WHL

WOOLWORTHS HOLDINGS LIMITED / 2016 AUDITED ANNUAL FINANCIAL STATEMENTS

WE ARE FOCUSED ON SHAREHOLDER RETURNS THROUGH THE EFFECTIVE DEPLOYMENT OF CAPITAL AND ENSURING THAT WE DELIVER ON OUR GROUP TARGETS.

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OUR FINANCE DIRECTOR'S REPORT

"We are focused on shareholder returns through the effective deployment of capital and ensuring that we deliver on our Group targets."

COMPARABLE RESULTS

This is the second year since we acquired David Jones and the minority interests in Country Road Group, which together fundamentally changed the way in which the Group operated. As we acquired David Jones on 1 August 2014, our 2016 results are not fully comparable to 2015, which did not contain the traditional clearance month of July. Comparable results were also affected by one-off transaction costs and the effect on the weighted number of shares of the rights offer that was completed at the end of September 2014.

STRATEGIC PRIORITIES

From a Finance point of view, our strategic priorities in 2016 were:

- Achieving our 2016 and medium-term plan targets;
- Delivering the Group integration and synergy targets;
- Strengthening the balance sheet; and
- Effectively managing the Group's capital.

We performed well against the first priority, despite apparel sales in the second half being impacted by the unseasonably warm weather experienced across the southern hemisphere. We were especially pleased by the David Jones sales performance. Country Road Group, however, fell short of expectations. Woolworths Clothing and General Merchandise had a pleasing year.

In a tough grocery market we continued to grow our Woolworths Food business ahead of the market and delivered in excess of our medium-term plan Earnings Before Interest and Tax (EBIT) targets.

In delivering value for our shareholders, the focus on Group integration synergies was a priority. A structured process ensured that we delivered on the overall transformation project targets, with regular updates on progress and robust benefits tracking. While we experienced challenges in some areas, we outperformed on others and delivered on our commitment that the David Jones acquisition would be earnings neutral in 2016.

The balance sheet was fundamentally impacted by the 2015 acquisitions, changing the capital structure of the business, requiring more active management of the balance sheet from a governance, liquidity and risk perspective:

- Gearing is now managed proactively based on clear Group capital allocation principles and internal covenant measures that are more stringent than the Group's banking covenants;
- The debt assumed in South Africa at the time of the acquisitions has been restructured, altering the repayment profiles, covenants and security, to the benefit of the Group from a cost and liquidity risk perspective. Consideration will be given to listed debt instruments in the near future, market conditions permitting;
- The Australian debt was amalgamated under a Common Terms Deed resulting in pricing benefits and we are currently looking at the extension of facilities;
- A number of measures have been put in place to strengthen the liquidity profile, such as converting uncommitted facilities to committed facilities and increasing the level of longer-dated revolving credit facilities; and
- The unwinding of the existing BEEESOS structure, facilitated via a successful R2 billion placement of WHL shares on behalf of the participants.

The year ahead will incorporate a consolidation of the above processes, most notably the continued refinancing of existing debt, broadening the source and type of funding, and managing the risk profile appropriately.

A Head of Treasury for the Group was appointed, which has enhanced treasury management and oversight across the business. A Group Treasury Committee was established, which oversees all treasury activities of the Group and ensures proper governance of this important function. This committee, which meets quarterly and is chaired by myself, is an executive committee which reports into the Group Audit Committee. Members of the committee include the Group CEO and the Group Head of Treasury. The Chairman of the Audit Committee attends the meeting as a permanent invitee.

We now have clear capital allocation principles inclusive of appropriate cost of capital and hurdle rates that have been implemented across the Group. As with most 'balance-sheet-light' retailers, Return On Equity (ROE) has been historically high, however, ROE and Return On Capital Employed (ROCE) have been structurally altered by the acquisitions and are sensitive to exchange rate volatility. Our focus is on improving ROE and ROCE by delivering shareholder returns significantly above the cost of capital. To this end, medium-term ROCE targets have been incorporated into long-term incentive targets.

OPERATING PERFORMANCE

	2016	2015
Sales growth, including concession sales (%)	16.4	54.9
– excluding David Jones (%)	12.0	12.0
Gross profit margin (%)	40.6	41.0
Operating profit margin (%)	9.7	9.0
Adjusted diluted headline earnings per share growth (%)	8.9	11.0

The global economy, including South Africa and Australia, faced significant uncertainty during the year under review, resulting in slowing growth, depressed consumer confidence, and constrained spending. Our businesses however produced a pleasing set of results.

We delivered a strong first half performance, which slowed in the second half, impacted by the warm winter. Our focus on expenses assisted in delivering a strong result. Profit before interest and tax increased by 24.3% on last year to R7 219 million, and adjusted headline earnings increased by 16.4% to R4 367 million.

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FINANCE DIRECTOR'S REPORT

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2016 Rm	2015 Rm	% change
Turnover and concession sales	72 137	61 970	16.4
Turnover	65 004	56 506	15.0
Cost of sales	38 618	33 356	15.8
Gross profit	26 386	23 150	14.0
Other revenue	1 926	1 447	33.1
Expenses	21 330	18 336	16.3
Operating profit	6 982	6 261	11.5
Net finance costs	1 186	1 214	(2.3)
Earnings from joint ventures and associate	250	223	12.1
Profit before adjustments and tax	6 046	5 270	14.7
Adjustments (pre-tax)	(13)	(838)	
Unrealised foreign exchange (losses)/gains	(13)	29	
Acquisition and restructuring costs	–	(867)	
Tax	1 680	1 312	28.0
Profit for the year	4 353	3 120	39.5
Other comprehensive income	3 651	(931)	
Total comprehensive income	8 004	2 189	
Reconciliation of headline earnings			
Basic earnings attributable to shareholders of the parent	4 344	3 017	44.0
Adjustments for capital items (post-tax)	14	290	
Headline earnings	4 358	3 307	31.8
Adjustments to headline earnings (post-tax)	9	444	
Adjusted headline earnings	4 367	3 751	16.4

REVENUE

Group sales, including concession sales, increased by 16.4% (up 11.1% on a constant currency basis) over the comparable 52-week period in 2015. Excluding David Jones, Group sales increased by 12.0%. This was a strong result with market share gains in both Woolworths South Africa and David Jones in Australia.

Woolworths Clothing and General Merchandise sales increased by 9.6% and by 4.4% in comparable stores. The growth of online sales and sales in the Rest of Africa business contributed positively to sales growth. Woolworths Food delivered strong growth ahead of the market, at 11.9%, with sales in comparable stores increasing by 5.7%. On a pro forma 52-week basis, DJ sales, including concession sales, increased by 8.4% in Australian dollar terms, with sales in comparable stores growing by 7.0%. CRG sales increased by 5.5% in Australian dollar terms, although sales in comparable stores were 3.9% lower.

GROSS MARGIN

Gross profit was up 14.0% on last year with gross margin at 40.6%, 40 basis points down on last year. There were margin gains across the Group due to the benefits of Group sourcing initiatives. However, these gains were offset by higher apparel markdowns due to the warm winter (especially in CRG) as well as the impact of price investment in Woolworths Food.

Group expenses were up 16.3% on the prior year. This increase was primarily driven by a 15.8% increase in store costs due to ongoing store development as well as investment in the launch of private label brands into the David Jones channel and translation. We continued to actively manage our costs to reduce the impact of tougher trade especially in the second half. Efficiency and synergy benefits, in the areas of occupancy costs and non-trade procurement have had a positive impact on costs.

EARNINGS FROM JOINT VENTURE

Profits from Woolworths Financial Services (WFS), our joint venture with Barclays Africa Group, was 12.2% up on last year, with strong operating performance benefitting from interest rate gains. This was partially offset by cost investment in our WRewards programme and costs relating to new compliance obligations under the National Credit Amendment Act regulations. The average debtors' book grew by 8.1% and the impairment rate was 5.7%.

NET FINANCE COSTS

Net finance costs of R1 186 million were 2.3% down on the prior year, due to the R134 million once-off equity bridge costs incurred at the time of the acquisitions in 2015. We continue to manage our finance costs through effective hedging, as outlined in our strategic priorities.

Net interest cover of 7.6 times improved from last year's 6.4 times.

TAXATION

The full year tax charge was R1 680 million. The Group's effective tax rate of 27.8% was 1.8% lower than last year due to the non-deductibility of certain acquisition costs in 2015.

BASIC AND HEADLINE EARNINGS

Basic and headline earnings increased by 44.0% and 31.8% respectively, due to the inclusion of acquisition-related costs as well as unrealised foreign exchange gains totalling R444 million (post-tax) in earnings for the prior year. Adjusted headline earnings grew by 16.4%.

SEGMENTAL CONTRIBUTION

	2016 Rm	2015 Rm	% change	Constant currency % change
Woolworths Clothing and General Merchandise	2 306	2 095	10.1	
Woolworths Food	1 826	1 580	15.6	
Woolworths Financial Services	248	221	12.2	
Woolworths	4 380	3 896	12.4	
David Jones	1 839	1 532	20.0	5.6
Country Road Group	1 035	1 058	(2.2)	(12.6)
Segmental profit	7 254	6 486	11.8	6.3
Net finance and other costs	(1 208)	(1 216)	(0.7)	(4.9)
Adjusted profit before tax	6 046	5 270	14.7	8.9

The Group performance reflects a strong contribution from Woolworths and David Jones, while Country Road Group underperformed and showed negative growth on last year. The Australian businesses now contribute 40% to Group earnings. The A$ earnings provide a natural hedge for the Group against volatility and weakness in the ZAR, which in the current year enhanced Group earnings.

The Group's unadjusted operating profit margin increased by 70 basis points to 9.7%. This was achieved through increased sales and positive operating leverage from expense growth. Adjusted profit before tax increased by 14.7%.

The segmental results are analysed further in more detail in this report.

EARNINGS PER SHARE (EPS)

The 34.7% and 23.2% increase in EPS and Headline EPS (HEPS) respectively was impacted by the 6.9% increase in the Weighted Average Number Of Shares in issue (WANOS), as a result of the rights issue in the prior year. Adjusted HEPS and adjusted diluted HEPS increased by 8.9%. Dilution arises from the unexercised options under the Group's share incentive schemes.

DIVIDEND PER SHARE (DPS)

The Group dividend policy remains unchanged at a cover of 1.45x headline earnings. The Board approved a final DPS of 180.0 cents, which is a 19.6% increase on last year. This brings the total DPS for the year to 313.0 cents, an overall increase of 26.7%, which is higher than the increase in HEPS of 23.2%, due to the difference in the number of shares in issue at year-end to the WANOS for the period.

A scrip distribution was offered to shareholders as an alternative to the interim cash dividend. The majority of our shareholders preferred the cash option and the uptake was therefore not significant and had a minimal dilution effect on EPS.

	2016 cents	2015 cents	% change
EPS	454.2	337.3	34.7
HEPS	455.6	369.7	23.2
Adjusted HEPS	456.6	419.4	8.9
Adjusted diluted HEPS	453.4	416.4	8.9
DPS	313.0	247.0	26.7
WANOS (millions)	956.5	894.4	6.9

Over the past five years, we have returned R9.9 billion to our shareholders in dividends, with an average dividend yield of 3.2%, reflecting the continued growth in the Group's underlying profitability and our commitment to delivering strong shareholder returns. Over the same period, our share price has risen by 187%.

FINANCE DIRECTOR'S REPORT

SUMMARISED STATEMENT OF FINANCIAL POSITION

	Jun 2016 Rm	Jun 2015 Rm	% change	Constant currency % change
ASSETS				
Property, plant and equipment and investment properties	17 451	14 538	20.0	4.0
Intangible assets	18 965	15 700	20.8	3.4
Investments in JVs and associate	978	894	9.4	9.4
Inventories	7 117	5 881	21.0	10.0
Accounts receivable, tax, deferred tax and loans	3 354	3 551	(5.5)	(14.8)
Cash	1 525	891	71.2	60.4
Total assets	49 390	41 455	19.1	4.4
EQUITY AND LIABILITIES				
Shareholders' funds	19 853	14 297	38.9	12.5
Borrowings	15 918	15 118	5.3	(1.4)
Other non-current liabilities and deferred tax	2 856	3 150	(9.3)	(20.1)
Accounts payable, provisions and tax	10 763	8 890	21.1	9.6
Total equity and liabilities	49 390	41 455	19.1	4.4

The assets and liabilities of the Australian subsidiaries contained within the Group statement of financial position are inflated by the higher exchange rate at year-end. The increase in the equity is primarily due to the increase in the foreign currency translation reserve.

Inventory increased by 10.0% in constant currency, due to the impact of inflation, space growth, private label and lower sell through in CRG.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

	2016	2015
ROCE (%)	16.8	15.7
ROE (%)	25.6	26.3*
Net debt:equity (times)	0.7	1.0
Net debt to EBITDA (times)	1.6	1.7
Interest cover (times)	7.6	6.4

** 2015 based on closing equity*

ROCE has increased from 15.7% to 16.8%. On a constant currency basis, ROCE was 17.4%, reflecting a return that is well ahead of our cost of capital. ROE has reduced marginally by 0.7% to 25.6% and increased to 27.7% on a constant currency basis. Both the ROCE and ROE have been affected by the depreciation of the rand and the translation effects.

Net debt has increased by R166 million to R14.4 billion due to the translation effect on Australian dollar denominated debt. Overall, net debt was R749 million lower in constant currency terms.

The net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) ratio has improved to 1.6 and is well within our internal target.

CAPITAL EXPENDITURE

The Group is in an intensive capital expenditure phase and we continue to invest in key initiatives to deliver Group business transformation, optimisation and capacity, as well as store and support infrastructure to deliver growth.

Total capital expenditure amounted to R2.9 billion, driven mainly by the transformation of David Jones, ongoing store development across the Group, and supply chain investment in Woolworths. Our Omni-channel Fulfilment Centre in Australia became fully operational during the year and we are optimising this facility and beginning to realise the benefits of the investment.

The Group's operations were expanded in 2016 with trading space increasing by 5.0% to 1 272 000 m^2. This was as a result of opening 62 net new store locations and concessions, as well as the extension of existing stores. Within this, Woolworths Clothing and General Merchandise and Woolworths Food each expanded their footprint by 19 000 m^2 (4.3% and 9.3% respectively). David Jones opened two new stores, and CRG opened 37 new store locations, including additional concessions and space within David Jones.

After the balance sheet date, David Jones concluded a contract to dispose of its property in Market Street, Sydney for A$360 million. The proceeds of the sale will be used to reinvest in the Elizabeth Street store, pay down debt and to invest in other long-term value enhancing initiatives such as David Jones Food.

WORKING CAPITAL MOVEMENTS

Working capital requirements have increased due to new store openings across the Group and the expansion of private label brands into DJ stores.

SUMMARISED STATEMENT OF CASH FLOWS

	2016 Rm	2015 Rm
Cash inflow from trading	8 940	8 016
Working capital movements	(311)	(657)
Cash generated by operating activities	8 629	7 359
Interest income	40	160
Finance costs paid	(1 168)	(1 190)
Tax paid	(1 536)	(1 199)
Cash generated by operations	5 965	5 130
Dividends received	169	129
Dividends paid	(2 464)	(2 146)
Net cash inflow from operating activities	3 670	3 113
Net investment in assets	(2 829)	(2 828)
Acquisitions	–	(21 515)
Other	20	69
Net cash outflow from investing activities	(2 809)	(24 274)
Net share issues and debt and equity costs	(35)	9 076
Net borrowings (repaid)/raised	(206)	13 517
Acquisition of non-controlling interests	(85)	(2 153)
Net cash (outflow)/inflow from financing activities	(326)	20 440
Net cash inflow/(outflow) for the year	535	(721)

CASH FLOW

We delivered strong cash flows from operations, which increased to R8.6 billion, from strong business performance and improved management of working capital. EBITDA increased to R9.1 billion from R8.0 billion last year.

The Group paid R1.5 billion tax to the various revenue authorities in the jurisdictions that we operate in.

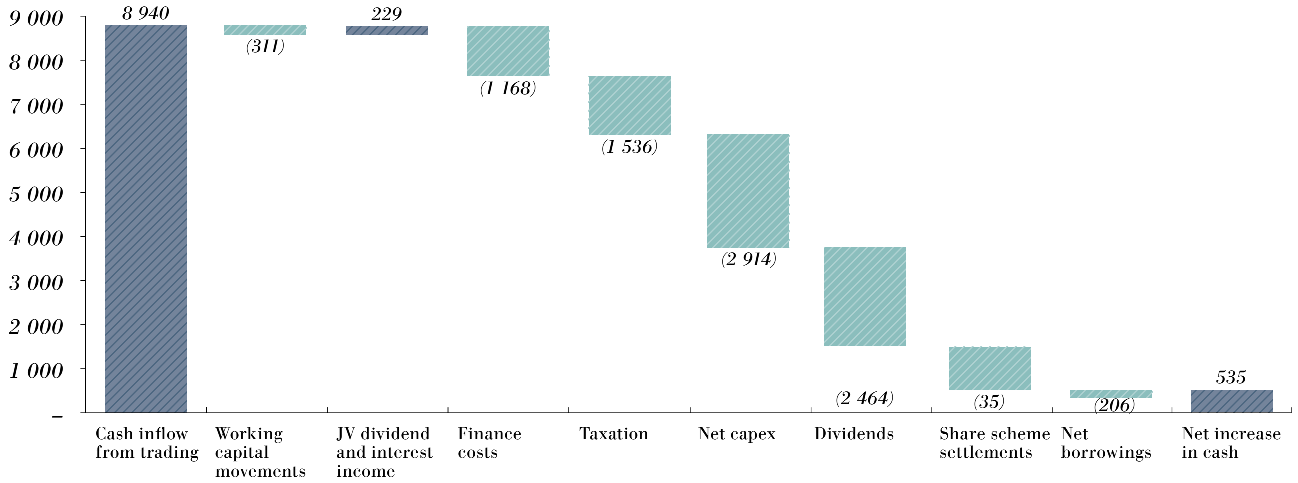
We utilised R2.9 billion of the cash generated to invest in infrastructure and other capital expansion projects. Free cash flow after capital expenditure, working capital movements, the payment of finance costs, taxation and dividends is R535 million.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	2016 Rm	2015 Rm
Shareholders' interest at the beginning of the year	14 297	6 952
Movements for the year:		
Total comprehensive income for the year	8 004	2 189
Shares issued, net of costs	2 848	9 701
Share-based payments liability and settlements	(2 533)	(246)
Dividends to shareholders	(2 716)	(2 146)
Acquisition of non-controlling interests	(47)	(2 153)
Shareholders' interest at the end of the year	19 853	14 297

Equity has increased by R252 million for the 2.9 million ordinary shares subscribed per the interim scrip distribution. The prior year equity had increased by R9 984 million for the 167.8 million ordinary shares issued per the rights offer. The BEEESOS realisation had no effect on net equity.

CASH FLOW WATERFALL GRAPH



OUTLOOK

Looking ahead, trading conditions are expected to remain challenging both in South Africa and Australia.

In South Africa, pressure on the consumer persists, although our upper LSM customer remains more resilient. Food inflation in the first half of the new financial year is expected to increase on the back of the drought. Clothing price inflation will continue to be actively managed with our approach to hedging and focus on sourcing. Credit growth and impairments are expected to be at similar levels to that in 2016.

In Australia, whilst we are seeing an improvement in consumer confidence since the election, we are also expecting a continuation of the tougher, highly promotional trading environment. Our strategy remains unchanged and we will further drive the integration and transformation of our businesses there. The recently announced sale of our Market Street property and redevelopment of our Elizabeth Street store in Sydney will generate excess cash, some of which will be invested in projects such as David Jones Food, which will generate shareholder value over the longer term, so will our establishment of a single Australasian head office.

In addition to the transformational capex, we will continue to invest in supply chain, space expansion and our overall capex levels, excluding rollovers will be broadly in line with that of 2016.

MR Isaacs
Finance Director

Studio.W, Summer 2016

SEGMENTAL REVIEWS

WOOLWORTHS CLOTHING AND GENERAL MERCHANDISE

INCOME STATEMENT	2016 Rm	2015 Rm	% change
Turnover	13 701	12 499	9.6
Cost of sales	7 085	6 574	7.8
Gross profit	6 616	5 925	11.7
Other revenue	27	19	42.1
Expenses	4 338	3 850	12.7
Store costs	2 904	2 544	14.2
Other operating costs	1 434	1 306	9.8
Adjusted operating profit	2 305	2 094	10.1
Earnings from joint venture and associate	1	1	
Adjusted profit before tax	**2 306**	**2 095**	**10.1**

Sales increased by 9.6% and by 4.4% in comparable stores, with price movement of 6.2%. These results include 50% Woolworths private label in David Jones. Trading in the second half slowed considerably on the back of weaker macro-economic fundamentals that resulted in lower disposable income and declining consumer confidence, as well as the late and warm winter. We took steps to minimise the impact on profitability through margin and expense management. There were strong performances in some departments, particularly brands and lingerie, as well as good growth in the Rest of Africa and in the online channel.

We continue to leverage the synergies across the Group in using scale and global sourcing opportunities to deliver better quality products at competitive prices. This resulted in the gross profit margin improving by 0.9% to 48.3%. The increase in expenses was driven by the increase in space and the launch costs of the private label brands in David Jones stores. Comparable store cost growth was 3.2%.

The overall result was an increase in the operating profit by 10.1% and operating profit margin was maintained at 16.8%.

We continue to leverage the synergies across the Group in using scale and global sourcing opportunities to deliver better quality products at competitive prices.

WOOLWORTHS FOOD

INCOME STATEMENT

	2016 Rm	2015 Rm	% change
Turnover and concession sales	25 504	22 796	11.9
Concession sales	(548)	(444)	23.4
Turnover – own buy	24 956	22 352	11.6
Cost of sales	18 586	16 598	12.0
Gross profit – own buy	6 370	5 754	10.7
Other revenue	115	93	23.7
Expenses	4 660	4 268	9.2
Store costs	3 215	2 898	10.9
Other operating costs	1 445	1 370	5.5
Adjusted operating profit	1 825	1 579	15.6
Earnings from joint venture and associate	1	1	
Adjusted profit before tax	**1 826**	**1 580**	**15.6**

Woolworths Food sales increased by

11.9%

5.7% in comparable stores

Woolworths Food delivered another strong performance and continued to trade ahead of the market throughout the year, despite a tough trading environment. Sales increased by 11.9% and by 5.7% in comparable stores. However, price movement in the second half accelerated on the back of the drought and a weakening currency, resulting in a price movement for the year of 6.7%. At a product level, all categories showed positive growth on improved customer price perception and increased promotions, with significant contributions from our produce and groceries departments. The contribution to Food sales from the Rest of Africa and the growth in the online channel has also contributed positively to the growth.

The gross profit margin reduced by 0.2% as we invested in price to improve our competitiveness, drove targeted promotions and had a lower contribution from high-margin confectionary due to the removal of sweets from food checkout aisles and due to lower demand. This deleverage in margin was offset by good expense control resulting in an expense growth of 9.2%. Store cost growth of 10.9% was driven by an increase in space with comparable store cost growth of 3.4%.

The Food business achieved an operating profit growth of 15.6% and an improvement in the operating margin by 0.2% to 7.3%.

WOOLWORTHS FINANCIAL SERVICES

INCOME STATEMENT

	2016 Rm	% to book	2015 Rm	% to book	% change
Interest income	1 993	20.0	1 718	18.6	16.0
Interest paid	580	5.8	497	5.4	16.7
Net interest income	1 413	14.2	1 221	13.2	15.7
Impairment charge	570	5.7	503	5.4	13.3
Risk-adjusted margin	843	8.4	718	7.8	17.4
Non-interest revenue	746	7.5	672	7.3	11.0
Operating costs	902	9.0	777	8.4	16.1
Profit before tax	687	6.9	613	6.6	12.1
Tax	192	1.9	171	1.9	
Profit after tax	495	5.0	442	4.8	12.0
50% equity accounted	248		221		
Average financial services assets	9 980		9 232		8.1
Return on equity	26.9%		26.6%		

Our joint venture with Barclays Africa Group contributed R248 million to Group profit, 12.2% up on last year, with strong operating performance benefitting from higher yields on the credit card and in-store card portfolios, and from interest rate increases. The introduction of the National Credit Amendment Act regulations resulted in a marked slowdown in the growth of new business and in existing customer balances. There was, however, growth in the risk-adjusted margin of 17.4%. Higher operating cost growth was driven by higher credit card recharges and investment in the WRewards programme.

The average debtors' book grew by 8.1% and the impairment rate was kept at a modest 5.7%, with the return on equity maintained well above our 22.0% medium-term target.

FINANCE DIRECTOR'S REPORT

DAVID JONES

INCOME STATEMENT	12 months 2016 A$m	11 months* 2015 A$m
Turnover and concession sales	2 192	1 885
Concession sales	(758)	(609)
Turnover – own buy	1 434	1 276
Cost of sales	782	670
Gross profit – own buy	652	606
Concession and other revenue	179	141
Gross profit	831	747
Expenses	674	603
Store costs	564	506
Other operating costs	110	97
Department store operating profit	157	144
Financial services operating profit	18	17
Operating profit before charges	175	161
Restructure costs	(5)	–
Adjusted operating profit	170	161
Net finance costs	2	4
Adjusted profit before tax	168	157

** From acquisition date of 1 August 2014*

David Jones, Summer 2016

The results for David Jones are not comparable to last year, as the acquisition was effective 1 August 2014 and, therefore, reflects 11 months for the 2015 financial year.

David Jones' overall performance exceeded our expectations despite the slowdown in the second half due to the late winter. On a 52-week basis, sales including concession sales grew by 8.4% in Australian dollar terms, well ahead of the market. This was primarily driven by improved merchandising and the expansion of private label product across the chain. Sales in comparable stores grew by 7.0%.

Despite the inclusion this year of July, traditionally a clearance month, gross profit increased by 11.2%. Gross profit margins were impacted by changes in brand mix, the introduction and expansion of Group private label brands offset by increased promotions and markdowns and A$ weakness against US$.

Costs were well controlled and in line with sales growth, notwithstanding the once-off costs associated with the launch of private label and other transformational projects resulting in an operating profit of A$170 million for the year, and a departmental store operating margin of 7.2%.

David Jones operating profit, including profit earned in other segments from the David Jones channel, is A$202 million.

COUNTRY ROAD GROUP

INCOME STATEMENT	2016 A$m	2015 A$m	% change
Turnover	1 005	952	5.5
Cost of sales	408	372	9.7
Gross profit	597	580	2.9
Other revenue	4	4	–
Expenses	504	473	6.6
Store costs	369	340	8.5
Other operating costs	135	133	1.5
Adjusted operating profit	97	111	(12.6)
Net finance costs	2	1	
Adjusted profit before tax	95	110	(13.6)

Country Road Group experienced a challenging year, as its brands competed in an aggressive promotion-driven environment driven by the late winter, range issues and subdued consumer sentiment.

