2010 ANNUAL REPORT PRINTED ON
SOUTH AFRICAN SUGAR CANE WASTE

WHL

WOOLWORTHS HOLDINGS LIMITED

THIS ANNUAL REPORT IS THE FIRST DOCUMENT TO BE PRINTED ON SAPPI´S MASUGA PAPER, WHICH IS MADE WITH 90% SUGAR CANE WASTE SOURCED FROM PREVIOUSLY DISADVANTAGED LOCAL SUPPLIERS, AND 10% WOOD FIBRE FROM SUSTAINABLE FORESTS. IT SUPPORTS OUR GOOD BUSINESS JOURNEY GOALS OF PROTECTING THE ENVIRONMENT AND EMPOWERING OUR PEOPLE.


SALADS
VEGETABLES
FRUITS
ORGANIC
These versatile, firm golden-fleshed potatoes are ideal for boiling, mashing or roasting.

CONTENTS

ANNUAL REPORT 2010

2010

FINANCIAL AND NON-FINANCIAL PERFORMANCE

	2010	2009
GROUP FINANCIAL PERFORMANCE		
TURNOVER	R23 393m	R21 175m
ADJUSTED HEADLINE EARNINGS PER SHARE	157.2 cents	126.0 cents
DISTRIBUTIONS PER SHARE	105.0 cents	*85.0 cents
OPERATING MARGIN	7.1%	6.9%
RETURN ON EQUITY	39.4%	26.3%
CASH GENERATED FROM OPERATIONS	R2 083m	R1 606m
TOTAL ASSETS	R9 010m	R8 305m
WOOLWORTHS OPERATING PERFORMANCE		
TRADING SPACE	525 403 m^2	507 277 m^2
NUMBER OF STORES	419	410
CLOTHING AND GENERAL MERCHANDISE SALES GROWTH	11.2%	0.2%
CLOTHING, FOOTWEAR AND ACCESSORIES MARKET SHARE	15.3%	14.4%
FOOD SALES GROWTH	9.9%	7.4%
FOOD MARKET SHARE	8.3%	8.5%
NON-FINANCIAL PERFORMANCE		
GOOD BUSINESS JOURNEY INDEX %	84.0%	79.0%
BBBEE SCORE (POINTS)	60.7	46.5
NUMBER OF PERMANENT EMPLOYEES	18 977	17 551
ENERGY (REDUCTION IN RELATIVE CONSUMPTION FROM BENCHMARK)	18.0%	12.0%
WATER (REDUCTION IN RELATIVE CONSUMPTION FROM BENCHMARK)	26.0%	11.5%
FOODS PACKAGING REDUCTION	6.6%	3.3%
CORPORATE SOCIAL INVESTMENT	R314.0m	R292.0m
COUNTRY ROAD		
OPERATING PERFORMANCE		
TRADING SPACE	41 218 m^2	36 849 m^2
NUMBER OF STORES	160	149
WOOLWORTHS FINANCIAL SERVICES		
OPERATING PERFORMANCE		
GROSS BOOK VALUE	R6 051m	R6 242m
NUMBER OF ACTIVE ACCOUNTS	1.858m	1.905m
IMPAIRMENT CHARGE	5.1%	7.5%

* excludes special dividend of 94.0 cents

RECOGNITION

- Second in the South African Carbon Disclosure Project Leadership index
- Included in the JSE SRI index for 2009/10 and named as one of the best performers
- 2009 annual report rated as Excellent in the E&Y Excellence in Corporate Reporting awards
- Short listed as finalist for International Responsible Retailer of the Year
- Winner of the President's Award by South Africa's Association for Food Science and Technology (SAAFoST)

‘AS PASSIONATE COMMITTED RETAILERS, WE UNDERSTAND AND LEAD OUR CUSTOMERS THROUGH EXCELLENCE AND A DEEP KNOWLEDGE OF OUR PRODUCTS AND SERVICES AND THE WORLD WE LIVE IN.’

WE LIVE THE WOOLWORTHS DIFFERENCE THROUGH OUR VALUES:

QUALITY AND STYLE	DELIVER THE BEST
VALUE	A SIMPLE AND FAIR DEAL
SERVICE	THINK CUSTOMER
INNOVATION	DISCOVER THE DIFFERENCE
INTEGRITY	DO WHAT YOU SAY YOU WILL DO
ENERGY	BE PASSIONATE AND DELIVER

GROUP REVIEW

PERIOD NUMBER OF WEEKS	5-YEAR COMPOUND ANNUAL GROWTH RATE	2010 52	2009 52	2008 53	2007 52	2006 52	2005 52	2004 52

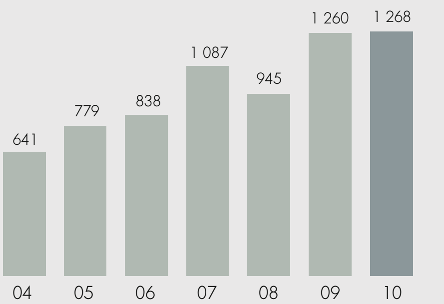
GROUP STATEMENTS OF COMPREHENSIVE INCOME (RM)

		2010	2009	2008	2007	2006	2005	2004
REVENUE	12.7%	23 663	21 922	21 753	18 642	15 145	12 989	11 282
TURNOVER		23 393	21 175	20 065	17 377	14 208	12 221	10 649
COST OF SALES		(15 656)	(14 501)	(13 798)	(12 032)	(9 844)	(8 478)	(7 312)
GROSS PROFIT		7 737	6 674	6 267	5 345	4 364	3 743	3 337
OTHER REVENUE		95	563	1 688	1 265	937	768	633
EXPENSES		(6 178)	(5 784)	(5 955)	(4 764)	(3 810)	(3 280)	(2 953)
OPERATING PROFIT	6.1%	1 654	1 453	2 000	1 846	1 491	1 231	1 017
INVESTMENT INCOME*		175	184	–	–	–	–	–
INTEREST PAID		(151)	(281)	(503)	(379)	(244)	(152)	(109)
EARNINGS FROM ASSOCIATE		6	12	1	–	–	–	–
EARNINGS FROM JOINT VENTURES		75	58	–	–	–	–	–
PROFIT BEFORE EXCEPTIONAL ITEMS		1 759	1 426	1 498	1 467	1 247	1 079	908
EXCEPTIONAL ITEMS		–	380	–	55	–	–	(10)
PROFIT BEFORE TAX		1 759	1 806	1 498	1 522	1 247	1 079	898
TAX		(491)	(546)	(553)	(435)	(409)	(300)	(257)
PROFIT FOR THE PERIOD	10.2%	1 268	1 260	945	1 087	838	779	641
ATTRIBUTABLE TO:								
NON-CONTROLLING INTERESTS		10	12	8	12	2	2	1
SHAREHOLDERS OF THE PARENT		1 258	1 248	937	1 075	836	777	640

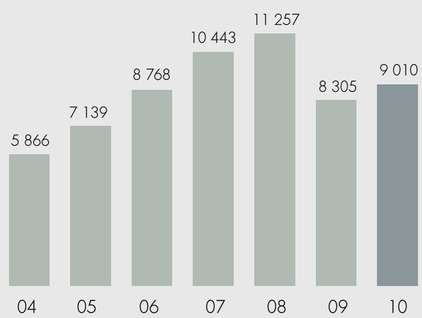
* Income received relating to investment activities has been separately disclosed from other revenue and is excluded from operating profit. The comparative information has been restated.

GROUP STATEMENTS OF FINANCIAL POSITION (RM)

	2010	2009	2008	2007	2006	2005	2004
NON-CURRENT ASSETS	3 633	3 436	2 793	2 977	2 490	2 002	1 874
CURRENT ASSETS	5 377	4 869	8 464	7 466	6 278	5 137	3 992
TOTAL ASSETS	9 010	8 305	11 257	10 443	8 768	7 139	5 866
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	3 396	3 025	3 526	3 247	2 606	2 185	2 581
NON-CONTROLLING INTEREST	57	47	52	43	28	26	21
NON-CURRENT LIABILITIES	1 362	2 342	2 272	2 918	2 801	3 061	725
CURRENT LIABILITIES	4 195	2 891	5 407	4 235	3 333	1 867	2 539
TOTAL EQUITY AND LIABILITIES	9 010	8 305	11 257	10 443	8 768	7 139	5 866



PROFIT FROM CONTINUING OPERATIONS (RM)

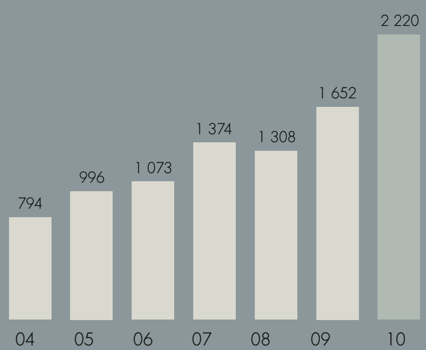


TOTAL ASSETS (RM)

PERIOD NUMBER OF WEEKS	5-YEAR COMPOUND ANNUAL GROWTH RATE	2010 52	2009 52	2008 53	2007 52	2006 52	2005 52	2004 52

GROUP STATEMENTS OF CASH FLOWS (RM)

CASH INFLOW FROM TRADING	17.3%	**2 220**	1 652	1 308	1 374	1 073	996	794
WORKING CAPITAL MOVEMENTS		**215**	67	(330)	184	185	(228)	(7)
CASH APPLIED TO FINANCIAL SERVICES ASSETS		**–**	21	(24)	(1 183)	(882)	(722)	(710)
CASH GENERATED BY OPERATING ACTIVITIES		**2 435**	1 740	954	375	376	46	77
NET INTEREST RECEIVED		**15**	236	861	652	516	488	435
TAX PAID		**(367)**	(370)	(747)	(565)	(483)	(315)	(331)
CASH GENERATED BY OPERATIONS		**2 083**	1 606	1 068	462	409	219	181
DIVIDENDS RECEIVED FROM ASSOCIATE		**1**	1	1	–	–	–	–
DIVIDENDS RECEIVED FROM JOINT VENTURES		**35**	–	–	–	–	–	–
DISTRIBUTIONS TO SHAREHOLDERS		**(725)**	(655)	(636)	(551)	(474)	(384)	(272)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**1 394**	952	433	(89)	(65)	(165)	(91)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(514)**	2 625	(504)	(527)	(599)	(313)	(393)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(364)**	(1 055)	374	794	11	1 443	55
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**516**	2 522	303	178	(653)	965	(429)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**2 391**	(91)	(423)	(623)	23	(950)	(515)
EFFECT OF FOREIGN EXCHANGE RATES		**10**	(40)	29	22	7	8	(6)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2 917**	2 391	(91)	(423)	(623)	23	(950)



CASH INFLOW FROM TRADING (RM)

GROUP REVIEW

CONTINUED

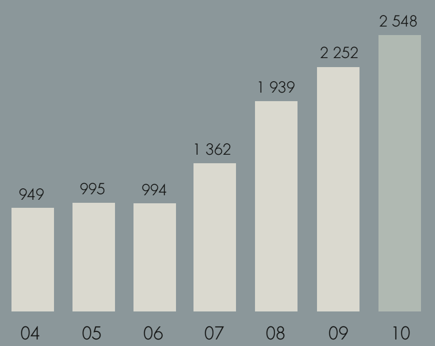
PERIOD	2010	2009	2008	2007	2006	2005*	2004
NUMBER OF WEEKS	52	52	53	52	52	52	52
RETURNS							
RETURN ON ORDINARY SHAREHOLDERS' EQUITY (%)	39.4	26.3	27.5	35.1	34.8	31.2	27.4
– *HEADLINE EARNINGS AS A PERCENTAGE OF THE AVERAGE OF ORDINARY SHAREHOLDERS' INTEREST AT THE BEGINNING AND END OF THE PERIOD*							
RETURN ON ASSETS (%)*	19.3	16.9	18.8	19.4	18.9	19.3	19.6
– *OPERATING PROFIT AS A PERCENTAGE OF THE AVERAGE OF TOTAL ASSETS LESS DEFERRED TAX LIABILITY AT THE BEGINNING AND END OF THE PERIOD*							
MARGINS							
GROSS MARGIN (%)	33.1	31.5	31.2	30.8	30.7	30.6	31.3
– *GROSS PROFIT AS A PERCENTAGE OF TURNOVER*							
OPERATING MARGIN (%)*	7.1	6.9	9.2	9.9	9.8	9.5	9.0
– *OPERATING PROFIT AS A PERCENTAGE OF TURNOVER (REVENUE IN 2008 AND PRIOR PERIODS)*							
SOLVENCY AND LIQUIDITY							
DEBT RATIO (%)	17.3	18.1	40.8	37.9	39.2	36.4	19.4
– *INTEREST-BEARING DEBT AS A PERCENTAGE OF TURNOVER (REVENUE IN 2009 AND PRIOR PERIODS)*							
CURRENT RATIO (TIMES)	1	2	1	2	2	3	2
– *CURRENT ASSETS DIVIDED BY CURRENT LIABILITIES*							
TOTAL LIABILITIES TO SHAREHOLDERS' EQUITY (%)	160.9	170.4	214.6	217.5	235.4	225.6	126.5
– *NON-CURRENT LIABILITIES, PLUS DEFERRED TAX AND CURRENT LIABILITIES AS A PERCENTAGE OF TOTAL SHAREHOLDERS' INTEREST*							

* Income received relating to investment activities has been separately disclosed from other revenue and is excluded from operating profit. The comparative information has been restated.

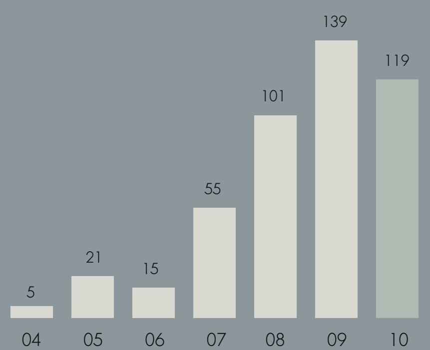
PERIOD NUMBER OF WEEKS	5-YEAR COMPOUND ANNUAL GROWTH RATE	2010 52	2009 52	2008 53	2007 52	2006 52	2005 52	2004 52
DIVISIONAL ANALYSIS								
REVENUE (RM)								
SA RETAIL*	11.8%	20 940	19 486	19 793	17 280	14 151	11 994	10 333
COUNTRY ROAD	20.7%	2 548	2 252	1 939	1 362	994	995	949
TREASURY		175	184	21	–	–	–	–
	12.7%	23 663	21 922	21 753	18 642	15 145	12 989	11 282
TURNOVER (RM)								
SA RETAIL								
– CLOTHING AND GENERAL MERCHANDISE	9.1%	8 253	7 423	7 410	6 985	6 012	5 350	4 792
– FOODS	16.6%	12 227	11 126	10 360	8 718	6 942	5 666	4 747
– LOGISTICS AND OTHER	13.3%	417	391	376	320	274	223	176
COUNTRY ROAD	20.5%	2 496	2 235	1 918	1 354	981	982	933
	13.9%	23 393	21 175	20 065	17 377	14 208	12 221	10 649
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (RM)								
WOOLWORTHS*				1 377	1 412	1 232	1 058	903
SA RETAIL		1 537	1 108					
CLOTHING AND GENERAL MERCHANDISE		1 092	701					
FOOD		445	407					
COUNTRY ROAD	41.5%	119	139	101	55	15	21	5
TREASURY		28	50					
WOOLWORTHS FINANCIAL SERVICES (SUBSIDIARY TO 30 SEPTEMBER 2008)		–	72					
WOOLWORTHS FINANCIAL SERVICES JOINT VENTURE TO 1 OCTOBER 2008)		75	57					
	10.3%	1 759	1 426	1 478	1 467	1 247	1 079	908
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (RM)								
WOOLWORTHS**	9.3%	1 185	1 159	875	985	823	758	634
COUNTRY ROAD	30.9%	73	89	62	89	13	19	6
	10.1%	1 258	1 248	937	1 074	836	777	640
NET ASSETS (RM)								
WOOLWORTHS**	8.5%	2 966	2 663	3 130	2 936	2 401	1 977	2 429
COUNTRY ROAD	15.6%	430	362	396	311	205	208	152
	9.2%	3 396	3 025	3 526	3 247	2 602	2 185	2 581

* Includes Woolworths Financial Services in 2009 and prior periods

** Includes SA Retail, Treasury and Woolworths Financial Services



COUNTRY ROAD – REVENUE (RM)

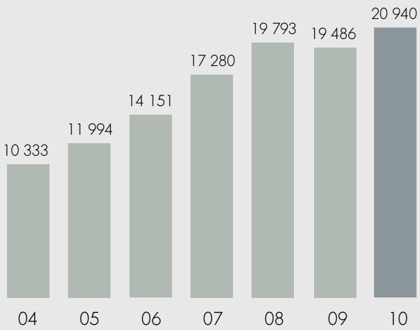


COUNTRY ROAD – PROFIT (RM)

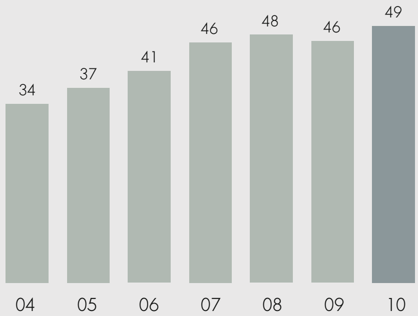
GROUP REVIEW
CONTINUED

PERIOD NUMBER OF WEEKS	5-YEAR COMPOUND ANNUAL GROWTH RATE	2010 52	2009 52	2008 53	2007 52	2006 52	2005 52	2004 52
OTHER STATISTICAL DATA								
SA RETAIL*								
GROSS MARGIN (%)		29.8	28.0	28.0	32.3	32.8	32.7	31.5
NUMBER OF EMPLOYEES (FULL-TIME EQUIVALENT)		22 325	20 873	21 374	19 344	16 337	14 243	13 791
NUMBER OF STORES								
– OWNED		259	250	228	200	173	149	136
– FRANCHISED		160	160	157	149	136	125	119
CLOSING TRADING AREA (m^2)								
– OWNED		424 879	406 784	381 639	347 647	326 200	301 338	283 091
– FRANCHISED		100 524	100 493	96 712	98 225	96 167	88 307	86 563
TURNOVER RATIOS								
– TURNOVER PER EMPLOYEE (R'000)		936	903	849	828	810	789	704
– TURNOVER PER m^2 (R'000)		49	46	48	46	41	37	34
ASSET TURN (TIMES)		2.8	2.3	2.1	2.0	2.0	2.1	2.1
– REVENUE DIVIDED BY TOTAL ASSETS LESS DEFERRED TAX								
INVENTORY TURN (TIMES)		16.2	14.3	16.7	18.5	20.8	21.7	21.4
– TURNOVER DIVIDED BY AVERAGE INVENTORY AT THE BEGINNING AND END OF THE PERIOD								
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX TO TURNOVER (%)		7.3	6.3	7.6	8.8	9.3	9.4	9.3
COUNTRY ROAD (IN AU$ TERMS)								
GROSS MARGIN (%)		57.4	59.5	61.0	58.1	53.7	52.2	53.3
NUMBER OF EMPLOYEES (FULL-TIME EQUIVALENT)		1 331	1 206	1 133	1 093	806	868	868
NUMBER OF STORES								
– OWNED		78	67	61	57	52	47	46
– CONCESSION		82	82	78	74	0	0	0
TRADING AREA (m^2)		41 218	36 849	33 974	31 548	22 094	23 539	23 439
TURNOVER RATIOS								
– TURNOVER PER EMPLOYEE (AU$'000)		280	284	256	217	254	240	220
– TURNOVER PER m^2 (AU$'000)		10	9	9	8	9	9	8
ASSET TURN (TIMES)		3.0	3.0	3.0	2.5	2.4	2.5	2.4
INVENTORY TURN (TIMES)		9.6	10.2	10.0	8.8	8.6	9.0	7.7
PROFIT/(LOSS) BEFORE TAX TO TURNOVER (%)		4.7	6.4	4.8	3.9	1.6	1.5	1.3

* Years prior to 2009 include Woolworths Financial Services



SA RETAIL – REVENUE (RM)

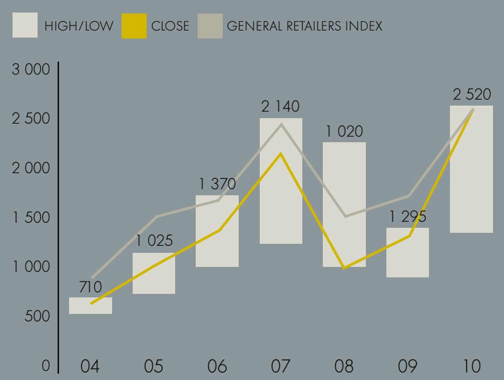


SA RETAIL – TURNOVER PER SQUARE METRE

PERIOD	2010	2009	2008	2007	2006	2005	2004
NUMBER OF WEEKS	52	52	53	52	52	52	52
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)							
EARNINGS	162.4	157.2	114.8	133.9	105.1	91.5	74.3
HEADLINE EARNINGS	164.6	109.3	114.9	127.8	105.0	89.4	75.5
DISTRIBUTIONS DECLARED FOR THE FINANCIAL PERIOD	105.0	179.0	79.0	76.0	63.0	54.0	38.5
NET ASSET BOOK VALUE	447.2	390.4	443.2	401.2	326.9	279.5	297.3
SHARE PRICE: HIGHEST	2 580	1 358	2 302	2 510	1 779	1 181	771
LOWEST	1 297	923	988	1 230	1 003	721	568
AVERAGE	1 898	1 177	1 550	1 779	1 391	966	695
CLOSING	2 520	1 295	1 020	2 140	1 370	1 025	710
INDEXED CLOSING SHARE PRICE (JUNE 2000 = 100)	869	447	352	738	472	353	245
JSE INDEXED: RETAIL (JUNE 2000 = 100)	414	275	234	407	279	244	152
ALL SHARES (JUNE 2000 = 100)	354	289	359	377	266	183	133
MARKET CAPITALISATION AT 30 JUNE – RM	21 365	10 374	9 000	19 179	12 112	8 959	6 750
NUMBER OF SHARES IN ISSUE – MILLIONS*	760	775	796	809	797	787	868
NUMBER OF SHARES TRADED – MILLIONS	1 209	1 182	1 164	738	596	502	363
PERCENTAGE OF SHARES TRADED (%)	159.1	152.6	146.3	82.4	67.4	57.5	38.2
VALUE OF SHARES TRADED – RM	22 947	13 912	18 037	13 131	8 291	4 892	2 525
PRICE EARNINGS RATIO	15.5	8.2	8.9	18.2	13.6	12.0	9.2
DISTRIBUTION YIELD (%)**	4.2	6.6	7.7	3.6	4.6	5.3	5.4
FOREIGN CURRENCY EXCHANGE RATES							
USD – AVERAGE	7.61	9.05	7.33	7.22	6.37	6.18	6.86
USD – CLOSING	7.60	7.94	7.88	7.15	7.50	6.74	6.34
AUD CLOSING	6.63	6.42	7.62	6.11	5.44	5.20	4.44
KEY INFORMATION IN US DOLLARS							
REVENUE	3 109	2 422	2 966	2 581	2 377	2 103	1 644
HEADLINE EARNINGS PER SHARE (CENTS)	21.6	12.1	15.8	17.7	16.5	14.5	11.0
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	165	138	128	149	131	126	93
TOTAL ASSETS	1 186	1 046	1 428	1 461	1 169	1 060	925
MARKET CAPITALISATION	2 812	1 306	1 142	2 683	1 615	1 330	1 065

* Net of treasury shares held by subsidiary, E-Com Investments 16 (Proprietary) Limited

** Excludes the special dividend



SHARE PERFORMANCE

WOOLWORTHS HOLDINGS LIMITED

INDEPENDENT NON-EXECUTIVE DIRECTORS

BUDDY HAWTON (73)
FCIS
CHAIRMAN

Buddy has extensive experience as both an executive and non-executive director. Previous directorships include Nampak, Real Africa Holdings, Royale Resorts Holdings (Chairman), Sun Hotels International and Sun International (Chairman). He joined the board as Chairman in 2002.

PETER BACON (64)
(BRITISH) FELLOW OF THE INSTITUTE OF HOSPITALITY (FIH)

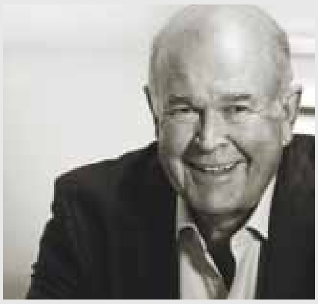
Other directorships include: Sun International Casinos (UK).
Peter was previously with the Sun International group of companies for 34 years. He was Chief executive of Sun International's South African operations from 1993 and Group chief executive for the last four years of his employment with the group. He joined the board in 2006.

LINDIWE BAKORO (36)
BCOM (UCT), POST-GRADUATE DIPLOMA IN ACCOUNTING (UCT), HIGHER DIPLOMA IN TAX LAW (WITS), CA(SA)

Other directorships include: Group Five, Imperial Bank and Sea Harvest.
Lindiwe joined Rand Merchant Bank in 1999 where she gained extensive merchant bank experience in project and infrastructure finance. Since 2006 she has worked as an independent project financier specialising in financial advisory debt and equity arranging for infrastructure-related transactions. She joined the board in August 2009.

BRIAN FROST (66)
BCOM, AMP (HARVARD)

Other directorships include: Bowler Metcalf.
Brian joined Woolworths in 1981 and was appointed as a director in 1986. He was responsible for certain business areas, including food, franchise and store operations prior to being appointed Joint managing director in 1996. He became a non-executive director in 2000.

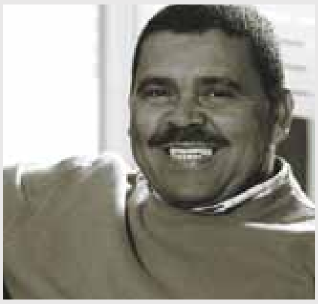


MIKE LEEMING (66)
BCOM, MCOM, FCMA, FIBSA, AMP (HARVARD)

Other directorships include: Allied Electronics Corporation, Imperial Holdings and Real Africa Holdings.
Mike was previously the Chief operating officer at Nedcor and has in-depth knowledge of financial services as well as manufacturing. He joined the board in 2004.

CHRIS NISSEN (52)
BA HONS (UCT), MA (UCT)

Other directorships include: Boschendal (Chairman), Sea Harvest Corporation (Chairman), Standard Bank Group and JCI.
Chris has been extensively involved in the development and upliftment of communities both as a Minister in the Presbyterian Church and as a community leader, serving in a number of capacities including Chairperson of the Western Cape ANC. He has executive experience in a number of industries and as a non-executive director has proactively led transformation at a number of listed companies. He joined the board in 2004.



THINA SIWENDU (44)
BA SOCIAL SCIENCE (SW) (HONS) (UCT), LLB (NATAL)

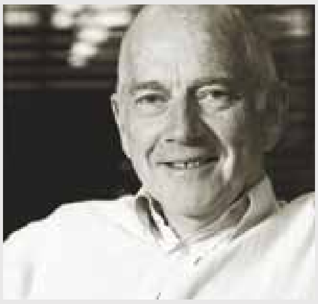
Other directorships include: ACSA.
Thina is an attorney with 15 years' legal experience. She has been a director of various companies, both listed and unlisted, in the banking, property, portfolio investment, aviation and public sector companies over a period of six years. In 1996 Thina formed her own legal firm, Thina Siwendu & Associates. Her firm specialises in public-private partnerships, project financing, corporate structuring and corporate governance. She joined the board in August 2009.

EXECUTIVE DIRECTORS

GROUP SECRETARY

NIGEL COLNE CBE (70)
(BRITISH) AMP (HARVARD)

Other directorships include:
Obento Ltd.
Nigel has international experience in clothing and food retailing and was a director of Marks and Spencer plc from 1982 to 1997. He also acquired financial services experience as a non-executive director at Halifax Building Society and Halifax plc. His other past non-executive directorships include Pizza Express plc (Chairman), Stylo plc and Town Centre Restaurants Ltd (Chairman). He joined the board in 1994.



SIMON SUSMAN (60)
GROUP CHIEF EXECUTIVE OFFICER

Other directorships include:
Country Road Limited.
Simon joined Woolworths in 1982 after working at clothing and food retailer, Marks and Spencer plc in London. At Woolworths he has led the retail operations, food and clothing groups and was appointed to the board in 1995. He became the Group chief executive officer in 2000.

IAN MOIR (51)
MBA, MA (ECON)
MANAGING DIRECTOR RETAIL AND GROUP CHIEF EXECUTIVE OFFICER ELECT

Other directorships include:
Country Road Limited.
Ian was appointed to the board of Country Road on 23 October 1998. He was formerly Chief operating officer of the company before being appointed Chief executive officer in November 2000. He was previously Executive director and Chief operating officer of Woolmark. He became the Managing director retail and Group chief executive officer-elect in January 2010.

SINDI ZILWA (43)
BCOMPT (HONS), CTA, CA (SA), ADVANCED TAXATION CERTIFICATE

Other directorships include:
ACSA (Chairman), Aspen Pharmacare Holdings, Discovery Holdings, Strate and Institute of Directors.
Sindi became the second black female chartered accountant in South Africa in 1990 and is the Chief executive officer of Nkonki. Her previous directorships include the Transkei National Buildings Society, the South African Mint, WIPHOLD, Telkom, Primedia Limited and Ethos Private Equity. She was the Chairman of the BUSA Standing committee on Transformation, was a board member of the Independent Regulatory Board for Auditors and was a member of the GAAP Monitoring Panel. She joined the board in 2002.

ZYDA RYLANDS (45)
BCOM (HONS), CA (SA)
MANAGING DIRECTOR FOOD

Other directorships include:
African Capital Portfolio Limited, Open Society Foundation, the National Urban Reconstruction and Housing Agency and the Centre for Justice and Crime Prevention.
Zyda joined Woolworths in 1996 and worked in the finance and store operation teams. She was appointed the People director of Woolworths (Proprietary) Limited in 2005 and was appointed to the board of Woolworths in August 2006.

NORMAN THOMSON (59)
BCOM (HONS) CA (SA)
GROUP FINANCE DIRECTOR

Other directorships include:
Country Road Limited.
Norman joined Woolworths in 1991 in a logistics capacity and introduced the integrated supply chain management systems. He was appointed to the board in 2001 and was responsible for corporate stores, franchise and distribution. He became Finance director in 2002.

CHERRIE LOWE (55)
FCIS
GROUP SECRETARY

Cherrie joined Woolworths in 1997 as Group secretary before the re-listing of the group on the JSE. She is responsible for all aspects of corporate governance, including risk and internal audit, legal and corporate affairs, and is a member of the executive team.

CHAIRMAN'S REPORT

The results of the focused effort over the last 18 months are evident by our strong market share growth.

ECONOMIC ENVIRONMENT

The global economic recession continued throughout the company's 2010 financial year and brought with it uncertain economic conditions in both South Africa and Australia.

Nevertheless, the South African economy has been more resilient to the world economic conditions with many of the key retail indicators showing a positive outlook for growth. The GDP showed a growth of 2.3% for the last six months and retail spending itself showed growth through the last quarter of our financial year. Credit growth has been lagging; however, recent data tends to indicate that this trend is about to turn. Consumers, more particularly those in the upper income segment, are more confident and optimistic and have shown this in increased spending. The retail market, as measured by the Retail Liaison Committee (RLC), showed an annualised growth rate of 7.8% for clothing and footwear and 8.4% for food.

In contrast, the Australian economy has been experiencing a challenging retail trading environment. There have been six interest rate increases since July 2009 and the non-recurring effect of the stimulus packages that boosted the retail spending in the November 2008 to March 2009 period, has led to minimal growth in retail.

RESULTS

The group has performed well with all retail segments growing above the market.

The results are not comparable as there were a number of once-off items included in the last financial year. These are discussed in the Group finance director's report.

Headline earnings per share that has been adjusted for once-off items, so as to reflect comparable earnings, increased by 24.8% to 157.2 cents per share. Our return on equity has improved to an acceptable level from 26.3% to 39.4%, significantly above the average weighted cost of capital of 11.2%.

The full year dividend of 105 cents per share to ordinary shareholders, has increased by 23.5%.

The group has maintained a strong balance sheet throughout the period. The group is cash generative, and with the requirement to fund the financial services debtors book now transferred to Absa bank, we are well positioned at year end with a healthy cash balance of R1.5bn supporting our strong balance sheet. We undertook open-market share repurchases amounting to R410m during the period.

Woolworths in particular traded well against the market. Our stores are looking modern and customers are telling us that it is easier to shop. Our clothing is appealing to our customers' sense of fashion and their pockets. Our food offer provided constant innovation and we introduced promotions and great value items which helped those customers struggling through the recession.

The results of the focused effort over the last 18 months are evident by our strong market share growth. Market share for clothing and footwear is at a three year high standing at 15.3%, while food is well on its way to regain the market share that it lost with a current share of 8.3%.

Operationally Woolworths focused on productivity and operational efficiencies. The overall operating margin improved to 7.1% with our target being 8.0% over the next two years.

In Australia, trading conditions were extremely challenging. Customers felt the pressure of additional interest rates and retailers had to discount heavily in order to stimulate customer spending.

Turnover was up 8.5% despite the tough conditions. However, profits were down 22.7% affected by both heavy discounting and start-up costs of the new brand Trenery.

In our financial services joint venture, Woolworths Financial Services (WFS), consumers have been cautious about using credit and about taking on additional credit. This has impacted the ability of WFS to show growth in the debtors' book during this period. Year end debtors' book is marginally below that of the previous year.

While there has been little opportunity for growth, there has been a significant improvement in the impairments charge over the period. We have earned a profit of R75m from the joint venture.

The results of WFS are still not comparable and this is explained further in the Group finance director's report.

GOOD BUSINESS JOURNEY

We have always recognised that the true sustainability of a company is reliant on its own continuous performance and a sustainable society and environment.

In 2007 we consolidated and accelerated our efforts around our Good business journey programme. This programme covers more than 260 indicators across four pillars: economic, social, transformation and environment. Targets to 2012 were set and we measure ourselves against them. We are now in year three of our five year Good business journey programme ending in 2012. Our score for the year was 84% with 71% towards our 2012 target which we believe is a considerable achievement.

Important to us is the economic value generated and distributed during the year. This is reflected in our value added statement shown below.

Our social and transformation strategies were further entrenched in our business and we are pleased to report that the business became a level 5 contributor. Major shifts were made in preferential procurement and enterprise development which were well above our targets.

WOOLWORTHS VALUE ADDED STATEMENT	2010		2009	
VALUE ADDED	23 744		22 372	
Less: Cost of sales	15 656		14 501	
Cost of services and other operating expenses	2 888		2 706	
	5 200		5 165	
DISTRIBUTION OF WEALTH				
to employees as salaries, wages and other benefits	2 858	55.0%	2 689	52.1%
to government as income tax (including deferred tax)	491	9.4%	546	10.6%
to lenders as finance costs	151	2.9%	281	5.4%
to shareholders	718	13.8%	1 399	27.1%
depreciation and amortisation	442	8.5%	401	7.1%
earnings retained	540	10.4%	(151)	(2.9%)
	5 200		5 165	

As a retailer of clothing and particularly food we have recognised the impacts of the products we sell on the environment.

Our BEE employee share ownership scheme earned a percentage of the distributions paid out to ordinary shareholders. During the year, the beneficiaries of the scheme received an increase of 61% on the previous year. The scheme has paid our staff a total of R37.3m in dividends since inception in July 2007.

As a retailer of clothing and particularly food we have recognised the impacts of the products we sell on the environment. We have chosen to take responsibility for the entire lifecycle of the products we sell and not just our own direct impact on the environment. Our aspiration is not only to ensure that we reduce our own impact but that we engage with our suppliers and customers to assist them to reduce theirs.

We have recognised the important relationship between the production of food and the environment and the necessity to adopt better environmental practices in our suppliers agricultural systems to provide South Africa with food security and protect our natural ecosystems. We have also found that farming in harmony with nature can be achieved without compromising quality or adding cost. During the year we initiated Farming for the Future, a programme which focuses on soil health and is instrumental in returning biodiversity to farms improving their soil quality and reducing their water and chemical usage. Already over 50% of our local farmers are on this programme and by 2012 all our local farmers will be on the programme.

