overview for 2008

financial

revenue	▲ 16.7% to R21.8bn
profit before tax, exceptional items and before the BEE charge	▲ 6.2% to R1.6bn
adjusted headline earnings per share	▲ 4.3% to 124.8cps
dividend per share	▲ 3c to 79 cps

trading

clothing and general merchandise sales	▲ 6.1%
food sales	▲ 18.8%
financial services revenue	▲ 30.5%

operating

total trading space	▲ 7.3% to 478 351m^2
total number of stores	▲ to 385

28 new corporate stores opened bringing total corporate stores to **228**

14 Woolworths Food Stop stores opened bringing the total franchise local stores to **115**

reduced international franchise stores to **42**

World-class Midrand distribution centre comes on stream to manage additional volumes

70.3m distribution units in food	▲ 9.0%
6.3m distribution units in clothing and home	▲ 4.8%

Woolworths was named "International responsible retailer of the year" in 2008 by the World Retail Congress

A detailed Good business journey report for 2008 is available in a separate volume.

woolworths holdings limited directorate

1

Buddy Hawton (71)
FCIS
Chairman

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

Buddy has extensive experience as both an executive and non-executive director. Previous directorships include Altron, City Lodge Hotels, Liberty Group, Liberty Holdings, Old Mutual, Rennies Group, Safmarine and Standard Bank Group. He was past Chairman of Safren, Safmarine and Rennies Group. He joined the board as non-executive Chairman in 2002.

2

Peter Bacon (62)
(British) Fellow of the Institute of Hospitality (FIH)

Other directorships include: Sun International Casinos (UK) and National Sea Rescue Institute (Chairman).

Peter was previously with the Sun International group of companies for 34 years. He was Chief executive of Sun International's South African operations from 1993 and Group chief executive for the last four years of his employment with the group. Peter became a non-executive director in 2006.

3

Nigel Colne CBE (68)
(British) AMP (Harvard)

Other directorships include: Obento Ltd.

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

4

Brian Frost (64)
B Com, AMP (Harvard)

Other directorships include: Bowler Metcalf.

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

independent **non-executive** directors

Mike Leeming (64)
B Com, M Com, FCMA, FIBSA, AMP (Harvard)

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

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

5

Chris Nissen (50)
BA Hons, MA

Other directorships include: Boschendal (Chairman), Sea Harvest Corporation (Chairman), Standard Bank Group and Tiger Brands.

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

6

Sindi Zilwa (41)
B Compt (Hons), CTA, CA (SA), Advanced Taxation Certificate

Other directorships include: ACSA (deputy Chairman), Aspen Pharmacare Holdings, Discovery Holdings, Ethos Private Equity and Strate.

Sindi became the second black female chartered accountant in South Africa in 1990 and is the Chief executive officer of Nkonki. Her previous directorships include The Transkei National Building Society, The South African Mint, WIPHOLD, Telkom and Primedia Limited. She is Chairman of the BUSA Standing Committee on Transformation, a board member of The Public Accountants and Auditors Board and a member of the GAAP Monitoring Panel. She joined the board in 2002.

7

1 2 3 4 5 6 7

8

Simon Susman (58)
Chief executive officer

Other directorships include: Country Road Limited.

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

9

Andrew Jennings (60)
(British) Managing director: Retail

Andrew is an international retail executive with over 35 years of leadership experience. His executive experience includes being General manager of Harrods UK, Group managing director of House of Fraser, President and CEO of Holt Renfrew in Canada and President and Chief operating officer of Saks Fifth Avenue, USA. He was appointed in December 2006.

executive directors

Zyda Rylands (43)
B Com (Hons), CA (SA)
Chief operating officer: Support services

Other directorships include: African Capital Portfolio Limited, Open Society Foundation, The National Urban Reconstruction and Housing Agency and The Centre for Justice and Crime Prevention.

Zyda joined Woolworths in 1996 and worked in the finance and store operation teams. She was appointed the Director: People and Transformation of Woolworths (Proprietary) Limited in 2005. During this year she was appointed Chief operating officer: Support services. She was appointed to the board of Woolworths in August 2006.

10

Norman Thomson (57)
B Com (Hons), CA (SA)
Director: Finance

Other directorships include: Country Road Limited.

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

11

group secretary

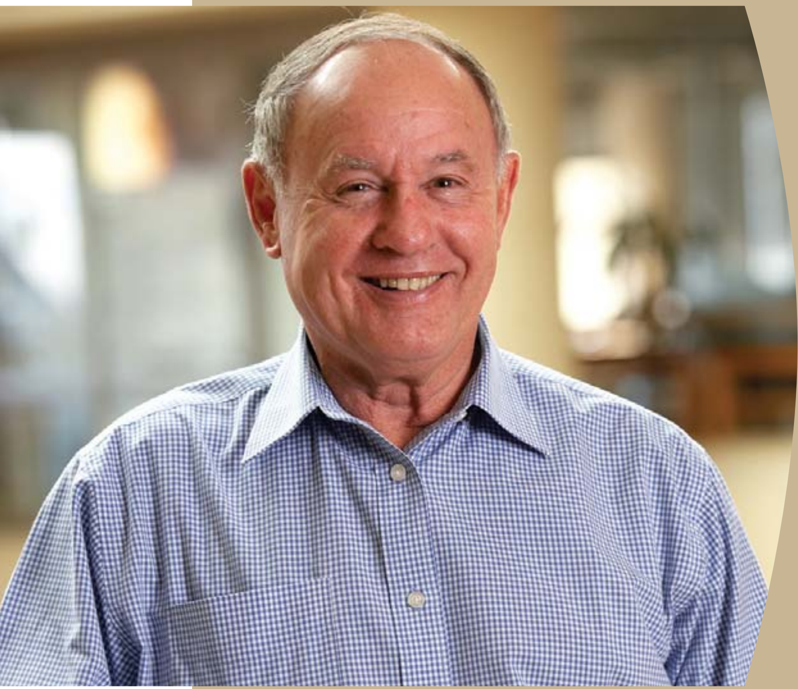
Cherrie Lowe (53)
FCIS
Group secretary

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

12

8 9 10 11 12

chairman's letter



Buddy Hawton
Chairman

dear shareholder

The year in review has been a year in two distinct parts, with the **trading environment** shifting significantly in the second half. Confident consumers in the first quarter continued to fuel growth at similar levels to that experienced in the previous year. From September 2007 onwards, however, consumer confidence began to fall rapidly as interest rate increases and rising petrol and food prices took their toll.

By the end of June 2008, retail **growth** had slowed dramatically, with inflation reaching a 5-year high during the period, averaging 13.1%.

The swift downturn in consumer spending resulted in a sharp reduction in sales in the second half. Furthermore, in line with the increasing levels of **bad debt** experienced by retail and financial services lenders, Woolworths experienced a marked increase in bad debts. Woolworths has intensified its focus on the quality of new credit granted and credit collections.

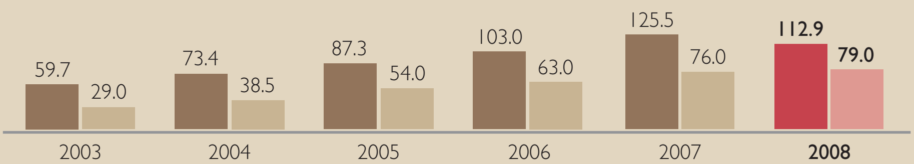
Merchandise offers were reviewed to ensure that Woolworths was more relevant to the changing economic environment and the price architecture was examined. Woolworths offer in the clothing and food businesses is now extremely **competitive**. In addition, the focus on reducing costs resulted in significant savings in the second half of the year.

Sales growth in clothing and general merchandise was disappointing, up 6.1%. Food showed better growth, at 18.8%. By the end of the year, our clothing market share had deteriorated to 15.3% (2007: 15.5%) and food market share had been maintained at 9.2%.

The Australian economy was impacted to a lesser extent and our Australian subsidiary, **Country Road**, performed well with profit before tax up 54.8% in Australian Dollar terms.

Operating margin declined from 9.9% to 9.2% mainly impacted by an increase in bad debt. Adjusted **headline earnings** per share grew by 4.3% to 124.8 cents per share. ROE declined from 35.1% to 27.6% and the average weighted cost of capital increased to 14.8% (2007: 13.3%). A total dividend of 79.0 cents was returned to shareholders (2007: 76.0c).

On 16 April 2008 we announced that **Absa** had acquired a significant portion of our financial services business subject to the fulfilment of certain conditions precedent. One of these conditions, namely the approval by the South African Competition authorities, has been received. The transaction is expected to be completed by the end of September. Absa's significant banking expertise, combined with the Barclaycard brand and our strong retail footprint, should set this business up for significant success into the future.



diluted HEPS and dividends declared (cps)

After completion date of the transaction, the board's intention is to **distribute** R2.25bn arising from the disposal together with the net cash realised from the transfer of the financial services assets.

We expect to distribute R750m by way of a **special dividend** and, subject to the prevailing market conditions at the time, an open market share repurchase amounting to R1.5bn.

Woolworths **Good business journey** has gained international recognition, winning the "International responsible retailer of the year" award. Locally, I am delighted that we have been recognised as an organisation with one of the most innovative environmental strategies, winning the Mail and Guardian "Greening the future" award. Our challenge now is to meet our stringent 5-year targets.

We continue to place emphasis on **transformation**. The BEE employee share ownership trust was implemented last year and has paid its first dividends to staff. The trustees were elected and held their first meeting during the course of the year. We look forward to their contribution and thank them for their commitment.

We still have a great deal of work to do to reach our 2012 target of becoming a **level 4 contributor** and we will continue to focus on skills development, preferential procurement and the other pillars of the dti scorecard. We consider these initiatives as crucial to support transformation in South Africa and to grow our business.

2009

We expect the effects of rising inflation and high interest rates to continue to impact consumer spending for some time. Slower **consumer spending** and dampened consumer demand will affect growth across the retail sector.

The focus for the team in the next year will be to ensure that **costs** are tightly controlled without compromising service in stores and investment in future growth. Accordingly, the roll-out of convenience food stores will still continue, albeit at a slower pace. Woolworths store modernisation programme will be ongoing, and investment in key infrastructure, such as financial systems, will continue.

Woolworths merchandise offer will remain extremely **competitive** and relevant, with an ongoing commitment to the Woolworths values, particularly quality and constant innovation.

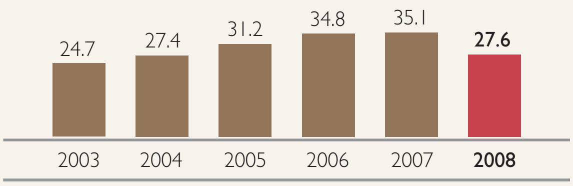
The team will continue to focus on completing the transaction with **Absa** and ensuring that the new venture is set up for a sound and sustainable financial services business for the future.

appreciation

During the year Mair Barnes and Judy Dlamini resigned from the board. I would like to thank them both for their contribution. In May 2008 Richard Inskip resigned. On behalf of the board I would like to thank him for his significant contribution and wish him every success in his future.

I would also like to thank Simon and his team for their hard work in what has been a very difficult year for them. I wish them every success in the next year, in what we expect to be another tough trading period. Finally as always, I would like to thank my colleagues on the board, for their support and invaluable guidance.

D A Hawton



return on equity %

chief executive officer's report

Simon Susman
Chief executive officer

overview

The year to June 2008 has seen one of the sharpest downturns in consumer spending for many years. This impacted upper-end mass retailers around the world, many of whom experienced a "flight to price".

In South Africa, the combination of high and growing interest rates, high fuel and food prices and growing political uncertainty affected the confidence of the Woolies customer base significantly.

The Australian retail market also tightened up but not to the extent that we saw in South Africa. Country Road within that, continued to perform well.

During the year we announced that Absa had acquired 50% plus one share of our financial services business. This deal will make Woolworths a pure-play retailer and will fundamentally alter the balance sheet of the company as the debtors' book is removed from the balance sheet. This transaction not only brings Absa's considerable banking expertise to this business, but, with the introduction of the Barclaycard brand, extends the existing Woolworths Financial services brand into an even more compelling and attractive proposition with existing and new customers.

Woolworths

Sales for the first quarter had remained strong and the downturn in sales came from September 2007 onwards. The emphasis of the buy had been on mid- and upper-priced product on the back of our recent success at this end of the market – not the right product balance for an increasingly pressured customer base.

Clothing sales on a comparative 26 weeks grew by 5.8% in the first half and 3.5% in the second half, which meant that by winter, Woolworths lost share of market in clothing. A similar pattern followed in food, where sales grew by 16.4% in the first half and 15.0% in the second half on a 26 week comparative basis. By the first quarter of the new financial year, the food business too had started to lose share of market. Customer feedback was consistent in that in both clothing and food we were seen to be expensive. The muted economic environment also affected our financial services growth and the marginal growth in customer credit was countered by a decline in credit usage. Bad debts too grew strongly throughout the first half.

The business started to react to these messages from December 2007 onwards.

The first touch point to address was bad debt which had been climbing steeply since January 2007. On top of the National Credit Act restraints, Woolworths further tightened its credit granting and accelerated its collection effort. Bad debt growth for the second half was therefore virtually flat and somewhat against current market trends.

Costs – the second touch point – ran in the second half at 10.6% ahead of last year, a significant improvement on the first half's growth of 18.4%. This lower cost growth will be driven further in the year ahead.

The business set about a full-on programme to relook the price architecture of the merchandise offer, particularly in food where it is possible to take action more rapidly than in clothing with its longer lead times. This had to be done without compromising our core quality standards and innovation thrusts and has necessitated a more sophisticated view of product sourcing and greater leverage of the significant volumes that Woolworths can sell in its major items.

a year of change

The year too, had been set up to be a year of significant change for Woolworths. Management changes have enabled the company to rethink much of its core strategy, in particular the clothing and general merchandise offer. This business is now far more segmented by customer type and is at the start of a journey towards a more customer-driven merchandise offer. The buying process has been restructured into two core teams of buying and planning and then further segmented according to the various customer profiles and catalogue segments.

There is now greater emphasis on the core product offer, its quality and its price points. This, combined with a number of new product ranges and brands exclusive to Woolworths, brings an innovation and direction to the sales floor which has been missing for some time.

There have been a number of leadership changes throughout the business and the recent significant investment in IT infrastructure and process changes, particularly on the buying side, have driven a different view on how to run the business.

The Woolworths food business has grown significantly over the past seven years. This year's shift in spending patterns has been timely in the progression from a top-up delicatessen to the unique position the company is seeking – the mind of a supermarket and the soul of a delicatessen. This business is predicated on outstanding quality, ongoing innovation, healthy food and real value for money. It is in the last year that we have had to rethink our pricing positioning, particularly at the growing commodity end of the business.

Prices have now been sharpened significantly, and the business is now highly competitive on these basic necessities.

The year saw the final implementation of the Retek stock management system in food. These changes have not been easy and have not yet shown the benefit in improved availability expected. Consequently, further appropriate changes have now been made and are expected to show an improvement.

The rollout of food convenience stores continues. This has been a successful programme and many stores are now trading at very high returns per square metre. The emphasis now is on fewer but larger stores which have greater dominance and by virtue of their scale, greater productivity.

The major investments in IT and logistics are also bringing good productivity as they bed down in each area. We believe these investments will add significantly to efficiency over the next few years.

The financial services business has had two key focuses – the containing of the bad debt growth and the negotiating and setting up of a deal for Absa to acquire half of this business.

Negotiations with Absa culminated in the announcement in April of the creation of a joint venture business between the two companies. Woolworths has significant experience in store card. This will be much enhanced by Absa and Barclays International customer value management skills and wider product offerings. The combination of Absa's expertise and a possible easing of the credit environment, should set this business up for good growth into the future.

The two major initiatives launched in the previous year, our staff BEE share scheme and our Good business journey, are bedding down well and are now part of the fabric of our organisation. The company received a number of local and international awards for its work in these areas. During the year we achieved almost 80% of our Good business journey targets and laid a strong foundation for meeting our overall 2012 targets.

Country Road

Country Road continued to trade well in a toughening retail environment. The work done on focusing the offer, on lowering prices and on holding quality standards continues to increase Country Road's growing dominance in the upper middle end of the Australian clothing market.

The Country Road offer launched in four Woolies stores in South Africa traded above expectation. This offer will be extended over the next twelve months.

summary

Woolworths and Country Road are unique businesses. The rapid downturn in consumer spending in South Africa has sharpened Woolworths in particular. Both companies have remarkable staff and committed suppliers with both of whom we built tough but close and long-term relationships. Both businesses are now leaner on costs and this, combined with clear customer-led product direction, leaves Woolies better positioned to regain profitable market share and meet shareholders' expectations.

We expect trade to remain tough in both economies, for at least the next year. We feel we are well placed for future growth, when a less pressured consumer increasingly turns back to innovation, to quality and to great value rather than purely to price.

S N Susman

finance director's report

Norman Thomson
Director: Finance

	2008	2007	% Change
HEPS (cents per share)	115.7	127.8	(9.5)
Diluted HEPS (cents per share)	112.9	125.5	(10.0)
Adjusted HEPS (cents per share)	124.8	119.7	4.3
Adjusted diluted HEPS (cents per share)	120.8	117.6	2.7

earnings per share

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

Sales struggled throughout the year, with Christmas and Easter particularly disappointing as customers tightened their belts. Growth of 15.5% was helped by the extra 53rd week, adding 1.8%.

Gross profit improved 16.9% to R7bn with overall margins increasing 0.4% to 34.8% mainly as a result of a good performance in Country Road.

Market share for our clothing business, which remains the dominant contributor to group profit, reduced from 15.5% to 15.3% on a 12-month moving average basis. Growth of 6.1% (comparable stores: 3.1%) was lower than the 11.6% compound annual growth rate achieved over the last 5 years, with a decline of 1.8% (comparable stores: 2.0%) in the second half, despite the additional week of trading.

Our food business was hit hard in the second half – market share was maintained and ended the year at 9.2%. Footage increased by 14.4% and the 5-year compound annual growth rate was 21.1%.

			Retail					
	Group		Woolworths		Country Road		Financial services	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Revenue	21 753.6	18 641.9	18 242.1	16 099.5	1 939.3	1 361.8	1 662.9	1 274.4
Operating profit	2 006.6	1 845.5	1 245.4	1 232.9	102.0	56.7	659.2	555.9
Finance costs	502.5	378.7	0.4	12.5	1.0	1.8	501.1	364.4
Profit before tax	1 504.1	1 521.4	1 245.0	1 275.0	101.0	54.9	158.1	191.5
Return on equity	27.6%	35.1%	50.5%	63.6%	18.1%	34.6%	10.0%	14.3%

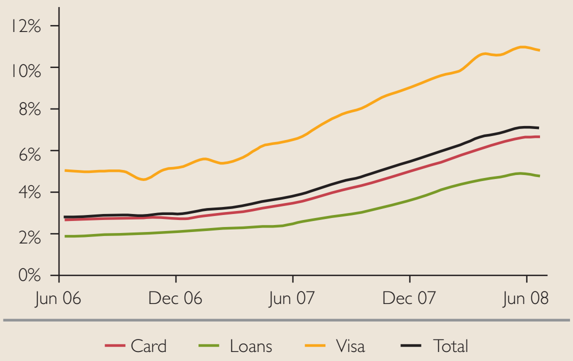
segmental analysis

Growth was still experienced in most categories, helped by higher producer inflation. Sales grew 18.8% to R10.4bn. Comparable stores sales grew 9.9% and 7.8% on a 52-week basis. Waste was also higher than planned, due to the disappointing holiday sales and the problems associated with the introduction of new systems.

	2008	2007
Store card as a % of total sales	**27.2%**	32.2%
Interest yield on gross books	**23.5%**	19.9%
Average cost of funds	**11.1%**	8.8%
Total gross books (Rm)	**5 867.4**	5 850.0
Total provisions (Rm)	**(447.8)**	(314.0)
Net book (Rm)	**5 419.6**	5 536.0
Provision as a % of book		
Woolworths card debtors	**6.9%**	4.9%
Personal loans	**7.9%**	5.1%
Visa card	**9.9%**	7.5%
Total all books	**7.6%**	5.4%

financial services

Our financial services business experienced higher delinquencies in all products, but especially our Visa card offering. The debtors' book had shown resilience in recent years to temporarily higher interest rates but were unable to cope with the impact of a consistently high interest rate environment. Net bad debts, including cost of collections, were 7.9% (2007: 4.9%).



net bad debts

Total bad debt provisions increased from 5.4% to 7.6%.

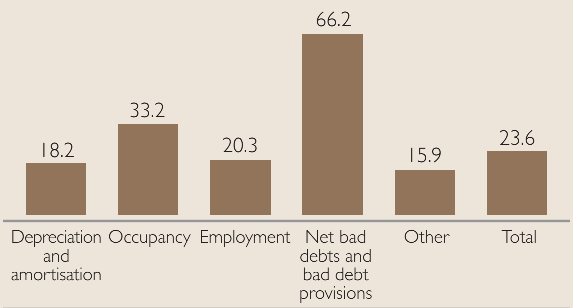
Higher interest yields, increasing 3.6% to 23.5%, failed to offset the increased charge-offs.

Country Road returned record sales, up 22.2% to A$290.4m. Comparable store sales growth was 8.4%.

Gross margin increased from 58.1% to 61.1% in Australian Dollar terms as a result of better sourcing and control. Profit increased 54.8% to A$14.4m.

expenses

As trading conditions worsened throughout the year, we refocused, successfully, on more effective management of expenses. This resulted in an increase in comparable costs in the SA retail segment during the second half of the year of only 10.6% (first half: 18.4%).



expense growth (%)

Bad debts and provisioning on the books increased 66.2% to R584.3m. We have seen some early signs of improvement in delinquency rates, suggesting that bad debts may have peaked.

Employment costs and productivity were tightly controlled as it became clear that the slowdown was to be prolonged, especially in stores. Full-time equivalent employees in the South African retail business increased from 19 344 to 21 374 as a result of the 7.3% increase in footage, increasing employment costs by 20.3%. Improving productivity levels in a tougher retail environment remains a key commitment. No management incentives in terms of the short-term incentive scheme were paid in South Africa this year. Incentives were paid to Country Road management in line with their success.

The 18.2% increase in the depreciation cost is indicative of our ongoing commitment to sustainable growth. It was, however, lower than planned, as we reviewed the capital programme and readdressed feasibilities on more marginal projects.

Country Road managed expenses well, holding expenses to 24.9% on last year before incentives, which includes the cost of the new concession format. This translated to an increase of 45.8% in rands due to a significantly weaker exchange rate of R6.62 to the Australian Dollar (2007: R5.67). Comparable costs excluding costs associated with the new concession format increased by 4.2% in Australian Dollar terms.

Finance costs rose as we increased our gearing of the financial services assets, but were in fact only slightly above our planned levels – the lower level of investment in the assets offsetting the impact of higher rates. We also benefited from interest rate hedge instruments taken out during last year's usury rate freeze.

profit

Profit before tax, exceptional items and before the BEE charge improved by 6.2%, whilst HEPS was 9.5% lower, adversely impacted by the non-comparable BEE IFRS 2 charge and an 8.1% increase in the effective tax rate – the previous year's low rate had benefited from a deferred tax credit in Country Road. The tax charge also includes a R20m STC charge resulting from our recent share repurchase.

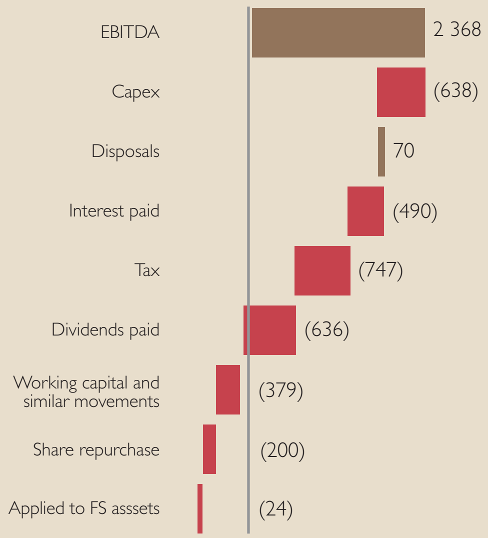
Dilution of headline earnings per share of 2.8 cents arises from share options granted in terms of employee incentive schemes.

balance sheet

Total assets grew by 7.8% as a result of the store development plan and increased inventory holdings. Net asset book value per share rose by 10.6% to 443.8 cents per share.

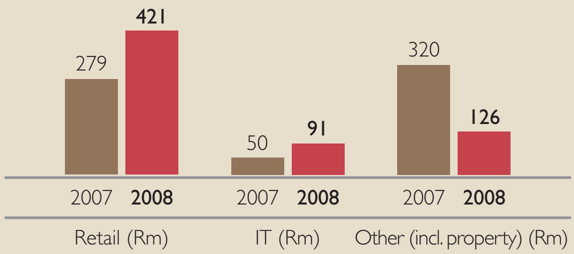
The disposal of 50% plus one share of the group's interest in Woolworths Finanical services meets the definition of a 'disposal group' in IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. As a result, the major classes of assets and liabilities impacted by the transaction are disclosed separately on the face of the balance sheet. Financial services assets and related derivative financial instruments are disclosed as assets of disposal group held for sale, while financial services borrowings and related derivatives are disclosed as liabilities of disposal group held for sale. This reclassification did not impact on the reported results.

cash flow and capital expenditure



cash generation (Rm)

Cash generated by operating activities decreased 37.3% whilst cash inflow from trading reduced by 4.7%. The lack of growth in financial services fixed assets meant that cash generated by operating activities was significantly higher than the prior year at R952.6m (2007: R374.9m).



capex: R638m (June 2007: R649m)

Our R638.4m (2007: R649.1m) investment in capital expenditure includes 10 new full-line corporate stores and 17 food only stores, adding 33 992m² of new footage. A further 28 are planned for the year ahead, nine of which will be full-line stores, adding 17 463m² (14.7%) to food trading space and 19 762m² (7.5%) to clothing and general merchandise space (2008: 7.3%).

	2008 (June)	2007 (June)
Corporate	228	200
Full line	108	98
Clothing and general merchandise	6	5
Food	114	97
Franchise SA	77	78
Woolworths Food Stops	38	24
Franchise International	42	47
TOTAL	385	349

number of stores

financial risk management

Financial risks related to funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk are managed by the treasury committee which meets on a regular basis. The funding requirements of the financial services and retail segments are assessed independently in line with their business models in order to optimise the respective funding structures. Our funding strategy, which attempts to balance the operational and systemic risks with desired returns, is to gear the financial services assets with 80% debt funding. Funding of the financial services assets will be provided by Absa upon completion of the joint venture with no recourse to Woolworths.

Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining substantial short-term committed and uncommitted banking facilities. Unutilised committed banking facilities totalled R2bn at June 2008 (2007: R1.2bn) and unutilised uncommitted banking facilities totalled R883.8m (2007: R1.3bn).

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

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

17.9 million shares were repurchased and cancelled in June 2008 at a cost of R200m representing a weighted average repurchase price of R11.19 per share.

accounting standards

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

The accounting policies applied are consistent with those applied in the prior year, except for the adoption of IFRS 7 Financial Instruments: Disclosures that became effective during the year. Adoption of this standard had no impact on the reported results. All additional disclosures required by this standard have been provided for both the current and comparative period.

Headline earnings per share and diluted headline earnings per share have been calculated in terms of Circular 8/2007: Headline Earnings for both the current and prior year.

prospects and financial targets

We expect the year to June 2009 to remain challenging, with the full impact of high interest and high inflation rates continuing to be felt, and the pace of credit extension slowing further.

We expect the blended retail gross margin to continue to be maintained during 2009 despite the increased contribution of food. We expect also that inflation will continue at its current high levels in food, due to rising international commodity prices, and in clothing where margin pressure continues to be felt in China as local Yuan denominated input costs rise against a still weak US Dollar. Operating costs will continue to reflect the increased level of activity and investment in store service initiatives and bad debts are expected to remain under pressure.

Capital expenditure is expected to be approximately R860m, of which R370m is planned for the Woolworths chain store roll-out and modernisation programme and R130m is planned for the Country Road store expansion programme. Planned increases in footage have been detailed above.

We expect the group effective tax rate to be approximately 33.5%; a function of the normal rate of income tax of 28%, STC of 10%, and the impact of IFRS 2 and other non-deductible charges.

group review

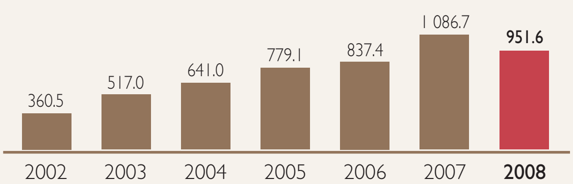
Year Number of weeks	5-year compound annual growth rate	2008 53	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53

group income statements (Rm)

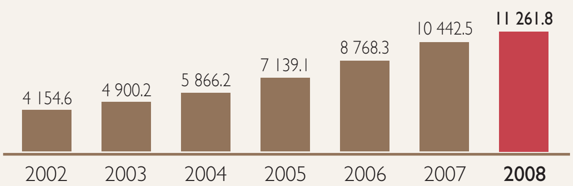
Revenue	16.6%	**21 753.6**	18 641.9	15 144.8	12 988.9	11 281.7	10 094.8	8 825.6
Turnover		**20 064.9**	17 376.9	14 208.0	12 220.7	10 648.8	9 500.3	8 421.4
Cost of sales		**(13 076.7)**	(11 399.9)	(9 340.4)	(8 027.1)	(6 932.2)	(6 077.2)	(5 323.9)
Gross profit		**6 988.2**	5 977.0	4 867.6	4 193.6	3 716.6	3 423.1	3 097.5
Other revenue		**1 688.7**	1 265.0	936.8	768.2	632.9	594.5	404.2
Expenses		**(6 670.3)**	(5 396.5)	(4 314.1)	(3 730.5)	(3 332.3)	(3 176.0)	(2 866.6)
Operating profit	19.0%	**2 006.6**	1 845.5	1 490.3	1 231.3	1 017.2	841.6	635.1
Finance costs		**(502.5)**	(378.7)	(243.9)	(152.7)	(108.7)	(87.4)	(44.5)
Profit before exceptional items		**1 504.1**	1 466.8	1 246.4	1 078.6	908.5	754.2	590.6
Exceptional items		**–**	54.6	–	–	(10.1)	(23.7)	(41.5)
Profit before tax		**1 504.1**	1 521.4	1 246.4	1 078.6	898.4	730.5	549.1
Tax		**(552.5)**	(434.7)	(409.0)	(299.5)	(257.4)	(213.5)	(188.6)
Profit for the period from continuing operations	13.0%	**951.6**	1 086.7	837.4	779.1	641.0	517.0	360.5
Attributable to:								
Minority shareholders		**8.5**	12.3	1.8	2.2	0.7	0.8	1.7
Ordinary shareholders		**943.1**	1 074.4	835.6	776.9	640.3	516.2	358.8
Profit/(loss) from discontinued operations, net of minority shareholders' interest		**–**	–	–	–	–	1.3	(135.5)

group balance sheets (Rm)

Non-current assets	**2 798.1**	2 977.2	2 490.6	2 002.0	1 873.9	1 664.9	1 626.0
Current assets	**8 463.7**	7 465.3	6 277.7	5 137.1	3 992.3	3 235.3	2 528.6
Total assets	**11 261.8**	10 442.5	8 768.3	7 139.1	5 866.2	4 900.2	4 154.6
Ordinary shareholders' interest	**3 530.7**	3 246.9	2 606.3	2 184.7	2 581.3	2 169.4	2 139.3
Minority shareholders' interest	**52.1**	42.5	27.9	26.2	20.7	20.8	24.6
Non-current liabilities	**2 267.5**	2 918.3	2 801.0	3 061.5	725.2	634.2	603.8
Current liabilities	**5 411.5**	4 234.8	3 333.1	1 866.7	2 539.0	2 075.8	1 386.9
Total equity and liabilities	**11 261.8**	10 442.5	8 768.3	7 139.1	5 866.2	4 900.2	4 154.6



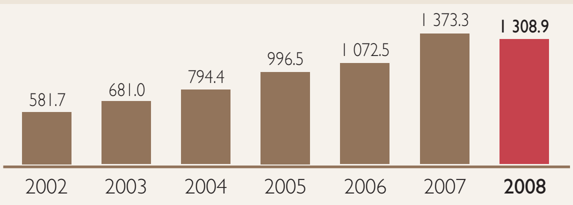
profit from continuing operations (Rm)



total assets (Rm)

group cash flow statements (Rm)

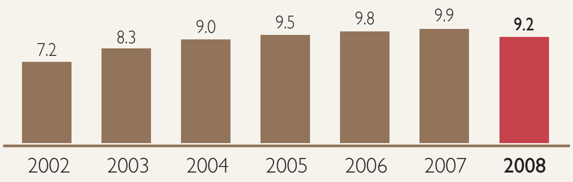
Year Number of weeks	5-year compound annual growth rate	**2008** **53**	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53
Cash inflow from trading	14.0%	**1 308.9**	1 373.7	1 072.5	996.5	794.4	681.0	581.7
Working capital movements		**(331.9)**	183.6	185.4	(228.4)	(7.5)	104.4	(61.9)
Cash applied to financial services assets		**(24.4)**	(1 182.4)	(882.2)	(722.0)	(709.8)	(461.6)	(385.9)
Cash generated by operating activities		**952.6**	374.9	375.7	46.1	77.1	323.8	133.9
Net interest received		**861.4**	651.7	515.7	488.1	435.1	432.1	310.3
Tax paid		**(747.0)**	(565.0)	(483.4)	(314.6)	(331.5)	(191.7)	(284.5)
Cash generated by operations		**1 067.0**	461.6	408.0	219.6	180.7	564.2	159.7
Distributions to shareholders		**(635.5)**	(550.4)	(474.2)	(384.2)	(271.7)	(201.3)	(145.8)
Net cash inflow/(outflow) from operating activities		**431.5**	(88.8)	(66.2)	(164.6)	(91.0)	362.9	13.9
Net cash outflow from investing activities		**(510.4)**	(527.2)	(598.5)	(312.6)	(393.2)	(322.2)	(219.3)
Net cash inflow/(outflow) from financing activities		**381.4**	794.3	11.0	1 442.8	54.5	(195.6)	(93.4)
Increase/(decrease) in cash and cash equivalents		**302.5**	178.3	(653.7)	965.6	(429.7)	(154.9)	(298.8)
Cash and cash equivalents at beginning of year		**(422.6)**	(623.4)	23.3	(949.9)	(514.7)	(362.0)	(64.0)
Cash arising on acquisition of subsidiary		**–**	–	–	–	–	10.2	0.2
Effect of foreign exchange rates		**29.4**	22.5	7.0	7.6	(5.5)	(8.0)	0.9
Cash and cash equivalents at the end of year		**(90.7)**	(422.6)	(623.4)	23.3	(949.9)	(514.7)	(361.7)



cash inflow from trading (Rm)

