annual report 2007

WOOLWORTHS HOLDINGS LIMITED WHL

contents

Woolworths Holdings Limited (WHL) is an investment holding company, operating primarily through two South African subsidiaries, Woolworths (Proprietary) Limited (Woolworths) and Woolworths Financial Services (Proprietary) Limited (Woolworths Financial Services), and Country Road Limited (Country Road) in Australia.

Woolworths is a large chain of retail stores operating under the Woolworths brand in most towns and cities throughout South Africa, and in other key towns and cities in southern and central Africa and the Middle East. Woolworths offers customers a carefully selected range of clothing and general merchandise and food, mainly sold under the Woolworths brand name.

Woolworths Financial Services offers Woolworths customers a range of interest-bearing products including the Woolworths store card, personal loans and the Woolworths Visa card, and non-interest-bearing financial services products including short-term insurance and credit-life products.

Country Road offers a selected range of clothing and homeware through its own dedicated retail outlets and through concession stores within the large department stores in Australia, New Zealand and South East Asia. Country Road is listed on the Australian Securities Exchange.

WOOLWORTHS

the difference

woolworths
- 17 838 members of staff
- 200 stores (owned)
- 145 stores (franchised)

COUNTRY ROAD

country road
- 1 093 members of staff
- 57 stores (owned)
- 8 stores (franchised)
- 74 concession outlets

Front cover: Zamajobe – musician

WOOLWORTHS HOLDINGS LIMITED WHL

the **woolies difference**

we, as passionate committed retailers, understand and lead our customers through excellence and a deep knowledge of our product and services and the world we live in.

we live this through our values:

quality and style – deliver the best
value – a simple and fair deal
service – think customer
innovation – discover the difference
integrity – do what you say you will do
energy – be passionate and deliver

financial highlights

revenue	▲ 23.1%	to R18.6bn
operating profit	▲ 23.8%	to R1.8bn
diluted earnings per share	▲ 27.5%	to 131.5 cents
diluted HEPS	▲ 21.8%	to 125.5 cents
dividend per share	▲ 20.6%	to 76.0 cents
return on equity increased to	▲ 35.1%	from 34.8%

operating highlights

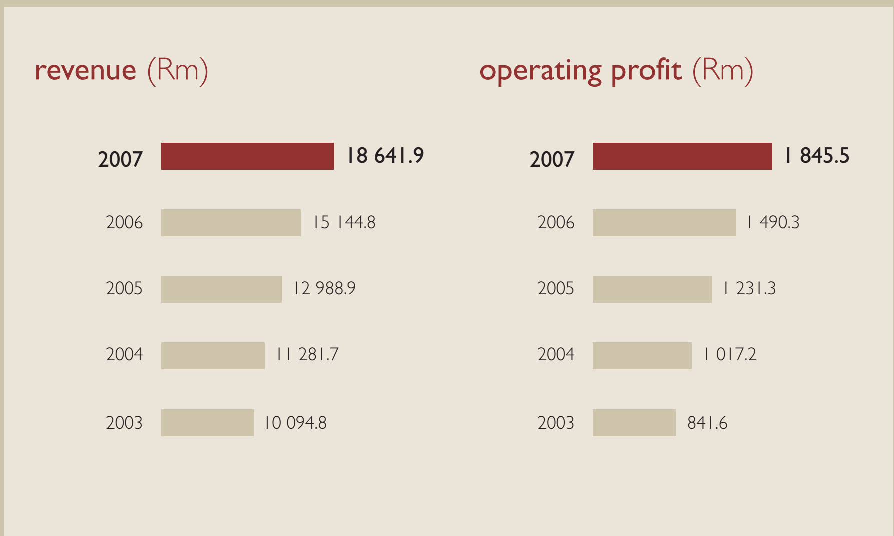
clothing repositioning: Clothing and home sales increased **16.2%**, with like for like sales at 12.8%. Market share increased from 15.1% to **15.5%**.

food growth: Sales increased **25.6%**, with like for like sales at 15.1%. Market share increased from 8.5% to **9.2%**.

build health and beauty: Private label products relaunched and branded beauty business offering introduced in top **8** stores.

financial services growth: revenue up **35.4%**, good growth in active customers. Compliant with National Credit Act.

store development: **27** new corporate stores, **18** franchise stores and modernised or extended **13** stores.



woolworths holdings limited directorate

independent non-executive directors

Buddy Hawton (70)
FCIS
Chairman

Other directorships include: Liberty Group, Liberty Holdings, Nampak, Real Africa Holdings, Royale Resorts Holdings (Chairman), Standard Bank Group, Sun Hotels International and Sun International (Chairman).

Buddy has extensive experience as both an executive and non-executive director. Previous directorships include Altron, City Lodge Hotels, Old Mutual, Rennies Group, Safmarine and Rennies Holdings (Chairman), South African Marine Corporation (Chairman) and he was the executive chairman of Sun International. He joined the board as non-executive Chairman in 2002.

Peter Bacon (61)
(British) Fellow of the Institute of Hospitality (FIH)

Other directorships include: Sun International Casinos (UK).

Peter was previously with the Sun International group of companies for thirty-four years.

He was Chief executive of Sun International's South African operations from 1993 and group Chief executive for the last four years of his employment with the group. Peter became a non-executive director in 2006.

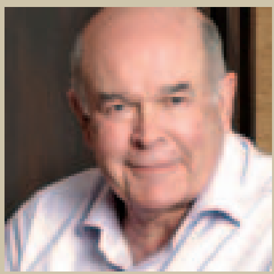
Mair Barnes (62)
(British) BA (Hons)

Other directorships include: ColArt International Holdings, Gant Company AB, Gant UK and Wilh. Becker AB.

Mair has international retail experience and was the Managing director of Woolworths plc and the Chairman of an international optical retailing group, operating across Europe. Her past non-executive directorships include Abbey National plc, George Wimpey plc and Scottish Power plc, amongst others. She joined the board as a non-executive director in 2000.

Nigel Colne (67)
(British) AMP (Harvard)

Nigel has international experience in clothing and food retailing and was a director of Marks and Spencer plc from 1982 to 1997. He also acquired financial services experience as a non-executive director at Halifax Building Society and Halifax plc. His other past non-executive directorships include Pizza Express plc and Stylo plc. Nigel became a non-executive director in 1994.



Brian Frost (63)
B Com, AMP (Harvard)

Other directorships include: Bowler Metcalf.

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

Mike Leeming (63)
B Com, M Com, FCMA, FIBSA, AMP (Harvard)

Other directorships include: AECI, Allied Electronics Corporation, Imperial Holdings and Real Africa Holdings.

Mike was previously the Chief operating officer at Nedcor and has an in-depth knowledge of financial services as well as manufacturing. He joined the board in 2004.

Chris Nissen (49)
BA Hons, MA

Other directorships include: Boschendal (Chairman), Sea Harvest Corporation (Chairman), Standard Bank Group, Tiger Brands, Umoya Fishing (Chief executive) and Vunani Capital Holdings (Chairman).

Chris has been extensively involved in the development and upliftment of communities both as a Minister in the Presbyterian Church and as a community leader, serving in a number of capacities including Chairperson of the Western Cape ANC. He has executive experience in a number of industries and as a non-executive director has proactively led transformation at a number of listed companies. He joined the board in 2004.

Judy Dlamini (48)
MBChB, DOH, MBA

Other directorships include Aspen Pharmacare, Discovery Holdings, GijimaAst and Northam Platinum.

Judy is the founder and Executive chairperson of Mbekani Health and Wellbeing (Proprietary) Limited. She has experience in both the healthcare industry and corporate finance. She was appointed to the board in 2007.

Sindi Zilwa (40)
B Compt (Hons), CA (SA)

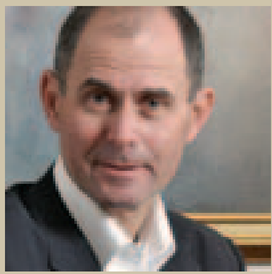
Other directorships include: ACSA, Aspen Pharmacare Holdings , Discovery Holdings, Eskom, Mawarune Women's Investments, Nkonki Consulting, Primedia, Sikhona Financial Advisors, Strate and she is a member of the Government Pension Advisory committee.

Sindi became the second black female chartered accountant in South Africa in 1990 and has previously served on the boards of Telkom and Wiphold amongst other companies. She joined the board in 2002.

Simon Susman (57)
Chief executive officer

Other directorships include: Country Road Limited.

Simon joined Woolworths in 1982 after working at clothing and food retailer, Marks and Spencer plc in London. At Woolworths he has led the retail operations, food and clothing groups and was appointed to the board in 1995. He became the Chief executive officer in 2000.



Richard Inskip (45)
B Com
Director: Financial services and operations

Richard became part of the Woolworths information technology team in 1991 following his experience in the software and retail industries. He was appointed to the board in 2001 and his current portfolio includes responsibility for information technology, strategy, supply chain and financial services.

Andrew Jennings (59)
(British) Managing director: Retail

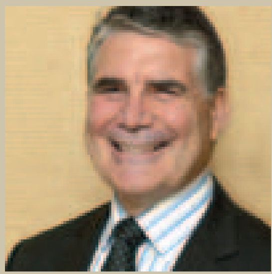
Andrew is an international retail executive with over thirty-five years of leadership experience. His executive experience includes being General manager of Harrods UK, President of Holt Renfrew in Canada, Group managing director of House of Fraser and President and Chief operating officer of Saks Fifth Avenue, USA. He was appointed in December 2006.

executive directors

Zyda Rylands (42)
B Com (Hons), CA (SA)
Director: People and transformation

Other directorships include: African Capital Portfolio, FirstRand Bank Holdings, National Urban Reconstruction and Housing Agency and the Open Society Foundation of South Africa.

Zyda joined Woolworths in 1996 and worked in the finance and store operation teams. She was appointed the People director of Woolworths (Proprietary) Limited in 2005 and was appointed to the board of Woolworths in 2006.



Norman Thomson (56)
B Com (Hons), CA (SA)
Director: Finance

Other directorships include: Country Road Limited.

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

Cherrie Lowe (52)
FCIS
Head of corporate governance and Group secretary

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

chairman's letter

Buddy Hawton

dear shareholder

The **trading environment** was marked by continued consumer confidence, albeit weakening slightly towards the end of the financial year as the impact of recent increases in interest rates as well as increased fuel prices took hold. Despite inflationary pressure, especially in food, trading performance remained robust during the year.

Financial highlights for the year included growth in diluted headline earnings per share ("HEPS") of 21.8% to 125.5 cents and an improvement in operating margin from 9.8% to 9.9%. The five year compound annual growth rate in headline earnings per share amounts to 24.8%. Return on equity ("ROE"), which along with HEPS is the key performance indicator targeted by management, increased slightly within the targeted range from 34.8% to 35.1%, well ahead of our weighted average cost of capital of 13.4% (2006: 11.8%). Dividends for the year were up 20.6% to 76 cents per share, 1.7 times covered by headline earnings per share, in line with stated policy.

I am especially pleased with the turnaround in the **clothing** division, which delivered a 16.2% increase in turnover and started to grow market share. **Food** continued to perform well, growing at 25.6% and also gaining market share in a very competitive environment.

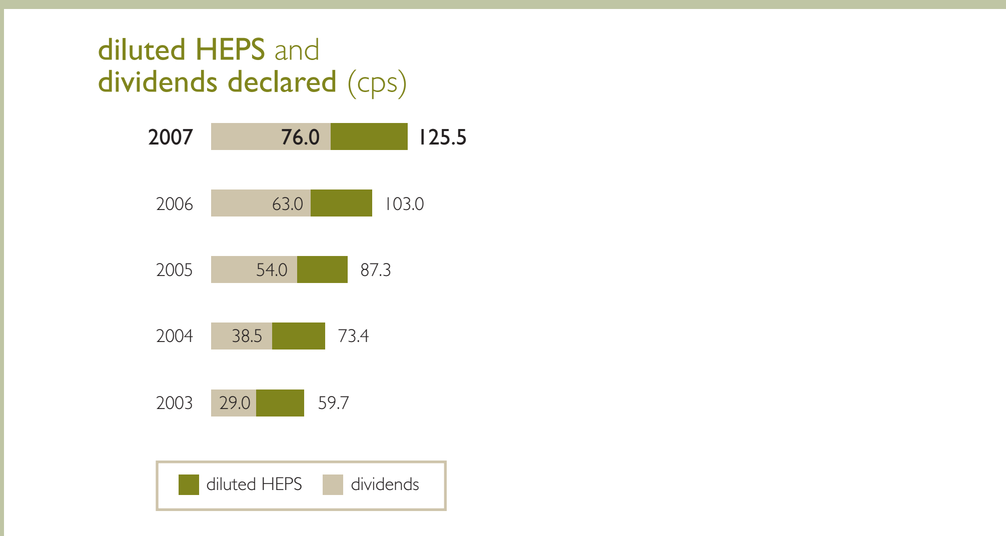
Woolworths **financial services** had excellent growth, with revenue up 35.4% due to the 25.3% increase in the size of our books and an improvement in interest yields. Rising interest rates have increased our credit risk and the bad debt charge for the year, including the increase in provisions, rose to 6.9% of the gross book (2006: 5.5%). However, the level of bad debt on our store card remains the lowest in the market.

Continuing our extensive store roll-out programme, the first Woolworths store opened in Soweto at Jabulani Mall and customers' strong reaction to this local Woolworths offering supports the **real estate** roll-out strategy, putting more Woolworths stores in closer proximity to our core target markets – both existing and emerging.

Woolworths **infrastructure** has been significantly upgraded, especially with the commissioning of the new Midrand distribution centre, and the completion of our systems upgrade, giving the business the state-of-the-art planning and management technology infrastructure.

During the year we obtained shareholder approval for three new **long-term share schemes** to replace the existing share purchase and share option schemes. These new schemes represent a significant shift in remuneration practice, incentivising and rewarding our executives and senior management for future performance and assisting in retaining our top retail talent.

Country Road, our Australian subsidiary also started to show signs of a strong turnaround, with ROE, in Australian dollar terms, up to 15.1% from 6.3% in the previous year.



During the year, Simon Susman and his team reviewed Woolworths **vision and values**. The result of this is a revitalised set of core values for the business and a stated vision that we have called 'the difference'. The task for the year ahead is to entrench these values into the business, driving a shared purpose.

In April, we announced some clear targets for sustainability issues that face us in South Africa, we called this our **Good business journey**. Transformation, social development, environmental and climate change will receive significant attention in Woolworths pursuit of this Good business journey.

Transformation is already embedded in our business' scorecard, ensuring that we reach our goal of becoming a level 4 contributor by 2012. The introduction of our BEE employee share ownership scheme in July this year was the highlight of our transformation calendar, giving 17 000 of our people an equity share in the business.

An **evaluation** of the board and its sub-committees was conducted during the year, providing us important feedback on how to further improve our board and sub-committees' effectiveness.

In summary, I am delighted to be able to report another good year of solid growth, showing a turnaround in clothing and Country Road, and ongoing success in food and financial services.

2008 in focus

The next year shows every sign of being a lot tougher for all of us. Despite the underlying strength of the South African economy, we are affected by the global macro economic environment. The most concerning indicator is the rise in the prices of staple food commodities such as wheat and maize, and the rising fuel costs – all of these contribute significantly to local inflation.

Woolworths key challenge will be to maintain steady growth despite the expected slow-down in the growth of consumer spending and rising food prices. Bad debts will need to be carefully monitored and credit-granting strategies constantly reviewed.

Our clothing repositioning has been successful and we will need to maintain a sharp focus on this aspect of the business to continue the growth.

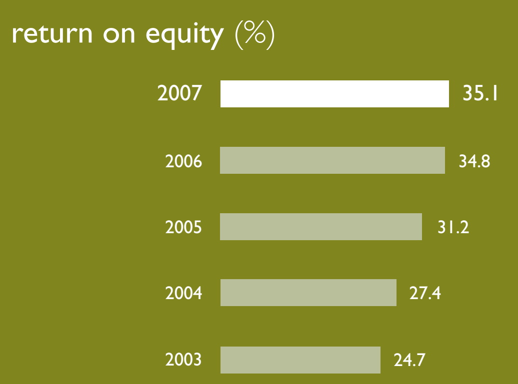
The real estate roll-out plan for the next year is as ambitious as the last, with 32 new food stores and 11 full-line stores planned for the next 12 months. This real estate strategy should help us to meet our growth targets, putting a local Woolworths within the reach of our customers.

Operationally the business is well poised to take advantage of every opportunity, with a world-class supply chain and finely-tuned stock management systems. We need to leverage these investments making sure that they deliver the expected return.

I am delighted to be able to report that Judy Dlamini has accepted an invitation to join the board and her experience should add real value to Woolworths.

I would like to extend my sincere thanks to my colleagues on the board whose support and guidance, as always, has been invaluable. Finally, I would like to congratulate Simon and his executive team for their ongoing commitment and passion, which has delivered another consecutive year of solid growth for Woolworths, one of South Africa's best loved brands.

D A Hawton



chief executive officer's report

Simon Susman

overview

The financial year 2006/2007 saw in its first half continued strong growth in consumer spend, both in South Africa and Australia. In the South African economy, the final quarter started to show signs of tightening. In this context, the group delivered **good topline growth** on all major fronts, with group revenue up 23.1% to R18.6bn. In particular, Woolworths regained lost market share in clothing, continued its ongoing food growth and grew its financial books ahead of target. During February, we opened our award-winning Midrand distribution centre in Gauteng. Country Road, now repositioned, outgrew its market strongly and is generating good cash flows.

The year under review was the major year of **implementation** of Woolworths new stock management systems. We did have to face some R45m one-off transition cost as we closed down the various legacy systems.

As the impact of the higher interest rates in South Africa began to bite, particularly in the final quarter, our level of **bad debt** increased. We expect this trend to continue through the first half of the current financial year. Whilst the level of bad debt on our store card is the lowest in the retail industry, we need to be vigilant and implement stricter credit-granting criteria. This, together with the National Credit Act which restricts credit allocations, should see an improvement in bad debt by year end.

woolworths

This year saw two major shifts in the Woolies world.

We launched our staff **BEE employee share ownership scheme** which will enable 17 000 Woolies employees, the vast majority of whom are black, to share in the growth of the business. We are privileged to have wonderful people throughout the company building our brand so passionately. Their reaction to becoming part owners of our business has been hugely positive. We look forward to them generating real personal wealth in future years as we grow our business together.

Secondly, we announced our **Good business journey**. We believe that modern business, particularly in South Africa, has to conduct itself with a strong sense of its role in the greater world in which it operates.

Woolies has a large and growing footprint. Our philosophy is to make a difference and our vision and values statement recognises that we do this through deep knowledge and understanding of the world around us. Each division has **integrated plans** in place that bring this journey together – this covers our own transformation, that of our suppliers, our enterprise development and corporate social investment programmes, organic farming including organic cotton production, water usage, carbon reductions and much more.

During the year ahead we will put more detail to these targets and ensure that each one of them is integrated into our leadership's goals.

We announced our Good business journey. We believe that modern business, particularly in South Africa, has to conduct itself with a strong sense of its role in the greater world in which it operates.

We also re-visited our **vision and values** during the year. Our focus now is to embed these value in the business at every level, providing the bedrock for sustainable growth.

In December, we were joined by Andrew Jennings who was President and Chief operating officer of SAKS Fifth Avenue. Andrew brings a vast amount of retail experience to the business. He has a strong focus on **customer segmentation** and we are now seeing a far better integration of customer analysis and product definition. This comes on top of the good work done over the past three years in repositioning our clothing business, where the combination of better taste levels and price positioning through effective sourcing has much improved our value proposition.

We continue to invest strongly in our **store** world. We have strengthened our presence on the sales floor, which has reduced queuing times and improved stock on display. We have begun a programme to incentivise store management and to put in place clearer career paths for all store staff – our STEP programme.

Our **store expansion** programme continues, particularly with our convenience stores. Our chain, both food and clothing, is now trading at very high densities. We are seeking expansion space in both our tightest food stores and our full-line stores where clothing volumes have grown materially.

We have over the past four years invested close to R1bn in modernising our **supply chain**. Half of this has gone into the physical distribution infrastructure where we now have world-class facilities. Our Midrand distribution centre will give us capacity for many years to come. It has been designed to give maximum efficiency to our distribution network and to have minimal impact on the environment.

The balance of this R1bn has gone into modernising our **IT architecture**. The introduction, in particular, of the Retek suite of stock management systems provides us with an integrated view of stock for the first time. We should, over the next few years, be able to drive real efficiencies out of this timely investment.

country road

The work done over the past three years to reposition Country Road is now bearing fruit. Volumes have doubled over this period. The business is now far more price accessible and its fashion positioning is much clearer. The current focus is to build a **strong retail business**. This is complemented by the concession model, introduced into the big departmental stores last year, which gives us direct control over pricing, service and brand positioning.

During the year, Country Road repaid the final A$7m owing to Woolworths, paid a dividend of A$5m and ended the year with A$19m cash in the bank. This business is now **profitable** and cash positive and is well able to fund its retail expansion in Australia and New Zealand.

2008 in focus

We continue to be strongly confident about the long-term growth potential of the South African economy. The higher interest rates, National Credit Act and high inflation, particularly in food, will, however, dampen demand over the next 12 months. Beyond this, the exciting shift in this market with ever more consumers benefiting from a more empowered society, will continue to drive good economic growth for the country.

The Australian economy is stable and looks to remain strong, with much opportunity for further expansion of Country Road.

The Group has two powerful brands, both aspirational, both capable of appealing to a widening spread of customers who desire quality, style and innovation at prices which offer a fair deal. The values these two businesses represent have the ability to drive enduring demand for many years to come.

S N Susman
Chief executive officer

The award-winning Midrand distribution centre in Gauteng opened in February 2007

finance director's report

Norman Thomson (above)
Director: Finance

Ralph Buddle (below left)
Head of corporate finance

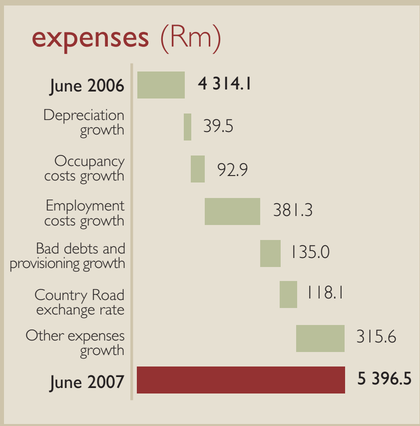
Tracey Chambers (below centre)
Head of financial management

Justin Crowhurst (below right)
Head of central finance

Group revenue increased 23.1% to R18.6bn, with turnover up 22.3% and all segments delivering market share gains. Sales grew 21.1% to R16bn and 38.1% to R1.4bn in Woolworths and Country Road respectively.

The group's gross margin was maintained at 34.4%, whilst other revenue, derived mainly from our financial services business, increased 35%.

Expenses grew 25.1%, driven mainly by costs associated with the store roll-out programme, the impact of bad debts in financial services, the exchange rate translation impact of Country Road and other expenses including the investment in store service levels, volume related costs and the conversion to a concession model at Country Road.



Group profit before tax and exceptional items increased 17.7% to R1 466.8m.

Gross interest charged increased by 55.3% to R378.7m. This was largely attributable to an increased in the prime borrowing rate of 2% over the course of the 2007 financial year, and a 34% year-on-year increase in the average borrowings of the group driven by the growth in financial services assets.

The exceptional item of R54.6m arose from the profit on the disposal of a property in Midrand, with a net book value of R27.9m.

The group's lower effective tax rate of 28.6% (2006: 32.8%) was primarily the result of the recognition of a deferred tax asset relating to asset timing differences in Country Road, partly offset by a higher Secondary Tax on Companies ("STC") charge as the group returned to making distributions from retained income as opposed to share premium. Headline earnings per share was diluted by 2.3 cents as a consequence of the shares and share options granted in terms of the employee incentive schemes.

key segmental performance statistics

	Group		Retail				Financial services	
			Woolworths		Country Road			
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm
Revenue	**18 641.9**	15 114.8	**16 099.5**	13 288.7	**1 361.8**	993.6	**1 274.4**	941.4
Sales	**17 376.9**	14 208.0	**16 005.0**	13 213.8	**1 354.0**	980.7	**17.9**	13.5
Gross profit	**5 977.0**	4 867.6	**5 172.3**	4 328.0	**786.8**	526.1	**17.9**	13.5
Gross margin	**34.4%**	34.3%	**32.3%**	32.8%	**58.1%**	53.7%	**100.0%**	100.0%
Expenses	**5 396.5**	4 314.1	**4 001.5**	3 333.7	**737.9**	520.0	**750.9**	539.3
Operating profit	**1 845.5**	1 490.3	**1 265.3**	1 069.2	**56.7**	19.0	**523.5**	402.1
Operating margin	**9.9%**	9.8%	**7.9%**	8.0%	**4.0%**	2.0%	**41.1%**	42.7%
Finance costs	**378.7**	243.9	**12.5**	–	**1.8**	4.1	**364.4**	239.7
Profit before tax	**1 521.4**	1 246.4	**1 307.4**	1 069.2	**54.9**	14.9	**159.1**	162.4
Return on equity	**35.1%**	34.8%	**65.4%**	58.6%	**34.6%**	6.2%	**11.9%**	14.7%

segmental performance

The performance and required returns of the group are managed on a segmental basis in accordance with each segment's business model. Key segmental performance statistics are included in the table above.

Woolworths – retail

The gross margin in Woolworths reduced from 32.8% to 32.3% due to one-off transition costs of approximately R45m related to the final implementation of our new stock management systems. We expect the dilution in gross margin as a result of the increasingly dominant food contribution to be offset by higher margins in our clothing business. Both business models generate sustainable value for shareholders in their own right.

Expenses grew 20%, driven mainly by costs associated with the continued store roll-out programme and investment in store service levels, and volume related store and distribution costs.

Trading densities in clothing and general merchandise increased by 11.4% to R23 636/m^2 (2006: R21 225/m^2) and in food by 7.4% to R80 188/m^2 (2006: R74 673/m^2).

Profit before tax grew 22.3% to R1 307.4m, with return on equity increasing from 58.6% to 65.4%.

Country Road

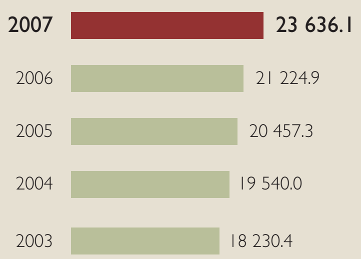
Country Road's retail sales were 15.8% higher in Australian dollar terms with strong comparable store growth of 12.6%.

Gross margin in Australian dollar terms increased from 53.7% to 58.1% as a result of better primary margins, lower mark-downs and the exit of wholesale.

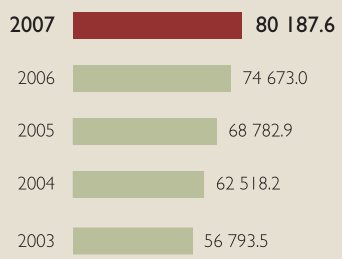
Expenses increased by 20.8% in Australian dollar terms as a result of the move to the higher margin concession model, and 41.9% in rand terms, due to the average exchange rate for the period moving from R4.78 to R5.67 to the Australian dollar.

Profit before tax grew 268.5% to R54.9m, with return on equity increasing from 6.2% to 34.6%, in rand terms.

trading densities – clothing, home and beauty (R/m^2)



trading densities – food (R/m^2)



Financial services

A tougher credit environment was experienced during the year, with the bad debt charge, including the increase in provisions, amounting to 6.9% of the combined books (2006: 5.5%). As the trend deteriorated further towards the end of the year, provisions were increased from 4.6% to 5.4% of the gross combined books. The provision for bad debts is determined using statistical models based on historical experience, modified for recent changes in economic circumstances.

Financial services operating costs were up 23.8% as a result of the cost of implementing the requirements of the National Credit Act as well as the increase in collection and administration costs resulting from the increased books and tougher credit environment. However, expenses as a percentage of the books reduced from 8.1% to 7.9%, demonstrating a slight increase in productivity.

Interest paid in the financial services segment increased by 52%.

Profit before tax decreased marginally to R159.1m and return on equity reduced from 14.7% to 11.9% as a result of the higher bad debts and the fact that the usury rate charged to customers was fixed at 20% for nine months, whilst the cost of borrowings increased.

The key performance statistics of the financial services segment are:

	June 2007	June 2006
Store card sales as a % of total sales	**32.2%**	32.1%
Interest yield on gross books	**19.9%**	19.0%
Weighted average usury rates	**20.9%**	20.0%
Average cost of funds	**8.8%**	7.7%
Total gross books (Rm)	**5 850.0**	4 667.6
Total provisions (Rm)	**(314.0)**	(212.6)
Net book (Rm)	**5 536.0**	4 455.0
Provision as a % of book		
Woolworths store card	**4.9%**	4.4%
Personal loans	**5.1%**	4.3%
Visa card	**7.5%**	5.5%
Total all books	**5.4%**	4.6%

balance sheet

Total assets grew by 19.1% as a result of the strong growth in financial services assets, investment in property, plant and equipment and increased cash and inventory holdings. Net asset book value per share rose by 22.7% to 401.2 cents per share.

The store development plan and building of the new Midrand distribution centre gave rise to the increase in property, plant and equipment.

Investment in accounts receivable decreased 25.8% to R605m, whilst accounts payable increased by 29.8% as a result of higher trade payable balances.

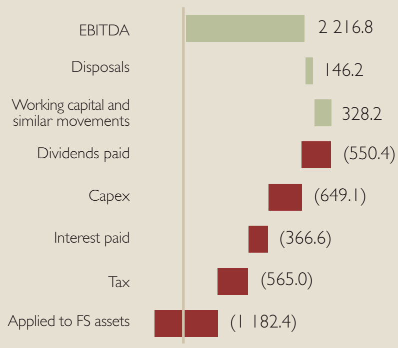
The increase in cash balances relates mainly to the securitisation structure and cash holdings in subsidiaries which, despite being offset in the local group cash management system, were not offset against short-term borrowings for accounting purposes.

cash flow and capital expenditure

The group continues to generate strong cash flows, with cash generated by operating activities prior to investment in financial services assets increasing by 23.8%.

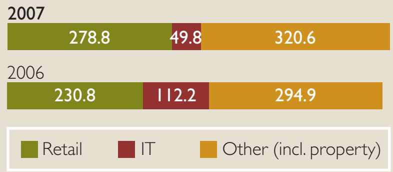
The objective of group cash flow management is to generate and retain sufficient cash for retail growth, whilst ensuring that the investment in financial services assets maintains a weighted average gearing level of approximately 80% throughout the year.

cash flow (Rm)



Our R649.1m (2006: R637.9m) investment in capital expenditure provides us with a sustainable platform for future growth.

capital expenditure (Rm)



Our new Midrand distribution centre was fully operational in April 2007 and the implementation of Retek, our new stock management system, is also now largely complete. Four new full-line corporate stores were opened during the year along with 23 food stand-alone stores, adding 21 447m² of new footage. A further 43 corporate stores are planned for the year ahead, 11 of which will be full-line. This, together with planned extensions to existing stores, will add 22 900m² (23.3%) to food trading space and 21 100m² (8.5%) to clothing space. Eleven additional franchise stores, including five Engen Food Stops, are also planned, adding 9 953m² to clothing and general merchandise and 1 287m² to food.

financial risk management

Financial risks related to funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk are managed by the treasury committee which meets on a regular basis. The funding requirements of the financial services and retail segments are assessed independently in line with their business models in order to optimise the respective funding structures. Our funding strategy, which attempts to balance the operational and systemic risks with desired returns, is to operate an ungeared retail business and to gear the financial services assets with 80% debt funding.

Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining substantial short-term unsecured banking facilities. Unutilised banking facilities totalled R2.5bn at June 2007 (2006: R1.7bn).

Financial services assets and interest-bearing borrowings carry interest rate risk. The group manages this exposure on a net basis, recognising the natural hedge that exists between the assets and liabilities. However, during most of the year, this natural hedge was not effective due to the usury rate freeze discussed above. This was partially offset by interest rate hedges, which, as at 30 June 2007, totalled R1.95bn. As part of the process of managing the group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

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

1.3m shares were repurchased and cancelled in the second half of the year at a cost of R26.3m, representing a weighted average repurchase price of R20.76 per share. In February 2007 we completed a further securitised bond issuance amounting to R1bn as the first tranche of our initial issuance matured.

Our dividend policy remains at a cover of 1.7 times headline earnings per share.

accounting standards

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

During the year, loans granted to participants in the group's share incentive scheme were restated to reflect their amortised cost, as required by IAS 39 – Financial Instruments: Recognition and Measurement. These loans were previously disclosed at cost.

Various IFRS, IFRIC interpretations and amendments were adopted during the current year. These standards and amendments had no impact on the group's reported results. Details of these standards can be found in note 1 on page 61 of the annual financial statements. All additional disclosures required by these standards have been provided for both the current and comparative period.

prospects and financial targets

We expect the retail gross margin to be maintained during 2008 despite the increased contribution of food. We also expect that inflation will tick upwards both in food, with rising international commodity prices, and in clothing where margin pressure is being felt in China as local yuan denominated input costs rise against a weakened US dollar. Expected increases in fuel prices may further impede on the strong growth experienced by the retail industry over the last few years. Operating costs will continue to reflect the increased level of activity and investment in store service initiatives, whilst bad debts are expected to remain under pressure.

Capital expenditure is expected to be approximately R800m, of which R650m is planned for the Woolworths store roll-out and modernisation programme, as well as for other approved projects. R150m is planned for the Country Road store expansion programme and other capital projects.

The group's BEE employee share ownership scheme was implemented in July 2007 and is expected to result in an IFRS charge of R68m to the income statement in 2008, and R201m over the subsequent seven years. Dilution in headline earnings per share resulting from issuing convertible, redeemable, non-cumulative, participating preference shares to the participants of the scheme is expected to amount to 2.3%.

We expect the group effective tax rate to be approximately 33.5%, a function of the normal rate of income tax of 29% and the STC rate reduction to 10% from 1 October 2007. In addition, no tax deduction will be claimed for the IFRS 2 charge arising from the group's BEE employee share ownership scheme, adding to the expected increase in the effective tax rate.

