

another year of continued growth



2006 highlights

Revenue up	16.6%
Operating profit up	21.0%
HEPS up	17.4%
HEPS prior to non-comparable STC up	22.9%
Dividend per share up	16.7%
Return on equity up to	34.8%



commentary

Group results

The board wishes to announce another set of positive results. Headline earnings per share for the financial year to June 2006 increased 17.4% (22.9% prior to the non-comparable STC payment) from 89.4 cents to 105.0 cents per share and return on equity grew to 34.8% from 31.2%. A total dividend of 63 cents per share is declared for the year, representing a 16.7% increase from the prior year.

Trading environment

In South Africa consumer spending remained strong, however, growth in the last few months was slightly slower due to increasing interest rates and higher inflation.

Financial review

Group revenue increased by 16.6% to R15.1bn.

Operating profit for the group increased by 21.0% to R1.5bn and the operating margin improved from 9.5% to 9.8%.

The group's gross profit margin was maintained at 34.3% despite the ongoing change in the mix of our business. This was achieved by an increased margin in clothing and home driven through effective sourcing and lower stock markdowns.

The share repurchase in March 2005 has resulted in an increase in borrowings over last year and a substantial increase in finance costs. Headline earnings per share and return on equity were enhanced as a consequence.

operating review

Woolworths

Retail

During the year the retail divisions experienced good growth.

The implementation of significant systems enhancements affected the whole organisation from the buying groups through to our stores. Further, our clothing and home division was restructured supporting the strategy of providing consistent taste and a more differentiated product.

Clothing and home grew sales by 12.4% in total and 8.2% in comparable stores, with an average deflation rate of approximately 1%. Despite the shortage of core product throughout winter, like-for-like volume growth was still strong.

Food continued to perform well and sales grew by 22.5% in total and 11.9% in comparable stores, with an average inflation rate of approximately 4.2%. Market share increased from 8.0% to 8.5%. Growth is being driven by the ongoing rollout of convenience stores, our innovative offering and improved value.

Trading space

We expanded our trading space by 6.4% in clothing and home and 14.4% in food over the period.

Financial services

Good growth was experienced in our in-store card, credit card and personal loan books of 22.3% for the year to June 2006. The net bad debt experience on the combined books increased from 2.4% to 2.9% of advances due to a tougher credit environment, the planned rise in store card debt and some system implementation challenges.

Country Road

Retail sales were 8.2% higher in Australian dollar terms with comparable store growth of 7.3%. Country Road is changing its wholesale business to a concession model which will give it full price and range responsibility.

Total sales decreased by 1.7% in Australian dollar terms, due to a decline in wholesale sales given the planned transition to concession.

Prospects

We expect the growth in consumer demand to be more moderate and the credit environment to continue to tighten. Our earnings will be negatively affected by the possible implementation of quotas on goods from China as well as the recent decision to fix the usury rate charged on unsecured credit until 1 July 2007.

Empowerment

As a key part of our broad based black economic empowerment strategy, we are finalising our plans for a broad based share scheme for employees, the majority of whom are black. This scheme will be presented to shareholders for approval at a general meeting to be held this financial year.

Changes to the board of directors

On 22 August 2006 Peter Bacon and Zyda Rylands, the People director of Woolworths (Proprietary) Limited, were appointed to the board.

DA Hawton
Chairman

SN Susman
Chief executive officer

Cape Town, 23 August 2006

dividend payment

Notice is hereby given that the directors have declared a final dividend of 39.0 cents per share for the six months ended 30 June 2006.

The salient dates for the dividend will be as follows:

Last day to trade to receive dividend	Friday, 8 September 2006
Shares commence trading "ex" dividend	Monday, 11 September 2006
Record date	Friday, 15 September 2006
Payment date	Monday, 18 September 2006

Share certificates may not be dematerialised or rematerialised between Monday, 11 September 2006 and Friday, 15 September 2006, both days inclusive.

In accordance with the company's articles of association, dividends amounting to less than R5.00 due to any one holder of the company's shares held in certificated form will not be paid, unless otherwise requested in writing, but will be aggregated with other such amounts and be donated to a charity nominated by the directors.

