

# WHL'16

WOOLWORTHS HOLDINGS LIMITED / UNAUDITED INTERIM RESULTS  
FOR THE 26 WEEKS ENDED 27 DECEMBER 2015

## COMMENTARY

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The Group has continued to perform well despite more challenging trading conditions in both South Africa and Australia. Group sales increased by 17.1% (12.3% excluding David Jones, which was acquired on 1 August 2014). Basic and headline earnings grew by 52.8% and 44.9% respectively, and headline earnings per share ("HEPS") and adjusted HEPS grew by 30.6% and 3.6% respectively. The prior period earnings were impacted by the costs associated with the acquisitions while HEPS and adjusted HEPS growth were impacted by the increase in the weighted average number of shares ("WANOS") as a result of the rights issue in the prior year.

## WOOLWORTHS

### CLOTHING AND GENERAL MERCHANDISE

Clothing and General Merchandise has had a much-improved half, growing sales by 12.5%. Clothing sales were up 11.7% (8.0% in comparable stores) and price movement was 6.6%.

Gross profit margin increased by 0.8% to 48.1%, enhanced by the launch of private label brands into David Jones stores in Australia. Store costs increased by 13.3%, with a 5.9% increase in space and the costs associated with the new David Jones business, with comparable store costs growing by 3.4%. Other operating costs were also impacted by the David Jones launch, increasing by 16.2%. Adjusted profit before tax grew by 14.6% to R1 255 million and return on sales increased by 0.3% to 17.9%.

### FOOD

The Food business continues to perform well with sales growing by 12.1% (11.7% excluding Food Service concessions) and price movement of 5.7%. Sales in comparable stores grew by 5.8%.

Store costs increased by 12.1% due mainly to an increase of 10.2% in trading space and ongoing store refurbishments. Comparable store costs grew by 3.7% and other operating costs grew by 8.2%. Adjusted profit before tax grew by 17.4% to R855 million. Return on sales was maintained at 7.1%, in line with the full year to June 2015.

### WOOLWORTHS FINANCIAL SERVICES

Woolworths Financial Services' average debtors book grew by 10.5% and the annualised impairment rate remains unchanged from December 2014 at 4.8%.

## DAVID JONES

David Jones had a strong first half performance with improved merchandising and the expansion of the Group's private label brands across the chain. Sales (including concession sales) grew by 11.2% on a 26-week basis, well ahead of both the Australian department store and specialty clothing market. Sales in comparable stores grew by 9.7%. Despite the inclusion this year of July, a clearance month, significant once-off costs associated with the launch of private label and other transformation projects, the contribution to profit across the Group from David Jones increased by 19.0%.

## COUNTRY ROAD GROUP

Sales in Australasia grew by 13.4% and by 0.1% in comparable stores, despite a disappointing performance by Country Road womenswear. Trading space grew by 16.0%, 14.6% of which is reallocated space within David Jones' existing store footprint and does not represent additional space to the Group.

Higher markdowns, particularly in Country Road womenswear, resulted in gross profit margin declining by 1.3% to 61.0%. Store costs increased by 12.2% due to the significant increase in trading space. Operating cost growth was well controlled at 9.1%, resulting in a 5.3% increase in adjusted profit before tax, to A\$60 million, which includes the additional profit from the successful launch of Country Road Group brands into David Jones.

## OUTLOOK

As a result of the deterioration in the outlook for the global economy, conditions are expected to become more difficult both in South Africa and Australia. Increasing interest rates in South Africa will add further pressure on the local consumer. Our response in both markets is to ensure that we offer our customers value and quality across our brands, products and services, as well as focus on costs and efficiencies. In the long term, our strategies remain focused on delivering sustainable profit growth in all the markets in which we trade.

Trading for the first six weeks in the second half of the financial year has been in line with that of the first half.

Any reference to future financial performance included in this statement has not been reviewed and reported on by the company's external auditors and does not constitute an earnings forecast.

# CHANGES TO THE BOARD OF DIRECTORS AND COMPANY SECRETARY

The Board appointed Gail Kelly, an Australian national, as an Independent Non-Executive Director with effect from 1 October 2015. Gail has also been appointed to the Nominations, Remuneration, Risk and Compliance, and Sustainability committees.

