2009 annual report

WOOLWORTHS HOLDINGS LIMITED

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

Woolworths is a retail chain of stores operating under the Woolworths brand name throughout South Africa and through franchise operations in South Africa and selected African countries as well as in the Middle East. Woolworths offers customers a carefully selected range of quality clothing, food and general merchandise.

Woolworths Financial Services is jointly operated with Absa Group Limited and provides our customers with a credit offering to assist them to purchase merchandise in Woolworths stores.

Country Road offers a select range of clothing and homeware through its own dedicated retail outlets and through concessions in large department stores in Australia and New Zealand. It recently introduced its range of women's and men's clothing into South Africa through selected Woolworths stores. Country Road is listed on the Australian Securities Exchange.

WHL

WOOLWORTHS
HOLDINGS
LIMITED

WOOLWORTHS

COUNTRY ROAD

contents

'we understand and lead our customers through excellence...'

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

we live the woolworths difference through our values:

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

overview for 2009

based on a comparable 52 weeks of 2008

financial

turnover	▲	up 7.2% to R21.2bn
adjusted headline earnings per share	▲	up 13.9% to 126.0 cps
distributions per share	▲	up 7.6% to 85 cps
special dividend		94 cps

trading

clothing and general merchandise sales	▲	up 0.4%
food sales	▲	up 9.3%

operating

total trading space	▲	up by 28 926 m^2
total number of stores	▲	up to 410
total corporate stores		250
total franchise stores		160

A detailed Good business journey report for 2009 is available in a separate volume.

as at
30 June

group review

Year Number of weeks	5-year compound annual growth rate	2009 52	2008 53	2007 52	2006 52	2005 52	2004 52	2003 52

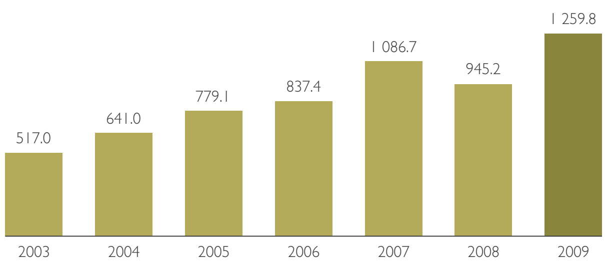
group income statements (Rm)

Revenue	14.2%	**21 922.3**	21 752.5	18 641.9	15 144.8	12 988.9	11 281.7	10 094.8
Turnover		**21 175.0**	20 064.9	17 376.9	14 208.0	12 220.7	10 648.8	9 500.3
Cost of sales*		**(14 501.1)**	(13 798.3)	(12 032.5)	(9 844.1)	(8 477.7)	(7 311.9)	(6 421.1)
Gross profit*		**6 673.9**	6 266.6	5 344.4	4 363.9	3 743.0	3 336.9	3 079.2
Other revenue		**747.3**	1 687.6	1 265.0	936.8	768.2	632.9	594.5
Expenses*		**(5 783.7)**	(5 955.0)	(4 763.9)	(3 810.4)	(3 279.9)	(2 952.6)	(2 832.1)
Operating profit	10.0%	**1 637.5**	1 999.2	1 845.5	1 490.3	1 231.3	1 017.2	841.6
Finance costs		**(281.2)**	(502.5)	(378.7)	(243.9)	(152.7)	(108.7)	(87.4)
Earnings from associate		**11.7**	1.0	–	–	–	–	–
Earnings from joint ventures		**58.1**	–	–	–	–	–	–
Profit before exceptional items		**1 426.1**	1 497.7	1 466.8	1 246.4	1 078.6	908.5	754.2
Exceptional items		**380.0**	–	54.6	–	–	(10.1)	(23.7)
Profit before tax		**1 806.1**	1 497.7	1 521.4	1 246.4	1 078.6	898.4	730.5
Tax		**(546.3)**	(552.5)	(434.7)	(409.0)	(299.5)	(257.4)	(213.5)
Profit for the year	14.5%	**1 259.8**	945.2	1 086.7	837.4	779.1	641.0	517.0
Attributable to								
Minority shareholders		**12.1**	8.5	12.3	1.8	2.2	0.7	0.8
Ordinary shareholders		**1 247.7**	936.7	1 074.4	835.6	776.9	640.3	516.2

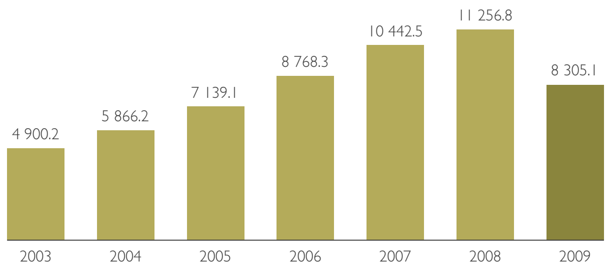
group balance sheets (Rm)

Non-current assets	**3 436.4**	2 793.1	2 977.2	2 490.6	2 002.0	1 873.9	1 664.9
Current assets	**4 868.7**	8 463.7	7 465.3	6 277.7	5 137.1	3 992.3	3 235.3
Total assets	**8 305.1**	11 256.8	10 442.5	8 768.3	7 139.1	5 866.2	4 900.2
Ordinary shareholders' interest	**3 024.7**	3 525.7	3 246.9	2 606.3	2 184.7	2 581.3	2 169.4
Minority shareholders' interest	**47.2**	52.1	42.5	27.9	26.2	20.7	20.8
Non-current liabilities	**2 341.5**	2 271.8	2 918.3	2 801.0	3 061.5	725.2	634.2
Current liabilities	**2 891.7**	5 407.2	4 234.8	3 333.1	1 866.7	2 539.0	2 075.8
Total equity and liabilities	**8 305.1**	11 256.8	10 442.5	8 768.3	7 139.1	5 866.2	4 900.2

* Comparative figures have been restated due to the reclassification of distribution costs from expenses to cost of sales.



profit from continuing operations (Rm)

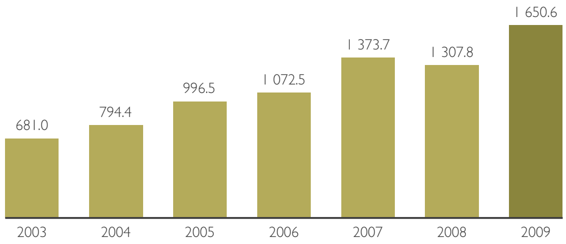


total assets (Rm)

Year Number of weeks	5-year compound annual growth rate	**2009** **52**	2008 53	2007 52	2006 52	2005 52	2004 52	2003 52

group cash flow statements (Rm)

Cash inflow from trading	15.7%	**1 650.6**	1 307.8	1 373.7	1 072.5	996.5	794.4	681.0
Working capital movements		**67.3**	(330.3)	183.6	185.4	(228.4)	(7.5)	104.4
Cash applied to financial services assets		**20.6**	(24.4)	(1 182.4)	(882.2)	(722.0)	(709.8)	(461.6)
Cash generated by operating activities		**1 738.5**	953.1	374.9	375.7	46.1	77.1	323.8
Net interest received		**237.5**	861.4	651.7	515.7	488.1	435.1	432.1
Tax paid		**(370.3)**	(747.0)	(565.0)	(483.4)	(314.6)	(331.5)	(191.7)
Cash generated by operations		**1 605.7**	1 067.5	461.6	408.0	219.6	180.7	564.2
Dividends received from associate		**1.2**	1.1	–	–	–	–	–
Distributions to shareholders		**(654.8)**	(635.5)	(550.4)	(474.2)	(384.2)	(271.7)	(201.3)
Net cash inflow/(outflow) from operating activities		**952.1**	433.1	(88.8)	(66.2)	(164.6)	(91.0)	362.9
Net cash inflow/(outflow) from investing activities		**2 624.9**	(504.1)	(527.2)	(598.5)	(312.6)	(393.2)	(322.2)
Net cash (outflow)/inflow from financing activities		**(1 055.1)**	373.5	794.3	11.0	1 442.8	54.5	(195.6)
Increase/(decrease) in cash and cash equivalents		**2 521.9**	302.5	178.3	(653.7)	965.6	(429.7)	(154.9)
Cash and cash equivalents at the beginning of the year		**(90.7)**	(422.6)	(623.4)	23.3	(949.9)	(514.7)	(362.0)
Cash arising on acquisition of subsidiary		**–**	–	–	–	–	–	10.2
Effect of foreign exchange rates		**(40.1)**	29.4	22.5	7.0	7.6	(5.5)	(8.0)
Cash and cash equivalents at the end of the year		**2 391.1**	(90.7)	(422.6)	(623.4)	23.3	(949.9)	(514.7)



cash inflow from trading (Rm)

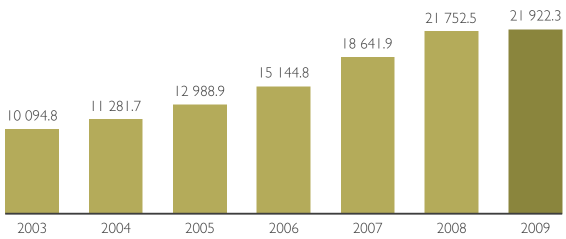
as at
30 June

group review continued

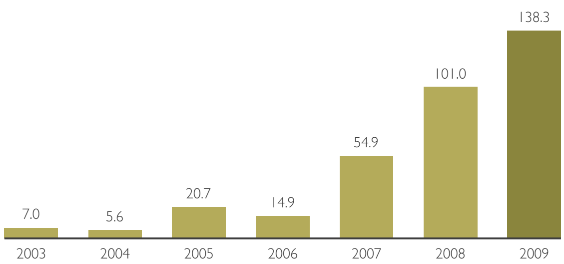
Year Number of weeks	**2009** **52**	2008 53	2007 52	2006 52	2005 52	2004 52	2003 52
returns							
Return on ordinary shareholders' equity (%)	**26.3**	27.5	35.1	34.8	31.2	27.4	24.7
– *headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year*							
Return on assets (%)	**17.2**	18.8	19.4	18.9	19.3	19.6	19.3
– *operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year*							
margins							
Gross margin (%)	**31.5**	31.2	30.8	30.7	30.6	31.3	32.4
– *gross profit as a percentage of turnover*							
Operating margin (%)	**7.5**	9.2	9.9	9.8	9.5	9.0	8.3
– *operating profit as a percentage of revenue*							
solvency and liquidity							
Debt ratio (%)	**18.1**	40.8	37.9	39.2	36.4	19.4	14.9
– *interest-bearing debt as a percentage of total assets*							
Current ratio (times)	**1.7**	0.9	1.8	1.9	2.8	1.6	1.6
– *current assets divided by current liabilities*							
Total liabilities to shareholders' equity (%)	**170.4**	214.6	217.5	235.4	225.6	126.5	124.9
– *non-current liabilities, plus deferred tax and current liabilities as a percentage of total shareholders' interest*							

Year Number of weeks	5-year compound annual growth rate	2009 52	2008 53	2007 52	2006 52	2005 52	2004 52	2003 52
divisional analysis								
Revenue (Rm)								
Woolworths	13.4%	**19 384.8**	19 792.7	17 280.1	14 151.2	11 993.8	10 333.1	9 012.9
Country Road	19.9%	**2 353.1**	1 939.3	1 361.8	993.6	995.1	948.6	1 081.9
Net interest		**184.4**	20.5	–	–	–	–	–
	14.2%	**21 922.3**	21 752.5	18 641.9	15 144.8	12 988.9	11 281.7	10 094.8
Turnover (Rm)								
Woolworths								
– Clothing and home	8.8%	**7 321.6**	7 409.8	6 985.0	6 012.2	5 349.5	4 792.2	4 280.4
– Foods	18.6%	**11 126.1**	10 360.3	8 718.0	6 941.5	5 666.0	4 747.1	3 980.8
– Logistics and other	17.3%	**391.5**	376.4	319.9	273.6	223.1	176.1	168.8
Country Road	20.1%	**2 335.8**	1 918.4	1 354.0	980.7	982.1	933.4	1 070.3
	14.7%	**21 175.0**	20 064.9	17 376.9	14 208.0	12 220.7	10 648.8	9 500.3
Profit before exceptional items and tax (Rm)*								
Woolworths	5.5%	**1 180.5**	1 376.6	1 411.9	1 231.5	1 057.9	902.9	747.2
Country Road	89.9%	**138.3**	101.0	54.9	14.9	20.7	5.6	7.0
	7.7%	**1 318.8**	1 477.6	1 466.8	1 246.4	1 078.6	908.5	754.2
Profit attributable to ordinary shareholders (Rm)								
Woolworths	12.8%	**1 159.0**	874.7	985.1	822.5	758.4	634.3	508.8
Country Road	71.4%	**88.7**	62.0	89.3	13.1	18.5	6.0	8.7
	14.3%	**1 247.7**	936.7	1 074.4	835.6	776.9	640.3	517.5
Net assets (Rm)								
Woolworths	1.9%	**2 663.2**	3 130.0	2 936.3	2 401.4	1 976.7	2 429.0	2 016.4
Country Road	18.9%	**361.5**	395.7	310.6	204.9	208.0	152.3	153.1
	3.2%	**3 024.7**	3 525.7	3 246.9	2 606.3	2 184.7	2 581.3	2 169.5

* Excludes net interest received and share of earnings from joint venture



revenue (Rm)



Country Road – profit (Rm)

as at
30 June

group review continued

Year	2009	2008	2007	2006	2005	2004	2003
Number of weeks	52	53	52	52	52	52	52
other statistical data							
Woolworths							
Gross margin (%)	**28.0**	28.0	32.3	32.8	32.7	31.5	32.3
Number of employees (full-time equivalent)	**20 873**	21 374	19 344	16 337	14 243	13 791	12 208
Number of stores							
– owned	**250**	228	200	173	149	136	123
– franchised	**160**	157	149	136	125	119	103
Closing trading area (m^2)							
– owned	**406 784**	381 639	347 647	326 200	301 338	283 091	269 476
– franchised	**100 493**	96 712	98 225	96 167	88 307	86 563	80 297
Turnover ratios							
– turnover per employee	**902.6**	849.0	828.3	809.7	789.1	704.5	690.5
– turnover per m^2	**46.3**	47.5	46.1	40.5	37.3	34.3	31.4
Asset turn (times)	**2.3**	2.1	2.0	2.0	2.1	2.1	2.1
– *revenue divided by total assets less deferred tax*							
Inventory turn (times)	**14.3**	16.7	18.5	20.8	21.7	21.4	21.8
– *turnover divided by average inventory at the beginning and end of the year*							
Profit before exceptional items and tax to turnover (%)	**6.3**	7.6	8.8	9.3	9.4	9.3	8.9
Country Road (in A$ terms)							
Gross margin (%)	**59.5**	61.0	58.1	53.7	52.2	53.3	52.2
Number of employees (full-time equivalent)	**1 206**	1 133	1 093	806	868	868	870
Number of stores							
– owned	**67**	61	57	52	47	46	41
– concession	**82**	78	74	–	–	–	–
Trading area (m^2)	**36 849**	33 974	31 548	22 094	23 539	23 439	22 400
Turnover ratios							
– turnover per employee	**284.5**	255.7	217.4	254.5	240.2	220.4	235.3
– turnover per m^2	**9.3**	8.5	7.5	9.3	8.9	8.2	9.1
Asset turn (times)	**3.0**	3.0	2.5	2.4	2.5	2.4	2.5
Inventory turn (times)	**10.2**	10.0	8.8	8.6	9.0	7.7	7.5
Profit/(loss) before tax to turnover (%)	**6.4**	4.8	3.9	1.6	1.5	1.3	1.2

Year	2009	2008	2007	2006	2005	2004	2003
Number of weeks	52	53	52	52	52	52	52
ordinary share performance (cents per share)							
Earnings	157.2	114.8	133.9	105.1	91.5	74.3	59.4
Headline earnings	109.3	114.9	127.8	105.0	89.4	75.5	61.1
Distributions declared for the financial year	179.0	79.0	76.0	63.0	54.0	38.5	29.0
Net asset book value	390.4	443.2	401.2	326.9	277.5	297.3	254.3
Share price: highest	1 358	2 302	2 510	1 779	1 181	771	618
lowest	923	988	1 230	1 003	721	568	397
average	1 177	1 550	1 779	1 391	966	695	489
closing	1 295	1 020	2 140	1 370	1 025	710	574
Indexed closing share price (June 2000 = 100)	447	352	738	472	353	245	198
JSE indexed : retail (June 2000 = 100)	275	234	407	279	244	152	103
all shares (June 2000 = 100)	289	359	377	266	183	133	108
Market capitalisation at 30 June – Rm	10 374	9 000	19 179	12 112	8 959	6 750	5 370
Number of shares in issue – millions*	774.7	795.5	809.3	797.2	787.2	868.3	853.1
Number of shares traded – millions	1 182.0	1 163.7	738.0	596.2	502.4	363.1	401.2
Percentage of shares traded (%)	152.6	146.3	82.4	67.4	57.5	38.2	42.9
Value of shares traded – Rm	13 912	18 037	13 131	8 291	4 892	2 525	1 963
Price earnings ratio	8.2	8.9	18.2	13.6	12.0	9.2	9.1
Distribution yield (%)**	6.6	7.7	3.6	4.6	5.3	5.4	5.1

Year	2009	2008	2007	2006	2005	2004	2003
Number of weeks	52	53	52	52	52	52	52
foreign currency exchange rates							
USD – average	9.0517	7.3331	7.2217	6.3695	6.1751	6.8619	9.0326
USD – closing	7.9425	7.8840	7.1480	7.5000	6.7370	6.3400	7.5250
AUD – closing	6.4162	7.6160	6.1071	5.4407	5.2029	4.4374	5.0094
key information in US dollars (millions)							
Revenue	2 421.9	2 966.3	2 581.4	2 377.4	2 103.4	1 644.1	1 117.6
Headline earnings per share (cents)	12.1	15.8	17.7	16.5	14.5	11.0	6.8
Net profit attributable to ordinary shareholders	137.8	127.7	148.8	131.2	125.8	93.3	57.3
Total assets	1 045.7	1 427.8	1 460.9	1 169.1	1 059.7	925.3	651.2
Market capitalisation	1 306.2	1 141.6	2 683.1	1 614.9	1 329.8	1 064.7	713.6

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

** Excludes the special dividend

woolworths holdings limited directorate

independent non-executive directors

Buddy Hawton (72)†
FCIS
Chairman
Buddy has extensive experience as both an executive and non-executive director. He has recently retired from directorships of Nampak, Real Africa Holdings, Royale Resorts Holdings (Chairman), Sun Hotels International and Sun International (Chairman). Previous directorships include Altron, City Lodge Hotels, Liberty Group, Liberty Holdings, Old Mutual, Rennies Group, Safmarine, the Standard Bank Group, Stanlib, Rennies Holdings (Chairman), and South African Marine Corporation (Chairman). He joined the board as non-executive Chairman in 2002.