CL Lowe

Group secretary

Cape Town, 23 August 2006

directorate and statutory information

Non-executive directors: Buddy Hawton (Chairman), Peter Bacon, Mair Barnes (British), Nigel Colne (British), Brian Frost, Mike Leeming, Chris Nissen, Sindi Zilwa

Executive directors: Simon Susman (CEO), Richard Inskip, Zyda Rylands, Norman Thomson

Group secretary: Cherrie Lowe **Share code:** WHL **ISIN:** ZAE000063863

Registered address (postal and physical): PO Box 680, Cape Town 8000 • Woolworths House, 93 Longmarket Street, Cape Town 8001

Registration number: 1929/001986/06 **Auditors:** Ernst & Young and SAB & T Inc

Bankers: Standard Bank of South Africa Limited **Sponsor:** Rand Merchant Bank (A division of FirstRand Bank Limited)

Transfer secretaries: Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

audited group results for the year ended 30 June 2006

visit our investor relations site: www.woolworthsholdings.co.za

income statement

Year ended 30 June	Note	2006 Rm	Restated 2005 Rm	% change
Revenue		15 143.0	12 988.9	16.6%
Turnover		14 208.0	12 220.7	16.3%
Cost of sales		9 340.4	8 027.1	16.4%
Gross profit		4 867.6	4 193.6	16.1%
Other revenue		935.0	768.2	21.7%
Expenses		4 312.3	3 730.5	15.6%
Depreciation		269.9	254.5	6.1%
Occupancy cost		679.1	609.8	11.4%
Employment cost		1 699.6	1 460.0	16.4%
Other operating cost		1 663.7	1 406.2	18.3%
Operating profit		1 490.3	1 231.3	21.0%
Finance costs		243.9	152.7	59.7%
Profit before tax		1 246.4	1 078.6	15.6%
Tax	3	409.0	299.5	36.6%
Profit after tax		837.4	779.1	7.5%
Attributable to:				
Ordinary shareholders		835.6	776.9	7.6%
Minority shareholders		1.8	2.2	(18.2%)
Reconciliation of headline earnings				
Attributable earnings		835.6	776.9	7.6%
(Profit)/loss on disposal of property, plant and equipment net of minority shareholders' interest		(0.6)	0.9	
Profit on disposal of investment in unit trust		–	(7.9)	
Reversal of provision for impairment of property		–	(15.5)	
Provision for impairment of plant and equipment		–	0.5	
Foreign exchange loss realised on repayment of loan by subsidiary		–	4.1	
Headline earnings		835.0	759.0	10.0%
Headline earnings per share (cents)		105.0	89.4	17.4%
Earnings per share (cents)		105.1	91.5	14.9%
Diluted headline earnings per share (cents)		103.0	87.3	18.0%
Diluted earnings per share (cents)		103.1	89.4	15.3%
Distributions per share (cents)		63.0	54.0	16.7%
Distribution cover (based on earnings per share)		1.7	1.7	
Number of shares in issue (millions)		797.2	787.2	1.3%
Weighted average number of shares in issue (millions)		795.3	849.4	(6.4%)
GROUP ANALYSIS				
Revenue				
Turnover		14 208.0	12 220.7	16.3%
Woolworths		13 227.3	11 238.6	17.7%
– Clothing and home		6 012.2	5 349.5	12.4%
– Food		6 941.5	5 666.0	22.5%
– Logistics services and other		273.6	223.1	22.6%
Country Road		980.7	982.1	(0.1%)
Interest		763.6	641.7	19.0%
Other revenue		171.4	126.5	35.5%
		15 143.0	12 988.9	16.6%
Operating profit				
Woolworths		1 471.3	1 206.9	21.9%
Country Road		19.0	24.4	(22.1%)
		1 490.3	1 231.3	21.0%

balance sheet

At 30 June	2006 Rm	Restated 2005 Rm
ASSETS		
Non-current assets	2 490.6	2 002.0
Property, plant and equipment	1 597.7	1 304.0
Investment property	109.0	72.2
Investments	–	2.6
Loans to customers	249.2	203.9
Participation in export partnerships	71.6	79.3
Other loans	184.2	146.9
Goodwill	23.0	–
Deferred tax	255.9	193.1
Current assets	6 277.7	5 137.1
Inventories	841.4	683.0
Woolworths card debtors	2 971.2	2 590.8
Credit card receivables	593.7	309.6
Accounts receivable	815.8	777.0
Loans to customers	640.9	539.8
Tax	4.5	11.4
Cash	410.2	225.5
Total assets	8 768.3	7 139.1
EQUITY AND LIABILITIES		
Capital and reserves	2 634.2	2 210.9
Ordinary shareholders' interest	2 606.3	2 184.7
Minority shareholders' interest	27.9	26.2
Non-current liabilities	2 801.0	3 061.5
Interest bearing borrowings	2 100.0	2 400.0
Operating lease accrual	420.2	390.1
Post-retirement medical aid liability	202.7	181.3
Deferred tax	78.1	90.1
Current liabilities	3 333.1	1 866.7
Accounts payable	1 604.1	1 301.9
Provisions	131.0	117.5
Tax	264.4	245.1
Interest bearing borrowings	1 333.6	202.2
Total equity and liabilities	8 768.3	7 139.1
Net asset book value – per share (cents)	326.9	277.5
GROUP ANALYSIS		
Total assets	8 768.3	7 139.1
Woolworths	8 368.1	6 754.4
Country Road	400.2	384.7
Inventories	841.4	683.0
Woolworths	707.9	563.0
Country Road	133.5	120.0
Approved commitments for capital expenditure	419.5	643.2
Woolworths	366.2	598.2
Country Road	53.3	45.0