Mike Leeming retired as a director of the company and chairman of the Audit Committee at the conclusion of the 2015 Annual General Meeting on 30 November 2015. Hubert Brody assumed the role of chairman of the Audit Committee on the same date. The Board expresses its gratitude to Mike for the significant contribution he has made to the company and wishes him well in his retirement.

Thobeka Sishuba resigned as Company Secretary with effect from 31 January 2016 and Ralph Buddle has been appointed Interim Company Secretary with effect from 10 February 2016 until such time as a permanent appointment is made.

**S N Susman**  
Chairman  
Cape Town, 10 February 2016

**I Moir**  
Group Chief Executive Officer

## DIVIDEND DECLARATION AND SCRIP DISTRIBUTION ALTERNATIVE

Notice is hereby given that the board of directors have declared an interim gross cash dividend ("dividend") of 133.0 cents (113.05 cents net of dividend withholding tax) per ordinary share for the 26 weeks ended 27 December 2015. The dividend has been declared from income reserves and therefore does not constitute a distribution of "contributed tax capital" as defined in the Income Tax Act, 58 of 1962. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

As an alternative, shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a capitalisation issue alternative ("Scrip Distribution") for the 26 weeks ended 27 December 2015, by way of issue of fully paid company ordinary shares of no par value payable to ordinary shareholders recorded in the register of the company at the close of business on the record date, being Friday, 4 March 2016. If no election is made, the cash dividend will be paid. The issue of the new ordinary shares pursuant to the Scrip Distribution will be effected from the company's income reserves.

The number of new ordinary shares to which ordinary shareholders participating in the Scrip Distribution will become entitled will be determined in the ratio that 133.0 cents multiplied by a factor of 1.015 bears to the volume-weighted average price ("VWAP") of the ordinary shares on the JSE during the 5-day trading period ending on 18 February 2016. Details of the ratio in relation to the Scrip Distribution will be released on the Stock Exchange News Service by no later than 11h00 on Friday, 19 February 2016.

Where the Scrip Distribution results in a fraction of a new WHL ordinary share, such fraction will be rounded up to the nearest whole number where the fraction is greater than or equal to 0.5 and rounded down to the nearest whole number where the fraction is less than 0.5.

A circular setting out, *inter alia*, the terms of the dividend and the Scrip Distribution, together with a form of election, will be posted to WHL ordinary shareholders on or about Friday, 12 February 2016.

The issued share capital at the declaration date is 1 042 438 070 ordinary shares.

The salient dates for the dividend will be as follows:

Circular and form of election posted to shareholders	Friday, 12 February 2016
Last day of trade to receive a dividend	Friday, 26 February 2016
Shares commence trading "ex" dividend	Monday, 29 February 2016
Last day to elect to receive the Scrip Distribution in lieu of the dividend by 12:00	Friday, 4 March 2016
Record date	Friday, 4 March 2016
Payment date	Monday, 7 March 2016

Share certificates may not be dematerialised or rematerialised between Monday, 29 February 2016 and Friday, 4 March 2016, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited or updated on Monday, 7 March 2016. Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