Peter Bacon (63)†
(British) FIH
Other directorships include: Sun International Casinos (UK). 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.

Nigel Colne CBE (69)†
(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.

Brian Frost (65)†
BCom, AMP (Harvard)
Other directorships include: Bowler Metcalf.
Brian joined Woolworths in 1981 and was appointed as a director in 1986. He was responsible for certain business areas, including food, franchise and store operations prior to being appointed Joint managing director in 1996. He became a non-executive director in 2000.

Mike Leeming (65)†
BCom, MCom, FCMA, FIBSA, AMP (Harvard)
Other directorships include: AECI, Allied Electronics Corporation, Imperial Holdings and Real Africa Holdings.
Mike was previously the Chief operating officer at Nedcor and has an in-depth knowledge of financial services as well as manufacturing. He joined the board in 2004.

Chris Nissen (51)†
BA Hons, MA
Other directorships include: Boschendal (Chairman), JCI, Sea Harvest Corporation (Chairman), and the Standard Bank Group. 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.

Sindi Zilwa (42)[†]

BCompt (Hons), CTA, CA(SA), Advanced Taxation Certificate
Other directorships include: ACSA (deputy chairman), Aspen Pharmacare Holdings, Business Connexion, 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 Buildings 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 Independent Regulatory Board for Auditors and a member of the GAAP Monitoring Panel. She joined the board in 2002.

executive directors

Simon Susman (59)*

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.

Andrew Jennings (61)*

(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, President of Holt Renfrew in Canada, Group managing director of House of Fraser and President and Chief operating officer of Saks Fifth Avenue, USA. He was appointed in December 2006.

Zyda Rylands (44)*

BCom (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 People and Transformation director of Woolworths (Proprietary) Limited in 2005 and was appointed to the board of Woolworths in August 2006. She became Chief operating officer: Support services in 2008.

Norman Thomson (58)*

BCom (Hons) CA(SA)
Finance director
Other directorships include: Country Road Limited.
Norman joined Woolworths in 1991 in a logistics capacity and introduced the integrated supply chain management systems. He was appointed to the board in 2001 and was responsible for corporate stores, franchise and distribution. He became Finance director in 2002.

group secretary

Cherrie Lowe (54)

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.

[†] Non-executive directors
* Executive directors

chairman's report

Woolworths has focused on our differentiators to ensure the relevance of our positioning in the current market conditions and to weather the recession.

Buddy Hawton

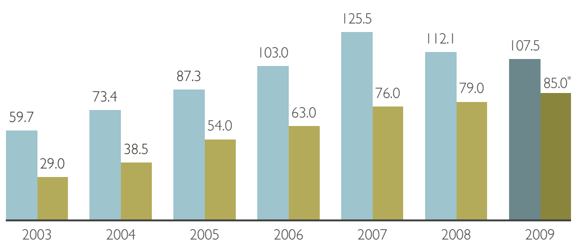
The year was an extremely difficult one triggered by the financial crisis and worsened by increasing levels of unemployment and monetary illiquidity.

In the second quarter, whilst there was a reversal of the slide in the economy, the level of business activity remained low. The South African GDP contracted 6.4% in the first quarter of 2009, with consumer spending falling 4.9% – the biggest fall in a decade. Preliminary data for the second quarter showed a pulling back of the contraction albeit at a slower pace. There was some relief on consumer discretionary spending with a reduction in interest rates of 450 basis points in the second half of the financial year.

The Australian economy was also impacted by global conflicts but to a lesser extent than most other industrialised countries. It received a significant boost from the government in the form of financial stimulus packages to encourage consumer spending which has been borne out in the retail sales data for the second quarter of 2009. What is relevant for both South Africa and Australia is that, worldwide, consumers have traded down. Generally, value retailers in both food or clothing, have performed better in the recession than perceived top-end retailers.

Against this backdrop, Woolworths has focused on our differentiators to ensure the relevance of our positioning in the current market conditions and also to weather the recession. The Woolworths difference is even more relevant for our customers who are tightening their belts. The results of this are starting to be seen in our improved revenue in the fourth quarter. Therefore, providing the "best quality at great value" has been a strong focus and will continue into the future.

We have focused on ensuring that the business is operationally geared to benefit from the eventual economic recovery. To this end, there has been an increased spend in operational investments to ensure that we are ready when the economy swings upwards. In the meantime, we have continued with a focus on tight cost controls and inventory management. Productivity and operational efficiencies will be a strong feature of the year ahead.



diluted HEPS & dividends declared
* excludes special dividend

Group turnover growth of 5.5% reflected the reduced level of consumer spending and a limited appetite for credit. Our South African retail business delivered a sales growth of 0.4% for clothing and general merchandise, whilst foods delivered a growth of 9.3%. This has resulted in a decline in market share in foods and in clothing and general merchandise.

Our Australian subsidiary, Country Road, performed well with a turnover growth of 21.2% and increased market share. Profit before tax grew by 50.7% to AUS$21.7m for the year.

On 1 October 2008, Woolworths disposed of a 50% plus one share of Woolworths Financial Services to Absa Group Limited with net proceeds of R875m, earning a profit of R380m. After a successful implementation of the joint venture we are seeing the benefits of combining Absa's significant banking expertise with our strong retail footprint.

The Woolworths financial services transaction changed the nature of our balance sheet, eliminating significant borrowings and allowed the group to reduce its funding obligations. The company returned cash to shareholders in the form of a special dividend of R750m and open-market share repurchases, amounting to R316.6m. The company has a strong balance sheet and further share repurchases will be considered.

The group financial results for the year are impacted by a number of non-comparable items that are discussed in more detail in the finance director's report.

Headline earnings per share decreased by 4.9% to 109.3 cents per share. Return on equity (based on adjusted headline earnings) improved from 28.0% to 30.3% and the average weighted cost of capital decreased to 12.0% (2008: 14.8%). A total dividend of 179 cents was returned to shareholders which included a special dividend of 94.0 cents (2008: 79.0 cents).

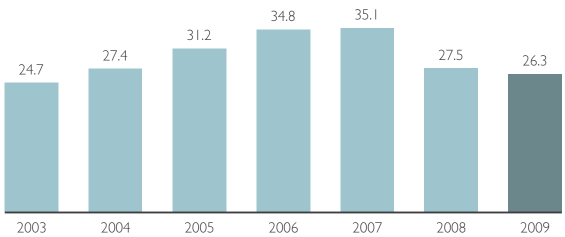
We are now in the second year of the Woolworths Good business journey, our sustainability programme focusing on social, transformational and environmental development. The Good business journey has become a strong differentiator for the business. Its success has once again been demonstrated with a number of industry awards which include Woolworths being ranked first in the low carbon category of the South Africa leg of the Carbon Disclosure Project in 2008 and awarded the Special Award for the Top Performing Energy Efficiency at the eta Energy Efficiency Accord Signatory at the *eta* (Eskom energy efficiency) awards.

A comprehensive review of our sustainability efforts are covered in the 2009 Good business journey report included with this annual report.

Transformation continues to be a core element of our Good business journey. During the year we continued to make progress towards our targets. We have achieved a level 6 contributor status and are well on our way to our target of becoming a level 4 contributor by 2012.

The BEE employee share ownership trust, established to enable eligible Woolworths employees to acquire a shareholding in the company, received dividends of R11.4m, which represents an increase of 56% on the previous year. I want to thank the trustees for their contribution and commitment during the year.

The Woolworths difference is even more relevant for our customers who are tightening their belts.



return on equity (%)

We will remain focused on managing costs and controlling our stock throughout this period.

I am pleased to announce that Lindiwe Mthimunye-Bakoro and Namhla Thina Siwendu have been appointed as directors to the board from 26 August 2009.

Lindiwe Mthimunye-Bakoro is a Chartered Accountant with primary experience in investment banking. Thina Siwendu holds a BSocSc (Hons) and LLB degree. She heads her own legal firm and specialises in corporate governance and corporate law. These appointments will bring additional skills to the board and its committees and add to the spread of age, gender and diversity.

We have announced changes to be made to the senior executive leadership which will provide the group with continuity into the future.

Simon Susman will retire as Chief executive officer of Woolworths in November 2010 having reached retirement age. To retain his extensive international and local retail knowledge he will assume a newly created position of non-executive deputy Chairman effective from November.

Ian Moir, the Chief executive officer of Country Road, who has led the significant turnaround at Country Road will be appointed Managing director retail and Chief executive officer-elect of Woolworths effective 1 January 2010. He will succeed Simon in November 2010. An appointment of Chief executive officer in Country Road will be made in due course.

Andrew Jennings, Managing director retail, having concluded his three-year management contract on 31 December 2009, has advised us of his desire to return to the global retail stage to pursue new opportunities. Since joining us, Andrew has been a tireless agent of change, a champion of our brand and has contributed significantly to the group through the achievement of higher standards of performance and setting a strong foundation for the future.

looking ahead

Retailers have been forced to closely examine their business models and practices in dealing with consumers who are shopping more wisely in response to the existing economic conditions. In South Africa, inflation seems to be easing and consumers may benefit from a stronger currency. We believe that we have a better positioned merchandise offer, without any compromise to our quality. We will remain focused on managing costs and controlling our stock throughout this period.

appreciation

I extend my gratitude to Simon and his team for their unfailing commitment and effort during a particularly tough trading period. To my colleagues on the board I would like to thank you for your commitment, support and counsel during the year.

DA Hawton

chief executive officer's report

overview

This has been a difficult year for higher income customers both locally and around the world. In South Africa, the year started with interest rates still high, with a world economy heading for crisis, locally high fuel prices, and falling house prices and investment values . . . a country heading for a recession.

All this despite South Africa having one of the world's most stable banking sectors and our economy showing little sign of needing the extreme stimulus measures instituted by many first world economies. Lower end customers on the other hand were clearly benefiting from high wage increases and a significant uptick in government grants . . . a real stimulus to this end of the market.

In Australia, these same effects were more muted for consumers as government chose to stimulate the economy by giving cash back to taxpayers in two bits – in December and then in June.

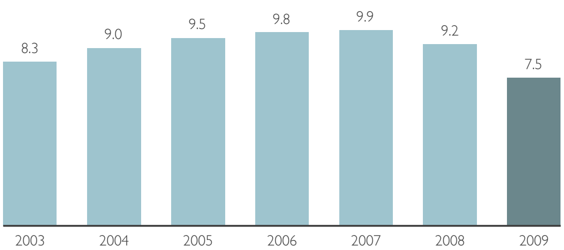
The situation in South Africa seemed to bottom out as the new year got under way. Interest rates were clearly on their way down, investment markets were stabilising and as winter progressed, so Woolies' sales started to recover.

At year end, top line sales growth in Woolworths was moderate at 5.5%, on a comparable 52-week basis a 7.2% growth. Country Road grew well throughout the period and ended with sales up 21.2%.

Expenses in both businesses were particularly well controlled, delivering improved productivity despite additional footage growth. Inventory levels, although higher than last year, have been well controlled and are more balanced towards low risk, all year product categories that require a higher level of availability to satisfy customer demand.

Operating margin at 7.5% was further impacted by a number of non-comparable items that are dealt with in the Finance director's report.

Simon Susman



operating margin (%)

We have reacted to the new spending patterns of customers and will continue to focus on increasing the quantities to satisfy demand for those lines that Woolworths is known for.

The group though, now has a far stronger balance sheet. The sale of half the Woolworths Financial Services business saw the debtors book move to Absa. This released sufficient funds to buy R317m worth of shares off the market, pay a special dividend of R750m and still finish the year with cash in the bank.

woolworths retail

The year has been a defensive one with a strong focus on cost and margin management, on bedding down the more segmented clothing and general merchandise strategy and on upping the value components of all ranges without compromising the deepest of Woolies' values . . . our stringent quality standards.

Top line sales growth for the period was 5.7% for the period, on a 52 week comparison.

clothing and general merchandise

Sales growth in clothing and general merchandise was virtually level at 0.4% up on last year on a 52-week comparison. Market share declined during the period to 14.5% on a rolling 12-month basis, but did improve in the fourth quarter.

Clearer segmentation, through our well defined in-house brands such as Classic collection, studio.w, re_, Country Road and Twist, has resulted in an improved customer shopping experience. The brands provide clarity and a point of view for each of our various customer segments.

Our headquarter assortments provide the anchor for our great value ranges in those core product categories for which Woolworths is so well known. These products are at highly competitive price points, at our quality standards and have accordingly appealed strongly to our customers. Their demand is still growing and they have contributed to our price movement for the period being 2.5%, well below the market.

Our home business, too, has started to show signs of recovery through the winter months. The new team has settled in well. It has focused on better sourcing to drive an improved value offer and better levels of innovation.

We continue to build our beauty business, both the brands and our own label where we have been hampered by poor availability.

The structured and more disciplined process to design, buy and plan our merchandise has now been entrenched into the clothing and general merchandise areas. Our sourcing strategy has responded to the shift in global manufacturing and is delivering increased margin with no sacrifices to quality or price points.

Recent investments in stock management systems are beginning to deliver accurate data and are enabling store catalogues and profiles to support the customer segmentation and good inventory control.

food

Food top line sales growth was 9.3% on a 52 week comparison.

The year was marked by customers trading down both within our offer and to those competitors who seemed to have a better price proposition. We lost market share in the year, but at a slower rate in the final quarter, resulting in an annualised figure of 8.5%.

We reacted to meet the conditions with a more aggressive pricing strategy, making short-term margin sacrifices to offer sharper prices on known value items. Prices were reduced on 245 food lines and we drove more promotions such as "Meal Deal eat in for under R100" campaign. These strategies executed without compromising our Woolworths quality, are beginning to pay off. Customer feedback is now telling us that Woolworths food prices are now seen as far more competitive.

New in-store service concepts have been introduced to boost our levels of innovation and excitement in stores. These include the food "to go" concept, loose produce counters and in-store bakeries.

Our food availability, not yet at optimal levels, is improving. Much work has been done by the teams to focus on the key components that are critical to the improvement of availability. Processes and disciplines have been adjusted and we are starting to see the improvements coming through. This remains a key focus for the year.

general

Our newer modernised stores with their clear segmentation are being well received by customers and we will continue to convert the chain into this more relevant look and feel.

Our real estate programme expansion was slowed and we cut back the number of stores by 44% as falling demand impacted on store to store cannibalisation of sales.

Costs, both in our stores and in the rest of the business continued to be tightly controlled throughout the period. The major set of IT infrastructure changes initiated three years ago are now mostly installed and we are beginning to see real benefits in information accuracy and easier controls throughout the organisation.

Sustainability is now included as one of our formal values and we are seeing much traction with this up-weighted positioning. The Good business journey which supports this value, continues to build our business for a better future. A great deal of work has been done by the business to deliver to our 2012 targets. We see this delivering innovation to enhance the brand and in many instances, opportunities to drive efficiencies and cost savings. This is covered more fully in the 2009 Good business journey report included with the Annual report.

We are making good progress in and remain committed to our BEE scorecard (dti codes). With our suppliers' self assessments now being discouraged, we are still at level 6 and have a target of being a level 4 contributor by 2012.

We made a number of executive leadership changes during the year. These have brought fresh thinking to the business. The retention of development of key talent and succession is always a significant risk to a business and labour turnover at our key executive levels remains very low. We will implement a restricted share scheme to enhance our ability to retain and attract senior executive capacity.

The Competition Commission have informed us that they will be conducting an investigation into our subsidiary Woolworths (Proprietary) Limited. This investigation is not about price fixing. It is about testing pro-competitive and anti-competitive effects of certain practices. We will co-operate fully in assisting the Commission with their investigation.

woolworths financial services

The Woolworths financial services business is now managed through a partnership with Absa. It is an exciting integration of different core competencies… those of a customer focused retailer, Woolworths and a disciplined, credit focused banker, Absa.

Our newer modernised stores with their clear segmentation are being well received by customers and we will continue to convert the chain into this more relevant look and feel.

The synergies that exist between Country Road and Woolworths retail are starting to take shape.

R129.2m of profit from this business is included in the group's profit. This is non-comparable and is dealt with comprehensively in the Finance director's report. The credit environment is currently constraining the growth of the in store card in particular, with the result that we have seen a decline in the percentage of sales spent on Woolworths cards. We have set plans in place to re-grow the books.

We are pleased with the way in which the partnership is developing and both parties are excited about the future that it brings. We believe that, jointly, we will develop more integrated customer value propositions that will make sense to Woolworths' customers and add value to the banking metrics of Absa.

Country Road

Country Road has now fundamentally repositioned itself in the Australian market and continued to trade well at a growth of 18.8% in retail sales. Although the Australian retail market was supported by tax payouts to customers, Country Road traded well above its competitors in Australia gaining good market share. At increased profits of 37% to R138.3m, it is now becoming a meaningful contributor to the group.

The synergies that exist between Country Road and Woolworths retail are starting to take shape. The Woolworths stores have provided an ideal platform for the Country Road brand in South Africa. This synergy has now been extended further with the launch of Trenery into both South Africa and Australia. This brand is aimed at a more mature customer looking for stylish, classic and timeless pieces with the same quality ethos as Country Road. The brand launched in 16 stores in South Africa in August 2009 and in five stores in Australia in September 2009.

summary

2009 has been a year of challenging economic conditions. We are conscious that the world economies and consumer spending will remain under pressure throughout the year ahead. Our businesses are well positioned for this… with good innovation, strong value offers and strong brand equity… so critical in uncertain markets.

We continue to invest in the future through new real estate opportunities, new product ranges and in-store concepts whilst driving operational efficiencies in both Woolworths and Country Road.

In Woolies we will say goodbye in December to Andrew Jennings, a real innovator and a passionate retailer who has brought fundamental change to the company.

We are fortunate to have both in Woolworths and Country Road, many people of great passion and talent. They now have clear strategies to deliver, will hold costs tight and will manage our two remarkable brands with all the focus that these difficult times require.

SN Susman

finance director's report

The year has been characterised by particularly poor economic conditions and, in addition, our results are impacted by a number of factors that make them incomparable:

- the disposal of a 50% plus one share interest in Woolworths Financial Services (WFS) at the end of the first quarter;
- a R750m special dividend and the STC thereon, and the impact of the repurchase of shares to the value of R317m, both facilitated by the WFS disposal;
- the extra week ("week 53") in the previous year, which added R84m pre-tax to last year's results; and
- an unrealised foreign exchange loss of R57m (after tax) arising at year end from the revaluation of open forward exchange contracts (FECs) – vs. a R2m gain last year.