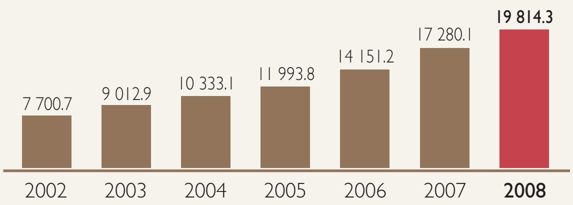
group review continued

Year	**2008**	2007	2006	2005	2004	2003	2002
Number of weeks	**53**	52	52	52	52	52	53
returns							
Return on ordinary shareholders' equity (%)	**27.6**	35.1	34.8	31.2	27.4	24.7	18.3
– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year							
Return on assets (%)	**18.6**	19.4	18.9	19.3	19.6	19.3	16.9
– 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 (%)	**34.8**	34.4	34.3	34.3	34.9	36.0	36.8
– gross profit as a percentage of turnover							
Operating margin (%)	**9.2**	9.9	9.8	9.5	9.0	8.3	7.2
– operating profit as a percentage of revenue							
solvency and liquidity							
Debt ratio (%)	**40.8**	37.9	39.2	36.4	19.4	14.9	11.6
– interest-bearing debt as a percentage of total assets							
Current ratio (times)	**0.9**	1.8	1.9	2.8	1.6	1.6	1.8
– current assets divided by current liabilities							
Total liabilities to shareholders' equity (%)	**214.3**	217.5	235.4	225.6	126.5	124.9	93.1
– non-current liabilities, plus deferred tax and current liabilities as a percentage of total shareholders' interest							
key debtor statistics (000's)							
Number of active Woolworths card customer accounts	**1 579**	1 599	1 393	1 217	1 125	1 046	1 020
Net Woolworths card book (Rm)	**3 451.6**	3 560.2	2 971.2	2 590.8	2 148.2	1 669.3	1 348.7
Number of active Woolworths customer personal loan accounts	**184**	190	169	147	127	107	88
Net Woolworths customer personal loan book (Rm)							
– current portion	**747.3**	781.2	640.9	539.8	415.6	273.1	201.5
– non-current portion	**261.0**	289.8	249.2	203.9	162.5	182.3	180.2
Number of active Visa card customer accounts	**162**	169	129	79	50	34	20
Net Visa card book (Rm)	**959.7**	904.8	593.7	309.6	178.7	105.9	–
Gross interest received on Woolworths card, personal loans and Visa card (Rm)	**1 311.7**	992.5	744.1	602.2	527.8	510.7	341.7
Maximum usury rate charged at year end:							
– balances above R10 000 – %	**24**	20	17	17	18	26	23
– balances below R10 000 – %	**27**	23	20	20	21	29	26
National Credit Act rate charged at year end:							
– maximum	**28.5**						
– minimum	**25**						

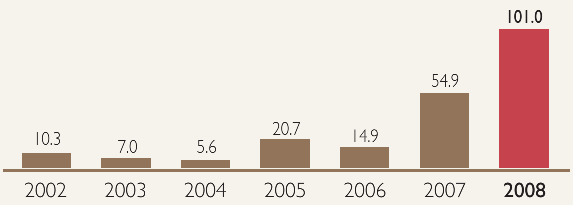


operating margin (%)

Year Number of weeks	5-year compound annual growth rate	**2008** **53**	2007 52	2006 52	2005 52	2004 52	2003 52	2002 53
divisional analysis								
Revenue (Rm)								
Woolworths	17.1%	**19 814.3**	17 280.1	14 151.2	11 993.8	10 333.1	9 012.9	7 700.7
Country Road	12.4%	**1 939.3**	1 361.8	993.6	995.1	948.6	1 081.9	1 124.9
	16.6%	**21 753.6**	18 641.9	15 144.8	12 988.9	11 281.7	10 094.8	8 825.6
Turnover (Rm)								
Woolworths								
– Clothing and home	11.6%	**7 409.8**	6 985.0	6 012.2	5 349.5	4 792.2	4 280.4	3 834.1
– Food	21.1%	**10 360.3**	8 718.0	6 941.5	5 666.0	4 747.1	3 980.8	3 302.1
– Logistics and other	17.4%	**376.4**	319.9	273.6	223.1	176.1	168.8	165.8
Country Road	12.4%	**1 918.4**	1 354.0	980.7	982.1	933.4	1 070.3	1 119.4
	16.1%	**20 064.9**	17 376.9	14 208.0	12 220.7	10 648.8	9 500.3	8 421.4
Profit/(loss) before exceptional items and tax (Rm)								
Woolworths	13.4%	**1 403.1**	1 411.9	1 231.5	1 057.9	902.9	747.2	580.3
Country Road	70.5%	**101.0**	54.9	14.9	20.7	5.6	7.0	10.3
	14.8%	**1 504.1**	1 466.8	1 246.4	1 078.6	908.5	754.2	590.6
Profit/(loss) attributable to ordinary shareholders (Rm)								
Woolworths	11.6%	**881.1**	985.1	822.5	758.4	634.3	508.8	349.2
Country Road	48.1%	**62.0**	89.3	13.1	18.5	6.0	8.7	9.6
	12.8%	**943.1**	1 074.4	835.6	776.9	640.3	517.5	358.8
Net assets (Rm)								
Woolworths	9.2%	**3 135.0**	2 936.3	2 401.4	1 976.7	2 429.0	2 016.4	1 959.3
Country Road	20.9%	**395.7**	310.6	204.9	208.0	152.3	153.1	180.0
	10.2%	**3 530.7**	3 246.9	2 606.3	2 184.7	2 581.3	2 169.5	2 139.3

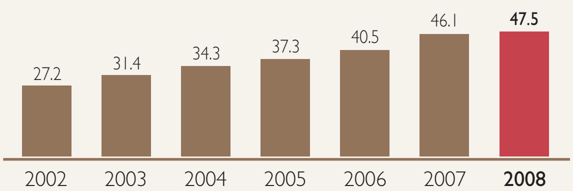


Woolworths – revenue (Rm)



Country Road profit (Rm)

Year	2008	2007	2006	2005	2004	2003	2002
Number of weeks	53	52	52	52	52	52	53
other statistical data							
Woolworths							
Gross margin (%)	**34.8**	32.3	32.8	32.7	31.5	32.3	33.1
Number of employees (full time equivalent)	**21 374**	19 344	16 337	14 243	13 791	12 208	11 483
Number of stores							
– owned	**228**	200	173	149	136	123	111
– franchised	**157**	149	136	125	119	103	82
Closing trading area (m^2)							
– owned	**381 639**	347 647	326 200	301 338	283 091	269 476	269 378
– franchised	**96 712**	98 225	96 167	88 307	86 563	80 297	65 002
Turnover ratios							
– turnover per employee	**849.0**	828.3	809.7	789.1	704.5	690.5	635.9
– turnover per m^2	**47.5**	46.1	40.5	37.3	34.3	31.4	27.2
Asset turn (times)	**2.1**	2.0	2.0	2.1	2.1	2.1	2.2
– *revenue divided by total assets less deferred tax*							
Inventory turn (times)	**16.7**	18.5	20.8	21.7	21.4	21.8	22.1
– *turnover divided by average inventory at the beginning and end of the year*							
Profit before exceptional items and tax to turnover (%)	**7.7**	8.8	9.3	9.4	9.3	8.9	7.9
Country Road (in A$ terms)							
Gross margin (%)	**61.0**	58.1	53.7	52.2	53.3	52.2	50.0
Number of employees (full time equivalent)	**1 133**	1 093	806	868	868	870	894
Number of stores							
– owned	**61**	57	52	47	46	41	44
– concession	**78**	74	–	–	–	–	–
Trading area (m^2)	**32 496**	31 548	22 094	23 539	23 439	22 400	23 560
Turnover ratios							
– turnover per employee	**255.7**	217.4	254.5	240.2	220.4	235.3	231.0
– turnover per m^2	**8.9**	7.5	9.3	8.9	8.2	9.1	8.8
Asset turn (times)	**3.0**	2.5	2.4	2.5	2.4	2.5	2.6
Inventory turn (times)	**10.0**	8.8	8.6	9.0	7.7	7.5	5.7
Profit/(loss) before tax to turnover (%)	**4.8**	3.9	1.6	1.5	1.3	1.2	0.1

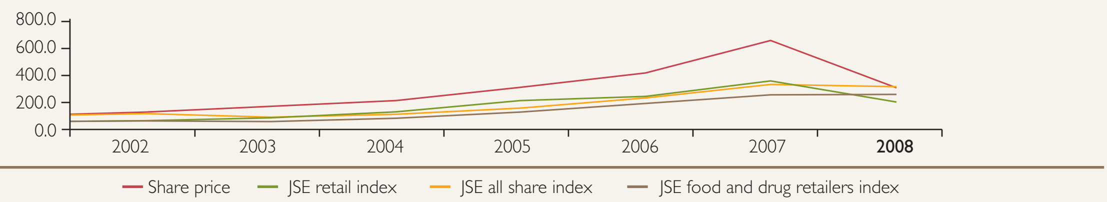


Woolworths – turnover (R/m^2)

Year	2008	2007	2006	2005	2004	2003	2002
Number of weeks	53	52	52	52	52	52	53
ordinary share performance (cents per share)							
Earnings	**115.6**	133.9	105.1	91.5	74.3	59.4	39.6
Headline earnings	**115.7**	127.8	105.0	89.4	75.5	61.1	42.4
Dividends declared for the financial year	**79.0**	76.0	63.0	54.0	38.5	29.0	20.0
Net asset book value	**443.8**	401.2	326.9	277.5	297.3	254.3	240.5
Share price: highest	**2 302**	2 510	1 779	1 181	771	618	483
lowest	**988**	1 230	1 003	721	568	397	342
average	**1 550**	1 779	1 391	966	695	489	393
closing	**1 020**	2 140	1 370	1 025	710	574	439
Indexed closing share price (June 2000 = 100)	**352**	738	472	353	245	198	151
JSE indexed: retail (June 2000 = 100)	**234**	407	279	244	152	103	80
all share (June 2000 = 100)	**359**	377	266	183	133	108	138
Market capitalisation at 30 June – Rm	**9 000**	19 179	12 112	8 959	6 750	5 370	4 051
Number of shares in issue – millions*	**795.5**	809.3	797.2	787.2	868.3	853.1	889.7
Number of shares traded – millions	**1 163.7**	738.0	596.2	502.4	363.1	401.2	307.8
Percentage of shares traded (%)	**146.3**	82.4	67.4	57.5	38.2	42.9	33.4
Value of shares traded – Rm	**18 037**	13 132	8 291	4 892	2 525	1 963	1 212
Price earnings ratio	**8.8**	18.2	13.6	12.0	9.2	9.1	10.1
Dividend yield (%)	**7.7**	3.6	4.6	5.3	5.4	5.1	4.6

Year	2008	2007	2006	2005	2004	2003	2002
Number of weeks	53	52	52	52	52	52	53
foreign currency exchange rates							
US$ – average	**7.33**	7.22	6.37	6.18	6.86	9.03	10.06
US$ – closing	**7.88**	7.15	7.50	6.74	6.34	7.53	10.41
A$ closing	**7.62**	6.11	5.44	5.20	4.44	5.01	5.87
key information in US Dollars (millions)							
Revenue	**2 966.5**	2 581.4	2 377.4	2 103.4	1 644.1	1 117.6	876.9
Headline earnings per share (cents)	**15.8**	17.7	16.5	14.5	11.0	6.8	4.2
Net profit attributable to ordinary shareholders	**128.6**	148.8	131.2	125.8	93.3	57.3	22.2
Total assets	**1 428.4**	1 460.9	1 169.1	1 059.7	925.3	651.2	399.3
Market capitalisation	**1 141.6**	2 683.1	1 614.9	1 329.8	1 064.7	713.6	389.3

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



*2000 = 100

share price growth*

retail overview

Andrew Jennings
Managing director: Retail

Last year was planned as a year to fundamentally overhaul our clothing business and to continue growing our food business through the rollout of our convenience food stores. The onset of the recession in the retail sector prompted us to adapt to the changing market conditions.

In **clothing** the buy had already emphasised the better and best product and had to be adjusted for the new conditions. Towards the end of the period, however, we were able to sharpen our clothing price points. Average price movement for clothing closed the year at 7.3%, down from a high of 9.6% at half year – indicative of the stronger focus on value, especially at opening price points, but without compromising on quality.

In **food** we were able to respond more quickly and provide our customers with an extremely competitive offer and an uncompromising commitment to quality and innovation. Prices have been sharpened on more basic commodities and they are now highly competitive. We are supporting this pricing strategy with a regular promotional strategy.

At the same time we implemented major **changes** to our clothing business. We fundamentally changed our buying structures by separating buying and planning, and have re-engineered our clothing merchandise cycle which should provide us with a more robust framework for buying in the future and flexibility as it improves our speed to market.

Our improved understanding of our **customers** is driving our planning and our buying decisions – precisely honing Woolworths ranges to suit our customers' lifestyles – and making our stores clearer to shop.

Country Road was launched in four stores, offering customers a modern **clothing range**. Twist was launched in 26 stores around the country for a more contemporary customer. The new ranges complement the WCollection, studio.w and SA Designers collections.

New organic ranges in **food** were launched during the year, significantly increasing the number of organic products on Woolworths shelves and ranges were relaunched, including yoghurts, offering customers wider choice and variety.

We reviewed our rollout of **stores** with a preference for fewer but larger stores. 42 new stores were opened during the year, most of them Food stand-alones or Woolworths Food Stops. The convenience of the Woolworths food offering retains a strong appeal for our core food customer and we continue to invest in these formats.

Our ongoing emphasis on nurturing and growing appropriate **talent**, is supported by the retail academy and the recent launch of the merchant academy for buying and planning.

2009 focus

customer needs

Structure the product offers to support our customers in difficult economic times.

store formats

Deliver larger format food stores with deeper ranges and improve cataloguing against specific store customer profile.

fitter businesses

Continue the focus on productivity and manage cost growth hard in all aspects of the business.

the Woolies difference

Support the Woolworths difference in every aspect of our business, doing what we do better.


organic
20%off

retail: customers

The Woolworths **customer** is at the heart of our retail strategy and drives all merchandising and selling decisions.

The focus over the past 18 months has been to develop an even deeper **understanding** of our customers: the buying patterns of all Woolworths 4.5 million customers are analysed on an ongoing basis; data from nearly 2 million Woolworths card customers is extensively mined providing further information; and 80 000 customers on the Woolworths customer panel participate in regular research focus groups giving us valuable insights and additional qualitative data.

The results from this deep customer research inform detailed **segmentation** models for the Woolworths customer across clothing and general merchandise and food. Using these clearly defined customer segmentation models, ranges are developed, meeting customers' exact needs.

In clothing, the **range differentiation** is best explained as a 9 box grid, mapping customers' lifestyle profiles to merchandise classifications – classic, modern and contemporary – and price points – good, better and best. The clothing ranges are then developed to provide optimal solutions for each customer profile but with clear differentiation, for example, Country Road womenswear, launched in South Africa in April 2008, offers the modern customer the best quality and value while Twist, launched in August 2008, targets our contemporary customer with fashionable newness at good value.

This more structured approach to buying, merchandising and branding makes customers' shopping decisions simpler. The **brand** differentiation provides our customers with clear in-store destinations that meet their requirements, and stores will be optimally stocked to offer the product best suited to their needs.

Work is underway to apply a clear food segmentation model to the food business. Not only will this inform the **cataloguing** of the store, enabling customers to find more of what they want at their local store, but the further differentiation in the ranges within the food market will help customers make simpler buying decisions based on their lifestyles and immediate needs.

Woolworths continues to develop and sustain loyal **customer relationships** through segmented and targeted direct communications. World magazine, showcasing the latest product offering in stores in an exciting and accessible format, is distributed monthly to selected high spending customers. Direct mail to selected customer segments, highlighting relevant offers, was a very successful and important focus.

Woolworths has developed a distinctive **"shop-in-shop"** concept for selected brands. This offers customers a destination within the store with a differentiated point of view and dedicated service such as WCollection, jt one, Country Road and Twist. Trials are also being conducted with homeware as well as cellular and digital products.

In-store communication continues to reinforce the **Good business journey** and further supports the drive towards responsible retail. The communication inspires and informs customers about new product developments, health and environmental benefits and Woolworths ongoing focus to help our communities, our country and our world.

2009 focus

understanding customers

Continually improve our understanding of our Woolworths customers and ensure that our store formats and locations and our product offerings are designed to meet their needs.

brand development

Entrench relevant exclusive Woolworths brands, eg. Twist, Country Road, jt one, WCollection, in the hearts and minds of the core target audience and apply range differentiation to general merchandise and food as appropriate.

targeted marketing

Focus marketing efforts on more personalised direct marketing and e-marketing incentives for particular customers, driving better customer understanding of the relevant Woolworths offer.

quick overview:

- Deeper understanding of 4.5m Woolies customers;
- improved range differentiation, especially in clothing;
- new "shop-in-shop" concepts such as Twist and Country Road; and
- accurately targeted direct marketing.

retail: clothing and beauty

clothing

With a clear and segmented view of the Woolworths **customer**, and a single view of the range offering required to comprehensively meet their needs, the ongoing focus for the year was range definition and appropriate brand development.

At good and better price tiers, Woolworths **headquarters assortments** regained depth in key categories with, for example, a dominant knitwear offer for winter and a comprehensive t-shirt shop for summer. These clear category statements are also reinforced in Woolworths core offerings of sleepwear, underwear, womenswear, childrenswear essentials, men's essentials and formal shirts. The core ranges, competitively priced with uncompromising quality, meet Woolworths classic and modern customer needs.

A heightened focus on **value** during the year, especially at opening price points, brought the clothing price movement down to 7.3% in the second half (July – December 2007: 9.6%).

Complementing the headquarters assortments, Woolworths **classic** customer continued to find excellent value in the classic collection and in menswear, the Super Sport brand performed particularly well. At the premium end, WCollection continued to make a profitable contribution, offering good quality classic styling for men and women.

The Woolworths **modern** customer will now find a clearer and more focused casual and formalwear offering in the recently relaunched studio.w collection for both men and women. To meet these discerning customers' needs for a unique modern look, Country Road was launched in April in four relevant stores and has been extremely well received, outperforming expectations in the premium womenswear segment.

The Re_jeans brand was successfully relaunched during the year and captured the opportunity in the jeans and casualwear market for **contemporary** men and women, whilst SA Designers at Woolworths continues to bring contemporary customers a range of premium quality clothing and supports local designers.

Completing the clothing shop for Woolies contemporary customer, **Twist**, a range designed in New York with a unique point of difference, was launched in August and is available in 26 stores across the country. Twist offers contemporary women uniquely styled fashion items at good value.

Accessories sold well during the year and improved range definition in footwear towards the end of the period offered customers an appropriate and comprehensive solution.

With the shift in global manufacturing and the decline of the local clothing manufacturing sector, we have reviewed and are implementing a new **sourcing strategy** which will drive improved innovation and efficiencies.

The clothing merchandise cycle has been re-engineered to instil a more disciplined approach to the buying and planning processes.

beauty

Woolworths introduction of premium branded international **beauty** products appealed to Woolworths customers and showed considerable growth. The range has been consolidated with credibility and authority and complements Woolworths recently relaunched private label toiletries and cosmetics.

Throughout clothing and beauty an ongoing drive towards **innovation** and leadership continued to offer customers a strong point of differentiation. All Woolworths private label beauty products were endorsed by Beauty without Cruelty in February 2008. In clothing the use of organic cotton increased, reinforcing Woolworths Good business journey and establishing Woolworths as the world's third largest consumer of organic cotton. A range of bamboo products, a natural and sustainable fibre, were introduced in women's outerwear in 2008 and we introduced a fleece jacket made from 100% recycled plastic bottles, a first in Woolworths Good business journey, to close the recycling loop.

2009 focus

quality and value
Sustain the success of childrenswear and continue to drive better opening price points throughout the clothing and beauty offer, meeting customers' current needs for competitive value but uncompromising quality.

range differentiation
Continue to offer Woolworths classic, modern and contemporary customer each a clearly segmented and differentiated range of quality clothing at good, better and best price points, and establish clear dominance in key headquarters assortments.

innovation
Drive design and innovation throughout the product development cycle.

availability
Improve availability of clothing, ensuring that the customer finds the right size in the desired garment.

new opportunities
Launch Country Road menswear in late 2008 with a rollout to further stores in 2009, and extend the branded beauty offer to more stores.

quick overview:

- Value focus;
- targeted offerings for different customer groups, eg. Twist for the contemporary Woolies customer;
- improved merchandise cycle;
- review of sourcing strategy; and
- extension of branded beauty.

retail: food

Innovation, uncompromising quality and excellent value continue to be the key drivers of the Woolworths **food difference**. Now with significant share of the market, Woolworths is no longer a niche food business and we are shifting our strategy to develop a relevant and competitive supermarket business whilst still maintaining the successful speciality food formula that sets Woolworths food apart – a food business with the mind of a supermarket and the soul of a delicatessen.

Our produce business continued to **grow** market share and protein showed positive growth through the year. Customers continued to respond extremely favourably to the introduction of branded grocery products. The introduction of more than 100 new grocery lines during the year offers customers an opportunity to do their complete main shop at Woolworths.

Reacting to customers' increasing concern with **value** as the year progressed, Woolworths sharpened prices considerably in core categories and our basic grocery lines are now extremely competitively priced, offering customers the best possible quality at everyday great value.

The product development team has also undertaken a **pragmatic** review of many of our customers' favourite products, for example chocolate muffins and prepared lasagnes. Where possible more expensive, often imported ingredients, have been substituted with similar quality, less expensive ingredients. These products are now offered to customers at a keener price with the same eating experience.

Having food product **available** on shelves when and where customers need it is a major focus. The unique Woolworths formula, providing a broad range of fresh product with a short shelf life across a growing number of outlets, each with a unique catalogue requirement, makes consistent profitable availability a challenge. Despite the final implementation of the Retek stock management system in food, we have still not seen the benefit in improved availability that we expected and we are in the process of driving further initiatives to improve availability.

Delivering newness across the food business retains our loyal food customers, meeting their needs for a differentiated food offer. **Innovation** continues in all areas with 543 new lines launched during the year, including more than 150 new organic grocery lines. 413 lines were upgraded, including a complete relaunch of Woolworths yoghurt range and an upgrade to the range of sandwiches, introducing improved recipes and fully recyclable sandwich packaging.

The demand for organic lines continues to grow, supporting Woolworths focus on the **Good business journey**. Alongside totally organic farming, a clear commitment to bio-farming is starting to show results and Woolworths farmers are using less pesticides and more natural farming methods, treading more softly on the land.

Woolworths focus on **healthy** and nutritious food continues to be strong, with natural flavours and colourants, a reduction in salt and sugar in recipes, milk from cows that are hormone-free and the removal of hydrogenated fats and oils from prepared food are just some of the health choices we have made.

Woolworths continues to prioritise **convenience** in the food business with 17 food stand-alone stores, 14 Woolworths Food Stops, and 10 food courts in larger format stores opening in the last year. Bigger stores with wider aisles and better product choice are being introduced in order to drive convenience and enable customers to do more of their main shop at Woolworths.

2009 focus

positioning

Use the clear customer segmentation to drive Woolworths positioning as an iconic food retailer providing the convenience and competitiveness of a supermarket but the soul of a delicatessen offering fresh, healthy and tasty food.

availability

Drive profitable, consistent availability, with further refinements to the planning and stock management systems.

value, quality and convenience

Offer customers a range of everyday household essentials at competitive prices at a store close to home.

innovation

Deliver the difference through ongoing innovation, driving category growth and still offering customers exceptional value.

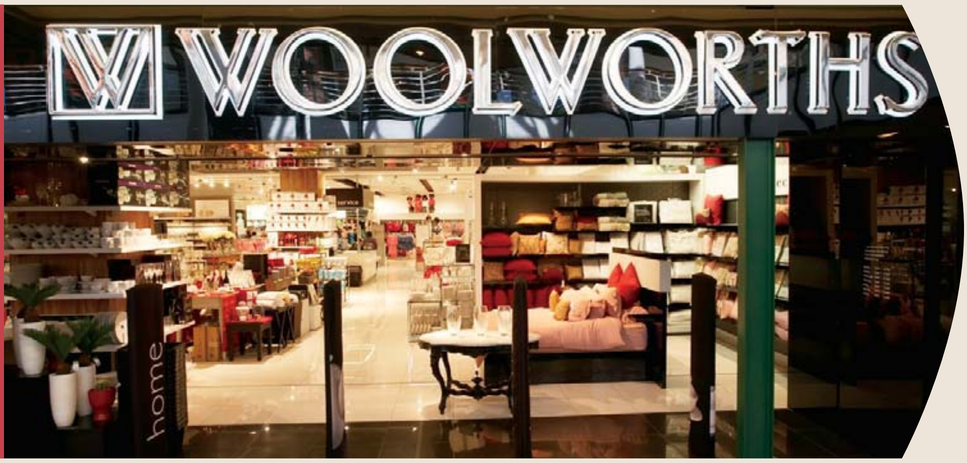
quick overview:

- Improved values resulting in a more competitive offer;
- focus on consistent availability;
- ongoing innovation delivering the Woolworths food difference; and
- introduction of more brands to complete the 'main shop' concept.

retail: home and general merchandise

quick overview:

- Good performance of clear comprehensive ranges eg. bathroom;
- focus on developing more authoritative offering throughout; and
- new format homeware stores creating a homeware destination.



The current economic climate, combined with a fragmented offer from Woolworths, delivered disappointing results in homeware. Where Woolworths offered a comprehensive **range**, for example bathroom, the category performed well; however, the lack of innovation and well-tiered assortments with differentiated price points in many other categories excluded many customers from shopping with us.

Two 'shop-in-shop' new **format** homeware stores were trialled and proved successful with considerable sales uplift. The design of the homeware shop provides more clarity and focus for customers, highlighting improved ranges, better price tiering and an easier shop.

This trial provides the basis for plans to drive market share gains through a repositioned Woolworths **homeware** destination over the next 12 months, with more authority and credibility, an improved range of product and a more considered shopping experience.

Innovation continues to be a feature of product development with a strong focus on the Good business journey. Natural bamboo fibre has been used to develop a new range of towels and polyesters manufactured from recycled plastic bottles are used to fill duvet inners, reusing half a million plastic bottles which would otherwise have gone to landfill.

Cellular has grown market share over the last year with an increase in the volume of sales. Digital products such as Apple iPods continued to show good growth.

On-line has grown well in 2008 as customers' need for convenience and improved on-line access continued to drive sales – a significant area of growth in the future.

2009 focus

repositioning

Consolidate the strategy to reposition Woolworths as a desired, first choice homeware destination. Clear customer segmentation driving range differentiation and product leadership, supporting exceptional quality and value.

headquarters assortments

Develop dominant and clear headquarters assortments, making Woolworths the customers' preferred destination for core ranges.

homeware shop

Extend new 'shop-in-shop' concept with fresh new design and modern look for homeware as well as cellular and digital offerings.

authority in cellular and digital

Develop cellular and digital range into a more credible offering and improve the range, service and marketing.

on-line

A new on-line platform will assist to deliver a new offer to customers. New opportunities and a range of product will rollout over 2009.

retail: selling and real estate

quick overview:

- Growth in trading space;
- number of new stores slowed but growth remains strategically relevant;
- modernisations ongoing; and
- operational excellence a key focus in stores.

Woolworths real estate and format strategy is driven by **customer convenience** which ensures that the right product is available at the correct location for Woolworths customers. Ongoing analysis of customer data provides valuable insight for real estate development and effective store cataloguing.

During the year, **trading space** grew by 7.3%. Woolworths opened 42 stores, bringing the total number of stores to 385 in 2008.

10 **full-line** stores were opened over the last year in key retail developments, supporting a cross-shop between clothing, food, beauty and general merchandise all located in one store. One clothing and general merchandise store was opened during the year.

17 new **food stand-alone** stores were located in suburbs, providing a convenient food shopping experience for local customers. 14 Woolworhts Food Stops were opened on Engen forecourts, further supporting a convenience offer for Woolworths customers.

Return on **investment** from new store openings, specifically the food stand-alones, has met expectations. Despite exceeding the required hurdle rate, there are a couple of smaller food stand-alone stores which are under-performing and lessons learned from these stores are applied to new store developments.

11 stores were **modernised** during 2008 to give customers the contemporary experience of a world-class retailer.

Improving **service** in stores has been a priority over the last year by setting clear standards, measuring performance and rewarding star performers. Assisted self-selection continues to be the guiding principle of in-store service which is differentiated through specialist services in key areas such as WCollection, Country Road, Connect and beauty.

Driving **operational excellence** by maximising the use of existing in-store resources continued to be an important focus. Driving better staff productivity levels, optimising the utilisation of space, reducing expenses and improving in-store discipline contributed to operational excellence over the last year.

Woolworths continues to support 157 **franchise** operations in South Africa, in selected African countries and in the Middle East.

2009 focus

upgrade and modernisation

Continue to increase trading space in relevant locations and upgrade and modernise selected stores.

new stores

Rollout 28 new corporate stores (nine full-line and 19 food stand-alone) and 12 new franchise stores, including 10 Woolworths Food Stops. Focus on fewer food stand-alones but bigger format stores.

training and development

Implement a structured training programme in a phased approach with clear career paths for store employees.

financial services

New account **growth** in Woolworths Financial services slowed. With the combined impact of the tougher controls introduced by the National Credit Act (NCA) and the high interest rates, this marginal growth in customers was countered by a decline in credit usage. The resultant flat book growth was the clearest signal of the tough consumer environment.

Bad debts rose sharply in the first six months of the year and collections' capacity were doubled from the beginning of the second quarter to arrest the situation. By the end of the year, there were early signs that the bad debt situation had stabilised.

Non-interest revenue increased 35.5% from R172m to R233m. Collection fees, introduced in February 2008, made a significant contribution and card balance protection penetration increased through the year.

The **Woolworths card** revenue was flat for the period with fewer customers and lower card usage – only 27.2% of retail sales were made on the Woolworths card. Despite the slow growth and the deteriorating bad debt, the Woolworths card, accounting for more than two-thirds of the financial services revenue, continues to remain profitable.

Personal loans revenue was flat but higher bad debts impacted the profitability of this book.

Significant escalations in bad debt in the **Visa** book, up to 10.9% from 6.8% in the previous year, shifted the focus from customer acquisition and growth to managing debt.

The announcement, in April, that **Absa** had acquired 50% plus one share of the Woolworths Financial services business, marked the culmination of a thorough process to secure a partner for this business who would bring financial services expertise to the management of this significant asset. The deal is expected to be finalised during the course of the year.

2009 focus

deal

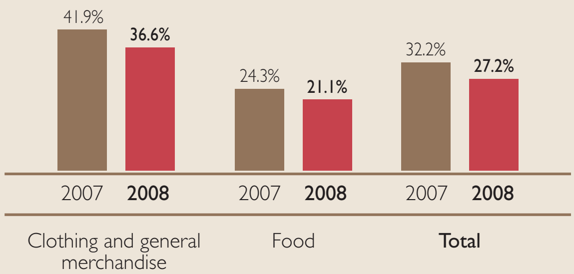
Finalise deal and maximise available Absa experience and expertise and leverage the Barclaycard brand.

debts

Drive bad debt down.

derive value

Analytical focus to drive additional value out of existing books.



% of sales spent on Woolworths cards

quick overview:

- Growth in customers and books slowed;
- collections improved towards the end of the period;
- conclusion of deal with Absa; and
- product opportunities for Woolies customers with Absa joint venture.

support services: IT

Zyda Rylands
Chief operating officer: Support services

quick overview:

- Modernised stock management systems;
- customer relationship management (CRM) systems improving understanding of customer; and
- introduction of world-class IT governance and control framework.

New IT systems, successfully implemented by September 2007, have modernised the stock management processes and controls' infrastructure as well as introduced modern replenishment planning and execution.

The infrastructure is now firmly embedded in the business and the envisaged **benefits** are becoming evident – efficiencies have improved and various initiatives have been launched to ensure these opportunities are maximised, specifically in merchandise planning and stock control.

The stock management system in food has still not delivered the benefit of improved **availability** and we are in the process of driving further initiatives to improve this.

With the customer clearly positioned at the centre of the retail model, the implementation of **customer relationship management** (CRM) systems was a high priority and we made significant progress in our ability to analyse customer data including lifestyle data, demographics and shopping habits.

Where appropriate, the IT infrastructure is **outsourced** to carefully selected service providers. During the year, various changes were made to the telecommunications and processing facilities, the outsourcing of the data wide area network (WAN) was concluded, and a new service provider was appointed to manage mainframe infrastructure and disaster recovery facilities.

Good progress has been made in improving IT **governance and controls** maturity in line with the COBIT (Control Objectives for Information and Information-related Technology) framework and current maturity levels compare very favourably with international industry leaders.

2009 focus

benefits
Drive further benefits from the new stock management systems infrastructure with a specific focus on improving availability and reducing waste.

customer
Strengthen analytical capability of customer data.

communication
Support more direct targeted communication with customers using electronic media, improving interaction and reducing paper usage in line with the Good business journey.

support services: operations

quick overview:

- Central distribution model drives efficiencies;
- increased volumes managed through improved capacity;
- efficiency savings offset by increased fuel costs; and
- import warehouse modernised.

A **central distribution model** supports Woolworths ongoing growth and simplifies distribution for suppliers and stores. The model and infrastructure support the movement of a wide range of products from increasingly different sources around the world and delivery to a variety of store formats. Strict quality control is applied from source to customer and maintains the integrity of the product and underpins the core values of the Woolworths brand.

Total **distribution units** have grown over the last four years and additional facilities such as the award-winning Midrand distribution centre have come on stream to accommodate additional volumes. The long-term sustainable benefits continue to be maximised (see the Good business journey report for further detail).

Cost-effective availability is at the core of the distribution model. Labour and transport productivity gains have been realised due mainly to the location and design of the Midrand distribution centre. These efficiencies have, however, been largely off-set by the recent increases in the cost of fuel.

Consistent with trends in the retail sector, we refined our sourcing strategy and we continue to import increasingly more clothing product through the **import warehouse** in Cape Town. While this provides opportunity to be price competitive, it does require additional infrastructure. Woolworths is increasing capacity and modernising systems to accommodate the increase in volumes.

2009 focus

capacity

Improve the capacity to manage the increasing volumes of imported product.

availability

Support profitable availability of all product.

	2004	2005	2006	2007	2008
Food: Total distribution units in food including franchise (millions)	38.2	44.1	54.2	64.5	**70.3**
Clothing and home: Total distribution units in clothing and general merchandise including franchise (millions)	4.2	4.7	5.4	6.0	**6.3**

Woolworths supply chain volumes

people

Woolworths strives to be an aspirational place to work and attracts **passionate and committed retailers**. Prospective and current employees are attracted and retained by the value-based culture which forms the bedrock of the business.

The Woolworths **values** are consistently reiterated throughout the business, ensuring that all employees' behaviour and decisions are guided by shared values.

The last year has been characterised by **rapid change** as the business drives efficiencies, creating an organisation fit-for-purpose and structured for sustainable growth. There have been significant changes in the organisational structure including the senior executive re-structure as well as in the management teams across the business and within many of the divisions.

Woolworths has also brought in experienced retail professionals, local and international, to complement our significant internal **talent**. This offers significant opportunity to transfer skills as well as the added advantage of infusing new perspectives and energy into the business. Through succession processes some internal senior level appointments have also been made, which complement the fresh new thinking brought into Woolworths.

Rapid change requires a solid **strategy** underpinned by the necessary systems and management. The framework for the delivery of strategy focuses on:

- clarity of purpose and direction;
- structures and roles with clear lines of accountability;
- a dynamic culture and change leadership;
- active engagement of people;
- streamlining processes, systems and people; and
- a clearly defined measurement and reward approach.

Progress has been made in redesigning and streamlining the **organisational systems** and processes. These new systems and processes provide an organisational framework that supports the effective execution of strategy, delivering the strategy with discipline and consistency. As an example, the clothing merchandise cycle has been re-engineered to instil a more disciplined approach to the buying and planning processes, gearing the business for sustainable growth.

The Beehive survey is conducted annually to measure perceptions of **organisational development** towards a modern culture. A sample of 2 602 employees completed the survey in 2008. The results have consistently improved from the initial survey in 2004, and showed an increase of 217% over three years. As expected, the 2008 results show a decline of a few percentage points due to rapid organisational change and new talent. Issues raised in the survey are being actively addressed to ensure continuous improvement of the score.

Woolworths **New Long-term Incentive Scheme** was implemented. This share scheme is designed to reward senior employees. This is a long-term incentive and retention tool which takes future performance of the business into account. It also supports good financial performance and long-term growth for Woolworths. Grants and/or offers were made to eligible employees in April 2008.

Woolworths offers a compelling **employment proposition**. Significant opportunities exist for training and development in a modern, exciting and vibrant retail environment. This continued to be a focus in 2008.

STEP

The Selling Team Employment Proposition (STEP) programme meets the need to develop passionate and committed retailers to address operational demands. It provides opportunities for career development and promotes Woolworths as a favoured retail choice among prospective employees. Woolworths is introducing STEP in a phased approach to maximise the benefits for employees and to deliver improved employee satisfaction and customer service. A clear definition of roles, performance standards and the reward system to support this was designed and implemented. Line managers are trained to coach and further develop in-store staff competencies.