**Ralph Buddle**  
Interim Company Secretary  
Cape Town, 10 February 2016

# INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

52 weeks to 28 Jun 2015 Rm		Notes	26 weeks to 27 Dec 2015 Rm	26 weeks to 28 Dec 2014 Rm	% change
58 069	<b>Revenue</b>		<b>32 939</b>	<b>28 460</b>	15.7
61 970	<b>Turnover and concession sales</b>		<b>35 458</b>	<b>30 283</b>	17.1
(5 464)	Concession sales		(3 447)	(2 559)	34.7
56 506	<b>Turnover</b>		<b>32 011</b>	<b>27 724</b>	15.5
33 356	Cost of sales		18 821	16 243	15.9
23 150	<b>Gross profit</b>		<b>13 190</b>	<b>11 481</b>	14.9
1 447	Other revenue		907	652	39.1
19 010	Expenses		10 265	9 119	12.6
13 511	Store costs		7 438	6 365	16.9
5 499	Other operating costs		2 827	2 754	2.7
5 587	<b>Operating profit</b>		<b>3 832</b>	<b>3 014</b>	27.1
116	Investment income		21	84	(75.0)
1 494	Finance costs		615	887	(30.7)
4 209	<b>Profit before earnings from joint ventures and associate</b>		<b>3 238</b>	<b>2 211</b>	46.4
221	Earnings from joint ventures		129	119	8.4
2	Earnings from associate		1	1	-
4 432	<b>Profit before tax</b>		<b>3 368</b>	<b>2 331</b>	44.5
1 312	Tax		939	684	37.3
3 120	<b>Profit for the period</b>		<b>2 429</b>	<b>1 647</b>	47.5
	<b>Other comprehensive income:</b>				
	<b>Amounts that may be reclassified to profit or loss</b>				
225	Net fair value adjustments on financial instruments, after tax		206	340	
(1 150)	Exchange differences on translation of foreign subsidiaries		3 543	(921)	
	<b>Amounts that may not be reclassified to profit or loss</b>				
(6)	Post-retirement medical benefit liability-actuarial loss, after tax		-	-	
(931)	<b>Other comprehensive income for the period</b>		<b>3 749</b>	<b>(581)</b>	
2 189	<b>Total comprehensive income for the period</b>		<b>6 178</b>	<b>1 066</b>	
3 120	<b>Profit attributable to:</b>		<b>2 429</b>	<b>1 647</b>	
3 116	Shareholders of the parent		2 422	1 645	
4	Non-controlling interests		7	2	
2 189	<b>Total comprehensive income attributable to:</b>		<b>6 178</b>	<b>1 066</b>	
2 180	Shareholders of the parent		6 163	1 058	
9	Non-controlling interests		15	8	
	<b>Reconciliation of headline earnings</b>				
3 116	Earnings attributable to shareholders of the parent		2 422	1 645	47.2
99	BEE preference dividend		-	60	(100.0)
3 017	Basic earnings		2 422	1 585	52.8
19	Loss on disposal of property, plant and equipment, intangible assets and investment properties		6	2	
-	Profit on disposal of associate		(7)	-	
384	Net impairment of property, plant and equipment and intangible assets		1	116	
(113)	Tax impact of adjustments		(2)	(33)	
3 307	<b>Headline earnings</b>		<b>2 420</b>	<b>1 670</b>	44.9
(29)	Unrealised foreign exchange gains		(21)	(36)	
258	Transaction costs		-	260	
67	Integration and restructuring costs		8	47	
164	Non-recurring finance costs		-	164	
(16)	Tax impact of adjustments		4	(8)	
3 751	<b>Adjusted headline earnings</b>		<b>2 411</b>	<b>2 097</b>	15.0
337.3	Earnings per share (cents)	2	253.7	184.2	37.7
369.7	Headline earnings per share (cents)		253.5	194.1	30.6
419.4	Adjusted headline earnings per share (cents)		252.6	243.8	3.6
334.9	Diluted earnings per share (cents)	2	252.0	182.6	38.0
367.1	Diluted headline earnings per share (cents)		251.7	192.4	30.8
416.4	Adjusted diluted headline earnings per share (cents)		250.8	241.5	3.9
930.3	Number of shares in issue (millions)		956.3	928.0	3.0
894.4	Weighted average number of shares in issue (millions)		954.5	860.3	10.9