Country Road Group benefitted from the space growth in David Jones and continues to grow the contribution of online sales. The group is also well positioned to benefit from the investment in the Omni-channel Fulfilment Centre through efficiencies in the supply chain.

Higher store costs resulted from the roll-out of additional space in David Jones, although the impact was offset to some extent by tightly managed expense control. However, this was not sufficient to prevent the contraction in operating profit, which ended the year 12.6% below last year.

Operating profit margin reduced by 2.0% to 9.7%.

Country Road, Summer 2016

SHAREHOLDING DISCLOSURES

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value

ISSUED

Ordinary shares – 1 046 026 844 of no par value

Further details of the stated capital and the movements for the period under review are disclosed in note 11 of the Company Annual Financial Statements.

ANALYSIS OF SHAREHOLDERS

Public and non-public shareholders	Number of share-holders	Percentage of total	Number of shares	Percentage of total
Public shareholders	48 855	100.0	950 250 853	90.9
Non-public shareholders				
Directors and their associates	12	–	10 917 342	1.0
E-Com Investments 16 Proprietary Limited	1	–	43 763 861	4.2
Woolworths Proprietary Limited	1	–	40 497 604	3.9
Woolworths Holdings Share Trust*	1	–	425 000	–
Woolworths Proprietary Limited on behalf of deceased and untraceable former Woolworths Employee Share Ownership Trust beneficiaries	2	–	172 184	–
Total shareholders	48 872	100.0	1 046 026 844	100.0

* Excludes shares held by directors in share trusts.

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 stated capital at 26 June 2016:

Major beneficial shareholders	Number of shares	2016 Percentage of shares	2015 Percentage of shares
Government Employees Pension Fund	162 305 764	15.5	16.3
GIC Private Limited	54 979 327	5.3	5.1

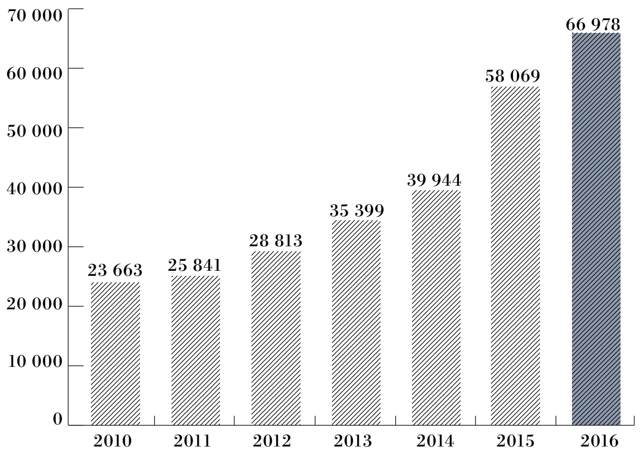
Directors of the company hold direct and indirect beneficial interests of 10 917 342 ordinary shares (2015: 11 979 101) in the company.

Woolworths SA, Mall of Africa

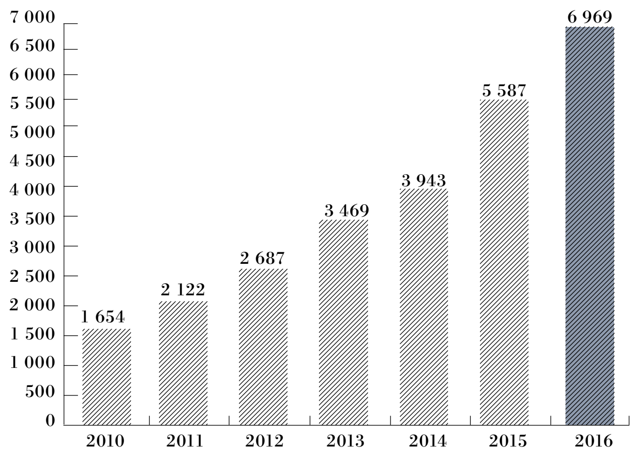
SEVEN-YEAR REVIEW

Year Number of weeks	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm	2011 52 Rm	2010 52 Rm
GROUP STATEMENTS OF PROFIT OR LOSS							
Revenue	66 978	58 069	39 944	35 399	28 813	25 841	23 663
Turnover and concession sales	72 137	61 970	40 012	35 227	28 604	25 582	23 393
Concession sales*	(7 133)	(5 464)	(305)	–	–	–	–
Turnover	65 004	56 506	39 707	35 227	28 604	25 582	23 393
Cost of sales	(38 618)	(33 356)	(24 209)	(21 674)	(18 419)	(16 683)	(15 619)
Gross profit	26 386	23 150	15 498	13 553	10 185	8 899	7 774
Other revenue	1 926	1 447	125	115	127	127	95
Expenses	(21 343)	(19 010)	(11 680)	(10 199)	(7 625)	(6 904)	(6 215)
Operating profit	6 969	5 587	3 943	3 469	2 687	2 122	1 654
Investment income	48	116	112	57	82	132	175
Finance costs	(1 234)	(1 494)	(136)	(68)	(38)	(84)	(151)
Earnings from joint ventures	249	221	181	180	133	129	75
Earnings from associate	1	2	4	9	6	7	6
Profit before tax	6 033	4 432	4 104	3 647	2 870	2 306	1 759
Tax	(1 680)	(1 312)	(1 114)	(1 009)	(811)	(659)	(491)
Profit for the year	4 353	3 120	2 990	2 638	2 059	1 647	1 268
Profit attributable to:							
Shareholders of the parent	4 344	3 116	2 888	2 597	2 048	1 631	1 258
Non-controlling interests	9	4	102	41	11	16	10

Revenue (R million)



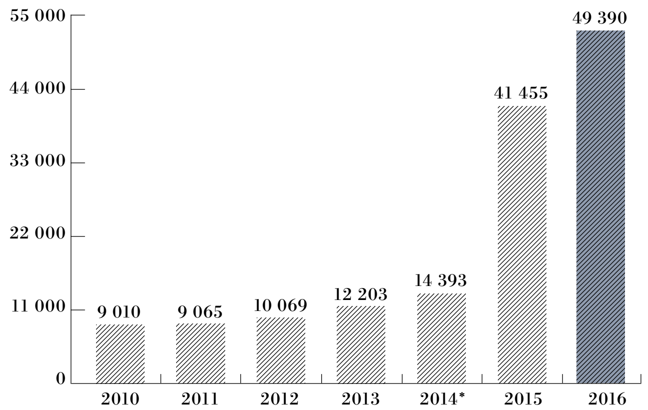
Operating profit (R million)



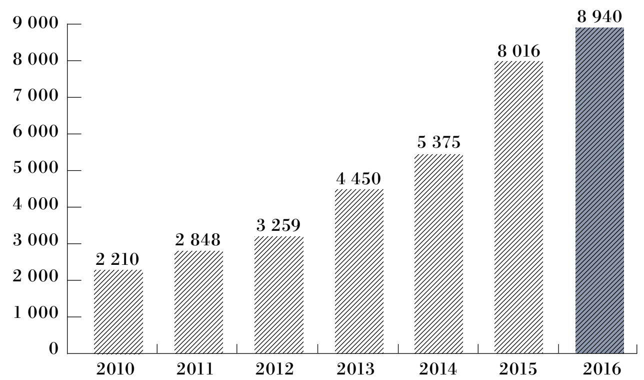
* Concession sales information prior to 2014 is not available.

Year Number of weeks	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm	2011 52 Rm	2010 52 Rm
GROUP STATEMENTS OF FINANCIAL POSITION							
Non-current assets	39 050	33 204	8 192	6 836	5 015	4 115	3 633
Current assets*	10 340	8 251	6 201	5 367	5 054	4 950	5 377
Total assets	49 390	41 455	14 393	12 203	10 069	9 065	9 010
Equity attributable to shareholders of the parent	19 826	14 251	6 629	5 652	4 476	4 008	3 396
Non-controlling interests	27	46	323	285	107	85	57
Non-current liabilities	18 559	18 072	1 918	1 890	1 190	1 460	1 362
Current liabilities*	10 978	9 086	5 523	4 376	4 296	3 512	4 195
Total equity and liabilities	49 390	41 455	14 393	12 203	10 069	9 065	9 010
GROUP STATEMENTS OF CASH FLOWS							
Cash inflow from trading	8 940	8 016	5 375	4 450	3 259	2 848	2 210
Working capital movements	(311)	(657)	(407)	(196)	(131)	377	215
Cash generated by operating activities	8 629	7 359	4 968	4 254	3 128	3 225	2 425
Net interest (paid)/income	(1 128)	(1 030)	(2)	(15)	35	28	15
Tax paid	(1 536)	(1 199)	(1 047)	(1 140)	(356)	(985)	(367)
Cash generated by operations	5 965	5 130	3 919	3 099	2 807	2 268	2 073
Dividends received from joint ventures	162	129	95	83	95	125	35
Dividends received from associate	7	–	62	–	1	1	1
Dividends to shareholders	(2 464)	(2 146)	(2 072)	(1 640)	(1 313)	(923)	(725)
Net cash inflow from operating activities	3 670	3 113	2 004	1 542	1 590	1 471	1 384
Net cash outflow from investing activities	(2 809)	(24 274)	(1 692)	(2 312)	(1 101)	(771)	(504)
Net cash (outflow)/inflow from financing activities	(326)	20 440	(326)	165	(675)	(1 328)	(364)
Increase/(decrease) in cash and cash equivalents	535	(721)	(14)	(605)	(186)	(628)	516
Net cash and cash equivalents at the beginning of the year	891	1 666	1 582	2 165	2 313	2 917	2 391
Effect of foreign exchange rate changes	71	(54)	98	22	38	4	10
Net cash and cash equivalents at the end of the year	1 497	891	1 666	1 582	2 165	2 293	2 917

Total assets (R million)



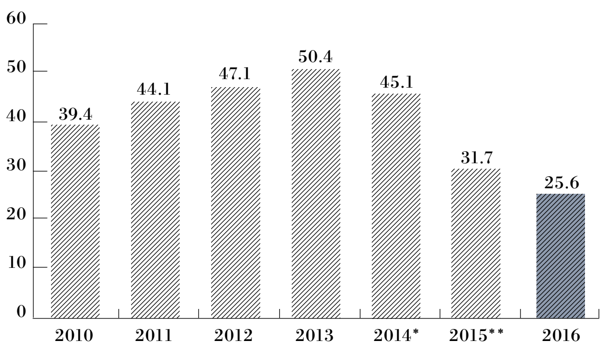
Cash inflow from trading (R million)



* 2014 based on net cash and cash equivalents.

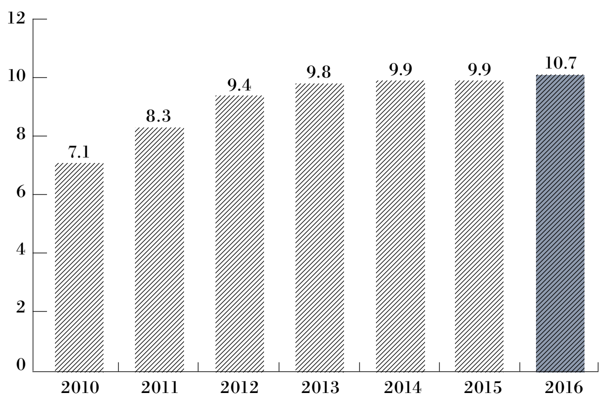
Year Number of weeks	2016 52 %	2015 52 %	2014 52 %	2013 53 %	2012 52 %	2011 52 %	2010 52 %
RETURNS							
Return on ordinary shareholders' equity	25.6	31.7	45.1	50.4	47.1	44.1	39.4
– *headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year*							
Return on assets*	15.4	20.3	30.4	32.2	28.9	23.8	19.3
– *operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year*							
MARGINS							
Gross margin	40.6	41.0	39.0	38.5	35.6	34.8	33.2
– *gross profit as a percentage of turnover*							
Operating margin	10.7	9.9	9.9	9.8	9.4	8.3	7.1
– *operating profit as a percentage of turnover*							
SOLVENCY AND LIQUIDITY							
Debt ratio*	32.2	36.5	5.5	6.8	5.3	5.8	17.3
– *interest-bearing debt as a percentage of total assets*							
Current ratio (times)*	0.9	0.9	1.1	1.2	1.2	1.4	1.3
– *current assets divided by current liabilities*							
Total liabilities to shareholders' equity*	148.8	190.0	107.0	105.5	119.7	121.5	160.9
– *non-current liabilities (including deferred tax) and current liabilities, as a percentage of total shareholders' interest*							

***Return on equity** (%)*



* 2014 based on net cash and cash equivalents.
** 2015 return on equity decrease due to David Jones acquisition.

***Operating margin** (%)*



Year Number of weeks	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm	2011 52 Rm	2010 52 Rm
DIVISIONAL ANALYSIS							
REVENUE							
Woolworths Clothing and General Merchandise	13 728	12 518	11 523	10 778	9 606	8 616	7 918
Woolworths Food	25 071	22 445	19 767	17 543	15 224	13 613	12 292
Woolworths Logistics	515	444	418	561	506	483	417
David Jones	17 297	13 642	–	–	–	–	–
Country Road Group	10 690	9 120	8 145	6 478	3 402	3 000	2 861
Treasury	28	100	91	39	75	129	175
Intragroup	(351)	(200)	–	–	–	–	–
	66 978	58 069	39 944	35 399	28 813	25 841	23 663
TURNOVER							
Woolworths Clothing and General Merchandise	13 701	12 499	11 505	10 764	9 585	8 591	7 913
Woolworths Food	24 956	22 352	19 694	17 469	15 140	13 535	12 227
Woolworths Logistics	515	444	418	561	506	483	417
David Jones	15 185	12 130	–	–	–	–	–
Country Road Group	10 647	9 081	8 090	6 433	3 373	2 973	2 836
	65 004	56 506	39 707	35 227	28 604	25 582	23 393
PROFIT BEFORE TAX							
Woolworths Clothing and General Merchandise	2 295	2 124	1 909	1 899	1 647	1 318	1 050
Woolworths Food	1 824	1 580	1 290	1 037	877	647	464
Woolworths Financial Services	248	221	181	180	133	129	75
David Jones	1 814	1 049	–	–	–	–	–
Country Road Group	1 016	1 011	891	515	172	162	142
Treasury	(1 164)	(1 553)	(167)	16	41	50	28
	6 033	4 432	4 104	3 647	2 870	2 306	1 759
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths*	2 352	1 654	2 312	2 264	1 929	1 516	1 185
David Jones	1 274	733	–	–	–	–	–
Country Road Group	718	729	576	333	119	115	73
	4 344	3 116	2 888	2 597	2 048	1 631	1 258
EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths*	5 736	3 108	4 743	3 868	3 862	3 516	2 966
David Jones	9 873	8 370	–	–	–	–	–
Country Road Group	4 217	2 773	1 886	1 784	614	492	430
	19 826	14 251	6 629	5 652	4 476	4 008	3 396

* Includes Woolworths Clothing and General Merchandise, Woolworths Food, Woolworths Logistics, Woolworths Financial Services, Treasury and earnings from associate and property joint venture.

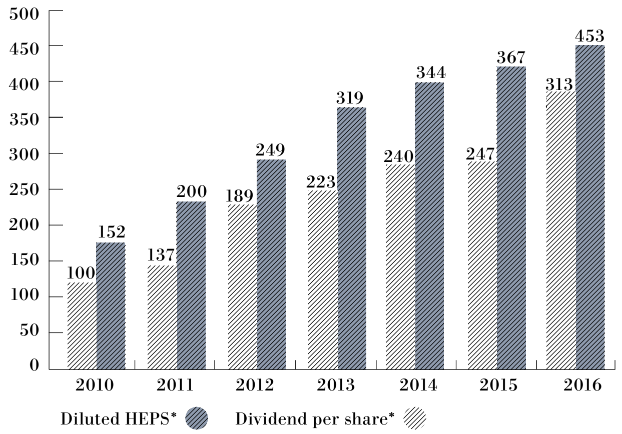
Year Number of Weeks	2016 52	2015 52	2014 52	2013 53	2012 52	2011 52	2010 52
OTHER STATISTICAL DATA							
WOOLWORTHS							
Woolworths Clothing and General Merchandise							
– gross margin (%)	48.3	47.4	46.7	46.4	44.5	43.7	40.0
Woolworths Food							
– gross margin (%)	25.5	25.7	25.3	25.6	25.2	24.4	23.5
Number of employees (average weekly full-time equivalent)	32 870	31 196	28 368	25 989	25 693	23 304	22 325
Number of stores							
– owned (local)	382	372	344	330	330	293	259
– Africa, Engen and franchise	140	134	126	131	118	145	160
Closing trading area (m^2)							
– owned (local)	633 156	593 407	549 008	512 252	498 626	449 297	411 132
– Africa, Engen and franchise	50 001	51 417	50 427	56 900	52 808	82 990	100 524
Turnover ratios							
– turnover per employee (R000)	1 191.7	1 131.4	1 114.5	1 107.9	982.0	970.2	920.8
– turnover per m^2 (owned) (R000)	61.9	59.5	57.6	56.2	50.6	50.3	50.0
Asset turn (times)*	3.6	3.8	4.1	4.3	4.3	4.4	4.3
– *revenue divided by average total assets less deferred tax at the beginning and end of the year*							
Inventory turn (times)	8.5	8.8	9.1	9.5	10.1	10.7	10.2
– *cost of sales divided by average inventory at the beginning and end of the year*							
Profit before tax to turnover (%)	11.2	10.5	10.1	10.2	10.0	8.7	7.3
DAVID JONES (IN A$ TERMS)							
Gross margin (%)	37.9	39.6	–	–	–	–	–
Number of employees (full-time equivalent)	4 956	4 175	–	–	–	–	–
Number of stores – owned	40	38	–	–	–	–	–
Trading area (m^2)	471 214	455 430	–	–	–	–	–
Turnover (including concession sales) ratios							
– turnover per employee (A$000)	442.3	451.5	–	–	–	–	–
– turnover per m^2 (A$000)	4.7	4.1	–	–	–	–	–
Asset turn (times)	1.8	1.6	–	–	–	–	–
Inventory turn (times)	3.8	3.1	–	–	–	–	–
Profit before tax to turnover (%)	7.7	5.8	–	–	–	–	–
COUNTRY ROAD GROUP (IN A$ TERMS)							
Gross margin (%)	59.4	60.9	62.0	61.9	59.6	59.3	55.8
Number of employees (full-time equivalent)	3 459	3 223	3 287	3 370	1 360	1 345	1 331
Number of store locations							
– owned	362	355	322	307	88	99	96
– concession	298	268	207	172	99	100	81
Trading area (m^2)	118 025	111 249	92 825	89 563	56 285	55 105	48 588
Turnover ratios							
– turnover per employee (A$000)	290.5	295.4	258.3	209.5	308.1	318.2	317.8
– turnover per m^2 (A$000)	8.5	8.6	9.1	7.9	7.4	7.8	8.7
Asset turn (times)	2.0	2.1	2.0	2.5	3.1	3.3	3.0
Inventory turn (times)	3.3	3.4	3.6	4.4	3.6	4.0	4.1
Profit before tax to turnover (%)	9.5	11.2	11.1	7.9	5.0	5.3	5.0

* 2014 based on net cash and cash equivalents.

SEVEN-YEAR REVIEW

Year Number of Weeks	2016 52	2015 52	2014 52	2013 53	2012 52	2011 52	2010 52
ORDINARY SHARE PERFORMANCE							
Earnings per share (cents)*	454.2	337.3	350.6	322.5	256.9	202.5	155.0
Headline earnings per share (cents)*	455.6	369.7	348.6	324.9	255.1	205.1	157.1
Adjusted headline earnings per share (cents)*	456.6	419.4	379.9	329.8	253.6	205.1	150.0
Dividend per share (cents)*	313.0	247.0	240.0	223.3	189.0	137.0	100.2
Net asset book value per share (cents)	2 065.0	1 531.9	872.8	745.8	598.8	530.7	447.2
Share price (cents): Highest	10 490	9 886	7 789	7 931	5 039	2 982	2 580
Lowest	7 928	6 848	6 030	5 024	2 989	2 299	1 297
Average	9 356	8 291	7 068	6 542	4 097	2 606	1 898
Closing	8 364	9 886	7 739	6 441	5 039	2 910	2 520
Indexed closing share price (June 2000 = 100)	2 884	3 409	2 669	2 221	1 738	1 003	869
JSE indexed:							
– retail (June 2000 = 100)	945	1 072	800	746	707	495	414
– all share (June 2000 = 100)	670	683	657	513	443	398	354
Market capitalisation at June (Rmillion)	87 490	100 499	65 550	54 275	42 095	24 580	21 365
Number of shares in issue (millions)**	960	930	760	753	746	755	760
Number of shares traded (millions)	1 459	868	980	876	870	781	1 209
Percentage of shares traded	152.0	93.3	129.0	116.3	116.6	103.4	159.1
Value of shares traded (Rmillion)	136 504	71 966	69 266	57 308	35 644	20 353	22 947
Price:earnings ratio*	18.4	29.3	22.1	20.0	19.6	14.4	16.3
Dividend yield (%)*	3.7	2.5	3.1	3.5	3.8	4.7	4.0
FOREIGN CURRENCY EXCHANGE RATES							
US$ – average	14.47	11.45	10.37	8.83	7.73	6.99	7.61
US$ – closing	15.07	12.21	10.58	9.87	8.35	6.82	7.60
A$ – average	10.56	9.53	9.51	9.05	7.97	6.89	6.67
A$ – closing	11.25	9.35	9.96	9.01	8.40	7.17	6.63
KEY INFORMATION US$ MILLION							
Revenue	4 629	5 072	3 852	4 009	3 727	3 697	3 109
Headline earnings per share (cents)*	31.5	32.3	33.6	36.8	33.0	29.3	20.6
Net profit attributable to ordinary shareholders	300	272	279	294	265	233	165
Total assets***	3 277	3 395	1 360	1 236	1 203	1 329	1 186
Market capitalisation	5 806	8 231	6 196	5 499	5 041	3 604	2 812

Diluted HEPS and dividend per share (cents)



* Prior years restated for bonus element of rights offer.

** Net of treasury shares held by subsidiaries, E-Com Investments 16 Proprietary Limited and Woolworths Proprietary Limited.

*** 2014 based on net cash and cash equivalents.

David Jones, Summer 2016

REPORT OF THE INTERIM GROUP COMPANY SECRETARY

In terms of Section 88(2)(e) of the Companies Act of South Africa, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 26 June 2016 and that all such returns and notices are true, correct and up to date.

Ralph Buddle
Interim Group Company Secretary

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements have been compiled under the supervision of Reeza Isaacs CA(SA), the Group Finance Director.

The Annual Financial Statements were approved by the Board on Wednesday, 24 August 2016 and signed on its behalf by:

SN Susman
Chairman

I Moir
Group Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

The Audit Committee provides oversight duties on behalf of the Board and in terms of the Companies Act of South Africa, which primarily relates to the external auditors, internal controls and financial statements. This report sets out how it has fulfilled these duties during the year and, in relation to the financial statements, the significant issues it addressed and how it complied with relevant legislation, regulation and governance practices.

1. AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

The committee regulated its affairs as set out in the terms of reference that are reviewed and approved by the Board on an annual basis, aligned with the requirements of King III, the Companies Act of South Africa and other regulatory requirements. As this is a statutory committee in terms of the Companies Act of South Africa, the roles and responsibilities of the committee include both the statutory duties and the additional responsibilities assigned to it by the Board. The committee acts as an Audit Committee for the South African subsidiaries of the company and has performed the functions required under the Companies Act of South Africa on behalf of these subsidiaries. Audit committees, chaired by Patrick Allaway, were constituted last year in Australia for each of David Jones and Country Road Group. These committees report into the Group Audit Committee. The committee has assessed compliance with its terms of reference and is satisfied that it has discharged its responsibilities as stated in the terms of reference, a copy of which may be found on the website: www.woolworthsholdings.co.za.

2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

At the date of the report, the committee consisted of five independent Non-executive Directors. Mike Leeming retired as Chairman and as a member of the Audit Committee at the conclusion of the 2015 Annual General Meeting held on 30 November 2015. Hubert Brody assumed the role of Chairman of the committee on the same date.

Members' fees are included in the table of directors' remuneration on page 62. The Group Chief Executive Officer, the Group Finance Director, the head of corporate governance, the head of enterprise risk management and compliance, the head of internal audit, head of treasury and tax and the external auditors attend the meetings by invitation.

Four committee meetings were held during the year.

Name of member	24 August 2015	11 November 2015	8 February 2016	18 May 2016
Hubert Brody (Committee Chairman) BAcc (Hons), CA(SA) Appointed to committee: 2014	Present	Present	Present	Present
Patrick Allaway (Australian) BA/LLB Appointed to committee: 2014	Present	Present	Present	Present
Peter Bacon (British) FIH Appointed to committee: 2011	Present	Present	Present	Present
Zarina Bassa BAcc, CA(SA) Appointed to committee: 2011	Present	Present	Present	Present
Andrew Higginson (British) BSc (Hons), FCMA Appointed to committee: 2012	Present	Present	Present	Present
Mike Leeming (Previous Committee Chairman) BCom, MCom, FCMA, FIBSA, AMP (Harvard) (Resigned from the committee: 30 November 2015)	Present	Present	Retired 30 November	Retired 30 November

3. KEY FUNCTIONS

The committee performed the following duties during the period:

- reviewed and recommended the interim results, Annual Financial Statements and Integrated Report to the Board for approval;
- satisfied itself with the Group's internal controls and reviewed the combined assurance model;
- reviewed the expertise and experience of the Group Finance Director and the finance function;
- reviewed reports presented by the Treasury Committee;
- approved the insider trading policy, price-sensitive information, complaints and external auditor's independence policies;
- considered the internal audit charter and plan and ensured integration with the combined assurance model;
- considered the independence of the external auditors;
- considered and nominated the external auditors EY for appointment at the Annual General Meeting;
- determined the fees to be paid to the auditors and the auditors' terms of engagement;
- determined the nature and extent of any non-audit services;
- pre-approved any proposed agreement with the auditors for the provision of non-audit services;
- prepared a report to be included in the Annual Financial Statements for the financial year;
- considered and dealt with any concerns or complaints;
- made submissions to the Board on any matter concerning the company's accounting policies, financial controls, records and reporting; and
- performed other functions determined by the Board.

4. COMBINED ASSURANCE MODEL

The Combined Assurance Management Framework ensures that assurance over the effectiveness of risk mitigations or controls is obtained from various providers in a coordinated manner, therefore avoiding duplication of effort. The "3 Lines of Defence" strategy has been adopted, which distinguishes between assurance providers or functions that own and manage risks, functions that oversee the risk and functions that provide independent assurance. Assurance is assessed over two dimensions, namely coverage and effectiveness, to ensure that the nature of assurance provided is appropriately assessed and clearly defined.