TCoE

The total cost of employment (TCoE) remuneration approach was successfully implemented in September 2007 and is achieving the set objectives, including internal equity and market comparability.

employee engagement

Woolworths continues to drive a strong belief in the importance and relevance of long-term, direct relationships with staff, whilst supporting the right of staff to belong to any external organisation of their choice. In engagement with the South African Clothing and Textile Workers Union, Woolworths has consistently indicated that the business will

quick overview:

- Ongoing focus on constructive direct engagement with all employees;
- structural changes to create a fit-for-purpose organisation;
- focus on recruitment and management of talent; and
- clear strategic intent driving all operational plans.

Woolworths sales assistants Siphokazi Frans and Siphokazi Ntakana engage appropriately with the union if they show sufficient representivity. Currently union membership within Woolworths is measured at less than 15%.

Further detail of Woolworths people structure and our commitment to growing and nurturing talent is found in the separate **Good business journey** report.

2009 focus

organisational development

Embed the systems, processes and values into the business and concentrate on continuous improvement.

training and development

Establish the Woolworths learning academy to develop the skills required to execute the strategy and build technical, functional and leadership skills.

employment proposition

Woolworths will implement a new total employment value proposition. This includes short-term and long-term retention and incentive schemes and a comprehensive retention strategy.

	Male			Female			White		Foreign nationals		
Occupational levels	A	C	I	A	C	I	Male	Female	Male	Female	Total
Top management	0	0	0	0	1	0	2	0	1	0	4
Senior management	3	14	11	4	6	6	59	45	12	6	166
Professionally qualified and experienced specialists and mid-management	52	134	44	55	173	48	250	300	18	12	1 086
Skilled technical and academically qualified workers, junior management supervisors, foremen and superintendents	350	339	68	450	543	96	234	267	6	10	2 363
Semi-skilled and discretionary decision-making	2 372	923	125	6 275	2 581	344	174	269	8	19	13 090
Unskilled and defined decision-making	604	213	29	683	259	20	16	12	1	1	1 838
Total permanent	**3 381**	**1 623**	**277**	**7 467**	**3 563**	**514**	**735**	**893**	**46**	**48**	**18 547**
Non-permanent employees	3	3	0	10	5	0	0	0	0	0	21
Grand total	**3 384**	**1 626**	**277**	**7 477**	**3 568**	**514**	**735**	**893**	**46**	**48**	**18 568**
Employees with disabilities	**16**	**8**	**3**	**25**	**15**	**1**	**5**	**10**	**0**	**0**	**83**

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

Woolworths employment equity profile as at 30 June 2008 by occupational levels

country road

Ian Moir
Chief executive officer

quick overview:

- Strong growth in sales and operating profit;
- new stores and concessions opened;
- significant capital expansion programme; and
- opened in Woolworths in South Africa.

Country Road delivered a second consecutive year of strong growth in sales and operating profit. The repositioning of the brand continued, with improved fashionability at great value and without compromising quality.

Existing customers continued to respond strongly to the new ranges and new customers were attracted to the brand.

year in review

Sales grew strongly in 2008, significantly outperforming the market average in the clothing sector as published by the Australian Bureau of Statistics. Total sales were 22.2% up while stand-alone retail stores were 14.2% up on last year. Total sales growth benefited from the replacement of wholesale sales with retail sales in our concession outlets within department stores, Myer and David Jones, during the first half of 2008.

Country Road opened five new stores and upgraded four stores in the first half of 2008. In the concession outlets, 22 new outlets in David Jones and 10 in Myer were opened as new opportunities arose.

Country Road's cash flow is strong and inventories are the cleanest they have been. Country Road funded a significant capital expansion programme and returns to shareholders from operating cash flow during the year. The strong financial position of the business enabled Country Road to renegotiate financing arrangements on an unsecured basis – the composition of facilities was negotiated and included reduced borrowing costs.

2009 focus

market share

Continue to improve market share, driving competitiveness and delivering outstanding value to customers.

growth

Further invest in existing stores in Australasia and introduce new stores – five new stores will be opened in 2008-2009 and selected existing stores will be expanded. Expand in the South African market.

financial performance

Tightly manage overhead costs, improve efficiency of operations and maintain the quality of inventories to maximise opportunities and minimise risks.

corporate governance

Cherrie Lowe
Group secretary

commitment statement

The group subscribes to the highest level of corporate governance and is committed to the establishment and maintenance of effective structures, policies and practices that improve corporate governance and create sustainable value for our shareholders and other stakeholders.

To support the board and management in embedding governance principles and practices throughout the group, there is a corporate governance department which has a team with skills in specialist areas including risk management, internal audit, legal and company secretarial.

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

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

corporate governance

There is an ongoing process to review and improve our corporate governance practices, by benchmarking against local and international best practice. New practices are implemented with an added view of enhancing value and improving business practice.

During the year our corporate governance practices were improved by:

- Implementation of a formal measurement system to enable the board to assess the group's progress in achieving its Good business journey targets;
- an independent external assessment of our information technology governance processes against a best practice framework, the outcomes of which will be used to enhance our current processes;
- implementing a new conflicts of interest policy;
- implementing a formal process for complaints relating to accounting and/or internal audit matters in terms of the requirements of the Corporate Laws Amendment Act, (No. 24 of 2006); and
- establishing a Woolworths employee share ownership trust, to oversee the interests of the beneficiaries of our employee share ownership scheme.

We are pleased that the group's commitment to governance has been recognised externally as follows:

- We were winner of the "International responsible retailer of the year" at the World Retail Congress in Barcelona, Spain, which was judged by the world's most respected retailers and industry experts;
- we were listed in the medium impact category of the JSE's Social Responsibility Index;
- we achieved an "Excellent" rating in the Ernst & Young survey of annual reports of the top 100 companies for the fourth successive year; and
- we achieved 14th position in the Financial Mail's 2008 Top Companies survey.

board of directors

board structure and responsibilities

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

A number of board committees assist the board in fulfilling its stated objectives. The role and responsibilities of each committee are set out in formal terms of reference, which are reviewed annually to ensure that they remain relevant.

unitary board

Buddy Hawton	Chairman of board and Chairman of remuneration and nominations committees
Peter Bacon	
Nigel Colne	
Brian Frost	Chairman of sustainability committee
Mike Leeming	Chairman of risk and audit committees
Chris Nissen	Chairman of transformation committee
Sindi Zilwa	
Simon Susman	Chief executive officer
Andrew Jennings	Managing director: Retail
Zyda Rylands	Chief operating officer: Support services
Norman Thomson	Director: Finance

committees

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

audit
Ensure financial reports are objective, complete and accurate.

Ensure there is an effective system of internal control.

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

transformation
Ensure plans are in place to achieve transformation objectives.

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

remuneration
Establish formal and transparent policies for executive remuneration.

board responsibilities

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

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

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

chairman and chief executive officer

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

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

corporate governance continued

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

board effectiveness

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

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

A formal board effectiveness evaluation is performed every two years and the last assessment was completed in 2007. The Chairman has continued to ensure that agreed actions from the previous assessment have been implemented, to improve the board's effectiveness.

directors

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

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

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

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

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

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

board meetings

The board meets at least four times a year. Additional meetings are held whenever deemed necessary. Further meetings were held in November and May and were devoted to strategic planning. In addition, regular teleconference meetings were held. Board meetings are scheduled well in advance and management ensures that board members are provided with all the relevant information and facts to enable the board to reach objective and well informed decisions. Board documentation is provided timeously to directors. The details of individual attendance at board and committee meetings are set out on pages 57 and 58.

group secretary

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

The Group secretary plays a significant role in the following:

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

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

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

board committees

The effectiveness of the board committees is formally assessed every two years and the last assessment was completed in 2007. The Chairman of each of the committees was responsible for implementing the agreed actions to improve the committees' effectiveness. Progress in this regard is reported to the nominations committee and the board.

The board committees have unreserved access to company information, any resources required to fulfil their responsibilities and are able to obtain professional advice, at the expense of the group, where necessary.

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

risk committee

The board is responsible for the risk management process and is assisted in its responsibilities by the risk committee.

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

The main responsibilities of the committee include:

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

The risk committee meets on a quarterly basis and details of individual attendance at these meetings are set out on page 58. The external auditors attend the risk committee meetings and the Chairman of the board attended the meetings in February and August following the group's half-year and year-end. On a quarterly basis, the Chairman of the risk committee reports progress on the key risk issues to the board.

The risk committee is of the opinion that, for the year under review, the risk management process was effective in identifying and evaluating the key risks and ensuring that these risks were managed in line with the defined risk appetite. This opinion takes cognisance of the fact that the group operates in a dynamic business environment and, as such, at any point in time there are new risk issues which require attention.

risk management

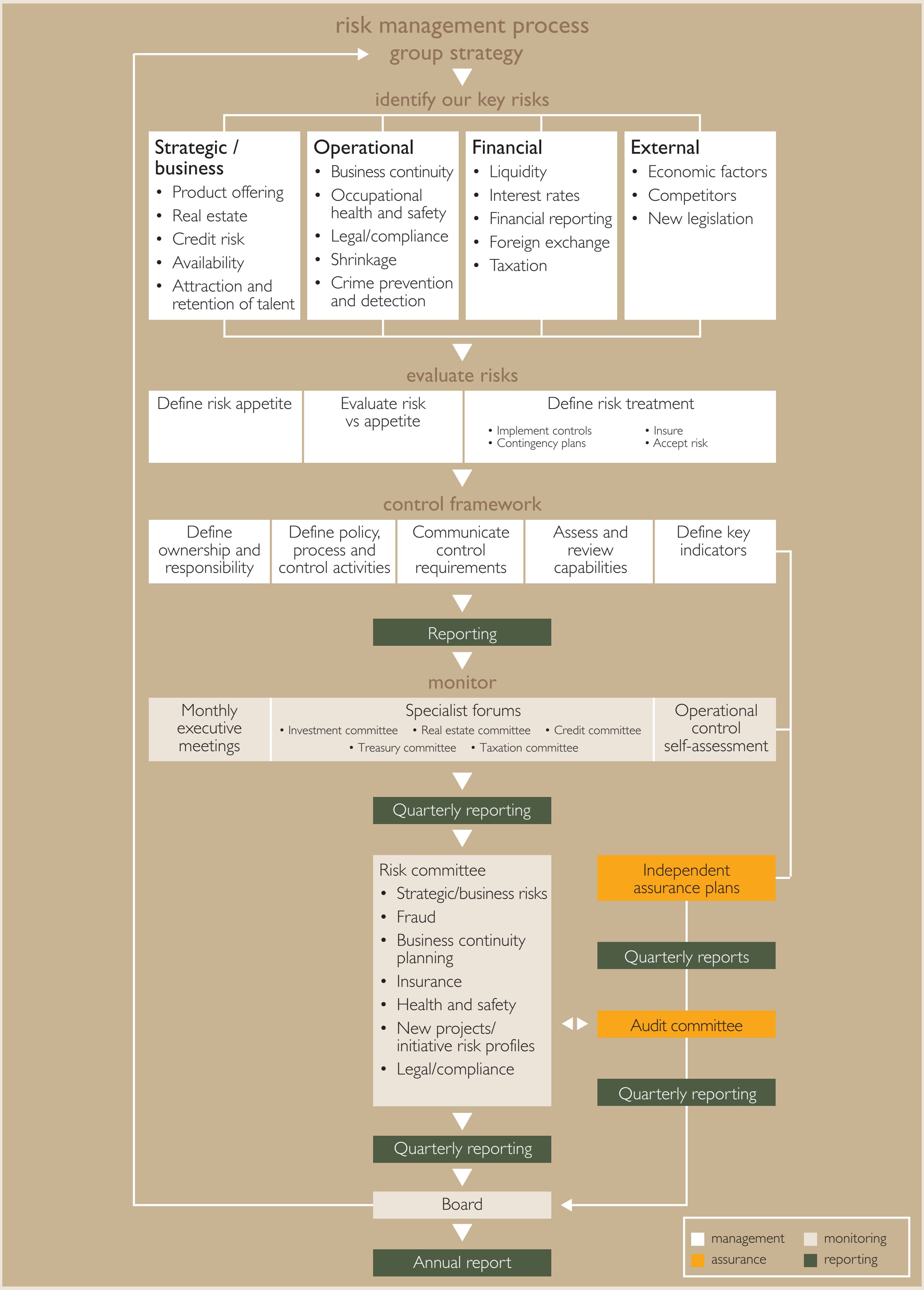
The board regards risk management as a key business discipline which:

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

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

The risk management process set out below is dynamic and is designed to ensure that management:

- Identifies emerging risks and updates the key risk profile on a regular basis;
- appropriately prioritises the key risks based on their inherent impact and likelihood of occurrence;
- continuously improves the control framework in place to manage the key risks in line with the board's risk appetite;
- monitors the ongoing risk exposure by reviewing objective metrics, performing control self-assessments and reviewing the reports of independent assurance providers; and
- responds timeously to any significant changes in risk exposure.


risk management process
group strategy
identify our key risks
Strategic / business
• Product offering
• Real estate
• Credit risk
• Availability
• Attraction and retention of talent
Operational
• Business continuity
• Occupational health and safety
• Legal/compliance
• Shrinkage
• Crime prevention and detection
Financial
• Liquidity
• Interest rates
• Financial reporting
• Foreign exchange
• Taxation
External
• Economic factors
• Competitors
• New legislation
evaluate risks
Define risk appetite
Evaluate risk vs appetite
Define risk treatment
• Implement controls
• Contingency plans
• Insure
• Accept risk
control framework
Define ownership and responsibility
Define policy, process and control activities
Communicate control requirements
Assess and review capabilities
Define key indicators
Reporting
monitor
Monthly executive meetings
Specialist forums
• Investment committee
• Real estate committee
• Credit committee
• Treasury committee
• Taxation committee
Operational control self-assessment
Quarterly reporting
Risk committee
• Strategic/business risks
• Fraud
• Business continuity planning
• Insurance
• Health and safety
• New projects/ initiative risk profiles
• Legal/compliance
Independent assurance plans
Quarterly reports
Audit committee
Quarterly reporting
Quarterly reporting
Board
Annual report
management
monitoring
assurance
reporting

The key inherent risk profile sets out the top risks for the group and includes strategic, business, financial and external risks. This risk profile is reviewed and updated by the executive directors throughout the year and is formally revised on an annual basis. The status of the key risks and the management thereof is reported to and discussed at the risk committee on a quarterly basis.

An operational risk report setting out progress in business continuity, occupational health and safety, crime prevention and detection and providing an update on legal compliance is also reported to the risk committee quarterly.

Risk management has become a standard business discipline and is applied consistently throughout the group. The risk management process is integrated with strategic and business planning and is embedded through the management reporting and performance management system.

In the current challenging retail trading conditions within South Africa, the board has recognised the importance of an effective risk management process. During the year there has been a focus on continuing to improve the risk management process, specifically for the key inherent risks. This has resulted in:

- A review to ensure that appropriate measurements and targets are in place for each of the key risks;
- an improvement in risk management reporting to ensure that detailed action plans and deadlines are set out for each key risk. In addition, the divisional directors are required to attend and present their action plans at the risk committee meeting; and
- a review of the talent in place to manage certain of our key risk areas. This has resulted in the appointment of new talent into certain key positions.

our key inherent risks

The current retail trading environment in South Africa is very challenging, given the impact of higher interest rates and the increases in food and fuel prices on consumers. There has been an ongoing deterioration in consumer spending, with the middle and upper income customers being hard hit as household debt burdens have increased materially.

Within the context of the tough trading environment, we have set out our key business risks below.

Ensure the correct product offering: To ensure we develop and maintain life-long relationships with our customers, it is important that we provide the right quality merchandise at the right locations to meet their requirements.

To gain a better understanding of our customer requirements we have used our customer data to develop a customer lifestyle segmentation model. This enables us to purchase a range of merchandise which meets our customers' requirements and to appropriately catalogue each store based on the customer profile. Within our clothing business we are now able to design and buy a range which meets the requirements of our classic, modern and contemporary customers across each of the three price tiers of good, better and best. The differentiated ranges have been accompanied by a different layout in our stores, which clearly reflect the different lifestyles of our customers.

Ensure the correct pricing strategy: In the current trading environment we need to provide product at the right value for our customers. In the first six months of the financial year, our pricing was not at the required level and plans have been implemented to sharpen our pricing and change our customers' perception of our value. Within the clothing business, we have lowered our opening price points and have implemented a "great value" pricing position on 25 key lines. This is being supported by clear messaging and ticketing within our stores. For our food business we have implemented 64 "great value" everyday lines where our commitment is that our prices will be in line with our competitors. Our pricing in these areas is independently checked every week so we can ensure we deliver to this commitment. There has also been a focus on increasing sales volumes through promotions with our "this week save" campaigns. The benefit of our sharper prices, supported by our store ticketing, has already been seen through increased sales and positive customer feedback.

Food availability: To attract and retain our customers we need to be able to provide consistent availability of products within our food market. In meeting these availability expectations we need to be able to achieve our food waste targets, as high waste can significantly reduce our gross margins.

There is a significant focus on improving our availability by reviewing our ranges and catalogues for each of our stores, based on the customer profile. In addition, we are reviewing our food planning process to ensure we can appropriately leverage from the new systems which we have invested in.

Credit risk: The implementation of the National Credit Act (NCA), combined with the higher interest rates and food prices, significantly affected the credit environment in the past financial year. This resulted in an increase in our bad debts, albeit our bad debts on the store card are reasonably low compared to our competitors.

The higher bad debts in the first six months were a concern and a number of actions were implemented which stabilised our bad debts in the second half of the year. These actions included increasing the capacity in our debt collections area and reducing the minimum repayment percentage on our Visa card, in line with the standard industry percentages.

The acquisition by Absa of 50% plus one ordinary share of Woolworths Financial services should be concluded during the course of the year. The effect of this acquisition will be to significantly reduce the exposure of Woolworths to credit risk going forward.

corporate governance continued

Expense management: To deliver the required profitability, expenses need to be tightly controlled to ensure that they increase at a lower rate than sales.

In the first half of the financial year, expenses were too high relative to sales, but in the second half appropriate actions were implemented to restrict expense growth in the South African retail business to below sales. Going forward, appropriate plans have been implemented to control expenses, including a greater focus on employee scheduling and productivity in our stores.

Real estate: The opening of new stores is an important element of the strategy to deliver future growth, however, in the current trading environment there is a higher risk that more marginal stores will not deliver the required profitability.

As a result, there has been a focus on reviewing the real estate plan with a view to opening fewer but larger format, more profitable stores.

Attraction, development and retention of talent: To enable the business to deliver on its strategy, it is important to have the right skills and experience in place, in the right roles. Given this, the executive has undergone a process of reviewing the talent and skills base. This has resulted in the appointment of new senior talent in buying for general merchandise and planning for clothing, general merchandise and food.

There has also been a focus on upskilling with a new merchant academy for buying and planning.

our operational risks

business continuity planning

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

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

For each of the above events there are appropriate preventative measures in place. In addition, there are continuity plans which are embedded within the operations and these are reviewed, assessed and updated on an ongoing basis.

occupational health and safety

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

The health and safety standards throughout our business and supply chain are designed to prevent any health and safety related issues. However, in all likelihood, incidents occur so there are processes in place to deal with these issues as they arise. These include a recall process to remove and, where required, destroy products from our stores and distribution centres. There is also a well-defined process for publicly recalling products.

legal compliance

Regulatory and legal compliance is an important area due to the frequent amendments to the regulatory framework. We have a dedicated legal compliance officer and have implemented and embedded an appropriate, best practice compliance framework within our financial services business.

The compliance framework is being applied to our other business areas. During the year we ensured that appropriate processes were in place to comply with the Corporate Laws Amendment Act, (No. 24 of 2006). We have also been reviewing and assessing the impact of the planned new corporate law reform and the Consumer Protection Bill.

crime prevention and detection

We remain committed to the implementation of effective processes to reduce the levels of crime throughout the business, including shrinkage, burglary, armed robbery, fraud, theft and corruption.

Armed robbery remains a significant risk, particularly in our food stand-alone stores, and represents a real risk to our employee and customer safety. To address this, our aim is to reduce the amount of cash available in our stores, whilst reducing the time available for robberies before the authorities are called. This is achieved through the installation of improved CCTV, offsite independent monitoring of cameras and the installation of cash office alarms. All store managers are required to attend formal armed robbery survival training and where required, a comprehensive trauma counselling process is available for employees and customers.

With respect to fraud and corruption, we have continued to build on our existing processes, which include a rewards-based independent and confidential tip-off service.

information technology governance

Information technology (IT) governance is an increasingly important area, given the dependence of the business on its systems. During the year, a formal assessment of our IT governance processes was performed by an external consulting company and our processes were benchmarked to COBIT (Control Objectives for Information and Information-related Technology), an independent best practice control framework.

The assessment highlighted that our processes were mature when compared to the norm for international retailers, however, areas for improvement were identified and detailed plans have been agreed to achieve the IT governance targets which were set.

insurance

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

audit committee

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

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

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

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

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

During the year, the audit committee implemented a formal complaints policy in line with the requirements of the Corporate Laws Amendment Act, (No. 24 of 2006). This policy is available on our investor relations website. In addition, in terms of the requirements of the Act:

- the board formally constituted the audit committee for the next financial year; and
- the audit committee assumed responsibility for all the South African subsidiary companies within the group.

The committee met a total of four times during the year. The details of individual attendance at the audit committee meetings are set out on page 58. The Chairman of the audit committee attends the annual general meetings.

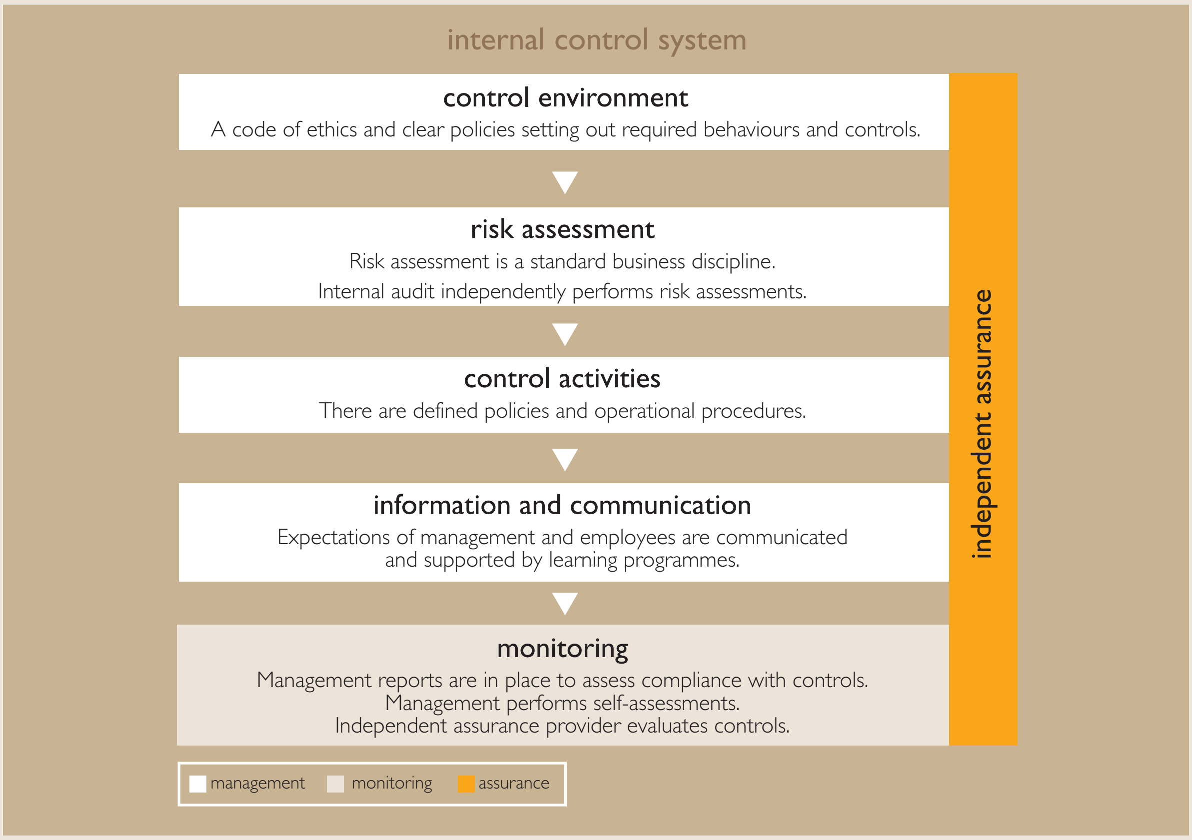
internal control

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

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

corporate governance continued

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



Management is focused on continuous improvements to the system of internal control. The implementation of the Oracle financial system over the next financial year will provide a good opportunity to improve the end-to-end financial controls and processes within the group.

independent assurance providers

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

internal audit

Internal audit provides independent assurance on the adequacy and effectiveness of the system of internal control in place to manage the significant risks down to an acceptable level.

Internal audit also engages proactively with management to drive meaningful and sustainable improvements in the control environment. This is achieved by using specialist risk and control knowledge to provide practical recommendations to improve the design of and compliance with key controls.

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

- increasing its use of business intelligence and data interrogation to drive the audit work and ensure audit remains focused on the key risk areas; and
- extending the secondment programme from the business to internal audit. This ensures that internal audit's specialist risk and control knowledge is complemented with in-depth business experience, thereby ensuring that the reviews focus on the key process risks and that the control recommendations are practical and sustainable.

An internal audit coverage plan is reviewed and approved by the audit committee in May each year, and is revised quarterly to ensure that it remains relevant to the key business priorities and changing risk environment.

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

Internal audit retains its objectivity and independence by reporting functionally to the audit committee and administratively to the Group secretary.

external audit

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

External audit regularly liaises with internal audit to understand the scope of their work and the results of their audits. It should be noted that any control work performed by external audit is limited to the work necessary to support their audit opinion.

external auditor independence policy

External audit is a key component of the independent assurance framework and therefore the audit committee needs to ensure that external audit is independent and objective. To govern this, the board has adopted an external auditor independence policy. This policy defines the prohibited and allowable non-audit services which the external auditors can perform and restrict the value of allowable non-audit services to 20% of the annual external audit fee. This policy has been updated to reflect the requirements of the Corporate Laws Amendment Act, (No. 24 of 2006), which requires that the audit committee pre-approve any proposed contract with the auditor for the provision of non-audit services to the company. The terms of this policy also comply with the minimum requirements as set out in the Auditing Profession Act, (No. 26 of 2005), and the requirements of the Code of Professional Conduct of the Independent Regulatory Board for Auditors, and in a number of cases are more restrictive.

In terms of the policy, the external audit partner from SAB&T Inc completed his fifth year on the group audit and as such a new partner has been appointed for the next financial year.

other independent assurance

Specialist assurance providers are used to assess the adequacy and effectiveness of controls in certain instances, including audits on product health, safety and hygiene at our stores and suppliers.

control opinion

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

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

nominations committee

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

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

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

The nominations committee consists of four independent non-executive directors, including the Chairman of the board who chairs this committee. The Chief executive officer attends the meetings by invitation. The Chief operating officer: Support services attends the meetings when necessary.

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

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

The details of individual attendance at the nominations committee meetings are set out on page 58.

transformation committee

The group is committed to the spirit and principles of broad-based black economic empowerment (BEE). Given the importance of BEE, there is a transformation committee which assists the board in ensuring there are appropriate strategies, policies and processes in place to progress transformation.

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

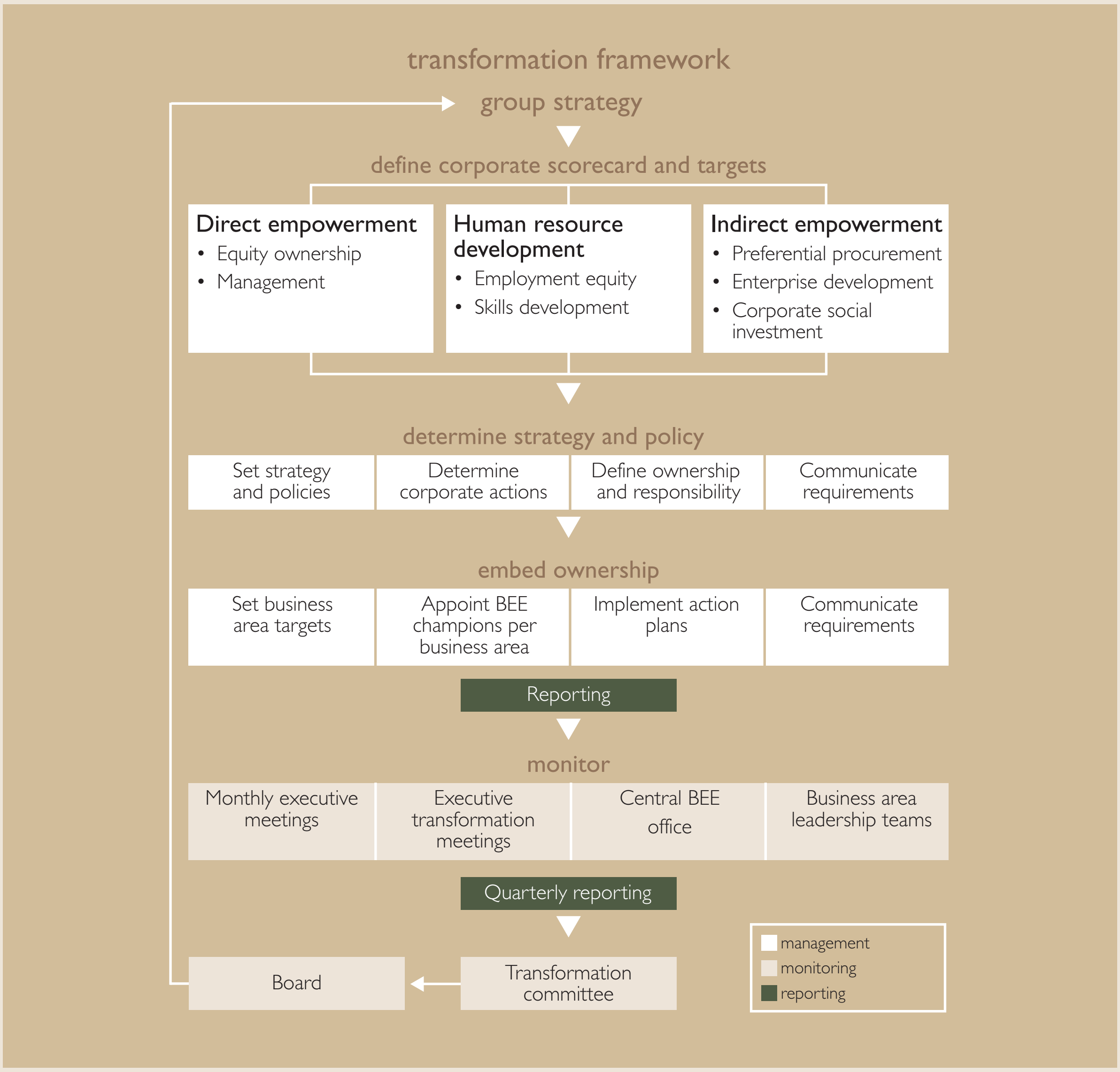
- Reviewing and approving targets for each element of the BEE scorecard; and
- monitoring and assessing the policies and plans in place to achieve the targets and assessing the effectiveness thereof.

The details of individual attendance at the transformation committee meetings are set out on page 58.

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

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

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



sustainability committee

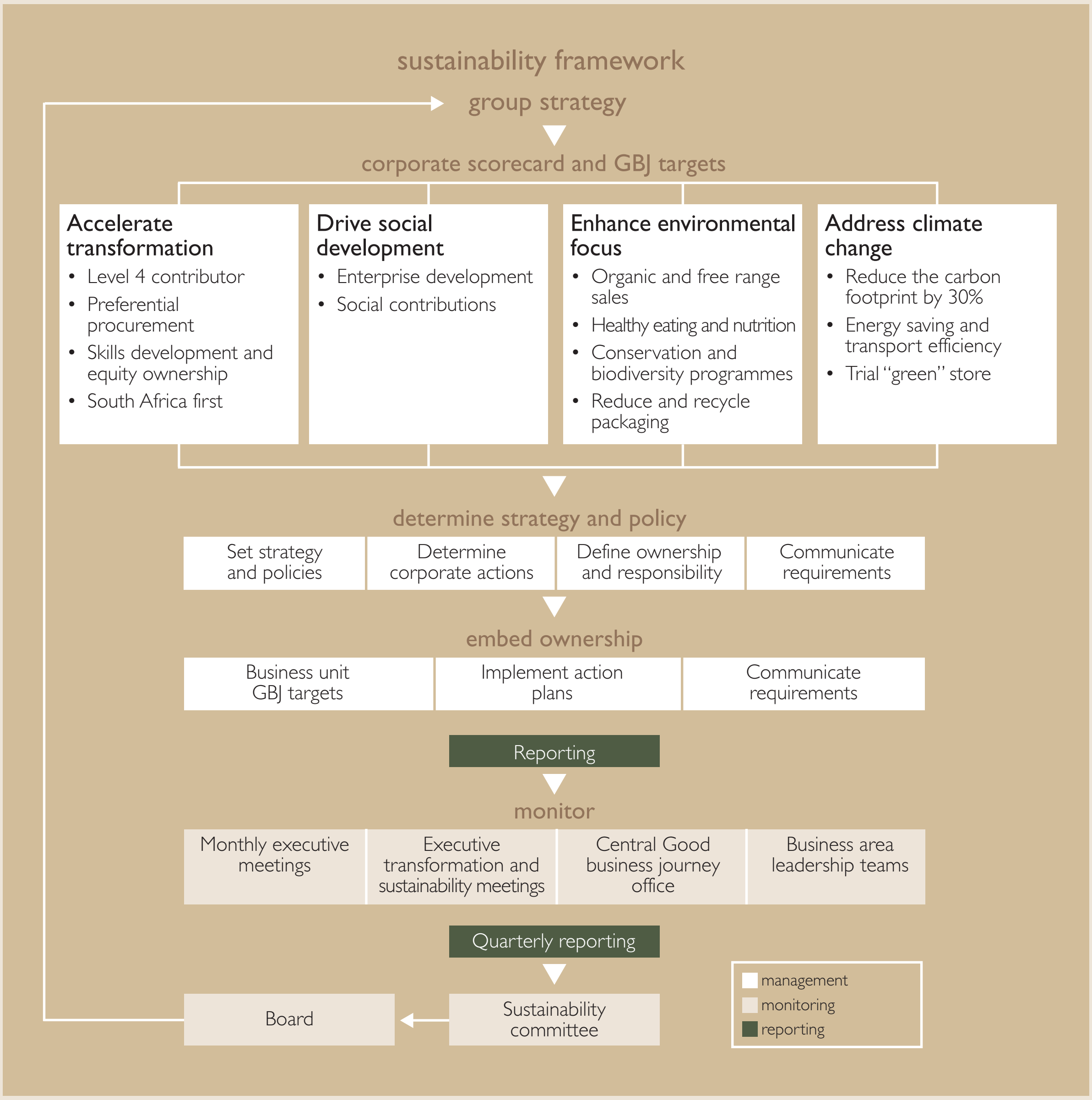
The sustainability committee consists of two non-executive directors, including the Chairman Brian Frost and two executive directors, the Chief executive officer and the Chief operating officer: Support services.

The sustainability committee is there to ensure the group achieves the targets set out in Woolworths Good business journey index, including its targets for social development, environmental issues, governance and climate change.

The main objectives include:

- Reviewing and approving the Good business journey strategy;
- reviewing the policies and plans in place to achieve the Good business journey targets;
- reviewing performance against targets at a company, issue and business unit level; and
- reviewing the risks associated with the Good business journey.

A detailed review of the Good business journey, including progress against targets, can be found in the separate annual Good business journey report.



remuneration committee

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

The main responsibilities include:

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

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

The Chief executive officer does not participate in any discussion or decision related to his own remuneration.