Norman Thomson

The WFS transaction resulted in a change in the accounting treatment of WFS to a joint venture such that from 1 October 2008 only 50% of WFS's profit after tax is included in the group results.

Headline earnings per share (HEPS) ended 5% lower. The acompanying table demonstrates the impact of the additional week in the prior year.

Earnings per share (cents)	2009	2008	% Change
52:53 weeks			
EPS	**157.2**	114.8	36.9
HEPS	**109.3**	114.9	(4.9)
Diluted HEPS	**107.5**	112.1	(4.1)
Adjusted HEPS	**126.0**	117.1	7.6
52:52 weeks*			
EPS (52:52)	**157.2**	108.3	45.2
HEPS (52:52)	**109.3**	108.4	0.8
Diluted HEPS (52:52)	**107.5**	105.7	1.7
Adjusted HEPS (52:52)	**126.0**	110.6	13.9

** Last year on a comparable 52-week basis*

Diluted headline earnings per share was 4% lower. Dilution arises from share options granted in terms of employee incentive schemes.

Ralph Buddle
Head of Corporate Finance

Adjusted headline earnings per share, on a comparative 52:52-week basis, ("Adjusted HEPS (52:52)") excludes:

- STC of R75m on the special dividend;
- STC of R20m paid on share buy-backs in the prior year; and
- the unrealised foreign exchange loss

Despite these adjustments, the group results for the year remain non-comparable due to the change in the nature of the WFS investment and the interest impact of the capital transactions.

Group profit before tax and exceptional items (PBTAE) for the year has reduced by 4.8% to R1 426m, again impacted by the forex loss. The increase in PBTAE is 0.9% on a 52-week comparable basis.

To best comprehend these results, a review should be undertaken on a segmental basis, on a 52:52-week basis.

segmental analysis

Group results (52:52)
Divisional contribution, Rm

Year to date	2009	2008*	% Change
SA Retail	1 188	1 135	4.7
Unrealised forex loss	(79)	–	
SA Retail including forex loss	1 109	1 135	(2.3)
Net interest	50	20	>100
Country Road	138	101	36.6
WFS – to 30 September	72	158	(54.4)
WFS joint venture – from 1 October	57	–	
Group profit before tax and exceptional items	**1 426**	1 414	0.9

** Last year on a comparable 52-week basis*

SA Retail
Income statement

	2009 Rm	2008* Rm	% Change
Sales	18 835	17 826	5.7
Cost of sales	13 556	12 843	5.6
Gross profit	5 279	4 983	5.9
Other revenue	96	91	5.5
Expenses	4 279	3 940	8.6
Store costs	2 597	2 308	12.5
Other operating costs	1 682	1 632	3.1
Operating profit	1 096	1 134	(3.4)
Earnings from joint venture and associate	13	1	>100
Profit before tax and exceptional items	1 109	1 135	(2.3)
Gross margin	28.0%	28.0%	
Operating margin	5.8%	6.4%	

** Last year on a comparable 52-week basis*

Trading conditions, which deteriorated during the second half of the prior year, remained subdued throughout the year with the biggest impact of the global economic contraction still felt at the upper end of the market as those with high levels of debt attempted to de-leverage through a reduction in discretionary spending and trading down.

Turnover grew 6%, with sales from comparable stores down 1%.

Gross profit improved 6% to R5.3bn with gross margin maintained at 28%. Foods margins were maintained despite the continued focus on ensuring price competitiveness on key value items. Clothing margins were improved by the benefits of sourcing improvements. Food growth continues to outstrip clothing and general merchandise and whilst the change in mix leads to some dilution of gross margin over time, all our businesses are designed to generate sustainable value for shareholders.

In order to more clearly present the variable cost of distribution, gross profit now includes the cost of distribution, previously accounted for in expenses. Prior year numbers have been restated accordingly.

Clothing and general merchandise, which remains the dominant contributor to group profit, grew sales 0.4% to R7.3bn, with 2.5% inflation, but saw sales in comparable stores pull back 2.8%, against market growth of 7.3%.

Our food business also struggled against the consumers' shift to discount food retailers, with sales growing 9.3% to R11.1bn, with inflation of 8.2%. Sales in comparable stores grew 1.0%, compared to market growth of 18.5%.

Total footage increased by 6.0% with the opening of seven full-line and 15 food stand-alone corporate stores. Whilst a further 6.8% expansion is planned for 2010 across nine new full-line and five food stand-alone stores (and another 7.7% in 2011 across six new full-line and 10 food stand-alone stores), this will be lower than in previous years as a result of the reduction in development activity associated with the economic downturn.

Expenses were well controlled during the year and despite new footage and wage increases, total store costs increased 13%. The focus on productivity, which was prevalent throughout the year, remains a key commitment.

Store costs mainly comprise employment costs, occupancy costs and depreciation, as well as general store expenses such as plastic bags, cleaning, security and maintenance.

Other operating costs within the South African Retail segment increased 3%. These costs, mainly comprising non-store employment and occupancy costs, are incurred centrally and include the central buying and planning, marketing, franchise, real estate and strategy functions of the group, as well as the central services of HR, finance, IT and corporate governance.

Also included in other operating costs are charges relating to share-based payments under the group's executive share incentive and Black economic empowerment employee share ownership schemes and the unrealised foreign exchange loss of R79m.

Return on equity declined from 51.4% to 43.3% – a result of the more difficult trading conditions leading to a lower return on sales. Asset utilisation, measured by asset turnover, was well managed although inventory levels increased in clothing due to the strategic decision to increase the level of import merchandise – this was compensated by higher margins. In food, an increased emphasis on long-life grocery merchandise increased inventory levels.

Justin Crowhurst
Head of Central Finance

Nicolette Wulfsohn
Head of Financial Planning and Performance

Country Road

Country Road's performance is explained in its functional currency of Australian dollars.

Country Road
Income statement

	2009 A$m	2008 A$m	% Change
Sales	**351.9**	290.4	21.2
Cost of sales	**142.8**	113.0	26.4
Gross profit	**209.1**	177.4	17.9
Other revenue	**4.0**	3.0	33.3
Expenses	**191.3**	165.8	15.4
Store costs	**132.3**	122.2	8.3
Other operating costs	**59.0**	43.6	35.3
Profit before tax and exceptional items	**21.7**	14.4	50.7
Gross margin	**59.4%**	61.1%	
Operating margin	**6.2%**	5.0%	

Despite similarly difficult economic conditions prevailing in Australia and New Zealand, Country Road continued to perform strongly throughout the year, growing sales by 21.2% to A$352m, with comparable store growth of 10.4%. There has been an improvement in the performance of concession stores. Space growth was 8.5%.

Fiscal stimulus packages by the Australian government have helped to buoy retail sales, and although retail sector growth has been driven by heavy promotional activity, Country Road's gross margins have held well, declining only marginally from 61% to 59% in Australian dollar terms due to carefully managed merchandise planning and sourcing.

Expenses were well controlled throughout the year, but impacted by the provision for the company's executive incentive scheme.

Profit increased 51% to A$22m, and a stronger average exchange rate of R6.70 to the Australian dollar (2008: R6.60) provided for an improvement in translated profits of 37%.

Return on equity improved from 14.7% to 21.9% in Australian dollar terms due to the increased operating margin. Country Road's balance sheet includes trademarks of A$11.3m, which are excluded from the group balance sheet, having been written down on acquisition. Return on equity, excluding these intangible assets, would be 25.9% – exceeding the targets we set the business three years ago.

Woolworths financial services

Disposal of controlling interest

During the year, the group disposed of a 50% plus one share interest in Woolworths Financial Services ("WFS") to Absa Group Limited ("Absa") for R875m, resulting in a net profit on disposal of R380m.

Details of the transaction are provided in the table below.

Disposal of Controlling Interest in WFS

	Rm
Net asset value at disposal (NAV)	
Financial services assets	5 419
Other assets, including cash	731
Liabilities, including loans from Woolworths	(5 198)
	952
Investment in joint venture retained (at disposal date)	476
Net profit on disposal	
Proceeds on disposal	875
Additional net asset value consideration on settlement	29
Net asset value	(476)
Gross profit on disposal	428
Costs incurred	(48)
Net profit on disposal	380

The business remains a strategically important and integral part of the SA Retail segment's operations, providing over R5bn of credit to customers in the form of store and Visa credit cards, as well as personal loans.

The transaction provides for the combination of Absa and Woolworths' know-how and resources to enable WFS to become a market-leading consumer finance operation with one of the most comprehensive financial services offerings in a South African retail store network. The joint venture will leverage the combination of Woolworths' distribution channels and customer base, and Absa's funding, credit risk, customer value management and product marketing capabilities.

The transaction resulted in a change in the accounting treatment of WFS to an equity accounted joint venture such that, from 1 October 2008, only 50% of WFS's profit after tax is included in the group's results.

The group's balance sheet no longer carries financial services assets, which amounted to R5.4bn on the date of the transaction and the investment is recorded in the group's balance sheet at the value of the equity invested, plus retained profits. This value, which amounted to R533.3m at year end, was assessed for impairment and no provision was deemed necessary.

The proceeds from the disposal of the controlling interest in the business and the release of the funding obligations was used to repay group debt, although R1.5bn of long-term group funding secured at favourable rates (and previously allocated to the Financial Services segment) was retained in the Woolworths operating company. Funding for the operations of WFS is now provided by Absa without recourse to Woolworths.

Operational performance for the year

Despite the reduced investment exposure, and the change in the way in which WFS is consolidated into the group, the full 12-month performance of the business as a whole is explained.

The transaction provides for the combination of Absa and Woolworths know-how and resources to enable WFS to become a market-leading consumer finance operation.

Woolworths Financial Services

Income statement

	June 2009 Rm	% to book	June 2008 Rm	% to book	Change %
Interest income	1 431.8	23.9	1 339.3	23.5	6.9
Interest paid	568.0	9.5	501.1	8.8	13.4
Net interest income	863.8	14.4	838.2	14.7	3.1
Impairment	450.6	7.5	542.1	9.5	(16.9)
Risk-adjusted margin	413.2	6.9	296.1	5.2	39.5
Non-interest revenue	376.2	6.3	323.6	5.7	16.3
Operating costs	560.5	9.4	461.7	8.1	21.4
Profit before tax	228.9	3.8	158.0	2.8	44.9
Financial services assets (average)	5 989.3		5 703.6		5.0
Return on equity	14.6%		10.0%		
Reconciliation of WFS profit:					
Profit before tax – to 30 September	71.8				
Profit before tax – from 1 October	157.1				
Total above	228.9				
Profit before tax to 30 September	71.8	consolidated			
Joint venture profit before tax from 1 October	157.1				
Less 50%	78.6				
	78.5				
Tax thereon	21.1				
Profit after tax	57.4	equity accounted			

Whilst the share of sales on the Woolworths store card declined, the average financial services assets increased by 5%, due to the lower payment terms extended to account holders during the previous year.

The business experienced higher average interest yields during the year, increasing from 23.5% to 23.9% measured as a percentage of book. Fiscal stimulus measures ensured that rates softened dramatically in response to the economic crisis during the second half, although book growth continued to suffer from slower retail activity.

Interest paid was also higher as the business increased its level of gearing to 84% after the completion of the joint venture transaction.

The impairment charge, which consists of net bad debts charged off and movement in provisions, decreased 16.9% due to an improvement in the delinquency profile of the store card book, as well as a review of the estimated level of provisioning required based on the delinquency profile, brought about by the joint venture transaction.

The impairment charge on the R4.1bn store card book declined from 8.8% to 5.5% , whilst the R1.1bn personal loan book increased from 7.6% to 10.2%. The Visa book continues to experience the highest level of impairment, although it retracted from 14.1% to 12.5%.

Non-interest revenue grew as a result of higher National Credit Act related fees, which only became comparable in June, a year after the introduction of the Act in June 2008. Operating costs were well controlled, despite a significantly higher investment in collections resources.

Return on equity increased from 10.0% to 14.6% as a result of higher yields and the higher level of gearing introduced by the joint venture. We expect return on equity to improve further as impairment rates decline.

net interest

Until the disposal of the controlling interest in WFS described above, the stated group funding strategy was to gear the financial services assets with 80% debt funding. Dividend policy and other capital transactions with shareholders were set in order to ensure the appropriate allocation of cash generated by retail operations to the WFS business segment, with the SA Retail segment operating on a broadly cash-neutral basis.

As a result of the WFS transaction, the requirement to fund the WFS business is held by Absa, and Woolworths group treasury operations are now considered as a separate group segment.

The R875m proceeds from the disposal of the controlling interest in WFS, together with the release of the group's obligation to fund the WFS books which released a net R2.3bn of internal borrowings, resulted in a net group surplus cash position of approximately R3bn.

The surplus cash position facilitated the payment of a special dividend of R750m in December 2008. In addition, share repurchases totalling R317m have taken place throughout the year.

Cash balances averaged approximately R2bn from the date of the transaction to year end, generating interest income of R184.4m. As noted earlier, external borrowings of R1.5bn were retained and interest paid on these borrowings totalled R134.5m, resulting in net interest income for the segment of R49.9m. With a broadly net cash-neutral position maintained subsequent to the special distribution and share repurchases, interest on excess cash deposits is now broadly in line with interest paid on borrowings.

taxation

The effective tax rate, excluding the STC paid on the special dividend, reduced from 36.9% to 26.1% due largely to the impact of the profit on disposal of the controlling interest in WFS, which was not taxable.

The effective tax rate, including the STC paid on the special dividend, was 30.2%.

balance sheet

The nature of the balance sheet changed dramatically with the disposal of the controlling interest in WFS. The group's balance sheet no longer carries financial services assets, which amounted to R5.4bn on the date of the transaction, and the group's investment in the new joint venture is recorded in the group's balance sheet at R533.3m – the value of the equity invested, plus retained profits.

The group's balance sheet is now ungeared and largely represents the assets and liabilities of a clothing and food retailer. There is no net debt, and return on equity is expected to be over 50% in 2010.

The disposal of a controlling interest in WFS resulted in a net group surplus cash position of approximately R3bn.

The group's balance sheet is now ungeared and largely represents the assets and liabilities of a clothing and food retailer.

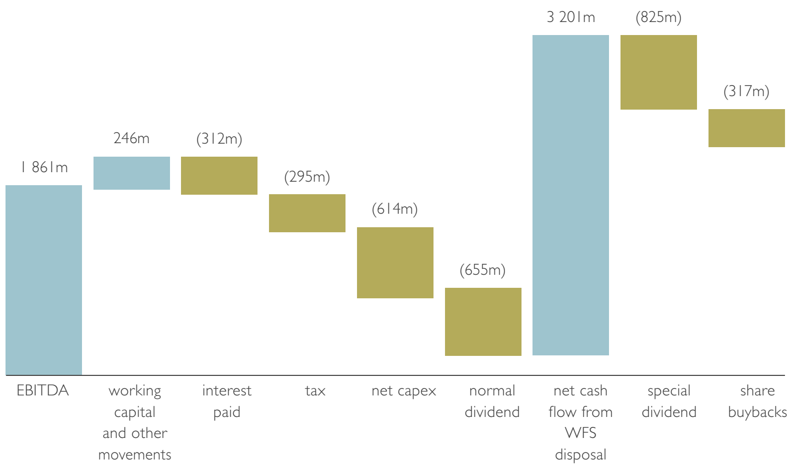
Fixed assets grew by 7% as a result of the store development plan of R287m, which comprises new store development of R145m and refurbishments and new initiatives rolled out of R142m, and investment in IT of R161m included the implementation of iPEX, a new planning system; Oracle, a new financial suite, and a new data warehouse.

Inventory levels grew 17% in clothing and general merchandise (including Country Road Australia) and 41% in food, due to the increase in long-life product, as mentioned earlier. Clothing inventory levels grew ahead of the space and inflation growth drivers as a result of higher import levels. Total investment in accounts receivable was level on last year at R751m, whilst accounts payable increased by 19% due to higher seasonal intake levels.

Net asset book value per share declined by 11.9% to 390.4 cents per share impacted by the special dividend and share buyback.

cash flow and capital expenditure

The following table illustrates cash flows during the year, dominated by the cash inflows emanating from the WFS disposal as described above. The table demonstrates how operational cash flow generated is utilised by capital expenditure and distributions to shareholders.



cash generation for the year ended June 2009 (Rm)

financial risk management

Financial risks related to funding (liquidity and counterparty risks), interest rates and foreign exchange are managed by the treasury committee which meets on a regular basis. Funding requirements are assessed in order to optimise funding structures.

The group's funding strategy is to ensure a broadly cash neutral position on a net basis.

Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining appropriate short-term committed and uncommitted banking facilities. Unutilised committed banking facilities totalled R1.5bn at June 2009 (2008: R2bn) and unutilised uncommitted banking facilities totalled R2bn (2008: R0.9bn). Subsequent to the year end, we have reduced the level of committed facilities to R500m in order to minimise the costs related to these facilities and where we considered the level of facilities to be excessive.

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. The group uses the pool method to manage these exposures and to provide an effective economic hedge. However, due to the complexity in documenting the relationship between hedging instruments and hedged items required in terms of IAS 39, the group does not apply hedge accounting to these transactions.

As a result of the WFS transaction, the group's significantly strengthened balance sheet and cash flows have enabled us to review our dividend policy, which has been re-set to provide for a cover of 1.5 times headline earnings per share. In addition, we will continue to consider the repurchase or shares as and when excess cash permits.

accounting standards

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

Various IFRS, IFRIC interpretations and amendments were adopted during the current year. These standards and amendments had no impact on the group's reported results. Details of these standards can be found in note 1 on page 97 of the annual financial statements. All additional disclosures required by these standards have been provided for both the current and comparative period.

prospects

We expect the year to June 2010 to remain challenging. However, as a result of continuing benefits from improved sourcing of merchandise we expect the retail gross margin to be maintained during 2010 despite the increased contribution of food.

Capital expenditure is expected to be approximately R730m, of which R580m is planned for the Woolworths chain store roll-out and modernisation programme, and R150m 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 approximate the normal rate of income tax of 28%, plus any STC payable. As the final distribution for 2009 was made from share premium, no STC was payable.

Capital expenditure is expected to be approximately R730m, of which R580m is planned for the Woolworths chain store roll-out and modernisation programme.

divisional directors

Paula Disberry
Clothing and general merchandise planning

Fawza Essa
Strategy and projects office

Aleem Fakier
Franchise operations

Fiona Fewell
People

Charmaine Huet
Marketing

John Hunt
Information technology

Brett Kaplan
Clothing buying

Andrew Levermore
Selling operations

Craig Ludwig
General merchandise buying

Burger van der Merwe
Supply chain

Julian Novak
Food

Maurice de Villiers
Real estate

retail customers

We have continued to develop our understanding of our customer and to build that knowledge into our customer relationship model.