This approach is well established and operating effectively within the Group. The Combined Assurance Model is updated annually, providing sufficient assurance over the Group's risk universe.

5. EXTERNAL AUDIT FUNCTION

The committee meets independently with the external auditors to discuss matters relating to the year-end audit and prior to the finalisation of the interim financial results. As Chairman, I have regular interactions with the lead partner.

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

The committee, in consultation with the Board, agreed the EY letter of engagement, the audit coverage plan and the audit fees for the 2016 financial year.

The committee reviews the external auditors' independence policy on an annual basis to ensure that it is in line with best practice. During the year under review, the fees pertaining to other audit related and non-audit services were approximately 14% of the prior year audit fee. This was within the 30% limit stipulated in our policy on auditor independence.

The committee has nominated, for approval at the Annual General Meeting, EY as the external auditors for the 2017 financial year. The committee is satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors.

6. INTERNAL AUDIT FUNCTIONS

The Audit Committee is responsible for ensuring that the WHL internal audit function is independent and has the necessary resources and authority to enable it to discharge its duties.

The committee annually reviews and approves the internal audit coverage plan and considers the internal audit department's budget and resources in May each year. The head of internal audit reports to the Audit Committee and meets with the Chairman of the committee independently of management.

Internal audit reviews and provides assurance on the adequacy of internal controls through annual assessments. The scope of these assessments, which is based on the combined assurance model, includes the frequency of internal audits on the audit coverage plan and discussions of any serious control issues raised and their impact.

7. INTERNAL FINANCIAL CONTROLS

The committee has reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the internal financial controls of the company. Based on the results of this review, information provided by management and engagement with external auditors, the committee is of the opinion that the internal financial controls form a sound basis for the preparation of reliable financial statements.

8. ANNUAL FINANCIAL STATEMENTS

The committee has reviewed the Annual Financial Statements of the Group and is satisfied that they comply with International Financial Reporting Standards. It recommended the Annual Financial Statements to the Board for approval.

9. GOING CONCERN, SOLVENCY AND LIQUIDITY

The committee reviewed the assessment of the going concern status of the Group and recommended to the Board that the Group will be a going concern for the foreseeable future and that it is solvent and able to distribute its proposed dividend.

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

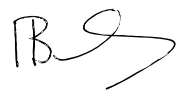
In line with the JSE Listings Requirements, the committee examines and reviews the competence of Reeza Isaacs, the Group Finance Director, and the finance management team annually. The committee is satisfied that the Group Finance Director and the finance management team have the appropriate expertise, resources and experience as required by the Group.

The Annual Financial Statements were compiled under the supervision of Reeza Isaacs, CA(SA), the Group Finance Director.

11. INTEGRATED REPORTING

The committee is responsible for overseeing the Integrated Report and recommending the Integrated Report to the Board for approval.

Signed this 24th day of August 2016.



Hubert Brody
Audit Committee Chairman

DIRECTORS' REPORT

NATURE OF BUSINESS

Woolworth Holdings Limited (WHL) is a southern hemisphere retail Group, with its head office in South Africa, and listed on the JSE Limited Securities Exchange (JSE) since 1997. The operations of the Group are conducted through three major operating subsidiaries, namely Woolworths Proprietary Limited (WSA), David Jones Proprietary Limited (DJ) and Country Road Group Proprietary Limited (CRG) and a joint venture, Woolworths Financial Services Proprietary Limited (WFS).

WSA was established in 1931 and is a leading South African retailer offering a range of primarily private label products under its own brand name. There are 609 WSA store locations in South Africa, (including 68 stores operated on Engen forecourts) and 86 store locations in the rest of Africa.

DJ, which became a wholly-owned subsidiary in August 2014, is the oldest department store in Australia and one of the oldest in the world. The iconic department store opened its first store in Sydney in 1838. DJ is synonymous with style and progress and offers customers the finest brands across fashion, beauty and home in its 40 stores in Australia. 2 stores opened in 2016, with 3 more to open in the next financial year, one of which is in New Zealand.

CRG, which was de-listed from the Australian Securities Exchange in September 2014 following the successful acquisition by WHL of the non-controlling interests, is a retail chain offering clothing and homeware products in stand-alone retail stores and concession locations throughout Australia, New Zealand and South Africa. There are 348 retail store locations and 220 concession store locations in Australia and New Zealand. It is also represented in 88 selected WSA store locations and 4 stand-alone store locations throughout South Africa.

WFS is operated jointly with Barclays Africa Group Limited and provides a suite of financial products to WSA customers, including WSA store card, credit card and personal loans. Financial services hubs are located in 39 WSA stores where credit card applications can be processed, and offers instant customer service.

The nature of the business of the subsidiaries held directly and indirectly is set out on page 126.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The review of operations and financial results of the Group are contained in the 2016 Integrated Report and the 2016 Annual Financial Statements.

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value

ISSUED

Ordinary shares – 1 046 026 844 of no par value

DIRECTORATE AND GROUP COMPANY SECRETARY

Non-independent chairman:	1
Independent non-executive directors:	10
Executive directors:	4

The composition of the Board at the date of this report and the details of the directors and the Group Company Secretary are shown in the 2016 Integrated Report.

CHANGES TO DIRECTORATE AND GROUP COMPANY SECRETARY

Gail Kelly, an Australian national, was appointed as an Independent Non-executive Director with effect from 1 October 2015.

Mike Leeming retired as a director of the company and Chairman of the Audit Committee at the conclusion of the 2015 Annual General Meeting on 30 November 2015. Hubert Brody assumed the role of Chairman of the Audit Committee on the same date.

Thobeka Sishuba resigned as Group Company Secretary with effect from 31 January 2016 and Ralph Buddle was appointed Interim Group Company Secretary effective from 10 February 2016. Prior to year-end, the Board approved the appointment of Chantel Reddiar as Group Company Secretary from 5 September 2016.

RE-ELECTION OF DIRECTORS RETIRING BY ROTATION

In accordance with the Memorandum of Incorporation 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.

In terms of the Memorandum of Incorporation of the company, Ian Moir, Reeza Isaacs, Zarina Bassa, Lord Rose and Simon Susman are due to retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Studio.W, Summer 2016

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

As at the end of the reporting period, the directors and their associates held, directly and indirectly, the following interests in the company's ordinary issued stated capital:

	2016 beneficial		2015 beneficial	
	Direct	Indirect	Direct	Indirect
NON-EXECUTIVE DIRECTORS				
Simon Susman	60 403	4 757 068	60 403	5 257 068
Patrick Allaway	13 363	–	13 160	–
Peter Bacon	30 971	–	30 500	–
Zarina Bassa	5 077	–	–	–
Tom Boardman	–	6 702	–	5 124
Hubert Brody	8 682	–	8 550	–
Andrew Higginson	15 763	–	6 260	–
Gail Kelly*	–	–	–	–
Mike Leeming#	–	–	–	24 400
Nombulelo Moholi	–	–	–	–
Lord Rose	49 290	–	38 166	–
Thina Siwendu	–	–	–	–
EXECUTIVE DIRECTORS				
Ian Moir	939 153	536 298	1 961 969	644 145
Reeza Isaacs	127 905	191 332	127 905	143 761
Sam Ngumeni	271 209	786 180	338 909	526 966
Zyda Rylands	1 458 981	1 658 965	1 210 853	1 580 962
Total	2 980 797	7 936 545	3 796 675	8 182 426

* Appointed on 1 October 2015.
\# Retired on 30 November 2015.

There have been no further 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 60 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 7 on page 57 of the Group Annual Financial Statements.

DISTRIBUTIONS TO ORDINARY SHAREHOLDERS

Distributions to shareholders have been passed by way of Board resolutions after taking into account the solvency and liquidity test, as required by the Companies Act of South Africa.

INTERIM

On 10 February 2016, a gross cash dividend of 133.0 cents (113.05 cents net of dividend withholding tax) (2015: 96.5 cents) was declared with a Scrip Distribution alternative to shareholders recorded at the close of business on Friday, 4 March 2016. The cash dividend was paid and the scrip shares delivered on Monday, 7 March 2016.

FINAL

On 24 August 2016, a gross cash dividend of 180.0 cents (153.0 cents net of dividend withholding tax) (2015: 150.5 cents) was declared to shareholders recorded at close of business on Tuesday, 13 September 2016, to be paid on Monday, 19 September 2016.

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Financial Statements and other information presented in the Integrated Report in a manner that fairly presents the financial position and the results of the operations of the company and the Group for the year ended 26 June 2016.

The external auditors are responsible for carrying out an independent examination of the Annual Financial Statements in accordance with International Standards on Auditing and in the manner required by the Companies Act of South Africa and for reporting their findings thereon. The auditor's report is set out on page 37.

The Annual Financial Statements set out on pages 38 to 128 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies which have been consistently applied in all material respects, and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

INTERNAL CONTROL

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

GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to 25 June 2017 and details of the Group insurance arrangements. On the basis of this review and in 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.

LITIGATION STATEMENT

The directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the previous 12 months, a material effect on the Group's financial position.

MATERIAL CHANGE

Other than the facts and developments reported in the Integrated Report and Annual Financial Statements, there have been no material changes in the financial position of WHL and its subsidiaries since the date of the audit report.

BORROWING POWERS

In terms of the Memorandum of Incorporation, the borrowing powers of the company are unlimited. However, all borrowings by the Group are subject to Board approval as required by the Board delegation of authority. The details of borrowings appear in note 20 on page 85.

SUBSIDIARY COMPANIES

An annexure containing full particulars of the subsidiary companies appears on page 126.

EVENTS SUBSEQUENT TO THE REPORTING DATE

The sale of the Market Street building in Sydney's CBD was completed in August 2016, with gross proceeds on sale of A$360 million. The Group has also entered into a 3-year lease agreement with the purchasers at market-related terms. It is anticipated that the Market Street operations will be relocated to Elizabeth Street after a period of renovation. As a result of the sale of the Market Street building, the Group announced its intention to relocate the David Jones support centre from Sydney to Melbourne and to establish an Australasian head office for David Jones (DJ) and Country Road Group (CRG). CRG has entered into a lease for the new offices in Melbourne, with DJ as a guarantor for this lease, commencing in July 2017.

SPECIAL RESOLUTIONS

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

WOOLWORTHS HOLDINGS LIMITED

November 2015 Annual General Meeting:

- remuneration for the non-executive directors;
- amendments to the company's Memorandum of Incorporation;
- general authority to repurchase shares;
- financial assistance to related or inter-related companies or corporations; and
- issue of shares or options and granting of financial assistance in terms of the company's share-based incentive schemes.

Witchery, Winter 2016

REPORT OF THE INDEPENDENT AUDITORS

AUDIT OPINION TO THE SHAREHOLDERS OF WOOLWORTHS HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of Woolworths Holdings Limited, set out on pages 38 to 128, which comprise the consolidated and separate statements of financial position as at 26 June 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the 52-week period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 management, 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Woolworths Holdings Limited as at 26 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the 52-week period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the 52-week period ended 26 June 2016, we have read the report of the Group Secretary, the report of the Audit Committee and the Directors' report for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that EY has been the auditor of Woolworths Holdings Limited for 84 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – A Cadman
Registered Auditor
Chartered Accountant
Ernst & Young House
35 Lower Long Street
Cape Town
24 August 2016

GROUP ANNUAL FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 26 June 2016 Rm	52 weeks to 28 June 2015 Rm
Revenue	2	66 978	58 069
Turnover and concession sales		72 137	61 970
Concession sales		(7 133)	(5 464)
Turnover	2	65 004	56 506
Cost of sales		38 618	33 356
Gross profit		26 386	23 150
Other revenue	2	1 926	1 447
Expenses		21 343	19 010
Store costs		15 640	13 511
Other operating costs		5 703	5 499
Operating profit		6 969	5 587
Investment income	2	48	116
Finance costs	3.5	1 234	1 494
Profit before earnings from joint ventures and associate		5 783	4 209
Earnings from joint ventures	32	249	221
Earnings from associate	11	1	2
Profit before tax	3	6 033	4 432
Tax	4	1 680	1 312
Profit for the year		4 353	3 120
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	26.6	(166)	325
Tax on fair value adjustments on financial instruments		62	(100)
Exchange differences on translation of foreign subsidiaries		3 748	(1 150)
Amounts that may not be reclassified to profit or loss			
Post-retirement medical benefit liability-actuarial gain/(loss)	22	10	(8)
Deferred tax on post-retirement medical benefit liability		(3)	2
Other comprehensive income for the year		3 651	(931)
Total comprehensive income for the year		8 004	2 189
Profit attributable to:		4 353	3 120
Shareholders of the parent		4 344	3 116
Non-controlling interests		9	4
Total comprehensive income attributable to:		8 004	2 189
Shareholders of the parent		7 988	2 180
Non-controlling interests		16	9
Earnings per share (cents)	5	454.2	337.3
Headline earnings per share (cents)	5	455.6	369.7
Diluted earnings per share (cents)	6	451.0	334.9
Diluted headline earnings per share (cents)	6	452.5	367.1

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	At 26 June 2016 Rm	At 28 June 2015 Rm
ASSETS			
Non-current assets		37 001	33 174
Property, plant and equipment	8	15 324	14 430
Investment properties	9	78	78
Intangible assets	10	18 965	15 700
Investment in associate	11	–	3
Investment in joint ventures	32	978	891
Participation in export partnerships	12	8	19
Fair value lease adjustment	16	83	76
Other loans	13	41	55
Derivative financial instruments	17	72	82
Deferred tax	14	1 452	1 840
Current assets		10 340	8 251
Inventories	15	7 117	5 881
Trade and other receivables	16	1 312	1 051
Derivative financial instruments	17	90	219
Tax	29.3	296	209
Cash and cash equivalents	29.4	1 525	891
Non-current assets held for sale	8	2 049	30
TOTAL ASSETS		49 390	41 455
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		19 826	14 251
Stated capital	18	11 237	10 802
Treasury shares		(1 348)	(1 347)
Non-distributable reserves	19	3 174	(567)
Distributable reserves	19	6 763	5 363
Non-controlling interests	33	27	46
TOTAL EQUITY		19 853	14 297
Non-current liabilities		18 559	18 072
Interest-bearing borrowings	20	15 703	14 922
Operating lease accrual and fair value lease adjustment	21	2 264	2 037
Post-retirement medical benefit liability	22	387	374
Provisions	23	187	197
Derivative financial instruments	17	12	26
Deferred tax	14	6	516
Current liabilities		10 978	9 086
Trade and other payables	21	9 107	7 699
Provisions	23	863	738
Operating lease accrual and fair value lease adjustment	21	135	122
Derivative financial instruments	17	265	72
Tax	29.3	393	259
Overdrafts and interest-bearing borrowings	20	215	196
TOTAL LIABILITIES		29 537	27 158
TOTAL EQUITY AND LIABILITIES		49 390	41 455

GROUP ANNUAL FINANCIAL STATEMENTS

GROUP STATEMENT OF CHANGES IN EQUITY

		Attributable to		owners of the parent						
				Non-distributable reserve	Distributable reserves					
	Notes	Stated capital Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Share-based payments reserve Rm	Financial instrument revaluation reserve Rm	Retained profit Rm	Shareholders' interest before non-controlling interest Rm	Non-controlling interest Rm	Total Rm
Shareholders' interest at 29 June 2014		678	(1 324)	583	885	(99)	5 906	6 629	323	6 952
Profit for the year		–	–	–	–	–	3 116	3 116	4	3 120
Other comprehensive income		–	–	(1 150)	–	220	(6)	(936)	5	(931)
Total comprehensive income for the year		–	–	(1 150)	–	220	3 110	2 180	9	2 189
Shares issued	18	10 124	(140)	–	–	–	–	9 984	–	9 984
Rights issue costs		–	–	–	–	–	(421)	(421)	–	(421)
Shares purchased		–	(308)	–	–	–	–	(308)	–	(308)
Share purchase costs		–	–	–	–	–	(2)	(2)	–	(2)
Share-based payments		–	–	–	202	–	–	202	–	202
Settlement of share-based payments		–	425	–	(95)	–	(330)	–	–	–
Dividends to shareholders	28	–	–	–	–	–	(2 146)	(2 146)	–	(2 146)
Acquisition of non-controlling interests	33	–	–	–	–	–	(1 867)	(1 867)	(286)	(2 153)
Shareholders' interest at 28 June 2015		10 802	(1 347)	(567)	992	121	4 250	14 251	46	14 297
Profit for the year		–	–	–	–	–	4 344	4 344	9	4 353
Other comprehensive income		–	–	3 741	–	(104)	7	3 644	7	3 651
Total comprehensive income for the year		–	–	3 741	–	(104)	4 351	7 988	16	8 004
Shares issued	18	2 849	(2 597)	–	–	–	–	252	–	252
BEEESOS unwind	18 & 19	(2 414)	2 414	–	(336)	–	336	–	–	–
Shares purchased	18	–	(34)	–	–	–	–	(34)	–	(34)
Share purchase costs		–	–	–	–	–	(1)	(1)	–	(1)
Share-based payments		–	–	–	98	–	–	98	–	98
Settlement of share-based payments		–	216	–	(89)	–	(127)	–	–	–
Dividends to shareholders	28	–	–	–	–	–	(2 716)	(2 716)	–	(2 716)
Acquisition of non-controlling interests	33	–	–	–	–	–	(12)	(12)	(35)	(47)
Shareholders' interest at 26 June 2016		11 237	(1 348)	3 174	665	17	6 081	19 826	27	19 853

	Notes	2016	2015
Dividend per share declared for the financial year (cents)	28		
Ordinary shares		313.0	247.0
Interim		133.0	96.5
Final		180.0	150.5
Preference shares		–	96.5
Interim		–	96.5
Final		–	–

GROUP STATEMENT OF CASH FLOWS

	Notes	52 weeks to 26 June 2016 Rm	52 weeks to 28 June 2015 Rm
Cash flow from operating activities			
Cash inflow from trading	29.1	8 940	8 016
Working capital movements	29.2	(311)	(657)
Cash generated by operating activities		8 629	7 359
Investment income received		40	160
Finance costs paid		(1 168)	(1 190)
Tax paid	29.3	(1 536)	(1 199)
Cash generated by operations		5 965	5 130
Dividends received from joint ventures		162	129
Dividends received from associate		7	–
Dividends to ordinary shareholders		(2 464)	(2 047)
Dividends to preference shareholders		–	(99)
Net cash inflow from operating activities		3 670	3 113
Cash flow from investing activities			
Investment in property, plant and equipment, intangible assets and investment properties		(2 849)	(2 931)
Proceeds on disposal of property, plant and equipment, intangible assets, investment properties and non-current assets held for sale		20	103
Acquisition of subsidiary, net of cash acquired		–	(21 447)
Acquisition of franchise operations		–	(68)
Participation in export partnerships		5	6
Loans and advances repaid by employees and share scheme participants		15	63
Net cash outflow from investing activities		(2 809)	(24 274)
Cash flow from financing activities			
Settlement of share-based payments through share purchase		(34)	(308)
Share purchase costs		(1)	(2)
Rights issue proceeds	18	–	9 984
Finance lease payments		(12)	(15)
Long-term borrowings raised		190	15 364
Short-term borrowings raised		–	10 044
Borrowings repaid		(384)	(11 876)
Acquisition of non-controlling interests in subsidiaries*		(85)	(2 153)
Costs associated with debt and equity raising		–	(598)
Net cash (outflow)/inflow from financing activities		(326)	20 440
Increase/(decrease) in cash and cash equivalents		535	(721)
Net cash and cash equivalents at the beginning of the year		891	1 666
Effect of foreign exchange rate changes		71	(54)
Net cash and cash equivalents at the end of the year	29.4	1 497	891

* Comparative information has been restated to reflect the reclassification of 'Acquisition of non-controlling interests' as a financing activity.

Studio.W, Summer 2016

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate Annual Financial Statements of Woolworths Holdings Limited ("the company") for the 52 weeks ended 26 June 2016 (2015: 52 weeks ended 28 June 2015) comprise the company, its subsidiaries, joint ventures and associates (together referred to as "the Group").

STATEMENT OF COMPLIANCE

The consolidated and separate 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), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the Companies Act of South Africa and the JSE Limited Listings Requirements.

BASIS OF PREPARATION

The consolidated and separate Annual Financial Statements are prepared on the historical cost and going concern bases, except where otherwise indicated.

The presentation and functional currency is the South African Rand, rounded to the nearest million, except where otherwise indicated.

The accounting policies set out below have been consistently applied to all years presented in these consolidated and separate Annual Financial Statements.

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, the Woolworths Trust and the Woolworths Employee Share Ownership Trust, have the same financial year-ends and are consolidated to that date. The results of subsidiaries with year-ends differing from that of the Group are compiled for a rolling 12-month year – ending June and consolidated to that date.

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

CONTROL

The Group consolidates an entity when control exists and can be demonstrated as follows:

- power over the investee through having existing rights that give it the current ability to direct relevant activities;
- exposure, or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The Group's interests in joint ventures and associates are accounted for using the equity method.

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

Losses are attributed to the non-controlling interests 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 currency of the Group and parent company Annual Financial Statements is the South African Rand. Certain individual companies in the Group have different functional currencies and are translated upon consolidation.

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 and resulting gains and losses thereon are recognised in profit or loss. Upon settlement, foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the settlement date and resulting gains and losses are recognised in profit or loss. Non-monetary assets and liabilities are consistently translated at rates of exchange ruling at acquisition date.

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

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

USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

PROPERTY, PLANT AND EQUIPMENT

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

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

PROVISION FOR NET REALISABLE VALUE OF INVENTORY

The provision for net realisable value of inventory represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting date will be sold below cost. Refer to note 15.

FAIR VALUE OF RIGHTS 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, and between three and seven years for the new schemes. Other valuation assumptions include estimates of attrition, the volatility of the shares, dividend yield and the risk-free interest rate. Refer to note 18 for additional information regarding the fair value of such instruments at grant date.

BUSINESS COMBINATIONS

The Group determines the fair value allocations for assets and liabilities acquired via business combinations, where applicable.

REACQUIRED RIGHTS

The fair value attached to the reacquired rights is determined with the use of a discounted cash flow, which takes into account the remaining term of the franchise agreement. The Group determines whether these assets are impaired at each reporting date. Key assumptions applied to the earnings portion of a discounted cash flow calculation include the latest available projected sales growth rate, which varies from 6.0% – 13.0%, operating margin, return on capital required of 15.0% – 25.0%, reinvestment of profits, working capital requirements and capital expenditure. The growth rate used to extrapolate cash flows beyond the most recent budget year is also estimated, as above. In determining the discount rate applied to calculate the present value of future earnings, the Group estimates the market risk return and uses a weighted average cost of capital of 12.7%. Refer to note 10.

TREATMENT OF WOOLWORTHS FINANCIAL SERVICES PROPRIETARY LIMITED ("WFS") AS A JOINT VENTURE

The Group owns 50% of WFS. As a result of the Group's equity holding and representation on the Board (through the Joint Venture Agreement), the Group accounts for WFS as a joint venture per IFRS 11. Refer to note 32.

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 to certain existing and former employees. Actuarial valuations are performed to assess the financial position of relevant funds and are based on assumptions, which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions. Refer to note 22.

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, in the opinion of the directors, the number of rights to equity instruments granted that will ultimately vest. At each reporting date, the unvested rights are adjusted by the number of rights forfeited during the year, to reflect the actual number of instruments outstanding. Management is of the opinion that this number, adjusted for future attrition rates, 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)

IFRIC 4 identifies situations where an arrangement entered into may have to be accounted for as a lease. The interpretation concludes that an arrangement is a lease when fulfilment thereof is dependent on the use of specific assets, and when the arrangement conveys the right to use those assets. Judgement is exercised in assessing whether existing supplier agreements may contain a lease. In the opinion of management, the requirements of IFRIC 4 were not met during the current year as suppliers do not have to use specific assets to fulfil their supply obligations 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 Black Economic Empowerment Employee Share Ownership Scheme (BEEESOS) 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 employee economic empowerment. The trusts are funded by loan accounts from companies within the Group and by dividends received from Woolworths Holdings Limited. In management's judgement, the Group controls the respective trusts in accordance with IFRS 10: Consolidated Financial Statements, and the appropriate accounting treatment for these entities is to consolidate their results.

PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recognised at cost, which includes any costs directly attributable to bringing the assets to the location and condition necessary for them 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and is not depreciated, since the useful life is considered to be indefinite. Furniture, fittings, equipment, motor vehicles and computer equipment 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 can be measured reliably.

An asset is depreciated from the time that it is available for use. Depreciation of an asset ceases at the earlier of the date that 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 was already of the age and in the condition expected at the end of its useful life. While 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 that is significant in relation to the total cost of the item is depreciated separately.

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

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
Motor vehicles	5 years
Computer equipment	3 to 7 years

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

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

INTANGIBLE ASSETS

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

Other than brands and 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 between five to 10 years. Reacquired rights are amortised over the remaining contractual term of the franchise contracts acquired, which varies between two and 10 years per store. Customer databases are amortised over seven 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. Amortisation of intangible assets ceases when the residual value is equal to or exceeds the carrying value.

The residual value of an intangible asset is 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 ceases 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 measured reliably.

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

Intangible assets are tested for impairment if indications of impairment exists, except for goodwill and intangible assets with indefinite useful lives, which are tested annually. Refer to the accounting policy on impairment of non-financial assets for this process.

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. Where development costs are recognised, it has a finite useful life and is amortised over its useful life on a straight-line basis and is tested for impairment if indications of impairment exists.

GOODWILL

Goodwill on acquisitions of subsidiaries is recognised as an asset and initially measured at cost, and represents the excess paid above the fair value of the assets and liabilities obtained as part of the business combination.

After initial recognition, goodwill on acquisitions of subsidiaries is measured at cost, less any accumulated impairment losses. Goodwill is adjusted in the remeasurement period up to one year after its recognition for remeasurement of the amounts recognised. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation can be made to a single cash-generating unit or a group of cash-generating units.

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

Goodwill on acquisitions of the equity-accounted associate and joint ventures is included in the investments in associate 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 acquired. Any excess of the fair value of the proportionate net assets acquired over the cost of the investment is included in profit or loss of the investor, in the year when acquired, as part of the proportionate share in the associate's 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 may arise on the acquisition of businesses and subsidiaries. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value, or at the proportionate share of the acquiree's identifiable net assets. 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. The fair value of assets and liabilities obtained are determined through a professional valuation.

INVESTMENT PROPERTIES

Investment properties are land and buildings, which are held, either to earn rental income or for capital appreciation, or both. Investment properties are accounted for under the cost model and the accounting treatment, after initial recognition, follows that applied to property, plant and equipment.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in other operating costs in the year of retirement or disposal.