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

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

The details of individual attendance at meetings are set out on page 58.

remuneration strategy

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

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

executive remuneration

The executive total remuneration package consists of the following:

total guaranteed pay

Total guaranteed pay, which includes benefits, is subject to an annual review by the remuneration committee. The targeted pay position for guaranteed total package is aimed between the median and upper quartile when benchmarked against major South African retail and non-retail companies, and is adjusted according to individual responsibility and performance.

short-term incentive scheme

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

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

In the current year, the overall target was set at a predefined level of profit before taxation and exceptional items (PBTAE).

The PBTAE target was not achieved and as a result there were no short-term incentive payments for the financial year.

long-term incentives – share schemes

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

The group operates a share purchase scheme as well as a share option scheme. In terms of the schemes, the offer shares and options are releaseable to beneficiaries on the basis of 20% becoming available on the first anniversary of the date of the offer and 20% each year thereafter. Shares have been granted to participants at the weighted average value per share determined over five trading days immediately preceding the offer date. All offers lapse after 10 years.

In addition, the company introduced the following schemes in July 2007:

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

In terms of the long-term share schemes, there are two restrictions when considering grants and/or offers, i.e.:

- The market value of grants and/or offers in any one financial year cannot exceed 250% of the individual's total guaranteed cost of employment; and
- the value of total share awards to an individual employee (as defined in the Woolworths Holdings Share Trust Deed) may not exceed 1.5% of the issued share capital of Woolworths, taking into account the repurchase and cancellation of the treasury shares and all future repurchases and cancellations.

The grants and/or offers made to the directors under the three shares schemes during the financial year are set out on page 55.

Further details on the new share schemes and the conditions of the grants and offers are set out below.

share appreciation rights scheme (SARS)

Grants of share appreciation rights (SARs) are conditional rights to receive Woolworths shares equal to the value of the difference between the share price at the time that the rights were granted and the share price when the rights are exercised.

SARs can only vest if performance conditions have been met over a specified period of not less than three years. In the event that the performance conditions have not been met these are retested in year four and, if necessary, year five. If the performance conditions have still not been met, the SARs lapse. If the SARs vest, they can be exercised at any time from the date of vesting until up to seven years from the date of grant.

The performance conditions are determined by the board after consultation with the remuneration committee. The performance conditions in respect of the 2008 grant of SARs are headline earnings per share (HEPS) growth of CPIX plus 6% over a three-year period. In the event that this growth is not achieved the performance conditions will be retested in year four against HEPS growth of CPIX plus 8%, and if necessary, in year five against CPIX plus 10%.

long-term incentive plan (LTIP)

The LTIP grants conditional share awards which vest after a three-year performance period, subject to the extent to which the performance conditions have been met.

The performance conditions are determined by the board after consultation with the remuneration committee.

The performance conditions for the 2008 awards were equally weighted between HEPS growth over the three-year period and total shareholder return (TSR) of the company relative to the TSR of a selected peer group index for the same period. This index consists of retailers from both the general retailers and food and drug sectors.

Minimum and desired TSR targets have been determined and are based on the historic performance of both Woolworths and the index. Payments are made on a linear scale in accordance with agreed targets. No retesting of the LTIP performance conditions will occur if the performance conditions are not met in the three-year performance period.

deferred bonus plan (DBP)

Participants of the DBP may utilise a portion of their annual bonus to acquire Woolworths shares. These shares, which are beneficially owned by the participants, are held by a third party in escrow. If the participants retain these shares and remain employed by the company for a three-year period, they will receive a matching award of shares at the end of the three-year period, on a one-for-one basis.

executive directors' service contracts

The executive directors' service contracts do not contain notice periods exceeding 12 months.

Andrew Jennings has a three-year service contract which includes a restraint of trade agreement, details of which are set out on page 52.

directors' fees and emoluments

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

In the current retail trading environment and given the need to tightly manage expenses, the proposed increase for non-executive director fees for 2009 has been restricted to 5%. The only exception is the fee for the United Kingdom director, where no increase is proposed.

The proposed fees for 2009, which will be tabled for shareholder approval at the forthcoming annual general meeting, are set out below together with the fees approved for 2008.

		Proposed 2009	Approved 2008
Services as directors			
Fees:			
	Chairman of the board	R651 000	R620 000
	Director (SA)	R131 250	R125 000
	Director (UK)	£32 000	£32 000
Audit committee	Chairman	R133 350	R127 000
	Member	R70 350	R67 000
Risk committee	Chairman	R94 500	R90 000
	Member	R45 150	R43 000
Remuneration committee	Chairman	R120 750	R115 000
	Member	R63 000	R60 000
Transformation committee	Chairman	R91 875	R87 500
	Member	R46 200	R44 000
Nominations committee	Chairman	R57 750	R55 000
	Member	R36 750	R35 000
Sustainability committee	Chairman	R36 750	R35 000
	Member	R17 850	R17 000

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

Emoluments to directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 30 June 2008 and comparatives for 2007 are set out below:

2008

Name	Notes	Remuneration R000's	Retirement, medical and related benefits R000's	Other benefits (2) R000's	Total guaranteed pay R000's	Performance bonus R000's	Interest-free loan benefit (3) R000's	Total annual remuneration R000's
Executive directors								
Simon Susman	(1)	3 709	703	27	4 439	0	3 682	8 121
Richard Inskip	(1) (4)	2 104	218	43	2 365	0	2 117	4 482
Andrew Jennings	(5)	3 011	311	323	3 645	0	0	3 645
Norman Thomson	(1)	2 099	201	39	2 339	0	2 151	4 490
Zyda Rylands	(6)	1 638	415	9	2 062	0	1 539	3 601
		12 561	**1 848**	**441**	**14 850**	**0**	**9 489**	**24 339**

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R000's	Risk committee member R000's	Nominations committee member R000's	Sustainability committee member R000's	Transformation committee member R000's	Other benefits R000's	Total non-executive directors' fees R000's
Non-executive directors										
Buddy Hawton		620		115		55		44	13	847
Peter Bacon	(7)	125		40	43				13	221
Mair Barnes	(8) (9)	345		20		26			0	391
Nigel Colne	(9)	472	67	60	43	35			2	679
Judy Dlamini	(10)	125							0	125
Brian Frost		125		60		35	35	44	11	310
Mike Leeming		125	127		90				9	351
Chris Nissen		125					17	88	10	240
Sindi Zilwa		125	67					44	17	253
		2 187	**261**	**295**	**176**	**151**	**52**	**220**	**75**	**3 417**

1 Remuneration includes fees paid by Country Road as follows: Simon Susman A$30 000, Norman Thomson A$30 000 and Richard Inskip A$13 750.

2 Other benefits include discounts received on purchases made in our stores and executive accommodation for Andrew Jennings.

3 The interest-free loans relate to the purchase of shares under the Woolworths Holdings Share Trust. The benefit for 2008 was calculated at 12% on the value of the outstanding loan.

4 In addition to the above and as a result of the decision to dispose of a significant portion of the financial services business, Richard Inskip relinquished his portfolio on 31 May 2008. Consequently, an amount equivalent to two years of his guaranteed pay, amounting to R5 094 000, was paid to him. In addition, in terms of the rules of the share scheme, the directors approved that his shares and share options vest at his request but by no later than 10 years from date of grant.

A restraint of trade preventing him joining any competitor for a period of 18 months after 31 May 2008 will be obtained. In return for this restraint, an amount of R541 122 will be paid and he will be entitled to retain his interest-free loan on his shares provided he does not join a competitor, but for no longer than 10 years from the date of offer of the shares.

In addition, a payment of R2 013 000 was paid to him in respect of his leading role in the negotiation with Absa. A further payment of R608 976 will be paid for his continued involvement in the negotiation. In the event of the successful completion of the transaction, a further amount of R1 250 000 will be payable. The transaction is expected to be concluded during the course of the year.

5 Andrew Jennings was appointed on 1 December 2006. After completing his initial three-year contract, he will receive an additional payment of R2 000 000. This is an additional restraint amount preventing him from joining competitors for a period of two years after the completion of his contract.

6 Zyda Rylands was appointed as Chief operating officer: Support services, effective from 16 April 2008, and her remuneration was adjusted accordingly.

7 Peter Bacon was appointed to the remuneration committee with effect from 20 November 2007.

8 Mair Barnes resigned as a non-executive director of the board on 20 February 2008.

9 Fees are paid in sterling as British residents.

10 Judy Dlamini resigned on 31 July 2008.

2007

Name	Notes	Remuneration R000's	Retirement, medical and related benefits R000's	Other benefits (2) R000's	Total guaranteed pay R000's	Performance bonus R000's	Interest-free loan benefit (3) R000's	Total annual remuneration R000's
Executive directors								
Simon Susman	(1)	3 428	667	23	4 118	3 369	2 055	9 542
Richard Inskip	(1)	2 139	221	38	2 398	1 555	1 282	5 235
Andrew Jennings	(4)	1 620	189	81	1 890	1 291	-	3 181
Norman Thomson	(1)	1 897	183	34	2 114	1 324	1 314	4 752
Zyda Rylands	(5)	1 360	282	9	1 651	1 280	877	3 808
		10 444	**1 542**	**185**	**12 171**	**8 819**	**5 528**	**26 518**

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R000's	Risk committee member R000's	Nominations committee member R000's	Sustainability committee member R000's	Transformation committee member R000's	Other benefits R000's	Total non-executive directors' fees R000's
Non-executive directors										
Buddy Hawton		500		90		10.5		39.5	16	656
Peter Bacon	(6)	88			20				5	113
Mair Barnes	(7)	422		45		10.5				477.5
Nigel Colne	(7)	422	62.5	45	40	10.5			2	582
Brian Frost	(8)	102		45	20	10.5	13	39.5	11	241
Mike Leeming		102	112		79				11	304
Chris Nissen		102					6.5	79	5	192.5
Sindi Zilwa		102	62.5					39.5	14	218
		1 840	**237**	**225**	**159**	**42**	**19.5**	**197.5**	**64**	**2 784**

1 Remuneration was re-stated to include fees from Country Road as follows: Simon Susman A$30 000, Norman Thomson A$30 000 and Richard Inskip A$15 000.

2 Other benefits include discounts received on purchases made in our stores. Andrew Jennings' benefits have been re-stated to include executive accommodation costs for the period.

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

4 Andrew Jennings was appointed on 1 December 2006. During 2007, Andrew Jennings was paid a restraint amount of R5 000 000 as part of his three-year service contract. This restraint prevents him from joining competitors for a period of two years after the completion of his contract. He would be required to repay the restraint on a pro rata basis should his contract be terminated early. After completing the initial three-year contract, he will receive an additional restraint payment of R2 000 000.

5 Zyda Rylands was appointed on 22 August 2006.

6 Peter Bacon was appointed on 22 August 2006.

7 Board fees are paid in sterling as British residents.

8 Other benefits include fees in respect of the Woolworths Trust.

directors' interest in shares

Details of directors' interests in shares of the company are disclosed in the directors' report. Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at June 2008, are set out below:

June 2008

Share purchase scheme							
	Shares held as at 30 June 2007		Shares awarded/purchased/ transferrred during the year		Shares held as at 30 June 2008		
Name and Offer date	Number	Price (R)	Number	Price (R)	Vested shares	Unvested shares	Total
Simon Susman							
May 1999	600 000	3.22	600 000[1]				
May 2000	255 958	2.70	255 958[1]				
December 2000	1 154 900	2.77	1 154 900[1]				
June 2001	6 597 610	3.03	6 597 610[1]				
August 2002	879 397	3.98	879 397[1]				
August 2003	780 039	5.16			624 028	156 011	780 039
December 2004	440 755	10.59			264 453	176 302	440 755
August 2005	412 697	11.31			165 078	247 619	412 697
September 2006	378 947	13.30			75 789	303 158	378 947
October 2006	1 094 092	13.71			218 819	875 273	1 094 092
Total	**12 594 395**		**9 487 865**		**1 348 167**	**1 758 363**	**3 106 530**
Richard Inskip							
December 1998	113 667	2.60			113 667		113 667
December 2000	585 290	2.77			585 290		585 290
March 2001	500 000	2.82			500 000		500 000
June 2001	350 000	3.03			350 000		350 000
August 2002	376 884	3.98			376 884		376 884
August 2003	314 922	5.16			251 936	62 986	314 922
December 2004	274 788	10.59			164 868	109 920	274 788
August 2005	165 782	11.31			66 312	99 470	165 782
September 2006	155 263	13.30			31 052	124 211	155 263
October 2006	510 576	13.71			102 115	408 461	510 576
Total	**3 347 172**				**2 542 124**	**805 048**	**3 347 172**
Norman Thomson							
December 1998	46 667	2.60			46 667		46 667
May 1999	166 667	3.22	50 000[1]		116 667		116 667
December 2000	236 800	2.77			236 800		236 800
March 2001	607 086	2.82	73 753[1]		533 333		533 333
June 2001	1 120 297	3.03			1 120 297		1 120 297
August 2002	329 774	3.98	329 774[1]				
August 2003	290 698	5.16			232 556	58 142	290 698
December 2004	152 597	10.59			91 557	61 040	152 597
August 2005	142 882	11.31			57 152	85 730	142 882
September 2006	130 075	13.30			26 015	104 060	130 075
October 2006	510 576	13.71			102 116	408 460	510 576
Total	**3 734 119**		**453 527**		**2 563 160**	**717 432**	**3 280 592**

June 2008

Share purchase scheme Name and Offer date	Shares held as at 30 June 2007 Number	Price (R)	Shares awarded/purchased/ transferrred during the year Number	Price (R)	Shares held as at 30 June 2008 Vested shares	Unvested shares	Total
Zyda Rylands							
February 1999	12 500	2.90			12 500		12 500
May 1999	25 000	3.22			25 000		25 000
December 2000	8 420	2.77			8 420		8 420
April 2001	20 000	3.03			20 000		20 000
August 2001	3 243	3.33	9 727[2]	10.89	12 970		12 970
August 2002	5 896	3.98	8 842[2]	10.89	14 738		14 738
August 2003	12 125	5.16			9 645	2 480	12 125
September 2003	144 408	5.76	36 102[2]	10.89	144 408	36 102	180 510
December 2004	259 573	10.59			155 739	103 834	259 573
March 2005	120 000	10.18			72 000	48 000	120 000
August 2005	277 549	11.31			111 018	166 531	277 549
September 2006	129 699	13.30			25 939	103 760	129 699
October 2006	291 758	13.71			58 351	233 407	291 758
Total	**1 310 171**		**54 671**		**670 728**	**694 114**	**1 364 842**

Notes:

[1] These shares were held in the Woolworths Holdings Share Trust as security for a loan. The loan was paid and the shares transferred to the individuals.

[2] Zyda Rylands exercised share options and converted them to shares at a price of R10.89.

Further notes:

All share options vest over a five-year period at 20% per annum except:

- the 14 May 1999 offer which vests over seven years as follows: 20% vests after year two, 10% vests after year three, four and five respectively and 25% vests in years six and seven respectively.

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

June 2008

Share option scheme							
	Shares held as at 30 June 2007		Shares awarded/ transferrred during the year		Shares held as at 30 June 2008		
Name and Offer date	Number	Price (R)	Number	Price (R)	Vested shares	Unvested shares	Total
Richard Inskip							
May 1999	270 376	3.22			270 376		270 376
Total	**270 376**				**270 376**		**270 376**
Zyda Rylands							
December 1998	11 500	2.60			11 500		11 500
February 1999	17 500	2.90			17 500		17 500
May 1999	45 000	3.22			45 000		45 000
December 2000	16 840	2.77			16 840		16 840
April 2001	40 000	3.03			40 000		40 000
August 2001	9 727	3.33	9 727[1]	10.89			
August 2002	8 842	3.98	8 842[1]	10.89			
September 2003	36 102	5.76	36 102[1]	10.89			
Total	**185 511**		**54 671**		**130 840**		**130 840**
Andrew Jennings							
December 2006	1 784 652	16.81				1 784 652	1 784 652
Total	**1 784 652**					**1 784 652**	**1 784 652**
Total	**2 240 539**		**54 671**		**401 216**	**1 784 652**	**2 185 868**

Notes:
[1] Zyda Rylands exercised these share options and converted to shares at a price of R10.89.

All offers vest over a five-year period at 20% per annum except the 14 May 1999 offer which vests over seven years.

The vesting over the seven-year period is as follows: 20% vests after year two, 10% vests after year three, four and five respectively and 25% vests in years six and seven respectively.

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

June 2008

Share appreciation rights scheme (SARS), long-term incentive plan (LTIP) and deferred bonus plan (DBP)						
	Number of SARS grants made during the year		Number of LTIP grants made during the year		Number of shares purchased under the DBP by directors (direct beneficial shares)	
Name and Offer date	Number	Price (R)	Number	Price (R)	Number	Price (R)
Simon Susman						
16 April 2008	176 392	11.95	299 867	11.95	62 241	12.45
Total	**176 392**		**299 867**		**62 241**	
Andrew Jennings						
16 April 2008	142 259	11.95	142 259	11.95	40 916	12.40
Total	**142 259**		**142 259**		**40 916**	
Zyda Rylands						
16 April 2008	91 767	11.95	91 767	11.95	26 285	12.45
Total	**91 767**		**91 767**		**26 285**	
Norman Thomson						
16 April 2008	87 904	11.95	87 904	11.95	25 179	12.45
Total	**87 904**		**87 904**		**25 179**	

Note: The shares purchased by directors under the DBP are included in the disclosure of directors' interests in shares in the directors' report.

corporate governance policies

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

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

insider trading and price sensitive information

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

In terms of the insider trading policy, the Group secretary regularly disseminates written notice to all directors and senior management throughout the group, highlighting the provisions of the Securities Services Act, (No. 36 of 2006), and JSE Listings Requirements, informing them that dealing in Woolworths shares during certain restricted periods may not be undertaken.

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

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

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

ethical and moral behaviour

One of our values is integrity and the group is committed to the highest levels of professionalism and integrity in its business dealing with stakeholders. Our code of ethics sets out the standards that we expect when dealing with customers, suppliers, franchise partners, employees, competitors, community and our shareholders. In addition, the code contains guidelines with respect to gifts, travel and entertainment as well as a code of conduct for our business partners.

During the year, the board approved and implemented a conflicts of interest policy. This policy requires senior management to annually declare details of their business interests and requires them to confirm that they comply with the requirements of the policy.

investor relations

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

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

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

Country Road

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

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

sponsor

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

Schedule of attendance at meetings

attendance at board meetings

DIRECTOR	AUG 2007	NOV 2007 21st Board	NOV 2007 22nd Strategy	FEB 2008	MAY 2008 10 & 11th Strategy	MAY 2008 15th Board
Buddy Hawton C N	✓	✓	✓	✓	✓	✓
Simon Susman CEO	✓	✓	✓	✓	✓	✓
Peter Bacon N	✓	✓	✓	✓	✓	✓
Mair Barnes N	✓	✓	✓	✓	R	R
Nigel Colne N	✓	✓	✓	✓	✓	✓
Judy Dlamini N	✓	✓	✓	✓	✓	✓
Brian Frost N	✓	✓	✓	✓	✓	✓
Richard Inskip E	✓	✓	✓	✓	✓	✓
Andrew Jennings E	✓	✓	✓	✓	✓	✓
Mike Leeming N	✓	✓	✓	✓	✓	✓
Chris Nissen N	✓	✓	✓	✓	✓	✓
Zyda Rylands E	✓	✓	✓	✓	✓	✓
Norman Thomson E	✓	✓	✓	✓	✓	✓
Sindi Zilwa N	✓	✓	✓	✓	A	A

C = Chairman
CEO = Chief executive officer
N = independent non-executive director
E = executive director
A = absent due to maternity leave
R = resigned 20 February 2008

corporate governance continued

attendance at the risk committee meetings

MEMBER	AUG 2007	NOV 2007	FEB 2008	MAY 2008
Mike Leeming C N	✓	✓	✓	✓
Simon Susman CEO	✓	✓	✓	✓
Peter Bacon N	✓	✓	✓	✓
Nigel Colne N	✓	✓	✓	✓
Richard Inskip E	✓	✓	✓	✓
Andrew Jennings E	✓	✓	✓	✓
Zyda Rylands E	–	✓	✓	✓
Norman Thomson E	✓	✓	✓	✓

C = Chairman
CEO = Chief executive officer
N = independent non-executive director
E = executive director

attendance at the transformation committee meetings

MEMBER	AUG 2007	NOV 2007	FEB 2008	MAY 2008
Chris Nissen C N	✓	✓	✓	✓
Brian Frost N	✓	✓	✓	✓
Buddy Hawton CB N	✓	✓	✓	✓
Simon Susman CEO	✓	✓	✓	✓
Sindi Zilwa N	✓	A	✓	AI

C = Chairman
CB = Chairman of board
CEO = Chief executive officer
N = independent non-executive director
A = absent with apologies tendered
AI = absent due to maternity leave

attendance at the audit committee meetings

MEMBER	AUG 2007	NOV 2007	FEB 2008	MAY 2008
Mike Leeming C N	✓	✓	✓	✓
Nigel Colne N	✓	✓	✓	✓
Sindi Zilwa N	✓	A	✓	AI

C = Chairman
N = independent non-executive director
A = absent with apologies tendered
AI = absent due to maternity leave

attendance at the remuneration committee meetings

MEMBER	AUG 2007	NOV 2007	FEB 2008	MAY 2008
Buddy Hawton C N	✓	✓	✓	✓
Peter Bacon N	–	✓	✓	✓
Mair Barnes N	✓	–	–	–
Nigel Colne N	✓	✓	✓	✓
Brian Frost N	✓	✓	✓	✓

C = Chairman
N = independent non-executive director

attendance at the nominations committee meetings

MEMBER	AUG 2007	NOV 2007	FEB 2008	MAY 2008
Buddy Hawton C N	✓	✓	✓	✓
Mair Barnes N	✓	✓	✓	R
Nigel Colne N	✓	✓	✓	✓
Brian Frost N	✓	✓	✓	✓

C = Chairman
N = independent non-executive director
R = resigned 20 February 2008

attendance at the sustainability committee meetings

MEMBER	AUG 2007	NOV 2007	FEB 2008	MAY 2008
Brian Frost C N	✓	✓	✓	✓
Chris Nissen N	✓	✓	✓	✓
Zyda Rylands E	✓	✓	✓	✓
Simon Susman CEO	✓	✓	✓	✓

C = Chairman
CEO = Chief executive officer
N = independent non-executive director
E = executive director

annual financial statements

for the year ended 30 June

report of the **Group secretary**

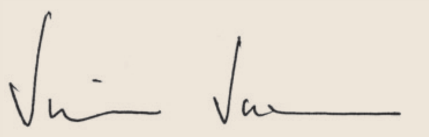
In my capacity as Group secretary, I hereby confirm, in terms of the Companies Act, (No. 61 of 1973), as amended, that for the year ended 30 June 2008, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

C L Lowe
Group secretary

approval of the annual financial statements

The financial statements were approved by the board of directors on 20 August 2008 and signed on its behalf by:

D A Hawton
Chairman



S N Susman
Chief executive officer

report of the **independent auditors**

to the members of Woolworths Holdings Limited

We have audited the annual financial statements of Woolworths Holdings Limited, which comprise the directors' report, the balance sheet as at 30 June 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 61 to 131.

directors' responsibility for the financial statements

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

auditor's responsibility

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

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

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

opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 30 June 2008, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.
Registered auditor

SAB & T Inc.
Registered auditor

20 August 2008
Cape Town

directors' report

for the year ended 30 June

nature of business

Woolworths Holdings Limited is an investment holding company, listed on the JSE Limited securities exchange and operates mainly through three subsidiaries, Woolworths (Proprietary) Limited, Woolworths Financial Services (Proprietary) Limited and Country Road Limited.

Woolworths (Proprietary) Limited is a retail chain of stores offering a selected range of clothing, food and general merchandise, mainly under its own brand name. Woolworths has 385 corporate and franchise stores throughout South Africa, Africa and the Middle East. Woolworths Financial Services offers a range of financial products to Woolworths customers.

Country Road Limited is listed on the Australian Securities Exchange and offers a range of clothing and homeware. Country Road Limited has 61 retail stores and 78 concession retail outlets across Australia and New Zealand.

The nature of the business of the subsidiaries held directly and indirectly is set out on page 130.

review of financial results and activities

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

share capital

authorised share capital

The authorised share capital of the company remained unchanged during the year, being:

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

changes in issued share capital

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

	2008	2007
Shares in issue at the beginning of the year	**896 191 467**	884 091 089
Shares issued in terms of the share option/purchase scheme	**4 074 229**	13 368 429
Shares repurchased and cancelled	**(17 872 545)**	(1 268 051)
Shares in issue at the end of the year	**882 393 151**	896 191 467

Details of the authorised and issued share capital are included in the notes to the financial statements on pages 99 and 103 of the report.

There were no changes to the number of issued convertible, redeemable, non-cumulative participating preference shares of 0.15 cent each which are held by The Woolworths Employee Share Ownership Trust.

repurchase of shares

In terms of the articles of association and the general authority granted by shareholders on 22 November 2007, the company was authorised until the next annual general meeting to acquire shares issued by the company, provided that the aggregate of such acquisitions did not exceed 20% of the issued share capital of that class in any one financial year, and subject to the requirements of the Companies Act, (No. 61 of 1973), as amended and the JSE Listings Requirements. During the year 17 872 545 ordinary shares were repurchased on the open market. These shares were subsequently cancelled.

treasury shares

There were 86 871 694 treasury shares held by E-Com Investments 16 (Proprietary) Limited, a 100% owned subsidiary of the company as at 30 June 2008. Subsequent to the year end, on 18 August 2008 shareholders approved a special resolution at a general meeting authorising the company to repurchase these treasury shares at a price of R9.54 per share. Once these shares have been repurchased they will be cancelled.

directors' report continued

for the year ended 30 June

directorate and group secretary

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

new appointments, resignations and re-election of directors retiring by rotation

Mair Barnes resigned from the board as a director on 20 February 2008.

Richard Inskip resigned from the board with effect from 31 May 2008. He will continue to serve on the board of Woolworths Financial Services (Proprietary) Limited as a director.

Judy Dlamini resigned from the board with effect from 31 July 2008.

In accordance with the articles of association of the company, at least one-third of the board is required to retire by rotation at each annual general meeting. Retiring directors are those who have been appointed between annual general meetings and those who have been in office the longest since their re-election. No director can serve more than three years without being re-elected.

In terms of the articles of association of the company, Buddy Hawton, Simon Susman, Nigel Colne and Sindi Zilwa are due to retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

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

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

directors' interests in shares

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

	2008 Beneficial		2007 Beneficial	
	Direct	Indirect	Direct	Indirect
Non-executive directors				
Buddy Hawton	12 500	–	12 500	–
Peter Bacon	25 000	–	–	–
Nigel Colne	80 000	–	–	–
Brian Frost	–	260 000	–	260 000
Mike Leeming	–	20 000	–	20 000
Chris Nissen	–	–	–	–
Sindi Zilwa	–	–	–	–
Executive directors				
Simon Susman	62 256	12 594 395	15	12 594 395
Andrew Jennings	40 916	–	–	–
Zyda Rylands	26 285	1 364 842	–	1 310 171
Norman Thomson	27 779	3 734 119	2 620	3 734 119

On 16 July 2007, Zyda Rylands was granted initial vested rights in 1 250 000 convertible, redeemable, non-cumulative participating preference shares (ESOS shares), in terms of the Woolworths employee share ownership scheme.

Associates of directors do not hold any shares.

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

Transactions defined as related party transactions in terms of International Financial Reporting Standards between the company or its subsidiaries and the directors or their associates are disclosed on pages 86 to 87 of the report.

The emoluments of directors of the company are set out on pages 51 and 52 of the remuneration report.

woolworths holdings share trust ("the trust")

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

In terms of the Trust Deed, the number of shares which can be utilised for the share incentive schemes is limited to 15% of the issued share capital of the company. Subsequent to the year end, on 18 August 2008 shareholders approved a resolution to amend the Trust Deed to adjust the limit of the share scheme, currently 15% of the issued share capital and the individual limit of 1.5%, to take into account the repurchase and cancellation of the treasury shares and all future repurchases and cancellations.

In terms of the share option and share purchase scheme, participation was open to employees at the discretion of the directors and in accordance with established guidelines. In terms of the schemes, the offer shares and options are releasable to beneficiaries on the basis of 20% becoming available on the first anniversary of the date of the offer and 20% each year thereafter. Shares have been granted to participants at the weighted average value per share determined over five trading days immediately preceding the offer date. Shares are not granted in closed periods.

share options

In terms of the Trust Deed, under the existing share option scheme, employees have been granted a total of 22 926 841 (2007: 28 770 004) share options ranging from R2.60 to R24.13, which are exercisable between July 2007 and June 2017.

share purchases

Shares held by the Trust on behalf of beneficiaries totalled 23 168 825 (2007: 32 979 168).

The number of shares and options available for utilisation by the Trust as at 30 June 2008 was as follows:

	2008	2007
Number of shares and options available for utilisation		
Balance at the beginning of the year	**47 849 899**	52 313 134
Shares and options acquired from employees	**4 405 700**	6 739 959
Offers made to employees during the year	**(9 958 065)**	(13 018 250)
Decrease in share capital due to the share repurchase	**(2 680 882)**	(190 208)
Increase in issued share capital	**611 134**	2 005 264
Balance at the end of the year	**40 227 786**	47 849 899

The following three new long-term incentive share schemes came into effect on 1 July 2007:

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

share appreciation rights scheme

In terms of the Trust Deed, under the share appreciation rights scheme, selected employees were granted a total of 8 356 772 share appreciation rights at a grant price of R11.95.

long term incentive plan

In terms of the Trust Deed, under the long term incentive plan, 1 428 881 conditional awards were made to selected employees at a grant price of R11.95.

deferred bonus plan

In terms of the Trust Deed, 172 412 shares were purchased by executive directors under the deferred bonus plan.

woolworths employee share ownership trust

During the year 88 267 306 convertible, redeemable, non-cumulative participating preference shares (ESOS shares) were issued in terms of the Woolworths employee share ownership scheme at R20.75 per share.

A Woolworths employee share ownership trust was formed on 9 May 2007 and currently there are five trustees, namely:

Dolly Mokgatle (Chairperson)

Cherrie Lowe

Cecilia Maphalla

Zukile Nomafu

Wahida Parker

16 674 employees were granted rights to ESOS shares which will be converted into shares based on a predetermined formula at the end of eight years. Dividends were paid to beneficiaries of the scheme in accordance with the Trust Deed which is a predetermined formula of dividends paid to ordinary shareholders.

distribution to shareholders

On 20 February 2008 an interim dividend of 29.5 cents per ordinary share and 3.2 cents per convertible, redeemable, non-cumulative participating preference share (ESOS share) was declared and paid to shareholders and beneficiaries of the Woolworths employee share ownership scheme on 17 March 2008.

A final dividend of 49.5 cents per ordinary share (2007: 46.5 cents) and 7.9 cents per preference share (2007: 5.1 cents) in respect of the year ended 30 June 2008 was declared on 20 August 2008 and is payable on 15 September 2008.

directors' responsibility for annual financial statements

The directors are responsible for preparing the annual financial statements and other information presented in the annual report in a manner that fairly presents the financial position and the results of the operations of the company and the group for the year ended 30 June 2008.

The external auditors are responsible for carrying out an independent examination of the annual financial statements in accordance with International Standards on Auditing in the manner required by the South African Companies Act, (no. 61 of 1973), as amended and for reporting their findings thereon. The auditors' report is set out on page 60 of these financial statements.

The annual financial statements set out on pages 61 to 131 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies which have been consistently applied in all material respects, and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

going concern

The directors have reviewed the group's budget and cash flow forecast for the year to 30 June 2009 and details of the group insurance arrangements. On the basis of this review and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

borrowing powers

In terms of the articles of association, the borrowing powers of the company are unlimited. However, all borrowings by the group are subject to board approval as required by the board delegation of authority. The details of borrowings appear in note 23 on page 105 to the annual financial statements.

subsidiary companies

An annexure containing full particulars of the subsidiary companies appears on page 130 of the annual financial statements.

events subsequent to balance sheet date

Woolworths (Proprietary) Limited has entered into an agreement with Absa Group Limited ("Absa") in terms of which Absa shall acquire 50% plus one share of Woolworths Financial Services (Proprietary) Limited subject to the fulfilment of conditions precedent. One of the conditions precedent has been fulfilled, being the approval by the Competition Tribunal.

Further conditions precedent include the restructuring of the Woolworths financial services business such that all assets of such business are beneficially owned by Woolworths Financial Services (Proprietary) Limited. This restructuring will take place pursuant to the terms of a restructure agreement which requires the approval of the South African Reserve Bank. The agreement will ensure that the loans, in-store card (securitised and unsecuritised), Visa card, associated insurance, short-term insurance and collections businesses are beneficially owned by the Woolworths Financial Services Group.

special resolutions

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

Woolworths Holdings Limited

Effective date (date of registration by CIPRO)	Summary of resolution
28 November 2007	Approved the general authority authorising the company to acquire ordinary shares issued by the company.
28 November 2007	Approved amendments to the articles of association to update the clauses related to shareholder voting and the payment of dividends.

The special resolution approved by shareholders on 18 August 2008 relating to the repurchase of the treasury shares was registered subsequent to the date of this report.

