5. Tax	102
6. Directors' emoluments	103
7. Related party transactions	103
8. Interest in subsidiaries	105
9. Participation in export partnerships	106
10. Deferred tax	107
11. Trade and other receivables	107
12. Ordinary and preference share capital	108
13. Share premium	109
14. Distributable reserves	109
15. Trade and other payables	110
16. Contingent liabilities	110
17. Financial risk management	110
18. Management of capital	113
19. Distributions to shareholders	113
20. Cash flow information	114
21. Change in accounting policy	114
22. Events after the reporting date	114

---

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Note	<b>52 Weeks to 26 June 2011 Rm</b>	52 Weeks to 27 June 2010 Rm
<b>Revenue</b>	2	<b>1 100</b>	44
<b>Expenses</b>		<b>3</b>	3
Other operating cost		<b>3</b>	3
<b>Profit before exceptional items</b>	3	<b>1 097</b>	41
Exceptional Items	4	<b>-</b>	318
<b>Profit before tax</b>		<b>1 097</b>	359
Tax	5	<b>79</b>	1
<b>Profit and total comprehensive income for the year</b>		<b>1 018</b>	358
<b>Profit and total comprehensive income attributable to:</b>			
Shareholders		<b>1 018</b>	358

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	at 26 June 2011 Rm	Restated* at 27 June 2010 Rm	Restated* at 28 June 2009 Rm
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>1 287</b>	1 131	654
Interest in subsidiaries	8	<b>1 263</b>	1 106	627
Participation in export partnerships	9	<b>24</b>	25	27
<b>Current assets</b>		<b>194</b>	161	161
Trade and other receivables	11	<b>1</b>	1	–
Tax		<b>–</b>	–	3
Amounts owing by subsidiaries	8	<b>150</b>	119	118
Cash and cash equivalents	20.5	<b>43</b>	41	40
<b>Total assets</b>		<b>1 481</b>	1 292	815
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to shareholders</b>		<b>814</b>	848	441
Share capital	12	<b>1</b>	1	1
Share premium	13	<b>94</b>	61	142
Preference share capital	12	<b>–</b>	–	–
Distributable Reserves	14	<b>719</b>	786	298
<b>Total shareholders' interest</b>		<b>814</b>	848	441
<b>Non-current liabilities</b>		<b>24</b>	25	27
Deferred tax	10	<b>24</b>	25	27
<b>Current liabilities</b>		<b>643</b>	419	347
Trade and other payables	15	<b>14</b>	5	3
Tax		<b>–</b>	1	–
Amounts owing to subsidiaries	8	<b>629</b>	413	344
<b>Total equity and liabilities</b>		<b>1 481</b>	1 292	815

\* Refer to note 21 for details of restatement.

## COMPANY STATEMENT OF CASH FLOWS

	Note	52 Weeks to 26 June 2011 Rm	52 Weeks to 27 June 2010 Rm
<b>Cash flow from operating activities</b>			
Cash inflow from trading	20.1	13	10
Working capital movements	20.2	9	1
<b>Cash generated by operating activities</b>		<b>22</b>	11
Investment income		2	2
Tax (paid)/refund	20.3	(81)	1
<b>Cash (utilised in)/generated by operations</b>		<b>(57)</b>	14
Dividends received		1 083	29
Distributions paid to shareholders	20.4	(1 033)	(766)
<b>Net cash outflow from operating activities</b>		<b>(7)</b>	(723)
<b>Cash flow from investing activities</b>			
Repayment of loans by subsidiaries		170	57
Participation in export partnerships		-	1
<b>Net cash inflow from investing activities</b>		<b>170</b>	58
<b>Cash flow from financing activities</b>			
Shares issued		33	666
Shares repurchased		(194)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(161)</b>	666
<b>Increase in cash and cash equivalents</b>		<b>2</b>	1
<b>Net cash and cash equivalents at the beginning of the year</b>		<b>41</b>	40
<b>Net cash and cash equivalents at the end of the year</b>		<b>43</b>	41

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital Rm	Share premium Rm	Preference share capital Rm	Share-based payments reserve (Restated)* Rm	Retained profit Rm	Total equity Rm
<b>Shareholders' interest previously reported</b>		1	142	–	–	95	238
Retrospective application of change in accounting policy		–	–	–	203	–	203
<b>Shareholders' interest at the beginning of the year as restated</b>		1	142	–	203	95	441
Total comprehensive income for the year		–	–	–	–	358	358
Issue of ordinary shares	12 & 13	–	666	–	–	–	666
Share-based payments (restated)	14	–	–	–	149	–	149
Distributions paid to shareholders	19	–	(747)	–	–	(19)	(766)
<b>Shareholders' interest at 27 June 2010</b>		1	61	–	352	434	848
Total comprehensive income for the year		–	–	–	–	1 018	1 018
Issue of ordinary shares	12	–	33	–	–	–	33
Shares repurchased and cancelled	12	–	–	–	–	(193)	(193)
Share repurchase costs	12	–	–	–	–	(1)	(1)
Share-based payments	14	–	–	–	142	–	142
Distributions paid to shareholders	19	–	–	–	–	(1 033)	(1 033)
<b>Shareholders' interest at 26 June 2011</b>		1	94	–	494	225	814

\* Refer to note 21 for details of restatement.

## NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

	<b>2011 Rm</b>	2010 Rm
<b>2. REVENUE</b>		
Investment income	<b>17</b>	15
Dividends received	<b>1 083</b>	29
	<b>1 100</b>	44
<b>3. PROFIT BEFORE EXCEPTIONAL ITEMS INCLUDES:</b>		
<b>3.1 AUDITORS' REMUNERATION:</b>		
Audit fee	<b>3</b>	3
current year	<b>3</b>	3
<b>4. EXCEPTIONAL ITEMS</b>		
Reversal of impairment of investment in E-Com Investments 16 (Proprietary) Limited	<b>–</b>	318
The reversal of the provision for impairment against the company's investment in E-Com Investments 16 (Proprietary) Limited was based on an assessment of the fair value of the underlying net assets at the prior year end.		
<b>5. TAX</b>		
Current year		
South Africa		
Normal tax	<b>3</b>	3
Deferred tax relating to the origination and reversal of temporary differences (note 10)	<b>(1)</b>	(2)
Secondary tax on companies	<b>77</b>	–
	<b>79</b>	1
The rate of tax on profit is reconciled as follows:		
	%	%
Standard rate	<b>28.0</b>	28.0
Exempt income	<b>(28.0)</b>	(2.0)
Secondary tax on companies	<b>7.0</b>	–
Effective rate before exceptional items	<b>7.0</b>	26.0
Exceptional items	<b>–</b>	(26.0)
Effective tax rate	<b>7.0</b>	–



	<b>2011 Rm</b>	2010 Rm
<b>6. DIRECTORS' EMOLUMENTS</b>		
Emoluments paid to directors of Woolworths Holdings Limited in connection with the carrying on of the affairs of the company and its subsidiaries:		
Executive directors		
Fees	<b>1</b>	1
Remuneration	<b>12</b>	12
Retirement, medical, accident and death benefits	<b>1</b>	2
Performance bonus	<b>19</b>	23
Sign on bonus	<b>–</b>	8
Loss of office and retention payments	<b>–</b>	10
Share-based payments	<b>16</b>	11
Other benefits	<b>–</b>	1
Interest-free loan benefit	<b>3</b>	5
	<b>52</b>	73
Non-executive directors		
Fees	<b>6</b>	4
	<b>6</b>	4
	<b>58</b>	77
Directors emoluments are paid by Woolworths (Proprietary) Limited and Country Road Limited. Details of the directors' emoluments are provided in note 7 of the group annual financial statements on page 46.		
<b>7. RELATED PARTY TRANSACTIONS</b>		
The nature of transactions between the company and subsidiaries of the Group comprise mainly of dividend received.		
The following related party transactions occurred during the year:		
<b>WOOLWORTHS HOLDINGS LIMITED</b>		
<b>Dividend received from subsidiary companies</b>		
Woolworths (Proprietary) Limited	<b>1 016</b>	19
Woolworths Employee Share Ownership Trust	<b>16</b>	10
E-Com Investments 16 (Proprietary) Limited	<b>51</b>	–
Woolworths International Holdings Limited	<b>–</b>	–
	<b>1 083</b>	29
<b>Interest received from subsidiary companies</b>		
E-Com Investments 16 (Proprietary) Limited	<b>15</b>	13

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2011 Rm	2010 Rm
<b>7. RELATED PARTY TRANSACTIONS (CONTINUED)</b>		
Dividend paid to subsidiary companies on treasury shares held by the subsidiaries	<b>99</b>	41
<b>Share-based payments transactions</b>		
The company accounts for the Group share-based payments transactions settled in its equity instruments, as an equity-settled share-based payment arrangement with a corresponding increase in its investment in Woolworths (Proprietary) Limited. Refer to note 8.		
<b>KEY MANAGEMENT PERSONNEL</b>		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited. Key management personnel has been defined as the Board of directors of the company. The definition of related parties include close family members of key management personnel. The company has not engaged in transactions with close family members of key management personnel during the financial year.		
<b>KEY MANAGEMENT COMPENSATION</b>		
Short-term employee benefits	<b>41</b>	64
Share-based payments	<b>16</b>	11
Post-employment benefits	<b>1</b>	2
	<b>58</b>	77
Short-term employee benefits comprise salaries, directors fees and bonuses payable within twelve months of the end of the year. Post-employment benefits comprise of expenses determined in terms of IAS 19: Employee Benefits in respect of the Group's retirement and healthcare funds.		
<b>SHARE PURCHASE SCHEME LOANS AND INVESTMENTS (AT COST)</b>		
Loans and investments at the beginning of the year	<b>61</b>	63
Loans repaid during the year	<b>(9)</b>	(2)
Loans and investments at the end of the year	<b>52</b>	61
Details of the terms and conditions relating to these loans are disclosed in note 15 of the consolidated financial statements. No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2010: nil).		
<b>WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS</b>		
Balance outstanding at the beginning of the year	<b>2</b>	1
Annual spend	<b>2</b>	2
Annual repayments	<b>(2)</b>	(1)
Balance outstanding at the end of the year	<b>2</b>	2
Purchases made by key management personnel are at standard discounts granted to all employees of the company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other card holders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths visa credit card accounts of key management personnel (2010: nil).		
<b>POST-EMPLOYMENT BENEFIT PLAN</b>		
Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of Country Road employees are disclosed in note 24 of the consolidated annual financial statements.		

