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WOOLWORTHS HOLDINGS LIMITED / 2014 ANNUAL FINANCIAL STATEMENTS

OUR FOCUSED STRATEGY HAS BEEN DELIVERING STRONG RESULTS REFLECTING A COMPOUND ANNUAL GROWTH RATE IN HEPS OF 27% OVER THE LAST FIVE YEARS.

# CONTENTS



*Woolworths, Summer 2014*

# OUR FINANCE DIRECTOR'S REPORT

The Group produced strong results despite the weak consumer confidence and prolonged strikes in South Africa. Sales for the 52 weeks to 29 June 2014 increased 14.4% over the comparable 52-week period in 2013 (12.7% on a 52:53-week basis).

The South African Clothing and General Merchandise business performed well, with clothing sales growing ahead of the market, in an increasingly competitive landscape characterised by very high promotional activity by local apparel retailers and further impacted by the influx of foreign retailers.

The Food business traded strongly throughout the period, well ahead of the market.

The Group's Australian subsidiary, Country Road, performed extremely well across all brands, with Witchery now included for the full year, compared to nine months in the prior year.

Earnings per share ("EPS") and headline earnings per share ("HEPS") for the 52-week period to 29 June 2014 were 8.7% and 7.3% higher than the corresponding 53-week prior year reporting period. The net impact of excluding the net unrealised foreign exchange losses of R139 million (June 2013: R67 million net gain), transaction costs of R182 million relating to the acquisition of David Jones (June 2013: R77 million relating to the acquisition of Witchery) and the prior year once-off restructuring costs of R43 million (all stated before tax), resulted in an increase in adjusted headline earnings per share ("aHEPS") of 15.2%, and 17.1% on a 52:52 week basis.

Return on equity (adjusted for the unrealised foreign exchange loss) was 46.7% at the end of the year.

The total dividend for the year increased by 7.5% to 251.5 cents per share in line with HEPS growth.

As in prior years, the dividend is based on the Group's stated dividend cover of 1.45 times HEPS.

## 53 WEEK COMPARISON

| EARNINGS PER SHARE | 52 weeks to 29 June 2014 cents | 53 weeks to 30 June 2013 cents | % change |
|---|---|---|---|
| EPS | 367.3 | 337.9 | 8.7 |
| HEPS | 365.2 | 340.4 | 7.3 |
| Adjusted HEPS | 398.0 | 345.5 | 15.2 |
| Diluted EPS | 362.7 | 331.3 | 9.5 |
| Diluted HEPS | 360.6 | 333.8 | 8.0 |
| Adjusted diluted HEPS | 393.0 | 338.7 | 16.0 |

THE GROUP PRODUCED STRONG RESULTS: SALES INCREASED 14.4%.



FINANCE DIRECTOR'S REPORT

## 52 WEEK COMPARISON

| EARNINGS PER SHARE 52:52 weeks | 52 weeks to 29 June 2014 cents | 52 weeks to 23 June 2013 cents | % change |
|---|---|---|---|
| EPS | 367.3 | 332.4 | 10.5 |
| HEPS | 365.2 | 334.9 | 9.0 |
| Adjusted HEPS | 398.0 | 340.0 | 17.1 |
| Diluted EPS | 362.7 | 325.9 | 11.3 |
| Diluted HEPS | 360.6 | 328.4 | 9.8 |
| Adjusted diluted HEPS | 393.0 | 333.4 | 17.9 |

In line with the industry, the Group manages its retail operations on a 52-week retail calendar basis and, as a result, a 53rd week is required approximately every six years for realignment. Consequently, the 2013 financial year ended with a 53rd week and the Group's earnings were approximately 2% higher last year as a result of this additional week.

To facilitate comparison against a 52-week prior year, the remainder of this report is based on pro-forma 52-week financial information for 2013.

On this basis, and as shown in the following table, EPS and HEPS were 10.5% and 9.0% higher than the corresponding pro-forma 52-week prior year and diluted EPS and diluted HEPS increased 11.3% and 9.8% respectively. Dilution arises from share options granted in terms of employee share option schemes.

**SEGMENTAL PERFORMANCE**

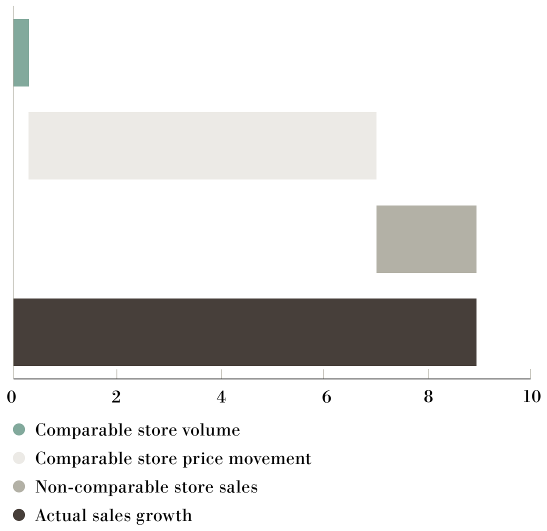
| Profit before tax contribution 52:52 weeks | 2014 Rm | 2013 Rm | % change |
|---|---|---|---|
| Woolworths Clothing and General Merchandise | 2 029 | 1 816 | 11.7 |
| Woolworths Food | 1 259 | 1 043 | 20.7 |
| Country Road Group | 891 | 588 | 51.5 |
| Woolworths Financial Services | 181 | 180 | 0.6 |
| Woolworths Treasury | 15 | 16 | (6.3) |
| Adjusted profit before tax | 4 375 | 3 643 | 20.1 |
| Adjustments | (271) | (53) | |
| Abnormal foreign exchange related (loss)/gain | (139) | 67 | |
| Transaction and integration costs | (182) | (77) | |
| Profit on sale of investment properties | 50 | – | |
| Restructuring costs | – | (43) | |
| Profit before tax | 4 104 | 3 590 | 14.3 |

## WOOLWORTHS CLOTHING AND GENERAL MERCHANDISE

### INCOME STATEMENT

| 52:52 weeks | 2014 Rm | 2013 Rm | % change |
|---|---|---|---|
| Turnover | 11 505 | 10 552 | 9.0 |
| Cost of sales | 6 132 | 5 659 | 8.4 |
| Gross profit | 5 373 | 4 893 | 9.8 |
| Other revenue | 18 | 14 | 28.6 |
| Expenses | 3 364 | 3 096 | 8.7 |
| Store costs | 2 128 | 1 890 | 12.6 |
| Other operating costs | 1 236 | 1 206 | 2.5 |
| Adjusted operating profit | 2 027 | 1 811 | 11.9 |
| Earnings from joint venture and associate | 2 | 5 | |
| Adjusted profit before tax | 2 029 | 1 816 | 11.7 |

### SALES GROWTH 52:52 WEEKS (% ON LAST YEAR)




Woolworths Clothing and General Merchandise sales grew by 9.0% on a 52-week basis.

Clothing sales increased by 10.6% with price movement of 8.8%. Sales in comparable stores grew 8.6%, with market share increasing from 15.6% to 15.7%.

General merchandise sales grew 7.1% and by 4.2% in comparable stores. Price movement was 2.6%.

Gross profit margins improved from 46.4% to 46.7%, as we continued to generate benefits from improved sourcing and inventory management.

Total expenses (excluding net unrealised foreign exchange movements) increased 8.7%, impacted only by new stores and non-comparable costs, with comparable store cost growth of 7.6%.

Other operating costs were up 2.5% due to good cost control in the second half of the year.

Adjusted profit before tax grew by 11.7% and operating profit margin increased to 17.6% from 17.2% last year.

Net new store footage of 16 001 m² (4.0%) was added during the year.

Our operating profit margin medium-term target is 19%. We aim to establish this as a sustainable level of profitability, investing further in competitive pricing and uncompromising quality to ensure great value for our customers in an increasingly competitive market place.

We plan to add 19% new space to Clothing and General Merchandise over the next three years.

**17.6%**

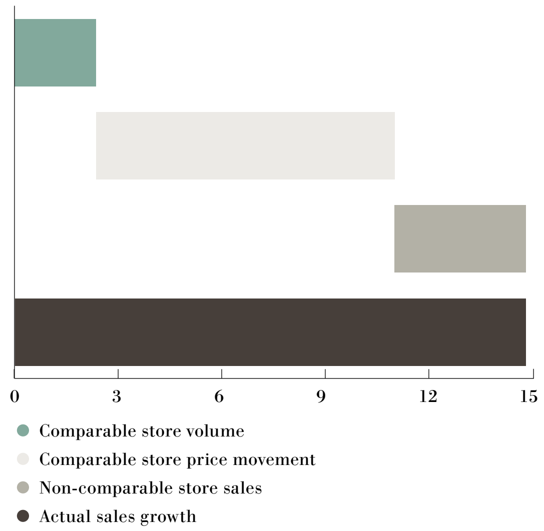
OPERATING MARGIN

## WOOLWORTHS FOOD

### INCOME STATEMENT

| 52:52 weeks | 2014 Rm | 2013 Rm | % change |
|---|---|---|---|
| Turnover | 19 694 | 17 149 | 14.8 |
| Cost of sales | 14 711 | 12 758 | 15.3 |
| Gross profit | 4 983 | 4 391 | 13.5 |
| Other revenue | 73 | 74 | (1.4) |
| Expenses | 3 799 | 3 426 | 10.9 |
| Store costs | 2 555 | 2 269 | 12.6 |
| Other operating costs | 1 244 | 1 157 | 7.5 |
| Adjusted operating profit | 1 257 | 1 039 | 21.0 |
| Earnings from joint venture and associate | 2 | 4 | |
| Adjusted profit before tax | 1 259 | 1 043 | 20.7 |

### SALES GROWTH 52:52 WEEKS (% ON LAST YEAR)




Food sales grew by 14.8% on a 52-week basis, well ahead of market growth of 8.0%. Price movement was 7.9%.

Sales in comparable stores grew by 10.7%.

Our strategic focus of 'becoming a big food business' has continued to show success, with the roll-out of supermarket-format stores, aimed at capturing a greater share of our loyal customers' food shop. Furthermore, investment in price competitiveness and range ensured that our core produce, protein and groceries departments also performed well.

Gross profit margin was 25.3%, a decline of 0.3% from 2013, as we invested in price with higher promotional activity, and an ongoing focus on value chain optimisation.

Expenses increased 10.9% with core expense growth impacted only by new stores and non-comparable costs. Comparable store costs increased by 6.1%.

Other operating costs were up 7.5% despite the growth in the business and investments required to support this growth.

Adjusted profit before tax grew by 20.7% and operating profit margin increased to 6.4% from 6.1% last year.

Net new store footage of 14 282 m² (8.1%) was added during the year.

Our operating profit margin medium-term target is 7%.

We plan to add 25% new space to Food over the next three years.

**14.8%**

SALES INCREASED

## COUNTRY ROAD GROUP

**INCOME STATEMENT**

| 52:52 weeks | 2014 A$m | 2013 A$m | % change |
|---|---|---|---|
| Turnover | 849 | 706 | 20.3 |
| Cost of sales | 323 | 269 | 20.1 |
| Gross profit | 526 | 437 | 20.4 |
| Other revenue | 4 | 3 | 33.3 |
| Expenses | 432 | 373 | 15.8 |
| Store costs | 308 | 264 | 16.7 |
| Other operating costs | 124 | 109 | 13.8 |
| Adjusted operating profit | 98 | 67 | 46.3 |
| Investment income | 2 | 2 | – |
| Finance costs | 6 | 5 | 20.0 |
| Adjusted profit before tax | 94 | 64 | 46.9 |

Country Road Group sales increased 20.3% in Australian dollar terms with comparable store sales up 8.0%. In Australasia, sales grew 20.3% and 7.2% in comparable stores. South African (rand-denominated) sales were up 26.3% with comparable store sales up 23.7%. The Country Road and Trenery brands continue to perform well and the South African launch of the Witchery and Mimco brands in the second half of the year was well received.

Ongoing focus on cost and inventory management ensured that operating profit margin was leveraged to 11.5% (up from 9.5%), with adjusted profit before tax increasing to A$94 million, a 46.9% increase on last year.

The business continues to be run in a highly efficient manner, with operating profit margin targeted at 12% in the medium-term, and despite the inclusion of goodwill, trademarks and brands of A$159 million, Country Road enjoys a ROE of 30.4%.

19% new space is planned over the next three years including expanding the Witchery and Mimco brands in South Africa.

ADJUSTED PROFIT BEFORE TAX OF A$94 MILLION, A 46.9% INCREASE ON LAST YEAR.





## WOOLWORTHS FINANCIAL SERVICES (WFS)

**INCOME STATEMENT**

| | 2014 Rm | % to book | 2013 Rm | % to book | % change |
|---|---|---|---|---|---|
| Interest income | 1 473 | 17.7 | 1 250 | 17.0 | 17.8 |
| Interest paid | 416 | 5.0 | 352 | 4.8 | 18.2 |
| Net interest income | 1 057 | 12.7 | 898 | 12.2 | 17.7 |
| Impairment charge | 396 | 4.8 | 221 | 3.0 | 79.2 |
| Risk-adjusted margin | 661 | 7.9 | 677 | 9.2 | (2.4) |
| Non-interest revenue | 628 | 7.5 | 555 | 7.6 | 13.2 |
| Operating costs | 786 | 9.4 | 733 | 10.0 | 7.2 |
| Profit before tax | 503 | 6.0 | 499 | 6.8 | 0.8 |
| Average financial services assets | 8 339 | | 7 332 | | 13.7% |
| Return on equity | 24.3% | | 27.6% | | |
| Joint venture profit before tax | 503 | | 499 | | |
| Taxation | 141 | | 139 | | |
| Profit after tax | 362 | | 360 | | |
| Less 50% | 181 | | 180 | | |
| Equity accounted | 181 | | 180 | | |

24.3%

RETURN ON EQUITY

The joint venture with Barclays Africa Group showed consistent growth throughout the year. The average book was 13.7% higher, with the closing book ending 10.8% ahead of the previous year.

The business operates three product classes: an In-Store Card for purchases in Woolworths stores, Woolworths Visa Credit Cards and Personal Loans. In addition to the yield on these assets, the business generates insurance and other non-interest revenue.

Interest income increased by 17.8% to R1 473 million, with the gross yield on the average assets increasing from 17.0% to 17.7%; due to the mid-year increase in interest rates governed by the National Credit Act. Borrowing costs also increased 18.2% and, with funding levels well managed, the net interest income margin increased by 0.5% to 12.7%, yielding R1 057 million, an increase of 17.7% on last year.

The impairment charge (comprising bad debts written off during the year, collection costs as well as the movement in the provision for doubtful debts) increased from 3.0% to 4.8%.

The yield on the book after the impairment charge is taken into account is the "risk-adjusted margin". The margin decreased from 9.2% to 7.8% due to the higher impairment charge, with the growth on last year declining 2.4% to R661 million.

Non-interest revenue grew by 13.2% as a result of increased revenues from the growing credit card portfolio and insurance products.

Expenses grew 7.2% as a result of further investment in collection effectiveness, infrastructure and book growth initiatives.

Profit before tax grew 0.8%, with the profit to book ratio declining from 6.8% to 6.0%, again due to the higher impairment charge.

The book has a gearing ratio of 84% funded by Barclays Africa Group at a three month JIBAR-linked rate. This gearing leveraged the operating ratio to generate a return on equity of 24.3%, ahead of the joint venture's medium term target of 22%.

## TREASURY OPERATIONS AND CASH POSITION

The business generated cash from operating and joint venture activities of R5 636 million.

Tax paid amounted to R1 047 million.

The net cash outflow on capital expenditure (net of R145 million proceeds from disposals), amounted to R1 314 million, and is explained in more detail below.

The Group's dividend policy of an annualised coverage ratio of 1.45 times headline earnings per share is designed such that the Group operates on a broadly "cash-neutral" basis.

## CAPITAL EXPENDITURE

The Group invested R1 506 million in property, plant and equipment, of which R550 million was spent on Woolworths store development, R379 million on the Country Road Group's store development and integration projects, R204 million on Woolworths IT projects, R284 million on Woolworths Supply Chain equipment and property, and R89 million on other Woolworths infrastructure projects.

33 previously franchised stores in Botswana, Namibia, Swaziland and Ghana, and nine stores in South Africa were acquired for a total cash consideration of R425 million.

## FINANCIAL RISK MANAGEMENT

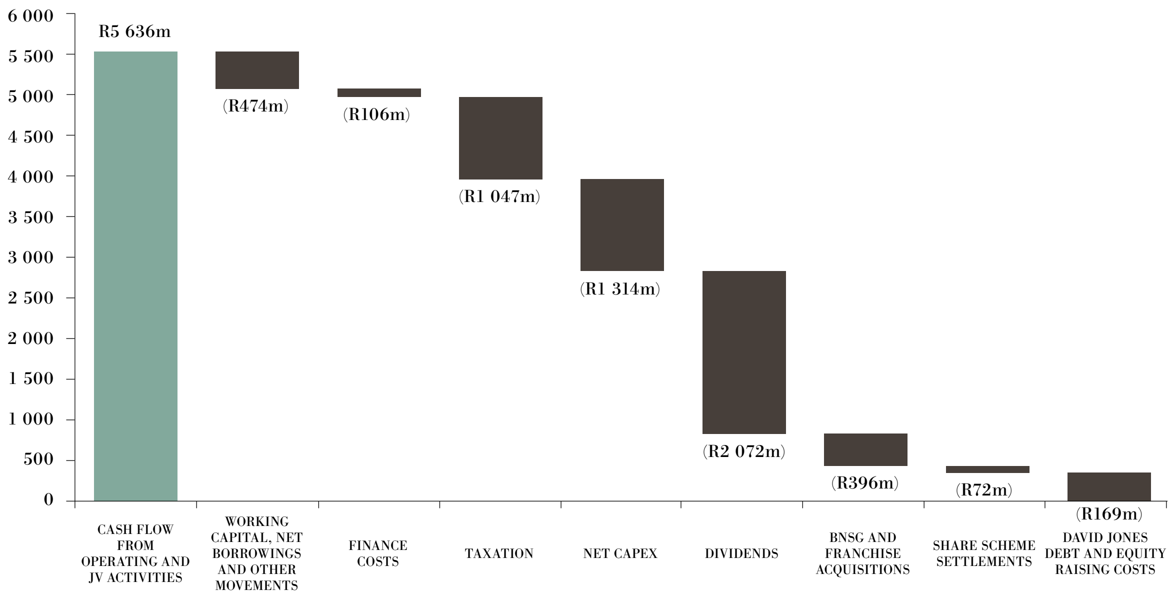
Financial risks related to funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk are managed by treasury committees both in South Africa and Australia. The committees meet on a regular basis. Short- and long-term funding requirements are assessed in order to optimise funding structures.

Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining appropriate short-term committed and uncommitted banking facilities.

Unutilised banking facilities, including facilities relating to the David Jones acquisition after the end of the financial year, totalled R3 181 million at June 2014 (2013: R3 025 million).

Interest-bearing borrowings carry interest rate risk. As part of the process of managing the Group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

## CASH GENERATION (R MILLION)








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

Both Woolworths and the Country Road Group manage their foreign exchange exposures using aggregate pools to provide effective economic hedges for foreign currency exposures. We have initiated hedge accounting in terms of IAS 39 to the South African operations in this financial year and expect to substantially hedge account our foreign currency exposures by the end of the 2015 financial year.

## ACCOUNTING STANDARDS

The Group and Company Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Various IFRS and IFRIC interpretations and amendments were adopted during the current year, resulting in certain comparative information being restated in respect of IFRS 10: Consolidated Financial Statements and IAS 19: Employee Benefits. Details of the restatements can be found in note 38 to the Group Annual Financial Statements. Other standards and amendments had no impact on the Group's reported results. Details can be found in note 1 on page 36 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 upper income consumer to remain more resilient despite subdued economic conditions in South Africa.

We will continue to invest in competitive price points and are committed to maintaining gross margins from continued improvements in sourcing. Inflationary pressures emanating from a weaker rand will remain a key risk.

Trading for the first eight weeks of the new financial year has been in line with expectations both in South Africa and Australia.

Attention will also continue to be given to improving underperforming stores by a critical analysis of costs and operational activities (especially those that impact availability and food waste). In head office, detailed cost-to-sell ratios continue to be set for all departments.

The Group's effective tax rate in 2015 is expected to be 1.5% higher due to the non-deductibility of transaction costs relating to the David Jones and Country Road share acquisitions.

## EVENTS SUBSEQUENT TO THE REPORTING DATE

### ACQUISITION OF DAVID JONES LIMITED

On 1 August 2014, the company completed the acquisition of the entire issued share capital of David Jones Limited ("David Jones") for a purchase consideration of R21.4 billion (A$2.1 billion). David Jones is one of Australia's oldest and most prominent department stores. It operates 38 department stores across Australia and owns its flagship stores in Sydney and Melbourne. David Jones is an iconic Australian brand and occupies a similar customer positioning to Woolworths at the premium end of the apparel market, enjoying a strong aspirational brand identity.

The acquisition transforms the Group into a leading southern hemisphere retailer with pro-forma combined FY14A revenue of over R58 billion from over 1 150 stores across 15 countries, with approximately 45% of sales generated in Australasia. The Group's increased scale is expected to drive significant efficiencies and economies through enhanced global sourcing and the ability to leverage shared seasonality and trends, improving value for the customer and increasing overall profitability. We have identified key initiatives which will deliver synergies of at least R1.4 billion (A$130 million) per annum in earnings before interest and tax per annum within five years.

The acquisition has been funded via a combination of existing cash, new debt facilities and equity funding to be raised by an underwritten renounceable rights offer expected to be launched in September. For the purposes of funding the transaction at completion, an equity bridge facility has been secured, which will be repaid with the proceeds of the proposed rights offer.

### ACQUISITION OF COUNTRY ROAD LIMITED NON-CONTROLLING INTERESTS

After the year-end the Group also acquired the remaining 12.12% shares in Country Road for a cash consideration of A$213 million (R2.1 billion). As a wholly owned subsidiary within the Group, Country Road will be delisted from the ASX. Given its role in realising a substantial part of the synergy benefits arising from the acquisition of David Jones, achieving full ownership of Country Road was a logical next step and in line with the Group's longstanding desire to acquire 100% ownership. The acquisition was funded through new debt facilities raised from Australian banks.

# SHAREHOLDING DISCLOSURES

| Public and non-public shareholders | Number of share-holders | Percentage of total | Number of shares | Percentage of total |
|---|---|---|---|---|
| Public shareholders | 29 020 | 99.9 | 748 933 593 | 88.4 |
| Non-public shareholders | | | | |
| Directors and their associates | 11 | 0.1 | 13 002 021 | 1.5 |
| E-Com Investments 16 (Proprietary) Limited | 1 | – | 43 763 861 | 5.2 |
| Woolworths (Proprietary) Limited | 1 | – | 40 497 604 | 4.8 |
| Woolworths Holdings Share Trust* | 1 | – | 719 430 | 0.1 |
| Woolworths Employee Share Ownership Trust | 1 | – | 88 466 | – |
| Total shareholders | 29 035 | 100.0 | 847 004 975 | 100.0 |

* Excludes shares held by directors in share trusts.

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held, directly and indirectly, beneficially in excess of 5% of any class of the issued stated capital at 29 June 2014:

| Major beneficial shareholders | Number of shares | 2014 Percentage of shares | 2013 Percentage of total |
|---|---|---|---|
| Government Employees Pension Fund | 137 800 295 | 16.3 | 16.0 |
| GIC Asset Management Pte Ltd | 43 122 759 | 5.1 | – |
| E-Com Investments 16 (Proprietary) Limited | 43 763 861 | 5.2 | 5.2 |

Directors of the company hold direct and indirect beneficial interests of 13 002 021 ordinary shares (2013: 15 962 052) and 1 725 000 unlisted, convertible, redeemable, non-cumulative participating preference shares (2013: 1 725 000), in the company.

## STATED CAPITAL

### AUTHORISED

| | |
|---|---|
| Ordinary shares | – 12 410 600 000 of no par value |
| Unlisted, convertible, redeemable, non-cumulative participating preference shares | – 89 400 000 of 0.15 cents each |

### ISSUED

| | |
|---|---|
| Ordinary shares | – 847 004 975 of no par value |
| Unlisted, convertible, redeemable, non-cumulative participating preference shares | – 89 192 746 of 0.15 cents each |

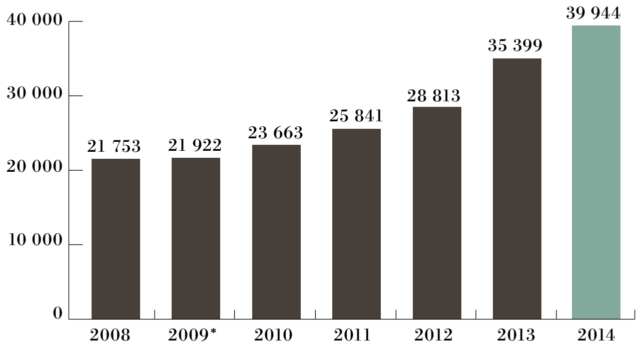
Further details of the stated capital and the movements for the period under review are disclosed in note 11 of the Company Annual Financial Statements.

*Trenery, Spring 2014*

# SEVEN-YEAR REVIEW

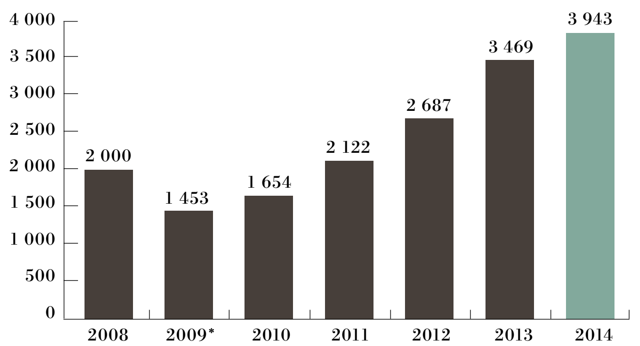
| Year<br>Number of Weeks | 2014<br>52<br>Rm | 2013<br>53<br>Rm | 2012<br>52<br>Rm | 2011<br>52<br>Rm | 2010<br>52<br>Rm | 2009<br>52<br>Rm | 2008<br>53<br>Rm |
|---|---|---|---|---|---|---|---|
| **GROUP STATEMENTS OF COMPREHENSIVE INCOME** | | | | | | | |
| Revenue | 39 944 | 35 399 | 28 813 | 25 841 | 23 663 | 21 922 | 21 753 |
| Turnover | 39 707 | 35 227 | 28 604 | 25 582 | 23 393 | 21 175 | 20 065 |
| Cost of sales | (24 209) | (21 674) | (18 419) | (16 683) | (15 619) | (14 501) | (13 798) |
| Gross profit | 15 498 | 13 553 | 10 185 | 8 899 | 7 774 | 6 674 | 6 267 |
| Other revenue | 125 | 115 | 127 | 127 | 95 | 563 | 1 688 |
| Expenses | (11 680) | (10 199) | (7 625) | (6 904) | (6 215) | (5 784) | (5 955) |
| Operating profit | 3 943 | 3 469 | 2 687 | 2 122 | 1 654 | 1 453 | 2 000 |
| Investment income | 112 | 57 | 82 | 132 | 175 | 184 | – |
| Finance costs | (136) | (68) | (38) | (84) | (151) | (281) | (503) |
| Earnings from joint ventures | 181 | 180 | 133 | 129 | 75 | 58 | – |
| Earnings from associate | 4 | 9 | 6 | 7 | 6 | 12 | 1 |
| Profit before exceptional items | 4 104 | 3 647 | 2 870 | 2 306 | 1 759 | 1 426 | 1 498 |
| Exceptional items | – | – | – | – | – | 380 | – |
| Profit before tax | 4 104 | 3 647 | 2 870 | 2 306 | 1 759 | 1 806 | 1 498 |
| Tax | (1 114) | (1 009) | (811) | (659) | (491) | (546) | (553) |
| Profit for the year | 2 990 | 2 638 | 2 059 | 1 647 | 1 268 | 1 260 | 945 |
| **Profit attributable to:** | | | | | | | |
| Shareholders of the parent | 2 888 | 2 597 | 2 048 | 1 631 | 1 258 | 1 248 | 937 |
| Non-controlling interests | 102 | 41 | 11 | 16 | 10 | 12 | 8 |

**Revenue** (R million)




* Woolworths Financial Services was a wholly owned subsidiary prior to 2009.

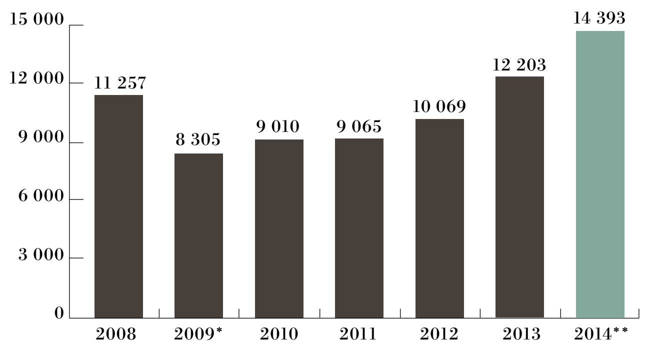
**Operating profit** (R million)



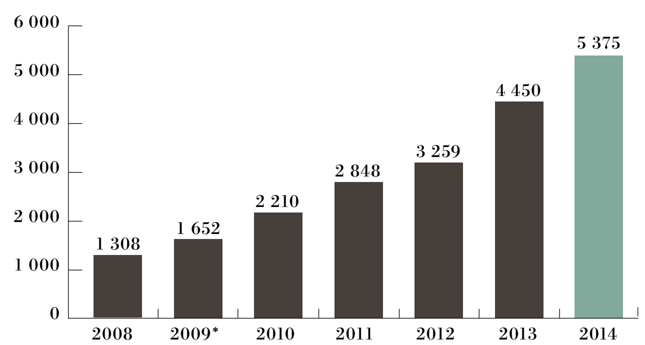

| Year<br>Number of Weeks | 2014<br>52<br>Rm | Restated***<br>2013<br>53<br>Rm | Restated***<br>2012<br>52<br>Rm | 2011<br>52<br>Rm | 2010<br>52<br>Rm | 2009<br>52<br>Rm | 2008<br>53<br>Rm |
|---|---|---|---|---|---|---|---|
| **GROUP STATEMENTS OF FINANCIAL POSITION** | | | | | | | |
| Non-current assets | 8 192 | 6 836 | 5 015 | 4 115 | 3 633 | 3 436 | 2 793 |
| Current assets** | 6 201 | 5 367 | 5 054 | 4 950 | 5 377 | 4 869 | 8 464 |
| Total assets | 14 393 | 12 203 | 10 069 | 9 065 | 9 010 | 8 305 | 11 257 |
| Equity attributable to shareholders of the parent | 6 629 | 5 652 | 4 476 | 4 008 | 3 396 | 3 025 | 3 526 |
| Non-controlling interests | 323 | 285 | 107 | 85 | 57 | 47 | 52 |
| Non-current liabilities | 1 918 | 1 890 | 1 190 | 1 460 | 1 362 | 2 342 | 2 272 |
| Current liabilities** | 5 523 | 4 376 | 4 296 | 3 512 | 4 195 | 2 891 | 5 407 |
| Total equity and liabilities | 14 393 | 12 203 | 10 069 | 9 065 | 9 010 | 8 305 | 11 257 |
| **GROUP STATEMENTS OF CASH FLOWS** | | | | | | | |
| Cash inflow from trading | 5 375 | 4 450 | 3 259 | 2 848 | 2 210 | 1 652 | 1 308 |
| Working capital movements | (407) | (196) | (131) | 377 | 215 | 67 | (330) |
| Cash applied to financial services assets | – | – | – | – | – | 21 | (24) |
| Cash generated by operating activities | 4 968 | 4 254 | 3 128 | 3 225 | 2 425 | 1 740 | 954 |
| Net interest (paid)/income | (2) | (15) | 35 | 28 | 15 | 236 | 861 |
| Tax paid | (1 047) | (1 140) | (356) | (985) | (367) | (370) | (747) |
| Cash generated by operations | 3 919 | 3 099 | 2 807 | 2 268 | 2 073 | 1 606 | 1 068 |
| Dividends received from joint ventures | 95 | 83 | 95 | 125 | 35 | – | – |
| Dividends received from associate | 62 | – | 1 | 1 | 1 | 1 | 1 |
| Dividends to shareholders | (2 072) | (1 640) | (1 313) | (923) | (725) | (655) | (636) |
| Net cash inflow from operating activities | 2 004 | 1 542 | 1 590 | 1 471 | 1 384 | 952 | 433 |
| Net cash (outflow)/inflow from investing activities | (1 692) | (2 312) | (1 101) | (771) | (504) | 2 625 | (504) |
| Net cash (outflow)/inflow from financing activities | (326) | 165 | (675) | (1 328) | (364) | (1 055) | 374 |
| (Decrease)/increase in cash and cash equivalents | (14) | (605) | (186) | (628) | 516 | 2 522 | 303 |
| Net cash and cash equivalents at the beginning of the year | 1 582 | 2 165 | 2 313 | 2 917 | 2 391 | (91) | (423) |
| Effect of foreign exchange rate changes | 98 | 22 | 38 | 4 | 10 | (40) | 29 |
| Net cash and cash equivalents at the end of the year | 1 666 | 1 582 | 2 165 | 2 293 | 2 917 | 2 391 | (91) |

* Woolworths Financial Services was a wholly owned subsidiary prior to 2009.
** 2014 based on net cash and cash equivalents.
*** Certain amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