TAXES

CURRENT TAX

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

Current tax assets and liabilities are offset if the company has a legally enforceable right to offset the recognised amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

DEFERRED TAX

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DIVIDEND WITHHOLDING TAX ("DWT")

DWT is a tax levied on the beneficial owner of the shares instead of the company. The tax is withheld by the company and paid over to the South African Revenue Service ("SARS") on the beneficiaries' behalf. The resultant tax expense and liability has been transferred to the shareholder and is no longer accounted for as part of the tax charge of the company. Amounts not yet paid over to SARS are included in trade and other payables and the measurement of the dividend amount is not impacted by the withholding tax.

CURRENT ASSETS AND LIABILITIES

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

INVENTORIES

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

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

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

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

LEASES

Finance leases are leases whereby substantially all the risks and rewards of ownership are transferred to the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset and the lease term, 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 and the present value of the minimum lease payments, calculated using the interest rate implicit in the lease at the inception of the lease. Any initial direct costs incurred are added to the amount recognised as an asset. Related finance costs are charged to profit or loss over the period of the lease using the effective interest method.

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

SHORT-TERM EMPLOYEE BENEFITS

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

RETIREMENT BENEFITS

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

The Group has an obligation to provide certain post-employment medical aid benefits to certain employees and pensioners. The calculated cost arising in respect of post-retirement medical aid benefits is charged to profit or loss, as services are rendered by employees. The present value of future medical aid subsidies for past and current service is determined in accordance with IAS 19: Employee Benefits, using actuarial valuation models. The cost of providing benefits under the plan is determined using the projected unit credit valuation method. Plan assets are assets which can only be used to satisfy the obligations of the fund and are measured at fair value. All actuarial gains and losses are recognised in other comprehensive income. Any curtailment benefits or settlement amounts are recognised in profit or loss as incurred.

SHARE-BASED PAYMENT TRANSACTIONS

Shares and rights to acquire shares granted to employees in terms of the Group's share incentive meet the definition of share-based payment transactions. Refer to note 18 for a detailed description of each of the schemes.

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

The equity-settled share-based payment schemes allow Group employees to acquire shares in the company. The fair value of shares granted or rights to acquire shares (granted in the form of share options), is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period in which the employees become unconditionally entitled to these rights. The fair value of the grants is measured with reference to the listed share price, using option pricing models, taking into account the terms and conditions under which the grants were made. In valuing the grants, market conditions imposed, where applicable, on the vesting or exercisability of the shares or 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 are granted at a discount to the ruling market price, the grant date fair value is expensed over the vesting period of the grant. Changes in estimates of the number of shares or rights to acquire shares that will ultimately vest are included in the charge for the year. No subsequent adjustments are made to total equity after the vesting date.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the amount measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, the Group recognises, over the remainder of the vesting period, the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee as measured at the date of the modification.

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

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

PROVISIONS

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

FINANCIAL INSTRUMENTS

RECOGNITION AND MEASUREMENT

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

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is derecognised when 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, and 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 profit or loss.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of quoted instruments traded in an active market is determined with reference to closing prices at close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analyses and option pricing models.

OFFSET

Where a currently legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to realise the asset and settle the liability 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: (1) loans and receivables and (2) 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 RECEIVABLE

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

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

PARTICIPATION IN EXPORT PARTNERSHIPS

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

OTHER LOANS

Other loans comprise housing and other employee loans as well as loans to participants in the Group 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fair value. Gains and losses arising on the change in the fair value of financial assets or liabilities at fair value through profit or loss are recognised under other operating expenses.

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

FINANCIAL LIABILITIES

Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to the 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 or hedging instruments, which are measured at fair value.

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

Gains and losses on financial liabilities at fair value through profit or loss arise from fair value movements and related transaction costs on these liabilities. These gains and losses are recognised in profit or loss in the period in which they are incurred.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

FINANCIAL GUARANTEE CONTRACTS

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

Financial guarantee contracts are recognised initially at fair value. Subsequently, the contract is measured at the higher of the amount determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised, less cumulative amortisation recognised in accordance with IAS 18: Revenue, unless it was designated as at fair value through profit or loss at inception and measured as such. Financial guarantee contracts provided by the company to subsidiaries are provided at no cost to subsidiaries. Subsequently, these contracts are measured in accordance with IAS 37, if probable that a guarantee will be called upon.

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

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

HEDGE ACCOUNTING

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

Derivative financial 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 and losses being recognised in profit or loss in the period in which they arise.

IMPAIRMENT

NON-FINANCIAL ASSETS

The carrying amount of the Group's assets, other than goodwill, inventories, associates, joint ventures and deferred tax assets (refer to the accounting policy on each asset mentioned respectively), is reviewed at each statement of financial position date for any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs using a discounted cash flow. For franchise buybacks, each African country is treated as its own cash-generating unit.

The recoverable amount is the higher of an asset's or the cash-generating unit's fair value, less costs of disposal 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. This incorporates information and assumptions that a market participant would consider when pricing the item under consideration, the time value of money and the risks specific to the asset or cash-generating unit. Costs to dispose are incremental costs directly attributable to the disposal, excluding finance costs and income tax expense.

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

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

FINANCIAL ASSETS

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

ASSETS CARRIED AT AMORTISED COST

If there is objective evidence that an asset, carried at amortised cost, is impaired, the loss is measured as the difference between the asset's carrying amount and the 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 profit or loss. Assets, together with the associated provision for impairment, are written off when there is no realistic prospect of future recovery.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually-assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed and, for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

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

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

TRADE AND OTHER RECEIVABLES

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

TREASURY SHARES

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

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

A joint venture is an arrangement in which the parties with joint control have rights/exposures to the net assets of the arrangement. An associate is an entity in which the Group has significant influence. The Group's interests in joint ventures and associates are accounted for using the equity method, 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 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 or associate. The statement of comprehensive income reflects the share of the results of operations of the company. Where there has been a change recognised directly in the other comprehensive income or equity of the joint venture or associate, the Group recognises its share of any changes and discloses this, where applicable, in the Group statement of comprehensive income or Group statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group, the joint venture and associate are eliminated to the extent of their interests. The share of the profit of a joint venture or associate is disclosed on the statement of comprehensive income. This is the profit attributable to the equity holding and therefore is profit after tax and non-controlling interests of the joint venture and associate. Any dividend received by the Group is credited against the investment in the joint venture and associate.

Financial results of the joint venture or associate 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 or associate. The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the joint venture and 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 joint venture or associate and the carrying value and recognises the amount in profit or loss.

REVENUE

Revenue of the Group comprises:

- Turnover: net merchandise sales, sales to franchisees and logistics services.
- Other revenue: rentals, concession sales commission, royalties, other commission, dividends and investment income.

Turnover and concession sales on the statement of comprehensive income represents the total sales amount of goods sold in Group stores. Concession sales are the sale of goods by concession operators and are not included in revenue.

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;
- rental income for fixed escalation leases is recognised on a straight-line basis;
- contingent rentals are recognised in the period in which they arise;
- 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;

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement;
- dividends are recognised when the shareholder's right to receive payment is established; and
- investment income is recognised as interest accrues using the effective interest method.

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

BORROWING COSTS

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

EXPENSES

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

SEGMENTAL INFORMATION

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

- Woolworths Clothing and General Merchandise (C&GM) (clothing, homeware, beauty and other lifestyle products)
- Woolworths Food
- Woolworths Logistics
- David Jones (department store clothing retailer)
- Country Road Group (clothing retailer that includes the Witchery Group)
- Woolworths Financial Services ("WFS") (financial products and services)
- Treasury (cash and debt management activities)

The Executive Directors evaluate the segmental performance based on profit or loss before exceptional items and tax. Transactions between reportable segments are done on an arm's length basis. To increase transparency and comparability of revenue, the Group has included additional voluntary disclosure of revenue from logistics services.

EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share is calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants. Diluted earnings per share is presented to show the effect of the conversion of favourable potential ordinary shares.

DIVIDENDS TO SHAREHOLDERS

Dividends are recorded in the period in which the dividend is declared and charged directly to equity.

IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

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

Annual Improvements to IFRS 2012 – 2014 Cycle (effective for annual periods beginning on or after 1 January 2016)

The proposed amendment clarifies that, when an entity reclassifies an asset (or disposal group) from being held-for-sale to being held-for-distribution without interruption, the entity would continue to apply held-for-sale accounting. Similarly, if an entity reclassifies an asset (or disposal group) from being held-for-distribution to held-for-sale without interruption, the entity would continue to apply held-for-distribution accounting. A held-for-distribution plan is a plan to spin off a division and distribute a dividend in kind to the shareholders. This is not expected to impact the Group.

IAS 1: Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016)

The amendments clarify the materiality requirements in IAS 1; that specific items in the statements of comprehensive income and financial position may be disaggregated, that entities have flexibility as to the order in presenting notes to final statements; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective for annual periods beginning on or after 1 January 2016)

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

IFRS 11: Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective for annual periods beginning on or after 1 January 2016)

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

IAS 19: Employee Benefits – Discount rate: Regional Market Issue (effective for annual periods beginning on or after 1 January 2016)

The amendment clarifies that market depth of high-quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high-quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 27: Equity Method in Separate Financial Statements – Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016)

The amendments allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for their investments either (1) at cost; (2) in accordance with IFRS 9; or (3) using the equity method. The entity must apply the same accounting for each category of investment, and the amendment must be applied retrospectively.

IAS 16 and IAS 38 – Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)

The amendments clarify the principle in IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

IAS 7: Disclosure Initiative – Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2017)

The amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are intended to provide information to help investors better understand changes in a company's debt.

IFRS 9: Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39: Financial Instruments – Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Despite the requirement to apply IFRS 9 in its entirety, entities may elect to apply early only the requirements for the presentation of gains and losses on financial liabilities designated as fair value through profit and loss ("FVTPL") without applying the other requirements in the standard. The adoption of IFRS 9 will have an effect on the classification, measurement and impairment of the Group's financial assets and financial liabilities as well as hedge accounting. The impairment requirements are based on an expected credit loss ("ECL") model that replaces the IAS 39 incurred loss model. Entities are generally required to recognise either 12 months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For certain trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

IFRS 15: Revenue (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16: Leases (effective for annual periods beginning on or after 1 January 2019)

In July 2016, the IASB issued the final version of IFRS 16, the scope of which includes leases of all assets, with certain exceptions. The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computer) and short-term leases (i.e. leases with a lease term of 12 months or less). Reassessment of certain key considerations (e.g. lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The lease expense recognition pattern for lessees will generally be accelerated as compared to today. The new standard requires lessees and lessors to make more extensive disclosures than under IAS 17. Early application is permitted, but not before an entity applies IFRS 15.

IFRS 2: Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)

The amendments to IFRS 2 are intended to eliminate diversity in practice, and addresses three main areas: (1) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; (2) The classification of a share-based payment transaction with net settlement features for the withholding tax obligations; (3) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early adoption is permitted.

The Group expects that adoption of the pronouncements listed above, with the exception of IFRS 16, IFRS 9 and IFRS 15, will have no material financial impact on the reported results in the period of initial application. However, the Group will comply with the additional disclosure requirements resulting from such initial application. Various other new and amended IFRS and IFRIC interpretations, which have been issued, have not been adopted by the Group as they are not applicable to its activities.

	2016 Rm	2015 Rm
2. REVENUE		
Turnover	65 004	56 506
Clothing and General Merchandise	39 533	33 710
Foods	24 956	22 352
Logistics services and other	515	444
Other revenue	1 926	1 447
Rentals	13	16
Concession sales commission	1 830	1 375
Royalties and other	83	56
Investment income	48	116
Interest earned from cash and investments	46	107
Other	2	9
	66 978	58 069

3. PROFIT BEFORE TAX INCLUDES:

	2016 Rm	2015 Rm
3.1 OPERATING LEASE EXPENSES		
Land and buildings – Straight-lined rentals	5 031	4 146
– Contingent rentals	185	197
Plant and equipment	19	31
3.2 NET FOREIGN EXCHANGE (GAIN)/LOSS	(12)	4
3.3 OTHER EXPENSES		
Technical and consulting service fees	200	181
Depreciation and amortisation (refer to notes 8 and 10)	1 825	1 526
Loss on disposal of property, plant and equipment and intangible assets	22	19
Net impairment of property, plant and equipment and intangible assets (refer to notes 8 and 10)	7	384
Loss on fair value movements arising from derivative instruments (refer to note 26.6)	13	8
Transaction costs on acquisitions	–	258
3.4 EMPLOYMENT COSTS	9 859	8 363
Short-term employment benefits	8 850	7 499
Share-based payments expense	120	127
Pension costs (refer to note 22)	785	641
Post-retirement medical benefit (refer to note 22)	41	34
Termination and other benefits	63	62
3.5 FINANCE COSTS		
Long-term borrowings, bank borrowings and overdrafts	1 234	1 494

	2016 Rm	2015 Rm
4. TAX		
Current year		
Normal tax		
South Africa	881	828
Foreign	656	748
Deferred tax		
South Africa	(42)	(40)
Foreign	181	(223)
	1 676	1 313
Prior year		
Normal tax		
South Africa	–	(20)
Foreign	18	17
Deferred tax		
Foreign	(14)	2
	1 680	1 312

	2016 %	2015 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	0.6	3.5
Exempt income	(0.5)	(0.6)
Foreign tax	0.7	0.6
WFS equity-accounted earnings	(1.2)	(1.4)
Other	0.2	(0.5)
Effective tax rate	27.8	29.6
Normal tax recognised in other comprehensive income	45	–
Normal tax recognised in share-based payment reserve	(48)	(89)

5. EARNINGS PER SHARE

BASIC AND HEADLINE EARNINGS

	Profit before tax Rm	Tax Rm	Non-controlling interests Rm	Attributable profit Rm
2016				
Per the financial statements	6 033	(1 680)	(9)	4 344
BEE preference dividend paid	–	–	–	–
Basic earnings	6 033	(1 680)	(9)	4 344
Adjustments:				
Loss on disposal of property, plant and equipment and intangible assets	22	(6)	–	16
Profit on disposal of associate	(7)	–	–	(7)
Net impairment of property, plant and equipment and intangible assets	7	(2)	–	5
Headline earnings	6 055	(1 688)	(9)	4 358
2015				
Per the financial statements	4 432	(1 312)	(4)	3 116
BEE preference dividend paid	(99)	–	–	(99)
Basic earnings	4 333	(1 312)	(4)	3 017
Adjustments:				
Loss on disposal of property, plant and equipment and intangible assets	19	(5)	–	14
Net impairment of property, plant and equipment and intangible assets	384	(108)	–	276
Headline earnings	4 736	(1 425)	(4)	3 307

WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)

	Number of shares	
	2016	Restated* 2015
Weighted average number of shares	956 492 529	894 443 514
Number of shares in issue at the beginning of the year	930 315 662	759 547 848
Weighted average number of shares issued in terms of share schemes during the year	1 277 763	523 101
Weighted average number of shares issued in terms of BEEESOS unwind	23 826 571	–
Weighted average number of shares issued in terms of scrip distribution alternative	890 703	–
Bonus issue in terms of scrip distribution alternative*	38 218	37 213
Weighted average number of shares issued in terms of rights offer	–	124 128 670
Bonus issue in terms of rights offer	–	9 530 498
Weighted average number of shares purchased during the year	(226 990)	(433 710)
Weighted average number of shares released in terms of the Restricted Share Plan	370 602	1 109 894

EARNINGS PER SHARE (CENTS)

	2016	2015
Basic	454.2	337.3
Headline	455.6	369.7

* During the year, the Group offered a scrip distribution as an alternative to the interim dividend.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

6. DILUTED EARNINGS PER SHARE

DILUTED EARNINGS

	2016 Rm	2015 Rm
Diluted basic earnings	4 344	3 017
Headline earnings adjustment, after tax	14	290
Diluted headline earnings	4 358	3 307

DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

	Number of shares	
	2016	Restated* 2015
Weighted average number of shares	956 492 529	894 443 514
Potential dilutive effect of outstanding number of share options	6 562 907	6 370 790
Diluted weighted average number of shares	963 055 436	900 814 304

* During the year, the Group offered a scrip distribution as an alternative to the interim dividend.

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

DILUTED EARNINGS PER SHARE (CENTS)

	2016	2015
Basic	451.0	334.9
% dilution	0.7%	0.7%
Headline	452.5	367.1
% dilution	0.7%	0.7%

7. RELATED-PARTY TRANSACTIONS

RELATED PARTIES

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

HOLDING COMPANY

Refer to note 6 of the company Annual Financial Statements for the transactions between the holding company and its subsidiaries.

SUBSIDIARIES

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 Annual Financial Statements of the Group.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

JOINT VENTURES

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

	2016 Rm	2015 Rm
WOOLWORTHS FINANCIAL SERVICES PROPRIETARY LIMITED		
Service costs received by Woolworths Proprietary Limited	(85)	(80)
Merchant fee income paid by Woolworths Proprietary Limited	116	114
Accounts receivable by Woolworths Proprietary Limited	93	77
Accounts payable by Woolworths Proprietary Limited	(72)	(89)
NEDGLEN PROPERTIES PROPRIETARY LIMITED		
Rental paid by Woolworths Proprietary Limited	3	3
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 and Country Road Ventures Proprietary Limited	53	70
Dividend received by Woolworths Proprietary Limited	7	–

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 have been defined as the Board of Directors, the Chief Executive Officers of Woolworths Proprietary Limited, David Jones Proprietary Limited and Country Road Group Proprietary Limited. The definition of related parties includes close family members of key management personnel. All transactions with key management personnel have been at arms length during the financial year.

KEY MANAGEMENT COMPENSATION

	2016 Rm	2015 Rm
Short-term employee benefits	155	103
Woolworths Holdings Limited directors	75	64
Other key management personnel	80	39
Post-employment benefits	3	3
Woolworths Holdings Limited directors	2	2
Other key management personnel	1	1
IFRS 2 value of share-based payments expense	37	27
Woolworths Holdings Limited directors	33	27
Other key management personnel	4	–
	195	133

Short-term employee benefits comprise salaries, directors' fees and bonuses payable within 12 months of the end of the year. Post-employment benefits comprise expenses determined in terms of IAS 19: Employee Benefits in respect of the Group's retirement and healthcare funds.

	2016 Rm	2015 Rm
SHARE PURCHASE SCHEME LOANS AND INVESTMENTS		
Balance outstanding at the beginning of the year	12	38
Loans repaid during the year	(3)	(26)
Balance outstanding at the end of the year	9	12

Details of the terms and conditions relating to these loans are disclosed in note 13.

No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2015: nil).

	2016 Rm	2015 Rm
GROUP CARD AND VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	8	7
Annual repayments	(8)	(7)
Balance outstanding at the end of the year	3	3

Group cards include cards on offer by Woolworths and David Jones. Country Road Group does not have store and credit cards on offer.

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 cardholders.

No bad or doubtful debts have been recognised in respect of these card accounts of key management personnel (2015: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of David Jones Proprietary Limited and Country Road Group Proprietary Limited employees are disclosed in note 22.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS

Emoluments paid to Executive Directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 26 June 2016 and comparatives for 28 June 2015 are set out below:

2016		Guaranteed pay			Short-term incentives	Long-term incentives		Retention	Remuneration
Executive directors	Notes	Base salary (1) R000's	Benefits (2) R000's	Total guaranteed pay R000's	Performance bonus R000's	Fair value of shares, options, SARS, LTIP and PSP granted (3) R000's	Interest-free loan benefit (4) R000's	Fair value of restricted shares (5) R000's	Total remu-neration R000's
Ian Moir		16 430	196	16 626	14 960	3 317	–	18 845	53 748
Reeza Isaacs		4 348	579	4 927	3 241	2 261	–	2 056	12 485
Sam Ngumeni		4 539	837	5 376	4 228	2 859	255	403	13 121
Zyda Rylands	(6)	5 218	1 012	6 230	4 447	3 429	500	–	14 606
		30 535	**2 624**	**33 159**	**26 876**	**11 866**	**755**	**21 304**	**93 960**

2015		Guaranteed pay			Short-term incentives	Long-term incentives		Retention	Remuneration
Executive directors	Notes	Base salary (1) R000's	Benefits (2) R000's	Total guaranteed pay R000's	Performance bonus R000's	Fair value of shares, options, SARS and LTIP granted (3) R000's	Interest-free loan benefit (4) R000's	Fair value of restricted shares (5) R000's	Total remun-eration R000's
Ian Moir		11 187	138	11 325	20 866	5 336	–	11 650	49 177
Reeza Isaacs		3 839	433	4 272	2 410	1 534	–	2 163	10 379
Sam Ngumeni		3 835	807	4 642	3 013	2 610	259	950	11 474
Zyda Rylands	(6)	3 775	1 001	4 776	2 792	2 781	771	–	11 120
		22 636	**2 379**	**25 015**	**29 081**	**12 261**	**1 030**	**14 763**	**82 150**

NOTES

1. Base salary includes Non-executive Director fees paid by Country Road Group: 2016: nil (2015: Ian Moir A$24 375 and Zyda Rylands A$7 576).
2. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores.
3. IFRS 2 Share-based payments has been used to equate the annual expense value of shares, options, SARS, LTIP and PSP held at the end of the financial year. 2015: includes the allocation of BEEESOS shares granted to Zyda Rylands and Sam Ngumeni.
4. The interest-free loan relates to the purchases of shares under Woolworths Holding Share Trust. The benefit has been calculated at 7.396% (2015: 6.729%) (average) on the value of the outstanding loan.
5. IFRS 2 Share-based payments has been used to equate the annual expense value of RSP shares.
6. Zyda Rylands was appointed as Woolworths CEO on 1 September 2015. In compensation for the lost value on share options held at the time of the rights offer undertaken in October 2014, Zyda was paid a discretionary cash bonus of R168 090 (included in benefits).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

NON-EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS

Emoluments paid to Non-executive Directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 26 June 2016 and comparatives for 28 June 2015 are set out below:

2016

Non-executive directors	Notes	Directors' fees R000's	Audit committee member R000's	Remun-eration committee member R000's	Risk and compliance committee member R000's	Nominations committee member R000's	Sustain-ability committee member R000's	Social and ethics committee member R000's	Benefits (1) R000's	Total non-executive directors' remune-ration R000's
Simon Susman	(2)	1 293		104	99	79	89	89	117	1 870
Patrick Allaway	(3)	3 201	146	104	99				105	3 655
Peter Bacon		309	147	104					10	570
Zarina Bassa	(4) & (10)	667	147		193	79			18	1 104
Tom Boardman		436		203		128	89	89	18	963
Hubert Brody	(5) & (10)	495	217		99					811
Andrew Higginson	(7)	1 278	147	104	98				1	1 628
Gail Kelly	(6) & (10)	1 841		79	77	50	70		116	2 233
Mike Leeming	(8)	174	123		44	29			10	380
Nombulelo Moholi		309		104	99			89	19	620
Lord Rose	(9)	1 278		104	99	79	163			1 723
Thina Siwendu		309			98		89	163	19	678
		11 590	**927**	**906**	**1 005**	**444**	**500**	**430**	**433**	**16 235**

2015

Non-executive directors	Notes	Directors' fees (11) R000's	Audit committee member R000's	Remun-eration committee member R000's	Risk and compliance committee member R000's	Nominations committee member R000's	Sustain-ability committee member R000's	Social and ethics committee member R000's	Benefits (1) R000's	Total non-executive directors' remune-ration R000's
Simon Susman	(2)	1 343		94	80	83	131	76	667	2 474
Patrick Allaway	(3)	1 735	90	72	62					1 959
Peter Bacon		604	117	94					13	828
Zarina Bassa		599	118		124	56			15	912
Tom Boardman		591		189		65	76	76	17	1 014
Hubert Brody	(5)	389	118		80					587
Andrew Higginson	(7)	1 074	118	94	80				1	1 367
Mike Leeming	(8)	719	235		116	56			15	1 141
Nombulelo Moholi	(12)	259		94	80			76	9	518
Chris Nissen	(13)	250				27	37	73	17	404
Lord Rose	(9)	910		94	80	56	95			1 235
Thina Siwendu		309			80			115	21	525
		8 782	**796**	**731**	**782**	**343**	**339**	**416**	**775**	**12 964**

NOTES

1. Benefits are discounts received on purchases made in WHL Group stores.
2. Simon Susman, the Chairman of the Board, previously held the role of Group Chief Executive Officer. On his retirement as Group Chief Executive Officer (in 2010) and in terms of the rules of the LTI share scheme, the directors approved that he had the balance of 10 years (of which the last allocation was in October 2006) to settle the interest-free share loan relating to the purchases of shares under Woolworths Holding Share Trust whilst he was an employee of Woolworths. He settled the loan on 15 October 2014 and transferred the shares into his own share trading account.

   Benefits of R117 062 (2015: R666 751) include the following:
   - post-retirement healthcare benefit of R37 428 (2015: R34 212);
   - discounts received on purchases made in Woolworths stores of R79 634 (2015: R62 942).
   - interest-free share loan benefit relating to the purchases of shares under Woolworths Holdings Share Trust whilst he was an employee of Woolworths. 2016: nil (2015: R569 597, benefit calculated at 6.729% (average) on the value of the outstanding loan until the repayment of the loan on 15 October 2014).
3. Patrick Allaway's fees as a director are paid in Australian Dollars as an Australian resident. Directors fees earned as a Non-executive Director for David Jones and Country Road Group are A$150 000 (2015: A$65 754. R303 998 were paid for services rendered to the Group prior to his appointment as a WHL director). He was appointed to the Board on 1 December 2014.
4. Zarina Bassa was appointed a Non-executive Director for Woolworths South Africa on 4 February 2016. Directors and committee fees earned as a Non-executive Director for Woolworths are R357 500 (2015: nil).
5. Hubert Brody's directors fees earned include attendance at the Treasury Committee and Chairman of Woolworths Audit Review Panel of R186 000 (2015: nil). He was appointed to the Board on 1 July 2014.
6. Gail Kelly was appointed to the Board and the Remuneration, Risk and Compliance and Sustainability committees on 1 October 2015. Her fees as a director are paid in Australian Dollars as an Australian resident. Directors fees earned as a Non-executive Director for David Jones and Country Road Group are A$56 250 (2015: nil).
7. Andrew Higginson's fees as a director are paid in sterling as a British resident.
8. Mike Leeming retired from the Board on 30 November 2015.
9. Lord Rose's fees as a director are paid in sterling as a British resident.
10. Changes made to committee membership during the 2016 financial year are:
    - Zarina Bassa was appointed to the Remuneration Committee effective 19 May 2016;
    - Hubert Brody was appointed as the Chairman of the Audit Committee effective 26 November 2015;
    - Gail Kelly was appointed to the Nominations Committee effective 10 February 2016.
11. Directors' fees include an amount paid in 2015 in respect of the additional work performed for the acquisition of David Jones. The amounts are based on the approved hourly rate for additional services. Hubert Brody received payment for the work he performed prior to his appointment as a Director.
12. Nombulelo Moholi was appointed to the Board on 1 July 2014.
13. Chris Nissen retired from the Board on 26 November 2014.

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interests in shares of the company are disclosed in the Directors' report on page 34.

Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 26 June 2016, are set out below:

IAN MOIR

	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
Name and offer date	Number**	Price	Number	Price	Number	Price	Vested	Unvested	Total
SHARE APPRECIATION RIGHTS (SARS) SCHEME									
August 2010	117 823	R19.85*					117 823		117 823
August 2011	87 468	R27.89*					87 468		87 468
August 2012	72 288	R51.48*					72 288		72 288
August 2013	103 755	R56.06*						103 755	103 755
Total	381 334						277 579	103 755	381 334
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME									
August 2012	107 847	R55.68	7 863	R96.70	115 710	R96.70			–
August 2013	154 964	R60.72						154 964	154 964
Total	262 811		7 863		115 710			154 964	154 964
RESTRICTED SHARE PLAN (RSP) SCHEME									
October 2014	258 210	R69.71						258 210	258 210
February 2015	355 000	R92.14			71 000	R85.18		284 000	284 000
August 2015			186 126	R96.71				186 126	186 126
Total	613 210		186 126		71 000			728 336	728 336
Total	1 257 355		193 989		186 710		277 579	987 055	1 264 634

* In the prior year, adjustments were made to the strike price of unexercised SARS as a result of the rights offer and in terms of the Trust Deed.

** In the prior year, additional LTIP were awarded for allocations prior to October 2014 as a result of the rights offer and in terms of the Trust Deed.

DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

REEZA ISAACS

	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
Name and offer date	Number**	Price	Number	Price	Number	Price	Vested	Unvested	Total
SHARE APPRECIATION RIGHTS (SARS) SCHEME									
August 2013	43 396	R56.06*						43 396	43 396
September 2014	25 115	R74.06						25 115	25 115
Total	68 511							68 511	68 511
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME									
August 2013	48 042	R60.72						48 042	48 042
September 2014	27 208	R74.06						27 208	27 208
Total	75 250							75 250	75 250
RESTRICTED SHARE PLAN (RSP) SCHEME									
June 2013	104 840	R73.92			52 420	R83.78		52 420	52 420
Total	104 840				52 420			52 420	52 420
PERFORMANCE SHARE PLAN (PSP) SCHEME									
August 2015			37 581	R96.70				37 581	37 581
February 2016			9 990	R93.69				9 990	9 990
Total			47 571					47 571	47 571
Total	248 601		47 571		52 420			243 752	243 752

* In the prior year, adjustments were made to the strike price of unexercised SARS as a result of the rights offer and in terms of the Trust Deed.

** In the prior year, additional LTIP were awarded for allocations prior to October 2014 as a result of the rights offer and in terms of the Trust Deed.

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

SAM NGUMENI

	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
Name and offer date	Number**	Price	Number	Price	Number	Price	Vested	Unvested	Total
SHARE PURCHASE SCHEME									
August 2006	33 050	R13.30					33 050		33 050
November 2006	190 216	R15.74					190 216		190 216
Total	223 266						223 266		223 266
SHARE APPRECIATION RIGHTS (SARS) SCHEME									
August 2011	34 987	R27.89*					34 987		34 987
August 2012	29 095	R51.48*					29 095		29 095
August 2013	28 281	R56.06*						28 281	28 281
September 2014	55 092	R74.06						55 092	55 092
Total	147 455						64 082	83 373	147 455
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME									
August 2012	32 917	R55.68	2 400	R96.70	35 317	R96.70			–
August 2013	32 031	R60.72						32 031	32 031
September 2014	59 682	R74.06						59 682	59 682
Total	124 630		2 400		35 317			91 713	91 713
RESTRICTED SHARE PLAN (RSP) SCHEME									
February 2011	53 794	R25.56			53 794	R85.18			–
August 2012	27 812	R59.25			13 906	R97.42		13 906	13 906
Total	81 606				67 700			13 906	13 906
BEEESOS									
June 2007	475 000	R20.75			475 000	R97.96			–
Total	475 000				475 000				
PERFORMANCE SHARE PLAN (PSP) SCHEME									
August 2015			40 848	R96.70				40 848	40 848
February 2016			10 858	R93.69				10 858	10 858
Total			51 706					51 706	51 706
Total	1 051 957		54 106		578 017		287 348	240 698	528 046

* In the prior year, adjustments were made to the strike price of unexercised SARS as a result of the rights offer and in terms of the Trust Deed.
** In the prior year, additional LTIP were awarded for allocations prior to October 2014 as a result of the rights offer and in terms of the Trust Deed.

DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

ZYDA RYLANDS

	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
Name and offer date	Number**	Price	Number	Price	Number	Price	Vested	Unvested	Total
SHARE PURCHASE SCHEME									
August 2005	132 626	R11.31			132 626	R11.31			–
August 2005	144 923	R11.31			144 923	R11.31			–
August 2006	129 699	R13.30					129 699		129 699
October 2006	291 758	R13.71					291 758		291 758
Total	699 006				277 549		421 457		421 457
SHARE OPTION SCHEME									
October 2008	65 279	R8.81					65 279		65 279
Total	65 279						65 279		65 279
SHARE APPRECIATION RIGHTS (SARS) SCHEME									
August 2008	125 628	R6.57*			125 628	R96.05			–
August 2009	107 000	R11.35*					107 000		107 000
August 2011	53 538	R27.89*					53 538		53 538
August 2012	38 304	R51.48*					38 304		38 304
August 2013	40 790	R56.06*						40 790	40 790
September 2014	32 358	R74.06						32 358	32 358
Total	397 618				125 628		198 842	73 148	271 990
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME									
August 2012	43 336	R55.68	3 160	R96.70	46 496	R96.70			–
August 2013	46 199	R60.72						46 199	46 199
September 2014	35 055	R74.06						35 055	35 055
Total	124 590		3 160		46 496			81 254	81 254
BEEESOS									
June 2007	1 250 000	R20.75			1 250 000	R97.96			–
Total	1 250 000				1 250 000				
PERFORMANCE SHARE PLAN (PSP) SCHEME									
August 2015			105 073	R96.70				105 073	105 073
Total			105 073					105 073	105 073
Total	2 536 493		108 233		1 699 673		685 578	259 475	945 053

* In the prior year, adjustments were made to the strike price of unexercised SARS as a result of the rights offer and in terms of the Trust Deed.
** In the prior year, additional LTIP were awarded for allocations prior to October 2014 as a result of the rights offer and in terms of the Trust Deed.

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improve-ments Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2015					
Cost	854	496	4 486	829	6 665
Accumulated depreciation	–	(209)	(2 407)	(600)	(3 216)
Accumulated impairment	–	(10)	(34)	(1)	(45)
Net book value at June 2014	854	277	2 045	228	3 404
Current year movements:					
Additions	554	102	1 761	205	2 622
Acquisition of subsidiary	6 890	916	2 542	355	10 703
Additions – acquisition of franchise operations	–	–	4	–	4
Disposals/scrappings – cost	(3)	(6)	(409)	(29)	(447)
Disposals/scrappings – accumulated depreciation	–	6	295	24	325
Transfer from investment properties (refer to note 9)	37	–	–	–	37
Transfer to non-current assets held for sale	(30)	–	–	–	(30)
Depreciation	(33)	(86)	(970)	(156)	(1 245)
Impairment	–	(5)	(212)	(3)	(220)
Foreign exchange rate differences	(478)	(114)	(113)	(18)	(723)
Balance at June 2015	7 791	1 090	4 943	606	14 430
Made up as follows:					
Cost	7 823	1 431	8 719	1 391	19 364
Accumulated depreciation	(32)	(326)	(3 530)	(781)	(4 669)
Accumulated impairment	–	(15)	(246)	(4)	(265)
Net book value at June 2015	7 791	1 090	4 943	606	14 430
2016					
Current year movements:					
Additions	6	260	1 844	237	2 347
Net transfers	(189)	(151)	228	(32)	(144)
Disposals/scrappings – cost	–	(5)	(248)	(21)	(274)
Disposals/scrappings – accumulated depreciation	–	2	214	16	232
Transfer to non-current assets held for sale – cost	(1 978)	–	(85)	–	(2 063)
Transfer to non-current assets held for sale – accumulated depreciation	3	–	11	–	14
Depreciation	(48)	(114)	(1 160)	(192)	(1 514)
Impairment	–	–	(7)	–	(7)
Foreign exchange rate differences	1 388	211	629	75	2 303
Balance at June 2016	6 973	1 293	6 369	689	15 324
Made up as follows:					
Cost	7 060	1 823	11 440	1 657	21 980
Accumulated depreciation	(87)	(514)	(4 776)	(964)	(6 341)
Accumulated impairment	–	(16)	(295)	(4)	(315)
Net book value at June 2016	6 973	1 293	6 369	689	15 324

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2016 Rm	2015 Rm
The net carrying amounts of assets held under finance leases were as follows:		
Motor vehicles	24	24
Computer equipment	1	5

Additions during the year include R9 million (2015: R17 million) of assets held under finance leases.

In the prior year, the impairment loss of R220 million related to leasehold improvements (R5 million), certain fixtures and fittings (R212 million) and computer equipment (R3 million) based on value in use calculations. The recoverable amount of these fixtures and fittings was R8 million and R1 million for computer equipment.

A fixed property, amounting to R2 049 million (A$182 million), previously disclosed under property, plant and equipment (within the David Jones segment), has been reclassified as a non-current asset held for sale. Depreciation has ceased. At year-end, the property is recognised at the lower of its carrying amount and fair value, less costs to sell. The sale agreement was concluded subsequent to year end (refer to note 34).

Two fixed properties totalling R30 million, previously disclosed as non-current assets held for sale (within the Woolworths segment), have been reclassified to property, plant and equipment. These properties were subject to suspensive conditions under sale agreements; however certain conditions have subsequently not been satisfactorily met. The directors therefore do not consider the conclusion of the sales to be highly probable at this stage. At year-end, these properties are recognised at the lower of their carrying amounts and fair value, less costs to sell. The reclassification has no impact on the financial position or results of operations of the Group for the current and prior periods.

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

	Carrying value Rm
2016	
Retail stores	5 829
Distribution centres	1 069
Corporate owner-occupied properties	75
2015	
Retail stores	6 517
Distribution centres	1 200
Corporate owner-occupied properties	74

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

9. INVESTMENT PROPERTIES

	2016 Rm	2015 Rm
Balance at the beginning of the year	78	115
Transferred to property, plant & equipment (refer to note 8)	–	(37)
Balance at the end of the year	78	78

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

Investment properties were valued at R106 million for the period ended 26 June 2016 (2015: R109 million). The market values were determined by an external valuator using a discounted cash flow for the property, which is considered a level 3 valuation under IFRS 13.

RENTAL INCOME AND EXPENSE FROM INVESTMENT PROPERTIES

	2016 Rm	2015 Rm
Rental income from investment properties	5	8

No restrictions exist on the sale of investment properties. Refer to note 30 for disclosure on operating leases.

10. INTANGIBLE ASSETS

	Brands and customer databases Rm	Computer software Rm	Goodwill Rm	Reacquired rights Rm	Total Rm
2015					
Cost	655	1 301	1 547	481	3 984
Accumulated amortisation	(15)	(786)	–	(221)	(1 022)
Accumulated impairment	–	(13)	(2)	(1)	(16)
Net book value at June 2014	640	502	1 545	259	2 946
Current year movements:					
Additions	3	224	–	–	227
Acquisition of subsidiary	5 806	236	7 793	–	13 835
Additions – acquisition of franchise operations	–	–	29	9	38
Amortisation	(28)	(161)	–	(92)	(281)
Impairment	–	(164)	–	–	(164)
Foreign exchange rate differences	(379)	(11)	(511)	–	(901)
Balance at June 2015	6 042	626	8 856	176	15 700
Made up as follows:					
Cost	6 085	1 784	8 858	490	17 217
Accumulated amortisation	(43)	(981)	–	(313)	(1 337)
Accumulated impairment	–	(177)	(2)	(1)	(180)
Net book value at June 2015	6 042	626	8 856	176	15 700
2016					
Current year movements:					
Additions	8	470	–	–	478
Net transfers	–	174	–	–	174
Amortisation	(11)	(232)	–	(68)	(311)
Foreign exchange rate differences	1 253	67	1 604	–	2 924
Balance at June 2016	7 292	1 105	10 460	108	18 965
Made up as follows:					
Cost	7 354	2 654	10 463	490	20 961
Accumulated amortisation	(62)	(1 339)	–	(381)	(1 782)
Accumulated impairment	–	(210)	(3)	(1)	(214)
Net book value at June 2016	7 292	1 105	10 460	108	18 965

Brands and customer databases include costs of R79 million (2015: R63 million) and accumulated amortisation of R29 million (2015: R26 million) in respect of customer databases. The acquired brands are established trademarks in the retail environment in Australia. History indicates that competitor movements had no significant impact on the sales generated by these brands. As such, management considers these brands to have indefinite useful lives.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

	2016 Rm	2015 Rm
GOODWILL		
The carrying value of goodwill comprises of:		
Arising on acquisition of Virtual Market Place Proprietary Limited	13	13
Arising on acquisition of franchise operations	831	831
Arising on acquisition of Witchery Group	624	624
Arising on acquisition of David Jones	7 793	7 793
Impairment	(3)	(2)
Foreign exchange rate differences	1 202	(403)
Closing balance	10 460	8 856

Goodwill is tested for impairment by calculating the recoverable amount of the cash-generating unit (CGU) 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; this is treated as its own CGU.

Each franchise business acquired has the ability to generate cash inflows that are largely independent from the cash inflows of other assets and each franchise business is treated as a separate CGU for impairment testing. The material CGU's are:

	2016 Rm	2015 Rm
Botswana	192	192
Namibia	80	80
Other	559	559
Foreign exchange rate differences	26	6
	857	837

DAVID JONES

The goodwill arising on the acquisition of David Jones has been allocated to three CGU's for impairment testing as follows:

	2016 Rm	2015 Rm
David Jones	5 571	5 571
Woolworths	1 210	1 210
Country Road Group	1 012	1 012
Foreign exchange rate differences	983	(464)
	8 776	7 329

Brands with indefinite useful lives arising on the acquisition of David Jones are included in the David Jones CGU for impairment testing. The carrying value of brands amount to R6 568 million (2015: R5 456 million).

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS:

The assumptions below have been applied to calculate the recoverable amount of the David Jones CGU based on a fair value less costs of disposal (level 3 per IFRS 13):

Sales growth rates: sales growth rates are based on the approved forecast sales growth for the forecast period of five years, and are between 6.0% and 8.7% (2015: 4.0% and 7.4%).

Gross margins: gross margins are based on the approved forecast gross margin for the forecast period, and are between 39.1% and 40.3% (2015: 38.7% and 41.2%).

Discount rates: discount rates between 9.3% and 10.4% represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

Long-term growth rates: these rates are based on the longer term inflation expectations for the Australian retail industry at 2.0%.

The recoverable amounts of the Woolworths and Country Road Group have been determined based on a value-in-use calculation for the forecast period. Refer to the South African franchise operations assumptions for the Woolworths CGU. Refer to the Witchery Group assumptions for the Country Road Group CGU.

10. INTANGIBLE ASSETS (CONTINUED)

WITCHERY GROUP

The goodwill arising on the acquisition of the Witchery Group has been allocated to three CGU's for impairment testing as follows:

	2016 Rm	2015 Rm
Country Road	356	356
Witchery	187	187
Mimco	81	81
Foreign exchange rate differences	193	55
	817	679
Brands with indefinite useful lives arising on the acquisition of the Witchery Group, have been allocated to three CGU's for impairment testing as follows:		
Country Road	8	8
Witchery	351	351
Mimco	141	141
	500	500

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from financial forecasts approved by senior management and the Board, covering a five-year period. The post-tax discount rate applied to the cash flow projection ranges from 9.2% to 10.3% (2015: 9.2% to 10.3%) and cash flows for each CGU beyond the five-year period are extrapolated using a growth rate of 3.0% (2015: 3.0%), which is considered to be the long-term average growth rate for the Australian retail industry. Sales growth and gross margin were considered in determining the value-in-use.

FRANCHISE OPERATIONS

The recoverable amounts of the repurchased franchise businesses are based on value-in-use calculations not exceeding five years. These calculations use cash flow projections based on historical information and financial budgets approved by senior management.

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

The projected cash flows are discounted to their present value using country risk-adjusted post-tax rates ranging from 12.5% to 24.7% (2015: 11.0% to 20.0%), based on the Group's WACC. The Group's WACC is 12.7% (2015: 12.0%).

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS

Sales growth rates: sales growth rates of between 6.0% and 13.0% (2015: 4.0% and 13.0%) have been used for local franchise buybacks, and between 5.2% and 30.0% (2015: 8.0% and 20.0%) for the rest of Africa stores. These sales growth rates have been derived by analysing historical data, considering growth rates projected by the Woolworths planning department, which includes price, volume and real estate growth, and considering the economic and trading conditions of each country in the rest of Africa and each area within South Africa for local franchise buybacks.

Gross margin: gross margins are between 23.9% and 58.9% (2015: 25.0% and 45.0%) and have been derived by analysing historical data, approved forecast gross margin for the forecast period, and considering the impact of currency fluctuations.

Cost to sell: cost-to-sell growth has been derived by analysing historical data, considering economic and trading conditions, committed and uncommitted capital expenditure, and operating and developmental requirements.

Working capital: these requirements are driven by required stock turn ratios, credit terms and capital expenditure requirements.

Long-term growth rates: these rates are based on the longer term inflation and currency expectations for the retail industry in South Africa of 6.2% (2015: 6.0%) and the rest of Africa and vary accordingly.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

11. INVESTMENT IN ASSOCIATE

During the year, Woolworths Holdings Limited disposed of its R3 million beneficial interest in Retail Risk Management Alliance Trust (RRMAT) for a profit of R7 million. Dividends received amounted to R7 million. Earnings for the year amounted to R1 million (2015: R2 million).

12. PARTICIPATION IN EXPORT PARTNERSHIPS

	2016 Rm	2015 Rm
Balance outstanding at the beginning of the year	19	30
Payments received during the current year	(5)	(6)
Current portion included in trade and other receivables	(6)	(5)
Balance outstanding at the end of the year	8	19

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

Participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost is the Group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment or uncollectability.

The amount outstanding is considered to be neither past due nor impaired and the carrying value approximates fair value. Refer to note 26.3 for details of the Group's credit risk management policies.

13. OTHER LOANS

	2016 Rm	2015 Rm
Housing and other employee loans	7	10
Balance outstanding at the beginning of the year	10	9
Loans granted during the year	–	3
Loans repaid during the year	(3)	(2)
Share purchase scheme participant loans and investments	14	18
Balance outstanding at the beginning of the year	18	68
Loans repaid during the year	(5)	(59)
Notional interest accrued for the year (included in note 2)	1	9
Enterprise development loans and prepayments	20	27
	41	55

Housing loans bear interest at prime less 2.0% (2015: prime less 2.0%). Housing loans are required to be repaid on termination of employment. The carrying value of housing loans approximates their fair value.

Loans to directors and other employees participating 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 shares held in terms of the share option and purchase schemes as disclosed in the Remuneration Report are held as collateral for the loan. The value of the shares held as collateral is significantly higher than the outstanding loans, ensuring the Group exposure to credit risk is limited.

Enterprise development loans are granted to certain South African suppliers for development as part of the Good Business Journey and are repaid over a period of three to five years. These loans bear interest at floating rates ranging between 7.5% – 10.5% (2015: prime less 3.0%).

Prepayments include amounts prepaid that are of a long-term nature.

Other loans are not considered to be past due nor impaired. Refer to note 26.3 for details of the Group's credit risk management policies.

	2016 Rm	2015 Rm
14. DEFERRED TAX		
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	1 324	458
Amounts (debited)/credited to profit or loss	(125)	261
Property, plant and equipment	(106)	63
Prepayments	(7)	(4)
Working capital and other provisions	(46)	230
Participation in export partnerships	6	10
Post-retirement medical benefit liability	1	–
Share-based payments	19	4
Assessed losses	(2)	27
Intangible assets	22	–
Financial instruments	–	(41)
Other	(12)	(28)
Amounts credited/(debited) directly to other comprehensive income	317	(153)
Foreign currency translation reserve adjustment	213	(55)
Financial instrument revaluation reserve adjustment	107	(100)
Post-retirement medical benefit liability – actuarial (gain)/loss	(3)	2
Amounts debited directly to equity		
Share-based payment reserve	(70)	(15)
Deferred tax arising from business combinations	–	773
Balance at the end of the year	1 446	1 324
Deferred tax asset	1 452	1 840
Deferred tax liability	(6)	(516)
Net deferred tax asset	1 446	1 324
Comprising:	(140)	(43)
Property, plant and equipment	(46)	(39)
Prepayments	1 340	1 307
Working capital and other provisions	(13)	(19)
Participation in export partnerships	103	105
Post-retirement medical benefit liability	106	157
Share-based payments	32	27
Assessed losses	(64)	(70)
Intangible assets	51	(69)
Financial instruments	77	(32)
Other	1 446	1 324

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

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

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	2016 Rm	2015 Rm
15. INVENTORIES		
Merchandise	7 798	6 429
Provision for shrinkage, obsolescence and mark-down	(688)	(553)
Consumables	1	2
Raw materials	6	3
	7 117	5 881
Movements in the provision for shrinkage, obsolescence and mark-down were as follow:		
Balance at the beginning of the year	(553)	(70)
Net charge for the year	(62)	(56)
Acquisition of subsidiary	–	(444)
Unused amounts reversed	25	–
Foreign exchange rate differences	(98)	17
Balance at the end of the year	(688)	(553)

16. TRADE AND OTHER RECEIVABLES AND FAIR VALUE LEASE ADJUSTMENT

	2016 Rm	2015 Rm
NON-CURRENT		
Fair value lease adjustment	83	76
	83	76
CURRENT		
Fair value lease adjustment	8	7
Trade and other receivables	1 357	1 051
Provision for impairment	(53)	(7)
Trade and other receivables – net	1 312	1 051
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	(7)	(4)
Charge for the year	(50)	(4)
Amounts written off	1	–
Unused amounts reversed	5	1
Foreign exchange rate differences	(2)	–
Balance at the end of the year	(53)	(7)

The favourable fair value lease adjustment arises as result of the acquisition of David Jones Proprietary Limited. At acquisition, leases were determined to be favourable in comparison to market-related rentals and, accordingly, have been disclosed separately as an asset on the statement of financial position. These will unwind over the duration of the leases through the statement of comprehensive income.

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

The carrying value of trade and other receivables (except fair value lease adjustments) are considered to approximate their fair value.

The creation and release of provisions for impaired receivables have been included in other operating costs in the statement of comprehensive income.

16. TRADE AND OTHER RECEIVABLES AND FAIR VALUE LEASE ADJUSTMENT (CONTINUED)

At 26 June 2016, the aging analysis of trade and other receivables was as follows:

			Past due but not impaired		
	Total Rm	Neither past due nor impaired Rm	60 – 90 days delinquent Rm	90 – 120 days delinquent Rm	>120 days delinquent Rm
2016	690	621	2	44	23
2015	609	584	14	6	5

The above aging analysis does not include the aging of non-financial assets included in trade and other receivables. Refer to note 26.5 for the analysis of trade and other receivables.

The Group does not hold any collateral as security.

Refer to note 26.3 for detailed information regarding the credit quality of financial assets that are neither past due nor impaired.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
NON-CURRENT				
Interest rate swaps and collars held as hedging instruments	72	12	82	26
	72	12	82	26
CURRENT				
Forward exchange contracts held as hedging instruments	76	209	219	6
Forward exchange contracts – not hedge accounted	2	15	–	1
Interest rate swaps and collars held as hedging instruments	12	41	–	65
	90	265	219	72

FORWARD EXCHANGE CONTRACTS

The notional principal amount of the outstanding contracts at 26 June 2016 amounts to R7 233 million (2015: R5 920 million). These contracts are to hedge the foreign currency exposure of the anticipated purchase of goods. The related cash flows are expected to occur on the maturity dates of these contracts between one and 12 months (refer to note 26.4). Gains and losses on forward exchange contracts held as hedging instruments in designated and effective hedging relationships are initially recognised in other comprehensive income and reclassified on recognition of the associated non-financial asset. Gains and losses on remaining contracts not hedge-accounted for are recognised directly in profit or loss. Forward contracts are measured at fair value, which is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year-end. The contracts are settled on a gross basis.

INTEREST RATE SWAPS

The notional principal amount of the interest rate swaps at 26 June 2016 amounts to R10 350 million (2015: R9 737 million). This comprises hedges on the South African debt of R10 billion (2015: R10 billion) as well as Australian debt of R5 799 million (2015: R5 047 million). These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 20). Gains and losses on interest rate swaps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income and are reclassified in the same period that the hedged cash flows affect profit or loss.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

18. STATED CAPITAL

	2016 Rm	2015 Rm
STATED CAPITAL		
Balance at the beginning of the year	10 802	678
24 361 954 ordinary shares issued in terms of BEEESOS unwind	2 414	–
24 361 954 ordinary shares allocated in terms of BEEESOS unwind	(2 414)	–
2 920 865 ordinary shares issued in terms of scrip distribution alternative	252	–
Nil (2015: 167 803 572) ordinary shares issued in terms of rights issue	–	9 984
2 167 167 (2015: 1 768 311) ordinary shares issued in terms of share incentive schemes	183	140
Balance at the end of the year	11 237	10 802

	2016 R'000	2015 R'000
AUTHORISED		
2 410 600 000 (2015: 2 410 600 000) ordinary shares of no par value	–	–
Nil (2015: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each	–	134
	–	134
ISSUED		
960 088 973 (2015: 930 315 662) ordinary shares of no par value	–	–
Nil (2015: 89 117 253) preference shares of 0.15 cents each	–	134
	–	134

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE:

	Number of shares	
	2016	2015
Balance at the beginning of the year	930 315 662	759 547 848
Shares issued in terms of BEEESOS unwind	24 361 954	–
Shares issued in terms of scrip distribution alternative	2 920 865	–
Shares issued in terms of rights issue	–	167 803 572
Shares issued in terms of share incentive schemes	2 167 167	1 768 311
Shares allocated in terms of the Restricted Share Plan	685 540	2 031 491
Shares purchased from the market and held as treasury shares in terms of the Restricted Share Plan	(362 215)	(835 560)
Balance at the end of the year	960 088 973	930 315 662

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

2 920 865 ordinary shares totalling R252 million were issued and allocated to shareholders in terms of the scrip distribution alternative.

2 167 167 (2015: 1 768 311) ordinary shares totalling R183 million (2015: R140 million) were issued and allocated to employees in terms of the Group's share incentive schemes. In the prior year, 3 061 442 ordinary shares totalling R238 million were purchased from the market and transferred to employees.

362 215 (2015: 835 560) ordinary shares totalling R34 million (2015: R70 million) were purchased from the market by Woolworths Proprietary Limited and are held as treasury shares by the Group. 685 540 (2015: 2 031 491) ordinary shares totalling R33 million (2015: R43 million) were allocated to employees in terms of the Group's Restricted Share Plan.