We have set ourselves the following medium-term financial targets for the 53 weeks to 30 June 2008: group return on equity of 35% and an operating margin of 10%.

group review

Year Number of weeks	5 year compound annual growth rate	**2007** **52**	2006 52	2005 52	2004 52	2003 52	2002 53	2001 52	2000 52

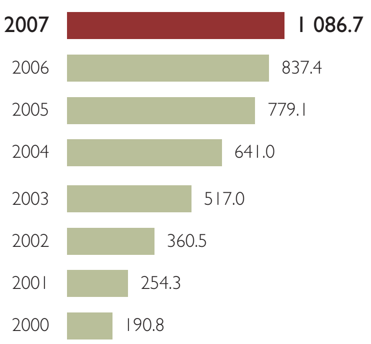
group income statements (Rm)

Revenue	16.1%	**18 641.9**	15 144.8	12 988.9	11 281.7	10 094.8	8 825.6	7 120.6	6 693.1
Turnover		**17 376.9**	14 208.0	12 220.7	10 648.8	9 500.3	8 421.4	6 778.8	6 399.4
Cost of sales		**(11 399.9)**	(9 340.4)	(8 027.1)	(6 932.2)	(6 077.2)	(5 323.9)	(4 293.2)	(4 009.2)
Gross profit		**5 977.0**	4 867.6	4 193.6	3 716.6	3 423.1	3 097.5	2 485.6	2 390.2
Other revenue		**1 265.0**	936.8	768.2	632.9	594.5	404.2	341.8	293.7
Expenses		**(5 396.5)**	(4 314.1)	(3 730.5)	(3 332.3)	(3 176.0)	(2 866.6)	(2 403.6)	(2 304.0)
Operating profit	23.8%	**1 845.5**	1 490.3	1 231.3	1 017.2	841.6	635.1	423.8	379.9
Finance costs		**(378.7)**	(243.9)	(152.7)	(108.7)	(87.4)	(44.5)	(36.1)	(47.7)
Profit before exceptional items		**1 466.8**	1 246.4	1 078.6	908.5	754.2	590.6	387.7	332.2
Exceptional items		**54.6**	–	–	(10.1)	(23.7)	(41.5)	–	(42.6)
Profit before tax		**1 521.4**	1 246.4	1 078.6	898.4	730.5	549.1	387.7	289.6
Tax		**(434.7)**	(409.0)	(299.5)	(257.4)	(213.5)	(188.6)	(133.4)	(98.8)
Profit for the period from continuing operations	24.7%	**1 086.7**	837.4	779.1	641.0	517.0	360.5	254.3	190.8
Profit from continuing operations attributable to:									
Minority shareholders		**12.3**	1.8	2.2	0.7	0.8	1.7	(1.4)	1.8
Ordinary shareholders		**1 074.4**	835.6	776.9	640.3	516.2	358.8	255.7	189.0
Profit/(loss) from discontinued operations, net of minority shareholders' interest		**–**	–	–	–	1.3	(135.5)	(16.5)	–

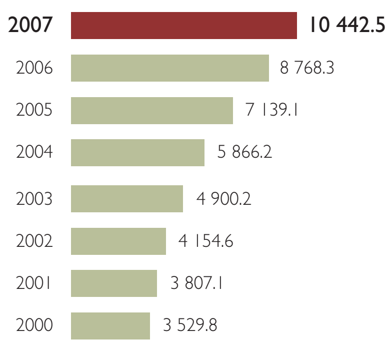
group balance sheets (Rm)

Non-current assets	**2 951.3**	2 490.6	2 002.0	1 873.9	1 664.9	1 626.0	1 534.9	1 493.1
Current assets	**7 491.2**	6 277.7	5 137.1	3 992.3	3 235.3	2 528.6	2 272.2	2 036.7
Total assets	**10 422.5**	8 768.3	7 139.1	5 866.2	4 900.2	4 154.6	3 807.1	3 529.8
Ordinary shareholders' interest	**3 246.9**	2 606.3	2 184.7	2 581.3	2 169.4	2 139.3	2 062.2	1 878.0
Minority shareholders' interest	**42.5**	27.9	26.2	20.7	20.8	24.6	31.1	32.3
Non-current liabilities	**2 906.6**	2 801.0	3 061.5	725.2	634.2	603.8	588.9	559.9
Current liabilities	**4 246.5**	3 333.1	1 866.7	2 539.0	2 075.8	1 386.9	1 124.9	1 059.6
Total equity and liabilities	**10 422.5**	8 768.3	7 139.1	5 866.2	4 900.2	4 154.6	3 807.1	3 529.8

profit from continuing operations (Rm)



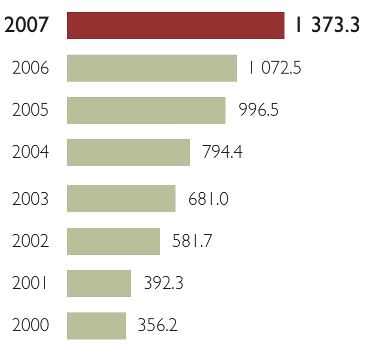
total assets (Rm)



group cash flow statements (Rm)

Year Number of weeks	5 year compound annual growth rate	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53	2001 52	2000 52
Cash inflow from trading	18.8%	**1 373.7**	1 072.5	996.5	794.4	681.0	581.7	392.3	356.2
Working capital movements		**183.6**	185.4	(228.4)	(7.5)	104.4	(61.9)	59.4	43.9
Cash applied to financial services assets		**(1 182.4)**	(882.2)	(722.0)	(709.8)	(461.6)	(385.9)	(316.9)	(201.8)
Cash generated by operating activities		**374.9**	375.7	46.1	77.1	323.8	133.9	134.8	198.3
Net interest received		**651.7**	515.7	488.1	435.1	432.1	310.3	257.8	219.7
Tax paid		**(565.0)**	(483.4)	(314.6)	(331.5)	(191.7)	(284.5)	(97.5)	(94.9)
Cash generated by operations		**461.6**	408.0	219.6	180.7	564.2	159.7	295.1	323.1
Distributions to shareholders		**(550.4)**	(474.2)	(384.2)	(271.7)	(201.3)	(145.8)	(103.4)	(62.8)
Net cash (outflow) / inflow from operating activities		**(88.8)**	(66.2)	(164.6)	(91.0)	362.9	13.9	191.7	260.3
Net cash outflow from investing activities		**(527.2)**	(598.5)	(312.6)	(393.2)	(322.2)	(219.3)	(190.1)	(290.2)
Net cash inflow / (outflow) from financing activities		**794.3**	11.0	1 442.8	54.5	(195.6)	(93.4)	16.6	9.6
Increase / (decrease) in cash and cash equivalents		**178.3**	(653.7)	965.6	(429.7)	(154.9)	(298.8)	18.2	(20.3)
Cash and cash equivalents at beginning of year		**(623.4)**	23.3	(949.9)	(514.7)	(362.0)	(64.0)	(101.3)	(81.9)
Cash arising on acquisition of subsidiary		**–**	–	–	–	10.2	0.2	–	–
Effect of foreign exchange rates		**22.5**	7.0	7.6	(5.5)	(8.0)	0.9	19.1	0.9
Cash and cash equivalents at end of year		**(422.6)**	(623.4)	23.3	(949.9)	(514.7)	(361.7)	(64.0)	(101.3)

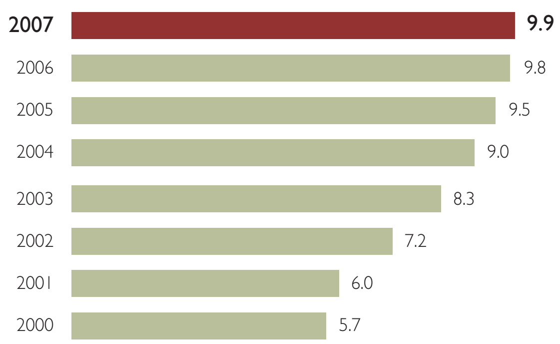
cash inflow from trading (Rm)



group review continued

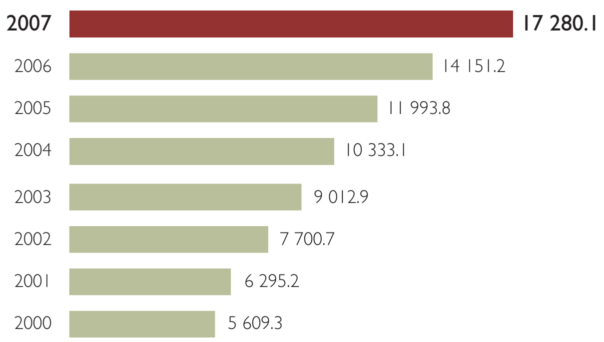
Year Number of weeks	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53	2001 52	2000 52
returns								
Return on ordinary shareholders' equity (%) *– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year*	**35.1**	34.8	31.2	27.4	24.7	18.3	12.3	10.7
Return on assets (%) *– operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year*	**19.4**	18.9	19.3	19.6	19.3	16.9	12.5	12.2
margins								
Gross margin (%) *– gross profit as a percentage of turnover*	**34.4**	34.3	34.3	34.9	36.0	36.8	36.7	37.4
Operating margin (%) *– operating profit as a percentage of revenue*	**9.9**	9.8	9.5	9.0	8.3	7.2	6.0	5.7
solvency and liquidity								
Debt ratio (%) *– interest-bearing debt as a percentage of total assets*	**37.9**	39.2	36.4	19.4	14.9	11.6	4.9	9.8
Current ratio (times) *– current assets divided by current liabilities*	**1.8**	1.9	2.8	1.6	1.6	1.8	2.0	1.9
Total liabilities to ordinary shareholders' equity (%) *– non-current liabilities, plus deferred tax and current liabilities as a percentage of total shareholders' interest*	**217.5**	235.4	225.6	126.5	124.9	93.1	83.1	86.2
key debtor statistics (000's)								
Number of active Woolworths card customer accounts	**1 599**	1 393	1 217	1 125	1 046	1 020	979	893
Net Woolworths card book (Rm)	**3 560.2**	2 971.2	2 590.8	2 148.2	1 669.3	1 348.7	1 148.5	982.3
Number of active Woolworths customer personal loan accounts	**190**	169	147	127	107	88	67	43
Net Woolworths customer personal loan book (Rm)								
– current portion	**781.2**	640.9	539.8	415.6	273.1	201.5	171.6	74.4
– non-current portion	**289.8**	249.2	203.9	162.5	182.3	180.2	115.6	67.2
Number of active Visa card customer accounts	**169**	129	79	50	34	20	–	–
Net Visa card book (Rm)	**904.8**	593.7	309.6	178.7	105.9	–	–	–
Gross interest received on Woolworths card, personal loans and Visa card (Rm)	**992.5**	744.1	602.2	527.8	510.7	341.7	283.8	252.4
Maximum usury rate charged at year end								
– balance above R10 000 – %	**20**	17	17	18	26	23	22	22
– balance below R10 000 – %	**23**	20	20	21	29	26	25	25

operating margin (%)



Year Number of weeks	5 year compound annual growth rate	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53	2001 52	2000 52
divisional analysis (Rm)									
Revenue (Rm)									
Woolworths	17.5%	**17 280.1**	14 151.2	11 993.8	10 333.1	9 012.9	7 700.7	6 295.2	5 609.3
Country Road	3.9%	**1 361.8**	993.6	995.1	948.6	1 081.9	1 124.9	825.4	1 083.8
	16.1%	**18 641.9**	15 144.8	12 988.9	11 281.7	10 094.8	8 825.6	7 120.6	6 693.1
Turnover (Rm)									
Woolworths									
– Clothing and home	12.7%	**6 985.0**	6 012.2	5 349.5	4 792.2	4 280.4	3 834.1	3 258.9	3 060.9
– Food	21.4%	**8 718.0**	6 941.5	5 666.0	4 747.1	3 980.8	3 302.1	2 566.0	2 206.5
– Logistics and other	14.0%	**319.9**	273.6	223.1	176.1	168.8	165.8	130.5	48.8
Country Road	3.9%	**1 354.0**	980.7	982.1	933.4	1 070.3	1 119.4	823.4	1 083.2
	15.6%	**17 376.9**	14 208.0	12 220.7	10 648.8	9 500.3	8 421.4	6 778.8	6 399.4
Profit / (loss) before exceptional items and tax (Rm)									
Woolworths	19.5%	**1 411.9**	1 231.5	1 057.9	902.9	747.2	580.3	401.4	317.9
Country Road	39.7%	**54.9**	14.9	20.7	5.6	7.0	10.3	(13.7)	14.3
	20.0%	**1 466.8**	1 246.4	1 078.6	908.5	754.2	590.6	387.7	332.2
Profit / (loss) attributable to ordinary shareholders (Rm)									
Woolworths	23.0%	**985.1**	822.5	758.4	634.3	508.8	349.2	266.8	176.2
Country Road	56.2%	**89.3**	13.1	18.5	6.0	8.7	9.6	(11.1)	12.8
	24.5%	**1 074.4**	835.6	776.9	640.3	517.5	358.8	255.7	189.0
Net assets (Rm)									
Woolworths	8.4%	**2 936.3**	2 401.4	1 976.7	2 429.0	2 016.4	1 959.3	1 836.3	1 641.3
Country Road	11.5%	**310.6**	204.9	208.0	152.3	153.1	180.0	225.9	236.7
	8.7%	**3 246.9**	2 606.3	2 184.7	2 581.3	2 169.5	2 139.3	2 062.2	1 878.0

Woolworths – revenue (Rm)



Year	2007	2006	2005	2004	2003	2002	2001	2000
Number of weeks	**52**	52	52	52	52	53	52	52
other statistical data								
Woolworths								
Gross margin (%)	**32.3**	32.8	32.7	31.5	32.3	33.1	32.8	32.1
Number of employees (full time equivalent)	**19 344**	16 337	14 243	13 791	12 208	11 483	10 429	9 418
Number of stores								
– owned	**200**	173	149	136	123	111	106	100
– franchised	**145**	136	125	119	103	82	66	58
Closing trading area (m^2)								
– owned	**347 647**	326 200	301 338	283 091	269 476	269 378	269 065	262 201
– franchised	**98 225**	96 167	88 307	86 563	80 297	65 002	51 118	40 555
Turnover ratios								
– turnover per employee	**828.3**	809.7	789.1	704.5	690.5	635.9	571.0	564.5
– turnover per m^2	**46.1**	40.5	37.3	34.3	31.4	27.2	22.1	20.3
Asset turn (times)	**2.0**	2.0	2.1	2.1	2.1	2.2	2.0	2.0
– *revenue divided by total assets less deferred tax*								
Inventory turn (times)	**18.5**	20.8	21.7	21.4	21.8	22.1	18.5	16.7
– *turnover divided by average inventory at the beginning and end of the year*								
Profit before exceptional items and tax to turnover (%)	**8.8**	9.3	9.4	9.3	8.9	7.9	6.7	6.0
Country Road (in A$ terms)								
Gross margin (%)	**58.1**	53.7	52.2	53.3	52.2	50.0	52.0	51.6
Number of employees (full time equivalent)	**1 093**	806	868	868	870	894	885	1 040
Number of stores								
– owned	**57**	52	47	46	41	44	44	67
– concession	**74**	–	–	–	–	–	–	–
Trading area (m^2)	**31 548**	22 094	23 539	23 439	22 400	23 560	23 960	34 559
Turnover ratios								
– turnover per employee	**217.4**	254.5	240.2	220.4	235.3	231.0	226.8	263.0
– turnover per m^2	**7.5**	9.3	8.9	8.2	9.1	8.8	7.7	7.9
Asset turn (times)	**2.5**	2.4	2.5	2.4	2.5	2.6	1.9	2.7
Inventory turn (times)	**8.8**	8.6	9.0	7.7	7.5	5.7	4.8	6.3
Profit / (loss) before tax to turnover (%)	**3.9**	1.6	1.5	1.3	1.2	0.1	(1.8)	1.2

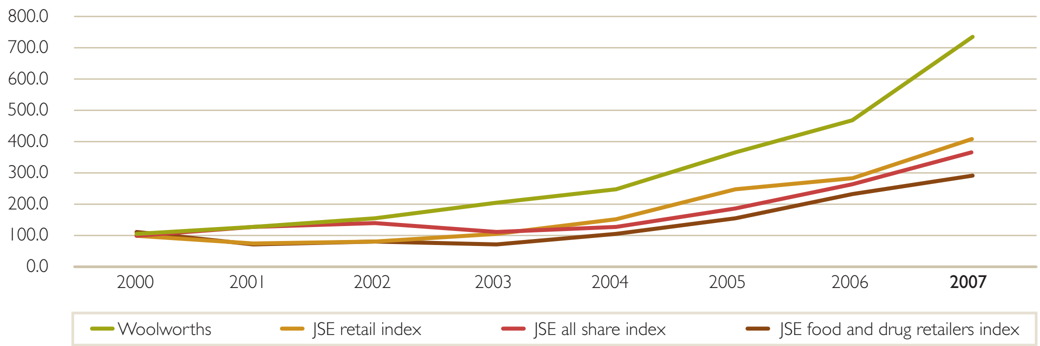
Woolworths – turnover (R/m^2)

Year Number of weeks	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53	2001 52	2000 52
ordinary share performance (cents per share)								
Earnings	**133.9**	105.1	91.5	74.3	59.4	39.6	28.3	21.5
Headline earnings	**127.8**	105.0	89.4	75.5	61.1	42.4	28.7	21.9
Diluted headline earnings	**125.5**	103.0	87.3	73.4	59.7	41.7	28.5	21.6
Distributions declared for the financial year	**76.0**	63.0	54.0	38.5	29.0	20.0	15.0	14.0
Net asset book value	**401.2**	326.9	277.5	297.3	254.3	240.5	227.1	210.9
Share price: highest	**2 510**	1 779	1 181	771	618	483	396	499
lowest	**1 230**	1 003	721	568	397	342	275	262
average	**1 779**	1 391	966	695	489	393	328	387
closing	**2 140**	1 370	1 025	710	574	439	355	290
Indexed closing share price (June 2000 = 100)	**738**	472	353	245	198	151	122	100
JSE indexed: retail (June 2000 = 100)	**407**	279	244	152	103	80	71	100
all share (June 2000 = 100)	**377**	266	183	133	108	138	120	100
Market capitalisation at 30 June – Rm	**19 179**	12 112	8 959	6 750	5 370	4 051	3 224	2 583
Number of shares in issue – millions*	**809.3**	797.2	787.2	868.3	853.1	889.7	908.2	890.6
Number of shares traded – millions	**738.0**	596.2	502.4	363.1	401.2	307.8	311.4	260.7
Percentage of shares traded (%)	**82.4**	67.4	57.5	38.2	42.9	33.4	34.3	29.3
Value of shares traded – Rm	**13 131.5**	8 291.1	4 892	2 525	1 963	1 212	1 023	1 009
Price earnings ratio	**18.2**	13.6	12.0	9.2	9.1	10.1	11.1	11.6
Distribution yield (%)	**3.6**	4.6	5.3	5.4	5.1	4.6	4.2	4.8

Year Number of weeks	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53	2001 52	2000 52
foreign currency exchange rates								
US$ – average	**7.2217**	6.3695	6.1751	6.8619	9.0326	10.0642	7.5868	6.9365
US$ – closing	**7.1480**	7.5000	6.7370	6.3400	7.5250	10.4050	8.0378	6.8500
A$ closing	**6.1071**	5.4407	5.2029	4.4374	5.0094	5.8674	4.1587	4.1050
key information in US Dollars								
Revenue	**2 581.4**	2 377.4	2 103.4	1 644.1	1 117.6	876.9	938.6	964.9
Headline earnings per share (cents)	**17.7**	16.5	14.5	11.0	6.8	4.2	3.8	3.2
Net profit attributable to ordinary shareholders	**148.8**	131.2	125.8	93.3	57.3	22.2	31.5	27.2
Total assets	**1 460.9**	1 169.1	1 059.7	925.3	651.2	399.3	473.6	515.3
Market capitalisation	**2 683.1**	1 614.9	1 329.8	1 064.7	713.6	389.3	401.1	377.1

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

share price growth*



* June 2000 = 100

retail overview

Andrew Jennings
Managing director: Retail

2007 in review

During the year we consolidated our home, beauty and cell phone businesses into one division, general merchandise.

Woolworths **clothing and general merchandise** grew sales by 16.2% to R7.0bn in total and 12.8% in comparable stores with inflation averaging 2.8% over the period. This growth was ahead of the 12.7% compound annual growth rate achieved over the last five years. Clothing market share grew from 15.1% to 15.5% on a 12-month moving average basis.

Improved performance, especially in the second half of the year with the early arrival of a cold winter, was achieved through good availability in core ranges, improved taste levels in menswear and better value in childrenswear.

The launch of our **branded beauty** offering was well received by our customers.

Expansion in **corporate stores** resulted in an increase of 4.3% in trading space, with a further 8.5% increase planned by June 2008 across 11 new full-line stores and extensions to existing stores.

Woolworths **food** contributed 54.4% of turnover in South Africa and continued to perform well, growing sales by 25.6% to R8.7bn in total and by 15.1% in comparable stores. Strong growth was recorded across all categories, with the 12-month moving average market share reaching 9.2%, up from 8.5% last year. A compound annual growth rate of 21.4% has been achieved over the last five years.

Having increased **food trading space** by 12.7% this year, a further increase of 23% is planned by June 2008, continuing the strategy of providing our customers with a convenient "main shop" destination, driven by quality and innovation.

Woolworths is entrenched in South Africa as a strong, **well-respected brand** with talented and passionate people. A strong product focus and a world-class food concept are key aspects of the brand's success to date.

To continue to achieve the required sales targets and minimise mark-downs, we need to consistently provide **high quality, innovative products** which meet Woolworths customers' requirements, and are competitively priced. To refine our product offering, we have implemented a customer model which provides us with a deeper understanding of our customers' requirements, based on their lifestyle, demographics and shopping habits.

Better **availability of product** is critical to meeting the needs of Woolworths customers and growing sales. This received significant focus through a review of our store catalogues, improved planning and forecasting, management of supplier performance and improved stock management disciplines.

As Woolworths is essentially a private label business, there is a large dependency on **key suppliers** and their ability to meet our business requirements and growth. To ensure our suppliers were able to deliver, we met with our suppliers on a regular basis, to share our strategic plans and growth targets. In addition, contingency plans are in place which identify potential alternative sources of supply – this enabled Woolworths to successfully manage the impact of the implementation of quotas on goods from China from 1 January 2007.

2008 in focus

Looking forward, the focus will be on consistent delivery of the Woolworths difference – the differentiation that makes Woolworths the customer's brand of choice. At the heart of this is a deep understanding of the customer, and the development of the right product assortment to meet this customer's discerning needs.

Woolworths clothing and general merchandise division will introduce greater product segmentation based on this deeper customer understanding. This segmentation ensures that our classic, modern and contemporary customers will find fashion items which meet their needs at either a good, better or best value point across the assortments.

Driving convenience in Woolworths food offering will continue to be the core focus for the next year, with the development of 32 more convenient food stores.

Key challenges will remain the ongoing drive to better availability – ensuring that the customer can find the right product in the right store at the right time – and managing inflation – offering customers innovative desirable product at great value price.

In our food business, margins are significantly affected by the level of food waste. The current level of waste needs to be reduced next year and this will be achieved by improvements in our planning and forecasting process.

A pharmacy trial was launched in August 2007, offering customers even greater convenience at their local Woolworths store. This trial will continue through the year and a thorough analysis will be conducted in preparation for any further roll-out.

our **customers**

Charmaine Huet

Head of marketing

Engaging and energising the customer, offering them a memorable shopping experience, is at the heart of Woolworths retail strategies. It is the customer who drives Woolworths merchandising and selling decisions.

The past year has seen a major focus on developing a far **deeper understanding** of Woolworths customers. Extensive data analysis of the shopping habits of more than 3.3m customers, including 1.7m active card holders, exit poll surveys in stores and ongoing focus group discussions with representatives from our 8 000 strong customer panel, has provided Woolworths with a multi-dimensional picture of the customer.

In addition to the traditional demographic view, Woolworths has been able to build a model that reflects the shopping habits, including spend and frequency, and lifestyle choices that our customers make. This assists the buying teams to deliver relevant product assortments and appropriate pricing that more accurately reflects our customers' needs for **great product at great value**. It also provides the selling teams with invaluable data to make more informed real estate decisions, from format to location.

In 2007, this more comprehensive customer model has been applied consistently to the review of the clothing and general merchandise business, to ensure the development of the right product assortments. Three clear merchandise classifications have been identified – **classic, modern and contemporary** – which inform Woolworths product and selling strategies. Woolworths brands such as WCollection and Re will play a more important part in the assortments and they will be displayed in prominent, iconic shops – these Woolworths brands play a clear role in creating a clear lifestyle differentiation and meeting customers' different needs.

With a better understanding of individual customers and the individual buying patterns and preferences, Woolworths has been able to extend the **marketing** activity in a far more focused way, communicating more directly with the customer. The first stage of this was the launch, in 2007, of Woolworths "World" magazine – a compact monthly review of inspirational news and merchandise selections for Woolworths top 160 000 customers. Quarterly, a summarised version of this magazine is sent to an additional 300 000 customers. Woolworths award-winning Taste magazine continues to inspire our food customers with Woolworths product.

2007 in summary

Deeper customer insights leading to a focused view of the customer.

The establishment of a clear merchandise strategy for the clothing division which meets the needs, desires and aspirations of the newly-defined classic, modern and contemporary customers.

More targeted marketing efforts using customer data and understandings.

2008 in focus

consolidate our successes

Develop an even greater understanding of our customers.

Use customer insights to deliver relevant and targeted marketing to more customers, encouraging cross-shopping and entrenching Woolworths as the retailer of choice.

grow our opportunities

Apply new customer insights to food and general merchandise customer profiles.

Increase Woolworths share of our customers' shop through improved targeting.

Turn loyal customers into brand ambassadors.

expand our horizons

Use finely tuned customer profiles to offer concisely edited ranges and expand the range offer to better meet customer needs and aspirations.

clothing and **general merchandise**

Brett Kaplan (left)
Head of clothing

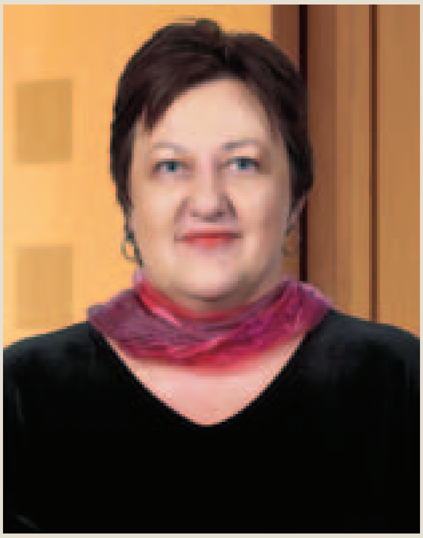
Amanda Graham (right)
Head of general merchandise

The year saw a consolidation of three years' focus on clothing, with **strong performances** and market share gains from menswear and childrenswear. In menswear, the consistent drive to deliver improvements in the range and taste levels was evident and customers responded well to the more desirable product. Outstanding value in childrenswear, combined with improved ranges and increased dominance in childrens' essentials, helped drive excellent sales growth.

There was an ongoing focus on making an **assortment statement** in the categories of knitwear, sleepwear, bras and underwear, childrens' essentials, men's essentials such as men's chinos, knitwear and formal shirts. Womenswear and lingerie maintained market share, entrenching Woolworths reputation as a 'one stop shop' destination.

Woolworths **cross-shop** strategy gained momentum, delivering satisfactory growth as more food shoppers found a stylish quality offering in the WCollection shops. Customers also responded well to the new 'best' price points as the range was expanded to offer customers premium quality formal and casual fashion.

Innovation in fashion continued to delight customers, and successes included the introduction of an 'Editor's choice' endorsement marketing campaign and the South African Podiatrists Association's approval of all Woolworths school shoes and Walkmates. Sales of organic clothing continue to grow rapidly, both 100% organic cotton and garments containing a percentage of organic cotton, as more Woolworths customers choose an environmentally sensitive option.



Non-iron sheeting met with customer approval as part of the core home offering.

The launch of **branded beauty** into the top eight stores was extremely well received by customers, offering them a welcome additional dimension to their Woolworths shopping experience and building further on the cross-shop strategy. Many of the international beauty brands are exclusive to Woolworths, for example Ren, Bloom and Freeze 24, and customers are responding well to this differentiated range. The Woolworths private label range, compliant with international standards of 'good beauty' ingredient practices, was re-launched and is selling well alongside the branded product.

Woolworths **cellular** offering, across all four service providers, grew ahead of the market, an indication that this is a future opportunity for Woolworths.

Homeware sales continued to be disappointing, indicative of a lack of authority in key areas, for example bedroom and bathroom, bath and body gifting.

Product **availability** was identified as a key issue for the clothing teams in 2007 and a concentrated effort from an integrated team delivered improvements in many areas.

2007 in summary

Good growth in clothing.

Market share gains in menswear, childrenswear and footwear.

Successful launch of beauty.

2008 in focus

consolidate our successes

Focus on extending assortments, giving customers a well-edited choice that meets their needs for a stylish quality offering in core fashion areas.

Continue to entrench repositioned menswear and childrenswear offerings, consolidating their position in the market and encouraging new customers to experience these assortments.

Extend Woolworths branded beauty offering to include additional, exclusive branded products.

Extend Woolworths private label beauty using the good, better, best value tiering model to offer customers a greater merchandise selection.

Improve core availability.

grow our opportunities

Build on existing market share in womenswear, especially knitwear, lingerie and accessories.

Focus on clearer range definitions to meet the specific needs of our classic, contemporary and modern customer.

Apply principles of tiered quality and value – good, better and best – to meet customers' needs for breadth and depth of product choice.

Continue to entrench Woolworths super brands such as WCollection and Re, and additional Woolworths sub-brands including JTOne, Supersport and Activ.

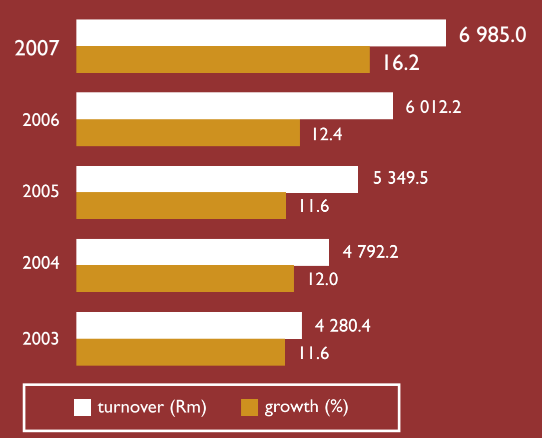
Work towards establishing an authoritative offering in key headquarters' offerings in homeware, for example, in dinnerware, candles, towels and vases.

expand our horizons

Extend Woolworths Green Label product range with innovation that supports the principles of Woolworths Good business journey, such as sourcing alternative, more sustainable fibres like bamboo, and using technologists' expertise to attend to the detail of manufacturing processes, minimising Woolworths impact on the environment.

Roland Schoeman
Olympic medallist and world record holder

clothing and general merchandise – turnover and growth



food

Julian Novak
Head of food

Woolworths food delivered another year of excellent **growth** across all categories, gaining market share in this very competitive market. Customers continue to respond well to the Woolworths ongoing attention to detail, quality and innovation.

Innovation is critical to maintaining our positioning, and the year saw newness in the ranges and first to market with new thinking. Good food journey principles drove the introduction of South Africa's first certified organic chicken. Customers also found free range beef and local free range turkey on offer, and Woolworths delivered another South African first with the move to selling only free range eggs.

Woolworths **repositioned** bread category attracted new customers to the range, which was enhanced with a fortified, healthy proposition including a focus on glycemic index properties, the introduction of selenium and a further reduction in the use of salt. Across the food group, teams worked to further reduce salt and sugar and meet Woolworths ongoing commitment to becoming preservative-free wherever possible.

Ranges throughout the food categories were reviewed and upgraded, including the **upgrade** of Woolworths sliced meat, a repositioning and upgrade of the Indian and Italian ranges and the launch of a new authentic Italian range of pasta and sauce and a Mediterranean deli range.

Key categories such as produce, horticulture, protein, bakery and prepared meals form the backbone of the Woolworths food offering and these teams continue to address issues of quality, freshness and the introduction of new, leading edge thinking to these ranges, offering customers a world-class food choice. The core ranges are complemented by a carefully chosen selection of branded products, which was extended during the period to 7% (6.6% in 2006), helping customers do their main shop at their local Woolworths.

Meeting customers' growing needs is a challenge for our food business and this year has seen growth plans developed with all key suppliers, preparing them to grow in line with Woolworths customers' expectations. This focus extended into the food planning and logistics teams with an ongoing focus on **availability** – making sure that the right product was available for customers at all times.

Woolworths **value** positioning was reinforced throughout the period, with key value items continually benchmarked against a competitor set, ensuring that Woolworths customers can buy the best possible quality at great value. Inflation is becoming a concern in food and this is a focus for Woolworths and suppliers as we maintain the Woolworths value proposition.

2007 in summary

Excellent growth in all categories.

A focus on quality delivered (customer complaints down on previous year).

Ongoing innovation.

The good food journey continues.

Fully prepared delicious meals form the basis of Woolworths convenience food offering

2008 in focus

consolidate our successes

Develop the strategic partnerships with our suppliers to ensure capacity growth in line with customer demand.

Continue to grow market share in dominant key categories e.g. fresh produce, protein and bakery.

Focus on quality alongside volume growth.

Manage inflationary pressures and maintain the Woolworths value positioning.

grow our opportunities

A continued focus on availability – getting the right product on the shelves to meet customers' needs most of the time.

Reduce the level of waste.

Expand the catalogue to ensure that customers can complete a main shop at Woolworths.

Expand the organic range and set up the supplier base for improved year-round availability.

expand our horizons

Continue to introduce new, innovative product.

Extend our clothing customer profiling into food, gaining a deeper understanding of our customers and introduce specifically targeted ranges to meet their needs.