**Total assets** (R million)



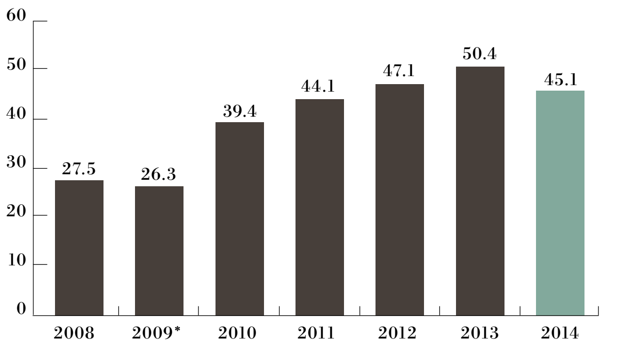

**Cash inflow from trading** (R million)



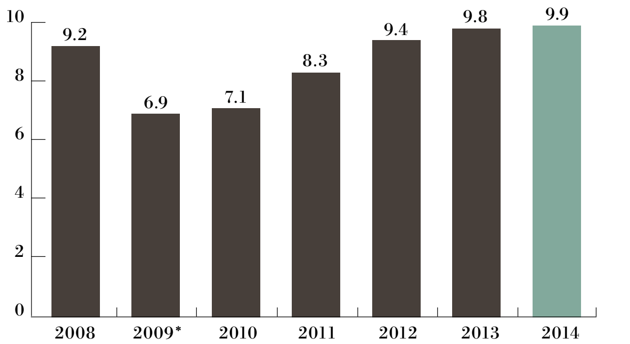
| Year<br>Number of Weeks | 2014<br>52<br>% | Restated***<br>2013<br>53<br>% | Restated***<br>2012<br>52<br>% | 2011<br>52<br>% | 2010<br>52<br>% | 2009<br>52<br>% | 2008<br>53<br>% |
|---|---|---|---|---|---|---|---|
| RETURNS | | | | | | | |
| Return on ordinary shareholders' equity | 45.1 | 50.4 | 47.1 | 44.1 | 39.4 | 26.3 | 27.5 |
| *– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year* | | | | | | | |
| Return on assets** | 30.4 | 32.2 | 28.9 | 23.8 | 19.3 | 16.9 | 18.8 |
| *– operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year* | | | | | | | |
| MARGINS | | | | | | | |
| Gross margin | 39.0 | 38.5 | 35.6 | 34.8 | 33.2 | 31.5 | 31.2 |
| *– gross profit as a percentage of turnover* | | | | | | | |
| Operating margin | 9.9 | 9.8 | 9.4 | 8.3 | 7.1 | 6.9 | 9.2 |
| *– operating profit as a percentage of turnover (revenue in 2008)* | | | | | | | |
| SOLVENCY AND LIQUIDITY | | | | | | | |
| Debt ratio | 5.5 | 6.8 | 5.3 | 5.8 | 17.3 | 18.1 | 40.8 |
| *– interest-bearing debt as a percentage of total assets* | | | | | | | |
| Current ratio (times)** | 1.1 | 1.2 | 1.2 | 1.4 | 1.3 | 1.7 | 0.9 |
| *– current assets divided by current liabilities* | | | | | | | |
| Total liabilities to shareholders' equity** | 107.0 | 105.5 | 119.7 | 121.5 | 160.9 | 170.4 | 214.6 |
| *– non-current liabilities (including deferred tax) and current liabilities, as a percentage of total shareholders' interest* | | | | | | | |

* Woolworths Financial Services was a wholly owned subsidiary prior to 2009.
** 2014 based on net cash and cash equivalents.
*** Certain amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

**Return on equity** (%)




**Operating margin** (%)






SEVEN-YEAR REVIEW

| Year<br>Number of Weeks | 2014<br>52<br>Rm | Restated***<br>2013<br>53<br>Rm | Restated***<br>2012<br>52<br>Rm | 2011<br>52<br>Rm | 2010<br>52<br>Rm | 2009<br>52<br>Rm | 2008<br>53<br>Rm |
|---|---|---|---|---|---|---|---|
| **DIVISIONAL ANALYSIS** | | | | | | | |
| REVENUE | | | | | | | |
| Woolworths Clothing and General Merchandise | 11 523 | 10 778 | 9 606 | 8 616 | 7 918 | 7 441 | 7 394 |
| Woolworths Food | 19 767 | 17 543 | 15 224 | 13 613 | 12 292 | 11 184 | 10 360 |
| Woolworths Logistics | 418 | 561 | 506 | 483 | 417 | 387 | 376 |
| Woolworths Financial Services* | – | – | – | – | – | 474 | 1 663 |
| Country Road Group | 8 145 | 6 478 | 3 402 | 3 000 | 2 861 | 2 252 | 1 939 |
| Woolworths Treasury | 91 | 39 | 75 | 129 | 175 | 184 | 21 |
| | 39 944 | 35 399 | 28 813 | 25 841 | 23 663 | 21 922 | 21 753 |
| TURNOVER | | | | | | | |
| Woolworths Clothing and General Merchandise | 11 505 | 10 764 | 9 585 | 8 591 | 7 913 | 7 323 | 7 410 |
| Woolworths Food | 19 694 | 17 469 | 15 140 | 13 535 | 12 227 | 11 126 | 10 360 |
| Woolworths Logistics | 418 | 561 | 506 | 483 | 417 | 391 | 376 |
| Country Road Group | 8 090 | 6 433 | 3 373 | 2 973 | 2 836 | 2 335 | 1 919 |
| | 39 707 | 35 227 | 28 604 | 25 582 | 23 393 | 21 175 | 20 065 |
| PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX | | | | | | | |
| Woolworths** | – | – | – | – | – | – | 1 377 |
| Woolworths Clothing and General Merchandise | 1 909 | 1 899 | 1 647 | 1 318 | 1 050 | 701 | – |
| Woolworths Food | 1 290 | 1 037 | 877 | 647 | 464 | 407 | – |
| Country Road Group | 891 | 515 | 172 | 162 | 142 | 139 | 101 |
| Woolworths Financial Services (subsidiary to 30 September 2008) | – | – | – | – | – | 72 | – |
| Woolworths Financial Services (joint venture from 1 October 2008) | 181 | 180 | 133 | 129 | 75 | 57 | – |
| Woolworths Treasury | (167) | 16 | 41 | 50 | 28 | 50 | – |
| | 4 104 | 3 647 | 2 870 | 2 306 | 1 759 | 1 426 | 1 478 |
| PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | | | | | | | |
| Woolworths** | 2 312 | 2 264 | 1 929 | 1 516 | 1 185 | 1 159 | 875 |
| Country Road Group | 576 | 333 | 119 | 115 | 73 | 89 | 62 |
| | 2 888 | 2 597 | 2 048 | 1 631 | 1 258 | 1 248 | 937 |
| EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | | | | | | | |
| Woolworths** | 4 743 | 3 868 | 3 862 | 3 516 | 2 966 | 2 663 | 3 130 |
| Country Road Group | 1 886 | 1 784 | 614 | 492 | 430 | 362 | 396 |
| | 6 629 | 5 652 | 4 476 | 4 008 | 3 396 | 3 025 | 3 526 |

* Woolworths Financial Services was a wholly owned subsidiary prior to 2009.
** Includes Woolworths Clothing and General Merchandise, Woolworths Food, Woolworths Logistics, Woolworths Financial Services, Woolworths Treasury and earnings from associate and property joint venture.
*** Certain amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

| Year | 2014 | Restated*** 2013 | Restated*** 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Number of Weeks | 52 | 53 | 52 | 52 | 52 | 52 | 53 |
| **OTHER STATISTICAL DATA** | | | | | | | |
| **WOOLWORTHS*** | | | | | | | |
| Woolworths Clothing and General Merchandise – gross margin (%) | 46.7 | 46.4 | 44.5 | 43.7 | 40.0 | 36.8 | 35.9 |
| Woolworths Food – gross margin (%) | 25.3 | 25.6 | 25.2 | 24.4 | 23.5 | 22.6 | 24.9 |
| Number of employees (average weekly full-time equivalent) | 28 368 | 25 989 | 25 693 | 23 304 | 22 325 | 20 873 | 21 374 |
| Number of stores – owned (local) | 344 | 330 | 330 | 293 | 259 | 250 | 228 |
| – franchise, Engen and Africa | 126 | 131 | 118 | 145 | 160 | 160 | 157 |
| Closing trading area ($m^2$) – owned (local) | 549 008 | 512 252 | 498 626 | 449 297 | 411 132 | 406 784 | 381 639 |
| – franchise, Engen and Africa | 50 427 | 56 900 | 52 808 | 82 990 | 100 524 | 100 493 | 96 712 |
| Turnover ratios – turnover per employee (R'000) | 1 114.5 | 1 107.9 | 982.0 | 970.2 | 920.8 | 902.6 | 849.0 |
| – turnover per $m^2$ (owned) (R'000) | 57.6 | 56.2 | 50.6 | 50.3 | 50.0 | 46.3 | 47.5 |
| Asset turn (times)** | 8.4 | 4.3 | 4.3 | 4.4 | 4.3 | 4.1 | 4.7 |
| – revenue divided by average total assets less deferred tax at the beginning and end of the year | | | | | | | |
| Inventory turn (times) | 9.1 | 9.5 | 10.1 | 10.7 | 10.2 | 10.4 | 12.0 |
| – cost of sales divided by average inventory at the beginning and end of the year | | | | | | | |
| Profit before exceptional items and tax to turnover (%) | 10.1 | 10.2 | 10.0 | 8.7 | 7.3 | 6.3 | 7.6 |
| **COUNTRY ROAD GROUP (IN A$ TERMS)** | | | | | | | |
| Gross margin (%) | 62.0 | 61.9 | 59.6 | 59.3 | 55.8 | 59.5 | 61.0 |
| Number of employees (full-time equivalent) | 3 287 | 3 370 | 1 360 | 1 345 | 1 331 | 1 206 | 1 133 |
| Number of stores – owned | 322 | 307 | 88 | 99 | 96 | 67 | 61 |
| – concession | 207 | 172 | 99 | 100 | 81 | 82 | 78 |
| Trading area ($m^2$) | 92 825 | 89 563 | 56 285 | 55 105 | 48 588 | 36 849 | 33 974 |
| Turnover ratios | | | | | | | |
| – turnover per employee (A$'000) | 258.3 | 209.5 | 308.1 | 318.2 | 317.8 | 284.5 | 255.7 |
| – turnover per $m^2$ (A$'000) | 9.1 | 7.9 | 7.4 | 7.8 | 8.7 | 9.3 | 8.5 |
| Asset turn (times) | 2.0 | 2.5 | 3.1 | 3.3 | 3.0 | 3.0 | 3.0 |
| Inventory turn (times) | 3.6 | 4.4 | 3.6 | 4.0 | 4.1 | 4.1 | 3.9 |
| Profit before tax to turnover (%) | 11.1 | 7.9 | 5.0 | 5.3 | 5.0 | 6.4 | 4.8 |

* Woolworths Financial Services was a wholly owned subsidiary prior to 2009.
** 2014 based on net cash and cash equivalents.
*** Certain amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.
**** Includes special dividend of 94.0 cents paid in 2009.

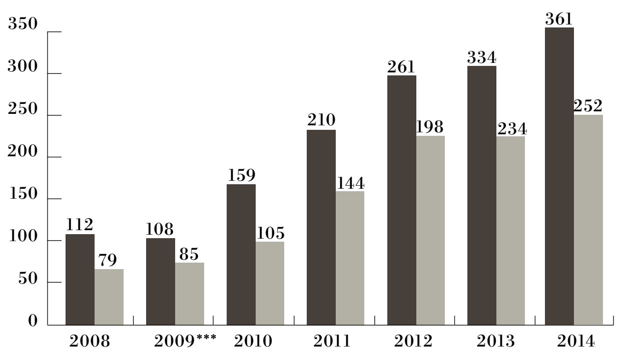




| Year | 2014 | Restated*** 2013 | Restated*** 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Number of Weeks | 52 | 53 | 52 | 52 | 52 | 52 | 53 |
| **ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)** | | | | | | | |
| Earnings | 367.3 | 337.9 | 269.2 | 212.2 | 162.4 | 157.2 | 114.8 |
| Headline earnings | 365.2 | 340.4 | 267.3 | 214.9 | 164.6 | 109.3 | 114.9 |
| Dividends declared for the financial year**** | 251.5 | 234.0 | 198.0 | 143.5 | 105.0 | 179.0 | 79.0 |
| Net asset book value | 872.8 | 745.8 | 598.8 | 530.7 | 447.2 | 390.4 | 443.2 |
| Share price: Highest | 7 789 | 7 931 | 5 039 | 2 982 | 2 580 | 1 358 | 2 302 |
| Lowest | 6 030 | 5 024 | 2 989 | 2 299 | 1 297 | 923 | 988 |
| Average | 7 068 | 6 542 | 4 097 | 2 606 | 1 898 | 1 177 | 1 550 |
| Closing | 7 739 | 6 441 | 5 039 | 2 910 | 2 520 | 1 295 | 1 020 |
| Indexed closing share price (June 2000 = 100) | 2 669 | 2 221 | 1 738 | 1 003 | 869 | 447 | 352 |
| JSE indexed: retail (June 2000 = 100) | 800 | 746 | 707 | 495 | 414 | 275 | 234 |
| all share (June 2000 = 100) | 657 | 513 | 443 | 398 | 354 | 289 | 359 |
| Market capitalisation at June (Rm) | 65 550 | 54 275 | 42 095 | 24 580 | 21 365 | 10 374 | 9 000 |
| Number of shares in issue (millions)** | 760 | 753 | 746 | 755 | 760 | 775 | 796 |
| Number of shares traded (millions) | 980 | 876 | 870 | 781 | 1 209 | 1 182 | 1 164 |
| Percentage of shares traded | 129.0 | 116.3 | 116.6 | 103.4 | 159.1 | 152.6 | 146.3 |
| Value of shares traded (Rm) | 69 266 | 57 308 | 35 644 | 20 353 | 22 947 | 13 912 | 18 037 |
| Price: earnings ratio | 21.1 | 19.1 | 18.7 | 13.7 | 15.5 | 8.2 | 8.9 |
| Dividend yield (%) | 3.2 | 3.6 | 3.9 | 4.9 | 4.2 | 6.6 | 7.7 |
| **FOREIGN CURRENCY EXCHANGE RATES** | | | | | | | |
| US$ – average | 10.37 | 8.83 | 7.73 | 6.99 | 7.61 | 9.05 | 7.33 |
| US$ – closing | 10.58 | 9.87 | 8.35 | 6.82 | 7.60 | 7.94 | 7.88 |
| A$ – average | 9.51 | 9.05 | 7.97 | 6.89 | 6.67 | 6.64 | 6.52 |
| A$ – closing | 9.96 | 9.01 | 8.40 | 7.17 | 6.63 | 6.42 | 7.62 |
| **KEY INFORMATION US$ MILLION** | | | | | | | |
| Revenue | 3 852 | 4 009 | 3 727 | 3 697 | 3 109 | 2 422 | 2 966 |
| Headline earnings per share (cents) | 35.2 | 38.6 | 34.6 | 30.7 | 21.6 | 12.1 | 15.8 |
| Net profit attributable to ordinary shareholders | 279 | 294 | 265 | 233 | 165 | 138 | 128 |
| Total assets | 1 360 | 1 236 | 1 203 | 1 329 | 1 186 | 1 046 | 1 428 |
| Market capitalisation | 6 196 | 5 499 | 5 041 | 3 604 | 2 812 | 1 306 | 1 142 |

* Woolworths Financial Services was a wholly owned subsidiary prior to 2009.
** Net of treasury shares held by subsidiaries, E-Com Investments 16 (Proprietary) Limited and Woolworths (Proprietary) Limited.
*** Certain amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

Diluted HEPS and dividends declared (cents per share)





# REPORT OF THE GROUP SECRETARY

In terms of Section 88(2)(e) of the Companies Act of South Africa, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 29 June 2014 and that all such returns and notices are true, correct and up to date.

**T Sishuba–Mashego**
Group Secretary

# APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

The Annual Financial Statements were approved by the Board on Wednesday, 27 August 2014 and signed on its behalf by:

**SN Susman**
Chairman

**I Moir**
Group Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

# REPORT OF THE AUDIT COMMITTEE

## 1. AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

The committee regulated its affairs as set out in the terms of reference that are reviewed and approved by the Board on an annual basis. As this is a statutory committee in terms of the Companies Act of South Africa, the roles and responsibilities of the committee include both the statutory duties and the additional responsibilities assigned to it by the Board. The committee acts as an Audit committee for the subsidiaries of the company and has performed the functions required under the Companies Act on behalf of the subsidiaries of the company. The committee has assessed the compliance with its terms of reference and is satisfied that it has discharged its responsibilities as stated in the terms of reference, a copy of which may be found on the website: www.woolworthsholdings.co.za.

## 2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

At the date of the report, the committee consisted of four independent non-executive directors. Lindiwe Bakoro was a member until she retired from the Board on 26 November 2013. Member's fees are included in the table of directors' remuneration on page 52. The Group Chief Executive Officer, the Group Finance Director, the head of corporate governance, the head of enterprise risk management and the head of internal audit and the external auditors attend the meetings by invitation.

Four committee meetings were held during the year.

| Name of member | 26 August 2013 | 14 November 2013 | 10 February 2014 | 19 May 2014 |
|---|---|---|---|---|
| **Lindiwe Bakoro***<br>MCom (UCT), Post graduate Diploma in Accounting (UCT), Higher Diploma in Tax Law (WITS), CA(SA).<br>Appointed to committee: 2009 | Present | Apologies | Resigned | Resigned |
| **Peter Bacon** (British)<br>Fellow of the Institute of Hospitality (FIH).<br>Appointed to committee: 2011 | Present | Present | Present | Present |
| **Zarina Bassa**<br>BAcc, CA(SA).<br>Appointed to committee: 2011 | Present | Present | Present | Present |
| **Andrew Higginson** (British)<br>BSc(Hons) Town and Country Planning 2.1, Honorary Doctorate, Fellow Chartered Institute of Management Accountants.<br>Appointed to committee: 2012 | Present | Present | Present | Present |
| **Mike Leeming** (Committee Chairman)<br>BCom, MCom, FCMA, FIBSA, AMP (Harvard).<br>Appointed to committee: 2004 | Present | Present | Present | Present |

**Notes:**

* Lindiwe Bakoro retired as Director on 26 November 2013.

## 3. KEY FUNCTIONS

The committee performed the following duties during the period:

- considered and nominated the external auditor EY for appointment at the Annual General Meeting;
- determined the fees to be paid to the auditors and the auditor's terms of engagement;
- determined the nature and extent of any non-audit services;
- pre-approved any proposed agreement with the auditors for the provision of non-audit services;
- prepared a report, to be included in the Annual Financial Statements for the financial year;
- considered and dealt with any concerns or complaints;
- made submissions to the Board on any matter concerning the company's accounting policies, financial controls, records and reporting;
- the committee also assisted in reviewing and approving relevant pro-forma financial information for the acquisition of David Jones; and
- performed other functions determined by the Board.

## 4. EXTERNAL AUDIT FUNCTION

The committee meets independently with the external auditors to discuss matters relating to the year-end audit and prior to the finalisation of the interim financial results.

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

The committee, in consultation with the Board, agreed the EY letter of engagement, the audit coverage plan and the audit fees for the 2014 financial year. Fees paid to the auditors can be found in note 3 on page 46.

The committee reviews the external auditors' independence policy on an annual basis to ensure that it is in line with best practice. Reflecting the change in the structure of the Group with the acquisition of David Jones and considering international best practice, the committee agreed to increase the limit for non-audit service fees to 30% of the previous year's audit fees. Non-audit service fees amounted to 25% for the year.

The committee has nominated, for approval at the Annual General Meeting, EY as the external auditors for the 2015 financial year. The committee is satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors.

## 5. INTERNAL AUDIT FUNCTION

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

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

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

## 6. INTERNAL FINANCIAL CONTROLS

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

## 7. ANNUAL FINANCIAL STATEMENTS

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

## 8. GOING CONCERN

The committee reviewed the assessment of the going concern premise of the Group and recommended to the Board that the Group will be a going concern for the foreseeable future.

## 9. EXPERTISE AND EXPERIENCE OF THE GROUP FINANCE DIRECTOR AND FINANCE FUNCTION

In line with the JSE Listings Requirements, the committee examines and reviews the competence of Reeza Isaacs, the Group Finance Director and the finance management team annually. The committee is satisfied that the Group Finance Director and the finance management team have the appropriate expertise and experience as required by the Group. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the Group's finance function.

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

## 10. ADDITIONAL MEETINGS

Two additional committee meetings were held during the fourth quarter. These meetings were convened for the Audit committee to review and approve pro-forma financial information provided to shareholders relating to the David Jones acquisition.

## 11. INTEGRATED REPORTING

The committee is responsible to oversee the Integrated Report. It recommended the Integrated Report for approval by the Board.

## 12. APPOINTMENT OF AN ADDITIONAL AUDIT COMMITTEE MEMBER

On 1 July 2014 the WHL Board appointed Hubert Brody as a Non-executive Director. He was further appointed as a member of the Audit committee and his appointment is subject to shareholders' approval at the Annual General Meeting in November 2014.

Signed this 27th day of August 2014.

**Mike Leeming**
Audit Committee Chairman

*Studio.W, Summer 2014*



# DIRECTORS' REPORT

## NATURE OF BUSINESS

Woolworths Holdings Limited is one of South Africa's leading retail investment companies listed on the JSE Limited securities exchange since 1997. The operations of the Group are conducted through two main subsidiaries, Woolworths (Proprietary) Limited and Country Road Limited and a joint venture, Woolworths Financial Services (Proprietary) Limited.

There are 551 Woolworths store locations in South Africa, (including 55 stores operated on Engen forecourts), 62 stores in the rest of Africa, including two store locations in the Middle East.

Country Road Limited, which was listed on the Australian Securities Exchange, is a retail chain offering clothing and homeware products in stand-alone retail stores and concessions throughout Australia, New Zealand and South Africa. It trades with four private label brands, Country Road, Trenery, Witchery and Mimco. There are 308 retail stores in Australia and New Zealand and 151 concession stores. It is also represented in 70 selected Woolworths outlets and stand-alone stores throughout South Africa.

Woolworths Financial Services (Proprietary) Limited is operated jointly with Barclays Africa Group Limited (formerly ABSA Group Limited) and provides a suite of financial products to Woolworths customers, including Woolworths store card, credit card and personal loans.

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

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The review of operations and financial results of the Group are contained in the 2014 Integrated Report and the 2014 Annual Financial Statements report.

## STATED CAPITAL

**AUTHORISED**

| | |
|---|---|
| Ordinary shares | – 12 410 600 000 of no par value |
| Unlisted, convertible, redeemable, non-cumulative participating preference shares | – 89 400 000 of 0.15 cents each |

**ISSUED**

| | |
|---|---|
| Ordinary shares | – 847 004 975 of no par value |
| Unlisted, convertible, redeemable, non-cumulative participating preference shares | – 89 192 746 of 0.15 cents each |

## DIRECTORATE AND GROUP SECRETARY

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

The composition of the Board at the date of this report and the details of the directors and the Group Secretary are shown in the 2014 Integrated Report.

## CHANGES TO DIRECTORATE

Lindiwe Bakoro and Norman Thomson retired as directors of Woolworths at the Annual General Meeting held on 26 November 2013.

Sam Ngumeni was appointed to the Board as an Executive Director on 12 February 2014.

Hubert Brody and Nombulelo Moholi were appointed as Independent Non-executive Directors with effect from 1 July 2014.

## RE-ELECTION OF DIRECTORS RETIRING BY ROTATION

In accordance with the Memorandum of Incorporation of the company, at least one-third of the Board are required to retire by rotation at each Annual General Meeting. Retiring directors are those who have been appointed between Annual General Meetings and those who have been in office the longest since their re-election. No director can serve more than three years without being re-elected.

Sam Ngumeni, Hubert Brody and Nombulelo Moholi, by virtue of them having been appointed by the Board since the November 2013 Annual General Meeting, are required to retire at the Annual General Meeting and offer themselves for election by shareholders.

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

## DIRECTORS' INTERESTS IN SHARES

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

| | 2014 Beneficial | | 2013 Beneficial | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| **NON-EXECUTIVE DIRECTORS** | | | | |
| Simon Susman | 49 513 | 5 547 723 | 49 513 | 7 167 723 |
| Peter Bacon | 25 000 | – | 25 000 | – |
| Lindiwe Bakoro* | – | – | – | – |
| Zarina Bassa | – | – | – | – |
| Tom Boardman | – | 4 200 | – | 4 200 |
| Hubert Brody# | 2 500 | – | – | – |
| Andrew Higginson | – | – | – | – |
| Mike Leeming | – | 20 000 | – | 20 000 |
| Nombulelo Moholi# | – | – | – | – |
| Chris Nissen | – | – | – | – |
| Sir Stuart Rose | 22 583 | – | 11 525 | – |
| Thina Siwendu | – | – | – | – |
| **EXECUTIVE DIRECTORS** | | | | |
| Ian Moir | 1 038 521 | 781 520 | 864 497 | 729 844 |
| Reeza Isaacs** | 104 840 | 89 345 | 104 840 | – |
| Zyda Rylands | 1 056 702 | 1 816 192 | 803 310 | 2 068 084 |
| Sam Ngumeni*** | 357 587 | 474 140 | 327 771 | 445 038 |
| Norman Thomson* | – | 1 611 655 | 1 676 511 | 1 664 196 |
| **Total** | 2 657 246 | 10 344 775 | 3 862 967 | 12 099 085 |

* Retired from the Board on 26 November 2013.
** Appointed to the Board on 26 November 2013.
*** Appointed to the Board on 12 February 2014.
# Appointed to the Board on 1 July 2014.

As at the date of this report, the directors held indirectly, the following interest in the company's preference issued share capital for the Woolworths Employee Share Ownership Trust:

| | 2014 Beneficial | | 2013 Beneficial | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| **EXECUTIVE DIRECTORS** | | | | |
| Zyda Rylands | – | 1 250 000 | – | 1 250 000 |
| Sam Ngumeni | – | 475 000 | – | 475 000 |
| **Total** | – | 1 725 000 | – | 1 725 000 |

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





## DIRECTORS' EMOLUMENTS

The emoluments of directors of the company are set out on pages 52 to 60.

## RELATED PARTY CONTRACTS

During the course of the year, no director had a material interest in any contract of significance with the company or any of its subsidiaries that could have given rise to a conflict of interest.

Transactions defined as related party transactions in terms of the International Financial Reporting Standards between the company or its subsidiaries and the directors or their associates are disclosed in note 7 on page 49 of the Group Annual Financial Statements.

## DISTRIBUTIONS TO ORDINARY SHAREHOLDERS

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

### INTERIM

On 12 February 2014, a cash dividend of 101.0 cents (85.85 cents net of dividend withholding tax) (2013: 86.0 cents) was declared to shareholders recorded at the close of business on Friday, 7 March 2014 and paid on Monday, 10 March 2014.

### FINAL

On 27 August 2014, a cash dividend of 150.5 cents (127.9 cents net of dividend withholding tax) (2013: 148.0 cents) was declared to shareholders recorded at close of business on Friday, 12 September 2014, to be paid on Monday, 15 September 2014.

## DISTRIBUTIONS TO CONVERTIBLE, REDEEMABLE, NON-CUMULATIVE PARTICIPATING PREFERENCE SHAREHOLDERS (THE WOOLWORTHS EMPLOYEE SHARE OWNERSHIP TRUST)

### INTERIM

On 12 February 2014, a cash dividend of 101.0 cents (85.85 cents net of dividend withholding tax) (2013: 59.0 cents) was declared to shareholders recorded at the close of business on Friday, 7 March 2014 and paid on Monday, 10 March 2014.

### FINAL

On 27 August 2014, a cash dividend of 150.5 cents (127.9 cents net of dividend withholding tax) (2013: 148.0 cents) was declared to shareholders recorded at close of business on Friday, 12 September 2014, to be paid on Monday, 14 September 2014.

## DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Financial Statements and other information presented in the Integrated Report in a manner that fairly presents the financial position and the results of the operations of the company and the Group for the year ended 29 June 2014.

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 Companies Act of South Africa and for reporting their findings thereon. The auditors' report is set out on page 29.

The Annual Financial Statements set out on pages 30 to 127 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies which have been consistently applied in all material respects, and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

## INTERNAL CONTROL

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

## GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to 28 June 2015 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 Memorandum of Incorporation, the borrowing powers of the company are unlimited. However, all borrowings by the Group are subject to Board approval as required by the Board delegation of authority. The details of borrowings appear in note 22 on page 81.

## SUBSIDIARY COMPANIES

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

## EVENTS SUBSEQUENT TO THE REPORTING DATE

### DAVID JONES LIMITED

The acquisition and scheme of arrangement between David Jones Limited ("DJ") and Vela Investments Proprietary Limited ("Vela"), a subsidiary of Woolworths Holdings Limited, was implemented on 1 August 2014, where Vela acquired all the ordinary shares in DJ. The Scheme Consideration of A$4.00 for each David Jones share held on the Scheme Record Date, was paid to DJ shareholders on the same date. DJ applied for termination of the official quotation of its shares on the Australian Securities Exchange ("ASX") and for David Jones to be removed from the official list of ASX from the close of trading on 4 August 2014.

### COUNTRY ROAD LIMITED TAKEOVER OF MINORITY SHAREHOLDING

On 25 July 2014, Woolworths Holdings Limited's takeover offer of the remaining shares in Country Road Limited ("CRL") made via Woolworths International (Australia) II Proprietary Limited, was approved by the Australian Foreign Investment Review Board. Compulsory acquisition of all outstanding CRL shares commenced on 28 July 2014. CRL shares were suspended from quotation on ASX on 4 August 2014 and the completion of the compulsory acquisition process and the delisting of CRL is expected to occur in early September 2014.

## SPECIAL RESOLUTIONS

The following special resolutions were passed during the course of the year, for both Woolworths Holdings Limited and Woolworths (Proprietary) Limited:

## WOOLWORTHS HOLDINGS LIMITED

November 2013 Annual General Meeting:

- Remuneration for the non-executive directors;
- General authority to repurchase shares;
- Financial assistance to related or inter-related companies or corporations; and
- Issue of shares or options and granting of financial assistance in terms of the company's share-based incentive scheme.

June 2014 General meeting (David Jones Limited acquisition):

- Conversion of par value Woolworths ordinary shares to no par value ordinary shares;
- Increasing the number of authorised Woolworths ordinary shares;
- Amending the Memorandum of Incorporation;
- Approval to issue 30% or more of the company's issued Woolworths ordinary shares;
- Authorisation to exclude holders of treasury shares and the holder of the preference shares from participating in the rights offer.

The special resolution in relation to the amendment of the Memorandum of Incorporation was lodged with the Companies and Intellectual Property Commission.

## WOOLWORTHS (PROPRIETARY) LIMITED

- Financial assistance to related or inter-related companies or corporations.

The special resolutions were not required to be lodged with the Companies and Intellectual Property Commission.