The customer is at the heart of our retail strategy, driving our merchandising and selling decisions.

We have continued to develop our understanding of our customer and to build that knowledge into our customer relationship model. We have increased the number of customers who visit our stores on a weekly basis. We have a relationship with over 70% of customers through our Woolworths card. We continue to have a direct link with a number of customers who regularly participate in our customer research panel, giving us direct feedback on what's working and what's not. For more in-depth research, we make use of specialised focus groups which we hold on a regular basis. Our customers also give us feedback through our customer care line and our compliments and complaints process in our stores.

The customer relationship model begins with understanding the different lifestyles of our customers and analysing their shopping behaviour. As we have introduced new brands in clothing and new product ranges in food, we can confirm that they are appealing to the intended lifestyle segment, giving us the confidence that we are on the right track.

The customer data has assisted to craft the retail strategy. In clothing in particular, the nine box grid, will guide the price architecture of good, better and best in addition to the customer segmentation of classic, modern and contemporary. The brands within clothing are given a clear point of view and price architecture appealing to a specific customer segment. For example, studio.w appeals to a modern customer with a price tiering of good and better price points, whilst twist appeals to a contemporary customer.

For the year under review, and more evident in the second half, we increased the proportion of our classic merchandise in stores as we had disappointed this customer in the past. Now, up to 55% of our range appeals to the classic customer profile. With the challenging economic conditions and the flight of consumers to the value end of the fashion market, we increased our percentage of merchandise in the good price points. Included in our good price points are our great value lines which have been critical in changing the price perception of the clothing business.

The nine-box grid tool and methodology has been applied throughout the clothing and general merchandise product areas. The structured approach is managed within the Woolworths merchandise cycle, the retail process that starts with design and ends with the in-store execution. The customer data is used by the design, buying and planning teams in a holistic and integrated manner. The common use of the data allows for a consistency of execution, with each function using data to deliver to their roles.

Our store format strategy and the store catalogues are determined by interpreting customer data. The store catalogues are used by the planning teams to ensure that we are allocating stock to the right stores to meet our customers shopping patterns and maximise the stock investment for those stores. The store cataloguing and clustering work will be hardwired into the planning system, with the introduction of the buying and assortment tool that the clothing value chain programme is implementing in the new year.

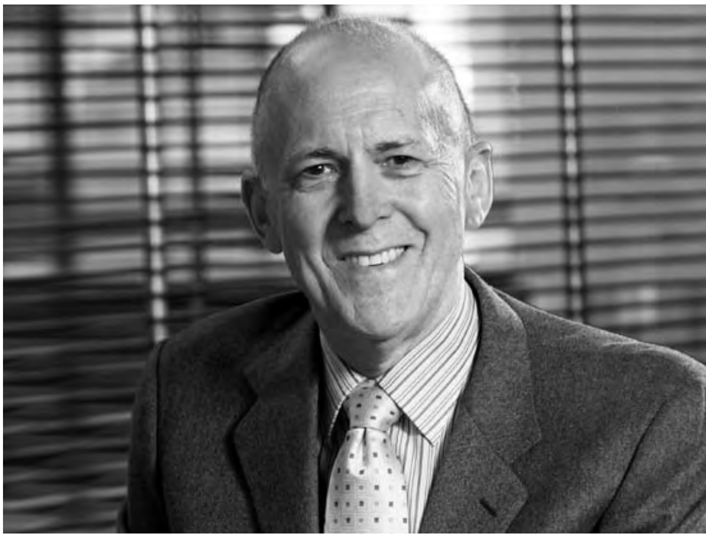
Using the customer data, our direct marketing communication can be more focused and targeted to specific customer segments. Our monthly communication medium to our card customers, the "World" magazine has different material depending on target audiences. In this way, customers are exposed to merchandise that will appeal most to their lifestyle. Targeted voucher offers highlighting new brands and/or product ranges have proved very successful in attracting customers to those new products.

We successfully launched "Baby World" which provides us with a communication vehicle to talk directly to expecting and new mothers. Customers who participate in the programme receive a wide range of benefits for their membership.

The MySchool programme, that rewards customers by donating, to schools or charities, a portion of their spend with Woolworths and other retailers, continues to grow. We have 609 000 active customers on the programme and have contributed R25.8m to schools during the year, more than R75m since its inception.

The programme has been extended to include MyVillage and MyPlanet. This allows those customers who may not want to allocate their contributions to schools, to support charities and/or environmental programmes. We are extremely pleased that the MySchool programme was ranked as the third best loyalty programme by the Sunday Times Top Brands survey.

The customer relationship model continues to be refined to take into account market conditions, changing demographics, new target audiences and changes in customers' shopping patterns. It is through this continual refinement, that we are able to anticipate changes and make adjustments to our product ranges, ultimately to deliver to the needs of our customers.



Andrew Jennings

Up to 55% of our range appeals to the classic customer profile.

2010 focus

Priorities for 2010 include:

- continue to leverage customer insights to inform and develop the merchandise offering;
- maintain focus on innovation to drive product differentiation;
- provide great value products, with a depth of buy to meet customer expectations;
- improvement of food availability;
- develop a trading mindset throughout the store network; and
- drive productivity improvements.





retail clothing

Our headquarter assortments provide great value with no compromise to quality and a depth of buy for those items that Woolworths is known for.

In line with the customer relationship model we have designed and built our product ranges using the nine box grid tool and methodology. Our brands give clear definition and a point of view to the target customer, whilst our headquarter assortments provide great value with no compromise to quality and a depth of buy for those items that Woolworths is known for.

Underpinning our classic and modern brands are our headquarter assortments. These are categories of merchandise that our customers expect us to have in dominance, depth, value, innovation and quality. Our swimwear, dresses and t-shirts headquarters performed well in summer, whilst our knitwear, boot shop, handbags and accessories showed good growth in the winter.

In response to the flight to value by customers, we re-aligned our price architecture to ensure that we offered more of our good price point merchandise. Double digit volume growths were achieved in these product lines and in some instances we could have sold more but were negatively impacted by suppliers who were also feeling the impact of credit constraints.

Our clothing business has been impacted by the economic downturn with a decrease in volumes of 3%, balanced with an extremely low price movement of 2.8%. In the first half of the year sales were 1.8% and the second half achieved a 0.1% growth. The fourth quarter showed improved sales growth with customers responding positively to our great value items. Market share declined to 14.5% on an annualised basis, but did improve in the fourth quarter.

Our customers will see more style, quality and innovation at better values.

womenswear

With the womens outerwear market worth some R15bn, it remains a key driver to the success of our clothing division. We have responded and will continue to respond to our customers needs by providing more volume of great value items within the clear customer segmentation of brands and dominant headquarter assortments.

classic customer

The Classic collection range gives our classic customer a focus and product suited for her lifestyle and needs. Our classic merchandise is available up to size 24, offering the larger customer the same looks and appeal as a smaller size. We are regaining our classic customer that we may have disappointed in the past. Our top tier brand for the classic customer will be reintroduced in the new year as Trenery. Trenery provides a mature, more classic customer timeless elegant merchandise using top end fabrics and yarns.

modern customer

In addition to our modern casual range, we launched studio.w primarily as a formal range to provide the modern customer a total solution for her working/smart wardrobe. We have a limited store catalogue of studio.w weekend that offers that customer a cleaner casual lifestyle product offering. Country Road provides top tier merchandise for our modern customer.

Our customers are telling us that our modern range is more fashion right with a South African relevance.

contemporary customer

We launched the Twist brand for our contemporary customer in August 2008. The re_ brand, our denim offering, has done very well achieving market share growth and is developing strong brand credibility amongst our customers. The response to our recent TV marketing campaign highlighting our great value jean for R140 has been outstanding.

Our lingerie business has slipped in the year, impacted by availability in key product categories. A strong and stable supplier base is a critical component for this group to perform and this is receiving due attention and focus.

We repositioned the footwear and accessories business with clearer customer segmentation and the introduction of relevant outwear brands to add greater clarity to the shopping experience. studio.w is now seen in both footwear and handbags and has shown good growth.

childrenswear

Our childrenswear business showed strongest group performance during the year. It is now seen by our customers as a destination shop.

Our schoolwear prices were repositioned for the peak trade of January back to school, with price drops of between 20% and 30% resulting in excellent upliftment in sales. The walkmates shoes that are endorsed by the South African Podiatry Association are strong ambassadors for value, quality and innovation.

We also trialled an extension of our successful adultswear jeans brand re_ into childrens and have seen good results from that. We will build on that for the year ahead.

menswear

The Supersport range, targeted at the classic customer is developing a loyal customer who aspires to the lifestyle that it represents.

studio.w was launched in menswear for our modern customer. Our customers are responding well to this brand. Country Road mens completes the price tier and choice offering for our modern customer in our larger stores.

The re_ brand in mens that was launched in dominance last summer has done extremely well. It has provided an entry for our new younger black customers.

We have done work to drive key product categories in menswear. Using customer segmentation data, demographics and store positioning, and store layout, we developed ranges that were catalogued with a strong science behind the stock allocations and management to drive availability when and where the customer expected it. The results have been achieved through collaboration with the design, buying and planning teams. This, along with other examples in the business, is the culmination of the new planning and stock management system, that will drive improved stock efficiencies for the future.

innovation

Innovation continues to be a driving force in new product development. Our Magic range of jeans and shapewear have strongly reflected this. It is this combination of innovation, quality and great value that drives the Woolworths difference in the minds of our customers.

Our organic cotton sales continue to grow, with over R400m sold in the year. Just five years after introducing 100% organic cotton clothing in Woolworths, we are proud to announce that we will have a range of 100% South African organic t-shirts in womenswear and menswear. This is the culmination of a two-year pilot project which involved a number of partners including, the Organic Exchange, ComMark, Cotton SA, Rotex and our supplier Monviso.

sourcing

In response to the shift in global manufacturing we embarked on a new sourcing strategy that has delivered an increased margin. The lifting of quotas on merchandise from China at the end of December allowed us to have a more direct relationship with key suppliers in China who we were unable to have access to in the past.

Using the platform created by the Woolworths merchandise cycle, we have developed channels and processes to be able to respond more quickly to changes in customers shopping patterns. Different processes have been developed for key local suppliers who can manage a rapid response to new fashion trends without incurring the time challenges of shipping. We will manage quicker reaction to turn-ons of fast selling lines with key strategic offshore suppliers.

In the year ahead, there will be a strong focus on our great value product. Our customers will see more style, quality and innovation at better values.

Our customers are telling us that our modern range is more fashion right with a South African relevance.







retail
food

We are even more aware of the importance of price and value perception as our customers increasingly complete their main shop at Woolworths.

Our food business had a challenging year with a sales growth of 8.5%. Comparable stores sales growth was 0.6% up on the year, but showed negative volumes growth as a result of inflation. Market share declined to 8.5% at the end of the year, but at a slower rate in the last quarter.

Our customers, impacted by the economic climate, were trading down and we ensured that they were still able to buy the very best quality foods at great prices. We embarked on a series of campaigns that highlighted to our customers that they could still get the quality and innovation that they expect Woolworths to deliver but now at reduced prices.

In response to customer requests, we undertook a number of pricing initiatives in 2009. We are even more aware of the importance of price and value perception as our customers increasingly complete their main shop at Woolworths.

In November we reduced the prices on 245 of our food lines to assist consumers feeling the impact of a high foods inflation. We aggressively managed our 63 known value item (KVI) lines to ensure that they were competitively priced in the market. Our KVI lines are now more competitively priced with quality and innovation the key differentiators. We have increased promotional activity on key lines to offer customers savings. Three promotional vehicles were introduced:

- the meal deal eat-in for 4 for under R100;
- the link save which allows customers to buy 3 for 2; and
- the price-off promotions.

Woolworths has always been committed to offering fresh good quality food with a particular focus on healthy eating.

These promotional vehicles, together with the strong focus on KVI lines, have contributed to improved price perception of our food business. Our customers are now telling us that Woolworths prices are not as high as they thought and are increasingly shopping with us.

innovation

Woolworths has always been committed to offering fresh good quality food with a particular focus on healthy eating, innovation and sustainability. Innovation is fundamental to our food strategy.

Our innovation focuses on four pillars:

- everyday the difference – those everyday lines with an uncompromising focus on quality and value;
- health;
- gastronomic adventure – those lines that set us apart and establish our food business as having the mind of a supermarket and the soul of a delicatessen; and
- reasons to celebrate – a domination of key occasions throughout the year such as Easter, Mother's Day and Christmas.

We launched 1 405 new lines and 821 upgraded lines in 2009. Some of the successful new launches include cooks and baking essentials, Naturals earth friendly range and the Eat well range for adults and kids. We relaunched our Italian and Asian range to provide customers with authentic products for a fraction of the price they would expect to pay at a restaurant.

We have recently launched Café cloud, our quality Woolworths food available when you fly locally on British Airways. In addition, passengers on Kulula will also be able to purchase their favourite sandwiches and snacks on the in-flight service.

food services

The 'To Go' concept was launched in our Cavendish store as part of an additional food services offer. This concept provides our customers with freshly made food and beverages in the store while they shop as well as a take-away service.

Our Woolworths cafés continue to trade well and we opened our 46th store during the year. The cafes utilises 120 tons of coffee a year all organically grown in Africa.

We have conducted a number of trials to extend our offer of more specialised service from the current hot food counters and bakery shops. We are currently piloting a cheese shop and a butcher counter that will offer different and more specialised products. Our loose produce offering will roll out to further stores in the new year.

We have introduced a third pharmacy trial in our Eastgate store in Johannesburg. Customer response to this is positive.

availability

Having our food available on shelves when and where our customers need it continues to be a major focus.

Availability has improved in the second half as we continued to bed down our stock management system. On-shelf availability in food is still a challenge but significant work has been done to address customer concerns.

In line with international best practice, we have implemented additional changes to systems and processes that will drive further improvements. We have allocated additional resources to focus on store catalogues and clusters. Particular attention is paid to the top 100 food lines that contribute a large percentage of total food turnover.

good business journey

We have continued on our journey focusing on healthy and nutritious foods and ensuring that we continue to build for a better future with our sustainability initiatives.

During the year we:

- continued to sell only whole free-range eggs;
- introduced a further 100 new organic grocery lines to add to our extensive range;
- only sell free-range lamb for which we have full traceability; and
- removed aspartame and the sweeteners saccharin and cyclamate from our own private label foods.

Along our packaging journey, Woolworths was the first South African retailer to move our UHT milk from Tetra packs to Bio degradable bottles. This has saved 328.7 tons of packaging. Various other initiatives have reduced the packaging on our food products with an overall reduction of 3% achieved for the year. 23% of the product lines currently contain recycled packaging materials and this will increase during the course of next year.

We are excited to be the first major South African retailer to begin labelling seafood in accordance with the South African Sustainable Seafood Initiative (SASSI) green, orange and red system. Green indicates fish species that are best choice as they can handle current fishing pressures, whilst red (which we will never sell) denotes species that are protected and/or illegal to sell. A blue label will be put on seafood that falls outside SASSI's classifications.

The year ahead will see a further entrenchment of our strategy to provide fresh quality food at excellent value for our customers. We will not compromise on quality to deliver competitive prices nor will we reduce the level of innovation that our customers have come to expect from us.

retail

general merchandise

Our customers will see and experience the great quality and innovation that they have come to expect from us.

The general merchandise division is made up of our home, beauty, cellular and gaming business as well as our on-line shopping channel.

home

Our home business has borne the brunt of the recession, with customers managing their shopping patterns to focus on essential buys rather than updating their homes. In light of this a significant effort has been made to ensure we introduce a stronger value proposition without compromising the key difference, being quality.

In line with clearer customer segmentation and creating a dominant shopping experience for our customers we have refined our selling strategy. Underpinning the seasonal items, we will have a dominant core product offering representing our headquarter assortments. Through this, our customers will see and experience the great quality and innovation that they have come to expect from us. In addition to providing and being dominant in key product categories, we will be launching studio.w home in the new year. The brand will appeal to our modern customer. We will retain the W-Collection brand which is our top tier appealing to the classic customer.

Our two home and food format stores create the benchmark for our home offering and we will roll out a further store in the new year. To provide our customers with convenience, we will be piloting the retailing of selected and relevant kitchenware product in our food markets, taking the opportunity to dual display in full-line stores and the added selling opportunity in our foods stand-alone stores.

All our own label products have been endorsed by the Beauty Without Cruelty Foundation.

We refurbished a number of stores this year to develop the shop-in-shop concept – dominant product displays merchandised in the home categories. These stores have traded well above the non-refurbished stores. We will continue this roll-out into the next year.

Integral to the product strategy is the use of sustainable materials. We continue with our organic cotton in our towels and bedding. Bamboo, a natural and sustainable fibre, was introduced into our towels and we have extended the use of it into selected kitchen products. We have introduced a number of products using sustainable wood resources. Our partnership with House and Leisure magazine to find "green solutions" has had great success and we will look to develop this further.

beauty

Our beauty business is driven through our own label toiletries and cosmetics, supported and enhanced with branded beauty available in 15 stores throughout the country.

The customer segmentation work has demonstrated that we need to position our beauty business in line with the womens outerwear segments. We have commenced this work and will implement store catalogue changes to achieve this. During the year we re-launched our bath and body own label range at very competitive price points, whilst still retaining the elements of the good beauty journey philosophy. We have seen a good response to this fresher and more relevant range.

We will continue with launching innovative own label products and continue to drive the Woolworths difference.

The branded beauty offering consists of a number of cosmetic and fragrance brands that primarily deliver an offering in the better and best price tiers. Sisley and Benefit are exclusive brands to Woolworths, whilst we manage the other brands against the framework of our customer positioning.

The in-store experience is critical to merchandise and sell beauty products. We have refurbished two stores, Cavendish and Victoria & Alfred Waterfront, and launched Melrose Arch to reflect a new design for the beauty business. The dedicated in-store sales assistants have been extended to our own label cosmetics, thereby delivering a similar experience to all our customers.

on-line

Woolworths Online is the e-commerce channel of Woolworths, and is located on our website; www.woolworths.co.za.

Customers are able to shop online for a range of food, homeware, digital, beauty and a limited range of clothing items, and have their shopping delivered in most of the major metropolitan areas of South Africa.

Current turnover is predominantly foods related, with the balance being homeware and gifting.

The on-line channel continues to grow, and we have seen the comparable sales for this channel exceed those in stores.

Through an enterprise development programme we support Niche Logistics, a black empowered company, who manage our on-line deliveries to customers. Niche Logistics manages a national fleet of 25 delivery vans and drivers that are allocated to specific stores within designated areas. Each driver is effectively their own boss, running their own business. As they are dedicated to a specific store, they develop a close relationship with both the store and their regular customers to whom they deliver.