Government has set targets for South Africa to reduce carbon emissions by 34% by 2025 and 42% by 2050. In 2003 we set a target to reduce our own relative carbon emissions by 30% by 2012. The key focus has been the reduction of electricity usage which is our major contributor to carbon emissions. Extensive efforts in reviewing store design of lighting and refrigeration, installing automated lighting and an extensive awareness programme with staff has helped us reduce our relative usage by 18% from the 2004 benchmark.

GOVERNANCE

We have always aspired to maintain a high level of governance based on the principle that good governance is good business. Our governance policies are designed to take into account the interests of all stakeholders and to add value to the business rather than merely complying with existing codes. We therefore welcome the codes and principles of King III and will be continuing to revise our own governance practices on a continual basis. We have started reporting in terms of King III in this report and we expect our journey will be complete by the end of this year.

BOARD AND LEADERSHIP

Nigel Colne and Brian Frost, current independent non-executive directors will retire at the annual general meeting in November. They have been on the board for a number of years and have brought a wealth of knowledge and experience to the board and its committees. I would personally like to thank them for their passion, commitment and guidance that they have provided to me and my fellow board members.

We are pleased to announce that Tom Boardman has been appointed to the board with effect from 27 September 2010.

Tom Boardman is a non-executive director of the Nedbank Group and the former Chief executive officer of Nedbank. His banking experience and his passion for sustainability and transformation will bring additional expertise to the board.

As previously announced, Simon Susman will retire as Group chief executive officer at the annual general meeting. Ian Moir, currently Group managing director: retail will be appointed the Group chief executive officer.

These appointments will provide the group with strong leadership and continuity and ensure that the board has strong retail representation.

APPRECIATION

As always, I would like to thank my colleagues on the board for their support and guidance.

I extend my appreciation to Simon and his executive team on their focused effort and commitment throughout the year. Simon retires as Group chief executive officer in November and we wish to thank him for all his dedication and devotion to the group over many years. Simon's vision of retail and commitment to ensuring that our brand is strong and relevant in today's changing world has set a solid platform for the future.

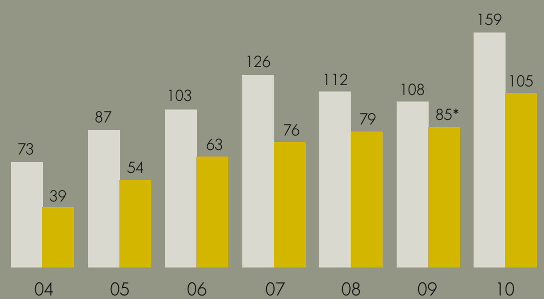
We are delighted that Simon has agreed to remain on the board after his retirement in the capacity of a non-executive director and to assume the role of Deputy Chairman.

LOOKING AHEAD

We have learnt from the recent recession and believe the group is better placed for the future. Our brands have emerged stronger and are more relevant to our customers of today and those of the future.

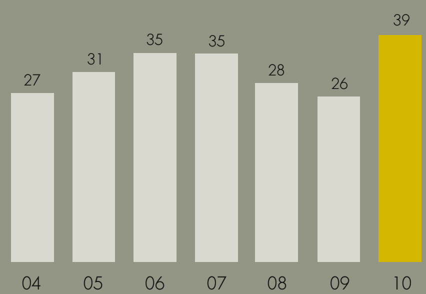
We are well positioned to continue to grow and to continue producing strong cash flows.

DA HAWTON

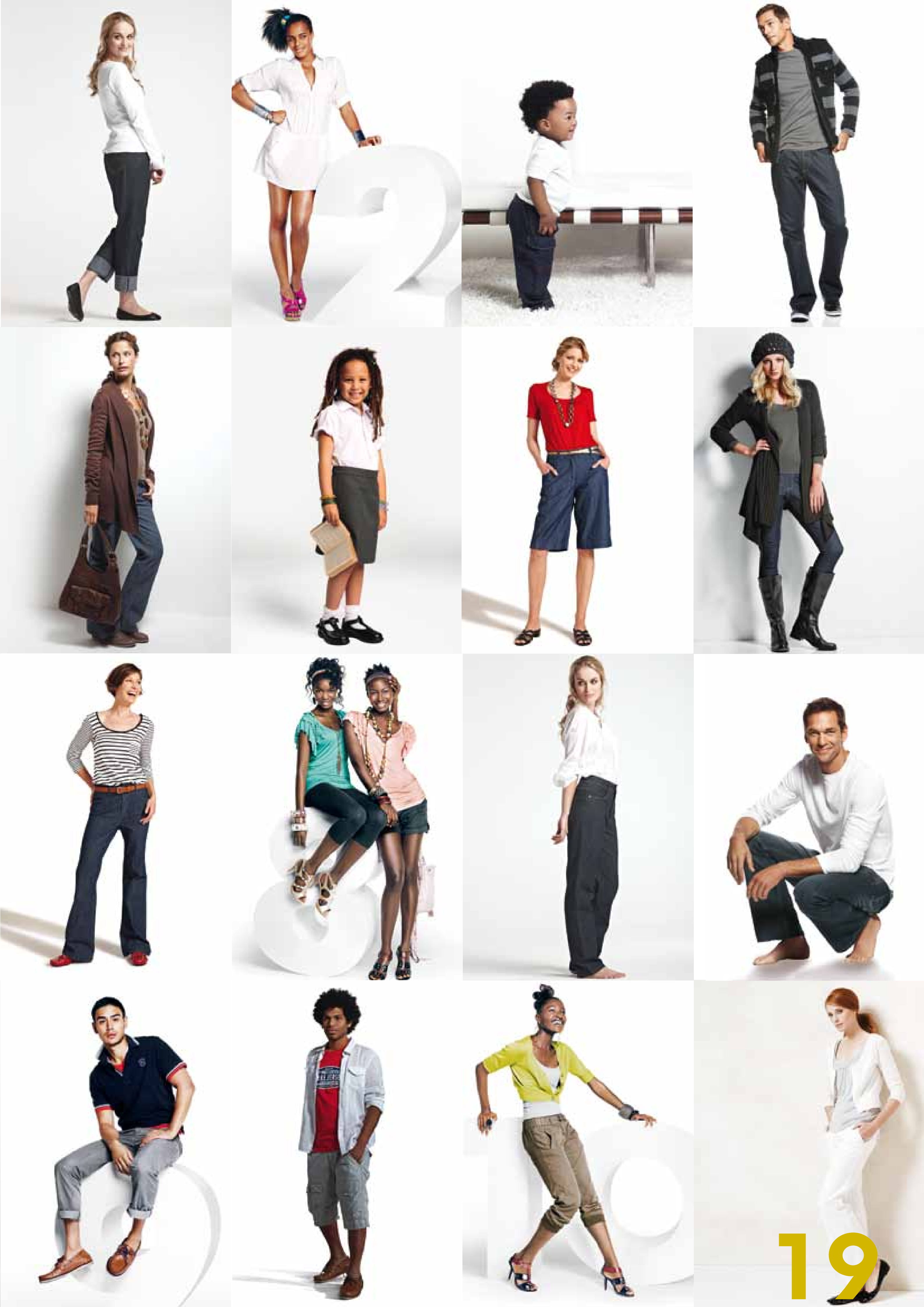


DILUTED HEPS & DIVIDENDS DECLARED

*EXCLUDES SPECIAL DIVIDEND



RETURN ON EQUITY (%)



GROUP CHIEF EXECUTIVE OFFICER'S REPORT

This is my final report to you as Group chief executive officer, a role that I have held for the last ten years.

As I reflect on that period, the South African retail market has undergone a radical structural shift that started in 2000. Of most significance is the extent to which the consumer has come of age during the period. This reflects too, in a major shift away from poverty in the living standards measure (LSM) groups. The middle class black LSM 6 – 8 consumer who hardly reported 10 years ago, now drives much of South Africa's consumer spending. On top of this, LSM 9 and 10 which is Woolies heartland customer, has strengthened constantly both in numbers and in disposable income.

The size of the formal retail market has also grown substantially. As measured by the Retail Liaison Committee and AC Nielsen, the clothing and footwear market has more than doubled from R19.4bn in 2000 to R50.2bn in 2010, whilst the formal food market has tripled in size from R42bn in 2000 to R147.5bn in 2010. With these growing markets, the level of competition has also increased and has raised the bar of retailing in South Africa. South African retailers are amongst the most focused and professional in the world. Indeed, South Africa is now becoming a more appealing and attractive market for overseas retailers to enter.

As the country has become more modern and confident, the consumer has demanded higher levels of quality and fashion. There is too, a greater consciousness of value. LSM 9 and 10 customers are more aware of the impact that they and their service providers have on the environment. Consumers trust and expect retailers such as ourselves to consider the greater world around us in the way we do business – hence our Good business journey. This is a philosophy of doing business that adds value to, rather than depletes the richness of resources, both human and environmental that enable our world.

I believe that the Woolworths of today has adapted well to these changes and has emerged as a far stronger brand, well placed to take on future increasingly aspirational customers.

In Australia, the nature of the market has been more static. It is highly competitive by nature with a sophisticated, demanding consumer. Here we have taken Country Road from an underperforming, expensive niche brand into a serious, profitable player which reflects the Woolworths values in offering affordable fashion of high quality in serious volumes. The brand is now trading successfully in both countries.

GROUP RESULTS FOR THE YEAR

Group sales posted a 10.5% growth for the year, with Woolworths showing a 10.4% growth and Country Road showing an 11.7% growth. Woolworths Financial Services book growth was static. Margins in Woolworths improved considerably. Overall this resulted in adjusted headline earnings per share improving by 24.8%.

This has been a year where we have seen the strategies that were put in place some eighteen months ago, in re-positioning Woolworths, bear fruit. It has also been a tale of two markets – the South African market that has seen a growing confidence of the higher LSM customer whilst the Australian market has experienced six interest rate increases and heavy discounting. The 2010 FIFA World Cup™, too added impetus to Woolworths sales in the final quarter.

Gross profit margin has improved from 31.5% to 33.1%. Woolworths margins have shown strong improvement, primarily as a result of our sourcing strategy and lower markdowns.

Customers are positive about the segmented shopping experience.

Expense control has been good despite the additional growth in footage and the costs for the introduction of the new brand Trenery both in Australia and South Africa.

Operating margin at 7.1% has increased from June 2009. Within this group margin, Woolworths achieved 7.0% and we remain of the view that an 8.0% level is readily achievable within two years.

We have maintained a strong balance sheet with well controlled inventories throughout.

WOOLWORTHS
CLOTHING AND GENERAL MERCHANDISE

Woolies has repositioned its clothing business. It is now more customer focused, has segmented its sales floor and ranges, has repositioned its pricing policy and has changed the sourcing strategy. Our customers are feeling more confident than two years ago. We have grown market share in this area for the past fifteen months with our market share for clothing and footwear now standing at 15.3%.

Sales growth for the year was 11.2%, with a second half growth of 12.7%. Like for like sales were up 6.7%. The final quarter was helped by the 2010 FIFA World Cup™, longer school holidays and a cold winter.

We continue to review our prices to ensure that we provide our customers more product at competitive price points. Price movement for the year was 8.9%, reducing in the second half to 5.6%.

Customers are positive about the segmented shopping experience. We now have clearly defined in-house brands, all based on innovation, quality and value, and powerful headquarter assortments. Our loyal customers have become even more loyal. The combination of these clear and differentiated brands and management of our pricing structure have provided more choice to a greater number of customers at the same time as their discretionary spend has increased.

Our sourcing strategy and lower markdowns saw us deliver a gross margin of 40.1% which was significantly higher than that achieved in the 2009 financial year. We have been working to a three year programme of margin improvement and have managed to deliver this a year ahead of schedule. We have worked with key suppliers both offshore and within the SADC region to drive competitive prices, high quality and innovation and improved profitability.

The investments made into the stock planning systems have helped improve the profiling of stores in line with customer segments, have improved trading densities and reduced markdowns. Stock as a consequence, has been managed more effectively overall.

Our home business, which was the most impacted by earlier economic conditions, has shown good sales growth from its repositioning and has been gaining market share.

The beauty business, both branded and our own label has shown good steady growth with particular strength in our private label range which is approved by Beauty Without Cruelty.

We continue to work with a number of enterprise development opportunities, tapping into the entrepreneurial and creative spirit of local communities. Our home business has some good examples of the success that this has brought both to the communities and the business.

The use of sustainable fibres and materials in our product has been re-energised. The South African organic cotton programme continues. Bamboo is used in a dedicated towel range and in selected kitchenware products. Our launch of eco-walkmates, a range of children's footwear that has been specially designed and constructed using eco friendly materials such as eco tanned leather (free of harmful chemicals) and natural rubber outsoles from sustainable rubber plantations, is another example.

Our childrenswear business has been a key attractor for the black customer to shop in our stores. This is underpinned by a quality and safety ethos from our "no pin" policy in the construction of garments, to our Walkmates footwear that is endorsed by the South African Podiatry Association.

FOOD

With declining food inflation, growth in the South African food retail sector has softened. Our food business is less susceptible to the influence of inflation. We have though been sharper on prices particularly on our known value items (KVI) lines. This and our constant flow of new products has helped us regain market share over the past nine months. Our market share now stands at 8.3%.

Sales growth for the year was 9.9%, with a second half growth of 10.8%. Like-for-like sales were up 5.6%. Price movement for the year was 5.2% and in the last quarter we showed a comparable stores volume increase.

Over the prior 18 months we had focused more aggressively on our value proposition. We track the prices of our KVI basket items weekly and are now highly competitive. An exciting new range "Essentials" was launched in the year. This range is at opening price points and offers customer all the quality and innovation that they expect, yet at competitive prices. We have also refined our promotional strategies to do fewer, bigger promotions. The "meal deal for R100" has proved popular and highlights our great value prices on everyday lines as well as at special occasions time – Valentine's Day and Christmas.

Improving our food availability continues to be a journey. We have invested heavily in systems over the past five years and are now beginning to consolidate the improvements this is giving.

During the year we continued to roll out a number of in-store services into our larger food stores – butcheries, bakeries, cheese shops and "to go" concepts. These have created a more exciting shopping experience and will be a strong feature in our store modernisation and expansion plans going forward. A new format reflecting this was introduced in our Constantia store in Cape Town and is trading well.

Our good food journey is a fundamental part of our food business. We were honoured to be recognised for our contribution to food

OPERATING MARGIN (%)

We have worked hard to reduce food packaging and have made reductions of 660 tons over three years.

science and technology as winner of the President's Award by South Africa's Association for Food Science and Technology (SAAFoST). The award has only been given out four times in their 50 year history and we are the first retailer to win this.

During the tough economic conditions customers awareness of environmental issues did not wane, however, they are increasingly reluctant to pay extra. We have found innovative ways to do business differently without additional cost to our customers. The introduction of Farming for the Future has provided customers with fresh produce grown in an environmentally friendly way with no extra cost.

We have worked hard to reduce food packaging and have made reductions of 660 tons over three years. Our customers have given us feedback on our food packaging. We will continue to reduce our packaging in ways that do not compromise our products, but have a growing emphasis on recycled or recyclable. We are also rolling out recycling facilities near our stand alone stores and Engen garages.

Water usage and waste water quality surfaced as a major national issue during the year. Water is fundamental to the production of food and the majority of water in South Africa is used in the production of food. Our Farming for the Future programme in produce, has a component which covers water usage and waste water. We will focus on expanding this into other components of the food chain such as dairy.

OPERATIONS

Total trading space was 525 403 m^2 at the year end. Nine stores were opened during the year. Our store roll out plan will now focus on opening fewer but larger stores. We expect to open 16 new stores and modernise or extend 31 stores over the course of next year.

We continue with our plans to have an increased base of experienced staff in our stores. We now have 36% of our staff on a guaranteed 40 hour week as compared to 13% a year ago. These permanent positions, the provision of healthcare and store-based performance bonuses have seen our labour turnover materially reduce from eighteen months ago.

Subsequent to the end of June, we have communicated that Woolworths would stop franchising in South Africa. This means that there will be no new franchise stores and no extension of current franchise contracts when they reach their end of duration. Offers would be made to buy all local franchise stores at fair value. Fair value was determined as valuing the businesses as a going concern despite the fact that fixed term contracts are in place.

WOOLWORTHS FINANCIAL SERVICES

The joint venture that the group entered into with Absa to manage our financial services is progressing well. The Woolworths share of the profit earned by WFS for the year was R75m, (non-comparable with the R129m earned in June 2009).

The recovery in demand for credit has been slower after the financial crisis and for most of the year it has shown negative growth. The LSM 6 – 8 customer in particular has been reluctant to take on more credit preferring to make use of cash. We experienced high attrition rates through the year. We also were more stringent in the granting of credit in order to manage the recoverability of the debtors books. As a result, impairments reduced from 7.5% to 5.1%.

Much of the year has been focused on integrating the joint venture into the regulatory banking environment of the Absa Group. This will put the business onto a stronger footing for future growth.

The last quarter of the year saw the launch of the black card – a credit card designed to meet the needs of our higher earning customers. With its benefits including a 3% discount on all purchases made in our Woolworths stores and a 1% discount on all purchases made outside of Woolworths, it is an attractive proposition. We look forward to this growing into the future.

It is now time to grow the debtors' books, with a market showing a small increase in the demand for credit. We are increasing our recruitment effort to open new accounts and stimulating existing card customers to make more use of existing credit facilities.

COUNTRY ROAD

This has been a challenging year for Australasian retail. Discretionary spending declined throughout the period. The government's stimulus payments, which were discontinued and six interest rate increases created a highly competitive retail market which was largely driven by aggressive discounting across the sector.

Despite the tough trading environment, Country Road continued to expand, driven in part by heavy discounting. Total sales for the year increased 8.5%, on a like-for-like basis, we achieved 1.5% growth in sales.

The initial set up costs of the Trenery brand, combined with the challenging discount led market conditions of the retail sector have significantly impacted our margins and, as such, our profit before tax was down on the prior year by 20.2% to $17.5m.

We saw the successful launch of the Trenery brand in South Africa and in Australia. The brand is trading in 6 stores in Australia and a further 18 stores in South Africa. This new brand has expanded the Country Road proposition to a new customer base and initial sales results have been encouraging.

We have also continued to grow our Country Road brand in South Africa with the launch in a further two Woolworths stores and two combined Country Road and Trenery stand alone stores.

Further stores were opened and refurbished across Australia and New Zealand. This store programme and the launch of the Trenery stores amounted to a capital investment in excess of $20m in the year. We believe that this has positioned the retail store network well for future growth.

This year we also saw a significant change in the stewardship at Country Road. We bade farewell to Ian Moir as Chief executive officer at the end of December 2009. John Cheston then joined the company as his successor from July 2010. Regrettably, we have had to part ways with John due to irreconcilable differences on the direction of the business. In the interim, Ian will manage the business until a successor is put in place.

The business will continue to focus on opportunities for the rollout of Trenery and the ongoing expansion of Country Road. Our online store, www.countryroad.com.au launched at the end of August 2010 and initial results are encouraging. Initiatives implemented over the last year for controlling costs and effectively managing inventories will continue. We expect the tough conditions to ease during the year and feel the business is well set up to take advantage of this.

LOOKING AHEAD

I will be handing the running of this wonderful business to Ian Moir in November. Ian and I have worked closely together for ten years. He has great passion for these brands and a clarity of thinking that will add real value and fresh thinking to the organisation.

I believe that the business is more focused and has strategies in place that are delivering. Under Ian's direction, the brands will continue to build on and evolve those strategies in both South Africa and Australia.

"Woolworths is a great brand and I am proud to have the opportunity to be a part of it. It is a South African icon and much loved by our customers. I have spent the last nine months getting to understand the business and am excited by the challenge of taking it to even greater heights."

IAN MOIR

SN SUSMAN

GROUP FINANCE DIRECTOR'S REPORT

FOR THE PERIOD ENDED 27 JUNE 2010

The difficult trading conditions experienced by the Group last year, especially during the second half of that year, alleviated to some extent this year, as the upper end of the market made a tentative recovery.

Although the economy remained fragile in South Africa and particularly difficult in Australia, the results for the year were pleasing, with Group turnover up 10.5% and profit before tax and exceptional items (PBTAE) increasing 23.4% from last year to R1 759m.

The stronger result was driven by a much improved performance in the Clothing and General Merchandise (C&GM) and Food segments of our South African Retail business. Performance in the fourth quarter was particularly strong, with the consumers' positive response to the 2010 FIFA World Cup™.

EARNINGS PER SHARE	52 weeks to 27 June 2010 cents	52 weeks to 28 June 2009 cents	% change
EPS	162.4	157.2	3.3%
HEPS	164.6	109.3	50.6%
DILUTED HEPS	159.3	107.5	48.2%
ADJUSTED HEPS	157.2	126.0	24.8%

Whilst, earnings per share (EPS) increased 3%, headline earnings per share (HEPS), which strips out capital-related transactions, most notably last year's R380m profit on the disposal of a controlling interest in Woolworths Financial Services (WFS), was 50.6% higher.

Diluted headline earnings per share was 48.2% higher. 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 sharp recovery in the Woolworths share price.

Adjusted HEPS, which excludes an abnormal foreign-exchange-related gain this year and the related unrealised loss, as well as STC on a special dividend last year, was up 24.8%.

Despite these adjustments, the Group results for the year are not strictly comparable due to the change in the nature of the investment in WFS and the interest impact of the related capital transactions during the prior year. To best comprehend these results, a review should be undertaken on a segmental basis.

GROUP RESULTS DIVISIONAL CONTRIBUTION (RM)	2010 Rm	2009 Rm	% change
SA RETAIL	1 458	1 187	22.8%
FOREX-RELATED GAIN	79	(79)	
	1 537	1 108	38.7%
NET INTEREST	28	50	(44.0%)
COUNTRY ROAD	119	139	(14.4%)
WFS – TO 30 SEP	–	72	(100.0%)
WFS JV – FROM 1 OCT	75	57	31.6%
GROUP PBTAE	1 759	1 426	23.4%

SA RETAIL

SA Retail, which comprises the Clothing and General Merchandise and Food operating segments, grew turnover by 10.4%, with comparable store sales (sales from stores that were open at the beginning of the prior year) of 6.1%. It was particularly pleasing that growth accelerated from 9.1% in the first half to 11.6% in the second half (and from 5.3% to 6.9% in the comparable stores). This was partly due to a cold winter and the benefit of the 2010 FIFA World Cup™.

INCOME STATEMENT	2010 Rm	2009 Rm	% change
SALES	20 897	18 936	10.4%
COST OF SALES	14 672	13 626	7.7%
GROSS PROFIT	6 225	5 310	17.2%
OTHER REVENUE	86	96	(10.4%)
EXPENSES	4 859	4 232	14.8%
STORE COSTS	2 929	2 584	13.4%
OTHER OPERATING COSTS	1 930	1 648	17.1%
OPERATING PROFIT	1 452	1 174	23.7%
EARNINGS FROM ASSOCIATE AND JOINT VENTURE	6	13	
PROFIT BEFORE TAX	1 458	1 187	22.8%

Gross margin improved from 28.0% to 29.8%, adding 17.2% in gross profit (rands).

Gross margin improved from 28.0% to 29.8%, adding 17.2% in gross profit (rands). This improvement is explained in more detail in the segmental analyses below.

Store costs (comprising employment costs, occupancy costs, electricity, bank charges and depreciation, as well as general store expenses such as plastic bags, cleaning, security and maintenance) grew 13.4%, impacted by the 16 new corporate stores opened during the year, which added 4.4% to trading space. Comparable store costs also grew at a rate ahead of sales, but the gap narrowed considerably in the second half.

Other operating costs are the centrally incurred, non-store employment and occupancy costs related to the product buying and planning, marketing, franchise, and real estate functions, as well as the central services of HR, finance, IT and corporate governance. Other significant costs include bank charges and commissions, and share-based payment charges related to the Group's executive share incentive and black economic empowerment employee share incentive schemes. These costs grew by 17.1%, which includes non-comparable charges of R132m for incentives, and royalties and management fees amounting to R42m payable to the Country Road segment on the South African Country Road and Trenery operations. Excluding these items, the underlying core expense growth was an acceptable 7.8%.

Overall, SA Retail achieved an operating margin of 7.0%, up from 6.2% in 2009. The focus on productivity to achieve positive operating margin leverage remains a key commitment and the targeted operating margin of 8.0% is planned to be achieved by 2012.

Return on equity increased from 43.3% to an extremely satisfactory 69.7% – a result of both the better trading result and improved asset utilisation, most notably inventory management in the C&GM segment.

CLOTHING AND GENERAL MERCHANDISE

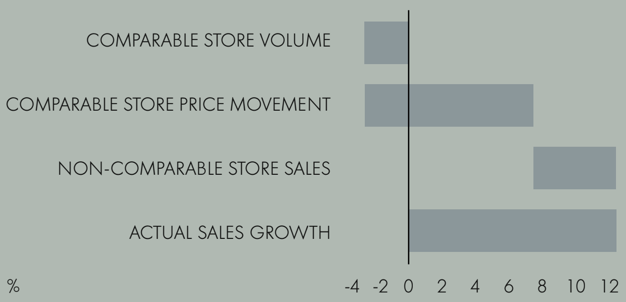
INCOME STATEMENT	2010 Rm	2009 Rm	% change
SALES	8 253	7 423	11.2%
COST OF SALES	4 943	4 692	5.3%
GROSS PROFIT	3 310	2 731	21.2%
OTHER REVENUE	21	38	(44.7%)
EXPENSES	2 321	1 996	16.3%
OPERATING PROFIT	1 010	773	30.7%
EARNINGS FROM ASSOCIATE AND JOINT VENTURE	3	7	
PROFIT BEFORE TAX	1 013	780	29.9%

Turnover grew 11.2%, with comparable store sales 6.7%.

Whilst unit volumes in comparable stores were 2.2% lower than in the previous year, the rate of decline slowed throughout the year, turning positive in the final quarter.

Seven new corporate stores added 4.8% to turnover growth and price movement (our internal product inflation measured by the movement in the average price of the units we sell) was 8.9%, driven in part by comparatively lower markdown activity.

CLOTHING AND GM SALES GROWTH (% ON LAST YEAR)



Improved trading conditions, and the continued improvement in the buying, planning and inventory management processes and process execution resulted in higher margins and reduced markdowns. Gross margins improved from 36.8% to 40.1%, which led to an increase in gross profit (in rands) of 21.2%.

Expense growth, which includes the impact of non-comparable items discussed above was 16.3%, which saw the C&GM segment achieve a 29.9% PBT growth to R1 013m and an operating margin of 12.2%, an improvement from the 10.4% of the prior year.

As the economy continues to improve, we expect sales in comparable stores to continue to grow and, whilst new store development slows in the next two years, we still plan to open six stores in 2011 and two in 2012, adding 3.4% and 3.0% to trading space respectively.

FOOD

INCOME STATEMENT	2010 Rm	2009 Rm	% change
SALES	12 227	11 126	9.9%
COST OF SALES	9 389	8 616	9.0%
GROSS PROFIT	2 838	2 510	13.1%
OTHER REVENUE	65	58	12.1%
EXPENSES	2 461	2 167	13.6%
OPERATING PROFIT	442	401	10.2%
EARNINGS FROM ASSOCIATE	3	6	
PROFIT BEFORE TAX	445	407	9.3%

After a difficult 2009, which saw a concerted shift of consumer behaviour towards the discount food retailers, the Food segment achieved sales growth of 9.9% ahead of last year, with comparable store sales 5.6%.

Nine new corporate Food stores added 3.7% to total sales growth and price movement was lower than last year's 8.0%, at 5.2%. 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 therefore tends to be higher than the industry.

FOOD SALES GROWTH (% ON LAST YEAR)

Gross profit margins improved by 0.6% from last year's 22.6% to 23.2% as a result of ongoing work undertaken with our suppliers to extract cost throughout the value chain.

Expenses grew 13.6%, with core expense growth impacted by new stores and non-comparable costs as detailed under SA Retail above.

Despite this, the segment achieved a 9.3% PBT growth of R445m and an operating margin of 3.6%, in line with the prior year.

Store expansion plans are in place to add a further 7.3% and 7.7% trading space (in 15 and eight stores) in 2011 and 2012 respectively. Investment in new space will focus on store extensions and larger new stores as we find that customers are willing to increase the content of their basket within a larger store environment providing a more complete product range.

COUNTRY ROAD

INCOME STATEMENT	2010 A$m	2009 A$m	% change
SALES	372	343	8.5%
COST OF SALES	159	139	14.4%
GROSS PROFIT	213	204	4.4%
OTHER REVENUE	8	4	100.0%
EXPENSES	203	186	9.1%
STORE COSTS	151	132	14.4%
OTHER OPERATING COSTS	52	54	(3.7%)
OPERATING PROFIT	18	22	(18.2%)
FINANCE COSTS	1	–	
PROFIT BEFORE TAX	17	22	(22.7%)

The Australian consumer market continued to struggle during the year as interest rates increased, and results suffered against the strong, fiscally stimulated 2009 performance. Retail store sales performance, up 12.9%, outstripped department store concession sales of 5.1%. Sales growth was driven by the 11 new stores (six Trenery stores and five Country Road stores) adding 11.8% new corporate store space.

Heavy promotional activity helped support the sales growth of 8.5%, but at the cost of gross margin, which dropped from 59.5% to 57.4%. US dollar forward purchases also put pressure on margins as the Australian dollar strengthened throughout the year.

Gross profit ended 4.4% down on the year in Australian dollar terms.

The Trenery roll-out and Country Road store expansion were the main contributors to an expense growth of 9.1%, and although other operating costs remained well controlled, profit before tax ended the year down 18.2%.

Store growth is planned to continue with a further 10.4% and 9.4% trading space (in 14 and 12 stores) in 2011 and 2012 respectively.

Return on equity declined from 21.9% to 15.4% in Australian dollar terms due to the reduction in profits. Country Road's statement of financial position includes trademarks of A$11.3m, which are excluded from the Group statement of financial position, having been written down on acquisition. Return on equity, excluding the trademarks, would be 17.8%. Targeted return on equity for the segment is 20%.

WOOLWORTHS FINANCIAL SERVICES

INCOME STATEMENT	2010 Rm	% to Book	2009 Rm	% to Book	% change
INTEREST INCOME	1 167	19.5	1 432	23.9	(18.5%)
INTEREST PAID	386	6.4	568	9.5	(32.0%)
NET INTEREST INCOME	781	13.0	864	14.4	(9.6%)
IMPAIRMENT	308	5.1	451	7.5	(31.7%)
RISK-ADJUSTED MARGIN	473	7.9	413	6.9	14.5%
NON-INTEREST REVENUE	365	6.1	376	6.3	(2.9%)
OPERATING COSTS	623	10.4	560	9.4	11.3%
PROFIT BEFORE TAX	215	3.6	229	3.8	(6.1%)
FINANCIAL SERVICES ASSETS (AVERAGE)	5 995		5 989		
RETURN ON EQUITY	13.9%		14.6%		
RECONCILIATION OF WFS PROFIT					
PROFIT BEFORE TAX – TO 30 SEPTEMBER 2008			71.8		
PROFIT BEFORE TAX – FROM 1 OCTOBER 2008			157.1		
TOTAL ABOVE			228.9		
PROFIT BEFORE TAX – TO 30 SEPTEMBER			71.8	Consolidated	
JOINT VENTURE PROFIT BEFORE TAX	214.7		157.1		
TAXATION	65.8		42.4		
PROFIT AFTER TAX	148.9		114.7		
LESS 50%	74.5		57.4		
EQUITY ACCOUNTED	74.5		57.4		

The statement of comprehensive income, above, shows the full results of the segment in order to comprehend the operating performance, as explained below. The group now brings to account only its 50% share of the after tax profit, under equity accounting rules. Last year, the segment was fully consolidated for the three months to 30 September 2008, and was equity accounted thereafter.

Local consumers' continued aversion to credit impacted the WFS joint venture with Absa Bank, which struggled to generate growth. The aggregate debtors' book was only 0.1% higher on average throughout the year, and ended the year 1.0% down.

The business continues to operate four product groups – the in-store card that can be used only for purchases in Woolworths stores, Woolworths Visa credit cards, personal loans and insurance products.

Interest income from the combined book declined 18.5% to R1 167m as a result of the reduction in interest rates with gross yields falling from 23.9% to 19.5%.

Gearing of the book is 84% and this funding is provided by Absa Bank at a three month JIBAR linked rate. In a declining interest environment, the interest margin is squeezed as a result of the multiplier effect contained within the regulated interest rate formula. As a result, the net interest yield declined from 14.4% to 13.0% of the book.

The impairment charge (comprising bad debts written off during the year as well as the movement in the provision for doubtful debts) improved sharply from 7.5% of the book to a pleasing 5.1%. This was due to improved risk assessment for new accounts as a result of expertise obtained through the partnership with Absa Bank and the continued focus on collections.

This resulted in the "risk-adjusted margin" improving to 7.9% of the book from 6.9%, a 14.5% improvement, despite the significantly lower interest rates.

Non-interest revenue (account charges regulated by the National Credit Act) declined marginally due to fewer transactions. Expenses grew 11.3% as a result of the investment in collection capacity and costs related to the implementation of controls necessary to meet Absa Bank's compliance standards.

Profit declined 6.1% for the 12 months to June, with a profit to book ratio down slightly to 3.6% from 3.8% a year earlier.

Return on equity declined slightly to 13.9% from 14.6%. The target set by the business remains at 20%.

TREASURY

The group maintained a net cash positive position throughout the year, despite maintaining borrowings of R1.5bn after the WFS transaction was completed in order to enhance liquidity during a still uncertain credit environment. Net interest income of R28m cannot be compared with the R50m segment result of the previous year due to the timing of the WFS and resultant capital transactions.

Dividend policy is for the interim and final distributions to be covered 1.5 times by adjusted headline earnings, and is designed such that the group operates on a broadly cash-neutral basis after operating cash flows, distributions and capital expenditure is deducted. The board considers the appropriateness of share buybacks if no other opportunities present themselves for the utilisation of excess cash.

During the year, the net shares repurchased, totalled a cost of R363m.

TAXATION

The group's effective tax rate of 27.9% was lower than last year's 30.2%, as no STC was payable on the share premium distributions that were paid in lieu of dividends during the year. The effective tax rate will, however, increase in 2011 as STC is once again incurred.

FINANCIAL POSITION

The group invested R607m in property, plant and equipment, R279m related to the South African store development programme which added 18 095 m^2 of new space (13 233 m^2 and 4 862 m^2 across seven and 11 new C&GM and Food locations respectively) as well as expenditure on refurbishments and modernisations across the existing real estate. Country Road invested R147m in its 11 new stores, adding 2 624 m^2 and 1 754 m^2 to trading space.

A further R155m was invested in information systems as we continually improve our inventory planning and

The group's funding strategy is to ensure a broadly net cash-neutral position.

management systems, and invest in capacity and improved financial controls.

Our 50% (less one share) joint-venture interest in WFS is equity accounted and our R573m equity investment, which includes our share of retained income, is recognised in the statement of financial position.

Investment in inventory contracted 2.7% to R1 676m. C&GM inventory turn was maintained at 5 times. Food inventory turn reduced slightly from 21 to 19 times, although stock levels were well controlled and availability levels were maintained.

A significant focus during the year on billing and collection processes and improvements facilitated by our investment in the Oracle Financial Suite resulted in accounts receivable (mainly franchise and sundry debtors' balances) remaining largely unchanged from last year. Interest free working capital funding in the form of trade and other payables increased 9.9%.

Net asset book value per share increased by 14.3% to 447 cents per share.