The Italian grocery range

selling

Shaheed Hendricks (left)
Head of selling

Paul Simpson (centre)
Head of real estate

Cobus Barnard (right)
Head of franchise

Trading space grew by 7.9% during the year with the opening of 45 new stores, bringing the total number of Woolworths stores to 345.

Four new **full-line stores** were opened, taking advantage of the new mall developments throughout South Africa, which serve a growing customer base. Key for Woolworths was the successful opening of a full-line store in Jabulani Mall in Soweto, with shopping patterns reinforcing that customers are welcoming Woolworths to this suburb.

23 **food stand-alone stores** were located in suburbs where our classic food customers live, providing a convenient local shopping experience. To offer additional convenience for increasingly time-strapped customers, and to introduce a limited range of Woolworths food to a new market, 11 Woolworths Food Stops were opened on Engen forecourts throughout South Africa.

13 stores were modernised or extended as part of Woolworths ongoing **modernisation** programme, ensuring that customers' in-store experience meets or exceeds expectations.

Assisted **self-service** continues to be the primary impetus behind the Woolworths service offering. Special attention was given to the improvement in service levels in all stores, shortening till queues and offering customers the right level of service in all departments. A more specialised service was also introduced in Woolworths beauty and Connect areas.

In line with this service focus, Woolworths **selling teams** are undergoing a review of their conditions of employment and remuneration and benefits (Woolworths Selling team employment proposition or STEP programme).

Woolworths continues to support a successful group of Woolworths **franchisees** locally, both Engen dealerships and independent South African franchisees, and in other parts of Africa. A thorough review of the franchise model and related systems and processes was undertaken during the year.

2007 in summary

Aggressive store roll-out including Engen Food Stops.

Service focus.

Franchise review.

32 food stand-alone stores were opened in this financial year

2008 in focus

consolidate our successes

Further increase our high trading densities and expand stores where volumes have grown materially.

Improve layouts and increase space allocation where necessary to establish dominance in key categories and meet local customers' needs.

Continue to focus on service, rolling out the serviced footwear trial in menswear and increasing service levels in critical areas such as lingerie, beauty and cellular.

grow our opportunities

Roll-out 43 new corporate stores (11 full-line and 32 food stand-alone) and 11 new franchise stores, including 5 Engen Food Stops.

STEP roll-out to incentivise store management and implement clearer career paths for store staff.

Use detailed customer analysis to format stores to meet local customer needs.

Drive our convenience offer and bring the Woolworths retail experience closer to our existing and potential customer base.

Focus on modernisations, giving customers a consistent and relevant Woolworths shopping experience.

expand our horizons

Continue to identify relevant and viable real estate opportunities.

Explore new ways of exciting Woolies customers, creating stores of discovery and a relevant and energising customer experience.

Evaluate the Woolworths pharmacy trial.

financial services

Richard Inskip (above)
Director: Financial services and operations

Sam Ngumeni (below)
Head of financial services

2007 in review

Woolworths financial services portfolio delivered another year of **good growth** in all aspects of the business. The Woolworths store card, personal loan and credit card books grew to R5.5bn (net of provisions), up 24.3% from R4.5bn at June 2006. Growth was pleasing in both new customer acquisitions and growth in average balances. The introduction of the new National Credit Act (NCA), which came into effect on 1 June 2007, did reduce the rate of growth in our interest-bearing products.

Interest received increased by 33.7%. This was driven by **yields** improving from 19% to 19.9% on an average book growth of 27.6%. The yield improvement was mainly due to the full year-on-year impact of the change in basis of charging interest on the store card product, which is now charged from the date of initial purchase.

Whilst revenue growth was good, the **usury rate** was fixed at 20% from 1 June 2006 to 7 March 2007. During this period the repo rate increased by 2% and yet we were unable to pass these interest rate increases on to our customers. The estimated loss of revenue was R60m.

The increase in interest rates and tougher **credit environment** increased Woolworths credit risk. This was seen, particularly in the second half of the year, and the net bad debt and related provisions charges increased to 6.9% (2006: 5.5%) of the gross book. Woolworths credit risk management and collection processes are, however, effective and this is reflected in the fact that the level of bad debt on Woolworths store card is the lowest in the market.

Non-interest revenue grew by 59.4% to R172.2m and now constitutes 13.5% (2006: 11.5%) of financial services revenue. This was mainly attributable to successfully selling insurance products to financial services customers.

financial services products

Woolworths entry-level financial services product, the **Woolworths store card**, contributed 66% of total revenue in financial services. Sales on the Woolworths store card continue to grow in line with retail turnover, and account for just under a third of all retail sales.

Woolworths **personal loan** book continued to grow, increasing by 21.4% over the past 12 months.

Offering an additional line of credit to Woolworths top store card customers, the **Woolworths Visa card** book increased by 55.6%, fuelled largely by an aggressive customer acquisition strategy – 169 000 new customers.

In line with the financial services strategy of growing **non-interest revenues**, Woolworths launched short-term insurance direct to Woolworths card customers. This complements the existing non-interest revenue stream predominantly derived from credit-life products.

Woolworths was fully compliant with the requirements of the **National Credit Act** from the effective date of 1 June 2007.

loyal customers

Understanding Woolworths core, loyal customers is fundamental to Woolworths continued success as a retailer. The information available to Woolworths through the spending profiles of card customers deepens **Woolworths customer knowledge** and understanding, enabling the business to give customers even more of what they are looking for, when and where they need it.

The Woolworths **MySchool** programme – one of two loyalty components in the financial services product group – continues to drive sales in this sector with the MySchool card now integral, upon request, to any of the Woolworths card products. We donated R18.8m to MySchool in 2007.

2007 in summary

Another year of good growth – good customer acquisition, solid book growth exceeding revenue targets and excellent growth in non-interest revenue.

Profitability impacted by impact of usury rate freeze and higher bad debts.

Well managed compliance with the NCA.

2008 in focus

Ongoing customer acquisition and book growth, although the NCA does impose stricter credit-granting criteria which will make it difficult to achieve the required growth targets in all three of Woolworths interest-bearing products.

Increase customers' use of Woolworths financial services products, migrating customers to the next level of product and encouraging them to maximise their utilisation of existing products.

Expand the Woolworths credit offering to include a premium platinum product, aimed at Woolworths top customers, which will provide good growth opportunities for Woolworths financial services and bring a new customer into the financial services product portfolio.

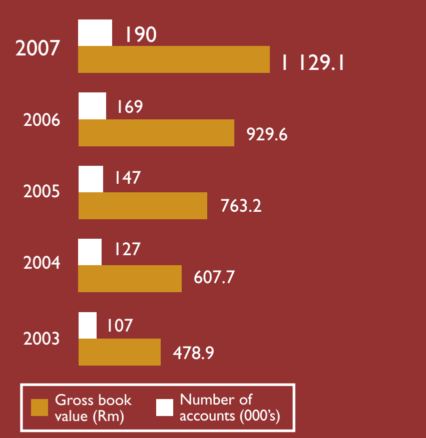
Grow the opportunities in non-interest revenue products.

Manage the potential impact of tougher economic environment by:

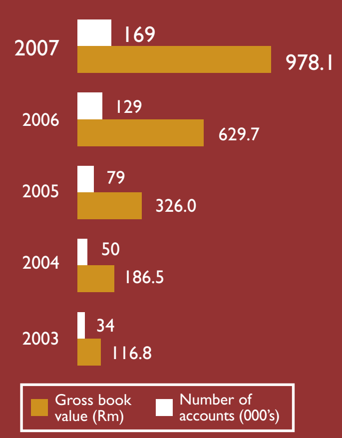
- tightening Woolworths credit-granting criteria, which will increase the level of credit applications declined;
- reviewing the level of credit granted to Woolworths financial services customers; and
- reviewing and improving Woolworths collection processes, both internally and through the use of our external collection agents.

A customer uses her Woolworths store card

personal loan growth



Visa card growth



operations

Burger van der Merwe (left)
Head of supply chain

Gerhard Roux (right)
Head of information technology

supply chain

Woolworths supply chain uses a **central distribution model** as the core platform supporting Woolworths ongoing growth and providing a clear competitive advantage by simplifying distribution for suppliers and stores. The model has low operating cost and ensures end-to-end control over temperature leading to better product quality.

The model enables Woolworths to deliver and sustain **cost-effective availability** for a wide product range, sourced locally and internationally and delivered to various store formats, ranging from large full-line stores to local Engen Food Stores.

The total **distribution units** handled through Woolworths distribution centres grew rapidly for the third successive year and resources in all distribution centres were expanded to cope with this growth.

The new world class 78 000m² **Midrand distribution centre** came into operation, as planned, from February 2007. This multi-functional facility consolidated seven distribution facilities in Gauteng and provides capacity for years to come. Many synergies were planned and are currently being implemented, leading to more predictable service levels at lower costs. The Midrand development received the SAPOA award for Innovative Property Development this year mainly due to the focus on environmental sustainability in its design.

The **Import warehouse** in Cape Town was extended by the addition of a 5 000m² leased property in close proximity to Cape Town's distribution centre.

In addition, the existing import warehouse for clothing was upgraded to cope with the increased need for local, centralised stock-holding of imported clothing.

Good **productivity gains** in labour and transport enabled Woolworths to maintain the distribution cost per unit in clothing, but food distribution cost increased by 0.2% to sales due to go-live expenses at the Midrand distribution centre.

2007 in summary

New Midrand distribution centre operational.

Import warehouse expanded.

2008 focus

Develop interim plans to deal with volumes in Cape Town and Durban.

Plan for the expansion of campus facilities in Cape Town and Durban, due to be operational in 2009.

Upgrade the clothing planning systems.

Review our international supply chain and invest in the required infrastructure for both buying and logistics.

information technology

Significant progress was made during the year to complete the systems re-platforming programme that was initiated in 2003. The bulk of the programme has now been completed, which has modernised the **stock management** processes and controls infrastructure, and has also introduced modern replenishment planning and execution capability. The focus has now shifted to delivery of planned benefits from the new solutions, and good progress has already been made.

Strong positive steps have also been taken during the year to progress **IT governance and controls** and major interventions included ensuring system and process compliance to the National Credit Act by June 2007, as well as the adoption of the International IT Governance framework, COBIT (Control Objectives for Information and Information-related Technology). Very good current COBIT maturity levels have been recorded and plans are in place to further enhance maturity levels.

2007 in summary

Final upgrade of stock management systems.

Focus on IT governance and controls.

2008 in focus

Embed the new systems and drive out better efficiencies across the business, maximising the return on investment.

Enhance customer relationship management solutions to enable better servicing of target customer needs in-store, as well as more effective direct customer marketing.

Support new business initiatives with appropriate IT solutions.

Temperature checking in the freezer is an integral part of maintaining the cold chain

Woolworths supply chain volumes	% change	2007	2006	2005	2004
Food					
Total distribution units in food including franchise (millions)	19.1%	**64.5**	54.2	44.1	38.2
Clothing and home					
Total distribution units in clothing and general merchandise including franchise (millions)	11.4%	**6.0**	5.4	4.7	4.2

people

Zyda Rylands (above)
Director: People and transformation

Fiona Fewell (below)
Head of people

Working towards establishing Woolworths as the retail **employer of choice**, 2007 saw an ongoing focus on shifting the employment framework and culture to be a more modern, energising and brand-aligned culture.

Addressing Woolworths growth within the right cultural framework has always been an important consideration, especially as the company celebrated 75 years as a South African retailer, and placed its **values** at the very heart of the business' success. These values are being re-energised throughout the business at every touchpoint with people or teams, ensuring that the values become an entrenched way of doing business, delivering behavioural shifts where needed.

Woolworths **staff numbers** grew by 14% in the last year, to 17 838, evidence of an ambitious store roll-out programme. With this growth came significant **people challenges**, among which are: attracting and retaining the right talent; the development of leadership skills needs; delivering operational excellence through the right level and consistency of discipline; ensuring there is an organisational development framework that supports a changing and growing business – at both an organisational and personal level; and putting the right people system infrastructure in place to support our growth.

talent management

The Woolworths **BEE employee share ownership scheme** was introduced in June 2007, giving all employees on 1 May 2007 a share in the Woolworths business. Although primarily positioned to spread equity ownership more broadly within the company, the scheme also provides a retention incentive with full benefits becoming due in 2015.

Woolworths also restructured the **executive share option** and **share purchase schemes**, introducing the Woolworths Share Appreciation Rights Scheme, The Woolworths Long Term Incentive Plan and the Woolworths Deferred Bonus Plan. All schemes take forward-looking performance conditions into account, acting as both an incentive and retention tool.

To meet the challenges of recruiting and retaining passionate and committed retailers in the stores system, the **STEP** (Selling team employment proposition) was launched. STEP seeks to establish Woolworths as an aspirational career destination by providing relevant career opportunities, well-structured pay and benefits and good training and leadership development programmes for all in the stores team. 2007 was the first year of implementation of this three year programme, which will ultimately create meaningful careers in order to meet our growing operational demands.

Already the **benefits of STEP** are being felt by the selling staff, with a higher increase awarded to staff to bring their pay into line with the best in South Africa. We launched the NQF accredited Sales assistant learnership course, and of the 300 learners on the course, 71 were promoted and 32 recognised for improved performance, which should provide a core of future leaders in the stores selling team. The people satisfaction survey registered a shift from 61% to 63%, with a significant increase in areas related to STEP, for example, learning and development.

At a management level across the business, our teams were introduced to a modern world of remuneration – **Total cost of employment** ("TCOE") – empowering management to structure their remuneration in a way that works best for them.

leadership development

Implementation of the Business leadership development programme has begun – a programme designed to ensure a consistent leadership approach to strategy execution.

operational excellence

Woolworths has entrenched a personal development and **performance management** system that continues to reward excellence and put corrective action in place for under-achievement. 98% of the Woolworths team had performance discussions during the year.

organisational framework

We need to continually review the organisational structure to ensure it is appropriate to deliver the strategy and results. The structure is reviewed on a regular basis and experienced retail consultants are used when required. This current review seeks to drive optimal retail performance and efficiencies through realignment, creating a sustainable framework for people, which is understood and owned at every level in the business and ensures that the institutional memory is nurtured through a managed process.

Measuring our improvement towards a modern culture, the annual Beehive survey, conducted this year amongst a sample of more than 1 000 employees, registered a strong swing from outdated to modern with a score of 59.8% (2006: 43.4%). The survey monitors people's perceptions of the **organisational development** and is used to track Woolworths progress in establishing a more modern organisation.

systems

Supporting the ongoing growth, Woolworths people systems were upgraded to cope with the new needs and capacity requirements.

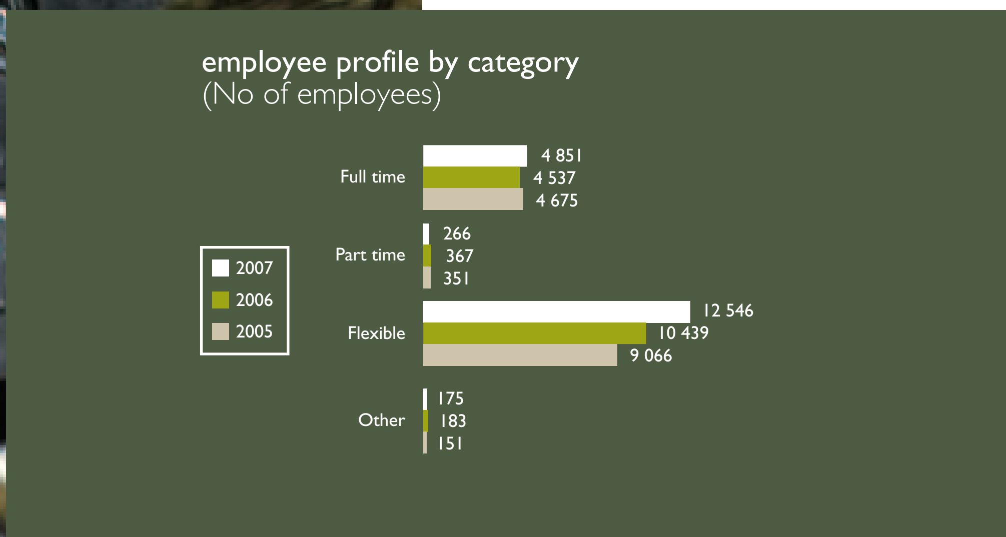
2007 in summary

Employee numbers grew by 14% to 17 838.

Reinforced: investment in infrastructure to support growth; focus on attracting and retaining top retail talent.

Introduced: BEE employee share ownership scheme; Selling team employment proposition; Total cost of employment; re-energised Woolworths values.

Replenishing fresh produce at the Cavendish full-line store in Cape Town



2008 in focus

Ongoing focus on the attraction and retention of top management.

Roll-out phase 2 of STEP with a focus on three key areas: a meaningful employment proposition, leadership development and career pathing.

To move all employees to meaningful flexible employment in one of three categories: flexi 40 (60%), flexi 28 (30%) and flexi 8 (10%), gearing the business up to meet customers' needs for longer and provide more flexible shopping hours.

Ongoing roll-out of the business leadership development programme.

Understand core roles and job functions and potential career paths as well as understand the skills and competencies needed to advance through the business.

Put every buyer and planner through the Woolworths buying academy, starting with clothing and general merchandise in September 2008.

Communicate the Woolworths values throughout the business, driving a shift to a shared culture throughout the business.

Ensure that the actions from the organisational review are implemented throughout the business, with a focus on buying and selling.

Woolworths (Proprietary) Limited employment equity profile by occupational level as at 30 June 2007

Total number of employees (including employees with disabilities) at each of the following occupational level.

Occupational level	Male			Female				Male	Foreign Nationals		Total
	A	C	I	A	C	I	W	W	Male	Female	
Top management	0	0	0	0	1	0	1	4	1	0	**7**
Senior management	7	10	13	1	5	4	39	82	19	9	**189**
Professionally qualified and experienced specialists and mid-management	41	125	44	59	149	40	279	241	17	13	**1 008**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	397	349	89	345	476	86	277	287	7	7	**2 320**
Semi-skilled and discretionary decision-making	2 758	1 114	156	6 510	2 921	382	290	142	11	30	**14 314**
Unskilled and defined decision-making	–	–	–	–	–	–	–	–	–	–	**–**
Total	**3 203**	**1 598**	**302**	**6 915**	**3 552**	**512**	**886**	**756**	**55**	**59**	**17 838**
Employees with disabilities	20	4	1	30	6	0	5	4	0	0	**70**

Note: A = African, C = Coloured, I = Indian and W = White

country road

Ian Moir
Chief executive officer

Country Road continued to **perform** well, with total sales up 15.8% on last year and sales for the second half up 28.6% on the equivalent period. Country Road stand-alone retail stores were up 15.1% against last year (up 16.4% in the second half).

Volumes across the business were significantly improved, evidence that the strategy to deliver more fashionable ranges at great value is paying dividends and customers are responding well to **price points** that are 10% lower than a year ago, which in turn were 11% lower than the previous year.

Despite the lower prices, **operating margins** have doubled in the last year to 4% (2006: 2%), indicative of a leaner, more efficient business model, less promotional activity and better input prices through higher volumes.

The exit of the wholesale business is now complete and Country Road is focused on delivering strong **retail sales**.

The retail business is complemented by a clearly defined **concession model**, bringing the Country Road brand to customers shopping in the big department stores, but enabling Country Road to control pricing, service and brand positioning. At the end of the period, Country Road operated through 65 stand-alone stores and 74 concession outlets in department stores.

Customers have welcomed the **repositioned ranges**, delighting in the strong category statements and the clear fashion direction.

2007 in summary

Delivered excellent growth and significantly improved profitability.

Successfully completed the exit of wholesale.

2008 in focus

Continue to provide better value to our customers and to further increase the competitiveness of our prices.

Increase the categories of merchandise offered by introducing sleepwear, sweats and swimwear.

Increase the density of merchandise in the stores and refit accordingly.

Accelerate the real estate strategy in both stand-alone stores and concession outlets.

Pursue further efficiencies and economies in our timetable and supply chain and seek to reduce the cost of operation and increase our speed to market.

Classic store layout and product offering in Country Road stores

corporate **governance**

Cherrie Lowe (above)
Head of corporate governance and Group secretary

John Fraser (below left)
Head of risk and internal audit

Antonia Gale (below right)
Head of legal

commitment statement

The group subscribes to the highest level of corporate governance and is committed to the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for the benefit of our shareholders and other stakeholders. The corporate governance department has a blend of specialist disciplines, including risk management, legal and internal audit, to support directors and management in embedding governance principles and practices in every aspect of our business operations.

The board is of the opinion that the group currently complies with all significant requirements incorporated in the Code of Corporate Practices and Conduct as set out in the second King Report and the JSE Listings Requirements. Details of our compliance are set out in this report.

Governance in Woolworths goes significantly beyond compliance and that the implementation of effective practices throughout the group has resulted in a more effective and sustainable business.

corporate governance

The company continually strives to enhance its governance practices by an ongoing review of current and emerging trends in corporate governance and by benchmarking our systems against local and international best practice.

During the year our corporate governance practices were improved by:

- an evaluation of the board and its committees, the outcomes of which will be used to enhance effectiveness;
- development of formal continuity plans for the Chairman of the board and the Chief executive officer;
- implementation of a formal framework for regulatory compliance in our financial services business; and
- obtaining shareholder approval for three new executive share schemes, which align our long-term incentives with local and international best practice.

We were also pleased to have achieved an "Excellent" rating in the Ernst & Young survey of annual reports of the top 100 companies for the third successive year.

board of directors

board structure and responsibilities

The group has a unitary board structure with nine independent non-executive directors, including the Chairman of the board and five executive directors. The board provides strategic direction and leadership to enhance shareholder value and ensure long-term sustainable growth of the group.

The board has established a number of committees that assist it in fulfilling its stated objectives. The role of each committee and its responsibilities are set out in formal terms of reference, which are regarded as dynamic documents and are reviewed when required and formally at least once a year, to ensure that they remain relevant.

board

Buddy Hawton	Chairman of board and Chairman of remuneration and nominations committees
Simon Susman	Chief executive officer
Peter Bacon	Independent non-executive
Mair Barnes	Independent non-executive
Nigel Colne	Independent non-executive
Judy Dlamini	Independent non-executive
Brian Frost	Chairman of sustainability committee
Richard Inskip	Operations director
Andrew Jennings	Managing director of retail
Mike Leeming	Chairman of risk and audit committees
Chris Nissen	Chairman of transformation committee
Zyda Rylands	People director
Norman Thomson	Financial director
Sindi Zilwa	Independent non-executive

risk
Ensure there is an effective and embedded risk management process.

audit
Ensure financial reports are objective, complete and accurate.
Ensure there is an effective system of internal control.

nominations
Ensure board has the correct skills and experience and that succession plans are in place.

transformation
Ensure plans are in place to achieve transformation objectives.

sustainability
Ensure plans are in place to achieve Good business journey targets.

remuneration
Establish formal and transparent policies for executive remuneration.

board responsibilities

The responsibilities of the board are set out in the board charter and include:

- defining the strategic intent and objectives and reviewing executive performance in achieving pre-agreed plans and budgets;
- ensuring that our people subscribe to the values, which are fundamental to our business;
- ensuring that the company acts responsibly to all our stakeholders including customers, employees, suppliers, franchisees, shareholders, government and communities;
- ensuring there are succession plans at senior levels and that the group has a strong and motivated pool of talent;
- ensuring there is an effective risk management process and system of internal control;
- ensuring compliance with all relevant laws, regulations and accounting principles;
- establishing committees to assist the board in discharging its responsibilities and setting the terms of reference for such committees; and
- evaluating and improving the effectiveness of the board and its committees.

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

chairman and chief executive officer

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

Buddy Hawton is an independent non-executive Chairman who is responsible for providing overall leadership of the board and its committees and for ensuring that the board operates effectively.

The Chief executive officer, Simon Susman, is responsible for formulating and recommending to the board, strategies and policies and ensuring their implementation once approved by the board.

The Chairman, in conjunction with the nominations committee, assesses the performance of the Chief executive officer. The Chairman and the Chief executive officer assess the performance of the other executive directors.

board effectiveness

The board, through its nominations committee, regularly reviews its size and the required mix of skills and experience needed to provide strategic direction and leadership whilst ensuring that the board is representative.

On 1 December 2006, Andrew Jennings, who is an accomplished international retail executive with over thirty five years of leadership experience, was appointed as the Managing director of retail. Subsequent to the year end, on 1 July 2007 Dr Judy Dlamini, who has experience as a director of other listed companies, was appointed to the board.

The board has a strong contingent of independent non-executive directors which ensures that independent thought is brought to bear on board decisions. The board structure and integrity of individual directors ensure no one individual dominates the decision-making process.

During 2007, the board conducted a formal effectiveness evaluation. Each director was requested to complete an effectiveness questionnaire, which was initially developed in conjunction with an external corporate governance specialist. The results of the individual assessments were consolidated by the Group secretary. The Chairman of the board is responsible for determining the actions required to address the areas of improvement required to further enhance the effectiveness of the board.

directors

All nine non-executive directors, including the Chairman, are independent directors as defined in the second King Report.

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

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

The directors may seek professional advice on matters concerning the affairs of the group, and this advice is paid for by the company. A policy setting out guidelines on professional advice for directors is in place.

An induction programme has been designed and is adjusted to meet the specific requirements of all new directors. The directors are provided with all the necessary documentation to familiarise them with issues affecting the board. In addition, they participate in an attachment programme with all the relevant executive directors and senior management and undertake site visits to stores, suppliers and distribution centres to assist their understanding of the broad dynamics of the business. The Group secretary manages the formal induction programme. The board recognises that understanding the business is an ongoing process and as such, the Chairman of the board and the Group secretary ensure that an appropriate quarterly programme is in place to update non-executive directors on key new business issues and initiatives.

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

board meetings

The board meets at least four times a year. Additional meetings are held whenever deemed necessary. Further meetings were held in November and May and were devoted to strategic planning. In addition, regular teleconference meetings were held. Board meetings are scheduled well in advance and management ensure that board members are provided with all the relevant information and facts to enable the board to reach objective and well-informed decisions. Board documentation is provided timeously to directors. The details of individual attendance at board and committee meetings are set out on pages 48 and 49.

group secretary

The board is cognisant of the duties of the Group secretary and has created an environment in which the Group secretary is properly supported to fulfill those duties.

The Group secretary plays a significant role in the following:

- induction of new directors;
- tabling to the board, relevant information on regulatory and legislative changes;
- guidance to directors individually and collectively on their duties and responsibilities to the company;
- providing guidance and advice to the board on matters of ethics and good governance; and
- providing the communication link with investors, shareholders and with the company's share registrars.

The Group secretary acts as secretary for the committees of the board, as required by the second King report.

The directors have unlimited access to the advice and services of the Group secretary.

board committees

During 2007, the risk, audit, remuneration, nominations and transformation committees evaluated their effectiveness through a self-assessment process. Each member of the committees was required to complete a questionnaire which assessed key attributes of effectiveness in the following categories:

- committee size and composition;
- terms of reference;
- agenda and meeting preparation;
- committee meetings;
- board interaction; and
- leadership and support.

The results of the assessments were consolidated by the Group secretary and tabled at each committee meeting in May 2007 and also submitted to the nominations committee and the board. The Chairman of each committee is responsible for determining the actions required to address the areas of improvement identified to enhance the effectiveness of the committee.

The Chief executive officer attends all the committee meetings of which he is not a member, by invitation. This demonstrates the commitment to effective corporate governance within the group.

The committees have unreserved access to company information, any resources required to fulfill their responsibilities and are able to, where necessary, obtain professional advice which is paid for by the company.

risk committee

The risk committee consists of four executive directors and three non-executive directors including the Chairman Mike Leeming. The presence of a majority of executive directors on this committee ensures that effective risk management remains an important part of the day-to-day operations of the company.

The main responsibilities of the committee include:

- assisting the directors in fulfilling their responsibility of ensuring that there is an effective and embedded risk management process in place throughout the group;
- assessing whether there are appropriate processes / controls in place to manage the key risks down to an acceptable level, in line with the board's risk appetite;
- assessing if the risk management process will ensure that emerging risks are identified and managed;
- assessing whether all significant new business opportunities have been appropriately considered from a risk perspective;
- assessing if appropriate processes / controls are in place to ensure regulatory compliance; and
- reviewing the adequacy of the group's insurance portfolios.

The committee is of the opinion that the risk management process is effective in identifying and evaluating the risks and ensuring that these risks are managed in line with the defined risk appetite.

There were four committee meetings during the year and details of individual attendance at the risk committee meetings are set out on page 49. The external auditors attended the committee meetings and the Chairman of the board attended the meetings in February and August following the group's half year and year end.

risk management

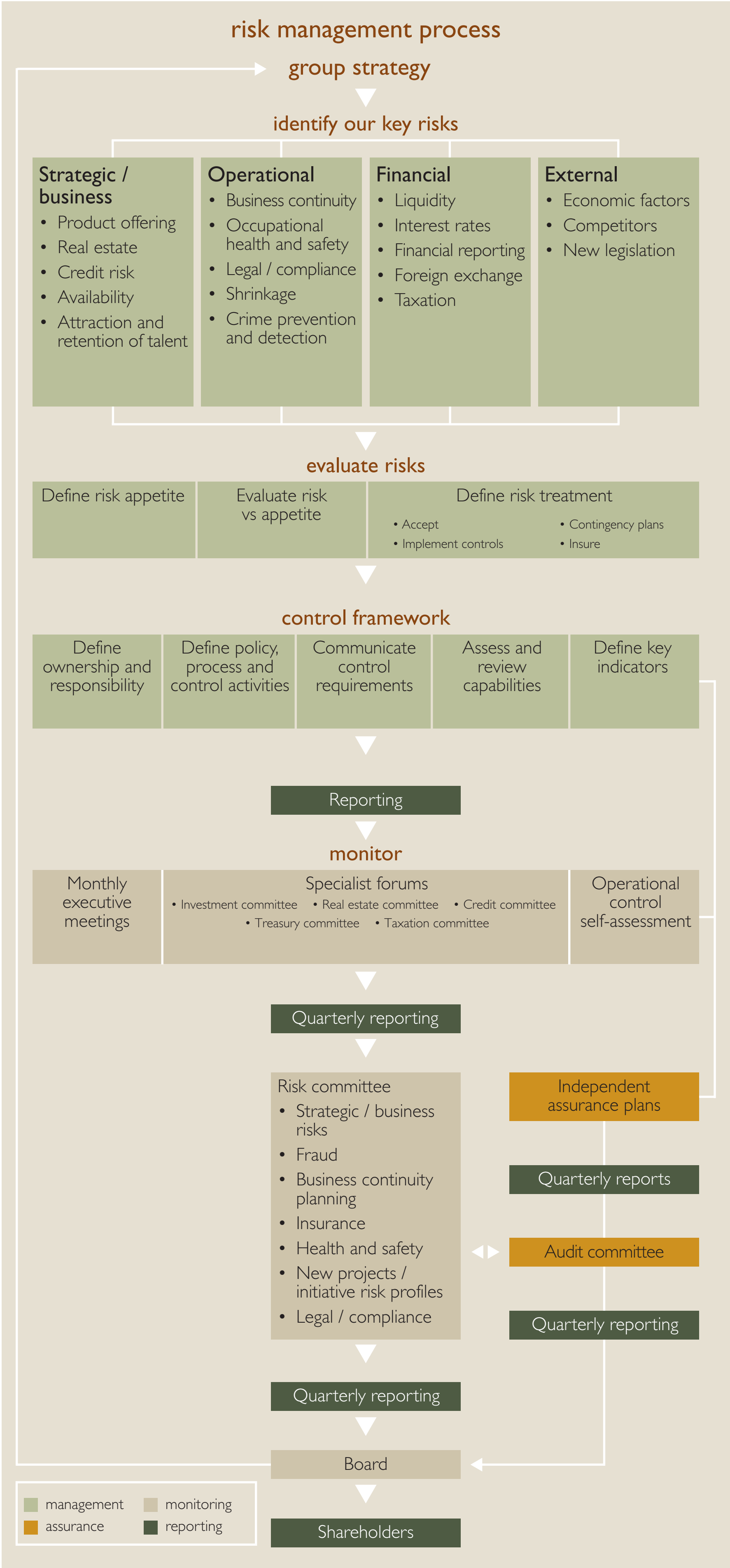
The board regards risk management as a key business discipline which:

- balances risk and reward within both existing and new businesses; and
- protects the group against uncertainties and hazards, which could prevent the achievement of business objectives.

The board is responsible for the risk management process and is assisted in its responsibilities by the risk committee. The day-to-day responsibility for identifying, evaluating and managing risk resides with management.

The risk management process set out on the right is dynamic and is designed to ensure that management:

- identifies emerging risks and updates the key inherent risk profile on a regular basis;
- appropriately evaluates the impact of the risks and their likelihood of occurrence;
- continuously improves the control framework in place to manage the key risks, in line with the risk appetite;
- monitors the ongoing risk exposure through reviewing objective metrics, control self-assessment and from the reports of independent assurance providers; and
- responds timeously to any significant changes in risk exposure.



For certain specialist risk areas management forums have been established to ensure that the management of risks in these areas is reviewed and considered by management with the required specialist skills and experience.

The key inherent risk profile, which sets out the top risks for the group, is reviewed and updated by the executive directors throughout the year and is formally revised annually. The status of the key inherent risks and the management thereof is reported to and discussed at the risk committee meeting on a quarterly basis.

Reports on the specialist risk areas are also tabled and discussed quarterly at the risk committee meetings. The Chairman of the risk committee reports to the board quarterly on these key risk issues.

Risk management has become a standard business discipline and is applied consistently throughout the group. The risk management process is integrated with the strategic and business planning process and is embedded through our management reporting and performance management system. The future focus is to optimise our risk management activities in specialist risk areas by reviewing and aligning our policies and procedures to international best practice.

our key risks

We trade in a dynamic environment and new key risks are continually identified which need to be managed. During the year the following two new risks required significant focus:

- Quotas on goods from China: Quotas were implemented on goods imported from China from 1 January 2007. This could have had a significant impact on our ability to provide the right quality products at good value. However, we were able to identify alternative sources of supply and reduce the potential effect on our customers; and
- National Credit Act ("NCA"): The NCA required significant amendments to our existing financial services business processes and systems. Despite the limited time we were able to revise our processes and comply with the Act from the effective date of 1 June 2007.