We are committed to enhancing and expanding this channel and will embark on a programme to upgrade and fully develop this to capture the advancement of on-line technologies.

cellular and gaming

With an offering from MTN and Vodacom, cellular continues to perform with growth in market share and net customer base. We provide customers the convenience of being able to purchase their airtime for both service providers as well as Telkom, whilst they are buying their food and clothing.

The outlook for cellular will be challenging based on the new Regulation of Interception and Provision of Communication Related Information Act (RICA). This requires all cell phone customers to submit identity documents and proof of residence before any handsets and/or Sim cards will be activated. All existing cell phone users will have until December 2010 to register. The initial impact on sales is expected to be negative followed by a consolidation period.

We have introduced gaming into 12 stores and it is proving successful. Playstations, Wii and other relevant offerings provide our customers with a gifting solution throughout the year.

retail financial services

We successfully re-launched the Woolworths Financial Services brand at the end of the year.

The Woolworths Financial Services joint venture was effective on 1 October 2008. Absa brings the banking expertise and Woolworths the retail footprint.

We have seen a decline in the usage of the store card with sales on Woolworths cards declining from 27.2% at June 2008 to 22.4% at June 2009. This has been driven by the economic climate restraining the growth in credit. Our customers are purchasing less on credit and prefer to make use of cash when buying in the stores.

A number of strategies have been developed to reverse this decline.

We successfully re-launched the Woolworths Financial Services brand at the end of the year with the store visual experience reflecting this. In light of customers being more cautious in their use of credit, we provided a number of attractive voucher options for use by customers when they opened new accounts.

The inclusion of "like it, swipe it" on our retail product advertising, highlights to our customers the opportunity to use their store card when buying their merchandise.

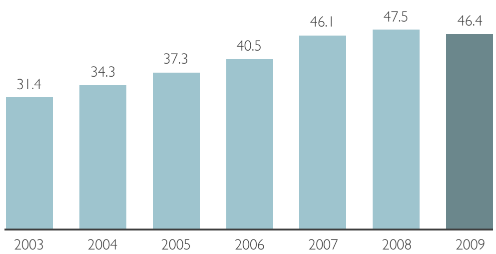
retail selling and real estate

During the year we opened 25 new stores – 16 food convenience stores and nine full line stores. This included a number of milestones for Woolworths such as our 400th store, our first store at an airport, OR Tambo International and our new generation store at Melrose Arch. Total meterage added by these stores is 28 926 m² .

Whilst the opportunity for new retail sites is slowing down due to the unfavourable economic conditions, we will undertake an extensive program to refurbish and to extend our existing real estate portfolio. During the year we refurbished and modernised 14 stores with stores receiving the relevant treatment according to our store grading categorisation. The refurbishment at Victoria & Alfred Waterfront in Cape Town is an example of our treatment of our flagship stores.

We will undertake a further 30 refurbishments, modernisations and extensions by the end of June 2010. Our strategy for future retail opportunities will be fewer but larger stores.

Woolworths has improved nodal analysis around individual stores in order to develop a more scientific assessment of real estate opportunities. We now have a much clearer understanding of the size of a market and potential market share. The nodal analysis is now matched with the format of a store and the catalogue most suited for that store. This represents significant progress on previous assessment of real estate opportunities.



Woolworths – turnover per square meter (R000s)

The next generation of food stores will be developed in the next year.

The business maintains its assisted self-selection policy for the majority of the product offer but specialist service has been introduced in key categories such as beauty and cellular. The "shop-in-shop" concept, introduced to highlight the brands and the headquarter assortments, offers customers a clear destination within the store environment and assists with the shopping experience.

We are encouraging a trader approach to store management with the introduction of a geographically based trading manager structure from existing resources. The trading manager will pursue local sales opportunities.

retail
franchise

We trade on 40 forecourts and intend to open another seven during the new year.

Franchise has traded well despite the economic pressure on customers. Our franchisees have utilised the customer analytics to understand their customer profiles better and to manage their product catalogues accordingly.

The partnership with Engen, offering Woolworths Food at selected forecourts around the country, continues to perform exceptionally well. The convenience of 24 hour service continues to attract customers. We trade on 40 forecourts and intend to open another seven during the new year.

Sales in the franchised stores in the Middle East are stable in an economy that has been hit hard by the economic downturn. Woolworths is committed to continuing with these operations.

Woolworths will continue to aggressively explore opportunities in Africa and expand the current footprint through regional franchise operations. We are currently trading in 11 stores in five countries. Woolworths supports a further 24 franchise stores in the neighbouring SADC region.

Woolworths is also seeking to support Broad-Based Black Economic Empowerment (B-BBEE) initiatives through franchise operations with improved training and support systems for new franchisees.


atyourservice

support services

The common vision of these business units is to support and enable the retail team to deliver to their strategy.

The common vision of the support services team is to enable the retail team to deliver to their strategy.

The teams are focused to deliver sustainable competitive advantages for Woolworths. The investments undertaken in these business units deliver improved efficiency, greater productivity and, in the case of information technology and the distribution centres, a scalability and flexibility that will take Woolworths into the future.

With the slowdown in the top line sales growth, much of the support services focus in the year has been on reducing costs and process re-engineering to drive improved productivity. We have seen successes from this during the year.

people

Our people enable Woolworths to deliver sustainable and profitable growth. We aspire to attract, develop and retain passionate, committed, talented and high performing retailers who are aligned with the Woolworths values.

Woolworths is an aspirational and modern retail brand with a strong value based culture that permeates employee relations and assists to drive high performance.

We have created a more delivery orientated culture to support Woolworths strategy. The culture is supported by a shared understanding of the strategy and individual accountability for delivery.

Our people understand and deliver to the common needs of the business through a formal performance process. This process allows regular and consistent reviews of employees delivery which is measured against the goals that have been set.

strike

A limited number of employees in our stores embarked on a strike from 17 September to 20 October 2008 for organisational rights. Woolworths position on the strike was very clear: we would grant the union the rights to organise if they had sufficient representation among our employees. After the union membership was verified, Woolworths granted the union organisational rights. The membership was, however, insufficient to grant the union full recognition. Since gaining organisational rights we have constructively engaged the union. We continue to have one-on-one relations with all our employees and have implemented an engagement process in our stores which is our preference.

people survey

Woolworths annual people survey measures the views of our people and the extent to which they perceive our development towards a modern culture. We continue to extend the sample of our people who participate in this survey, with 3 095 people participating in the survey this year (2008: 2 602). The score shifted from 54.1% last year to 61.4% this year, the highest score since 2004. It is pleasing to see the score increase once again, with the actions taken after the 2008 survey leading to a positive improvement.

learning academies

Woolworths is committed to identifying and building a pipeline of retail talent in the business through our learning academies. During the year we established a merchant academy for the clothing and general merchandise and foods business units. In addition to providing training to improve and enhance the skills of the buying and planning teams, the clothing merchant academy was the key vehicle to train employees on the Woolworths merchandise cycle. It is a requirement for all people in those divisions to attend the relevant modules of the academy programme. We have seen significant benefits from the teams working in a consistent and systematic process.

In support of our successful retail academy, we will also introduce a growth academy in the new year. Whilst the retail academy is aimed at middle management, the growth academy will provide a training platform for junior management.

We have opened dedicated learning centres in Cape Town and KwaZulu-Natal and will look to open another in Gauteng.

step

The Selling Team Employment Proposition (STEP) programme has continued during the year. Corporate stores achieved a high level of flexibility in the working hours of front-line staff through establishing employment contracts with variable working hours. This enabled the deployment of resources at specific peak times to manage customer service at tills and at other points of interaction with customers. We have improved the employment proposition offered by introducing more contracts with longer working hours. This has resulted in improved coverage at peak trading times and improved productivity around merchandising and replenishment. We have seen a positive increase in the staff satisfaction index.

Our people policies are dealt with in the 2009 Good business journey report and renumeration report in the governance section.

Zyda Rylands

2010 focus

Priorities for 2010 include:

- establish increased base of experienced store staff with conversion of part-time contracts to more permanent contracts;
- implementation of planning, financial and reporting systems; and
- efficiency and productivity improvements.

information technology

The 2009 financial year saw significant operational stability improvements as well as the continued leveraging of the new systems implemented as part of a programme called Operation Optimise (O2). The programme improved systems and processes in our supply chain, stores, forecasting, replenishment and merchandising systems.

This programme has delivered an information technology (IT) infrastructure that is scaleable and flexible, shown through the implementation of the support mechanisms to enable the promotional strategies required by the retail teams and the introduction of Country Road into our retail footprint.

Through the focus on operational excellence, we have delivered a 25% improvement in service levels as a result of systems and information availability. This has improved business processes and decision making.

The three large business initiatives, impacting significantly on IT, namely iPEX (clothing planning), Oracle (a new financial suite) and the new data warehouse project were launched in June 2009 and will continue into the new financial year.

Changes to the food systems have seen positive trends in terms of increased availability and reduced waste. This focus will continue during 2010.

Greater focus and emphasis has been placed on IT governance and controls, expanded on in the risk section of the governance report.

We remain committed to continue to drive service excellence and leveraging of systems to improve, innovate and simplify business processes. The system implementations of iPEX, Oracle and the data warehouse will be completed in the year ahead.

supply chain

We operate a centralised distribution model through three large distribution centres in the Western Cape, Gauteng and KwaZulu-Natal, with a smaller one in the Eastern Cape. This model supports the requirement for scalability and flexibility to deliver to the retail strategy. The distribution model and infrastructure supports the movement of a wide range of products from a number of sources around the world to a number of different store formats.

We are committed to continuous improvement in our logistics and supply chain operations. We have a programme that measures adherence to all routine business processes allowing us to continually monitor and reduce the real cost of distribution per unit over time.

During the year our food distribution centres handled 70 million units. The real cost of distribution per unit has reduced over the last three years. We have maintained our import costs from last year by the consolidation and re-engineering of import processes and more cost effective and efficient shipping rates. The current physical logistics network, with minimal investments, will support the planned retail growth over the next three years.

End to end supply chain opportunities have been identified in both the food and clothing and general merchandise businesses. The aim of these value chain programmes is to drive improved productivity in stock management as well as delivering improved in-store availability.

The value chain programme in clothing is focused on the implementation of a new planning system, the improvement of store specific catalogues and stock accuracy as well as building organisational capacity to handle the increase in imported products. The focus in food value chain programme is on store specific catalogues, supplier management as well as improvements in the distribution logic to improve fresh product availability.

Our Midrand distribution centre illustrates our commitment to sustainability. The design and construction of the 78 000 m^2 facility was subjected to scrutiny from a social and environmental perspective. The site was chosen as "best fit" ensuring that both our trucks and supplier's vehicles would travel the shortest possible distances. We have managed to achieve savings of 9 370 km of delivery related travel per week.

COUNTRY ROAD

Country Road defied very difficult trading conditions in the Australian retail sector and delivered a third consecutive year of strong growth in sales and operating profit. As economic conditions deteriorated, we saw the importance of value in the market intensify and we were well positioned to benefit from the substitution out of the high end of the market. Our existing customers continue to respond strongly to the fashionability, value and quality that we offer.

It was encouraging to see the business win the Marie Claire magazine fashion retailer of the year, the Australian Retailers Association clothing and footwear retailer of the year and the association's award for the overall retailer of the year.

year in review

Sales growth again significantly outperformed the market average in the clothing sector as published by the Australian Bureau of Statistics. Total sales were 21.2% up on last year, driven by growth in our stand alone retail stores of 18.7%. On a like-for-like store basis, our stand alone store sales were 12.4% up on last year. Despite the department stores being impacted significantly by the difficult trading conditions during the year, we delivered a pleasing 9.8% growth on last year.

Our sales growth was achieved on lower markdowns than in the prior year, and combined with rigid cost control and well managed inventories the strong trading performance flowed through to the bottomline with net profit after tax up 60.4% on last year.

During the year Country Road opened six new stores and completed four store expansions, including its flagship Chadstone and Doncaster stores in the state of Victoria. We opened four new concession outlets and continued deploying new fitout concepts in both Myer and David Jones.

In South Africa the successful trial of Country Road within Woolworths' stores has developed into an important and exciting expansion initiative for both businesses. Country Road is now offered in 13 Woolworths stores, with plans for further expansion. At the same time we prepared for the launch of Trenery in South Africa and Australia early in the new financial year, with all milestones for the launch achieved.

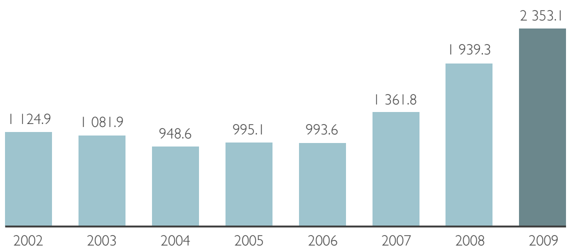
Our cash position and quality of our inventories are the strongest they have been at balance date, and we remained debt free during the year.

2010 focus

Customer – Continue to increase our customer base by providing even better merchandise at unrivalled value and fashionability.

Growth – Plan to open four new Country Road stores and expand five existing stores in Australia. Launch Trenery within Woolworths stores in South Africa and in six new stores in Australia. Continue to expand Country Road in South Africa.

Financial – Continue to manage inventories and costs tightly whilst being prepared to maximise growth potential to deliver further growth in returns to shareholders.



Country Road – revenue (Rm)

Country Road is now offered in 13 Woolworths stores.

Ian Moir

corporate governance

We are pleased that the group's commitment to governance has been recognised externally.

Cherrie Lowe

commitment statement

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

Through the blend of specialist disciplines within the corporate governance department the board and management are supported in embedding best governance principles and practices throughout the group.

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 King II Report and the JSE Listings Requirements.

Details of our compliance are set out in this report.

corporate governance

Our corporate governance practices are continually being reviewed and improved by benchmarking against internationally accepted best practices and King II.

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

- we achieved an "Excellent" rating in the Ernst & Young survey of annual reports of the top 100 companies for the fifth successive year;
- we were finalists for the International Responsible Retailer of the Year 2009;
- we received the Metropolitan Oliver Empowerment award for 'top empowered company in retail and property';
- in the Carbon Disclosure Project 2008 – ranked first in the 'low carbon' category of the SA Carbon Disclosure Leadership index; and
- we were rated Top Energy Efficiency Accord Performer in the Commercial Category – 2008 eta energy efficiency awards.

board of directors

attendance at board meetings

DIRECTOR	AUG 2008	NOV 2008 19th STRATEGY	NOV 2008 20th BOARD	FEB 2009	MAY 2009 20th BOARD	MAY 2009 21st STRATEGY
Buddy Hawton [1]	√	√	√	√	√	√
Simon Susman [2]	√	√	√	√	√	√
Peter Bacon [3]	√	√	√	√	√	√
Nigel Colne [3]	√	√	√	√	√	√
Brian Frost [3]	√	√	√	√	√	√
Andrew Jennings [4]	√	√	√	√	√	√
Mike Leeming [3]	√	√	√	√	√	√
Chris Nissen [3]	√	√	√	√	√	√
Zyda Rylands [4]	√	√	√	√	√	√
Norman Thomson [4]	√	√	√	√	√	√
Sindi Zilwa [3]	√	√	√	√	√	√

[1] = Chairman
[2] = Chief executive officer
[3] = Independent non-executive director
[4] = Executive director

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 regarded as dynamic documents and are reviewed annually to ensure that they remain relevant.

unitary board

Buddy Hawton	Chairman of board
Peter Bacon	
Nigel Colne	
Brian Frost	
Mike Leeming	
Chris Nissen	
Sindi Zilwa	
Simon Susman	Chief executive officer
Andrew Jennings	Managing director: Retail
Norman Thomson	Finance director
Zyda Rylands	Chief operating officer: Support services

committees

risk	MJ Leeming (C)	SN Susman
	PD Bacon	NL Colne
	AR Jennings	Z Rylands
	NW Thomson	S Zilwa
audit	MJ Leeming (C)	NL Colne
	SV Zilwa	
remuneration	DA Hawton (C)	PD Bacon
	NL Colne	BJ Frost
nominations	DA Hawton (C)	NL Colne
	BJ Frost	AC Nissen
transformation	AC Nissen (C)	SN Susman
	DA Hawton	BJ Frost
	SV Zilwa	
sustainability	BJ Frost (C)	SN Susman
	Z Rylands	AC Nissen

The responsibilities of the Chairman and the Chief executive officer remain clearly separate.

board responsibilities

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

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

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

chairman and chief executive officer

The responsibilities of the Chairman and the Chief executive officer 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.

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.

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

During 2009, the board conducted a formal effectiveness evaluation. Each director was requested to complete an effectiveness questionnaire. The questionnaire was in line with our previous questionnaires so that we could track improvements from the 2007 evaluation. The questionnaire assessed the board effectiveness in the following categories:

- board size and composition;
- terms of reference;
- agenda and meeting preparation;
- board meetings;
- board functioning and processes;
- board committees;
- leadership and support;
- board effectiveness and evaluation; and
- board orientation and development.

The evaluation, tabled at the May 2009 meeting, showed that there had been an improvement since the 2007 evaluation and that the overall performance was good.

The results of the individual assessments were consolidated by the Group secretary. The Chairman of the board is responsible for determining the actions required in order to address any areas of improvement required to further enhance the effectiveness of the board.

directors

All non-executive directors, including the Chairman, are independent directors as defined in the King II Report and the guidelines outlined in the JSE Listings Requirements.

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

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

Each quarter the non-executive directors meet together to discuss matters of concern in a forum that does not include the executive directors or senior management.

The directors may, at the expense of the company, seek professional advice on matters concerning the affairs of the group. A policy is in place which contains guidelines on this matter.

The board induction programme is designed, and adjusted as necessary, to meet the specific requirements of all new directors. The directors are provided with all the necessary documentation in order to familiarise themselves 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 of the board and the Group secretary ensure an appropriate quarterly programme is in place to update non-executive directors on key new business developments and initiatives.

In accordance with the articles of association, one-third of the directors are subject to retirement and re-election by shareholders each year. The directors who retire are directors appointed since the last annual general meeting and directors due to retire by rotation.

A director may not hold office for more than three consecutive years before standing for re-election. The curriculum vitae of each director standing for re-election are set out in the notice of the annual general meeting.

board meetings

The board meets at least four times a year. Additional meetings are held whenever deemed necessary. Further meetings were held in November and May and were devoted to strategic planning. In addition, regular teleconference meetings were held. Board meetings are scheduled well in advance and management ensures that

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 is cognisant of the duties of the Group secretary and has created an environment in which the Group secretary is able to ensure that board procedures and relevant regulations are fully adhered to.