# INTERIM GROUP STATEMENT OF FINANCIAL POSITION

At 28 Jun 2015 Rm		Notes	At 27 Dec 2015 Rm	At 28 Dec 2014 Rm
	<b>ASSETS</b>			
33 174	<b>Non-current assets</b>		38 356	33 086
14 430	Property, plant and equipment	3	16 878	13 679
78	Investment properties	3	78	79
15 700	Intangible assets	3	18 505	16 562
3	Investment in associate		-	2
891	Investment in joint ventures		957	864
19	Participation in export partnerships		15	24
76	Fair value lease adjustment		86	83
55	Other loans		44	74
82	Derivative financial instruments	6	171	47
1 840	Deferred tax		1 622	1 672
8 251	<b>Current assets</b>		11 723	10 852
5 881	Inventories		7 299	5 676
1 051	Trade and other receivables		1 501	1 729
219	Derivative financial instruments	6	530	267
209	Tax		868	415
891	Cash and cash equivalents		1 525	2 765
30	<b>Non-current assets held for sale</b>	3	30	-
41 455	<b>TOTAL ASSETS</b>		50 109	43 938
	<b>EQUITY AND LIABILITIES</b>			
14 297	<b>TOTAL EQUITY</b>		19 078	14 027
14 251	Equity attributable to shareholders of the parent		19 017	13 982
46	Non-controlling interests		61	45
18 072	<b>Non-current liabilities</b>		18 738	19 599
14 922	Interest-bearing borrowings		15 552	16 315
2 037	Operating lease accrual and fair value lease adjustment		2 129	2 106
374	Post-retirement medical benefit liability		385	359
197	Provisions		380	282
26	Derivative financial instruments	6	4	29
516	Deferred tax		288	508
9 086	<b>Current liabilities</b>		12 293	10 312
7 699	Trade and other payables		9 741	8 407
738	Provisions		1 004	655
122	Operating lease accrual and fair value lease adjustment		141	80
72	Derivative financial instruments	6	84	52
259	Tax		925	593
196	Interest-bearing borrowings		398	525
27 158	<b>TOTAL LIABILITIES</b>		31 031	29 911
41 455	<b>TOTAL EQUITY AND LIABILITIES</b>		50 109	43 938
1 532	<b>Net asset book value – per share (cents)</b>		1 989	1 507
	<b>GROUP ANALYSIS</b>			
41 455	<b>Total assets</b>		50 109	43 938
10 812	Woolworths*		12 976	10 514
24 139	David Jones		29 064	27 763
5 619	Country Road Group		7 023	4 477
885	Woolworths Financial Services		951	858
-	Treasury		95	326
5 881	<b>Inventories</b>		7 299	5 676
2 912	Woolworths*		3 277	2 860
1 864	David Jones		2 542	1 746
1 105	Country Road Group		1 480	1 070
27 158	<b>Total liabilities</b>		31 031	29 911
5 216	Woolworths*		6 945	5 987
5 229	David Jones		6 625	5 836
1 834	Country Road Group		2 071	1 833
14 879	Treasury		15 390	16 255
3 636	<b>Approved capital commitments</b>		2 113	2 303
2 032	Woolworths*		1 105	933
1 017	David Jones		642	718
587	Country Road Group		366	652

\*Includes Woolworths Clothing and General Merchandise, Woolworths Food and Woolworths Logistics.



# INTERIM GROUP STATEMENT OF CHANGES IN EQUITY

Total 52 weeks to 28 Jun 2015 Rm		Notes	Share- holders of the parent Rm	Non- controlling interests Rm	Total 26 weeks to 27 Dec 2015 Rm	Share- holders of the parent Rm	Non- controlling interests Rm	Total 26 weeks to 28 Dec 2014 Rm
6 952	<b>Shareholders' interest at the beginning of the period</b>		14 251	46	14 297	6 629	323	6 952
	<b>Movements for the period:</b>							
3 120	Profit for the period		2 422	7	2 429	1 645	2	1 647
(931)	Other comprehensive income		3 741	8	3 749	(587)	6	(581)
	Total comprehensive income for the period		6 163	15	6 178	1 058	8	1 066
10 124	Shares issued	4	2 545	–	2 545	9 984	–	9 984
(421)	Rights issue costs	4	–	–	–	(399)	–	(399)
(308)	Settlement of share-based payments through share purchase	4	(25)	–	(25)	(270)	–	(270)
(2)	Share purchase costs		–	–	–	(1)	–	(1)
(140)	Settlement of share-based payments through share issue	4	(2 545)	–	(2 545)	–	–	–
202	Share-based payments		70	–	70	57	–	57
(2 146)	Dividends to shareholders		(1 442)	–	(1 442)	(1 209)	–	(1 209)
(2 153)	Acquisition of non-controlling interests		–	–	–	(1 867)	(286)	(2 153)
14 297	<b>Shareholders' interest at the end of the period</b>		19 017	61	19 078	13 982	45	14 027
247.0	Dividend per ordinary share (cents)				133.0			96.5
1.4	Dividend cover (based on headline earnings)				1.9			1.9
96.5	Dividend per preference share (cents)				–			96.5