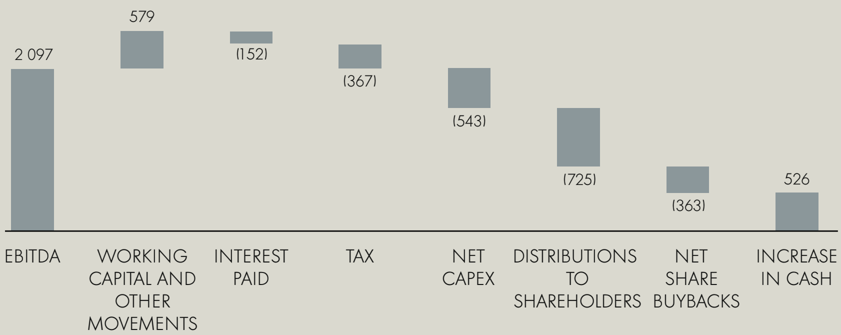
CASH FLOW AND CAPITAL EXPENDITURE

The following table illustrates cash flows during the year. The table demonstrates how operational cash flow generated is utilised by capital expenditure, distributions to shareholders and taxation.

The group's funding strategy is to ensure a broadly net cash-neutral position.

The business (especially the SA Retail segments) is extremely cash generative, demonstrated by earnings before interest, taxation, depreciation and amortisation (EBITDA) growing 12.7% to R2 097m. The improvements in working capital released cash of R579m, and with no liability for STC and an increase in capital expenditure accruals, R1 614m was available before shareholder distributions of R725m. After share repurchases totalling R363m, cash balances increased by R526m.

CASH GENERATION FOR THE YEAR ENDED JUNE 2010 (RM)



GROUP FINANCE DIRECTOR'S REPORT

FOR THE PERIOD ENDED 27 JUNE 2010 CONTINUED

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 totalled R2 443m at June 2010 (2009: R3 447m). During the year, we 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 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.

The group uses the 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, the group does not apply hedge accounting to these transactions.

Our dividend policy is set at 1.5 times adjusted headline earnings per share. In addition, 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 83 of the group annual financial statements. All additional disclosures required by these standards have been provided for both the current and comparative period.

LOOKING AHEAD AND FINANCIAL TARGETS

We expect the year to June 2011 to remain challenging. However, as a result of continuing benefits from improved sourcing of merchandise we expect retail gross margins to be maintained during 2011.

Operating margin for SA Retail is targeted at 8.0% in the medium term.

Capital expenditure is expected to be approximately R680m, of which R600m is planned for SA Retail, mainly comprising the continued store roll-out and modernisation programme and R80m is planned for the Country Road store expansion programme. Planned increases in footage have been detailed above. We expect this to continue into 2012 at R650m for SA Retail and R120m for Country Road.

We expect the group effective tax rate to approximate the normal rate of income tax of 28%, plus STC payable on dividends paid during the course of the year ahead.

WOOLWORTHS EXECUTIVE COMMITTEE

SIMON SUSMAN
GROUP CHIEF EXECUTIVE OFFICER

IAN MOIR
MANAGING DIRECTOR RETAIL AND GROUP CHIEF EXECUTIVE OFFICER-ELECT

PAULA DISBERRY
GROUP DIRECTOR CLOTHING & GENERAL MERCHANDISE PLANNING

FAWZA ESSA
GROUP DIRECTOR SUPPLY CHAIN AND INFORMATION TECHNOLOGY

CHARMAINE HUET
GROUP DIRECTOR MARKETING

BRETT KAPLAN
GROUP DIRECTOR CLOTHING AND GENERAL MERCHANDISE BUYING

MATT KEOGH
GROUP DIRECTOR HUMAN RESOURCES

CHERRIE LOWE
GROUP SECRETARY AND GROUP DIRECTOR GOVERNANCE

ZYDA RYLANDS
MANAGING DIRECTOR FOOD

NORMAN THOMSON
GROUP FINANCE DIRECTOR

ABRIDGED GOOD BUSINESS JOURNEY REPORT

DRIVING A MORE SUSTAINABLE BUSINESS

The Good business journey aims to ensure we drive a virtuous circle that will benefit all of our stakeholders.

In 2007 we consolidated and accelerated our previous sustainability efforts under our Good business journey programme which brought together our philosophy that the true sustainability of a company is reliant on its own continuous performance and a sustainable society and environment. We further believe that all the elements of economic growth, transformation, social development, the environment and climate change, can either form a vicious or virtuous circle. The Good business journey aims to ensure we drive a virtuous circle that will benefit all of our stakeholders.

We consider the Good business journey as a key to enhancing our brand while being cognisant of the impacts of our business on society and the environment. We have realised over the past few years that our focus on social and environmental issues can drive innovation and operational efficiencies in our business.

Our Good business journey programme covers more than 260 indicators across four pillars – economic, social, transformation and environment. Annual targets were set to 2012, with a comprehensive measurement and tracking system embedded in the business.

We measure our achievement against these targets each year and aggregate the scores for each indicator to see how well we have performed.

Progress of our scores is shown below:

	2010	2009	2008
Annual achievement	84%	79%	77%
Achievement against 2012 target	71%	61%	62%

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an integral part of the way we do business.

We have 3.9m customers who expect us to provide them with product that has great value, is innovative and available. We engage with a panel of customers on a regular basis from topics such as product development, innovation and business issues to ensure that we exceed their expectations. Our customer research shows growing awareness of the Good business journey programme, and high levels of support for its objectives. Customers increasingly want to understand where products come from, and to be certain that these are sourced ethically and without harm to the environment. We are responding to this need with in-store and broader communication regarding our products and indeed our most recent food television campaign takes customers back to the farms from which some of our iconic products emanate.

Employee understanding and backing for our Good business journey programme is measured through our annual people survey, which has shown high levels of support. Something we cannot measure, however, is the innovation and enthusiasm of employees across the business in integrating sustainability thinking into their daily jobs, and bringing new projects to life that have changed the way we operate.

We continue to build our employees' knowledge around sustainability to enable them to help colleagues and customers understand their impacts and drive the Good business journey

messages in the workplace and at home. A fantastic example of this has been an energy saving campaign across the business, which has helped employees reduce energy usage in stores and in their homes.

Experience has shown that most sustainability challenges cannot be solved by one company acting alone, and we are excited about the support we have received from our suppliers and specialist non-profit organisations in implementing programmes like Farming for the Future, and the many things we have learnt from their efforts. These sustainability initiatives have been a natural extension of the long-standing partnerships we share with our suppliers, and have allowed us to formulate unique, and often farm-specific, responses to biodiversity, transformation and other objectives.

We have also seen our business relationships with companies like Absa and Engen develop into expansions of our social and environmental initiatives with the expanded EduPlant programme and recycling at Engen service stations two clear examples of such collaboration.

The full details of our programme and a detailed report for 2010 can be found at our website at **www.woolworthsholdings.co.za**

TRANSFORMATION

The transformation pillar uses the dti's broad-based black economic empowerment (BBBEE) scorecard framework. The scorecard targets are integrated into our strategy to ensure meaningful and sustainable empowerment endeavours.

We have set a target to become a level 4 contributor by 2012. Through the external assurance received from BEE Verification Agency CC, we have achieved a 60.7 score, a level 5 contributor, improving from 46.5 in June 2009.

Employment equity (EE) has continued to be a key business focus in 2010 with a specific focus on establishing an EE talent pipeline in line with our strategy of developing and progressing EE talent through the business. The launch of our graduate programme, Growth Academy, in collaboration with the wholesale and retail Seta and the University of Stellenbosch Business School in February 2010 was groundbreaking within the retail sector, and is a significant step towards enabling this strategy. In order to build a culture that enables transformation, a new diversity workshop was piloted, and will be rolled out across the business in the new financial year. During the year Woolworths went through a Director General review of employment equity progress with the department of Labour, which highlighted the need to focus on African representation at senior management level and disability representation. We continue to work with the relevant Government departments to achieve our transformation objectives.

The skills development and training for 2010 has focused on developing and building competence relating to both leadership and technical or functional skills. The numbers of learners participating in formalised learnerships, skills programmes and trainee programmes has increased steadily. Learning and development continues to be a key enabler for the development of a black talent pipeline for key roles in the business.

Major shifts were made in preferential procurement and enterprise development which were well above our targets. The preferential procurement score has improved dramatically due to focused efforts to obtain supplier credentials, well structured central procurement processes which emphasise BEE credentials, and support for our suppliers in their own verification processes. Our enterprise development initiatives provide those enterprises with business opportunities. We have focused our efforts on emerging organisations in our greater supply chain. In the current year we have assisted 32 (2009:25) black-owned companies supplying products and services to various business units.

Our BEE employee share ownership scheme earned a percentage of the distributions paid out to ordinary shareholders. The beneficiaries of the scheme have received R16.3m, an increase of 67% on the previous year. The scheme has paid a total of R37.8m in dividends to date.

During the year we contributed R314m to a range of charity organisations as part of our commitment to social economic development. Our focus is to build capacity in our communities and to encourage and support our beneficiaries in becoming self-reliant. In particular we are committed to addressing two of our country's key challenges – food security and education. Our EduPlant programme assists and teaches disadvantaged schools and communities to gain the skills that they need to grow their own food.

Through MySchool and Making the Difference through Design and Making the Difference through Nutrition, Woolworths contributes to the improvement of education in South African schools. The MySchool contributions assist in supporting more than 10 000 schools, many in impoverished areas around the country. The programme also includes MyVillage and MyPlanet, which support selected charities and environmental organisations. A percentage of the value of purchases made by customers in our stores is contributed by us to MySchool on their behalf – we have contributed more than R100m to date.

SOCIAL DEVELOPMENT

The social development pillar includes a focus on our people initiatives, social conditions in our supply base, product labelling and health and safety.

OUR PEOPLE

Our integrated people strategy is built on a value-based culture that creates a platform to drive high performance enabling us to deliver sustainable and profitable growth through our people.

In 2010 we made significant strides towards establishing a leading employment value proposition through the implementation of an integrated people and reward strategy.

Employment proposition

We employ 18 977 people in our business, the majority of whom work in our store environment.

We have seen our staff turnover in corporate stores decrease by 8% as a result of the improvements made to enhance the staff employment value proposition. We have increased stability through ensuring more guaranteed hours for our store staff. This was achieved through converting staff who were on flexible 28-hour contracts to flexible 40-hour contracts. At the end of the year, 37% of staff were on flexible 40-hour contracts ahead of our target for the year. A voluntary healthcare scheme was introduced for staff employees, with the initial take up exceeding our expectations. We trialled a variable pay scheme in four stores for all store staff and based on the employee and business benefits, we will roll it out to all stores in 2011.

Remuneration

Remuneration for the majority of our staff is made up of a guaranteed base pay, retirement and healthcare contributions and store discounts. To drive high performance short term incentives are available to most employees. The company's short term performance bonus scheme and the stores and distribution centres gain share scheme serve to reward participants for successful performance.

Employee engagement

We have implemented an engagement tool, called LetsTalk! which provides a formal channel to communicate common messages throughout the business, receive feedback from our employees and track actions relative to the operating and trading plan. At the end of June 2010, more than 80% of head office teams and over 50% of stores had implemented the methodology. Other communication channels are used and include a bi-monthly newsletter, broadcasts and our intranet.

Occupational health and safety

All Woolworths buildings are designed within stringent health and safety guidelines and with employee and customer wellbeing as a primary consideration. Joint staff and management health and safety committees are in place. Occupational health practitioners deliver a comprehensive occupational health and wellness programme which includes an employee assistance programme (EAP). This programme provides confidential counselling for personal or business crises as well as lifestyle counselling to employees to help them manage health-related issues.

HIV/Aids is regarded as a potential threat in South Africa. All employees have access to free treatment and care. A company funded Clinical Management Programme offers treatment and other benefits to HIV-positive employees who do not qualify for membership to the Wooltru Healthcare Fund. Those belonging to the Healthcare Fund have access to treatment via the fund.

We have become water neutral by eliminating invasive water-thirsty alien plants at the Tankwa Karoo National Park.

ENVIRONMENT

The environment pillar focuses on our initiatives and programmes that manage the impact that this business has on the environment and our use of natural resources.

As a retailer of clothing and particularly food, we have recognised the impacts of the products we sell on the environment. Our aspiration is not only to ensure that we reduce our own impact, but that we engage with our suppliers and customers to assist them to reduce theirs. We have recognised the important relationship between the production of food and the environment and the necessity to adopt better environmental practices in our suppliers' agricultural systems to provide South Africa with food security and protect our natural ecosystems.

WATER PROGRAMME

South Africa is a water-scarce country and the quality of our water is increasingly threatened, in part by industrial and agricultural activity. The majority of South Africa's water resource is used in farming irrigation, and as a major supplier of fresh produce, Woolworths is playing a role in water conservation.

We set targets to reduce our water consumption by 30% by 2012. Our head office facilities have shown a 24% decrease in water usage and a 27% reduction in relative usage in stores compared with our 2008 benchmarks. We are working with our suppliers to measure and improve water usage and wastewater management practices, using the Farming for the Future programme as a basis, and rolling it out to other parts of the food supply chain, such as dairy and wine.

We have also relooked at the design of our stores and distribution centres to enable the efficient use of water and water waste. This includes recycled and grey water systems, use of indigenous shrubs and ground covers, storm water management and pulse metres to improve water measurement and monitoring.

We are also the only retailer to form part of the World Wide Fund for Nature's (WWF) Water Neutral Scheme. We have become water neutral by eliminating invasive water-thirsty alien plants at the Tankwa Karoo National Park. The project will release enough water into South Africa's water system to offset the water used by our operations each year.

Farming for the Future

Together with our farmers, we have pioneered a new approach to growing food sustainably so that South Africa's farms will be able to provide enough food for future generations – called Farming for the Future, at no additional cost to customers.

This is a holistic approach that manages the entire farming process systematically, starting with building and maintaining the soil, because it takes good soil to produce good food. Healthy soil is better able to retain water, so it needs less irrigation and water use is reduced. It also needs fewer chemical interventions, which means farmers only use synthetic fertilisers or herbicides when needed. Farmers also use integrated pest management principles in order to reduce reliance on chemical pesticides and herbicides and encourage biodiversity.

We have set a target that all our locally grown fresh produce (other than organically certified produce) will be grown this way by 2012. Farming for the Future was introduced during the year and to date we have 68% of our produce farmers complying with the programme standards.

WASTE MANAGEMENT PACKAGING

We have committed to reducing packaging to the minimum necessary needed to protect and promote the product and inform our customers.

This reduction programme has been supported by an intensive customer education programme.

We set targets to reduce clothing packaging by more than a third, reduce food packaging by 20% (20 000 tons) and decrease plastic bag usage. We have now saved over 660 tons of food packaging against the targets, are making good progress in clothing packaging reductions and have reduced the number of plastic bags used per transaction by 25% in three years.

We have also set clear targets for reuse and recycling to offset the packaging reduction targets that we may not achieve. These include including recycled material in product packaging, restricting packaging materials to those that can be recycled locally and putting symbols on plastic packaging to help customers and recyclers easily identify packaging for sorting.

Currently 24% of the product lines in food contain recycled packaging materials and where possible, the sleeves on ready-made meals, dips and other food products are made from cardboard which has a 80% recycled paper content, 66% of the food packaging is recyclable against our target of 90%. We have included symbols on the plastic packaging of over 83% of our food lines for easy identification for resorting.

RECYCLING

We committed to introduce a nation-wide programme supporting the recycling of our customers' waste. We, along with partners, Engen and Nampak, have trialled recycling facilities at eight Engen service stations in the greater Cape Town region. The pilot provides customers the convenience of dropping off their glass, paper, plastic and cardboard for recycling while filling up their vehicles or shopping at selected Woolworths Foodstops and Engen convenience shops. We have collected over 110 tons of recyclable materials from the eight pilot sites in the last nine months, and the frequency of collections having been increased at all sites. We will install recycling facilities at an additional 50 Engen sites nationally over the next six months and facilities at selected food stand-alone stores will also be trialled.

CLIMATE CHANGE AND ENERGY

The climate change pillar seeks to manage the risks and opportunities to the business in playing its part in increasing energy efficiency and reducing carbon emissions.

ENERGY USAGE

We set a target to reduce our relative carbon footprint by 30%, which included a 30% reduction in the relative electricity usage.

As our electricity usage contributes the major portion of our carbon footprint, we developed a number of plans to reduce that usage and control the escalation of costs as a result of the significant increase in electricity tariffs. A range of new energy efficient technologies are being put in place in our stores. They include measures such as:

- on-line metering of stores energy consumption;
- automated lighting and electronic ballasts for lighting;
- new refrigeration systems and piloting CO_2 refrigeration, which has a much lower global warming potential; and
- green building design and construction specifications.

With the introduction of these new technologies we have decreased our relative electricity usage by 18%, and offset some of the impact of energy tariff increases with the costs saved through our operational improvements detailed above.

CARBON FOOTPRINT

Our carbon footprint calculation on our head office, distribution centres and corporate stores has been independently verified by Global Carbon exchange using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We are showing an 11% increase in our total carbon footprint from last year, but this was mainly a function of additional stores, especially food stand-alone stores, which have a higher kWh/m^2 than clothing and food stores.

LOOKING AHEAD

We always thought of our 2012 targets as the first step in a much longer journey, and have been working hard to refine our focus areas, and add new targets to our programme.

We are committed to operating our business in the most responsible way possible and partnering with our suppliers, customers and other stakeholders to achieve this.

CORPORATE GOVERNANCE

INTRODUCTION

INTRODUCTION

The board of directors believe that in order for good corporate governance to take place, Woolworths must engage with and take the legitimate interests of all stakeholders into account which will ensure that the business is financially, environmentally and socially responsible in the countries in which we trade.

In order to deliver the above, Woolworths corporate governance practices are continually being reviewed and improved, by benchmarking against internationally accepted best practices and guidelines.

Woolworths is fully committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Code of Governance Principles for South Africa (King III). King III is effective for all listed companies with a year end commencing on and after 1 March 2010. The group currently has applied many of the King III principles and recommendations. Where principles are not yet in place, the board has put a programme in place to review the recommendations of King III with a view to applying all these recommendations or explaining the non-application by June 2011.

A governance model has been adopted by the group. Through the blend of specialist disciplines such as risk management, legal, compliance and sustainability within the corporate governance department the board and its management team is supported in embedding this model throughout the group.

GOVERNANCE MODEL

Stakeholders

Framework: Articles of association; Laws; Statutes; Codes; Regulations; Internal policies; Values

Unitary board of directors

Independent non-executive directors	Executive directors
Buddy Hawton (C)	Simon Susman (CEO)
Peter Bacon	Ian Moir
Lindiwe Bakoro	Norman Thomson
Nigel Colne	Zyda Rylands
Brian Frost	
Mike Leeming	
Chris Nissen	
Thina Siwendu	
Sindi Zilwa	

Board committees

Risk	Remuneration	Nominations	Transformation	Sustainability	Audit
Mike Leeming (C)	Buddy Hawton (C)	Buddy Hawton (C)	Chris Nissen (C)	Brian Frost (C)	Mike Leeming (C)
Simon Susman	Peter Bacon	Nigel Colne	Buddy Hawton	Chris Nissen	Lindiwe Bakoro
Peter Bacon	Nigel Colne	Brian Frost	Thina Siwendu	Simon Susman	Nigel Colne
Lindiwe Bakoro	Brian Frost	Mike Leeming	Simon Susman	Zyda Rylands	Sindi Zilwa
Nigel Colne		Chris Nissen	Sindi Zilwa		
Ian Moir					
Zyda Rylands					
Thina Siwendu					
Norman Thomson					
Sindi Zilwa					

Executive management

Assurance: External audit; Internal audit; Non-financial external assurance; Internal controls

C – chairman • CEO – Group chief executive officer

ACCOUNTABILITY

Woolworths board is accountable to its stakeholders and pursues dialogue with them, where practicable.

The board has identified the key stakeholders and engages with them in a number of ways as highlighted in the table below.

The board believes in communicating to investors the group's strategies and financial performance in a timely, relevant and balanced manner. Analyst presentations were held after our interim and annual results. For those investors who were unable to attend the presentations in person, they were shown via web cast and the presentations were published on our website. Analysts were invited to two store visits during the year. Care is exercised to ensure that any price-sensitive information is released to all shareholders at the same time in accordance with the Listings Requirements of the JSE.

During the year shareholders approved two specific issues of shares to its subsidiary Woolworths (Pty) Ltd.

CODES AND LEGISLATION

Compliance with the applicable codes and regulations in the countries in which it trades is seen as an integral part of Woolworths culture and future sustainability. Through the compliance department, the board is updated with regular reports to the various committees on any regulatory changes and significant interaction with key stakeholders.

During the year the most significant codes and legislation that have impacted the group are King III, the Consumer Protection Act, the Companies Act, the Regulation of Interception of Communications Act and Payment card industry data security standards.

A comprehensive review on the Consumer Protection Act was conducted and the business has been trained to ensure that they understand and are in a position to implement the new requirements of the act.

A high-level review of the Companies Act 71 of 2008 has been conducted and the group will manage the implementation thereof, given the new Amendment bill, during 2011. The programme to apply King III has been explained earlier.

The board is of the opinion that the group has complied with all significant requirements incorporated in the Code of Corporate Practices and Conduct as set out in the King II Report and the Listings Requirements of the JSE Limited for the period under review.

STAKEHOLDER	ENGAGEMENT PROCESS
Customers	Focus groups, customer surveys, direct marketing, in-store customer service desks, customer call centres, social media networks
Employees	Communication meetings, employee surveys, performance discussions, strategy sharing, team and group communication sessions
Shareholders	Annual (and) general meetings, SENS announcements, analyst presentations at interim and annual results, documentation on website, annual report
Suppliers	Supplier visits at strategic and operational level, supplier conferences, quality and safety audits
Franchisees	Product buying weeks, communication sessions, franchise conferences, store visits
Government and regulatory bodies	Ad hoc meetings, participation in research, participation in drafting and input into documentation, electronic and personal engagement
Unions	Wages and terms and conditions of employment, meetings and participation with labour market institutions
NGOs and community organisations	Participation in research and joint projects, education and capacity building on key issues
Media	Interviews, news releases, publications and electronic format on web

The group has a set of values that guides the manner in which it conducts business with its stakeholders.

INTERNAL POLICIES

To drive and embed effective corporate governance practices, the company has a number of policies which complement the delegation of authority. These include a board charter, a conflicts of interest policy, an external auditor independence policy, an insider trading policy, a price-sensitive information policy and an ethics policy.

During the year the external auditor independence policy, insider trading policy and price-sensitive information policy were reviewed, with amendments to reflect all new requirements approved by the board.

INSIDER TRADING, PRICE SENSITIVE INFORMATION AND CONFLICTS OF INTEREST POLICIES

The board recognises its responsibility for ensuring that there are appropriate policies in place to manage the confidentiality of price-sensitive information and ensure that individuals do not benefit from inside information. To manage this, the company has insider trading and price-sensitive information policies, the terms of which are more restrictive than those required by the JSE Listings Requirements.

The Group secretary regularly disseminates written notice to all directors and senior management throughout the group, highlighting the provisions of the Securities Services Act and JSE Listings Requirements, informing them that dealing in Woolworths shares during certain restricted periods, may not be undertaken. No director or any employee who participates in the share scheme may trade in Woolworths shares during restricted periods as defined by the JSE Listings Requirements and determined by the board. In addition, no director of the company may trade in the company's shares without prior written approval having been obtained. A report detailing the dealings in securities by the directors, the directors of subsidiaries and the Group secretary is tabled at each board meeting, and is disclosed in accordance with the Listings Requirements of the JSE.

The price sensitive information policy, governs trading in shares by any employee and/or director with unpublished price-sensitive information. Projects and initiatives, which are price-sensitive, are registered with the Group secretary and directors and employees involved in these projects are required to sign confidentiality agreements and are restricted from trading in shares.

The conflicts of interest policy requires senior management to declare details of their business interests and confirmation that they are in compliance with the requirements of the policy. These details were updated during the year.

VALUES AND ETHICS

The group has a set of values that guides the manner in which it conducts business with its stakeholders. The ethics policy supports these values and sets out the standards that we expect to attain when dealing with all customers, suppliers, business partners, employees, competitors, community and our shareholders. In addition, the policy contains guidelines with respect to gifts, travel and entertainment as well as a code of conduct for our business partners. The policy was reviewed by the sustainability committee prior to implementation.

ASSURANCE

Assurance over the control environment is obtained through a combination of assurance providers.

Assurance at the first level is provided by management and the control environment. The main focus of assurance is provided by the joint auditors Ernst & Young and SAB&T and other external assurance providers are used for specialist areas. This process enables the board to confirm that the annual report is an accurate reflection of the company's financial and sustainability position.

BOARD OF DIRECTORS

ATTENDANCE AT BOARD MEETINGS

	Aug 2009	Nov 2009		Feb 2010	May 2010	
		18th	19th		19th	20th
Director		Strategy	Board		Board	Strategy
Buddy Hawton [1,3]	√	√	√	√	√	√
Simon Susman [2,4]	√	√	√	√	√	√
Peter Bacon [3]	√	√	√	√	√	√
Lindiwe Bakoro [3,5]	–	√	√	√	√	√
Nigel Colne [3]	√	√	√	√	√	√
Brian Frost [3]	√	√	√	√	√	√
Andrew Jennings [4,6]	√	√	√	–	–	–
Mike Leeming [3]	√	√	√	√	√	√
Ian Moir [4,5]	–	–	–	√	√	√
Chris Nissen [3]	√	√	√	√	√	√
Zyda Rylands [4]	√	√	√	√	√	√
Thina Siwendu [3,5]	–	√	√	√	√	√
Norman Thomson [4]	√	√	√	√	√	√
Sindi Zilwa [3]	√	√	√	√	√	√

Notes:

[1] = Chairman
[2] = Group chief executive officer
[3] = Independent non-executive director
[4] = Executive director
[5] = Appointments:
(i) Lindiwe Bakoro and Thina Siwendu were appointed to the board as independent non-executive directors on 26 August 2009.
(ii) Ian Moir was appointed as an executive director to the board on 1 January 2010.
[6] = resignation:
(i) Andrew Jennings resigned as an executive director from the board on 31 December 2009.

BOARD STRUCTURE

The group has a unitary board structure with nine non-executive directors, all of whom are considered independent, and four executive directors. The board therefore has a majority of non-executive directors. The Chairman of the board is an independent non-executive director.

A number of board committees assist the board in fulfilling its stated objectives. The role and responsibilities of each committee are set out in their formal terms of reference. The audit committee has additional responsibilities given to it by virtue of the Companies Act. The terms of reference for the company and its subsidiaries are reviewed annually to ensure that they remain relevant.

During the year changes were made to the terms of reference that adopt new requirements from the JSE and where application of the principles and recommendations of King III have been adopted. All changes were approved by the board.

Details of the board and committee structure can be found on page 40.

BOARD RESPONSIBILITIES

The board is the custodian of corporate governance and it is responsible for ensuring that the group is conducted along sound corporate governance principles, by approving key policies and ensuring that the obligations to stakeholders are met.

The board is responsible for adopting strategic plans and through the monitoring of operational performance, provide management with effective leadership in line with Woolworths ethical values whilst understanding that strategy, risk, performance and sustainability are inseparable.

The responsibilities of the board are set out in the board charter and can be found on our website at **www.woolworthsholdings.co.za.**

During the year the board specifically:

- reviewed and gave input into the strategy of the company and its subsidiaries;
- reviewed the performance against budgets and targets and approved the budget for the 2011 financial year;
- reviewed the governance policies that are in place; and
- reviewed the key risks of the group and the mitigation strategies.

There is a formal delegation of authority, which sets out the categories of business decisions which require approval by the board or by one of its committees. Compliance with this delegation of authority is the responsibility of the board and is monitored by the Group secretary and the corporate governance department.

DIRECTORS

INDEPENDENCE

All non-executive directors, including the Chairman, are independent directors as defined in the King III Report and the guidelines outlined in the JSE Listings Requirements.

Independent thought is brought to bear on board decisions with the majority of independent non-executive directors. The board structure and integrity of individual directors ensure no one individual dominates the decision-making process.

To uphold their independence and integrity, directors disclose all material interests as and when they arise. A full list of directors' interests is tabled annually at the August board meeting and any amendments are formally tabled on a quarterly basis. Directors recuse themselves from any discussion and decision on matters in which they may have a potential conflict of interest.

Individual director performance and independence evaluations are performed on those directors due to retire by rotation. When any one director reaches a nine year service period, a rigorous review of their independence will be performed on them each year.

In order to ensure that a director may continue to be classified as independent, the Chairman conducts an independence review on each director retiring by rotation. The chairman is satisfied that the non-executive directors retiring by rotation are independent.

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER

The responsibilities of the Chairman and the Group chief executive officer are clearly separate. No individual has unfettered powers of decision-making.

Buddy Hawton is an independent non-executive Chairman who is responsible for providing overall leadership of the board and ensuring that the board receives accurate, timely and clear information so as to ensure that the directors can perform effectively.

The Group chief executive officer, Simon Susman, is responsible for formulating and recommending to the board, long-term strategies and policies and, through the approved framework of delegated authority, ensuring their implementation.

On his retirement in November as Group chief executive officer, Simon Susman will remain on the board in the capacity of a non-executive director and assume the role of Deputy chairman.

SKILLS, KNOWLEDGE AND EXPERIENCE OF DIRECTORS

The board with the assistance of the nominations committee, consider that the skills, knowledge and experience of the directors as a whole to be appropriate for their responsibilities to Woolworths stakeholders.

The directors bring a wide range of skills to the board spanning international and local retail experience, understanding of the business environment in which we trade, knowledge of the regulatory environment, social responsibility, environment, financial, accounting, legal and banking experience.

Nigel Colne and Brian Frost will retire as non-executive directors from November 2010. The nominations committee has evaluated the balance of skills, knowledge and experience of the board. The board has appointed Tom Boardman to the board with effect from 27 September 2010.

The non-executive directors have unrestricted access to all company information, records, documents and property. Non-executive directors have access to management and may meet separately with management without the attendance of executive directors.

The non-executive directors meet on an informal basis each quarter to discuss points of interest and matters of concern in a forum that does not include the executive directors or senior management.

Through the Group secretary, the directors may, at the expense of the company, seek professional advice on matters concerning the affairs of the group. No such advice was requested for the year under review.

INDUCTION AND ONGOING DEVELOPMENT

New directors participate in an induction programme that is adjusted as necessary to meet the specific needs of the appointed directors. The directors are provided with all the necessary documentation in order to familiarise themselves with the company and issues affecting the board. The directors also participate in an attachment programme with all the relevant executive directors and senior management, and undertake site visits to stores, suppliers and distribution centres to assist their understanding of the broad dynamics of the business. The Group secretary manages the formal induction programme.

During the year the two new non-executive directors, Lindiwe Bakoro and Thina Siwendu, have participated in the induction programme. They have provided us with good feedback on its effectiveness and recommendations have been implemented.

The board recognises that understanding the business is an ongoing process and as such, the Chairman of the board and the Group secretary ensure an appropriate quarterly programme is in place to update non-executive directors on key new business developments and initiatives.

ROTATION OF DIRECTORS

In accordance with the articles of association of the company, a minimum of one-third of the board are subject to retirement and re-election by shareholders each year. The directors who retire are directors appointed since the last annual general meeting and directors due to retire by rotation. A director may not hold office for more than three consecutive years before standing for re-election. The curriculum vitae of each director standing for re-election are set out in the notice of the annual general meeting.

BOARD MEETINGS

The board met four times during the year. Additional meetings may be held whenever deemed necessary. Further meetings were held in November and May devoted to strategic planning. Teleconference meetings were held in the period.

The Chairman, in consultation with the Group chief executive officer and Group secretary, is responsible for setting the agenda of each meeting. Board meetings are scheduled well in advance and management ensures that board members are timeously provided with all the relevant information and facts to enable the board to reach objective and well informed decisions.

The chairman of each committee reports back to the board on matters discussed after every meeting. The minutes of all board and strategy meetings are circulated to all directors.

The details of individual attendance at board and strategy meetings are set out on page 43.

BOARD AND COMMITTEE EFFECTIVENESS

The board, through its nominations committee, regularly reviews its size and the required mix of skills and experience needed to provide strategic direction and leadership whilst ensuring that the board is representative. The composition of the board committees are also reviewed on an annual basis. The changes that were made during the year are highlighted in the review of each committee in this annual report. The board has recognised the important role that the risk committee has in the induction of new directors and aims to rotate new directors through this committee.

The board and its committees' effectiveness are evaluated on a bi-annual basis. A significant amount of time is committed to the evaluations and therefore it is considered appropriate for them to be conducted bi-annually. Previous reviews have shown that there are no significant areas of improvement required. Annual reviews may be implemented if the review indicated that significant actions were required.

The assessment performed in 2009 showed that the overall performance was good. The next assessment is scheduled for 2011. The Chairman has continued to ensure that agreed actions from the previous assessment have been implemented to improve the board's effectiveness.

GROUP SECRETARY

The board is cognisant of the duties of the Group secretary and has created an environment in which the Group secretary is able to ensure that board procedures and relevant regulations are fully adhered to. The directors have unlimited access to the advice and services of the Group secretary.

The role of the Group secretary can be found on our website at www.woolworthsholdings.co.za.

The Group secretary acts as secretary for the committees of the board.

RISK COMMITTEE AND RISK REPORT

ATTENDANCE AT THE RISK COMMITTEE MEETINGS

Member	Aug 2009	Nov 2009	Feb 2010	May 2010
Mike Leeming [1,3]	√	√	√	√
Simon Susman [2,4]	√	√	√	A
Peter Bacon [3]	√	√	√	√
Lindiwe Bakoro [3,5]	–	√	√	√
Nigel Colne [3]	√	√	√	√
Andrew Jennings [4,6]	√	√	–	–
Ian Moir [4,5]	–	–	√	√
Zyda Rylands [4]	√	√	√	√
Thina Siwendu [3,5]	–	√	√	√
Norman Thomson [4]	√	√	√	√
Sindi Zilwa [3]	√	√	√	√

Notes:
1 = Group chairman
2 = Group chief executive officer
3 = Independent non-executive director
4 = Executive director
5 = Appointments
(i) Lindiwe Bakoro and Thina Siwendu were appointed to the committee from November 2009.
(ii) Ian Moir was appointed to the committee from February 2010.
6 = resignation
Andrew Jennings resigned from the committee from December 2009.
A = Absent with apologies tendered

The main purpose of the risk committee is to assist the board to ensure that management has implemented and maintained an effective risk management process in the group and that risks are managed in an integrated and timely manner.

The risk committee consists of six non-executive directors including the Chairman, Mike Leeming, and four executive directors. Lindiwe Bakoro and Thina Siwendu were appointed to the committee from the November 2009 meeting and Ian Moir was appointed from the February 2010 meeting. The presence of the executive directors on this committee ensures that effective risk management remains an important part of the day-to-day operations of the company. The Chairman of the committee is also the chairman of the audit committee. Currently, members of the audit committee are also members of the risk committee, allowing the risk committee to have an integrated view of all the risks of the company. The executives responsible for risk and internal audit and the external auditors attend the committee meetings. The Chairman of the board attends the meetings in February and August at the time of the group's interim and annual financial results and has discussions with the Chairman of the committee.

The committee met four times during the year and the committee Chairman reported back to the board on the activities of the committee. The minutes of the committee meetings are circulated to all directors.

The committee's terms of reference have been reviewed and updated during the year. All amendments were approved by the board. The full terms of reference can be found on our website at **www.woolworthsholdings.co.za.**

The board has implemented a systematic and disciplined approach to evaluate the effectiveness of risk management. As part of the approved internal audit plan for the 2011 financial year, the risk management function will be independently assessed for its integrity and robustness, the results of which will be used to improve the risk management process.

The risk committee is satisfied that it has carried out its responsibilities for the year in compliance with its mandate and the terms of reference.

RISK MANAGEMENT

The board accepts its responsibility for the governance of risk. The board regards risk management as a key business discipline which:

- balances risk and reward within both existing and new initiatives;
- protects the group against uncertainties and hazards, which could prevent the achievement of business objectives;
- considers the exploitation of opportunities that can improve the performance of the group; and
- focuses on strategic, financial and operational risks.

The day-to-day responsibility for identifying and managing risk resides with management. Management is accountable to the board for designing, implementing and monitoring the system and process of risk management and to integrate it into the day-to-day activities. Risk management is decentralised into the business operations functions. Risk management has become a standard business discipline and is applied consistently throughout the group. The risk management process is integrated with the strategic and business planning process and is embedded through our management reporting and performance management system.