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.

board committees

During 2009, all the board committees evaluated their effectiveness through a self-evaluation process. Each member of the committees was required to complete a questionnaire which assessed key attributes of effectiveness in the following categories:

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

The results of the evaluations were consolidated by the Group secretary and tabled at each committee meeting in May 2009 and also submitted to the nominations committee and the board. In order to enhance the effectiveness of the committee, the Chairman of each committee is responsible for determining the actions required to address the identified areas requiring improvement.

In order to fulfil their responsibilities the board committees have unreserved access to company information, resources and professional advice.

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

group secretary

The board is cognisant of the duties of the Group secretary and has created an environment in which the Group secretary is able to ensure that board procedures and relevant regulations are fully adhered to.

The Group secretary plays a significant role in the following:

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

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

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

corporate governance policies

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

- complaint procedures;
- conflicts of interest policy;

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

insider trading and price-sensitive information

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

In terms of the insider trading policy, the Group secretary regularly disseminates written notice to all directors and senior management throughout the group, highlighting the provisions of the Securities Services Act and 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 restricted periods as determined by the board. These include the restricted periods as defined by the JSE Listings Requirements in respect of the publication of interim and annual financial results of the group. In line with the Listings Requirements of the JSE, 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 Listings Requirements of the JSE.

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

ethical and moral behaviour

Integrity is one of the group's key values along with a commitment of ensuring the highest levels of professionalism and integrity in its business dealings with stakeholders. Our code of ethics sets out the standards that we expect to attain when dealing with all customers, suppliers, franchise partners, employees, competitors, 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.

The conflicts of interest policy requires senior management to declare details of their business interests and confirmation that they are in compliance with the requirements of the policy. These details were updated during the year.

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.

Integrity is one of the group's key values along with a commitment of ensuring the highest levels of professionalism and integrity in its business dealings with stakeholders.

The group encourages shareholders to attend annual general meetings.

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 Listings Requirements of the JSE.

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

country road

Country Road observes the highest standards of corporate governance and has established codes and procedures to govern the conduct of its activities and people in accordance with the Australian Stock Exchange Corporate Governance Principles and 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.

corporate governance going forward

The King III report has been released and in the interim Woolworths is gearing itself to be ready for the implementation date of 1 March 2010.

The Consumer Protection Act and the Companies Act have been enacted with implementation expected to be within 18 months and 12 months respectively. These two Acts will substantially impact the group and are already receiving due attention from the corporate governance team, the relevant committees and management.

sponsor

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

attendance at the risk committee meetings

MEMBER	AUG 2008	NOV 2008	FEB 2009	MAY 2009
Mike Leeming [1,3]	√	√	√	√
Simon Susman [2]	√	√	√	√
Peter Bacon [3]	√	√	√	√
Nigel Colne [3]	√	√	√	√
Andrew Jennings [4]	√	√	√	√
Zyda Rylands [4]	√	√	√	√
Norman Thomson [4]	√	√	√	√
Sindi Zilwa [3,5]	–	–	–	√

1 = Chairman
2 = Chief executive officer
3 = Independent non-executive director
4 = Executive director,
5 = Sindi Zilwa joined the risk committee in May 2009
– = Not applicable

The main purpose of the risk committee is to ensure that management has implemented and maintained an effective risk management process in the group.

The risk committee consists of four non-executive directors including the Chairman, Mike Leeming, and four executive directors. Sindi Zilwa was appointed to the committee with effect from the May 2009 meeting. The presence of the executive directors on this committee ensures that effective risk management remains an important part of the day-to-day operations of the company.

The committee met four times during the year. The external auditors attend the committee meetings and the Chairman of the board attended the meetings in February and August following the group's interim and annual financial results.

The committee's terms of reference include the following responsibilities:

- assist the directors in fulfilling their responsibilities for ensuring that there is an effective and embedded risk management process in place throughout the group;
- assess 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;
- assess if the risk management process will ensure that emerging risks are identified and managed;
- assess whether all significant new business opportunities have been appropriately considered from a risk perspective;
- assess if appropriate processes/controls are in place to ensure regulatory compliance; and
- review the adequacy of the group's insurance portfolio.

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

The risk committee is satisfied that it has carried out its responsibilities for the year in compliance with the terms of reference.

The main purpose of the risk committee is to ensure that management has implemented and maintained an effective risk management process in the group.

During the year, the risk management framework was reviewed to ensure it remains dynamic enough to accommodate the fast changing economic and political climate.

risk management

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

- balances risk and reward within both existing and new initiatives;
- protects the group against uncertainties and hazards, which could prevent the achievement of business objectives; and
- focuses not only on strategic, financial and operational risks.

The board is accountable for the risk management process and is assisted by the risk committee in discharging this responsibility. Operating under a written terms of reference, the risk committee reports to the board and evaluates any risks which it deems necessary for discussion and evaluation by all directors. The Chairman of the risk committee reports progress on the key risk issues to the board and the risk profile is tabled annually at the board meeting.

The day-to-day responsibility for identifying, evaluating and managing risks resides with management.

During the year, the risk management framework was reviewed to ensure it remains dynamic enough to accommodate the fast changing economic and political climate. This included the development of a bottom-up and top-down risk register containing strategic, inherent, emerging, financial and operational risks. The process 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.

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

For certain specialist risk areas, management forums have been established to ensure that the risks in these areas are reviewed and considered by management with the required specialist skills and experience. These management forums include the treasury committee, tax committee, project investment committee and information technology governance committee. 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 the strategic and business planning process and is embedded through our management reporting and performance management system. The future focus is to:

- enhance the level of integration of risk thinking within the business strategy to allow for a regular update on emerging risks and the impact they may have on achievement of strategy; and
- conduct regular six monthly reviews of the risk register at business unit level to allow for a more proactive risk escalation should the metrics indicate a deterioration in risk exposure.

our key risks

The year under review has seen the emergence of new risks, and existing ones were more pronounced and heightened. The risk management process is designed to identify, manage and mitigate those risks to ensure both the short-term and long-term sustainability of the group. The key risks of the group, together with the mitigation strategies, are set out below:

Risk	Management and mitigation of risk
Economic downturn and retail recession	
The retail trading environment in South Africa remains challenging, and the long-term effects of the world financial credit crunch on customers and business partners are now becoming apparent. Our priority remains to manage the business through the downturn, positioning in such a way that we are well placed to weather current conditions and to take advantage when the market improves.	
Ensure the business delivers its targets	• Positioning our product and value in order to achieve sales targets. • Strategies in place to drive further margin efficiencies and productivity in support service areas. • Continued focus on expense control and inventory management. • Focused store expansion. • Continuous feedback from customer focus groups.
Ensure our sourcing strategy can support the business requirements.	• Development of sustainable sourcing strategy and supply chain.

Product offering	
We are a retailer of quality and value clothing, food and general merchandise products.	
Clothing and general merchandise Ensure the correct product offering for our customers that provide value for money.	• Customer lifestyle segmentation model. • Improved store cataloguing catering for demographics and customer profile. • Pipeline of innovation. • Clear price architecture of good, better and best. • Continuous feedback from customer focus groups.
Food Ensure our quality food offering meets the needs of our customers.	• Ongoing investment in promotional strategies to improve value perceptions with no compromise to quality. • Improved store and range cataloguing. • Pipeline of innovation. • Continuous feedback from customer focus groups.
Ensure consistent availability of our food offering meets the expectations of our customers.	• Focus on key top selling lines. • Processes and disciplines to improve availability.

People	
As we continue to build our business for the future, and deliver to our strategies, we must ensure that we have the right skills and experience at every level.	
Ensure that we attract, develop and retain our people.	• Remuneration policies are reviewed and updated to ensure that they are relevant for current economic conditions. • Implementation of a number of learning academies that support business unit strategies.
Supporting transformation through the BEE regulations ensuring that we are a modern South African retailer.	• Transformation strategy and plan in place to achieve 2012 targets. • Conduct regular employee surveys.

Financial risk	
Our financial risk is managed against our treasury policy that is approved by the board.	
Manage financial risks of funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk.	• Treasury committee meets on a regular basis to manage risks in line with the treasury policy.
Management of foreign currency exposure.	• All foreign currency exposures arising from the acquisition of goods and services are covered with forward exchange contracts. Foreign currency exposure arises mainly from the import of clothing and general merchandise.

Risk	Management and mitigation of risk
Business Continuity Planning	
We 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.	
Ensure key continuity risks have been identified.	• Focus on unavailability of a food distribution centre or a large regional store, the unavailability of key information systems and power outages. • Disaster recovery for our key information systems is reviewed, updated and tested on an annual basis. • Implementation of generators and uninterrupted power supply capacity to reduce the impact of power outages on our stores, distribution centres and head office.

Occupational health and safety	
An important business priority is to ensure the health and safety of our employees and customers.	
Ensure the health and safety of our employees and our customers.	• Comprehensive health and safety framework setting out the required policies and standards for suppliers, distribution centres and stores. • Compliance is monitored by independent specialist assurance providers and our internal audit team. • Recall process to remove and, where required, destroy product from our stores and distribution centres. • Public recall of products process defined.

legal compliance

Regulatory and legal compliance is an important area due to the frequent amendments to the regulatory framework in South Africa and Australia. We have a dedicated legal compliance officer and have implemented and embedded an appropriate, best practice, risk-based compliance framework methodology.

In addition to the general monitoring of the applicable regulatory requirements in accordance with generally accepted compliance practice, the compliance function is involved in implementing requirements of recently enacted legislation. During the year we commenced work on the Consumer Protection Act, the RICA Act and the Companies Act (2008).

The Competition Commission have imformed us that they will be conducting an investigation into our subsidiary Woolworths (Proprietary) Limited. This investigation is not about price fixing. It is about testing pro-competitive and anti-competitive effects of certain practices. We will co-operate fully in assisting the Commission with their investigation.

crime prevention and detection

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

Whilst the actual number of armed robberies during the year reflects no significant change in comparison with the previous year, the actual monetary losses decreased as a result of strict adherence to internal cash-handling procedures and deflection measures.

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.

The majority of the cases were reported from stores and related to alleged product theft by employees (both foods and clothing). To a lesser extent, there were reports of cash that had been stolen by employees. There were also a number of reports relating to Woolworths product (foods and clothing) that had been sold at various locations (not Woolworths stores).

Our policy is to prosecute all cases and dismiss offending employees where needed.

insurance

Insurance is a key element in the risk management process. It is designed to protect us financially against the negative consequence of risk. There is a comprehensive asset and liability insurance programme in place. This programme includes appropriate levels of self-insurance. Our external insurance cover is provided by A-rated South African and international insurance companies. The completeness of our insurance cover as well as our policy wording is regularly reviewed and benchmarked by external experts to ensure that it takes into account new requirements and external developments.

information technology governance

Given the dependence of the business on its systems, information technology (IT) governance is an ongoing focus area. Our yearly assessment of the IT governance processes benchmarked to COBIT (Control Objectives for Information and related Technologies), the internationally accepted best practice governance framework, confirmed that the maturity of our IT processes are in line with our desired maturity levels. A dedicated IT governance team was set up during the year. This team is responsible for managing the governance aspects of IT, including compliance, continuity management and risk.

There is a comprehensive asset and liability insurance programme in place.

The audit committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

audit committee

attendance at the audit committee meetings

MEMBER	AUG 2008	NOV 2008	FEB 2009	MAY 2009
Mike Leeming [1,2]	√	√	√	√
Nigel Colne [2]	√	√	√	√
Sindi Zilwa [2]	√	√	√	√

[1] = Chairman

[2] = Independent non-executive director

The main purpose of the audit committee is to review and report back to the board on all financial matters of the group. It also has a responsibility to ensure that management has implemented and maintained an effective control environment.

The audit committee consists of three independent non-executive directors, including Mike Leeming who chairs the committee. All three members of the committee have relevant financial experience. There is a strong integration between the activities of the audit and risk committees with all three audit committee members also serving as members of the risk committee.

The committee met four times during the year, and the Chairman reported to the board on the activities of the committee. The Chairman of the audit committee also attends the annual general meeting.

The committee's terms of reference include the following key responsibilities:

- fulfil the function of audit committee to group subsidiaries;
- review and approve the accounting policies and practices and any proposed changes thereto;
- ensure that there is an adequate and effective system of internal control in place;
- review and approve the internal audit coverage plan;
- evaluate the effectiveness of internal audit;
- consider and recommend to the board on the appointment and retention of external auditors;
- review and approve the scope of the external audit review and the external audit fees;
- evaluate the independence and effectiveness of external audit;
- assess if there is an appropriate framework in place to ensure compliance with tax regulations;
- satisfy itself on the appropriateness of the expertise and experience of the financial director;
- review and recommend to the board on the corporate governance policies, including price-sensitive information and insider trading policies;
- support the overall effectiveness of the corporate governance processes; and
- receive and deal with complaints related to accounting and internal audit matters.

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

The committee performed the role of audit committee for the subsidiaries of the group.

The committee is satisfied that the expertise and experience of the financial director and the management team is appropriate for the group.

internal accountability

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.

Management is focused on continuous improvements to the system of internal control. It has implemented a new financial system to further enhance and improve 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 independent assurance providers who assess the adequacy and effectiveness of the controls. These independent assurance processes are outlined in more detail below.

Internal audit applies a risk-based approach that provides independent assurance on the adequacy and effectiveness of the system of internal controls in place to manage the significant risks down to an acceptable level.

internal audit

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. Where necessary, for example highly specialised IT reviews, these reviews are outsourced to specialist consultants.

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

- ongoing engagement with management to ensure that the audit focus remains relevant in the fast changing retail environment, particularly at store level. This is further facilitated by the continued use of the secondment programme from the business to internal audit, whereby internal audit's specialist risk and control knowledge is complemented with the in-depth business experience of the secondees;
- performing end-to-end integrated process audits, using multidisciplinary teams. This ensures that in addition to the review of manual controls, application controls are reviewed for key systems which support these business processes; and
- the ongoing use of business intelligence and data interrogation to drive audit work and ensure audit remains focused on the key risk areas.

The 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 resolved satisfactorily. This enables the committee to ensure that prompt action has been taken to address the key areas of concern.

Internal audit is a highly valuable and effective monitoring function.

Specialist assurance providers have been used to assess controls in certain instances.

During the year a number of red flag items were resolved. There has been a strong focus on in-store process compliance which has been reviewed by internal audit. Internal audit retains its objectivity and independence by reporting functionally to the audit committee and administratively to the Head of corporate governance.

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.

The committee has recommended to the board that Ernst & Young Inc and SAB&T Inc be proposed for reappointment as auditors of the company for the next year.

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 restricts the value of allowable non-audit services to 20% of the annual external audit fee. This policy complies with the minimum requirements as set out in the Corporate Laws Amendment Act (No. 24 of 2006), 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 is more restrictive.

other independence assurance

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

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.

control opinion

The audit committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

nominations committee

attendance at the nominations committee meetings

MEMBER	AUG 2008	NOV 2008	FEB 2009	MAY 2009
Buddy Hawton [1, 2]	√	√	√	√
Nigel Colne [2]	√	√	√	√
Brian Frost [2]	√	√	√	√
Chris Nissen [2, 3]	–	√	√	A

[1] = Chairman
[2] = Independent non-executive director
[3] = Chris Nissen joined the nominations committee in November 2008
A = Absent with apologies tendered
– = Not applicable

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

The committee's terms of reference include the following key responsibilities:

- review and make recommendations to the board on the structure, size and composition of the board and its committees;
- identify and nominate candidates to the board in respect of board vacancies;
- ensure succession and continuity plans are in place for the Chairman, the Chief executive officer and senior executives;
- review the performance of the Chief executive officer and senior executives;
- assist the board in evaluating the effectiveness of the board committees; and
- assess and recommend, 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 the committee. Chris Nissen was appointed to the committee from the November 2008 meeting. The Chief executive officer attends the meetings by invitation and the Chief operating officer: Support services attends when required.

The committee met four times during the year and the Chairman reported to the board on the activities of the committee.

The Chairman, in conjunction with the nominations committee, assesses the performance of the Chief operating 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.

During the year the committee reviewed the composition of the board and committees to develop succession and introduce greater diversity. The leadership changes have been highlighted in the Chairman's report.

The nominations committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

The nominations committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

The main purpose of the transformation committee is to assist the board in ensuring there are appropriate strategies, policies and processes in place in order to drive transformation.

transformation committee and employee share ownership trust

attendance at the transformation committee meetings

MEMBER	AUG 2008	NOV 2008	FEB 2009	MAY 2009
Chris Nissen [1,4]	√	√	√	A
Brian Frost [4]	√	√	√	√
Buddy Hawton [2,4]	√	√	√	√
Simon Susman [3]	√	√	√	√
Sindi Zilwa [4]	√	√	√	√

1 = Chairman
2 = Chairman of board
3 = Chief executive officer
4 = Independent non-executive director
A = Absent with apologies tendered

The main purpose of the transformation committee is to assist the board in ensuring there are appropriate strategies, policies and processes in place in order to drive transformation.

The committee's terms of reference include the following key responsibilities:

- provide input and recommendations on the overall target empowerment rating and the scorecard component targets;
- approve the appointment of the verification agency;
- review and approve policies to enable the achievement of priorities and targets;
- monitor progress against targets; and
- monitor compliance with the transformation codes.

The committee consists of four independent non-executive directors including the Chairman, Chris Nissen. The Chief executive officer and the Chief operating officer: Support services also attend the meetings.

The committee met four times during the year. The Chairman reports back to the board on the activities of the committee.

The group is committed to the spirit and principles of broad-based black economic empowerment (BEE). There are clear targets for each business area that are reviewed by management on a bi-annual basis. An assessment of progress is made and, where appropriate, new strategies and plans are developed to enable the achievement of their targets.

Woolworths has maintained its status as a level 6 contributor in 2009, as verified by PKF BEE Solutions, an ABVA-affiliated BEE verification agent. Further details on the BEE scorecard can be found in the 2009 Good business journey report included with this annual report.

The committee is satisfied that it has carried out its responsibilities for the year in compliance with the terms of reference.

BEE employee share ownership scheme

A trust was established in 2008 to manage the BEE employee share ownership scheme. There are five trustees, three of whom are independent, including the Chairperson Dolly Mokgatle.

The trustees have met twice during the year with full attendance at both meetings.

We are now into the second year of our BEE employee share ownership scheme. The scheme was established to accelerate transformation initiatives by spreading equity ownership of Woolworths. At the end of June 2009, we have 9 740 beneficiaries participating in the scheme. Staff turnover within Woolworths and the retail sector have caused the number to reduce over the year.