	<b>2011 Rm</b>	Restated* 2010 Rm	Restated* 2009 Rm
<b>8. INTEREST IN SUBSIDIARIES</b>			
Ordinary Shares	<b>896</b>	754	605
Cost	<b>402</b>	402	402
Share-based payments arising from the Group's share incentive schemes	<b>494</b>	352	203
Provision for impairment	<b>-</b>	-	-
Preference shares – investment in E-Com Investments 16 (Proprietary) Limited	<b>367</b>	352	22
Cost	<b>367</b>	352	340
Investment in equity	<b>230</b>	230	230
Loan receivable	<b>137</b>	122	110
Provision for impairment	<b>-</b>	-	(318)
Investment in equity	<b>-</b>	-	(230)
Loan receivable	<b>-</b>	-	(88)
<b>Interest in subsidiaries</b>	<b>1 263</b>	1 106	627
Amounts owing (to)/by subsidiaries			
Woolworths (Proprietary) Limited	<b>(628)</b>	(412)	(344)
E-Com Investments 16 (Proprietary) Limited	<b>150</b>	119	118
Woolworths Employee Share Ownership Trust	<b>(1)</b>	(1)	-
Total net interest in subsidiaries	<b>784</b>	812	401

\* Refer to note 21 for details of restatement.

	<b>2011 Rm</b>	2010 Rm
Movements in the provision for impairment of shares in subsidiaries were as follows:		
Balance at the beginning of the year	<b>-</b>	318
Investment in equity	<b>-</b>	230
Loan receivable	<b>-</b>	88
Charge for the year	<b>-</b>	-
Investment in equity	<b>-</b>	-
Loan receivable	<b>-</b>	-
Amount reversed during the year	<b>-</b>	(318)
Investment in equity	<b>-</b>	(230)
Loan receivable	<b>-</b>	(88)
Balance at the end of the year	<b>-</b>	-

## 8. INTEREST IN SUBSIDIARIES (CONTINUED)

Equity investments in subsidiaries are stated at cost less provision for impairment, if any.

The investment in preference shares of E-Com Investments 16 (Proprietary) Limited ("E-Com") entitles the company to a cumulative dividend equal to 50% of the dividend declared and paid by E-Com on the ordinary shares from time to time. In addition, the preference shares are redeemable in full by E-Com 10 years after the issue date.

The investment in preference shares of E-Com is a compound financial instrument in terms of IAS 32, and the cost is therefore split between equity and loan receivable. The loan receivable component is determined as the net present value of the investment discounted using an interest rate of 12%. The carrying value of the loan component approximates its fair value.

Investments in and loans to subsidiaries are considered to be impaired when it is unlikely that the initial investment cost will be recovered or that the loan granted will be repaid.

The loans to and from the other subsidiaries are unsecured, interest free and are repayable on demand. The carrying values of loans to and from subsidiaries approximate their fair values.

The company's maximum exposure to the credit risk of the loans to subsidiaries are their carrying values. The amount owing by subsidiaries in 2011 is considered to be neither past due nor impaired. Refer to note 17.1 for details of the company's credit risk management policies. Refer to Annexure 1 for details of the company's interest in subsidiaries.

	<b>2011 Rm</b>	2010 Rm
<b>9. PARTICIPATION IN EXPORT PARTNERSHIPS</b>		
Balance at beginning of the year	<b>25</b>	27
Payments received relating to the current year	<b>-</b>	(1)
Current portion included in trade and other receivables (refer to note 11)	<b>(1)</b>	(1)
Notional interest accrued for the year	<b>-</b>	-
Balance at the end of the year	<b>24</b>	25

The company participates as a partner in a number of container export partnerships. The partnerships sold containers in terms of long-term suspensive purchase and credit sale agreements.

Participation in export partnerships is measured at amortised cost using the effective interest rate method. Amortised cost is the company's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability. Any impairment to the participation in export partnerships would result in a corresponding reduction in the related deferred taxation liability (see note 10) and thus there would be no impact on the cash flow statement or the net profit of the company.

Due to the terms and conditions attaching to the participation in export partnerships it is not practicable within constraints of timeliness or cost to determine their fair values.

The amount outstanding is considered to be neither past due nor impaired. Refer to note 17.1 for details of the company's credit risk management policies.

---

## 10. DEFERRED TAX

The movement in the deferred tax account is as follows:

	<b>2011 Rm</b>	2010 Rm
Balance at the beginning of the year	<b>(25)</b>	(27)
Amount credited to profit or less	<b>1</b>	2
Export partnerships	<b>1</b>	2
Balance at the end of the year	<b>(24)</b>	(25)
Comprising:		
Export partnerships	<b>(24)</b>	(25)
	<b>(24)</b>	(25)

Deferred tax has been calculated at the standard corporate tax rate as at the reporting date as management expect to recover the carrying values of assets and settle the carrying value of liabilities through use.

## 11. TRADE AND OTHER RECEIVABLES

Trade and other receivables	<b>1</b>	1
	<b>1</b>	1

Trade and other receivables consist of the current portion of participation in export partnerships. The balance is neither past due nor impaired.