# SEGMENTAL ANALYSIS

52 weeks to 28 Jun 2015 Rm		Notes	26 weeks to 27 Dec 2015 Rm	26 weeks to 28 Dec 2014 Rm	% change
	<b>Revenue</b>				
56 506	<b>Turnover</b>		32 011	27 724	15.5
12 499	Woolworths Clothing and General Merchandise		6 994	6 218	12.5
22 352	Woolworths Food		12 102	10 836	11.7
444	Woolworths Logistics		248	219	13.2
12 130	David Jones		7 550	5 964	26.6
9 081	Country Road Group		5 117	4 487	14.0
1 563	<b>Other revenue and investment income</b>		928	736	26.1
19	Woolworths Clothing and General Merchandise		11	9	22.2
93	Woolworths Food		56	42	33.3
1 512	David Jones		985	666	47.9
39	Country Road Group		19	17	11.8
100	Treasury		16	76	(78.9)
(200)	Intragroup	9	(159)	(74)	>100
58 069	<b>Total group</b>		32 939	28 460	15.7
	<b>Gross profit</b>				
5 925	Woolworths Clothing and General Merchandise		3 362	2 940	14.4
5 754	Woolworths Food		3 071	2 734	12.3
5 773	David Jones		3 544	2 938	20.6
5 537	Country Road Group		3 126	2 789	12.1
161	Intragroup	9	87	80	8.8
23 150	<b>Total group</b>		13 190	11 481	14.9
	<b>Profit before tax – adjusted</b>				
2 095	Woolworths Clothing and General Merchandise		1 255	1 095	14.6
1 580	Woolworths Food		855	728	17.4
221	Woolworths Financial Services		129	119	8.4
1 492	David Jones		1 076	999	7.7
1 042	Country Road Group		622	549	13.3
(1 160)	Treasury		(582)	(610)	(4.6)
5 270	<b>Total group – adjusted</b>		3 355	2 880	16.5
(838)	<b>Adjustments</b>		13	(549)	
29	Unrealised foreign exchange gains		21	36	
(258)	Transaction costs		–	(260)	
(67)	Integration and restructuring costs		(8)	(47)	
(164)	Non-recurring finance costs		–	(164)	
(378)	Impairment of property, plant and equipment and intangible assets		–	(114)	
4 432	<b>Profit before tax</b>		3 368	2 331	44.5

# NOTES

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## 1. BASIS OF PREPARATION

These interim Group financial statements comply with IAS 34 Interim Financial Reporting.

Accounting policies used in the interim Group financial statements are consistent with the prior period, except for the changes in accounting policy disclosed in note 5, and are the same as those used to prepare the 28 June 2015 Group Annual Financial Statements. They have been prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB), South African Institute of Chartered Accountants (SAICA), Financial Reporting Standards Committee (FRSC) and the Companies Act of South Africa. The interim Group financial statements have been prepared under the supervision of the Group's Finance Director, Reeza Isaacs CA(SA) and are the full responsibility of the directors.

## 2. EARNINGS PER SHARE

The difference between earnings per share and diluted earnings per share is due to the impact of unexercised options under the Group's share incentive schemes (refer to note 4).

## 3. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES

The Group acquired property, plant and equipment at a fair value of R1 041 million (2014: R11 424 million) and acquired intangible assets at a fair value of R264 million (2014: R14 600 million including goodwill and brands).

Two fixed properties, amounting to R30 million, previously disclosed under property, plant and equipment (within the Woolworths segment) have been reclassified as non-current assets held for sale. These properties are subject to suspensive conditions under sale agreements. The directors consider the conclusion of the sales to be highly probable. At period end, these properties are recognised at the lower of their carrying amounts and fair value, less costs to sell. No depreciation has been recognised on these properties.