Subsidiary companies

Effective date (date of registration by CIPRO)	Name of subsidiary and summary of resolution
7 July 2007	**Woolworths (Proprietary) Limited** To delete the special condition in the memorandum of association relating to the restrictions of the company as an agent to specified parties and to ratify the actions of the company and directors prior to the deletion of the special condition.
4 February 2008	**iSentials (Proprietary) Limited** To amend the main business and object clause of the memorandum of association to align this to the activities of the company.
5 March 2008	**Woolworths International SA (Proprietary) Limited** To amend the articles of association of the company pertaining to the minimum number of directors.
4 April 2008	**Woolworths Pharmaceuticals (Proprietary) Limited** To amend the articles of association of the company pertaining to the minimum number of directors.

income statements

for the year ended 30 June

		Group		Company	
	Note	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Revenue	2	**21 753.6**	18 641.9	**656.3**	758.0
Turnover	2	**20 064.9**	17 376.9	**–**	–
Cost of sales		**13 076.7**	11 399.9	**–**	–
Gross profit		**6 988.2**	5 977.0	**–**	–
Other revenue	2	**1 688.7**	1 265.0	**656.3**	758.0
Expenses		**6 670.3**	5 396.5	**0.3**	(1.9)
Depreciation and amortisation	9 & 11	**374.4**	316.7	**–**	–
Occupancy cost		**1 073.6**	806.0	**–**	–
Employment cost	3.5	**2 560.6**	2 129.3	**–**	–
Net bad debts and bad debt provisions		**584.3**	351.5	**–**	–
Other operating cost		**2 077.4**	1 793.0	**0.3**	(1.9)
Operating profit		**2 006.6**	1 845.5	**656.0**	759.9
Finance costs	3.6	**502.5**	378.7	**–**	0.2
Profit before exceptional items	3	**1 504.1**	1 466.8	**656.0**	759.7
Exceptional items	4	**–**	54.6	**17.5**	114.2
Profit before tax		**1 504.1**	1 521.4	**673.5**	873.9
Tax	5	**552.5**	434.7	**66.1**	72.7
Profit for the year		**951.6**	1 086.7	**607.4**	801.2
Attributable to:					
Shareholders of the parent		**943.1**	1 074.4	**607.4**	801.2
Minority shareholders		**8.5**	12.3	**–**	–
Headline earnings per share (cents)	6	**115.7**	127.8		
Earnings per share (cents)	6	**115.6**	133.9		
Diluted headline earnings per share (cents)	6	**112.9**	125.5		
Diluted earnings per share (cents)	6	**112.8**	131.5		
Dividend per share declared for the financial year (cents)	32				
Ordinary shares		**79.0**	76.0	**79.0**	76.0
Interim		**29.5**	29.5	**29.5**	29.5
Final		**49.5**	46.5	**49.5**	46.5
Preference shares		**11.1**	5.1	**11.1**	5.1
Interim		**3.2**	–	**3.2**	–
Final		**7.9**	5.1	**7.9**	5.1

balance sheets

as at 30 June

	Note	Group 2008 Rm	Group 2007 Rm	Company 2008 Rm	Company 2007 Rm
Assets					
Non-current assets		**2 798.1**	2 977.2	**429.3**	414.8
Property, plant and equipment	9	**1 810.7**	1 543.9	–	–
Investment properties	10	**105.9**	105.9	–	–
Intangible assets	11	**319.0**	346.2	–	–
Interest in subsidiaries	12	–	–	**401.3**	383.8
Loans to customers	18	–	289.8	–	–
Prepaid employments costs	13	**45.5**	61.4	–	–
Participation in export partnerships	14	**66.3**	70.4	**28.0**	31.0
Other loans	15	**153.6**	186.4	–	–
Derivative financial instruments	19	**3.1**	29.9	–	–
Deferred tax	16	**294.0**	343.3	–	–
Current assets		**3 023.7**	7 465.3	**345.8**	348.4
Inventories	17	**1 371.4**	1 202.6	–	–
Woolworths card debtors	18	–	3 560.2	–	–
Credit card receivables	18	–	904.8	–	–
Trade and other receivables	18	**697.4**	574.9	**1.3**	2.0
Loans to customers	18	–	781.2	–	–
Derivative financial instruments	19	**30.0**	4.2	–	–
Tax		**99.3**	13.1	–	9.1
Amounts owing by subsidiaries	12	–	–	**328.4**	337.3
Cash	33.5	**825.6**	424.3	**16.1**	–
Assets of disposal group classified as held for sale	35	**5 440.0**	–	–	–
Total assets		**11 261.8**	10 442.5	**775.1**	763.2
Equity and liabilities					
Equity attributable to shareholders of the parent		**3 530.7**	3 246.9	**312.6**	577.4
Share capital	20	**1.1**	1.1	**1.3**	1.3
Share premium	21	**116.0**	95.6	**116.0**	95.6
Treasury shares held		**(891.1)**	(891.1)	–	–
Preference share capital	20	–	–	**0.1**	–
Non-distributable reserve	22	**279.7**	204.1	–	–
Distributable reserves	22	**4 025.0**	3 837.2	**195.2**	480.5
Minority shareholders' interest		**52.1**	42.5	–	–
Total shareholders' interest		**3 582.8**	3 289.4	**312.6**	577.4
Non-current liabilities		**2 267.5**	2 918.3	**27.9**	37.0
Interest-bearing borrowings	23	**1 500.0**	2 179.0	–	–
Operating lease accrual	24	**450.0**	426.7	–	–
Derivative financial instruments	19	–	11.7	–	–
Post-retirement medical aid liability	25	**251.2**	227.2	–	–
Deferred tax	16	**66.3**	73.7	**27.9**	37.0
Current liabilities		**3 209.4**	4 234.8	**434.6**	148.8
Trade and other payables	24	**1 998.7**	2 067.2	**2.0**	1.8
Provisions	26	**213.3**	156.3	–	–
Derivative financial instruments	19	**27.0**	13.5	–	–
Tax		**54.1**	214.9	**8.5**	–
Amounts owing to subsidiaries	12	–	–	**424.1**	145.4
Overdrafts and short-term interest-bearing borrowings	23 & 33.5	**916.3**	1 782.9	–	1.6
Liabilities of disposal group classified as held for sale	35	**2 202.1**	–	–	–
Total equity and liabilities		**11 261.8**	10 442.5	**775.1**	763.2

statement of **changes in equity**

for the year ended 30 June

	Note	Share capital Rm	Share premium Rm	Treasury shares Rm
Group				
Shareholders' interest at the beginning of the year – July 2006		1.1	10.1	(891.1)
Movement in unrealised loss on hedging instruments		–	–	–
Deferred tax recognised directly in equity		–	–	–
Exchange differences on translation of foreign subsidiaries		–	–	–
Total income and expense for the year recognised directly in equity		–	–	–
Profit attributable to shareholders		–	–	–
Total income and expense for the year		–	–	–
Issue of ordinary shares	20 & 21	–	111.8	–
Share repurchase	20 & 21	–	(26.3)	–
BEE transaction costs		–	–	–
Distributions to shareholders	32	–	–	–
Share-based payments	20	–	–	–
Shareholders' interest at the end of the year – June 2007		**1.1**	**95.6**	**(891.1)**
Movement in unrealised gain/(loss) on hedging instruments		–	–	–
Deferred tax recognised directly in equity		–	–	–
Exchange differences on translation of foreign subsidiaries		–	–	–
Total income and expense for the year recognised directly in equity		–	–	–
Profit attributable to shareholders		–	–	–
Total income and expense for the year		–	–	–
Issue of ordinary shares	20 & 21	–	**20.4**	–
Share repurchase	20 & 21	–	–	–
BEE transaction costs		–	–	–
Distributions to shareholders	32	–	–	–
Share-based payments	20	–	–	–
Shareholders' interest at the end of the year – June 2008		**1.1**	**116.0**	**(891.1)**
Company				
Shareholders' interest at the beginning of the year – July 2006		1.3	10.1	–
Profit attributable to shareholders		–	–	–
Total income and expense for the year		–	–	–
Issue of ordinary shares	20 & 21	–	111.8	–
Repurchase of shares	20 & 21	–	(26.3)	–
BEE transaction costs		–	–	–
Distributions to shareholders	32	–	–	–
Shareholders' interest at the end of the year – June 2007		**1.3**	**95.6**	–
Profit attributable to shareholders		–	–	–
Total income and expense for the year		–	–	–
Issue of ordinary shares	20 & 21	–	**20.4**	–
Repurchase of shares	20 & 21	–	–	–
Issue of preference shares	20	–	–	–
BEE transaction costs		–	–	–
Distributions to shareholders	32	–	–	–
Shareholders' interest at the end of the year – June 2008		**1.3**	**116.0**	–

Preference share capital Rm	Non-distributable reserve Foreign currency translation reserve Rm	Distributable reserve Share-based payment reserve Rm	Distributable reserve Financial instrument revaluation reserve Rm	Retained profit Rm	Equity attributable to shareholders of the parent Rm	Minority shareholders' interest Rm	Total equity Rm
–	164.6	28.4	32.4	3 260.8	2 606.3	27.9	2 634.2
–	–	–	(41.8)	–	(41.8)	(1.8)	(43.6)
–	–	–	12.6	–	12.6	–	12.6
–	39.5	–	–	–	39.5	4.1	43.6
–	39.5	–	(29.2)	–	10.3	2.3	12.6
–	–	–	–	1 074.4	1 074.4	12.3	1 086.7
–	39.5	–	(29.2)	1 074.4	1 084.7	14.6	1 099.3
–	–	–	–	–	111.8	–	111.8
–	–	–	–	–	(26.3)	–	(26.3)
–	–	–	–	(6.2)	(6.2)	–	(6.2)
–	–	–	–	(550.4)	(550.4)	–	(550.4)
–	–	27.0	–	–	27.0	–	27.0
–	**204.1**	**55.4**	**3.2**	**3 778.6**	**3 246.9**	**42.5**	**3 289.4**
–	**–**	**–**	**4.2**	**–**	**4.2**	**(1.8)**	**2.4**
–	**–**	**–**	**(1.0)**	**–**	**(1.0)**	**–**	**(1.0)**
–	**75.6**	**–**	**–**	**–**	**75.6**	**8.6**	**84.2**
–	**75.6**	**–**	**3.2**	**–**	**78.8**	**6.8**	**85.6**
–	**–**	**–**	**–**	**943.1**	**943.1**	**8.5**	**951.6**
–	**75.6**	**–**	**3.2**	**943.1**	**1 021.9**	**15.3**	**1 037.2**
–	**–**	**–**	**–**	**–**	**20.4**	**–**	**20.4**
–	**–**	**–**	**–**	**(200.0)**	**(200.0)**	**–**	**(200.0)**
–	**–**	**–**	**–**	**(3.0)**	**(3.0)**	**–**	**(3.0)**
–	**–**	**–**	**–**	**(629.8)**	**(629.8)**	**(5.7)**	**(635.5)**
–	**–**	**74.3**	**–**	**–**	**74.3**	**–**	**74.3**
–	**279.7**	**129.7**	**6.4**	**3 888.9**	**3 530.7**	**52.1**	**3 582.8**
–	–	–	–	295.4	306.8	–	306.8
–	–	–	–	801.2	801.2	–	801.2
–	–	–	–	801.2	801.2	–	801.2
–	–	–	–	–	111.8	–	111.8
–	–	–	–	–	(26.3)	–	(26.3)
–	–	–	–	(6.2)	(6.2)	–	(6.2)
–	–	–	–	(609.9)	(609.9)	–	(609.9)
–	**–**	**–**	**–**	**480.5**	**577.4**	**–**	**577.4**
–	**–**	**–**	**–**	**607.4**	**607.4**	**–**	**607.4**
–	**–**	**–**	**–**	**607.4**	**607.4**	**–**	**607.4**
–	**–**	**–**	**–**	**–**	**20.4**	**–**	**20.4**
–	**–**	**–**	**–**	**(200.0)**	**(200.0)**	**–**	**(200.0)**
0.1	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
–	**–**	**–**	**–**	**(3.0)**	**(3.0)**	**–**	**(3.0)**
–	**–**	**–**	**–**	**(689.7)**	**(689.7)**	**–**	**(689.7)**
0.1	**–**	**–**	**–**	**195.2**	**312.6**	**–**	**312.6**

cash flow statements

for the year ended 30 June

		Group		Company	
	Note	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Cash flow from operating activities					
Cash inflow/(outflow) from trading	33.1	**1 308.9**	1 373.7	**(1.7)**	(1.8)
Working capital movements	33.2	**(331.9)**	183.6	**1.0**	–
Cash applied to financial services assets		**(24.4)**	(1 182.4)	**–**	–
Cash generated/(utilised) by operating activities		**952.6**	374.9	**(0.7)**	(1.8)
Interest received		**1 351.1**	1 018.3	**0.1**	2.6
Finance costs paid		**(489.7)**	(366.6)	**–**	(0.2)
Tax paid	33.3	**(747.0)**	(565.0)	**(57.5)**	(83.5)
Cash generated/(utilised) by operations		**1 067.0**	461.6	**(58.1)**	(82.9)
Dividends received		**–**	–	**655.9**	755.0
Distributions to shareholders	33.4	**(635.5)**	(550.4)	**(689.7)**	(609.9)
Net cash inflow/(outflow) from operating activities		**431.5**	(88.8)	**(91.9)**	62.2
Cash flow from investing activities					
Investment in property, plant and equipment and intangible assets to maintain operations		**(338.9)**	(298.6)	**–**	–
Investment in property, plant and equipment and intangible assets to expand operations		**(299.5)**	(350.5)	**–**	–
Proceeds on disposal of property, plant and equipment		**69.9**	146.2	**–**	–
Repayment of loans by/(to) subsidiaries		**–**	–	**289.9**	(154.3)
Participation in export partnerships		**2.4**	43.4	**2.2**	12.8
Loans and advances from/(to) employees and share scheme participants		**55.7**	(67.7)	**–**	–
Net cash (outflow)/inflow from investing activities		**(510.4)**	(527.2)	**292.1**	(141.5)
Cash flow from financing activities					
Shares issued		**20.4**	111.8	**20.4**	111.8
Repurchase of shares		**(200.0)**	(26.3)	**(200.0)**	(26.3)
Preference shares issued		**–**	–	**0.1**	–
Notes issued		**–**	1 015.0	**–**	–
Notes redeemed		**(436.0)**	(300.0)	**–**	–
BEE transaction costs		**(3.0)**	(6.2)	**(3.0)**	(6.2)
Long-term borrowings raised		**1 500.0**	–	**–**	–
Long-term borrowings repaid		**(500.0)**	–	**–**	–
Net cash inflow/(outflow) from financing activities		**381.4**	794.3	**(182.5)**	79.3
Increase in cash and cash equivalents		**302.5**	178.3	**17.7**	–
Net cash and cash equivalents at the beginning of the year		**(422.6)**	(623.4)	**(1.6)**	(1.6)
Effect of foreign exchange rate changes		**29.4**	22.5	**–**	–
Net cash and cash equivalents at the end of the year	33.5	**(90.7)**	(422.6)	**16.1**	(1.6)

1 Significant accounting policies

The consolidated annual financial statements of Woolworths Holdings Limited ("the company") for the year ended 30 June 2008 comprise the company and its subsidiaries (together referred to as "the group").

Statement of compliance

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

Basis of preparation

The annual financial statements are prepared on the historical cost basis, except where otherwise indicated. The accounting policies set out below, which have been consistently applied to all periods presented in these consolidated financial statements, except where the group has adopted the IFRS, IFRIC interpretations and amendments listed below that became effective during the year, had no impact on the reported results. Where applicable, additional disclosures for the current and comparative periods were provided. IFRS and IFRIC interpretations that are not applicable to the group were not adopted.

– **IFRS 7 Financial Instruments: Disclosure (effective 1 January 2007)**
  IFRS 7 Financial Instruments: Disclosures requires disclosures relating to the significance of financial instruments to an entity's financial position and performance in addition to qualitative and quantitative information about exposures to risks arising from financial instruments. This includes specified minimum disclosures relating to credit risk, liquidity risk and market risk.

  Implementation of the standard had no impact on the group's reported results. However, additional disclosures have been provided where applicable.

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

– **IFRS 8 Operating Segments (effective 1 January 2009)**
  This standard introduces management's approach to segment reporting and emphasises disclosure of measures used to manage the business, in place of the rigidly defined disclosures required by IAS 14. A single set of operating segments replaces the primary and secondary segments. IFRS 8 will not have any impact on the group's reported results.

– **IAS 23 (Revised) Borrowing costs (effective 1 January 2009)**
  The revised standard removes the option to expense or capitalise borrowing costs on qualifying assets. It requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset be 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.

– **IAS 1 (Revised) Presentation of Financial Statements (effective 1 January 2009)**
  The revised standard introduces a new statement of comprehensive income which combines all items of income and expense recognised in profit or loss together with non-owner-related items previously accounted for directly in the statement of changes in equity. Only the details of transactions with owners (such as share issues, share repurchases and dividend distributions) will be presented in the statement of changes in equity. When an entity restates its financial statements or retrospectively applies a new accounting policy, an opening balance sheet as at the beginning of the earliest comparative period must be presented. The revision will not have any impact on the group's reported results.

– **IFRS 2 Share-based Payment: Vesting Conditions and Cancellation (effective 1 January 2009)**
  The amendment clarifies that conditions that include an explicit or implicit requirement to provide services are vesting conditions. The amendment generally requires that non-vesting conditions be treated similarly to market conditions. Market conditions are only taken into account to determine the fair value of the equity instruments granted. Where an award does not vest as the result of a failure to meet a non-vesting condition within the control of either the entity or the counterparty, it is accounted for as a cancellation. This means that any part of the cost of the award that is not yet recognised is immediately accelerated. 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). The amendment will not have any impact on the group's reported results.

– **IFRS 3 (Revised) Business Combinations – amendment (effective 1 July 2009)**
  The revision allows an entity to have a choice for each business combination entered into to measure a non-controlling interest (formerly minority interests) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. In step acquisitions, previously held interests will be remeasured to fair value at the date of the acquisition and this value is included in calculating goodwill to be recognised as a result of the acquisition. Any gain or loss arising from the remeasurement will be recognised in profit or loss. All contingent consideration will be measured at fair value at the date of acquisition, and subsequent changes will no longer result in a change to goodwill. Contingent liabilities of the acquiree will be recognised at their fair value if there is a present obligation that arises from a past event and its fair value can be measured reliably. The acquirer will reassess all assets and liabilities acquired to determine their classification or designation as required by other standards. If the acquirer

reacquires a right that it had previously granted to an acquiree (for example, the use of a trade name), the right will be recognised as an identifiable intangible asset, separately from goodwill. All consideration transferred will need to be carefully analysed to determine whether it is really part of the exchange transaction. Indemnification assets, such as an indemnity for an uncertain tax position or contingent liability, are recognised and measured based on the same measurement principles and assumptions as the related liability. The revision will not have any impact on the group's reported results.

– **IAS 27 (Revised) Consolidated and Separate Financial Statements – amendment (effective 1 July 2009)**
The revised standard requires an entity to attribute its share of total comprehensive income to the minority interest, although this may result in the minority interest having a deficit balance. In addition, change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction and have no impact on goodwill nor will it give rise to a gain or loss. On loss of control of a subsidiary, any retained interest will be remeasured to fair value and impact the gain or loss recognised on disposal. The revision will not have any impact on the group's reported results.

– **IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)**
IFRIC 13 clarifies where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement based on their fair values. IFRIC 13 will not have any material impact on the group's reported results.

– **IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)**
IFRIC 14 provides guidance on assessing the limit of the surplus that can be recognised as an asset in terms of IAS 19. IFRIC 14 will not have any impact on the group's reported results.

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 have financial years ending 30 June and are consolidated to that date. The results of subsidiaries with year ends differing from that of the group are compiled for a rolling twelve month period ending 30 June and consolidated to that date.

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

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

Foreign currency translations

The presentation and functional currency of the group and the company financial statements is the South African rand.

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

Foreign operations are translated from their functional currency into South African rand at the rates of exchange ruling at the balance sheet date in respect of balance sheet items and at an average rate per month in respect of income statement items. Gains and losses on the translation of foreign operations are recognised directly in equity.

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

Property, plant and equipment

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

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

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

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

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

Useful lives per asset category:

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement 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 the income statement in the period during which the expenses are incurred.

Other than goodwill, all of the group's intangible assets are assessed as having finite useful lives. The group's intangible assets are amortised over their useful lives using a straight-line basis. Computer software is amortised over a period between 5 to 10 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 are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The residual value of an intangible asset may increase to an amount equal to or greater than the asset's carrying amount. Whilst residual value exceeds carrying value, amortisation is discontinued.

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

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

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

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

Intangible assets are tested for impairment if indications of impairment exist. For impairment of intangible assets, refer to the policy on impairment of non-financial assets.

Computer software

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

Research and development

Research costs are expensed as incurred.

Development costs are recognised as an expense in the period in which they are incurred unless the technical feasibility of the asset has been demonstrated and the intention to complete and utilise the asset is confirmed. Capitalisation commences when it can be demonstrated how the intangible asset will generate probable future economic benefits, that it is technically feasible to complete the asset, that the intention and ability to complete and use the asset exists, that adequate financial, technical and other resources to complete the development are available and the costs attributable to the process or product can be separately identified and measured reliably.

Goodwill

Goodwill on acquisitions of subsidiaries is recognised as an asset and initially measured at its cost.

After initial recognition, goodwill on acquisitions of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation can be made to a single cash-generating unit or a group of cash-generating units.

Goodwill is tested for impairment at every financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill is allocated. Where the cash-generating unit's recoverable amount is less than its carrying value, an impairment loss is recognised. An impairment loss for goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill on 30 June.

Goodwill on acquisitions of equity accounted associates and joint ventures is included in the investments in associates or joint ventures and tested for impairment as part of the carrying value of the investment.

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 combination

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

Investment properties

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

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

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

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

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

Prepaid employment costs

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

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

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

Taxes

Current tax

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

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

Deferred tax

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

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will allow the deferred tax asset to be utilised, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable profit or loss. 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 difference will reverse in the forseeable future and that taxable profit will be available against which the temporary difference will be utilised.

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

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. 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 forseeable 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 balance sheet date.

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

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

Deferred tax assets and liabilities are offset if the company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or different taxable entities that intend to settle current tax assets and liabilities on a net basis, or realise the asset and settle the liability simultaneously.

Secondary Tax on Companies ("STC")

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

Current assets and liabilities

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

Inventories

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

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

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

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

Leases

Finance leases are leases whereby substantially all the risks and rewards of ownership are transferred to the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset and the lease period, with a corresponding liability raised on the balance sheet. 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 cost incurred is added to the amount recognised as an asset. Related finance costs are charged to income using the effective interest rate method over the period of the lease.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits held at call, overdrafts and interest-bearing money market borrowings. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank overdrafts and interest-bearing money market borrowings are classified as current liabilities on the balance sheet.

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 income 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. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the greater of the defined obligation and the fair value of the plan assets. The gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan. Any curtailment benefits or settlement amounts are recognised against income as incurred.

Share-based payment transactions

Shares and rights to acquire shares granted to employees in terms of the group's share incentive and black economic empowerment schemes, meet the definition of share-based payment transactions.

The equity-settled share-based payment programmes allow group employees to acquire shares in the company. The fair value of rights to acquire shares granted in the form of share options and convertible preference shares is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period in which the employees become unconditionally entitled to these rights. The fair value of the grants is measured using option pricing models, taking into account the terms and conditions under which the rights to acquire the shares were granted. In valuing the grants, market conditions imposed, where applicable, on the vesting or exercisability of the share rights are taken into account. No adjustments to the cost of share-based payment schemes are made if a market condition is not satisfied. Where shares are granted at a discount to the ruling market price, the intrinsic value is expensed over the vesting period of the grant. Changes in estimates of the number of shares or rights to acquire shares that will ultimately vest are included in the charge for the year. No subsequent adjustments are made to total equity after the vesting date.

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

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

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 balance sheet 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.

Fair value

The fair value of investments traded in an active market is determined with reference to quoted market bid prices at close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analysis and option pricing models. The fair value of short-term receivables and payables with no stated interest rate may be measured at original invoice amount unless the effect of imputing interest is significant.

Offset

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

Financial assets

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

Loans and receivables

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

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

Participation in export partnerships

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

Financial services assets

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

Other loans

Other loans comprise housing and other employee loans as well as share purchase scheme loans.

Trade and other receivables

Trade and other receivables comprise all trade and non-trade debtors other than financial services debtors. Short-term 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. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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.

Gains and losses on financial assets at fair value through profit and loss are accounted for in the income statement and consist of fair value movements and transaction costs on these assets.

Available-for-sale financial assets

Available-for-sale assets are those non-derivative financial assets that are categorised as available-for-sale.

After initial recognition, available-for-sale assets are measured at fair value with gains and losses recognised in equity until the asset is derecognised or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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 derivative instruments accounting policy).

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

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

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

Financial guarantee contracts

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

Financial guarantee contracts are recognised initially at fair value.

Subsequently, the contract is measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18, unless it was designated as at fair value through profit or loss at inception.

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

The group currently does not recognise any financial guarantee contracts as, in the opinion of the directors, the possibility of loss arising from these guarantees is remote.

Derivative financial instruments and hedge accounting

All derivative financial instruments are classified as financial assets and 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, without any deduction for transaction costs that they may incur on sale or other disposal. The method of recognising the resulting gains or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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.

The group is exposed to market risks from changes in interest rates and foreign exchange rates. The group uses derivative financial instruments, being forward exchange contracts and interest rate swaps and collars, to hedge the risks associated with foreign currency and interest rate fluctuations respectively. It is the group's policy not to trade in derivative financial instruments for speculative purposes. Details of the group's financial risk management objectives are set out in notes 29 and 30.

The fair value of forward exchange contracts is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year end. The fair value of interest rate swap contracts and interest rate collar contracts is calculated by discounting the future cash flows with the prevailing market interest rate and is calculated by independent experts.

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

Gains or losses on the effective portions 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 directly in equity. The gains or losses on the ineffective portions are recognised in the income statement in the period in which they arise. When a hedged forecast transaction is recognised as a non-financial asset or a non-financial liability, the cumulative gains and losses associated with the forecast transaction are removed from equity and included in the initial measurement of the non-financial asset or non-financial liability. When cash flow hedges result in the recognition of a financial asset or a financial liability, the cumulative gains or losses reflected in equity are included in the income statement in the same periods that the related asset or liability affects profit.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

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

Impairment

Non-financial assets

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

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

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

An impairment recognised previously may be reversed when estimates change as a result of an event occurring after the impairment was initially recognised. Such a reversal may not increase the carrying value above what it would have been had no impairment loss been recognised. A reversal of an impairment loss is recognised in the income statement.

Financial assets

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

Assets carried at amortised cost

If there is objective evidence that assets carried at amortised cost are impaired, the loss is measured as the difference between the asset's carrying amount and present value of future cash flows discounted at its original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the income statement. 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 collectively for assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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

Financial services assets
For financial services assets, provisions for impairment are estimated using statistical models. The models incorporate historic experience such as past write-offs and recoveries for each group of customers, adjusted for current economic situations such as current interest rates and inflation. Objective evidence of impairment exists when the group will not be able to collect all amounts due according to the original terms of the receivables.

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.

Available-for-sale financial assets

The group determines that available-for-sale investments are impaired when there has been a significant decrease in its fair value to below cost. In judging what constitutes a significant decrease, the group considers amongst other things industry performance, technological changes and financing and operational cash flows. If available-for-sale financial assets are identified as impaired, the difference between cost and current fair value less any previously recognised impairment loss is transferred from equity to the income statement. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the income statement.

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

Treasury shares

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

Revenue recognition

Revenue of the group comprises:

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

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

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred. No borrowing costs associated with the development of property, plant and equipment are capitalised.

Expenses

Expenses, other than those specifically dealt with in another accounting policy, are recognised in the income statement when it is probable that an outflow of economic benefits associated with a transaction will occur and that outflow can be measured reliably.

Exceptional items

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

Segmental information

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

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

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

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

Earnings per share

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year. Headline earnings per share is calculated in accordance with Circular 8/2007 issued by the South African Institute of Chartered Accountants.

Distributions paid to shareholders

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

Use of estimates, judgements and assumptions

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

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

Significant accounting estimates and assumptions

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

Property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programmes, relevant market information and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions. Refer to note 9.

Provision for net realisable value of inventory

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

Fair value of right to acquire equity instruments granted

The fair value of rights to acquire shares granted in terms of share-based payment transactions is obtained using option pricing models and, in the case of options, assuming an option life of between 7 and 10 years, while convertible preference shares issued in terms of the broad-based black economic empowerment scheme have a life of 8 years. Other valuation assumptions include estimates of the volatility of the shares, dividend yield and the risk-free interest rate. Refer to note 20 for additional information regarding the fair value of such instruments at grant date.

Impairment of non-financial assets

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

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

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

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

Available-for-sale financial assets

The group determines that available-for-sale investments are impaired when there has been a significant decrease in its fair value to below cost. Management judgement is required in determining what constitutes a significant decrease. Management will consider amongst other things industry performance, technological changes and financing and operational cash flows.

Provision for employee benefits

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are performed to assess the financial position of relevant funds and are based on assumptions which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions. Refer to note 25.

Significant judgements in applying the group's accounting policies

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

Consolidation of Account on Us (Proprietary) Limited

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

Probability of vesting of rights to equity instruments granted in terms of share-based payment schemes

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

Income taxes

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

Determining whether an arrangement contains a lease

IFRIC 4 identifes 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 obligation and, although the group enforces stringent quality standards on goods sourced, it has no control over how assets are used. In addition, purchases are priced per individual order and the group does not control physical access to suppliers' assets.

Consolidation of the group's share trusts

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

	Group 2008 Rm	Group 2007 Rm	Company 2008 Rm	Company 2007 Rm
2 Revenue				
Turnover	**20 064.9**	17 376.9	**–**	–
Clothing and Home	**9 328.2**	8 339.0	**–**	–
Foods	**10 360.3**	8 718.0	**–**	–
Logistics services and other	**376.4**	319.9	**–**	–
Other revenue	**1 688.7**	1 265.0	**656.3**	758.0
Interest	**1 359.8**	1 022.4	**0.4**	3.0
Bank interest receivable	**37.4**	25.8	**–**	2.6
Financial services assets	**1 311.7**	992.5	**–**	–
Other	**10.7**	4.1	**0.4**	0.4
Royalties, franchise and other commissions	**287.3**	209.4	**–**	–
Rentals	**41.6**	33.2	**–**	–
Dividends received	**–**	–	**655.9**	755.0
	21 753.6	18 641.9	**656.3**	758.0
3 Profit before exceptional items includes:				
3.1 **Operating lease expenses**				
Land and buildings – rentals	**955.8**	683.6	**–**	–
Land and buildings – operating lease accrual (note 24)	**22.6**	23.2	**–**	–
Plant and equipment	**2.2**	4.0	**–**	–
Provision for onerous lease commitments	**16.2**	(1.2)	**–**	–
3.2 **Auditors' remuneration:**				
Audit fee	**7.6**	7.5	**1.7**	1.9
current year	**7.5**	6.5	**1.7**	1.9
prior year underprovision	**0.1**	1.0	**–**	–
Tax advisory and other services	**1.4**	1.6	**–**	–
3.3 **Net foreign exchange (profit)/loss**	**(10.6)**	6.3	**–**	(1.1)
3.4 **Other expenses**				
Technical and consulting service fees	**99.8**	80.0	**–**	–
Loss/(profit) on sale of property, plant and equipment	**0.8**	(1.5)	**–**	–
Unwinding of discount of provisions	**3.6**	3.9	**–**	–
Loss on fair value movements arising from derivative instruments	**3.1**	–	**–**	–
3.5 **Employment costs**	**2 560.6**	2 129.3	**–**	–
Short-term employment benefits	**2 291.1**	1 941.3	**–**	–
Expense of share-based payments	**74.3**	27.0	**–**	–
Pension costs (note 25)	**160.5**	130.8	**–**	–
Post-retirement medical aid benefits (note 25)	**24.9**	25.3	**–**	–
Termination and other benefits	**9.8**	4.9	**–**	–
3.6 **Finance costs**	**502.5**	378.7	**–**	0.2
Bank borrowings and overdrafts	**104.3**	152.1	**–**	–
Other interest-bearing borrowings	**398.2**	226.6	**–**	0.2

	Profit before tax Rm	Tax Rm	Attributable profit Rm
4 **Exceptional items**			
Group			
2007			
Profit on disposal of property in Midrand	54.6	(7.9)	46.7
Company			
2008			
Reversal of impairment of investment in:			
Woolworths International Holdings Limited	**17.5**	**–**	**17.5**
2007			
Reversal of impairment of investment in:			
Woolworths International Holdings Limited	114.2	–	114.2

The provision for impairment against the company's investment in Woolworths International Holdings Limited, the intermediate holding company of its Australian subsidiary Country Road Limited, has been reduced by R17.5m (2007: R114.2m). The provision is based on an assessment of fair value based on the underlying net assets and the exchange rates prevailing at the year end. The strong performance of the Australian dollar and the favourable trading conditions experienced by the group's Australian operations during the year resulted in a reversal of impairment.

	Group 2008 Rm	Group 2007 Rm	Company 2008 Rm	Company 2007 Rm
5 Tax				
Current year				
South Africa				
Normal tax	**424.9**	456.8	**2.8**	3.7
Deferred tax relating to the origination and reversal of temporary differences (note 16)	**11.4**	(34.3)	**(7.2)**	(3.2)
Deferred tax relating to the reduction in tax rates (note 16)	**10.5**	–	**(1.2)**	–
Income tax rate	**6.7**	–	**(1.2)**	–
Secondary tax on companies rate	**3.8**	–	**–**	–
Secondary tax on companies	**79.3**	77.6	**72.3**	68.8
Foreign tax	**26.7**	0.7	**–**	–
	552.8	500.8	**66.7**	69.3
Prior year				
South Africa				
Normal tax	**(34.6)**	(20.2)	**–**	2.6
Deferred tax (note 16)	**34.3**	(45.9)	**(0.6)**	0.8
	552.5	434.7	**66.1**	72.7
	%	%	**%**	%
The rate of tax on profit is reconciled as follows :				
Standard rate	**28.0**	29.0	**28.0**	29.0
Disallowable expenditure	**1.8**	0.8	**0.1**	0.1
Exempt income	**(0.1)**	(0.1)	**(27.3)**	(25.1)
Effect on opening deferred taxes resulting from the reduction in tax rates				
Income tax rate	**0.4**	–	**(0.2)**	–
Secondary tax on companies rate	**0.3**	–	**–**	–
Other	**0.2**	(0.8)	**(0.7)**	(0.2)
Prior years	**(0.1)**	(4.3)	**(0.1)**	0.4
Secondary tax on companies	**6.1**	4.5	**10.7**	7.9
Foreign tax	**0.1**	–	**–**	–
Effective rate before exceptional items	**36.7**	29.1	**10.5**	12.1
Exceptional items	**–**	(0.5)	**(0.7)**	(3.8)
Effective tax rate	**36.7**	28.6	**9.8**	8.3

During the 2008 financial year, the government substantially enacted a change in the corporate tax rate from 29% to 28%, and a change in the rate of secondary tax on companies from 12.5% to 10%.

6 Earnings per share

The calculation of earnings per share is based on attributable profit of R943.1m (2007: R1 074.4m) and a weighted average of 809 873 368 (2007: 802 381 450) ordinary shares in issue, after eliminating shares held as treasury shares.

17 872 545 (2007: 1 268 051) shares were repurchased in 2008, which had a negligible effect on the weighted average number of shares in issue due to the timing of the repurchase.

The calculation of headline earnings per share is as follows:

	Profit before tax Rm	Tax Rm	Minority shareholders' interest Rm	Attributable profit Rm	Headline earnings per share (cents)	Earnings per share (cents)
Group						
2008						
Per the financial statements	**1 504.1**	**(552.5)**	**(8.5)**	**943.1**		
BEE preference dividend paid	**(6.7)**	**–**	**–**	**(6.7)**		
Basic earnings	**1 497.4**	**(552.5)**	**(8.5)**	**936.4**	**115.6**	**115.6**
Adjustments:						
Loss on disposal of property, plant and equipment	**0.8**	**(0.2)**	**–**	**0.6**	**0.1**	
Headline earnings	**1 498.2**	**(552.7)**	**(8.5)**	**937.0**	**115.7**	
Diluted earnings per share					**112.9**	**112.8**
% dilution					**2.4%**	**2.4%**
2007						
Per the financial statements	1 521.4	(434.7)	(12.3)	1 074.4	133.9	133.9
Adjustments:						
Profit on disposal of property, plant and equipment	(56.1)	8.1	–	(48.0)	(6.0)	
Foreign exchange profit realised on repayment of loan by subsidiary	(1.1)	–	–	(1.1)	(0.1)	
Headline earnings	1 464.2	(426.6)	(12.3)	1 025.3	127.8	
Diluted earnings per share					125.5	131.5
% dilution					1.8%	1.8%

Diluted earnings per share

The calculation of diluted earnings per share and diluted headline earnings per share is based on attributable profit as above and a weighted average of 836 558 408 (2007: 816 710 145) ordinary shares in issue, after eliminating shares held as treasury shares, calculated as follows:

	Group	
	2008	2007
Weighted number of shares in issue for basic and headline earnings per share	**809 873 368**	802 381 450
Potentially dilutive ordinary shares under option	**26 685 040**	14 328 695

The dilution arises from the outstanding in-the-money share options in respect of the share incentive scheme that will be issued to employees at a value lower than the weighted average traded price during the past financial year and ordinary shares expected to be issued in terms of the group's BEE scheme for no consideration.

7 Directors' emoluments

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

	Company	
	2008	2007
Executive directors		
Fees	**0.5**	0.4
Remuneration	**12.1**	10.0
Retirement, medical, accident and death benefits	**1.8**	1.5
Performance bonus	**2.0**	8.8
Loss of office and retention payments	**5.1**	5.0
Other benefits	**0.4**	0.2
Interest-free loan benefit	**9.5**	5.5
	31.4	31.4
Non-executive directors		
Fees	**3.4**	2.8
	3.4	2.8
	34.8	34.2

Directors emoluments, other than those related to Country Road, are paid by Woolworths (Proprietary) Limited.
Details of the directors' emoluments are provided in the corporate governance report on pages 51 and 52.
Total directors' emoluments for Country Road amounted to R14.7m (2007: R8.4m).

8 Related party transactions

Related parties
The related party relationships, transactions and balances as listed below exist within the group.

Holding company
The nature of transactions between the holding company and subsidiaries comprise dividends received and interest earned on loans.

The holding company provides sureties for the banking facilities and lease obligations of certain subsidiaries. The banking facilities at year end are disclosed in note 29.4 to the annual financial statements.