The carrying value of trade and other receivables is considered to approximate fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security. For detailed information regarding the credit quality of financial assets which are neither past due nor impaired, refer to note 17.1.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	<b>2011 R'000</b>	2010 R'000
<b>12. ORDINARY AND PREFERENCE SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1 410 600 000 (2010: 1 410 600 000) ordinary shares of 0.15 cents each	<b>2 116</b>	2 116
89 400 000 (2010: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each.	<b>134</b>	134
	<b>2 250</b>	2 250
<b>ISSUED</b>		
844 676 592 (2010: 847 786 806) ordinary shares of 0.15 cents each	<b>1 272</b>	1 272
88 267 306 (2010: 88 267 306) preference shares of 0.15 cents each	<b>132</b>	132
	<b>1 404</b>	1 404
<b>RECONCILIATION OF VALUE OF ORDINARY SHARES IN ISSUE:</b>		
Balance at the beginning of the year	<b>1 272</b>	1 202
3 945 838 (2010: 6 172 402) ordinary shares issued in terms of the share incentive scheme amounting to R5 919 (2010: R9 259)	<b>6</b>	9
Nil (2010: 40 497 604) ordinary shares issued to Woolworths (Proprietary) Limited amounting to nil (2010: R60 746)	<b>-</b>	61
7 056 052 (2010: Nil) ordinary shares repurchased and cancelled	<b>(11)</b>	-
	<b>1 267</b>	1 272
<b>RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE:</b>		
	<b>Number of shares</b>	
Balance at the beginning of the year	<b>847 786 806</b>	801 116 800
Shares issued	<b>3 945 838</b>	46 670 006
Shares repurchased and cancelled	<b>(7 056 052)</b>	0
	<b>844 676 592</b>	847 786 806

During the year, 3 945 838 (2010: 6 172 402) shares were issued in terms of the share incentive schemes. During the prior year, two specific share issues for cash were made to Woolworths (Proprietary) Limited, as follows:

<b>Date issued</b>	Number of shares	Subscription price R	Purchase price Rm
30 September 2009	29 497 604	14.56	429
26 March 2010	11 000 000	17.24	190
	40 497 604		619

	<b>2011 R'000</b>	2010 R'000
<b>12. ORDINARY AND PREFERENCE SHARE CAPITAL (CONTINUED)</b>		
<b>RECONCILIATION OF VALUE OF PREFERENCE SHARES IN ISSUE:</b>		
Balance at the beginning of the year	<b>132</b>	132
Nil (2010: nil) preference shares issued	–	–
Nil (2010: nil) shares converted to ordinary shares	–	–
Balance at the end of the year	<b>132</b>	132
<b>RECONCILIATION OF NUMBER OF PREFERENCE SHARES IN ISSUE:</b>	<b>Number of shares</b>	
Balance at the beginning of the year	<b>88 267 306</b>	88 267 306
Nil (2010: nil) preference shares issued	–	–
Shares converted to ordinary shares	–	–
Balance at the end of the year	<b>88 267 306</b>	88 267 306
For more information on the company's capital management policy, refer to note 18.		

	<b>Rm</b>	Rm
<b>13. SHARE PREMIUM</b>		
Balance at the beginning of the year	<b>61</b>	142
Share issues in terms of the share incentive scheme	<b>33</b>	47
Share issues to Woolworths (Proprietary) Limited	–	619
Distribution to shareholders	–	(747)
Balance at the end of the year	<b>94</b>	61

	<b>2011 Rm</b>	Restated* 2010 Rm	Restated* 2009 Rm
<b>14. DISTRIBUTABLE RESERVES</b>			
Share-based payment reserve			
Balance at the beginning of the year	<b>352</b>	203	–
Share-based payments arising from the Group's share incentive schemes	<b>142</b>	149	203
Balance at the end of the year	<b>494</b>	352	203
Retained profit	<b>225</b>	434	95
	<b>719</b>	786	298

\* Refer to note 21 for details of restatement

## 14. DISTRIBUTABLE RESERVES (CONTINUED)

### NATURE AND PURPOSE OF RESERVES

#### Share-based payment reserve

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer to note 19 of the Group financial statements for further details of the relevant schemes.

#### Retained profit

Retained profit records the cumulative net profit and loss made by the Group after deducting distributions to shareholders and other utilisations of the reserve.

	<b>2011 Rm</b>	2010 Rm
<b>15. TRADE AND OTHER PAYABLES</b>		
Other payables	<b>14</b>	5
	<b>14</b>	5

Trade and other payables mainly includes audit fee accrual and dividends payable to shareholders. The carrying value of trade and other payables approximates the fair value.

These balances are payable on demand.

## 16. CONTINGENT LIABILITIES

The company provides sureties for the banking facilities amounting to R1 900 million (2010: R2 400 million) and lease obligations of certain subsidiaries. There are no other contingent liabilities.

## 17. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity and interest rate risks arises in the normal course of business. It is the company's objective to minimise its exposure to the various financial risks through its risk management policies and procedures.

The company attempts to manage financial risk where this involves activities in which it has appropriate competencies. To achieve this, the company's treasury function is responsible for managing funding and the company's financial risks within predetermined parameters.

The company's overall treasury policy is reviewed and approved by the Woolworths Holdings Limited Board. The policy specifies the dealing limits (in terms of size and duration), the types of instruments that may be used, authorised counterparties and procedures for settling and recording transactions.

In addition, a treasury committee reports regularly to the Board on the implementation of treasury policies, focusing in particular on the amount of exposure to financial risk; the extent to which this risk is covered; the implications of expected future movement in market interest rates; as well as whether there are any deviations from treasury policy and performance against budgets.



## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 17.1 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, participation in export partnerships, amounts owing by subsidiaries and trade and other receivables. The company's maximum exposure to credit risk is equal to the carrying amount of these classes of assets.

The company only deposits short term cash surpluses with major banks of high quality credit standing. Trencor Limited has materially warranted certain important cash flow aspects of the company's participation in export partnerships, thus the credit quality of this receivable is considered to be high. Trade and other receivables consist mainly of interest receivable from Trencor Limited. Refer to note 8 for details of amount owing by subsidiaries.

#### CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired are assessed to be of high grade.

	<b>2011 Rm</b>	2010 Rm
<b>FINANCIAL ASSETS</b>		
Amount owing by subsidiaries	<b>150</b>	119
Participation in export partnerships	<b>24</b>	25
Cash and cash equivalents	<b>43</b>	41
Trade and other receivables	<b>1</b>	1
Preference share loan in E-Com Investments 16 (Proprietary) Limited (included in interest in subsidiaries)	<b>138</b>	123
<b>17.2 LIQUIDITY MANAGEMENT</b>		
Liquidity risk management includes maintaining sufficient cash and cash equivalents. In terms of the company's Memorandum of Incorporation, there is no limit on the company's authority to raise interest-bearing debt.		
The undiscounted cash flows of the company's borrowings and payables fall into the following maturity profiles:		
	<b>Maturity</b>	
Amount owing to subsidiaries	on demand	<b>629</b>
Trade and other payables	on demand	<b>14</b>

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 17.3 INTEREST RATE MANAGEMENT

The company's interest rate risk arises from interest-bearing cash balances. Interest rates applicable to cash and cash equivalents are variable interest rates.

The company manages its exposure to interest rate risk by ensuring that it invests its cash in the banks which offer the most favourable interest rate.

The sensitivity of the company's profits and equity to its exposure to interest rate risk is presented below. The analysis considers the impact of a reasonably possible change over the next 12 months in the prime rate, with all other variables held constant.

	<b>Movement in basis points</b>	<b>Decrease/ (increase) on profit before tax R'000</b>	<b>Decrease/ (increase) on equity R'000</b>
<b>2011</b>			
Cash	<b>+50</b>	<b>(215)</b>	<b>(155)</b>
	<b>-50</b>	<b>215</b>	<b>155</b>
<b>2010</b>			
Cash	+50	(205)	(148)
	-50	205	148

### 17.4 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	<b>2011 Rm</b>	2010 Rm
<b>LOANS AND RECEIVABLES</b>		
Participation in export partnerships	<b>24</b>	25
Amounts owing by subsidiaries	<b>150</b>	119
Trade and other receivables	<b>1</b>	1
Cash	<b>43</b>	41
Preference share loan in E-Com Investments 16 (Proprietary) Limited	<b>138</b>	123
Total	<b>356</b>	309
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>		
Amounts owing to subsidiaries	<b>629</b>	413
Trade and other payables	<b>14</b>	5
Total	<b>643</b>	418

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 17.5 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The table below summarises the gains and losses in financial instruments.

	Interest income Rm	Impairment loss Rm	Reversal of impairment loss Rm	Total Rm
<b>2011</b>				
Loans and receivables	2	–	–	2
Loan receivable element of Preference share in E-Com Investments 16 (Proprietary) Limited	15	–	–	15
<b>2010</b>				
Loans and receivables	2	–	–	2
Loan receivable element of Preference share in E-Com Investments 16 (Proprietary) Limited	13	–	88	101

## 18. MANAGEMENT OF CAPITAL

The company considers the management of capital with reference to the Group policy. Refer to note 29 of the Group annual financial statements.

	2011 Rm	2010 Rm
<b>19. DISTRIBUTIONS TO SHAREHOLDERS</b>		
<b>Ordinary shareholders:</b>		
Distribution no. 25 of 53.5 cents per share was declared on 26 August 2009 and paid on 28 September 2009	–	429
Distribution no. 26 of 38.0 cents per share was declared on 17 February 2010 and paid on 6 April 2010	–	318
Distribution no. 27 of 67.0 cents per share was declared on 25 August 2010 and paid on 20 September 2010	569	–
Distribution no. 28 of 50.5 cents per share was declared on 16 February 2011 and paid on 14 March 2011	429	–
<b>Preference shareholders:</b>		
Distribution no. 5 of 12.3 cents per share was declared on 26 August 2009 and paid on 28 September 2009	–	11
Distribution no. 6 of 8.7 cents per share was declared on 17 February 2010 and paid on 6 April 2010	–	8
Distribution no. 7 of 22.1 cents per share was declared on 25 August 2010 and paid on 20 September 2010	20	–
Distribution no. 8 of 16.8 cents per share was declared on 16 February 2011 and paid on 14 March 2011	15	–
Total net distributions paid	1 033	766

Distribution no. 29 of 93.0 cents per share was declared to ordinary shareholders on 24 August 2011.