The beneficiaries have received two dividends during the year of R15.3 million, a 56% increase on the previous year.

The group is committed to the spirit and principles of broad-based black economic empowerment.

The committee is satisfied that it has performed its duties in accordance with its terms of reference.

sustainability committee and highlights of the 2009 Good business journey report

attendance at the sustainability committee meetings

MEMBER	AUG 2008	NOV 2008	FEB 2009	MAY 2009
Brian Frost [1, 2]	√	√	√	√
Simon Susman [3]	√	√	√	√
Chris Nissen [2]	√	√	√	A
Zyda Rylands [4]	√	√	√	√

[1] = Chairman
[2] = Independent non-executive director
[3] = Chief executive officer
[4] = Executive director
A = Absent with apologies tendered

The main purpose of the sustainability committee is to assist the board in ensuring the group achieves the targets set out in Woolworths good business journey barometer, including its targets for social development, environmental issues, governance and climate change.

The committee's terms of reference include the following key responsibilities:

- review and approve the Good business journey strategy;
- review the policies and plans in place to achieve the Good business journey targets; and
- review performance against targets at a company and business unit level.

The committee met four times during the year. The Chairman of the committee is also the chairman of the Woolworths Trust, ensuring strong integration and co-ordination of the trust in supporting the social development aspects of our Good business journey.

The committee is satisfied that it has performed its duties in accordance with its terms of reference.

highlights of 2009 Good business journey report

The Good business journey is now firmly embedded in the business. To measure our delivery we have developed a series of challenging targets and commitments, centred on four key priorities of accelerating transformation, driving social development, enhancing our environmental focus, and addressing climate change. We have developed a measurement tool to assess progress against annual goals and targets for each priority area to ensure we can deliver to our 2012 targets.

At a corporate level we are satisfied with the progress the business has made. The overall score for 2009 against the target is 79% (2008: 77%) and we are pleased with our score of 61% against our 2012 objectives (2008: 62%).

Some of the key progress achieved during the year was:

- a reduction in the relative energy usage by 12.1% from the benchmark set in 2004, and accelerated roll-out of energy-efficient technologies and measurement systems;
- managed the coverage of our carbon footprint, and have become 5% more carbon efficient based on tons produced per employee and per square metre of trading space;
- relative water usage was reduced by 11.5% and Woolworths became the first retailer in South Africa to commit to becoming water neutral, working with World Wildlife Fund – South Africa to achieve this aim;
- the introduction of labelling fish as part of its support for the South African Sustainable Seafood Initiative (SASSI) highlighting the awareness of managing sustainable fishing practices;
- a reduction in food packaging by 3.3% during the year, on target for a 20% reduction by 2012;
- tracking well on our annual BEE overall targets at a score of 46.5 (2008: 45.2); and
- the Woolworths Trust flagship project, EduPlant, has reached levels of self-sustainability with the introduction and recognition of mentoring schools.

We will continue to focus on including and growing sustainability awareness amongst our customers, suppliers and other stakeholders in our Good business journey programme.

A comprehensive review of the Good business journey can be found in the 2009 Good business journey report which is included with this annual report.

The Good business journey is centred on four key priorities of accelerating transformation, driving social development, enhancing our environmental focus, and addressing climate change.

The main purpose of the remuneration committee is to assist the board in fulfilling its responsibilities.

remuneration committee

attendance at the remuneration committee meetings

MEMBER	AUG 2008	NOV 2008	FEB 2009	MAY 2009
Buddy Hawton [1,2]	√	√	√	√
Peter Bacon [2]	√	√	√	√
Nigel Colne [2]	√	√	√	√
Brian Frost [2]	√	√	√	√

[1] = Chairman
[2] = Independent non-executive director

The main purpose of the remuneration committee is to assist the board in fulfilling its responsibilities in establishing formal and transparent policies for remuneration and people management.

The committee's terms of reference include the following key responsibilities:

- determine 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;
- approve the design of short-term incentive schemes, including determining targets and participation thresholds;
- approve the design of the long-term incentive schemes, including determining the allocation criteria and performance conditions;
- ensure remuneration for executives, including their short-term and long-term incentives, is based on performance and rewards performance;
- recommend to the board the fee to be paid to each non-executive director for services on the board and its committees;
- consider the relationship between executive remuneration and the remuneration of other employees; and
- review and monitor progress in people management.

Membership consists of four non-executive directors, all of whom are independent and have the relevant expertise or experience to fulfil their duties. The Chairman of the board, Buddy Hawton, chairs the committee. The Chief executive officer and Chief operating officer: Support services attends the meetings by invitation in order to advise on the remuneration of the executives. The committee met four times during the year.

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 committee is satisfied that it has carried out its responsibilities for the year in compliance with its terms of reference.

remuneration strategy

Woolworths' remuneration philosophy is designed to attract, develop and retain 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 retention of key and critical skills and to drive performance in alignment with shareholders' interests, through guaranteed pay, short 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.

During the year we reviewed our renumeration strategy. Currently our guaranteed pay position is aimed at between the median and upper quartile and our variable pay drives performance against achievement of objectives in our annual business plan.

We have considered that, based on the difficulties experienced in attracting and retaining 'key executives' there is a requirement to introduce a restricted share plan scheme that will address these challenges.

This scheme will be utilised to attract the incoming Managing director retail and Chief executive officer-elect and will also be granted to a few key executives. The full description of the scheme is detailed further on in this report.

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.

variable pay short-term incentive scheme

The short-term incentive scheme is designed to focus the senior executives on the achievement of the short-term strategic, financial and operational objectives in the annual business plan. The incentive is payable on achieving certain pre-defined stretch targets, in line with our strategy. It uses an overall profit target to trigger the incentive pool as well as key business unit goals to determine the payout. The business unit goals are approved by the remuneration committee to ensure that the senior executives are rewarded based on delivery against the components of the strategy they are responsible for. The scheme rewards performance when targets are met, with higher rewards for exceptional performance. The scheme, targets and payment limits are reviewed on an annual basis.

In the current year, the overall target was set at a predefined level of earnings before interest and tax ("EBIT"). The EBIT target was achieved and as a result bonuses were paid for the financial year.

Details of bonuses paid to directors are set out on page 79.

long-term incentive – 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 short-term incentive scheme is designed to focus the senior executives on the achievement of the short-term strategic, financial and operational objectives.

Participants of the DBP may utilise a portion of their annual bonus to acquire Woolworths shares.

share purchase and option scheme

In terms of these 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.

All offers lapse after ten years.

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 up to seven years from the date of grant. The performance conditions are determined by the board after consultation with the remuneration committee.

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 agreed performance conditions have been met. The performance conditions are determined by the board after consultation with the remuneration committee.

The performance conditions for the 2009 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. 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 Woolworths 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.

In terms of the 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 share schemes during the year are set out on pages 82 and 83.

restricted share plan (rsp)

A new share plan to be known as the Restricted share plan will be introduced to retain key staff and to assist in securing the services of key new senior executives. The RSP is a retention mechanism:

- the vesting of which would only be based on tenure, as a retention mechanism from time to time and particularly under present circumstances where the group faces significant retention risks with respect to key talent; and
- to permit once-off awards for new appointments, the vesting of which may or may not be subject to performance conditions, to assist in the recruitment of key executives.

Awards under the RSP will include participation by new employees on their appointment or, in the case of specific retention, key employees, including executive directors of the group. The purpose of the RSP would be to provide an incentive for their continuing relationship with the group, by providing them with the opportunity of receiving shares in the company. It is not the intent for awards under the RSP to be regular annual awards.

Awards under the RSP comprise the grant of "forfeitable share" in Woolworths, on the basis that the employee will forfeit the shares if he ceases to be employed by the group due to resignation or dismissal before the expiry of the vesting period.

There will be a three-year vesting period with 100% vesting at the end of year three. The awards will be subject to a staggered vesting from year three to year five.

The forfeitable shares will be held for the benefit of the employee in a controlled account and as such he will be entitled to all shareholder rights applicable to those shares. The employee will have the right to dividends and to vote at general meetings of the company. In the event that the shares are forfeited due to dismissal, any dividends received prior to the forfeiture will be repaid.

The company will purchase shares in the market to settle the awards.

The company will include the number of shares purchased in the market in the 15% limit of the issued share capital of the company utilised for share schemes.

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 79.

A new share plan to be known as the Restricted share plan will be introduced to retain key staff and to assist in securing the services of key new senior executives.

Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive share scheme.

directors' fees and emoluments

Non-executive directors receive fees for services on board and board committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive share scheme.

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 shareholders for approval at the annual general meeting.

The proposals for the fees for 2010 have been based on benchmarking with other retailers and listed JSE companies. Consideration has also been given to the substantial increase in legal and regulatory oversight requirements and increased risk being assumed by non-executive directors.

The proposed fees for 2010, which will be tabled for shareholder approval at the annual general meeting, are set out below together with the fees approved for 2009.

Non-executive directors	Approved 2009	Proposed 2010
Chairman	R651 000	R750 000
UK Director	£32 000	£33 000
SA Director	R131 250	R150 000
Chairman Audit	R133 350	R155 000
Member Audit	R70 350	R77 500
Chairman Remuneration	R120 750	R140 000
Member Remuneration	R63 000	R70 000
Chairman Risk	R94 500	R105 000
Member Risk	R45 150	R52 500
Chairman Transformation	R91 875	R105 000
Member Transformation	R46 200	R52 500
Chairman Nomination	R57 750	R67 000
Member Nomination	R36 750	R42 000
Chairman Sustainability	R36 750	R43 000
Member Sustainability	R17 850	R21 500

Emoluments paid to directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 30 June 2009 and comparatives for 30 June 2008 are set out below:

2009

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)	3 720	695	30	4 445	1 412	3 741	9 598
Andrew Jennings	(4)	3 193	334	344	3 871	968	0	4 839
Norman Thomson	(1)	2 273	206	53	2 532	557	2 332	5 421
Zyda Rylands		2 045	514	9	2 568	726	1 707	5 001
		11 231	1 749	436	13 416	3 663	7 780	24 859

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		651		121		58		46	8	884
Peter Bacon		131		63	45				19	258
Nigel Colne	(5)	474	70	63	45	37			2	691
Judy Dlamini	(6)	10							0	10
Brian Frost		131		63		37	37	46	13	327
Mike Leeming		131	133		95				12	371
Chris Nissen	(7)	131				28	18	92	12	281
Sindi Zilwa	(8)	131	70		11			46	27	285
		1 790	273	310	196	160	55	230	93	3 107

Notes:

1. Remuneration includes fees paid by Country Road as follows: Simon Susman A$30 000 and Norman Thomson A$30 000.
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 Holding Share Trust. The benefit for 2009 was calculated at 12.17% on the value of the outstanding loan.
4. 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.
5. Fees are paid in sterling as a British resident.
6. Judy Dlamini resigned on 31 July 2008.
7. Chris Nissen was appointed to the nomination committee with effect from 18 November 2008.
8. Sindi Zilwa was appointed to the risk committee with effect from 18 May 2009.

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	2117	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)	1 978	415	9	2 402	0	1 539	3 941
		12 901	1 848	441	15 190	0	9 489	24 679

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

Notes:
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 Dlamani resigned on 31 July 2008.

directors' participation in share scheme

Details of directors' interest in shares of the company are disclosed in the directors' report on page 87. Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at June 2009, are set out below:

Share purchase scheme	Shares held as at 30 June 2008		Shares awarded/purchased/ transferred during the year		Shares held as at 30 June 2009		
					Vested	Unvested	
Name and offer date	Number	Price (R)	Number	Price (R)	shares	shares	Total
Simon Susman							
August 2003	780 039	5.16	780 039	11.75			
December 2004	440 755	10.59			352 604	88 151	440 755
August 2005	412 697	11.31			247 617	165 080	412 697
September 2006	378 947	13.30			151 578	227 369	378 947
October 2006	1 094 092	13.71			437 636	656 456	1 094 092
Total	**3 106 530**		**780 039**		**1 189 435**	**1 137 056**	**2 326 491**
Norman Thomson							
December 1998	46 667	2.60	46 667[1]	11.96			
May 1999	116 667	3.22	116 667[1]	12.00			
December 2000	236 800	2.77			236 800		236 800
March 2001	533 333	2.82			533 333		533 333
June 2001	1 120 297	3.03			1 120 297		1 120 297
August 2003	290 698	5.16			290 698		290 698
December 2004	152 597	10.59			122 076	30 521	152 597
August 2005	142 882	11.31			85 728	57 154	142 882
September 2006	130 075	13.30			52 030	78 045	130 075
October 2006	510 576	13.71			204 230	306 346	510 576
Total	**3 280 592**		**163 334**		**2 645 192**	**472 066**	**3 117 258**
Zyda Rylands							
February 1999	12 500	2.90	12 500[1]	12.02			
May 1999	25 000	3.22	25 000[1]	12.00			
December 2000	8 420	2.77			8 420		8 420
April 2001	20 000	3.03			20 000		20 000
August 2001	12 970	3.33			12 970		12 970
August 2002	14 738	3.98			14 738		14 738
August 2003	12 125	5.16			12 125		12 125
September 2003	180 510	5.76			180 510		180 510
December 2004	259 573	10.59			207 652	51 921	259 573
March 2005	120 000	10.18			96 000	24 000	120 000
August 2005	277 549	11.31			166 527	111 022	277 549
September 2006	129 699	13.30			51 878	77 821	129 699
October 2006	291 758	13.71			116 702	175 056	291 758
Total	**1 364 842**		**37 500**		**887 522**	**439 820**	**1 327 342**

Notes:

1. Shares exercised in line with the 10-year lapsing rule of the trust.

Share option scheme	Options held as at 30 June 2008		Options awarded/ transferred during the year		Options held as at 30 June 2009		
Name and offer date	Number	Price (R)	Number	Price (R)	Vested shares	Unvested shares	Total
Zyda Rylands							
December 1998	11 500	2.60	11 500[2]	12.02			
February 1999	17 500	2.90	17 500[2]	12.02			
May 1999	45 000	2.23[1]	45 000[2]	11.92			
December 2000	16 840	1.79[1]			16 840		16 840
April 2001	40 000	2.04[1]			40 000		40 000
October 2008			326 395[3]	8.81[1]		326 395	326 395
Total	**130 840**		**400 395**		**56 840**	**326 395**	**383 235**
Andrew Jennings							
December 2006	1 784 652	14.58[1]			713 860	1 070 792	1 784 652
Total	**1 784 652**					**1 070 792**	**1 784 652**
Total	**1 915 492**		**400 395**		**770 700**	**1397 187**	**2 167 887**

Notes:

1. A special dividend of 94 cents was paid to ordinary shareholders on 15 December 2008. According to the rules of the trust, in the event of a reduction in share capital, an adjustment may be made to the option price to place participants in the same economic position as they were prior to the reduction in share capital. The adjustment made was calculated by PricewaterhouseCoopers, the independent experts appointed by the board.
2. Options exercised in line with the 10-year lapsing rule of the trust.
3. Zyda Rylands was promoted to Chief operating officer: Support services and accordingly received additional allocations.

Deferred bonus plan (DBP)	Shares held as at 30 June 2008		Shares purchased under the DBP by directors		Shares held as at 30 June 2009		
Name and offer date	Number	Price (R)	Number	Price (R)	Number	Price (R)	Total
Simon Susman							
April 2008	62 241	12.45	–		62 241	12.45	62 241
Total	**62 241**				**62 241**		**62 241**
Andrew Jennings							
April 2008	40 916	12.45	–		40 916	12.45	40 916
Total	**40 916**				**40 916**		**40 916**
Norman Thomson							
April 2008	25 179	12.45	–		25 179	12.45	25 179
	25 179				**25 179**		**25 179**
Zyda Rylands							
April 2008	26 285	12.45	–		26 285	12.45	26 285
	26 285				**26 285**		**26 285**
Total	**154 621**				**154 621**		**154 621**

Share appreciation rights scheme (SARs)	Rights held as at 30 June 2008		SARs rights awarded during the year		Rights held as at 30 June 2009		
Name and offer date	Number	Price (R)	Number	Price (R)	Vested rights	Unvested rights	Total
Simon Susman							
April 2008	176 392	10.26[1]				176 392	176 392
August 2008			176 540	10.24[1]		176 540	176 540
Total	**176 392**		**176 540**			**352 932**	**352 932**
Andrew Jennings							
April 2008	142 259	10.26[1]				142 259	142 259
August 2008			150 755	10.24[1]		150 755	150 755
Total	**142 259**		**150 755**			**293 014**	**293 014**
Norman Thomson							
April 2008	87 904	10.26[1]				87 904	87 904
August 2008			87 978	10.24[1]		87 978	87 978
December 2008			83 547	10.24[1]		83 547	83 547
Total	**87 904**		**171 525**			**259 429**	**259 429**
Zyda Rylands							
April 2008	91 767	10.26[1]				91 767	91 767
August 2008			125 628	10.24[1]		125 628	125 628
October 2008			169 456[2]	10.26		169 456	169 456
Total	**91 767**		**295 084**			**386 851**	**386 851**
Total	**498 322**		**793 904**			**1 292 226**	**1 292 226**

Long-term incentive plan (LTIP)	Grants held as at 30 June 2008		LTIP grants awarded during the year		Grants held as at 30 June 2009		
Name and offer date	Number	Price (R)	Number	Price (R)	Vested grants	Unvested grants	Total
Simon Susman							
April 2008	299 867	11.95	25 258[3]	11.95		325 125	325 125
August 2008			325 398[3]	11.94		325 398	325 398
Total	**299 867**		**350 656**			**650 523**	**650 523**
Andrew Jennings							
April 2008	142 259	11.95	11 983[3]	11.95		154 242	154 242
August 2008			163 453[3]	11.94		163 453	163 453
Total	**142 259**		**175 436**			**317 695**	**317 695**
Norman Thomson							
April 2008	87 904	11.95	7 405[3]	11.95		95 309	95 309
August 2008			95 388[3]	11.94		95 388	95 388
December 2008			90 585[3]	11.94		90 585	90 585
Total	**87 904**		**193 378**			**281 282**	**281 282**
Zyda Rylands							
April 2008	91 767	11.95	7 731[3]	11.95		99 498	99 498
August 2008			136 210[3]	11.94		136 210	136 210
October 2008			183 728[2,3]	11.95		183 728	183 728
Total	**91 767**		**327 669**			**419 436**	**419 436**
Total	**621 797**		**1 047 139**			**1 668 936**	**1 668 936**

Notes:

1. A special dividend of 94 cents was paid to ordinary shareholders on 15 December 2008. According to the rules of the trust, in the event of a reduction in share capital, an adjustment may be made to the price of the grants issued in order to place participants in the same economic position as they were prior to the reduction in share capital. The adjustment made was calculated by PricewaterhouseCoopers, the independent experts appointed by the board.
2. Zyda Rylands was promoted to Chief operating officer: Support services and accordingly received additional allocations.
3. A special dividend of 94 cents was paid to ordinary shareholders on 15 December 2008. According to the rules of the trust, in the event of a reduction in share capital, an adjustment may be made to the number of grants issued in order to place participants in the same economic position as they were prior to the reduction in share capital. The adjustment made was calculated by PricewaterhouseCoopers, the independent experts appointed by the board.

contents

annual financial statements

report of the group secretary

In my capacity as Group secretary, I hereby confirm, in terms of the Companies Act (61 of 1973), as amended, that for the year ended 30 June 2009, 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.