# REPORT OF THE INDEPENDENT AUDITORS

## AUDIT OPINION TO THE SHAREHOLDERS OF WOOLWORTHS HOLDINGS LIMITED

We have audited the consolidated and separate annual financial statements of Woolworths Holdings Limited set out on pages 30 to 127, which comprise the statements of financial position as at 29 June 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the 52-week period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Woolworths Holdings Limited as at 29 June 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the 52-week period then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

### OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate annual financial statements for the 52-week period ended 29 June 2014, we have read the report of the group secretary, the report of the audit committee and directors' report for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

*Ernst & Young Inc.*

**Ernst & Young Inc.**
Director – A Cadman
Registered Auditor
Chartered Accountant
Ernst & Young House
35 Lower Long Street
Cape Town
27 August 2014

GROUP ANNUAL FINANCIAL STATEMENTS

# GROUP ANNUAL FINANCIAL STATEMENTS

| GROUP STATEMENT OF COMPREHENSIVE INCOME | Notes | 52 weeks to 29 June 2014 Rm | Restated* 53 weeks to June 30 2013 Rm |
|---|---|---|---|
| **Revenue** | 2 | 39 944 | 35 399 |
| **Turnover** | 2 | 39 707 | 35 227 |
| **Cost of sales** | | 24 209 | 21 674 |
| **Gross profit** | | 15 498 | 13 553 |
| Other revenue | 2 | 125 | 115 |
| **Expenses** | | 11 680 | 10 199 |
| Store costs | 38.3 | 7 614 | 6 639 |
| Other operating costs | 38.3 | 4 066 | 3 560 |
| Operating profit | | 3 943 | 3 469 |
| Investment income | 2 | 112 | 57 |
| Finance costs | 3.6 | 136 | 68 |
| Profit before earnings from joint ventures and associate | | 3 919 | 3 458 |
| Earnings from joint ventures | 35 | 181 | 180 |
| Earnings from associate | 11 | 4 | 9 |
| Profit before tax | 3 | 4 104 | 3 647 |
| Tax | 4 | 1 114 | 1 009 |
| Profit for the year | | 2 990 | 2 638 |
| **Other comprehensive income:** | | | |
| Amounts that may be reclassified to profit or loss | | | |
| Fair-value adjustments on financial instruments | 28.6 | (239) | 128 |
| Deferred tax on fair-value adjustments on financial instruments | | 57 | (40) |
| Exchange differences on translation of foreign subsidiaries | | 177 | 92 |
| **Amounts that may not be reclassified to profit or loss** | | | |
| Post-retirement medical benefit liability-actuarial (loss)/gain | 24 and 38 | (8) | 31 |
| Deferred tax on post-retirement medical benefit liability | | 2 | (9) |
| **Other comprehensive income for the year** | | (11) | 202 |
| **Total comprehensive income for the year** | | 2 979 | 2 840 |
| Profit attributable to: | | 2 990 | 2 638 |
| Shareholders of the parent | | 2 888 | 2 597 |
| Non-controlling interests | | 102 | 41 |
| **Total comprehensive income attributable to:** | | 2 979 | 2 840 |
| Shareholders of the parent | | 2 868 | 2 770 |
| Non-controlling interests | | 111 | 70 |
| **Earnings per share** (cents) | 5 | 367.3 | 337.9 |
| **Headline earnings per share** (cents) | 5 | 365.2 | 340.4 |
| **Diluted earnings per share** (cents) | 6 | 362.7 | 331.3 |
| **Diluted headline earnings per share** (cents) | 6 | 360.6 | 333.8 |

* Certain comparative amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

| GROUP STATEMENT OF FINANCIAL POSITION | Notes | At 29 June 2014 Rm | Restated* At 30 June 2013 Rm | Restated* At 25 June 2012 Rm |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | 8 192 | 6 773 | 5 015 |
| Property, plant and equipment | 8 | 3 404 | 2 683 | 2 225 |
| Investment properties | 9 | 115 | 43 | 106 |
| Intangible assets | 10 | 2 946 | 2 440 | 1 219 |
| Investment in associate | 11 | 2 | 60 | 51 |
| Investment in joint ventures | 35 | 799 | 713 | 616 |
| Prepaid employment costs | 12 | – | – | 13 |
| Participation in export partnerships | 13 | 30 | 38 | 49 |
| Other loans | 14 | 106 | 83 | 89 |
| Deferred tax | 15 | 790 | 713 | 647 |
| **Current assets** | | 14 077 | 5 367 | 5 054 |
| Inventories | 16 | 3 436 | 2 901 | 2 216 |
| Trade and other receivables | 17 | 1 067 | 668 | 631 |
| Derivative financial instruments | 18 | 23 | 211 | 41 |
| Tax | 31.3 | 9 | 5 | 1 |
| Cash and cash equivalents | 31.4 | 9 542 | 1 582 | 2 165 |
| **Non-current assets held for sale** | 37 | – | 63 | – |
| **TOTAL ASSETS** | | 22 269 | 12 203 | 10 069 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to shareholders of the parent** | | 6 629 | 5 652 | 4 476 |
| Share capital | 19 | – | 1 | 1 |
| Share premium | 20 | – | 431 | 94 |
| Stated capital | 19 and 20 | 678 | – | – |
| Treasury shares | | (1 324) | (1 357) | (1 344) |
| Non-distributable reserve | 21 | 583 | 429 | 351 |
| Distributable reserves | 21 and 38 | 6 692 | 6 148 | 5 374 |
| **Non-controlling interests** | 36 | 323 | 285 | 107 |
| **TOTAL EQUITY** | | 6 952 | 5 937 | 4 583 |
| **Non-current liabilities** | | 1 918 | 1 890 | 1 190 |
| Interest-bearing borrowings | 22 | 623 | 705 | 25 |
| Operating lease accrual | 23 | 614 | 487 | 457 |
| Post-retirement medical benefit liability | 24 and 38 | 349 | 338 | 348 |
| Deferred tax | 15 | 332 | 360 | 360 |
| **Current liabilities** | | 13 399 | 4 376 | 4 296 |
| Trade and other payables | 23 | 4 625 | 3 837 | 3 172 |
| Provisions | 25 | 361 | 297 | 230 |
| Derivative financial instruments | 18 | 185 | 8 | 16 |
| Tax | 31.3 | 189 | 107 | 368 |
| Interest-bearing borrowings | 22 | 8 039 | 127 | 510 |
| **TOTAL LIABILITIES** | | 15 317 | 6 266 | 5 486 |
| **TOTAL EQUITY AND LIABILITIES** | | 22 269 | 12 203 | 10 069 |

* Certain comparative amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

## GROUP STATEMENT OF CHANGES IN EQUITY

| | | Attributable to | | | owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Non-distributable reserve | Distributable reserves | | | | | |
| | Notes | Stated capital Rm | Share capital Rm | Share premium Rm | Treasury shares Rm | Foreign currency translation reserve Rm | Share-based payments reserve Rm | Financial instrument revaluation reserve Rm | Retained profit Rm | Shareholders' interest before non-controlling interest Rm | Non-controlling interest Rm | Total Rm |
| **Shareholders' interest at 24 June 2012 as previously reported** | | – | 1 | 94 | (1 344) | 351 | 735 | (4) | 4 632 | 4 465 | 107 | 4 572 |
| Post-retirement medical benefit liability restatement | 24 and 38 | – | – | – | – | – | – | – | (9) | (9) | – | (9) |
| Consolidation of trust | 38 | – | – | – | – | – | – | – | 20 | 20 | – | 20 |
| **Shareholders' interest at 24 June 2012 as restated** | | – | 1 | 94 | (1 344) | 351 | 735 | (4) | 4 643 | 4 476 | 107 | 4 583 |
| Profit for the year | | – | – | – | – | – | – | – | 2 597 | 2 597 | 41 | 2 638 |
| Other comprehensive income | | – | – | – | – | 78 | – | 73 | 22 | 173 | 29 | 202 |
| Total comprehensive income for the year | | – | – | – | – | 78 | – | 73 | 2 619 | 2 770 | 70 | 2 840 |
| Shares issued | 19 and 20 | – | – | 337 | (337) | – | – | – | – | – | – | – |
| Shares repurchased | | – | – | – | (192) | – | – | – | – | (192) | – | (192) |
| Share repurchase costs | | – | – | – | – | – | – | – | (1) | (1) | – | (1) |
| Dividends to shareholders | 30 | – | – | – | – | – | – | – | (1 640) | (1 640) | – | (1 640) |
| Share-based payments | | – | – | – | – | – | 239 | – | – | 239 | – | 239 |
| Settlement of share-based payments | | – | – | – | 516 | – | (69) | – | (447) | – | – | – |
| Non-controlling interest arising on business acquisitions | | – | – | – | – | – | – | – | – | – | 108 | 108 |
| **Shareholders' interest at 30 June 2013** | | – | 1 | 431 | (1 357) | 429 | 905 | 69 | 5 174 | 5 652 | 285 | 5 937 |
| Profit for the year | | – | – | – | – | – | – | – | 2 888 | 2 888 | 102 | 2 990 |
| Other comprehensive income | | – | – | – | – | 154 | – | (168) | (6) | (20) | 9 | (11) |
| Total comprehensive income for the year | | – | – | – | – | 154 | – | (168) | 2 882 | 2 868 | 111 | 2 979 |
| Shares issued | 19 and 20 | – | – | 246 | (246) | – | – | – | – | – | – | – |
| Conversion to Stated capital | 19 and 20 | 678 | ( 1) | ( 677) | – | – | – | – | – | – | – | – |
| Shares repurchased | | – | – | – | (60) | – | – | – | – | (60) | – | (60) |
| Share repurchase costs | | – | – | – | – | – | – | – | (1) | (1) | – | (1) |
| Dividends to shareholders | 30 | – | – | – | – | – | – | – | (1 999) | (1 999) | (73) | (2 072) |
| Share-based payments | | – | – | – | – | – | 169 | – | – | 169 | – | 169 |
| Settlement of share-based payments | | – | – | – | 339 | – | (189) | – | (150) | – | – | – |
| **Shareholders' interest at 29 June 2014** | | 678 | – | – | (1 324) | 583 | 885 | (99) | 5 906 | 6 629 | 323 | 6 952 |

| | Notes | 2014 | 2013 |
|---|---|---|---|
| **Dividend per share declared for the financial year (cents)** | 30 | | |
| **Ordinary shares** | | 251.5 | 234.0 |
| Interim | | 101.0 | 86.0 |
| Final | | 150.5 | 148.0 |
| **Preference shares** | | 251.5 | 207.0 |
| Interim | | 101.0 | 59.0 |
| Final | | 150.5 | 148.0 |

| GROUP STATEMENT OF CASH FLOWS | Notes | 52 weeks to 29 June 2014 Rm | Restated* 53 weeks to 30 June 2013 Rm |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash inflow from trading | 31.1 | 5 375 | 4 450 |
| Working capital movements | 31.2 | (407) | (196) |
| **Cash generated by operating activities** | | 4 968 | 4 254 |
| Interest income | | 104 | 48 |
| Finance costs paid | | (106) | (63) |
| Tax paid | 31.3 | (1 047) | (1 140) |
| **Cash generated by operations** | | 3 919 | 3 099 |
| Dividends received from joint ventures | | 95 | 83 |
| Dividends received from associate | | 62 | – |
| Dividends to ordinary shareholders | | (1 969) | (1 578) |
| Dividends to preference shareholders | | (103) | (62) |
| **Net cash inflow from operating activities** | | 2 004 | 1 542 |
| **Cash flow from investing activities** | | | |
| Investment in property, plant and equipment, intangible assets and investment property | | (1 459) | (810) |
| Proceeds on disposal of property, plant and equipment, intangible assets, investment property and non-current assets held for sale | | 145 | 29 |
| Acquisition of subsidiary, net of cash acquired | | – | (1 490) |
| Acquisition of franchise operations | 34 | (396) | (67) |
| Participation in export partnerships | | 4 | 11 |
| Loans and advances repaid by employees and share scheme participants | | 14 | 15 |
| **Net cash outflow from investing activities** | | (1 692) | (2 312) |
| **Cash flow from financing activities** | | | |
| Shares repurchased | 19 | (71) | (192) |
| Share repurchase costs | | (1) | (1) |
| Finance lease payments | | (46) | (15) |
| Borrowings raised | | 55 | 872 |
| Borrowings repaid | | (94) | (607) |
| Costs associated with debt and equity raising | 39 | (169) | – |
| Acquisitions – non-controlling interest contribution | | – | 108 |
| **Net cash (outflow)/inflow from financing activities** | | (326) | 165 |
| **Decrease in cash and cash equivalents** | | (14) | (605) |
| **Net cash and cash equivalents at the beginning of the year** | | 1 582 | 2 165 |
| **Effect of foreign exchange rate changes** | | 98 | 22 |
| **Net cash and cash equivalents at the end of the year** | 31.4 | 1 666 | 1 582 |

* Certain comparative amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

*Studio.W home, 2014*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

# 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate Annual Financial Statements of Woolworths Holdings Limited ("the company") for the 52 weeks ended 29 June 2014 (2013: 53 weeks ended 30 June 2013) comprise the company, its subsidiaries, joint ventures and associates (together referred to as "the Group").

## STATEMENT OF COMPLIANCE

The consolidated and separate Annual Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), South African Institute of Chartered Accountants ("SAICA") and the Financial Reporting Standards Committee ("FRSC") , and the Companies Act of South Africa.

## BASIS OF PREPARATION

The consolidated and separate 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 years presented in these consolidated and separate Annual Financial Statements, except where the Group has adopted the IFRS and IFRIC interpretations and amendments listed below that became effective during the year. These interpretations and amendments had no material impact on the reported results. Where applicable, additional disclosures for the current and comparative years are provided.

- Annual Improvements to IFRS – 2009 – 2011 cycle (effective 1 January 2013):
  The International Accounting Standards Board's (IASB) annual improvement cycle deals with non-urgent but necessary clarifications and amendments to IFRS. An amendment to IAS 16 clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The Group complies with this requirement. There are separate transitional provisions for other standards and the adoption of these amendments resulted in minor changes to accounting policies but did not have any impact on the financial position or performance of the Group.
- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013):
  These amendments require an entity to disclose information about rights of set-off and related arrangements. This disclosure requirement is to cater for the amendment to IAS 32 as listed in IFRS amendments and IFRIC interpretations not yet effective.
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (effective 1 January 2013):
  IFRS 10 replaces the portions of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements. It also includes the issues raised in SIC-12: Consolidation – Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in separate financial statements.

  IFRS 10 does not change consolidation procedures, it changes whether an entity is consolidated by revising the definition of control. The implementation of IFRS 10 has resulted in consolidation of The Woolworths Trust.
- IFRS 11 Joint Arrangements (effective 1 January 2013):
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

  Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the new definition of 'control' in IFRS 10.

  IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:
  - Joint operation: An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
  - Joint venture: An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method under IAS 28. The option in IAS 31 to account for joint ventures as defined in IFRS 11 using proportionate consolidation has been removed.

  The implementation of IFRS 11 has not resulted in entities being classified as joint arrangements and therefore has not affected the accounting treatment of these investments.
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013):
  IFRS 12 includes many of the disclosures that were previously in IAS 27, IAS 28 and IAS 31, as well as new requirements. IFRS 12 disclosures relate to an entity's interests in subsidiaries, joint ventures, joint operations, associates and unconsolidated structured entities. The new standard requires information to assist users in evaluating the nature and risks associated with interests in other entities and the effects of these interests on the financial position, performance and cash flows. The application of the standard has resulted in disclosure of interests in other entities.
- IFRS 13 Fair Value Measurement (effective 1 January 2013):
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an 'exit price'). 'Fair value' as used in IFRS 2 Share-based payments and IAS 17 Leases is excluded from the scope of IFRS 13. Application of IFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values are determined. The fair value hierarchy is presented in Note 28.7.
- IAS 28 Investments in associates and joint ventures (revised) (effective 1 January 2013):
  IAS 28 was revised and issued together with IFRS 10, IFRS 11, IFRS 12 and IAS 27. This standard describes the application of the equity method to investments in joint ventures in addition to associates. This has not resulted in any change as the Group has accounted for its investments in Joint ventures on the equity method.
- IAS 19 Employee Benefits (revised) (effective 1 January 2013):
  For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses are recognised in other comprehensive income with no subsequent recycling to profit or loss. This has impacted the amounts recognised in both the statement of financial position and statement of comprehensive income. Comparative figures have been restated to show this impact.

  Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new and revised disclosure requirements. These new disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

  Short- and long-term benefits will now also be distinguished based on the expected timing of settlement, rather than employee entitlement. A change in classification of the leave pay provision could lead to a measurement change in that the leave pay provision must be discounted to reflect the time value of money. The impact of this change is not material for the Group.

  Various other standards, amendments or improvements to standards or interpretations became effective during the current financial period with no effect on the financial position, performance or cash flow of the Group.

## BASIS OF CONSOLIDATION

The Group consolidates all of its subsidiaries. Accounting policies are applied consistently in all Group companies. The results of subsidiaries are included from the effective date of acquisition up to the effective date of disposal. All subsidiaries, with the exception of the Woolworths Holdings Share Trust, the Woolworths Trust and the Woolworths Employee Share Ownership Trust, have the same financial year ends and are consolidated to that date. The results of subsidiaries with year ends differing from that of the Group are compiled for a rolling 12-month year ending June and consolidated to that date.

## CONTROL

The Group consolidates an entity when control can be shown. Control exists when the Group can show:

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

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

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

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

Losses are attributed to the non-controlling interests even if that results in a deficit balance.

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

## FOREIGN CURRENCY TRANSLATIONS

The presentation currency of the Group and parent Company Annual Financial Statements is the South African Rand. The functional currency of the parent is the South African Rand. Certain individual companies in the Group have different functional currencies and are translated upon consolidation.

Foreign currency transactions are recorded at the exchange rates ruling on the transaction dates. Monetary assets and liabilities designated in foreign currencies are subsequently translated at rates of exchange ruling at the reporting date and resulting gains and losses thereon are recognised in profit or loss. Upon settlement, foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the settlement date and resulting gains and losses are recognised in profit or loss. Non-monetary assets and liabilities are consistently translated at rates of exchange ruling at acquisition date.

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

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

## USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

### SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

#### PROPERTY, PLANT AND EQUIPMENT

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

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

#### PROVISION FOR NET REALISABLE VALUE OF INVENTORY

The provision for net realisable value of inventory represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting date will be sold below cost. Refer to note 16.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FAIR VALUE OF RIGHTS TO ACQUIRE EQUITY INSTRUMENTS GRANTED

The fair value of rights to acquire shares granted in terms of share-based payment transactions is obtained using option pricing models and, in the case of options, assuming an option life of between seven and ten years, and between three and seven years for the new schemes. Convertible preference shares issued in terms of the broad-based black economic empowerment scheme have a life of eight years terminating in 2015. Other valuation assumptions include estimates of attrition, 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.

REACQUIRED RIGHTS

The fair value attached to the reacquired rights is determined with the use of a discounted cash flow which takes into account the remaining term of the franchise agreement. The Group determines whether these assets are impaired at each reporting date. Key assumptions applied to the earnings portion of a discounted cash flow calculation include the latest available projected sales growth rate, which varies from 2% – 10%, operating margin, return on capital required of 15% – 25%, reinvestment of profits, working capital requirements and capital expenditure. The growth rate used to extrapolate cash flows beyond the most recent budget year is also estimated, as above. In determining the discount rate applied to calculate the present value of future earnings, the Group estimates the market risk return and uses a weighted average cost of capital of 13.4%. Refer to note 34.

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

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

### IMPAIRMENT OF FINANCIAL ASSETS

LOANS AND RECEIVABLES

When evidence of impairment of loans and receivables exists, the present value of the future cash flows of the asset discounted at the asset's original effective interest rate is determined and compared to the carrying value of the asset. Management judgement is required in the estimation of future cash flows.

PROVISION FOR EMPLOYEE BENEFITS

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

### SIGNIFICANT JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The following areas require significant judgements to be made by management in the application of the Group's accounting policies:

### PROBABILITY OF VESTING OF RIGHTS TO EQUITY INSTRUMENTS GRANTED IN TERMS OF SHARE-BASED PAYMENT SCHEMES

The cumulative expense recognised in terms of the Group's share-based payment schemes reflects, in the opinion of the directors, the number of rights to equity instruments granted that will ultimately vest. At each reporting date, the unvested rights are adjusted by the number forfeited during the year to reflect the actual number of instruments outstanding. Management is of the opinion that this number, adjusted for future attrition rates, represents the most accurate estimate of the number of instruments that will ultimately vest.

### INCOME TAXES

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

### DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

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

### CONSOLIDATION OF THE GROUP'S SHARE TRUSTS

The Group operates a share incentive scheme and a 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. In the judgement of management, the Group controls the respective trusts in accordance with IFRS 10 and the appropriate accounting treatment for these entities is to consolidate their results.

## PROPERTY, PLANT AND EQUIPMENT

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

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

Subsequent to initial recognition, buildings and leasehold improvements are shown at cost, less accumulated depreciation and any impairment in value. Land is measured at cost, less any impairment in value and is not depreciated, since the useful life is considered to be indefinite. Furniture, fittings, motor vehicles and computer equipment are shown at cost less accumulated depreciation and any impairment in value.

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

An asset is depreciated from the time that it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset (or disposal Group into which the asset falls) is classified as held-for-sale or included in a discontinued operation in accordance with IFRS 5, and the date that the asset is derecognised. The depreciable amount of an asset, being the cost of the asset less the residual value, is allocated on a straight-line basis over the estimated useful life of the asset. Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. Whilst residual value is equal to or exceeds the carrying value, depreciation is discontinued.

Each part of an item of property, plant and equipment with a cost which is significant in relation to the total cost of the item is depreciated separately.

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

Useful lives per asset category:

| | |
|---|---|
| Buildings | 15 to 40 years |
| Leasehold improvements | Write off over the lease period or shorter period if appropriate |
| Furniture, fittings and equipment | 2 to 15 years |
| Computers | 3 to 7 years |
| Motor vehicles | 5 years |

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

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

## INTANGIBLE ASSETS

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

Other than brand names and goodwill, all of the Group's intangible assets are assessed as having finite useful lives. The Group's intangible assets are amortised over their useful lives using a straight-line basis. Computer software is amortised between five to ten years. Reacquired rights are amortised over the remaining contractual term of the franchise contracts acquired, which varies between two and ten years per store. Customer databases are amortised over seven years.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The residual value of an intangible asset may increase to an amount equal to or greater than the asset's carrying amount. Amortisation of intangible assets cease when the residual value is equal to or exceeds the carrying value.

The residual value of an intangible asset shall be zero, unless there is a commitment by a third party to purchase the asset at the end of its useful life, or if the residual value can be determined by reference to an active market and it is probable that the market will still exist at the end of the asset's useful life.

Amortisation shall cease at the earlier of the date that the asset is classified as held-for-sale (or is included in a disposal group that is classified as held-for-sale), or the date that the asset is derecognised.

Subsequent expenditure on intangible assets is capitalised if it is probable that future economic benefits attributable to the asset will flow to the Group and the expenditure can be measured reliably.

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

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

### COMPUTER SOFTWARE

Computer software acquired from external suppliers is initially recognised at cost. Computer software development costs are capitalised if the recognition criteria outlined below under "Research and development" are met.

### RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred.

Development costs are recognised as an expense in the period in which they are incurred unless the technical feasibility of the asset has been demonstrated and the intention to complete and utilise the asset is confirmed. Capitalisation commences when it can be demonstrated how the intangible asset will generate probable future economic benefits, that it is technically feasible to complete the asset, that the intention and ability to complete and use the asset exists, that adequate financial, technical and other resources to complete the development are available and the costs attributable to the process or product can be separately identified and measured reliably. Where development costs are recognised, it has a finite useful life and is amortised over its useful life on a straight line basis and is tested for impairment if indications of impairment exists.

### GOODWILL

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

Goodwill on acquisitions of the equity-accounted associate and joint ventures is included in the investments in associate or joint ventures and tested for impairment as part of the carrying value of the investment. Goodwill recognised on the acquisition of the associate or joint ventures (equity-accounted) is calculated as the difference between the cost of the investment and the fair value of the proportionate net assets obtained. Any excess of the fair value of the proportionate net assets acquired over the cost of the investment is included in profit or loss of the investor, in the year when acquired, as part of the proportionate share in the associate's profit after tax.

When part of a cash-generating unit that contains goodwill is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal. Goodwill disposed of in this manner is measured on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## BUSINESS COMBINATIONS

All business combinations are accounted for by applying the acquisition method. Goodwill can arise on the acquisition of businesses and subsidiaries. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value, or at the proportionate share of the acquiree's identifiable net assets. Any gain from a bargain purchase is recognised in profit or loss immediately. The fair value of the consideration paid is the fair value at the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree. Acquisition costs incurred are expensed. The fair value of assets and liabilities obtained are determined through a professional valuation.

## INVESTMENT PROPERTIES

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

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

## PREPAID EMPLOYMENT COSTS

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

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

These costs are amortised in profit or loss over the life of the loan.

## TAXES

### CURRENT TAX

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

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

### DEFERRED TAX

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

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

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available for utilisation of the asset.

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

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

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

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

Deferred tax assets and liabilities are offset if the company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or different taxable entities that intend to settle current tax assets and liabilities on a net basis, or realise the asset and settle the liability simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### DIVIDEND WITHHOLDING TAX ("DWT")

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



## CURRENT ASSETS AND LIABILITIES

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

## INVENTORIES

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

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

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

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

## LEASES

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

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

## SHORT-TERM EMPLOYEE BENEFITS

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

## RETIREMENT BENEFITS

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

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

## SHARE-BASED PAYMENT TRANSACTIONS

Shares and rights to acquire shares granted to employees in terms of the Group's share incentive and black economic empowerment schemes, meet the definition of share-based payment transactions. Refer to note 19 for a detailed description of each of the schemes.

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

The equity-settled share-based payment schemes allow Group employees to acquire shares in the company. The fair value of 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.

Non-vesting conditions are treated similarly to market conditions and are only taken into account to determine the fair value at grant date of the equity instruments granted. Where an award does not vest as the result of a failure to meet a non-vesting condition within the control of either the entity or the counter party, it is accounted for as a cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. In such cases, the expense, based on grant date fair value, is still recognised over the vesting period, unless a vesting condition is not met (whereby the award is forfeited).

Where shares were granted at a discount to the ruling market price, the intrinsic value was expensed over the vesting period of the grant. Changes in estimates of the number of shares or rights to acquire shares that will ultimately vest are included in the charge for the year. No subsequent adjustments are made to total equity after the vesting date.

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

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

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

## PROVISIONS

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

## FINANCIAL INSTRUMENTS

### RECOGNITION AND MEASUREMENT

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

### DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is derecognised where the right to receive cash from the asset has expired, or the Group has transferred the asset and the transfer qualifies for derecognition. A transfer qualifying for derecognition occurs when the Group transfers the contractual rights to receive the cash flows of the financial asset, or retains the rights but assumes a contractual obligation to pay those cash flows in full without material delay to a third party under a 'pass-through' arrangement, or where the Group has transferred control or substantially all the risks and rewards of the asset. Where the Group has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. An exchange between the Group and an existing lender of debt instruments with substantially different terms or a substantial modification to an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The resulting difference between the carrying value on derecognition of the financial instrument and the amount received or paid is taken to profit or loss.

### FAIR VALUE

The fair value of quoted instruments traded in an active market is determined with reference to closing prices at close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analysis and option pricing models.

### OFFSET

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

### FINANCIAL ASSETS

The trade date method of accounting has been adopted for "regular-way" purchases or sales of financial assets. The Group categorises its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

### LOANS RECEIVABLE

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

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

#### PARTICIPATION IN EXPORT PARTNERSHIPS

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

#### OTHER LOANS

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

#### TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise all trade and non-trade debtors other than financial services debtors. Short-duration receivables with no stated interest rate are measured at original invoice amount, unless the effect of imputing interest is significant.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand, as well as short-term deposits held at call with banks.

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. After initial recognition, derivative financial instruments are measured at their fair values. Gains and losses arising on the change in the fair value of financial assets or liabilities at fair value through profit or loss are recognised under other operating expenses.

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





### FINANCIAL LIABILITIES

Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money-market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to accounting policy on hedge accounting).

After initial recognition, financial liabilities are recognised at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit or loss or hedging instruments, which are measured at fair value.

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

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

### FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

### FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

### HEDGE ACCOUNTING

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

Derivative instruments not designated as hedging instruments or subsequently not expected to be effective hedges are classified as "held for trading" and recognised at fair value with the resulting gains or losses being recognised in profit or loss in the period in which they arise.

## IMPAIRMENT

### NON-FINANCIAL ASSETS

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

The recoverable amount is the higher of an asset's or the cash-generating unit's fair value, less costs 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 or cash-generating unit.

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

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

### FINANCIAL ASSETS

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

### ASSETS CARRIED AT AMORTISED COST

If there is objective evidence that an asset, carried at amortised cost, is impaired, the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at its original effective interest rate. When impaired, the carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in profit or loss. Assets together with the associated provision for impairment are written off when there is no realistic prospect of future recovery.

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

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

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

### TRADE AND OTHER RECEIVABLES

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

## TREASURY SHARES

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

## INVESTMENT IN JOINT VENTURES AND ASSOCIATES

A joint venture is an arrangement in which the parties with joint control have rights/exposures to the net assets of the arrangement. An associate is an entity in which the Group has significant influence. The Group's interests in joint ventures and associates are accounted for by using the equity method of accounting, and the investments are accounted for at cost less accumulated impairment in the separate financial statements of the venturer companies.

Under the equity method, an investment is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the joint venture and associate. The statement of comprehensive income reflects the share of the results of operations of the company. Where there has been a change recognised directly in the other comprehensive income or equity of the joint venture or associate, the Group recognises its share of any changes and discloses this, where applicable, in the statement of comprehensive income or the Group statement of changes in equity.

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

Financial results of the joint venture and associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in a joint venture or associate.

The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the joint venture and associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the joint venture or associate and the carrying value and recognises the amount in profit or loss.

## REVENUE

Revenue of the Group comprises:

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

Value added tax is excluded.

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

Revenue is recognised on the following basis:

– sale of merchandise is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandise, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group;
– logistics services relate to the transport of goods on behalf of third parties and is recognised when the service has been provided;
– interest income is recognised as interest accrues using the effective interest rate 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.

Contingent rentals are recognised in the period in which they arise.

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

## BORROWING COSTS

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

## EXPENSES

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

## EXCEPTIONAL ITEMS

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

## SEGMENTAL INFORMATION

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

– Woolworths Clothing and General Merchandise (C&GM) (Clothing, homeware, beauty and other lifestyle products)
– Woolworths Food
– Country Road (Clothing retailer which includes the Witchery Group)
– Woolworths Financial Services (WFS) (Financial products and services)
– Woolworths Treasury (Cash management activities)

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

## EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share is calculated in accordance with Circular 3/2012 issued by the South African Institute of Chartered Accountants.

## DIVIDENDS TO SHAREHOLDERS

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

## IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

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

- IFRS 9 Financial Instruments (effective 1 January 2018): The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements.

  Application is required for annual periods beginning on or after 1 January 2018, but early adoption is permitted.

  The impairment requirements in the new standard are based on an expected credit loss model and replace the IAS 39 incurred loss model. Entities are required to recognise either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of expected credit losses would reflect a probability-weighted outcome, the time value of money and reasonable and supportable information. The expected credit losses requirements must be adopted with the other IFRS 9 requirements from 1 January 2018, with early application permitted.
- IAS 32 Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014): The amendment to IAS 32 clarifies the meaning of 'currently has a legally enforceable right to set-off' and the application of the offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. The right to offset must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default, bankruptcy and insolvency. The offsetting criteria require the Group to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The impact of this change is not expected to be significant for the Group.
- Annual Improvements to IFRS – 2012 – 2014 Cycle (effective 1 January 2016): The proposed amendment clarifies that when an entity reclassifies an asset (or disposal group) from being held for sale to being held for distribution without interruption, the entity would continue to apply held-for-sale accounting. Similarly, if an entity reclassifies an asset (or disposal group) from being held for distribution to held for sale without interruption, the entity would continue to apply held-for-distribution accounting. A held-for-distribution plan is a plan to spin off a division and distribute a dividend in kind to the shareholders. This is not expected to impact the Group.
- IFRS 15 Revenue (effective 1 January 2017): IFRS 15 – Revenue from contracts with customers, establishes the principles for reporting on revenue arising from an entity's contracts with customers. The standard moves away from a revenue recognition model based on an 'earnings process' to an 'asset-liability' approach based on transfer of control. While IFRS 15 proposes a new revenue model, the changes to the accounting for revenue would primarily impact revenue from services, which is not significant for the Group.
- IFRIC 21 Levies (effective 1 January 2014)
  IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. This change is not significant for the Group.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **2. REVENUE** | | |
| Turnover | 39 707 | 35 227 |
| Clothing and General Merchandise | 19 595 | 17 197 |
| Food | 19 694 | 17 469 |
| Logistics services and other | 418 | 561 |
| Other revenue | 125 | 115 |
| Rentals | 21 | 30 |
| Royalties and commission | 54 | 58 |
| Other | 50 | 27 |
| Investment income | 112 | 57 |
| Interest earned from cash and investments | 104 | 48 |
| Other | 8 | 9 |
| | 39 944 | 35 399 |
| **3. PROFIT BEFORE TAX INCLUDES:** | | |
| **3.1 OPERATING LEASE EXPENSES** | | |
| Land and buildings – Straight-lined rentals | 2 143 | 1 755 |
| – Contingent rentals | 173 | 125 |
| Plant and equipment | 33 | 33 |
| **3.2 AUDITORS' REMUNERATION** | | |
| Audit fee – current year | 18 | 17 |
| Tax advisory and other services | 1 | 1 |
| **3.3 NET FOREIGN EXCHANGE LOSS/(GAIN)** | 139 | (65) |
| **3.4 OTHER EXPENSES** | | |
| Technical and consulting service fees | 133 | 112 |
| Depreciation and amortisation (refer to notes 8 and 10) | 872 | 755 |
| Loss on disposal of property, plant and equipment and intangible assets | 15 | 15 |
| Profit on disposal of investment properties | (50) | – |
| Impairment of property, plant and equipment, and intangible assets (refer to notes 8 and 10) | 24 | 12 |
| Unwinding of discount of provisions | – | 8 |
| Loss/(gain) on fair value movements arising from derivative instruments (refer to note 28.6) | 50 | (103) |
| Transaction and integration costs on business combinations | 182 | 77 |
| **3.5 EMPLOYMENT COSTS** | 5 079 | 4 636 |
| Short-term employment benefits | 4 566 | 4 136 |
| Share-based payments expense | 116 | 136 |
| Pension costs (refer to note 24) | 369 | 318 |
| Post-retirement medical benefit (refer to note 24) | 19 | 36 |
| Termination and other benefits | 9 | 10 |
| **3.6 FINANCE COSTS** | | |
| Bank borrowings and overdrafts | 136 | 68 |

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **4. TAX** | | |
| Current year | | |
| Normal tax | | |
| South Africa | 937 | 924 |
| Foreign | 270 | 74 |
| Deferred tax | | |
| South Africa | (70) | (53) |
| Foreign | (10) | 60 |
| | 1 127 | 1 005 |
| Prior year | | |
| Normal tax | | |
| South Africa | (10) | 1 |
| Foreign | (9) | 3 |
| Deferred tax | | |
| Foreign | 6 | – |
| | 1 114 | 1 009 |

| | 2014 % | 2013 % |
|---|---|---|
| The rate of tax on profit is reconciled as follows: | | |
| Standard rate | 28.0 | 28.0 |
| Disallowable expenditure | 1.1 | 0.8 |
| Share-based payments | 0.2 | 0.3 |
| Exempt income | (0.7) | (0.5) |
| Prior years | (0.3) | 0.1 |
| Foreign tax | 0.6 | 0.3 |
| WFS equity accounted earnings | (1.3) | (1.4) |
| Other | (0.5) | 0.1 |
| Effective tax rate | 27.1 | 27.7 |

## 5. EARNINGS PER SHARE

### BASIC AND HEADLINE EARNINGS

| | Profit before tax Rm | Tax Rm | Non-controlling interests Rm | Attributable profit Rm |
|---|---|---|---|---|
| **2014** | | | | |
| Per the financial statements | 4 104 | (1 114) | (102) | 2 888 |
| BEE preference dividend paid | (103) | – | – | (103) |
| Basic earnings | 4 001 | (1 114) | (102) | 2 785 |
| Adjustments: | | | | |
| Loss on disposal of property, plant and equipment and intangible assets | 15 | (4) | – | 11 |
| Profit on disposal of investment properties | (50) | 9 | – | (41) |
| Impairment of property, plant and equipment and intangible assets | 24 | (2) | (8) | 14 |
| Headline earnings | 3 990 | (1 111) | (110) | 2 769 |
| **2013** | | | | |
| Per the financial statements | 3 647 | (1 009) | (41) | 2 597 |
| BEE preference dividend paid | (62) | – | – | (62) |
| Basic earnings | 3 585 | (1 009) | (41) | 2 535 |
| Adjustments: | | | | |
| Loss on disposal of property, plant and equipment and intangible assets | 15 | (5) | – | 10 |
| Impairment of property, plant and equipment and intangible assets | 12 | (3) | – | 9 |
| Headline earnings | 3 612 | (1 017) | (41) | 2 554 |

### WEIGHTED AVERAGE NUMBER OF SHARES

| | Number of shares 2014 | 2013 |
|---|---|---|
| Weighted average number of shares | 758 171 862 | 750 273 585 |
| Number of shares in issue at the beginning of the year | 753 417 723 | 745 709 140 |
| Weighted average number of shares issued during the year | 3 372 581 | 4 545 406 |
| Weighted average number of shares repurchased during the year | (148 744) | (316 062) |
| Weighted average number of shares released in terms of the Restricted Share Plan | 1 530 302 | 335 101 |

### EARNINGS PER SHARE (CENTS)

| | 2014 | 2013 |
|---|---|---|
| Basic | 367.3 | 337.9 |
| Headline | 365.2 | 340.4 |





## 6. DILUTED EARNINGS PER SHARE

### DILUTED EARNINGS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Diluted basic earnings | 2 785 | 2 535 |
| Headline earnings adjustment (net of taxation) | (16) | 19 |
| Diluted headline earnings | 2 769 | 2 554 |

### DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

| | Number of shares 2014 | 2013 |
|---|---|---|
| Weighted average number of shares | 758 171 862 | 750 273 585 |
| Potential dilutive effect of outstanding number of share options | 9 693 064 | 14 892 946 |
| Diluted weighted average number of shares | 767 864 926 | 765 166 531 |

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

### DILUTED EARNINGS PER SHARE (CENTS)

| | 2014 | 2013 |
|---|---|---|
| Basic | 362.7 | 331.3 |
| % dilution | 1.3% | 2.0% |
| Headline | 360.6 | 333.8 |
| % dilution | 1.3% | 1.9% |

The Group's BEE scheme is anti-dilutive.