Details of our key strategic / business and financial risks are included in the operational and financial reports.

our operational risks

business continuity planning

We need to have business continuity plans in place to ensure that we can continue to trade and provide our customers with a credible product offering in the event of a disaster. The key continuity risks which could affect our customers' shopping experience are:

- the unavailability of a food distribution centre, as we would be unable to receive and distribute perishable food products to all stores within a region;
- the unavailability of a large regional store; and
- the unavailability of key information systems, specifically our merchandising and financial services systems.

The above continuity risks are managed as follows:

- food distribution centres have preventative safety features including fire zones and sprinkler systems. There are also continuity plans setting out how to meet defined availability targets in the event of a disaster, through sourcing alternative facilities and amending our distribution processes. These plans are well communicated and are tested on a regular basis;
- there are formal continuity plans in place for our stores detailing how to deal with a number of continuity threats including fire, flooding, bomb threats and armed robbery. Store managers' knowledge of these plans and their ability to effectively implement these plans are formally assessed bi-annually; and
- there are disaster recovery plans in place for information systems, with defined timeframes within which key systems need to be available following a disaster. These integrated disaster recovery plans are formally tested bi-annually and the results of these tests are used to improve and update the plans.

occupational health and safety

One of our business priorities is to ensure the health and safety of our employees and customers. To achieve this we have a comprehensive health and safety framework setting out the required policies and standards for suppliers, distribution centres and stores. Compliance to the policies and standards is monitored by independent specialist assurance providers and internal audit.

The health and safety standards are designed to prevent any health and safety incidents. However, in all likelihood incidents will occur so there are processes in place to deal with the issues which arise. These include a recall process to remove, and where required, destroy products from our stores and distribution centres as well as a defined process for publicly recalling products.

legal compliance

Regulatory and legal compliance is an increasingly important area due to the frequent amendments to the regulatory framework. We have a dedicated legal compliance officer whose focus for the year was on regulatory compliance in our financial services business. A compliance framework for financial services has been established setting out the:

- key regulatory requirements;
- required business processes and controls to comply with the requirements;
- monitoring framework in place to ensure compliance; and
- internal and external reporting requirements.

The compliance focus ensures that we are in a position to comply with the NCA and all other relevant regulations.

The programme going forward is to formalise the compliance framework that exists in our other business areas.

crime prevention and detection

We remain committed to the implementation of effective processes to reduce the level of crime, which includes shrinkage, burglary, armed robbery, fraud, theft and corruption.

Armed robbery remains a significant risk and represents a real threat to employee and customer safety. To address this risk our aim is to minimise the amount of cash available in stores whilst ensuring appropriate alarms, cameras and security are in place. In addition, all store managers and employees are required to attend formal armed robbery survival training and where required a comprehensive trauma counseling process is available for employees and customers.

With respect to fraud, theft and corruption we have continued to build on our progress and during the year we:

- revised our independent and confidential tip-off service to be rewards-based. Our commitment is to investigate all these tip-offs and provide feedback in an appropriate manner;
- had an independent firm perform a comprehensive data interrogation on our procurement and payroll information, to identify any potential business relationships or transactions which may be of concern. This resulted in certain investigations and also identified a number of areas where processes and disciplines could be improved; and
- integrated the fraud processes with internal audit, to ensure that internal audit reviews and assesses the adequacy and effectiveness of controls to manage our fraud risks.

insurance

There is a comprehensive asset and liability insurance programme in place. Our insurance cover is provided by A-rated South African and international insurance companies. The completeness of our insurance cover as well as our policy wording are regularly reviewed and benchmarked by external experts.

audit committee

The audit committee consists of three independent non-executive directors including Mike Leeming, who chairs the committee.

The main responsibilities of the committee are set out in the terms of reference and include:

- assisting the directors in fulfilling their responsibilities for ensuring that published financial reports are objective, complete and accurate and that the financial statements comply with International Financial Reporting Standards;
- the review and approval of the accounting policies and practices and any proposed changes thereto;
- assisting the directors in ensuring that there is an adequate and effective system of internal control in place;
- the review and approval of the scope of the external audit review and the external audit fee;
- evaluating the independence and effectiveness of external audit;
- the review and approval of the external auditor independence policy;
- the review and approval of the internal audit coverage plan;
- evaluating the effectiveness of internal audit;
- assessing if there is an appropriate framework in place to ensure compliance with tax regulations;
- reviewing and making recommendations to the board on the price sensitive information and insider trading policies;
- considering and making recommendations to the board on the appointment and retention of external auditors; and
- supporting the overall effectiveness of corporate governance processes.

To ensure that the committee can effectively comply with its terms of reference, the Finance director, the external auditors and the Head of risk and internal audit attend the meetings as invitees. In addition, the audit committee holds separate meetings with management, external audit and the Head of risk and internal audit to ensure that all relevant matters have been identified and discussed without undue influence.

A requirement of the committee is to ensure that the external auditors are independent and remain objective. As such, during the year the committee revised the external auditor independence policy to ensure that it is in line with best practice. Compliance with this policy is monitored and reported to the committee on a quarterly basis.

There is a strong integration and co-ordination between the activities of the risk and audit committees and Mike Leeming and Nigel Colne are members of both committees to ensure the appropriate exchange of information.

Based on the results of the committee evaluation and a formal assessment of its activities, the committee is of the opinion that it has effectively complied with its terms of reference.

The committee met a total of four times during the year. The details of individual attendance at the audit committee meetings are set out on page 49.

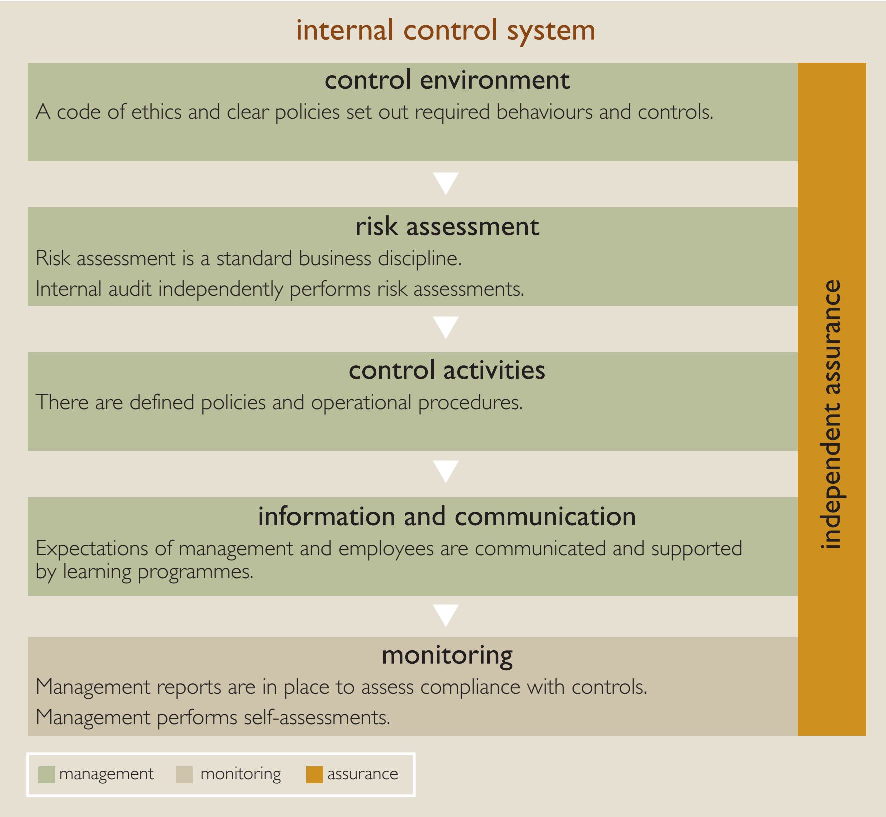
The Chairman of the audit committee attends the annual general meetings.

internal control

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

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

The internal control system consists of five key elements as set out below:



Management is focused on continuous improvements to the system of internal control and during the year:

- the implementation of the Retek merchandising systems improved internal controls by automating key control procedures;
- key processes and controls were formally documented to assess and improve the design of controls; and
- the senior finance team attended an internal control learning programme.

independent assurance providers

A key element of the internal control system is the reviews performed by independent assurance providers to assess the adequacy and effectiveness of controls. These independent assurance processes are outlined in more detail below.

internal audit

The objective of internal audit is to provide independent assurance on the adequacy and effectiveness of the system of internal control in place to manage the significant risks down to an acceptable level.

In addition to providing this assurance, internal audit adds value by proactively working with management to drive meaningful and sustainable improvements in the control environment. This is achieved by using specialist risk and control knowledge to provide practical recommendations to improve the design of, and compliance with key controls.

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

- appointing a skilled senior computer audit manager, who has integrated business and computer audit to provide more meaningful assurance on both manual and computer-based controls during end-to-end business process reviews;
- implementing a new internal audit methodology which is aligned to international best practice and designed to ensure that internal audit improves the control environment; and
- increased use of business intelligence and data interrogation to drive the audit work and ensure audit remains focused on the key risk areas.

To ensure that internal audit is focused on the key risks, an internal audit coverage plan is reviewed and approved by the audit committee in May each year. However, this plan is revised quarterly to ensure that it remains relevant to the key business priorities and changing risk environment.

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

To be truly effective internal audit needs to be independent and objective and as such the Head of risk and internal audit reports functionally to the audit committee and administratively to the Head of corporate governance.

external audit

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

To ensure there is no duplication of effort, external audit regularly liaises with internal audit to understand the scope of their work and the results of their audits. It should be noted that any control work performed by external audit is limited to the work necessary to support their audit opinion.

Management letters issued by the external auditors, which include any observations on internal controls, are provided to the Head of risk and internal audit and the audit committee.

external auditor independence policy

External audit is a key component of the independent assurance framework and therefore the audit committee needs to ensure that external audit is independent and objective. To govern this the board has adopted an external auditor independence policy. This policy defines the prohibited and allowable non-audit services which the external auditors can perform and places a restriction on the value of allowable non-audit services. The terms of this policy comply with the minimum requirements as set out in Auditing Profession Act, No.26 of 2005 and the requirements of the Code of Professional Conduct of the Independent Regulatory Board for Auditors, and in a number of cases are more restrictive.

other independent assurance

For certain business processes management uses specialist assurance providers to assess the adequacy and effectiveness of controls. This includes audits on product health, safety and hygiene at our stores and suppliers.

control opinion

The output of the risk management process, in conjunction with the work of the independent assurance providers, indicates to the directors that the controls in place are adequate and effective. Furthermore, no material losses, exposures or financial misstatements have been reported to the directors for the financial year.

This opinion recognises that the business is dynamic and that at any point in time there are new areas of risk exposure which may require management attention. As such there is a continual focus on ensuring that the control environment within each business area is understood and maintained at the required level.

nominations committee

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

The responsibilities of the committee are set out in its terms of reference and include:

- regularly reviewing the structure, size and composition of the board and its committees and to make recommendations to the board;
- identifying and nominating candidates for approval by the board and to fill board vacancies as and when they arise;
- ensuring succession and continuity plans are in place for the Chairman, the Chief executive officer and senior executives;
- to review the performance of the Chief executive officer and senior executives;
- assisting the board in determining and evaluating the effectiveness of board committees; and
- recommending for re-election, directors who retire in terms of the company's articles of association.

The nominations committee consists of four independent non-executive directors including the Chairman of the board who chairs this committee. The Chief executive officer attends the meetings by invitation. The People director attends the meetings when necessary.

The committee meets four times a year and the Chairman reports to the board on the activities of the committee.

The details of individual attendance at the nominations committee meetings are set out on page 49.

transformation committee

The group is committed to the spirit and principles of Black Economic Empowerment ("BEE"). Given the importance of BEE, there is a transformation committee which assists the board in ensuring there are appropriate strategies, policies and processes in place to progress transformation.

The committee consists of four non-executive directors including the Chairman, Chris Nissen, and the Chief executive officer. The responsibilities of the committee include:

- reviewing and approving targets for each element of the BEE scorecard; and
- monitoring and assessing the policies and plans in place to achieve the targets and the effectiveness thereof.

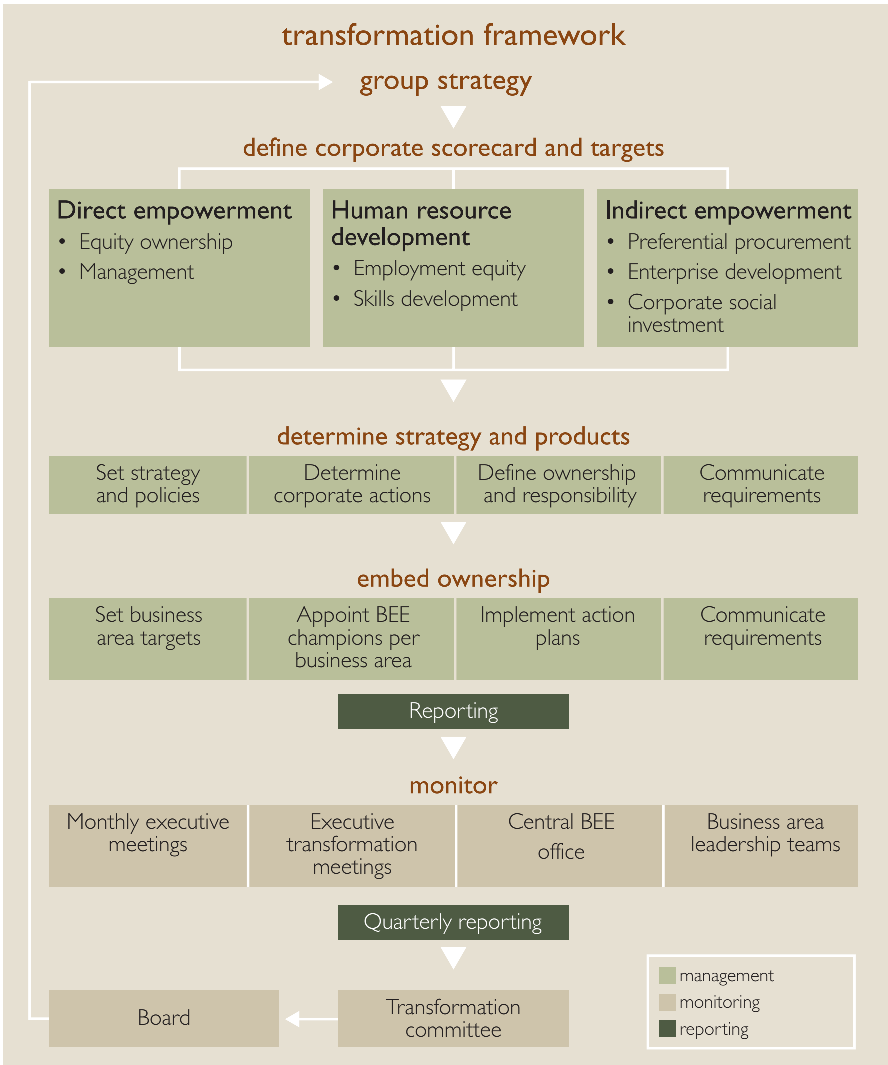
The details of individual attendance at the transformation committee meetings are set out on page 49.

During the year, the Department of Trade and Industry published the BEE Codes of Good Practice. These codes were used to establish the Woolworths BEE scorecard and significant effort was invested in measuring our contribution against each element of this scorecard. This was an exceptionally useful experience to understand our current BEE contribution and set meaningful targets for 2012, as part of our Good business journey.

The transformation committee assesses performance in each area of the BEE scorecard to ensure that meaningful progress is made.

The transformation framework is set out below and is designed to ensure that:

- there are clear and agreed targets for the group and each business area;
- achievement of targets is a key component of the reward and recognition system; and
- there is ongoing monitoring which enables the executive to review progress and, if required, revise the strategy.



sustainability committee

The sustainability committee was constituted in August 2007, reflecting the importance of ensuring sustainable growth. Its main objective is to ensure achievement of the targets set out in the Good business journey for social development, the environment and climate change. The committee consists of two non-executive directors, including Brian Frost the Chair, the Chief executive officer and the People director. Its main responsibilities include:

- reviewing the policies and plans in place to achieve the Good business journey targets;
- reviewing performance against targets; and
- reviewing and approving the external sustainability report.

remuneration committee

The remuneration committee operates in accordance with its terms of reference, which is formally reviewed and updated on an annual basis.

The main responsibilities include:

- assisting the directors in fulfilling their responsibilities in establishing formal and transparent policies for executive remuneration and people management;
- determining specific remuneration packages for senior executives of the company, including but not limited to basic salary, performance based incentives, share incentives, severance packages, pensions and other benefits;
- approving the design of short-term incentive schemes, including determining targets and participation thresholds;
- approving the design of the long-term share incentive schemes, including determining the allocation criteria and performance conditions;
- ensuring remuneration for executives, including their short and long-term incentives, are based on and reward performance;
- considering the relationship between senior executive remuneration and the remuneration of our other employees; and
- reviewing and monitoring progress in people management.

Membership consists of four non-executive directors, all of whom are independent. The Chairman of the board, Buddy Hawton, chairs the committee. The Chief executive officer attends meetings by invitation in order to advise on remuneration of senior executives.

Senior executives do not participate in any discussions or decisions relating to their own remuneration. The senior executives are defined as the executive directors of Woolworths Holdings Limited and the executive directors of Woolworths (Proprietary) Limited, a major subsidiary.

The remuneration committee made use of the services of external consultants during the year to advise them on executive remuneration and to provide advice on market data, remuneration trends, retention strategy and performance-related pay. External consultants also provided advice on the design of the new long-term executive share schemes.

The Chairman of the remuneration committee attends the annual general meeting.

The details of individual attendance at meetings are set out on page 49.

remuneration strategy

Woolworths remuneration philosophy is designed to attract, develop and retain the passionate, committed and talented people who are required to effectively implement the overall Woolworths strategy and create value for our shareholders.

The remuneration strategy for senior executives is based on principles of performance and alignment with shareholders' interests, through both short-term and long-term incentives. A significant portion of senior executives' total potential remuneration is performance related in order to drive the right behaviour to optimise company performance. Stretch targets are set annually in the context of future prospects of the group and the prevailing economic environment in which it operates.

senior executive remuneration

The senior executive total remuneration package consists of the following:

total guaranteed pay

Total guaranteed pay, which includes benefits, is subject to an annual review by the remuneration committee. The targeted pay position for guaranteed total package is aimed between the median and upper quartile when benchmarked against major South African retail and non-retail companies, and is adjusted according to individual responsibility and performance. During the year the senior executives received, on average, a 10% increase in total guaranteed pay.

short-term incentive scheme

The short-term incentive scheme is designed to focus the senior executives on the achievement of the short-term strategic, financial and operational objectives in the one-year business plan. The incentive is payable on achieving certain pre-defined stretch targets, in line with our strategy, using an overall profit target to trigger the incentive pool and individual performance criteria to determine the payout. The individual performance criteria are approved by the remuneration committee and ensure that the senior executives are rewarded based on delivery against the components of the strategy they are responsible for. The scheme rewards performance when targets are met, with higher rewards for exceptional performance.

The scheme, targets and payment limits are reviewed on an annual basis.

In the current year, the overall target was set at a predefined level of profit before taxation and exceptional items ("PBTAE"). The upper target was PBTAE growth of 39% which would have resulted in a maximum payment to the senior executives of 150% of their guaranteed total package.

long-term incentives – share scheme

The share scheme is designed to align the objectives of senior executives with those of shareholders and therefore ensure sustainable long-term financial performance. Shares are considered an essential element of reward and represent a material part of senior executive remuneration.

During the year grants continued to be made to the senior executives under the existing share option and share purchase scheme. In September 2006, shares were granted to the senior executives relating to performance for the year ended 30 June 2006. These grants were allocated at various multiples of total guaranteed pay based on the following performance criteria and respective weightings.

Performance criteria	Weighting
Total Shareholder Returns ("TSR")	25%
Financial measures (HEPS growth and ROE %)	50%
Value-added measures	25%

Following the share grants, the remuneration committee reviewed the balance between vested and unvested shares for the senior executives. This review highlighted that the portion of unvested shares as a percentage of total guaranteed pay was low compared to market benchmarks and, as such, would not ensure retention. To manage this, senior executives received an additional grant of shares in October 2006.

As at 30 June 2007, the following profit before taxation would have been earned on the disposal of share options and shares granted under the share scheme, which had not yet vested:

	30 June 2007 Profit on disposal R'000
Simon Susman	**24 577**
Richard Inskip	**11 104**
Andrew Jennings	**7 335**
Norman Thomson	**9 804**
Zyda Rylands	**8 831**

This profit would have been foregone if the directors had resigned and as such forms part of the retention strategy.

During the year the remuneration committee reviewed the existing share option and share purchase schemes. The existing share schemes were replaced by three new schemes i.e.:

- the Woolworths Share Appreciation Rights Scheme;
- the Woolworths Long Term Incentive Plan; and
- the Woolworths Deferred Bonus Plan.

The rationale for proposing the new schemes was to:

- move to forward-looking performance conditions which need to be met before shares vest;
- stop the practice of unsecured loans which were provided under the share purchase scheme;
- reduce the number of shares required to settle benefits;
- reduce the grant period from ten years to seven years, in line with current trends; and
- take cognisance of changes in tax treatment.

		Proposed 2008	Approved 2007
Services as directors			
Fees:			
	Chairman of the board	R620 000	R500 000
	Director (SA)	R125 000	R102 000
	Director (UK)	£32 000	£30 000
Audit Committee	Chairman	R127 000	R112 000
	Member	R67 000	R62 500
Risk Committee	Chairman	R90 000	R79 000
	Member	R43 000	R39 500
Remuneration Committee	Chairman	R115 000	R90 000
	Member	R60 000	R45 000
Transformation Committee	Chairman	R87 500	R79 000
	Member	R44 000	R39 500
Nominations Committee	Chairman	R55 000	–
	Member	R35 000	R10 500
Sustainability Committee	Chairman	R35 000	R13 000
	Member	R17 000	R 6 500

These three new schemes were approved by shareholders at a general meeting on 15 November 2006 and will replace the existing share schemes with effect from 1 July 2007.

executive directors' service contracts

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

Andrew Jennings has a three year service contract which includes a restraint of trade agreement which makes provision for benefits in excess of one year's salary, as set out in note 5 on page 44.

directors' fees and emoluments

The fees for non-executive directors are benchmarked against a comparative group of listed retail and non-retail companies on an annual basis. The fees proposed for 2008 reflect the ever increasing responsibilities of our directors and their role in providing the strategic direction and leadership required to ensure the business is sustainable.

The fees for the non-executive directors are recommended by the remuneration committee to the board, after input from the executive directors, for approval prior to approval by our shareholders at the annual general meeting.

The 2007 fees for non-executive directors were approved at the 2006 annual general meeting. The proposed fees for 2008, which will be tabled for shareholder approval at the forthcoming annual general meeting, are set out below together with the fees approved for 2007:

The non-executive directors do not participate in the short or long-term incentive schemes.

Emoluments paid to directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 2007 and comparatives for 2006 are set out below:

2007

Name	Notes	Remuneration R000's	Retirement, medical and related benefits R000's	Other benefits (1) R000's	Total guaranteed pay R000's	Performance bonus R000's	Interest-free loan benefit (2) R000's	Fees (3) R000's	Total remuneration R000's
Executive directors									
Simon Susman		3 258	667	23	3 948	3 369	2 055	170	9 542
Richard Inskip	4	2 054	221	123	2 398	1 555	1 282	–	5 235
Andrew Jennings	5	1 620	189	6	1 815	1 291	–	–	3 106
Norman Thomson		1 727	183	34	1 944	1 324	1 314	170	4 752
Zyda Rylands	6	1 360	282	9	1 651	1 280	877	–	3 808
		10 019	**1 542**	**195**	**11 756**	**8 819**	**5 528**	**340**	**26 443**

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R000's	Risk committee member R000's	Nominations committee member R000's	Sustainability committee member R000's	Transformation committee member R000's	Other fees R000's	Total non-executive directors' fees R000's
Non-executive directors										
Buddy Hawton		500		90		10.5		39.5	16	656
Peter Bacon	7	88			20				5	113
Mair Barnes	8	422		45		10.5				477.5
Nigel Colne	8	422	62.5	45	40	10.5			2	582
Brian Frost	9	102		45	20	10.5	13	39.5	11	241
Mike Leeming		102	112		79				11	304
Chris Nissen		102					6.5	79	5	192.5
Sindi Zilwa		102	62.5					39.5	14	218
		1 840	**237**	**225**	**159**	**42**	**19.5**	**197.5**	**64**	**2 784**

1 Other benefits include discounts received on purchases made in our stores.

2 The interest-free loan relates to the purchase of shares under the Woolworths Holdings Share Trust. The benefit for 2007 was calculated at 8% on the value of the outstanding loan.

3 Fees of A$30 000 payable by Country Road.

4 Other benefits include consulting fees from Country Road.

5 Andrew Jennings was appointed on 1 December 2006. During the year, Andrew Jennings was paid a restraint amount of R5m as part of his three year service contract. This restraint prevents him from joining competitors for a period of two years after the completion of his contract. He would be required to repay the restraint on a pro rata basis should his contract be terminated early. After completing the initial three-year contract, he will receive an additional payment of R2m.

6 Zyda Rylands was appointed on 22 August 2006.

7 Peter Bacon was appointed on 22 August 2006.

8 Board fees are paid in sterling as British residents.

9 Other fees include fees in respect of the Woolworths Trust.

2006

Name	Notes	Remuneration R000's	Retirement, medical and related benefits R000's	Other benefits (1) R000's	Total guaranteed pay R000's	Performance bonus R000's	Interest-free loan benefit (2) R000's	Fees (3) R000's	Total remuneration R000's
Executive directors									
Simon Susman		2 995	605	22	3 622	3 426	1 013	145	8 206
Richard Inskip	4	1 866	199	102	2 167	1 410	781	–	4 358
Norman Thomson		1 543	187	31	1 761	1 181	799	145	3 886
		6 404	**991**	**155**	**7 550**	**6 017**	**2 593**	**290**	**16 450**

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R000's	Risk committee member R000's	Nominations committee member R000's	Transformation committee member R000's	Other fees R000's	Total non-executive directors' fees R000's
Non-executive directors									
Buddy Hawton		450		84		10	37	12	593
Mair Barnes	5	338		42		10			390
Nigel Colne	5	338	60	42	37	10		1	488
Brian Frost	6	95		42	37	10	9	26	219
Mike Leeming		95	100		74			9	278
Chris Nissen	7	95					74	8	177
Sindi Zilwa		95	60				37	11	203
Nolita Fakude (past director)	8	40					15		55
		1 546	**220**	**210**	**148**	**40**	**172**	**67**	**2 403**

1 Other benefits include discounts received on purchases made in our stores.

2 The interest-free loan relates to the purchase of shares under the Woolworths Holdings Share Trust. The benefit for 2006 was calculated at 8% on the value of the outstanding loan.

3 Fees of A$30 000 payable by Country Road.

4 Other benefits include consulting fees from Country Road.

5 Board fees are paid in sterling to British residents.

6 Includes fees of R18 000 in respect of the sustainability forum and Woolworths Trust.

7 Includes fees of R3 000 in respect of the sustainability forum.

8 Resigned on 25 November 2005.

directors' interests in shares

Details of directors' interests in the shares of the company are disclosed in the directors' report. Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at June 2007, are set out below:

June 2007

Share purchase scheme								
Name and Offer date	Shares at 30 June 2006 Number	Price	Shares awarded/purchased during the year Number	Price	Shares at 30 June 2007 Number	Price	Vested shares	Unvested shares
Simon Susman								
May 1999	600 000	3.22			600 000	3.22		
May 2000	255 958	2.70			255 958	2.70		
December 2000	1 154 900	2.77			1 154 900	2.77		
June 2001	6 597 610	3.03			6 597 610	3.03		
August 2002	879 397	3.98			879 397	3.98		
August 2003	780 039	5.16			780 039	5.16		
December 2004	440 755	10.59			440 755	10.59		
August 2005	412 697	11.31			412 697	11.31		
September 2006			378 947	13.30	378 947	13.30		
October 2006			1 094 092	13.71	1 094 092	13.71		
Total	**11 121 356**		**1 473 039**		**12 594 395**		**10 038 845**	**2 555 550**
Richard Inskip								
December 1998	113 667	2.60			113 667	2.60		
December 2000	585 290	2.77			585 290	2.77		
March 2001	500 000	2.82			500 000	2.82		
June 2001	350 000	3.03			350 000	3.03		
August 2002	376 884	3.98			376 884	3.98		
August 2003	314 922	5.16			314 922	5.16		
December 2004	274 788	10.59			274 788	10.59		
August 2005	165 782	11.31			165 782	11.31		
September 2006			155 263	13.30	155 263	13.30		
October 2006			510 576	13.71	510 576	13.71		
Total	**2 681 333**		**665 839**		**3 347 172**		**2 182 482**	**1 164 690**
Norman Thomson								
December 1998	46 667	2.60			46 667	2.60		
May 1999	166 667	3.22			166 667	3.22		
December 2000	236 800	2.77			236 800	2.77		
March 2001	607 086	2.82			607 086	2.82		
June 2001	1 120 297	3.03			1 120 297	3.03		
August 2002	329 774	3.98			329 774	3.98		
August 2003	290 698	5.16			290 698	5.16		
December 2004	152 597	10.59			152 597	10.59		
August 2005	142 882	11.31			142 882	11.31		
September 2006			130 075	13.30	130 075	13.30		
October 2006			510 576	13.71	510 576	13.71		
Total	**3 093 468**		**640 651**		**3 734 119**		**2 705 364**	**1 028 755**

June 2007

Share purchase scheme								
Name and Offer date	Shares at 30 June 2006 Number	Price	Shares awarded/purchased during the year Number	Price	Shares at 30 June 2007 Number	Price	Vested shares	Unvested shares
Zyda Rylands								
February 1999	12 500	2.90			12 500	2.90		
May 1999	25 000	3.22			25 000	3.22		
December 2000	8 420	2.77			8 420	2.77		
April 2001	20 000	3.03			20 000	3.03		
August 2001	3 243	3.33			3 243	3.33		
August 2002	5 896	3.98			5 896	3.98		
August 2003	12 125	5.16			12 125	5.16		
September 2003	144 408	5.76			144 408	5.76		
December 2004	259 573	10.59			259 573	10.59		
March 2005	120 000	10.18			120 000	10.18		
August 2005	277 549	11.31			277 549	11.31		
September 2006			129 699	13.30	129 699	13.30		
October 2006			291 758	13.71	291 758	13.71		
Total	**888 714**		**421 457**		**1 310 171**		**358 815**	**951 356**

Notes:
All offers vest over a 5 year period at 20% per annum except:

- the May 1999 offer which vests over 7 years as follows: 20% vests after year 2, 10% vests after years 3, 4 and 5 respectively and 25% vests in years 6 and 7 respectively;
- the October 2006 offer where 33% vests after year 3, 33% vests after year 4 and 34% vests after year 5.

The shares granted in September 2006 relate to grants for the achievement of performance criteria for the year ended 30 June 2006.

The loans used to repurchase shares must be repaid within 10 years of the offer date.

June 2007

Share option scheme								
Name and Offer date	Share options at 30 June 2006 Number	Price	Share options awarded during the year Number	Price	Share options at 30 June 2007 Number	Price	Vested shares	Unvested shares
Richard Inskip								
May 1999	270 376	3.22			270 376	3.22		
Total	**270 376**				**270 376**		**270 376**	
Zyda Rylands								
December 1998	11 500	2.60			11 500	2.60		
February 1999	17 500	2.90			17 500	2.90		
May 1999	45 000	3.22			45 000	3.22		
December 2000	16 840	2.77			16 840	2.77		
April 2001	40 000	3.03			40 000	3.03		
August 2001	9 727	3.33			9 727	3.33		
August 2002	8 842	3.98			8 842	3.98		
September 2003	36 102	5.76			36 102	5.76		
Total	**185 511**				**185 511**		**185 511**	
Andrew Jennings								
December 2006			1 784 652	16.81	1 784 652	16.81		1 784 652
Total			**1 784 652**		**1 784 652**			**1 784 652**
Total	**455 887**		**1 784 652**		**2 240 539**		**455 887**	**1 784 652**

Notes:
All offers vest over a 5 year period at 20% per annum except the 14 May 1999 offer which vests over 7 years.

The vesting over the 7 year period is as follows: 20% vests after year 2, 10% vests after year 3, 4 and 5 respectively and 25% vests in years 6 and 7 respectively.

The options must be exercised within 10 years of the offer date.

corporate governance policies

To drive and embed effective corporate governance practices, the company has the following policies which complement the delegation of authority:

- insider trading;
- price sensitive information;
- external auditor independence;
- fraud, theft and corruption; and
- supplier code of conduct.

insider trading and price sensitive information

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

In terms of the insider trading policy, the Group secretary regularly disseminates written notice to all directors and senior management throughout the group, highlighting the provisions of the Securities Services Act and the JSE Listings Requirements, informing them that dealing in Woolworths shares during certain restricted periods may not be undertaken.

No director or any employee who participates in the share scheme may trade in Woolworths shares during embargo periods determined by the board. These include a period of two months prior to the publication of interim financial results and annual financial results of the group. In line with the JSE Listings Requirements, procedures have been put in place to ensure that no director of the company trades in the company's shares without the prior written requisite approval having been obtained.

A report detailing the dealings in securities by the directors, the directors of subsidiaries and the Group secretary is tabled at each board meeting, and is disclosed in accordance with the JSE Listings Requirements.

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

ethical and moral behaviour

During the year the company engaged its employees on our key values which have been fundamental to the success of the business. One of the key values is integrity and the group is committed to the highest levels of professionalism and integrity in its business dealings with stakeholders. Our code of ethics sets out the standards that we expect to attain when dealing with all customers, suppliers, franchise partners, employees, competitors, communities and our shareholders. In addition, the code contains guidelines with respect to gifts, travel and entertainment as well as a code of conduct for our business partners.

investor relations

It is the policy of the group to pursue dialogue with all shareholders, where practicable. The board believes in communicating to investors the group's strategies and financial performance in a timely, relevant and balanced manner and places emphasis on objective, honest, relevant and balanced communication to investors.