Distribution no. 9 of 44.6 cents per share was declared to preference shareholders on 24 August 2011.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2011 Rm	2010 Rm
<b>20. CASH FLOW INFORMATION</b>		
<b>20.1 CASH FLOW FROM TRADING</b>		
Profit before exceptional item	<b>1 097</b>	41
Investment income	<b>(17)</b>	(15)
Movement in working capital and other provisions	<b>16</b>	13
Dividends received	<b>(1 083)</b>	(29)
Net inflow from trading	<b>13</b>	10
<b>20.2 WORKING CAPITAL MOVEMENTS</b>		
Trade and other receivables	<b>–</b>	(1)
Trade and other payables	<b>9</b>	2
Net inflow	<b>9</b>	1
<b>20.3 TAX (PAID)/REFUND</b>		
<b>NORMAL AND FOREIGN TAX</b>		
Amounts owing/receivable at the beginning of the year	<b>(1)</b>	3
Amounts charged to profit or loss	<b>(3)</b>	(3)
Amounts owing at the end of the year	<b>–</b>	1
Cash amounts (paid)/received	<b>(4)</b>	1
<b>SECONDARY TAX ON COMPANIES</b>		
Amounts charged to profit or loss	<b>(77)</b>	–
Total tax paid	<b>(81)</b>	1
<b>20.4 DISTRIBUTIONS TO SHAREHOLDERS</b>		
Distribution to shareholders	<b>(1 033)</b>	(766)
Special dividend to shareholders	<b>–</b>	–
Amounts charged to statement of changes in equity and paid	<b>(1 033)</b>	(766)
<b>20.5 CASH AND CASH EQUIVALENTS</b>		
Cash		
Interest earning		
Local – dividend account at an interest rate of 4% to 5% (2010: 4% to 5%)	<b>43</b>	41
Cash and cash equivalents	<b>43</b>	41

The carrying value of cash and cash equivalents is considered to approximate the fair value.

**21. CHANGE IN ACCOUNTING POLICY**

The company adopted the amendments to IFRS 2 Share-based payments in the current year, which resulted in a change in accounting policy with retrospective application. The amendment requires that the company accounts for the share-based payments transaction as an equity-settled share-based payment arrangement with a corresponding increase in its interest in subsidiaries. Refer to note 1 of the Group annual financial statements for accounting policies.

Refer to notes 14 and 8 for impact on equity and interest in subsidiaries.

**22. EVENTS AFTER THE REPORTING DATE**

No event material to the understanding of these financial statements has occurred between the end of the financial year and the date of approval.

## ANNEXURE 1

			<b>Company</b>			
			<b>2011</b>		2010	
			<b>Carrying value of shares Rm</b>	<b>% Holding</b>	Carrying value of shares Rm	% Holding
<b>Interest in subsidiaries</b>						
<b>Directly held</b>						
			<b>632</b>		632	
Woolworths (Proprietary) Limited	R	1	–	<b>100.0</b>	–	100.0
Woolworths Developments (Proprietary) Limited	P	1	–	<b>100.0</b>	–	100.0
Woolworths International Holdings Limited	H	5	<b>402</b>	<b>100.0</b>	402	100.0
E-Com Investments 16 (Proprietary) Limited	H	1	<b>230</b>	<b>100.0</b>	230	100.0
The Woolworths Holdings Share Trust*			–	–	–	–
The Woolworths Employee Share Ownership Trust*			–	–	–	–
<b>Indirectly held</b>						
Woolworths International (SA) (Proprietary) Limited	D	1		<b>100.0</b>		100.0
Woolworths (Namibia) (Proprietary) Limited	D	2		<b>100.0</b>		100.0
Woolworths Holding (Mauritius) Limited	R	11		<b>100.0</b>		–
Woolies (Zambia) Limited****	R	12		<b>51.0</b>		–
Woolworths (Mauritius) Limited****	R	11		<b>100.0</b>		–
Highway Holdings N.V.	H	6		<b>100.0</b>		100.0
Woolworths International Limited	I	5		<b>100.0</b>		100.0
Woolworths International (Australia) (Proprietary) Limited	H	7		<b>100.0</b>		100.0
Woolworths Worldwide Limited	H	5		<b>100.0</b>		100.0
The Woolworths Trust**	H	5		–		–
WSM Operations Holding Company Limited	D	5		<b>100.0</b>		100.0
Country Road Limited	R	7		<b>87.9</b>		87.9
Country Road Clothing (Proprietary) Limited	R	7		<b>87.9</b>		87.9
Country Road Ventures (Proprietary) Limited	R	7		<b>87.9</b>		87.9
Country Road Clothing (N.Z.) Limited	R	8		<b>87.9</b>		87.9
Country Road Properties (Proprietary) Limited	P	7		<b>87.9</b>		87.9
Country Road International (Proprietary) Limited	H	7		<b>87.9</b>		87.9
Country Road (Hong Kong) Limited	R	9		<b>87.9</b>		87.9
Country Road Australia Limited	R	10		<b>87.9</b>		87.9
Universal Product Networks (Proprietary) Limited	L	1		<b>100.0</b>		100.0
inthebag (Proprietary) Limited	D	1		<b>100.0</b>		100.0
Virtual Market Place (Proprietary) Limited***	R	1		<b>100.0</b>		100.0
The Woolworths Trust (Charitable Trust)*		1		–		–
<b>Interest in joint ventures</b>						
Woolworths Financial Services (Proprietary) Limited	F	1		<b>50% – 1 share</b>		50% – 1 share
Nedglen Property Developments (Proprietary) Limited	P	1		<b>30.0</b>		30.0
<b>Amounts owing (to)/by subsidiaries</b>						
			<b>(342)</b>		(240)	
Woolworths (Proprietary) Limited			<b>(628)</b>		(412)	
E-Com Investments 16 (Proprietary) Limited			<b>287</b>		241	
Woolworths Employee Share Ownership Trust			<b>(1)</b>		(1)	
<b>Total interest</b>			<b>290</b>		392	