## 7. RELATED PARTY TRANSACTIONS

### RELATED PARTIES

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

### HOLDING COMPANY

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

### SUBSIDIARIES

During the year, Group companies entered into various transactions. These transactions were entered into in the ordinary course of business. All such intragroup related party transactions and outstanding balances are eliminated in preparation of the consolidated Annual Financial Statements of the Group.

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

### JOINT VENTURES

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **WOOLWORTHS FINANCIAL SERVICES (PROPRIETARY) LIMITED** | | |
| Service costs received by Woolworths (Proprietary) Limited | (67) | (118) |
| Merchant fee income paid by Woolworths (Proprietary) Limited | 116 | 112 |
| Accounts receivable by Woolworths (Proprietary) Limited | 71 | 90 |
| Accounts payable by Woolworths (Proprietary) Limited | (85) | (57) |
| **NEDGLEN PROPERTIES (PROPRIETARY) LIMITED** | | |
| Rental paid by Woolworths (Proprietary) Limited | 3 | 3 |

### ASSOCIATE

The following related party transactions and balances occurred between the Group and the associate:

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **RETAIL RISK MANAGEMENT ALLIANCE TRUST** | | |
| Insurance premium paid by Woolworths (Proprietary) Limited and Country Road Ventures (Proprietary) Limited | 76 | 50 |
| Dividend received by Woolworths (Proprietary) Limited | 62 | – |

### KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited and Woolworths (Proprietary) Limited. Key management personnel have been defined as the board of directors, the prescribed officers 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 includes close family members of key management personnel. All transactions with key management personnel have been at arm's length during the financial year.

### KEY MANAGEMENT COMPENSATION

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Short-term employee benefits | 114 | 85 |
| Woolworths Holdings Limited directors | 49 | 42 |
| Other key management personnel | 65 | 43 |
| Post-employment benefits | 3 | 3 |
| Woolworths Holdings Limited directors | 1 | 1 |
| Other key management personnel | 2 | 2 |
| IFRS 2 value of share-based payments expense | 22 | 25 |
| Woolworths Holdings Limited directors | 19 | 15 |
| Other key management personnel | 3 | 10 |
| | 139 | 113 |

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





| | 2014 Rm | 2013 Rm |
|---|---|---|
| **SHARE PURCHASE SCHEME LOANS AND INVESTMENTS** | | |
| Balance at the beginning of the year | 51 | 55 |
| Loans repaid during the year | (13) | (4) |
| Balance at the end of the year | 38 | 51 |

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 (2013: nil).

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS** | | |
| Balance outstanding at the beginning of the year | 3 | 2 |
| Annual spend | 5 | 4 |
| Annual repayments | (5) | (3) |
| Balance outstanding at the end of the year | 3 | 3 |

Purchases made by key management personnel are at standard discounts granted to all employees of the company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other cardholders.

No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths Visa credit card accounts of key management personnel (2013: nil).

### POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of Country Road Limited employees are disclosed in note 24.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

### DIRECTORS' AND PRESCRIBED OFFICERS' FEES AND EMOLUMENTS

Emoluments paid to directors and prescribed officers of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 29 June 2014 and comparatives for 30 June 2013 are set out below:

| 2014 | | Guaranteed pay | | | | Short-term performance bonus | Long-term benefits | | Retention | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | Notes | Remuneration (1) R000 's | Retirement, healthcare and related benefits R000 's | Other benefits (2) R000 's | Total guaranteed pay R000 's | Performance bonus R000 's | Interest-free loan benefit (3) R000 's | Fair value of shares, options, SARS, LTIP and DBP granted (4) R000's | Fair value of restricted shares (5) R000 's | Total remuneration R000 's |
| Ian Moir | | 8 959 | 45 | 32 | 9 036 | 9 595 | – | 6 711 | 2 185 | 27 527 |
| Reeza Isaacs | (6) | 2 802 | 298 | 28 | 3 128 | 2 430 | – | 853 | 2 163 | 8 574 |
| Sam Ngumeni | (7) | 2 632 | 567 | 31 | 3 230 | 3 065 | 255 | 1 698 | 1 615 | 9 863 |
| Zyda Rylands | | 3 623 | 693 | 18 | 4 334 | 3 601 | 808 | 2 811 | 507 | 12 061 |
| Norman Thomson | (8) | 1 324 | 127 | 224 | 1 675 | 1 029 | 301 | 253 | – | 3 258 |
| | | **19 340** | **1 730** | **333** | **21 403** | **19 720** | **1 364** | **12 326** | **6 470** | **61 283** |
| **Prescribed officers** | | | | | | | | | | |
| Paula Disberry | (9) | 503 | 75 | 4 | 582 | 311 | – | 387 | 110 | 1 390 |
| Brett Kaplan | | 3 069 | 339 | 29 | 3 437 | 1 921 | – | 2 197 | 663 | 8 218 |
| | | **3 572** | **414** | **33** | **4 019** | **2 232** | **–** | **2 584** | **773** | **9 608** |
| | | **22 912** | **2 144** | **366** | **25 422** | **21 952** | **1 364** | **14 910** | **7 243** | **70 891** |

| **Non-executive directors** | Notes | Directors' 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 | Social and ethics committee member R000's | Other benefits R000's | Total non-executive directors' benefits R000's |
|---|---|---|---|---|---|---|---|---|---|---|
| Simon Susman | (10) | 955 | | 89 | 71 | 87 | 140 | 71 | 1 900 | 3 313 |
| Peter Bacon | | 235 | 107 | 89 | | | | | 14 | 445 |
| Lindiwe Bakoro | (11) | 110 | 51 | 44 | 34 | | | | 6 | 245 |
| Zarina Bassa | | 235 | 107 | | 71 | | | | 13 | 426 |
| Tom Boardman | | 288 | | 178 | | 52 | 71 | 71 | 14 | 674 |
| Andrew Higginson | (12) | 705 | 107 | 89 | 70 | | | | | 971 |
| Mike Leeming | | 235 | 213 | | 140 | 53 | | | 14 | 655 |
| Chris Nissen | | 235 | | | | 53 | 71 | 140 | 35 | 534 |
| Stuart Rose | (13) | 704 | | 89 | 71 | 53 | 71 | | | 988 |
| Thina Siwendu | | 235 | | | 71 | | | 71 | 15 | 392 |
| | | **3 937** | **585** | **578** | **528** | **298** | **353** | **353** | **2 011** | **8 643** |

NOTES

1. Remuneration includes non-executive director fees paid by Country Road Limited as follows: Ian Moir A$97 500, Norman Thomson A$20 000, Zyda Rylands A$40 000 and Paula Disberry A$6 667.
2. Other benefits are primarily discounts received on purchases made in our stores. Refer to note 8 below.
3. The interest-free loan relates to the purchases of shares under the Woolworths Holdings Share Trust. The benefit has been calculated at 6.167% (average) on the value of the outstanding loan.
4. IFRS 2 Share-based payments has been used to equate the annual expense value of shares, options, SARS, LTIP and DBP held at the end of the financial year. It also includes the allocation of BEEESOS scheme shares granted to Zyda Rylands and Sam Ngumeni.
5. IFRS 2 Share-based payments has been used to equate the annual expense value of restricted shares used as a retention scheme.
6. Reeza Isaacs was appointed as Finance Director on 26 November 2013. His remuneration disclosed is for the full financial year, including the five month period prior to him being appointed as a director.
7. Sam Ngumeni was appointed to the Holdings Board on 12 February 2014. His remuneration disclosed is for the full financial year, including the seven month period whilst he was a prescribed officer.
8. Norman Thomson retired on 26 November 2013. Other benefits include his leave pay and retirement gift. He earned A$20 000 as a Non-executive Director of Country Road up to his retirement. He remained a Non-executive Director of Country Road and earned A$45 000 for the remainder of the financial year. Norman has been appointed as non-executive for certain African countries from 26 November 2013 and he earned fees of R175 000 for the period 26 November 2013 to 29 June 2014.
9. Paula Disberry was appointed as Group Director: ROG with effect 1 September 2013. The position is not considered to be a prescribed officer and therefore remuneration from that date is not disclosed. She remained a Non-executive Director of Country Road Limited and was paid fees of A$33 333 for the period 1 September 2013 to 29 June 2014.
10. Simon Susman, the Chairman of the Board, previously held the role of Group Chief Executive Officer. On his retirement as Group Chief Executive Officer (in 2010) and in terms of the rules of the share scheme the directors approved that he had the balance of ten years (of which the last allocation was in October 2006) to settle the interest-free share loan relating to the purchases of shares under Woolworths Holding Share Trust whilst he was an employee of Woolworths.

    Other benefits of R1 899 817 (2013: R2 067 847) include the following:
    - post-retirement healthcare benefit of R31 320;
    - discounts received on purchases made in our stores of R56 892;
    - interest-free share loan benefit relating to the purchases of shares under Woolworths Holdings Share Trust whilst he was an employee of Woolworths of R1 811 604. The benefit has been calculated at 6.167% (average) on the value of the outstanding loan.
11. Lindiwe Bakoro resigned on 26 November 2013.
12. Andrew Higginson's fees as a director are paid in Sterling as a British resident.
13. Stuart Rose's fees as a director are paid in Sterling as a British resident. However, there is an agreement in place to purchase Woolworths shares with his net fee payment, on instruction from Stuart Rose.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

### DIRECTORS' AND PRESCRIBED OFFICERS' FEES AND EMOLUMENTS

| 2013 | | Guaranteed pay | | | | Short-term performance bonus | Long-term benefits | | Retention | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | Notes | Remuneration (1) R000 's | Retirement, healthcare and related benefits R000 's | Other benefits (2) R000 's | Total guaranteed pay R000 's | Performance bonus R000 's | Interest-free loan benefit (3) R000 's | Fair value of shares, options, SARS, LTIP and DBP granted (4) R000's | Fair value of restricted shares (5) R000 's | Total remuneration R000 's |
| Ian Moir | | 7 401 | 28 | 26 | 7 455 | 10 308 | – | 5 221 | 4 110 | 27 094 |
| Norman Thomson | (6) | 2 999 | 294 | 42 | 3 335 | 5 345 | 762 | 702 | 825 | 10 969 |
| Zyda Rylands | | 3 338 | 652 | 15 | 4 005 | 4 130 | 854 | 2 807 | 1 252 | 13 048 |
| | | **13 738** | **974** | **83** | **14 795** | **19 783** | **1 616** | **8 730** | **6 187** | **51 111** |
| **Prescribed officers** | | | | | | | | | | |
| Paula Disberry | (7) | 2 787 | 456 | 526 | 3 769 | 2 510 | – | 1 632 | 1 621 | 9 532 |
| Brett Kaplan | | 2 610 | 294 | 23 | 2 927 | 2 297 | 119 | 1 550 | 1 632 | 8 525 |
| Sam Ngumeni | | 2 327 | 494 | 22 | 2 843 | 2 863 | 262 | 1 230 | 1 919 | 9 117 |
| | | **7 724** | **1 244** | **571** | **9 539** | **7 670** | **381** | **4 412** | **5 172** | **27 174** |
| | | **21 462** | **2 218** | **654** | **24 334** | **27 453** | **1 997** | **13 142** | **11 359** | **78 285** |

| **Non-executive directors** | Notes | Directors' 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 | Social and Ethics committee member R000's | Other benefits R000's | Total non-executive directors' benefits R000's |
|---|---|---|---|---|---|---|---|---|---|---|
| Simon Susman | (8) | 893 | | 86 | 67 | 83 | 134 | 67 | 2 068 | 3 398 |
| Peter Bacon | | 206 | 100 | 86 | | | | | 13 | 405 |
| Lindiwe Bakoro | | 206 | 100 | 86 | 67 | | | | 10 | 469 |
| Zarina Bassa | | 206 | 100 | | 67 | | | | 9 | 382 |
| Tom Boardman | | 261 | | 172 | | 50 | 67 | 67 | 10 | 627 |
| Andrew Higginson | (9) | 549 | 100 | 44 | 67 | | | | | 760 |
| Mike Leeming | | 206 | 199 | | 134 | 50 | | | 15 | 604 |
| Chris Nissen | | 206 | | | | 50 | 67 | 134 | 24 | 481 |
| Stuart Rose | (10) | 549 | | 86 | 67 | 38 | 67 | | | 807 |
| Thina Siwendu | | 206 | | | 67 | | | 67 | 14 | 354 |
| Sindi Zilwa | (11) | 96 | 49 | | 33 | | | 33 | 19 | 230 |
| | | **3 584** | **648** | **560** | **569** | **271** | **335** | **368** | **2 182** | **8 517** |

NOTES

1. Remuneration includes fees paid by Country Road as follows: Ian Moir A$97 500, Norman Thomson A$40 000 and Paula Disberry A$40 000. Zyda Rylands was appointed as a Non-executive Director of Country Road from 1 October 2012 and earned pro-rata directors fees of A$30 000.
2. Other benefits are primarily discounts received on purchases made in our stores.
3. The interest-free loan relates to the purchases of shares under the Woolworths Holdings Share Trust. The benefit has been calculated at 6.125% (average) on the value of the outstanding loan.
4. IFRS 2 Share-based payments has been used to equate the annual expense value of shares, options, SARS, LTIP and DBP held at the end of the year. It also includes the allocation of BEEESOS scheme shares granted to Zyda Rylands and Sam Ngumeni.
5. IFRS 2 Share-based payments has been used to equate the annual expense value of restricted shares used as a retention scheme.
6. The Board has approved a special bonus of R2.5 million in an attempt to improve Norman Thomson's total reward package relative to his peers, as long-term incentives (shares) were not allocated to him for the past three years.
7. Other benefits include a once-off payment made of R500 000 for additional responsibilities assumed over and above her current role for a limited period during the year.
8. Simon Susman retired as Group Chief Executive Officer (in November 2010) and was appointed as Chairman of the Woolworths Holdings Board on 17 November 2011. On his retirement as Group Chief Executive Officer and in terms of the rules of the scheme, the directors approved that he had the balance of ten years (of which the last allocation was October 2006) to settle the interest-free share loan benefit relating to the purchases of shares under the Woolworths Holdings Share Trust whilst he was an employee of Woolworths. The benefit has been calculated at 6.125% (average) on the value of the outstanding loan.

   Other benefits of R2 067 847 (2012: R3 897 505) include the following:

   – post-retirement healthcare benefit of R28 800;
   – discounts received on purchases made in our stores of R45 272;
   – interest-free share loan benefit relating to the purchases of shares under Woolworths Holdings Share Trust whilst he was an employee of Woolworths of R1 799 532. The benefit has been calculated at 6.125% (average) on the value of the outstanding loan;
   – IFRS 2 charge for his shares and other share scheme instruments awarded during his tenure as Chief Executive Officer of R194 243.
9. Andrew Higginson was appointed to the Remuneration committee from 1 January 2013. His fees as a director are paid in Sterling as a British resident.
10. Stuart Rose was appointed to the Nominations committee from 1 November 2012. His fees as a director are paid in Sterling as a British resident. However, there is an agreement in place to purchase Woolworths shares with his net fee payment, on instruction from Stuart Rose.
11. Sindi Zilwa retired from the Board 17 November 2012.

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

**DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)**

Details of directors' interests in shares of the company are disclosed in the directors' report on page 26. Shares purchased and options granted to Simon Susman relate to his tenure as the Chief Executive Officer.

Shares purchased and options granted to executive directors and prescribed officers in terms of the Woolworths Holdings Share Trust which had not been exercised at 29 June 2014, are set out below:

SHARE PURCHASE SCHEME

| | Shares as at 30 June 2013 | | Shares sold or transferred | | Shares as at 29 June 2014 | | |
|---|---|---|---|---|---|---|---|
| **Name and offer date** | Number | Price | Number | Price | Vested | Unvested | Total |
| **Simon Susman** | | | | | | | |
| December 2004 | 440 755 | R10.59 | | | 440 755 | | 440 755 |
| August 2005 | 412 697 | R11.31 | | | 412 697 | | 412 697 |
| August 2006 | 378 947 | R13.30 | | | 378 947 | | 378 947 |
| October 2006 | 1 094 092 | R13.71 | | | 1 094 092 | | 1 094 092 |
| Total | 2 326 491 | | | | 2 326 491 | | 2 326 491 |
| **Zyda Rylands** | | | | | | | |
| August 2003 | 12 125 | R5.16 | 12 125 | R6.06 | | | – |
| September 2003 | 180 510 | R5.76 | 180 510 | R11.63 | | | – |
| December 2004 | 221 839 | R10.59 | | | 221 839 | | 221 839 |
| December 2004 | 37 734 | R10.59 | | | 37 734 | | 37 734 |
| March 2005 | 120 000 | R10.18 | | | 120 000 | | 120 000 |
| August 2005 | 132 626 | R11.31 | | | 132 626 | | 132 626 |
| August 2005 | 144 923 | R11.31 | | | 144 923 | | 144 923 |
| August 2006 | 129 699 | R13.30 | | | 129 699 | | 129 699 |
| October 2006 | 291 758 | R13.71 | | | 291 758 | | 291 758 |
| Total | 1 271 214 | | 192 635 | | 1 078 579 | | 1 078 579 |
| **Sam Ngumeni** | | | | | | | |
| August 2003 | 29 816 | R5.16 | 29 816 | R9.73 | | | – |
| December 2004 | 26 036 | R10.59 | | | 26 036 | | 26 036 |
| August 2005 | 35 332 | R11.31 | | | 35 332 | | 35 332 |
| August 2006 | 33 050 | R13.30 | | | 33 050 | | 33 050 |
| November 2006 | 190 216 | R15.74 | | | 190 216 | | 190 216 |
| Total | 314 450 | | 29 816 | | 284 634 | | 284 634 |
| **Norman Thomson** | | | | | | | |
| December 2004 | 152 597 | R10.59 | 152 597 | R14.79 | | | – |
| August 2005 | 142 882 | R11.31 | 142 882 | R16.47 | | | – |
| August 2006 | 130 075 | R13.30 | 130 075 | R20.33 | | | – |
| October 2006 | 510 576 | R13.71 | 510 576 | R21.54 | | | – |
| Total | 936 130 | | 936 130 | | | | |

SHARE OPTION SCHEME

| | Options as at 30 June 2013 | | Options sold or transferred | | Options as at 29 June 2014 | | |
|---|---|---|---|---|---|---|---|
| **Name and offer date** | Number | Price | Number | Price | Vested | Unvested | Total |
| **Zyda Rylands** | | | | | | | |
| October 2008 | 65 279 | R8.81 | | | 65 279 | | 65 279 |
| Total | 65 279 | | | | 65 279 | | 65 279 |





**DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)**

SHARE APPRECIATION RIGHTS (SARS) SCHEME

| | Rights as at 30 June 2013 | | SARS rights awarded | | SARS rights sold | | Rights as at 29 June 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name and offer date** | Number | Price | Number | Price | Number | Price | Vested | Unvested | Total |
| **Ian Moir** | | | | | | | | | |
| August 2010 | 117 823 | R23.34 | | | | | 117 823 | | 117 823 |
| August 2011 | 87 468 | R31.44 | | | | | | 87 468 | 87 468 |
| August 2012 | 72 288 | R55.68 | | | | | | 72 288 | 72 288 |
| August 2013 | | | 103 755 | R60.72 | | | | 103 755 | 103 755 |
| Total | 277 579 | | 103 755 | | | | 117 823 | 263 511 | 381 334 |
| **Reeza Isaacs** | | | | | | | | | |
| August 2013 | | | 43 396 | R60.72 | | | | 43 396 | 43 396 |
| Total | | | 43 396 | | | | | 43 396 | 43 396 |
| **Zyda Rylands** | | | | | | | | | |
| April 2008 | 167 851 | R10.26 | | | | | 167 851 | | 167 851 |
| August 2008 | 125 628 | R10.24 | | | | | 125 628 | | 125 628 |
| August 2009 | 107 000 | R15.00 | | | | | 107 000 | | 107 000 |
| August 2010 | 72 118 | R23.34 | | | 72 118 | R61.59 | | | – |
| August 2011 | 53 538 | R31.44 | | | | | | 53 538 | 53 538 |
| August 2012 | 38 304 | R55.68 | | | | | | 38 304 | 38 304 |
| August 2013 | | | 40 790 | R60.72 | | | | 40 790 | 40 790 |
| Total | 564 439 | | 40 790 | | 72 118 | | 400 479 | 132 632 | 533 111 |
| **Sam Ngumeni** | | | | | | | | | |
| August 2011 | 34 987 | R31.44 | | | | | | 34 987 | 34 987 |
| August 2012 | 29 095 | R55.68 | | | | | | 29 095 | 29 095 |
| August 2013 | | | 28 281 | R60.72 | | | | 28 281 | 28 281 |
| Total | 64 082 | | 28 281 | | | | | 92 363 | 92 363 |
| **Norman Thomson** | | | | | | | | | |
| August 2009 | 84 667 | R15.00 | | | 84 667 | R77.00 | | | – |
| August 2010 | 62 635 | R23.34 | | | 62 635 | R77.00 | | | – |
| Total | 147 302 | | | | 147 302 | | | | |
| **Paula Disberry** | | | | | | | | | |
| August 2010 | 55 654 | R23.34 | | | 55 654 | R69.68 | | | – |
| August 2011 | 41 316 | R31.44 | | | | | | 41 316 | 41 316 |
| August 2012 | 32 726 | R55.68 | | | | | | 32 726 | 32 726 |
| August 2013 | | | 45 809 | R60.72 | | | | 45 809 | 45 809 |
| Total | 129 696 | | 45 809 | | 55 654 | | | 119 851 | 119 851 |
| **Brett Kaplan** | | | | | | | | | |
| August 2010 | 54 242 | R23.34 | | | 54 242 | R61.59 | | | – |
| August 2011 | 40 267 | R31.44 | | | | | | 40 267 | 40 267 |
| August 2012 | 29 946 | R55.68 | | | | | | 29 946 | 29 946 |
| August 2013 | | | 43 518 | R60.72 | | | | 43 518 | 43 518 |
| Total | 124 455 | | 43 518 | | 54 242 | | | 113 731 | 113 731 |

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

LONG-TERM INCENTIVE PLAN (LTIP) SCHEME

| | Grants as at 30 June 2013 | | LTIP grants awarded | | LTIP grants sold or transferred | | Grants as at 29 June 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name and offer date** | Number | Price | Number | Price | Number | Price | Vested | Unvested | Total |
| **Ian Moir** | | | | | | | | | |
| August 2010 | 200 300 | R23.34 | 16 313 | R60.72 | 216 613 | R60.72 | | | – |
| August 2011 | 148 696 | R31.44 | | | | | | 148 696 | 148 696 |
| August 2012 | 103 269 | R55.68 | | | | | | 103 269 | 103 269 |
| August 2013 | | | 148 221 | R60.72 | | | | 148 221 | 148 221 |
| Total | 452 265 | | 164 534 | | 216 613 | | | 400 186 | 400 186 |
| **Reeza Isaacs** | | | | | | | | | |
| August 2013 | | | 45 949 | R60.72 | | | | 45 949 | 45 949 |
| Total | | | 45 949 | | | | | 45 949 | 45 949 |
| **Zyda Rylands** | | | | | | | | | |
| August 2010 | 72 118 | R23.34 | 5 874 | R60.72 | 77 992 | R60.72 | | | – |
| August 2011 | 53 538 | R31.44 | | | | | | 53 538 | 53 538 |
| August 2012 | 41 496 | R55.68 | | | | | | 41 496 | 41 496 |
| August 2013 | | | 44 189 | R60.72 | | | | 44 189 | 44 189 |
| Total | 167 152 | | 50 063 | | 77 992 | | | 139 223 | 139 223 |
| **Sam Ngumeni** | | | | | | | | | |
| August 2011 | 34 987 | R31.44 | | | | | | 34 987 | 34 987 |
| August 2012 | 31 519 | R55.68 | | | | | | 31 519 | 31 519 |
| August 2013 | | | 30 637 | R60.72 | | | | 30 637 | 30 637 |
| Total | 66 506 | | 30 637 | | | | | 97 143 | 97 143 |
| **Norman Thomson** | | | | | | | | | |
| August 2010 | 62 635 | R23.34 | 5 101 | R60.72 | 67 736 | R60.72 | | | – |
| Total | 62 635 | | 5 101 | | 67 736 | | | | |
| **Paula Disberry** | | | | | | | | | |
| August 2010 | 55 654 | R23.34 | 4 533 | R60.72 | 60 187 | R60.72 | | | – |
| August 2011 | 41 316 | R31.44 | | | | | | 41 316 | 41 316 |
| August 2012 | 35 453 | R55.68 | | | | | | 35 453 | 35 453 |
| August 2013 | | | 48 460 | R60.72 | | | | 48 460 | 48 460 |
| Total | 132 423 | | 52 993 | | 60 187 | | | 125 229 | 125 229 |
| **Brett Kaplan** | | | | | | | | | |
| August 2010 | 54 242 | R23.34 | 4 418 | R60.72 | 58 660 | R60.72 | | | – |
| August 2011 | 40 267 | R31.44 | | | | | | 40 267 | 40 267 |
| August 2012 | 32 442 | R55.68 | | | | | | 32 442 | 32 442 |
| August 2013 | | | 45 944 | R60.72 | | | | 45 944 | 45 944 |
| Total | 126 951 | | 50 362 | | 58 660 | | | 118 653 | 118 653 |

**DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)**

DEFERRED BONUS PLAN (DBP) SCHEME

| | Shares as at 30 June 2013 | | Shares purchased | | Shares sold or transferred | | Shares as at 29 June 2014 |
|---|---|---|---|---|---|---|---|
| **Name and offer date** | Number | Price | Number | Price | Number | Price | Number |
| **Ian Moir** | | | | | | | |
| August 2010 | 41 617 | R24.33 | 45 007 | R60.72 | 86 624 | R60.72 | – |
| August 2011 | 29 600 | R34.19 | | | | | 29 600 |
| Total | 71 217 | | 45 007 | | 86 624 | | 29 600 |
| **Zyda Rylands** | | | | | | | |
| August 2010 | 20 654 | R24.33 | 22 337 | R60.72 | 42 991 | R60.72 | – |
| August 2011 | 14 700 | R34.19 | | | | | 14 700 |
| Total | 35 354 | | 22 337 | | 42 991 | | 14 700 |
| **Sam Ngumeni** | | | | | | | |
| August 2011 | 9 600 | R34.19 | | | | | 9 600 |
| Total | 9 600 | | | | | | 9 600 |
| **Norman Thomson** | | | | | | | |
| August 2010 | 17 938 | R24.33 | 19 399 | R60.72 | 37 337 | R60.72 | – |
| Total | 17 938 | | 19 399 | | 37 337 | | |
| **Paula Disberry** | | | | | | | |
| August 2010 | 15 896 | R24.40 | 17 191 | R60.72 | 33 087 | R60.72 | – |
| August 2011 | 11 300 | R34.19 | | | | | 11 300 |
| Total | 27 196 | | 17 191 | | 33 087 | | 11 300 |
| **Brett Kaplan** | | | | | | | |
| August 2010 | 15 574 | R24.40 | 16 843 | R60.72 | 32 417 | R60.72 | – |
| August 2011 | 11 000 | R34.19 | | | | | 11 000 |
| Total | 26 574 | | 16 843 | | 32 417 | | 11 000 |

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

RESTRICTED SHARE PLAN (RSP) SCHEME

| | Shares as at 30 June 2013 | | Shares purchased | | Shares sold or transferred | | Shares as at 29 June 2014 |
|---|---|---|---|---|---|---|---|
| **Name and offer date** | Number | Price | Number | Price | Number | Price | Number |
| **Ian Moir** | | | | | | | |
| January 2010 | 793 280 | R16.89 | | | | | 793 280 |
| Total | 793 280 | | | | | | 793 280 |
| **Reeza Isaacs** | | | | | | | |
| June 2013 | 104 840 | R73.92 | | | | | 104 840 |
| Total | 104 840 | | | | | | 104 840 |
| **Zyda Rylands** | | | | | | | |
| May 2010 | 206 250 | R23.34 | | | 103 125 | R63.34 | 103 125 |
| Total | 206 250 | | | | 103 125 | | 103 125 |
| **Sam Ngumeni** | | | | | | | |
| February 2011 | 215 174 | R25.56 | | | | | 215 174 |
| August 2012 | 27 812 | R59.25 | | | | | 27 812 |
| Total | 242 986 | | | | | | 242 986 |
| **Norman Thomson** | | | | | | | |
| May 2010 | 119 938 | R23.34 | | | 119 938 | R63.34 | – |
| Total | 119 938 | | | | 119 938 | | |
| **Paula Disberry** | | | | | | | |
| May 2010 | 275 425 | R22.65 | | | 137 713 | R63.34 | 137 712 |
| Total | 275 425 | | | | 137 713 | | 137 712 |
| **Brett Kaplan** | | | | | | | |
| May 2010 | 263 610 | R22.76 | | | 131 805 | R63.34 | 131 805 |
| Total | 263 610 | | | | 131 805 | | 131 805 |

BEE SHARES

| | Shares as at 30 June 2013 | | Shares sold or transferred | | Shares as at 29 June 2014 | | |
|---|---|---|---|---|---|---|---|
| **Name and offer date** | Number | Price | Number | Price | Vested | Unvested | Total |
| **Zyda Rylands** | | | | | | | |
| June 2007 | 1 250 000 | R20.75 | | | | 1 250 000 | 1 250 000 |
| Total | 1 250 000 | | | | | 1 250 000 | 1 250 000 |
| **Sam Ngumeni** | | | | | | | |
| June 2007 | 475 000 | R20.75 | | | | 475 000 | 475 000 |
| Total | 475 000 | | | | | 475 000 | 475 000 |





## 8. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings Rm | Leasehold improve-ments Rm | Furniture, fittings, equipment and motor vehicles Rm | Computer equipment Rm | Total Rm |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Cost | 582 | 350 | 2 939 | 594 | 4 465 |
| Accumulated depreciation | – | (135) | (1 617) | (463) | (2 215) |
| Accumulated impairment | – | (10) | (14) | (1) | (25) |
| Net book value at June 2012 | 582 | 205 | 1 308 | 130 | 2 225 |
| Current year movements: | | | | | |
| Additions | 5 | 37 | 580 | 127 | 749 |
| Additions – acquisition of franchise operations (note 34) | – | – | 13 | – | 13 |
| Additions – acquisition of subsidiary | – | – | 161 | 14 | 175 |
| Disposals/scrappings – cost | – | (20) | (203) | (12) | (235) |
| Disposals/scrappings – accumulated depreciation | – | 14 | 167 | 10 | 191 |
| Depreciation | – | (19) | (430) | (85) | (534) |
| Foreign exchange rate differences – cost | – | 23 | 135 | 11 | 169 |
| Foreign exchange rate differences – accumulated depreciation | – | (13) | (48) | (8) | (69) |
| Impairment | – | – | (1) | – | (1) |
| Balance at June 2013 | 587 | 227 | 1 682 | 187 | 2 683 |
| Made up as follows: | | | | | |
| Cost | 587 | 390 | 3 625 | 734 | 5 336 |
| Accumulated depreciation | – | (153) | (1 928) | (546) | (2 627) |
| Accumulated impairment | – | (10) | (15) | (1) | (26) |
| Net book value at June 2013 | 587 | 227 | 1 682 | 187 | 2 683 |
| **2014** | | | | | |
| Current year movements: | | | | | |
| Additions | 267 | 65 | 857 | 131 | 1 320 |
| Additions – acquisition of franchise operations (note 34) | – | – | 18 | – | 18 |
| Disposals/scrappings – cost | | (10) | (162) | (55) | (227) |
| Disposals/scrappings – accumulated depreciation | – | 8 | 126 | 53 | 187 |
| Depreciation | – | (35) | (514) | (91) | (640) |
| Foreign exchange rate differences – cost | – | 51 | 148 | 19 | 218 |
| Foreign exchange rate differences – accumulated depreciation | – | (29) | (91) | (16) | (136) |
| Impairment | – | – | (19) | – | (19) |
| Balance at June 2014 | 854 | 277 | 2 045 | 228 | 3 404 |
| Made up as follows: | | | | | |
| Cost | 854 | 496 | 4 486 | 829 | 6 665 |
| Accumulated depreciation | – | (209) | (2 407) | (600) | (3 216) |
| Accumulated impairment | – | (10) | (34) | (1) | (45) |
| Net book value at June 2014 | 854 | 277 | 2 045 | 228 | 3 404 |

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)** | | |
| The net carrying amounts of assets held under finance leases were as follows: | | |
| Motor vehicles | 25 | 19 |
| Computer equipment | 14 | 14 |

Additions during the year include R39 million (2013: R14 million) of assets held under finance leases.