Operating under a written terms of reference that is approved by the board, the risk committee reports to the board and evaluates any risk which it deems necessary for discussion and evaluation by all directors. The Chairman of the risk committee reports progress on the key risk issues to the board and the risk profile is tabled annually at the board meeting.

The risk management framework and process is designed to assist the board to ensure that management monitors risks continually and reports back to the risk committee on the status of risks. The framework includes:

- an annual review of the group's risk management policy;
- a review of the effectiveness and maturity of the risk management process;
- an annual review of the group's key risk profile, which details the material residual risks for the group;
- a prioritisation of the key risks based on their impact to the group and likelihood of occurrence;
- a continuous review of and update of the key risk profile by the executive directors;
- identifying emerging risks on a regular basis;
- performing ad hoc risk profiles on material emerging risks;
- quarterly reporting on the status of the key risks and the management thereof based on key risk and performance indicators, to the risk committee;
- the monitoring of ongoing risk exposure by reviewing objective metrics, performing control self-assessments and reviewing the reports of independent assurance providers;
- regular six monthly reviews of the risk register at business unit level;
- quarterly reporting on progress on the management and compliance with operational risks; and
- a review of the adequacy of the group's insurance programme.

For certain special risk areas, management forums have been established to ensure that the risks in these areas are reviewed and considered by management with the required specialist skills and experience. These management forums include the treasury committee, tax committee and real estate committee. A board committee has been established to specifically monitor the management of sustainability risks. Where appropriate, feedback from these committees is incorporated into the quarterly reporting to the risk committee.

Given the high level of dependence of the business on its systems, information technology (IT) governance is an ongoing focus area. A dedicated IT governance team is responsible for managing the governance aspects of IT, including compliance, continuity management and risk. A quarterly IT governance report is tabled and discussed at each risk committee meeting. Our yearly assessment of the IT governance processes benchmark to COBIT (Control Objectives for Information and related Technologies), the internationally accepted best practice governance framework, confirmed that the maturity of our IT processes is in line with our desired maturity levels. Independent assurance by internal audit has confirmed our current level is 3.2.

Insurance is a key element of the risk management process. It is designed to protect us financially against the negative consequences of risk. There is a comprehensive asset and liability insurance programme in place. This programme includes appropriate levels of self-insurance. Our external insurance cover is provided by A-rated South African and international insurance companies. The completeness of our insurance cover as well as our policy wording is reviewed regularly and benchmarked by external experts to ensure that it takes into account new requirements and external developments.

The business has implemented a materiality level against which risks are monitored and escalated. The materiality level is defined taking into account the impact that the risk may have on the sustainability of the business. The board is satisfied that this materiality level ensures that risks are appropriately reported against. A process will be undertaken in 2011 to more clearly articulate and define the risk appetite and tolerance. We will be in a position to show evidence of this in the next risk report.

The committee is of the opinion that the risk process is effective in continuously identifying and evaluating risks and ensuring that these risks are managed in line with business strategy.

OUR KEY RISKS

As retail trading conditions have changed and new priorities become more pronounced, we have seen some changes to the key business risks. The management of our natural resources of water and energy have received greater attention. The risk management process is designed to anticipate, identify, manage and mitigate those risks to ensure both the short-term and long-term economic, environmental and social sustainability of the group.

The key risks of the group, together with the mitigation strategies, are set out below:

EXTERNAL ENVIRONMENT

Even though the retail trading environment in South Africa has stabilised, it remains challenging. Macroeconomic factors such as GDP growth, employment levels and interest rates affect customer demand. Our priority remains to manage the business in light of these changing conditions and remain focused on delivering or exceeding the expectations of our stakeholders.

Execution of our strategy.	• Strategy communicated throughout the business. • Individual KPIs linked to overall strategy. • Regular monitoring on a quarterly basis.
Delivery of business long-term targets.	• Targets linked to strategy communication. • Scorecards manage achievements.

PRODUCT OFFERING

We are a retailer of clothing, general merchandise and food products. Our customers expect the right product in the right place and at the right time.

Clothing and general merchandise Ensure the correct product offering for our customers that provides value for money.	• Customer lifestyle segmentation model. • Clarity of the in-house brands. • Improved store cataloguing catering for demographics and customer profile. • Pipeline of innovation. • Clear price architecture in good, better and best. • Continuous feedback from customer focus groups.
Food Ensure our quality food offering meets the needs of our customers.	• Ongoing investment in promotional strategies to improve value perception with no compromise on quality. • Improved store and range cataloguing. • Pipeline of innovation. • Continuous feedback from customer focus groups.
Ensure consistent availability of our food offering meets the expectations of our customers.	• Focus on key top selling lines. • End-to-end processes and disciplines to improve availability.

PEOPLE

As we continue to build our business for the future, and deliver to our strategies, we must ensure that we have the right skills and experience at every level.

Attract, develop and retain our people.	• Remuneration policies are reviewed and updated to ensure that they are relevant for current economic conditions. • A number of learning academies in place to support business unit strategies. • Conduct regular employee surveys.
Transformation Supporting transformation through the BEE regulations ensuring that we are a modern South African retailer.	• Transformation strategy and plans in place to achieve 2012 targets. • Focus on employment equity targets. • BBBEE share ownership scheme.

FINANCIAL

Our financial risk is managed against our treasury policy that is approved by the board.

Manage financial risks of funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk.	• Treasury committee meets on a regular basis to manage risks in line with the treasury policy.
Management of foreign currency exposure.	• All foreign currency exposures arising from the acquisition of foods and services are covered with forward exchange contracts. Foreign currency exposure arises mainly from the imports of clothing and general merchandise.

RESPONSIBLE USE OF OUR NATURAL RESOURCES

As a retailer, we operate in a world where natural resources are becoming increasingly scarce and where their effective use is the responsibility of all.

Electricity usage.	• Investigate and implement more efficient refrigeration and air conditioning technology. • Launch Power Saving Campaign that is aimed at saving electricity in stores with roll-out to suppliers. • Green store strategy. • Investigating clean energy options appropriate to our business.
Water consumption.	• Targets and plans set to achieve 30% relative reduction for water usage. • Off-setting all water directly used in operations through WWF's water neutrality programme. • Farming for the future programme is working with suppliers to ensure that they are water efficient and manage waste water properly.

OPERATIONAL RISKS

Our customers expect our food products to be safe and of a high quality.	• Food technology team activity involved in product development to ensure compliance with food quality standards. • Recall process to remove and, where required, destroy product from our stores and distribution centres. • Public recall of products process defined.
Business continuity management.	• Plans focus on unavailability of food distribution centre, large regional store, the unavailability of key information systems and power outages. • Reviewing the business continuity strategy and plans for head office. • Implementation of generators and uninterrupted power supply capacity to reduce the impact of power outages on our stores, distribution centres and head office. • Disaster recovery for our key information systems is reviewed, updated and tested on an annual basis. Assurance provided by internal audit.
Health and safety of our employees and our customers.	• Comprehensive health and safety framework setting out the required policies and standards for suppliers, distribution centres and stores. • Occupational health practitioners manage a comprehensive health and wellness programme. • HIV/Aids awareness and treatment programme offered to our employees.
Compliance to relevant legislation.	• Implementation and embedding of an appropriate, best practice, risk-based compliance framework. • Projects undertaken to ensure implementation of new legislation, e.g. CPA, RICA, Companies Act. • Monitoring of compliance to regulatory requirements.
Manage stock losses at an acceptable level.	• Focused effort and deliberate interventions to manage in store shrinkage and stock losses at the distribution centres. • Deflection measures in place to limit losses due to armed robberies and burglaries. • Rewards based independent and confidential fraud tip-off service.

The board is satisfied that the combined skills and experience of the audit committee members are appropriate in order to fulfil its obligations.

AUDIT COMMITTEE

ATTENDANCE AT THE AUDIT COMMITTEE MEETINGS

Member	Aug 2009	Nov 2009	Feb 2010	May 2010
Mike Leeming [1, 2]	√	√	√	√
Lindiwe Bakoro [2, 3]	–	√	√	√
Nigel Colne [2]	√	√	√	√
Sindi Zilwa [2]	√	√	√	√

For qualifications and experience please refer to pages 12 and 13.

Notes:
[1] = Chairman
[2] = Independent non-executive director
[3] = Appointed
Lindiwe Bakoro was appointed to the committee from November 2009.

The main purpose of the audit committee is to ensure the integrity of the financial statements and oversee the effectiveness of the internal financial controls and the external and internal audit functions.

The audit committee consists of four independent non-executive directors, including Mike Leeming who chairs the committee. Lindiwe Bakoro was appointed to the committee from the November 2009 meeting. The board is satisfied that the combined skills and experience of the audit committee members are appropriate in order to fulfil its obligations.

The audit committee is an integral part of the risk management process with a specific responsibility for the oversight of financial reporting risks, internal financial controls and fraud and information technology risks as they relate to financial reporting. Currently, all the members of the audit committee are also members of the risk committee. The Chairman of the audit committee is also the Chairman of the risk committee.

The committee met four times during the year and the committee Chairman reported back to the board on the activities of the committee. The minutes of the committee meetings are circulated to all directors.

The audit committee has adopted a formal terms of reference that has been approved by the board. The format and role of the audit committee meetings have been determined taking into account the statutory responsibilities in terms of the Companies Act 1973 together with the Corporate Laws Amendment Act and the duties assigned to it by the board.

The committee's terms of reference have been reviewed and updated during the year. All amendments were approved by the board. The full terms of reference can be found on our website at **www.woolworthsholdings.co.za.**

To ensure that the committee can effectively comply with its terms of reference, the Group finance director, the external auditors and the executives responsible for internal audit and risk attend the meetings by invitation. The audit committee held separate meetings with management, external audit, risk management and internal audit to ensure that all relevant matters have been identified and discussed without undue influence. The Chairman of the audit committee also attends the annual general meeting in order to answer any questions of a financial nature.

The annual audit coverage plan is developed by applying a risk-based approach.

The audit committee has performed the functions of the audit committee for its subsidiaries, except for Country Road Limited.

INTERNAL CONTROL

The board is accountable for the group's system of internal control and has delegated this responsibility to management. The system of internal control is designed to ensure that the significant risks are being appropriately managed and provide reasonable assurance that:

- business objectives will be achieved in normal and adverse trading conditions;
- operations are efficient and effective;
- management and financial information is reliable;
- company assets and information are appropriately safeguarded; and
- there is compliance with applicable laws and regulations.

Management is focused on continuous improvements to the system of internal control. The newly implemented financial system has been bedded down during the course of the financial year and has further enhanced the end-to-end financial controls and processes within the group.

INDEPENDENT ASSURANCE PROVIDERS

A key element of the system of internal control is the review conducted by independent assurance providers who assess the adequacy and effectiveness of the controls. These independent assurance providers are outlined in more detail below.

INTERNAL AUDIT

The internal audit function provides independent assurance on the adequacy and effectiveness of the system of internal controls in place to manage the significant risks of the business down to an acceptable level.

Internal audit also engages proactively with management to drive meaningful and sustainable improvements in the control environment. This is achieved by using specialist risk and control knowledge to provide practical recommendations to improve the design of and compliance with key controls. Where necessary, for example highly specialised IT reviews, these reviews are outsourced to specialist consultants.

Internal audit is a highly valuable and effective monitoring activity. During the year internal audit improved its effectiveness by:

- rigorous adherence to a risk-based audit methodology to ensure that the audit effort was focused in the correct areas;
- ongoing mentoring and coaching of the internal audit team to ensure that they have the skills to provide the required level of assurance as well as contributing to business improvement; and
- leveraging the use of technology to drive audit efficiencies.

The annual audit coverage plan is developed by applying a risk-based approach and is reviewed and approved by the audit committee in May each year. It is revised quarterly to ensure that it remains relevant to the key business priorities and changing risk environment.

Key audit findings are reported to the audit committee quarterly in the red flag report. Progress in addressing these red flag items is audited quarterly and items are reported to the committee until they have been satisfactorily resolved. This enables the committee to ensure that prompt action has been taken to address the key areas of concern.

Internal audit retains its objectivity and independence by reporting functionally to the audit committee and administratively to the Head of corporate governance. The internal audit executive attends both the audit committee and risk committee meetings by invitation.

The internal audit team has a combination of skills and expertise which include operational, financial, accounting and information technology experience and knowledge.

EXTERNAL AUDIT

Ernst & Young Inc. and SAB&T Inc., the joint external auditors, provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company and the group.

External audit regularly liaises with internal audit to understand the scope of their work and the results of their audits. External audit has embarked on a programme to move to a more control-based audit approach, thus reducing their substantive testing. Internal audit performs the initial control-based testing and once it has been successfully bedded down, testing will alternate between internal and external audit on an annual basis. Any control work performed by external audit is limited to the work necessary to support their audit opinion.

OTHER INDEPENDENT ASSURANCE PROVIDERS

Specialist assurance providers have been used to assess the adequacy and effectiveness of controls in certain instances. These include audits on clothing and general merchandise product quality, food safety and safety and hygiene in our stores.

EXTERNAL AUDITOR INDEPENDENCE POLICY

External audit is a key component of the independent assurance framework and it is the responsibility of the audit committee to ensure that external audit is independent and objective. To govern this, the board has adopted an external auditor independence policy. This policy defines the prohibited and allowable non-audit services which the external auditors can perform and restricts the value of allowable non-audit services to 20% of the annual external audit fee. This policy complies with the minimum requirements as set out in the Corporate Laws Amendment Act, 24 of 2006, the Auditing Profession Act, 26 of 2005 and the requirements of the Code of Professional Conduct of the Independent Regulatory Board for Auditors, and in a number of cases is more restrictive. The policy was reviewed during the year and changes were approved by the committee.

The external auditors are also required to provide the committee with evidence of their independence.

In the 2010 financial year, the external auditors provided taxation and other allowable services to the value of 13%. All amounts were pre-approved by the audit committee.

CONTROL OPINION

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.

The audit committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

REPORT OF THE AUDIT COMMITTEE OF THE GROUP

TERMS OF REFERENCE

The audit committee has adopted a formal terms of reference that has been approved by the board. The terms of reference have been determined taking into account the statutory responsibilities in terms of the Companies Act 1973 together with the Corporate Laws Amendment Act 24 of 2006 and the duties assigned to it by the board.

The committee's terms of reference are reviewed annually and have been reviewed and updated during the year. All amendments were approved by the board. The full terms of reference can be found on our website at www.woolworthsholdings.co.za.

MEMBERS

The audit committee consists of four independent non-executive directors:
Mike Leeming (Chairman)
Lindiwe Bakoro
Nigel Colne
Sindi Zilwa

EXTERNAL AUDIT

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

Ernst & Young Inc. and SAB&T Inc. served as Woolworths designated joint auditors for the 2010 financial year.

The audit committee has satisfied itself that the joint auditors are independent of Woolworths, which included consideration of previous appointments of the designated auditors, the extent of other work undertaken by the joint auditors for Woolworths and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. The auditors provided evidence to the committee of their independence.

The audit committee approved the terms of engagement and the fees paid to the joint auditors. Fees paid to the joint auditors can be found in note 3 to the group annual financial statements on page 98.

The audit committee ensured that the nature and extent of non-audit services provided by the external auditors were in terms of the external auditor independence policy.

The audit committee has recommended, the re-appointment of Ernst & Young Inc. and SAB&T Inc. as auditors of the company and its subsidiaries for the 2011 financial year. The audit committee has confirmed that the auditors are accredited with the JSE Limited.

COMPLAINT PROCEDURE

The audit committee receives and deals with any complaints, whether from within or outside Woolworths, relating to the accounting practices and internal audit of the group, the content or auditing of Woolworths financial statements, the internal financial control of the group and any other related matters. No complaints were received during the year.

ADDITIONAL DUTIES ASSIGNED BY THE BOARD

In addition to the statutory duties of the audit committee the board of directors has assigned further functions for the audit committee to perform.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The audit committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with IFRS. The committee recommended the 2010 interim and annual reports for approval by the board of directors.

GOING CONCERN

The audit committee has reviewed the working capital pack and the key assumptions prepared by management and have made recommendations to the board in respect of the going concern status of Woolworths.

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.

EXPERTISE AND EXPERIENCE OF THE GROUP FINANCE DIRECTOR AND THE FINANCE FUNCTION

In terms of the JSE Limited Listings Requirements, the audit committee is satisfied that the Group finance director has the appropriate experience and expertise to meet the responsibilities of the position.

The audit committee has considered, and is satisfied that the finance department has the appropriate expertise and is adequately resourced.

NOMINATIONS COMMITTEE

ATTENDANCE AT THE NOMINATIONS COMMITTEE MEETINGS

Member	Aug 2009	Nov 2009	Feb 2010	May 2010
Buddy Hawton [1, 2]	√	√	√	√
Nigel Colne [2]	√	√	√	√
Brian Frost [2]	√	√	√	√
Mike Leeming [2, 3]	–	√	√	√
Chris Nissen [2]	√	√	√	√

Notes:
[1] = Chairman
[2] = Independent non-executive director
[3] = Appointed
Mike Leeming was appointed to the committee from November 2009.

The main purpose of the nominations committee is to assist the board in ensuring that appointments of directors and board committees are made in terms of formal and transparent procedures and to ensure that sufficient consideration is given to the succession of the Chairman, non-executive directors, Group chief executive officer and senior executives.

The nominations committee consists of five independent non-executive directors, including the Chairman of the board who chairs the committee. Mike Leeming was appointed to the committee from the November 2009 meeting. The Group chief executive officer attends the meetings by invitation.

The committee's terms of reference have been reviewed and updated during the year. All amendments were approved by the board. The full terms of reference can be found on our website at **www.woolworthsholdings.co.za.**

The committee met four times during the year and the committee Chairman reported back to the board on the activities of the committee. The minutes of the committee meetings are circulated to all directors.

During the year the committee continued to evaluate the balance of skills, knowledge and experience of the board. Brian Frost and Nigel Colne, have indicated that they will be retiring in November 2010. The nominations committee, has with the assistance of the Group secretary, identified candidates for consideration by the committee. The committee has made use of external consultants in order to identify suitable candidates. The nominations committee recommended the appointment of Tom Boardman to the board.

The Chairman, in conjunction with the nominations committee, assessed the performance of the Group chief executive officer. The Chairman and the Group chief executive officer, together with the nominations committee, assessed the performance of the other executive directors. Currently the performance of the Chairman is reviewed annually by the board.

One-third of the non-executive directors will retire by rotation at the forthcoming annual general meeting.

Chris Nissen, Sindi Zilwa and Norman Thomson are due to retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

The Chairman confirms that each of the directors offering themselves for re-election continue to perform effectively and to demonstrate commitment to their role. The Chairman is satisfied that the non-executive directors nominated for re-appointment are independent.

Ian Moir and Tom Boardman are required to retire at the annual general meeting following their appointment between annual general meetings.

On his retirement in November as Group chief executive officer, Simon Susman will remain on the board in the capacity of a non-executive director and assume the role of Deputy Chairman.

The nominations committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

TRANSFORMATION COMMITTEE

ATTENDANCE AT THE TRANSFORMATION COMMITTEE MEETINGS

Member	Aug 2009	Nov 2009	Feb 2010	May 2010
Chris Nissen [1,4]	√	√	√	√
Brian Frost [4,7]	√	–	–	–
Buddy Hawton [2,4]	√	√	√	√
Thina Siwendu [4,6]	–	√	√	√
Simon Susman [3,5]	√	√	√	√
Sindi Zilwa [4]	√	√	√	√

Notes:
1 = Chairman
2 = Chairman of board
3 = Group chief executive officer
4 = Independent non-executive director
5 = Executive director
6 = Appointed
Thina Siwendu was appointed to the committee from November 2009.
7 = Resigned
Brian Frost resigned as a member from the committee after the August 2009 meeting.

The main purpose of the transformation committee is to assist the board in ensuring there are appropriate strategies, policies and processes in place in order to drive transformation.

The committee consists of four independent non-executive directors including the Chairman, Chris Nissen and one executive director, the Group chief executive officer. Thina Siwendu was appointed to the committee from the November 2009 meeting and Brian Frost resigned from the committee at the same meeting. The executive director responsible for transformation attends by invitation.

The committee's terms of reference have been reviewed and updated during the year. All amendments were approved by the board. The full terms of reference can be found on our website at **www.woolworthsholdings.co.za.**

The committee met four times during the year and the committee Chairman reported back to the board on the activities of the committee. The minutes of the committee meetings are circulated to all directors.

The group is committed to the spirit and principles of broad-based black economic empowerment (BBBEE). There are clear targets for each business area that are reviewed by management on a bi-annual basis. An assessment of progress is made and where appropriate new strategies and plans are developed to enable the achievement of their targets. The committee reviewed the transformation plans of each of the business areas, with particular attention given to preferential procurement, enterprise development and employment equity.

BEE Verification Agency CC was appointed as the company's verification agency for the 2010 financial year. Through the external assurance received from the agency, we have achieved a 60.7 score, a level 5 contributor. In June 2009 we were classified as a level 6 contributor. Further details on the BEE score can be found in the 2010 Good business journey report that can be found on our website at **www.woolworthsholdings.co.za.**

The transformation committee is satisfied that it has carried out its responsibilities for the year in compliance with the terms of reference.

BEE EMPLOYEE SHARE OWNERSHIP SCHEME

ATTENDANCE AT THE BEE EMPLOYEE SHARE OWNERSHIP TRUSTEE MEETINGS

Trustee	Sep 2009	March 2010
Dolly Mokgatle [1, 2]	√	√
Cherrie Lowe [3]	√	√
Cecilia Maphalla [4]	√	√
Zukile Nomafu [5]	√	√
Wahida Parker [2]	√	√

Notes:
[1] = Chairman
[2] = Employee elected independent
[3] = Employer elected non-independent
[4] = Employee elected non-independent
[5] = Employer elected independent

A share ownership trust was established in May 2007 in order to manage the BEE employee share ownership scheme. The purpose of the BEE scheme was to empower eligible Woolworths employees by enabling them to acquire a shareholding equal to approximately 10% of the ordinary issued share capital of the company. The scheme will operate for an eight year period and terminates on 30 June 2015.

The Trust is administered by five trustees who manage the scheme in terms of the Trust deed. There are three trustees who are independent of the company, including the Chairman Dolly Mokgatle. Two trustees are elected by the company. The trustees meet twice a year and the minutes of their meetings are circulated to the Transformation committee.

The trust owns 88 267 306 unlisted preference shares in Woolworths. This equates to 9% of the issued share capital at the end of June. Shares were allocated to employees based on three categories with the majority being allocated to staff working in our stores. At the end of June, there were 8 706 employees participating in the scheme compared with the 9 756 at June 2009.

During the year the trustees held their first Imbizo for beneficiaries. This provided the beneficiaries an opportunity to interact with the trustees. It was well attended and the feedback from the beneficiaries was very positive. It is the intention of the trustees to hold the Imbizo annually.

CONDITIONS OF THE SCHEME

Employees in the scheme earn a dividend based on an increasing percentage of any dividends or ordinary distributions made to ordinary shareholders of the company. The scheme did not require employees to fund the acquisition of the shares that were allocated to them and therefore they have seen real value in being a participant of the scheme. In 2010, our employees have earned R15.7m by way of dividends, a 61% increase on the previous year and to date, have earned dividends of R37.3m.

Year of scheme	Financial year of the company	% of ordinary dividend earned
1	2008	11%
2	2009	16%
3	2010	23%
4	2011	33%
5	2012	48%
6	2013	69%
7	2014	100%
8	2015	100%

Vesting of shares is subject to an employee remaining as such for the period of the scheme. Vesting takes place on a sliding scale, based on completed years of service within the scheme.

At the end of June 2010, no vesting has taken place. However, from July 2010 onwards, employees who leave the company will retain a percentage of their initial allocation and may qualify for an allocation of ordinary shares at the end of the scheme in June 2015.

At the termination date of the scheme, the vested preference shares retained by employees are convertible into ordinary shares of the company provided that the growth in the share price of the company exceeds a predetermined hurdle rate. The nature of the scheme is such that employees in the scheme face an inherent share price risk. To reduce this risk, all employees who are broad-based beneficiaries on the termination date of the scheme will receive a minimum amount of R20 000, regardless of what the target share price is.

SUSTAINABILITY COMMITTEE

ATTENDANCE AT THE SUSTAINABILITY COMMITTEE MEETINGS

Member	Aug 2009	Nov 2009	Feb 2010	May 2010
Brian Frost [1,2]	√	√	√	√
Simon Susman [3,4]	√	√	√	A
Chris Nissen [2]	√	√	A	√
Zyda Rylands [4]	√	√	√	√

Notes:
[1] = Chairman
[2] = Independent non-executive director
[3] = Group chief executive officer
[4] = Executive director
A = Absent with apologies tendered

The main purpose of the sustainability committee is to assist the board in ensuring that the group has an appropriate programme in place to ensure the environmental impact of the company is managed in a responsible way.

The committee consists of two independent non-executive directors including the Chairman, Brian Frost and two executive directors.

The committee's terms of reference have been reviewed and updated during the year. All amendments were approved by the board. The full terms of reference can be found on our website at **www.woolworthsholdings.co.za.**

The committee met four times during the year and the committee Chairman reported back to the board on the activities of the committee. The minutes of the committee meetings are circulated to all directors.

The Chairman of the committee is also the chairman of the Woolworths Trust. The Woolworths Trust manages the social development aspects of our Good business journey. The chairman of the transformation committee is also a member of the sustainability committee to ensure alignment across the broader sustainability spectrum.

During the year the committee reviewed:
- updates on the good business barometer measurement tool that reports the achievements and non-achievements of the sustainability targets;
- the risk profile of the Good business journey programme and noted that new risks relating to the use of electricity and water had been escalated; and
- the ethics policy and the plan to implement it into the business.

An assurance framework is in place and an internal audit coverage plan has been completed for the programme where external verification is not available. External verification was done on our carbon footprint and BEE status.

The G3 guidelines of the Global Reporting Initiative have been applied in the detailed report.

The sustainability committee is satisfied that it has performed its duties in accordance with its terms of reference.

A detailed report of the Good business journey programme can be found in the 2010 Good business journey report on our website at **www.woolworthsholdings.co.za.**

REMUNERATION COMMITTEE AND REMUNERATION REPORT

ATTENDANCE AT THE REMUNERATION COMMITTEE MEETINGS

Member	Aug 2009	Nov 2009	Feb 2010	May 2010
Buddy Hawton [1,2]	√	√	√	√
Peter Bacon [2]	√	√	√	√
Nigel Colne [2]	√	√	√	√
Brian Frost [2]	√	√	√	√

Notes:
[1] = Chairman
[2] = Independent non-executive director

REMUNERATION REPORT

The main purpose of the remuneration committee is to assist the board in fulfilling their responsibilities in establishing formal and transparent remuneration policies which are aligned with the company's strategy and linked to its performance in the long and short term.

Membership consists of four non-executive directors, all of whom are independent and have the relevant expertise or experience to fulfil their duties. The Chairman of the board, Buddy Hawton, chairs the committee. The Group chief executive officer and Group director: HR and the Head of remuneration attend the meetings by invitation in order to advise on the remuneration of the executives. The Group chief executive officer does not participate in any discussion or decision related to his own remuneration.

The committee met four times during the year and the committee Chairman reported back to the board on the activities of the committee. The minutes of the committee meetings are circulated to all directors.

King III recommends that the Chairman of the board should not be the Chairman of the Remuneration committee. The board has considered this and given the Chairman's wealth of experience within remuneration it has considered that it is appropriate that he should remain as chairman of the remuneration committee. It was agreed that on retirement of Buddy Hawton, the Chairman of the board and the chairman of the remuneration committee would not be the same individual.

The committee's terms of reference have been reviewed and updated during the year. All amendments were approved by the board. The full terms of reference can be found on our website at **www.woolworthsholdings.co.za.**

The committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

ACTIVITIES DURING THE YEAR

The following key issues were discussed and dealt with by the committee during the year:

GUARANTEED PAY

- Annual review of executive directors' and executive committee (EXCO) members' guaranteed pay relative to individual and company performance and market competitiveness (DG Capital as anindependent consultant was used for the provision of directors' package benchmarking services).

SHORT-TERM PERFORMANCE BONUS

- Reviewed and agreed to the short-term incentive targets for 2010 financial year; and
- reviewed and approved the short-term incentive bonus payments.

LONG-TERM INCENTIVE SCHEMES

- Approved the performance conditions for the 2009 annual share rolling allocations;
- bi-annual updates on share plan performance against performance targets;
- bi-annual testing of performance conditions to determine vesting levels for employees who have been retrenched; and
- consideration of current share schemes in place for executive directors, EXCO and senior management (design, categories and quantums).

OTHER

- Reviewed and approved the executive director employment contract of Ian Moir;
- approved the allocation of restricted shares to individuals as a retention mechanism for critical key talent;

The remuneration policy has been designed and implemented to attract, retain and reward top executives in the retail sector.

- reviewed and approved the company's talent and succession framework in terms of successors and scarce skills;
- reviewed and approved the total reward framework for executives in Country Road (Australia); and
- reviewed the terms of reference.

The remuneration committee made use of the services of the following external consultants during the year to advise them on executive remuneration and to provide advice on market data, remuneration trends, retention strategy and performance-related pay.

- DG Capital for executive remuneration;
- remchannel for the provision of salary benchmarking services; and
- PricewaterhouseCoopers for testing performance condition and advice on current share plans.

WOOLWORTHS HOLDINGS SHARE TRUST

The company uses the Woolworths Holdings share trust to hold shares for the purposes of its long-term incentive share schemes.

In terms of the Trust Deed, the number of shares which can be utilised for the share incentive schemes is limited to 15% of the issued share capital of the company calculated prior to any decrease in share capital as a result of a repurchase, reduction or redemption of capital.

The number of shares available for utilisation by the Woolworths share scheme at the beginning of this year was 37 805 549. Allocations of 15 162 947 were made during the period, with 9 969 839 returned to the scheme. The balance available for utilisation as at 27 June 2010 is 32 612 441 shares.

In any one financial year, the maximum market value of grants and/or offers in terms of the long-term incentive scheme may not exceed 250% of an individual's total cost of employment (TCoE).

In addition, the value of total share awards to an individual employee may not exceed 1.5% of the issued share capital of Woolworths, taking into account the repurchase and cancellation of the treasury shares and all future repurchases and cancellations.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The remuneration policy has been designed and implemented to attract, retain and reward top executives in the retail sector.

The principles applied in the integrated remuneration policy are:

- the guaranteed pay is benchmarked against major South African retail and non-retail companies to ensure competitiveness;
- guaranteed pay recognises and rewards individual responsibility and performance;
- top retail executives are attracted, retained and appropriately rewarded;
- a balance is created between short and long-term incentive schemes; and
- individual performance and behaviour are aligned to shareholders interest and company performance.

ELEMENTS OF REWARD AS A PERCENTAGE OF TOTAL REMUNERATION

The graphs below show how the group's integrated reward strategy translates in the compositions of the Chief executive officer and executive directors' remuneration packages (the aggregate of both).

GUARANTEED PAY

Guaranteed pay (TCoE) is reviewed annually against retail peer companies in South Africa. Market conditions, company performance, individual performance and responsibility, and internal comparability are also considered. Executives can structure elements of their packages according to individual requirements.

TCoE includes compulsory contributions to the Woolworths Group Retirement Fund and the Wooltru Healthcare Fund. Optional items include car allowance, additional pension contributions to Investment Solutions Pension Fund, discount on purchases, head office meals and car leasing options.

On average the executive directors' TCoE for the financial year increased by 6.29% and will increase by 8.08% for the 2011 financial year.

SHORT-TERM PERFORMANCE BONUS

Senior executives participate in an annual short-term performance bonus scheme. It is designed to motivate executives to achieve the short-term strategic, financial, operational and environmental objectives in the annual business plan.

The bonus pool is created on a self-funding basis (inclusive of the cost of the incentive) after achieving a pre-defined profit before tax and exceptional items (PBTAE) growth targets. Key performance indicators (KPIs) make up 30% of the final payment and PBTAE 70%.

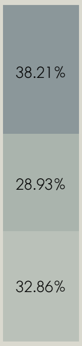
Payouts are determined as:

- on-target payouts: Chief executive officer 90% of TCoE and executive directors, 65% of TCoE; and
- stretched target payouts: Chief executive officer and executive directors, 150% of TCoE.

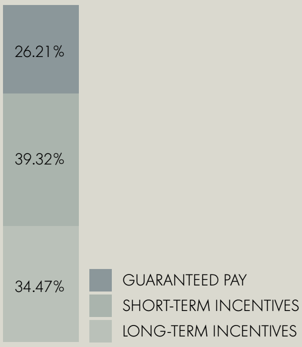
The PBTAE target was achieved for the 2010 financial year and performance bonuses were paid out, details of which can be found on page 65.

REWARD MIX

On-target performance

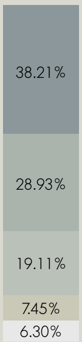


Stretched performance

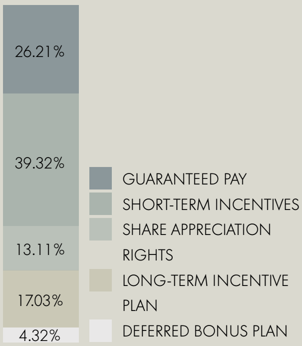


REWARD INSTRUMENTS

On-target performance



Stretched performance



- On-target performance: 90% of TCoE short-term incentive payment for CEO, 65% of TCoE short-term incentive payment for executive directors, 100% vesting of share appreciation rights (CEO and executive directors), 30% vesting of long-term incentive plan and deferred bonus plan matching (CEO and executive directors)
- Stretched performance for CEO and executive directors: 150% of TCoE short-term incentive payment, 100% vesting of share appreciation rights, 100% vesting of long-term incentive plan and deferred bonus plan matching.

LONG-TERM INCENTIVE SCHEMES

The long-term incentive schemes are to advance the interests of the group and Woolworths shareholders by attracting, retaining and incentivising selected employees who contribute to the growth of the companies within the group and the achievement of long-term objectives and to encourage their continued service with the group. Three instruments are used, namely:

- Share Appreciation Rights Scheme (SARS);
- Long-term Incentive Plan (LTIP); and
- Deferred Bonus Plan (DBP).

Share Appreciation Rights (SARs)

Participants are awarded a conditional right to receive shares equal to the value of the difference between the share price at the time that the rights were granted and the share price when the rights are exercised (should the share appreciate).

Grant limits	• Chief executive officer and executive directors 50% of TCoE.
Vesting period	• Not less than three years.
Performance conditions	• Headline earnings per share (HEPS) growth of Consumer Price Index (CPIX) plus 6% over a three-year period. • If performance conditions are not met in year three, retesting in year four with HEPS growth of CPIX plus 8% and, if necessary, in year five against CPIX plus 10%.
Retesting if performance not met	• Allowed. • Considered appropriate given the cyclical nature of the business in the retail sector.
Other	• SARs not exercised within a period of seven years lapse.
Number of participants	• 362

Long-Term Incentive Plan (LTIP)

The LTIP provides for the delivery of conditional awards in shares (plus the value of back-dated dividends) after three years from date of grant.

Grant limits	• Chief executive officer 85% of TCoE. • Executive directors 50% of TCoE.
Vesting period	• Three years, subject to achievement of performance conditions.
Performance conditions	• Equally weighted between headline earnings per share (HEPS) growth and total shareholder return (TSR) of the company relative to the TSR of a selected peer group index for the same period. • The HEPS condition has a minimum threshold for 30% vesting and a target for 100% vesting. • TSR condition – If the TSR performance of Woolworths falls below the lower quartile (i.e. if 75% of the peers perform better than Woolworths), then 0% of the related LTIP vests. • If the TSR performance of Woolworths exceeds the upper quartile (or 75% of the peers) performance, then 100% of the award vests.
Peer group	• Peer group for August 2009 grant was Foschini, JD Group, Lewis Group, Massmart, Mr Price, New Clicks, Pick n Pay, Shoprite, Spar and Truworths.
Retesting if performance not met	• Not permitted. • Awards lapse.
Other	• Payments are made on a linear scale in accordance with agreed targets. • Participants receive backdated dividends in shares on vested shares.
Number of participants	• 24

Deferred Bonus Plan (DBP) On receipt of a short-term performance bonus, participants are able to elect to use part of their after-tax bonus to purchase deferred bonus shares.	
Grant limits	• Chief executive officer 18.5% of TCoE. • Executive directors 15% of TCoE.
Vesting period	• Three years.
Retention conditions	• Matching award of shares at the end of the three-year period including backdated dividend on matching component. • Forfeited on cessation of employment within a three-year period.
Other	• Shares are held by a third party in escrow.
Number of participants	• 5

Details of long-term incentive awards made to executive directors are set out on pages 69 to 71.