In the prior year, 167 803 572 ordinary shares totalling R9 984 million were issued by way of a rights issue on 2 October 2014. Rights issue costs of R421 million were charged to equity.

Closing balances are stated net of the effect of treasury shares.

Refer to note 27 for more information on the Group's capital management policy.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

18. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES

EXECUTIVE INCENTIVE SCHEME

Shares and share options granted in terms of the Executive Incentive Scheme meet the definition of equity-settled share-based payments. 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 assume 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 South African government bonds with a term consistent with the option life.

This scheme has been replaced by the Share Appreciation Rights Scheme (SARS), Long-term Incentive Plan (LTIP), Deferred Bonus Plan (DBP) and Restricted Share Plan (RSP). The Performance Share Plan (PSP) has subsequently replaced SARS and LTIP.

	Number of shares	
	2016	2015
Shares held by participants		
Balance at the beginning of the year	1 486 662	4 384 788
Sold	(115 703)	(88 115)
Transferred to trust stock and shares released from the scheme	(301 236)	(2 810 011)
Balance at the end of the year	1 069 723	1 486 662
Market value at the end of the year (rands)	89 471 632	146 971 405
Percentage of shares vested at the end of the year	100.0%	100.0%
Weighted average issue price (rands)	11.42	11.42
Weighted average market price per share traded (rands)	88.01	91.26
Number of participants on executive incentive scheme	3	10
Options granted to participants		
Balance at the beginning of the year	240 743	564 450
Exercised	(82 947)	(323 707)
Balance at the end of the year	157 796	240 743
Percentage of options vested at the end of the year	100.0%	100.0%
Weighted average exercise price per option outstanding at the end of the year (rands)	13.45	12.87
Weighted average exercise price per option exercised (rands)	11.78	14.76
Weighted average market price per share traded (rands)	89.47	84.03
Number of participants on executive incentive scheme	4	13

Period of offer*	Number of options 2016	Number of options 2015	Original exercise price	Current exercise price**	Fair value at grant date
23 August 2006 and 23 August 2016	–	78 230	13.30	11.42	4.25
14 November 2006 and 14 November 2016	23 120	23 120	15.74	13.61	5.06
15 February 2007 and 15 February 2017	32 752	37 469	20.35	17.75	6.57
1 March 2007 and 1 March 2017	36 645	36 645	20.35	17.75	6.47
17 October 2008 and 17 October 2018	65 279	65 279	10.57	8.81	1.59
Balance at the end of the year	157 796	240 743			

* 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 was adjusted to take into account the effect of the special dividend paid to ordinary shareholders in December 2008. These were not further adjusted for the rights offer in October 2014.

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS SHARE APPRECIATION RIGHTS SCHEME (SARS)

The Share Appreciation Rights Scheme provides executives and employees with the opportunity to receive 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. No cash payment is required to be made by the participants.

Participants are able to exercise the vested SARS for up to four years after vesting. Vesting of the share appreciation rights are 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 each grant is that the Group's headline earnings per share should increase by a cumulative 6.0% above inflation over a three-year period.

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 span of seven years. Other valuation assumptions include volatility set at historic trend levels, a continuous dividend yield of between 4.7% and 8.0% and a risk-free interest rate based on the zero-coupon yield of South African government bonds with a term consistent with the life of the rights.

	Number of rights	
	2016	2015
Rights granted to participants		
Balance at the beginning of the year	10 601 615	13 417 908
Granted	–	2 667 375
Exercised	(2 684 589)	(5 255 894)
Forfeited	(327 188)	(227 774)
Balance at the end of the year	7 589 838	10 601 615
Weighted average exercise price per right outstanding at the end of the year (rands)	54.78	50.58
Weighted average exercise price per right granted (rands)	–	74.83
Weighted average exercise price per right exercised (rands)	36.90	20.62
Weighted average exercise price per right forfeited (rands)	65.38	61.99
Weighted average market price per right exercised (rands)	94.78	81.94
Number of participants on SARS	470	520

Period of offer	Number of options 2016	Number of options 2015	Original exercise price	Current exercise price*	Fair value at grant date
21 August 2008 and 21 August 2015	–	125 628	11.94	6.57	2.42
19 February 2009 and 19 February 2016	–	67 102	12.95	9.31	2.54
21 August 2009 and 21 August 2016	107 000	535 616	15.00	11.35	3.42
18 February 2010 and 18 February 2017	34 438	87 485	19.74	16.24	5.21
26 August 2010 and 26 August 2017	606 292	792 331	23.34	19.85	6.27
17 February 2011 and 17 February 2018	92 890	122 982	23.49	20.01	7.81
25 August 2011 and 25 August 2018	734 440	996 388	31.44	27.89	8.76
16 February 2012 and 16 February 2019	24 650	44 423	41.90	38.12	19.79
23 August 2012 and 23 August 2019	785 360	2 144 576	55.68	51.48	17.55
14 February 2013 and 14 February 2020	107 690	229 594	67.08	62.42	20.81
19 August 2013 and 19 August 2020	2 471 423	2 655 930	60.72	56.06	20.22
13 February 2014 and 13 February 2021	190 382	190 382	61.23	56.48	17.76
15 September 2014 and 15 September 2021	2 225 807	2 385 980	74.06	74.06	21.57
12 February 2015 and 12 February 2022	209 466	223 198	83.02	83.02	26.77
Balance at the end of the year	7 589 838	10 601 615			

* The original exercise price was adjusted to take into account the effect of a special dividend paid to ordinary shareholders in December 2008 and further by the rights offer in October 2014.

18. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS LONG-TERM INCENTIVE PLAN (LTIP)

The Long-term Incentive Plan provides executives with the opportunity to receive 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, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are 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 performance condition has a minimum threshold for 30.0% vesting and a target for 100.0% vesting. If the TSR performance of Woolworths falls below the lower quartile (i.e. if 75.0% of our peers perform better than Woolworths), then this portion of the LTIP does not vest. However, if the TSR performance of Woolworths exceeds the upper quartile (or 75.0% of our peers) performance, then 100.0% of the award vests. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

LTIP 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 between 4.6% to 7.0% and a risk-free interest rate based on the zero-coupon yield of South African government bonds with a term consistent with the life of the awards.

	Number of awards 2016	2015
Awards granted to participants		
Balance at the beginning of the year	2 065 393	1 542 843
Granted	29 014	1 075 283
Exercised	(443 222)	(524 589)
Forfeited	(287 000)	(28 144)
Balance at the end of the year	1 364 185	2 065 393
Weighted average exercise price per award outstanding at the end of the year (rands)	68.75	67.25
Weighted average exercise price per award granted (rands)	95.92	75.65
Weighted average exercise price per award forfeited (rands)	75.24	65.24
Weighted average market price per award exercised (rands)	96.57	78.89
Number of participants on LTIP	58	68

Period of offer	Number of awards 2016	2015	Exercise price	Fair value at grant date
23 August 2012 and 23 August 2015*	–	388 776	55.68	43.76
29 August 2013 and 29 August 2016*	636 398	684 134	60.72	46.88
13 February 2014 and 13 February 2017*	12 840	12 840	61.23	53.38
15 September 2014 and 15 September 2017	391 407	421 695	74.06	53.08
13 November 2014 and 15 November 2017	303 929	538 337	78.13	58.83
12 February 2015 and 12 February 2018	19 611	19 611	83.02	53.39
Balance at the end of the year	1 364 185	2 065 393		

* Additional grants were awarded to participants due to the rights offer completed in October 2014.

WOOLWORTHS DEFERRED BONUS PLAN (DBP)

The Deferred Bonus Plan allows selected executives to acquire Woolworths Holdings Limited shares at the ruling market price out of a portion of their declared annual bonus. A matching award (consisting of an equal number of Woolworths Holdings Limited shares) will be made to the participant after a three-year period on 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 grant date to vesting date. No further allocations of DBP have been awarded.

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS DEFERRED BONUS PLAN (DBP) (CONTINUED)

DBP constitutes an equity-settled share-based payment.

	Number of shares 2016	2015
Bonus shares granted to participants		
Balance at the beginning of the year	–	98 069
Exercised	–	(98 069)
Balance at the end of the year	–	–
Weighted average market price per award exercised (rands)	–	78.91

WOOLWORTHS RESTRICTED SHARE PLAN (RSP)

The Group operates a Restricted Share Plan, of which ownership of these shares vests with Woolworths Proprietary Limited until service conditions are met by the employees.

Shares granted in terms of the RSP meet the definition of an equity-settled share-based payment. The RSP's dated 1 July 2014, 9 October 2014 and 5 January 2015 have performance conditions attached without linear vestings. The full terms and conditions of the scheme are detailed in the Remuneration Committee section of the Integrated Report. In terms of the plan, the Group purchased equity instruments totalling R34 million in the current year (2015: R70 million) for the benefit of the participants. The participants will be entitled to the dividends and voting rights on these shares from grant date.

Vesting in respect of the grants issued occurs as follows:

Period of offer	Year 0 – 2 %	Year 3 %	Year 4 %	Year 5 %
26 August 2010 and 26 August 2015	–	50	25	25
17 February 2011 and 17 February 2016 and subsequent grants till 2 September 2014	–	50	25	25
9 October 2014 and 9 October 2017; 27 August 2015 and 27 August 2018	–	100	–	–
13 November 2014 and 13 November 2019	–	50	25	25
5 January 2015 and 5 January 2019	40	30	30	–
12 February 2015 and 12 February 2020 and subsequent grants	–	50	25	25
11 February 2016 and 19 May 2021	–	25	25	50

Shares granted to participants	Number of shares 2016	2015
Balance at the beginning of the year	1 999 730	3 033 435
Purchased	362 215	997 787
Vested	(630 575)	(1 976 882)
Forfeited	(54 965)	(54 610)
Balance at the end of the year	1 676 405	1 999 730
Market value per share at the end of the year (rands)	83.64	98.86
Percentage of shares vested at the end of the year	31.5%	65.2%
Weighted average price per share purchased (rands)	92.91	83.26
Number of participants on RSP	40	74

18. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS RESTRICTED SHARE PLAN (RSP) (CONTINUED)

	Number of shares		Fair value
Period of offer	2016	2015	at grant date
26 August 2010 and 26 August 2015	–	175 330	24.93
17 February 2011 and 17 February 2016	–	53 794	25.56
17 May 2011 and 17 May 2016	–	13 893	28.74
25 August 2011 and 25 August 2016	5 020	21 758	34.59
15 May 2012 and 15 May 2017	11 089	22 178	48.86
21 May 2012 and 21 May 2017	–	30 074	49.88
23 August 2012 and 23 August 2017	72 365	212 861	60.32
13 November 2012 and 13 November 2017	57 380	114 757	69.63
14 February 2013 and 14 February 2018	14 092	28 184	69.19
14 May 2013 and 14 May 2018	30 255	60 509	71.25
1 June 2013 and 1 June 2018	52 420	104 840	73.92
3 June 2013 and 3 June 2018	18 983	37 966	67.17
29 August 2013 and 29 August 2018	67 127	67 127	65.16
14 November 2013 and 14 November 2018	58 672	58 672	73.18
1 July 2014 and 1 July 2019	162 227	162 227	61.64
28 August 2014 and 28 August 2019	48 212	48 212	80.50
2 September 2014 and 2 September 2019	27 949	27 949	80.50
9 October 2014 and 9 October 2017	258 210	258 210	69.71
13 November 2014 and 13 November 2019	74 330	74 330	78.45
5 January 2015 and 5 January 2019	284 000	355 000	92.14
12 February 2015 and 12 February 2020	28 200	28 200	91.68
14 May 2015 and 14 May 2020	43 659	43 659	98.79
27 August 2015 and 27 August 2018	186 126	–	96.71
27 August 2015 and 27 August 2020	55 272	–	95.03
1 November 2015 and 1 November 2020	15 345	–	97.75
11 February 2016 and 11 February 2021	27 018	–	85.13
19 May 2016 and 19 May 2021	78 454	–	84.13
Balance at the end of the year	1 676 405	1 999 730	

BLACK ECONOMIC EMPOWERMENT EMPLOYEE SHARE OWNERSHIP SCHEME (BEEESOS)

In 2008, the Group's Black Economic Empowerment Employee Share Ownership Scheme, in terms of which convertible, redeemable, non-cumulative participating preference shares were issued to qualifying employees of the Group, became effective. The scheme matured on 30 June 2015 and, in accordance with the rules of the scheme, 24 361 954 ordinary shares totalling R2 414 million were issued and allocated to employees.

	Number of shares	
	2016	2015
Shares in issue at the beginning of the year	89 117 253	89 192 746
Shares redeemed	(89 117 253)	(157 880)
Shares awarded to participants	–	82 387
Shares in issue at the end of the year	–	89 117 253
Percentage of shares vested at the end of the year	100.0%	100.0%
Weighted average fair value per instrument at grant date (rands)	–	2.76
Number of active participants on share scheme	–	5 543

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SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS PERFORMANCE SHARE PLAN (PSP)

The Performance Share Plan provides executives and employees with the opportunity to receive 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, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are weighted between adjusted headline earnings per share (aHEPS) growth, total shareholder return (TSR) of the company relative to the TSR of a selected peer group index for the same period and return on capital employed (ROCE) conditions. The aHEPS performance condition, which has a 50.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100.0% vesting. The TSR performance condition, which has a 30.0% weighting, requires the TSR performance of Woolworths to exceed the upper quartile performance of the peer group, for this portion of the PSP to vest. The ROCE performance condition, which has a 20.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100.0% vesting. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

PSP 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 between 0.9% to 1.8% and a risk-free interest rate based on the bootstrapped zero-coupon perfect-fit swap curve as at the grant date with a term consistent with the life of the awards.

	Number of awards	
Awards granted to participants	2016	2015
Balance at the beginning of the year	–	–
Granted	2 152 215	–
Exercised	(747)	–
Forfeited	(82 167)	–
Balance at the end of the year	2 069 301	–
Weighted average exercise price per award outstanding at the end of the year (rands)	95.89	–
Weighted average exercise price per award granted (rands)	95.92	–
Weighted average market price per award exercised (rands)	87.46	–
Number of participants on PSP	550	–

	Number of awards		Exercise	Fair value at
Period of offer	2016	2015	price	grant date
27 August 2015 and 27 August 2018	1 511 138	–	96.70	63.55
11 February 2016 and 11 February 2019	558 163	–	93.69	54.35
Balance at the end of the year	2 069 301	–		

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 note 7.

19. RESERVES

	2016 Rm	2015 Rm
NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	3 174	(567)
DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	992	885
Share-based payments arising from the Group's share incentive schemes	(327)	107
Shares	63	35
Share options and other	57	73
Black economic empowerment employee preference shares	–	18
Tax on share-based payments recognised in equity (refer to note 4)	(22)	76
Settlement in terms of BEEESOS unwind	(336)	–
Settlement of share-based payments	(89)	(95)
Balance at the end of the year	665	992
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative instruments	17	121
Retained profit	6 081	4 250
Company	622	272
Arising on consolidation of subsidiaries	5 459	3 978
Total distributable reserves	6 763	5 363

NATURE AND PURPOSE OF RESERVES

FOREIGN CURRENCY TRANSLATION RESERVE

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

SHARE-BASED PAYMENT RESERVE

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes. Refer to note 18 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 dividends to shareholders and other utilisations of the reserve.

20. INTEREST-BEARING BORROWINGS

	2016 Rm	2015 Rm
NON-CURRENT		
Long-term loans	15 683	14 878
Finance lease liabilities (refer to note 31)	20	17
Other loans	–	27
	15 703	14 922
CURRENT		
Finance lease liabilities (refer to note 31)	6	12
Other loans	181	184
Overdrafts	28	–
	215	196

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value. Refer to note 26.2.

A significant portion of the interest associated with such borrowings is subject to interest rate swaps (refer to note 17).

Finance lease liabilities are measured at amortised cost at an average effective rate of 5.04% (2015: 10.6%). Maturity periods vary between one and five years (refer to note 31). 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 R26 million (2015: R29 million) at the end of the year. The assets have been pledged as collateral for the respective lease liabilities (refer to note 8).

Refer to note 26.4 for the Group's liquidity risk management policies.

The maturity profile of long-term interest-bearing borrowings is as follows:

	2016 Rm	2015 Rm
Financial year 2017	–	–
Financial year 2018	7 626	6 818
Financial year 2019 and onwards	8 057	8 060
	15 683	14 878

Interest on South African-based debt is linked to Jibar and payable quarterly in arrears. Interest on Australian-based debt is linked to BBSY and payable quarterly in arrears. Short-term loans relate to working capital funding in Australia at year-end.

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21. TRADE AND OTHER PAYABLES

	2016 Rm	2015 Rm
NON-CURRENT		
Operating lease accrual and fair value lease adjustment	2 264	2 037
	2 264	2 037
CURRENT		
Trade payables	4 945	4 060
Other payables	4 162	3 639
Operating lease accrual and fair value lease adjustment	135	122
	9 242	7 821

As a result of the David Jones acquisition, leases were determined to be unfavourable in comparison to market-related rentals, and accordingly, have been disclosed separately as liabilities on the statement of financial position. Included in the operating lease accrual and fair value lease adjustment are R1 636 million (2015: R1 471 million) non-current liabilities and R135 million (2015: R122 million) current liabilities. These will unwind over the duration of the leases through the statement of comprehensive income.

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 their fair value, excluding operating lease accrual and fair value lease adjustment.

22. RETIREMENT BENEFIT INFORMATION

Woolworths permanent employees under the age of 63 (2015: 63) are contributory members of the Woolworths Group Retirement Fund. Certain employees, in addition to belonging to the Woolworths Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. The Woolworths Group Retirement Fund is exempt from valuation. The Woolworths Group Retirement Fund's actuary undertakes annual financial reviews, of which the latest review, as at 28 February 2015, confirmed the fund's financial soundness. The annual review as at 29 February 2016 is in the process of being completed and will be available during September 2016.

Country Road Group Proprietary 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 are legally enforceable.

Total Group contributions are charged to profit or loss as incurred and amounted to R785 million (2015: R641 million). Refer to note 3.4.

Woolworths subsidises a portion of the medical aid contributions of retired employees who joined the healthcare fund before 1 November 2000. The Group values its accrued and future liability in respect of post-retirement medical aid contributions annually in June. The liability was actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions. For the purposes of the valuation, it was assumed that investment returns would be nil (2015: nil). The discount rate used to value the liability at 26 June 2016 is 10.4% (2015: 9.1%) per annum.

At 26 June 2016, the accrued liability amounted to R387 million (2015: R374 million) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the Group's in-house medical aid scheme. Woolworths has not funded the liability.

22. RETIREMENT BENEFIT INFORMATION (CONTINUED)

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

	2016 Rm	2015 Rm
Funding liability at the beginning of the year	374	349
Current service cost	5	4
Interest on obligation	36	30
Employer contributions	(18)	(17)
Actuarial (gain)/loss before tax	(10)	8
Actuarial loss due to membership changes and mortality	2	–
Actuarial loss/(gain) due to actual subsidy increase being lower than expected	2	(1)
Actuarial (gain)/loss due to changes in financial assumptions	(14)	9
Funding liability at the end of the year	387	374

	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Funding liability	387	374	349	338	349
Funding deficit	387	374	349	338	349
Actuarial (gain)/loss on funding liability, before tax	(10)	8	8	(31)	21

The following undiscounted payments are expected contributions to be made in future years in respect of the defined contribution plan obligation:

	2016 Rm	2015 Rm
Within 12 months	20	19
Between 1 & 5 years	104	93
Between 5 & 10 years	187	161
Beyond 10 years	267	222
Total expected payments	578	495

22. RETIREMENT BENEFIT INFORMATION (CONTINUED)

A one percentage point increase or decrease in the assumed medical inflation rate of 9.5% (2015: 8.5%) would have the following effect:

2016			
Medical inflation assumption	9.5%	8.5%	10.5%
Service cost for the year ended June 2016	5	4	6
Interest cost for the year ended June 2016	36	29	38
Accrued liability at June 2016	387	341	434
2015			
Medical inflation assumption	8.5%	7.5%	9.5%
Service cost for the year ended June 2015	4	3	5
Interest cost for the year ended June 2015	30	27	35
Accrued liability at June 2015	374	331	426

A 0.5 percentage point increase or decrease in the discount rate of 10.4% (2015: 9.1%) would have the following effect:

2016			
Discount rate assumption	10.4%	9.9%	10.9%
Accrued liability at June 2016	387	408	362
2015			
Discount rate assumption	9.1%	8.6%	9.6%
Accrued liability at June 2015	374	399	352

A one year increase or decrease in the retirement age of 63 (2015: 63) would have the following effect:

2016			
Retirement age assumption	63	62	64
Accrued liability at June 2016	387	388	379
2015			
Retirement age assumption	63	62	64
Accrued liability at June 2015	374	378	370

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23. PROVISIONS

	Leave pay Rm	Provision for onerous lease commitments Rm	Employee benefits Rm	Sales returns and other Rm	Total 2016 Rm	Total 2015 Rm
NON-CURRENT						
Balance at the beginning of the year	50	25	122	–	197	–
Raised/acquired	54	–	2	–	56	210
Utilised	(50)	(13)	(37)	–	(100)	–
Foreign exchange rate differences	–	3	31	–	34	(13)
Balance at the end of the year	54	15	118	–	187	197
CURRENT						
Balance at the beginning of the year	267	45	356	70	738	361
Raised/acquired	288	37	252	84	661	906
Utilised	(270)	(2)	(325)	(63)	(660)	(506)
Foreign exchange rate differences	13	8	92	11	124	(23)
Balance at the end of the year	298	88	375	102	863	738

LEAVE PAY

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

PROVISION FOR ONEROUS LEASE COMMITMENTS

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

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

EMPLOYEE BENEFITS

The provision for employee benefits consists primarily of employee 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. The provision also includes a portion of Country Road Group's long-term incentives scheme.

	2016 Rm	2015 Rm
24. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure not accrued at the reporting date:		
Contracted for	308	208
Not contracted for	3 594	3 428
	3 902	3 636

This capital expenditure will be financed by cash generated from the Group's activities and available cash.

25. CONTINGENT LIABILITIES

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

26. 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 bank covenants, interest rates, refinancing, liquidity, counterparty and foreign exchange risk, as well as whether there are any deviations from treasury policy and performance against budgets.

Woolworths Financial Services' credit risk is managed by a Credit Risk Committee attended by two directors of the Woolworths Holdings Limited Board. David Jones Proprietary Limited's credit risk is managed by an Audit and Risk Committee attended by four directors of the Woolworths Holdings Limited Board. Country Road Group Proprietary Limited's credit risk is managed by an Audit and Risk Committee attended by three directors of the Woolworths Holdings Limited Board.

26.1 FOREIGN CURRENCY RISK 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, except net investments in foreign operations.

TRANSACTIONAL FOREIGN EXCHANGE RISK

The Group has transactional currency exposures arising from the acquisition of goods and services in currencies other than its 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 and trade payables at 26 June 2016 are summarised below. These amounts represent the net rand equivalent of Group commitments to purchase and sell foreign currencies.

	Contract foreign currency amount m	Rand equivalent Rm	Average rate R	Fair value adjustment Rm
2016				
FORWARD EXCHANGE CONTRACTS				
US Dollar	430	6 725	15.51	(133)
British Pound	4	102	23.44	(8)
Euro	24	406	17.86	(5)
		7 233		(146)
TRADE PAYABLES				
US Dollar (closing rate)	33	497	15.07	3
2015				
FORWARD EXCHANGE CONTRACTS				
US Dollar	470	5 630	12.17	211
British Pound	2	42	19.35	–
Euro	18	248	14.09	(1)
		5 920		210
TRADE PAYABLES				
US Dollar (closing rate)	36	435	12.21	18

26.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

At 26 June 2016, the Group held 1 473 (2015: 1 177) forward exchange contracts in order to hedge expected future purchases from suppliers outside South Africa, for which the Group has firm commitments. Of these, 1 262 (2015: 1 046) are designated cash flow hedges in an effective hedging relationship.

The remaining 211 (2015: 131) forward exchange contracts are not designated as cash flow hedges. At year-end, an unrealised loss of R13 million (2015: R1 million gain) was recognised in profit or loss in respect of these forward exchange contracts.

The cash flow hedges resulted in a net unrealised loss of R140 million (2015: R204 million gain), with a related deferred tax asset of R41 million (2015: R60 million liability), which was included in the financial instrument revaluation reserve in respect of these contracts.

The following exchange rates applied during the year:

	Average rate		Closing rate	
	2016	2015	2016	2015
US Dollar/Rand	14.47	11.45	15.07	12.21
Australian Dollar/Rand	10.56	9.53	11.25	9.35

In the table below, the sensitivity of the Group's exposure to US Dollar foreign currency transactional 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 profit and equity of the Group at the reporting date. The Group's exposure to other currencies is not considered to be material (refer below for translational foreign exchange risk). An increase in the movement in foreign exchange rate is indicative of the functional currency weakening against the foreign currency.

	Movement in foreign exchange rate %	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2016			
US DOLLAR			
Foreign creditors	+5	25	–
	-5	(25)	–
Forward exchange contracts	+5	(29)	(297)
	-5	29	297
2015			
US DOLLAR			
Foreign creditors	+5	22	–
	-5	(22)	–
Forward exchange contracts	+5	(9)	(261)
	-5	9	261

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

TRANSLATIONAL FOREIGN EXCHANGE RISK

NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The Group has investments in foreign subsidiaries whose net assets (including cash) are exposed to foreign currency translation risk.

	2016 Rm	2015 Rm
The Group has unhedged interests in foreign subsidiaries of:		
Australian Dollar	22 575	17 928

This risk is not hedged. The Group's exposure to its African subsidiaries is not considered material.

A change in the Group's material translational foreign currencies, with all other variables being equal, will increase or decrease the 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 comprehensive income Rm
2016		
Australian Dollar	+5	(1 129)
	-5	1 129
2015		
Australian Dollar	+5	(896)
	-5	896

Foreign cash

The Group has exposure to foreign currency translation risk through cash balances included in the net assets of subsidiaries, in currencies other than the South African Rand. This risk is not hedged.

	2016 Rm	2015 Rm
Foreign cash balances/(overdrafts) are concentrated in the following major currencies:		
US Dollar	(123)	(113)
Australian Dollar	398	269
	275	156

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 comprehensive income Rm
2016		
Australian Dollar	+5	(20)
	-5	20
2015		
Australian Dollar	+5	(13)
	-5	13

26.2 INTEREST RATE RISK MANAGEMENT

The Group's interest rate risk arises from interest-bearing borrowings, derivative financial instruments, other loans and cash and cash equivalents.

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

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

The Group has entered into long-term debt with the interest payable linked to various floating interbank rates. At year-end, after taking into account the effects of interest rate swaps, the Group has swapped approximately 65% (2015: 60%) of floating rate exposure for fixed rates.