## 4. ISSUE AND PURCHASE OF SHARES

24 361 954 ordinary shares at a net cost of R2 414 million were issued and allocated to employees in terms of the Group's Black Economic Empowerment Employee Share Ownership Scheme, which reached maturity on 30 June 2015.

1 499 258 (2014: 3 054 442) ordinary shares at a net cost of R131 million (2014: R241 million) were issued and allocated to employees in terms of the Group's share incentive schemes.

256 743 (2014: 408 701) ordinary shares totalling R25 million (2014: R30 million) were purchased from the market by Woolworths Proprietary Limited and are held as treasury shares by the Group. 350 014 (2014: 1 038 174) ordinary shares totalling R15 million (2014: R22 million) were allocated to employees in terms of the Group's Restricted Share Plan.

In the prior period, 167 803 572 ordinary shares totalling R9 984 million were issued by way of a rights issue on 2 October 2014. Rights issue costs of R399 million were charged to equity.

## 5. CHANGE IN ACCOUNTING POLICY

The adoption of certain new standards, which became effective in the current period, has resulted in minor changes to accounting policies and disclosure, none of which have a material impact on the financial position or performance of the Group.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of trade and other receivables, trade and other payables and borrowings approximate their fair values.

In terms of IFRS 13: Fair value measurement, the Group's derivative financial instruments are measured at fair value and determined to be level two under the fair value hierarchy using inputs that are observable for the asset or liability, either directly or indirectly.

## 7. CONTINGENT LIABILITIES

Group companies are party to legal disputes and investigations that have arisen in the ordinary course of business. Whilst the outcome of these matters cannot readily be foreseen, the directors do not expect them to have any material financial effect.

## NOTES (continued)

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### 8. BORROWING FACILITIES

Unutilised banking and debt facilities amount to R7 966 million (2014: R5 174 million). In terms of the Memorandum of Incorporation, the Group has unlimited borrowing powers.

### 9. RELATED PARTY TRANSACTIONS

The Group entered into related party transactions, the substance of which is similar to those explained in the Group's 2015 Annual Financial Statements. Intragroup adjustments relate to the sale of concession goods between segments and supply chain distribution adjustments.

### 10. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 31 December 2015, the Group concluded terms to acquire the remaining 49% shareholding in Woolworths (Kenya) Proprietary Limited not already owned by the Group for a total cash consideration of R87 million.

### 11. APPROVAL OF INTERIM GROUP FINANCIAL STATEMENTS

The interim Group financial statements were approved by the board of directors on 10 February 2016.

### 12. AUDIT OPINION

These interim Group financial statements have not been reviewed or audited.

## DIRECTORATE AND STATUTORY INFORMATION

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### **Non-executive directors**

Simon Susman (Chairman), Patrick Alloway (Australian), Peter Bacon (British), Zarina Bassa, Tom Boardman (Lead Independent Director), Hubert Brody, Andrew Higginson (British), Gail Kelly (Australian), Nombulelo Moholi, Lord Rose (British), Thina Siwendu

### **Executive directors**

Ian Moir (Group Chief Executive Officer) (Australian), Reeza Isaacs, Sam Ngumeni, Zyda Rylands

### **Interim Company Secretary**

Ralph Buddle

### **Share code**

WHL

### **ISIN**

ZAE000063863

### **Registered address**

Woolworths House, 93 Longmarket Street, Cape Town, 8001  
PO Box 680, Cape Town, 8000

### **Registration number**

1929/001986/06

### **Tax number**

9300/149/71/4

### **JSE sponsor**

Rand Merchant Bank (A division of FirstRand Bank Limited)

### **Transfer secretaries**

Computershare Investor Services Proprietary Limited  
70 Marshall Street, Johannesburg, 2001

## HIGHLIGHTS

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GROUP SALES INCLUDING CONCESSION SALES

**+17.1%**

ADJUSTED PROFIT BEFORE TAX

**+16.5%**

HEADLINE EARNINGS PER SHARE

**+30.6%**

ADJUSTED HEADLINE EARNINGS PER SHARE

**+3.6%**

INTERIM DIVIDEND PER SHARE (CENTS)

133.0 (2014: 96.5)

**+37.8%**

RETURN ON EQUITY

**24.6%**

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