RETENTION SCHEME

The restricted share plan (RSP) was implemented in November 2009. The scheme is used to retain senior directors and employees who are critical to the delivery of the company's long-term strategy. It may also be used for once-off awards for the recruitment of key executives which invariably requires compensation to address value forfeited on resignation from a previous employer.

Grant limits	• Limits between 100% and 300% of TCoE.
Vesting conditions	• Staggered vesting between three and five years. • 100% vesting on condition that the participant is still in the employ of the group on the expiry of the agreed vesting period.
Other	• Shares are purchased on the open market and held by a third party in escrow.
Number of participants	• 25

Details of RSP granted to executive directors are set out on page 71.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The executive directors' service contracts do not contain notice periods exceeding twelve months.

Ian Moir, the Managing director retail and Group chief executive officer-elect has a three-year service contract. It expires on 31 December 2012, with the company having the option to renew for an additional two years. His contract includes a restraint of trade agreement.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Non-executive directors receive fees for services on board and board committees. These fees recognise the responsibilities of non-executive directors throughout the year and the total fee is inclusive of a base fee and attendance of meetings.

Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive share scheme.

The fees for the non-executive directors have been recommended by the remuneration committee to the board for their approval, after considering input from the executive directors.

The proposals for the fees for 2011 have been based on benchmarking with other retailers and other listed JSE companies. Consideration has also been given to the substantial increase in legal and regulatory oversight requirements and increased risk being assumed by non-executive directors.

The proposed fees tabled for shareholder approval at the annual general meeting are set out below.

	Actual for 2010 financial year	Proposed for 2011 financial year
Chairman	R750 000	R850 000
Deputy Chairman	n/a	R210 000
UK Director	£33 000	£37 000
SA Director	R150 000	R170 000
Chairman Audit	R155 000	R180 000
Member Audit	R77 500	R90 000
Chairman Remuneration	R140 000	R155 000
Member Remuneration	R70 000	R77 500
Chairman Risk	R105 000	R120 000
Member Risk	R52 500	R60 000
Chairman Transformation	R105 000	R120 000
Member Transformation	R52 500	R60 000
Chairman Nominations	R67 000	R75 000
Member Nominations	R42 000	R45 000
Chairman Sustainability	R43 000	R60 000
Member Sustainability	R21 500	R30 000

DIRECTORS' FEES AND EMOLUMENTS

Emoluments paid to directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 27 June 2010 and comparatives for 28 June 2009 are set out below:

2010		Guaranteed pay				Short-term performance bonus	Long-term benefits		Retention
Name	Notes	Remuneration 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
Executive directors									
Simon Susman	(1)	4 133	701	35	4 869	6 762	2 375	2 424	0
Andrew Jennings	(6)	1 699	163	180	2 042	5 737	0	1 555	0
Ian Moir	(7)	2 125	11	407	2 543	3 137	0	0	3 886
Norman Thomson	(1)	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 R000's	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
Non-executive directors										
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	0	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. The fair value of shares and options granted is the annual expense as determined in accordance with IFRS 2 "Share-based payments". It includes the expense relating to the allocation of BEESOS scheme shares granted to Zyda Rylands. It is presented for information purposes only.
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.
6. Andrew Jennings resigned on 31 December 2009, completing his initial three-year contract. He was paid R2 000 000 as an end o contract bonus 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 performance bonus scheme and will be 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. 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 received a once-off allocation of restricted shares to the value of R20 000 000.
   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.

2009		Guaranteed pay				Short-term performance bonus	Long-term benefits	
Name	Notes	Remuneration 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
Executive directors								
Simon Susman	(1)	3 720	695	30	4 445	1 412	3 741	1 357
Andrew Jennings	(5)	3 193	334	344	3 871	968	0	1 013
Norman Thomson	(1)	2 273	206	53	2 532	557	2 332	608
Zyda Rylands		2 045	514	9	2 568	726	1 707	1 568
		11 231	1 749	436	13 416	3 663	7 780	4 546

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R000's	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
Non-executive directors										
Buddy Hawton		651		121		58		46	8	884
Peter Bacon		131		63	45				19	258
Nigel Colne	(6)	474	70	63	45	37			2	691
Judy Dlamini	(7)	10							0	10
Brian Frost		131		63		37	37	46	13	327
Mike Leeming		131	133		95				12	371
Chris Nissen	(8)	131				28	18	92	12	281
Sindi Zilwa	(9)	131	70		11			46	27	285
		1 790	273	310	196	160	55	230	93	3 107

Notes:

1. Remuneration includes fees paid by Country Road as follows: Simon Susman AU$30 000 and Norman Thomson AU$30 000.
2. Other benefits include discounts received on purchases made in our stores and executive accommodation for 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 12.17% on the value of the outstanding loan.
4. The fair value of shares and options granted is the annual expense as determined in accordance with IFRS 2 "Share-based Payments". It includes the expense relating to the allocation of BEESOS scheme shares granted to Zyda Rylands. It is presented for information purposes only.
5. Andrew Jennings was appointed on 1 December 2006. After completing his initial three-year contract, he will receive an additional payment of R2 000 000, as an end of term contract payment.
6. Fees are paid in sterling as a British resident.
7. Judy Dlamini resigned on 31 July 2008.
8. Chris Nissen was appointed to the nomination committee with effect from 18 November 2008.
9. Sindi Zilwa was appointed to the risk committee with effect from 18 May 2009.

CORPORATE GOVERNANCE

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interest in shares of the company are disclosed in the directors' report on page 76. Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 27 June 2010, are set out below.

SHARE PURCHASE SCHEME

	Shares held as at 28 June 2009		Shares purchased		Shares held as at 27 June 2010		
Name and offer date	Number	Price (R)	Number	Price (R)	Vested shares	Unvested shares	Total
Simon Susman							
December 2004	440 755	10.59			440 755	–	440 755
August 2005	412 697	11.31			330 156	82 541	412 697
August 2006	378 947	13.30			227 367	151 580	378 947
October 2006	1 094 092	13.71			361 050	733 042	1 094 092
Total	2 326 491				1 359 328	967 163	2 326 491
Norman Thomson							
December 2000	236 800	2.77	236 800	24.00			
March 2001	533 333	2.82	113 200	24.00	420 133		420 133
June 2001	1 120 297	3.03			1 120 297		1 120 297
August 2003	290 698	5.16			290 698		290 698
December 2004	152 597	10.59			152 597		152 597
August 2005	142 882	11.31			114 304	28 578	142 882
August 2006	130 075	13.30			78 045	52 030	130 075
October 2006	510 576	13.71			168 490	342 086	510 576
Total	3 117 258		350 000		2 344 564	422 694	2 767 258
Zyda Rylands							
December 2000	8 420	2.77			8 420		8 420
April 2001	20 000	3.03			20 000		20 000
August 2001	12 970	3.33			12 970		12 970
August 2002	14 738	3.98			14 738		14 738
August 2003	12 125	5.16			12 125		12 125
September 2003	180 510	5.76			180 510		180 510
December 2004	259 573	10.59			259 573		259 573
March 2005	120 000	10.18			120 000		120 000
August 2005	277 549	11.31			222 036	55 513	277 549
August 2006	129 699	13.30			77 817	51 882	129 699
October 2006	291 758	13.71			96 280	195 478	291 758
Total	1 327 342				1 024 469	302 873	1 327 342

SHARE OPTION SCHEME

Name and offer date	Options held as at 28 June 2009 Number	Price (R)	Options purchased Number	Price (R)	Options held as at 27 June 2010 Vested shares	Unvested shares	Total
Zyda Rylands							
December 2000	16 840	1.79			16 840		16 840
April 2001	40 000	2.04			40 000		40 000
October 2008	326 395	8.81			65 279	261 116	326 395
Total	383 235				122 119	261 116	383 235
Ian Moir							
April 2002	199 925	2.98	199 925	23.72			
Total	199 925		199 925		–		–
Andrew Jennings*							
December 2006	1 784 652	14.58	1 050 000	24.03	734 652		734 652
Total	1 784 652		1 050 000		734 652		734 652
Total	2 367 812		1 249 925		856 771	261 116	1 117 887

*Resigned 31 December 2009

SHARE APPRECIATION RIGHTS SCHEME (SARS)

Name and offer date	Rights held as at 28 June 2009 Number	Price (R)	SARs rights awarded Number	Price (R)	Rights held as at 27 June 2010 Vested rights	Unvested rights	Total
Simon Susman							
April 2008	176 392	10.26				176 392	176 392
August 2008	176 540	10.24				176 540	176 540
August 2009			140 526	15.00		140 526	140 526
Total	352 932		140 526			493 458	493 458
Norman Thomson							
April 2008	87 904	10.26				87 904	87 904
August 2008	87 978	10.24				87 978	87 978
December 2008	83 547	10.24				83 547	83 547
August 2009			84 667	15.00		84 667	84 667
Total	259 429		84 667			344 096	344 096
Zyda Rylands							
April 2008	91 767	10.26				91 767	91 767
August 2008	125 628	10.24				125 628	125 628
October 2008	169 456	10.26				169 456	169 456
August 2009			107 000	15.00		107 000	107 000
Total	386 851		107 000			493 851	493 851
Andrew Jennings*							
April 2008	142 259	10.26				142 259	142 259
August 2008	150 755	10.24				150 755	150 755
August 2009			133 333	15.00		133 333	133 333
Total	293 014		133 333			426 347	426 347
Total	1 292 226		465 526			1 757 752	1 757 752

*Resigned 31 December 2009

DIRECTORS' PARTICIPATION IN SHARE SCHEMES CONTINUED

LONG-TERM INCENTIVE PLAN (LTIP)

	Grants held as at 28 June 2009		LTIP grants awarded		Grants held as at 27 June 2010		
Name and offer date	Number	Price (R)	Number	Price (R)	Vested grants	Unvested grants	Total
Simon Susman							
April 2008	325 125	11.95				325 125	325 125
August 2008	325 398	11.94				325 398	325 398
August 2009			238 894	15.00		238 894	238 894
Total	650 523		238 894			889 417	889 417
Norman Thomson							
April 2008	95 309	11.95				95 309	95 309
August 2008	95 388	11.94				95 388	95 388
December 2008	90 585	11.94				90 585	90 585
August 2009			84 667	15.00		84 667	84 667
Total	281 282		84 667			365 949	365 949
Zyda Rylands							
April 2008	99 498	11.95				99 498	99 498
August 2008	136 210	11.94				136 210	136 210
October 2008	183 728	11.95				183 728	183 728
August 2009			107 000	15.00		107 000	107 000
Total	419 436		107 000			526 436	526 436
Andrew Jennings*							
April 2008	154 242	11.95				154 242	154 242
August 2008	163 453	11.94				163 453	163 453
August 2009			133 333	15.00		133 333	133 333
Total	317 695		133 333			451 028	451 028
Total	1 668 936		563 894			2 232 830	2 232 830

*Resigned 31 December 2009

DEFERRED BONUS PLAN (DBP)

Name and offer date	Shares held as at 28 June 2009 Number	Price (R)	Shares purchased Number	Price (R)	Shares held as at 27 June 2010 Number	Price (R)	Total
Simon Susman							
April 2008	62 241	12.45			62 241	12.45	62 241
August 2009			49 498	15.67	49 498	15.67	49 498
Total	62 241		49 498		111 739		111 739
Norman Thomson							
April 2008	25 179	12.45			25 179	12.45	25 179
August 2009			21 198	15.67	21 198	15.67	21 198
Total	25 179		21 198		46 377		46 377
Zyda Rylands							
April 2008	26 285	12.45			26 285	12.45	26 285
August 2009			27 645	15.67	27 645	15.67	27 645
Total	26 285		27 645		53 930		53 930
Andrew Jennings*							
April 2008	40 916	12.45			40 916	12.45	40 916
August 2009			36 860	15.67	36 860	15.67	36 860
Total	40 916		36 860		77 776		77 776
Total	154 621		135 201		289 822		289 822

*Resigned 31 December 2009

RESTRICTED SHARE PLAN (RSP)

Name and offer date	Shares at 28 June 2009 Number	Price (R)	Shares awarded Number	Price (R)	Shares at 27 June 2010 Number	Price (R)	Total
Ian Moir							
January 2010			1 184 000	16.89	1 184 000	16.89	1 184 000
Total			1 184 000		1 184 000		1 184 000
Norman Thomson							
May 2010			119 938	23.34	119 938	23.34	119 938
Total			119 938		119 938		119 938
Zyda Rylands							
May 2010			206 250	23.34	206 250	23.34	206 250
Total			206 250		206 250		206 250
Total			1 510 188		1 510 188		1 510 188

CONTENTS

ANNUAL FINANCIAL STATEMENTS 2010

ANNUAL FINANCIAL STATEMENTS

REPORT OF THE GROUP SECRETARY

In my capacity as Group secretary, I hereby confirm, in terms of the Companies Act 61 of 1973, as amended, that for the year ended 27 June 2010, 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 statement were approved by the board of directors on 25 August 2010 and signed on its behalf by:

DA Hawton
Chairman

SN Susman
Group chief executive officer

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 27 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 75 to 169.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S 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 judgement, 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 of 27 June 2010, and of the 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.

ERNST & YOUNG Inc.
REGISTERED AUDITOR
25 August 2010
Cape Town

SAB&T

SAB&T Inc.
REGISTERED AUDITOR
25 August 2010
Cape Town

DIRECTORS' REPORT

FOR THE YEAR ENDED 27 JUNE

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 259 corporate and 160 franchise stores throughout South Africa, Africa and the Middle East.

Woolworths Financial Services (Proprietary) Limited is operated jointly with Absa and provides our customers with a credit offering.

Country Road Limited, listed on the Australian Securities Exchange, offers a range of clothing and homeware. Country Road Limited has 78 retail stores and 82 concession retail outlets across Australia and New Zealand and is sold in selected Woolworths stores and two stand-alone retail stores in South Africa.

The nature of the business of the subsidiaries held directly and indirectly is set out on page 168.

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Reviews of the financial results and the activities of the group are contained in the Chairman's report, the Group chief executive officer's report, the Group finance director's report and the annual financial statements.

SHARE CAPITAL

Details of the authorised and issued share capital of Woolworths Holdings Limited and the movements for the period under review are disclosed in note 12 of the company annual financial statements.

DIRECTORATE AND GROUP SECRETARY

The composition of the board and the details of the directors and the Group secretary in office at the date of this report are reflected on pages 12 and 13.

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

Andrew Jennings resigned as an executive director from the board on 31 December 2009.

Ian Moir was appointed as an executive director to the board with effect from 1 January 2010. Tom Boardman was appointed to the board on 27 September 2010.

In accordance with the articles of association of the company, at least one-third of the board are required to retire by rotation at each annual general meeting. 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.

Chris Nissen, Sindi Zilwa and Norman Thomson are due to retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election. The directors do not have service contracts with the company with notice periods in excess of one year.

Ian Moir, Managing director and Chief executive officer-elect and Tom Boardman are required to retire as they were appointed to the board between annual general meetings. Ian has a three year service contract, expiring on 31 December 2012, with the company having the option to renew for an additional two years.

Nigel Colne and Brian Frost will retire at the next annual general meeting, but will not be offering themselves up for re-election.

Abridged curriculum vitae of the directors seeking re-election are contained in the notice of the annual general meeting.

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:

	2010 Beneficial		2009 Beneficial	
	Direct	Indirect	Direct	Indirect
Non-executive directors				
Buddy Hawton	50 000	–	28 500	–
Peter Bacon	25 000	–	25 000	–
Lindiwe Bakoro	–	–	–	–
Nigel Colne	96 800	–	92 000	–
Brian Frost	–	260 000	–	260 000
Mike Leeming	–	20 000	–	20 000
Chris Nissen	–	–	–	–
Thina Siwendu	–	–	–	–
Sindi Zilwa	–	–	–	–
Executive directors				
Simon Susman	111 754	10 514 356	62 256	11 814 356
Ian Moir	1 184 000	–	–	–
Andrew Jennings (Resigned 31 December 2009)	77 776	–	40 916	–
Zyda Rylands	330 180	1 327 342	96 285	1 327 342
Norman Thomson	168 935	3 220 785	27 799	3 570 785
Total	2 044 445	15 342 483	372 756	16 992 483

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:

	2010 Beneficial		2009 Beneficial	
	Direct	Indirect	Direct	Indirect
Executive directors				
Zyda Rylands	–	1 250 000	–	1 250 000
Total	–	1 250 000	–	1 250 000

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

DIRECTORS' EMOLUMENTS

The emoluments of directors of the company are set out on pages 65 to 67.

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 8 on page 102.

DISTRIBUTIONS

TO ORDINARY SHAREHOLDERS

Interim

On 17 February 2010 a cash distribution of 38.0 cents per share (2009: 31.5 cents cash dividend) was declared to shareholders recorded at the close of business on 1 April 2010 and paid on 6 April 2010.

Final

On 25 August 2010 a cash dividend of 67.0 cents per ordinary share (2009: 53.5 cents cash distribution) was declared to shareholders recorded at the close of business on 14 September 2010, to be paid on 20 September 2010.

TO PREFERENCE SHAREHOLDERS

Preference shares are convertible, redeemable, non-cumulative participating preference shares held by The Woolworths Employee Share Ownership Trust.

Interim

On 17 February 2010, a cash dividend of 8.7 cents per share (2009: 5.0 cents) was declared to shareholders recorded at the close of business on 1 April 2010 and paid on 6 April 2010.

Final

On 25 August 2010, a cash dividend of 22.1 cents per share (2009: 12.3 cents) was declared to shareholders recorded at close of business on 17 September 2010, to be paid on 20 September 2010.

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the annual financial statements and other information presented in the annual 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 27 June 2010.

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 61 of 1973, as amended, and for reporting their findings thereon. The auditors' report is set out on page 74 of these annual financial statements. The annual financial statements set out on pages 75 to 169 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.

GOING CONCERN

The directors have reviewed the group's budget and cash flow forecast for the year to 26 June 2011 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 annual financial statements.

BORROWING POWERS

In terms of the articles of association, 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 23 on page 123 to the annual financial statements.

SUBSIDIARY COMPANIES

An annexure containing full particulars of the subsidiary companies appears on pages 168 and 169 of the annual financial statements.

EVENTS SUBSEQUENT TO THE REPORTING DATE

No event material to the understanding of this report has occurred between the end of the financial period and the date of this report.

SPECIAL RESOLUTIONS

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

WOOLWORTHS HOLDINGS LIMITED

- Authorise the specific allotment of shares by the company to Woolworths (Proprietary) Limited.
- Authorise the repurchase of shares by the company and its subsidiaries.

WOOLWORTHS (PROPRIETARY) LIMITED

- Amendments to memorandum and articles of association

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks to 27 June 2010 Rm	52 weeks to 28 June 2009 Rm
Revenue	2	23 663	21 922
Turnover	2	23 393	21 175
Cost of sales		15 656	14 501
Gross profit		7 737	6 674
Other revenue	2	95	563
Expenses	3	6 178	5 784
Store costs		3 940	3 482
Net bad debts and bad debt provisions		–	134
Other operating costs		2 238	2 168
Operating profit		1 654	1 453
Investment income	2	175	184
Interest paid	3.6	151	281
Profit before earnings from joint ventures and associate		1 678	1 356
Earnings from joint ventures	37	75	58
Earnings from associate	12	6	12
Profit before exceptional items	3	1 759	1 426
Exceptional items	4	–	380
Profit before tax		1 759	1 806
Tax	5	491	546
Profit for the period		1 268	1 260
Other comprehensive income:			
Fair-value adjustments on financial instruments		54	(74)
Deferred tax on net fair-value adjustments on financial instruments		(14)	20
Exchange differences on translation of foreign subsidiaries		13	(81)
Other comprehensive income for the period, net of tax		53	(135)
Total comprehensive income for the period		1 321	1 125
Profit attributable to:			
Shareholders of the parent		1 258	1 248
Non-controlling interest		10	12
Total comprehensive income attributable to:			
Shareholders of the parent		1 304	1 124
Non-controlling interest		17	1
Headline earnings per share (cents)	6	164.6	109.3
Earnings per share (cents)	6	162.4	157.2
Diluted headline earnings per share (cents)	7	159.3	107.5
Diluted earnings per share (cents)	7	157.2	154.0

GROUP STATEMENT OF FINANCIAL POSITION

	Note	at 27 June 2010 Rm	at 28 June 2009 Rm
ASSETS			
Non-current assets		3 633	3 436
Property, plant and equipment	9	1 991	1 937
Investment properties	10	121	121
Intangible assets	11	392	351
Investment in associate	12	40	35
Investment in joint ventures	37	574	534
Prepaid employments costs	13	29	37
Participation in export partnerships	14	63	65
Other loans	15	95	126
Derivative financial instruments	19	1	–
Deferred tax	16	327	230
Current assets		5 377	4 869
Inventories	17	1 676	1 723
Trade and other receivables	18	759	745
Derivative financial instruments	19	19	6
Tax		6	4
Cash	33.5	2 917	2 391
Total assets		9 010	8 305
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		3 396	3 025
Share capital	20	1	1
Share premium	21	61	142
Treasury shares	20	(1 305)	(317)
Non-distributable reserves	22	218	207
Distributable reserves	22	4 421	2 992
Non-controlling interest		57	47
Total shareholders' interest		3 453	3 072
Non-current liabilities		1 362	2 342
Interest-bearing borrowings	23	521	1 532
Operating lease accrual	24	447	457
Derivative financial instruments	19	15	16
Post-retirement medical benefit liability	25	292	272
Deferred tax	16	87	65
Current liabilities		4 195	2 891
Trade and other payables	24	2 608	2 373
Provisions	26	248	250
Derivative financial instruments	19	20	142
Tax		285	111
Overdrafts and short-term interest-bearing borrowings	23	1 034	15
Total equity and liabilities		9 010	8 305

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Treasury shares
		Rm	Rm	Rm
Shareholders' interest at 29 June 2008		**1**	**116**	**(891)**
Issue of ordinary shares	20 & 21	–	26	–
Share repurchase	20 & 21	–	–	(317)
Share repurchase costs		–	–	–
Shares cancelled	20	–	–	891
Distributions to shareholders	32	–	–	–
Share-based payments		–	–	–
Total comprehensive income for the period		–	–	–
Shareholders' interest at 28 June 2009		**1**	**142**	**(317)**
Issue of ordinary shares	20 & 21	–	666	(619)
Share repurchase	20	–	–	(410)
Share repurchase costs		–	–	–
Distributions to shareholders	32	–	(747)	41
Share-based payments	20	–	–	–
Total comprehensive income for the period		–	–	–
Shareholders' interest at 27 June 2010		**1**	**61**	**(1 305)**

	Note	2010	2009
Distributions per share declared for the financial period (cents)	32		
Ordinary shares		**105.0**	179.0
Interim		**38.0**	31.5
Special		–	94.0
Final		**67.0**	53.5
Preference shares		**30.8**	17.3
Interim		**8.7**	5.0
Final		**22.1**	12.3

Non-distributable reserves	Distributable reserves					
Foreign currency translation reserve	Share-based payment reserve	Financial instrument revaluation reserve	Retained profit	Shareholders' interest before non-controlling interest	Non-controlling interest	Total
Rm	Rm	Rm	Rm	Rm	Rm	Rm
280	133	6	3 881	3 526	52	3 578
–	–	–	–	26	–	26
–	–	–	–	(317)	–	(317)
–	–	–	(5)	(5)	–	(5)
–	–	–	(891)	–	–	–
–	–	–	(1 399)	(1 399)	(6)	(1 405)
–	70	–	–	70	–	70
(73)	–	(51)	1 248	1 124	1	1 125
207	**203**	**(45)**	**2 834**	**3 025**	**47**	**3 072**
–	–	–	–	47	–	47
–	–	–	–	(410)	–	(410)
–	–	–	(1)	(1)	–	(1)
–	–	–	(12)	(718)	(7)	(725)
–	149	–	–	149	–	149
11	–	35	1 258	1 304	17	1 321
218	**352**	**(10)**	**4 079**	**3 396**	**57**	**3 453**

GROUP STATEMENT OF CASH FLOWS

	Note	52 weeks to 27 June 2010 Rm	52 weeks to 28 June 2009 Rm
Cash flow from operating activities			
Cash inflow from trading	33.1	2 220	1 652
Working capital movements	33.2	215	67
Cash from financial services assets		–	21
Cash generated by operating activities		2 435	1 740
Interest received		167	548
Finance costs paid		(152)	(312)
Tax paid	33.3	(367)	(370)
Cash generated by operations		2 083	1 606
Dividends received from associate		1	1
Dividends received from joint ventures		35	–
Distributions to shareholders	33.4	(725)	(655)
Net cash inflow from operating activities		1 394	952
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(267)	(537)
Investment in property, plant and equipment and intangible assets to expand operations		(332)	(168)
Proceeds on disposal of property, plant and equipment		56	91
Proceeds on disposal of controlling interest in subsidiaries	36	–	875
Replacement of WFS debt funding by joint venture partner		–	2 909
Cash disposed of on sale of controlling interest in subsidiaries	36	–	(535)
Costs incurred on disposal of controlling interest in subsidiaries	36	–	(48)
Participation in export partnerships		1	1
Loans and advances to employees and share scheme participants		38	37
Contributions paid to post-retirement medical benefit		(10)	–
Net cash (outflow)/inflow from investing activities		(514)	2 625
Cash flow from financing activities			
Shares issued		47	26
Repurchase of treasury shares	20	(410)	(317)
Special dividend to shareholders	33.4	–	(750)
Share repurchase transaction costs		(1)	(5)
Payment of finance lease liabilities		(20)	(9)
Short-term borrowings raised		20	–
Net cash outflow from financing activities		(364)	(1 055)
Increase in cash and cash equivalents		516	2 522
Net cash and cash equivalents at the beginning of the period		2 391	(91)
Effect of foreign exchange rate changes		10	(40)
Net cash and cash equivalents at the end of the period	33.5	2 917	2 391

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated annual financial statements of Woolworths Holdings Limited (the company) for the 52 weeks ended 27 June 2010 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 (No. 61 of 1973), 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 period. 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 and IFRIC interpretations that are not applicable to the group were not adopted.

– IFRS 8 OPERATING SEGMENTS (EFFECTIVE 1 JANUARY 2009)

  This standard follows management's approach to segmental reporting and emphasizes disclosure of measures used to manage the business, in place of the rigidly defined disclosures required by IAS 14. A single set of operating segments replaces the primary and secondary segments. IFRS 8 disclosures are shown in note 39, including the related revised, comparative information.

– IAS 1 (REVISED) PRESENTATION OF FINANCIAL STATEMENTS (EFFECTIVE 1 JANUARY 2009)

  The revised standard introduces a new statement of comprehensive income which combines all items of income and expense recognised in profit or loss together with non-owner-related items previously accounted for directly in the statement of changes in equity. Only the summarised information on results for the period and the details of transactions with owners (such as share issues, share repurchases and dividend distributions) will be presented in the statement of changes in equity. When an entity restates its financial statements or retrospectively applies a new accounting policy, or when the presentation or classification of items leading to a reclassification of comparatives is made, an opening statement of financial position as at the beginning of the earliest comparative period must be presented. The group has elected to present one statement.

– IFRS 7 (REVISED) FINANCIAL INSTRUMENTS: DISCLOSURES – AMENDMENT (EFFECTIVE 1 JANUARY 2009)

  The amendments to IFRS 7 require an entity to classify financial instruments measured at fair value using a fair-value hierarchy that reflects the significance of the inputs used in making the measurements. In addition, liquidity risk disclosure has been enhanced whereby a maturity analysis is required for non-derivative financial liabilities that shows the remaining contractual maturities, and for derivative financial liabilities based on information presented to key management. Liquidity information for derivative liabilities is based on remaining contractual maturities essential to understand the cash flows.

The following amendments have been early adopted by the group, but had no material impact on the reported results.

– IFRS 8 OPERATING SEGMENTS – AMENDMENT (EFFECTIVE 1 JANUARY 2010)

  The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

  The group's chief operating decision maker reviews the Clothing and General Merchandise (C&GM) and Foods segments in aggregate. This is disclosed in note 39.

– IAS 36 IMPAIRMENT OF ASSETS – AMENDMENT (EFFECTIVE 1 JANUARY 2010)

  For the purpose of impairment testing, goodwill acquired in a business combination is required to be allocated to cash-generating units and these units shall not be larger than an operating segment prior to aggregation as allowed by IFRS 8.

The group has not applied various IFRS and IFRIC interpretations that have been issued but are not yet effective. The adoption of these IFRS and IFRIC interpretations will be adopted no later than the effective date. These are as follows, excluding those that are not relevant to the group:

- IMPROVEMENTS TO IFRSs (EFFECTIVE BETWEEN 1 JANUARY 2010 AND 1 JANUARY 2011)
  In April 2009 and May 2010, the IASB issued amendments to various IFRSs, primarily with a view to removing inconsistencies and clarifying wording.
- IFRS 3 (REVISED) BUSINESS COMBINATIONS (EFFECTIVE 1 JULY 2010)
  The option to measure non-controlling interests either at fair value or proportionate share 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.
- IFRS 7 FINANCIAL INSTRUMENTS DISCLOSURES (EFFECTIVE 1 JANUARY 2011)
  Encourages qualitative disclosures in the context of the quantitative disclosure to help users to form an overall picture of the nature and extent of risks arising from financial instruments. Clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets.
- IAS 1 PRESENTATION OF FINANCIAL STATEMENTS (EFFECTIVE 1 JANUARY 2011)
  An entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.
- IFRIC 13 CUSTOMER LOYALTY PROGRAMMES (EFFECTIVE 1 JANUARY 2011)
  The fair value of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and any expected forfeitures.
- 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 classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. The current version of IFRS 9 could impact the classification and measurement of financial assets.
- IAS 24 RELATED PARTY DISCLOSURES (EFFECTIVE 1 JANUARY 2011)
  The amendment 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, or significantly influences, the other party.

The group expects that adoption of the pronouncements listed above 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.

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 27 June 2010 and are consolidated to that date. The results of subsidiaries with period ends differing from that of the group are compiled for a rolling twelve-month period ending 27 June 2010 and consolidated to that date.

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

A change in the ownership interest of a subsidiary, without a change of control, 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 the statement of comprehensive income.

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 the statement of comprehensive income.

Non-monetary assets and liabilities are consistently 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 directly in equity.

Translation gains and losses arising on loans which form part of the net investment in the foreign operation are reported in the statement of comprehensive income 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 the statement of comprehensive income.

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 period 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 statement of comprehensive income in other operating costs in the period 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 the statement of comprehensive income in the period 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 five and ten years.

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. Whilst residual value exceeds carrying value, amortisation is discontinued.

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 the statement of comprehensive income 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 period 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 period 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 associate 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 period when acquired, as part of the proportionate share in the associate or joint ventures' 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 initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment property will flow to the group and the cost of the investment property can be measured reliably.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

The cost of a self-constructed investment property is its cost at the date when the construction development is complete. Investment properties are accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property, plant and equipment.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in other operating costs in the period of retirement or disposal. Transfers are made to or from investment properties when there is a change in use of the property. Transfers are also made from investment properties 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 the statement of comprehensive income over the period in which services are rendered by employees.

TAXES

CURRENT TAX

Current tax assets and liabilities for the current and prior periods 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, associate and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences 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, associate 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 and other comprehensive income if it relates to items credited or charged directly to equity and 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 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 use in the production 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 are 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 income 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 the statement of comprehensive income 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 benefits to certain employees and pensioners.

The calculated cost arising in respect of post-retirement medical benefits is charged to the statement of comprehensive income as services are rendered by employees. The present value of future medical benefit 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 note 20 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 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 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.

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 are 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 period.

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 note 7).

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.

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 the statement of comprehensive income.

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 reporting 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 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.

– **Financial services assets**
  Financial services assets comprise loans to customers, Woolworths in-store card and credit card receivables. These assets are subsequently measured at amortised cost less provision for impairment estimated using statistical provisioning models. Refer note 18. On 1 October 2008, these assets were no longer consolidated due to the disposal of controlling interest in WFS. Refer note 36.

– **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 accounted for in the statement of comprehensive income.

  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 (refer financial assets at fair value through profit or loss accounting policy) and derivatives held for hedging (refer accounting policy on hedge accounting).

After initial recognition, financial liabilities are recognised at amortised cost, using the effective interest 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 the statement of comprehensive income 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 the statement of comprehensive income 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 the statement of comprehensive income in the period in which they are incurred.

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

The group designates certain derivatives as cash flow hedges. When a derivative is designated as a hedge, the group documents, at the inception of the transaction, the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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 is recognised directly in equity. The gain or loss on the ineffective portion is recognised in the statement of comprehensive income 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 equity are included in the statement of comprehensive income 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 equity are transferred to the statement of comprehensive income.

If the hedging instrument expires or is sold, or if its designation as a hedge is revoked, amounts previously recognised in equity 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 the statement of comprehensive income 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 and deferred tax assets (see accounting policy note on each asset mentioned respectively), are reviewed at each reporting date for any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the higher of an asset'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. 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 excess of an asset's carrying amount over its recoverable amount is recognised as an impairment loss in the statement of comprehensive income.

An impairment recognised previously may be reversed when estimates change as a result of an event occurring after the impairment was initially recognised.

Such a reversal may not increase the carrying value above what it would have been had no impairment loss been recognised.

A reversal of an impairment loss is recognised in the statement of comprehensive income.

FINANCIAL ASSETS

The group assesses at each reporting 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 a provision for impairment account, and the amount of the loss is recognised in the statement of comprehensive income. 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 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 the statement of comprehensive income 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:

– Financial services assets

  For financial services assets, provisions for impairment are estimated using statistical models.

  The models incorporate historic experience such as past write-offs and recoveries for each group of customers, adjusted for current economic situations such as current interest rates and inflation. Objective evidence of impairment exists when the group will not be able to collect all amounts due according to the original terms of the receivables. On 1 October 2008, these assets were no longer consolidated due to the disposal of controlling interest in WFS. Refer note 36.

- **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 number 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

The group's interests in jointly controlled entities 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 reporting 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 the statement of comprehensive income.

INVESTMENT IN ASSOCIATE

An associate is an entity in which the group has significant influence. The group's investment in its associate is accounted for using the equity method of accounting.

Refer to the description of the equity method of accounting under 'investment in joint ventures'.

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 associates.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the recoverable amount of the associate and the carrying value and recognises the amount in the statement of comprehensive income.

REVENUE

Revenue of the group comprises:
- turnover: net merchandise sales, sales to franchisees and logistics services; and
- other revenue: interest, 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 method;
- 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 is 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 the statement of comprehensive income 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

The group has adopted IFRS 8 Operating Segments with effect from 1 July 2009. 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 collectively. 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 operating in Australasia)
- Woolworths Financial Services (WFS) (Financial products and services)
- Treasury (Cash management activities)

The executive directors evaluate the segmental performance based on operating 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.

The new segments are different from the segments previously disclosed as Woolworths Retail has been subdivided into Foods and Clothing and General Merchandise. Woolworths Financial Services remains a segment, accounted for on an equity basis subsequent to the disposal of the controlling interest on 1 October 2008.

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 3/2009 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.

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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and subsequent periods 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 period 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 note 9.

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 note 17.

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 seven and 10 years, while convertible preference shares issued in terms of the broad-based black economic empowerment scheme have a life of eight years terminating in 2015.

Other valuation assumptions include estimates of the volatility of the shares, dividend yield and the risk-free interest rate. Refer note 20 for additional information regarding the fair value of such instruments at grant date.