There is regular dialogue with institutional investors who, along with buy-side and sell-side analysts, are invited to briefings by the group immediately after the announcement of the interim and final results. These presentations are published on the Woolworths Holdings Limited web site. Care is exercised to ensure that any price sensitive information is released to all shareholders at the same time in accordance with the JSE Listings Requirements.

The group encourages shareholders to attend annual general meetings and general meetings. This forum accords shareholders the opportunity to ask questions and seek clarification from the board on matters affecting the group in particular and shareholders in general.

country road

Country Road observes the highest standards of corporate governance and has established codes and procedures to govern the conduct of its activities and people in accordance with the Australian Securities Exchange Corporate Governance Council's Best Practice Recommendations and the local statutory requirements. Country Road operates its own audit and remuneration committees in which directors of Woolworths Holdings Limited are represented, the details of which are contained in that group's financial statements.

A code of conduct sets out the principles and standards to be met and emphasises that all officers and employees are expected to act in accordance with the law and the highest standards of propriety.

sponsor

The corporate sponsor is Rand Merchant Bank (a division of FirstRand Bank Limited), appointed in compliance with the JSE Listings Requirements.

schedule of attendance at meetings

attendance at board meetings

DIRECTOR	AUG 2006	NOV 2006 Strategy	NOV 2006 Board	FEB 2007	MAY 2007 Strategy	MAY 2007 Board
Buddy Hawton C IN	✓	✓	✓	✓	✓	✓
Simon Susman CEO	✓	✓	✓	✓	✓	✓
Peter Bacon IN	✓	✓	✓	✓	✓	✓
Mair Barnes IN	✓	✓	✓	✓	✓	✓
Nigel Colne IN	✓	✓	✓	✓	✓	✓
Brian Frost IN	✓	✓	✓	✓	✓	✓
Richard Inskip E	✓	✓	✓	✓	✓	✓
Andrew Jennings E AP	–	–	–	✓	✓	✓
Mike Leeming IN	✓	✓	✓	✓	✓	✓
Chris Nissen IN	✓	A	✓	✓	✓	✓
Zyda Rylands E	✓	✓	✓	✓	✓	✓
Norman Thomson E	✓	✓	✓	✓	✓	✓
Sindi Zilwa IN	✓	A	✓	✓	✓	A

C = Chairman
CEO = Chief executive officer
IN = independent non-executive director
E = executive director
A = absent
AP = appointed to the board with effect from 1 December 2006

attendance at the risk committee meetings

MEMBER	AUG 2006	NOV 2006	FEB 2007	MAY 2007
Mike Leeming C IN	✓	✓	✓	✓
Simon Susman CEO	✓	✓	✓	✓
Peter Bacon IN AP	–	–	✓	✓
Nigel Colne IN	✓	✓	✓	✓
Brian Frost IN R	✓	✓	–	–
Richard Inskip E	✓	✓	✓	✓
Andrew Jennings E AP1	–	–	I	✓
Kevin Stanford	A	✓	✓	✓
Norman Thomson E	✓	✓	✓	✓

C = Chairman
CEO = Chief executive officer
IN = independent non-executive director
E = executive director
R = resigned from the committee with effect from 14 November 2006.
I = attended by invitation
A = absent
AP = appointed to the committee with effect from 14 November 2006.
AP1 = appointed to the committee with effect from 1 May 2007.

attendance at the transformation committee meetings

MEMBER	AUG 2006	NOV 2006	FEB 2007	MAY 2007
Chris Nissen C IN	✓	A	✓	✓
Brian Frost IN	✓	✓	✓	✓
Buddy Hawton CB IN	✓	✓	✓	✓
Simon Susman CEO	✓	✓	✓	✓
Sindi Zilwa IN	✓	✓	✓	✓

C = Chairman
CB = Chairman of board
CEO = Chief executive officer
IN = independent non-executive director
A = absent

attendance at the audit committee meetings

MEMBER	AUG 2006	NOV 2006	FEB 2007	MAY 2007
Mike Leeming C IN	✓	✓	✓	✓
Nigel Colne IN	✓	✓	✓	✓
Sindi Zilwa IN	✓	✓	✓	✓

C = Chairman
IN = independent non-executive director

attendance at the sustainability committee meetings

MEMBER	MAY 2007
Brian Frost C IN	✓
Chris Nissen IN	✓
Zyda Rylands E	✓
Simon Susman E	✓

C = Chairman
IN= independent non-executive director
E = executive director

attendance at the nominations committee meetings

MEMBER	AUG 2006	NOV 2006	FEB 2007	MAY 2007
Buddy Hawton C IN	✓	✓	✓	✓
Mair Barnes IN	✓	✓	✓	✓
Nigel Colne IN	✓	✓	✓	✓
Brian Frost IN	✓	✓	✓	✓

C = Chairman
IN = independent non-executive director

attendance at the remuneration committee meetings

MEMBER	AUG 2006	NOV 2006	FEB 2007	MAY 2007
Buddy Hawton C IN	✓	✓	✓	✓
Mair Barnes IN	✓	✓	✓	✓
Nigel Colne IN	✓	✓	✓	✓
Brian Frost IN	✓	✓	✓	✓

C = Chairman
IN = independent non-executive director

annual financial statements

for the year ended 30 June 2007

report of the **Group secretary**

In my capacity as Group secretary, I hereby confirm, in terms of the Companies Act, (61 of 1973), as amended, that for the year ended 30 June 2007, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

C L Lowe
Group secretary

approval of the annual financial statements

The financial statements were approved by the board of directors on 22 August 2007 and signed on its behalf by:

D A Hawton
Chairman

S N Susman
Chief executive officer

report of the **independent auditors**

to the members of Woolworths Holdings Limited

We have audited the annual financial statements of Woolworths Holdings Limited, which comprise the directors' report, the balance sheet as at 30 June 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 102.

directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

auditor's responsibility

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

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

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

opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 30 June 2007, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered auditor

SAB&T Inc.

SAB & T Inc.
Registered auditor

22 August 2007
Cape Town

nature of business

Woolworths Holdings Limited is an investment holding company listed on the JSE Limited securities exchange which operates mainly through the following subsidiaries, Woolworths (Proprietary) Limited, Woolworths Financial Services (Proprietary) Limited and Country Road Limited. Woolworths (Proprietary) Limited is a retail chain of stores offering a selected range of clothing, food and general merchandise, mainly under its own brand name. Woolworths has 345 corporate and franchise stores throughout South Africa, the rest of Africa and the Middle East. Woolworths Financial Services offers a variety of financial products to the Woolworths customers. Country Road Limited is listed on the Australian Securities Exchange and offers apparel and homeware. Country Road Limited has 65 corporate and franchise stores and operates in Australia, New Zealand and South East Asia.

The nature of the business of the subsidiaries held directly and indirectly is set out on page 102.

review of financial results and activities

Reviews of the financial results and the activities of the group are contained in the Chairman's letter, the Chief executive officer's report, the Finance director's report, the reviews of operations and the annual financial statements.

share capital

authorised share capital

At a general meeting on 12 June 2007 shareholders approved our Black Economic Empowerment employee share ownership scheme. In terms of this scheme the authorised share capital was amended from 1 500 000 000 ordinary shares of 0.15 cent each to:

1 410 600 000 ordinary shares of 0.15 cent each:	R2 115 900
89 400 000 convertible, redeemable, non-cumulative participating preference shares of 0.15 cent each	R134 100
	R2 250 000

changes in issued share capital

The following changes in the issued ordinary share capital took place during the year under review:

	2007	2006
Shares in issue at the beginning of the year	**884 091 089**	874 075 014
Shares issued in terms of the share option / purchase scheme	**13 368 429**	14 539 120
Shares repurchased and cancelled	**(1 268 051)**	(4 523 045)
Shares in issue at the end of the year	**896 191 467**	884 091 089

Details of the authorised and issued share capital are included in the notes to the financial statements on pages 82 to 85 of the report.

Subsequent to the year end, on 16 July 2007, 88 267 306 convertible, redeemable, non-cumulative participating preference shares were issued at the par value of 0.15 cent each to The Woolworths Employee Share Ownership Trust, in terms of the BEE employee share ownership scheme.

repurchase of shares

In terms of the articles of association and the general authority granted by the shareholders on 15 November 2006, the company was authorised until the next annual general meeting to acquire shares issued by the company, provided that the aggregate of such acquisitions does not exceed 20% of the issued share capital of that class in any one financial year, and subject to the requirements of the Companies Act, (61 of 1973), as amended and the JSE Listings Requirements. During the year 1 268 051 ordinary shares were repurchased on the open market. These shares were subsequently cancelled.

treasury shares

There are 86 871 694 treasury shares held by E-Com Investments 16 (Proprietary) Limited, a 100% owned subsidiary of the company.

directorate and group secretary

The composition of the board and the details of the directors and the Group secretary in office at the date of this report are reflected on pages 2 and 3.

new appointments

On 1 December 2006 Andrew Jennings was appointed to the board as the Managing director of retail. Subsequent to the year end, Dr Judy Dlamini was appointed as a non-executive director with effect from 1 July 2007.

In accordance with the articles of association of the company, at least one-third of the board is 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, noting that no director can serve more than three years without being re-elected.

In terms of the articles of association of the company, Judy Dlamini and Andrew Jennings are required to retire at the annual general meeting following their appointment and being eligible, offer themselves for re-election. Richard Inskip, Mike Leeming, Chris Nissen and Norman Thomson are due to retire by rotation at the next annual general meeting and being eligible, offer themselves for re-election.

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

Directors seeking re-election do not have service contracts with the company with notice periods in excess of one year.

directors' report
for the year

directors' interests in shares

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

	2007				2006			
	Beneficial		Non-beneficial		Beneficial		Non-beneficial	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Executive directors								
Simon Susman	15	12 594 395	–	17 200	15	11 121 356	–	17 200
Richard Inskip	–	3 347 172	–	–	–	2 681 333	–	–
Andrew Jennings	–	–	–	–	–	–	–	–
Zyda Rylands	–	1 310 171	–	–	–	888 714	–	–
Norman Thomson	2 620	3 734 119	–	–	2 620	3 093 468	–	–
Non-executive directors								
Buddy Hawton	12 500	–	–	–	–	–	–	–
Peter Bacon	–	–	–	–	–	–	–	–
Mair Barnes	–	–	–	–	–	–	–	–
Nigel Colne	–	–	–	–	–	–	–	–
Judy Dlamini	–	–	–	–	–	–	–	–
Brian Frost	–	260 000	–	–	–	260 000	–	–
Mike Leeming	–	20 000	–	–	–	10 000	–	–
Chris Nissen	–	–	–	–	–	–	–	–
Sindi Zilwa	–	–	–	–	–	–	–	–
	15 135	21 265 857	–	17 200	2 635	18 054 871	–	17 200

Subsequent to the year end, on 16 July 2007 Zyda Rylands was granted initial vested rights in 1 250 000 convertible, redeemable, non-cumulative participating preference shares, in terms of the BEE employee share ownership scheme.

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 International Financial Reporting Standards between the company or its subsidiaries and the directors or their associates are disclosed on pages 73 and 74 of the report.

The emoluments of directors of the company are set out on pages 44 and 45.

woolworths holdings share trust

During the course of the year, Woolworths Holdings Limited continued to operate its share option and share purchase scheme.

In terms of the share option and share purchase scheme, participation was open to employees at the discretion of the directors and in accordance with established guidelines. In terms of the schemes, the offer shares and options are normally releasable to beneficiaries on the basis of 20% becoming available on the first anniversary of the date of the offer and 20% each year thereafter. Shares have been granted to participants at the weighted average value per share determined over five trading days immediately preceding the offer date. Shares are not granted in closed periods. Information on options and shares granted to executive directors during the year under the Woolworths Holding Share Trust ("Trust") is given in the remuneration report on pages 46 and 47 of the report.

In terms of the Trust deed, the number of shares which can be utilised for the share incentive schemes is limited to 15% of the issued share capital of the company.

At a general meeting on 15 November 2006 shareholders approved the adoption of the following three new long-term incentive share schemes:

- The Woolworths Share Appreciation Rights Scheme;
- The Woolworths Long Term Incentive Plan; and
- The Woolworths Deferred Bonus Plan.

These three new schemes come into effect from 1 July 2007.

share options
In terms of the Trust deed, under the existing share option scheme employees were granted a total of 28 770 004 (2006: 30 849 431) share options ranging from R2.60 to R24.13 during the year (2006: R2.60 to R16.56), which are exercisable between July 2007 and June 2017.

share purchases
Shares held by the Trust on behalf of beneficiaries totalled 32 979 168 (2006: 29 294 842).

The number of shares and options available for utilisation by the Trust as at 30 June 2007 was as follows:

	2007	2006
Number of shares and options available for utilisation		
Balance at the beginning of the year	52 313 134	53 691 762
Shares and options acquired from employees	6 739 959	4 809 211
Offers made to employees during the year	(13 018 250)	(7 690 250)
Decrease in share capital due to the share repurchase	(190 208)	(678 457)
Increase in issued share capital	2 005 264	2 180 868
Balance at the end of the year	47 849 899	52 313 134

distribution to shareholders
On 14 February 2007 an interim dividend of 29.5 cents per share was declared and paid to shareholders on 12 March 2007 (2006: 24 cents per share). A final dividend of 46.5 cents per share in respect of the year ended 30 June 2007 was declared on 22 August 2007 and is payable on 17 September 2007 (2006: 39 cents per share).

directors' responsibility for annual financial statements
The directors are responsible for preparing the annual financial statements and other information presented in the annual report in a manner that fairly presents the financial position and the results of the operations of the company and the group for the year ended 30 June 2007.

The external auditors are responsible for carrying out an independent examination of the annual financial statements in accordance with International Standards on Auditing in the manner required by the South African Companies Act, (61 of 1973), as amended, and for reporting their findings thereon. The auditors' report is set out on page 52 of these financial statements.

The annual financial statements set out on pages 53 to 102 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies which have been consistently applied in all material respects, and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

going concern
The directors have reviewed the group's budget and cash flow forecast for the year to 30 June 2008, and details of the group insurance arrangements. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

borrowing powers
In terms of the articles of association, the borrowing powers of the company are unlimited. However, all borrowings by the group are subject to board approval as required by the board delegation of authority. The details of borrowings appear in note 22 to the annual financial statements on pages 86 and 87.

subsidiary companies
An annexure containing full particulars of the subsidiary companies appears on page 102 of the annual financial statements.

events subsequent to balance sheet date
No event material to the understanding of this report has occurred between the end of the financial period and the date of this report, except for the issue of the 88 267 306 convertible, redeemable, non-cumulative participating preference shares in terms of the BEE employee share ownership scheme.

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

Woolworths Holdings Limited

Effective date	Summary of resolution
15 November 2006	Approved the general authority authorising the company to acquire ordinary shares issued by the company.
12 June 2007	Approved the amendments to the authorised share capital of the company, details of which have been disclosed in this report.
12 June 2007	Approved the amendments to the articles of association to create the convertible, redeemable, non-cumulative participating preference shares.

No special resolutions were passed by the subsidiaries of the company during the course of the year.

income statements
for the year ended 30 June

	Note	Group 2007 Rm	Group Restated 2006 Rm	Company 2007 Rm	Company 2006 Rm
Revenue	2	18 641.9	15 144.8	758.0	43.2
Turnover	2	17 376.9	14 208.0	–	–
Cost of sales		11 399.9	9 340.4	–	–
Gross profit		5 977.0	4 867.6	–	–
Other revenue	2	1 265.0	936.8	758.0	43.2
Expenses		5 396.5	4 314.1	(1.9)	0.2
Depreciation	9	316.7	269.9	–	–
Occupancy cost		806.0	679.1	–	–
Employment cost		2 129.3	1 701.4	–	–
Other operating cost		2 144.5	1 663.7	(1.9)	0.2
Operating profit		1 845.5	1 490.3	759.9	43.0
Finance costs		378.7	243.9	0.2	–
Profit before exceptional items	3	1 466.8	1 246.4	759.7	43.0
Exceptional items	4	54.6	–	114.2	3.5
Profit before tax		1 521.4	1 246.4	873.9	46.5
Tax	5	434.7	409.0	72.7	42.2
Profit for the year		1 086.7	837.4	801.2	4.3
Attributable to:					
Ordinary shareholders		1 074.4	835.6	801.2	4.3
Minority shareholders		12.3	1.8	–	–
Headline earnings per share (cents)	6	127.8	105.0		
Earnings per share (cents)	6	133.9	105.1		
Diluted headline earnings per share (cents)	6	125.5	103.0		
Diluted earnings per share (cents)	6	131.5	103.1		
Distributions per share declared for the financial year (cents)	31				
Total		76.0	63.0	76.0	63.0
Interim		29.5	24.0	29.5	24.0
Final		46.5	39.0	46.5	39.0

balance sheets

as at 30 June

	Note	Group 2007 Rm	Group Restated 2006 Rm	Company 2007 Rm	Company 2006 Rm
Assets					
Non-current assets		**2 951.3**	2 490.6	**414.8**	302.4
Property, plant and equipment	9	**1 867.1**	1 597.7	**–**	–
Investment properties	10	**105.9**	109.0	**–**	–
Interest in subsidiaries	11	**–**	–	**383.8**	269.5
Loans to customers	18	**289.8**	249.2	**–**	–
Prepaid employment costs	12	**61.4**	39.5	**–**	–
Participation in export partnerships	13	**70.4**	71.6	**31.0**	32.9
Other loans	14	**190.4**	144.7	**–**	–
Goodwill	15	**23.0**	23.0	**–**	–
Deferred tax	16	**343.3**	255.9	**–**	–
Current assets		**7 491.2**	6 277.7	**348.4**	389.5
Inventories	17	**1 202.6**	841.4	**–**	–
Woolworths card debtors	18	**3 560.2**	2 971.2	**–**	–
Credit card receivables	18	**904.8**	593.7	**–**	–
Accounts receivable	18	**605.0**	815.8	**2.0**	12.4
Loans to customers	18	**781.2**	640.9	**–**	–
Tax		**13.1**	4.5	**9.1**	0.7
Amounts owing by subsidiaries	11	**–**	–	**337.3**	376.4
Cash	32.5	**424.3**	410.2	**–**	–
Total assets		**10 442.5**	8 768.3	**763.2**	691.9
Equity and liabilities					
Capital and reserves		**3 246.9**	2 606.3	**577.4**	306.8
Share capital	19	**1.1**	1.1	**1.3**	1.3
Share premium	20	**95.6**	10.1	**95.6**	10.1
Treasury shares held		**(891.1)**	(891.1)	**–**	–
Non-distributable reserves		**204.1**	164.6	**–**	–
Distributable reserves	21	**3 837.2**	3 321.6	**480.5**	295.4
Minority shareholders' interest		**42.5**	27.9	**–**	–
Total shareholders' interest		**3 289.4**	2 634.2	**577.4**	306.8
Non-current liabilities		**2 906.6**	2 801.0	**37.0**	39.4
Interest-bearing borrowings	22	**2 179.0**	2 100.0	**–**	–
Operating lease accrual	23	**426.7**	420.2	**–**	–
Post-retirement medical aid liability	24	**227.2**	202.7	**–**	–
Deferred tax	16	**73.7**	78.1	**37.0**	39.4
Current liabilities		**4 246.5**	3 333.1	**148.8**	345.7
Trade and other payables	23	**2 092.4**	1 612.1	**1.8**	1.7
Provisions	25	**156.3**	131.0	**–**	–
Tax		**214.9**	256.4	**–**	–
Amounts owing to subsidiaries	11	**–**	–	**145.4**	342.4
Overdrafts and short-term interest-bearing borrowings	22 & 32.5	**1 782.9**	1 333.6	**1.6**	1.6
Total equity and liabilities		**10 442.5**	8 768.3	**763.2**	691.9

statement of changes in equity

for the year ended 30 June

	Note	Share capital Rm	Share premium Rm	Treasury shares Rm
Group				
Shareholders' interest at the beginning of the year – 1 July 2005		1.1	175.5	(908.5)
Profit attributable to shareholders		–	–	–
Distributions to shareholders	31	–	(176.4)	17.4
Movement in unrealised gain / loss on hedging instruments		–	–	–
Deferred tax recognised directly in equity		–	–	–
Share-based payments		–	–	–
Issue of shares	19 & 20	–	72.7	–
Share repurchase	19 & 20	–	(61.7)	–
Acquisition of former investment		–	–	–
Exchange rate differences on translation of foreign subsidiaries		–	–	–
Shareholders' interest at the end of the year – June 2006		**1.1**	**10.1**	**(891.1)**
Profit attributable to shareholders		–	–	–
Distributions to shareholders	31	–	–	–
Movement in unrealised gain / loss on hedging instruments		–	–	–
Deferred tax recognised directly in equity		–	–	–
Share-based payments		–	–	–
Issue of shares	19 & 20	–	**111.8**	–
Share repurchase	19 & 20	–	**(26.3)**	–
BEE transaction costs		–	–	–
Exchange rate differences on translation of foreign subsidiaries		–	–	–
Shareholders' interest at the end of the year – June 2007		**1.1**	**95.6**	**(891.1)**
Company				
Shareholders' interest at the beginning of the year – July 2005		1.3	175.5	–
Profit attributable to shareholders		–	–	–
Distributions to shareholders	31	–	(176.4)	–
Issue of shares	19 & 20	–	72.7	–
Share repurchase	19 & 20	–	(61.7)	–
Shareholders' interest at the end of the year – June 2006		**1.3**	**10.1**	–
Profit attributable to shareholders		–	–	–
Distributions to shareholders	31	–	–	–
BEE transaction costs		–	–	–
Issue of shares	19 & 20	–	**111.8**	–
Share repurchase	19 & 20	–	**(26.3)**	–
Shareholders' interest at the end of the year – June 2007		**1.3**	**95.6**	–

Non-distributable reserve – Foreign currency translation reserve Rm	Distributable reserves Share-based payment reserve Rm	 Financial instrument revaluation reserve Rm	Retained profit Rm	Shareholders' interest before minorities Rm	Minority shareholders' interest Rm	Total Rm
164.3	10.4	0.7	2 741.2	2 184.7	26.2	2 210.9
–	–	–	835.6	835.6	1.8	837.4
–	–	–	(315.2)	(474.2)	–	(474.2)
–	–	44.6	–	44.6	0.5	45.1
–	–	(12.9)	–	(12.9)	–	(12.9)
–	18.0	–	–	18.0	–	18.0
–	–	–	–	72.7	–	72.7
–	–	–	–	(61.7)	–	(61.7)
–	–	–	(0.8)	(0.8)	–	(0.8)
0.3	–	–	–	0.3	(0.6)	(0.3)
164.6	28.4	32.4	3 260.8	2 606.3	27.9	2 634.2
–	–	–	1 074.4	1 074.4	12.3	1 086.7
–	–	–	(550.4)	(550.4)	–	(550.4)
–	–	(41.8)	–	(41.8)	(1.8)	(43.6)
–	–	12.6	–	12.6	–	12.6
–	27.0	–	–	27.0	–	27.0
–	–	–	–	111.8	–	111.8
–	–	–	–	(26.3)	–	(26.3)
–	–	–	(6.2)	(6.2)	–	(6.2)
39.5	–	–	–	39.5	4.1	43.6
204.1	55.4	3.2	3 778.6	3 246.9	42.5	3 289.4
–	–	–	640.6	817.4	–	817.4
–	–	–	4.3	4.3	–	4.3
–	–	–	(349.5)	(525.9)	–	(525.9)
–	–	–	–	72.7	–	72.7
–	–	–	–	(61.7)	–	(61.7)
–	–	–	295.4	306.8	–	306.8
–	–	–	801.2	801.2	–	801.2
–	–	–	(609.9)	(609.9)	–	(609.9)
–	–	–	(6.2)	(6.2)	–	(6.2)
–	–	–	–	111.8	–	111.8
–	–	–	–	(26.3)	–	(26.3)
–	–	–	480.5	577.4	–	577.4

cash flow statements

for the year ended 30 June

	Note	Group 2007 Rm	Group Restated 2006 Rm	Company 2007 Rm	Company 2006 Rm
Cash flow from operating activities					
Cash inflow / (outflow) from trading	32.1	**1 373.7**	1 072.5	**(1.8)**	(1.9)
Working capital movements	32.2	**183.6**	185.4	**–**	(0.5)
Cash applied to financial services assets		**(1 182.4)**	(882.2)	**–**	–
Cash generated / (utilised) by operating activities		**374.9**	375.7	**(1.8)**	(2.4)
Interest received		**1 018.3**	760.3	**2.6**	8.4
Finance costs paid		**(366.6)**	(244.6)	**(0.2)**	–
Tax paid	32.3	**(565.0)**	(483.4)	**(83.5)**	(39.1)
Cash generated / (utilised) by operations		**461.6**	408.0	**(82.9)**	(33.1)
Dividends received		**–**	–	**755.0**	34.3
Distributions to shareholders	32.4	**(550.4)**	(474.2)	**(609.9)**	(525.9)
Net cash (outflow) / inflow from operating activities		**(88.8)**	(66.2)	**62.2**	(524.7)
Cash flow from investing activities					
Investment in property, plant and equipment to maintain operations		**(298.6)**	(380.6)	**–**	–
Investment in property, plant and equipment to expand operations		**(350.5)**	(220.5)	**–**	–
Acquistion of investment property		**–**	(36.8)	**–**	–
Proceeds on disposal of property, plant and equipment		**146.2**	49.7	**–**	–
Repayment of loans by / (to) subsidiaries		**–**	–	**(154.3)**	326.2
Investments in business operations		**–**	(23.0)	**–**	–
Prepaid employment costs		**(24.8)**	(10.3)	**–**	–
Participation in export partnerships		**43.4**	48.3	**12.8**	12.5
Loans and advances to employees and share scheme participants		**(42.9)**	(25.3)	**–**	–
Net cash (outflow) / inflow from investing activities		**(527.2)**	(598.5)	**(141.5)**	338.7
Cash flow from financing activities					
Shares issued		**111.8**	72.7	**111.8**	72.7
Repurchase of shares		**(26.3)**	(61.7)	**(26.3)**	(61.7)
Notes issued		**1 015.0**	–	**–**	–
Notes redeemed		**(300.0)**	–	**–**	–
BEE transaction costs		**(6.2)**	–	**(6.2)**	–
Net cash inflow from financing activities		**794.3**	11.0	**79.3**	11.0
Increase / (decrease) in cash and cash equivalents		**178.3**	(653.7)	**–**	(175.0)
Cash and cash equivalents at the beginning of the year		**(623.4)**	23.3	**(1.6)**	173.4
Effect of foreign exchange rate changes		**22.5**	7.0	**–**	–
Cash and cash equivalents at the end of the year	32.5	**(422.6)**	(623.4)	**(1.6)**	(1.6)

1 # Significant accounting policies

The consolidated annual financial statements of Woolworths Holdings Limited ("the company") for the year ended 30 June 2007 comprise the company and its subsidiaries (together referred to as "the group").

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), and the South African Companies Act, (61 of 1973), as amended.

Basis of preparation

The annual financial statements are prepared on the historical cost basis, except where otherwise indicated. The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, except where the group has adopted the IFRS, IFRIC interpretations and amendments listed below that became effective during the year and had no impact on the reported results:

- IFRIC 4 Determining whether an Arrangement Contains a Lease
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- AC 502 Substantially enacted Tax Rates and Tax Laws
- AC 503 Accounting for Black Economic Empowerment ("BEE") Transactions
- IAS 1 and IAS 19 Amendment – Employee Benefits and Actuarial Gains and Losses, Group Plans and Disclosures
- IAS 39 Amendment – The Fair Value Option
- IAS 39 Amendment – Financial Guarantee Contracts

Where applicable, additional disclosures for the current and comparative periods were provided. IFRS and IFRIC interpretations that are not applicable to the group were not adopted.

The group has adopted the following IFRS and IFRIC interpretations, which have been issued but are not yet effective:

- **IFRIC 10 Interim Financial Reporting and Impairment (effective 1 November 2006)**
  This interpretation addresses whether impairment losses recognised on goodwill, available-for-sale financial assets and financial assets carried at cost in an entity's interim financial statements may be reversed in the subsequent annual financial statements. Such a reversal is not permissible.

  Adoption of this interpretation had no impact on the financial statements.
- **IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective 1 March 2007)**
  This interpretation addresses how to account for share-based payment schemes in a group where the holding company grants rights to its own equity instruments to the employees of a subsidiary; or where a subsidiary issues rights to equity instruments of the parent. In the first instance, the scheme is accounted for as equity-settled in both the consolidated financial statements and the financial statements of the subsidiary. In the latter instance, the scheme should be accounted for as equity-settled in the consolidated financial statements, but as cash-settled in the financial statements of the subsidiary. In addition, the interpretation addresses the situations where an entity purchases equity instruments from another party to redeem its obligation towards its employees, and where shareholders provide the equity instruments needed to satisfy the entity's obligation to its employees. Adoption of IFRIC 11 had no impact on the financial statements.

The group has not applied various IFRS and IFRIC interpretations that have been issued but are not yet effective. These are as follows, excluding those that are not expected to apply to the group:

- **IFRS 7 Financial Instruments: Disclosure (effective 1 January 2007)**
  Application of this Standard will result in additional disclosure of qualitative and quantitative information in respect of the risks arising from financial instruments to which the group is exposed. Although the Standard has not been adopted, many of its value-added disclosures have been incorporated into these financial statements.
- **IFRS 8 Operating Segments (effective 1 January 2009)**
  This interpretation introduces the management approach to segment reporting and emphasises the disclosures of the measures used to manage the business, in place of the rigidly defined disclosures required by IAS 14. A single set of operating segments replaces the primary and secondary segments.
- **IAS 23 Borrowing costs (effective 1 January 2009)**
  The revised Standard removes the option to expense or capitalise borrowing costs on qualifying assets, and now requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset, provided that it is probable that it will result in future economic benefits to the entity and the costs can be measured reliably.

Use of estimates, judgements and assumptions

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

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

notes to the annual financial statements
for the year ended 30 June

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 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 9.

Provision for net realisable value of inventory
The provision for net realisable value of inventory represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting date will be sold below cost. Refer to note 17.

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 10 years, while convertible preference shares issued in terms of the broad-based Black Economic Empowerment scheme have a life of 8 years. Other valuation assumptions include estimates of the volatility of the shares, dividend yield and the risk-free interest rate. Refer to note 19 for additional information regarding the fair value of such instruments at grant date.

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

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

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

The value in use of the relevant asset or, in the case of goodwill, the cash-generating unit to which the goodwill is allocated, is estimated by projecting the future cash flows expected to be generated by the assets or cash-generating units taking into account the expected useful lives of assets and current market conditions. The present value of these cash flows is calculated using an appropriate discount rate and compared to the net asset value. Where the net asset value exceeds the present value of cash flows, an impairment loss is recognised. In the case of goodwill, the impairment loss is allocated first to goodwill and then to other assets in the cash-generating unit. For detailed information regarding the impairment testing of goodwill, refer to note 15.

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

Impairment of financial assets
The group assesses at each balance sheet date whether objective evidence exists that a financial asset or group of financial assets is impaired.

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 fair value of the asset. Management judgement is required in the estimation of future cash flows.

Available-for-sale financial assets: The group determines that available-for-sale investments are impaired when there has been a significant decrease in its fair value to below cost. In judging what constitutes a significant decrease, the group considers amongst other things industry performance, technological changes and financing and operational cash flows.

Impairment of financial services assets: Loans to customers, Woolworths store card debtors and credit card receivables are disclosed net of any provision for impairment losses. These provisions are estimated using statistical models incorporating historic experience, updated to reflect recent economic conditions.

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.

Consolidation of Account on Us (Proprietary) Limited
A programme has been set up whereby Woolworths card receivables eligible for securitisation are sold to Account on Us (Proprietary) Limited. These receivables are used as security for the issuance of asset-backed notes by Account on Us (Proprietary) Limited. Judgement is exercised in developing the appropriate accounting treatment for these transactions. In deciding whether this special purpose entity should be consolidated, management is of the opinion that, due to the back-to-back interest rate swap entered into with The Standard Bank of South Africa Limited and as the net income of the entity, after settling all expenses, is distributed to Woolworths (Proprietary) Limited in the form of a preference

dividend, Woolworths retains, in substance, the significant risks and rewards of ownership of the assets of Account on Us (Proprietary) Limited.

Probability of vesting of rights to equity instruments granted in terms of share-based payment schemes
The cumulative expense recognised in terms of the group's share-based payment schemes reflects the extent, in the opinion of management, to which the vesting period has expired and the number of rights to equity instruments granted that will ultimately vest. At each reporting date, the unvested rights are adjusted by the number forfeited during the period to reflect the actual number of instruments outstanding. Management is of the opinion that this represents the most accurate estimate of the number of instruments that will ultimately vest.

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

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

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

No preference shares had been issued to the Black Economic Empowerment trust at 30 June 2007.

Basis of consolidation
The group consolidates all of its subsidiaries. Accounting policies are applied consistently in all group companies. A subsidiary is an enterprise over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities. 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 have financial years ending 30 June and are consolidated to that date. The results of subsidiaries with year ends differing from that of the group are compiled for a rolling twelve month period ending 30 June and consolidated to that date.

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

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

Foreign currency translations
The consolidated and company annual financial statements are presented in South African rand, the group presentation currency and both the presentation and functional currency of the company.

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 balance sheet date, gains and losses thereon are recognised in the income statement. Upon settlement, foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the settlement date and resulting gains and losses are recognised in the income statement. 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 South African rand at the rates of exchange ruling at the balance sheet date in respect of balance sheet items and at an average rate per month in respect of income statement items. Gains and losses on the translation of foreign operations are taken directly to non-distributable reserves.

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

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

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

Subsequent to initial recognition, buildings and leasehold improvements are shown at cost less accumulated depreciation and any impairment in value. Land is measured at cost less any impairment in value. The property portfolio is valued internally on an annual basis and every three years by independent valuers for additional disclosure purposes.

Furniture, fittings, motor vehicles, computers and computer software are shown at cost less accumulated depreciation and any impairment in value.