	Company	
	2008	2007
The following related party transactions occurred during the period.		
Woolworths Holdings Limited		
Interest received from subsidiary companies	**–**	0.8
Dividend received from subsidiary companies	**655.9**	755.0
Dividend paid to subsidiary company on treasury shares held by the subsidiary	**66.0**	59.5

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

Details of interests in subsidiaries and loans owing to/by subsidiaries are disclosed in note 12 and Annexure 1. For the year ended 30 June 2008, the group has not recognised any impairment losses relating to amounts owing by related parties (2007: nil).

Key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited and Woolworths (Proprietary) Limited.

Key management personnel has been defined as the board of directors of the holding company and the major operating subsidiary Woolworths (Proprietary) Limited, and the Chief executive officer of Country Road Limited.

The definition of related parties include close family members of key management personnel. The group has not engaged in transactions with close family members of key management personnel during the financial year.

	Group		Company	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm

8 Related party transactions continued

Key management compensation				
Short-term employee benefits	**37.8**	37.2	**27.9**	28.1
Woolworths Holdings Limited directors	**27.9**	28.1	**27.9**	28.1
Other key management personnel	**9.9**	9.1	**–**	–
Post-employment benefits	**2.2**	1.6	**1.8**	1.1
Woolworths Holdings Limited directors	**1.8**	1.1	**1.8**	1.1
Other key management personnel	**0.4**	0.5	**–**	–
Loss of office and restraint of trade payments	**5.1**	5.0	**5.1**	5.0
IFRS 2 value of share-based payments expensed	**2.6**	0.8	**–**	–
Woolworths Holdings Limited directors	**2.2**	0.3	**–**	–
Other key management personnel	**0.4**	0.5	**–**	–
	47.7	44.6	**34.8**	34.2

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

Post-employment benefits comprise expenses determined in terms of IAS 19: Employee Benefits in respect of the group's retirement and healthcare funds.

Share purchase scheme loans and investments (at cost)				
Loans and investments at the beginning of the year	**128.8**	90.5	**119.1**	75.7
Loans granted during the year	**0.3**	45.6	**0.3**	43.4
Loans repaid during the year	**(40.5)**	(7.3)	**(31.0)**	–
Loans and investments at the end of the year	**88.6**	128.8	**88.4**	119.1

Details of the terms and conditions relating to these loans are disclosed in note 15.

No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2007: nil).

Woolworths card and Woolworths visa credit card accounts				
Balance outstanding at the beginning of the year	**0.2**	0.2	**0.2**	0.1
Annual spend	**2.2**	1.6	**2.0**	1.6
Annual repayments	**(2.2)**	(1.6)	**(2.0)**	(1.5)
Balance outstanding at the end of the year	**0.2**	0.2	**0.2**	0.2

Purchases made by key management personnel are at standard discounts granted to all employees of the company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other card holders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths visa credit card accounts of key management personnel (2007: nil).

Post-employment benefit plan

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

for the year ended 30 June

9 Property, plant and equipment

	Land and buildings Rm	Leasehold improve-ments Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
Group					
2007					
Balance at July 2006					
Cost	448.2	130.0	1 439.1	452.0	2 469.3
Accumulated depreciation	–	11.0	823.1	340.8	1 174.9
Net book value	448.2	119.0	616.0	111.2	1 294.4
Current year movements					
Additions	174.1	29.2	332.1	49.6	585.0
Disposals/scrappings – cost	(28.1)	(0.6)	(135.4)	(4.0)	(168.1)
Disposals/scrappings – accumulated depreciation	–	0.4	74.3	3.9	78.6
Depreciation	–	(8.7)	(180.4)	(79.0)	(268.1)
Transfer from investment property	3.1	–	–	–	3.1
Foreign exchange rate differences – cost	–	11.3	18.4	4.5	34.2
Foreign exchange rate differences – accumulated depreciation	–	(2.7)	(9.8)	(2.7)	(15.2)
Balance at June 2007	597.3	147.9	715.2	83.5	1 543.9
Made up as follows :					
Cost	597.3	169.9	1 654.2	502.1	2 923.5
Accumulated depreciation	–	22.0	939.0	418.6	1 379.6
Net book value at June 2007	597.3	147.9	715.2	83.5	1 543.9
2008					
Current year movements					
Additions	**21.2**	**20.9**	**446.7**	**82.9**	**571.7**
Disposals/scrappings – cost	**(1.0)**	**(1.4)**	**(135.8)**	**(4.5)**	**(142.7)**
Disposals/scrappings – accumulated depreciation	**–**	**0.3**	**72.4**	**4.1**	**76.8**
Depreciation	**–**	**(14.1)**	**(220.5)**	**(83.5)**	**(318.1)**
Reclassifications	**–**	**–**	**–**	**41.1**	**41.1**
Foreign exchange rate differences – cost	**–**	**26.6**	**39.0**	**8.0**	**73.6**
Foreign exchange rate differences – accumulated depreciation	**–**	**(6.7)**	**(18.6)**	**(10.3)**	**(35.6)**
Balance at June 2008	**617.5**	**173.5**	**898.4**	**121.3**	**1 810.7**
Made up as follows:					
Cost	**617.5**	**216.0**	**2 004.1**	**629.6**	**3 467.2**
Accumulated depreciation	**–**	**42.5**	**1 105.7**	**508.3**	**1 656.5**
Net book value at June 2008	**617.5**	**173.5**	**898.4**	**121.3**	**1 810.7**

9 Property, plant and equipment continued

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

At 30 June 2008, land and buildings were valued taking account of similar recent market transactions on arm's length terms. The fair values were as follows:

		Fair value Rm	Carrying value Rm
Retail stores	**2008**	**189.8**	**109.0**
	2007	195.0	109.0
Distribution centres	**2008**	**752.1**	**369.2**
	2007	700.0	369.2
Corporate owner-occupied properties	**2008**	**122.8**	**73.6**
	2007	119.6	73.6

Land and buildings are valued externally every three years and annually by internal valuers. The most recent external valuation was performed at 31 July 2007.

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

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

10 Investment properties

	Group	
	2008 Rm	2007 Rm
Balance at the beginning of the year		
Cost	**105.9**	109.0
Current year movements		
Transfers to land and buildings	**–**	(3.1)
Balance at the end of the year	**105.9**	105.9

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

At 30 June 2008 investment properties were valued by internal valuers at R134.0m (2007: R128.3m).

Rental income and expense from investment properties		
Rental income from investment properties	**7.5**	7.9
Direct operating expenses from investment properties that earned rental income during the period	**2.9**	3.0

No restrictions exist on the sale of investment properties.
Refer to note 34 for disclosure on operating leases.

notes to the annual financial statements continued

for the year ended 30 June

11 Intangible assets

	Computer software Rm	Goodwill Rm	Total Rm
Group			
2007			
Balance at July 2006			
Cost	492.0	–	492.0
Accumulated amortisation	188.7	–	188.7
Net book value	303.3	–	303.3
Current year movements			
Additions	67.1	23.0	90.1
Disposals/scrappings – cost	(0.6)	–	(0.6)
Disposals/scrappings – accumulated amortisation	–	–	–
Amortisation	(48.6)	–	(48.6)
Foreign exchange rate differences – cost	5.9	–	5.9
Foreign exchange rate differences – accumulated amortisation	(3.9)	–	(3.9)
Balance at June 2007	323.2	23.0	346.2
Made up as follows:			
Cost	564.4	23.0	587.4
Accumulated amortisation	241.2	–	241.2
Net book value at June 2007	323.2	23.0	346.2
2008			
Current year movements			
Additions	**66.7**	**–**	**66.7**
Disposals/scrappings – cost	**(4.8)**	**–**	**(4.8)**
Disposals/scrappings – accumulated amortisation	**–**	**–**	**–**
Amortisation	**(56.3)**	**–**	**(56.3)**
Reclassifications	**(41.1)**	**–**	**(41.1)**
Foreign exchange rate differences – cost	**17.3**	**–**	**17.3**
Foreign exchange rate differences – accumulated amortisation	**(9.0)**	**–**	**(9.0)**
Balance at June 2008	**296.0**	**23.0**	**319.0**
Made up as follows:			
Cost	**602.5**	**23.0**	**625.5**
Accumulated amortisation	**306.5**	**–**	**306.5**
Net book value at June 2008	**296.0**	**23.0**	**319.0**
Goodwill			
The cost of goodwill comprises:			
Goodwill arising on acquisition of Virtual Market Place (Proprietary) Limited		**12.8**	
Repurchase of franchise business		**10.2**	
		23.0	

11 Intangible assets continued

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

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

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

The projected cash flows are discounted to their present value using the weighted average cost of capital. This amounted to 14.8% in the current year (2007: 13.4%).

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

12 Interest in subsidiaries

	Company	
	2008 Rm	2007 Rm
Shares	**401.3**	383.8
Cost	**401.3**	401.3
Provision for impairment	**–**	(17.5)
Amounts owing (to)/by subsidiaries		
Woolworths (Proprietary) Limited	**(424.1)**	(145.4)
E-Com Investments 16 (Proprietary) Limited	**328.3**	337.3
Woolworths Employee Share Ownership Trust	**0.1**	–
iSentials (Proprietary) Limited	**–**	–
Cost	**22.1**	24.5
Provision for impairment	**(22.1)**	(24.5)
Total net interest	**305.6**	575.7
Movements in the provision for impairment of shares in subsidiaries were as follows:		
Opening balance	**17.5**	131.8
Amount reversed during the year	**(17.5)**	(114.3)
Closing balance	**–**	17.5
Movements in the provision for impairment of loans to iSentials (Proprietary) Limited were as follows:		
Opening balance	**24.5**	27.1
Amount repaid during the year	**(2.4)**	(2.6)
Closing balance	**22.1**	24.5

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

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

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

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

The company's maximum exposure to the credit risk of the loans to subsidiaries is their carrying values.

	Company 2008 Rm	Company 2007 Rm
13 Prepaid employment costs		
Balance at the beginning of the year	**61.4**	39.5
Prepayment arising from share loans granted during the year	**1.6**	24.8
Unwinding of prepayment on loans repaid during the year	**(12.6)**	–
Current employment costs released to income statement (included in note 3.5)	**(4.9)**	(2.9)
Balance at the end of the year	**45.5**	61.4

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

	Group		Company	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
14 Participation in export partnerships				
Balance at the beginning of the year	**70.4**	71.6	**31.0**	32.9
Adjustment to opening balance due to change in tax rate	**(2.7)**	–	**(1.1)**	–
Payments received relating to the current year	**(1.0)**	(1.1)	**(0.9)**	(1.1)
Current portion included in trade and other receivables (included in note 18)	**(1.5)**	(1.4)	**(1.3)**	(1.3)
Notional interest accrued for the year	**1.1**	1.3	**0.3**	0.5
Balance at the end of the year	**66.3**	70.4	**28.0**	31.0

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. Any impairment to the participation in export partnerships would result in a corresponding reduction in the related deferred taxation liability and thus there would be no impact on the cash flow statement and the net profit of the group.

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

The amount outstanding is considered to be neither past due nor impaired. Refer to note 29.3 for details of the group's credit risk management policies.

	Group	
	2008 Rm	2007 Rm
15 Other loans		
Housing and other employee loans	**23.6**	36.2
Balance at the beginning of the year	**36.2**	43.1
Loans granted during the year	**9.9**	1.3
Loans repaid during the year	**(21.8)**	(7.1)
Current portion included in trade and other receivables (included in note 18)	**(3.4)**	(4.0)
Interest accrued for the year (included in note 2)	**2.7**	2.9
Share purchase scheme participant loans and investments	**128.9**	149.3
Balance at the beginning of the year	**149.3**	100.6
Loans granted during the year	**5.7**	57.2
Loans repaid during the year	**(30.2)**	(10.6)
Current portion included in trade and other receivables (included in note 18)	**(0.8)**	(0.8)
Notional interest accrued for the year (included in note 2)	**4.9**	2.9
Other	**1.1**	0.9
	153.6	186.4

Housing loans bear interest at prime less 2% (2007: 8%). Housing loans are required to be repaid on termination of employment. From September 2007, the group no longer grants housing loans.

The carrying values of the housing loans approximate fair value in the current year. In 2007, the fair value was calculated by discounting the future cash flows arising from settlement of the loans over the expected period of repayment using market-related interest rates. The fair value of housing loans at 30 June 2007 amounted to R32.2m.

Loans to directors and other employees participating directly in the share purchase scheme are interest free and are secured by shares in Woolworths Holdings Limited. The loans will be repaid when participants take delivery of vested shares, over a period not exceeding 10 years.

The fair value of share purchase loans amounted to R138.0m (2007: R178.5m) at the balance sheet date. The fair values are calculated by discounting the future cash flows arising from settlement of the loans over the expected period of repayment using market-related interest rates.

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

	Group 2008 Rm	Group 2007 Rm	Company 2008 Rm	Company 2007 Rm
16 Deferred tax				
The movement in the deferred tax account is as follows:				
Balance at the beginning of the year	**269.6**	177.8	**(37.0)**	(39.4)
Amount (debited)/credited to the income statement	**(56.3)**	80.2	**9.1**	2.4
Adjustment to the opening balance resulting from the reduction in the tax rates				
– income tax rate	**(6.7)**	–	**1.2**	–
– secondary tax on companies rate	**(3.8)**	–	**–**	–
Property, plant and equipment	**(48.6)**	23.4	**–**	–
Prepayments	**(2.5)**	(6.1)	**–**	–
Working capital and other provisions	**9.1**	28.3	**–**	–
Export partnerships	**4.9**	4.3	**2.6**	2.6
Post-retirement medical aid liability	**6.7**	6.9	**–**	–
Secondary tax on companies	**(12.9)**	9.0	**–**	–
Other	**(2.5)**	14.4	**5.3**	(0.2)
Amounts credited directly in equity				
Foreign currency translation reserve adjustment	**15.4**	(1.0)	**–**	–
Financial instrument revaluation reserve adjustment	**(1.0)**	12.6	**–**	–
Balance at the end of the year	**227.7**	269.6	**(27.9)**	(37.0)
Deferred tax liability	**(66.3)**	(73.7)	**(27.9)**	(37.0)
Deferred tax asset	**294.0**	343.3	**–**	–
Net deferred tax asset/(liability)	**227.7**	269.6	**(27.9)**	(37.0)
Comprising:				
Property, plant and equipment	**(65.9)**	(23.7)	**–**	–
Prepayments	**(19.9)**	(17.7)	**–**	–
Working capital and other provisions	**308.2**	284.1	**–**	–
Export partnerships	**(66.2)**	(73.7)	**(27.9)**	(31.6)
Post-retirement medical aid liability	**70.3**	66.0	**–**	–
Secondary tax on companies	**2.2**	18.9	**–**	–
Other	**(1.0)**	15.7	**–**	(5.4)
	227.7	269.6	**(27.9)**	(37.0)

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

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

	Group 2008 Rm	Group 2007 Rm
Losses available for set-off against future taxable income for which a deferred tax asset has not been raised	**(18.4)**	(20.2)

No temporary differences arising from investments in subsidiaries for which deferred tax liabilities have not been recognised exist at the balance sheet date (2007: nil).

	Group 2008 Rm	Group 2007 Rm
17 Inventories		
Merchandise	**1 417.8**	1 215.0
Provision for shrinkage, obsolescence and mark-downs of inventories	**(62.4)**	(35.8)
Consumables	**8.3**	9.7
Raw materials	**7.7**	13.7
	1 371.4	1 202.6
Inventories carried at net realisable value included above	**177.1**	148.6
Write-downs of inventories recognised in cost of sales	**91.3**	68.9

Inventories to the amount of R217.5m (2007: R179.5m) have been pledged as surety for liabilities in Country Road Limited.

18 Receivables

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

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

- Woolworths still bears the risk of first loss due to the provision of funding, if necessary, to Account On Us (Proprietary) Limited through a subordinated loan and a subordinated originator facility;
- Woolworths holds the preference shares issued by Account On Us (Proprietary) Limited which entitles it to participate in the profits of Account On Us (Proprietary) Limited which are available for distribution quarterly;
- the basis risk between the funding rates and the interest earned on the securitised debtors is transferred to Woolworths through a total return interest rate swap (refer to note 19); and
- Woolworths (Proprietary) Limited is exposed to the credit risk and interest rate risk of the securitised debtors.

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

At the balance sheet date Woolworths card debtors amounting to R3 060.4m (2007: R3 359.0m) are owned by Account On Us (Proprietary) Limited as security for the notes in issue under the asset-backed note programme – refer note 23.

Notes amounting to R436m (2007: R300m) were redeemed during February 2008.

	Group	
	2008 Rm	2007 Rm
Woolworths card debtors*	**3 707.8**	3 742.8
Provision for impairment	**(256.2)**	(182.6)
Carrying value of Woolworths card debtors (refer to note 35)	**3 451.6**	3 560.2
Movements in the provision for impairment of Woolworths card debtors were as follows:		
Opening balance	**182.6**	138.0
Charge for the year	**182.1**	291.1
Amounts written off	**(108.5)**	(246.5)
Closing balance	**256.2**	182.6
Credit card receivables*	**1 065.3**	978.2
Provision for impairment	**(105.6)**	(73.4)
Carrying value of credit card receivables (refer to note 35)	**959.7**	904.8
Movements in the provision for impairment of credit card receivables were as follows:		
Opening balance	**73.4**	34.8
Charge for the year	**175.5**	111.4
Amounts written off	**(143.3)**	(72.8)
Closing balance	**105.6**	73.4
Loans to customers – non-current*	**283.3**	305.5
Loans to customers – current*	**811.0**	823.5
Provision for impairment	**(86.0)**	(58.0)
– non-current	**(22.3)**	(15.7)
– current	**(63.7)**	(42.3)
Carrying value of loans to customers (refer to note 35)	**1 008.3**	1 071.0

* The carrying amount of Woolworths card debtors, credit card receivables and loans to customers at 30 June 2008 are included in a disposal group, as defined in IFRS 5 – Non-current Assets Held For Trading and Discontinued Operations. Refer to note 35.

	Group 2008 Rm	Group 2007 Rm	Company 2008 Rm	Company 2007 Rm
18 Receivables continued				
Movements in the provision for impairment of loans to customers were as follows:				
Opening balance	**58.0**	39.8		
Charge for the year	**102.8**	59.9		
Amounts written off	**(74.8)**	(41.7)		
Closing balance	**86.0**	58.0		
Trade and other receivables	**709.0**	614.5	**1.3**	2.0
Provision for impairment	**(11.6)**	(39.6)	**–**	–
Trade and other receivables – net	**697.4**	574.9	**1.3**	2.0
Movements in the provision for impairment of trade and other receivables were as follows:				
Opening balance	**39.6**	15.7		
Charge for the year	**13.6**	71.9		
Amounts written off	**(41.6)**	(48.0)		
Closing balance	**11.6**	39.6		

Trade and other receivables are interest free and have payment terms ranging from 7 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 an inability to recover long overdue accounts and liquidity problems experienced by the debtors, which indicates that the receivables might not be recoverable.

The carrying value of trade and other receivables is considered to approximate fair value.

Woolworths in-store card debtors and credit card receivables have revolving credit terms. Loans to customers have a maximum repayment period of three years.

Financial services assets are payable on a monthly basis, and are classified as delinquent when a qualifying payment is missed. The minimum monthly qualifying payment amounts to the higher of 10% of the balance owing or R25.

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

	%	%
Woolworths card debtors	**6.9**	4.9
Credit card receivables	**9.9**	7.5
Loans to customers	**7.9**	5.1

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

Woolworths card debtors and loans to customers attract interest rates as determined by the Usury Act (ranging from 23% to 27%) and National Credit Act (ranging from 25% to 28.5%). Interest rates charged on credit card receivables are market-related.

18 Receivables continued

During the current year, interest was earned on financial services assets as follows:

	Group	
	2008 Rm	2007 Rm
Woolworths card debtors	**856.1**	656.7
Credit card receivables	**209.8**	147.9
Loans to customers	**245.8**	187.9
	1 311.7	992.5

The provision for impairment includes certain financial services balances that have been specifically impaired. Based on historical experience, the group expects a portion of the impaired balances to be recovered.

The carrying values of financial services assets are measured at amortised cost and are considered to approximate their fair values. Fair values are calculated using market related interest rates adjusted for credit risk premium.

At 30 June, the aging analysis of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired < 90 days delinquent	Past due but not impaired 90-120 days delinquent	Past due but not impaired >120 days delinquent
2008					
Trade and other receivables	**597.8**	**352.0**	**204.9**	**11.9**	**29.0**
Woolworths card debtors	**3 451.6**	**2 368.1**	**845.2**	**99.3**	**139.0**
Credit card receivables	**959.7**	**705.4**	**183.1**	**21.6**	**49.6**
Loans to customers	**1 008.3**	**911.3**	**72.2**	**9.6**	**15.2**
2007					
Trade and other receivables	492.8	159.6	193.7	5.0	134.5
Woolworths card debtors	3 560.2	2 449.0	908.2	92.5	110.5
Credit card receivables	904.8	647.0	214.6	17.8	25.4
Loans to customers	1 071.0	991.2	60.7	8.9	10.2

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security. For detailed information regarding the credit quality of financial assets which are neither past due nor impaired, refer to note 29.3.

	Group			
	2008 Assets Rm	**2008 Liabilities Rm**	2007 Assets Rm	2007 Liabilities Rm
19 Derivative financial instruments				
Interest rate swaps and collars held as hedging instruments – cash flow hedges	**35.1**	**(23.1)**	23.6	(11.7)
Forward exchange contracts held as hedging instruments – cash flow hedges	**13.7**	**(25.4)**	10.5	(13.5)
Forward exchange contracts – not hedge-accounted for	**4.7**	**(1.6)**	–	–
	53.5	**(50.1)**	34.1	(25.2)
Total return interest rate swap included in disposal group at 30 June 2008 – refer to note 35	**(20.4)**	**23.1**	–	–
	33.1	**(27.0)**	34.1	(25.2)
Derivatives mature as follows:				
Within 12 months	**50.4**	**(50.1)**	4.2	(13.5)
After 12 months	**3.1**	**–**	29.9	(11.7)
	53.5	**(50.1)**	34.1	(25.2)

Total return interest rate swap

The structure of the asset-backed note programme requires that the basis risk be swapped out of the special purpose vehicle, Account On Us (Proprietary) Limited. Account On Us (Proprietary) Limited has entered into a total return swap with the Standard Bank of South Africa Limited, whereby interest earned on the receivables owned by Account On Us (Proprietary) Limited is swapped for a Jibar related return. Woolworths (Proprietary) Limited has entered into a back-to-back swap with the Standard Bank of South Africa Limited.

Interest rate swaps

The notional principal amount of interest rate swap contracts outstanding at 30 June 2008 netted to zero (2007: R1 000.0m). Gains and losses on calculating the fair value of the interest rate swaps are recognised directly in equity. The future cash flow on these swap contracts are expected to occur within three months. Interest rate swap contracts are measured at fair value. Fair value is determined by discounting future cash flows using prevailing market interest rates. The valuation of interest rate swaps is performed by external experts.

Interest rate collars

The notional principal amount of the outstanding interest rate collar contracts at 30 June 2008 was R550.0m (2007: R950.0m). Gains and losses on calculating the fair value of the interest rate collars are recognised directly in equity. The collars are reset every
three months and the next payment is expected to take place in August 2008. Interest rate collars are measured at fair value. Fair value is calculated by discounting the future cash flows arising from the collars using prevailing market interest rates. The valuation of interest rate collars is performed by external experts.

Forward exchange contracts

The notional principal amount of the outstanding contracts at 30 June 2008 amounts to R1 104.1m (2007: R734.7m). The related cash flows are expected to occur on the maturity dates of these contracts at various intervals within 21 months. Refer to
note 29.4. Gains and losses on forward exchange contracts held as hedging instruments in a designated and effective hedging relationship are recognised directly in equity. Gains and losses on remaining contracts not hedge-accounted for are recognised directly in the income statement. Forward contracts are measured at fair value which is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year end.

These derivative instruments are considered to be neither past due nor impaired.

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

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
20 Ordinary and preference share capital				
Authorised				
1 410 600 000 (2007: 1 410 600 000) ordinary shares of 0.15 cent each	**2.2**	2.2	**2.2**	2.2
89 400 000 (2007: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cent each	**0.1**	0.1	**0.1**	0.1
	2.3	2.3	**2.3**	2.3
Issued				
795 521 457 (2007 : 809 319 773) ordinary shares of 0.15 cent each	**1.1**	1.1	**–**	–
(Company: 882 393 151 (2007: 896 191 467) ordinary shares of 0.15 cent each)	**–**	–	**1.3**	1.3
88 267 306 (2007: nil) preference shares of 0.15 cent each	**0.1**	–	**–**	–
(Company: 88 267 306 (2007: nil) preference shares of 0.15 cent each)	**–**	–	**0.1**	–
88 267 306 (2007: nil) treasury preference shares	**(0.1)**	–	**–**	–
	1.1	1.1	**1.4**	1.3
Reconciliation of value of ordinary shares in issue:				
Opening balance	**1.1**	1.1	**1.3**	1.3
4 074 229 (2007: 13 368 429) ordinary shares issued	**–**	–	**–**	–
17 872 545 (2007: 1 268 051) ordinary shares repurchased and cancelled	**–**	–	**–**	–
	1.1	1.1	**1.3**	1.3
Reconciliation of number of ordinary shares in issue:				
Opening balance	**809 319 773**	797 219 395	**896 191 467**	884 091 089
Shares issued	**4 074 229**	13 368 429	**4 074 229**	13 368 429
Shares repurchased and cancelled	**(17 872 545)**	(1 268 051)	**(17 872 545)**	(1 268 051)
	795 521 457	809 319 773	**882 393 151**	896 191 467
Reconciliation of value of preference shares in issue:				
Opening balance	**–**	–	**–**	–
88 267 306 (2007: nil) preference shares issued	**0.1**	–	**–**	–
(Company: 88 267 306 (2007: nil) preference shares of 0.15 cent each)	**–**	–	**0.1**	–
88 267 306 (2007: nil) treasury shares	**(0.1)**	–	**–**	–
	–	–	**0.1**	–
Reconciliation of number of preference shares in issue:				
Opening balance				
88 267 306 (2007: nil) preference shares issued	**88 267 306**	–	**–**	–
(Company: 88 267 306 (2007: nil) preference shares of 0.15 cent each)	**–**	–	**88 267 306**	–
88 267 306 (2007: nil) treasury shares	**(88 267 306)**	–	**–**	–
	–	–	**88 267 306**	–

For more information on the company's capital management policy, refer to note 30.

	Group 2008 Rm	Group 2007 Rm
20 Ordinary and preference share capital continued		
Share-based payments arising from the group's share incentive schemes		
Shares	**0.2**	0.4
Share options and other	**20.3**	26.6
Black economic empowerment preference shares	**53.8**	–
	74.3	27.0

Share incentive schemes

Executive incentive scheme

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

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

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

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

	Number of shares 2008	Number of shares 2007
Shares held by participants		
Balance at the beginning of the year	**32 979 168**	29 294 842
Issued	**1 252 268**	6 799 591
Sold	**(10 711 476)**	(3 034 441)
Transferred to trust stock and shares released from the scheme	**(351 135)**	(80 824)
Balance at the end of the year	**23 168 825**	32 979 168
Market value at 30 June (rands)	**236 090 327**	705 754 195
Percentage of shares vested at 30 June	**73%**	67%
Weighted average issue price (rands)	**6.08**	12.60
Weighted average market price per share traded (rands)	**14.64**	17.26
Number of participants on management share scheme	**91**	95
Options granted to participants		
Balance at the beginning of the year	**28 770 004**	30 849 431
Granted	**–**	7 850 076
Exercised	**(4 461 078)**	(8 424 491)
Forfeited and expired	**(1 382 085)**	(1 505 012)
Balance at the end of the year	**22 926 841**	28 770 004
Percentage of options vested at the end of the year	**58%**	46%
Weighted average exercise price of options granted during the year	**–**	16.27
Weighted average exercise price of options outstanding at year end	**9.59**	9.09
Weighted average market price per share traded (rands)	**16.26**	18.55
Number of participants on management option scheme	**205**	255

20 Ordinary and preference share capital continued

Number of share options outstanding

Period of offer*	Number of share options outstanding 2008	2007	Exercise price	Fair value at grant date**
8 December 1998 to 8 December 2008	**820 578**	1 224 380	2.60	–
1 January 1999 to 1 January 2009	**38 560**	39 270	2.84	–
2 February 1999 to 2 February 2009	**17 500**	17 500	2.90	–
2 February 1999 to 1 May 2009	**93 327**	110 229	3.06	–
3 March 1999 to 3 March 2009	**834**	1 251	4.09	–
14 May 1999 to 14 May 2009	**944 543**	1 243 543	3.22	–
27 May 1999 to 27 May 2009	**43 877**	51 378	4.53	–
23 July 1999 to 23 July 2009	**214 653**	324 809	3.80	–
29 September 1999 to 29 September 2009	**90 223**	165 061	3.77	–
21 December 1999 to 21 December 2009	**165 891**	216 651	3.84	–
10 March 2000 to 10 March 2010	**13 203**	20 704	3.51	–
25 April 2000 to 25 April 2010	**14 080**	27 327	3.21	–
25 May 2000 to 1 August 2010	**258 841**	388 509	2.70	–
30 June 2000 to 30 June 2010	**79 027**	144 074	3.00	–
27 October 2000 to 1 January 2011	**1 160 042**	1 354 009	2.77	–
1 February 2001 to 1 March 2011	**89 618**	108 910	2.82	–
1 April 2001 to 1 June 2011	**302 074**	352 414	3.03	–
1 July 2001 to 1 September 2011	**329 155**	625 816	3.33	–
1 October 2001 to 1 December 2011	**286 051**	424 218	3.59	–
1 January 2002 to 1 January 2012	**270 934**	392 934	3.46	–
1 February 2002 to 1 April 2012	**192 972**	302 112	3.43	–
26 February 2002 to 26 February 2012	**478 931**	589 482	3.78	–
1 June 2002 to 1 June 2012	**–**	25 745	3.95	–
14 June 2002 to 14 June 2012	**1 194 050**	1 804 107	3.98	–
1 December 2002 to 1 December 2012	**19 524**	19 524	4.38	2.20
1 January 2003 to 1 January 2013	**353 563**	378 290	4.42	2.14
1 February 2003 to 1 February 2013	**32 657**	163 285	4.49	1.84
1 March 2003 to 1 May 2013	**259 675**	259 675	4.62	1.96
1 June 2003 to 1 June 2013	**170 249**	170 249	4.69	2.16
12 August 2003 to 22 August 2013	**1 112 623**	1 505 065	5.16	2.88
2 September 2003 to 2 September 2013	**7 598**	15 190	5.53	2.65
22 September 2003 to 22 September 2013	**300 347**	336 449	5.76	2.31
1 October 2003 to 1 November 2013	**130 024**	144 017	6.10	2.26
1 January 2004 to 1 January 2014	**36 914**	50 414	6.43	2.69
1 January 2004 to 1 January 2014	**69 424**	121 807	7.28	2.93
1 February 2004 to 1 February 2014	**159 310**	159 310	7.25	2.67
1 March 2004 to 1 March 2014	**226 064**	226 064	6.84	2.46
1 April 2004 to 1 April 2014	**47 826**	47 826	7.33	2.63
1 June 2004 to 1 June 2014	**76 278**	76 278	7.13	2.71
1 December 2004 to 1 December 2014	**1 559 112**	1 852 374	10.59	3.55
29 March 2005 to 29 March 2015	**542 322**	873 756	10.18	3.44
4 April 2005 to 4 April 2015	**46 435**	46 435	9.99	3.22
1 May 2005 to 1 May 2015	**597 821**	614 471	9.73	3.15
1 June 2005 to 1 June 2015	**–**	62 641	10.64	3.14
1 July 2005 to 1 July 2015	**560 826**	756 767	10.33	3.30
1 August 2005 to 1 August 2015	**133 987**	133 987	11.58	3.73
24 August 2005 to 24 August 2015	**1 057 515**	1 342 230	11.31	3.66
1 September 2005 to 1 September 2015	**205 926**	227 614	11.64	3.67
1 October 2005 to 1 October 2015	**–**	123 337	12.71	4.22
1 November 2005 to 1 November 2015	**745 449**	907 547	12.45	4.11
3 January 2006 to 3 January 2016	**264 025**	264 025	14.11	4.43
1 March 2006 to 1 March 2016	**–**	104 465	15.81	4.89
1 April 2006 to 1 April 2016	**116 242**	138 722	16.33	5.16
1 May 2006 to 1 May 2016	**113 354**	113 354	16.56	5.27
23 August 2006 to 23 August 2016	**2 046 990**	2 638 518	13.30	4.25
01 September 2006 to 01 September 2016	**64 161**	64 161	13.17	4.10
01 October 2006 to 01 October 2016	**119 806**	119 806	13.58	4.54
04 October 2006 to 04 October 2016	**583 516**	583 516	13.71	4.64
01 November 2006 to 01 November 2016	**274 076**	282 865	15.56	5.21
14 November 2006 to 14 November 2016	**338 319**	338 319	15.74	5.06
01 December 2006 to 01 December 2016	**1 784 652**	1 784 652	16.81	5.23
15 February 2007 to 15 February 2017	**634 688**	669 405	20.35	6.57
01 March 2007 to 01 March 2017	**350 461**	350 461	20.35	6.47
01 April 2007 to 01 April 2017	**63 585**	96 399	21.53	7.07
20 April 2007 to 20 April 2017	**22 872**	22 872	22.03	7.09
15 May 2007 to 15 May 2017	**244 266**	244 266	24.13	7.08
01 June 2007 to 01 June 2017	**355 395**	385 163	22.92	7.17
	22 926 841	28 770 004		

* The period of offer refers to the total life of the options. Options not exercised at the end of the period of offer will expire.
** Fair value of options prior to IFRS 2 effective date of 7 November 2002 has not been determined.

20 Ordinary and preference share capital continued

Woolworths share appreciation rights scheme

The share appreciation rights scheme provides executives with the opportunity to acquire shares of Woolworths Holdings Limited through the grant of conditional share appreciation rights. These constitute rights to receive shares equal in value to the increase in the Woolworths Holdings Limited share price between the price on the grant date of the instruments and the price on the date on which they are exercised. Vesting of the share appreciation rights is subject to performance conditions as determined by the board of directors on an annual basis in respect of each new grant. The performance condition applied to grants in the current year is that the group's headline earnings per share should increase by 6% per annum above inflation over a three-year period. If the performance condition is not met at the end of three years, retesting of the condition will be performed in year four and five against targets of growth in headline earnings per share exceeding inflation by 8% and 10% respectively.

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

The share appreciation rights are valued using a binomial option pricing model, assuming a life of seven years. Other valuation assumptions include volatility set at historic trend levels, a continuous dividend yield of 7.3% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the life of the rights.

	Number of shares	
	2008	2007
Rights granted to participants		
Balance at the beginning of the year	**–**	–
Granted	**7 986 544**	–
Balance at the end of the year	**7 986 544**	–
Cumulative percentage of rights vested at the end of the year	**0%**	–
Weighted average grant price of rights outstanding	**12.20**	–
Number of participants on share appreciation rights scheme	**265**	–

Woolworths long-term incentive plan

The long-term incentive plan provides executives with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares which are subject to the fulfilment of predetermined performance conditions covering a three-year period. The performance conditions applicable to this scheme are related to growth in headline earnings per share and the group's total shareholder return (TSR) relative to the TSR of a peer group of 24 companies listed on the JSE Limited. These awards are based on the full value of Woolworths shares at that time plus an additional number of shares equal in value to the dividends that a participant would have earned if he had been the owner of the shares. Linear vesting occurs between the threshold level and full level of vesting for these two performance conditions.

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

The conditional awards are valued using a Monte Carlo simulation model, assuming a life of three years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 6.4% and a risk-free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the life of the awards.