Impairment of non-financial assets

Goodwill, intangible assets and property, plant and equipment are considered for impairment at least annually. An asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use.

An asset's fair value less costs to sell is approximated by its selling price in an arm's length transaction adjusted for any costs directly attributable to the disposal of the asset. Where an asset is traded in an active market, its fair value less costs to sell will be its quoted price less disposal costs.

Where neither a binding agreement nor an active market for an asset exists, management estimates an asset's fair value less costs to sell using the entity's most recent information and experience with similar assets. Where necessary, consulting an independent expert to obtain a valuation is considered.

The value in use of the relevant asset or, in the case of goodwill, the cash-generating unit to which the goodwill is allocated, is estimated by projecting the future cash flows expected to be generated by the assets or cash-generating units taking into account the expected useful lives of assets and current market conditions. The present value of these cash flows is calculated using an appropriate discount rate and compared to the net asset value.

Where the net asset value exceeds the present value of cash flows, an impairment loss is recognised. In the case of goodwill, the impairment loss is allocated first to goodwill and then to other assets in the cash-generating unit. For detailed information regarding the impairment testing of goodwill. Refer note 11.

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 note 25.

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 period 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.

	2010 Rm	2009 Rm
2. REVENUE		
Turnover	23 393	21 175
Clothing and General Merchandise	10 749	9 658
Food	12 227	11 126
Logistics services and other	417	391
Investment income	175	184
Interest earned from cash and investments	164	184
Other	11	–
Other revenue	95	563
Franchise and other commissions	69	138
Rentals	26	52
Interest received		
Financial services debtors	–	373
	23 663	21 922

	2010 Rm	2009 Rm
3. PROFIT BEFORE EXCEPTIONAL ITEMS INCLUDES:		
3.1 OPERATING LEASE EXPENSES		
Land and buildings – rentals	1 016	942
Plant and equipment	–	2
Provision for onerous lease commitments	8	2
3.2 AUDITORS´ REMUNERATION		
Audit fee	8	8
current period	8	8
Tax advisory and other services	2	2
3.3 NET FOREIGN EXCHANGE (PROFIT)/LOSS	(65)	35
3.4 OTHER EXPENSES		
Technical and consulting service fees	53	59
Depreciation and amortisation expenses (refer notes 9 & 11)	442	401
Loss on sale of property, plant and equipment	24	4
Unwinding of discount of provisions	4	5
(Profit)/Loss on fair value movements arising from derivative instruments	(2)	79
3.5 EMPLOYMENT COSTS	2 858	2 689
Short-term employment benefits	2 534	2 408
Expense of share-based payments	106	70
Pension costs (refer note 25)	186	168
Post-retirement medical benefit (refer note 25)	30	33
Termination and other benefits	2	10
3.6 INTEREST PAID	151	281
Bank borrowings and overdrafts	151	2
Other interest-bearing borrowings	–	279

	2010 Rm	2009 Rm
4. EXCEPTIONAL ITEMS		
Net profit on disposal of controlling interest in Woolworths Financial Services (Proprietary) Limited (refer note 36)	–	380

	2010 Rm	2009 Rm
5. TAX		
Current period		
South Africa		
Normal tax	525	301
Deferred tax relating to the origination and reversal of temporary differences (refer note 16)	(52)	53
Secondary tax on companies	–	138
Foreign tax	21	56
	494	548
Prior period		
South Africa		
Normal tax	(8)	(1)
Deferred tax (refer note 16)	5	(1)
	491	546

	2010 %	2009 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Tax losses in subsidiaries not provided	–	0.1
Disallowable expenditure	0.9	1.3
Other	(1.0)	(1.1)
Prior periods	(0.1)	(0.1)
Secondary tax on companies	–	7.8
Foreign tax	0.1	0.1
Effective rate before exceptional items	27.9	36.1
Exceptional items	–	(5.9)
Effective tax rate	27.9	30.2

6. EARNINGS PER SHARE

BASIC AND HEADLINE EARNINGS

	Profit before tax Rm	Tax Rm	Minority shareholders' interest Rm	Attributable profit Rm
2010				
Per the financial statements	1 759	(491)	(10)	1 258
BEE preference dividend paid	(11)	–	–	(11)
Basic earnings	1 748	(491)	(10)	1 247
Adjustment:				
Loss on disposal of property, plant and equipment	24	(7)	–	17
Headline earnings	1 772	(498)	(10)	1 264
2009				
Per the financial statements	1 806	(546)	(12)	1 248
BEE preference dividend paid	(9)	–	–	(9)
Basic earnings	1 797	(546)	(12)	1 239
Adjustments:				
Loss on disposal of property, plant and equipment	4	(1)	–	3
Net profit on disposal of controlling interest in Woolworths Financial Services (Proprietary) Limited	(380)	–	–	(380)
Headline earnings	1 421	(547)	(12)	862

WEIGHTED AVERAGE NUMBER OF SHARES

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

	Number of shares 2010	2009
Weighted average number of shares	768 040 305	788 269 330
Number of issued shares at the beginning of the period	774 731 831	795 521 457
Weighted average number of shares repurchased during the period	(9 189 868)	(9 628 031)
Weighted average number of shares issued during the period	2 498 342	2 375 904
EARNINGS PER SHARE (CENTS)		
Basic	162.4	157.2
Headline	164.6	109.3

	2010 Rm	2009 Rm
7. DILUTED EARNINGS PER SHARE		
DILUTED EARNINGS		
Basic earnings	1 247	1 239
Pre-tax BEE preference dividend	12	10
Diluted earnings	1 259	1 249
Headline adjustment	17	(377)
Diluted headline earnings	1 276	872

DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	Number of shares 2010	Number of shares 2009
Weighted average number of shares	768 040 305	788 269 330
Potential dilutive effect of outstanding number of share options	33 002 636	22 314 286
Diluted weighted average number of shares	801 042 941	810 583 616

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 period, and ordinary shares expected to be issued in terms of the group's BEE scheme for no consideration.

DILUTED EARNINGS PER SHARE (CENTS)	2010	2009
Basic	157.2	154.0
% dilution	3.2%	2.0%
Headline	159.3	107.5
% dilution	3.2%	1.7%

	2010 Rm	2009 Rm
8. RELATED PARTY TRANSACTIONS		
RELATED PARTIES		
The related party relationships, transactions and balances as listed below exist within the group.		
HOLDING COMPANY		
Refer note 8 of the company annual financial statements for the transactions between the holding company and its subsidiaries.		
SUBSIDIARIES		
During the period, 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.		
JOINT VENTURES		
The following related party transactions and balances occurred between the group and the joint ventures:		
Woolworths Financial Services (Proprietary) Limited		
Service costs received by Woolworths (Proprietary) Limited	92	66
Merchant fee paid by Woolworths (Proprietary) Limited	81	84
Accounts receivable by Woolworths (Proprietary) Limited	68	181
Accounts payable by Woolworths (Proprietary) Limited	(68)	(180)
Nedglen Properties (Proprietary) Limited		
Rental paid by Woolworths Development (Proprietary) Limited, a subsidiary of Woolworths Holdings Limited	(2)	(2)
ASSOCIATE		
The following related party transactions and balances occurred between the group and the associate:		
Retail Risk Management Alliance Trust		
Insurance premium paid by Woolworths (Proprietary) Limited	(30)	(31)
Interest paid by Woolworths (Proprietary) Limited	–	(2)
Dividend received by Woolworths (Proprietary) Limited	1	1

KEY MANAGEMENT PERSONNEL

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 period.

	2010 Rm	2009 Rm
8. RELATED PARTY TRANSACTIONS (CONTINUED)		
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	69	46
Woolworths Holdings Limited directors	64	26
Other key management personnel	5	20
Post-employment benefits	2	2
Woolworths Holdings Limited directors	2	2
IFRS 2 value of share-based payments expensed	11	5
Woolworths Holdings Limited directors	11	5
	82	53

Short-term employee benefits comprise salaries, directors' fees and bonuses payable within twelve months of the end of the period.
Post-employment benefits comprise expenses determined in terms of IAS 19: Employee Benefits in respect of the group's retirement and healthcare funds.

SHARE PURCHASE SCHEME LOANS AND INVESTMENTS	2010 Rm	2009 Rm
Loans and investments at the beginning of the period	67	89
Loans repaid during the period	(6)	(22)
Loans and investments at the end of the period	61	67

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 (2009: nil).

WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS	2010 Rm	2009 Rm
Balance outstanding at the beginning of the period	1	–
Annual spend	2	3
Annual repayments	(1)	(2)
Balance outstanding at the end of the period	2	1

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 (2009: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of Country Road Limited employees are disclosed in note 25 to the annual financial statements.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improve-ments Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2009					
Balance at June 2008					
Cost	603	216	2 015	630	3 464
Accumulated depreciation	–	43	1 107	504	1 654
Net book value	603	173	908	126	1 810
Current period movements:					
Additions	1	77	422	117	617
Disposals/scrappings – cost	(22)	(22)	(571)	(240)	(855)
Disposals/scrappings – accumulated depreciation	–	3	530	240	773
Depreciation	–	(18)	(252)	(89)	(359)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – cost (refer note 36)	–	–	(8)	(17)	(25)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – accumulated depreciation (refer note 36)	–	–	6	11	17
Foreign exchange rate differences – cost	–	(26)	(38)	(9)	(73)
Foreign exchange rate differences – accumulated depreciation	–	8	18	6	32
Balance at June 2009	582	195	1 015	145	1 937
Made up as follows:					
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
2010					
Current period 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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net carrying amounts of assets held under finance leases were as follows:

	2010 Rm	2009 Rm
Motor vehicles	7	–
Computer equipment	22	24

Additions during the period include R8m (2009: R48m) of assets held under finance leases.

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

At 27 June 2010, land and buildings were valued taking account of similar recent market transactions on arm's length terms. The fair values were as follows:

		Fair value Rm	Carrying value Rm
Retail stores	2010	192	113
	2009	193	113
Distribution centres	2010	739	394
	2009	729	393
Corporate owner-occupied properties	2010	143	77
	2009	144	76

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

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

A register of land and buildings, containing the information required by paragraph 22(3) of Schedule 4 of the South African Companies Act (No. 61 of 1973), as amended, is available for inspection at the registered office of the company. A copy will be posted, upon request, by the group secretary.

10. INVESTMENT PROPERTIES

	2010 Rm	2009 Rm
Cost	121	121

No depreciation was recognised on investment properties in the current or prior period as the residual values exceeded the carrying values of all properties classified as investment properties.

At 27 June 2010 investment properties were valued by internal valuers at R200m (2009: R197m).

Rental income and expense from investment properties

	2010 Rm	2009 Rm
Rental income from investment properties	15	14
Direct operating expenses from investment properties that earned rental income during the period	6	6

No restrictions exist on the sale of investment properties.

Refer note 34 for disclosure on operating leases.

11. INTANGIBLE ASSETS

	Computer Software Rm	Goodwill Rm	Total Rm
2009			
Balance at the beginning of the period			
Cost	607	23	630
Accumulated amortisation	356	–	356
Net book value at June 2008	251	23	274
Current period movements:			
Additions	137	–	137
Disposals/scrappings – cost	(86)	–	(86)
Disposals/scrappings – accumulated amortisation	74	–	74
Amortisation	(42)	–	(42)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – cost (refer note 36)	(19)	–	(19)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – accumulated depreciation (refer note 36)	16	–	16
Foreign exchange rate differences – cost	(14)	–	(14)
Foreign exchange rate differences – accumulated amortisation	11	–	11
Balance at the end of the period	328	23	351
Made up as follows:			
Cost	625	23	648
Accumulated amortisation	297	–	297
Net book value at June 2009	328	23	351
2010			
Current period 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**
Goodwill			
The carrying value of goodwill comprises:			
Goodwill arising on acquisition of Virtual Market Place (Proprietary) Limited (1 April 2006)		**13**	
Repurchase of franchise business (27 March 2006)		**10**	
		23	

11. INTANGIBLE ASSETS (CONTINUED)

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 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 business generates cash flows that are largely independent from the cash inflows of other assets and thus comprises a cash-generating unit.

The recoverable amounts of the repurchased franchise business is 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 11.2% in the current period (2009: 12.0%).

12. 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 2010, the group contributed 28.0% (2009: 28.0%) 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:

	2010 Rm	2009 Rm
Total assets	58	55
Total liabilities	(18)	(20)
Net assets	40	35
Total revenue	26	31
Net profit for the period	6	12

R21m (2009: R29m) 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.

	2010 Rm	2009 Rm
13. PREPAID EMPLOYMENT COSTS		
Balance at the beginning of the period	37	46
Prepayment arising from share loans granted during the period	–	2
Unwinding of prepayment on loans repaid during the period	(2)	(5)
Current employment costs released to the statement of comprehensive income (included in note 3.5)	(6)	(6)
Balance at the end of the period	29	37

Details of loans granted in terms of the share purchase scheme participants loans are included in note 15.

	2010 Rm	2009 Rm
14. PARTICIPATION IN EXPORT PARTNERSHIPS		
Balance at the beginning of the period	65	66
Payments received relating to the current period	(1)	(1)
Current portion included in trade and other receivables (refer note 18)	(2)	(1)
Notional interest accrued for the period	1	1
Balance at the end of the period	63	65

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.

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 writedown 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 statement of cash flows or the net profit of the group.

Due to the terms and conditions attached 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 note 29.3 for details of the group's credit risk management policies.

	2010 Rm	2009 Rm
15. OTHER LOANS		
Housing and other employee loans	14	9
Balance at the beginning of the period	9	24
Loans granted/(repaid) during the period	4	(16)
Current portion included in trade and other receivables (refer note 18)	–	(1)
Interest accrued for the period (included in note 2)	1	2
Share purchase scheme participant loans and investments	81	116
Balance at the beginning of the period	116	129
Loans repaid during the period	(41)	(19)
Notional interest accrued for the period (included in note 2)	6	6
Other	–	1
	95	126

Housing loans bear interest at prime less 2.0% (2009: prime less 2.0%). 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 10 years.

The fair value of share purchase loans amounted to R81m (2009: R116m) at the reporting date. The fair values are calculated by discounting the future cash flows arising from settlement of the loans over the expected period of repayment using market-related interest rates.

Other loans are not considered to be past due or impaired. The credit risk management policies of the group are discussed in note 29.3.

	2010 Rm	2009 Rm
16. DEFERRED TAX		
The movement in the deferred tax account is as follows:		
Balance at the beginning of the period	165	227
Amount credited/(debited) to profit or loss	47	(52)
Property, plant and equipment	(26)	(10)
Prepayments	7	(7)
Working capital and other provisions	48	(47)
Export partnerships	2	1
Post-retirement medical benefit liability	6	7
Secondary tax on companies	–	(2)
Share-based payments	16	–
Other	(6)	6
Amounts (debited)/credited directly in other comprehensive income		
Financial instrument revaluation reserve adjustment	(14)	20
Amounts credited directly in equity		
Foreign currency translation reserve adjustment	(1)	(8)
Share-based payment reserve	43	–
Amount no longer consolidated due to disposal of controlling interest in subsidiary (refer note 36)	–	(22)
Balance at the end of the period	240	165
Deferred tax liability	(87)	(65)
Deferred tax asset	327	230
Net deferred tax asset	240	165
Comprising:		
Property, plant and equipment	(107)	(81)
Prepayments	(19)	(26)
Working capital and other provisions	284	236
Export partnerships	(63)	(65)
Post-retirement medical benefit liability	82	76
Share-based payments	59	–
Other	4	25
	240	165

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. The deferred tax asset relating to STC credits is calculated using the STC rate.

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

	2010 Rm	2009 Rm
17. INVENTORIES		
Merchandise	1 738	1 749
Provision for shrinkage, obsolescence and markdown of inventory	(73)	(42)
Consumables	4	7
Raw materials	7	9
	1 676	1 723
Inventories carried at net realisable value included above	224	179

	2010 Rm	2009 Rm

18. TRADE AND OTHER RECEIVABLES

	2010 Rm	2009 Rm
Trade and other receivables	795	779
Provision for impairment	(36)	(34)
Trade and other receivables – net	759	745
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the period	34	12
Charge for the period	11	33
Amounts written off	(7)	(11)
Unused amounts reversed	(2)	–
Balance at the end of the period	36	34

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 may 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 the end of the period, the ageing analysis of receivables is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	< 90 days delinquent	90-120 days delinquent	>120 days delinquent
2010					
Trade and other receivables	571	534	37	–	–
2009					
Trade and other receivables	640	543	94	2	1

The ageing analysis above does not include the ageing of non-financial assets included in trade and other receivables. Refer note 29.5 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 note 29.3.

	2010 Assets Rm	2010 Liabilities Rm	2009 Assets Rm	2009 Liabilities Rm
19. DERIVATIVE FINANCIAL INSTRUMENTS				
Interest rate swaps and collars held as hedging instruments – cash flow hedges	–	20	–	16
Forward exchange contracts held as hedging instruments – cash flow hedges	14	13	6	63
Forward exchange contracts – not hedge accounted	4	2	–	79
Inflation swap instruments – not hedge accounted	2	–	–	–
	20	35	6	158
Derivatives mature as follows:				
Within 12 months	19	20	6	142
After 12 months	1	15	–	16
	20	35	6	158

INTEREST RATE SWAPS

The notional principal amount of the outstanding interest rate swap contracts at 27 June 2010 was R1 000m (2009: R1 000m). Gains and losses on calculating the fair value of the interest rate swaps are recognised in other comprehensive income. The swaps are reset every three months. The next reset date is 8 September 2010. 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 27 June 2010 amounts to R1 055m (2009: R1 351m). The related cash flows are expected to occur on the maturity dates of these contracts between one and twelve months. Refer note 29.4. Gains and losses on forward exchange contracts held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income. Gains and losses on remaining contracts not hedge accounted are recognised directly in the statement of comprehensive income. Forward contracts are measured at fair value which is calculated by reference to forward exchange rates for contracts with similar maturity profiles at period end.

INFLATION SWAPS

The notional principal amount of the outstanding inflation swap contracts at 27 June 2010 was R72m (2009: R69m). Gains and losses on the inflation swap contracts are recognised directly in the statement of comprehensive income. The future cash flows on these swap contracts are expected to occur within three years. 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.

	2010 R'000	2009 R'000
20. ORDINARY SHARE CAPITAL		
AUTHORISED		
1 410 600 000 (2009: 1 410 600 000) ordinary shares of 0.15 cents each	2 116	2 116
89 400 000 (2009: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each	134	134
	2 250	2 250
ISSUED		
759 464 119 (2009: 774 731 831) ordinary shares of 0.15 cents each	1 138	1 161
88 267 306 (2009: 88 267 306) unlisted, convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each	132	132
	1 270	1 293
RECONCILIATION OF VALUE OF ORDINARY SHARES IN ISSUE		
Balance at the beginning of the period	1 161	1 193
6 172 402 (2009: 5 595 343) ordinary shares issued in terms of the share incentive scheme	9	8
40 497 604 (2009: nil) ordinary shares issued to Woolworths (Proprietary) Limited	61	–
17 378 892 (2009: 26 384 969) ordinary shares were purchased from the market by subsidiary, E-Com Investments 16 (Proprietary) Limited	(26)	(40)
4 061 222 (2009: nil) ordinary shares were purchased from the market by subsidiary, Woolworths (Proprietary) Limited	(6)	–
40 497 604 (2009: nil) ordinary shares repurchased by subsidiary, Woolworths (Proprietary) Limited	(61)	–
Balance at the end of the period	1 138	1 161

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE

	Number of shares 2010	2009
Balance at the beginning of the period	774 731 831	795 521 457
Shares issued	46 670 006	5 595 343
Shares repurchased by subsidiaries	(61 937 718)	(26 384 969)
Balance at the end of the period	759 464 119	774 731 831

During the period, nil (2009: 86 871 694) shares amounting to Rnil (2009: R891m) were repurchased from subsidiary, E-Com Investments 16 (Proprietary) Limited and cancelled.

17 378 892 (2009: 26 384 969) shares amounting to R323m (2009: R317m) were repurchased from the market by E-Com Investments 16 (Proprietary) Limited and are held as treasury shares by the group.

4 061 222 (2009: nil) shares amounting to R87m (2009: Rnil) were repurchased from the market by Woolworths (Proprietary) Limited and are held as treasury shares by the group.

During the period, 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 note 30.

20. 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 20.0% per annum and expire 10 years after grant date. The options were valued using a binomial model and assumes an option life of 10 years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 5.0% 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 20.0% per annum.

	Number of shares	
	2010	2009
Shares held by participants		
Balance at the beginning of the period	17 897 461	23 168 825
Issued	262 528	1 361 215
Sold	(5 559 111)	(6 410 918)
Transferred to trust stock and shares released from the scheme	(1 027)	(221 661)
Balance at the end of the period	12 599 851	17 897 461
Market value at the end of the period (rands)	318 902 229	230 161 348
Percentage of shares vested	82%	77%
Weighted average issue price (rands)	3.31	7.03
Weighted average market price per share traded (rands)	16.72	10.65
Number of participants on management share scheme	69	85
Options granted to participants		
Balance at the beginning of the period	16 285 863	22 926 841
Granted	–	326 395
Exercised	(6 212 930)	(5 535 130)
Forfeited and expired	(182 861)	(1 432 243)
Balance at the end of the period	9 890 072	16 285 863
Percentage of options vested at the end of the period	77%	66%
Weighted average exercise price of options granted during the period (rands)	–	8.81
Weighted average exercise price of options outstanding at the end of the period (rands)	9.95	9.09
Weighted average market price per share traded (rands)	20.16	11.87
Number of participants on management option scheme	153	195

20. ORDINARY SHARE CAPITAL (CONTINUED)

Period of offer*	Number of share options outstanding 2010	2009	Original exercise price	Current exercise price**	Fair value at grant date***
23 July 1999 and 23 July 2009	–	43 095	3.80	2.83	–
29 September 1999 and 29 September 2009	–	59 860	3.77	2.80	–
21 December 1999 and 21 December 2009	–	81 825	3.84	2.86	–
10 March 2000 and 10 March 2010	–	6 201	3.51	2.53	–
25 April 2000 and 25 April 2010	–	12 405	3.21	2.23	–
25 May 2000 and 1 August 2010	209	184 221	2.70	1.72	–
30 June 2000 and 30 June 2010	6 667	54 069	3.00	2.02	–
27 October 2000 and 1 January 2011	398 291	1 007 584	2.77	1.79	–
1 February 2001 and 1 February 2011	15 601	22 268	2.82	1.84	–
1 March 2001 and 1 March 2011	2 800	41 467	2.82	1.83	–
1 April 2001 and 1 June 2011	140 931	196 107	3.03	2.04	–
1 July 2001 and 1 September 2011	160 850	250 117	3.33	2.34	–
1 October 2001 and 1 October 2011	10 211	14 667	3.59	2.60	–
1 November 2001 and 1 December 2011	50 357	260 965	3.59	2.59	–
1 January 2002 and 1 January 2012	168 496	270 934	3.46	2.46	–
1 April 2002 and 1 May 2012	4 562	50 766	3.43	2.43	–
4 April 2002 and 1 November 2012	67 671	267 596	3.98	2.97	–
20 May 2002 and 20 May 2012	253 032	393 610	3.78	2.77	–
1 August 2002 and 26 August 2012	295 647	618 780	3.98	2.98	–
1 December 2002 and 1 December 2012	–	19 524	4.38	3.36	2.20
1 January 2003 and 1 January 2013	87 459	109 071	4.42	3.39	2.14
1 February 2003 and 1 February 2013	32 657	32 657	4.49	3.46	1.84
12 August 2003 and 22 August 2013	432 698	822 187	5.16	4.10	2.88
22 September 2003 and 22 September 2013	300 347	300 347	5.76	4.66	2.31
1 October 2003 and 1 November 2013	28 612	130 024	6.10	4.98	2.26
1 January 2004 and 1 January 2014	–	9 106	6.43	5.28	2.69
1 January 2004 and 1 January 2014	31 860	31 860	7.28	6.06	2.93
1 February 2004 and 1 February 2014	159 310	159 310	7.25	6.03	2.67
2 March 2004 and 2 March 2014	65 197	159 804	6.84	5.65	2.46
1 April 2004 and 1 April 2014	1 826	47 826	7.33	6.10	2.63
1 June 2004 and 1 June 2014	–	25 426	7.13	5.91	2.71
1 December 2004 and 1 December 2014	727 868	1 089 011	10.59	9.06	3.55
29 March 2005 and 29 March 2015	273 013	198 909	10.18	8.66	3.44
Balance carried forward to page 116	3 716 172	6 971 599			

* 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 has not been determined.

20. ORDINARY SHARE CAPITAL (CONTINUED)

Period of offer*	Number of share options outstanding 2010	2009	Original exercise price	Current exercise price**	Fair value at grant date***
Balance brought forward from page 115	3 716 172	6 971 599			
1 May 2005 and 4 May 2015	292 922	401 536	9.73	8.24	3.15
1 July 2005 and 1 July 2015	254 908	402 631	10.33	8.80	3.30
1 August 2005 and 1 August 2015	63 516	133 987	11.58	9.92	3.73
24 August 2005 and 24 August 2015	533 213	841 709	11.31	9.66	3.66
1 September 2005 and 1 September 2015	140 858	184 238	11.64	9.96	3.67
1 November 2005 and 1 November 2015	261 010	484 787	12.45	10.68	4.11
3 January 2006 and 3 January 2016	52 805	264 025	14.11	12.16	4.43
1 April 2006 and 1 April 2016	116 242	116 242	16.33	14.15	5.16
1 May 2006 and 1 May 2016	54 433	74 716	16.56	14.35	5.27
23 August 2006 and 23 August 2016	1 188 467	1 766 537	13.30	11.42	4.25
1 September 2006 and 1 September 2016	25 665	38 497	13.17	11.31	4.10
1 October 2006 and 1 October 2016	18 476	46 187	13.58	11.68	4.54
4 October 2006 and 4 October 2016	291 758	583 516	13.71	11.80	4.64
1 November 2006 and 1 November 2016	190 453	274 076	15.56	13.46	5.21
14 November 2006 and 14 November 2016	308 027	192 906	15.74	13.61	5.06
1 December 2006 and 1 December 2016	734 652	1 784 652	16.81	14.58	5.23
15 February 2007 and 15 February 2017	413 181	490 708	20.35	17.75	6.57
1 March 2007 and 1 March 2017	350 461	350 461	20.35	17.75	6.47
1 April 2007 and 1 April 2017	31 390	31 390	21.53	18.78	7.07
20 April 2007 and 20 April 2017	22 872	22 872	22.03	19.22	7.09
15 May 2007 and 15 May 2017	207 095	207 095	24.13	21.11	7.08
1 June 2007 and 1 June 2017	295 101	295 101	22.92	20.00	7.17
17 October 2008 and 17 October 2018	326 395	326 395	10.57	8.81	1.59
	9 890 072	16 285 863			

* 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 has not been determined.

20. 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 6.0% 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 8.0% and 10.0% 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 7.3% 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	
	2010	2009
Rights granted to participants		
Balance at the beginning of the period	18 108 112	7 986 544
Granted	9 879 516	11 621 496
Forfeited	(1 911 573)	(1 499 928)
Balance at the end of the period	26 076 055	18 108 112
Cumulative percentage of bonus shares vested at the end of the period	–	–
Weighted average grant price of rights outstanding (rands)	12.38	10.51
Number of participants on share appreciation rights scheme	362	306

Period of offer	Number of rights 2010	Number of rights 2009	Original exercise price	Current exercise price*	Fair value at grant date
16 April 2008 and 16 April 2013	6 296 117	6 990 076	11.95	10.26	2.78
21 August 2008 and 21 August 2013	8 433 995	9 357 353	11.94	10.24	2.42
19 February 2009 and 19 February 2014	1 629 681	1 760 683	12.95	12.95	2.54
21 August 2009 and 27 August 2014	7 793 019	–	15.00	15.00	3.42
18 February 2010 and 18 February 2015	1 409 489	–	19.74	19.74	5.21

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

20. 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 5.0% (2.0% for grants after April 2008) over the three-year period, while 100.0% vesting will occur if real headline earnings growth over the period equals or exceeds 13.0% (10.0% 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 6.4% 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.

	Number of awards 2010	Number of awards 2009
Awards granted to participants		
Balance at the beginning of the period	3 444 033	1 259 425
Granted	1 290 503	2 005 848
Granted due to repricing*	–	257 551
Forfeited	–	(78 791)
Balance at the end of the period	4 734 536	3 444 033
Cumulative percentage of bonus shares vested at the end of the period	–	–
Weighted average grant price of awards outstanding (rands)	12.81	11.99
Number of participants on long-term incentive plan	24	22

Period of offer	Number of awards 2010	Number of awards 2009	Exercise price	Fair value at grant date
16 April 2008 and 16 April 2013	1 178 616	1 467 014	11.95	8.41
21 August 2008 and 21 August 2013	1 482 255	1 810 069	11.94	9.83
19 February 2009 and 19 February 2014	166 950	166 950	12.95	12.00
27 August 2009 and 27 August 2014	1 126 670	–	15.00	19.37

* Additional awards have been granted to take into account the effect of the special dividend paid to the ordinary shareholders in December 2008.

20. ORDINARY SHARE CAPITAL (CONTINUED)

WOOLWORTHS DEFERRED BONUS PLAN

The deferred bonus plan allows selected executives to acquire Woolworths Holdings shares at the ruling market price out of a portion of their declared short-term performance 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.

	Number of shares	
	2010	2009
Bonus shares granted to participants		
Balance at the beginning of the period	172 411	172 411
Granted	152 709	–
Balance at the end of the period	325 120	172 411
Cumulative percentage of bonus shares vested at the end of the period	–	–
Weighted average fair value of awards granted during the period (rands)	15.67	12.50
Weighted average fair value of awards outstanding (rands)	13.96	12.50
Number of participants on deferred bonus plan	5	5

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

20. ORDINARY SHARE CAPITAL (CONTINUED)

RESTRICTED SHARE PLAN

The group operates a restricted share plan, details of which are given in the Remuneration 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 an equity-settled share-based payment. The terms and conditions of the scheme 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 R87m in the current period for the benefit of the participants. The number of equity instruments granted was therefore the cumulative number of instruments purchased until the R87m 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 three grants issued in the current year occurs as follows:

Completed years of service subsequent to the effective date	1 January 2010 and 1 January 2015 percentage vested	19 May 2010 and 19 May 2015 percentage vested	19 May 2010 and 19 May 2013 percentage vested
0-2	–	–	–
3	33%	50%	100%
4	33%	25%	–
5	34%	25%	–

	Number of shares 2010	Number of shares 2009
Shares granted in terms of the restricted share plan		
Balance at the beginning of the period	–	–
Issued	4 046 093	–
Balance at the end of the period	4 046 093	–
Market value at 27 June (rands)	25.20	–
Percentage of shares vested at 27 June	–	–
Weighted average price of shares purchased (rands)	21.45	–
Number of participants	25	–

Period of offer	Number of shares 2010	Number of shares 2009	Exercise price	Fair value at grant date
1 January 2010 and 1 January 2015	1 184 000	–	–	16.89
19 May 2010 and 19 May 2013	550 414	–	–	23.34
19 May 2010 and 19 May 2015	2 311 679	–	–	23.34

20. 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 the Black-Scholes model, assuming a life of eight years. In performing the valuation, the cost of the distribution stream attached to the scheme will be 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%, 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	
	2010	2009
Shares held by participants		
Balance at the beginning of the period	88 267 306	88 267 306
Issued	–	–
Forfeited	–	–
Early conversions	–	–
Balance at the end of the period	88 267 306	88 267 306
Percentage of shares vested at the end of the period	–	–
Weighted average fair value of instruments (rands)	2.76	2.76
Number of participants on share scheme	8 706	9 744

Vesting occurs over an eight-year period as follows:

Completed years of service subsequent to the effective date	Adjustment percentage
0-2	–
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 in the remuneration report on pages 68 to 71 .

	2010 Rm	2009 Rm
21. SHARE PREMIUM		
Balance at the beginning of the period	142	116
Share issues in terms of the share incentive scheme	47	26
Share issues to Woolworths (Proprietary) Limited	619	–
Distribution to shareholders	(747)	–
Balance at the end of the period	61	142

	2010 Rm	2009 Rm
22. RESERVES		
NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	218	207
DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the period	203	133
Share-based payments arising from the group's share incentive schemes	149	70
Shares	5	–
Share options and other	33	23
Black Economic Empowerment preference shares	68	47
Deferred tax on share-based payments credited directly in equity	43	–
Balance at the end of the period	352	203
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative instruments	(10)	(45)
Retained profit	4 079	2 834
Company	434	95
Arising on consolidation of subsidiaries	3 645	2 739
	4 421	2 992

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 note 20 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 or loss made by the group after deducting distributions to shareholders and other utilisations of the reserve.

	2010 Rm	2009 Rm
23. INTEREST-BEARING BORROWINGS		
NON-CURRENT – UNSECURED		
Floating rate loan maturing on 30 November 2010 – Jibar plus 1.65%	–	1 000
Floating rate loan maturing on 6 December 2012 – prime less 3.5%	500	500
Finance lease liabilities (refer note 35)	21	32
	521	1 532
CURRENT – UNSECURED		
Floating rate loan maturing on 30 November 2010 – Jibar plus 1.65%	1 000	–
Floating rate loan maturing on 19 July 2010 – 5.66%	20	–
Finance lease liabilities (refer note 35)	14	15
	1 034	15

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost which approximates fair value. Refer note 29.2.

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 period.

The finance lease liabilities are measured at amortised cost at an average effective rate of 20.8% (2009: 20.5%). Maturity period varies between one and five years (refer note 35). 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 R24m (2009: R38m) at the end of the period.

Refer to the group's liquidity risk management policies in note 29.4.

	2010 Rm	2009 Rm
24. TRADE AND OTHER PAYABLES		
Non-current		
Operating lease accrual	447	457
	447	457
Current		
Trade payables	1 345	1 584
Other payables	1 250	783
Operating lease accrual	13	6
	2 608	2 373

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.

25. 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 Pension Funds 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.

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 R186m (2009: R168m).

Woolworths subsidises a portion of the medical benefit contributions of retired employees. The group values its accrued and future liability in respect of post-retirement medical benefit 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 (2009: 10.7%). The discount rate used to value the liability at 27 June 2010 is 9.1% (2009: 9.0%) per annum.

At 27 June 2010, the accrued liability amounted to R292m (2009: R272m) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the group's in-house medical benefit 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 Wooltru Healthcare Fund determined in terms of IAS 19 is as follows:

	2010 Rm	2009 Rm
Funding liability	294	262
Funding deficit	294	262
Unrecognised actuarial gain	(2)	10
Net obligation	292	272
Reconciliation:		
Net obligation at the beginning of the period	272	251
Net movement charged to employment cost in the statement of comprehensive income (refer note 3.5)	30	33
Current service cost	6	7
Interest on obligation	24	26
Expected return on assets	–	–
Contribution paid	(10)	(8)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries*	–	(4)
Net obligation at the end of the period	292	272
Funding liability at the beginning of the period	262	247
Interest cost	24	27
Current service cost	6	7
Contributions	(10)	(10)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries*	–	(4)
Actuarial loss/(gain)	12	(5)
Funding liability at the end of the period	294	262
Fair value of plan assets at the beginning of the period	–	1
Expected returns	–	–
Contributions	–	(1)
Actuarial loss	–	–
	–	–

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm

25. RETIREMENT BENEFIT INFORMATION (CONTINUED)

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
Funding liability	294	262	247	230	202
Fair value of assets	–	–	1	9	13
Funding deficit	294	262	246	221	189
Actuarial loss/(gain) on funding liability	13	(5)	1	8	(9)
Actuarial (loss)/gain on plan assets	–	–	(1)	2	3

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

2010

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

2009

Medical inflation assumption	7.5%	6.5%	8.5%
Service cost for the period ended June 2009	7	5	8
Interest cost for the period ended June 2009	27	23	31
Medical inflation assumption	7.5%	6.5%	8.5%
Accrued liability at June 2009	262	226	305

The group anticipates making contributions amounting to R12m in the next financial period.

* From 1 October 2008, due to the disposal of the controlling interest in WFS, the net post-retirement medical benefits liability for WFS is no longer included in the group obligation. The obligation relating to the employees of WFS is for the account of the joint venture.