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

An asset is depreciated from when 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 when the asset is included in a discontinued operation in accordance with IFRS 5 and the date that the asset is derecognised. The depreciable amount of an asset, being the cost of the asset less the residual value, is allocated on a straight-line basis over the estimated useful life of the asset. Residual value is the estimated amount that an entity would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Whilst residual value exceeds 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.

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
Computer software	5 to 10 years
Computers	3 to 7 years
Motor vehicles	5 years

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

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

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. The cost of the business combination is the fair values 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; and any costs directly attributable to the business combination.

At the acquisition date, goodwill acquired in a business combination is recognised as an asset and initially measured at its cost. The acquisition date is the date on which the group effectively obtains control of the acquiree.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and tested for impairment at every financial year end. Refer to note 15 in this regard. An impairment loss on goodwill is not reversed.

Derecognition

When goodwill forms part of a cash-generating unit and part of that cash-generating unit 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 of the operation. 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.

Investment properties

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

Investment properties are initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment property will flow to the group and the cost of the investment property can be measured reliably. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction development is complete.

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

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

Prepaid employment costs

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

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

These costs are amortised to the income statement over the period in which services are rendered by employees.

Taxes

Current tax

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

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

Deferred tax

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

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will allow the deferred tax asset to be utilised, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are reviewed at each balance sheet 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 all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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 balance sheet 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 balance sheet date, to recover or settle the carrying values of its assets and liabilities.

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

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.

Secondary Tax on Companies ("STC")

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

Current assets and liabilities

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

Inventories

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

Subsequent to initial recognition, inventories are measured at the lower of cost and net realisable value. Net realisable value 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.

The carrying amount of inventories 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 passed on to the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset or lease period, with a corresponding liability raised on the balance sheet. At commencement, the asset and liability are recognised at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Related finance costs are charged to income using the effective interest rate method over the period of the leases.

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Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease expenses and income are recognised in the income statement on a straight-line basis over the lease term. Contingent rental escalations, such as those relating to turnover, are expensed in the year in which the escalation is determined.

Retirement benefits

Current contributions to defined contribution retirement plans are charged to income as incurred.

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

Share-based payment transactions

Shares and rights to acquire shares granted to employees in terms of the group's share incentive and the Woolworths Black Economic Empowerment Employee Share Ownership Scheme meet the definition of share-based payment transactions.

The equity-settled share-based payment programmes allow group employees to acquire shares in the company. The fair value of rights to acquire shares granted in the form of share options and convertible preference shares is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period in which the employees become unconditionally entitled to these rights. The fair value of the grants is measured using option pricing models, taking into account the terms and conditions under which the rights to acquire the shares were granted. In valuing the grants, market conditions imposed, where applicable, on the vesting or exercisability of the share rights are taken into account. No adjustments to the cost of share-based payment schemes are made if a market condition is not satisfied. Where shares are granted at a discount to the ruling market price, the intrinsic 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 expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of the modification.

Where an equity-settled award is cancelled, 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 result in share dilution in the computation of earnings per share. Refer to note 6.

No shares had yet been issued in terms of the group's Black Economic Empowerment share scheme at year end.

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.

Impairment

Non-financial assets

The carrying amount of the group's assets, other than inventories (see accounting policy note for inventories), goodwill (see impairment policy note for goodwill) and deferred tax assets (see accounting policy note for deferred tax), are reviewed at each balance sheet date for any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An impairment recognised previously may be reversed when estimates change as a result of an event occurring after the impairment was initially recognised. Such a reversal is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised in the income statement.

Goodwill
Goodwill is tested for impairment at each financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill is allocated. Where the cash-generating unit's recoverable amount is less than its carrying value, an impairment loss is recognised. An impairment loss for goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill on 30 June.

Financial assets
The group assesses at each balance sheet date whether objective evidence exists that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that assets carried at amortised cost are impaired, the loss is measured as the difference between the asset's carrying amount and present value of future cash flows discounted at its original effective interest rate. The loss is recognised in the income statement.

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

If, in a subsequent period, the amount of an impairment loss decreases due to an event occurring after recognition of the impairment, the previously recognised impairment loss is reversed. Such a reversal is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets
If available-for-sale financial assets are identified as impaired, the difference between cost and current fair value less any previously recognised impairment loss is transferred from equity to the income statement.

Impairment losses on available-for-sale financial instruments are reversed if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised. However, impairment losses recognised in interim financial statements cannot be reversed at year end.

Financial instruments
Recognition
Financial assets and financial liabilities are initially recognised on the balance sheet when the group becomes party to the contractual provisions of the instrument.

The trade date method of accounting has been adopted for 'regular way' purchases or sales of financial assets. The trade date is the date that an enterprise commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the timeframe generally established by regulation or convention in the market place concerned.

Derecognition
Financial assets
A financial asset is derecognised where the rights to receive cash from the asset have 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 to a third party under a pass-through arrangement, or 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.

Financial liabilities
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.

Measurement
Financial instruments 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.

For the purposes of measurement after initial recognition, financial assets are classified into one of the four categories, being at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such assets are carried at amortised cost, using the effective interest method, less accumulated impairment. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

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Participation in export partnerships
Amortised cost for the group's participation in export partnerships 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, 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, is recorded.

Financial services assets
Financial services assets comprise loans to customers, Woolworths store card and credit card receivables. These assets are subsequently measured at amortised cost less a provision for impairment estimated using statistical provisioning models. Refer note 18.

Other loans
Other loans comprise housing and other employee loans.

Accounts receivable
Accounts receivable 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 bank, overdrafts and interest-bearing money market borrowings. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Available-for-sale financial assets
Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as at fair value through profit and loss, held-to-maturity investments or loans and receivables. After initial recognition, available-for-sale assets are measured at fair value with gains and losses recognised in equity until the asset is derecognised or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments traded in an active market is determined with reference to quoted market bid prices at close of business on the balance sheet 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 substantially similar instruments, discounted cash flow analysis and option pricing models.

Derivative instruments
The group uses derivative financial instruments, being foreign exchange contracts and interest rate swaps, to hedge the risks associated with foreign currency and interest rate fluctuations respectively. It is the group's policy not to trade in derivative financial instruments for speculative purposes. Details of the group's financial risk management objectives are set out in notes 28 and 29.

The fair value of forward exchange contracts is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year end. The fair value of interest rate swap contracts is determined by using appropriate valuation techniques and is calculated by independent experts.

Derivative instruments not designated as hedging instruments or subsequently not expected to be effective hedges are marked to market and the resulting gain or loss is recognised in the income statement in the period in which it arises.

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

Gains or losses on the effective portion of cash flow hedges in respect of a risk associated with a recognised asset or liability, or highly probable forecast transaction or firm commitment, is recognised directly in equity. The gain or loss on the ineffective portion is recognised in the income statement in the period in which it arises. When a hedged forecast transaction is recognised as a non-financial asset or a non-financial liability, the cumulative gains and losses associated with the forecast transaction are removed from equity and included in the initial measurement of the non-financial asset or non-financial liability. When cash flow hedges result in the recognition of a financial asset or a financial liability, the cumulative gains or losses reflected in equity are included in the income statement in the same periods that the related asset or liability affects profits.

Financial liabilities
Financial liabilities consist of term borrowings, trade and other payables, accruals, liabilities classified as at fair value through profit and loss and derivatives held for hedging (refer derivative instruments accounting policy). After initial recognition, financial liabilities are recognised at amortised cost, being original debt value minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount, using the effective interest rate method, except for derivatives which are measured at fair value.

Finance costs are expensed in the income statement in the period in which they are incurred using the effective interest rate method.

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

Treasury shares

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

Revenue recognition

Revenue of the group comprises:

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

Value added tax is excluded.

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

Revenue is recognised on the following bases:

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

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

Finance costs

No finance costs associated with the development of property, plant and equipment are capitalised.

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.

Expenses

Expenses are recognised in the income statement when it is probable that an outflow of economic benefits associated with a transaction will occur and that outflow can be measured reliably.

Exceptional items

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

Segmental information

The primary segments of the group have been identified by nature of business, being retail and financial services. The retail segment is further sub-divided by chain being Woolworths and Country Road. Each segment has its own revenues, profits, assets and liabilities. Support charges are allocated between the retail and financial services segments on a usage basis.

Segment results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis.

The secondary segments are based on the location of customers and assets.

The accounting policies are consistently applied in determining the segmental information.

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 year. Headline earnings per share is calculated in accordance with Circular 7/2002 issued by the South African Institute of Chartered Accountants.

Distributions paid to shareholders

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

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for the year ended 30 June

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
2 Revenue				
Turnover	**17 376.9**	14 208.0	**–**	–
Clothing and home	**8 339.0**	6 992.9	**–**	–
Food	**8 718.0**	6 941.5	**–**	–
Logistics services and other	**319.9**	273.6	**–**	–
Other revenue	**1 265.0**	936.8	**758.0**	43.2
Interest	**1 022.4**	765.4	**3.0**	8.9
Royalties, franchise and other commissions	**209.4**	141.9	**–**	–
Rentals	**33.2**	29.5	**–**	–
Distributions received	**–**	–	**755.0**	34.3
	18 641.9	15 144.8	**758.0**	43.2
3 Profit before exceptional items includes:				
3.1 **Operating lease expenses**				
Land and buildings – rentals	**683.6**	511.8	**–**	–
Land and buildings – operating lease accrual (note 23)	**23.2**	23.5	**–**	–
Plant and equipment	**4.0**	2.3	**–**	–
Provision for onerous lease commitments	**(1.2)**	0.1	**–**	–
3.2 **Auditors' remuneration:**				
Audit fee	**7.5**	5.7	**1.9**	1.5
current year	**6.5**	5.1	**1.9**	1.5
prior year underprovision	**1.0**	0.6	**–**	–
Tax advisory and other services	**1.6**	1.6	**–**	–
3.3 **Net foreign exchange loss / (profit)**	**6.3**	(1.0)	**(1.1)**	(1.7)
3.4 **Other expenses**				
Technical and consulting service fees	**80.0**	74.3	**–**	–
Profit on sale of property, plant and equipment	**(1.5)**	(0.2)	**–**	–

4 Exceptional items

	(Profit)/loss before tax Rm	Tax Rm	Minority interest Rm	Attributable (profit)/loss Rm
Group				
2007				
Profit on disposal of property in Midrand	**(54.6)**	**7.9**	**–**	**(46.7)**
Company				
2007				
Reversal of impairment of investment in: Woolworths International Holdings Limited	**(114.2)**	**–**	**–**	**(114.2)**
	(114.2)	**–**	**–**	**(114.2)**
2006				
Reversal of impairment of investment in: Woolworths International Holdings Limited	(3.5)	–	–	(3.5)
	(3.5)	–	–	(3.5)

The provision for impairment against the company's investment in Woolworths International Holdings Limited, the intermediate holding company of its Australian subsidiary Country Road Limited, has been reduced by R114.2m (2006: R3.5m). The provision is based on an assessment of fair value based on the underlying net assets and the exchange rates prevailing at the year end. The strong performance of the Australian dollar and the favourable trading conditions experienced by the group's Australian operations during the year resulted in the reversal of impairment.

	Group		Company	
	2007	2006	**2007**	2006
	Rm	Rm	**Rm**	Rm
5 **Tax**				
Current year				
South Africa				
Normal tax	**456.8**	424.1	**3.7**	4.5
Deferred tax (note 16)	**(34.3)**	(69.8)	**(3.2)**	(3.8)
Secondary tax on companies	**77.6**	45.9	**68.8**	39.4
Foreign tax	**0.7**	0.4	**–**	–
	500.8	400.6	**69.3**	40.1
Prior year				
South Africa				
Normal tax	**(20.2)**	31.2	**2.6**	2.1
Deferred tax (note 16)	**(45.9)**	(22.8)	**0.8**	–
	434.7	409.0	**72.7**	42.2
	%	%	**%**	%
The rate of tax on profit is reconciled as follows:				
Standard rate	**29.0**	29.0	**29.0**	29.0
Tax losses in subsidiaries not provided	**–**	0.1	**–**	–
Disallowable expenditure	**0.8**	0.8	**0.1**	–
Exempt income	**(0.1)**	(0.2)	**(25.1)**	(25.7)
Other	**(0.8)**	(0.5)	**(0.2)**	0.3
Prior years	**(4.3)**	0.5	**0.4**	4.6
Secondary tax on companies	**4.5**	3.1	**7.9**	84.7
Effective rate before exceptional items	**29.1**	32.8	**12.1**	92.9
Exceptional items	**(0.5)**	–	**(3.8)**	(2.1)
Effective tax rate	**28.6**	32.8	**8.3**	90.8

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6 **Earnings per share**

The calculation of earnings per share is based on attributable profit of R1 074.4m (2006: R835.6m) and a weighted average of 802 381 450 (2006: 795 330 120) ordinary shares in issue, after eliminating shares held as treasury shares.

1 268 051 shares were repurchased in 2007, but this had a negligible effect on the weighted average number of shares in issue due to the timing of the repurchase.

The calculation of headline earnings per share is as follows:

	Profit before tax Rm	Tax Rm	Minority shareholders' interest Rm	Attributable profit Rm	Headline earnings per share (cents)	Earnings per share (cents)
Group						
2007						
Per the financial statements	**1 521.4**	**(434.7)**	**(12.3)**	**1 074.4**	**133.9**	**133.9**
Adjustments:						
Profit on disposal of property, plant and equipment	**(56.1)**	**8.1**	**–**	**(48.0)**	**(6.0)**	
Foreign exchange profit realised on repayment of loan by subsidiary	**(1.1)**	**–**	**–**	**(1.1)**	**(0.1)**	
Headline earnings	**1 464.2**	**(426.6)**	**(12.3)**	**1 025.3**	**127.8**	
Diluted earnings per share					125.5	131.5
% dilution					1.8%	1.8%
2006						
Per the financial statements	1 246.4	(409.0)	(1.8)	835.6	105.1	105.1
Adjustments:						
Profit on disposal of property, plant and equipment	(0.2)	(0.4)	–	(0.6)	(0.1)	
Headline earnings	1 246.2	(409.4)	(1.8)	835.0	105.0	
Diluted earnings per share					103.0	103.1
% dilution					1.9%	1.9%

Diluted earnings per share

The calculation of diluted earnings per share and diluted headline earnings per share is based on attributable profit as above and a weighted average of 816 710 145 (2006: 810 597 301) ordinary shares in issue, after eliminating shares held as treasury shares, calculated as follows:

	Group 2007	Group 2006
Weighted number of shares in issue for basic and headline earnings per share	**802 381 450**	795 330 120
Potentially dilutive ordinary shares under option deemed to have been issued for no consideration	**14 328 695**	15 267 181

The dilution arises from the outstanding in-the-money share options in respect of the share incentive scheme that will be issued to employees at a value lower than the weighted average traded price during the past financial year. The dilution impact is calculated based on the exercise price of outstanding options and the IFRS 2 expense in the income statement in respect of those options.

7 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:

	Group 2007 Rm	Group 2006 Rm
Executive directors		
Fees	**0.3**	0.3
Remuneration	**10.0**	6.4
Retirement, medical, accident and death benefits	**1.5**	1.0
Performance bonus	**8.8**	6.0
Other benefits	**0.3**	0.2
Interest-free loan benefit	**5.5**	2.6
	26.4	16.5
Non-executive directors		
Fees	**2.8**	2.4
	2.8	2.4
	29.2	18.9

Details of the directors' emoluments are provided in the corporate governance report on pages 44 and 45.

8 Related party transactions

Related parties

The related party relationships, transactions and balances as listed below exist within the group:

Holding company

The nature of transactions between the holding company and subsidiaries comprises distributions received and interest earned on loans.

The holding company provides sureties for the banking facilities and lease obligations of certain subsidiaries. The banking facilities at year end are disclosed in note 28.4 to the annual financial statements.

	Company 2007 Rm	Company 2006 Rm
The following related party transactions occurred during the period.		
Woolworths Holdings Limited		
Interest received from subsidiary companies	**0.8**	2.2
Dividends received from subsidiary companies	**755.0**	34.3
Dividends paid to subsidiary companies	**59.5**	20.8

Subsidiaries

During the period, group companies entered into various transactions. These transactions were entered into in the ordinary course of business and under terms that are no less favourable than those arranged with independent third parties. All such intra-group related party transactions and outstanding balances are eliminated in preparation of the consolidated financial statements of the group.

Details of interests in subsidiaries and loans owing to/by subsidiaries are disclosed in note 11 and Annexure 1. For the year ended 30 June 2007, the group has not recognised any impairment losses relating to amounts owing by related parties, except as detailed in note 11.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited and Woolworths (Proprietary) Limited. Key management personnel has been defined as the board of directors of the holding company and the major operating subsidiary Woolworths (Proprietary) Limited, and the Chief executive officer of Country Road Limited. The definition of related parties include close family members of key management personnel. The group has not engaged in transactions with close family members of key management personnel during the financial year.

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	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
8 Related party transactions continued				
Key management compensation				
Short-term employee benefits	**37.2**	31.4	**28.1**	18.3
Woolworths Holdings Limited directors	**28.1**	18.3	**28.1**	18.3
Other key management personnel	**9.1**	13.1	**–**	–
Post-employment benefits	**1.6**	1.2	**1.1**	0.6
Woolworths Holdings Limited directors	**1.1**	0.6	**1.1**	0.6
Other key management personnel	**0.5**	0.6	**–**	–
IFRS 2 value of share-based payments expensed	**0.8**	1.2	**–**	–
Woolworths Holdings Limited directors	**0.3**	0.5	**–**	–
Other key management personnel	**0.5**	0.7	**–**	–
	39.6	33.8	**29.2**	18.9

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

Post-employment benefits comprise both the employee and the company's contributions to the group's retirement and healthcare funds.

Other long-term benefits comprise employee benefits other than termination and post-employment benefits which do not fall due within twelve months of the end of the period.

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Share purchase scheme loans and investments (at cost)				
Loans and investments at the beginning of the year	**90.5**	73.5	**75.7**	59.3
Loans granted during the year	**45.6**	19.9	**43.4**	9.1
Loans repaid during the year	**(7.3)**	(2.9)	**–**	(1.0)
Loans and investments at the end of the year	**128.8**	90.5	**119.1**	67.4

Details of the terms and conditions relating to these loans are disclosed in note 14.
No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2006: nil).

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Woolworths card and Woolworths Visa credit card accounts				
Balance outstanding at the beginning of the year	**0.2**	0.1	**0.1**	0.1
Annual spend	**1.6**	1.0	**1.6**	0.7
Annual repayments	**(1.6)**	(0.9)	**(1.5)**	(0.7)
Balance outstanding at the end of the year	**0.2**	0.2	**0.2**	0.1

Purchases made by key management personnel are at standard discounts granted to all employees of the company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other card holders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths Visa credit card accounts of key management personnel (2006: nil).

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

9 Property, plant and equipment

Group 2006	Land and buildings Rm	Leasehold improve-ments Rm	Furniture, fittings, equipment, and motor vehicles Rm	Computers and computer software Rm	Total Rm
Balance at 1 July 2005					
Cost	255.6	102.8	1 273.5	793.6	2 425.5
Accumulated depreciation	–	3.3	703.6	414.6	1 121.5
Net book value	255.6	99.5	569.9	379.0	1 304.0
Current year movements					
Additions	197.9	24.2	231.1	154.2	607.4
Disposals / scrappings – cost	(5.3)	(0.6)	(69.9)	(7.4)	(83.2)
Disposals / scrappings – accumulated depreciation	–	0.3	33.4	–	33.7
Depreciation	–	(6.8)	(151.0)	(112.1)	(269.9)
Foreign exchange rate differences – cost	–	3.6	4.4	3.6	11.6
Foreign exchange rate differences – accumulated depreciation	–	(1.2)	(1.9)	(2.8)	(5.9)
Balance at June 2006	448.2	119.0	616.0	414.5	1 597.7
Made up as follows :					
Cost	448.2	130.0	1 439.1	944.0	2 961.3
Accumulated depreciation	–	11.0	823.1	529.5	1 363.6
Net book value at June 2006	448.2	119.0	616.0	414.5	1 597.7
2007					
Current year movements					
Additions	**174.1**	**29.2**	**332.1**	**116.7**	**652.1**
Disposals / scrappings – cost	**(28.1)**	**(0.6)**	**(135.4)**	**(4.6)**	**(168.7)**
Disposals / scrappings – accumulated depreciation	**–**	**0.4**	**74.3**	**3.9**	**78.6**
Depreciation	**–**	**(8.7)**	**(180.4)**	**(127.6)**	**(316.7)**
Transfer from investment property	**3.1**	**–**	**–**	**–**	**3.1**
Foreign exchange rate differences – cost	**–**	**11.3**	**18.4**	**10.4**	**40.1**
Foreign exchange rate differences – accumulated depreciation	**–**	**(2.7)**	**(9.8)**	**(6.6)**	**(19.1)**
Balance at June 2007	**597.3**	**147.9**	**715.2**	**406.7**	**1 867.1**
Made up as follows :					
Cost	**597.3**	**169.9**	**1 654.2**	**1 066.5**	**3 487.9**
Accumulated depreciation	**–**	**22.0**	**939.0**	**659.8**	**1 620.8**
Net book value at June 2007	**597.3**	**147.9**	**715.2**	**406.7**	**1 867.1**

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

At 30 June 2007 retail stores were valued by internal valuers at R195.0m (2006: R167.0m) compared to a carrying value of R109.0m (2006: R109.0m).

At this date the distribution centres were valued by the internal valuers at R700.0m (2006: R550.1m) compared to a carrying value of R369.2m (2006: R188.0m).

The corporate owner-occupied properties have a current value of R119.6m (2006: R109.0m) compared to a carrying value of R73.6m (2006: R73.1m).

Land and buildings are valued externally every three years and annually by internal valuers. The next external valuation will occur during the 2008 financial year.

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

A register of land and buildings, containing the information required by paragraph 22 (3) of Schedule 4 of the Companies Act, is available for inspection at the registered office of the company. A copy will be posted, upon request, by the Group secretary.

	Group 2007 Rm	Group 2006 Rm
10 Investment properties		
Balance at the beginning of the year		
Cost	109.0	72.2
Current year movements		
Additions	–	36.8
Transfers to land and buildings	(3.1)	–
Balance at the end of the year	105.9	109.0

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

At 30 June 2007 investment properties were valued by internal valuers at R128.3m (2006: R116.7m).

Rental income and expense from investment properties		
Rental income from investment properties	7.9	7.4
Direct operating expenses from investment properties that earned rental income during the period	3.0	2.9

No restrictions exist on the sale of investment properties.

notes to the annual financial statements

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11 Interest in subsidiaries

	Company 2007 Rm	Company 2006 Rm
Shares	383.8	269.5
Cost	401.3	401.3
Provision for impairment	(17.5)	(131.8)
Amounts owing (to) / by subsidiaries		
Woolworths (Proprietary) Limited	(145.4)	(342.4)
	337.3	376.4
Country Road Limited	–	38.1
E-Com Investments 16 (Proprietary) Limited	337.3	338.3
iSentials (Proprietary) Limited	–	–
Cost	24.5	27.1
Provision for impairment	(24.5)	(27.1)
Total net interest	575.7	303.5

Shares in subsidiaries are stated at cost less provision for impairment.

Interest on the Australian dollar denominated loan to Country Road Limited is calculated based on the Australian Bank Bills rate and is payable quarterly in arrears. The loan has been subordinated. The full amount outstanding at June 2006 was repaid during the current year (2006: A$ nil repaid). Interest received on the loan to Country Road for the current year amounted to R0.8m (2006: R2.2m).

The loans to and from the other subsidiaries are unsecured, interest free and are repayable on demand.

The carrying values of loans to and from subsidiaries that have not been impaired, approximate their fair values.

12 Prepaid employment costs		
Balance at the beginning of the year	39.5	29.3
Prepayment arising from share loans granted during the year	24.8	12.0
Current employment costs released to income statement	(2.9)	(1.8)
Balance at the end of the year	61.4	39.5

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
13 **Participation in export partnerships**	**70.4**	71.6	**31.0**	32.9

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

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

The current portion of the participation in export partnerships is included in accounts receivable. Refer note 18.

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

	Group 2007 Rm	Group 2006 Rm
14 **Other loans**		
Housing and other employee loans	**40.2**	43.1
Share purchase scheme participant loans and investments	**149.3**	100.6
Balance at beginning of the year	**100.6**	110.8
Loans granted during the year	**57.2**	30.5
Loans repaid during the year	**(10.6)**	(42.5)
Current portion included in accounts receivable (refer note 18)	**(0.8)**	–
Notional interest accrued for the year	**2.9**	1.8
Other	**0.9**	1.0
	190.4	144.7

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

Housing and other employee loans bear interest at varying discounts to market rates. Housing loans are required to be repaid on termination of employment.

The fair value of share purchase loans amounted to R178.5m (2006: R118.0m) at the balance sheet date. The fair values are calculated by discounting the future cash flows arising from settlement of the loans over the expected period of repayment using market related interest rates.

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15 Goodwill

	Group 2007 Rm	Group 2006 Rm
Balance at 1 July		
Cost	**23.0**	–
Goodwill arising on acquisition of Virtual Market Place (Proprietary) Limited	–	12.8
Repurchase of franchise business	–	10.2
Balance at 30 June	**23.0**	23.0
Made up as follows :		
Cost	**23.0**	23.0

Impairment testing of goodwill

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

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

The recoverable amounts of the repurchased franchise business is based on value-in-use calculations. These calculations use cash flow projections based on historical information and financial budgets approved by management covering a 2-year period. Cash flows beyond this period are extrapolated using estimated growth in sales and costs based on historical performance.

The projected cash flows are discounted to their present value using the weighted average cost of capital. This amounted to 13.4% in the current year (2006: 11.8%).

The cash flows generated by Virtual Market Place (Proprietary) Limited are largely dependent on fees received from the Woolworths retail business for administration of the group's MySchool programme. This programme is aimed at providing financing to participating schools across South Africa. The value of this business is measured by the customer loyalty created by participation in the MySchool programme and the brand awareness that the programme generates.

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
16 Deferred tax				
Balance at the beginning of the year	**177.8**	103.0	**(39.4)**	(43.2)
Amount credited to the income statement	**80.2**	92.6	**2.4**	3.8
Property, plant and equipment	**23.4**	6.7	**–**	–
Prepayments	**(6.1)**	7.3	**–**	–
Working capital and other provisions	**28.3**	64.1	**–**	–
Export partnerships	**4.3**	8.6	**2.6**	3.8
Post-retirement medical aid liability	**6.9**	6.0	**–**	–
Secondary tax on companies	**9.0**	6.7	**–**	–
Other	**14.4**	(6.8)	**(0.2)**	–
Amounts recognised directly in equity				
Foreign currency translation reserve adjustment	**(1.0)**	(4.9)	**–**	–
Financial instrument revaluation reserve adjustment	**12.6**	(12.9)	**–**	–
Balance at the end of the year	**269.6**	177.8	**(37.0)**	(39.4)
Deferred tax liability	**(73.7)**	(78.1)	**(37.0)**	(39.4)
Deferred tax asset	**343.3**	255.9	**–**	–
Net deferred tax asset	**269.6**	177.8	**(37.0)**	(39.4)
Comprising:				
Property, plant and equipment	**(23.7)**	(47.1)	**–**	–
Prepayments	**(17.7)**	(11.6)	**–**	–
Working capital and other provisions	**284.1**	255.8	**–**	–
Export partnerships	**(73.7)**	(78.1)	**(31.6)**	(34.2)
Post-retirement medical aid liability	**66.0**	59.1	**–**	–
Secondary tax on companies	**18.9**	9.9	**–**	–
Other	**15.7**	(10.2)	**(5.4)**	(5.2)
	269.6	177.8	**(37.0)**	(39.4)

Deferred tax has been calculated at the standard corporate tax rate as at the reporting date as management expect to recover the carrying values of assets and settle the carrying value of liabilities through use. The deferred tax asset relating to STC credits is calculated using the STC rate.

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

	Group 2007 Rm	Group 2006 Rm
Losses available for set-off against future taxable income for which a deferred tax asset has not been raised	**(20.2)**	(12.2)
17 Inventories		
Merchandise	**1 215.0**	832.0
Provision for impairment	**(35.8)**	(10.8)
Consumables	**9.7**	2.7
Raw materials	**13.7**	17.5
	1 202.6	841.4
Inventories carried at net realisable value included above	**148.6**	105.2
Extent to which merchandise sold below cost during the year	**68.9**	51.6

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18 Receivables

R2 323.6m of Woolworths card receivables eligible for securitisation were sold to Account On Us (Proprietary) Limited in February 2005 and continue to be sold to Account On Us (Proprietary) Limited on a daily basis.

Woolworths (Proprietary) Limited, the main trading subsidiary, has retained the significant risks and rewards of ownership of the securitised card debtors due to the following factors:

– Woolworths still bears the risk of first loss due to the provision of funding, if necessary, to Account On Us (Proprietary) Limited through a subordinated loan and a subordinated originator facility;

– Woolworths holds the preference shares issued by Account On Us (Proprietary) Limited which entitles it to participate in the profits of Account On Us (Proprietary) Limited which are available for distribution quarterly; and

– the basis risk between the funding rates and the interest earned on the securitised debtors is transferred to Woolworths through a total return interest rate swap. Refer note 28.

As a result, the securitised Woolworths card debtors are recognised on the group balance sheet.

At the balance sheet date Woolworths card debtors amounting to R3 359m (2006: R2 377.9m) are owned by Account On Us (Proprietary) Limited as security for the notes in issue under the asset-backed note programme. Refer note 22.

A second securitised note issue of R1 015m was completed during March 2007. At the same time, the first tranche of notes amounting to R300m was redeemed.

	Group	
	2007 Rm	2006 Rm
Woolworths card debtors	**3 742.8**	3 109.2
Provision for impairment	**(182.6)**	(138.0)
	3 560.2	2 971.2
Movements in the provision for impairment of Woolworths card debtors were as follows:		
Opening balance	**138.0**	105.4
Charge for the year	**291.1**	210.0
Amounts written off	**(246.5)**	(177.4)
Closing balance	**182.6**	138.0
Credit card receivables	**978.2**	628.5
Provision for impairment	**(73.4)**	(34.8)
	904.8	593.7
Movements in the provision for impairment of credit card receivables were as follows:		
Opening balance	**34.8**	16.4
Charge for the year	**111.4**	43.3
Amounts written off	**(72.8)**	(24.9)
Closing balance	**73.4**	34.8
Loans to customers – non-current	**305.5**	260.4
Loans to customers – current	**823.5**	669.5
Provision for impairment	**(58.0)**	(39.8)
– non-current	**(15.7)**	(11.2)
– current	**(42.3)**	(28.6)
	1 071.0	890.1

	Group		Company	
	2007	2006	**2007**	2006
	Rm	Rm	**Rm**	Rm

18 Receivables continued

Movements in the provision for impairment of loans to customers were as follows:				
Opening balance	**39.8**	19.5		
Charge for the year	**59.9**	48.9		
Amounts written off	**(41.7)**	(28.6)		
Closing balance	**58.0**	39.8		
Accounts receivable	**619.6**	675.5	**0.7**	0.6
Provision for impairment	**(39.6)**	(15.7)	**–**	–
Current portion of participation in export partnerships	**1.4**	42.4	**1.3**	11.8
Fair value of the securitisation total return swap and interest rate collar (refer notes 22 & 28.2)	**23.6**	113.6	**–**	–
	605.0	815.8	**2.0**	12.4
Movements in the provision for impairment of accounts receivable were as follows:				
Opening balance	**15.7**	30.3		
Charge for the year	**71.9**	25.4		
Amounts written off	**(48.0)**	(40.0)		
Closing balance	**39.6**	15.7		

Financial services assets (Woolworths store card debtors, credit card receivables and loans to customers) and accounts receivable have revolving credit terms. Loans to customers have a maximum repayment period of three years.

The carrying values of financial services assets and accounts receivable are considered to approximate fair value. Fair value is considered in the impairment review process.

Financial services assets are classified as delinquent when a qualifying payment is missed. A qualifying payment is the higher of a minimum of 10% of the balance owing on the account, or R10.

The provisions for impairment of the financial services assets are determined using statistical provisioning models based on historical experience modified for recent changes in economic circumstances to determine the probability that receivables will not be recoverable. The key assumptions are net charge-off rates of:

	%	%
Woolworths card debtors	**4.9**	4.4
Credit card receivables	**7.5**	5.5
Loans to customers	**5.1**	4.3

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

18 Receivables continued

At 30 June, the analysis of receivables past due but not impaired is as follows:

	Total	Current	Past due but not impaired: < 90 days delinquent	Past due but not impaired: 90-120 days delinquent	Past due but not impaired: >120 days delinquent
2007					
Woolworths card debtors	**3 560.2**	**2 449.0**	**908.2**	**92.5**	**110.5**
Credit card receivables	**904.8**	**647.0**	**214.6**	**17.8**	**25.4**
Loans to customers	**1 071.0**	**991.2**	**60.7**	**8.9**	**10.2**
2006					
Woolworths card debtors	2 971.2	2 059.0	760.3	71.6	80.3
Credit card receivables	593.7	434.2	136.2	9.9	13.4
Loans to customers	890.1	830.0	46.7	7.4	6.0

Woolworths card debtors and loans to customers attract interest rates as determined by the Usury Act and National Credit Act. Interest rates on credit card receivables are market-related. During the current year, interest was earned on financial services assets as follows:

	Group 2007 Rm	Group 2006 Rm
Woolworths card debtors	**656.7**	521.5
Credit card receivables	**187.9**	147.7
Loans to customers	**147.9**	74.9
	992.5	744.1

Accounts receivable are interest free and have payment terms ranging from 7 days to 60 days.