	Number of shares	
	2008	2007
Awards granted to participants		
Balance at the beginning of the year	**–**	–
Granted	**1 259 425**	–
Balance at the end of the year	**1 259 425**	–
Cumulative percentage of awards vested at the end of the year	**0%**	–
Weighted average grant price of awards outstanding	**12.20**	–
Number of participants on long-term incentive plan	**17**	–

Woolworths deferred bonus plan

The deferred bonus plan allows selected executives to acquire Woolworths Holdings shares at the ruling market price out of a portion of their declared 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 the condition that the participant remains in the employment of the group and retains the bonus shares over the period. The matching award is one Woolworths share for each share held plus an additional number of shares equal in value to dividends that a participant would have earned if he had been the owner of the matching shares from date of grant to date of vesting. The bonus shares meet the definition of equity-based share-based payment.

20 Ordinary and preference share capital continued

	Number of shares	
	2008	2007
Bonus shares granted to participants		
Balance at the beginning of the year	–	–
Granted	172 411	–
Balance at the end of the year	172 411	–
Cumulative percentage of bonus shares vested at the end of the year	0%	–
Weighted average fair value of bonus shares granted during the year	12.50	–
Weighted average fair value of bonus shares outstanding	12.50	–
Number of participants on deferred bonus plan	5	–

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

Woolworths Black Economic Empowerment Employees Share Ownership Scheme

During the current financial year 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 preference shares issued are not listed.

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

The preference shares offered in terms of the scheme have the substance of an option and meet the definition of an equity-settled share-based payment. The terms and conditions of the scheme are detailed in the corporate governance report.

The preference shares are convertible into ordinary shares to the extent that the growth in the Woolworths Holdings Limited share price exceeds a predetermined hurdle rate at the end of the scheme. The preference shares are valued using a Black-Scholes model, assuming a life of eight years. In performing the valuations, the cost of the dividend stream attached to the scheme will be added to the option costs, as a traditional share option does not receive dividends. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 4.2%, a risk-free interest rate based on the zero-coupon yield of SA Government bonds with a term consistent with the life of the instrument. Staff retention rates are a key assumption and have been modelled, based on historical experience, per category of employees participating in the scheme, namely executive, management and broad-based employees.

	Number of shares	
	2008	2007
Shares held by participants		
Balance at the beginning of the year	–	–
Issued	88 267 306	–
Forfeited	–	–
Early conversions	–	–
Balance at the end of the year	88 267 306	–
Percentage of shares vested at the end of the year	0%	–
Weighted average fair value of instruments (rands)	2.76	–
Number of participants on share scheme	12 437	–

Vesting occurs over an eight-year period as follows:

Completed years of service subsequent to the effective date	Adjustment 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 the remuneration report on pages 53, 54 and 55.

	Group		Company	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
21 Share premium				
Balance at the beginning of the year	95.6	10.1	95.6	10.1
Share issues in terms of the share incentive scheme	20.4	111.8	20.4	111.8
Shares repurchased and cancelled	–	(26.3)	–	(26.3)
Balance at the end of the year	116.0	95.6	116.0	95.6
22 Reserves				
Non-distributable reserve				
Foreign currency translation reserve	279.7	204.1		
Distributable reserves				
Share-based payment reserve	129.7	55.4		
Financial instrument revaluation reserve				
Interest rate and foreign exchange derivative instruments	6.4	3.2		
Retained profit	3 888.9	3 778.6	195.2	480.5
Company	195.2	480.5	195.2	480.5
Arising on consolidation of subsidiaries	3 693.7	3 298.1	–	–
	4 025.0	3 837.2	195.2	480.5

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 20 for further details of the relevant schemes.

Financial instrument revaluation reserve

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

Retained profit

Retained profit records the cumulative net profit and loss made by the group after deducting distributions to shareholders and other utilisations of the reserve.

	Group		Company	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
23 Interest-bearing borrowings				
Non-current – secured				
Floating rate notes in issue	**–**	2 179.0		
4 year notes maturing on 25 February 2009 – 3 month Jibar plus 0.36%	**–**	550.0		
4 year notes maturing on 25 February 2009 – 3 month Jibar plus 0.37%	**–**	49.0		
5 year notes maturing on 25 February 2010 – 3 month Jibar plus 0.38%	**–**	650.0		
5 year notes maturing on 25 February 2010 – 3 month Jibar plus 0.44%	**–**	58.0		
6 year notes maturing on 25 February 2011 – 3 month Jibar plus 0.39%	**–**	800.0		
6 year notes maturing on 25 February 2011 – 3 month Jibar plus 0.49%	**–**	72.0		
Non-current – unsecured				
Floating rate loan maturing on 30 November 2010 – Jibar plus 1.65%	**1 000.0**	–		
– Floating rate loan bearing interest at prime less 3.5%, maturing on 6 December 2012	**500.0**	–		
	1 500.0	2 179.0		
Current – secured				
Floating rate notes in issue	**2 179.0**	436.0		
3 year notes maturing on 25 February 2008 – 3 month Jibar plus 0.35%	**–**	400.0		
3 year notes maturing on 25 February 2008 – 3 month Jibar plus 0.31%	**–**	36.0		
4 year notes maturing on 25 February 2009 – 3 month Jibar plus 0.36%*	**550.0**	–		
4 year notes maturing on 25 February 2009 – 3 month Jibar plus 0.37%*	**49.0**	–		
5 year notes maturing on 25 February 2010 – 3 month Jibar plus 0.38%*	**650.0**	–		
5 year notes maturing on 25 February 2010 – 3 month Jibar plus 0.44%*	**58.0**	–		
6 year notes maturing on 25 February 2011 – 3 month Jibar plus 0.39%*	**800.0**	–		
6 year notes maturing on 25 February 2011 – 3 month Jibar plus 0.49%*	**72.0**	–		
Current – unsecured				
Call loans payable on demand – floating interest rates varying between 12.4% and 13.8% (2007: 9.1% – 10.0%)	**916.3**	846.9	**–**	1.6
Floating rate loan bearing interest at prime less 3.5%, maturing on 6 December 2007	**–**	500.0	**–**	–
	3 095.3	1 782.9	**–**	1.6

* The notes issued are asset-backed with security provided to investors under the note programme agreement – refer note 18. At 30 June 2008, the notes are held by the Standard Bank of South Africa Limited under a warehousing agreement. The carrying value of all notes is included in the disposal group held for sale and therefore classifed as current. Refer to note 35.

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

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

Interest on non-current borrowings and secured floating rate notes is payable on a quarterly basis. Interest on unsecured current loans is payable monthly.

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

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

	Group 2008 Rm	Group 2007 Rm	Company 2008 Rm	Company 2007 Rm
24 Trade and other payables				
Non-current				
Operating lease accrual	**450.0**	426.7	**–**	–
	450.0	426.7	**–**	–
Current				
Trade payables	**1 371.9**	1 265.4	**–**	–
Other payables	**613.7**	778.6	**2.0**	1.8
Operating lease accrual	**13.1**	23.2	**–**	–
	1 998.7	2 067.2	**2.0**	1.8

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

The carrying value of trade and other payables approximates the fair value.

25 Retirement benefit information

Woolworths permanent employees under the age of 60 are contributory members of the Wooltru Group Retirement Fund. Certain employees, in addition to belonging to the Wooltru Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. Actuarial valuations are carried out every year for the Wooltru Retirement Fund, and every three years for the other funds. The latest valuations of the Wooltru Group Retirement Fund as at 29 February 2008 and the other funds as at 31 December 2007, confirmed that the funds were in a sound financial position.

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

Total group contributions are charged to income as incurred and amounted to R160.5m (2007: R130.8m).

Woolworths subsidises a portion of the medical aid contributions of retired employees. The company values its accrued and future liability in respect of post-retirement medical aid contributions annually in June. The liability was actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions. For the purposes of the valuation it was assumed that investment returns would be 8.5% (2007: 8.5%), and would exceed medical inflation by 1.5% (2007: 2.0%) per annum. The discount rate used to value the liability at 30 June 2008 is 10.7% (2007: 8.5%) per annum.

At 30 June 2008, the accrued liability amounted to R251.2m (2007: R227.2m) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the company's in-house medical aid scheme. At that date, Woolworths had funded R1.1m (2007: R8.8m) of the liability by means of a long-term insurance policy held with Momentum Ability.

Employees who joined the healthcare fund after 1 November 2000 are not entitled to receive post-retirement healthcare benefits.

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

	Group 2008 Rm	Group 2007 Rm
Funding liability	**246.8**	229.2
Fair value of assets	**(1.1)**	(8.8)
Funding deficit	**245.7**	220.4
Unrecognised actuarial gain	**5.5**	6.8
Net obligation	**251.2**	227.2

	Group	
	2008 Rm	2007 Rm
25 Retirement benefit information continued		
Reconciliation:		
Net obligation at the beginning of the year	**227.2**	202.7
Net movement charged to employment cost in the income statement (refer note 3.5)	**24.9**	25.3
Current service cost	**5.7**	8.7
Interest on obligation	**19.6**	17.4
Expected return on assets	**(0.4)**	(0.8)
Contribution paid	**(0.9)**	(0.8)
Net obligation at the end of the year	**251.2**	227.2
Funding liability at the beginning of the year	**229.2**	202.2
Interest cost	**19.6**	17.4
Current service cost	**5.7**	8.7
Contributions	**(8.5)**	(7.5)
Actuarial loss	**0.7**	8.4
Funding liability at the end of the year	**246.7**	229.2
Fair value of plan assets at the beginning of the year	**8.8**	12.5
Expected returns	**0.4**	0.8
Contributions	**(7.5)**	(6.7)
Actuarial (loss)/gain	**(0.6)**	2.2
Fair value of plan assets at the end of the year	**1.1**	8.8
Plan assets comprise the following (%):		
Capital Market	**11.0**	6.0
Money Market	**13.0**	14.0
Foreign Assets	**15.0**	15.0
Equity Market	**61.0**	65.0
	100.0	100.0
Actual return on plan assets:		
Expected return on plan assets	**0.4**	0.8
Actuarial (loss)/gain on plan assets	**(0.6)**	2.2
Actual return on plan assets	**(0.2)**	3.0

Expected return on plan assets is estimated by calculating a total return estimate based on the weighted average return of each class of asset. The return per asset class is estimated using current and projected economic and market factors such as interest rates, inflation, credit spreads and market risk premiums.

	2008	2007	2006	2005
25 Retirement benefit information continued				
Funding liability	**246.8**	229.2	202.2	195.0
Fair value of assets	**1.1**	8.8	12.5	15.4
Funding deficit	**245.7**	220.4	189.7	179.6
Actuarial loss/(gain) on funding liability	**0.7**	8.4	(8.9)	2.1
Actuarial (loss)/gain on plan assets	**(0.6)**	2.2	3.2	3.9

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

Medical inflation assumption	**9.2%**	8.2%	10.2%
Service cost for the year ended June 2008	**6.9**	5.6	8.6
Interest cost for the year ended June 2008	**26.6**	22.8	31.1
Medical inflation assumption	**9.2%**	8.2%	10.2%
Accrued liability at June 2008	**246.8**	213.3	288.1

The group anticipates making contributions amounting to R8.7m in the next financial year.

	Lease pay Rm	Provision for onerous lease commitments Rm	Other Rm	Group Total 2008 Rm	Group Total 2007 Rm
26 Provisions					
Balance at the beginning of the year	114.7	30.2	11.4	**156.3**	131.0
Raised	61.9	19.8	37.3	**119.0**	53.9
Released	(1.2)	–	(0.3)	**(1.5)**	(3.1)
Utilised	(41.1)	(5.3)	(14.1)	**(60.5)**	(25.5)
Balance at the end of the year	134.3	44.7	34.3	**213.3**	156.3

Leave Pay

The leave pay provision is calculated using the estimated number of leave days due to the employees as at the end of the financial 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.

Other

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

	Group	
	2008 Rm	2007 Rm
27 Capital commitments		
Commitments in respect of capital expenditure not accrued at the balance sheet date:		
Contracted for	**314.8**	185.7
Not contracted for	**366.4**	361.3
	681.2	547.0

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

28 Contingent liabilities

Company

The company provides sureties for the banking facilities (refer note 29.4) and lease obligations of certain subsidiaries. In the opinion of the directors, the possibility of loss arising therefrom is remote.

29 Financial risk management

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

The group attempts to manage financial risk where this involves activities in which it has appropriate competencies. To achieve this, the group's treasury function is responsible for managing funding and the group's financial risks within predetermined parameters. In addition, the treasury function is responsible for adding value by reducing costs without unduly increasing risk; and providing specialist financing advice to the business.

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

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

Financial services credit risk is managed by a credit risk committee attended by two directors of the Woolworths Holdings Limited board.

All the policies, procedures and objectives of risk management is similar between the group and the company.

29.1 Foreign currency management

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Australian Dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. It is the group's policy to fully cover all committed exposures.

Transactional foreign exchange risk

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

Forward exchange contracts at 30 June 2008 are summarised below. These amounts represent the net rand equivalent of group commitments to purchase and sell foreign currencies.

29 Financial risk management continued

29.1 **Foreign currency management** continued

Transactional foreign exchange risk continued

	Group			
Forward exchange contract	Contract foreign currency amount m	Rand equivalent Rm	Average rate R	Fair value adjustment Rm
2008				
US Dollar	**122.2**	**1 023.2**	**8.4**	**(22.6)**
British Pound	**3.2**	**41.8**	**13.1**	**11.1**
Euro	**0.9**	**11.4**	**12.7**	**(0.1)**
Australian Dollar	**1.0**	**7.7**	**7.7**	**–**
Canadian Dollar	**2.7**	**19.4**	**7.2**	**2.6**
Swiss Franc	**0.1**	**0.6**	**6.0**	**0.2**
		1 104.1		
2007				
US Dollar	90.5	669.9	7.4	17.5
British Pound	4.5	58.3	13.1	–
Euro	0.5	4.9	9.8	–
Australian Dollar	–	–	–	–
Canadian Dollar	–	–	–	–
Swiss Franc	0.3	1.6	6.0	–
		734.7		

At 30 June 2008, the group held 316 (2007: 157) forward exchange contracts designated as hedges of expected future purchases from suppliers outside South Africa for which the group has firm commitments. Of these, 160 (2007: 157) are designated cash flow hedges in an effective hedging relationship.

The cash flow hedges resulted in a net unrealised gain of R4.1m (2007: loss of R42.9m) with a related deferred tax asset/(charge) of (R1.0m) (2007: R12.9m) which was included in equity in respect of these contracts.

The remaining 156 (2007: nil) forward exchange contracts are not designated as cash flow hedges. During the year, a gain amounting to R3.1m (2007: nil) was recognised in the income statement in respect of these forward exchange contracts.

The following exchange rates applied during the year:

	Average rate		Closing rate	
	2008	2007	**2008**	2007
R/US Dollar	**7.3**	7.2	**7.9**	7.1
R/Australian Dollar	**6.6**	5.7	**7.6**	6.1

29 Financial risk management continued

29.1 **Foreign currency management** continued

Transactional foreign exchange risk continued

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

In the table below, the sensitivity of the group's exposure to foreign currency risk is estimated by assessing the impact that a reasonably possible movement in foreign exchange rates would have had on the profits and equity of the group if the change was effective during the financial year.

US Dollar	Movement in exchange rate	Effect on profit before tax Rm	Effect on equity Rm
2008			
Foreign creditors	**+5%**	**(1.5)**	**(1.0)**
	-1.5%	**0.4**	**0.3**
Forward exchange contracts	**+5%**	**(15.9)**	**(11.5)**
	-1.5%	**2.7**	**2.0**
2007			
Foreign creditors	+5%	(1.0)	(0.7)
	-5%	1.0	0.7
Forward exchange contracts	+5%	(0.2)	(11.4)
	-5%	0.1	10.5

Translational foreign exchange risk

Net investments in foreign subsidiaries

The group has investments in foreign subsidiaries whose net assets (including cash) are exposed to foreign currency translation risk. This risk is not hedged.

	Group	
	2008 Rm	2007 Rm
The group has unhedged interest in foreign subsidiaries of:		
US Dollar	**561.9**	404.1
Euro	**(531.1)**	(316.2)
Australian Dollar	**(180.0)**	230.7

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

The sensitivity of the group to such changes is presented in the table below. Reasonably possible changes in the group's material translational foreign currencies will result in movements in equity observed in the foreign currency translation reserve.

	Movement in exchange rate	Effect on profit before tax Rm	Effect on equity Rm
2008			
US Dollar	**+5%**	**5.8**	**28.1**
	-1.5%	**(1.7)**	**(8.4)**
Euro	**+5%**	**(5.0)**	**(22.6)**
	-1.5%	**1.5**	**6.8**
Australian Dollar	**+5%**	**18.2**	**(44.1)**
	-1.5%	**(5.5)**	**13.2**
2007			
US Dollar	+5%	–	19.9
	-5%	–	(19.9)
Euro	+5%	–	32.6
	-5%	–	(0.8)
Australian Dollar	+5%	(0.1)	18.8
	-5%	(5.4)	(8.3)

29 Financial risk management continued

29.1 Foreign currency management continued

Translational foreign exchange risk continued

Foreign cash

The group has exposure to foreign currency translation risk through cash balances in currencies other than the South African rand. This risk is not hedged. Refer to note 33.5.

	Group 2008 Rm	Group 2007 Rm
Foreign cash balances are concentrated in the following major currencies:		
US Dollar	14.4	12.8
Australian Dollar	234.8	131.7
	249.2	144.5

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

	Movement in exchange rate	Effect on profit before tax Rm	Effect on equity Rm
2008			
US Dollar	+5%	–	(0.7)
	-1.5%	–	0.2
Australian Dollar	+5%	–	(11.7)
	-1.5%	–	3.5
2007			
US Dollar	+5%	–	0.5
	-5%	–	(0.5)
Australian Dollar	+5%	–	4.7
	-5%	–	(4.7)

29 Financial risk management continued

29.2 Interest rate management

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

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 sensitivity of the group's profits or equity to its exposure to interest rate risk is presented below. The analysis considers the impact of a reasonably possible change in the 3 month Jibar, with all other variables held constant. At the balance sheet date, the 3 month Jibar is 12.4% (2007: 9.7%).

	Movement in basis points	Effect on profit before tax Rm	Effect on equity Rm
2008			
Floating rate loans	**+50**	**2.0**	**1.4**
	-75	**(2.9)**	**(2.1)**
Interest rate derivatives	**+50**	**–**	**1.9**
	-75	**–**	**(2.9)**
2007			
Floating rate loans	+200	5.1	3.7
	-150	(3.8)	(2.7)
Interest rate derivatives	+200	–	15.3
	-150	–	(6.6)

Reasonably possible changes in the prime interest rate will also impact the group's profits or equity. The sensivity of the group's exposure to this variable is presented below.

2008			
Other floating rate loans	**+50**	**0.4**	**0.3**
	-75	**(0.6)**	**(0.4)**
2007			
Other floating rate loans	+200	1.3	0.9
	-150	(1.0)	(0.7)

As at the balance sheet date, the prime interest rate is 15.5% (2007: 13.0%).

The interest rate pricing profile at 30 June 2008 is summarised as follows:

	Group			
	Rm	**2008 Effective interest rate**	Rm	2007 Effective interest rate
Local interest-bearing borrowings				
Floating rate	**4 595.3**	**13.0%**	3 961.9	9.9%
% of total borrowings	**100%**		100%	

There are no foreign interest-bearing borrowings.

During the financial year the interest rate exposure on the notes maturing in February 2009, totalling R550m (2007: including in February 2008, R950m), was hedged using interest rate collars.

The fair values of the financial instruments at 30 June 2008 are included in note 19. These fair values are supported by observable current market transactions in similar instruments.

29 Financial risk management continued

29.2 Interest rate management continued

The interest rate swaps and collars are designated as cash flow hedges. These hedges were assessed to be highly effective resulting in a net unrealised gain of R0.1m (2007: R1.1m) being recognised in equity. The related deferred tax charged to equity amounted to nil (2007: R0.3m).

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

	On demand Rm	< 3 months Rm	3-12 months Rm	1-5 years Rm	> 5 years Rm
2008					
Floating rate					
Notes in issue (part of disposal group, refer notes 23 & 35)	–	–	**2 179.0**	–	–
Loan bearing interest at 3 month Jibar plus 1.65%	–	–	–	**1 000.0**	–
Loan bearing interest at prime less 3.5%	–	–	–	**500.0**	–
Call loans payable on demand	**916.3**	–	–	–	–
Interest rate swaps and collars	–	–	**(12.0)**	–	–
2007					
Floating rate					
Notes in issue	–	–	436.0	2 179.0	–
Loan bearing interest at prime less 3.5%	–	–	500.0	–	–
Call loans payable on demand	846.9	–	–	–	–
Interest rate swaps and collars	–	1.3	4.7	10.2	–

29.3 Credit risk management

Credit risk arises from cash and cash equivalents, financial services assets, 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 29.5.

The group only deposits short-term cash surpluses and enter into derivative contracts with major banks of high quality credit standing. Woolworths card, customer loan debtors and credit card receivables comprise a large, widespread customer base and ongoing credit evaluations are performed. The granting of credit is controlled by entering application information into a statistical scoring model, and the assumptions therein are reviewed and updated on an ongoing basis. These credit-granting procedures are consistent with those applied in the prior year.

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

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

Other loans include housing loans to employees and share purchase scheme loans to directors of the group. Security of housing loans is required, while share purchase scheme 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.

29 Financial risk management continued

29.3 Credit risk management continued

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:

	Group			
	Rating	2008 Rm	Rating	2007 Rm
Financial assets other than financial services assets				
Participation in export partnerships	High grade	66.3	High grade	70.4
Other loans	High grade	153.6	High grade	186.4
Cash and cash equivalents	High grade	825.6	High grade	424.3
Derivative financial instruments	High grade	53.5	High grade	34.1
Trade and other receivables	High grade	352.0	High grade	159.6

	Company			
	Rating	2008 Rm	Rating	2007 Rm
Financial assets other than financial services assets				
Amounts owing by subsidiaries	High grade	328.4	High grade	337.3
Participation in export partnerships	High grade	28.0	High grade	31.0

	Group			
	Rating	2008 Rm	Rating	2007 Rm
Financial services assets				
Loans to customers				
	Group 1	23.5	Group 1	85.6
	Group 2	578.8	Group 2	624.7
	Group 3	309.0	Group 3	280.9
Woolworths card debtors				
	Group 1	106.3	Group 1	130.0
	Group 2	699.7	Group 2	773.9
	Group 3	1 562.1	Group 3	1 545.4
Credit card receivables				
	Group 1	14.8	Group 1	83.2
	Group 2	33.7	Group 2	117.7
	Group 3	656.9	Group 3	446.1

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.

Credit groupings are defined as follows:
Group 1 – new customers (less than 6 months);
Group 2 – existing customers (more than 6 months) with no defaults in the past; and
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

29 Financial risk management continued

29.4 Liquidity management

Liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from adequate banking facilities ranging from overnight to 364 day facilities and the ability to close out market positions.

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

	Group	
	2008 Rm	2007 Rm
Banking facilities:		
Total banking facilities	**3 791.4**	3 376.9
Less: drawn down portion	**(916.3)**	(846.9)
Total undrawn banking facilities	**2 875.1**	2 530.0

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

The group's policy is that not all term borrowings should mature in the next 12 months and to maintain a predetermined core of term funding.

Based on the balances reflected in the financial statements, 67% (2007: 45%) of the group's total borrowings at 30 June 2008 will mature within 12 months.

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

	On demand Rm	< 3 months Rm	3-12 months Rm	1-5 years Rm	> 5 years Rm
Group					
2008					
Interest-bearing borrowings	**916.3**	–	–	**1 500.0**	–
Interest-bearing borrowings included in disposal group (refer notes 23 & 35)	–	–	**2 179.0**	–	–
Forward exchange contracts	–	–	**27.0**	–	–
Interest rate swaps and collars included in disposal group (refer notes 19 & 35)	–	–	**23.1**	–	–
Trade and other payables	**1 985.6**	–	–	–	–
Company					
2008					
Amounts owing to subsidiaries	**424.1**	–	–	–	–
Group					
2007					
Interest-bearing borrowings	846.9	–	936.0	2 179.0	–
Forward exchange contracts	4.7	411.8	303.1	15.1	–
Interest rate swaps and collars	–	1.3	4.7	10.2	–
Trade and other payables	2 044.0	–	–	–	–
Company					
2007					
Amounts owing to subsidiaries	145.4	–	–	–	–

Borrowing capacity

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

Country Road Limited

The credit standby facilities of Country Road Limited are secured by a registered mortgage debenture over its assets as disclosed in segmental information in note 37.

29 Financial risk management continued

29.5 Financial instruments by category

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

	Loans and receivables Rm	Financial assets at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial assets Rm	Total Rm
Group					
30 June 2008					
Assets as per balance sheet					
Participation in export partnerships	66.3	–	–	–	66.3
Other loans	153.6	–	–	–	153.6
Trade and other receivables	597.8	–	–	99.6	697.4
Derivative financial instruments	–	4.7	28.4	–	33.1
Cash	825.6	–	–	–	825.6
Total	1 643.3	4.7	28.4	99.6	1 776.0
Disposal group (note 35):					
Loans to customers	1 008.3	–	–	–	1 008.3
Woolworths card debtors	3 451.6	–	–	–	3 451.6
Credit card receivables	959.7	–	–	–	959.7
Derivative financial instruments	–	–	20.4	–	20.4
Total	5 419.6	–	20.4	–	5 440.0

	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 balance sheet					
Interest-bearing borrowings	2 416.3	–	–	–	2 416.3
Trade and other payables	1 962.0	–	–	36.7	1 998.7
Derivative financial instruments	–	1.6	25.4	–	27.0
Total	4 378.3	1.6	25.4	36.7	4 442.0
Disposal group (note 35):					
Interest-bearing borrowings	2 179.0	–	–	–	2 179.0
Derivative financial instruments	–	–	23.1	–	23.1
Total	2 179.0	–	23.1	–	2 202.1

29 Financial risk management continued

29.5 **Financial instruments by category** continued

	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
Group					
30 June 2007					
Assets as per balance sheet					
Participation in export partnerships	70.4	–	–	–	70.4
Other loans	186.4	–	–	–	186.4
Loans to customers	1 071.0	–	–	–	1 071.0
Woolworths card debtors	3 560.2	–	–	–	3 560.2
Credit card receivables	904.8	–	–	–	904.8
Trade and other receivables	492.8	–	–	82.1	574.9
Derivative financial instruments	–	–	34.1	–	34.1
Cash	424.3	–	–	–	424.3
Total	6 709.9	–	34.1	82.1	6 826.1

	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 balance sheet					
Interest-bearing borrowings	3 961.9	–	–	–	3 961.9
Trade and other payables	2 011.7	–	–	55.5	2 067.2
Derivative financial instruments	–	–	25.2	–	25.2
Total	5 973.6	–	25.2	55.5	6 054.3

The holding company's financial assets are categorised as loans and receivables and amounted to R373.8m (2007: R370.3m), while financial liabilities are all classfied as financial liabilities at amortised cost. At 30 June 2008, financial liabilities amounted to R426.0m (2007: R148.8m).

29 Financial risk management continued

29.6 **Gains and losses on financial instruments**

The table below summarises the gains and (losses) in financial instruments.

	Fair value movement Rm	Interest income Rm	Interest expense Rm	Impairment loss Rm	Total Rm
Group					
2008					
Loans and receivables	–	48.1	–	(25.3)	22.8
Financial liabilities at amortised cost	–	–	502.5	–	502.5
Financial instruments at fair value through profit or loss	3.1	–	–	–	3.1
Derivatives used as hedging instruments	(4.2)	–	–	–	(4.2)
Total	(1.1)	48.1	502.5	(25.3)	524.2
Disposal group (note 35):					
Loans and receivables	–	1 311.7	–	133.8	1 445.5
Derivative financial instruments	(0.3)	–	–	–	(0.3)
Total	(0.3)	1 311.7	–	133.8	1 445.2
Company					
2008					
Loans and receivables	–	0.4	–	(18.8)	(18.4)
Group					
2007					
Loans and receivables	–	1 022.4	–	–	1 022.4
Financial liabilities at amortised cost	–	–	379.5	–	379.5
Derivatives used as hedging instruments	(28.3)	–	–	–	(28.3)
Total	(28.3)	1 022.4	379.5	–	1 373.6
Company					
2008					
Loans and receivables	–	3.0	–	(116.9)	(113.9)

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

29 Financial risk management continued

29.7 Fair value of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the group's financial instruments:

		Carrying amount		Fair value	
		2008 Rm	2007 Rm	2008 Rm	2007 Rm
Financial assets					
Participation in export partnerships	(note 14)	**66.3**	70.4	**66.3**	70.4
Other loans	(note 15)	**153.6**	186.4	**162.7**	211.6
Trade and other receivables	(note 18)	**697.4**	574.9	**697.4**	574.9
Derivative financial instruments	(note 19)	**33.1**	34.1	**33.1**	34.1
Cash	(note 33)	**825.6**	424.3	**825.6**	424.3
Disposal group (note 35):					
Loans to customers	(note 18)	**1 008.3**	1 071.0	**1 008.3**	1 071.0
Woolworths card debtors	(note 18)	**3 451.6**	3 560.2	**3 451.6**	3 560.2
Credit card receivables	(note 18)	**959.7**	904.8	**959.7**	904.8
Derivative financial instruments	(note 19)	**20.4**	–	**20.4**	–
Financial liabilities					
Interest-bearing borrowings	(note 23)	**2 416.3**	3 961.9	**2 416.3**	3 961.9
Trade and other payables	(note 24)	**1 998.7**	2 067.2	**1 998.7**	2 067.2
Derivative financial instruments	(note 19)	**27.0**	25.2	**27.0**	25.2
Disposal group (note 35):					
Interest-bearing borrowings	(note 23)	**2 179.0**	–	**2 179.0**	–
Derivative financial instruments	(note 19)	**23.1**	–	**23.1**	–

The carrying values of financial instruments measured at fair value have been determined using available market information and appropriate valuation methodologies.

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

30 Management of capital

The group considers share capital (note 20), share premium (note 21) and interest-bearing debt (note 23) as capital. Management has made progress in meeting the following objectives:

– to provide an adequate return to shareholders;
– to appropiately gear the financial services business;
– to maintain a finance cost cover of at least three times operating profit;
– to safeguard Woolworths' ability to continue as a going concern; and
– to be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.

The group is subject to triggers set by the agencies rating the securitisation structure. The triggers are based on the performance of the securitised debtors book and the corporate rating of Woolworths Holdings Limited. Performance against these triggers is monitored on an ongoing basis and there has been no breach of these triggers in the current year as well as in the prior year.

The group takes cognisance of certain rating agency ratios that evaluate the ability of the capital to absorb losses as evidenced by the corporate rating. The group monitors capital on the basis of the debt ratio. This ratio is calculated as interest-bearing debt divided by total assets.

	2008 Rm	2007 Rm
Interest-bearing debt	**4 595.3**	3 961.9
Total assets	**11 261.8**	10 442.5
Debt ratio	**40.8%**	37.9%

The group monitors the debt ratio on a segmental basis. During 2008, the group's strategy, which was unchanged from 2007, was to maintain a debt ratio of between 80% and 85% for the financial services segment (refer to note 37).

31 Comparative figures

31.1 Restatement of trade and other receivables and trade and other payables

Derivative financial instruments, previously included in accounts receivables and trade and other payables, have been disclosed separately on the face of the balance sheet for both the current and comparative period. The current portion of housing loans, previously included in other loans, has also been included in trade and other receivables for both the current and comparative period. The reclassifications are aimed at making the information presented more understandable and comparable to the users. The reclassifications had no impact on reported results.

The comparatives have been reclassified as follows:

	Group 2007 Rm
Trade and other receivables	574.9
Less current portion of housing loans	(4.0)
Derivative financial instruments	34.1
Trade and other receivables as previously reported	605.0
Trade and other payables	2 067.2
Derivative financial instruments	25.2
Trade and other payables as previously reported	2 092.4

31.2 Restatement of intangible assets

Computer software, previously included in property, plant and equipment, is disclosed with goodwill as intangible assets. The reclassifications had no impact on reported results. The comparatives have been reclassified as follows:

Property, plant and equipment	1 543.9
Computer software	323.2
Property, plant and equipment as previously reported	1 867.1
Computer software	323.2
Goodwill	23.0
Intangible assets	346.2

31.3 Restatement of other operating costs

Net bad debts and bad debt provisions are disclosed separately in the income statement for the current and comparative period. Previously this was included in other operating costs.

The comparatives have been reclassified as follows:

Other operating costs	1 793.0
Net bad debts and bad debt provisions	351.5
Other operating costs as previously reported	2 144.5

31.4 Restatement of segmental expenses and return on equity

Segmental expenses and return on equity were restated due to a change in the costs allocated to the financial services segment. The restatement had no impact on reported group results.

	Group		Company	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
32 Distributions to shareholders				
Ordinary shareholders:				
Dividend no. 18 of 39.0 cents per share was declared on 22 August 2006 and paid on 19 September 2006	**–**	346.1	**–**	346.1
Less: Dividend received on treasury shares	**–**	(33.9)	**–**	–
Dividend no. 19 of 29.5 cents per share was declared on 14 February 2007 and paid on 12 March 2007	**–**	263.8	**–**	263.8
Less: Dividend received on treasury shares	**–**	(25.6)	**–**	–
Dividend no. 20 of 46.5 cents per share was declared on 22 August 2007 and paid on 17 September 2007	**417.1**	–	**417.1**	–
Less: Dividend received on treasury shares	**(33.7)**	–	**–**	–
Dividend no. 21 of 29.5 cents per share was declared on 20 February 2008 and paid on 17 March 2008	**265.3**	–	**265.3**	–
Less: Dividend received on treasury shares	**(25.6)**	–	**–**	–
Preference shareholders:				
Dividend no. 1 of 5.1 cents per share was declared on 22 August 2007 and paid on 17 September 2007	**4.5**	–	**4.5**	–
Less: Dividend accruing to the holding company	**(0.2)**	–	**–**	–
Dividend no. 2 of 3.2 cents per share was declared on 20 February 2008 and paid on 17 March 2008	**2.8**	–	**2.8**	–
Less: Dividend accruing to the holding company	**(0.4)**	–	**–**	–
Total net distributions paid	**629.8**	550.4	**689.7**	609.9

Dividend no. 22 of 49.5 cents per share was declared to ordinary shareholders on 20 August 2008.
Dividend no. 3 of 7.9 cents per share was declared to preference shareholders on 20 August 2008.

	Group 2008 Rm	Group 2007 Rm	Company 2008 Rm	Company 2007 Rm
33 Cash flow information				
33.1 Cash flow from trading				
Profit before exceptional item	**1 504.1**	1 466.8	**656.0**	759.7
Depreciation and amortisation	**374.4**	316.7	**–**	–
Finance costs paid	**502.5**	378.7	**–**	0.2
Interest received	**(1 359.8)**	(1 022.4)	**(0.4)**	(3.0)
Loss/(profit) on sale of property, plant and equipment	**0.8**	(1.5)	**–**	–
Movement in working capital and other provisions	**179.6**	171.7	**(0.1)**	–
Provision for impairment of loan to subsidiary	**–**	–	**(2.4)**	(2.6)
Impairment of Trencor due to tax rate reduction	**2.7**	–	**1.1**	–
Post-retirement medical aid provision	**24.0**	24.5	**–**	–
Prepaid employment cost	**4.9**	2.9	**–**	–
Share-based payments	**74.3**	27.0	**–**	–
Operating lease accrual	**12.0**	3.1	**–**	–
Unrealised foreign exchange (profits)/losses	**(10.6)**	6.2	**–**	(1.1)
Dividends received	**–**	–	**(655.9)**	(755.0)
Net inflow/(outflow) from trading	**1 308.9**	1 373.7	**(1.7)**	(1.8)
33.2 Working capital movements				
Inventories	**(151.5)**	(374.9)	**–**	–
Trade and other receivables	**(57.4)**	20.9	**0.7**	(0.1)
Trade and other payables	**(123.0)**	537.6	**0.3**	0.1
Net inflow/(outflow)	**(331.9)**	183.6	**1.0**	–
33.3 Tax paid				
Normal and foreign tax				
Amounts (owing)/receivable at the beginning of the year	**(201.8)**	(251.9)	**9.1**	0.7
Amounts charged to income statement	**(417.0)**	(437.3)	**(2.8)**	(6.3)
Foreign currency translation reserve	**(3.7)**	–	**–**	–
Amounts (receivable)/owing at the end of the year	**(45.2)**	201.8	**8.5**	(9.1)
Cash amounts (paid)/received	**(667.7)**	(487.4)	**14.8**	(14.7)
Secondary tax on companies				
Amounts charged to income statement	**(79.3)**	(77.6)	**(72.3)**	(68.8)
Total tax paid	**(747.0)**	(565.0)	**(57.5)**	(83.5)
33.4 Distributions to shareholders				
Amounts charged to statement of changes in equity and paid	**(635.5)**	(550.4)	**(689.7)**	(609.9)
33.5 Cash and cash equivalents				
Cash				
Interest-earning				
Local – variable at interest rates of 6.0% to 8.8% (2007: 7.5%)	**576.4**	279.8	**–**	–
Local – dividend account at an interest rate of 0.5% (2007: 0.5%)	**–**	–	**16.1**	–
Foreign – variable at interest rates of 2.1% to 5.9% (2007: 5.0% to 6.2%). Refer note 29.1.	**249.2**	144.5	**–**	–
	825.6	424.3	**16.1**	–
Overdrafts and short-term interest-bearing borrowings*	**(916.3)**	(846.9)	**–**	(1.6)
Cash and cash equivalents	**(90.7)**	(422.6)	**16.1**	(1.6)

* Excluding current floating rate notes

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

for the year ended 30 June

34 Operating leases

The group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between 1 and 17 years with further renewal options thereafter. The commitments disclosed below comprise the minimum payments as well as additional contingent payments based on expected turnover levels.