---

## ANNEXURE 1 (CONTINUED)

### Nature of business

R: Retailing P: Property development F: Financial services I: Import/export D: Dormant  
L: Logistics H: Holding

### Country of incorporation

1: South Africa 2: Namibia 3: Lesotho 4: Swaziland 5: Guernsey 6: Belgium 7: Australia  
8: New Zealand 9: Hong Kong 10: United Kingdom 11: Mauritius 12: Zambia

- \* The Woolworths Holdings Share Trust, The Woolworths Employee Share Ownership Trust and The Woolworths Trust are included as subsidiaries based on the interpretation guidance SIC 12 (AC 412).
- \*\* The Woolworths Trust is an intermediate holding entity for Woolworths Worldwide Limited (Guernsey). Woolworths Holdings Limited is a beneficiary of the trust.
- \*\*\* Virtual Market Place (Proprietary) Limited is a virtual community development company that creates partnerships between businesses and supporters for the benefit of broad-based educational institutions.
- \*\*\*\* Woolies (Zambia) Limited and Woolworths (Mauritius) Limited are subsidiaries of Woolworths Holding (Mauritius) Limited

The aggregate profit/(losses) after tax of subsidiaries attributable to the company are:

	<b>Company</b>	
	<b>2011</b>	2010
	<b>Rm</b>	Rm
Profits	<b>1 757</b>	1 341
Losses	<b>(4)</b>	(8)
	<b>1 753</b>	1 333

---

## GLOSSARY OF FINANCIAL TERMS

### AMORTISED COST

The amount at which a financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

### ACTUARIAL GAINS OR LOSSES

Actuarial gains or losses comprise:

1. experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
2. the effects of changes in actuarial assumptions.

### BLACK-SCHOLES MODEL

A valuation equation that assumes the price of the underlying asset changes continuously through to the option's expiration date by a statistical process known as geometric Brownian motion.

### BINOMIAL OPTION PRICING MODEL

A valuation equation that assumes the price of the underlying asset changes through a series of discrete upward or downward movements.

### BUSINESS SEGMENT

A distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

### CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### CASH FLOW HEDGE

A hedge of the exposure to variability in cash flows that:

1. is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
2. could affect profit or loss.

### CASH-GENERATING UNIT

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### COMPANY

Woolworths Holdings Limited – a legally incorporated business entity registered in terms of the Companies Act 71 of 2008 in South Africa, as amended.

### CONSOLIDATED FINANCIAL STATEMENTS

The financial results of the Group presented as those of a single economic entity.

### CONTINGENT LIABILITY

1. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of an entity.
2. A present obligation that arises from past events but is not recognised because:
  - 2.1 it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - 2.2 the amount of the obligation cannot be measured with sufficient reliability.

### CONTROL

The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

### CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

### CURRENCY RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

### DEFERRED BONUS PLAN

The deferred bonus plan allows eligible employees to acquire Woolworths Holdings shares at the ruling market price out of a portion of their declared short-term performance bonus. A matching award of Woolworths shares will be made to the participant after a period of three years on condition that the participant remains in the employ of the employer company and retains the bonus share over the period.

### DEFINED-BENEFIT PLAN

Post-employment benefit plans other than defined-contribution plans.

### DEFINED-CONTRIBUTION PLAN

Post-employment benefit plans under which an entity pays fixed contributions into a separate fund, and in respect of which the entity will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### DEFERRED TAX ASSETS

The amount of income taxes recoverable in future periods in respect of:

1. deductible temporary differences;
2. the carry forward of unused tax losses; and
3. the carry forward of unused tax credits.

### DEFERRED TAX LIABILITIES

The amounts of income tax payable in future periods in respect of taxable temporary differences.

---

## GLOSSARY OF FINANCIAL TERMS (CONTINUED)

### DERIVATIVE

A financial instrument or other contract with all three of the following characteristics:

1. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the “underlying”);
2. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
3. it is settled at a future date.

### DILUTION

A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

### DISPOSAL GROUP

A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

### EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTION

A share-based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).

### FAIR VALUE

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

### FINANCIAL ASSET

Any asset that is:

1. cash;
2. an equity instrument of another entity;
3. a contractual right:
  - 3.1 to receive cash or another financial asset from another entity; or
  - 3.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
4. a contract that will or may be settled in the entity’s own equity instruments and is:
  - 4.1 a non-derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments; or
  - 4.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose, the entity’s own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity’s own equity instruments.

### FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that meets either of the following conditions:

1. it is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:
  - 1.1 acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
  - 1.2 that forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
  - 1.3 that is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
2. Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted or when doing so results in more relevant information, because either:
  - 2.1 it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
  - 2.2 a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel.

### FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### FINANCIAL LIABILITY

Any liability that is:

1. a contractual obligation:
  - 1.1 to deliver cash or another financial asset to another entity; or
  - 1.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
2. a contract that will or may be settled in the entity’s own equity instruments and is:
  - 2.1 a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or
  - 2.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose the entity’s own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity’s own equity instruments.