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

At 29 June 2014, land and buildings were valued taking account of similar recent market transactions at arm's length terms. The fair values were as follows:

| | Carrying value Rm | Fair value Rm |
|---|---|---|
| **2014** | | |
| Retail stores | 109 | 227 |
| Distribution centres | 671 | 942 |
| Corporate owner-occupied properties | 74 | 165 |
| **2013** | | |
| Retail stores | 117 | 225 |
| Distribution centres | 393 | 794 |
| Corporate owner-occupied properties | 77 | 163 |

Land and buildings are valued externally every three years and annually by internal valuers using a discounted cash flow, which is considered a level 3 valuation under IFRS 13. The most recent external valuation was performed for the period ended 24 June 2012.

Description of valuation techniques used and key inputs to valuation of property, plant and equipment and intangible assets:

| | Valuation technique | Significant unobservable valuation input: | Range |
|---|---|---|---|
| Retail stores | Discounted cash flow | Estimated rental value per square metre per month | R55 – R100 |
| | | Annual growth rate | 5% – 7% |
| | | Long-term vacancy rate | 0 – 14% |
| | | Discount rate | 11.5% – 15% |
| Distribution centres | Discounted cash flow | Estimated rental value per square metre per month | R36 – R60 |
| | | Annual growth rate | 5% – 5.5% |
| | | Long-term vacancy rate | – |
| | | Discount rate | 13.5% – 17% |
| Corporate owner-occupied properties | Discounted cash flow | Estimated rental value per square metre per month | R43 – R120 |
| | | Annual growth rate | 4.5% – 8% |
| | | Long-term vacancy rate | – |
| | | Discount rate | 13.75% – 14.25% |

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

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



NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **9. INVESTMENT PROPERTIES** | | |
| Balance at the beginning of the year | 43 | 106 |
| Transfer to non-current assets held for sale (refer to note 37) | – | (63) |
| Additions | 79 | – |
| Disposals | (7) | – |
| Balance at the end of the year | 115 | 43 |

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

Investment properties were valued at R143 million for the period ended 29 June 2014 (2013: R71 million). The market values were determined internally using a discounted cash flow for the previously existing property, which is considered a level 3 valuation under IFRS 13, and level 2 for the purchase during the year, being its acquisition price. In the prior year, investment properties with a market value of R110 million were transferred to non-current assets held for sale (refer to note 37).

Refer to note 8 for valuation technique disclosure relating to distribution centres.

### RENTAL INCOME AND EXPENSE FROM INVESTMENT PROPERTIES

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Rental income from investment properties | 9 | 11 |
| Direct operating expenses of investment properties that earned rental income during the year | 3 | 3 |

No restrictions exist on the sale of investment properties.

Refer to note 32 for disclosure on operating leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 10. INTANGIBLE ASSETS

| | Brands and customer databases Rm | Computer software Rm | Goodwill Rm | Reacquired rights Rm | Total Rm |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Balance at the beginning of the year | | | | | |
| Cost | – | 951 | 401 | 414 | 1 766 |
| Accumulated amortisation | – | (485) | – | (62) | (547) |
| Net book value at June 2012 | – | 466 | 401 | 352 | 1 219 |
| Current year movements: | | | | | |
| Additions | 1 | 111 | 1 | – | 113 |
| Additions – acquisition of franchise operations (note 34) | – | – | 54 | – | 54 |
| Additions – acquisition of subsidiary | 563 | 30 | 616 | – | 1 209 |
| Disposals/scrappings – cost | – | (4) | – | – | (4) |
| Disposals/scrappings – accumulated amortisation | – | 4 | – | – | 4 |
| Amortisation | (6) | (140) | – | (75) | (221) |
| Foreign exchange rate differences – cost | 28 | 16 | 38 | – | 82 |
| Foreign exchange rate differences – accumulated amortisation | – | (5) | – | – | (5) |
| Impairment | – | (8) | (2) | (1) | (11) |
| Balance at June 2013 | 586 | 470 | 1 108 | 276 | 2 440 |
| Made up as follows: | | | | | |
| Cost | 592 | 1 104 | 1 110 | 414 | 3 220 |
| Accumulated amortisation | (6) | (626) | – | (137) | (769) |
| Accumulated impairment | – | (8) | (2) | (1) | (11) |
| Net book value at June 2013 | 586 | 470 | 1 108 | 276 | 2 440 |
| **2014** | | | | | |
| Current year movements: | | | | | |
| Additions | – | 167 | 8 | – | 175 |
| Additions – acquisition of franchise operations (note 34) | – | – | 359 | 67 | 426 |
| Amortisation | (10) | (138) | – | (84) | (232) |
| Foreign exchange rate differences – cost | 63 | 30 | 70 | – | 163 |
| Foreign exchange rate differences – accumulated amortisation | 1 | (22) | – | – | (21) |
| Impairment | – | (5) | – | – | (5) |
| Balance at June 2014 | 640 | 502 | 1 545 | 259 | 2 946 |
| Made up as follows: | | | | | |
| Cost | 655 | 1 301 | 1 547 | 481 | 3 984 |
| Accumulated amortisation | (15) | (786) | – | (221) | (1 022) |
| Accumulated impairment | – | (13) | (2) | (1) | (16) |
| Net book value at June 2014 | 640 | 502 | 1 545 | 259 | 2 946 |

Brands and customer databases include costs of R63 million (2013: R60 million) and accumulated amortisation of R15 million (2013: R6 million) in respect of customer databases. The acquired brands are established trademarks in the retail environment in Australia. History indicates that competitor movements had no significant impact on the sales generated by these brands. As such management considered that the brands have indefinite useful lives.

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **GOODWILL** | | |
| The carrying value of goodwill comprises of: | | |
| Goodwill arising on acquisition of Virtual Market Place (Proprietary) Limited | 13 | 13 |
| Acquisition of franchise operations | 802 | 443 |
| Goodwill arising on acquisition of Witchery Group | 624 | 616 |
| Foreign exchange differences | 108 | 38 |
| Impairment | (2) | (2) |
| Balance at June 2014 | 1 545 | 1 108 |

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

The cash flows generated by Virtual Market Place (Proprietary) Limited are based on the customer loyalty created by participation in the MySchool programme and the brand awareness that the programme generates; this is treated as its own CGU.

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Botswana | 192 | – |
| Namibia | 80 | – |
| Other | 530 | 443 |
| | 802 | 443 |

### FRANCHISE OPERATIONS

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

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

The projected cash flows are discounted to their present value using country risk-adjusted post-tax rates ranging from 18% – 22% (2013: 18% – 20%), based on the Group's weighted average cost of capital. The Group's weighted average cost of capital is 13.4% in the current year (2013: 12.4%).

### KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS:

Sales growth rates – Sales growth of between 3% and 13% have been used for local franchise buybacks, and between 7% and 20% for African stores. These sales growth rates have been derived by analysing historical data, considering growth rates projected by the Woolworths planning department which includes price, volume and real estate growth; and considering the economic and trading conditions of each country in Africa and each area within South Africa for local franchise buybacks.

Gross margin – Gross margins are between 25% and 45% and have been derived by analysing historical data, approved forecast gross margin for the forecast period, and considering the impact of currency fluctuations.

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

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

Long-term growth rates – rates are based on the longer-term inflation and currency expectations for the retail industry in South Africa and the rest of Africa and vary accordingly.

## 10. INTANGIBLE ASSETS (CONTINUED)

### WITCHERY GROUP

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Country Road | 356 | 351 |
| Witchery | 187 | 185 |
| Mimco | 81 | 80 |
| | 624 | 616 |

Brands with indefinite useful lives arising on the acquisition of the Witchery Group has been allocated to three CGU's for impairment testing as follows:

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Country Road | 8 | 8 |
| Witchery | 351 | 351 |
| Mimco | 141 | 141 |
| | 500 | 500 |

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management and the Board covering a five-year period. The post-tax discount rate applied to the cash flow projection is 12.0% – 14.0% (2013: 10.0%) and cash flows for each CGU beyond the five-year period are extrapolated using a growth rate of 3.0% (2013: 3.0%), which is considered to be the long-term average growth rate for the Australian retail industry.

### KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The below assumptions have been applied to calculate the value in use of each CGU:

Sales growth rates – the sales growth rates are based on the approved forecast sales growth for the forecast period. The sales growth rates used is between 8.3% and 11.6% depending on the business risk of each CGU.

Gross margins – Gross margins are based on the approved forecast gross margin for the forecast period, and are between 62.0% and 68.9% depending on the margin profile of the CGU.

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

Long-term growth rates – rates are based on the longer-term inflation expectations for the retail industry.





## 11. INVESTMENT IN ASSOCIATE

Woolworths Holdings Limited is a beneficiary of Retail Risk Management Alliance Trust and, in terms of the trust deed, companies can appoint trustees and are entitled to vote according to the three-year average percentage of premium contribution per beneficiary. During 2014, the Group contributed 29% (2013: 28%) of total premium.

Retail Risk Management Alliance Trust also holds an investment in Unison Risk Management Alliance (Proprietary) Limited that provides insurance broking services. The Retail Risk Management Alliance Trust disposed of its investment in a preference business unit through Mutual & Federal Risk Financing Limited. Woolworths maintains its ownership interest in the Unison Risk Management Alliance (Proprietary) Limited through the Retail Risk Management Alliance Trust.

The following amounts represent the assets and liabilities, income and expenses of the associate:

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Assets | | |
| Current assets | 33 | 38 |
| Non-current assets | 1 | 38 |
| | 34 | 76 |
| Liabilities | | |
| Current liabilities | 13 | 16 |
| | 13 | 16 |
| Equity | 21 | 60 |
| Group proportionate ownership | 6 | 17 |
| Group carrying amount of investment | 2 | 60 |
| Summarised statement of profit and loss of Retail Risk Management Alliance Trust | | |
| Income | 34 | 50 |
| Expenses | (18) | (16) |
| Profit before tax | 16 | 34 |
| Tax | (4) | (9) |
| Profit after tax | 12 | 25 |
| Total Comprehensive Income | 12 | 25 |
| Group proportionate share | 4 | 9 |
| The following dividends were received during the year: | 62 | – |

R6 million (2013: R11 million) of the reserves in Retail Risk Management Alliance Trust and Unison Risk Management Alliance (Proprietary) Limited, are non-distributable in terms of the Short-Term Insurance Act, and protocols governing the trust. This amount is revised on an annual basis.

There are no contingent liabilities relating to the Group's interest in the associate, and no contingent liabilities of the associate itself.

## 12. PREPAID EMPLOYMENT COSTS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Balance at the beginning of the year | | 13 |
| Unwinding of prepayment on loans repaid during the year | | (5) |
| Current employment costs released to profit or loss (included in short-term employee benefits (refer to note 3.5)) | | (8) |
| Balance at the end of the year | | – |

Details of loans granted in terms of the share purchase scheme participants' loans are included in note 14.

## 13. PARTICIPATION IN EXPORT PARTNERSHIPS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Balance at the beginning of the year | 38 | 49 |
| Payments received relating to the current year | (4) | (11) |
| Current portion included in trade and other receivables | (4) | – |
| Balance at the end of the year | 30 | 38 |

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

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

The amount outstanding is considered to be neither past due nor impaired and the carrying value approximates fair value. Refer to note 28.3 for details of the Group's credit risk management policies.

## 14. OTHER LOANS AND INVESTMENTS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Housing and other employee loans | 9 | 11 |
| Balance at the beginning of the year | 11 | 10 |
| Loans repaid during the year | (2) | – |
| Interest accrued for the year (included in note 2) | – | 1 |
| Share purchase scheme participant loans and investments | 68 | 72 |
| Balance at the beginning of the year | 72 | 79 |
| Loans repaid during the year | (12) | (15) |
| Notional interest accrued for the year (included in note 2) | 8 | 8 |
| Enterprise development loans | 29 | – |
| | 106 | 83 |

Housing loans bear interest at prime less 2% (2013: prime less 2%). Housing loans are required to be repaid on termination of employment. The carrying value of housing loans approximates fair value.

Loans to directors and other employees participating in the share purchase scheme are interest-free and are secured by shares in Woolworths Holdings Limited. The loans are repaid when participants take delivery of shares, over a period not exceeding ten years. The shares held in terms of the share option and purchase scheme as disclosed in the Remuneration report are held as collateral for the loan. The value of the shares held as collateral is significantly higher than the outstanding loans, ensuring the Group exposure to credit risk is limited.

Enterprise development loans are granted to certain South African suppliers for development as part of the Good Business Journey and are repaid over a period of three to five years. These loans bear interest at prime less 3%.

Other loans are not considered to be past due nor impaired. Refer to note 28.3 for details of the Group's credit risk management policies.



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## 15. DEFERRED TAX

| | 2014 Rm | Restated* 2013 Rm |
|---|---|---|
| The movement in the deferred tax account is as follows: | | |
| Balance at the beginning of the year | 353 | 287 |
| Amounts (debited)/credited to profit or loss | 74 | (7) |
| Property, plant and equipment | 12 | (2) |
| Prepayments | (4) | 7 |
| Working capital and other provisions | (26) | (32) |
| Participation in export partnerships | 9 | 11 |
| Post-retirement medical benefit liability | 6 | 6 |
| Share-based payments | (1) | 6 |
| Intangible assets | 23 | 22 |
| Financial instruments | 60 | (10) |
| Other | (5) | (15) |
| Amounts (debited)/credited directly to other comprehensive income | | |
| Financial instrument revaluation reserve adjustment | 57 | (40) |
| Post-retirement medical benefit liability-actuarial (loss)/gain | 2 | (9) |
| Amounts (debited)/credited directly to equity | | |
| Share-based payment reserve | (18) | (21) |
| Deferred tax arising from business combinations | (25) | 129 |
| Foreign currency translation adjustment | 15 | 14 |
| Balance at the end of the year | 458 | 353 |
| Deferred tax asset | 790 | 713 |
| Deferred tax liability | (332) | (360) |
| Net deferred tax asset | 458 | 353 |
| Comprising: | | |
| Property, plant and equipment | (81) | (98) |
| Prepayments | (35) | (32) |
| Working capital and other provisions | 367 | 393 |
| Participation in export partnerships | (29) | (38) |
| Post-retirement medical benefit liability | 103 | 95 |
| Share-based payments | 169 | 188 |
| Intangible assets | (90) | (95) |
| Financial instruments | 64 | (58) |
| Other | (10) | (2) |
| | 458 | 353 |

* Certain comparative amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

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

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **16. INVENTORIES** | | |
| Merchandise | 3 478 | 2 965 |
| Provision for shrinkage, obsolescence and mark-down | (70) | (93) |
| Consumables | 4 | 7 |
| Raw materials | 24 | 22 |
| | 3 436 | 2 901 |

## 17. TRADE AND OTHER RECEIVABLES

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Trade and other receivables | 1 071 | 687 |
| Provision for impairment | (4) | (19) |
| Trade and other receivables – net | 1 067 | 668 |
| Movements in the provision for impairment of trade and other receivables were as follows: | | |
| Balance at the beginning of the year | 19 | 29 |
| Charge for the year | 3 | 2 |
| Amounts written off | (15) | (10) |
| Unused amounts reversed | (3) | (2) |
| Balance at the end of the year | 4 | 19 |

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

Included in trade and other receivable's balance is pre-payments of R238 million (2013: nil) relating to David Jones costs. The carrying value of trade and other receivables is considered to approximate their fair value.

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

At 29 June 2014, the aging analysis of receivables was as follows:

| | | | Past due but not impaired | | |
|---|---|---|---|---|---|
| | Total Rm | Neither past due nor impaired Rm | 60 – 90 days delinquent Rm | 90 – 120 days delinquent Rm | >120 days delinquent Rm |
| **2014** | | | | | |
| Trade and other receivables | 604 | 591 | 5 | 3 | 5 |
| **2013** | | | | | |
| Trade and other receivables | 498 | 462 | 5 | 12 | 19 |

The above aging analysis does not include the aging of non-financial assets included in trade and other receivables. Refer to note 28.5 for the analysis of trade and other receivables.

The Group does not hold any collateral as security.

Refer to note 28.3 for detailed information regarding the credit quality of financial assets which are neither past due nor impaired.





| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Assets Rm | Liabilities Rm | Assets Rm | Liabilities Rm |
| **18. DERIVATIVE FINANCIAL INSTRUMENTS** | | | | |
| Forward exchange contracts held as hedging instruments – cash flow hedges | 7 | 78 | 142 | – |
| Forward exchange contracts – not hedge accounted for | 2 | 34 | 69 | – |
| Contracts for differences held as hedging instruments – cash flow hedges | 14 | 68 | – | – |
| Interest rate swaps and collars held as hedging instruments – cash flow hedges | – | 5 | – | 8 |
| | 23 | 185 | 211 | 8 |
| Derivatives mature as follows: | | | | |
| Within 12 months | 23 | 185 | 211 | 8 |
| | 23 | 185 | 211 | 8 |

### FORWARD EXCHANGE CONTRACTS

The notional principal amount of the outstanding contracts at 29 June 2014 amounts to R4 340 million (2013: R2 042 million). These contracts are to hedge the foreign currency exposure of the anticipated purchase of goods. The related cash flows are expected to occur on the maturity dates of these contracts between one and 12 months (refer to note 28.4). Gains and losses on forward exchange contracts held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income. Gains and losses on remaining contracts not hedge accounted for are recognised directly in profit or loss. Forward contracts are measured at their fair value, which is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year-end. The contracts are settled on a gross basis.

### CONTRACTS FOR DIFFERENCE

The notional principal amount of the outstanding contracts at 29 June 2014 amounts to R9 564 million (2013: nil). These contracts are to hedge the foreign currency exposure of the anticipated settlement consideration to be paid for the acquisition of David Jones. The related cash flows are expected to occur on the maturity dates of these contracts within one month (refer to note 28.4) of year-end. Gains and losses on contracts for exchange differences held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income. Gains and losses on remaining contracts not hedge accounted for are recognised directly in profit or loss. Contracts for difference are measured at their fair value, which is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year-end.

### INTEREST RATE SWAPS

The notional principal amount of the interest rate swaps at 29 June 2014 amounts to R772 million (2013: R780 million). These swaps are to hedge the interest that is payable under the Syndicated debt facility (refer to note 22). Gains and losses on interest rate swaps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income.

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

| | 2014 R'000 | 2013 R'000 |
|---|---|---|
| **19. ORDINARY SHARE CAPITAL** | | |
| **STATED CAPITAL** | | |
| Conversion of share capital | 1 | – |
| Conversion of share premium (refer to note 20) | 677 | – |
| | 678 | – |

In terms of the Companies Act of South Africa and schedule 26 of the JSE Listing Requirements, WHL applied to amend the company's listing to reflect a conversion of the company's ordinary shares from par value ordinary shares to shares of no par value and an increase in the company's authorised share capital by 11 000 million ordinary shares of no par value. This change was effective from 18 June 2014.

| | 2014 R'000 | 2013 R'000 |
|---|---|---|
| **AUTHORISED** | | |
| 12 410 600 000 (2013: 1 410 600 000) ordinary shares of no par value (2013: 0.15 cents each) | – | 2 116 |
| 89 400 000 (2013: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each | 134 | 134 |
| | 134 | 2 250 |
| **ISSUED** | | |
| 759 547 848 (2013: 753 417 723) ordinary shares of no par value (2013: 0.15 cents each) | – | 1 132 |
| 89 192 746 (2013: 89 164 010) preference shares of 0.15 cents each | 134 | 134 |
| | 134 | 1 266 |
| **RECONCILIATION OF PAR VALUE OF ORDINARY SHARES IN ISSUE:** | | |
| Balance at the beginning of the year | 1 132 | 1 121 |
| 4 361 450 (2013: 7 265 192) ordinary shares were issued in terms of share incentive schemes | 7 | 11 |
| Conversion to Stated capital | (1 139) | – |
| Balance at the end of the year | – | 1 132 |

**RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE:**

| | Number of shares | |
|---|---|---|
| | 2014 | 2013 |
| Balance at the beginning of the year | 753 417 723 | 745 709 140 |
| Shares issued | 4 361 450 | 7 265 192 |
| Shares allocated in terms of the Restricted Share Plan | 2 056 701 | 1 066 402 |
| Shares purchased from the market and held as treasury shares in terms of the Restricted Share Plan | (288 026) | (623 011) |
| Balance at the end of the year | 759 547 848 | 753 417 723 |

During the year, 4 361 450 (2013: 7 265 192) ordinary shares totalling R246 million (2013: R337 million) were allocated to employees and 723 060 (2013: 2 710 328) ordinary shares were purchased from the market and transferred to employees at a net cost of R52 million (2013: R151 million) in settlement under the Group's share incentive schemes.

288 026 (2013: 623 011) ordinary shares totalling R19 million (2013: R41 million) were purchased from the market by Woolworths (Proprietary) Limited and are held as treasury shares by the Group. 1 904 651 (2013: 1 066 402) ordinary shares totalling R46 million (2013: R23 million) were allocated to employees in terms of the Group's Restricted Share Plan.

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

Refer to note 29 for more information on the Group's capital management policy.





**SHARE INCENTIVE SCHEMES**

EXECUTIVE INCENTIVE SCHEME

The Group operates a share purchase scheme as well as a share option scheme, the full details of which are given in the Remuneration report contained in the 2014 Integrated Report.

Shares and share options granted in terms of the executive incentive scheme meet the definition of equity-settled share-based payments. The options vest in tranches of 20% per annum and expire ten years after grant date. The options were valued using a binomial model and assume an option life of ten 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.

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

| | Number of shares | |
|---|---|---|
| | 2014 | 2013 |
| **Shares held by participants** | | |
| Balance at the beginning of the year | 5 785 236 | 7 919 807 |
| Sold | (170 483) | (1 500 841) |
| Transferred to trust stock and shares released from the scheme | (1 229 965) | (633 730) |
| Balance at the end of the year | 4 384 788 | 5 785 236 |
| Market value at the end of the year (rands) | 337 628 676 | 372 627 051 |
| Percentage of shares vested at the end of the year | 100% | 100% |
| Weighted average issue price (rands) | 11.42 | 12.11 |
| Weighted average market price per share traded (rands) | 63.90 | 60.70 |
| Number of participants on management share scheme | 13 | 18 |
| **Options granted to participants** | | |
| Balance at the beginning of the year | 731 473 | 2 610 205 |
| Exercised | (167 023) | (1 878 732) |
| Balance at the end of the year | 564 450 | 731 473 |
| Percentage of options vested at the end of the year | 100% | 99% |
| Weighted average exercise price of options outstanding at the end of the year (rands) | 13.62 | 13.18 |
| Weighted average exercise price of options exercised (rands) | 11.69 | 10.36 |
| Weighted average market price per share traded (rands) | 73.83 | 67.27 |
| Number of participants on management option scheme | 23 | 32 |

## 19. ORDINARY SHARE CAPITAL (CONTINUED)

EXECUTIVE INCENTIVE SCHEME (CONTINUED)

| Period of offer* | Number of share options 2014 | 2013 | Original exercise price | Current exercise price** | Fair value at grant date*** |
|---|---|---|---|---|---|
| 1 April 2004 and 1 April 2014 | – | 1 826 | 7.33 | 6.10 | 2.63 |
| 1 December 2004 and 1 December 2014 | 46 058 | 56 128 | 10.59 | 9.06 | 3.55 |
| 1 July 2005 and 1 July 2015 | 7 996 | 7 996 | 10.33 | 8.80 | 3.30 |
| 24 August 2005 and 24 August 2015 | 32 170 | 77 135 | 11.31 | 9.66 | 3.66 |
| 1 April 2006 and 1 April 2016 | – | 57 547 | 16.33 | 14.15 | 5.16 |
| 23 August 2006 and 23 August 2016 | 203 595 | 256 210 | 13.30 | 11.42 | 4.25 |
| 14 November 2006 and 14 November 2016 | 23 120 | 23 120 | 15.74 | 13.61 | 5.06 |
| 15 February 2007 and 15 February 2017 | 37 469 | 37 469 | 20.35 | 17.75 | 6.57 |
| 1 March 2007 and 1 March 2017 | 36 645 | 36 645 | 20.35 | 17.75 | 6.47 |
| 15 May 2007 and 15 May 2017 | 106 299 | 106 299 | 24.13 | 21.11 | 7.08 |
| 1 June 2007 and 1 June 2017 | 5 819 | 5 819 | 22.92 | 20.00 | 7.17 |
| 17 October 2008 and 17 October 2018 | 65 279 | 65 279 | 10.57 | 8.81 | 1.59 |
| Balance at the end of the year | 564 450 | 731 473 | | | |

* The period of offer refers to the total life of the options. Options not exercised at the end of the period of offer expire.
** The original exercise price was adjusted to take into account the effect of the special dividend paid to ordinary shareholders in December 2008.
*** Fair value of options prior to the introduction of IFRS 2 on 7 November 2002 has not been determined.



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WOOLWORTHS SHARE APPRECIATION RIGHTS SCHEME (SARS)

The share appreciation rights scheme provides executives and employees with the opportunity to receive shares of Woolworths Holdings Limited through the grant of conditional share appreciation rights. These constitute rights to receive shares equal in value to the increase in the Woolworths Holdings Limited share price between the price on the grant date of the instruments and the price on the date on which they are exercised. No cash payment is required to be made by the participants.

Participants are able to exercise the vested SARS for up to four years after vesting. Vesting of the share appreciation rights is subject to performance conditions as determined by the board of directors on an annual basis in respect of each new grant. The performance condition applied to each grant is that the Group's headline earnings per share should increase by a cumulative 6.0% above inflation over a three-year period. If the performance condition is not met at the end of three years, for SARS issued prior to 25 June 2012, retesting of the condition is performed in years four and five against targets of growth in headline earnings per share exceeding cumulative inflation by 8.0% and 10.0% respectively. If it is still not met, the SARS do not vest.

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

The share appreciation rights are valued using a binomial option pricing model, assuming a life span of seven years. Other valuation assumptions include volatility set at historic trend levels, a continuous dividend yield of between 4.7% and 8.0% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the life of the rights.

| | Number of rights 2014 | 2013 |
|---|---|---|
| **Rights granted to participants** | | |
| Balance at the beginning of the year | 16 349 615 | 22 907 537 |
| Granted | 3 045 942 | 2 814 388 |
| Exercised | (5 523 365) | (8 662 679) |
| Forfeited | (454 284) | (709 631) |
| Balance at the end of the year | 13 417 908 | 16 349 615 |
| Weighted average exercise price per right outstanding at year-end (rands) | 38.16 | 28.46 |
| Weighted average exercise price per right granted (rands) | 60.75 | 56.94 |
| Weighted average exercise price per right exercised (rands) | 21.28 | 14.43 |
| Weighted average exercise price per right forfeited (rands) | 45.74 | 30.24 |
| Weighted average market price per right exercised (rands) | 68.36 | 61.84 |
| Number of participants on share appreciation rights scheme | 486 | 458 |

| Period of offer | Number of rights 2014 | 2013 | Original exercise price | Current exercise price* | Fair value at grant date |
|---|---|---|---|---|---|
| 16 April 2008 and 16 April 2015 | 599 990 | 799 903 | 11.95 | 10.26 | 2.78 |
| 21 August 2008 and 21 August 2015 | 722 812 | 1 039 251 | 11.94 | 10.24 | 2.42 |
| 19 February 2009 and 19 February 2016 | 111 869 | 159 104 | 12.95 | 12.95 | 2.54 |
| 21 August 2009 and 21 August 2016 | 954 526 | 1 731 437 | 15.00 | 15.00 | 3.42 |
| 18 February 2010 and 18 February 2017 | 173 960 | 400 825 | 19.74 | 19.74 | 5.21 |
| 26 August 2010 and 26 August 2017 | 1 419 406 | 4 790 153 | 23.34 | 23.34 | 6.27 |
| 17 February 2011 and 17 February 2018 | 307 186 | 671 079 | 23.49 | 23.49 | 7.81 |
| 25 August 2011 and 25 August 2018 | 3 503 602 | 3 881 388 | 31.44 | 31.44 | 8.76 |
| 16 February 2012 and 16 February 2019 | 178 592 | 194 254 | 41.90 | 41.90 | 19.79 |
| 23 August 2012 and 23 August 2019 | 2 226 858 | 2 384 926 | 55.68 | 55.68 | 17.55 |
| 14 February 2013 and 14 February 2020 | 268 950 | 297 295 | 67.08 | 67.08 | 20.81 |
| 19 August 2013 and 19 August 2020 | 2 753 129 | – | 60.72 | 60.72 | 20.22 |
| 13 February 2014 and 13 February 2021 | 197 028 | – | 61.23 | 61.23 | 17.76 |
| Balance at the end of the year | 13 417 908 | 16 349 615 | | | |

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

## 19. ORDINARY SHARE CAPITAL (CONTINUED)

### WOOLWORTHS LONG-TERM INCENTIVE PLAN (LTIP)

The long-term incentive plan provides executives with the opportunity to receive Woolworths Holdings Limited shares by way of conditional awards of shares, which are subject to the fulfilment of predetermined performance conditions covering a three-year period, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are equally weighted between HEPS growth and total shareholder return (TSR) of the company relative to the TSR of a selected peer group index for the same period. The HEPS performance condition has a minimum threshold for 30% vesting and a target for 100% vesting. If the TSR performance of Woolworths falls below the lower quartile (i.e. if 75% of our peers perform better than Woolworths), then this portion of the LTIP does not vest. However, if the TSR performance of Woolworths exceeds the upper quartile (or 75% of our peers) performance, then 100% of the award vests. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

The long-term incentive plan constitutes an equity-settled share-based payment.

The conditional awards are valued using a Monte Carlo simulation model, assuming a life of three years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of between 4.6% to 7.0% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the life of the awards.

| | Number of awards | |
|---|---|---|
| | 2014 | 2013 |
| **Awards granted to participants** | | |
| Balance at the beginning of the year | 1 737 004 | 2 572 107 |
| Granted | 756 330 | 401 452 |
| Exercised | (932 862) | (1 141 222) |
| Forfeited | (17 629) | (95 333) |
| Balance at the end of the year | 1 542 843 | 1 737 004 |
| Weighted average exercise price per award outstanding at year-end (rands) | 50.32 | 33.07 |
| Weighted average exercise price per award granted (rands) | 60.73 | 55.68 |
| Weighted average market price per award exercised (rands) | 60.72 | 58.44 |
| Number of participants on long-term incentive plan | 58 | 16 |

| | Number of awards | | | |
|---|---|---|---|---|
| Period of offer | 2014 | 2013 | Exercise price | Fair value at grant date |
| 26 August 2010 and 26 August 2013 | – | 851 310 | 23.34 | 17.71 |
| 25 August 2011 and 25 August 2014 | 484 242 | 484 242 | 31.44 | 18.60 |
| 23 August 2012 and 23 August 2015 | 372 267 | 401 452 | 55.68 | 43.76 |
| 29 August 2013 and 29 August 2016 | 674 062 | – | 60.72 | 46.88 |
| 13 February 2014 and 13 February 2017 | 12 272 | – | 61.23 | 53.38 |
| Balance at the end of the year | 1 542 843 | 1 737 004 | | |

### WOOLWORTHS DEFERRED BONUS PLAN

The deferred bonus plan allows selected executives to acquire Woolworths Holdings Limited shares at the ruling market price out of a portion of their declared annual bonus. A matching award (consisting of an equal number of Woolworths Holdings Limited shares) will be made to the participant after a three-year period on condition that the participant remains in the employment of the Group and retains the bonus shares over the period. The matching award is one Woolworths share for each share held plus an additional number of shares equal in value to distributions that a participant would have earned if he had been the owner of the matching shares from grant date to vesting date.

The bonus shares meet the definition of an equity-settled share-based payment.



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| | Number of shares | |
|---|---|---|
| | 2014 | 2013 |
| **Bonus shares granted to participants** | | |
| Balance at the beginning of the year | 230 774 | 391 373 |
| Exercised | (132 705) | (157 079) |
| Forfeited | – | (3 520) |
| Balance at the end of the year | 98 069 | 230 774 |
| Weighted average fair value per award outstanding at year-end (rands) | 43.09 | 11.99 |
| Weighted average market price per award exercised (rands) | 60.72 | 58.39 |
| Number of participants on deferred bonus plan | 7 | 9 |

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

### WOOLWORTHS RESTRICTED SHARE PLAN

The Group operates a restricted share plan, ownership of these shares vests with Woolworths (Proprietary) Limited until service conditions are met by the employees.

Shares granted in terms of the restricted share plan meet the definition of an equity-settled share-based payment. The full terms and conditions of the scheme are detailed in the Remuneration Committee section of the Integrated Report. In terms of the plan, the Group purchased equity instruments to the value of R19 million in the current year (2013: R41 million) for the benefit of the participants. The participants will be entitled to the dividends and voting rights on the shares from grant date and the vesting will be staggered over a three- to five-year period.