26. PROVISIONS

	Leave pay Rm	Provision for onerous lease commitments Rm	Employee benefits Rm	Other Rm	Total 2010 Rm	Total 2009 Rm
Balance at the beginning of the period	140	34	76	–	250	213
Raised	48	12	14	34	108	110
Released	–	(3)	–	–	(3)	(3)
Utilised	(30)	(9)	(68)	–	(107)	(67)
Amount no longer consolidated due to the disposal of controlling interest in subsidiaries (refer note 36)	–	–	–	–	–	(3)
Balance at the end of the period	158	34	22	34	248	250

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 period. 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 consists 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.

	2010 Rm	2009 Rm
27. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure not accrued at the reporting date		
Contracted for	183	144
Not contracted for	603	480
	786	624

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

28. CONTINGENT LIABILITIES

Various group companies are parties to legal disputes and investigations which arise in the ordinary course of business. Whilst the outcome of some of these matters cannot readily be foreseen, the directors do not expect the outcomes to have a material financial effect.

29. 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.

29.1 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 at 27 June 2010 are summarised below. These amounts represent the net rand equivalent of group commitments to purchase and sell foreign currencies.

2010	Contract foreign currency amount	Rand equivalent Rm	Average rate R	Fair-value adjustment Rm
Forward exchange contract				
US dollar	128	1 003	7.81	5
British pound	2	27	11.52	–
Euro	2	26	10.73	(3)
		1 056		2
2009				
Forward exchange contract				
US dollar	145	1 311	9.02	(135)
British pound	2	23	13.43	–
Euro	1	16	11.83	(1)
		1 350		(136)

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

Transactional foreign exchange risk (continued)

At 27 June 2010, the group held 305 (2009: 256) forward exchange contracts designated as hedges of expected future purchases from suppliers outside South Africa for which the group has firm commitments. Of these, 92 (2009: 126) are designated cash flow hedges in an effective hedging relationship.

The cash flow hedges resulted in a net unrealised gain of R1m (2009: gain of R56m) with a related deferred tax asset/(liability) of R0.3m (2009: liability R17m) which was included in other comprehensive income in respect of these contracts.

The remaining 213 (2009: 130) forward exchange contracts are not designated as cash flow hedges. During the period, a gain amounting to R2m (2009: loss of R79m) was recognised in the statement of comprehensive income in respect of these forward exchange contracts.

The following exchange rates applied during the period:

	Average rate		Closing rate	
	2010	2009	2010	2009
US dollar/R	7.61	9.05	7.60	7.90
Australian dollar/R	6.71	6.67	6.63	6.42

A reasonably possible change in the group's material transactional foreign currencies, with all other variables being equal, will increase or decrease the profit before tax and equity of the group.

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.

US dollar	Movement in foreign exchange rate	Decrease/ (increase) on profit before tax Rm	Decrease/ (increase) on equity Rm
2010			
Foreign creditors	+5%	4	3
	-5%	(4)	(4)
Forward exchange contracts	+5%	(3)	(28)
	-5%	3	31
2009			
Foreign creditors	+10%	11	(8)
	-10%	(10)	7
Forward exchange contracts	+10%	(46)	(101)
	-10%	46	89

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

Transactional foreign exchange risk (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.

	2010 Rm	2009 Rm
The group has unhedged interests in foreign subsidiaries of:		
US dollar	473	434
Euro	(500)	(532)
Australian dollar	209	12

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
2010		
US dollar	+5%	(24)
	-5%	24
Euro	+5%	25
	-5%	(25)
Australian dollar	+5%	(1)
	-5%	1
2009		
US dollar	+10%	(43)
	-10%	43
Euro	+10%	53
	-10%	(53)
Australian dollar	+10%	(1)
	-10%	1

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

Transactional 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 note 33.5.

	2010 Rm	2009 Rm
Foreign cash balances are concentrated in the following major currencies:		
US dollar	12	13
Australian dollar	71	166
	83	179

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.

	Movement in foreign exchange rate	Decrease/ (increase) in other compre-hensive income Rm
2010		
US dollar	+5%	(1)
	-5%	1
Australian dollar	+5%	(4)
	-5%	4
2009		
US dollar	+10%	(1)
	-10%	1
Australian dollar	+10%	(17)
	-10%	17

29.2 INTEREST RATE MANAGEMENT

The group's interest rate risk arises from interest-bearing borrowings, cash and cash equivalents, and prior to the transaction mentioned in note 36, financial service assets.

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 period-end cash balances.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.2 INTEREST RATE MANAGEMENT (CONTINUED)

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 3-month Jibar, with all other variables held constant. At the reporting date, 3-month Jibar is 6.6% (2009: 7.6%).

	Movement in basis points	Decrease/ (increase) on profit before tax Rm	Decrease/ (increase) in other compre-hensive income Rm
2010			
Floating rate loans	+50	5	4
	-50	(5)	(4)
Interest rate derivatives	+50	–	(3)
	-50	–	3
2009			
Floating rate loans	+50	–	–
	-100	(1)	(1)
Interest rate derivatives	+50	–	(6)
	-100	–	11

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.

2010			
Other floating rate loans	+50	3	2
	-50	(3)	(2)
Cash and cash equivalents	+50	14	10
	-50	(14)	(10)
2009			
Other floating rate loans	+50	–	–
	-100	(1)	–
Cash and cash equivalents	+50	(12)	(9)
	-100	24	17

As at the reporting date, the prime interest rate is 10.0% (2009: 11.0%).

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.2 INTEREST RATE MANAGEMENT (CONTINUED)

The interest rate pricing profile at 27 June 2010 is summarised as follows:

	Rm	2010 Effective interest rate %	Rm	2009 Effective interest rate %
Local interest-bearing borrowings				
Floating rate	1 500	8.1	1 500	12.1
% of total borrowings	98.7		100.0	
Foreign interest-bearing borrowings	20		–	
Floating rate loan maturing on 19 July 2010 – 5.7%	1.3%		–	

The fair values of the financial instruments at 27 June 2010 are included in note 19. These fair values are supported by observable current market transactions in similar instruments.

The interest rate swaps and collars are designated as cash flow hedges. These hedges were assessed to be highly effective resulting in a net unrealised loss of R20m (2009: loss of R15m) being recognised in equity. The related deferred tax charged to equity amounted to R6m (2009: R4m).

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

	On demand Rm	< 3 months Rm	3-12 months Rm	1-5 years Rm	> 5 years Rm
2010					
Floating rate					
Loan bearing interest at 3-month Jibar plus 1.7%	–	–	1 000	–	–
Loan bearing interest at prime less 3.5%	–	–	–	500	–
Floating rate loan maturing on 19 July 2010 – 5.7%	–	20	–	–	–
Interest rate swaps and collars	–	–	5	15	–
2009					
Floating rate					
Loan bearing interest at 3-month Jibar plus 1.7%	–	–	–	1 000	–
Loan bearing interest at prime less 3.5%	–	–	–	500	–
Interest rate swaps and collars	–	–	–	15	–

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.3 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 note 29.5.

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:

		2010		2009
	Rating	Rm	Rating	Rm
FINANCIAL ASSETS				
Participation in export partnerships	High grade	63	High grade	65
Other loans	High grade	95	High grade	126
Cash and cash equivalents	High grade	2 917	High grade	2 391
Derivative financial instruments	High grade	20	High grade	6
Trade and other receivables	High grade	534	High grade	543

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.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.4 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.

	2010 Rm	2009 Rm
Banking facilities		
Total banking facilities	2 463	3 477
Less: Drawn down portion	(20)	–
Total undrawn banking facilities	2 443	3 477

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.

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

	On demand Rm	< 3 months Rm	3-12 months Rm	1-5 years Rm	> 5 years Rm
2010					
Interest-bearing borrowings	–	20	1014	521	–
Forward exchange contracts	–	20	–	15	–
Trade and other payables	–	2 418	–	–	–
2009					
Interest-bearing borrowings	–	–	16	1 532	–
Forward exchange contracts	–	50	92	–	–
Trade and other payables	–	2 266	–	–	–

BORROWING CAPACITY

In terms of the company's Articles of Association, there is no limit on the group's authority to raise interest-bearing debt.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.5 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables Rm	Financial assets at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial assets Rm	Total Rm
2010					
Assets as per statement of financial position					
Participation in export partnerships	63	–	–	–	63
Other loans	95	–	–	–	95
Trade and other receivables	571	–	–	188	759
Derivative financial instruments	–	–	20	–	20
Cash	2 917	–	–	–	2 917
Total	3 646	–	20	188	3 854

	Financial liabilities at amortised cost Rm	Financial liabilities at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial liabilities Rm	Total Rm
Liabilities as per statement of financial position					
Interest-bearing borrowings	1 555	–	–	–	1 555
Trade and other payables	2 418	–	–	190	2 608
Derivative financial instruments	–	–	35	–	35
Total	3 973	–	35	190	4 198

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.5 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

	Loans and receivables Rm	Financial assets at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial assets Rm	Total Rm
2009					
Assets as per statement of financial position					
Participation in export partnerships	65	–	–	–	65
Other loans	126	–	–	–	126
Trade and other receivables	640	–	–	105	745
Derivative financial instruments	–	–	6	–	6
Cash	2 391	–	–	–	2 391
Total	3 222	–	6	105	3 333

	Financial liabilities at amortised cost Rm	Financial liabilities at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial liabilities Rm	Total Rm
Liabilities as per statement of financial position					
Interest-bearing borrowings	1 547	–	–	–	1 547
Trade and other payables	2 266	–	–	107	2 373
Derivative financial instruments	–	79	78	–	157
Total	3 813	79	78	107	4 077

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Fair value movement Rm	Investment income Rm	Interest expense Rm	Impairment loss Rm	Total Rm
2010					
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
Total	56	175	151	(4)	378
2009					
Loans and receivables	–	184	–	(22)	162
Financial liabilities at amortised cost	–	–	281	–	281
Financial instruments at fair value through profit or loss	(79)	–	–	–	(79)
Derivatives used as hedging instruments	(71)	–	–	–	(71)
Total	(150)	184	281	(22)	293

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

The R380m gain in the prior period on disposal of a controlling interest in WFS (refer note 36) includes the profit or loss on disposal of financial instruments. The group has not allocated any amount to this note.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29.7 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 assets or liabilities 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 2010 Rm	Carrying amount 2009 Rm	Fair value 2010 Rm	Fair value 2009 Rm
Financial assets						
Participation in export partnerships	(note 14)		63	65	63	65
Other loans	(note 15)		95	126	95	126
Trade and other receivables	(note 18)		571	640	571	640
Derivative financial instruments	(note 19)		20	6	20	6
Forward exchange contracts		Level 2	18	6	18	6
Inflation swap instruments-not hedge accounted		Level 2	2	–	2	–
Cash	(note 33)		2 917	2 391	2 917	2 391
Financial liabilities						
Interest-bearing borrowings	(note 23)		1 555	1 547	1 544	1 538
Trade and other payables	(note 24)		2 418	2 266	2 418	2 266
Derivative financial instruments	(note 19)		35	157	35	157
Forward exchange contracts		Level 2	20	142	20	142
Interest rate swaps and collars		Level 2	15	15	15	15

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

30. MANAGEMENT OF CAPITAL

Prior to the disposal of a controlling interest in WFS, the group's strategy was to maintain a debt ratio of between 80.0% and 85.0% for the financial services segment.

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

The group considers share capital (refer note 20), share premium (refer note 21), non-distributable and distributable reserves (refer note 22) 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; and
- 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.

	2010	2009
Return on equity	39.4%	26.3%

The group ensures that it complies with the liquidity and solvency requirements for any share repurchase or dividend payment per 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.

31. COMPARATIVE FIGURES

RECLASSIFICATIONS OF COMPARATIVE FIGURES

Investment income has been separately disclosed from other revenue and is excluded from operating profit.

This reclassification had no impact on reported results.

	2010 Rm	2009 Rm
32. DISTRIBUTIONS TO SHAREHOLDERS		
ORDINARY SHAREHOLDERS:		
Distribution no. 22 of 49.5 cents per share was declared on 20 August 2008 and paid on 15 September 2008	–	437
Less: Distribution received on treasury shares	–	(43)
Distribution no. 23 of 94.0 cents per share was declared on 19 November 2008 and paid on 15 December 2008	–	832
Less: Distribution received on treasury shares	–	(82)
Distribution no. 24 of 31.5 cents per share was declared on 19 February 2009 and paid on 16 March 2009	–	252
Less: Distribution received on treasury shares	–	(5)
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)	–
PREFERENCE SHAREHOLDERS:		
Distribution no. 3 of 7.9 cents per share was declared on 20 August 2008 and paid on 15 September 2008	–	7
Less: Distribution accruing to the holding company	–	(2)
Distribution no. 4 of 5.0 cents per share was declared on 19 February 2009 and paid on 16 March 2009	–	4
Less: Distribution accruing to the holding company	–	(1)
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)	–
Total net distributions paid	718	1 399

Distribution no. 27 of 67.0 cents per share was declared to ordinary shareholders on 25 August 2010.

Distribution no. 7 of 22.1 cents per share was declared to preference shareholders on 25 August 2010.

	2010 Rm	2009 Rm
33. CASH FLOW INFORMATION		
33.1 CASH FLOW FROM TRADING		
Profit before exceptional item	1 759	1 426
Earnings from associate	(6)	(12)
Earnings from joint ventures	(75)	(58)
Depreciation and amortisation	442	401
Interest paid	151	281
Interest received	(175)	(557)
Loss on sale of property, plant and equipment	24	4
Movement in working capital and other provisions	26	27
Post-retirement medical benefit provision	30	25
Prepaid employment cost	6	6
Share-based payments	106	70
Operating lease accrual	(3)	4
Unrealised foreign exchange (profits)/losses	(65)	35
Net inflow from trading	2 220	1 652
33.2 WORKING CAPITAL MOVEMENTS		
Inventories	24	(361)
Trade and other receivables	26	(216)
Trade and other payables	165	644
Net inflow	215	67
33.3 TAX PAID		
Normal and foreign tax		
Amounts (owing)/receivable at the beginning of the period	(107)	47
Amounts charged to statement of comprehensive income	(538)	(356)
Foreign currency translation reserve	(1)	4
Amount no longer consolidated due to disposal of controlling interest in subsidiary (refer note 36)	–	(34)
Amounts owing at the end of the period	279	107
Cash amounts paid	(367)	(232)
Secondary tax on companies		
Amounts charged to statement of comprehensive income	–	(138)
Total tax paid	(367)	(370)
33.4 DISTRIBUTION PAID TO SHAREHOLDERS		
Normal distribution to shareholders	(725)	(655)
Special dividend to shareholders	–	(750)
Amounts charged to statement of changes in equity and paid	(725)	(1 405)
33.5 CASH AND CASH EQUIVALENTS		
Cash		
Interest earning		
Local – variable at interest rates of 4.0% to 5.0% (2009: 2.0% to 9.5%)	352	160
Local – dividend account at an interest rate of 4.0% to 5.0% (2009: 2.0% to 9.5%)	41	39
Foreign – variable at interest rates of 0.1% to 0.2% (2009: 0.1% to 6.8%) Refer note 29.1.	83	179
Short-term interest-bearing deposits – variable at interest rates of 6.3% to 9.8% (2009: 7.0% to 7.3%) maturing between 1 to 3 months	2 441	2 013
Cash and cash equivalents	2 917	2 391

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

34. OPERATING LEASES

The group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between one 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.

	2010 Rm	2009 Rm
34.1 Operating lease commitments		
Land and buildings:		
2010/11	1 034	930
2011/12 to 2014/15	3 078	3 426
Thereafter	2 040	1 580
34.2 Future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as principal lessor at the end of the period		
Land and buildings:		
2010/11	21	25
2011/12 to 2014/15	47	57
Thereafter	23	11
34.3 Future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as sub-lessor at the end of the period		
Land and buildings:		
2010/11	21	18
2011/12 to 2014/15	18	30
Thereafter	1	2
	40	50

The operating lease accrual of R460m (2009: R463m) represents the difference between the cash flow impact and statement of comprehensive income impact of the above leases (refer note 24).

Contingent rent payable is calculated based on turnover level. The amount recognised in the statement of comprehensive income was R80m (2009: R62m).

The total minimum lease payments recognised in the statement of comprehensive income during the period amounts to R1 054m (2009: R969m).

The total minimum lease payments received during the period amount to R46m (2009: R53m).

35. FINANCE LEASES

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

	2010		2009	
	Minimum payments Rm	Present value of payments Rm	Minimum payments Rm	Present value of payments Rm
Within one year	17	14	17	15
Between one and five years	23	21	32	32
Total minimum lease payments	40	35	49	47
Less amounts representing finance charges	(5)	–	(2)	–
Present value of minimum lease payments	35	35	47	47

36. DISPOSAL GROUP

On 1 October 2008, Woolworths Financial Services (Proprietary) Limited issued shares to Absa Bank Limited to the value of R875m resulting in the dilution of the group's shareholding to 50% less one share and a net profit on disposal of a controlling interest, of R380m.

The carrying value of assets and liabilities of WFS at the transaction date were as follows:

	2010 Rm	2009 Rm
Loans to customers	–	1 008
Woolworths card debtors	–	3 461
Credit card receivables	–	950
Property, plant and equipment	–	8
Intangible assets	–	3
Cash	–	535
Other receivables and deferred tax	–	185
Assets	–	6 150
Interest-bearing borrowings	–	(2 179)
Other payables, deferred tax and provisions	–	(3 019)
Liabilities	–	(5 198)
Net asset value on disposal of controlling interest	–	952
The net profit on disposal is as follows:		
Proceeds	–	875
Additional consideration received	–	29
Net asset value of WFS disposed	–	(476)
	–	428
Costs incurred on disposal of interest in WFS	–	(48)
Net profit on disposal of controlling interest	–	380

The difference between the net asset value at disposal and net assets classified as held for sale is mainly due to the intercompany loan amount having been settled by the joint venture partner.

37. INVESTMENT IN JOINT VENTURES

The group has the following interest in joint ventures:

Name of the joint venture	% interest held	Nature of business
Woolworths Financial Services (Proprietary) Limited	50.0%	The company provides financial services to Woolworths customers.
Nedglen Property Development (Proprietary) Limited	30.0%	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:

	2010 Rm	2009 Rm
Assets		
Current assets	2 866	3 065
Non-current assets	77	63
	2 943	3 128
Liabilities		
Current liabilities	(71)	(171)
Non-current liabilities	(2 298)	(2 423)
	(2 369)	(2 594)
Net asset value	574	534
Income	801	670
Expenses	(726)	(612)
Profit after tax	75	58
Share of the capital commitment of the joint ventures are as follows:		
Woolworths Financial Services (Proprietary) Limited	–	16
Nedglen Property Development (Proprietary) Limited	–	–

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

38. EVENTS AFTER THE REPORTING DATE

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

39. SEGMENTAL INFORMATION

39.1 SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

			2010 SA Retail					
	Total Rm	Intra-group Rm	Clothing and General Merchan-dise Rm	Food Rm	Logistics Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
OPERATING RESULTS								
Revenue	23 663	(43)	8 274	12 292	417	2 548	175	–
Turnover	23 393	–	8 253	12 227	417	2 496	–	–
Cost of sales	15 735	(77)	4 943	9 389	417	1 063	–	–
Abnormal foreign exchange related gain*	79	–	79	–	–	–	–	–
Gross profit	7 737	77	3 389	2 838	–	1 433	–	–
Other revenue	95	(43)	21	65	–	52	–	–
Expenses	6 178	34	2 321	2 461	–	1 362	–	–
Abnormal foreign exchange related loss*	–	–	–	–	–	–	–	–
Segmental operating profit	1 654	–	1 089	442	–	123	–	–
Investment income	175	–	–	–	–	–	175	–
Interest paid	(151)	–	–	–	–	(4)	(147)	–
Woolworths Financial Services joint venture	75	–	–	–	–	–	–	75
Earnings from associate and property joint venture	6	–	3	3	–	–	–	–
Profit before tax and exceptional item	1 759	–	1 092	445	–	119	28	75
Return on equity	39.4%							

The group's revenues from external customers for each product and service segment is disclosed in note 2. The costs 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 and is not South African results.

* An unrealised foreign exchange loss relating to the SA Retail segment of R79m (R57m after tax) on the marking-to-market of foreign exchange contracts was incurred at 28 June 2009. A subsequent gain of R79m (R57m after tax) is included in gross profit in the current period.

2009							
		SA Retail					
Total Rm	Intra-group Rm	Clothing and General Merchan-dise Rm	Food Rm	Logistics Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
21 922	(20)	7 461	11 184	387	2 252	184	474
21 175	–	7 423	11 126	387	2 235	–	4
14 501	(69)	4 692	8 616	387	875	–	–
–	–	–	–	–	–	–	–
6 674	69	2 731	2 510	–	1 360	–	4
563	(20)	38	58	–	17	–	470
5 705	49	1 996	2 167	–	1 237	–	256
79	–	79	–	–	–	–	–
1 453	–	694	401	–	140	–	218
184	–	–	–	–	–	184	–
(281)	–	–	–	–	(1)	(134)	(146)
57	–	–	–	–	–	–	57
13	–	7	6	–	–	–	–
1 426	–	701	407	–	139	50	129
26.3%							

39. SEGMENTAL INFORMATION (CONTINUED)

39.1 SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN (CONTINUED)

			2010 Retail			
	Total Rm	Intragroup Rm	SA Retail Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
STATEMENTS OF FINANCIAL POSITION						
Property, plant and equipment, investment property, intangible assets and loans	2 691	–	2 317	374	–	–
Inventories	1 676	–	1 416	260	–	–
Trade and other receivables and derivative financial assets	779	–	707	72	–	–
Cash	2 917	–	459	16	2 442	–
Segment assets	8 063	–	4 899	722	2 442	–
Investment in joint ventures	574	–	1	–	–	573
Investment in associate	40	–	40	–	–	–
Tax and deferred tax assets	333	–	267	66	–	–
Total assets	9 010	–	5 207	788	2 442	573
Trade and other payables and provisions	3 630	–	3 355	275	–	–
Borrowings	1 555	–	35	20	1 500	–
Segment liabilities	5 185	–	3 390	295	1 500	–
Tax and deferred tax liabilities	372	–	366	6	–	–
Total liabilities	5 557	–	3 756	301	1 500	–
Debt ratio	17.3%					
Depreciation	442	–	366	76	–	–
Share-based payment expense	106	–	–	–	–	–
Capital expenditure – gross additions	607	–	460	147	–	–
Capital commitments	786	–	652	134	–	–
Shareholding			100.0%	87.9%		50.0%

	2009					
		Retail				
Total Rm	Intragroup Rm	SA Retail Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
2 637	–	2 333	304	–	–
1 723	–	1 474	249	–	–
751	–	715	36	–	–
2 391	–	213	165	2 013	–
7 502	–	4 735	754	2 013	–
534	–	1	–	–	533
35	–	35	–	–	–
234	–	152	82	–	–
8 305	–	4 923	836	2 013	533
3 557	–	3 183	374	–	–
1 500	–	–	–	1 500	–
5 057	–	3 183	374	1 500	–
176	–	122	54	–	–
5 233	–	3 305	428	1 500	–
18.1%					
401	–	343	57	–	1
70	–	–	–	–	–
754	–	611	143	–	–
624	–	473	151	–	–
		100.0%	87.9%		50.0%

39. SEGMENTAL INFORMATION (CONTINUED)

39.2 SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

	2010							
			SA Retail					
	Total Rm	Intra-group Rm	Clothing and general merchandise Rm	Food Rm	Logistics Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
Revenue								
South Africa	20 831	(43)	8 062	12 220	417	–	175	–
BLNS*	204	–	143	61	–	–	–	–
Rest of Africa & Middle East	80	–	69	11	–	–	–	–
Australasia	2 548	–	–	–	–	2 548	–	–
	23 663	(43)	8 274	12 292	417	2 548	175	–
Turnover – based on location of end user/customers								
South Africa	20 613	–	8 041	12 155	417	–	–	–
BLNS*	204	–	143	61	–	–	–	–
Rest of Africa & Middle East	80	–	69	11	–	–	–	–
Australasia	2 496	–	–	–	–	2 496	–	–
	23 393	–	8 253	12 227	417	2 496	–	–

	Total Rm	Intra-group Rm	SA Retail Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
Total assets – based on location of assets						
South Africa	7 955	–	4 940	–	2 442	573
Australasia	722	–	–	722	–	–
		–	4 940	722	2 442	573
Tax and deferred tax assets	333					
	9 010					
Capital expenditure (gross) – based on location of assets						
South Africa	460	–	460	–	–	–
Australasia	147	–	–	147	–	–
	607	–	460	147	–	–

* Botswana, Lesotho, Namibia and Swaziland

		2009 SA Retail					
Total Rm	Intra-group Rm	Clothing and general merchandise Rm	Food Rm	Logistics Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
19 381	(20)	7 241	11 115	387	–	184	474
195	–	138	57	–	–	–	–
94	–	82	12	–	–	–	–
2 252	–	–	–	–	2 252	–	–
21 922	(20)	7 461	11 184	387	2 252	184	474
18 651	–	7 203	11 057	387	–	–	4
195	–	138	57	–	–	–	–
94	–	82	12	–	–	–	–
2 235	–	–	–	–	2 235	–	–
21 175	–	7 423	11 126	387	2 235	–	4

Total Rm	Intra-group Rm	SA Retail Rm	Country Road Rm	Treasury Rm	Woolworths Financial Services Rm
7 317	–	4 771	–	2 013	533
754	–	–	754	–	–
	–	4 771	754	2 013	533
234					
8 305					
610	–	610	–	–	–
143	–	–	143	–	–
753	–	610	143	–	–

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks to 27 June 2010 Rm	52 weeks to 28 June 2009 Rm
Revenue	2	44	2 724
Expenses		3	2
Other operating cost		3	2
Profit before exceptional items	3	41	2 722
Exceptional items	4	318	(318)
Profit before tax		359	2 404
Tax	5	1	139
Profit for the period		358	2 265
Total comprehensive income for the period		358	2 265
Profit attibutable to:			
Shareholders of the parent		358	2 265
Total comprehensive income attributable to:			
Shareholders of the parent		358	2 265

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	at 27 June 2010 Rm	at 28 June 2009 Rm
ASSETS			
Non-current assets		779	451
Interest in subsidiaries	8	754	424
Participation in export partnerships	9	25	27
Current assets		161	161
Trade and other receivables	11	1	–
Tax		–	3
Amounts owing by subsidiaries	8	119	118
Cash	19.5	41	40
Total assets		940	612
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		496	238
Share capital	12	1	1
Share premium	13	61	142
Preference share capital	12	–	–
Retained profit		434	95
Total shareholders' interest		496	238
Non-current liabilities		25	27
Deferred tax	10	25	27
Current liabilities		419	347
Trade and other payables	14	5	3
Tax		1	–
Amounts owing to subsidiaries	8	413	344
Total equity and liabilities		940	612

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital Rm	Share premium Rm	Preference share capital Rm	Retained profit Rm	Total Equity Rm
Shareholders' interest at the beginning of the period		1	116	–	195	312
Total comprehensive income for the period		–	–	–	2 265	2 265
Issue of ordinary shares	12 & 13	–	26	–	–	26
Repurchase of shares	12 & 13	–	–	–	(829)	(829)
Share repurchase costs		–	–	–	(4)	(4)
Distributions paid to shareholders	19.4	–	–	–	(1 532)	(1 532)
Shareholders' interest at 28 June 2009		**1**	**142**	**–**	**95**	**238**
Total comprehensive income for the period		–	–	–	358	358
Issue of ordinary shares	12 & 13	–	666	–	–	666
Distributions paid to shareholders	19.4	–	(747)	–	(19)	(766)
Shareholders' interest at 27 June 2010		**1**	**61**	**–**	**434**	**496**

COMPANY STATEMENT OF CASH FLOWS

	Note	52 weeks to 27 June 2010 Rm	52 weeks to 28 June 2009 Rm
Cash flow from operating activities			
Cash inflow/(outflow) from trading	19.1	10	(2)
Working capital movements	19.2	1	4
Cash generated by operating activities		11	2
Interest received		2	2
Tax refund/(paid)	19.3	1	(152)
Cash generated by/(utilised in) operations		14	(148)
Dividends received		29	2 721
Distributions paid to shareholders	19.4	(766)	(701)
Net cash (outflow)/inflow from operating activities		(723)	1 872
Cash flow from investing activities			
Repayment of loans by subsidiaries		57	130
Investment in subsidiary	8	–	(340)
Participation in export partnerships		1	1
Net cash inflow/(outflow) from investing activities		58	(209)
Cash flow from financing activities			
Shares issued		666	26
Repurchase of shares		–	(829)
Special dividend to shareholders	19.4	–	(832)
Share repurchase costs		–	(4)
Net cash inflow/(outflow) from financing activities		666	(1 639)
Increase in cash and cash equivalents		1	24
Net cash and cash equivalents at the beginning of the period		40	16
Net cash and cash equivalents at the end of the period	19.5	41	40

	2010 Rm	2009 Rm
2. REVENUE		
Interest received	15	3
Dividends received	29	2 721
	44	2 724

3. PROFIT BEFORE EXCEPTIONAL ITEMS INCLUDES:		
3.1 AUDITORS' REMUNERATION:		
Audit fee	3	2
current period	3	2

4. EXCEPTIONAL ITEMS

2010	Rm
Reversal of impairment of investment in:	
E-Com Investments 16 (Proprietary) Limited	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 period end.

2009	Rm
Impairment of investment in:	
E-Com Investments 16 (Proprietary) Limited	(318)

The provision for impairment against the company's investment in E-Com Investments 16 (Proprietary) Limited is based on an assessment of fair value of the underlying net assets at the period end.

	2010 Rm	2009 Rm
5. TAX		
Current period		
South Africa		
Normal tax	3	2
Deferred tax relating to the origination and reversal of temporary differences (note 10)	(2)	(1)
Secondary tax on companies	–	138
	1	139

	2010 %	2009 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Exempt income	(2.2)	(31.7)
Secondary tax on companies	–	5.8
Effective rate before exceptional items	25.8	2.1
Exceptional items	(25.8)	3.7
Effective tax rate	–	5.8

6. DIRECTORS' EMOLUMENTS

Emoluments paid to directors of Woolworths Holdings Limited in connection with the carrying on of the affairs of the company and its subsidiaries:

	2010 Rm	2009 Rm
Executive directors:		
Fees	1	–
Remuneration	12	11
Retirement, medical, accident and death benefits	2	2
Performance bonus	23	4
Sign on bonus	8	–
Loss of office and retention payments	10	–
Other benefits	1	–
Interest-free loan benefit	5	8
	62	25
Non-executive directors:		
Fees	4	3
	4	3
	66	28

Directors' emoluments are paid by Woolworths (Proprietary) Limited and Country Road Limited.

Details of the directors' emoluments are provided in the corporate governance report on pages 65 to 67.

7. RELATED PARTY TRANSACTIONS

The nature of transactions between the company and subsidiaries of the group mainly comprise dividend received.

The following related party transactions occurred during the period:

	2010 Rm	2009 Rm
WOOLWORTHS HOLDINGS LIMITED		
Dividend received from subsidiary companies:		
Woolworths (Proprietary) Limited	19	1 664
Woolworths Employee Share Ownership Trust	10	2
E-Com Investments 16 (Proprietary) Limited	–	957
Woolworths International Holdings Limited	–	98
	29	2 721
Interest received from subsidiary companies:		
E-Com Investments 16 (Proprietary) Limited	13	–
Dividend paid to subsidiary companies on treasury shares held by the subsidiaries	41	130

KEY MANAGEMENT PERSONNEL

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 period.

7. RELATED PARTY TRANSACTIONS (CONTINUED)

	2010 Rm	2009 Rm
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	64	26
Post-employment benefits	2	2
	66	28

Short-term employee benefits comprise salaries, directors' fees and bonuses payable within 12 months of the end of the period. Post-employment benefits comprise expenses determined in terms of IAS 19: Employee Benefits in respect of the group's retirement and healthcare funds.

SHARE PURCHASE SCHEME LOANS AND INVESTMENTS (AT COST)		
Loans and investments at the beginning of the period	63	88
Loans granted during the period	–	1
Loans repaid during the period	(2)	(26)
Loans and investments at the end of the period	61	63

Details of the terms and conditions relating to these loans are disclosed in note 15 of the group annual financial statements. No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2009: nil).

WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the period	1	–
Annual spend	2	3
Annual repayments	(1)	(2)
Balance outstanding at the end of the period	2	1

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 (2009: 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 25 of the group annual financial statements.

	2010 Rm	2009 Rm
8. INTEREST IN SUBSIDIARIES		
Ordinary shares	401	401
Cost	401	401
Preference shares – investment in E-Com Investments 16 (Proprietary) Limited	353	22
Cost	353	340
Investment in equity	230	230
Loan receivable	123	110
Provision for impairment	–	(318)
Investment in equity	–	(230)
Loan receivable	–	(88)
Amounts owing (to)/by subsidiaries		
Woolworths (Proprietary) Limited	(412)	(344)
E-Com Investments 16 (Proprietary) Limited	119	118
Woolworths Employee Share Ownership Trust	(1)	–
Total net interest	460	197
Movements in the provision for impairment of shares in subsidiaries were as follows:		
Balance at the beginning of the period	318	–
Investment in equity	230	–
Loan receivable	88	–
Charge for the period	–	318
Investment in equity	–	230
Loan receivable	–	88
Amount reversed during the period	(318)	–
Investment in equity	(230)	–
Loan receivable	(88)	–
Balance at the end of the period	–	318
Movements in the provision for impairment of loans to iSentials (Proprietary) Limited were as follows:		
Balance at the beginning of the period	–	22
Amounts reversed	–	(22)
Balance at the end of the period	–	–

Shares 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 is 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 12.0%.

8. INTEREST IN SUBSIDIARIES (CONTINUED)

The recoverable amount of the investment is determined to be the net asset value of E-Com at the end of the period. The total impairment loss in the prior period was allocated to the equity component first and the balancing amount was attributable to loan receivable.

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 that have not been impaired, 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 2010 is considered to be neither past due nor impaired. Refer note 16.1 for details of the company's credit risk management policies.

Refer Annexure 1 for the company's interest in subsidiaries.

	2010 Rm	2009 Rm
9. PARTICIPATION IN EXPORT PARTNERSHIPS		
Balance at the beginning of the period	**27**	27
Payments received relating to the current period	**(1)**	(1)
Current portion included in trade and other receivables (refer note 11)	**(1)**	–
Notional interest accrued for the period	**–**	1
Balance at the end of the period	**25**	27

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 writedown 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 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 note 16.1 for details of the company's credit risk management policies.

	2010 Rm	2009 Rm
10. DEFERRED TAX		
The movement in the deferred tax account is as follows:		
Balance at the beginning of the period	**(27)**	(28)
Amount credited to the statement of comprehensive income	**2**	1
Export partnerships	**2**	1
Balance at the end of the period	**(25)**	(27)
Comprising:		
Export partnerships	**(25)**	(27)
	(25)	(27)

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. The deferred tax asset relating to STC credits is calculated using the STC rate.

	2010 Rm	2009 Rm
11. TRADE AND OTHER RECEIVABLES		
Trade and other receivables	1	–
	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 note 16.1.

	2010 R'000	2009 R'000
12. ORDINARY AND PREFERENCE SHARE CAPITAL		
Authorised		
1 410 600 000 (2009: 1 410 600 000) ordinary shares of 0.15 cents each	2 116	2 116
89 400 000 (2009: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each.	134	134
	2 250	2 250
Issued		
847 786 806 (2009: 801 116 800) ordinary shares of 0.15 cents each	1 272	1 202
88 267 306 (2009: 88 267 306) preference shares of 0.15 cents each	132	132
	1 404	1 334
Reconciliation of value of ordinary shares in issue:		
Balance at the beginning of the period	1 202	1 324
6 172 402 (2009: 5 595 343) ordinary shares issued	9	8
40 497 604 (2009: nil) ordinary shares issued to Woolworths (Proprietary) Limited	61	–
Nil (2009: 86 871 694) ordinary shares repurchased and cancelled	–	(130)
	1 272	1 202

	Number of shares 2010	Number of shares 2009
Reconciliation of number of ordinary shares in issue:		
Balance at the beginning of the period	801 116 800	882 393 151
Shares issued	46 670 006	5 595 343
Shares repurchased and cancelled	–	(86 871 694)
	847 786 806	801 116 800

12. ORDINARY AND PREFERENCE SHARE CAPITAL (CONTINUED)

During the period, 6 172 402 (2009: 5 595 343) shares were issued in terms of the share incentive schemes.