### FIRM COMMITMENT

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.



---

## **FORECAST TRANSACTION**

An uncommitted but anticipated future transaction.

## **FUNCTIONAL CURRENCY**

The currency of the primary economic environment in which the entity operates.

## **GEOGRAPHICAL SEGMENT**

A distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

## **GOOD BUSINESS JOURNEY**

The Woolworths Good Business Journey (GBJ) is a comprehensive five-year plan announced in April 2007. Incorporating a series of challenging targets and commitments centred on four key priorities – accelerating transformation, driving social development, enhancing Woolworths environmental focus and addressing climate change – it is Woolworths ongoing plan to make a difference in its communities, the country and the world.

## **GRANT DATE**

The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process, grant date is the date when that approval is obtained.

## **GROUP**

The Group comprises Woolworths Holdings Limited and all its subsidiaries, joint ventures and associate.

## **HEDGING INSTRUMENT**

A designated derivative or, for a hedge of the risk of changes in foreign currency exchange rates only, a designated non-derivative financial asset or non-derivative financial liability, whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

## **HEDGED ITEM**

A liability or highly probable forecast transaction that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

## **HEDGE EFFECTIVENESS**

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

## **HELD FOR TRADING FINANCIAL INSTRUMENT**

See financial asset or financial liability at fair value through profit or loss.

## **INTANGIBLE ASSET**

An identifiable non-monetary asset without physical substance.

## **INTEREST RATE RISK**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## **INTRINSIC VALUE**

The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares.

## **LIQUIDITY RISK**

The risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities.

## **LOANS AND RECEIVABLES**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

1. those that the entity intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
2. those that the entity upon initial recognition designates as available-for-sale; or
3. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.

## **LONG-TERM INCENTIVE PLAN**

The long-term incentive plan provides eligible employees with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares which are subject to the fulfilment of predetermined performance conditions covering a three-year period.

## **MINORITY INTEREST**

The portion of the profit or loss and the net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiaries, by the parent.

## **MONETARY ITEMS**

Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

## **MONTE CARLO SIMULATION METHOD**

A method that is used to evaluate the probabilities of different gains or losses being realised over a future period. It is based on the generation of multiple trials to determine the expected value of a random variable.

## **ONEROUS CONTRACT**

A contract in which the unavoidable cost of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

## **OPERATING LEASE ACCRUAL**

Represents the difference between the cash flow impact and the amount charged to the statement of comprehensive income in respect of operating leases.

---

## GLOSSARY OF FINANCIAL TERMS (CONTINUED)

### **PAST DUE**

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

### **PRESENT VALUE**

A current estimate of the present discounted value of the future net cash flows in the normal course of business.

### **REASONABLY POSSIBLE CHANGE IN RISK VARIABLE**

Reasonably possible change in risk variable refers to most likely change in the risk variable, during the next annual period, which is judged relative to the economic environments in which the entity operates, and does not include "worst case" scenarios.

### **RELATED PARTY**

A party is related to an entity if:

1. directly, or indirectly through one or more intermediaries, the party:
  - 1.1 controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - 1.2 has an interest in the entity that gives it significant influence over the entity; or
  - 1.3 has joint control over the entity;
2. the party is an associate of the entity;
3. the party is a joint venture in which the entity is a venturer;
4. the party is a member of the key management personnel of the entity or its parent;
5. the party is a close family member of any individual referred to in (1) or (4) above;
6. the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (4) or (5) above; or
7. the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

### **REPORTING DATE**

The last day of the financial period.

### **RESTRICTED SHARE PLAN**

The restricted share plan gives eligible employees the rights to receive Woolworths Holdings Limited shares, subject to the satisfaction of certain service conditions within a specific time period.

### **SEGMENT ASSETS**

Those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude income tax assets, as well as investments, where the resulting income arising from the investments is excluded from segment results.

### **SEGMENT EXPENSE**

Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated

on a reasonable basis to the segment. Segment expense does not include:

1. interest, including interest incurred on advances or loans from other segments;
2. losses on sales of investments;
3. an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method;
4. income tax expense; and
5. general administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as a whole.

### **SEGMENT RESULT**

Segment revenue less segment expense before any adjustments for minority interest.

### **SEGMENT REVENUE**

Revenue reported in the entity's statement of comprehensive income that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment.

Segment revenue does not include:

1. interest or dividend income unless the segment's operations are primarily of a financial nature; or
2. gains on sales of investments or gains on extinguishment of debt unless the segment's operations are primarily of a finance nature.

### **SHARE APPRECIATION RIGHTS SCHEME**

This scheme gives eligible employees the rights to receive Woolworths Holdings Limited shares equal to the value of the difference between the exercise price and the grant price, subject to the satisfaction of certain performance conditions within a specified period.

### **SHARE-BASED PAYMENT TRANSACTION**

A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.

### **SHARE OPTION**

A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specific period of time.

### **SUBSIDIARY**

An entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

### **TREASURY SHARES**

An entity's own equity instruments, held by the entity or other members of the consolidated Group.

### **VEST**

To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, or other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.



[WWW.WOOLWORTHSHOLDINGS.CO.ZA](http://WWW.WOOLWORTHSHOLDINGS.CO.ZA)