Vesting in respect of the grants issued occurs as follows:

| Period of offer | Year 0 – 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|
| 1 January 2010 and 1 January 2015 | – | 33% | 33% | 34% |
| 19 May 2010 and 19 May 2013 | – | 100% | – | – |
| 19 May 2010 and 19 May 2014 | – | 50% | 50% | – |
| 19 May 2010 and 19 May 2015 | – | 50% | 25% | 25% |
| 26 August 2010 and 26 August 2013 | – | 100% | – | – |
| 26 August 2010 and 26 August 2015 | – | 50% | 25% | 25% |
| 17 February 2011 and 17 February 2016 and all subsequent grants | – | 50% | 25% | 25% |

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## 19. ORDINARY SHARE CAPITAL (CONTINUED)

WOOLWORTHS RESTRICTED SHARE PLAN (CONTINUED)

| | Number of shares | |
|---|---|---|
| | 2014 | 2013 |
| **Shares granted in terms of the restricted share plan** | | |
| Balance at the beginning of the year | 4 812 287 | 5 255 678 |
| Purchased | 125 799 | 623 011 |
| Vested | (1 824 239) | (971 310) |
| Forfeited | (80 412) | (95 092) |
| Balance at the end of the year | 3 033 435 | 4 812 287 |
| Market value at year-end (rands) | 77.39 | 64.41 |
| Percentage of shares vested at year-end | 38% | 18% |
| Weighted average price per share purchased (rands) | 68.90 | 66.36 |
| Number of participants | 60 | 66 |

| | Number of shares | | Exercise price | Fair value at grant date |
|---|---|---|---|---|
| | 2014 | 2013 | | |
| 1 January 2010 and 1 January 2015* | 793 280 | 793 280 | – | 16.89 |
| 19 May 2010 and 19 May 2013 | – | 493 605 | – | 23.34 |
| 19 May 2010 and 19 May 2014* | 131 805 | 263 610 | – | 22.76 |
| 19 May 2010 and 19 May 2015* | 628 754 | 1 294 275 | – | 23.34 |
| 26 August 2010 and 26 August 2013 | – | 55 038 | – | 25.16 |
| 26 August 2010 and 26 August 2015 | 350 652 | 796 789 | – | 24.93 |
| 17 February 2011 and 17 February 2016* | 215 174 | 215 174 | – | 25.56 |
| 17 May 2011 and 17 May 2016 | 27 784 | 55 567 | – | 28.74 |
| 25 August 2011 and 25 August 2016 | 43 515 | 43 515 | – | 34.59 |
| 15 May 2012 and 15 May 2017 | 44 356 | 44 356 | – | 48.86 |
| 21 May 2012 and 21 May 2017 | 60 147 | 60 147 | – | 49.88 |
| 1 June 2012 and 1 June 2017 | – | 73 920 | – | 50.73 |
| 23 August 2012 and 23 August 2017 | 212 861 | 223 703 | – | 60.32 |
| 3 October 2012 and 3 October 2017 | 53 052 | 53 052 | – | 62.20 |
| 13 November 2012 and 13 November 2017 | 114 757 | 114 757 | – | 69.63 |
| 14 February 2013 and 14 February 2018 | 28 184 | 28 184 | – | 69.19 |
| 14 May 2013 and 14 May 2018 | 60 509 | 60 509 | – | 71.25 |
| 1 June 2013 and 1 June 2018 | 104 840 | 104 840 | – | 73.92 |
| 3 June 2013 and 3 June 2018 | 37 966 | 37 966 | – | 67.17 |
| 29 August 2013 and 29 August 2018 | 67 127 | – | – | 65.16 |
| 14 November 2013 and 14 November 2018 | 58 672 | – | – | 73.18 |
| Balance at the end of the year | 3 033 435 | 4 812 287 | | |

* These RSP's contain balances which did not vest as a result of a closed period.

BLACK ECONOMIC EMPOWERMENT SCHEME

In 2008, the Group's black economic empowerment scheme, in terms of which convertible, redeemable non-cumulative participating preference shares were issued to qualifying employees of the Group, became effective.

The beneficial ownership of the shares, including the voting and distribution rights, resides with the participants of the share scheme from the date of inception.

The preference shares offered in terms of the scheme 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. If this hurdle rate is not met, a fixed minimum amount will be due to eligible participants.

The preference shares are valued using a Black-Scholes model, assuming a life of eight years. In performing the valuation, the cost of the distribution stream attached to the scheme is added to the option costs, as a traditional share option does not receive distributions. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 4.2% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the life of the instrument. Staff retention rates are a key assumption and have been modelled, based on historical experience, per category of employees participating in the scheme, namely executive, management and broad-based employees.

| | Number of shares | |
|---|---|---|
| | 2014 | 2013 |
| Shares in issue at the beginning of the year | 89 164 010 | 89 400 000 |
| Shares redeemed* | (103 803) | (235 990) |
| Shares awarded to residual beneficiary* | 132 539 | – |
| Shares in issue at the end of the year | 89 192 746 | 89 164 010 |
| Percentage of shares vested at year-end | 69% | 48% |
| Weighted average fair value per instrument at grant date (rands) | 2.76 | 2.76 |
| Number of participants on share scheme | 5 875 | 6 284 |

* Preference shares were partially redeemed due to the death of beneficiaries. The unvested portion of these preference shares are awarded to the residual beneficiary, being Woolworths Holdings Limited.

Vesting occurs over an eight-year period as follows:

| Completed years of service subsequent to the effective date | Cumulative vesting percentage |
|---|---|
| 0 – 2 | 0 |
| 3 | 16 |
| 4 | 23 |
| 5 | 33 |
| 6 | 48 |
| 7 | 69 |
| 8 | 100 |

### DIRECTORS' INTEREST IN SHARES

Details of directors' beneficial and non-beneficial interests in the shares of the company are disclosed in the Directors' report. Shares and share options granted to executive directors are set out in note 7.

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **20. SHARE PREMIUM** | | |
| Balance at the beginning of the year | 431 | 94 |
| Share issues in terms of share incentive schemes | 246 | 337 |
| Conversion to Stated capital (refer to note 19) | (677) | – |
| Balance at the end of the year | – | 431 |
| **21. RESERVES** | | |
| **NON-DISTRIBUTABLE RESERVE** | | |
| Foreign currency translation reserve | 583 | 429 |
| **DISTRIBUTABLE RESERVES** | | |
| Share-based payment reserve | | |
| Balance at the beginning of the year | 905 | 735 |
| Share-based payments arising from the Group's share incentive schemes | (20) | 170 |
| Shares | 26 | 39 |
| Share options and other | 61 | 64 |
| Black economic empowerment preference shares | 29 | 33 |
| Tax on share-based payments credited directly to equity | 53 | 103 |
| Transfer between reserves | (95) | – |
| Settlement of share-based payments | (94) | (69) |
| Balance at the end of the year | 885 | 905 |
| Financial instrument revaluation reserve | | |
| Interest rate and foreign exchange derivative instruments | (99) | 69 |
| Retained profit | 5 906 | 5 174 |
| Company | 462 | 49 |
| Arising on consolidation of subsidiaries | 5 444 | 5 125 |
| | 6 692 | 6 148 |

### NATURE AND PURPOSE OF RESERVES

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

SHARE-BASED PAYMENT RESERVE
This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer to note 19 for further details of the relevant schemes.

FINANCIAL INSTRUMENT REVALUATION RESERVE
This reserve records the effective portion of the fair value movement on hedging instruments which are part of effective cash flow hedges.

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



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| | 2014 Rm | 2013 Rm |
|---|---|---|
| **22. INTEREST-BEARING BORROWINGS** | | |
| **NON-CURRENT – UNSECURED** | | |
| Finance lease liabilities (refer to note 33) | 15 | 22 |
| Long-term loan | 584 | 594 |
| Other loans | 24 | 89 |
| | 623 | 705 |
| **CURRENT – UNSECURED** | | |
| Finance lease liabilities (refer to note 33) | 12 | 12 |
| Long-term loan | 139 | 115 |
| Bank overdrafts (refer to note 31.4) | 7 876 | – |
| Other loans | 12 | – |
| | 8 039 | 127 |

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost which approximates their fair value. Refer to note 28.2.

The long-term loan was raised to partially fund the Witchery acquisition and comprises a five-year term amortising debt facility through a Senior Syndicated Facility Agreement. Principal repayment terms are bi-annual and interest is payable quarterly over the five-year period. The facility bears interest linked to the Australian Bank Bill Swap Bid Rate, which averaged 5.14% during the year (2013: 5.8%). See note 18 for details of the interest rate swap contract covering this position.

The finance lease liabilities are measured at amortised cost at an average effective rate of 11.0% (2013: 11.8%). Maturity periods vary between one and five years (refer to note 33). The fair value of the finance lease liabilities is estimated by discounting future cash flows using a market-related interest rate applicable to the Group. The fair value of the finance lease liabilities amounted to R27 million (2013: R34 million) at the end of the year. The assets have been pledged as collateral for the respective lease liabilities.

Refer to note 28.4 for the Group's liquidity risk management policies.

## 23. TRADE AND OTHER PAYABLES

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **NON-CURRENT** | | |
| Operating lease accrual | 614 | 487 |
| | 614 | 487 |
| **CURRENT** | | |
| Trade payables | 2 665 | 2 052 |
| Other payables | 1 954 | 1 758 |
| Operating lease accrual | 6 | 27 |
| | 4 625 | 3 837 |

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

Included in the trade and other payables balance are amounts owing amounting to R165 million (2013: nil) relating to David Jones acquisition costs. The carrying value of trade and other payables approximates their fair value.

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## 24. RETIREMENT BENEFIT INFORMATION

Woolworths permanent employees under the age of 63 (2013: 60) are contributory members of the Woolworths Group Retirement Fund. Certain employees, in addition to belonging to the Woolworths Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. The Woolworths Group Retirement Fund is exempt from valuation. The Woolworths Group Retirement Fund's actuary undertakes annual financial reviews, of which the latest review, as at 28 February 2013, confirmed the fund's financial soundness. The annual review as at 28 February 2014 is in the process of being completed and will be available during September 2014.

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 are legally enforceable.

Total Group contributions are charged to profit or loss as incurred and amounted to R369 million (2013: R318 million).

Woolworths subsidises a portion of the medical aid contributions of retired employees who joined the healthcare fund before 1 November 2000. The Group values its accrued and future liability in respect of post-retirement medical aid contributions annually in June. The liability was actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions. For the purposes of the valuation it was assumed that investment returns would be nil (2013: nil). The discount rate used to value the liability at 29 June 2014 is 8.9% (2013: 8.4%) per annum.

At 29 June 2014, the accrued liability amounted to R349 million (2013: R338 million) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the Group's in-house medical aid scheme. Woolworths has not funded the liability.

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

| | 2014 Rm | 2013* Rm |
|---|---|---|
| Funding liability at the beginning of the year (Restated) | 338 | 348 |
| Current service cost | 4 | 7 |
| Interest on obligation | 28 | 29 |
| Past service cost | (13) | – |
| Employer contributions | (16) | (15) |
| Actuarial loss/(gain) | 8 | (31) |
| Actuarial gain due to membership changes and mortality | (3) | (40) |
| Actuarial loss/(gain) due to expected contributions in excess of actual contributions | 3 | (3) |
| Actuarial loss due to changes in demographic assumptions | 8 | 4 |
| Actuarial loss due to changes in financial assumptions | – | 8 |
| Funding liability at the end of the year | 349 | 338 |

| | 2014 Rm | 2013 Rm | 2012 Rm | 2011 Rm | 2010 Rm |
|---|---|---|---|---|---|
| Funding liability | 349 | 338 | 349 | 308 | 294 |
| Funding deficit | 349 | 338 | 349 | 308 | 294 |
| Actuarial (gain)/loss on funding liability | 8 | (31) | 21 | (9) | 13 |

The Group anticipates making contributions amounting to R18 million in the next financial year.

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

| | 2014 Rm | 2013* Rm |
|---|---|---|
| Within 12 months | 18 | 17 |
| Between 1 and 5 years | 111 | 108 |
| Between 5 and 10 years | 157 | 145 |
| Beyond 10 years | 211 | 187 |
| Total expected payments | 497 | 457 |

A one percentage point increase or decrease in the assumed medical inflation rate of 8.1% (2013: 7.6%) would have the following effect:

**2014**

| | | | |
|---|---|---|---|
| Medical inflation assumption | 8.1% | 7.1% | 9.1% |
| Service cost for the year ended June 2014 | 4 | 3 | 5 |
| Interest cost for the year ended June 2014 | 28 | 25 | 32 |
| Medical inflation assumption | 8.1% | 7.1% | 9.1% |
| Accrued liability at June 2014 | 349 | 309 | 398 |

**2013**

| | | | |
|---|---|---|---|
| Medical inflation assumption | 7.6% | 6.6% | 8.6% |
| Service cost for the year ended June 2013 | 7 | 6 | 8 |
| Interest cost for the year ended June 2013 | 29 | 26 | 34 |
| Medical inflation assumption | 7.6% | 6.6% | 8.6% |
| Accrued liability at June 2013 | 338 | 299 | 384 |

A 0.5% percentage point increase or decrease in the discount rate of 8.9% (2013: 8.4%) would have the following effect:

| | | | |
|---|---|---|---|
| | 8.9% | 8.4% | 9.4% |
| Accrued liability at June 2014 | 349 | 372 | 328 |
| | 8.4% | 7.9% | 8.9% |
| Accrued liability at June 2013 | 338 | 360 | 318 |

A one year increase or decrease in the retirement age of 63 (2013:60) would have the following effect:

| | | | |
|---|---|---|---|
| | 63 | 62 | 64 |
| Accrued liability at June 2014 | 349 | 346 | 352 |
| | 60 | 59 | 61 |
| Accrued liability at June 2013 | 338 | 342 | 334 |

* Certain comparative amounts shown do not correspond to the 2013 Annual Financial Statements and reflect adjustments made. Refer to note 38.

## 25. PROVISIONS

| | Leave pay Rm | Provision for onerous lease commitments Rm | Employee benefits Rm | Other Rm | Total 2014 Rm | Total 2013 Rm |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 240 | 4 | 42 | 11 | 297 | 230 |
| Raised/transferred | 280 | – | 21 | 9 | 310 | 261 |
| Utilised | (239) | (3) | (3) | (1) | (246) | (194) |
| Balance at the end of the year | 281 | 1 | 60 | 19 | 361 | 297 |

**LEAVE PAY**

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

**PROVISION FOR ONEROUS LEASE COMMITMENTS**

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

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

**EMPLOYEE BENEFITS**

The employee benefits provision consists primarily of Country Road Limited's employee long-service leave entitlements. This provision is calculated based on the service period worked by each employee and probability assumptions are applied to determine the likelihood that an employee will eventually qualify for the entitlement. The provision unwinds as eligible employees redeem their entitlement or when the balance owing to an employee is paid out on termination of employment.

**OTHER**

The other provision consists of provisions for sales returns and other items.

## 26. CAPITAL COMMITMENTS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Commitments in respect of capital expenditure not accrued at the reporting date: | | |
| Contracted for | 408 | 158 |
| Not contracted for | 2 272 | 1 905 |
| | 2 680 | 2 063 |
| This expenditure on items of a capital nature will be financed by cash generated from the Group's activities and available cash. | | |
| Acquisition of David Jones Limited (refer to note 39) | 21 604 | – |
| Acquisition of non-controlling interests (refer to note 39) | 2 129 | – |
| Acquisition of franchise operations (refer to note 39) | 32 | – |
| | 26 445 | 2 063 |

The acquisition will be funded via a combination of cash on hand and South African Senior Debt Facilities of R10 billion, a A$264 million (R2.5 billion) Australian Facility and a R9 billion Equity Bridge Facility. The Equity Bridge Facility will be repaid out of the proceeds of an underwritten, renounceable rights offer by WHL, which will commence after the completion of the acquisition. Refer to note 39. The Group continues to manage its exposure in respect of foreign currency fluctuations. Refer to note 28 for sensitivity analysis of contracts for differences instruments.

The acquisition of non-controlling interests in Country Road Limited will be financed from new debt facilities raised by Woolworths International (Australia) II Proprietary Limited, from Australian banks. Refer to note 39.

## 27. CONTINGENT LIABILITIES

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





## 28. FINANCIAL RISK MANAGEMENT

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of business. It is the Group's objective to minimise its exposure to the various financial risks through its risk management policies and procedures.

The Group attempts to manage financial risk where this involves activities in which it has appropriate competencies. To achieve this, the Group's treasury function is responsible for managing funding and the Group's financial risks within predetermined parameters.

The Group's overall treasury policy is reviewed and approved by the Woolworths Holdings Limited Board. The policy specifies the hedging level parameters, dealing limits (in terms of size and duration), the types of instruments that may be used, authorised counterparties and procedures for settling and recording transactions.

In addition, a treasury committee reports regularly to the Board on the implementation of treasury policies, focusing in particular on the amount of exposure to financial risk; the extent to which this risk is covered; the implications of expected future movements in market interest rates as well as whether there are any deviations from treasury policy and the performance against budgets.

Woolworths Financial Services' credit risk is managed by a credit risk committee attended by two directors of the Woolworths Holdings Limited Board. Country Road Limited's credit risk is managed by an audit and risk committee attended by three directors of the Woolworths Holdings Limited Board.

### 28.1 FOREIGN CURRENCY MANAGEMENT

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Australian Dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities, and net investments in foreign operations. It is the Group's policy to fully cover all committed exposures except net investments in foreign operations. Refer to note 39 for risk management of the foreign exchange exposure in respect of the David Jones acquisition.

TRANSACTIONAL FOREIGN EXCHANGE RISK

The Group has transactional currency exposures arising from the acquisition of goods and services in currencies other than its functional currency. It is the Group's policy that business units entering into such transactions must cover all such exposures with forward exchange contracts to hedge the risk of fluctuation in the foreign currency exchange rate (refer to the accounting policy note on hedge accounting).

Forward exchange contracts, contracts for differences as well as trade payables at 29 June 2014 are summarised below. These amounts represent the net rand equivalent of Group commitments to purchase and sell foreign currencies.

| | Contract foreign currency amount m | Rand equivalent Rm | Average rate R | Fair value adjustment Rm |
|---|---|---|---|---|
| **2014** | | | | |
| FORWARD EXCHANGE CONTRACTS | | | | |
| US Dollar | 383 | 4 235 | 11.05 | (104) |
| British Pound | 3 | 52 | 17.67 | 2 |
| Euro | 3 | 53 | 15.03 | (1) |
| | | 4 340 | | (103) |
| CONTRACTS FOR DIFFERENCES | | | | |
| Australian Dollar | 950 | 9 564 | 10.07 | (54) |
| TRADE PAYABLES | | | | |
| US Dollar (closing rate) | 28 | 296 | 10.58 | (7) |
| **2013** | | | | |
| FORWARD EXCHANGE CONTRACTS | | | | |
| US Dollar | 220 | 1 981 | 9.01 | 207 |
| British Pound | 2 | 31 | 14.59 | 2 |
| Euro | 2 | 30 | 12.27 | 2 |
| | | 2 042 | | 211 |
| TRADE PAYABLES | | | | |
| US Dollar (closing rate) | 27 | 254 | 9.35 | (14) |

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

At 29 June 2014, the Group held 614 (2013: 468) forward exchange contracts in order to hedge expected future purchases from suppliers outside South Africa for which the Group has firm commitments. Of these, 244 (2013: 184) are designated cash flow hedges in an effective hedging relationship.

At 29 June 2014, the Group held 3 (2013: nil) contracts for differences designated as hedges of expected future settlements to be made related to the purchase of subsidiaries. All 3 (2013: nil) are designated cash flow hedges in an effective hedging relationship.

The cash flow hedges resulted in a net unrealised loss of R130 million (2013: R134 million gain) with a related deferred tax asset of R23 million (2013: R43 million liability), which was included in the financial instrument revaluation reserve in respect of these contracts.

The remaining 370 (2013: 284) forward exchange contracts are not designated as cash flow hedges. At year-end, an unrealised loss of R31 million (2013: R69 million gain) was recognised in profit or loss in respect of these forward exchange contracts.

The following exchange rates applied during the year:

| | Average rate | | Closing rate | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| US Dollar/Rand | 10.37 | 8.83 | 10.58 | 9.87 |
| Australian Dollar/Rand | 9.51 | 9.05 | 9.96 | 9.01 |

In the table below, the sensitivity of the Group's exposure to US Dollar and Australian Dollar foreign currency transactional risk is estimated by assessing the impact that a reasonably possible movement over the next 12 months in foreign exchange rates would have had on profit and equity of the Group at the reporting date. The Group's exposure to other currencies is not considered to be material (refer below for translational foreign exchange risk). An increase in the movement in foreign exchange rate is indicative of the functional currency weakening against the foreign currency.

| | Movement in foreign exchange rate % | Decrease/(increase) in profit before tax Rm | Decrease/(increase) in other comprehensive income Rm |
|---|---|---|---|
| **2014** | | | |
| US DOLLAR | +5 | 12 | – |
| Foreign creditors | -5 | (12) | – |
| | +5 | (68) | (108) |
| Forward exchange contracts | -5 | 68 | 108 |
| AUSTRALIAN DOLLAR | +5 | – | (476) |
| Contracts for difference | -5 | – | 476 |
| **2013** | | | |
| US DOLLAR | +5 | 15 | – |
| Foreign creditors | -5 | (15) | – |
| | +5 | (33) | (66) |
| Forward exchange contracts | -5 | 33 | 66 |



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### 28.1 FOREIGN CURRENCY MANAGEMENT (CONTINUED)

TRANSLATIONAL FOREIGN EXCHANGE RISK

Net investments in foreign subsidiaries

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| The Group has unhedged interests in foreign subsidiaries of: | | |
| Australian Dollar | 2 844 | 2 816 |

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

A change in the Group's material translational foreign currencies, with all other variables being equal, will increase or decrease the equity of the Group.

The sensitivity of the Group to such changes is presented in the table below. Reasonably possible changes over the next 12 months in the Group's material translational foreign currencies will result in movements in other comprehensive income observed in the foreign currency translation reserve.

| | Movement in foreign exchange rate % | Decrease/(increase) in other comprehensive income Rm |
|---|---|---|
| **2014** | | |
| Australian Dollar | +5 | (142) |
| | -5 | 142 |
| **2013** | | |
| Australian Dollar | +5 | (141) |
| | -5 | 141 |

**Foreign cash**

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Foreign cash balances/(overdrafts) are concentrated in the following major currencies: | | |
| US Dollar | (90) | 12 |
| Australian Dollar | 808 | 860 |
| | 718 | 872 |

The sensitivity of the Group's equity to changes in foreign cash balances resulting from a reasonably possible change in material foreign currencies in which the Group transacts is presented below.

The Group's sensitivity to the US Dollar is considered low.

| | Movement in foreign exchange rate % | Decrease/(increase) in other comprehensive income Rm |
|---|---|---|
| **2014** | | |
| Australian Dollar | +5 | (40) |
| | -5 | 40 |
| **2013** | | |
| Australian Dollar | +5 | (43) |
| | -5 | 43 |

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.2 INTEREST RATE MANAGEMENT

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

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

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

The Country Road Group has long-term syndicated debt with interest payable referenced to the Australian bank bill rate. The Country Road Group has entered into interest rate swap contracts under which it has the right to receive a variable rate payment and will pay at a fixed rate. Swaps in place cover 100% of the syndicated finance facility referenced to the bank bill rate. The bank bill rate is fixed over the term of the facility at 3.29%. The interest rate swaps are considered to be fully effective as they are matched against the interest payment associated with the syndicated finance facility with any revaluation gains or loss recognised directly in equity.

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

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

| | Movement in basis points | Decrease/ (increase) in profit before tax Rm | Decrease/ (increase) in equity Rm |
|---|---|---|---|
| **2014** | | | |
| Interest-bearing borrowings | +50 | 4 | 3 |
| | -50 | (4) | (3) |
| Bank overdraft | +50 | 39 | 28 |
| | -50 | (39) | (28) |
| Cash and cash equivalents | +50 | (48) | (34) |
| | -50 | 48 | 34 |
| **2013** | | | |
| Interest-bearing borrowings | +50 | 4 | 3 |
| | -50 | (4) | (3) |
| Cash and cash equivalents | +50 | (8) | (6) |
| | -50 | 8 | 6 |

As at the reporting date, the South African prime interest rate is 9% (2013: 8.5%). Jibar is 5.83% (2013: 5.05%). The Australian prime interest rate is 2.5% (2013: 2.75%).

The variable interest rate pricing profile at 29 June 2014 is summarised as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Rm | Effective interest rate % | Rm | Effective interest rate % |
| **INTEREST-BEARING BORROWINGS** | | | | |
| Long-term loan | 723 | 5.8 | 709 | 5.8 |
| Other loans | 36 | 5.2 – 10.5 | 89 | 5.8 – 10.0 |
| Bank overdrafts | 7 876 | 6.5 | – | |
| % of total borrowings | 100% | | 100% | |





### 28.2 INTEREST RATE MANAGEMENT (CONTINUED)

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

| | On demand Rm | Less than 3 months Rm | 3 – 12 months Rm | 1 – 5 years Rm | > 5 years Rm |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Long-term loan | – | 65 | 74 | 584 | – |
| Other loans | – | – | 12 | 24 | – |
| **2013** | | | | | |
| Long-term loan | – | – | 115 | 594 | – |
| Other loans | – | – | – | 89 | – |

### 28.3 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, trade and other receivables and derivative financial instruments, as well as credit exposure to the Group's participation in export partnerships and other loans. The Group's maximum exposure to credit risk is equal to the carrying amount of these classes of assets. Refer to note 28.5.

The Group only deposits short-term cash surpluses and enters into derivative contracts with major banks and financial institutions of high quality credit standing.

Trencor Limited has materially warranted certain important cash flow aspects of the Group's participation in export partnerships, thus the credit quality of this receivable is considered to be high.

Trade and other receivables consist mainly of franchise and property-related debtors. Rigorous credit granting procedures are applied to assess the credit quality of the customer, taking into account its financial position, credit rating and other factors.

Other loans include housing loans and share purchase loans to employees of the Group. Security for housing loans is required, while share purchase loans are secured by shares in Woolworths Holdings Limited.

The holding company is exposed to credit risk mainly through amounts owing by subsidiaries and by its participation in export partnerships.

CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Rating | Rm | Rating | Rm |
| **FINANCIAL ASSETS** | | | | |
| Participation in export partnerships | High grade | 30 | High grade | 38 |
| Other loans | High grade | 106 | High grade | 83 |
| Cash and cash equivalents | High grade | 9 542 | High grade | 1 582 |
| Derivative financial instruments | High grade | 23 | High grade | 211 |
| Trade and other receivables | High grade | 604 | High grade | 498 |

**Ratings**

High grade – debtors are considered to have low credit risk when they have high quality credit standing or a guarantee on the amount owing is provided.

## 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. Derivative liabilities are measured at fair value and are included in the analysis on the basis of management's expectation of settlement. The fair values indicate the net settlement amounts due.

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **BANKING FACILITIES:** | | |
| Total banking facilities | 12 108 | 3 041 |
| Less: Drawn down portion | (8 927) | (16) |
| Total undrawn banking facilities | 3 181 | 3 025 |

All facilities and any security provided must be approved by the Board.

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

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

| | On demand Rm | Less than 3 months Rm | 3 – 12 months Rm | 1 – 5 years Rm | > 5 years Rm |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Interest-bearing borrowings | – | 110 | 124 | 541 | – |
| Bank overdrafts | – | 7 876 | | | |
| Forward exchange contracts | – | 39 | 74 | – | – |
| Contracts for differences | – | 68 | – | – | – |
| Interest rate swaps | – | – | 5 | – | – |
| Trade and other payables | 225 | 2 966 | 147 | – | – |
| **2013** | | | | | |
| Interest-bearing borrowings | – | 14 | 118 | 964 | – |
| Interest rate swaps | – | 8 | – | – | – |
| Trade and other payables | – | 3 690 | – | – | – |

BORROWING CAPACITY

There is no limit imposed by the Memorandum of Incorporation on the Group's authority to raise interest-bearing debt.





### 28.5 FINANCIAL INSTRUMENTS BY CATEGORY

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

| | Note | Loans and receivables Rm | Financial assets at fair value through profit or loss Rm | Derivatives used as hedging instruments Rm | Non–financial assets Rm | Total Rm |
|---|---|---|---|---|---|---|
| **29 JUNE 2014** | | | | | | |
| **Assets as per statement of financial position** | | | | | | |
| Participation in export partnerships | 13 | 30 | – | – | – | 30 |
| Other loans | 14 | 106 | – | – | – | 106 |
| Trade and other receivables | 17 | 604 | – | – | 463 | 1 067 |
| Derivative financial instruments | 18 | – | 2 | 21 | – | 23 |
| Cash and cash equivalents | 31.4 | 9 542 | – | – | – | 9 542 |
| Total | | 10 282 | 2 | 21 | 463 | 10 768 |

| | Note | Financial liabilities at amortised cost Rm | Financial liabilities at fair value through profit or loss Rm | Derivatives used as hedging instruments Rm | Non–financial liabilities Rm | Total Rm |
|---|---|---|---|---|---|---|
| **Liabilities as per statement of financial position** | | | | | | |
| Interest-bearing borrowings | 22 | 747 | – | – | 27 | 774 |
| Bank overdrafts | | 7 876 | – | – | – | 7 876 |
| Trade and other payables | 23 | 4 403 | – | – | 836 | 5 239 |
| Derivative financial instruments | 18 | – | 34 | 151 | – | 185 |
| Total | | 13 026 | 34 | 151 | 863 | 14 074 |

| | Note | Loans and receivables Rm | Financial assets at fair value through profit or loss Rm | Derivatives used as hedging instruments Rm | Non–financial assets Rm | Total Rm |
|---|---|---|---|---|---|---|
| **30 JUNE 2013** | | | | | | |
| **Assets as per statement of financial position** | | | | | | |
| Participation in export partnerships | 13 | 38 | – | – | – | 38 |
| Other loans | 14 | 83 | – | – | – | 83 |
| Trade and other receivables | 17 | 498 | – | – | 170 | 668 |
| Derivative financial instruments | 18 | – | 69 | 142 | – | 211 |
| Cash and cash equivalents | 31.4 | 1 582 | – | – | – | 1 582 |
| Total | | 2 201 | 69 | 142 | 170 | 2 582 |

## 28. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 28.5 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

| | Note | Financial liabilities at amortised cost Rm | Financial liabilities at fair value through profit or loss Rm | Derivatives used as hedging instruments Rm | Non–financial liabilities Rm | Total Rm |
|---|---|---|---|---|---|---|
| **Liabilities as per statement of financial position** | | | | | | |
| Interest-bearing borrowings | 22 | 798 | – | – | 34 | 832 |
| Trade and other payables | 23 | 3 690 | – | – | 634 | 4 324 |
| Derivative financial instruments | 18 | – | – | 8 | – | 8 |
| Total | | 4 488 | – | 8 | 668 | 5 164 |

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

### 28.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

| | Fair value movement Rm | Investment income Rm | Interest expense Rm | Impairment loss Rm | Total Rm |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Loans and receivables | – | 112 | – | – | 112 |
| Financial liabilities at amortised cost | – | – | (136) | – | (136) |
| Financial instruments at fair value through profit or loss | 50 | – | – | – | 50 |
| Derivatives used as hedging instruments | (239) | – | – | – | (239) |
| Total | (189) | 112 | (136) | – | (213) |
| **2013** | | | | | |
| Loans and receivables | – | 57 | – | – | 57 |
| Financial liabilities at amortised cost | – | – | 68 | – | 68 |
| Financial instruments at fair value through profit or loss | 103 | – | – | – | 103 |
| Derivatives used as hedging instruments | 128 | – | – | – | 128 |
| Total | 231 | 57 | 68 | – | 356 |

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



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### 28.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments carried at fair value:

| | Fair value measurement using | Carrying amount 2014 Rm | Carrying amount 2013 Rm | Fair value 2014 Rm | Fair value 2013 Rm |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | |
| Derivative financial instruments | | | | | |
| Forward exchange contracts | Level 2 | 9 | 211 | 9 | 211 |
| Contracts for differences | Level 2 | 14 | – | 14 | – |
| **FINANCIAL LIABILITIES** | | | | | |
| Derivative financial instruments | | | | | |
| Forward exchange contracts | Level 2 | 112 | – | 112 | – |
| Contracts for differences | Level 2 | 68 | – | 68 | – |
| Interest rate swaps and collars | Level 2 | 5 | 8 | 5 | 8 |

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts, and contracts for differences. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying index. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. As at 29 June 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

## 29. MANAGEMENT OF CAPITAL

The Group considers share capital (note 19), share premium (note 20), non-distributable and distributable reserves (note 21) as capital. Management has made progress in meeting the following objectives:

- to provide an adequate return to shareholders,
- to safeguard Woolworths' ability to continue as a going concern,
- to be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders, and
- to use excess cash to repurchase shares when the opportunity arises in order to maximise shareholder value by enhancing both earnings per share and return on equity.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the needs of the Group. The Group monitors capital using return on equity (ROE).

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

| | 2014 | Restated 2013 |
|---|---|---|
| Return on equity | 45.1% | 50.4% |

The Group ensures that it complies with the liquidity and solvency requirements for any share repurchase or dividend payment per the Companies Act of South Africa. Debt covenants, which exist on long-term borrowings, are monitored by management on an ongoing basis. There has been no breach of any covenants during the year.

## 30. DIVIDENDS TO SHAREHOLDERS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **ORDINARY SHAREHOLDERS:** | | |
| Dividend no. 31 of 123.0 cents per share was declared on 22 August 2012 and paid on 14 September 2012 | – | 1 031 |
| Less: Dividend received on treasury shares | – | (104) |
| Dividend no. 32 of 86.0 cents per share was declared on 13 February 2013 and paid on 11 March 2013 | – | 723 |
| Less: Dividend received on treasury shares | – | (72) |
| Dividend no. 33 of 148.0 cents per share was declared on 28 August 2013 and paid on 23 September 2013 | 1 251 | – |
| Less: Dividend received on treasury shares | (125) | – |
| Dividend no. 34 of 101.0 cents per share was declared on 12 February 2014 and paid on 10 March 2014 | 855 | – |
| Less: Dividend received on treasury shares | (85) | – |
| **PREFERENCE SHAREHOLDERS:** | | |
| Dividend no. 11 of 85.0 cents per share was declared on 22 August 2012 and paid on 14 September 2012 | – | 75 |
| Less: Dividend accruing to the holding company | – | (38) |
| Dividend no. 12 of 59.0 cents per share was declared on 13 February 2013 and paid on 11 March 2013 | – | 52 |
| Less: Dividend accruing to the holding company | – | (27) |
| Dividend no. 13 of 148.0 cents per share was declared on 28 August 2013 and paid on 23 September 2013 | 132 | – |
| Less: Dividend accruing to the holding company | (70) | – |
| Dividend no. 14 of 101.0 cents per share was declared on 12 February 2014 and paid on 10 March 2014 | 90 | – |
| Less: Dividend accruing to the holding company | (49) | – |
| Total net dividends paid | 1 999 | 1 640 |

Dividend no. 35 of 150.5 cents per share was declared to ordinary shareholders on 27 August 2014.