During the period, 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

	2010 R'000	2009 R'000
Reconciliation of value of preference shares in issue:		
Balance at the beginning of the period	132	132
Nil (2009: nil) preference shares issued	–	–
Nil (2009: nil) shares converted to ordinary shares	–	–
	132	132

	Number of shares	
	2010	2008
Reconciliation of number of preference shares in issue:		
Balance at the beginning of the period	88 267 306	88 267 306
Nil (2009: nil) preference shares issued	–	–
Shares converted to ordinary shares	–	–
	88 267 306	88 267 306

For more information on the company's capital management policy, refer note 16.

	2010 Rm	2009 Rm
13. SHARE PREMIUM		
Balance at the beginning of the period	142	116
Share issues in terms of the share incentive scheme	47	26
Share issues to Woolworths (Proprietary) Limited	619	–
Distribution to shareholders	(747)	–
Balance at the end of the period	61	142

14. TRADE AND OTHER PAYABLES

Other payables	5	3
	5	3

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.

15. CONTINGENT LIABILITIES

The company provides sureties for the banking facilities (refer note 29.4 to the group financial statements) and lease obligations of certain subsidiaries. In the opinion of the directors, the possibility of loss arising therefrom is remote.

16. 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.

16.1 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 note 8 for details of amounts 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.

	2010 Rm	2009 Rm
Financial assets		
Amounts owing by subsidiaries	119	118
Participation in export partnerships	25	27
Cash and cash equivalents	41	40
Trade and other receivables	1	–
Preference share loan in E-Com Investments 16 (Proprietary) Limited	123	22

16.2 LIQUIDITY MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents. In terms of the company's Articles of Association, 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:

	Maturity	2010 Rm	2009 Rm
Amounts owing to subsidiaries	on demand	413	344
Trade and other payables	on demand	5	4

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

16.3 INTEREST RATE MANAGEMENT

The company's interest rate risk arises from interest-bearing cash balances.

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.

	Movement in basis points	(Increase)/ decrease on profit before tax R'000	(Increase)/ decrease on equity R'000
2010			
Cash	+50	(205)	(148)
	-50	205	148
2009			
Cash	+50	200	144
	-100	400	288

16.4 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2010 Rm	2009 Rm
Loans and receivables		
Participation in export partnerships	25	27
Amounts owing by subsidiaries	119	118
Trade and other receivables	1	–
Cash	41	40
Preference share loan in E-Com Investments 16 (Proprietary) Limited	123	22
	309	207
Financial liabilities at amortised cost		
Amounts owing to subsidiaries	413	344
Trade and other payables	5	3
	418	347

16.5 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The table below summarises the gains and (losses) on financial instruments.

	Interest income Rm	Impairment loss Rm	Reversal of impairment loss Rm	Total Rm
2010				
Loans and receivables	2	–	–	2
Preference share in E-Com Investments 16 (Proprietary) Limited loan receivable	13	–	88	101
2009				
Loans and receivables	3	–	–	3
Preference share in E-Com Investments 16 (Proprietary) Limited loan receivable	–	(88)	–	(88)

17. MANAGEMENT OF CAPITAL

The company considers the management of capital with reference to the group policy. Refer note 30 of the group annual financial statements.

	2010 Rm	2009 Rm
18. DISTRIBUTIONS TO SHAREHOLDERS		
Ordinary shareholders:		
Distribution no. 22 of 49.5 cents per share was declared on 20 August 2008 and paid on 15 September 2008	–	437
Distribution no. 23 of 94.0 cents per share was declared on 19 November 2008 and paid on 15 December 2008	–	832
Distribution no. 24 of 31.5 cents per share was declared on 19 February 2009 and paid on 16 March 2009	–	252
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	–
Preference shareholders:		
Distribution no. 3 of 7.9 cents per share was declared on 20 August 2008 and paid on 15 September 2008	–	7
Distribution no. 4 of 5.0 cents per share was declared on 19 February 2009 and paid on 16 March 2009	–	4
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	–
Total distributions paid	766	1 532

Distribution no. 27 of 67.0 cents per share was declared to ordinary shareholders on 25 August 2010.

Distribution no. 7 of 22.1 cents per share was declared to preference shareholders on 25 August 2010.

	2010 Rm	2009 Rm
19. CASH FLOW INFORMATION		
19.1 CASH FLOW FROM TRADING		
Profit before exceptional item	41	2 722
Interest received	(15)	(3)
Movement in working capital and other provisions	13	–
Dividends received	(29)	(2 721)
Net inflow/(outflow) from trading	10	(2)
19.2 WORKING CAPITAL MOVEMENTS		
Trade and other receivables	(1)	2
Trade and other payables	2	2
Net inflow	1	4
19.3 TAX PAID		
Normal and foreign tax		
Amounts receivable/(owing) at the beginning of the period	3	(9)
Amounts charged to statement of comprehensive income	(3)	(2)
Amounts owing/(receivable) at the end of the period	1	(3)
Cash amounts received/(paid)	1	(14)
Secondary tax on companies		
Amounts charged to statement of comprehensive income	–	(138)
Total tax paid	1	(152)
19.4 DISTRIBUTIONS TO SHAREHOLDERS		
Normal distribution to shareholders	(766)	(701)
Special dividend to shareholders	–	(831)
Amounts charged to statement of changes in equity and paid	(766)	(1 532)
19.5 CASH AND CASH EQUIVALENTS		
Cash		
Interest earning		
Local – dividend account at an interest rate of 4.0% to 5.0% (2009: 2.0% to 9.5%)	41	40
Cash and cash equivalents	41	40

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

20. EVENTS AFTER THE REPORTING DATE

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

ANNEXURE 1

			2010 Carrying value of shares Rm	2010 % Holding	2009 Carrying value of shares Rm	2009 % Holding
Interest in subsidiaries						
Directly held			631		401	
Woolworths (Proprietary) Limited	R	1	–	100	–	100
Woolworths Developments (Proprietary) Limited	P	1	–	100	–	100
Woolworths Computer Services (Proprietary) Limited*	D	1	–	100	–	100
Woolworths International Holdings Limited	H	5	401	100	401	100
E-Com Investments 16 (Proprietary) Limited	H	1	230	100	–	100
The Woolworths Holdings Share Trust**			–	–	–	–
The Woolworths Employee Share Ownership Trust**			–	–	–	–
Indirectly held						
Woolworths International (SA) (Proprietary) Limited	D	1		100		100
Woolworths (Namibia) (Proprietary) Limited	D	2		100		100
Woolworths (Lesotho) (Proprietary) Limited*	D	3		100		100
Woolworths (Swaziland) (Proprietary) Limited*	D	4		100		100
Highway Holdings N.V.	H	6		100		100
Woolworths International Limited	I	5		100		100
Woolworths International (Australia) (Proprietary) Limited	H	7		100		100
Woolworths Worldwide Limited	H	5		100		100
The Woolworths Trust***	H	5		–		–
WSM Operations Holding Company Limited	D	5		100		100
Country Road Limited	R	7		88		88
Country Road Clothing (Proprietary) Limited	R	7		88		88
Country Road Ventures (Proprietary) Limited	R	7		88		88
Country Road Clothing (NZ) Limited	R	8		88		88
Country Road Properties (Proprietary) Limited	P	7		88		88
Country Road International (Proprietary) Limited	H	7		88		88
Country Road (Hong Kong) Limited	R	9		88		88
Country Road Australia Limited	R	5		88		88
Universal Product Networks (Proprietary) Limited	L	1		100		100
inthebag (Proprietary) Limited	D	1		100		100
Virtual Market Place (Proprietary) Limited****	R	1		100		100
The Woolworths Trust (Charitable Trust)**		1		–		–
Interest in joint ventures						
Woolworths Financial Services (Proprietary) Limited	F	1		50% – 1 share		50% – 1 share
Nedglen Property Developments (Proprietary) Limited	P	1		30		30
			631		401	
Amounts owing by/(to) subsidiaries						
Woolworths (Proprietary) Limited			(412)		(344)	
E-Com Investments 16 (Proprietary) Limited			242		140	
Woolworths Employee Share Ownership Trust			(1)		–	
Total interest			460		197	

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

*	Deregistration in process.
**	The Woolworths Holdings Share Trust, Woolworths Employee Share Ownership Trust and The Woolworths Trust (Charitable 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.

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

	2010 Rm	2009 Rm
Profits	1 341	1 917
Losses	(8)	(1)
	1 333	1 916

GLOSSARY OF 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 61 of 1973 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 the 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 respectof:
1. deductible temporary differences;
2. the carryforward of unused tax losses; and
3. the carryforward of unused tax credits.

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

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.

GLOSSARY OF TERMS

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.

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.

SHAREHOLDER INFORMATION

SHAREHOLDER CALENDAR

Financial year end	June
Reporting	
annual results announcement	August
annual report	September
annual general meeting	November
interim results and report	February

Dividend declared	
final for the period ended June 2010	August
interim for the period ended December 2010	February
Dividend payable	
final for the period ended June 2010	September
interim for the period ended December 2010	March

ADMINISTRATION

GROUP SECRETARY
Cherrie Lowe

REGISTERED OFFICE
Woolworths House
93 Longmarket Street
Cape Town
8001

Postal address
PO Box 680
Cape Town
8000

Telephone (+27 21) 407 9111
Customer information www.woolworths.co.za
Investor relations www.woolworthsholdings.co.za

JOINT AUDITORS
Ernst & Young Inc. and SAB & T Inc.

BANKERS
The Standard Bank of South Africa Limited

TRANSFER SECRETARIES
Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg
2001

Postal address
PO Box 61051
Marshalltown
2107

Telephone (+27 11) 370 5000
Facsimile (+27 11) 370 5487
E-mail woolworths@computershare.co.za

SPONSOR
Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196

Postal address
PO Box 786273
Sandton, 2146

Telephone (+27 11) 282 8000
Facsimile (+27 11) 282 8008
E-mail sponsorteam@rmb.co.za

DEPOSITORY FOR GLOBAL DEPOSITORY RECEIPTS
The Bank of New York
Shareholder Relations Department
Church Street Station
PO Box 11258
New York, NY 10286-1258
United States of America

UK
Telephone +44 (0) 20 7964 6089
Facsimilee +44 (0) 20 7964 6024
E-mail mlewis@bankofny.com

USA
Telephone +1 212 815 2077
Facsimilee +1 212 571 3050
E-mail jpaltrowitz@bankofny.com

COMPANY REGISTRATION NUMBER
1929/001986/06

COUNTRY OF INCORPORATION
South Africa

ANALYSIS OF SHAREHOLDERS

ORDINARY SHAREHOLDER SPREAD

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of share holders at 27 June 2010 was as follows:

Shareholder spread	Number of shareholders	% of total	Number of shares	% of total
1 – 1 000 shares	5 594	45.12	2 028 528	0.24
1 001 – 10 000 shares	4 869	39.27	18 271 427	2.16
10 001 – 100 000 shares	1 409	11.37	44 583 789	5.26
100 001 – 1 000 000 shares	413	3.33	127 367 128	15.02
1 000 000 shares and over	113	0.91	655 535 934	77.32
	12 398	100.00	847 786 806	100.00

Public and non-public	Number of shareholders	% of total	Number of shares	% of issued capital
Public shareholders	12 385	99.89	734 017 681	86.58
Non-public shareholders:				
Directors and their associates	10	0.08	17 386 928	2.05
E-Com Investments 16 (Pty) Ltd	1	0.01	43 763 861	5.16
Woolworths (Pty) Ltd	1	0.01	40 497 604	4.78
Woolworths Holdings Share Trust	1	0.01	12 120 732	1.43
	12 398	100.00	847 786 806	100.00

Geographical distribution	Number of shares	% of total
South Africa	637 327 068	75.17
United Kingdom	26 702 937	3.15
United States of America	116 739 477	13.77
Other	67 017 324	7.91
	847 786 806	100.00

Major shareholders

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held directly and indirectly beneficially in excess of 5% of any class of the issued share capital at 27 June 2010.

Beneficial shareholders	Shares held	% of total
Government Employees Pension Fund	147 771 821	17.43
Liberty Life Association of Africa	49 037 862	5.78
E-Com Investments 16 (Pty) Ltd	43 763 861	5.16
	240 573 544	28.37

CHAIRMAN'S LETTER TO SHAREHOLDERS

I invite you to attend the annual general meeting of Woolworths Holdings Limited.

Dear Shareholder

I invite you to attend the annual general meeting of Woolworths Holdings Limited to be held at 09:00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on Thursday, 18 November 2010.

I encourage you to attend and vote your shares at the annual general meeting as this is your opportunity to meet and question members of the board.

EXPLANATORY NOTES ON RESOLUTIONS

ORDINARY RESOLUTION 1 – ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS

Receive and consider for adoption the Group and Company audited annual financial statements for the year ended 27 June 2010.

ORDINARY RESOLUTION 2 – RE-APPOINTMENT OF AUDITORS

Authorise the company to appoint our current joint auditors Ernst & Young Incorporated for the 2011 financial year.

ORDINARY RESOLUTION 3 – INCREASE IN THE REMUNERATION FOR THE NON-EXECUTIVE DIRECTORS

Approve the non-executive directors' fees for the 2011 financial year. The fees reflect the substantial increase in legal, regulatory oversight requirements, the increased risk being assumed and time spent by non-executive directors.

ORDINARY RESOLUTIONS 4 TO 8 – RE-ELECTION OF DIRECTORS

In terms of articles 14.2 and 15 of the articles of association of the company new additions to the board and at least one-third of the board are required to retire each year. Retiring directors are those who have been in office the longest since their re-election.

A review of the performance and an evaluation of independence have been carried out on those directors who are retiring by rotation. I am satisfied that, based on those reviews, I am able to recommend their re-election.

Chris Nissen, Sindi Zilwa and Norman Thomson are required to retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election.

In terms of the articles of association, Ian Moir and Tom Boardman are required to retire at the annual general meeting following their appointment between annual general meetings.

A brief curriculum vitae of each director seeking re-election may be found in the notice of the annual general meeting on page 178.

ORDINARY RESOLUTION 9 – GENERAL AUTHORITY TO MAKE PAYMENTS TO SHAREHOLDERS

Authorise the company as a general authority to make payments to its shareholders from the company's share capital and/or share premium, from time to time, in terms of section 90 of the Companies Act, (No. 61 of 1973), as amended and in terms of the JSE Limited (JSE) Listings Requirements.

SPECIAL RESOLUTION – GENERAL AUTHORITY TO REPURCHASE SHARES

Authorise the directors, through a general authority, to allow the company and/or its subsidiaries to repurchase the company's shares during the course of the year.

The company will publish an announcement complying with the JSE Listings Requirements if and when an initial and successive 3% tranche(s) of its shares have been repurchased in terms of this general authority.

At the time of repurchase, the company's sponsor will provide a letter to the JSE, regarding the directors' statement as to the adequacy of the Group's working capital, in terms of this general authority.

ORDINARY RESOLUTION 10 – AMENDMENTS TO THE WOOLWORTHS SHARE TRUST DEED

Authorise the directors and Group secretary to register the proposed amendments to the Woolworths Share Trust Deed. The amendments proposed, align the Woolworths Share Trust Deed with the requirements of schedule 14 to the JSE Limited Listings Requirements (JSE).

The JSE requires Woolworths to specify the maximum number of ordinary shares in the company available to be used for the purposes of the various share incentive schemes established in terms of the Trust Deed. Woolworths has previously had authority from its shareholders to utilise 15% of the issued ordinary share capital of the company for its share schemes. It now wishes to convert the percentage to a maximum number of 127 000 000 (one hundred and twenty seven million) which equates to 15% of the current issued share capital in order to be compliant with the JSE. As the company has made allocations under the previous authority, the potential share dilutionary impact on shareholders is limited to 7.5%, being the number of shares not yet allocated as at 27 June 2010. With respect to the maximum number of ordinary shares in the company to which any single participant under the various schemes established in terms of the Trust Deed shall be entitled, the company wishes to convert the current rolling 1.5% of the issued ordinary share capital to a fixed maximum number of 12 700 000 (currently 1.5% of the issued ordinary share capital of the company).

Where, however, shares are purchased on the market for the purposes of the schemes, those shares will not be taken into account for the purpose of determining the maximum limit and will not have any dilutionary impact on shareholders.

Certain other amendments, none of which are material, are being made to the Trust Deed to ensure that it coincides with the manner in which the schemes are being implemented by the company.

ORDINARY RESOLUTION 11 – SPECIFIC AUTHORITY TO THE DIRECTORS TO ISSUE ORDINARY SHARES FOR THE PURPOSES OF THE INCENTIVE SCHEMES ADOPTED BY THE COMPANY FROM TIME TO TIME

Authorise the directors to allot and issue such number of shares required for the purpose of the share schemes. It is noted that the number is limited to those shares that have not yet been issued by the directors under the previous authority. This number is not expected to exceed 7.5% of the issued ordinary share capital.

ORDINARY RESOLUTION 12 – AUTHORITY TO SIGN ALL DOCUMENTS REQUIRED

Authorise the directors and Group secretary to implement ordinary resolutions nine, ten and eleven and the special resolution.

LITIGATION STATEMENT

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on pages 12 and 13 of the annual report of which this letter forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least within the previous twelve months, a material effect on the group's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 12 and 13 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the resolutions in the notice of the annual general meeting on page 178 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statements false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the abovementioned resolutions contain all information required by law and the JSE Listings Requirements.

MATERIAL CHANGE

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and the date of the notice of annual general meeting.

ATTENDANCE AT ANNUAL GENERAL MEETING

I look forward to welcoming you to the annual general meeting. If you are unable to attend, I urge you to complete the proxy form in accordance with the instructions set out in the notice of the annual general meeting.

Buddy Hawton
Chairman

30 September 2010

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2010 annual general meeting of shareholders of the company will be held at 09:00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on Thursday, 18 November 2010 to consider and if thought fit, to pass with or without amendment the following ordinary and special resolutions:

1. Ordinary resolution number 1 – Adoption of the annual financial statements
"Resolved as an ordinary resolution that the annual financial statements of the company and the Group annual financial statements for the year ended 27 June 2010, be and are hereby approved."

2. Ordinary resolution number 2 – Re-appointment of auditors
"Resolved as an ordinary resolution that Ernst & Young Inc. and SAB&T Inc. be and are hereby re-appointed as the joint auditors of the company until the conclusion of the next annual general meeting of the company."

3. Ordinary resolution number 3 – Increase in the remuneration for the non-executive directors
"Resolved as an ordinary resolution that the remuneration to be paid to non-executive directors for the year commencing 1 July 2010, details of which are contained in the corporate governance section of the annual report of the company 2010, be and are hereby approved."

4. Ordinary resolution number 4 – Re-election of director
"Resolved as an ordinary resolution that Mr Andrew Christoffel Nissen, who retires by rotation in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director."

   Brief curriculum vitae
   Age 52
   BA Hons, MA

   Other directorships include: Boschendal (Chairman), JCI, Sea Harvest Corporation (Chairman) and the Standard Bank Group.

   Chris has been extremely involved in the development and upliftment of communities both as a Minister in the Presbyterian Church and as a community leader, serving in a number of capacities. He has executive experience in a number of industries and as a non-executive director has proactively led transformation at a number of listed companies. He joined the board in 2004.

5. Ordinary resolution number 5 – Re-election of director
"Resolved as an ordinary resolution that Ms Sindi Victoria Zilwa, who retires by rotation in accordance with the articles of association and, being eligible, offers herself for re-election, be and is hereby re-elected as a director."

   Brief curriculum vitae
   Age 43
   BCompt (Hons), CTA, CA(SA), Advanced Taxation Certificate

   Other directorships include: ACSA (Chairman), Aspen Pharmacare Holdings, Discovery Holdings, Strate and Institute of Directors.

   Sindi became the second black female chartered accountant in South Africa in 1990 and is the Chief executive officer of Nkonki. Her previous directorships include the Transkei National Buildings Society, the South African Mint, WIPHOLD, Telkom, Primedia and Ethos Private Equity. She was the Chairman of the BUSA Standing committee on Transformation, a board member of the Independent Regulator Board for Auditors and a member of the GAAP Monitoring Panel. She joined the board in 2002.

6. Ordinary resolution number 6 – Re-election of director
"Resolved as an ordinary resolution that Mr Norman William Thomson, who retires by rotation in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director."

   Brief curriculum vitae
   Age 59
   BCom (Hons), CA(SA)

   Other directorships include: Country Road Limited.

   Norman joined Woolworths in 1991 in a logistics capacity and introduced the integrated supply chain management systems. He was appointed to the board in 2001 and was responsible for corporate stores, franchise and distribution and became Group finance director in 2002.

7. Ordinary resolution number 7 – Re-election of director
"Resolved as an ordinary resolution that Mr Ian Moir who retires in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director.

   Brief curriculum vitae
   Age 51
   MBA, MA (Econ)

   Ian was previously the Chief executive officer of Country Road and prior to that an Executive director and Chief operating officer of Woolmark. He was appointed to the board in January 2010 as the Managing director retail and Group chief executive officer elect.

8. Ordinary resolution number 8 – Re-election of director
"Resolved as an ordinary resolution that Mr Tom Boardman who retires in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director."

   Brief curriculum vitae
   Age 60
   BCom, CA(SA)

   Other directorships include: Nedbank Group and Mutual & Federal Insurance.

   Tom was previously the Chief executive officer of Nedbank and was formerly the Chief executive officer of BoE. He is a non-executive director of the World Wildlife Fund South Africa and serves as a trustee in a number of charitable foundations.

9. Ordinary resolution number 9 – General authority to make payments to shareholders
"Resolved as an ordinary resolution that the company be and is hereby granted a general authority in terms of the Listings Requirements of the JSE Limited (JSE) authorising the directors to make payments to its shareholders, from the company's share capital or share premium, in lieu of a dividend from time to time in terms of section 90 of the Companies Act, (61 of 1973), as amended and to make distributions in terms of section 46 of the Companies Act, 2008 (71 of 2008), in such amount and in such form as the directors may in their discretion from time to time determine, provided that:

   9.1 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

   9.2 such payment may not, in the aggregate, exceed 20% of the company's issued share capital, including reserves, but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation of an independent professional expert acceptable to the JSE, prepared within the last six months, in any one financial year, measured as at the beginning of such financial year;

9.3 such payments shall be made pro rata to all shareholders; and

9.4 such general authority shall not be required for the declaration and payment of, or preclude the company or the directors from declaring and paying dividends."

The directors may utilise the authority in terms of ordinary resolution number 9 in order to make payments to shareholders (other than payments of cash dividends paid out of retained income, scrip dividends or capitalisation issues, for which no authority is required in terms of the Listings Requirements of the JSE), if and when deemed appropriate by the directors. Announcements complying with Schedule 24 of the Listings Requirements of the JSE, will be published on SENS and in the press setting out the financial effects of any payment under the general authority, prior to such payment being effected.

10. Special resolution – General authority to repurchase shares

"Resolved as a special resolution that the company be and is hereby granted a general authority authorising the acquisition by the company and/or its subsidiaries of shares issued by the company, on such terms and conditions as the directors may deem fit, and in terms of sections 85 and 89 of the Companies Act, (61 of 1973), as amended, section 48 of the Companies Act, 2008 (71 of 2008), the company's articles of association and the Listings Requirements of the JSE; provided that:

10.1 such acquisitions shall be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party, reported trades being prohibited;

10.2 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

10.3 such acquisitions may not be made at a price greater than 10% above the weighted average of the market value for the shares on the JSE for the five business days immediately preceding the date on which the transaction for the acquisition is effected;

10.4 when the company has cumulatively repurchased 3% of the initial number (the number of that class of shares in issue at the time that this general authority is granted) of the relevant class of shares, and for each 3% in aggregate of the initial number of that class acquired thereafter, a press announcement must be made containing the details required in terms of the Listings Requirements of the JSE in respect of such acquisitions;

10.5 no repurchase of shares shall be effected during a prohibited period as contemplated in the Listings Requirements of the JSE unless they have in place a repurchase programme where the date and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

10.6 the company only appoints one agent to effect any acquisitions on its behalf;

10.7 the aggregate of such acquisitions may not, in any one financial year, exceed 20% of the company's issued share capital of that class as at the date of grant of this general authority; and

10.8 the aggregate of such acquisitions held by subsidiaries of the company may not exceed 10% of the company's issued share capital at any one time".

11. Ordinary resolution number 10 – Amendments to the Woolworths Share Trust Deed

"Resolved as an ordinary resolution that the amendments to the Woolworths Holdings Share Trust Deed (Trust Deed), as highlighted in the conformed copy of the Trust Deed tabled at the annual general meeting at which this resolution will be considered and initialled by the chairman of such meeting for the purposes of identification, be and they are hereby approved."

In order to be effective for the purposes of the Listings Requirements of the JSE Limited, this resolution must be approved by a 75% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy at the annual general meeting, excluding all the votes attaching to all equity securities owned or controlled by persons who are existing participants in the scheme. Only the equity securities which have been acquired in terms of the relevant scheme and may be impacted by the changes will be excluded from the said vote.

A copy of the conformed copy of the trust deed reflecting the proposed amendments is available for inspection by the shareholders of the company at the company's principle place of business, Woolworths House, 93 Longmarket Street, Cape Town, 8001 and at Rand Merchant Bank, a division of FirstRand Bank Limited, Corner Rivonia Road and Fredman Drive, Sandton, 2146, during normal business hours from 30 September 2010 to 18 November 2010.

12. Ordinary resolution number 11 – Specific authority to the directors to issue ordinary shares for the purposes of the incentive schemes adopted by the company from time to time

"Resolved as an ordinary resolution that, subject to ordinary resolution number 10 being passed, 127 000 000 ordinary shares of 0.15 cent each in the authorised but unissued share capital of the company be and they are placed under the control of the directors as a specific authority and instruction to issue such shares in accordance with the provisions of any incentive schemes adopted by the company from time to time, including, but not limited to, the existing scheme and the new schemes established in terms of The Woolworths Holdings Share Trust Deed, such specific authority and instruction superseding any prior specific authorities and instructions granted to the directors of the company to issue shares for the purposes of any incentive schemes adopted by the company except to the extent that such authorities have, at the date of the passing of this resolution, been utilised by the directors."

13. Ordinary resolution number 12 – Authority to sign all documents required

"Resolved as an ordinary resolution that each of the directors and the Group secretary be and he or she is hereby authorised and empowered to do all such things and sign all such documents and procure the doing of all such things and the signature of all such

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

documents as may be necessary or incidental to give effect to ordinary resolutions numbered 9, 10 and 11 and the special resolution to be proposed at the annual general meeting at which this resolution will be proposed."

The reasons for and the effects of ordinary resolutions numbered 9, 10 and 11 and the special resolution:

The reason for proposing ordinary resolution number 9 is to provide a general authority in terms of the Listings Requirements of the JSE, to allow the company to make payments to shareholders (other than payments of cash dividends paid out of retained income, scrip dividends or capitalisation issues for which no authority is required in terms of the Listings Requirements of the JSE), if and when deemed appropriate by the directors.

The reason for proposing ordinary resolution number 10 is to ensure that the Woolworths Holdings Share Trust Deed complies with the amended requirements of Schedule 14 to the Listings Requirements of the JSE (Listings Requirements). As required by the revised Listings Requirements, the maximum number of ordinary shares in the company available in the aggregate for the purposes of the various schemes established in terms of the Trust Deed is now a fixed number of 127 000 000 shares (15% of the current issued ordinary share capital of the company) as opposed to 15% of the issued ordinary share capital of the company from time to time and the maximum number of ordinary shares in the company to which any single participant under the various schemes established in terms of the Trust Deed shall be entitled will not in the aggregate exceed a fixed number of 12 700 000 (1.5% of the current issued ordinary share capital of the company) as opposed to 1.5% of the issued ordinary share capital of the company from time to time. Where, however, shares are purchased on the market for the purposes of the schemes, such shares will not be taken into account for the purpose of determining the limit of 127 000 000 shares. Currently, 60 000 000 ordinary shares have been allocated in terms of the various incentive schemes and the balance of 67 000 000 ordinary shares is anticipated to be sufficient for the requirements of the schemes for the ensuing 5 years. Certain other amendments, none of which are material, are being made to the Trust Deed to ensure that it coincides with the manner in which the schemes are being implemented by the company. In particular, it should be noted that decisions of the directors, insofar as they relate to the schemes, have been delegated by the directors to the Remuneration committee of the company, the members of which comprise non-executive directors who are, accordingly, not beneficiaries or participants under the schemes.

The reason for proposing ordinary resolution number 11 is to place 127 000 000 ordinary shares in the authorised but unissued share capital of the company (approximately 15% of the issued ordinary share capital of the company as at 27 June 2010) under the control of the directors of the company as a specific authority and instruction to the directors to issue such shares for the purposes of any incentive schemes which may be adopted by the company from time to time. This revised authority is required in order to ensure compliance with the amended provisions of Schedule 14 of the Listings Requirements of the JSE.

The reason for and the effect of the special resolution, if passed and becoming effective, is to provide a general approval and authority in terms of Sections 85 and 89 of the Companies Act, (61 of 1973) as amended, the Companies Act, 2008 (71 of 2008) and the Listings Requirements of the JSE for the acquisition by the company and/or its subsidiaries of shares issued by the company.

The directors consider that such general authority should be put in place in order to repurchase the company's shares should an opportunity to do so, which is in the best interests of the company and its shareholders, present itself during the year.

The directors will, if and when a decision is made to make a payment pursuant to the authority granted in terms of ordinary resolution number 9 or to repurchase shares pursuant to the authority granted in terms of the special resolution, be required to be satisfied, after having considered the effects of the payment or repurchase of shares, as the case may be, that for a period of 12 months after the date of the notice of the payment or repurchase:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group;
- the company and the group's ordinary share capital, reserves and available working capital will be adequate for ordinary business purposes; and
- upon entering the market to proceed with the repayment or repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital for the purposes of undertaking the payment or repurchase of shares, as the case may be, in accordance with the Listings Requirements of the JSE.

Voting

Any ordinary shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant (CSDP) or broker and who has selected "own name" registration and any preference shareholder, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote or abstain from voting at the annual general meeting or at any adjournment thereof, in such ordinary or preference shareholder's stead. A proxy form is enclosed for use by such ordinary and preference shareholders. Such proxy form, duly completed, must be forwarded to reach the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 or be posted to them at PO Box 61051, Marshalltown, 2107, to be received, in either case, by no later than 09:00 on Tuesday, 16 November 2010.

Any ordinary shareholder who holds dematerialised ordinary shares in the company and has not selected "own name" registration, should contact his CSDP or broker in the manner and time stipulated in such shareholder's agreement with his CSDP or broker:

- to furnish him with such shareholder's voting instruction; and
- in the event that such shareholder wishes to attend the annual general meeting, to obtain the necessary authority to do so.

The Trustees of The Woolworths Employee Share Ownership Trust (Trust), as the owner of the unlisted convertible, redeemable, non-cumulative, participating preference shares in the company, will consult with the beneficiaries under the Trust on the resolutions which will be considered at the annual general meeting in order to ascertain the views of such beneficiaries on the manner in which the Trust should exercise its voting rights, as preference shareholder, in respect of such resolutions.

On a show of hands, every shareholder, present in person or represented by proxy, shall have one vote only. On a poll, every shareholder, present in person or by proxy, shall have one vote for every share held or represented.

C L Lowe

By order of the board

CL Lowe
Group secretary

Cape Town
30 September 2010

FORM OF PROXY

WOOLWORTHS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1929/001986/06)
Share code: WHL ISIN number: ZAE000063863
("Woolworths" or "the company")

For use only by:

- holders of certificated ordinary shares in the company;
- holders of dematerialised ordinary shares in the company held through a Central Securities Depository Participant (CSDP) or broker and who have selected "own name" registration; and
- the holder of the convertible, redeemable, non-cumulative participating preference shares in the company (preference shares),

at the annual general meeting of shareholders of the company to be held in the Auditorium, 1st Floor Woolworths House, 93 Longmarket Street, Cape Town, 8001 at 09:00 on Thursday, 18 November 2010 and at any adjournment thereof ("the annual general meeting").

If you are a shareholder referred to above, and are entitled to attend and vote at the annual general meeting, you can appoint a proxy or proxies to attend, vote and speak in your stead at the annual general meeting. A proxy need not be a shareholder of the company.

If you are an ordinary shareholder and have dematerialised your ordinary shares through a CSDP (and have not selected "own name" registration in the sub-register maintained by a CSDP), do not complete this form of proxy but instruct your CSDP to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, provide your CSDP with your voting instructions in terms of your custody agreement entered into with it.

I/We (full names in block letters) ______________________________

of (address) ______________________________

being a holder/s of ______________ ordinary/preference shares in the company (delete whichever is inapplicable), hereby appoint (see note 1)

1. ______________________________ of ______________________________ failing him/her,

2. ______________________________ of ______________________________ failing him/her,

3. the Chairman of the annual general meeting, as my/our proxy to attend, speak and on a poll to vote or abstain from voting on my/our behalf, as indicated below, at the annual general meeting and/or at any adjournment thereof:

Resolution	For	Against	Abstain
Ordinary resolution 1 – adoption of the annual financial statements			
Ordinary resolution 2 – re-appointment of joint auditors			
Ordinary resolution 3 – increase in the remuneration for the non-executive directors			
Ordinary resolution 4 – re-election of AC Nissen as a director			
Ordinary resolution 5 – re-election of SV Zilwa as a director			
Ordinary resolution 6 – re-election of NW Thomson as a director			
Ordinary resolution 7 – re-election of I Moir as a director			
Ordinary resolution 8 – re-election of T Boardman as a director			
Ordinary resolution 9 – general authority to make payments to shareholders			
Special resolution – general authority to repurchase shares			
Ordinary resolution 10 – amendments to the Woolworths Holdings Share Trust Deed			
Ordinary resolution 11 – specific authority to the directors to issue ordinary shares for the purposes of the incentive schemes adopted by the company from time to time			
Ordinary resolution 12 – authority to sign all documents required			

* Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares which you desire to vote (see note 2).

Signed at ______________________________ this ______________ day of ______________________________ 2010

Signature ______________________________

Assisted by me (if applicable) ______________________________

Please read the notes on the reverse side hereof.

INSTRUCTIONS FOR PROXY FORM

NOTES:

1. A shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.
2. A shareholder may therefore insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting the words "the Chairman of the company or failing him the Chairman of the annual general meeting". The person whose name appears first on the proxy form and who is present at the annual general meeting, will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box. Failure to comply with the above will be deemed to authorise the Chairman of the company or failing him the Chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of resolutions at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he deems fit, in respect of the shareholder's total holding.
4. The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. In case of joint holders, the vote of the most senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names appear on the company's register of shareholders in respect of the joint holding.
6. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the Chairman of the annual general meeting.
8. Any alteration or correction to this form of proxy must be initialled by the signatory/ies, other than the deletion of signatories.
9. Forms of proxy must be lodged with or posted to the company, c/o Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Tuesday, 16 November 2010.

www.woolworthsholdings.co.za

THIS ANNUAL REPORT IS THE FIRST DOCUMENT TO BE PRINTED ON SAPPI'S MASUGA PAPER, WHICH IS MADE WITH 90% SUGAR CANE WASTE SOURCED FROM PREVIOUSLY DISADVANTAGED LOCAL SUPPLIERS, AND 10% WOOD FIBRE FROM SUSTAINABLE FORESTS. IT SUPPORTS OUR GOOD BUSINESS JOURNEY GOALS OF PROTECTING THE ENVIRONMENT AND EMPOWERING OUR PEOPLE.

MASUGA IS PRODUCED AT SAPPI'S STANGER MILL IN KWAZULU-NATAL.

masuga sweet paper by sappi