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
19 Ordinary and preference share capital				
Authorised				
1 410 600 000 (2006: 1 500 000 000) ordinary shares of 0.15 cent each	**2.2**	2.3	**2.2**	2.3
89 400 000 (2006: nil) convertible, redeemable, non-cumulative participating preference shares of 0.15 cent each.	**0.1**	–	**0.1**	–
	2.3	2.3	**2.3**	2.3
Issued				
809 319 773 (2006 : 797 219 395) ordinary shares of 0.15 cent each	**1.1**	1.1	**–**	–
(Company: 896 191 467 (2006: 884 091 089) ordinary shares of 0.15 cent each)	**–**	–	**1.3**	1.3
	1.1	1.1	**1.3**	1.3
No preference shares had been issued at 30 June 2007.				
Reconciliation of value of ordinary shares in issue:				
Opening balance	**1.1**	1.1	**1.3**	1.3
13 368 429 (2006: 14 539 120) shares issued	**–**	–	**–**	–
1 268 051 (2006: 4 523 045) shares repurchased and cancelled	**–**	–	**–**	–
Shares repurchased by subsidiary, E-Com Investments 16 (Proprietary) Limited (2006: nil)	**–**	–	**–**	–
	1.1	1.1	**1.3**	1.3

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	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm

19 Ordinary and preference share capital continued

Reconciliation of number of ordinary shares in issue:

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
Opening balance	**797 219 395**	787 203 320	**884 091 089**	874 075 014
Shares issued	**13 368 429**	14 539 120	**13 368 429**	14 539 120
Shares repurchased and cancelled	**(1 268 051)**	(4 523 045)	**(1 268 051)**	(4 523 045)
	809 319 773	797 219 395	**896 191 467**	884 091 089

Share incentive schemes

Executive incentive scheme

The group operates a share purchase scheme as well as a share option scheme, details of which are given in the directors' report.

Shares and share options granted in terms of the executive incentive scheme meet the definition of equity settled share-based payments. The terms and conditions of the schemes are detailed in the remuneration committee section of the corporate governance report.

The options vest in tranches of 20% per annum and expire after 10 years. The options were valued using a binomial model and assuming an option life of 10 years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 5% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the option life.

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

	Number of shares 2007	Number of shares 2006
Shares held by participants		
Balance at the beginning of the year	**29 294 842**	26 538 683
Issued	**6 799 591**	7 622 843
Sold	**(3 034 441)**	(4 762 779)
Transferred to trust stock and shares released from the scheme	**(80 824)**	(103 905)
Balance at the end of the year	**32 979 168**	29 294 842
Market value at 30 June (rands)	**705 754 195**	401 339 335
Percentage of shares vested at 30 June	**67%**	70%
Weighted average issue price (rands)	**12.60**	6.41
Weighted average market price per share traded (rands)	**17.26**	12.43
Number of participants on management share scheme	**95**	82
Options granted to participants		
Balance at the beginning of the year	**30 849 431**	38 005 008
Granted	**7 850 076**	5 263 315
Exercised	**(8 424 491)**	(8 951 616)
Forfeited and expired	**(1 505 012)**	(3 467 276)
Balance at the end of the year	**28 770 004**	30 849 431
Percentage of options vested at the end of the year	**46%**	47%
Weighted average exercise price of options granted during the year	**16.27**	12.09
Weighted average exercise price of options outstanding at year end	**9.09**	6.11
Weighted average market price per share traded (rands)	**18.55**	13.63
Number of participants on management option scheme	**255**	221

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19 Ordinary and preference share capital continued

Period of offer*	Number of share options outstanding 2007	2006	Exercise price	Fair value at grant date**
8 December 1998 to 8 December 2008	1 224 380	2 212 906	2.60	–
1 January 1999 to 1 January 2009	39 270	47 892	2.84	–
2 February 1999 to 2 February 2009	17 500	17 500	2.90	–
2 February 1999 to 1 May 2009	110 229	168 088	3.06	–
3 March 1999 to 3 March 2009	1 251	4 337	4.09	–
14 May 1999 to 14 May 2009	1 243 543	2 340 513	3.22	–
27 May 1999 to 27 May 2009	51 378	77 284	4.53	–
23 July 1999 to 23 July 2009	324 809	522 096	3.80	–
29 September 1999 to 29 September 2009	165 061	316 828	3.77	–
21 December 1999 to 21 December 2009	216 651	410 558	3.84	–
10 March 2000 to 10 March 2010	20 704	38 253	3.51	–
25 April 2000 to 25 April 2010	27 327	61 376	3.21	–
25 May 2000 to 1 August 2010	388 509	610 793	2.70	–
30 June 2000 to 30 June 2010	144 074	231 778	3.00	–
27 October 2000 to 1 January 2011	1 354 009	1 921 204	2.77	–
1 February 2001 to 1 March 2011	108 910	305 154	2.82	–
1 April 2001 to 1 June 2011	352 414	822 168	3.03	–
1 July 2001 to 1 September 2011	625 816	1 178 022	3.33	–
1 October 2001 to 1 December 2011	424 218	445 599	3.59	–
1 January 2002 to 1 January 2012	392 934	426 550	3.46	–
1 February 2002 to 1 April 2012	302 112	470 109	3.43	–
26 February 2002 to 26 February 2012	589 482	805 517	3.78	–
1 June 2002 to 1 June 2012	25 745	40 745	3.95	–
14 June 2002 to 14 June 2012	1 804 107	2 958 852	3.98	–
1 December 2002 to 1 December 2012	19 524	39 048	4.38	2.20
1 January 2003 to 1 January 2013	378 290	421 510	4.42	2.14
1 February 2003 to 1 February 2013	163 285	163 285	4.49	1.84
1 March 2003 to 1 May 2013	259 675	488 189	4.62	1.96
1 June 2003 to 1 June 2013	170 249	186 734	4.69	2.16
12 August 2003 to 22 August 2013	1 505 065	1 983 079	5.16	2.88
2 September 2003 to 2 September 2013	15 190	30 380	5.53	2.65
22 September 2003 to 22 September 2013	336 449	336 449	5.76	2.31
1 October 2003 to 1 November 2013	144 017	224 886	6.10	2.26
1 January 2004 to 1 January 2014	50 414	56 414	6.43	2.69
1 January 2004 to 1 January 2014	121 807	231 303	7.28	2.93
1 February 2004 to 1 February 2014	159 310	159 310	7.25	2.67
1 March 2004 to 1 March 2014	226 064	226 064	6.84	2.46
1 April 2004 to 1 April 2014	47 826	55 326	7.33	2.63
3 May 2004 to 3 May 2014	–	135 734	7.22	2.61
1 June 2004 to 1 June 2014	76 278	127 130	7.13	2.71
1 December 2004 to 1 December 2014	1 852 374	2 571 679	10.59	3.55
29 March 2005 to 29 March 2015	873 756	1 016 683	10.18	3.44
4 April 2005 to 4 April 2015	46 435	61 913	9.99	3.22
1 May 2005 to 1 May 2015	614 471	717 246	9.73	3.15
1 June 2005 to 1 June 2015	62 641	62 641	10.64	3.14
1 July 2005 to 1 July 2015	756 767	871 791	10.33	3.30
1 August 2005 to 1 August 2015	133 987	199 600	11.58	3.73
24 August 2005 to 24 August 2015	1 342 230	1 800 573	11.31	3.66
1 September 2005 to 1 September 2015	227 614	318 013	11.64	3.67
1 October 2005 to 1 October 2015	123 337	154 171	12.71	4.22
1 November 2005 to 1 November 2015	907 547	965 301	12.45	4.11
3 January 2006 to 3 January 2016	264 025	308 601	14.11	4.43
1 March 2006 to 1 March 2016	104 465	147 549	15.81	4.89
1 April 2006 to 1 April 2016	138 722	138 722	16.33	5.16
1 May 2006 to 1 May 2016	113 354	215 985	16.56	5.27
23 August 2006 and 23 August 2016	2 638 518	–	13.30	4.25
1 September 2006 and 1 September 2016	64 161	–	13.17	4.10
1 October 2006 and 1 October 2016	119 806	–	13.58	4.54
4 October 2006 and 4 October 2016	583 516	–	13.71	4.64
1 November 2006 and 1 November 2016	282 865	–	15.56	5.21
14 November 2006 and 14 November 2016	338 319	–	15.74	5.06
1 December 2006 and 1 December 2016	1 784 652	–	16.81	5.23
15 February 2007 and 15 February 2017	669 405	–	20.35	6.57

19 Ordinary and preference share capital continued

Period of offer*	Number of share options outstanding 2007	2006	Exercise price	Fair value at grant date**
1 March 2007 and 1 March 2017	**350 461**	–	20.35	6.47
1 April 2007 and 1 April 2017	**96 399**	–	21.53	7.07
20 April 2007 and 20 April 2017	**22 872**	–	22.03	7.09
15 May 2007 and 15 May 2017	**244 266**	–	24.13	7.08
1 June 2007 and 1 June 2017	**385 163**	–	22.92	7.17
	28 770 004	30 849 431		

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

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

Woolworths Black Economic Empowerment Employee Share Ownership Scheme

During the current financial year, the group launched a Black Economic Empowerment scheme in terms of which convertible, redeemable non-cumulative participating preference shares will be issued to qualifying employees of the group. The scheme was approved at a shareholders meeting on 12 June 2007.

The beneficial ownership of the shares, including the voting and dividend rights, will reside with the participants of the shares from the date of inception.

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

The preference shares are convertible into ordinary shares to the extent that the growth in the Woolworths Holdings Limited share price exceeds a predetermined hurdle rate at the end of the scheme. The preference shares are valued using a Black-Scholes model, assuming a life of eight years.

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

The cumulative vesting pattern of the preference shares over the life of the scheme is as follows:

Year	Vested portion	Year	Vested portion
1	0%	5	33%
2	0%	6	48%
3	16%	7	69%
4	23%	8	100%

As the grant date of the preference shares, as defined in IFRS 2, occurs after the financial year end, the scheme has no impact on the reported results at 30 June 2007.

However, issuing ordinary shares to participants at the end of the scheme for no consideration will result in additional dilution of earnings. An assessment of the number of ordinary shares expected to be issued will be made annually taking into account staff retention experience over the life of the scheme.

If the preference shares had been issued on 30 June 2007, the impact on earnings per share would have been as follows:

Restated diluted earnings per share	128.5
Restated diluted headline earnings per share	122.6
% dilution	2.3%

	Group 2007 Rm	2006 Rm
Share-based payments		
Shares	**0.4**	1.3
Share options	**26.6**	16.7
	27.0	18.0

Directors' interest in shares

Details of directors' beneficial and non-beneficial interests in the shares of the company are disclosed in the directors' report.

Shares and share options granted to executive directors are set out in the remuneration report on pages 46 and 47.

	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
20 Share premium				
Balance at the beginning of the year	**10.1**	175.5	**10.1**	175.5
Share issues in terms of the share incentive scheme	**111.8**	72.7	**111.8**	72.7
Share premium distributed	**–**	(176.4)	**–**	(176.4)
Shares repurchased and cancelled	**(26.3)**	(61.7)	**(26.3)**	(61.7)
Balance at the end of the year	**95.6**	10.1	**95.6**	10.1
21 Distributable reserves				
Share-based payment reserve	**55.4**	28.4	**–**	–
Financial instrument revaluation reserve				
Interest rate and foreign exchange derivative instruments	**3.2**	32.4	**–**	–
Retained profit				
Company	**480.5**	295.4	**480.5**	295.4
Arising on consolidation of subsidiaries	**3 298.1**	2 965.4	**–**	–
	3 778.6	3 260.8	**480.5**	295.4
	3 837.2	3 321.6	**480.5**	295.4

	Group 2007 Rm	Group 2006 Rm
22 Interest-bearing borrowings		
Non-current – secured		
Floating rate notes in issue – listed on the Bond Exchange of South Africa	**2 179.0**	1 600.0
3 year notes maturing on 25 February 2008 – 3 month Jibar plus 0.35% (transferred to current borrowings)	**–**	400.0
4 year notes maturing on 25 February 2009 – 3 month Jibar plus 0.36%	**550.0**	550.0
4 year notes maturing on 25 February 2009 – 3 month Jibar plus 0.37%	**49.0**	–
5 year notes maturing on 25 February 2010 – 3 month Jibar plus 0.38%	**650.0**	650.0
5 year notes maturing on 25 February 2010 – 3 month Jibar plus 0.44%	**58.0**	–
6 year notes maturing on 25 February 2011 – 3 month Jibar plus 0.39%	**800.0**	–
6 year notes maturing on 25 February 2011 – 3 month Jibar plus 0.49%	**72.0**	–
Non-current – unsecured		
Floating rate loan bearing interest at prime less 3.5%, maturing on 6 December 2007 (transferred to current borrowings)	**–**	500.0
	2 179.0	2 100.0
Current – secured		
Floating rate notes in issue – listed on the Bond Exchange of South Africa		
2 year notes maturing on 25 February 2007 – 3 month Jibar plus 0.33%	**–**	300.0
3 year notes maturing on 25 February 2008 – 3 month Jibar plus 0.35%	**400.0**	–
3 year notes maturing on 25 February 2008 – 3 month Jibar plus 0.31%	**36.0**	–

	Group		Company	
	2007	2006	**2007**	2006
	Rm	Rm	**Rm**	Rm

22 Interest-bearing borrowings continued

	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
Current – unsecured				
Call loans – floating interest rates varying between 9.12% and 10.04% (2006: 7.10% – 7.60%)	**846.9**	1 033.6	**1.6**	1.6
Floating rate loan bearing interest at prime less 3.5%, maturing on 6 December 2007	**500.0**	–	**–**	–
	1 782.9	1 333.6	**1.6**	1.6

The notes issued are asset-backed with security provided to investors under the note programme agreement. Refer note 18.

Sureties for other borrowings are provided by Woolworths Holdings Limited. The treasury committee is responsible for monitoring ongoing compliance with the group's financial covenants.

Interest-bearing borrowings bear interest at variable, market-determined rates and thus carrying value approximates fair value.

The interest accrued on asset-backed notes is included in trade and other payables.

There have been no defaults or breaches of principal interest or redemption terms during the current or prior period.

The sensitivity of the group's profit before tax or equity due to a reasonably possible change in interest rates, with all other variables held constant, through the impact on borrowings is as follows:

Floating rate borrowings	**Movement in basis points**	**Effect on profit before tax Rm**	**Effect on equity Rm**
2007	**+200**	**(82.2)**	**(58.4)**
	-150	**61.6**	**43.8**
2006	+200	(61.6)	(43.7)
	-150	46.2	32.8

	Group		Company	
	2007	2006	**2007**	2006
	Rm	Rm	**Rm**	Rm

23 Trade and other payables

	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
Non-current				
Operating lease accrual	**426.7**	420.2	**–**	–
	426.7	420.2	**–**	–
Current				
Trade payables	**1 265.4**	878.6	**–**	–
Other payables	**792.1**	607.3	**1.8**	1.7
Operating lease accrual	**23.2**	23.5	**–**	–
Fair value of securitisation total return swap (refer notes 18 & 28.2)	**11.7**	102.7	**–**	–
	2 092.4	1 612.1	**1.8**	1.7

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

The carrying value of trade and other payables appoximates fair value due.

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24 Retirement benefit information

Woolworths permanent employees under the age of 60 are contributory members of the Wooltru Group Retirement Fund. Certain employees, in addition to belonging to the Wooltru Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. Actuarial valuations are carried out every year for the Wooltru Retirement Fund, and every three years for the other funds. The latest valuations of the Wooltru Group Retirement Fund as at 28 February 2006 and the other funds as at 31 December 2006, confirmed that the funds were in a sound financial position.

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

Total group contributions are charged to income as incurred and amounted to R75.4m (2006: R111.8m).

Woolworths subsidises a portion of the medical aid contributions of retired employees. The company 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 8.5% (2006: 8.5%), and would exceed medical inflation by 7.0% (2006: 6.5%) per annum. The discount rate used to value the liability at 30 June 2007 is 8.5% (2006: 8.5%) per annum.

At 30 June 2007, the accrued liability amounted to R227.2m (2006: R202.2m) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the company's in-house medical aid scheme. At that date, Woolworths had funded R8.8m (2006: R12.5m) of the liability by means of a long-term insurance policy held with Momentum Ability.

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

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

	Group	
	2007 Rm	2006 Rm
Funding liability	**229.2**	202.2
Fair value of assets	**(8.8)**	(12.5)
Funding deficit	**220.4**	189.7
Unrecognised actuarial gain	**6.8**	13.0
Net obligation	**227.2**	202.7

	Group 2007 Rm	Group 2006 Rm
24 Retirement benefit information continued		
Reconciliation:		
Net obligation at the beginning of the year	**202.7**	181.3
Net movement charged to employment cost in the income statement	**25.3**	22.6
Current service cost	**8.7**	7.7
Interest on obligation	**17.4**	15.9
Expected return on assets	**(0.8)**	(1.0)
Contribution paid	**(0.8)**	(1.2)
Net obligation at the end of the year	**227.2**	202.7
Funding liability at the beginning of the period	**202.2**	195.0
Interest cost	**17.4**	15.9
Current service cost	**8.7**	7.5
Contributions	**(7.5)**	(7.3)
Actuarial loss / (gain)	**8.4**	(8.9)
Funding liability at the end of the period	**229.2**	202.2
Fair value of plan assets at the beginning of the year	**12.5**	15.4
Expected returns	**0.8**	0.1
Contributions	**(6.7)**	(6.2)
Actuarial gain	**2.2**	3.2
	8.8	12.5
Plan assets comprise the following (%):		
Capital Market	**6.0**	8.0
Money Market	**14.0**	6.0
Foreign Assets	**15.0**	15.0
Equity Market	**65.0**	71.0
	100.0	100.0
Actual return on plan assets:		
Expected return on plan assets	**0.8**	1.0
Actuarial gain on plan assets	**2.2**	3.2
Actual return on plan assets	**3.0**	4.2

Expected return on plan assets is estimated by calculating a total return estimate based on the weighted average return of each class. The return per asset class is estimated using current and projected economic and market factors such as interest rates, inflation, credit spreads and market risk premiums.

	2007	2006	2005	2004
Funding liability	**229.2**	202.2	195.0	174.2
Fair value of assets	**8.8**	12.5	15.4	15.7
Funding deficit	**220.4**	189.7	179.6	158.5
Actuarial loss / (gain) on funding liability	**8.4**	(8.9)	2.1	1.8
Actuarial gain / (loss) on plan assets	**2.2**	3.2	3.9	1.4

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

Medical inflation assumption	5.5%	6.5%	7.5%
Service cost for the year ended June 2007	5.4	6.7	8.4
Interest cost for the year ended June 2007	15.0	17.4	21.1
Medical inflation assumption	6.0%	7.0%	8.0%
Accrued liability at June 2007	195.3	227.2	266.9

The group anticipates making contributions amounting to R8.5m in the next financial year.

	Leave pay Rm	Restructuring Rm	Provision for onerous lease commitments Rm	Other Rm	Group Total 2007 Rm	Group Total 2006 Rm
25 Provisions						
Balance at the beginning of the year	91.5	1.7	32.5	5.3	**131.0**	117.5
Raised	45.3	–	0.6	8.0	**53.9**	44.2
Released	(0.5)	–	(2.6)	–	**(3.1)**	(9.4)
Utilised	(21.6)	(1.6)	(0.3)	(2.0)	**(25.5)**	(21.3)
Balance at the end of the year	114.7	0.1	30.2	11.3	**156.3**	131.0

Other provisions consist primarily of Australian long-service entitlements.

The leave pay provision will unwind as employees use up their leave entitlement. The provision for onerous lease commitments reverses as the lease term runs down or the economics of the lease improve. The restructuring provision is expected to be utilised during the next financial year as the relevant business restructuring occurs.

	Group 2007 Rm	Group 2006 Rm
26 Capital commitments		
Commitments in respect of capital expenditure approved by the directors but not accrued at the balance sheet date		
Contracted for	**185.7**	239.3
Not contracted for	**361.3**	180.3
	547.0	419.6

This expenditure for property, plant and equipment will be financed by cash generated from the group's activities and from available borrowing facilities.

27 Contingent liabilities

Company

The company provides sureties for the banking facilities (refer note 28.4) and lease obligations of certain subsidiaries.

In the opinion of the directors, the possibility of loss arising therefrom is remote.

28 Financial risk management

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of business.

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 of the group;
– managing the group's financial risks within predetermined parameters;
– adding value by reducing costs without unduly increasing risk; and
– providing specialist financing advice to the business.

The group's overall treasury policy is reviewed and approved by the finance sub-committee of the Woolworths Holdings Limited board.

The policy specifies
– hedging level parameters;
– dealing limits (in terms of size and duration);
– types of instruments that may be used;
– authorised counterparties; and
– procedures for settling and recording transactions.

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

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

28.1 Foreign currency management

The group operates internationally and 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.

Transactional foreign exchange risk

The group has transactional currency exposures arising from the acquisition of goods and services in currencies other than the functional currency.

It is the group's policy that business units entering into such transactions must cover all such exposures with forward exchange contracts.

These forward exchange contracts are in the same currency as the hedged item and the terms of the hedge derivatives are negotiated to match the terms of the hedged items in order to maximise hedge efficiency.

Forward exchange contracts at 30 June 2007 are summarised below. These amounts represent the net rand equivalent of group commitments to purchase and sell foreign currencies.

	Group					
	2007			2006		
	Rand equivalent Rm	**Average rate R**	**Fair value adjustment Rm**	Rand equivalent Rm	Average rate R	Fair value adjustment Rm
Imports – purchase contracts						
US dollar	**669.9**	**7.4**	**17.5**	288.8	6.9	20.3
Pound sterling	**58.3**	**13.1**	**–**	80.1	12.6	0.3
Euro	**4.9**	**9.8**	**–**	6.2	8.6	0.4
New Zealand dollar	**–**	**–**	**–**	1.8	4.2	0.1
Norwegian kroner	**–**	**–**	**–**	0.6	0.9	0.1
Hong Kong dollar	**–**	**–**	**–**	0.8	1.2	0.1
Canadian dollar	**–**	**–**	**–**	0.4	5.5	0.1
Swiss franc	**1.6**	**0.2**	**–**	–	–	–
	734.7			378.7		

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28 Financial risk management continued

28.1 Foreign currency management continued

A reasonably possible change in the group's material transactional foreign currency, with all other variables being equal, will have the following impact on the profit before tax or equity of the group:

US dollar	Movement in exchange rate	Effect on profit before tax Rm	Effect on equity Rm
2007	**+5%**	**(0.2)**	**(11.4)**
	-5%	**0.1**	**10.5**
2006	+5%	(1.3)	(14.8)
	-5%	0.5	5.7

At 30 June 2007, the group held 157 (2006: 103) foreign currency contracts designated as hedges of expected future purchases from suppliers outside South Africa for which the group has firm commitments.

These cash flow hedges were assessed to be highly effective and as at year end, a net unrealised loss of R9.9m (2006: profit of R16.0m) with a related deferred tax asset / (charge) of R4.1m (2006: (R6.6m)) was included in equity in respect of these contracts.

Foreign exchange derivatives maturity analysis

	On demand Rm	<3 months Rm	3-12 months Rm	1-5 years Rm	>5 years Rm
2007					
Forward exchange contracts	**4.7**	**411.8**	**303.1**	**15.1**	**–**
2006					
Forward exchange contracts	6.3	213.1	108.3	51.0	–

Translational foreign exchange risk

Net investments in foreign subsidiaries

The group has investments in foreign subsidiaries whose net assets are exposed to foreign currency translation risk. This risk is not hedged.

	Group 2007 Rm	2006 Rm
The group has unhedged net assets in foreign subsidiaries of:		
US dollar	**56.5**	45.6
Euro	**(33.0)**	(30.5)
Australian dollar	**37.8**	4.7

A reasonably possible change in the group's material translational foreign currencies, with all other variables being equal, will have the following impact on the profit before tax or equity of the group:

	Movement in exchange rate	Effect on profit before tax Rm	Effect on equity Rm
2007			
US dollar	**+5%**	**–**	**19.9**
	-5%	**–**	**(19.9)**
Australian dollar	**+5%**	**(0.1)**	**18.8**
	-5%	**(5.4)**	**(8.3)**
2006			
US dollar	+5%	–	20.5
	-5%	–	(3.5)
Australian dollar	+5%	1.6	8.5
	-5%	–	(14.7)

28 Financial risk management continued

28.1 Foreign currency management continued

Foreign cash

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

Foreign cash balances are concentrated in the following major currencies:

	Rm	Rm
US dollar	**12.8**	13.5
Australian dollar	**131.7**	90.2
	144.5	103.7

A reasonably possible change in the group's material foreign exchange rates, with all other variables being equal, will have the following impact on the profit before tax or equity of the group:

	Movement in exchange rate	Effect on profit before tax Rm	Effect on equity Rm
2007			
US dollar	**+5%**	**0.7**	**0.5**
	-5%	**(0.7)**	**(0.5)**
Australian dollar	**+5%**	**6.6**	**4.7**
	-5%	**(6.6)**	**(4.7)**
2006			
US dollar	+5%	0.7	0.5
	-5%	(0.7)	(0.5)
Australian dollar	+5%	4.5	3.2
	-5%	(4.5)	(3.2)

28.2 Interest rate management

The group's interest rate risk arises from interest-bearing borrowings and financial services assets. Borrowings issued at floating rates expose the group to cash flow interest rate risk, while fixed-rate borrowings expose the group to fair value interest rate risk. As part of the process of managing the group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

The interest rate pricing profile at 30 June 2007 is summarised as follows:

	Group			
	2007		2006	
	Rm	**Effective interest rate %**	Rm	Effective interest rate %
Local interest-bearing borrowings				
Floating rate	**3 961.9**	**9.9%**	3 433.6	7.5%
% of total borrowings	**100%**		100%	

There are no foreign interest-bearing borrowings.

The structure of the asset-backed note programme requires that the basis risk be swapped out of the special purpose vehicle, Account On Us (Proprietary) Limited. Account On Us (Proprietary) Limited has entered into a total return swap with The Standard Bank of South Africa Limited, whereby interest earned on the receivables owned by Account On Us (Proprietary) Limited is swapped for a Jibar related return. Woolworths (Proprietary) Limited has entered into a back-to-back swap with The Standard Bank of South Africa Limited. The fair values of the swaps are reflected on the balance sheet. Refer notes 18 & 22.

During the previous financial year the interest rate exposure on the notes maturing in February 2008 and February 2009, totalling R950m, was hedged using interest rate collars. The exposure on an additional R1 000m was swapped during the current year to fix the interest rate at 8.71%.

The fair values of the derivatives at balance sheet date are included in note 18. These fair values are supported by observable current market transactions in similar instruments.

notes to the annual financial statements
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28 Financial risk management continued

28.2 Interest rate management continued

The interest rate swaps and collars are designated as cash flow hedges. These hedges were assessed to be highly effective, resulting in a net unrealised gain of R16.2m (2006: R14.9m) being recognised in equity. The related deferred tax charged to equity amounted to R4.7m (2006: R4.3m).

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

	On demand Rm	<3 months Rm	3-12 months Rm	1-5 years Rm	>5 years Rm
2007					
Floating rate					
Notes in issue (refer note 22)	–	–	**436.0**	**2 179.0**	–
Loan bearing interest at prime less 3.5%	–	–	**500.0**	–	–
Call loans	**846.9**	–	–	–	–
Interest rate swaps	–	**1.3**	**4.7**	**10.2**	–
2006					
Floating rate					
Notes in issue (refer note 22)	–	–	300.0	1 600.0	–
Loan bearing interest at prime less 3.5%	–	–	–	500.0	–
Call loans	1 033.6	–	–	–	–
Interest rate swaps	–	–	–	62.4	–

28.3 Credit risk management

Potential concentrations of credit risk consist principally of short-term cash investments (refer note 32) and Woolworths card, credit card and customer loan debtors (refer note 18).

The group only deposits short-term cash surpluses with major banks of high quality credit standing. The group's maximum exposure is equal to the carrying amount of these assets.

Woolworths card, customer loan debtors and credit card receivables comprise a large, widespread customer base and ongoing credit evaluations are performed. The granting of credit is controlled by entering application information into a statistical scoring model, and the assumptions therein are reviewed and updated on an ongoing basis. These credit-granting procedures are consistent with those applied in the prior year.

As at 30 June 2007, it is considered that there are no significant concentrations of credit risk that have not been adequately provided for in the annual financial statements.

Trencor Limited has materially warranted certain important cash flow aspects of the group's participation in export partnerships.

28 Financial risk management continued

28.4 Liquidity management

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

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

	Group	
	2007 Rm	2006 Rm
Banking facilities:		
Total banking facilities	**3 376.9**	2 734.1
Less: drawn down portion	**(846.9)**	(1 018.1)
Total undrawn banking facilities	**2 530.0**	1 716.0

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

The group's policy is that not all term borrowings should mature in the next 12 months and to maintain a predetermined core of term funding.

Based on the balances reflected in the financial statements, 45% (2006: 38.8%) of the group's total borrowings at 30 June 2007 will mature within 12 months.

The undiscounted cash flows of the group's borrowings fall into the following maturity profiles:

	On demand Rm	<3 months Rm	3-12 months Rm	1-5 years Rm	>5 years Rm
2007					
Interest-bearing borrowings	**846.9**	**–**	**936.0**	**2 179.0**	**–**
2006					
Interest-bearing borrowings	1 033.6	–	300.0	2 100.0	–

Borrowing capacity

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

Country Road Limited

The credit standby facilities of Country Road Limited are secured by a registered mortgage debenture over its assets as disclosed in segmental information in note 34.

28.5 Fair value of financial instruments

The carrying values of financial instruments measured at fair value have been determined using available market information and appropriate valuation methodologies.

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

notes to the annual financial statements
for the year ended 30 June

29 Management of capital

The group considers share capital, share premium and interest-bearing debt as capital. Management has made progress in meeting the following objectives:

- to provide an adequate return to shareholders;
- to appropriately gear the financial services business;
- to maintain a finance cost cover of at least three times operating profit;
- to safeguard Woolworths ability to continue as a going concern; and
- to be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.

The group is subject to triggers set by the agencies rating the securitisation structure. The triggers are based on the performance of the securitised debtors book and the corporate rating of Woolworths Holdings Limited. Performance against these triggers is monitored on an ongoing basis and there has been no breach of these triggers in the current year.

The group takes cognisance of certain rating agency ratios that evaluate the ability of the capital to absorb losses as evidenced by the corporate rating.

The group monitors capital on the basis of the debt ratio. This ratio is calculated as interest-bearing debt divided by total assets.

The group monitors the debt ratio on a segmental basis. During 2007, the group's strategy, which was unchanged from 2006, was to maintain a debt ratio of between 80% and 85% for the financial services segment. Furthermore, it is the group's policy that the retail segment should not have any interest-bearing debt.

30 Comparative figures

30.1 Restatement of share purchase loans and investments

Comparative figures have been restated as a result of the restatement of share purchase scheme participant loans and investments to reflect their amortised cost, with retrospective effect. The amortisation calculations were performed using market-related interest rates and the best estimates of the period of repayment. Refer to notes 12 and 14.

The restatement had the following impact on the financial statements:

	Group	
	2007 Rm	2006 Rm
Increase in other income	**2.9**	1.8
Increase in employment costs	**(2.9)**	(1.8)
Increase in profit for the year	**–**	–

The restatement had no impact on retained profit.

30.2 Restatement of trade and other payables and tax payables

Trade and other payables and tax payable as disclosed at 30 June 2006 have been restated by an amount of R8.0m.

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
31 Distributions to shareholders				
Distribution no. 16 of 35.5 cents per share was declared on 24 August 2005 and paid on 19 September 2005	–	313.2	–	313.2
Less: Distribution received on treasury shares	–	(30.8)	–	–
Distribution no. 17 of 24.0 cents per share was declared on 16 February 2006 and paid on 13 March 2006	–	212.7	–	212.7
Less: Distribution received on treasury shares	–	(20.9)	–	–
Distribution no. 18 of 39.0 cents per share was declared on 22 August 2006 and paid on 19 September 2006	**346.1**	–	**346.1**	–
Less: Distribution received on treasury shares	**(33.9)**	–	–	–
Distribution no. 19 of 29.5 cents per share was declared on 14 February 2007 and paid on 12 March 2007	**263.8**	–	**263.8**	–
Less: Distribution received on treasury shares	**(25.6)**	–	–	–
Total net distributions paid	**550.4**	474.2	**609.9**	525.9

Distribution no. 20 of 46.5 cents per share was declared on 22 August 2007.

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	Group 2007 Rm	Group 2006 Rm	Company 2007 Rm	Company 2006 Rm
32 Cash flow information				
32.1 Cash flow from trading				
Profit before exceptional item	1 466.8	1 246.4	759.7	43.0
Depreciation	316.7	269.9	–	–
Finance costs paid	378.7	243.9	0.2	–
Interest received	(1 022.4)	(765.4)	(3.0)	(8.9)
(Profit) / loss on sale of property, plant and equipment	(1.5)	(0.2)	–	–
Movement in working capital and other provisions	171.7	32.6	–	–
Provision for impairment of loan to subsidiary	–	–	(2.6)	–
Post-retirement medical aid provision	24.5	21.4	–	–
Prepaid employment cost	2.9	1.8	–	–
Share-based payments	27.0	18.0	–	–
Operating lease accrual	3.1	6.3	–	–
Unrealised foreign exchange losses / (profits)	6.2	(2.2)	(1.1)	(1.7)
Distribution received	–	–	(755.0)	(34.3)
Net inflow / (outflow) from trading	1 373.7	1 072.5	(1.8)	(1.9)
32.2 Working capital movements				
Inventories	(374.9)	(111.1)	–	–
Accounts receivable	20.9	(34.6)	(0.1)	–
Accounts payable	537.6	331.1	0.1	(0.5)
Net inflow / (outflow)	183.6	185.4	–	(0.5)
32.3 Tax paid				
Normal and foreign tax				
Amounts (owing)/receivable at the beginning of the year	(251.9)	(233.7)	0.7	7.6
Amounts charged to income statement	(437.3)	(455.7)	(6.3)	(6.6)
Amounts owing/(receivable) at the end of the year	201.8	251.9	(9.1)	(0.7)
Cash amounts (paid) / received	(487.4)	(437.5)	(14.7)	0.3
Secondary tax on companies				
Amounts charged to income statement and paid	(77.6)	(45.9)	(68.8)	(39.40)
Total tax paid	(565.0)	(483.4)	(83.5)	(39.1)
32.4 Distributions to shareholders				
Amounts charged to statement of changes in ordinary shareholders' interest and paid	(550.4)	(474.2)	(609.9)	(525.9)
32.5 Cash and cash equivalents				
Cash				
Interest earning				
Local – at interest rate of 7.5% (2006: 5.8%)	279.8	306.5	–	–
Foreign – at interest rates of 5.0% to 6.2% (2006: 2.5% to 5.6%) Refer note 28.1.	144.5	103.7	–	–
	424.3	410.2	–	–
Overdrafts and short-term interest-bearing borrowings*	(846.9)	(1 033.6)	(1.6)	(1.6)
Cash and cash equivalents	(422.6)	(623.4)	(1.6)	(1.6)

* Excluding current floating rate notes

33 Operating leases

The group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between 1 and 17 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.