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

The sensitivity of the Group's profit before tax and other comprehensive income to its exposure to interest rate risk from borrowings is presented below. Reasonably possible changes in the country-specific lending rate will impact the Group's profit before tax and other comprehensive income.

	Movement in basis points	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2016			
Interest-bearing borrowings	+50	80	–
	-50	(80)	–
Interest rate swaps	+50	(52)	(79)
	-50	52	79
Cash and cash equivalents	+50	(8)	–
	-50	8	–
2015			
Interest-bearing borrowings	+50	76	–
	-50	(76)	–
Interest rate swaps	+50	(49)	(135)
	-50	49	135
Cash and cash equivalents	+50	(4)	–
	-50	4	–

As at the reporting date, the South African prime interest rate is 10.50% (2015: 9.25%). Jibar is 7.35% (2015: 6.14%). The Australian prime interest rate is 1.75% (2015: 2.0%).

The variable interest rate pricing profile at 26 June 2016 is summarised as follows:

	2016		2015	
	Rm	Effective interest rate %	Rm	Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long-term loans	15 683	3.4 – 8.9	14 878	3.5 – 8.8
Other loans	181	3.1 – 12.4	211	3.4 – 10.5
Overdrafts	28	8.2	–	–
% of total borrowings	100%		100%	

26. FINANCIAL RISK MANAGEMENT (C0NTINUED)

26.2 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2016					
Long-term loan	–	–	–	15 683	–
Other loans	–	169	12	–	–
Overdrafts	–	28	–	–	–
2015					
Long-term loan	–	–	–	14 878	–
Other loans	–	178	6	27	–

26.3 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, trade and other receivables and derivative financial instruments, as well as credit exposure to the Group's participation in export partnerships and other loans. The Group's maximum exposure to credit risk is equal to the carrying amount of these classes of assets. Refer to note 26.5.

The Group only deposits short-term cash surpluses and enters into derivative contracts with major banks and financial institutions 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 (refer to note 12).

Trade and other receivables consist mainly of property-related and franchise 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 and share purchase loans to employees of the Group. Security for 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:

	2016		2015	
	Rating	Rm	Rating	Rm
FINANCIAL ASSETS				
Participation in export partnerships	High grade	8	High grade	19
Other loans	High grade	25	High grade	55
Trade and other receivables	High grade	675	High grade	609
Enterprise development loans	Low grade	31	Low grade	–
Derivative financial instruments	High grade	162	High grade	301
Cash and cash equivalents	High grade	1 525	High grade	891

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.

26.4 LIQUIDITY RISK MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from adequate banking facilities ranging from overnight to 36-month facilities and the ability to close out market positions. Derivative financial liabilities are measured at fair value and are included in the analysis on the basis of management's expectation of settlement. The fair values indicate the net settlement amounts due.

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

	2016 Rm	2015 Rm
BANKING AND DEBT FACILITIES		
Total banking and debt facilities	25 418	22 593
Less: Drawn-down portion	(16 201)	(15 491)
Total undrawn banking and debt facilities	9 217	7 102

All facilities and any security provided are required to be approved by the Board.

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

The undiscounted contractual cash flows of the Group's borrowings and payables fall into the following maturity profiles:

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2016					
Interest-bearing borrowings*	–	440	825	17 222	–
Forward exchange contracts	–	83	141	–	–
Interest rate swaps	–	9	32	12	–
Trade and other payables	681	8 193	85	–	–
2015					
Interest-bearing borrowings*	–	396	659	17 263	–
Forward exchange contracts	–	4	3	–	–
Interest rate swaps	–	21	76	218	–
Trade and other payables	498	6 658	20	–	–

* Includes interest payments

BORROWING CAPACITY

In terms of the Memorandum of Incorporation, the Group has unlimited borrowing powers.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Notes	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
2016						
Assets as per statement of financial position						
Participation in export partnerships	12	8	–	–	–	8
Other loans	13	41	–	–	–	41
Trade and other receivables	16	690	–	–	622	1 312
Derivative financial instruments	17	–	2	160	–	162
Cash and cash equivalents	29.4	1 525	–	–	–	1 525
Total		2 264	2	160	622	3 048

	Notes	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	20	15 892	–	–	26	15 918
Trade and other payables	21	8 959	–	–	2 547	11 506
Derivative financial instruments	17	–	15	262	–	277
Total		24 851	15	262	2 573	27 701

	Notes	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
2015						
Assets as per statement of financial position						
Participation in export partnerships	12	19	–	–	–	19
Other loans	13	55	–	–	–	55
Trade and other receivables	16	609	–	–	442	1 051
Derivative financial instruments	17	–	–	301	–	301
Cash and cash equivalents	29.4	891	–	–	–	891
Total		1 574	–	301	442	2 317

26.5 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Notes	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	20	15 089	–	–	29	15 118
Trade and other payables	21	7 531	–	–	2 327	9 858
Derivative financial instruments	17	–	1	98	–	99
Total		22 620	1	98	2 356	25 075

26.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Fair value measurement Rm	Investment income Rm	Interest expense Rm	Impairment loss Rm	Total Rm
2016					
Loans and receivables	–	48	–	(44)	4
Financial liabilities at amortised cost	–	–	(1 234)	–	(1 234)
Financial instruments at fair value through profit or loss	(13)	–	–	–	(13)
Derivatives used as hedging instruments	(166)	–	–	–	(166)
Total	(179)	48	(1 234)	(44)	(1 409)
2015					
Loans and receivables	–	116	–	3	119
Financial liabilities at amortised cost	–	–	(1 494)	–	(1 494)
Financial instruments at fair value through profit or loss	(8)	–	–	–	(8)
Derivatives used as hedging instruments	325	–	–	–	325
Total	317	116	(1 494)	3	(1 058)

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

The gains/(losses) on financial instruments recognised within other comprehensive income comprises of:

	2016 Rm	2015 Rm
Forward exchange contracts	469	407
Contracts for differences	–	(167)
Interest rate swaps and collars	(17)	(81)
Reclassified to non-financial assets	(685)	94
Reclassified to profit or loss	67	72
Fair value adjustments on financial instruments	(166)	325

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

	Fair value measurement using	Carrying amount 2016 Rm	Carrying amount 2015 Rm	Fair value 2016 Rm	Fair value 2015 Rm
FINANCIAL ASSETS					
Derivative financial instruments					
Forward exchange contracts	Level 2	78	219	78	219
Interest rate swaps and collars	Level 2	84	82	84	82
FINANCIAL LIABILITIES					
Derivative financial instruments					
Forward exchange contracts	Level 2	224	7	224	7
Interest rate swaps and collars	Level 2	53	91	53	91

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment-grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying index. The carrying amount of all forward exchange contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. At 26 June 2016, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

27. MANAGEMENT OF CAPITAL

The Group considers stated capital (note 18) and non-distributable and distributable reserves (note 19) 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 repurchase shares when the opportunity arises in order to maximise shareholder value by enhancing both earnings per share and return on equity.

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), which has been based on average equity and headline earnings.

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

	2016	2015
Return on equity	25.6%	31.7%

The Group ensures that it complies with the liquidity and solvency requirements for any share repurchase or dividend payment per the Companies Act of South Africa. Debt covenants, which exist on long-term borrowings, are monitored by management on an ongoing basis.

28. DIVIDENDS TO SHAREHOLDERS

	2016 Rm	2015 Rm
ORDINARY SHAREHOLDERS		
Dividend no. 35 of 150.5 cents per share was declared on 27 August 2014 and paid on 15 September 2014	–	1 275
Less: Dividend received on treasury shares	–	(127)
Dividend no. 36 of 96.5 cents per share was declared on 11 February 2015 and paid on 9 March 2015	–	980
Less: Dividend received on treasury shares	–	(81)
Dividend no. 37 of 150.5 cents per share was declared on 26 August 2015 and paid on 21 September 2015	1 568	–
Less: Dividend received on treasury shares	(127)	–
Dividend no. 38 of 133.0 cents per share was declared on 10 February 2016 and paid on 7 March 2016*	1 387	–
Less: Dividend received on treasury shares	(112)	–
PREFERENCE SHAREHOLDERS		
Dividend no. 15 of 150.5 cents per share was declared on 27 August 2014 and paid on 15 September 2014	–	134
Less: Dividend accruing to the holding company	–	(73)
Dividend no. 16 of 96.5 cents per share was declared on 11 February 2015 and paid on 9 March 2015	–	86
Less: Dividend accruing to the holding company	–	(48)
Total net dividends paid	2 716	2 146

* R252 million settled through scrip distribution alternative.

Dividend no. 39 of 180.0 cents per share was declared to ordinary shareholders on 24 August 2016.

29. CASH FLOW INFORMATION

29.1 CASH INFLOW FROM TRADING

	2016 Rm	2015 Rm
Profit before tax	6 033	4 432
Investment income	(48)	(116)
Earnings from joint ventures	(249)	(221)
Earnings from associate	(1)	(2)
Depreciation and amortisation	1 825	1 526
Loss on disposal of property, plant and equipment and intangible assets	22	19
Impairment of property, plant and equipment and intangible assets	7	384
Finance costs	1 234	1 494
Movement in other provisions and post-retirement medical benefit liability	(20)	260
Share-based payments	120	127
Operating lease accrual	41	(54)
Fair value lease adjustment	(131)	(95)
Transaction and integration costs	–	258
Foreign exchange (gain)/loss	107	4
Net inflow from trading	8 940	8 016

29.2 WORKING CAPITAL MOVEMENTS

	2016 Rm	2015 Rm
Increase in inventories	(658)	(880)
Increase in trade and other receivables	(164)	(53)
Increase in trade and other payables	511	276
Net outflow	(311)	(657)

29.3 TAX PAID

NORMAL AND FOREIGN TAX

	2016 Rm	2015 Rm
Amounts owing at the beginning of the year (net)	(50)	(180)
Amounts charged to profit or loss	(1 555)	(1 573)
Amounts recognised in other comprehensive income	(45)	–
Amounts recognised in share-based payment reserve	48	89
Foreign currency translation reserve	(31)	(16)
Arising from business combinations	–	431
Amounts receivable at the end of the year	(296)	(209)
Amounts owing at the end of the year	393	259
Cash amounts paid	(1 536)	(1 199)

29.4 NET CASH AND CASH EQUIVALENTS

	2016 Rm	2015 Rm
Cash – interest-earning		
Local – variable at interest rates of 0% to 2.93% (2015: 0% to 3.0%)	1 067	588
Local – dividend account at an interest rate of 0% to 2.93% (2015: 0% to 3.0%)	5	3
Foreign – variable at interest rates of 0% to 2.5% (2015: 0% to 2.75%)	453	300
Cash and cash equivalents	1 525	891
Foreign overdrafts – variable interest at an interest rate of 8.2% (2015: 6.5%)	(28)	–
Net cash and cash equivalents	1 497	891

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

30. 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.

30.1 OPERATING LEASE COMMITMENTS

	2016 Rm	2015 Rm
Land and buildings:		
Within one year	3 638	2 942
Within two to five years	12 489	9 212
Thereafter	13 894	11 313
	30 021	23 467

30.2 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS PRINCIPAL LESSOR AT 26 JUNE

	2016 Rm	2015 Rm
Land and buildings:		
Within one year	2	5
Within two to five years	2	2
	4	7

30.3 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS LESSOR AT 26 JUNE

	2016 Rm	2015 Rm
Land and buildings:		
Within one year	6	8
Within two to five years	13	12
	19	20

The operating lease accrual of R628 million (2015: R566 million) represents the difference between the cash flow impact and profit or loss impact of the above leases (refer to note 21).

Contingent rent payable is calculated based on turnover level. The amount recognised in profit or loss was R185 million (2015: R197 million).

The total minimum lease payments during the year amount to R4 958 million (2015: R4 075 million).

The total minimum lease payments received during the year amount to R16 million (2015: R16 million).

31. FINANCE LEASES

The Group has entered into finance leases for motor vehicles and computer equipment. These leases have renewal terms of 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:

	2016		2015	
	Minimum payments Rm	Present value of payments Rm	Minimum payments Rm	Present value of payments Rm
Within one year	7	6	13	12
Between one and five years	21	20	19	17
Total minimum lease payments	28	26	32	29
Less amounts representing finance charges	(2)	–	(3)	–
Present value of minimum lease payments	26	26	29	29

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

32. INVESTMENT IN JOINT VENTURES

The Group has the following interests in joint ventures:

Name of joint venture	% interest held	Nature of business
Woolworths Financial Services Proprietary Limited (WFS)	50	This South African company provides financial services to Woolworths customers.
Nedglen Property Development Proprietary Limited (Nedglen)	30	This South African company is involved in property development and investment.

The reporting periods of WFS and Nedglen are 1 January to 31 December and 1 July to 30 June respectively.

The following amounts represent the assets and liabilities, income and expenses of the material joint venture, WFS:

	2016 Rm	2015 Rm
Assets		
Current assets, including cash and cash equivalents of R81 million (2015: R72 million)	7 620	7 320
Non-current assets	2 317	2 364
	9 937	9 684
Liabilities		
Current liabilities, including financial liabilities of R185 million (2015: R11 million)	(185)	(184)
Non-current liabilities, including financial liabilities of R7 796 million (2015: R7 700 million)	(7 810)	(7 730)
	(7 995)	(7 914)
Equity	1 942	1 770
Group proportionate ownership	50%	50%
Group carrying amount of investment	971	885
Summarised statement of comprehensive income:		
Revenue (including gross investment income of R1 993 million (2015: R1 718 million))	2 159	1 893
Operating costs (including depreciation of R24 million (2015: R27 million) and impairment charge of R570 million (2015: R503 million))	1 472	1 280
Profit before tax	687	613
Tax	192	171
Total comprehensive income	495	442
Group proportionate share	248	221
The Group's proportionate ownership of Nedglen is:	7	6
Total investment in joint ventures	978	891
The following dividends were received during the year:		
Woolworths Financial Services Proprietary Limited	162	129

The Group's share of Nedglen profits amounted to R0.7 million (2015: R0.8 million) and other comprehensive income of nil in both years.

The Group's share of the capital commitment of the joint ventures is nil.

The increase in net assets is after dividends earned.

33. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

COUNTRY ROAD GROUP PROPRIETARY LIMITED

	2016 Rm	2015 Rm
Profit allocated to non-controlling interests	–	(1)
Accumulated balance of non-controlling interests before repurchase	–	262
Other comprehensive income allocated to non-controlling interests	–	3
Purchase of non-controlling interests	–	265
Accumulated balance of non-controlling interests after repurchase	–	–

WOOLWORTHS (KENYA) PROPRIETARY LIMITED

The Group acquired the remaining 49% shareholding in Woolworths (Kenya) Proprietary Limited not already owned by the WHL Group for a total purchase consideration of R85 million, of which R35 million represented their accumulated balance of non-controlling interests before repurchase.

34. EVENTS SUBSEQUENT TO THE REPORTING DATE

The sale of the Market Street building in Sydney's CBD was completed in August 2016, with gross proceeds on sale of A$360 million. The Group has also entered into a 3-year lease agreement with the purchasers at market-related terms. It is anticipated that the Market Street operations will be relocated to Elizabeth Street after a period of renovation. As a result of the sale of the Market Street building, the Group announced its intention to relocate the David Jones support centre from Sydney to Melbourne and to establish an Australasian head office for David Jones (DJ) and Country Road Group (CRG). CRG has entered into a lease for the new offices in Melbourne, with DJ as a guarantor for this lease, commencing in July 2017.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

35. SEGMENTAL INFORMATION

35.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

	2016								
		Woolworths							
	Total Rm	Clothing and General Mer-chandise Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intagroup Rm
OPERATING RESULTS									
Revenue	66 978	13 728	25 071	515	–	17 297	10 690	28	(351)
Turnover	65 004	13 701	24 956	515	–	15 185	10 647	–	–
Cost of sales	38 618	7 085	18 586	515	–	8 283	4 334	–	(185)
Gross profit	26 386	6 616	6 370	–	–	6 902	6 313	–	185
Other revenue	1 926	27	115	–	–	2 096	39	–	(351)
Expenses	21 343	4 349	4 662	–	–	7 159	5 317	22	(166)
Segmental operating profit	6 969	2 294	1 823	–	–	1 839	1 035	(22)	–
Investment income	48	–	–	–	–	16	4	28	–
Finance costs	1 234	–	–	–	–	41	23	1 170	–
Earnings from Woolworths Financial Services joint venture	248	–	–	–	248	–	–	–	–
Earnings from associate and property joint venture	2	1	1	–	–	–	–	–	–
Profit before tax	6 033	2 295	1 824	–	248	1 814	1 016	(1 164)	–
Return on equity	25.6%								

	2015								
		Woolworths							
	Total Rm	Clothing and General Mer-chandise Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
OPERATING RESULTS									
Revenue	58 069	12 518	22 445	444	–	13 642	9 120	100	(200)
Turnover	56 506	12 499	22 352	444	–	12 130	9 081	–	–
Cost of sales	33 356	6 574	16 598	444	–	6 357	3 544	–	(161)
Gross profit	23 150	5 925	5 754	–	–	5 773	5 537	–	161
Other revenue	1 447	19	93	–	–	1 501	34	–	(200)
Expenses	19 010	3 821	4 268	–	–	6 185	4 526	249	(39)
Segmental operating profit	5 587	2 123	1 579	–	–	1 089	1 045	(249)	–
Investment income	116	–	–	–	–	11	5	100	–
Finance costs	1 494	–	–	–	–	51	39	1 404	–
Earnings from Woolworths Financial Services joint venture	221	–	–	–	221	–	–	–	–
Earnings from associate and property joint venture	2	1	1	–	–	–	–	–	–
Profit before tax	4 432	2 124	1 580	–	221	1 049	1 011	(1 553)	–
Return on equity	31.7%								

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

Revenue arises 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.

David Jones represents the Group's results of its Australian subsidiary.

Country Road Group represents the Group's results of its Australian subsidiary, which includes the Witchery Group.

Intragroup adjustments relate to the sale of concession goods between segments and supply chain distribution adjustments.

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35. SEGMENTAL INFORMATION (CONTINUED)

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

	2016						2015					
	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
STATEMENTS OF FINANCIAL POSITION												
Property, plant and equipment, investment properties and intangible assets	36 416	6 496	–	25 200	4 720	–	30 312	5 910	–	20 630	3 772	–
Inventories	7 117	3 279	–	2 345	1 493	–	5 881	2 912	–	1 864	1 105	–
Trade and other receivables, derivative financial assets and loans	1 606	757	–	380	469	–	1 428	627	–	396	405	–
Cash and cash equivalents**	1 525	935	–	324	245	21	891	539	–	186	114	52
Segment assets	46 664	11 467	–	28 249	6 927	21	38 512	9 988	–	23 076	5 396	52
Investment in joint ventures	978	7	971	–	–	–	891	6	885	–	–	–
Investment in associate	–	–	–	–	–	–	3	3	–	–	–	–
Tax and deferred tax assets	1 748	466	–	1 001	281	–	2 049	763	–	1 063	223	–
Total assets	49 390	11 940	971	29 250	7 208	21	41 455	10 760	885	24 139	5 619	52
Trade and other payables, provisions and other non-current liabilities	13 220	5 599	–	5 967	1 654	–	11 265	4 853	–	4 977	1 435	–
Borrowings	15 918	26	–	215	196	15 481	15 118	61	–	–	178	14 879
Segment liabilities	29 138	5 625	–	6 182	1 850	15 481	26 383	4 914	–	4 977	1 613	14 879
Tax and deferred tax liabilities	399	47	–	352	–	–	775	302	–	252	221	–
Total liabilities	29 537	5 672	–	6 534	1 850	15 481	27 158	5 216	–	5 229	1 834	14 879
Debt ratio	32.2%						36.5%					
Depreciation and amortisation	1 825	848	–	642	335	–	1 526	768	–	529	229	–
Net impairment of property, plant and equipment and intangible assets	7	(2)	–	–	9	–	384	2	–	378	4	–
Share-based payment expense	120	105	–	9	6	–	127	124	–	2	1	–
Capital expenditure – gross additions*	2 825	1 186	–	1 093	546	–	2 891	1 422	–	504	965	–
Capital commitments	3 902	2 066	–	1 330	506	–	3 636	2 032	–	1 017	587	–
Shareholding		100.0%	50.0%	100.0%	100.0%	100.0%		100.0%	50.0%	100.0%	100.0%	100.0%

* Excluding the David Jones acquisition.

** The composition of reportable segments changed during the year; consequently R52 million of assets previously reported within the Woolworths segment have been reclassified to Treasury.

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35. SEGMENTAL INFORMATION (CONTINUED)

35.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

2016

	Total Rm	Woolworths: Clothing and General Merchandise Rm	Woolworths: Food Rm	Woolworths: Logistics Rm	Woolworths: Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
Revenue									
South Africa	38 280	12 360	24 680	515	–	–	1 048	28	(351)
Rest of Africa	1 587	1 196	391	–	–	–	–	–	–
Australasia	27 111	172	–	–	–	17 297	9 642	–	–
	66 978	13 728	25 071	515	–	17 297	10 690	28	(351)
Turnover									
South Africa	38 461	12 333	24 565	515	–	–	1 048	–	–
Rest of Africa	1 587	1 196	391	–	–	–	–	–	–
Australasia	24 956	172	–	–	–	15 185	9 599	–	–
	65 004	13 701	24 956	515	–	15 185	10 647	–	–

2015

	Total Rm	Woolworths: Clothing and General Merchandise Rm	Woolworths: Food Rm	Woolworths: Logistics Rm	Woolworths: Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
Revenue									
South Africa	35 095	12 226	21 521	444	–	–	1 004	100	(200)
Rest of Africa	1 216	292	924	–	–	–	–	–	–
Australasia	21 758	–	–	–	–	13 642	8 116	–	–
	58 069	12 518	22 445	444	–	13 642	9 120	100	(200)
Turnover									
South Africa	35 083	12 207	21 428	444	–	–	1 004	–	–
Rest of Africa	1 216	292	924	–	–	–	–	–	–
Australasia	20 207	–	–	–	–	12 130	8 077	–	–
	56 506	12 499	22 352	444	–	12 130	9 081	–	–

	2016 Total Rm	2016 Woolworths Rm	2016 Woolworths Financial Services Rm	2016 David Jones Rm	2016 Country Road Group Rm	2016 Treasury Rm	2015 Total Rm	2015 Woolworths Rm	2015 Woolworths Financial Services Rm	2015 David Jones Rm	2015 Country Road Group Rm	2015 Treasury Rm
Total assets**												
South Africa	13 061	11 474	971	–	596	20	11 362	9 997	885	–	430	50
Australasia	34 581	–	–	28 249	6 331	1	28 044	–	–	23 076	4 966	2
	47 642	11 474	971	28 249	6 927	21	39 406	9 997	885	23 076	5 396	52
Tax and deferred tax assets	1 748						2 049					
	49 390						41 455					
Capital expenditure (gross)												
South Africa	1 247	1 186	–	–	61	–	1 455	1 422	–	–	33	–
Australasia	1 578	–	–	1 093	485	–	1 436	–	–	504	932	–
	2 825	1 186	–	1 093	546	–	2 891	1 422	–	504	965	–

** The composition of reportable segments changed during the year; consequently R52 million of assets previously reported within the Woolworths segment have been reclassified to Treasury.

David Jones, Summer 2016

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COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 26 June 2016 Rm	52 weeks to 28 June 2015 Rm
Revenue	2	2 984	3 166
Expenses		13	203
Other operating costs		13	203
Finance costs		–	256
Profit before tax	3	2 971	2 707
Tax	4	2	2
Profit for the year		2 969	2 705
Other comprehensive income			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	15.5	–	54
Total comprehensive income for the year		2 969	2 759

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	At 26 June 2016 Rm	At 28 June 2015 Rm
ASSETS			
Non-current assets		21 465	21 326
Interest in subsidiaries	7	21 445	21 229
Participation in export partnerships	8	3	10
Deferred tax	9	17	17
Current assets		573	425
Other receivables and prepayments	10	9	4
Amounts owing by subsidiaries	7	550	404
Tax	18.3	9	9
Cash and cash equivalents	18.4	5	8
TOTAL ASSETS		22 038	21 751
EQUITY AND LIABILITIES			
Equity attributable to shareholders		12 618	12 049
Stated capital	11	11 237	10 802
Preference share capital	11	–	–
Distributable reserves	12	1 381	1 247
TOTAL EQUITY		12 618	12 049
Current liabilities		9 420	9 702
Trade and other payables	13	6	6
Amounts owing to subsidiaries	7	9 414	9 696
TOTAL LIABILITIES		9 420	9 702
TOTAL EQUITY AND LIABILITIES		22 038	21 751

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Stated capital Rm	Preference share capital Rm	Share-based payments reserve Rm	Financial instrument revaluation reserve Rm	Retained profit Rm	Total Rm
Shareholders' interest at 29 June 2014		678	–	848	(54)	462	1 934
Profit for the year		–	–	–	–	2 705	2 705
Other comprehensive income		–	–	–	54	–	54
Total comprehensive income for the year		–	–	–	54	2 705	2 759
Shares issued	11	10 124	–	–	–	–	10 124
Rights issue costs		–	–	–	–	(420)	(420)
Share-based payments	12	–	–	127	–	–	127
Dividends to shareholders	17	–	–	–	–	(2 475)	(2 475)
Shareholders' interest at 28 June 2015		10 802	–	975	–	272	12 049
Profit for the year		–	–	–	–	2 969	2 969
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	2 969	2 969
Shares issued	11	2 849	–	–	–	–	2 849
BEEESOS unwind	11 & 12	(2 414)	–	(336)	–	336	(2 414)
Share-based payments	12	–	–	120	–	–	120
Dividends to shareholders	17	–	–	–	–	(2 955)	(2 955)
Shareholders' interest at 26 June 2016		11 237	–	759	–	622	12 618

COMPANY ANNUAL FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS

	Notes	52 weeks to 26 June 2016 Rm	52 weeks to 28 June 2015 Rm
Cash flow from operating activities			
Cash outflow from trading	18.1	(13)	(193)
Working capital movements	18.2	1	(158)
Cash utilised by operating activities		(12)	(351)
Investment income received		1	10
Finance costs paid		–	(135)
Tax paid	18.3	(2)	(2)
Cash utilised in operations		(13)	(478)
Dividends received		2 957	3 123
Dividends to ordinary shareholders		(2 703)	(2 255)
Dividends to preference shareholders		–	(220)
Net cash inflow from operating activities		241	170
Cash flow from investing activities			
Investment in subsidiary		–	(18 977)
Participation in export partnerships		1	3
Net cash inflow/(outflow) from investing activities		1	(18 974)
Cash flow from financing activities			
Shares issued		–	140
Rights issue proceeds		–	9 984
Short-term borrowings raised		–	10 044
Borrowings repaid		–	(10 044)
Loans advanced from subsidiaries		–	9 142
Loans repaid to subsidiaries		(245)	–
Costs associated with equity raising		–	(458)
Net cash (outflow)/inflow from financing activities		(245)	18 808
(Decrease)/increase in cash and cash equivalents		(3)	4
Net cash and cash equivalents at the beginning of the year		8	4
Net cash and cash equivalents at the end of the year	18.4	5	8

	2016 Rm	2015 Rm
2. REVENUE		
Interest income	27	33
Dividends received	2 957	3 123
Management fee	–	10
	2 984	3 166
3. PROFIT BEFORE TAX INCLUDES:		
Finance costs	–	256
Transaction and integration costs on business combinations	–	185
4. TAX		
Prior year		
South Africa		
Normal tax	2	–
Deferred tax relating to the origination and reversal of temporary differences (note 9)	–	2
	2	2

	2016 %	2015 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	0.1	4.6
Exempt income	(27.9)	(32.3)
Other	(0.1)	(0.2)
Effective tax rate	0.1	0.1

5. 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:

	2016 Rm	2015 Rm
Executive Directors		
Remuneration	31	22
Retirement, medical, accident and death benefits	2	2
Performance bonus	27	29
Share-based payments	33	27
Interest-free loan benefit	1	1
	94	81
Non-executive Directors		
Fees	16	10
	16	10
Total directors' emoluments	110	91

Executive Directors' emoluments are paid by Woolworths Proprietary Limited, David Jones Proprietary Limited and Country Road Group Proprietary Limited. Details of the directors' fees and emoluments are provided in note 7 of the Group Annual Financial Statements.