Dividend no. 15 of 150.5 cents per share was declared to preference shareholders on 27 August 2014.





## 31. CASH FLOW INFORMATION

| | 2014 Rm | Restated 2013 Rm |
|---|---|---|
| **31.1 CASH INFLOW FROM TRADING** | | |
| Profit before tax | 4 104 | 3 647 |
| Earnings from joint ventures | (181) | (180) |
| Earnings from associate | (4) | (9) |
| Depreciation and amortisation | 872 | 755 |
| Impairment | 24 | 12 |
| Finance costs | 136 | 68 |
| Investment income | (112) | (57) |
| (Profit)/loss on disposal of property, plant and equipment, intangible assets and investment properties | (35) | 15 |
| Movement in other provisions and post-retirement medical benefit liability | 37 | 85 |
| Prepaid employment cost | – | 8 |
| Share-based payments | 116 | 136 |
| Operating lease accrual | 97 | 35 |
| Transaction and integration costs on David Jones acquisition | 182 | – |
| Foreign exchange loss/(gain) | 139 | (65) |
| Net inflow from trading | 5 375 | 4 450 |
| **31.2 WORKING CAPITAL MOVEMENTS** | | |
| Increase in inventories | (448) | (651) |
| Increase in trade and other receivables | (166) | (75) |
| Increase in trade and other payables | 207 | 530 |
| Net outflow | (407) | (196) |
| **31.3 TAX PAID** | | |
| NORMAL AND FOREIGN TAX | | |
| Amounts owing at the beginning of the year | (102) | (367) |
| Amounts charged to profit or loss | (1 188) | (1 002) |
| Amounts credited to share-based payment reserve | 71 | 124 |
| Foreign currency translation reserve | (8) | 3 |
| Amounts receivable at the end of the year | (9) | (5) |
| Amounts owing at the end of the year | 189 | 107 |
| Cash amounts paid | (1 047) | (1 140) |

## 31. CASH FLOW INFORMATION (CONTINUED)

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **31.4 NET CASH AND CASH EQUIVALENTS** | | |
| Cash – interest-earning | | |
| Local – variable at interest rates of 0% to 3% (2013: 0% to 2.5%) | 516 | 505 |
| Local – dividend account at an interest rate of 0% to 3% (2013: 0% to 2.5%) | 4 | 3 |
| Foreign – variable at interest rates of 0% to 3.25% (2013: 3.0% to 4.2%) | 1 033 | 987 |
| Local short-term interest-bearing deposits – variable interest at a current interest rate of 5.84% (2013: 4.75% to 5.28%) maturing between one to three months | 7 989 | 87 |
| Cash and cash equivalents | 9 542 | 1 582 |
| Local bank overdrafts – variable interest at a current interest rate of 6.5% (2013: nil) | (7 876) | – |
| Net cash and cash equivalents | 1 666 | 1 582 |

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

## 32. OPERATING LEASES

The Group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between one and 12 years with further renewal options thereafter. The commitments disclosed below comprise the minimum payments as well as additional contingent payments based on expected turnover levels.

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **32.1 OPERATING LEASE COMMITMENTS** | | |
| Land and buildings: | | |
| Within one year | 2 120 | 1 797 |
| Within two to five years | 5 898 | 4 726 |
| Thereafter | 2 718 | 2 038 |
| | 10 736 | 8 561 |
| **32.2 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS PRINCIPAL LESSOR AT 29 JUNE** | | |
| Land and buildings: | | |
| Within one year | 5 | 8 |
| Within two to five years | 7 | 16 |
| | 12 | 24 |
| **32.3 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS LESSOR AT 29 JUNE** | | |
| Land and buildings: | | |
| Within one year | 8 | 7 |
| Within two to five years | 20 | 12 |
| | 28 | 19 |

The operating lease accrual of R620 million (2013: R514 million) represents the difference between the cash flow impact and profit or loss impact of the above leases (refer to note 23).

Contingent rent payable is calculated based on turnover level. The amount recognised in profit or loss was R173 million (2013: R125 million).

The total minimum lease payments during the year amount to R2 081 million (2013: R1 711 million).

The total minimum lease payments received during the year amount to R24 million (2013: R28 million).



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## 33. FINANCE LEASES

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Minimum payments Rm | Present value of payments Rm | Minimum payments Rm | Present value of payments Rm |
| Within one year | 12 | 12 | 13 | 12 |
| Between one and five years | 17 | 15 | 25 | 22 |
| Total minimum lease payments | 29 | 27 | 38 | 34 |
| Less amounts representing finance charges | (2) | – | (4) | – |
| Present value of minimum lease payments | 27 | 27 | 34 | 34 |

## 34. ACQUISITION OF FRANCHISE OPERATIONS

During the year, the Group acquired nine previously franchised stores in South Africa and 33 in the rest of Africa, for a total purchase consideration of R425 million. In the prior year, eight previously franchised stores in the rest of Africa were acquired for a total purchase consideration of R67 million.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Number of stores | Cost | Number of stores | Cost |
| 30 December 2013 to 29 June 2014 | 41 | 415 | – | – |
| 1 July 2013 to 29 December 2013 | 1 | 10 | – | – |
| 24 December 2012 to 30 June 2013 | – | – | 7 | 61 |
| 25 June 2012 to 23 December 2012 | – | – | 1 | 6 |
| | 42 | 425 | 8 | 67 |

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **Fair value of assets acquired at the date of acquisition** | | |
| Property, plant and equipment | 18 | 13 |
| Reacquired rights | 67 | – |
| Deferred tax liability | (19) | – |
| | 66 | 13 |
| **Goodwill arising on acquisition** | | |
| Consideration | 425 | 67 |
| Less: fair value of identifiable net assets acquired | (66) | (13) |
| | 359 | 54 |
| Goodwill of R359 million (2013: R54 million) comprises the fair value of intangible assets that do not qualify for separate recognition, and represents growth and synergies expected to accrue from the acquisitions. | | |
| **Purchase consideration** | | |
| Net cash paid | 396 | 67 |
| Amount payable | 29 | – |
| | 425 | 67 |

From the dates of acquisitions, R105 million of additional revenue has accrued, with no impact on profit before tax. Had the acquisitions been effective from the beginning of the year, the directors consider that, on a pro-forma basis, the contribution to revenue for the 52 weeks ended 29 June 2014 would have been a further R99 million, with no impact on profit before tax.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

## 35. INVESTMENT IN JOINT VENTURES

The Group has the following interests in joint ventures:

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

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

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **Assets** | | |
| Current assets, including cash and cash equivalents of R72 million (2013: R78 million) | 8 501 | 7 738 |
| Non-current assets | 319 | 283 |
| | 8 820 | 8 021 |
| **Liabilities** | | |
| Current liabilities, including financial liabilities of R160 million (2013: R201 million) | (179) | (216) |
| Non-current liabilities, including financial liabilities of R7 021 million (2013: R6 360 million) | (7 054) | (6 389) |
| | (7 233) | (6 605) |
| **Equity** | 1 587 | 1 416 |
| Group proportionate ownership | 50% | 50% |
| Group carrying amount of investment | 794 | 708 |
| Summarised statement of profit or loss of WFS | | |
| Revenue (including investment income of R 1 473 million (2013: R1 250 million)) | 1 685 | 1 453 |
| Operating costs (including depreciation of R25 million (2013: R22 million)) | 1 182 | 954 |
| Profit before tax | 503 | 499 |
| Tax | 141 | 139 |
| Total comprehensive income | 362 | 360 |
| Group proportionate share | 181 | 180 |
| The Group's proportionate ownership of Nedglen is: | 5 | 5 |
| Total investment in joint ventures | 799 | 713 |
| The Group's share of Nedglen profits amounted to R0.3 million (2013: R0.3 million) and OCI of nil in both years. | | |
| The Group's share of the capital commitment of the joint ventures is nil. | | |
| The following dividends were received during the year: | | |
| Woolworths Financial Services (Proprietary) Limited | 95 | 85 |

The increase in net assets is after dividends earned. There are no contingent liabilities relating to the Group's interest in the joint ventures, and no contingent liabilities of the venture itself.

## 36. NON-CONTROLLING INTERESTS

Non-controlling interests relate primarily to the minority shareholding in Country Road Limited.

The principal place of business of Country Road Limited is Australia. The non-controlling interest represents a 12.12% ownership interest and share of voting rights of Country Road Limited. Refer to note 39 for information relating to the repurchase of this non-controlling interest subsequent to year-end.

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **Country Road Limited** | | |
| Profit allocated to non-controlling interest | 80 | 46 |
| Accumulated balance of non-controlling interest | 263 | 252 |
| Dividends paid to non-controlling interest during the year | 73 | – |
| The summarised financial information of Country Road Limited is provided below. This information is based on amounts before inter-company eliminations. | | |
| Goodwill | 723 | 646 |
| Non-current assets, excluding goodwill | 1 785 | 1 447 |
| Cash and cash equivalents | 836 | 859 |
| Other current assets | 1 156 | 949 |
| | 4 500 | 3 901 |
| Non-current liabilities | 893 | 780 |
| Current liabilities | 1 462 | 1 091 |
| | 2 355 | 1 871 |
| Revenue | 8 145 | 6 478 |
| Profit after tax | 656 | 379 |
| Total Comprehensive income | 515 | 468 |
| Net cash flows from operating activities | 1 097 | 888 |
| Net cash flows from investing activities | (376) | (1 759) |
| Net cash flows from financing activities | (66) | 1 530 |
| Increase/(decrease) in cash and cash equivalents | (112) | 654 |

The non-controlling interests in other subsidiaries are not significant and, therefore, no further disclosure is given.

## 37. NON-CURRENT ASSETS HELD FOR SALE

Two fixed properties, previously disclosed as non-current assets held for sale (within the Woolworths segment) were sold in the current financial year for R110 million.

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Investment properties | – | 63 |
| **Non-current assets held for sale** | – | 63 |

## 38. RESTATEMENT OF COMPARATIVE FIGURES

### 38.1 POST-RETIREMENT MEDICAL BENEFIT LIABILITY-ACTUARIAL (LOSS)/GAIN

In terms of the revised IAS 19: Employee Benefits, comparative figures have been restated to recognise actuarial gains and losses in other comprehensive income. The opening balance of the post-retirement medical benefit liability as at 25 June 2012 has been restated by R13 million (from R335 million as previously reported, to R348 million) and the liability as at 30 June 2013 has been further restated by R18 million (from R356 million as previously reported, to R338 million) representing the net gain during the 2013 financial year. As a result, the opening balance of the deferred tax asset as at 25 June 2012 has been restated by R4 million (from R643 million, as previously reported, to R647 million) and has been further restated at 30 June 2013 by R5 million (from R718 million, as previously reported, to R713 million). The adjustments have no impact on earnings per share or headline earnings per share. The Group's policy is to perform an annual valuation at the end of the financial year.

### 38.2 CONSOLIDATION OF WOOLWORTHS TRUST

In terms of IFRS 10: Consolidated Financial Statements, the Woolworths Trust, which was not previously consolidated, is now included as part of the Group. The consolidation resulted in a restatement of cash and equity at 25 June 2012 by an increase of R20 million, representing the net assets of the Woolworths Trust. There has been no movement in the net assets of the trust for the financial year ending 30 June 2013, and no impact on previously reported earnings per share or headline earnings per share.

### 38.3 RECLASSIFICATION OF COMPARATIVE FIGURES

Marketing and administration expenses totalling R189 million previously disclosed in store costs have been included in other operating costs as this more accurately reflects the nature of these costs.

## 39. EVENTS SUBSEQUENT TO THE REPORTING DATE

### ACQUISITION OF DAVID JONES LIMITED

On 1 August 2014, Woolworths Holdings Limited ("WHL"), through its subsidiaries, Osiris Holdings Proprietary Limited and Vela Investments Proprietary Limited, acquired all of the ordinary shares of David Jones Limited ("David Jones") for a total value of R21.4 billion (A$2.1 billion).

The acquisition was funded via a combination of cash on hand and South African Senior Debt Facilities of R10 billion, a A$264 million (R2.5 billion) Australian Senior Debt Facility and a R9 billion Equity Bridge Facility. The Equity Bridge Facility will be repaid out of the proceeds of an underwritten, renounceable rights offer by WHL, expected to commence during September 2014.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

WHL has measured David Jones' identifiable assets and liabilities at their acquisition-date fair value. The provisional values are presented below:

| | Rm | A$m |
|---|---|---|
| **Non-current assets** | 11 164 | 1 121 |
| Property, plant and equipment | 9 972 | 1 002 |
| Intangible assets | 561 | 56 |
| Deferred tax assets | 631 | 63 |
| **Current assets** | 2 818 | 283 |
| Inventories | 2 309 | 232 |
| Trade and other receivables | 297 | 30 |
| Tax | 123 | 12 |
| Cash and cash equivalents | 89 | 9 |
| **Non-current liabilities** | (854) | (86) |
| Long term provisions | (127) | (13) |
| Operating lease accrual | (243) | (24) |
| Deferred tax liability | (484) | (49) |
| **Current liabilities** | (4 122) | (415) |
| Trade and other payables | (2 951) | (297) |
| Provisions | (237) | (24) |
| Derivative financial instruments | (7) | (1) |
| Interest-bearing borrowings | (927) | (93) |
| **Total identifiable net assets at fair value** | 9 006 | 903 |
| **Goodwill arising from acquisition** | 12 598 | 1 246 |
| **Purchase consideration** | 21 604 | 2 149 |
| **Loss on hedging instrument** | 221 | – |
| **Purchase consideration transferred** | 21 383 | 2 149 |
| **Cash and cash equivalents acquired** | (89) | (9) |
| **Cash outflow on acquisition** | 21 515 | 2 140 |

Intangible assets arising from the acquisition of R12.6 billion comprise goodwill and the David Jones brand. Goodwill represents the value paid in excess of the provisional fair value of net assets (including the brand) and consists largely of synergies and economies of scale expected from strategic product and customer initiatives. Transaction costs, excluding debt commitment fees and raising costs, are estimated at R347 million. These include R182 million already expensed.

The fair values currently presented are provisional and as a result, all the required disclosures have not been included. These are subject to further review for a period of up to one year from the acquisition date, as prescribed by International Financial Reporting Standards. The Australian dollar values have been translated at the closing exchange rate at 1 August 2014 of A$1:R9.95.

### ACQUISITION OF NON-CONTROLLING INTERESTS IN SUBSIDIARIES

COUNTRY ROAD LIMITED ("COUNTRY ROAD")

After the year-end the Group also acquired the remaining 12.12% shares in Country Road for a cash consideration of A$213 million (R2.1 billion). As a wholly owned subsidiary within the Group, Country Road will be delisted from the Australian Securities Exchange (ASX). Given its role in realising a substantial part of the synergy benefits arising from the acquisition of David Jones, achieving full ownership of Country Road was a logical next step and in line with the Group's longstanding desire to acquire 100% ownership. The acquisition was funded through new debt facilities raised from Australian banks.

The excess of the purchase price over the carrying value of the related non-controlling interest in Country Road, estimated at R1.9 billion, will be accounted for in retained profit.

WOOLIES (ZAMBIA) LIMITED

On 29 July 2014, WHL concluded terms to acquire the remaining 49% shareholding in Woolies (Zambia) not already owned by the WHL Group for a total cash consideration of R29 million.

ACQUISITION OF FRANCHISE OPERATIONS

Agreements to purchase a further four stores totalling R32 million are effective from dates subsequent to this report.

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## 40. SEGMENTAL INFORMATION

### 40.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

| | | | 2014 Woolworths | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Rm | Intragroup Rm | Clothing and General Merchandise Rm | Food Rm | Logistics Rm | Country Road Group Rm | Woolworths Treasury Rm | Woolworths Financial Services Rm |
| OPERATING RESULTS | | | | | | | | |
| Revenue | 39 944 | – | 11 523 | 19 767 | 418 | 8 145 | 91 | – |
| Turnover | 39 707 | – | 11 505 | 19 694 | 418 | 8 090 | – | – |
| Cost of sales | 24 209 | (133) | 6 132 | 14 711 | 418 | 3 081 | – | – |
| Gross profit | 15 498 | 133 | 5 373 | 4 983 | – | 5 009 | – | – |
| Other revenue | 125 | – | 18 | 73 | – | 34 | – | – |
| Expenses | 11 680 | 133 | 3 484 | 3 768 | – | 4 113 | 182* | – |
| **Segmental operating profit** | 3 943 | – | 1 907 | 1 288 | – | 930 | (182) | – |
| Investment income | 112 | – | – | – | – | 21 | 91 | – |
| Finance costs | 136 | – | – | – | – | 60 | 76 | – |
| Earnings from Woolworths Financial Services joint venture | 181 | – | – | – | – | – | – | 181 |
| Earnings from associate and property joint venture | 4 | – | 2 | 2 | – | – | – | – |
| **Profit before tax** | 4 104 | – | 1 909 | 1 290 | – | 891 | (167) | 181 |
| Return on equity | 45.1% | | | | | | | |

| | | | Restated 2013 Woolworths | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Rm | Intragroup Rm | Clothing and General Merchandise Rm | Food Rm | Logistics Rm | Country Road Group Rm | Woolworths Treasury Rm | Woolworths Financial Services Rm |
| OPERATING RESULTS | | | | | | | | |
| Revenue | 35 399 | – | 10 778 | 17 543 | 561 | 6 478 | 39 | – |
| Turnover | 35 227 | – | 10 764 | 17 469 | 561 | 6 433 | – | – |
| Cost of sales | 21 674 | (100) | 5 770 | 12 994 | 561 | 2 449 | – | – |
| Gross profit | 13 553 | 100 | 4 994 | 4 475 | – | 3 984 | – | – |
| Other revenue | 115 | – | 14 | 74 | – | 27 | – | – |
| Expenses | 10 199 | 100 | 3 114 | 3 516 | – | 3 469 | – | – |
| **Segmental operating profit** | 3 469 | – | 1 894 | 1 033 | – | 542 | – | – |
| Investment income | 57 | – | – | – | – | 18 | 39 | – |
| Finance costs | 68 | – | – | – | – | 45 | 23 | – |
| Earnings from Woolworths Financial Services joint venture | 180 | – | – | – | – | – | – | 180 |
| Earnings from associate and property joint venture | 9 | – | 5 | 4 | – | – | – | – |
| **Profit before tax** | 3 647 | – | 1 899 | 1 037 | – | 515 | 16 | 180 |
| Return on equity | 50.4% | | | | | | | |

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

Revenues arise from direct sales to a broad base of public customers. There are no customers that individually contribute 10% or more to revenue of the Group.

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

* These costs relate to the acquisition of David Jones.

## 40. SEGMENTAL INFORMATION (CONTINUED)

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

| | 2014 Total Rm | 2014 Intragroup Rm | 2014 Woolworths Rm | 2014 Country Road Group Rm | 2014 Woolworths Treasury Rm | 2014 Woolworths Financial Services Rm | Restated 2013 Total Rm | Restated 2013 Intragroup Rm | Restated 2013 Woolworths Rm | Restated 2013 Country Road Group Rm | Restated 2013 Woolworths Treasury Rm | Restated 2013 Woolworths Financial Services Rm |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| STATEMENTS OF FINANCIAL POSITION | | | | | | | | | | | | |
| Property, plant and equipment, investment properties, intangible assets, loans and non-current assets held for sale | 6 601 | – | 4 333 | 2 268 | – | – | 5 350 | – | 3 446 | 1 904 | – | – |
| Inventories | 3 436 | – | 2 433 | 1 003 | – | – | 2 901 | – | 2 200 | 701 | – | – |
| Trade and other receivables and derivative financial assets | 1 090 | – | 937 | 153 | – | – | 879 | – | 631 | 248 | – | – |
| Cash and cash equivalents | 9 542 | (163) | 880 | 836 | 7 989 | – | 1 582 | – | 636 | 859 | 87 | – |
| **Segment assets** | 20 669 | (163) | 8 583 | 4 260 | 7 989 | – | 10 712 | – | 6 913 | 3 712 | 87 | – |
| Investment in joint ventures | 799 | – | 5 | – | – | 794 | 713 | – | 5 | – | – | 708 |
| Investment in associate | 2 | – | 2 | – | – | – | 60 | – | 60 | – | – | – |
| Tax and deferred tax assets | 799 | – | 559 | 240 | – | – | 718 | – | 529 | 189 | – | – |
| **Total assets** | 22 269 | (163) | 9 149 | 4 500 | 7 989 | 794 | 12 203 | – | 7 507 | 3 901 | 87 | 708 |
| Trade and other payables, provisions and other non-current liabilities | 6 134 | – | 4 666 | 1 416 | 52* | – | 4 967 | – | 3 899 | 1 068 | – | – |
| Borrowings | 8 662 | (163) | 64 | 722 | 8 039 | – | 832 | – | 124 | 708 | – | – |
| **Segment liabilities** | 14 796 | (163) | 4 730 | 2 138 | 8 091 | – | 5 799 | – | 4 023 | 1 776 | – | – |
| Tax and deferred tax liabilities | 521 | – | 304 | 217 | – | – | 467 | – | 372 | 95 | – | – |
| **Total liabilities** | 15 317 | (163) | 5 034 | 2 355 | 8 091 | – | 6 266 | – | 4 395 | 1 871 | – | – |
| Debt ratio | 38.9% | | | | | | 6.8% | | | | | |
| Depreciation and amortisation | 872 | – | 645 | 227 | – | – | 755 | – | 566 | 189 | – | – |
| Impairment | 24 | – | 24 | – | – | – | 12 | – | 12 | – | – | – |
| Share-based payment expense | 116 | – | 116 | – | – | – | 136 | – | 136 | – | – | – |
| Capital expenditure – gross additions | 1 939 | – | 1 552 | 387 | – | – | 2 313 | – | 788 | 1 525 | – | – |
| Capital commitments | 26 445 | – | 25 490 | 955 | – | – | 2 063 | – | 1 703 | 360 | – | – |
| Shareholding | | | 100.0% | 87.9% | 100.0% | 50.0% | | | 100.0% | 87.9% | 100.0% | 50.0% |

* These include costs incurred in the newly-formed Australian subsidiary, for the acquisition of David Jones.

## 40. SEGMENTAL INFORMATION (CONTINUED)

### 40.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

| | | | 2014 Woolworths | | | | | | | | Restated 2013 Woolworths | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total Rm | Intragroup Rm | Clothing and General Mer-chandise Rm | Food Rm | Logistics Rm | Country Road Group Rm | Woolworths Treasury Rm | Woolworths Financial Services Rm | Total Rm | Intragroup Rm | Clothing and General Mer-chandise Rm | Food Rm | Logistics Rm | Country Road Group Rm | Woolworths Treasury Rm | Woolworths Financial Services Rm |
| Revenue | | | | | | | | | | | | | | | | |
| South Africa | 31 587 | – | 10 670 | 19 565 | 418 | 843 | 91 | – | 28 980 | – | 10 293 | 17 420 | 561 | 667 | 39 | – |
| BNS*** | 353 | – | 258 | 95 | – | – | – | – | 258 | – | 168 | 90 | – | – | – | – |
| Rest of Africa and Middle East | 702 | – | 595 | 107 | – | – | – | – | 350 | – | 317 | 33 | – | – | – | – |
| Australasia | 7 302 | – | – | – | – | 7 302 | – | – | 5 811 | – | – | – | – | 5 811 | – | – |
| | 39 944 | – | 11 523 | 19 767 | 418 | 8 145 | 91 | – | 35 399 | – | 10 778 | 17 543 | 561 | 6 478 | 39 | – |
| Turnover | | | | | | | | | | | | | | | | |
| South Africa | 31 405 | – | 10 652 | 19 492 | 418 | 843 | – | – | 28 853 | – | 10 279 | 17 346 | 561 | 667 | – | – |
| BNS*** | 353 | – | 258 | 95 | – | – | – | – | 258 | – | 168 | 90 | – | – | – | – |
| Rest of Africa and Middle East | 702 | – | 595 | 107 | – | – | – | – | 350 | – | 317 | 33 | – | – | – | – |
| Australasia | 7 247 | – | – | – | – | 7 247 | – | – | 5 766 | – | – | – | – | 5 766 | – | – |
| | 39 707 | – | 11 505 | 19 694 | 418 | 8 090 | – | – | 35 227 | – | 10 764 | 17 469 | 561 | 6 433 | – | – |

| | 2014 Total Rm | 2014 Intragroup Rm | 2014 Woolworths Rm | 2014 Country Road Group Rm | 2014 Woolworths Treasury Rm | 2014 Woolworths Financial Services Rm | Restated 2013 Total Rm | Restated 2013 Intragroup Rm | Restated 2013 Woolworths Rm | Restated 2013 Country Road Group Rm | Restated 2013 Woolworths Treasury Rm | Restated 2013 Woolworths Financial Services Rm |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total assets | | | | | | | | | | | | |
| South Africa | 17 586 | (163) | 8 590 | 376 | 7 989 | 794 | 8 003 | – | 6 978 | 230 | 87 | 708 |
| Australasia | 3 884 | – | – | 3 884 | – | – | 3 482 | – | – | 3 482 | – | – |
| | 21 470 | (163) | 8 590 | 4 260 | 7 989 | 794 | 11 485 | – | 6 978 | 3 712 | 87 | 708 |
| Tax and deferred tax assets | 799 | | | | | | 718 | | | | | |
| | 22 269 | | | | | | 12 203 | | | | | |
| Capital expenditure (gross) | | | | | | | | | | | | |
| South Africa | 1 594 | – | 1 552 | 42 | – | – | 808 | – | 788 | 20 | – | – |
| Australasia | 345 | – | – | 345 | – | – | 1 505 | – | – | 1 505 | – | – |
| | 1 939 | – | 1 552 | 387 | – | – | 2 313 | – | 788 | 1 525 | – | – |

*** Botswana, Namibia and Swaziland

Studio.W, Summer 2014

# COMPANY ANNUAL FINANCIAL STATEMENTS



Notes to the Company Annual Financial Statements

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| COMPANY STATEMENT OF COMPREHENSIVE INCOME | Notes | 52 weeks to 29 June 2014 Rm | 53 weeks to 30 June 2013 Rm |
|---|---|---|---|
| **Revenue** | 2 | 2 878 | 1 972 |
| **Expenses** | 3 | 170 | 22 |
| Other operating costs | | 170 | 22 |
| **Profit before tax** | | 2 708 | 1 950 |
| Tax | 4 | (33) | 1 |
| **Profit for the year** | | 2 741 | 1 949 |
| **Other comprehensive income** | | | |
| **Amounts that may be reclassified to profit or loss** | | | |
| Net fair value adjustments on financial instruments | | (54) | – |
| **Total comprehensive income for the year** | | 2 687 | 1 949 |

| COMPANY STATEMENT OF FINANCIAL POSITION | Notes | At 29 June 2014 Rm | At 30 June 2013 Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | 2 203 | 2 051 |
| Interest in subsidiaries | 7 | 2 172 | 2 035 |
| Participation in export partnerships | 8 | 13 | 16 |
| Deferred tax | 9 | 18 | – |
| **Current assets** | | 555 | 5 |
| Prepayments | 10 | 126 | – |
| Derivative financial instruments | 16.1 | 14 | – |
| Amounts owing by subsidiaries | 7 | 404 | – |
| Tax | 19.3 | 7 | 3 |
| Cash and cash equivalents | 19.4 | 4 | 2 |
| **TOTAL ASSETS** | | 2 758 | 2 056 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to shareholders** | | 1 934 | 1 213 |
| Share capital | 11 | – | 1 |
| Share premium | 12 | – | 431 |
| Stated capital | 11 | 678 | – |
| Preference share capital | 11 | – | – |
| Distributable reserves | 13 | 1 256 | 781 |
| **TOTAL EQUITY** | | 1 934 | 1 213 |
| **Non-current liabilities** | | – | 17 |
| Deferred tax | 9 | – | 17 |
| **Current liabilities** | | 824 | 826 |
| Trade and other payables | 14 | 203 | 8 |
| Derivative financial instruments | 16.2 | 68 | – |
| Amounts owing to subsidiaries | 7 | 553 | 818 |
| **TOTAL LIABILITIES** | | 824 | 843 |
| **TOTAL EQUITY AND LIABILITIES** | | 2 758 | 2 056 |

## COMPANY STATEMENT OF CASH FLOWS

| | Notes | 52 weeks to 29 June 2014 Rm | 53 weeks to 30 June 2013 Rm |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash outflow from trading | 19.1 | (165) | (17) |
| Working capital movements | 19.2 | 69 | 3 |
| **Cash utilised by operating activities** | | (96) | (14) |
| Interest income | | 1 | 1 |
| Tax paid | 19.3 | (5) | (12) |
| **Cash utilised in operations** | | (100) | (25) |
| Dividends received | | 2 447 | 1 948 |
| Dividends to ordinary shareholders | | (2 106) | (1 754) |
| Dividends to preference shareholders | | (222) | (129) |
| **Net cash inflow from operating activities** | | 19 | 40 |
| **Cash flow from investing activities** | | | |
| Participation in export partnerships | | 3 | 4 |
| **Net cash inflow from investing activities** | | 3 | 4 |
| **Cash flow from financing activities** | | | |
| Shares issued | | 246 | 337 |
| Loans (repaid to)/received from subsidiaries | | (266) | (457) |
| **Net cash outflow from financing activities** | | (20) | (120) |
| **Increase/(decrease) in cash and cash equivalents** | | 2 | (76) |
| **Net cash and cash equivalents at the beginning of the year** | | 2 | 78 |
| **Net cash and cash equivalents at the end of the year** | 19.4 | 4 | 2 |



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## COMPANY STATEMENT OF CHANGES IN EQUITY

| | Notes | Stated capital Rm | Share capital Rm | Share premium Rm | Preference share capital Rm | Share-based payments reserve Rm | Financial instrument revaluation reserve Rm | Retained profit Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' interest at 24 June 2012** | | | 1 | 94 | – | 598 | – | (17) | 676 |
| Total comprehensive income for the year | | – | – | – | – | – | – | 1 949 | 1 949 |
| Shares issued | 11 | – | – | 337 | – | – | – | – | 337 |
| Share-based payments | 13 | – | – | – | – | 134 | – | – | 134 |
| Dividends to shareholders | 18 | – | – | – | – | – | – | (1 883) | (1 883) |
| **Shareholders' interest at 30 June 2013** | | – | 1 | 431 | – | 732 | – | 49 | 1 213 |
| Profit for the year | | – | – | – | – | – | – | 2 741 | 2 741 |
| Other comprehensive income | | – | – | – | – | – | (54) | – | (54) |
| Total comprehensive income for the year | | – | – | – | – | – | (54) | 2 741 | 2 687 |
| Shares issued | 11 and 12 | – | – | 246 | – | – | – | – | 246 |
| Conversion to Stated capital | 11 | 678 | (1) | (677) | – | – | – | – | – |
| Share-based payments | 13 | – | – | – | – | 116 | – | – | 116 |
| Dividends to shareholders | 18 | – | – | – | – | – | – | (2 328) | (2 328) |
| **Shareholders' interest at 29 June 2014** | | 678 | – | – | – | 848 | (54) | 462 | 1 934 |

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **2. REVENUE** | | |
| Interest income | 22 | 19 |
| Dividends received | 2 851 | 1 948 |
| Management fee | 5 | 5 |
| | 2 878 | 1 972 |
| **3. PROFIT BEFORE TAX INCLUDES:** | | |
| Transaction and integration costs on business combinations | 161 | – |
| Audit fee – current year | 2 | 4 |
| **4. TAX** | | |
| Current year | | |
| South Africa | | |
| Normal tax | 1 | 4 |
| Deferred tax relating to the origination and reversal of temporary differences (note 9) | (34) | (4) |
| Prior year | | |
| Normal tax | – | 1 |
| | (33) | 1 |

| | 2014 % | 2013 % |
|---|---|---|
| The rate of tax on profit is reconciled as follows: | | |
| Standard rate | 28.0 | 28.0 |
| Disallowable expenditure | 0.5 | – |
| Exempt income | (29.5) | (28.0) |
| Other | (0.2) | – |
| | (1.2) | – |

## 5. DIRECTORS' EMOLUMENTS

Emoluments paid to directors of Woolworths Holdings Limited in connection with the carrying on of the affairs of the company and its subsidiaries:

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Executive directors | | |
| Fees | 2 | 1 |
| Remuneration | 17 | 17 |
| Retirement, medical, accident and death benefits | 1 | 1 |
| Performance bonus | 17 | 17 |
| Share-based payments | 15 | 15 |
| Interest-free loan benefit | 1 | 2 |
| | 53 | 53 |
| Non-executive directors | | |
| Fees | 7 | 8 |
| | 7 | 8 |
| Total directors' emoluments | 60 | 61 |

Executive directors' emoluments are paid by Woolworths (Proprietary) Limited and Country Road Limited. Details of the directors' and prescribed officers' fees and emoluments are provided in note 7 of the Group Annual Financial Statements on page 52.