		Group	
		2007 Rm	2006 Rm
33.1	**Operating lease commitments**		
	Land and buildings:		
	2007/8	**639.3**	543.4
	2008/9 to 2011/12	**2 496.7**	2 124.0
	Thereafter	**2 567.9**	2 529.1
33.2	**Future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as principal lessor at 30 June**		
	Land and buildings:		
	2007/8	**25.6**	21.4
	2008/9 to 2011/12	**65.9**	63.6
	Thereafter	**19.8**	15.6
33.3	**Future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as sub-lessor at 30 June**		
	Land and buildings:		
	2007/8	**11.8**	10.1
	2008/9 to 2011/12	**42.3**	32.4
	Thereafter	**2.6**	10.6

The operating lease accrual of R449.9m (2006: R443.7m) represents the extent to which the above future rental expenses and income have already been recognised in the income statement. Refer note 23.

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34 Segmental information

34.1 Primary segmentation based on nature of business and retail chain

	2007				
			Retail		
	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Financial services Rm
Operating results					
Revenue	18 641.9	(93.8)	16 099.5	1 361.8	1 274.4
Turnover	17 376.9	–	16 005.0	1 354.0	17.9
Cost of sales	11 399.9	–	10 832.7	567.2	–
Gross profit	5 977.0	–	5 172.3	786.8	17.9
Other revenue	1 265.0	(93.8)	94.5	7.8	1 256.5
Expenses	5 396.5	(93.8)	4 001.5	737.9	750.9
Segmental operating profit	1 845.5	–	1 265.3	56.7	523.5
Return on equity	35.1%		65.4%	34.6%	11.9%*

*Return on equity for Woolworths Financial Services is calculated using the weighted average segmental equity for the year.

	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Financial services Rm
Balance sheets					
Property, plant and equipment, investment property, investments and loans	2 318.2	–	2 087.9	184.9	45.4
Inventories	1 202.6	–	1 023.1	179.5	–
Financial services assets	5 536.0	–	–	–	5 536.0
Accounts receivable	605.0	–	485.7	26.4	92.9
Cash	424.3	–	98.4	117.6	208.3
Segment assets	10 086.1	–	3 695.1	508.4	5 882.6
Tax and deferred tax assets	356.4				
Total assets	10 442.5				
Debt ratio	37.9%	–	–	–	67.3%
Depreciation	316.7	–	264.9	46.0	5.8
Capital expenditure – gross additions	649.1	–	584.8	58.0	6.3
Capital commitments	547.0	–	386.4	151.0	9.6
Shareholding			100.0%	87.9%	100.0%

34.2 Secondary segmentation based on geographic location of customers and assets

	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Financial services Rm
Revenue					
South Africa	17 042.4	(93.8)	15 861.8	–	1 274.4
Rest of Africa	186.2	–	186.2	–	–
Middle East	51.5	–	51.5	–	–
Australasia	1 361.8	–	–	1 361.8	–
	18 641.9	(93.8)	16 099.5	1 361.8	1 274.4
Turnover – based on location of end user/customers					
South Africa	15 800.7	–	15 782.8	–	17.9
Rest of Africa	170.7	–	170.7	–	–
Middle East	51.5	–	51.5	–	–
Australasia	1 354.0	–	–	1 354.0	–
	17 376.9	–	16 005.0	1 354.0	17.9
Total assets – based on location of assets					
South Africa	9 577.7	–	3 695.1	–	5 882.6
Australasia	508.4	–	–	508.4	–
		–	3 695.1	508.4	5 882.6
Tax and deferred tax assets	356.4				
	10 442.5				
Capital expenditure (gross) – based on location of assets					
South Africa	591.1	–	584.8	–	6.3
Australasia	58.0	–	–	58.0	–
	649.1	–	584.8	58.0	6.3

Total Rm	Intra-group Rm	2006 Retail Woolworths Rm	Country Road Rm	Financial services Rm
15 144.8	(78.9)	13 288.7	993.6	941.4
14 208.0	–	13 213.8	980.7	13.5
9 340.4	–	8 885.8	454.6	–
4 867.6	–	4 328.0	526.1	13.5
936.8	(78.9)	74.9	12.9	927.9
4 314.1	(78.9)	3 333.7	520.0	539.3
1 490.3	–	1 069.2	19.0	402.1
34.8%		58.6%	6.2%	14.7%*
1 985.5	(38.1)	1 849.0	152.3	22.3
841.4	–	707.9	133.5	–
4 455.0	–	–	–	4 455.0
815.8	–	614.5	35.6	165.7
410.2	–	332.2	78.0	–
8 507.9	(38.1)	3 503.6	399.4	4 643.0
260.4				
8 768.3				
39.2%	–	–	9.5%	73.9%
269.9	–	229.0	34.8	6.1
637.9	–	596.0	38.1	3.8
419.5	–	366.2	53.3	–
		100.0%	87.9%	100.0%
13 919.2	(78.9)	13 056.7	–	941.4
167.2	–	167.2	–	–
62.5	–	62.5	–	–
994.1	–	0.5	993.6	–
15 143.0	(78.9)	13 286.9	993.6	941.4
12 998.1	–	12 984.6	–	13.5
166.9	–	166.9	–	–
62.3	–	62.3	–	–
980.7	–	–	980.7	–
14 208.0	–	13 213.8	980.7	13.5
8 108.5	(38.1)	3 503.6	–	4 643.0
399.4	–	–	399.4	–
	(38.1)	3 503.6	399.4	4 643.0
260.4	–	–	–	–
8 768.3				4 643.0
599.8	–	596.0	–	3.8
38.1	–	–	38.1	–
637.9	–	596.0	38.1	3.8

annexure 1

			Company			
			2007		2006	
			Carrying value of shares Rm	% Holding	Carrying value of shares Rm	% Holding
Interest in subsidiaries						
Directly held			**383.8**		269.5	
Woolworths (Proprietary) Limited	R	1	**–**	**100.0**	–	100.0
Woolworths Finance (Proprietary) Limited	F	1	**–**	**100.0**	–	100.0
Woolworths Developments (Proprietary) Limited	P	1	**–**	**100.0**	–	100.0
Woolworths Computer Services (Proprietary) Limited	D	1	**–**	**100.0**	–	100.0
Woolworths International Holdings Limited	H	5	**383.8**	**100.0**	269.5	100.0
E–Com Investments 16 (Proprietary) Limited	H	1	**–**	**100.0**	–	100.0
iSentials (Proprietary) Limited	R	1	**–**	**100.0**	–	100.0
Woolworths Holdings Share Trust *			**–**	**–**	–	–
Indirectly held						
Woolworths International (SA) (Proprietary) Limited	I	1		**100.0**		100.0
Woolworths (Namibia) (Proprietary) Limited	D	2		**100.0**		100.0
Woolworths Pharmaceuticals (Proprietary) Limited	D	1		**100.0**		100.0
Woolworths (Claremont) Properties Share Block (Proprietary) Limited	D	1		**100.0**		100.0
Woolworths (Lesotho) (Proprietary) Limited	D	3		**100.0**		100.0
Woolworths (Swaziland) (Proprietary) Limited	D	4		**100.0**		100.0
Nation-wide Recovery Services (Proprietary) Limited	D	1		**100.0**		100.0
Highway Holdings N.V.	H	6		**100.0**		100.0
Woolworths International Limited	I	5		**100.0**		100.0
Woolworths International (Australia) Proprietary Limited	H	7		**100.0**		100.0
Woolworths Worldwide Limited	H	5		**100.0**		100.0
Woolworths Trust ***	H	5		**–**		–
WSM Operations Holding Company Limited	D	5		**100.0**		100.0
Country Road Limited	R	7		**87.9**		87.9
Country Road Clothing Proprietary Limited	R	7		**87.9**		87.9
Country Road Clothing (N.Z.) Limited	R	8		**87.9**		87.9
Country Road Properties Proprietary Limited	P	7		**87.9**		87.9
Country Road Australia Limited	R	5		**87.9**		87.9
Country Road International Proprietary Limited	F	7		**87.9**		87.9
Country Road (Hong Kong) Limited	R	9		**87.9**		87.9
Universal Product Networks (Proprietary) Limited	L	1		**100.0**		100.0
Woolworths Financial Services (Proprietary) Limited	F	1		**100.0**		100.0
inthebag (Proprietary) Limited	R	1		**100.0**		100.0
Up-front Investments 132 (Proprietary) Limited	F	1		**100.0**		100.0
Account On Us (Proprietary) Limited *	F	1		**–**		–
Virtual Market Place (Proprietary) Limited **	R	1		**100.0**		100.0
			383.8		269.5	
Amounts owing by / (to) subsidiaries						
Woolworths (Proprietary) Limited			**(145.4)**		(342.4)	
Country Road Limited			**–**		38.1	
E–Com Investments 16 (Proprietary) Limited			**337.3**		338.3	
Total interest			**575.7**		303.5	

Nature of business
R: Retailing P: Property development F: Financial services I: Import / export D: Dormant
L: Logistics H: Holding
Country of incorporation
1: South Africa 2: Namibia 3: Lesotho 4: Swaziland 5: Guernsey 6: Belgium 7: Australia
8: New Zealand 9: Hong Kong

* The Woolworths Holdings Share Trust and Account On Us (Proprietary) Limited are included as subsidiaries based on the interpretation guidance SIC 12 (AC 412). The legal ownership of Account On Us (Proprietary) Limited is independent of the Woolworths Holdings Limited group and the assets of the company are preferred to noteholders.

** Virtual Market Place (Proprietary) Limited is a virtual community development company that creates partnerships between businesses and supporters for the benefit of broad-based educational institutions. The company primarily promotes the 'MySchool' programme at Woolworths retail outlets.

*** The Woolworths Trust is an intermediate holding entity for the group's investment in Country Road. Woolworths Holdings Limited is a beneficiary of the trust.

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

	Company	
	2007 Rm	2006 Rm
Profits	**1 275.0**	929.1
Losses	**(2.3)**	(45.7)
	1 272.7	883.4

shareholder information

shareholder calendar

Financial year end	June
Reporting:	
Annual report	September
Annual general meeting	November
Interim report	February
Annual results	August
Dividend declared:	
Interim	February
Final	August
Dividend payable:	
Interim	March
Final	September

administration

group secretary:
Cherrie Lowe

registered office:
Woolworths House
93 Longmarket Street
Cape Town, 8001

Postal Address:
PO Box 680
Cape Town, 8000

Telephone: (+27 21) 407 9111
Customer information: www.woolworths.co.za
Investor relations: www.woolworthsholdings.co.za

joint auditors:
Ernst & Young Inc and SAB & T Inc

bankers:
The Standard Bank of South Africa Limited

transfer secretaries:
Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

Postal Address:
PO Box 61051
Marshalltown, 2107

Telephone: (+27 11) 370 5000
Facsimile: (+27 11) 688 5217
E-mail: woolworths@computershare.co.za

sponsor:
Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196

Postal Address:
PO Box 786273
Sandton, 2146

Telephone: (+27 11) 282 8000
Facsimile: (+27 11) 282 8008
www.rmb.co.za

depository for global depository receipts:
The Bank of New York
Shareholder Relations Department
Church Street Station
PO Box 11258
New York, NY 10286-1258
United States of America

UK
Telephone: +44 (0) 20 7964 6089
Facsimile: +44 (0) 20 7964 6024
E-mail: mlewis@bankofny.com

USA
Tel: +1 212 815 2077
Fax: +1 212 571 3050
E-mail: jpaltrowitz@bankofny.com

company registration number:
1929/001986/06

country of incorporation:
South Africa

analysis of shareholders

shareholder spread

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 June 2007 was as follows:

Shareholder spread	No. of shareholders	% of total	No. of shares	% of total
1 – 1000 shares	4 740	44.81	1 710 731	0.19
1001 – 10 000 shares	4 118	38.93	15 398 567	1.72
10 001 – 100 000 shares	1 195	11.30	35 213 752	3.93
100 001 – 1 000 000 shares	406	3.84	134 385 748	14.99
1 000 001 shares and over	118	1.12	709 482 669	79.17
	10 577	100.00	896 191 467	100.00

Public and non-public	No. of holders	% of total	No. of shares	% of issued capital
Public shareholders	10 568	99.91	755 042 413	84.25
Non-public shareholders				
Directors and their associates	7	0.07	21 298 192	2.38
E-Com Investments 16 (Proprietary) Limited	1	0.01	86 871 694	9.69
Share Trust	1	0.01	32 979 168	3.68
	10 577	100.00	896 191 467	100.00

Major shareholders

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held directly and indirectly beneficially in excess of 3% of any class of the issued share capital at 30 June 2007.

Beneficial shareholders	Shares held	% of total
Public Investment Corporation	116 859 572	13.04
E-Com Investments 16 (Proprietary) Limited	86 871 694	9.69
Liberty Life Association of Africa Limited	43 976 051	4.91
Investment Solutions Limited	41 720 118	4.66
The Income Fund of America Inc.	39 125 000	4.37
Old Mutual Life Assurance Company South Africa Limited	38 126 099	4.25
Woolworths Holdings Share Trust	32 979 168	3.68
	399 657 702	44.60

To the best of the directors' knowledge, the percentage of the company's shares held by non-South African shareholders at 30 June 2007 was 17.6%.

Major shareholders

Category	No. of shareholders	Shares held	% of total
Banks	114	137 056 925	15.29
Close corporations	118	333 617	0.04
Endowment funds	59	5 255 530	0.59
Individuals	7 922	31 315 641	3.49
Insurance companies	43	58 193 233	6.49
Investment companies	42	65 546 398	7.31
Medical aid schemes	13	2 389 996	0.27
Mutual funds	226	170 181 895	18.99
Nominees and Trusts	1 262	22 680 387	2.53
Other corporations	170	12 207 301	1.36
Pension funds	349	261 477 969	29.18
Private companies	225	93 694 312	10.46
Public companies	33	2 879 095	0.32
Share Trust	1	32 979 168	3.68
	10 577	896 191 467	100.00

Dear Shareholder

The annual general meeting of Woolworths Holdings Limited will be held at 09h00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on 22 November 2007. This letter explains the business to be conducted at the meeting.

The annual report for the year ended 30 June 2007 is available on the website at www.woolworthsholdings.co.za.

chairman's letter to shareholders

explanatory notes on resolutions

Resolution 1: Ordinary resolution – Consideration of the annual financial statements
Receive and consider for confirmation the annual financial statements and group annual financial statements for the financial year ended 30 June 2007 – this is ordinary business and there are no special items to bring to the attention of the shareholders.

Resolutions 2.1 to 2.15: Ordinary resolutions – Increase to the remuneration for the non-executive directors
Approve the non-executive directors' fees for the financial year commencing 1 July 2007.

Resolutions 3.1 to 3.6: Ordinary resolutions – Re-election of directors
Election of directors – in terms of the articles of association, one-third of the directors retire each year. The directors who retire are directors appointed since the last annual general meeting and directors who are due to retire by rotation. In line with this requirement, Andrew Jennings and Judy Dlamini, who were appointed on 1 December 2006 and 1 July 2007 respectively, and Richard Inskip, Mike Leeming, Chris Nissen and Norman Thomson retire and being eligible, offer themselves for re-election.

A brief curriculum vitae of each director seeking re-election may be found in the notice of the annual general meeting on pages 107 and 108.

Resolution 4: Ordinary resolution – General authority to make payments to shareholders
Authorise the company as a general authority to make payments to its shareholders from time to time in terms of Section 90 of the Companies Act, (61 of 1973), as amended, and in terms of the JSE Limited ("JSE") Listings Requirements.

Resolution 5: Special resolution 1 – General authority to repurchase shares
Renew the general authority granted by shareholders at the last annual general meeting allowing the company to repurchase the company's shares during the course of the year.

Resolution 6: Special resolution 2 – Amendments to the articles of association
Approve the amendments to the articles of association to update the clauses related to shareholder voting and the payment of dividends.

Resolution 7: Ordinary resolution – Authority to sign all documents required
Authorise the directors and Company secretary to implement ordinary resolution number 4 and special resolutions numbers 1 and 2.

Additional information required by the JSE Listings Requirements applying to ordinary resolution number 4 and special resolution number 1.

Statement of directors

The directors undertake that they will not effect a general repurchase of shares and / or make a general payment as contemplated in ordinary resolution number 4 unless the following can be met:

a) the company and the group will be able to repay their debts in the ordinary course of business for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders;

b) the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the company and the group for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders;

c) the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders;

d) the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders; and

e) before entering the market to proceed with a general repurchase, or prior to implementing a general payment to shareholders, the company's sponsor has confirmed the adequacy of the company's and the group's working capital in writing to the JSE.

Section 11.26 of the JSE Listings Requirements requires the following disclosures, which are provided elsewhere in the annual report as set out below:

– Directors: pages 2 and 3

– Major shareholders of the company: page 104

– Directors' interests in shares: page 54

– Share capital of the company: pages 82 to 85.

Litigation statement

In terms of Section 11.26 of the JSE Listings Requirements, the directors, whose names are given on pages 2 and 3 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on pages 2 and 3 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the abovementioned resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the abovementioned resolutions contain all information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and the date of this notice.

Attendance at annual general meeting

I encourage you to attend and vote your shares at the annual general meeting. If you are unable to attend, I urge you to complete the proxy form in accordance with the instructions set out in the notice of the annual general meeting.

Buddy Hawton
Chairman

28 September 2007

Notice is hereby given that the 2007 annual general meeting of shareholders of the company will be held at 09h00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on 22 November 2007 to consider and if thought fit, to pass with or without amendment the following ordinary and special resolutions:

1 Ordinary resolution number 1 – Confirmation of the annual financial statements

"Resolved as an ordinary resolution that the annual financial statements of the company and the group annual financial statements for the year ended 30 June 2007, be and are hereby received and confirmed."

2 Ordinary resolution number 2 – Increase to the remuneration for the non-executive directors

"Resolved as an ordinary resolution that the remuneration to be paid to non-executive directors for the year commencing 1 July 2007, details of which are as follows, be and are hereby approved:

2.1	Chairman of the company	– R620 000
2.2	South African based director	– R125 000
2.3	United Kingdom based director	– £32 000
2.4	Chairman of the audit committee	– R127 000
2.5	Member of the audit committee	– R67 000
2.6	Chairman of the risk committee	– R90 000
2.7	Member of the risk committee	– R43 000
2.8	Chairman of the remuneration committee	– R115 000
2.9	Member of the remuneration committee	– R60 000
2.10	Chairman of the transformation committee	– R87 500
2.11	Member of the transformation committee	– R44 000
2.12	Chairman of the nominations committee	– R55 000
2.13	Member of the nominations committee	– R35 000
2.14	Chairman of the sustainability committee	– R35 000
2.15	Member of the sustainability committee	– R17 000"

3. Ordinary resolution number 3 – Re-election of directors

3.1 "Resolved as an ordinary resolution that Judy Dlamini, who retires in accordance with the articles of association and being eligible, offers herself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age: 48
Educational qualifications: MBChB, DOH, MBA
Other directorships include Aspen Pharmacare, Discovery Holdings, GijimaAst and Northam Platinum.

Judy is the founder and Executive chairperson of Mbekani Health and Wellbeing (Proprietary) Limited. She has experience in both the healthcare industry and corporate finance. She was appointed to the board in 2007.

3.2 "Resolved as an ordinary resolution that Richard Inskip who retires in accordance with the articles of association and being eligible, offers himself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 45
Educational qualifications: B Com

Richard became part of the Woolworths information technology team in 1991 following his experience in the software and retail industries. He was appointed to the board in 2001 and his current portfolio includes responsibility of information technology, strategy, supply chain and financial services.

3.3 "Resolved as an ordinary resolution that Andrew Jennings who retires in accordance with the articles of association and being eligible, offers himself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 59
Andrew is an international retail executive with over thirty-five years of leadership experience. His executive experience includes being General manager of Harrods UK, President of Holt Renfrew in Canada, Group managing director of House of Fraser and President and Chief operating officer of Saks Fifth Avenue, USA. He was appointed in December 2006.

3.4 "Resolved as an ordinary resolution that Mike Leeming who retires in accordance with the articles of association and being eligible, offers himself for re-election, be and is hereby re-elected as a director."

notice of annual general meeting

Brief curriculum vitae
Age 63
Educational qualifications: B Com, M Com, FCMA, FIBSA, AMP (Harvard)
Other directorships include: AECI, Allied Electronics Corporation, Imperial Holdings and Real Africa Holdings.

Mike was previously the Chief operating officer at Nedcor and has an in-depth knowledge of financial services as well as manufacturing. He joined the board in 2004.

3.5 "Resolved as an ordinary resolution that Chris Nissen who retires in accordance with the articles of association and being eligible, offers himself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 49
Educational qualifications: BA Hons, MA
Other directorships include: Boschendal (Chairman), Sea Harvest Corporation (Chairman), Standard Bank Group, Tiger Brands, Umoya Fishing (Chief Executive)and Vunani Capital Holdings (Chairman).

Chris has been extensively involved in the development and upliftment of communities both as a Minister in the Presbyterian Church and as a community leader, serving in a number of capacities including Chairperson of the Western Cape ANC. He has managerial experience in a number of industries and as a non-executive director has proactively led transformation at a number of listed companies. He joined the board in 2004.

3.6 "Resolved as an ordinary resolution that Norman Thomson who retires in accordance with the articles of association and being eligible, offers himself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 56
Educational qualifications: B Com, CA (SA)
Other directorships include: Country Road Limited.

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

4 Ordinary resolution number 4 – General authority to make payments to shareholders

"Resolved as an ordinary resolution that the company be and is hereby granted a general authority in terms of the JSE Limited ("JSE") Listings Requirements authorising the directors of the company to make payments to its shareholders from time to time in terms of Section 90 of the Companies Act, (61 of 1973), as amended ("the Companies Act"), in such amount and in such form as the directors may in their discretion from time to time determine, provided that:

4.1 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

4.2 such payment may not, in the aggregate, exceed 20% (twenty percent) of the company's issued share capital, including reserves, but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation of an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year;

4.3 such payments shall be made pro rata to all shareholders; and

4.4 such general authority shall not be applicable to, or preclude the company or the directors from declaring and paying dividends."

The directors of the company may utilise this authority in terms of ordinary resolution number 4 in order to make payments to shareholders if and when deemed appropriate.

Announcements will be published on SENS and in the press setting out the financial effects of the general payment prior to such payment being effected and complying with Schedule 24 of the JSE Listings Requirements.

5 Special resolution number 1 – General authority to repurchase shares

"Resolved as a special resolution that the company be and is hereby granted a general authority authorising the acquisition by the company of shares issued by the company, on such terms and conditions as the directors may deem fit, and in terms of sections 85 and 89 of the Companies Act, the company's articles of association and the JSE Listings Requirements provided that:

5.1 such acquisitions shall be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty, reported trades being prohibited;

5.2 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

5.3 such acquisitions may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the shares on the JSE for the five business days immediately preceding the date on which the transaction for the acquisition is effected;

5.4 when the company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of shares in issue at the time that general authority from shareholders is granted) of the relevant class of shares, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, a press announcement must be made giving the details required in terms of the JSE Listings Requirements in respect of such acquisitions;

5.5 no repurchases of shares shall be effected during a prohibited period as contemplated in the JSE Listings Requirements;

5.6 after such repurchase, the company will still comply with the JSE Listings Requirements concerning shareholder spread requirements;

5.7 the company only appoints one agent to effect any repurchase(s) on its behalf;

5.8 the aggregate of such acquisitions may not, in any one financial year, exceed 20% (twenty percent) of the company's issued share capital of that class in any one financial year; and

5.9 the aggregate of such acquisitions held by subsidiaries of the company may not exceed 10% (ten percent) of the company's issued share capital at any one time."

The directors may utilise this authority in terms of special resolution number 1 to repurchase shares issued by the company if and when deemed appropriate.

6 Special resolution number 2 – Amendments to the articles of association

"Resolved as a special resolution that the articles of association of the company be and are hereby amended as follows:

6.1 article 10.6 is amended by the insertion of the words "the Chairperson of the meeting or" after the words "a poll shall be demanded by" and before the words "any person entitled to vote at the meeting";

6.2 article 10.7 is amended by the insertion of the words "(including, but not limited to, the use of electronic voting means)" after the words "in such manner" and before the words "and at such place and time";

6.3 article 11.6 is amended by:

6.3.1 the deletion of the heading "11.6 Electronic Proxy";

6.3.2 the numbering of each paragraph under the heading "Electronic Proxy" as 11.6, 11.7, 11.8 and 11.9, respectively; and

6.3.3 the insertion in the article to be numbered 11.7 of the words "excluding Saturdays, Sundays and public holidays," after the words "(or such lesser period as the directors may determine in relation to any particular meeting)" and before the words "before the time for holding the meeting";

6.4 article 12 is amended by the deletion thereof and the substitution of the following article 12:

"Subject to the provisions of the Companies Act and article 11.5, a form appointing a proxy may be in such form as the directors may from time to time approve";

6.5 article 26.1 is amended by the insertion of the words "(whether out of profits or otherwise, and if out of profits, whether out of the profits or reserves of the company, realised or unrealised and whether of a revenue or a capital nature and whether designated distributable or not)" after the words "from time to time declare a dividend" and before the words "to be paid to the members";

6.6 article 26.4 is amended by the deletion of the first sentence thereof; and

6.7 article 32.1 is amended by the deletion of the word "Notices" at the beginning of such article and the substitution therefor of the words "Subject to the other provisions of this article 32, notices"."

7 **Ordinary resolution number 5 – Authority to sign all documents required**

"Resolved as an ordinary resolution that each of the directors and the Company secretary be and they are hereby authorised and empowered to do all such things and sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to ordinary resolution number 4 and special resolutions numbers 1 and 2 to be proposed at the annual general meeting at which this resolution will be proposed."

The reasons for and the effects of ordinary resolution number 4 and special resolutions numbers 1 and 2:

The reason for and the effect of ordinary resolution number 4, if passed, is to provide a general authority in terms of the JSE Listings Requirements, to allow the company to make cash payments to shareholders if and when deemed appropriate by the board.

The reason for and the effect of special resolution number 1, if passed, and becoming effective, is to provide a general approval in terms of Section 85 and 89 of the Companies Act and the JSE Listings Requirements for the acquisition by the company of shares issued by the company.

The reasons for and the effect of special resolution number 2, if passed, and becoming effective, is to amend the articles of association of the company as follows:

1. to allow the Chairperson of a meeting of shareholders of the company to demand a poll at such meeting, irrespective of whether or not the Chairperson is entitled to vote at such meeting (article 10.6);
2. to specifically refer to the taking of a vote on a poll by electronic means (article 10.7);
3. to specify that the period within which a proxy must be submitted to the company excludes Saturdays, Sundays and public holidays in accordance with the provisions of Section 189(3)(b) of the Companies Act (article 11.6);
4. to provide that a form appointing a proxy may be in such form as the directors may from time to time approve (article 12);
5. to provide that payments to shareholders by way of dividend may be made whether out of profits or otherwise, and, if out of profits, whether out of profits or reserves, realised or unrealised and whether of a revenue or capital nature and whether designated distributable or not, in terms of Section 90 of the Companies Act (articles 26.1 and 26.4); and
6. to remove any potential conflict between article 32.1 and articles 32.12 to 32.16 (article 32.1).

Voting

Any ordinary shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant (CSDP) or broker and who has selected "own name" registration and any preference shareholder, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote at the annual general meeting or at any adjournment thereof, in such ordinary or preference shareholder's stead. A proxy form is enclosed for use by such ordinary and preference shareholders. Such proxy form, duly completed, must be forwarded to reach the transfer secretaries of the company, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or be posted to them at PO Box 61051, Marshalltown, 2107, to be received, in either case by no later than 09h00 on Tuesday, 20 November 2007.

Any ordinary shareholder who holds dematerialised ordinary shares in the company and has not selected "own name" registration, should contact his/her CSDP or broker in the manner and time stipulated in such shareholder's agreement with his/her CSDP or broker:

– to furnish him/her with such member's voting instruction; and

– in the event that such shareholder wishes to attend the annual general meeting, to obtain the necessary authority to do so.

The Trustees of The Woolworths Employee Share Ownership Trust ("Trust"), as the owner of the unlisted convertible, redeemable, non-cumulative, participating preference shares in the company, will consult with the beneficiaries under the Trust on the resolutions which will be considered at the annual general meeting in order to ascertain the views of such beneficiaries on the manner in which the Trust should exercise its voting rights, as preference shareholder, in respect of such resolutions.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or by proxy shall have one vote for every share held or represented.

By order of the board of directors

CL Lowe
Group secretary

Cape Town
28 September 2007

form of **proxy**

WOOLWORTHS HOLDINGS LIMITED WHL

WOOLWORTHS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1929/001986/06
Share Code: WHL ISIN ZAE000063863
("Woolworths" or "the company")

For use only by:

– holders of certificated ordinary shares in the company;
– holders of dematerialised ordinary shares in the company held through a Central Securities Depository Participant (CSDP) who have selected "own name" registration; and
– the holder of the convertible, redeemable, non-cumulative participating preference shares in the company ("preference shares"), at the 2007 annual general meeting of the company to be held in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001 on Thursday, 22 November 2007 at 09h00 ("annual general meeting").

If you are a shareholder referred to above, entitled to attend and vote at the annual general meeting, you can appoint a proxy or proxies to attend, vote and speak in your stead at the annual general meeting. A proxy need not be a shareholder of the company.

If you are an ordinary shareholder and have dematerialised your ordinary share certificates through a CSDP (and have not selected "own name" registration in the sub-register maintained by a CSDP), do not complete this form of proxy but instruct your CSDP to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, provide your CSDP with your voting instructions in terms of your custody agreement entered into with it.

I/We (full names in block letters) ______________________________

of (address) ______________________________

being a holder/s of __________ ordinary/preference shares in the company (delete whichever is inapplicable), hereby appoint (see note 1)

1. ______________________ of ______________________ (or failing him/her)

2. ______________________ of ______________________ (or failing him/her)

3. the Chairman of the company or failing him, the Chairman of the annual general meeting, as my/our proxy to attend, speak, and to vote or abstain from voting on my/our behalf, as indicated below, at the annual general meeting or at any adjournment thereof.

	Number of votes (one per share)		
	In favour	Against	Abstain
1. Ordinary resolution number 1 to receive and confirm the financial statements for the year ended 30 June 2007 together with the reports of the directors and auditors thereon.			
2. Ordinary resolution number 2 to approve the remuneration to be paid to non-executive directors:			
2.1 Chairman of the company – R620 000			
2.2 South African based director – R125 000			
2.3 United Kingdom based director – £32 000			
2.4 Chairman of the audit committee – R127 000			
2.5 Member of the audit committee – R67 000			
2.6 Chairman of the risk committee – R90 000			
2.7 Member of the risk committee – R43 000			
2.8 Chairman of the remuneration committee – R115 000			
2.9 Member of the remuneration committee – R60 000			
2.10 Chairman of the transformation committee – R87 500			
2.11 Member of the transformation committee – R44 000			
2.12 Chairman of the nominations committee – R55 000			
2.13 Member of the nominations committee – R35 000			
2.14 Chairman of the sustainability committee – R35 000			
2.15 Member of the sustainability committee – R17 000			
3. Ordinary resolution number 3 to re-elect directors retiring in accordance with the provisions of the company's articles of association:			
3.1 re-elect Judy Dlamini as a director of the company.			
3.2 re-elect Richard Inskip as a director of the company.			
3.3 re-elect Andrew Jennings as a director of the company.			
3.4 re-elect Mike Leeming as a director of the company.			
3.5 re-elect Chris Nissen as a director of the company.			
3.6 re-elect Norman Thomson as a director of the company.			
4. Ordinary resolution number 4 to approve a general authority in terms of which the company is authorised to effect payments in terms of section 90 of the Companies Act, (61 of 1973), as amended.			
5. Special resolution number 1 to approve a general authority authorising the company to acquire shares issued by the company.			
6. Special resolution number 2 to approve amendments to the articles of association of the company.			
7. Ordinary resolution number 5 to authorise the directors and Company secretary to implement ordinary resolution number 4 and special resolutions numbers 1 and 2.			

Signed at ______________________ this __________ day of ______________ 2007

Signature ______________________________

Instructions for signing and lodging this proxy

1. A shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.
2. A shareholder may therefore insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting the words "the Chairman of the company, or failing him the Chairman of the annual general meeting". The person whose name appears first on the proxy form and who is present at the annual general meeting, will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box. Failure to comply with the above will be deemed to authorise the Chairman of the company or failing him the Chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of resolutions at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he deems fit, in respect of the shareholder's total holding.
4. The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. In case of joint holders, the vote of the most senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names appear on the company's register of shareholders in respect of the joint holding.
6. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the Chairman of the annual general meeting.
8. Any alternation or correction to this form of proxy must be initialled by the signatory/ies, other than the deletion of signatories.
9. Forms of proxy must be lodged with or posted to the company, c/o Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09h00 on Tuesday, 20 November 2007.

The commentary section of this report is printed on Sappi Triple Green – a paper grade manufactured according to three environmental pillars: A minimum of 60% of the pulp used in the production of this paper is sugar cane fibre, which is the material remaining after raw sugar has been extracted from sugar cane; the bleaching process is elemental chlorine-free; and the remaining pulp used in the production process comprises wood fibre which is obtained from sustainable and internationally-certified afforestation, using independently-audited chains of custody.

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Woolworths Good business journey is the result of a comprehensive and systematic review of the way Woolworths addresses the issue of sustainable growth within the context of the changing social and environmental needs of South Africa. It is a five year plan, changing the way we do business, and incorporating a series of challenging targets and commitments, centered on four key priorities: accelerating transformation, driving social development, enhancing our environmental focus, and addressing climate change.

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