6. RELATED-PARTY TRANSACTIONS

The nature of transactions between the company and subsidiaries of the Group comprise mainly of dividends received.

The following related-party transactions occurred during the year:

WOOLWORTHS HOLDINGS LIMITED

	2016 Rm	2015 Rm
DIVIDEND RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	2 345	2 474
Osiris Holdings Proprietary Limited	612	527
The Woolworths Employee Share Ownership Trust	–	122
	2 957	3 123
INTEREST RECEIVED FROM SUBSIDIARY COMPANY		
E-Com Investments 16 Proprietary Limited	26	23
Dividends paid to subsidiary companies on treasury shares held by the subsidiaries	239	208
Dividends paid to subsidiary company on preference shares held by the subsidiaries	–	220
Management fee charged to Woolworths Proprietary Limited	–	6
Management fee charged to David Jones Proprietary Limited	–	2
Management fee charged to Country Road Group Proprietary Limited	–	2

SHARE-BASED PAYMENTS TRANSACTIONS

The company accounts for the Group share-based payments transactions settled in its equity instruments, as an equity-settled share-based payment arrangement with a corresponding increase in its investment in subsidiaries. Refer to note 7.

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 the company. Key management personnel have been defined as the Board of Directors of the company. The definition of related parties includes close family members of key management personnel. All transactions with key management personnel have been at arm's length during the financial year.

	2016 Rm	2015 Rm
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	75	76
Post-employment benefits	2	2
IFRS 2 value of share-based payments expense	33	28
	110	106

Short-term employee benefits comprise salaries, directors' fees and bonuses payable within 12 months of the end of the year. Post-employment benefits comprise expenses determined in terms of IAS 19: Employee Benefits in respect of the Group's retirement and healthcare funds.

	2016 Rm	2015 Rm
SHARE PURCHASE SCHEME LOANS AND INVESTMENTS (AT COST)		
Balance at the beginning of the year	12	34
Loans repaid during the year	(3)	(22)
Balance at the end of the year	9	12

	2016 Rm	2015 Rm

6. RELATED-PARTY TRANSACTIONS (CONTINUED)

SHARE PURCHASE SCHEME LOANS AND INVESTMENTS (AT COST) (CONTINUED)

Details of the terms and conditions relating to these loans are disclosed in note 13 of the Group Annual Financial Statements. No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2015: nil). These loans are held as receivables in the Woolworths Holdings Share Trust.

WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS

	2016 Rm	2015 Rm
Balance outstanding at the beginning of the year	3	3
Annual spend	6	6
Annual repayments	(6)	(6)
Balance outstanding at the end of the year	3	3

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 cardholders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths Visa credit card accounts of key management personnel (2015: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of David Jones Proprietary Limited and Country Road Group Proprietary Limited employees are disclosed in note 22 of the Group Annual Financial Statements.

7. INTEREST IN SUBSIDIARIES

	2016 Rm	2015 Rm
Ordinary shares	20 973	20 853
Cost	19 878	19 878
Share-based payments arising from the Group's share incentive schemes	1 095	975
Preference shares – investment in E-Com Investments 16 Proprietary Limited		
Cost	472	446
Investment in equity	230	230
Loan receivable	242	216
Interest in subsidiaries	21 445	21 299
Amounts owing to subsidiaries	(9 414)	(9 696)
Woolworths Proprietary Limited	(9 411)	(9 578)
E-Com Investments 16 Proprietary Limited	–	(113)
Woolworths International Limited	(3)	(3)
The Woolworths Employee Share Ownership Trust	–	(2)
Amounts owing by subsidiaries	550	404
Woolworths Proprietary Limited	405	404
E-Com Investments 16 Proprietary Limited	145	–
Total net interest in subsidiaries	12 581	12 007

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

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

The investment in preference shares of E-Com is a compound financial instrument in terms of IAS 32, and the cost is therefore split between equity and loan receivable. The loan receivable component is determined as the net present value of the investment discounted using an interest rate of 12.0%. The carrying value of the loan component approximates its fair value.

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

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

The company's maximum exposure to the credit risk of the loans to subsidiaries are their carrying value. The amount owing by subsidiaries in 2016 is considered to be neither past due nor impaired. All subsidiaries are in a financially sound position. Refer to note 15.1 for details of the company's credit risk management policies. Refer to Annexure 1 for details of the company's interest in subsidiaries.

8. PARTICIPATION IN EXPORT PARTNERSHIPS

	2016 Rm	2015 Rm
Balance at the beginning of the year	10	13
Payments received	(1)	(3)
Current portion included in other receivables and prepayments	(6)	–
Balance at the end of the year	3	10

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 method. Amortised cost is the company's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment or uncollectability.

The amount outstanding is considered to be neither past due nor impaired. Refer to note 15.1 for details of the company's credit risk management policies.

9. DEFERRED TAX

The movement in the deferred tax account is as follows:

	2016 Rm	2015 Rm
Balance at the beginning of the year	17	18
Amounts credited to profit or loss	–	(1)
Participation in export partnerships	1	3
Working capital and other provisions	(1)	(4)
Balance at the end of the year	17	17
Comprising:		
Participation in export partnerships	(8)	(11)
Working capital and other provisions	25	28
	17	17

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

10. OTHER RECEIVABLES AND PREPAYMENTS

	2016 Rm	2015 Rm
Other receivables and prepayments	9	4
	9	4

Other receivables and prepayments includes the current portion of the participation in export partnerships. The balance is neither past due nor impaired.

The carrying value of other receivables and prepayments is considered to approximate their 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. Refer to note 15.1 for detailed information regarding the credit quality of financial assets which are neither past due nor impaired.

11. ORDINARY AND PREFERENCE SHARE CAPITAL

	2016 Rm	2015 Rm
STATED CAPITAL		
Balance at the beginning of the year	10 802	678
24 361 954 ordinary shares issued in terms of BEEESOS unwind	2 414	–
24 361 954 ordinary shares allocated in terms of BEEESOS unwind	(2 414)	–
2 920 865 ordinary shares issued in terms of scrip distribution alternative	252	–
Nil (2015: 167 803 572) ordinary shares issued in terms of rights issue	–	9 984
2 167 167 (2015: 1 768 311) ordinary shares issued in terms of share incentive schemes	183	140
Balance at the end of the year	11 237	10 802

	R'000	R'000
AUTHORISED		
2 410 600 000 (2015: 2 410 600 000) ordinary shares of no par value	–	–
Nil (2015: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each	–	134
	–	134
ISSUED		
1 046 026 844 (2015: 1 016 576 858) ordinary shares of no par value	–	–
Nil (2015: 89 117 253) preference shares of 0.15 cents each	–	134
	–	134

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	1 016 576 858	847 004 975
Shares issued in terms of BEEESOS unwind	24 361 954	–
Shares issued in terms of scrip distribution alternative	2 920 865	–
Shares issued in terms of rights issue	–	167 803 572
Shares issued in terms of share incentive schemes	2 167 167	1 768 311
Balance at the end of the year	1 046 026 844	1 016 576 858

RECONCILIATION OF VALUE OF PREFERENCE SHARES IN ISSUE	R'000	R'000
Balance at the beginning of the year	134	134
Shares redeemed	(134)	–
Balance at the end of the year	–	134

RECONCILIATION OF NUMBER OF PREFERENCE SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	89 117 253	89 192 746
Shares redeemed	(89 117 253)	(157 880)
Shares awarded to participants	–	82 387
Balance at the end of the year	–	89 117 253

12. DISTRIBUTABLE RESERVES

	2016 Rm	2015 Rm
Share-based payment reserve		
Balance at the beginning of the year	975	848
Share-based payments arising from share incentive schemes	120	127
Settlement in terms of BEEESOS unwind	(336)	–
Balance at the end of the year	759	975
Retained profit	622	272
Total distributable reserves	1 381	1 247

NATURE AND PURPOSE OF RESERVES

Share-based payment reserve

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes. Refer to note 18 of the Group Annual Financial Statements for further details of the relevant schemes.

Retained profit

Retained profit records the cumulative net profit or loss made by the company after deducting dividends to shareholders and other utilisations of the reserve.

13. TRADE AND OTHER PAYABLES

	2016 Rm	2015 Rm
Other payables	6	6
	6	6

The carrying value of trade and other payables approximates their fair value. These balances are payable on demand.

14. CONTINGENT LIABILITIES

The company provides sureties for banking facilities amounting to R14 820 million (2015: R13 350 million) and lease obligations of certain subsidiaries. The sureties can be called on immediately in the event of the subsidiaries not honouring their obligations. There are no other contingent liabilities.

15. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, foreign exchange and interest rate risks arises in the normal course of business. It is the company's objective to minimise its exposure to 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 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.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.1 CREDIT RISK MANAGEMENT

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 movements in market interest rates, as well as whether there are any deviations from treasury policy and performance against budgets.

Credit risk arises from cash and cash equivalents, participation in export partnerships, amounts owing by subsidiaries and other receivables and prepayments. The company's maximum exposure to credit risk is equal to the carrying value 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 (refer to note 8), thus the credit quality of this receivable is considered to be high. Refer to note 7 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 is assessed to be of high grade.

	2016 Rm	2015 Rm
FINANCIAL ASSETS		
Participation in export partnerships	3	10
Other receivables and prepayments	9	4
Cash and cash equivalents	5	8
Preference share loan in E-Com Investments 16 Proprietary Limited (included in interest in subsidiaries)	242	216
Amounts owing by subsidiaries – Woolworths Proprietary Limited	405	404
Amounts owing by subsidiaries – E-Com Investments 16 Proprietary Limited	145	–

15.2 LIQUIDITY RISK MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents. In terms of the company's Memorandum of Incorporation, there is no limit on the company's authority to raise interest-bearing debt. Refer to note 15.3.

The undiscounted cash flows of the company's borrowings and payables fall into the following maturity profiles:

	Maturity	2016 Rm	2015 Rm
Amounts owing to subsidiaries	On demand	9 414	9 696
Trade and other payables	On demand	6	6

15.3 INTEREST RATE RISK MANAGEMENT

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

The company manages its exposure to interest rate risk by ensuring that it invests its cash in 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 in profit before tax R'000	(Increase)/ decrease in equity R'000
2016			
Cash	+50	(25)	(18)
	-50	25	18
2015	+50	(40)	(29)
Cash	-50	40	29

15.4 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2016 Rm	2015 Rm
FINANCIAL ASSETS		
Loans and receivables		
Participation in export partnerships	3	10
Other receivables and prepayments	9	4
Amounts owing by subsidiaries	550	404
Cash and cash equivalents	5	8
Preference share loan in E-Com Investments 16 Proprietary Limited	242	216
Total	809	642
FINANCIAL LIABILITIES		
Amortised cost		
Trade and other payables	6	6
Amounts owing to subsidiaries	9 414	9 696
Total	9 420	9 702

15.5 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Interest income Rm	Net movement in other comprehensive income Rm	Total Rm
2016			
Loans and receivables	1	–	1
Loan receivable element of Preference share in E-Com Investments 16 Proprietary Limited	26	–	26
2015			
Loans and receivables	10	–	10
Loan receivable element of Preference share in E-Com Investments 16 Proprietary Limited	23	–	23
Derivative financial instruments	–	54	54

The gains/(losses) on financial instruments recognised within other comprehensive income comprises of:

	2016 Rm	2015 Rm
Contracts for differences	–	(167)
Reclassified to non-financial assets	–	221
Fair value adjustments on financial instruments	–	54

16. MANAGEMENT OF CAPITAL

The company considers the management of capital with reference to the Group policy. Refer to note 27 of the Group Annual Financial Statements.

	2016 Rm	2015 Rm
17. DIVIDENDS TO SHAREHOLDERS		
Ordinary shareholders		
Dividend no. 35 of 150.5 cents per share was declared on 27 August 2014 and paid on 15 September 2014	–	1 275
Dividend no. 36 of 96.5 cents per share was declared on 11 February 2015 and paid on 9 March 2015	–	980
Dividend no. 37 of 150.5 cents per share was declared on 26 August 2015 and paid on 21 September 2015	1 568	–
Dividend no. 38 of 133.0 cents per share was declared on 10 February 2016 and paid on 7 March 2016*	1 387	–
Preference shareholders		
Dividend no. 15 of 150.5 cents per share was declared on 27 August 2014 and paid on 15 September 2014	–	134
Dividend no. 16 of 96.5 cents per share was declared on 11 February 2015 and paid on 9 March 2015	–	86
Total dividends paid	2 955	2 475

* R252 million settled through scrip distribution alternative.

Dividend no. 39 of 180.0 cents per share was declared to ordinary shareholders on 24 August 2016.

18. CASH FLOW INFORMATION

	2016 Rm	2015 Rm
18.1 CASH OUTFLOW FROM TRADING		
Profit before tax	2 971	2 707
Interest income	(27)	(33)
Finance costs	–	256
Dividends received	(2 957)	(3 123)
Net outflow from trading	(13)	(193)
18.2 WORKING CAPITAL MOVEMENTS		
Other receivables and prepayments	1	(1)
Trade and other payables	–	(157)
Net inflow/(outflow)	1	(158)
18.3 TAX PAID		
NORMAL AND FOREIGN TAX		
Amounts receivable at the beginning of the year	9	7
Amounts charged to profit or loss	(2)	–
Amounts receivable at the end of the year	(9)	(9)
Cash amounts paid	(2)	(2)
18.4 CASH AND CASH EQUIVALENTS		
Cash – interest-earning		
Local – dividend account at an interest rate of 0% to 3% (2015: 0% to 3%)	5	8
Cash and cash equivalents	5	8

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

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

Country Road, Summer 2016

ANNEXURE 1

			Company			
			2016		2015	
			Carrying value of shares Rm	% Holding	Carrying value of shares Rm	% Holding
INTEREST IN SUBSIDIARIES AND JOINT VENTURES						
Directly held			20 108		20 108	
Woolworths Proprietary Limited	R	1	–	100	–	100
Woolworths Developments Proprietary Limited	P	1	–	100	–	100
Woolworths International Holdings Limited	H	3	901	100	901	100
E-Com Investments 16 Proprietary Limited	H	1	230	100	230	100
Woolworths International II (Australia) Proprietary Limited	H	5	–	100	–	100
Osiris Holdings Proprietary Limited	H	5	18 977	100	18 977	100
The Woolworths Holdings Share Trust[1]		1	–	–	–	–
The Woolworths Employee Share Ownership Trust[1]		1	–	–	–	–
The Woolworths Trust (Charitable Trust)[1]	H	1	–	–	–	–
Woolworths Trust [1 & 2]		3	–	–	–	–
Indirectly held						
Woolworths International (SA) Proprietary Limited (deregistered)	D	1		–		100
Universal Product Networks Proprietary Limited	L	1		100		100
inthebag Proprietary Limited (in liquidation)	D	1		100		100
Virtual Market Place Proprietary Limited[3]	R	1		100		100
Woolworths (Lesotho) Proprietary Limited[6]	R	15		100		100
Woolworths (Namibia) Proprietary Limited	R	2		100		100
Woolworths (Swaziland) Proprietary Limited	R	19		100		100
Woolworths Holding (Mauritius) Limited	H	9		100		100
Woolworths (Mauritius) Limited[4]	R	9		100		100
Woolies (Zambia) Limited[4]	R	10		100		100
W-Stores Company (Tanzania) Limited[4]	R	11		51		51
W-Stores Company (Uganda) Limited[4]	R	12		95		95
Woolworths Retail Stores Limited (in liquidation)[4]	R	13		–		–
Woolworths (Mozambique) Limitada[4]	R	14		100		100
Woolworths (Kenya) Proprietary Limited[4]	R	16		100		51
Woolworths (Botswana) Proprietary Limited[4]	R	18		100		100
W-Stores (Ghana) Proprietary Limited[4]	R	20		100		100
Woolworths Rwanda Limited[4]	R	22		100		100
Highway Holdings N.V.	H	4		100		100
Woolworths Worldwide Limited	H	3		100		100
Woolworths International (Australia) Proprietary Limited	H	5		100		100
Woolworths International Limited	I	3		100		100
WSM Operations Holding Company Limited	D	21		100		100

			Company			
			2016		2015	
INTEREST IN SUBSIDIARIES (CONTINUED)			Carrying value of shares Rm	% Holding	Carrying value of shares Rm	% Holding
Country Road Group Proprietary Limited	R	5		100		100
Country Road Clothing Proprietary Limited	R	5		100		100
CRG Logistics Proprietary Limited	L	5		100		–
Country Road Ventures Proprietary Limited	R	5		100		100
Country Road Clothing (NZ) Limited	R	6		100		100
Country Road International Proprietary Limited	H	5		100		100
Country Road (Hong Kong) Limited	R	7		100		100
Witchery Australia Holdings Proprietary Limited	H	5		100		100
Witchery Holdings Proprietary Limited	H	5		100		100
Witchery Fashions Proprietary Limited	R	5		100		100
Witchery Fashions (NZ) Limited	R	6		100		100
Witchery Singapore Pte Limited	R	17		100		100
Witchery Fashions SA Proprietary Limited	R	1		100		100
Mimco Proprietary Limited	R	5		100		100
Mimco (UK) Limited	R	8		100		100
Mimco Design Singapore Pte Limited	R	17		100		100
Mimco (NZ) Limited	R	6		100		100
Vela Investments Proprietary Limited[5]	H	5		100		100
David Jones Proprietary Limited	R	5		100		100
Ahern's Holdings Proprietary Limited	D	5		100		100
Ahern's (Suburban) Proprietary Limited	D	5		100		100
Atkin Proprietary Limited	H	5		100		100
David Jones Finance Proprietary Limited	F	5		100		100
299-307 Bourke Street Proprietary Limited	P	5		100		100
Helland Close Proprietary Limited	D	5		100		100
David Jones Credit Proprietary Limited	D	5		100		100
John Martin Retailers Proprietary Limited	D	5		100		100
David Jones Financial Services Limited	F	5		100		100
David Jones Insurance Proprietary Limited	F	5		100		100
David Jones Properties (South Australia) Proprietary Limited	P	5		100		100
David Jones (Adelaide) Proprietary Limited	P	5		100		100
Buckley & Nunn Proprietary Limited	D	5		100		100
David Jones Properties (Victoria) Proprietary Limited	P	5		100		100
David Jones Properties (Queensland) Proprietary Limited	P	5		100		100
Speertill Proprietary Limited	R	5		100		100

INTEREST IN SUBSIDIARIES (CONTINUED)

			Company 2016 Carrying value of shares Rm	2016 % Holding	Company 2015 Carrying value of shares Rm	2015 % Holding
David Jones Properties Proprietary Limited	P	5		100		100
David Jones Employee Share Plan Proprietary Limited		5		100		100
David Jones Share Plans Proprietary Limited		5		100		100
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
AMOUNTS OWING (TO)/BY SUBSIDIARIES			(7 527)		(8 101)	
Woolworths Proprietary Limited			(7 911)		(8 199)	
E-Com Investments 16 Proprietary Limited			387		103	
Woolworths International Limited			(3)		(3)	
The Woolworths Employee Share Ownership Trust[1]			–		(2)	
Total interest			12 581		12 007	

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: Guernsey 4: Belgium 5: Australia 6: New Zealand 7: Hong Kong 8: United Kingdom 9: Mauritius
10: Zambia 11: Tanzania 12: Uganda 13: Nigeria 14: Mozambique 15: Lesotho 16: Kenya 17: Singapore 18: Botswana 19: Swaziland
20: Ghana 21. Nevis 22. Rwanda

Notes

1. The Woolworths Holdings Share Trust, the Woolworths Employee Share Ownership Trust, the Woolworths Trust (Charitable Trust) and the Woolworths Trust are included as subsidiaries based on the interpretation guidance of IFRS 10.
2. Woolworths Trust is an intermediate holding entity for Woolworths Worldwide Limited (Guernsey). Woolworths Holdings Limited is a beneficiary of the trust.
3. 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.
4. Woolworths (Mauritius) Limited, Woolies (Zambia) Limited, W-Stores Company (Tanzania) Limited, W-Stores Company (Uganda) Limited, Woolworths Retail Stores Limited (in liquidation), Woolworths (Mozambique) Limitada, Woolworths (Kenya) Proprietary Limited, Woolworths (Botswana) Proprietary Limited, W-Stores (Ghana) Proprietary Limited and Woolworths Rwanda Limited are subsidiaries of Woolworths Holding (Mauritius) Limited.
5. Vela Investments Proprietary Limited is a subsidiary of Osiris Holdings Proprietary Limited.
6. Woolworths (Lesotho) Proprietary Limited is held 1% directly and 99% indirectly through Woolworths Proprietary Limited .

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

	2016 Rm	2015 Rm
Profits	4 858	3 928
Losses	(80)	(73)
	4 778	3 855

SHAREHOLDER CALENDAR

2016

June	Financial year-end – 26 June
July	Trading update
August	Annual results and announcement of final dividend – 25 August
September	Final dividend payment Publication of Integrated Report and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

2017

January	Trading update
February	Interim results and announcement of interim dividend
March	Interim dividend payment
June	Financial year-end – 25 June
July	Trading update
August	Annual results and announcement of final dividend – 24 August
September	Final dividend payment Publication of Integrated Report and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

ADMINISTRATION

WOOLWORTHS HOLDINGS LIMITED
Registration number: 1929/001986/06
Tax reference number: 9300/149/71/4
JSE share code: WHL
ISIN: ZAE000063863

INTERIM GROUP COMPANY SECRETARY
Ralph Buddle
Email: RalphBuddle@woolworths.co.za

GROUP COMPANY SECRETARY (WEF 5 SEPTEMBER 2016)
Chantal Reddiar
Email: ChantalReddiar@woolworths.co.za

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INVESTOR RELATIONS
Email: InvestorRelations@woolworths.co.za

WEBSITE
www.woolworthsholdings.co.za

PRINCIPAL TRANSACTIONAL BANKERS
The Standard Bank of South Africa Limited
National Australia Bank Group
Commonwealth Bank of Australia

AUDITORS
Ernst & Young Inc.

JSE SPONSOR
Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton 2194, South Africa
PO Box 786273
Sandton 2146

TRANSFER SECRETARIES
Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg 2001, South Africa
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Marshalltown 2107, South Africa

Tel: +27 (11) 370 5000
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Email: woolworths@computershare.co.za

GLOSSARY OF FINANCIAL TERMS

AMORTISED COST

The amount used to measure the balance of certain financial instruments at year-end.

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 method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

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

BUSINESS SEGMENT

An operating segment 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 of South Africa.

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

Control exists when an investor can show:

1. power over the investee through having existing rights that give it the current ability to direct relevant activities;
2. exposure or rights to variable returns from its involvement with the investee; and
3. the ability to use its power over the investee to affect the amount of the investor's returns.

CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss to 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 Limited shares at the ruling market price out of a portion of their declared short-term performance bonus. A matching award of Woolworths' shares will be made to the participant after a period of three years, on condition that the participant remains in the employ of the employer company and retains the bonus shares over the period.

DEFINED-BENEFIT PLAN

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

DEFINED-CONTRIBUTION PLAN

Post-employment benefit plan 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 ASSET

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

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

DEFERRED TAX LIABILITY

The amount 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:

1. receives goods or services as consideration for its own equity instruments (including shares or share options); or
2. receives goods or services, but has no obligation to settle the transaction with the supplier.

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL ASSETS

Any asset that exhibits one or more of the following characteristics:

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 LIABILITY

Any liability that exhibits one or more of the following characteristics:

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.

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.

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

An operating segment 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 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.

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 that specified vesting conditions, if any, are met. If that agreement is subject to an approval process, the grant date is the date when that approval is obtained.

GROUP

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

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

An asset, liability, firm commitment 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

Refer to 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 right (conditional or unconditional) to subscribe for, or which it has the right to receive, and the price (if any) that the counterparty is (or will be) required to pay for those shares.

JOINT ARRANGEMENT

An arrangement of which two or more parties have joint control.

JOINT CONTROL

The contractually-agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Country Road, Winter 2016

JOINT OPERATION

An arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

JOINT VENTURE

An arrangement in which the parties with joint control have rights to the net assets of the arrangement.

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, subject to the fulfilment of predetermined performance conditions covering a three-year period.

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.

NON-CONTROLLING INTEREST

The equity in a subsidiary not attributable, directly or indirectly, to a parent.

ONEROUS CONTRACT

A contract in which the unavoidable cost of meeting the obligation under the contract exceeds 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 the most likely change in the risk variable during the next annual period, which is judged relative to the economic environment in which the entity operates, and does not include "worst-case" scenarios.

RELATED PARTY

1. A person or a close member of that person's family is related to a reporting entity if that person:
   - 1.1 has control or joint control over the reporting entity; or
   - 1.2 has significant influence over the reporting entity; or
   - 1.3 is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
2. An entity is related to a reporting entity if any of the following conditions apply:
   - 2.1 the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
   - 2.2 one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
   - 2.3 both entities are joint ventures of the same third party; or
   - 2.4 one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
   - 2.5 the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; or
   - 2.6 the entity is controlled or jointly controlled by a person identified in 1; or
   - 2.7 if a person identified in 1.1 has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent 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 are either 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 sale 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 interests.

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; and
2. gains on sale of investments or gains on extinguishment of debt, unless the segment's operations are primarily of a financial 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

1. A transaction in which the entity:
   - 1.1 receives goods or services from the supplier of those goods or services (including an employee) in a share-based payment arrangement; or
   - 1.2 incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.
2. An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:
   - 2.1 cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity; or
   - 2.2 equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.

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 that is controlled by another entity.

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.

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