## 6. RELATED PARTY TRANSACTIONS

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

The following related party transactions occurred during the year:

**WOOLWORTHS HOLDINGS LIMITED**

| | 2014 Rm | 2013 Rm |
|---|---|---|
| DIVIDEND RECEIVED FROM SUBSIDIARY COMPANIES | | |
| Woolworths (Proprietary) Limited | 2 328 | 1 883 |
| Country Road Limited | 404 | – |
| The Woolworths Employee Share Ownership Trust | 119 | 65 |
| | 2 851 | 1 948 |
| INTEREST RECEIVED FROM SUBSIDIARY COMPANY | | |
| E-Com Investments 16 (Proprietary) Limited | 21 | 18 |
| Dividends paid to subsidiary companies on treasury shares held by the subsidiaries | 210 | 176 |
| Management fee charged to Woolworths (Proprietary) Limited | 5 | 5 |

**SHARE-BASED PAYMENTS TRANSACTIONS**

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

**KEY MANAGEMENT PERSONNEL**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors, executive and non-executive of the company. Key management personnel have been defined as the board of directors and the prescribed officers of the company. The definition of related parties includes close family members of key management personnel. All transactions with key management personnel have been at arm's length during the financial year.

| | 2014 Rm | 2013 Rm |
|---|---|---|
| KEY MANAGEMENT COMPENSATION | | |
| Short-term employee benefits | 55 | 59 |
| Post-employment benefits | 3 | 2 |
| IFRS 2 value of share-based payments expense | 22 | 24 |
| | 80 | 85 |

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| SHARE PURCHASE SCHEME LOANS AND INVESTMENTS (AT COST) | | |
| Balance at the beginning of the year | 41 | 43 |
| Loans repaid during the year | (7) | (2) |
| Balance at the end of the year | 34 | 41 |

| | 2014 Rm | 2013 Rm |
|---|---|---|

## 6. RELATED PARTY TRANSACTIONS (CONTINUED)

Details of the terms and conditions relating to these loans are disclosed in note 14 of the Group Annual Financial Statements. No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2013: nil). These loans are held as receivables in the Woolworths Holdings Share Trust.

WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Balance outstanding at the beginning of the year | 3 | 2 |
| Annual spend | 4 | 4 |
| Annual repayments | (4) | (3) |
| Balance outstanding at the end of the year | 3 | 3 |

Purchases made by key management personnel are at standard discounts granted to all employees of the company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other cardholders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths Visa credit card accounts of key management personnel (2013: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of Country Road Limited employees are disclosed in note 24 of the Group Annual Financial Statements.

## 7. INTEREST IN SUBSIDIARIES

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Ordinary shares | 1 749 | 1 633 |
| Cost | 901 | 901 |
| Share-based payments arising from the Group's share incentive schemes | 848 | 732 |
| Preference shares – investment in E-Com Investments 16 (Proprietary) Limited | | |
| Cost | 423 | 402 |
| Investment in equity | 230 | 230 |
| Loan receivable | 193 | 172 |
| Interest in subsidiaries | 2 172 | 2 035 |
| Amounts owing to subsidiaries | (553) | (818) |
| Woolworths (Proprietary) Limited | (298) | (504) |
| E-Com Investments 16 (Proprietary) Limited | (252) | (313) |
| Woolworths International Limited | (2) | – |
| The Woolworths Employee Share Ownership Trust | (1) | (1) |
| Amounts owing by subsidiaries | | |
| Woolworths (Proprietary) Limited | 404 | – |
| Total net interest in subsidiaries | 2 023 | 1 217 |

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

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

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

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

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

The company's maximum exposure to the credit risk of the loans to subsidiaries are their carrying values. The amount owing by subsidiaries in 2014 is considered to be neither past due nor impaired. All subsidiaries are in a financially sound position. Refer to note 16.1 for details of the company's credit risk management policies. Refer to Annexure 1 for details of the company's interest in subsidiaries.



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## 8. PARTICIPATION IN EXPORT PARTNERSHIPS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Balance at the beginning of the year | 16 | 20 |
| Payments received | (3) | (4) |
| Balance at the end of the year | 13 | 16 |

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

The amount outstanding is considered to be neither past due nor impaired. Refer to note 16.1 for details of the company's credit risk management policies.

## 9. DEFERRED TAX

The movement in the deferred tax account is as follows:

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Balance at the beginning of the year | (17) | (21) |
| Amount credited to profit or loss: | 35 | 4 |
| Participation in export partnerships | 3 | 4 |
| Working capital and other provisions | 32 | – |
| Balance at the end of the year | 18 | (17) |
| Comprising: | | |
| Participation in export partnerships | (14) | (17) |
| Working capital and other provisions | 32 | – |
| | 18 | (17) |

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

## 10. PREPAYMENTS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Prepayments | 126 | – |
| | 126 | – |

Prepayments consist of debt commitment fees and Rights Offer costs capitalised arising on the acquisition of David Jones Limited. The balance is neither past due nor impaired.

The carrying value of prepayments is considered to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security. Refer to note 16.1 for detailed information regarding the credit quality of financial assets which are neither past due nor impaired.

| | 2014 R'000 | 2013 R'000 |
|---|---|---|
| **11. ORDINARY AND PREFERENCE SHARE CAPITAL** | | |
| **STATED CAPITAL** | | |
| Conversion of share capital | 1 | – |
| Conversion of share premium (refer to note 12) | 677 | – |
| | 678 | – |

In terms of the Companies Act of South Africa and schedule 26 of the JSE Listing Requirements, WHL applied to amend the company's listing to reflect a conversion of the company's ordinary shares from par value ordinary shares to shares of no par value and an increase in the company's authorised share capital by 11 000 million ordinary shares of no par value. This change was effective from 18 June 2014.

| **AUTHORISED** | 2014 R'000 | 2013 R'000 |
|---|---|---|
| 12 410 600 000 (2013: 1 410 600 000) ordinary shares of no par value (2013: 0.15 cents) each | – | 2 116 |
| 89 400 000 (2013: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each | 134 | 134 |
| | 134 | 2 250 |
| **ISSUED** | | |
| 847 004 975 (2013: 842 643 525) ordinary shares of no par value (2013:0.15 cents) each | – | 1 266 |
| 89 192 746 (2013: 89 164 010) preference shares of 0.15 cents each | 134 | 134 |
| | 134 | 1 400 |
| **RECONCILIATION OF PAR VALUE OF ORDINARY SHARES IN ISSUE:** | | |
| Balance at the beginning of the year | 1 266 | 1 255 |
| 4 361 450 (2013: 7 265 192) ordinary shares were issued in terms of share incentive schemes | 7 | 11 |
| Conversion to Stated capital | (1 273) | |
| Balance at the end of the year | – | 1 266 |

| **RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE:** | Number of shares | |
|---|---|---|
| Balance at the beginning of the year | 842 643 525 | 835 378 333 |
| Shares issued | 4 361 450 | 7 265 192 |
| Balance at the end of the year | 847 004 975 | 842 643 525 |

During the year 4 361 450 (2013: 7 265 192) totalling R246 million (2013: R337 million) shares were issued to employees in terms of share incentive schemes.

| **RECONCILIATION OF PAR VALUE OF PREFERENCE SHARES IN ISSUE:** | R'000 | R'000 |
|---|---|---|
| Balance at the beginning of the year | 134 | 134 |
| Shares redeemed* | – | – |
| Balance at the end of the year | 134 | 134 |

| **RECONCILIATION OF NUMBER OF PREFERENCE SHARES IN ISSUE:** | Number of shares | |
|---|---|---|
| Balance at the beginning of the year | 89 164 010 | 89 400 000 |
| Shares redeemed* | (103 803) | (235 990) |
| Shares awarded to residual beneficiary* | 132 539 | – |
| Balance at the end of the year | 89 192 746 | 89 164 010 |

* Preference shares were partially redeemed due to the death of beneficiaries. The unvested portion of these preference shares are awarded to the residual beneficiary, being Woolworths Holdings Limited.

Refer to note 17 for more information on the company's capital management policy. Refer to note 19 of the Group Annual Financial Statements for the terms and conditions of the preference shares.



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| | 2014 Rm | 2013 Rm |
|---|---|---|
| **12. SHARE PREMIUM** | | |
| Balance at the beginning of the year | 431 | 94 |
| Share issues in terms of share incentive schemes | 246 | 337 |
| Conversion to Stated capital (refer to note 11) | (677) | – |
| Balance at the end of the year | – | 431 |
| **13. DISTRIBUTABLE RESERVES** | | |
| Share-based payment reserve | | |
| Balance at the beginning of the year | 732 | 598 |
| Share-based payments arising from share incentive schemes | 116 | 134 |
| Balance at the end of the year | 848 | 732 |
| Retained profit | 462 | 49 |
| Financial instrument revaluation reserve | | |
| Foreign exchange derivative instruments | (54) | – |
| Total distributable reserves | 1 256 | 781 |

NATURE AND PURPOSE OF RESERVES

**Share-based payment reserve**

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer to note 19 of the Group Annual Financial Statements for further details of the relevant schemes.

**Retained profit**

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **14. TRADE AND OTHER PAYABLES** | | |
| Other payables | 203 | 8 |
| | 203 | 8 |

Trade and other payables mainly include transaction costs accrual and audit fee accrual. The carrying value of trade and other payables approximates their fair value.

These balances are payable on demand.

## 15. CONTINGENT LIABILITIES

The company provides sureties for banking facilities amounting to R10 738 million (2013: R2 500 million) and lease obligations of certain subsidiaries. The sureties can be called on immediately in the event of the subsidiaries not honouring their obligations. There are no other contingent liabilities.

## 16. FINANCIAL RISK MANAGEMENT

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

The company attempts to manage financial risk where this involves activities in which it has appropriate competencies. To achieve this, the company's treasury function is responsible for managing funding and financial risks within predetermined parameters.

The company's overall treasury policy is reviewed and approved by the Woolworths Holdings Limited Board. The policy specifies the dealing limits (in terms of size and duration), the types of instruments that may be used, authorised counterparties and procedures for settling and recording transactions.

In addition, a treasury committee reports regularly to the Board on the implementation of treasury policies, focusing in particular on the amount of exposure to financial risk; the extent to which this risk is covered; the implications of expected future movements in market interest rates; as well as whether there are any deviations from treasury policy and performance against budgets.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

## 16. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 16.1 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, participation in export partnerships, amounts owing by subsidiaries, financial guarantee contracts and trade and other receivables. The company's maximum exposure to credit risk is equal to the carrying amount of these classes of assets.

The company only deposits short-term cash surpluses with major banks of high quality credit standing. Trencor Limited has materially warranted certain important cash flow aspects of the company's participation in export partnerships, thus the credit quality of this receivable is considered to be high. Refer to note 7 for details of amounts owing by subsidiaries.

**CREDIT QUALITY OF FINANCIAL ASSETS**

The credit quality of financial assets that are neither past due nor impaired are assessed to be of high grade.

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Participation in export partnerships | 13 | 16 |
| Cash and cash equivalents | 4 | 2 |
| Preference share loan in E-Com Investments 16 (Proprietary) Limited (included in interest in subsidiaries) | 193 | 172 |
| Woolworths (Proprietary) Limited | 404 | – |
| Contract for difference | 14 | – |

### 16.2 LIQUIDITY MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents. In terms of the company's Memorandum of Incorporation, there is no limit on the company's authority to raise interest-bearing debt. The company is contracted to provide loan financing to Osiris Holdings Limited for the acquisition of David Jones subsequent to year-end. Amounts due are hedged, limiting the company's foreign currency risk. Refer to note 16.4.

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

| | Maturity | 2014 Rm | 2013 Rm |
|---|---|---|---|
| Amounts owing to subsidiaries | On demand | 553 | 818 |
| Trade and other payables | On demand | 203 | 8 |
| Commitment to related party | Less than 3 months | 18 977 | – |
| Contract for difference | Less than 3 months | 68 | – |

Refer to note 39 of the Group Annual Financial Statements for further details of the funding of the loan commitments.

### 16.3 INTEREST RATE MANAGEMENT

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

The company manages its exposure to interest rate risk by ensuring that it invests its cash in banks which offer the most favourable interest rate.

The sensitivity of the company's profits and equity to its exposure to interest rate risk is presented below. The analysis considers the impact of a reasonably possible change over the next 12 months in the prime rate, with all other variables held constant.

| | Movement in basis points | Decrease/ (increase) in profit before tax R'000 | Decrease/ (increase) in equity R'000 |
|---|---|---|---|
| **2014** | | | |
| Cash | +50 | (20) | (14) |
| | -50 | 20 | 14 |
| **2013** | | | |
| Cash | +50 | (10) | (7) |
| | -50 | 10 | 7 |

### 16.4 FOREIGN CURRENCY MANAGEMENT

During the year, the company entered into contracts for differences in order to hedge the purchase price of David Jones. At 29 June 2014, the Group held three (2013: nil) contracts for differences designated as hedges of expected future settlements. All three (2013: nil) are designated cash flow hedges in an effective hedging relationship. These are summarised below:

| | Contract foreign currency amount m | Rand equivalent Rm | Average rate R | Fair value adjustment Rm |
|---|---|---|---|---|
| **2014** | | | | |
| **CONTRACTS FOR DIFFERENCES** | | | | |
| Australian Dollar | 950 | 9 564 | 10.07 | (54) |

In the table below, the sensitivity of the Group's exposure to Australian Dollar foreign currency transactional risk is estimated by assessing the impact that a reasonably possible movement over the next 12 months in foreign exchange rates would have had on equity of the company at the reporting date. An increase in the movement in foreign exchange rate is indicative of the functional currency weakening against the foreign currency.

| | Movement in foreign exchange rate % | Decrease/ (increase) in other comprehensive income Rm |
|---|---|---|
| **2014** | | |
| **AUSTRALIAN DOLLAR** | +5 | (476) |
| Contracts for differences | -5 | 476 |

### 16.5 FINANCIAL INSTRUMENTS BY CATEGORY

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| **Loans and receivables** | | |
| Participation in export partnerships | 13 | 16 |
| Amounts owing by subsidiaries | 404 | – |
| Cash and cash equivalents | 4 | 2 |
| Preference share loan in E-Com Investments 16 (Proprietary) Limited | 193 | 172 |
| Total | 614 | 190 |
| **Derivatives used as hedging instruments** | | |
| Derivative financial instruments | 14 | – |
| Total | 14 | – |
| **FINANCIAL LIABILITIES** | | |
| **Amortised cost** | | |
| Trade and other payables | 203 | 8 |
| Amounts owing to subsidiaries | 553 | 818 |
| Total | 756 | 826 |
| **Derivatives used as hedging instruments** | | |
| Derivative financial instruments | 68 | – |
| Total | 68 | – |

## 16. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 16.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

| | Interest income Rm | Fair value loss in other comprehensive income Rm | Total Rm |
|---|---|---|---|
| **2014** | | | |
| Loans and receivables | 1 | – | 1 |
| Loan receivable element of Preference share in E-Com Investments 16 (Proprietary) Limited | 21 | – | 21 |
| Derivative financial instruments | – | (54) | (54) |
| **2013** | | | |
| Loans and receivables | 1 | – | 1 |
| Loan receivable element of Preference share in E-Com Investments 16 (Proprietary) Limited | 18 | – | 18 |

### 16.7 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Refer to group note 28.7 for description of fair value hierarchy.

| | | Carrying amount | | Fair value | |
|---|---|---|---|---|---|
| | Fair value movement using | 2014 Rm | 2013 Rm | 2014 Rm | 2013 Rm |
| **FINANCIAL ASSETS** | | | | | |
| Derivative financial instruments | | | | | |
| Contracts for differences | Level 2 | 14 | – | 14 | – |
| **FINANCIAL LIABILITIES** | | | | | |
| Derivative financial instruments | | | | | |
| Contracts for differences | Level 2 | 68 | – | 68 | – |

## 17. MANAGEMENT OF CAPITAL

The company considers the management of capital with reference to the Group policy. Refer to note 29 of the Group Annual Financial Statements.





## 18. DIVIDENDS TO SHAREHOLDERS

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Ordinary shareholders: | | |
| Dividend no. 31 of 123.0 cents per share was declared on 22 August 2012 and paid on 14 September 2012 | – | 1 031 |
| Dividend no. 32 of 86.0 cents per share was declared on 13 February 2013 and paid on 11 March 2013 | – | 723 |
| Dividend no. 33 of 148.0 cents per share was declared on 28 August 2013 and paid on 23 September 2013 | 1 251 | – |
| Dividend no. 34 of 101.0 cents per share was declared on 12 February 2014 and paid on 10 March 2014 | 855 | – |
| Preference shareholders: | | |
| Dividend no. 11 of 85.0 cents per share was declared on 22 August 2012 and paid on 14 September 2012 | – | 76 |
| Dividend no. 12 of 59.0 cents per share was declared on 13 February 2013 and paid on 11 March 2013 | – | 53 |
| Dividend no. 13 of 148.0 cents per share was declared on 28 August 2013 and paid on 23 September 2013 | 132 | – |
| Dividend no. 14 of 101.0 cents per share was declared on 12 February 2014 and paid on 10 March 2014 | 90 | – |
| Total dividends paid | 2 328 | 1 883 |

Dividend no. 35 of 150.5 cents per share was declared to ordinary shareholders on 27 August 2014.

Dividend no. 15 of 150.5 cents per share was declared to preference shareholders on 27 August 2014.

| | | 2014 Rm | 2013 Rm |
|---|---|---|---|
| **19.** | **CASH FLOW INFORMATION** | | |
| **19.1** | **CASH OUTFLOW FROM TRADING** | | |
| | Profit before tax | 2 708 | 1 950 |
| | Interest income | (22) | (19) |
| | Dividends received | (2 851) | (1 948) |
| | Net outflow from trading | (165) | (17) |
| **19.2** | **WORKING CAPITAL MOVEMENTS** | | |
| | Prepayments | (126) | 2 |
| | Trade and other payables | 195 | 1 |
| | Net inflow | 69 | 3 |
| **19.3** | **TAX PAID** | | |
| | NORMAL AND FOREIGN TAX | | |
| | Amounts receivable/(owing) at the beginning of the year | 3 | (5) |
| | Amounts charged to profit or loss | (1) | (4) |
| | Amounts (receivable)/owing at the end of the year | (7) | (3) |
| | Cash amounts paid | (5) | (12) |
| **19.4** | **CASH AND CASH EQUIVALENTS** | | |
| | Cash – interest-earning | | |
| | Local – dividend account at an interest rate of 4.0% to 5.0% (2013: 4.0% to 5.0%) | 4 | 2 |
| | Cash and cash equivalents | 4 | 2 |

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

## 20. EVENTS AFTER THE REPORTING DATE

Refer to note 39 of the Group Annual Financial Statements for details of the acquisition of David Jones.

ANNEXURE 1

# ANNEXURE 1

| | | | Company | | | |
|---|---|---|---|---|---|---|
| | | | 2014 | | 2013 | |
| | | | Carrying value of shares Rm | % Holding | Carrying value of shares Rm | % Holding |
| **INTEREST IN SUBSIDIARIES** | | | | | | |
| **Directly held** | | | 1 131 | | 1 131 | |
| Woolworths (Proprietary) Limited | R | 1 | – | 100 | – | 100 |
| Woolworths Developments (Proprietary) Limited | P | 1 | – | 100 | – | 100 |
| Woolworths International Holdings Limited | H | 3 | 901 | 100 | 901 | 100 |
| E-Com Investments 16 (Proprietary) Limited | H | 1 | 230 | 100 | 230 | 100 |
| Woolworths International II (Australia) Proprietary Limited | H | 5 | – | 100 | – | – |
| Osiris Holdings Proprietary Limited | H | 5 | – | 100 | – | – |
| The Woolworths Holdings Share Trust[1] | | 1 | – | – | – | – |
| The Woolworths Employee Share Ownership Trust[1] | | 1 | – | – | – | – |
| **Indirectly held** | | | | | | |
| Woolworths International (SA) (Proprietary) Limited | D | 1 | | 100 | | 100 |
| Universal Product Networks (Proprietary) Limited | L | 1 | | 100 | | 100 |
| inthebag (Proprietary) Limited | D | 1 | | 100 | | 100 |
| The Woolworths Trust (Charitable Trust)[1] | | 1 | | – | | – |
| Virtual Market Place (Proprietary) Limited[3] | R | 1 | | 100 | | 100 |
| Woolworths (Lesotho) (Proprietary) Limited[6] | R | 15 | | 100 | | 100 |
| Woolworths (Namibia) (Proprietary) Limited | R | 2 | | 100 | | 100 |
| Woolworths (Swaziland) (Proprietary) Limited | R | 19 | | 100 | | – |
| Woolworths Holding (Mauritius) Limited | H | 9 | | 100 | | 100 |
| Woolworths (Mauritius) Limited[4] | R | 9 | | 100 | | 100 |
| Woolies (Zambia) Limited[4] | R | 10 | | 51 | | 51 |
| W-Stores Company (Tanzania) Limited[4] | R | 11 | | 51 | | 51 |
| W-Stores Company (Uganda) Limited[4] | R | 12 | | 95 | | 95 |
| Woolworths Retail Stores Limited (in liquidation)[4] | R | 13 | | – | | 50 |
| Woolworths (Mozambique) Limitada[4] | R | 14 | | 99 | | 99 |
| Woolworths (Kenya) (Proprietary) Limited[4] | R | 16 | | 51 | | 51 |
| Woolworths (Botswana) (Proprietary) Limited[4] | R | 18 | | 100 | | – |
| W-Stores (Ghana) (Proprietary) Limited[4] | R | 20 | | 100 | | – |
| Highway Holdings N.V. | H | 4 | | 100 | | 100 |
| Woolworths Worldwide Limited | H | 3 | | 100 | | 100 |
| Woolworths Trust[2] | H | 3 | | – | | – |
| Woolworths International (Australia) Proprietary Limited | H | 5 | | 100 | | 100 |
| Woolworths International Limited | I | 3 | | 100 | | 100 |
| WSM Operations Holding Company Limited | D | 21 | | 100 | | 100 |
| Vela Investments Proprietary Limited[5] | H | 5 | | 100 | | – |
| Country Road Limited | R | 5 | | 87.9 | | 87.9 |
| Country Road Clothing Proprietary Limited | R | 5 | | 87.9 | | 87.9 |
| Country Road Properties Proprietary Limited | P | 5 | | 87.9 | | 87.9 |
| Country Road Ventures Proprietary Limited | R | 5 | | 87.9 | | 87.9 |
| Country Road Clothing (N.Z.) Limited | R | 6 | | 87.9 | | 87.9 |
| Country Road International Proprietary Limited | H | 5 | | 87.9 | | 87.9 |
| Country Road (Hong Kong) Limited | R | 7 | | 87.9 | | 87.9 |
| Witchery Australia Holdings Proprietary Limited | H | 5 | | 87.9 | | 87.9 |
| Witchery Holdings Proprietary Limited | H | 5 | | 87.9 | | 87.9 |
| Witchery Fashions Proprietary Limited | R | 5 | | 87.9 | | 87.9 |
| Witchery Fashions (NZ) Limited | R | 6 | | 87.9 | | 87.9 |
| Witchery Singapore Pte Limited | R | 17 | | 87.9 | | 87.9 |
| Witchery Fashions SA (Proprietary) Limited | R | 1 | | 87.9 | | 87.9 |
| Mimco Proprietary Limited | R | 5 | | 87.9 | | 87.9 |
| Mimco (UK) Limited | R | 8 | | 87.9 | | 87.9 |
| Mimco Design Singapore Pte Limited | R | 17 | | 87.9 | | 87.9 |
| Mimco (NZ) Limited | R | 6 | | 87.9 | | 87.9 |

| INTEREST IN SUBSIDIARIES (CONTINUED) | | | Company | | | |
|---|---|---|---|---|---|---|
| | | | 2014 | | 2013 | |
| | | | Carrying value of shares Rm | % Holding | Carrying value of shares Rm | % Holding |
| **Interest in joint ventures** | | | | | | |
| Woolworths Financial Services (Proprietary) Limited | F | 1 | | 50% – 1 share | | 50% – 1 share |
| Nedglen Property Developments (Proprietary) Limited | P | 1 | | 30 | | 30 |
| **Amounts owing to subsidiaries** | | | (360) | | (646) | |
| Woolworths (Proprietary) Limited | | | (298) | | (504) | |
| E-Com Investments 16 (Proprietary) Limited | | | (59) | | (141) | |
| Woolworths International Limited | | | (2) | | – | |
| Woolworths Employee Share Ownership Trust[1] | | | (1) | | (1) | |
| **Total interest** | | | 771 | | 485 | |

**Nature of business**

R: Retailing P: Property development F: Financial services I: Import/export D: Dormant L: Logistics H: Holding

**Country of incorporation**

1: South Africa 2: Namibia 3: Guernsey 4: Belgium 5: Australia 6: New Zealand 7: Hong Kong 8: United Kingdom 9: Mauritius 10: Zambia 11: Tanzania 12: Uganda 13: Nigeria 14: Mozambique 15: Lesotho 16: Kenya 17: Singapore 18: Botswana 19: Swaziland 20: Ghana 21. Nevis

**Notes**

1. The Woolworths Holdings Share Trust, The Woolworths Employee Share Ownership Trust and The Woolworths Trust are included as subsidiaries based on the interpretation guidance of IFRS 10.
2. Woolworths Trust is an intermediate holding entity for Woolworths Worldwide Limited (Guernsey). Woolworths Holdings Limited is a beneficiary of the trust.
3. Virtual Market Place (Proprietary) Limited is a virtual community development company that creates partnerships between businesses and supporters for the benefit of broad-based educational institutions.
4. Woolworths (Mauritius) Limited, Woolies (Zambia) Limited, W-Stores Company (Tanzania) Limited, W-Stores Company (Uganda) Limited, Woolworths Retail Stores Limited (in liquidation), Woolworths (Mozambique) Limitada, Woolworths (Kenya) (Proprietary) Limited, Woolworths (Botswana) (Proprietary) Limited, W-Stores (Ghana) (Proprietary) Limited are subsidiaries of Woolworths Holding (Mauritius) Limited.
5. Vela Investments Proprietary Limited is a subsidiary of Osiris Holdings Proprietary Limited.
6. Woolworths (Lesotho) (Proprietary) Limited is held 1% directly and 99% indirectly.

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

| | 2014 Rm | 2013 Rm |
|---|---|---|
| Profits | 3 957 | 2 538 |
| Losses | (22) | (25) |
| | 3 935 | 2 513 |


*Woolworths, Summer 2014*



# SHAREHOLDER CALENDAR

**2014**

| | |
|---|---|
| **June** | Financial year-end – 29 June |
| **July** | Trading update |
| **August** | Annual results and announcement of final dividend – 27 August |
| **September** | Final dividend payment<br>Publication and posting of Integrated Report and Notice of Annual General Meeting |
| **November** | Annual General Meeting and trading update |

**2015**

| | |
|---|---|
| **January** | Trading update |
| **February** | Interim results and announcement of interim dividend |
| **March** | Interim dividend payment |
| **June** | Financial year-end – 28 June |
| **July** | Trading update |
| **August** | Annual results and announcement of final dividend |
| **September** | Final dividend payment<br>Publication and posting of Integrated Report and Notice of Annual General Meeting |
| **November** | Annual General Meeting and trading update |

# ADMINISTRATION

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

**GROUP SECRETARY**
Thobeka Sishuba-Mashego
Email: ThobekaSishuba-Mashego@woolworths.co.za

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**INVESTOR RELATIONS**
Email: InvestorRelations@woolworths.co.za

**WEBSITE**
www.woolworthsholdings.co.za

**PRINCIPAL BANKERS**
The Standard Bank of South Africa Limited

**AUDITORS**
Ernst & Young Inc.

**JSE SPONSOR**
Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place
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Sandton 2194, South Africa
PO Box 786273
Sandton 2146

**TRANSFER SECRETARIES**
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Tel: (+27 11) 370 5000
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GLOSSARY OF FINANCIAL TERMS

# GLOSSARY OF FINANCIAL TERMS

## AMORTISED COST

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

The amount at which a financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

## ACTUARIAL GAINS OR LOSSES

Actuarial gains or losses comprise:

1. experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
2. the effects of changes in actuarial assumptions.

## BLACK-SCHOLES MODEL

A valuation equation model that assumes the price of the underlying asset changes continuously through to the option's expiration date by a statistical process known as geometric Brownian motion.

## BINOMIAL OPTION PRICING MODEL

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

## BUSINESS SEGMENT

An operating segment of an entity that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

## CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## CASH FLOW HEDGE

A hedge of the exposure to variability in cash flows that:

1. is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
2. could affect profit or loss.

## CASH-GENERATING UNIT

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## COMPANY

Woolworths Holdings Limited – a legally incorporated business entity registered in terms of the Companies Act of South Africa.

## CONSOLIDATED FINANCIAL STATEMENTS

The financial results of the Group presented as those of a single economic entity.

## CONTINGENT LIABILITY

1. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of an entity.
2. A present obligation that arises from past events but is not recognised because:
   2.1 it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   2.2 the amount of the obligation cannot be measured with sufficient reliability.

## CONTROL

Control exists when an investor can show:

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

## CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

## CURRENCY RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

## DEFERRED BONUS PLAN

The deferred bonus plan allows eligible employees to acquire Woolworths Holdings Limited shares at the ruling market price out of a portion of their declared short-term performance bonus. A matching award of Woolworths' shares will be made to the participant after a period of three years, on condition that the participant remains in the employ of the employer company and retains the bonus shares over the period.

## DEFINED-BENEFIT PLAN

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

## DEFINED-CONTRIBUTION PLAN

Post-employment benefit plan under which an entity pays fixed contributions into a separate fund, and in respect of which the entity will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

## DEFERRED TAX ASSET

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

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

## DEFERRED TAX LIABILITY

The amount of income tax payable in future periods in respect of taxable temporary differences.

## DERIVATIVE

A financial instrument or other contract with all three of the following characteristics:

1. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract (sometimes called the 'underlying');
2. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
3. it is settled at a future date.

## DILUTION

A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

## DISPOSAL GROUP

A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

## EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTION

A share-based payment transaction in which the entity:

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

## FAIR VALUE

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

## FINANCIAL ASSETS

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

1. cash;
2. an equity instrument of another entity;
3. a contractual right:
   3.1 to receive cash or another financial asset from another entity; or
   3.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
4. a contract that will or may be settled in the entity's own equity instruments and is:
   4.1 a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
   4.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

## FINANCIAL LIABILITY

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

1. a contractual obligation:
   1.1 to deliver cash or another financial asset to another entity; or
   1.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
2. a contract that will or may be settled in the entity's own equity instruments and is:
   2.1 a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
   2.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

## FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that meets either of the following conditions:

1. it is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:
   1.1 acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   1.2 that forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   1.3 that is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
2. Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted or when doing so results in more relevant information, because either:
   2.1 it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
   2.2 a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

## FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## FIRM COMMITMENT

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

## FORECAST TRANSACTION

An uncommitted but anticipated future transaction.

## FUNCTIONAL CURRENCY

The currency of the primary economic environment in which the entity operates.

## GEOGRAPHICAL SEGMENT

An operating segment of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

## GOOD BUSINESS JOURNEY

The Woolworths Good Business Journey (GBJ) is a comprehensive plan announced in April 2007, incorporating a series of challenging targets and commitments centred on four key priorities – accelerating transformation, driving social development, enhancing Woolworths' environmental focus and addressing climate change.

## GRANT DATE

The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date, the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided that specified vesting conditions, if any, are met. If that agreement is subject to an approval process, the grant date is the date when that approval is obtained.

## GROUP

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

## HEDGING INSTRUMENT

A designated derivative or, for a hedge of the risk of changes in foreign currency exchange rates only, a designated non-derivative financial asset or non-derivative financial liability, whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

## HEDGED ITEM

An asset, liability, firm commitment or highly probable forecast transaction that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

## HEDGE EFFECTIVENESS

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

## HELD FOR TRADING FINANCIAL INSTRUMENT

See financial asset or financial liability at fair value through profit or loss.

## INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

## INTEREST RATE RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## INTRINSIC VALUE

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

## JOINT ARRANGEMENT

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

## JOINT CONTROL

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

*Studio.W, Summer 2014*

GLOSSARY OF FINANCIAL TERMS

## JOINT OPERATION

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

## JOINT VENTURE

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

## LIQUIDITY RISK

The risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities.

## LOANS AND RECEIVABLES

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

1. those that the entity intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the entity, upon initial recognition, designates as at fair value through profit or loss; or
2. those that the entity upon initial recognition designates as available-for-sale; or
3. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.

## LONG-TERM INCENTIVE PLAN

The long-term incentive plan provides eligible employees with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares, subject to the fulfilment of predetermined performance conditions covering a three-year period.

## MONETARY ITEMS

Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

## MONTE CARLO SIMULATION METHOD

A method that is used to evaluate the probabilities of different gains or losses being realised over a future period. It is based on the generation of multiple trials to determine the expected value of a random variable.

## NON-CONTROLLING INTEREST

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

## ONEROUS CONTRACT

A contract in which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received under it.

## OPERATING LEASE ACCRUAL

Represents the difference between the cash flow impact and the amount charged to the statement of comprehensive income in respect of operating leases.

## PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

## PRESENT VALUE

A current estimate of the present discounted value of the future net cash flows in the normal course of business.

## REASONABLY POSSIBLE CHANGE IN RISK VARIABLE

Reasonably possible change in risk variable refers to the most likely change in the risk variable, during the next annual period, which is judged relative to the economic environment in which the entity operates, and does not include 'worst-case' scenarios.

## RELATED PARTY

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

## REPORTING DATE

The last day of the financial period.

## RESTRICTED SHARE PLAN

The restricted share plan gives eligible employees the rights to receive Woolworths Holdings Limited shares, subject to the satisfaction of certain service conditions within a specific time period.

## SEGMENT ASSETS

Those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude income tax assets, as well as investments, where the resulting income arising from the investments is excluded from segment results.

## SEGMENT EXPENSE

Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. Segment expense does not include:

1. interest, including interest incurred on advances or loans from other segments;
2. losses on sale of investments;
3. an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method;
4. income tax expense; and
5. general administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as a whole.

## SEGMENT RESULT

Segment revenue less segment expense before any adjustments for minority interests.

## SEGMENT REVENUE

Revenue reported in the entity's statement of comprehensive income that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment.

Segment revenue does not include:

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

## SHARE APPRECIATION RIGHTS SCHEME

This scheme gives eligible employees the rights to receive Woolworths Holdings Limited shares equal to the value of the difference between the exercise price and the grant price, subject to the satisfaction of certain performance conditions within a specified period.

## SHARE-BASED PAYMENT TRANSACTION

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

## SHARE OPTION

A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specific period of time.

## SUBSIDIARY

An entity that is controlled by another entity.

## TREASURY SHARES

An entity's own equity instruments, held by the entity or other members of the consolidated group.

## VEST

To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, or other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.

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