		Group	
		2008 Rm	2007 Rm
34.1	**Operating lease commitments**		
	Land and buildings:		
	2008/9	**891.9**	639.3
	2009/10 to 2012/13	**2 850.4**	2 496.7
	Thereafter	**2 292.9**	2 567.9
34.2	**Future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as principal lessor at 30 June**		
	Land and buildings:		
	2008/9	**30.5**	25.6
	2009/10 to 2012/13	**67.7**	65.9
	Thereafter	**13.0**	19.8
34.3	**Future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as sub-lessor at 30 June**		
	Land and buildings:		
	2008/9	**19.0**	11.8
	2009/10 to 2012/13	**47.3**	42.3
	Thereafter	**1.0**	2.6
		67.3	56.7

The operating lease accrual of R463.1m (2007: R449.9m) represents the extent to which the above future rental expenses and income have already been recognised in the income statement – refer note 24.

Contingent rent payable is calculated based on turnover level. The amount recognised in the income statement was R58.4m (2007: R48.6m).

Total minimum lease payments made during the year amounts to R970.4m (2007: R715.6m).

Total minimum lease payments received during the year amounts to R41.4m (2007: R32.8m).

35 Disposal Group

On 16 April 2008, the group announced plans to dispose of 50% plus one share of its interest in the issued share capital of Woolworths Financial Services (Proprietary) Limited to Absa Bank Limited.

At 30 June 2008, the transaction was not completed. However, in the opinion of the directors, conclusion of the transaction is highly probable.

The affected assets and liabilities all form part of the financial services segment and meet the definition of a disposal group in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As a result, the affected assets and liabilities are disclosed separately on the face of the balance sheet.

The major classes of assets and liabilities of Woolworths Financial Services (Proprietary) Limited classified as held for sale at 30 June 2008 are as follows:

	2008 Rm
Assets	
Loans to customers (note 18)	1 008.3
Woolworths card debtors (note 18)	3 451.6
Credit card receivables (note 18)	959.7
Derivative financial instrument (note 19)	20.4
Assets classified as held for sale	**5 440.0**
Liabilities	
Interest-bearing borrowings (note 23)	2 179.0
Derivative financial instrument (note 19)	23.1
Liabilities classified as held for sale	**2 202.1**
Net assets classified as held for sale	**3 237.9**

Upon completion of the transaction, the group's portion of the net assets of the joint venture will be disclosed as an equity accounted investment in joint venture on the group balance sheet.

36 Events after the balance sheet date

36.1 Disposal of 50% plus one share of Woolworths Financial Services (Proprietary) Limited

Competition Tribunal authorisation for the transaction discussed in note 35 was obtained on 17 July 2008. Certain conditions precedent to the sale agreement still have to be fulfilled before the transaction is completed.

The directors estimate that the transaction will be concluded by 30 September 2008.

Subsequent to obtaining Competition Tribunal approval, the disposal of 50% plus one share of the group's interest in Woolworths Financial Services (Proprietary) Limited to Absa Bank Limited meets the definition of a non-adjusting post-balance sheet event in IAS 10 Events After the Balance Sheet Date.

36.2 Repurchase and cancellation of treasury shares held by E-Com Investments 16 (Proprietary) Limited

The repurchase and cancellation of treasury shares held by E-Com Investments 16 (Proprietary) Limited was authorised at a general shareholders' meeting on 18 August 2008.

for the year ended 30 June

37 Segmental information

37.1 Primary segmentation based on nature of business and retail chain

	2008				
			Retail		
	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Financial services Rm
Operating results					
Revenue	21 753.6	(90.7)	18 242.1	1 939.3	1 662.9
Turnover	20 064.9	–	18 129.4	1 918.4	17.1
Cost of sales	13 076.7	–	12 332.7	744.0	–
Gross profit	6 988.2	–	5 796.7	1 174.4	17.1
Other revenue	1 688.7	(90.7)	112.7	20.9	1 645.8
Expenses	6 670.3	(90.7)	4 664.0	1 093.3	1 003.7
Segmental operating profit	2 006.6	–	1 245.4	102.0	659.2
Return on equity	27.6%		50.5%	18.1%	10.0%*

* Return on equity for Woolworths Financial Services is calculated using the weighted average segmental equity for the year.

	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Financial services Rm
Balance sheets					
Property, plant and equipment, investment property, intangible assets and loans	2 501.0	–	2 241.4	254.2	5.4
Inventories	1 371.4	–	1 154.0	217.4	–
Financial services assets	5 419.6	–	–	–	5 419.6
Trade and other receivables and derivative financial assets	750.9	–	564.4	26.9	159.6
Cash	825.6	–	360.9	166.0	298.7
Segment assets	10 868.5	–	4 320.7	664.5	5 883.3
Tax and deferred tax assets	393.3				
Total assets	11 261.8				
Debt ratio	40.8%	–	–	–	78.1%
Depreciation	374.4	–	310.1	58.7	5.6
Capital expenditure – gross additions	638.4	–	525.4	99.5	13.5
Capital commitments	681.2	–	485.6	195.1	0.5
Shareholding			100.0%	87.9%	100.0%

		2007 Retail		
Total Rm	Intragroup Rm	Woolworths Rm	Country Road Rm	Financial services Rm
18 641.9	(93.8)	16 099.5	1 361.8	1 274.4
17 376.9	–	16 005.0	1 354.0	17.9
11 399.9	–	10 832.7	567.2	–
5 977.0	–	5 172.3	786.8	17.9
1 265.0	(93.8)	94.5	7.8	1 256.5
5 396.5	(93.8)	4 033.9	737.9	718.5
1 845.5	–	1 232.9	56.7	555.9
35.1%		63.6%	34.6%	14.3%*

2 318.2	–	2 087.9	184.9	45.4
1 202.6	–	1 023.1	179.5	–
5 536.0	–	–	–	5 536.0
605.0	–	485.7	26.4	92.9
424.3	–	98.4	117.6	208.3
10 086.1	–	3 695.1	508.4	5 882.6
356.4				
10 422.5				
37.9%	–	–	–	67.3%
316.7	–	264.9	46.0	5.8
649.1	–	584.8	58.0	6.3
547.0	–	386.4	151.0	9.6
		100.0%	87.9%	100.0%

37 Segmental information continued

37.2 Secondary segmentation based on geographic location of customers and assets

			2008		
			Retail		
	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Financial services Rm
Revenue					
South Africa	19 548.7	(90.7)	17 976.5	–	1 662.9
Rest of Africa	209.7	–	209.7	–	–
Middle East	57.4	–	57.4	–	–
Australasia	1 937.8	–	–	1 937.8	–
	21 753.6	(90.7)	18 243.6	1 937.8**	1 662.9
Turnover – based on location of end user/customers					
South Africa	17 889.3	–	17 872.2	–	17.1
Rest of Africa	201.3	–	201.3	–	–
Middle East	57.4	–	57.4	–	–
Australasia	1 916.9	–	–	1 916.9	–
	20 064.9	–	18 130.9	1 916.9**	17.1
Total assets – based on location of assets					
South Africa	10 204.0	–	4 320.7	–	5 883.3
Australasia	664.5	–	–	664.5	–
		–	4 320.7	664.5	5 883.3
Tax and deferred tax assets	393.3				
	11 261.8				
Capital expenditure (gross) – based on location of assets					
South Africa	538.9	–	525.4	–	13.5
Australasia	116.2	–	–	116.2	–
	655.1	–	525.4	116.2	13.5

** Geographical segmental revenue and sales for Country Road excludes the impact of sales in South Africa.

	2007				
			Retail		
	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Financial services Rm
	17 042.4	(93.8)	15 861.8	–	1 274.4
	186.2	–	186.2	–	–
	51.5	–	51.5	–	–
	1 361.8	–	–	1 361.8	–
	18 641.9	(93.8)	16 099.5	1 361.8	1 274.4
	15 800.7	–	15 782.8	–	17.9
	170.7	–	170.7	–	–
	51.5	–	51.5	–	–
	1 354.0	–	–	1 354.0	–
	17 376.9	–	16 005.0	1 354.0	17.9
	9 577.7	–	3 695.1	–	5 882.6
	508.4	–	–	508.4	–
		–	3 695.1	508.4	5 882.6
	356.4				
	10 442.5				
	591.1	–	584.8	–	6.3
	58.0	–	–	58.0	–
	649.1	–	584.8	58.0	6.3

annexure I

			Company 2008 Carrying value of shares Rm	2008 % Holding	2007 Carrying value of shares Rm	2007 % Holding
Interest in subsidiaries						
Directly held			401.3		383.8	
Woolworths (Proprietary) Limited	R	I	–	100.0	–	100.0
Woolworths Finance (Proprietary) Limited	F	I	–	100.0	–	100.0
Woolworths Developments (Proprietary) Limited	P	I	–	100.0	–	100.0
Woolworths Computer Services (Proprietary) Limited	D	I	–	100.0	–	100.0
Woolworths International Holdings Limited	H	5	401.3	100.0	383.8	100.0
E-Com Investments 16 (Proprietary) Limited	H	I	–	100.0	–	100.0
iSentials (Proprietary) Limited	R	I	–	100.0	–	100.0
Woolworths Holdings Share Trust*			–	–	–	–
Woolworths Employee Share Ownership Trust*			–	–	–	–
Indirectly held						
Woolworths International (SA) (Proprietary) Limited	I	I		100.0		100.0
Woolworths (Namibia) (Proprietary) Limited	D	2		100.0		100.0
Woolworths Pharmaceuticals (Proprietary) Limited	D	I		100.0		100.0
Woolworths (Claremont) Properties Shareblock (Proprietary) Limited	D	I		100.0		100.0
Woolworths (Lesotho) (Proprietary) Limited	D	3		100.0		100.0
Woolworths (Swaziland) (Proprietary) Limited	D	4		100.0		100.0
Nationwide Recovery Services (Proprietary) Limited	D	I		100.0		100.0
Highway Holdings N.V.	H	6		100.0		100.0
Woolworths International Limited	I	5		100.0		100.0
Woolworths International (Australia) Proprietary Limited	H	7		100.0		100.0
Woolworths Worldwide Limited	H	5		100.0		100.0
Woolworths Trust***	H	5		–		–
WSM Operations Holding Company Limited	D	5		100.0		100.0
Country Road Limited	R	7		87.9		87.9
Country Road Clothing Proprietary Limited	R	7		87.9		87.9
Country Road Clothing N.Z. Limited	R	8		87.9		87.9
Country Road Properties Proprietary Limited	P	7		87.9		87.9
Country Road Australia Limited	R	5		87.9		87.9
Country Road International Proprietary Limited	F	7		87.9		87.9
Country Road (Hong Kong) Limited	R	9		87.9		87.9
Universal Product Networks (Proprietary) Limited	L	I		100.0		100.0
Woolworths Financial Services (Proprietary) Limited	F	I		100.0		100.0
inthebag (Proprietary) Limited	R	I		100.0		100.0
Upfront Investments 132 (Proprietary) Limited	F	I		100.0		100.0
Account On Us (Proprietary) Limited*	F	I		–		–
Virtual Market Place (Proprietary) Limited**	R	I		100.0		100.0
			401.3		383.8	
Amounts owing by/(to) subsidiaries						
Woolworths (Proprietary) Limited			(424.1)		(145.4)	
E-Com Investments 16 (Proprietary) Limited			328.3		337.3	
Woolworths Employee Share Ownership Trust			0.1		–	
Total interest			305.6		575.7	

Nature of business
R: Retailing P: Property development/holding F: Financial Services I: Import/export D: Dormant
L : Logistics H: Holding

Country of incorporation
1: South Africa 2: Namibia 3: Lesotho 4: Swaziland 5: Guernsey 6: Belgium
7: Australia 8: New Zealand 9: Hong Kong

* The Woolworths Holdings Share Trust, Woolworths Employee Share Ownership Trust and Account On Us (Proprietary) Limited are included as subsidiaries based on the interpretation guidance SIC 12 (AC 412). The legal ownership of Account On Us (Proprietary) Limited is independent of the Woolworths Holdings Limited group and the assets of the company are preferred to noteholders.

** Virtual Market Place (Proprietary) Limted is a virtual community development company that creates partnerships between businesses and supporters for the benefit of broad-based educational institutions. The company primarily promotes the 'MySchool' programme at Woolworths retail outlets.

*** The Woolworths Trust is an intermediate holding entity for the group's investment in Country Road Limited. Woolworths Holdings Limited is a beneficiary of the trust.

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

	Company	
	2008 Rm	2007 Rm
Profits	**1 203.8**	1 275.0
Losses	**(8.1)**	(2.3)
	1 195.7	1 272.7

glossary of financial terms

Actuarial gains or losses
Actuarial gains and losses comprise:

(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and

(b) the effects of changes in actuarial assumptions.

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

Binomial option pricing model
A valuation equation that assumes the price of the underlying asset changes through a series of discrete upward or downward movements.

Black-Scholes model
A valuation equation that assumes the price of the underlying asset changes continuously through the option's expiration date by a statistical process known as geometric Brownian motion.

Business segment
A distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Cash flow hedge
A hedge of the exposure to variability in cash flows that:

(a) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and

(b) 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, (no. 61 of 1973), as amended in South Africa.

Consolidated financial statements
The financial results of the group presented as those of a single economic entity.

Contingent liability

a) 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.

b) A present obligation that arises from past events but is not recognised because:

   i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   ii. the amount of the obligation cannot be measured with sufficient reliability.

Control
The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Credit risk
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Deferred bonus plan
The deferred bonus plan allows eligible employees to acquire Woolworths Holdings shares at the ruling market price out of a portion of their declared annual bonus. A matching award of Woolworths shares will be made to the participant after a period of three years on the condition that the participant remains in the employ of the employer company and retains the bonus share over the period.

Deferred tax assets
The amount of income taxes recoverable in future periods in respect of:

(a) deductible temporary differences;

(b) the carryforward of unused tax losses; and

(c) the carryforward of unused tax credits.

Deferred tax liabilities
The amounts of income tax payable in future periods in respect of taxable temporary differences.

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

Defined contribution plan
Post-employment benefit plans under which an entity pays fixed contributions into a separate fund, and in respect of which the entity will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Derivative
A financial instrument or other contract with all three of the following characteristics:

(a) 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');

(b) 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

(c) it is settled at a future date.

Dilution
A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

Disposal group
A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Equity-settled share-based payment transaction
A share-based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).

Fair value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset
Any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

  i. to receive cash or another financial asset from another entity; or

  ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

  i. 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

  ii. 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:

(a) it is classified as held for trading. A financial asset or financial liability is classified as held for trading if it:

  i. is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

  ii. 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

  iii. is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(b) 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:

  i. 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

  ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability
Any liability that is:

(a) a contractual obligation:

  i. to deliver cash or another financial asset to another entity; or

  ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

  i. 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

  ii. 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.

Firm commitment
A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Forecast transaction
An uncommitted but anticipated future transaction.

Functional currency
The currency of the primary economic environment in which the entity operates.

Geographical segment
A distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Grant date
The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process, grant date is the date when that approval is obtained.

Group
The group comprises Woolworths Holdings Limited and all its subsidiaries.

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.

Hedged item
A liability or highly probable forecast transaction that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

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.

Held-for-trading financial instrument
See financial asset or financial liability at fair value through profit or loss.

Intangible asset
An identifiable non-monetary asset without physical substance.

Interest rate risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Intrinsic value
The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares.

Liquidity risk
The risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) 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;

(b) those that the entity upon initial recognition designates as available-for-sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.

Long-term incentive plan
The long-term incentive plan provides eligible employees with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares which are subject to the fulfilment of predetermined performance conditions covering a three-year period.

Minority interest
The portion of the profit or loss and the net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiaries, by the parent.

Monetary items
Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Monte Carlo simulation method
A method that is used to evaluate the probabilities of different gains or losses being realised over a future period. It is based on the generation of multiple trials to determine the expected value of a random variable.

Onerous contract

A contract in which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received under it.

Past due
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Present value
A current estimate of the present discounted value of the future net cash flows in the normal course of business.

Reasonably possible change in risk variable
Reasonably possible change in risk variable refers to most likely change in the risk variable, during the next annual period, which is judged relative to the economic environments in which the entity operates, and does not include 'worst case' scenarios.

Related party
A party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:
   i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   ii. has an interest in the entity that gives it significant influence over the entity; or
   iii. has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close family member of any individual referred to in (a) or (d) above;

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above; or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Segment assets
Those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude income tax assets, as well as investments, where the resulting income arising from the investments is excluded from segment results.

Segment expense
Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. Segment expense does not include:

(a) interest, including interest incurred on advances or loans from other segments;

(b) losses on sales of investments;

(c) an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method;

(d) income tax expense; and

(e) general administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as a whole.

Segment result
Segment revenue less segment expense before any adjustments for minority interest.

Segment revenue
Revenue reported in the entity's income statement 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:

(a) interest or dividend income unless the segment's operations are primarily of a financial nature; or

(b) gains on sales of investments or gains on extinguishment of debt unless the segment's operations are primarily of a finance nature.

Share appreciation rights scheme
This scheme gives eligible employees the rights to receive Woolworths Holdings 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 specific performance period.

Share-based payment transaction
A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.

Share option
A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specific period of time.

Subsidiary
A entity over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Treasury shares
An entity's own equity instruments, held by the entity or other members of the consolidated group.

Vest
To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, or other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.

shareholder information

shareholder calendar

Financial year end	**June**
Reporting:	
Annual report	September
Annual general meeting	November
Interim report	February
Annual results	August

Dividend declared:	
Interim	February
Final	August
Dividend payable:	
Interim	March
Final	September

administration

group secretary:
Cherrie Lowe

registered office:
Woolworths House
93 Longmarket Street
Cape Town, 8001

Postal Address:
P O Box 680
Cape Town, 8000

Telephone: (+27 21) 407 9111
Customer information: www.woolworths.co.za
Investor relations: www.woolworthsholdings.co.za

joint auditors:
Ernst & Young Inc and SAB & T Inc

bankers:
The Standard Bank of South Africa Limited

transfer secretaries:
Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

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USA
Telephone: +1 212 815 2077
Facsimile: +1 212 571 3050
E-mail: jpaltrowitz@bankofny.com

company registration number:
1929/001986/06

country of incorporation:
South Africa

shareholder spread

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 June 2008 was as follows:

Shareholder spread	No. of shareholders	% of total	No. of shares	% of total
1 – 1 000 shares	5 487	41.86	2 112 524	0.23
1 001 – 10 000 shares	5 679	43.32	21 201 527	2.36
10 001 – 100 000 shares	1 412	10.77	41 396 676	4.60
100 001 – 1 000 000 shares	389	2.97	130 649 870	14.51
1 000 001 shares and over	142	1.08	704 905 099	78.30
	13 109	100.00	900 265 696	100.00
Note 1			17 872 545	
			882 393 151	

Public and non-public	No. of holders	% of total	No. of shares	% of issued capital
Public shareholders	13 098	99.92	771 977 085	85.75
Non-public shareholders	11	0.08	128 288 611	14.25
Directors and their associates	9	0.07	18 248 092	2.03
E-Com Investments 16 (Proprietary) Limited	1	0.01	86 871 694	9.65
Share Trust	1	0.01	23 168 825	2.57
	13 109	100.00	900 265 696	100.00
Note 1			17 872 545	
			882 393 151	

Major shareholders

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held directly and indirectly beneficially in excess of 3% of any class of the issued share capital at 30 June 2008.

Beneficial shareholders	Shares held	% of total
Public Investment Corporation	101 720 361	11.30
E-Com Investments 16 (Proprietary) Ltd	86 871 694	9.65
Investment Solutions	54 950 435	6.10
Woolworths Holdings Limited	40 859 437	4.54
	284 401 927	31.59

To the best of the directors' knowledge, the percentage of the company's shares held by non-South African shareholders at 30 June 2008 was 9.32%.

Major shareholders

Category	No. of shareholders	Shares held	% of total
Pension funds	117	342 152 713	38.01
Unit trusts/Mutual funds	113	199 030 941	22.11
Corporate holding	3	127 731 131	14.19
Other managed funds	55	103 118 160	11.45
Private investors	35	50 387 263	5.60
Insurance companies	8	34 698 319	3.85
Foreign government	6	11 067 615	1.23
Investment trust	2	9 941 392	1.10
Custodians	10	7 601 964	0.84
Charity	5	2 290 748	0.25
Local authority	2	1 842 623	0.20
University	1	340 270	0.04
Remainder		10 062 557	1.13
	357	900 265 696	100.00
Note 1		17 872 545	
		882 393 151	

Note 1: 17 872 545 shares were repurchased at year end and cancelled. Detailed information was not available at time of print.

chairman's letter to shareholders

Dear Shareholder

The annual general meeting of Woolworths Holdings Limited will be held at 09h00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on 20 November 2008. This letter explains the business to be conducted at the meeting.

The annual report for the year ended 30 June 2008 is available on the website at www.woolworthsholdings.co.za.

explanatory notes on resolutions

Resolution 1: Ordinary resolution – Confirmation of the annual financial statements

Receive and consider for confirmation the annual financial statements of the company and the group for the financial year ended 30 June 2008. This is ordinary business and there are no special items to bring to the attention of shareholders.

Resolutions 2.1 to 2.15: Ordinary resolutions – Increase to the remuneration for the non-executive directors

Approve the non-executive directors' fees for the financial year commencing 1 July 2008.

Resolutions 3.1 to 3.4: Ordinary resolutions – Re-election of directors

In terms of the articles of association, one-third of the directors retire each year. The directors who retire are directors who are due to retire by rotation. In line with this requirement, Buddy Hawton, Simon Susman, Nigel Colne and Sindi Zilwa retire and offer themselves for re-election.

A brief curriculum vitae of each director seeking re-election may be found in the notice of the annual general meeting on page 140.

Resolution 4: Ordinary resolution – General authority to make payments to shareholders

Authorise the company as a general authority to make payments to its shareholders from the company's share capital and/or share premium, from time to time, in terms of section 90 of the Companies Act, (No. 61 of 1973), as amended and in terms of the JSE Limited ("JSE") Listings Requirements.

Resolution 5: Special resolution – General authority to repurchase shares

Approving a general authority allowing the company and/or its subsidiaries to repurchase the company's shares during the course of the year.

Resolution 6: Ordinary resolution – Authority to sign all documents required

Authorise the directors and Group secretary to implement ordinary resolution number 4 and the special resolution.

Additional information required by the JSE Listings Requirements applying to ordinary resolution number 4 and the special resolution.

Statement of directors

The directors undertake that they will not effect a general repurchase of shares and/or make a general payment as contemplated in ordinary resolution number 4 unless the following can be met:

a) the company and the group will be able to repay their debts in the ordinary course of business for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders;

b) the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the company and the group for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders;

c) the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders;

d) the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after a general repurchase of shares and/or a general payment to shareholders; and

e) before entering the market to proceed with a general repurchase, or prior to implementing a general payment to shareholders, the company's sponsor has confirmed the adequacy of the company's and the group's working capital in writing to the JSE.

Section 11.26 of the JSE Listings Requirements requires the following disclosures, which are provided elsewhere in the annual report as set out below:

– Directors: pages 2 and 3

– Major shareholders of the company: page 137

– Directors' interests in shares: page 53

– Share capital of the company: pages 99 to 103.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on pages 2 and 3 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on pages 2 and 3 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the abovementioned resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the abovementioned resolutions contain all information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and the date of this notice.

Attendance at annual general meeting

I encourage you to attend and vote your shares at the annual general meeting. If you are unable to attend, I urge you to complete the proxy form in accordance with the instructions set out in the notice of the annual general meeting.

Buddy Hawton
Chairman

30 September 2008

notice of annual general meeting

Notice is hereby given that the 2008 general meeting of shareholders of the company will be held at 09h00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on Thursday, 20 November 2008 to consider and if thought fit, to pass with or without amendment the following ordinary and special resolutions:

1 Ordinary resolution number 1 – Confirmation of the annual financial statements

"Resolved as an ordinary resolution that the annual financial statements of the company and the group annual financial statements for the year ended 30 June 2008, be and are hereby received and confirmed."

2 Ordinary resolution number 2 – Increase to the remuneration for the non-executive directors

"Resolved as an ordinary resolution that the remuneration to be paid to non-executive directors for the year commencing 1 July 2008, details of which are contained in the corporate governance section of the annual report, be and are hereby approved.

3 Ordinary resolution number 3 – Re-election of directors

3.1 "Resolved as an ordinary resolution that Derek Aubrey Hawton, who retires in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 71
Educational qualifications: FCIS
Other directorships include: Nampak, Real Africa Holdings, Royale Resorts Holdings (Chairman), Sun Hotels International and Sun International (Chairman).

Buddy has extensive experience as both an executive and non-executive director. Previous directorships include Altron, City Lodge Hotels, Liberty Group, Liberty Holdings, Old Mutual, Rennies Group, Safmarine and Standard Bank Group. He was past Chairman of Safren, Safmarine and Rennies Group. He joined the board as non-executive Chairman in 2002.

3.2 "Resolved as an ordinary resolution that Simon Norman Susman, who retires in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 58
Other directorships include: Country Road Limited.

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

3.3 "Resolved as an ordinary resolution that Nigel Lawrence Colne, who retires in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 68
Educational qualifications: AMP (Harvard)
Other directorships include: Obento Ltd.

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

3.4 "Resolved as an ordinary resolution that Sindi Zilwa, who retires in accordance with the articles of association and, being eligible, offers herself for re-election, be and is hereby re-elected as a director."

Brief curriculum vitae
Age 41
B Compt (Hons), CTA, CA (SA), Advanced Taxation Certificate
Other directorships include: ACSA (deputy Chairman), Aspen Pharmacare Holdings, Discovery Holdings, Ethos Private Equity and Strate.

Sindi became the second black female chartered accountant in South Africa in 1990 and is the Chief executive officer of Nkonki. Her previous directorships include The Transkei National Building Society, The South African Mint, WIPHOLD, Telkom and Primedia Limited. She is Chairman of the BUSA Standing Committee on Transformation, a board member of The Public Accountants and Auditors Board and a member of the GAAP Monitoring Panel. She joined the board in 2002.

4 Ordinary resolution number 4 – General authority to make payments to shareholders

"Resolved as an ordinary resolution that the company be and is hereby granted a general authority in terms of the JSE Limited ("JSE") Listings Requirements authorising the directors to make payments to its shareholders from time to time in terms of section 90 of the Companies Act, (No. 61 of 1973), as amended, from the company's share capital and/or share premium in such amount and in such form as the directors may in their discretion from time to time determine, provided that:

4.1 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

4.2 such payment may not, in the aggregate, exceed 20% (twenty percent) of the company's issued share capital, including reserves, but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation of an independent professional expert acceptable to the JSE, prepared within the last six months, in any one financial year, measured as at the beginning of such financial year; and

4.3 such payments shall be made pro rata to all shareholders.

The directors of the company may utilise the authority in terms of ordinary resolution number 4 in order to make payments to shareholders if and when deemed appropriate.

Announcements complying with Schedule 24 of the JSE Listings Requirements will be published on SENS and in the press, setting out the financial effects of any payment under the general authority, prior to such payment being effected.

5 Special resolution – General authority to repurchase shares

"Resolved as a special resolution that the company be and is hereby granted a general authority authorising the acquisition by the company and/or its subsidiaries of shares issued by the company, on such terms and conditions as the directors may deem fit, and in terms of sections 85 and 89 of the Companies Act, (no. 61 of 1973), as amended, the company's articles of association and the JSE Listings Requirements; provided that:

5.1 such acquisitions shall be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty, reported trades being prohibited;

5.2 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this special resolution, whichever occurs first;

5.3 such acquisitions may not be made at a price greater than 10% above the weighted average of the market value for the shares on the JSE for the five business days immediately preceding the date on which the transaction for the acquisition is effected;

5.4 when the company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of shares in issue at the time that this general authority is granted) of the relevant class of shares, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made;

5.5 no repurchase of shares shall be effected during a prohibited period as contemplated in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

5.6 after such repurchase, the company will still comply with the JSE Listings Requirements concerning shareholder spread requirements;

5.7 the company only appoints one agent to effect any repurchase(s) on its behalf;

5.8 the aggregate of such acquisitions may not, in any one financial year, exceed 20% (twenty percent) of the company's issued share capital of that class in any one financial year;

5.9 the aggregate of such acquisitions held by subsidiaries of the company may not exceed 10% (ten percent) of the company's issued share capital at any one time; and

5.10 upon entering the market to proceed with an acquisition, the company's sponsor has confirmed the adequacy of the company's and the group's working capital for the purposes of undertaking a repurchase of shares, in accordance with the JSE Listings Requirements."

6 Ordinary resolution number 5 – Authority to sign all documents required

"Resolved as an ordinary resolution that anyone of the directors or the Group secretary be and is hereby authorised and empowered to do all such things and sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to ordinary resolution number 4 and the special resolution to be proposed at the annual general meeting at which this resolution will be proposed."

The reasons for and the effect of ordinary resolution number 4 and the special resolution:

The reason for and the effect of ordinary resolution number 4, if passed, is to provide a general authority in terms of the JSE Listings Requirements, to allow the company to make cash payments to shareholders from the company's share capital and/or share premium if and when deemed appropriate by the board.

The reason for and the effect of the special resolution, if passed, and becoming effective, is to provide a general approval and authority in terms of sections 85 and 89 of the Companies Act, (No. 61 of 1973), as amended and the JSE Listings Requirements for the acquisition by the company and/or its subsidiaries of shares issued by the company.

Voting

Any ordinary shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant (CSDP) or broker and who has selected "own name" registration and any preference shareholder, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote or abstain from voting at the annual general meeting or at any adjournment thereof, in such ordinary or preference shareholder's stead. A proxy form is enclosed for use by such ordinary and preference shareholders. Such proxy form, duly completed, must be forwarded to reach the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 or be posted to them at PO Box 61051, Marshalltown, 2107, to be received, in either case by no later than 09h00 on Tuesday, 18 November 2008.

Any ordinary shareholder who holds dematerialised ordinary shares in the company and has not selected "own name" registration, should contact his CSDP or broker in the manner and time stipulated in such shareholder's agreement with his CSDP or broker:

- to furnish him with such shareholder's voting instruction; and
- in the event that such shareholder wishes to attend the annual general meeting, to obtain the necessary authority to do so.

The Trustees of The Woolworths Employee Share Ownership Trust ("Trust"), as the owner of the unlisted convertible, redeemable, non-cumulative, participating preference shares in the company, will consult with the beneficiaries under the Trust on the resolutions which will be considered at the annual general meeting in order to ascertain the views of such beneficiaries on the manner in which the Trust should exercise its voting rights, as preference shareholder, in respect of such resolutions.

On a show of hands, every shareholder, present in person or represented by proxy, shall have one vote only. On a poll, every shareholder, present in person or by proxy, shall have one vote for every share held or represented.

By order of the board

CL Lowe
Group secretary

Cape Town
30 September 2008

form of **proxy**

WOOLWORTHS HOLDINGS LIMITED WHL

WOOLWORTHS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1929/001986/06
Share Code: WHL ISIN ZAE000063863
("Woolworths" or "the company")

For use only by:
- holders of certificated ordinary shares in the company;
- holders of dematerialised ordinary shares in the company held through a Central Securities Depository Participant (CSDP) who have selected "own name" registration; and
- the holder of the convertible, redeemable, non-cumulative participating preference shares in the company ("preference shares"), at the 2008 annual general meeting of the company to be held in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001 on Thursday, 20 November 2008 at 09h00 ("annual general meeting").

If you are a shareholder referred to above, entitled to attend and vote at the annual general meeting, you can appoint a proxy or proxies to attend, vote and speak in your stead at the annual general meeting. A proxy need not be a shareholder of the company.

If you are an ordinary shareholder and have dematerialised your ordinary share certificates through a CSDP (and have not selected "own name" registration in the sub-register maintained by a CSDP), do not complete this form of proxy but instruct your CSDP to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, provide your CSDP with your voting instructions in terms of your custody agreement entered into with it.

I/We (full names in block letters) ______________________________

of (address) ______________________________

being a holder/s of ____________ ordinary/preference shares in the company (delete whichever is inapplicable), hereby appoint (see note 1)

1. ______________________ of ______________________ (or failing him/her)

2. ______________________ of ______________________ (or failing him/her)

3. the Chairman of the company, or failing him the Chairman of the annual general meeting, as my/our proxy to attend, speak, and to vote or abstain from voting on my/our behalf, as indicated below, at the annual general meeting or at any adjournment thereof.

	Number of votes (one per share)		
	In favour	Against	Abstain
1. Ordinary resolution number 1 to receive and confirm the financial statements for the year ended 30 June 2008 together with the reports of the directors and auditors thereon.			
2. Ordinary resolution number 2 to approve the remuneration to be paid to non-executive directors (as contained in the corporate governance section of the annual report).			
3. Ordinary resolution number 3 to re-elect directors retiring in accordance with the provisions of the company's articles of association:			
3.1 re-elect Buddy Hawton as a director of the company.			
3.2 re-elect Simon Susman as a director of the company.			
3.3 re-elect Nigel Colne as a director of the company.			
3.4 re-elect Sindi Zilwa as a director of the company.			
4. Ordinary resolution number 4 to approve a general authority in terms of which the company is authorised to effect payments in terms of section 90 of the Companies Act, (No. 61 of 1973), as amended.			
5. Special resolution number 1 to approve a general authority authorising the company and/or its subsidiaries to acquire shares issued by the company.			
6. Ordinary resolution number 5 to authorise the directors and Group secretary to implement ordinary resolution number 4 and the special resolution.			

Signed at ______________________ this ____________ day of ______________ 2008

Signature ______________________________

Instructions for signing and lodging this proxy

1 A shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.

2 A shareholder may therefore insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting the words "the Chairman of the company, or failing him the Chairman of the annual general meeting". The person whose name appears first on the proxy form and who is present at the annual general meeting, will be entitled to act as proxy to the exclusion of those whose names follow.

3 A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box. Failure to comply with the above will be deemed to authorise the Chairman of the company or failing him the Chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of resolutions at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he deems fit, in respect of the shareholder's total holding.

4 The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

5 In case of joint holders, the vote of the most senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names appear on the company's register of shareholders in respect of the joint holding.

6 The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.

7 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the Chairman of the annual general meeting.

8 Any alteration or correction to this form of proxy must be initialled by the signatory/ies, other than the deletion of signatories.

9 Forms of proxy must be lodged with or posted to the company, c/o Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09h00 on Tuesday, 18 November 2008.