statement of changes in equity

Year ended 30 June	Ordinary shareholders' interest Rm	Minority shareholders' interest Rm	Total 2006 Rm	Restated Total 2005 Rm
Shareholders' interest at the beginning of the year	2 184.7	26.2	2 210.9	2 708.1
Movements for the year:				
Issue of shares	72.7	–	72.7	63.2
Share repurchase	(61.7)	–	(61.7)	(1 002.0)
Cost of capital restructuring	–	–	–	(18.4)
Recognised gains and losses	410.6	1.7	412.3	460.0
Distributable reserves	410.3	2.3	412.6	418.5
Profit for the year	835.6	1.8	837.4	779.1
Distributions to shareholders	(474.2)	–	(474.2)	(384.2)
Net fair value adjustments on financial instruments	31.7	0.5	32.2	13.2
Share-based payments	18.0	–	18.0	10.4
Acquisition of former investment	(0.8)	–	(0.8)	–
Non-distributable reserves				
Exchange differences on translation of foreign subsidiaries	0.3	(0.6)	(0.3)	41.5
Shareholders' interest at the end of the year	2 606.3	27.9	2 634.2	2 210.9

segmental analysis

Year ended 30 June	2006 Rm	Restated 2005 Rm	% change
Revenue			
Retail			
Woolworths	13 286.9	11 288.4	17.7%
Country Road	993.6	995.1	(0.2%)
Financial services	941.4	773.9	21.6%
Intragroup	(78.9)	(68.5)	
Total group	15 143.0	12 988.9	16.6%
Operating profit			
Retail			
Woolworths	1 069.2	858.7	24.5%
Country Road	19.0	24.4	(22.1%)
Financial services	402.1	348.2	15.5%
Total group	1 490.3	1 231.3	21.0%
Return on equity			
	%	%	
Retail			
Woolworths	58.6	71.7	
Country Road	6.2	10.3	
Financial services	11.7	9.5	
Total group	34.8	31.2	

cash flow statement

Year ended 30 June	2006 Rm	2005 Rm
Cash flow from operating activities		
Cash inflow from trading	1 072.5	996.5
Working capital movements	177.4	(228.4)
Cash applied to financial services assets	(882.2)	(722.0)
Cash generated by operating activities	367.7	46.1
Interest received	762.1	638.0
Finance costs paid	(244.6)	(149.9)
Tax paid	(475.4)	(314.6)
Cash generated by operations	409.8	219.6
Distributions to shareholders	(474.2)	(384.2)
Net cash outflow from operating activities	(64.4)	(164.6)
Cash outflow from investing activities	(600.3)	(312.6)
Cash flow from financing activities		
Shares issued	72.7	63.2
Repurchase of shares	(61.7)	(1 002.0)
Term borrowings raised	–	500.0
Notes issued	–	1 900.0
Capital restructuring costs	–	(18.4)
Net cash inflow from financing activities	11.0	1 442.8
(Decrease)/increase in cash and cash equivalents	(653.7)	965.6
Cash and cash equivalents at the beginning of the period	23.3	(949.9)
Effect of foreign exchange rate changes	7.0	7.6
Cash and cash equivalents at the end of the period	(623.4)	23.3
GROUP ANALYSIS		
Cash inflow from trading	1 072.5	996.5
Woolworths	1 019.0	952.1
Country Road	53.5	44.4
Gross capital expenditure	637.9	385.9
Woolworths	599.8	344.1
Country Road	38.1	41.8

notes

- Basis of preparation**
The financial statements are prepared in accordance with, and comply with International Financial Reporting Standards (IFRS) and the South African Companies Act of 1973. They are prepared on going concern and historical cost bases as modified by the revaluation of certain financial instruments required to be recorded at fair value.
- Changes in accounting policies**
Accounting policies used are consistent with those used in the published June 2005 annual financial statements, except for changes made as a result of the adoption of IFRS and SAICA Circular 9/2006 regarding inventories and cost of sales.
Revised IFRS policies have been consistently applied to both years presented. The impact of the IFRS conversion was published in the December 2005 interim results announcement which is available on www.woolworthsholdings.co.za.
In accordance with the recommendation by SAICA regarding the treatment of settlement discounts, the measurement of cost of sales has been adjusted by the settlement discounts received from suppliers in respect of merchandise purchases, with retrospective effect.
- The effective tax rate of 32.8% (2005: 27.8%) is higher as a result of STC on dividends declared and paid during the financial year. The effective rate excluding the non-comparable STC is 29.7%.
- Audit opinion**
These abridged financial statements have been extracted from the audited financial statements on which Ernst & Young and SAB & T Inc have issued an unqualified audit report. This report is available for inspection at the company's registered office.