CL Lowe
Group secretary

approval of the annual financial statements

The financial statements were approved by the board of directors on 26 August 2009 and signed on its behalf by:

DA Hawton
Chairman

SN Susman
Chief executive officer

report of the independent auditors

AUDIT OPINION TO THE MEMBERS OF WOOLWORTHS HOLDINGS LIMITED

report on the financial statements

We have audited the Group and Company annual financial statements of Woolworths Holdings Limited, which comprise the directors' report, the balance sheet as at 30 June 2009, 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 87 to 179.

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 as amended. 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 Group and Company as of 30 June 2009, 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 as amended.

Ernst & Young Inc.

ERNST & YOUNG Inc.
REGISTERED AUDITOR
26 August 2009
Cape Town

SAB&T

SAB & T Inc.
REGISTERED AUDITOR
26 August 2009
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 two subsidiaries, Woolworths (Proprietary) Limited and Country Road Limited; and through a joint venture – Woolworths Financial Services (Proprietary) 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 250 corporate and 160 franchise stores throughout South Africa, Africa and the Middle East.

Woolworths Financial Services (Proprietary) Limited is operated jointly with Absa and provides our customers with a credit offering to assist them to purchase merchandise in our Woolworths stores.

Country Road Limited is listed on the Australian Securities Exchange and offers a range of clothing and homeware. Country Road Limited has 67 retail stores and 82 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 178.

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 Financial director's report, the operational review and the annual financial statements.

restructuring during the year

woolworths financial services

The acquisition by Absa Group Limited ("Absa") of 50% plus one share of the issued ordinary share capital of Woolworths Financial Services (Proprietary) Limited ("WFS") was effective on 1 October 2008.

share capital

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

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

	2009	2008
Shares in issue at the beginning of the year	**882 393 151**	896 191 467
Shares issued in terms of the share option/purchase scheme	**5 595 343**	4 074 229
Shares repurchased and cancelled	**(86 871 694)**	(17 872 545)
Shares in issue at the end of the year	**801 116 800**	882 393 151

Details of the authorised and issued share capital are included in the notes to the financial statements on pages 127 to 134 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 20 November 2008, 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.

directors' report continued

As at 1 July 2008, E-Com Investments 16 (Proprietary) Limited, a wholly-owned subsidiary of the company, held 86 871 694 (9.66%) ordinary shares in the company. On 18 August 2008, shareholders approved a special resolution at a general meeting authorising the company to repurchase these shares. The shares were repurchased and subsequently cancelled.

During the year 26 384 969 (3.29%) ordinary shares were repurchased on the open market and held by E-Com Investments 16 (Proprietary) Limited.

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 10 and 11.

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

Lindiwe Mthimunye-Bakoro and Namhla Thina Siwendu have been appointed to the board with effect from 26 August 2009.

Dr NJ Dlamini resigned as a non-executive director from the board on 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, Lindiwe Mthimunye-Bakoro and Namhla Thina Siwendu are required to retire at the annual general meeting following their appointment and, being eligible, offer themselves for re-election. Peter Bacon, Brian Frost, Mike Leeming and Zyda Rylands 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 interests in the company's ordinary issued share capital:

	2009 Beneficial		2008 Beneficial	
	Direct	Indirect	Direct	Indirect
Non-executive directors				
Buddy Hawton	28 500	–	12 500	–
Peter Bacon	25 000	–	25 000	–
Nigel Colne	92 000	–	80 000	–
Brian Frost	–	260 000	–	260 000
Mike Leeming	–	20 000	–	20 000
Chris Nissen	–	–	–	–
Sindi Zilwa	–	–	–	–
Executive directors				
Simon Susman	62 256	11 814 356	62 256	12 594 395
Andrew Jennings	40 916	–	40 916	–
Zyda Rylands	96 285	1 327 342	26 285	1 364 842
Norman Thomson	27 799	3 570 785	27 799	3 734 119

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

	2009 Beneficial		2008 Beneficial	
	Direct	**Indirect**	Direct	Indirect
Executive directors				
Zyda Rylands	**–**	**1 250 000**	–	1 250 000

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 the International Financial Reporting Standards between the company or its subsidiaries and the directors or their associates are disclosed on pages 114 and 115 of the report.

The emoluments of directors of the company are set out on pages 79 and 80.

woolworths holdings share trust ("the trust")

During the course of the year, Woolworths Holdings Limited continued to operate its share incentive schemes.

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 calculated prior to any decrease in share capital as a result of a repurchase, reduction or redemption of capital.

A special dividend of 94 cents was paid to ordinary shareholders on 15 December 2008. According to the rules of the trust, in the event of a reduction in share capital, an adjustment shall be made in order to place participants in the same economic position as they were prior to the reduction in share capital. PricewaterhouseCoopers were appointed by the board, as independent experts, to calculate the adjustments to be made to the share schemes.

The number of shares, options, rights and awards available for utilisation by the Trust as at 30 June 2009, was as follows:

	2009	2008
Number available for utilisation		
Balance at the beginning of the year	**40 227 786**	47 849 899
Options acquired from terminated employees	**6 943 357**	4 405 700
Offers made to employees during the year	**(13 874 884)**	(9 958 065)
Options available from 10-year lapsing	**3 669 989**	–
Increase in issued share capital	**839 301**	611 134
Decrease in share capital due to share repurchase	**–**	(2 680 882)
Balance at the end of the year	**37 805 549**	40 227 786

share options

In terms of the Trust Deed, under the share option scheme, employees have been granted a total of 16 285 863 (2008: 22 926 841) share options ranging from R1.72 to R21.11 (2008: R2.60 to R24.13), which are exercisable between July 2008 and June 2017. During the year selected employees were granted a total of 326 395 options at an adjusted strike price of R8.81.

As a result of the reduction in share capital, adjustments of between R0.98 and R3.02 were made to the strike prices of options.

share purchases

Shares held by the Trust on behalf of beneficiaries totalled 17 897 461 (2008: 23 168 825).

directors' report continued

share appreciation rights scheme
In terms of the Trust Deed, under the share appreciation rights scheme, selected employees were granted a total of 9 833 205 share appreciation rights at an adjusted grant price of R10.24 and 1 788 291 share appreciation rights at a grant price of R12.95.

As a result of the reduction in share capital, adjustments of R1.69 and R1.70 were made to the grant prices.

long-term incentive plan
In terms of the Trust Deed, under the long-term incentive plan, 2 005 848 conditional awards were made to selected employees.

As a result of the reduction in share capital, an adjustment of additional 257 551 conditional awards were made to prior allocations.

deferred bonus plan
In terms of the Trust Deed, no shares were purchased by executive directors under the deferred bonus plan.

woolworths employee share ownership trust ("esos trust")

In 2008 a total of 88 267 306 convertible, redeemable, non-cumulative participating preference shares (ESOS shares) were issued in terms of the BEE employee share ownership scheme at R20.75 per share.

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.

The special dividend of 94 cents paid on 15 December 2008 was paid to ordinary shareholders. According to the rules of the ESOS trust, in the event of a reduction in share capital, an adjustment shall be made to the hurdle rate in order to place beneficiaries in the same economic position as they were prior to the reduction in share capital. Rand Merchant Bank ("RMB") was appointed by the trustees, as independent experts, to calculate the adjustment to the hurdle rate. The hurdle rate was reduced from 10.0% to 8.5% on the advice received from RMB.

distributions to ordinary shareholders

special
On 19 November 2008, a cash dividend of 94.0 cents per share was declared to shareholders recorded at the close of business on 12 December and paid on 15 December 2008. This distribution was paid from part of the cash proceeds arising from the acquisition by Absa of 50% plus one share of WFS.

interim
On 19 February 2009, a cash dividend of 31.5 cents per share (2008: 29.5 cents) was declared to shareholders recorded at the close of business on 13 March 2009 and paid on 16 March 2009.

final
On 26 August 2009, a final distribution/dividend of 53.5 cents per ordinary share (2008: 49.5 cents) was declared to shareholders recorded at the close of business on 25 September 2009, to be paid on 28 September 2009.

distributions to convertible, redeemable, non-cumulative participating preference shareholders

interim
On 19 February 2009, a dividend of 5.0 cents per share (2008: 3.2 cents) was declared to shareholders recorded at the close of business on 13 March 2009 and paid on 16 March 2009.

final
On 26 August 2009, a dividend of 12.3 cents per share (2008: 7.9 cents) was declared to shareholders recorded at close of business on 25 September 2009, to be paid on 28 September 2009.

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 2009.

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 86 of these financial statements.

The annual financial statements set out on pages 87 to 179 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 2010 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 136 to the annual financial statements.

subsidiary companies

An annexure containing full particulars of the subsidiary companies appears on page 178 of the annual financial statements.

events subsequent to balance sheet date

No event material to the understanding of this report has occurred between the end of the financial period and the date of this report.

special resolutions

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

Authorise the specific acquisition and subsequent cancellation of shares by the company

- Woolworths Holdings Limited

Authorise the acquisition of shares by the company

- Woolworths Holdings Limited

Amendments to memorandum and articles of association

- Woolworths Computer Services (Proprietary) Limited
- Woolworths Finance (Proprietary) Limited
- E-Com Investments 16 (Proprietary) Limited

group income statement

for the year ended 30 June

	Note	2009 Rm	Restated 2008 Rm
Revenue	2	**21 922.3**	21 752.5
Turnover	2	**21 175.0**	20 064.9
Cost of sales		**14 501.1**	13 798.3
Gross profit		**6 673.9**	6 266.6
Other revenue	2	**747.3**	1 687.6
Expenses	3	**5 783.7**	5 955.0
Store costs		**3 481.9**	3 118.1
Net bad debts and bad debt provisions		**134.2**	584.3
Other operating cost		**2 167.6**	2 252.6
Operating profit		**1 637.5**	1 999.2
Finance costs	3.6	**281.2**	502.5
Earnings from associate	12	**11.7**	1.0
Earnings from joint ventures	37	**58.1**	–
Profit before exceptional items	3	**1 426.1**	1 497.7
Exceptional items	4	**380.0**	–
Profit before tax		**1 806.1**	1 497.7
Tax	5	**546.3**	552.5
Profit for the year		**1 259.8**	945.2
Attributable to:			
Shareholders of the parent		**1 247.7**	936.7
Minority shareholders		**12.1**	8.5
Headline earnings per share (cents)	6	**109.3**	114.9
Earnings per share (cents)	6	**157.2**	114.8
Diluted headline earnings per share (cents)	7	**107.5**	112.1
Diluted earnings per share (cents)	7	**154.0**	112.0
Distributions per share declared for the financial year (cents)	32		
Ordinary shares		**179.0**	79.0
Interim		**31.5**	29.5
Special		**94.0**	–
Final		**53.5**	49.5
Preference shares		**17.3**	11.1
Interim		**5.0**	3.2
Final		**12.3**	7.9

group balance sheet

as at 30 June

	Note	2009 Rm	Restated 2008 Rm
ASSETS			
Non-current assets		**3 436.4**	2 793.1
Property, plant and equipment	9	**1 936.9**	1 810.5
Investment properties	10	**120.8**	120.8
Intangible assets	11	**350.5**	274.3
Investment in associate	12	**35.5**	25.0
Investment in joint ventures	37	**534.1**	–
Prepaid employments costs	13	**37.0**	45.5
Participation in export partnerships	14	**65.4**	66.3
Other loans	15	**126.2**	153.6
Derivative financial instruments	19	**–**	3.1
Deferred tax	16	**230.0**	294.0
Current assets		**4 868.7**	3 023.7
Inventories	17	**1 722.7**	1 371.4
Trade and other receivables	18	**745.2**	697.4
Derivative financial instruments	19	**5.8**	30.0
Tax		**3.9**	99.3
Cash		**2 391.1**	825.6
Assets of disposal group classified as held for sale	36	**–**	5 440.0
Total assets		**8 305.1**	11 256.8
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		**3 024.7**	3 525.7
Share capital	20	**1.1**	1.1
Share premium	21	**141.6**	116.0
Treasury shares held	20	**(316.6)**	(891.1)
Non-distributable reserve	22	**207.2**	279.7
Distributable reserves	22	**2 991.4**	4 020.0
Minority shareholders' interest		**47.2**	52.1
Total shareholders' interest		**3 071.9**	3 577.8
Non-current liabilities		**2 341.5**	2 271.8
Interest-bearing borrowings	23	**1 531.6**	1 503.7
Operating lease accrual	24	**456.8**	450.0
Derivative financial instruments	19	**15.7**	–
Post-retirement medical aid liability	25	**272.1**	251.2
Deferred tax	16	**65.3**	66.9
Current liabilities		**2 891.7**	3 205.1
Trade and other payables	24	**2 372.8**	1 990.7
Provisions	26	**250.4**	213.3
Derivative financial instruments	19	**141.6**	27.0
Tax		**111.7**	53.5
Overdrafts and short-term interest-bearing borrowings	23	**15.2**	920.6
Liabilities of disposal group classified as held for sale	36	**–**	2 202.1
Total equity and liabilities		**8 305.1**	11 256.8

group statement of changes in equity

for the year ended 30 June

	Note	Share capital Rm	Share premium Rm	Treasury shares Rm
Shareholders' interest at the beginning of the year – July 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		–	–	–
Shareholders' interest at the end of the year – June 2008		**1.1**	**116.0**	**(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	–	25.6	–
Shares cancelled	20	–	–	891.1
Share repurchase	20	–	–	(316.6)
Share repurchase costs		–	–	–
Distributions to shareholders	32	–	–	–
Share-based payments	20	–	–	–
Shareholders' interest at the end of the year – June 2009		**1.1**	**141.6**	**(316.6)**

Non-distributable reserve	Distributable reserves					
Foreign currency translation reserve	Share-based payment reserve	Financial instrument revaluation reserve	Retained profit	Equity attributable to shareholders of the parent	Minority shareholders' interest	Total equity
Rm	Rm	Rm	Rm	Rm	Rm	Rm
204.1	55.4	3.2	3 777.2	3 245.5	42.5	3 288.0
–	–	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
–	–	–	936.7	936.7	8.5	945.2
75.6	–	3.2	936.7	1 015.5	15.3	1 030.8
–	–	–	–	20.4	–	20.4
–	–	–	(200.0)	(200.0)	–	(200.0)
–	–	–	(3.0)	(3.0)	–	(3.0)
–	–	–	(629.8)	(629.8)	(5.7)	(635.5)
–	77.1	–	–	77.1	–	77.1
279.7	**132.5**	**6.4**	**3 881.1**	**3 525.7**	**52.1**	**3 577.8**
–	–	(71.3)	–	(71.3)	(2.9)	(74.2)
–	–	20.3	–	20.3	–	20.3
(72.5)	–	–	–	(72.5)	(8.5)	(81.0)
(72.5)	–	(51.0)	–	(123.5)	(11.4)	(134.9)
–	–	–	1 247.7	1 247.7	12.1	1 259.8
(72.5)	–	(51.0)	1 247.7	1 124.2	0.7	1 124.9
–	–	–	–	25.6	–	25.6
–	–	–	(891.1)	–	–	–
–	–	–	–	(316.6)	–	(316.6)
–	–	–	(5.0)	(5.0)	–	(5.0)
–	–	–	(1 399.2)	(1 399.2)	(5.6)	(1 404.8)
–	70.0	–	–	70.0	–	70.0
207.2	**202.5**	**(44.6)**	**2 833.5**	**3 024.7**	**47.2**	**3 071.9**

group cash flow statement

for the year ended 30 June

	Note	2009 Rm	Restated 2008 Rm
Cash flow from operating activities			
Cash inflow from trading	33.1	1 650.6	1 307.8
Working capital movements	33.2	67.3	(330.3)
Cash from/(applied to) financial services assets		20.6	(24.4)
Cash generated by operating activities		1 738.5	953.1
Interest received		549.5	1 351.1
Finance costs paid		(312.0)	(489.7)
Tax paid	33.3	(370.3)	(747.0)
Cash generated by operations		1 605.7	1 067.5
Dividends received from associate		1.2	1.1
Normal dividend to shareholders	33.4	(654.8)	(635.5)
Net cash inflow from operating activities		952.1	433.1
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(537.4)	(332.6)
Investment in property, plant and equipment and intangible assets to expand operations		(167.7)	(299.5)
Proceeds on disposal of property, plant and equipment		90.9	69.9
Proceeds on disposal of controlling interest in subsidiaries	36	875.0	–
Replacement of WFS debt funding by joint-venture partner		2 908.8	–
Cash disposed of on sale of controlling interest in subsidiaries	36	(535.1)	–
Costs incurred on disposal of controlling interest in subsidiaries	36	(48.1)	–
Participation in export partnerships		1.0	2.4
Loans and advances to employees and share scheme participants		37.5	55.7
Net cash inflow/(outflow) from investing activities		2 624.9	(504.1)
Cash flow from financing activities			
Shares issued		25.6	20.4
Repurchase of shares		–	(200.0)
Repurchase of treasury shares	20	(316.6)	–
Special dividend to shareholders	33.4	(750.0)	–
Notes redeemed		–	(436.0)
BEE transaction costs		–	(3.0)
Share repurchase transaction costs		(5.0)	–
Payment of finance lease liabilities		(9.1)	(7.9)
Long-term borrowings raised		–	1 500.0
Long-term borrowings repaid		–	(500.0)
Net cash (outflow)/inflow from financing activities		(1 055.1)	373.5
Increase in cash and cash equivalents		2 521.9	302.5
Net cash and cash equivalents at the beginning of the year		(90.7)	(422.6)
Effect of foreign exchange rate changes		(40.1)	29.4
Net cash and cash equivalents at the end of the year	33.5	2 391.1	(90.7)

notes

to the group annual financial statements

for the year ended 30 June

The consolidated annual financial statements of Woolworths Holdings Limited for the year ended 30 June 2009 comprise the company, its subsidiaries, joint ventures and associate

1. significant accounting policies

The consolidated annual financial statements of Woolworths Holdings Limited ("the company") for the year ended 30 June 2009 comprise the company, its subsidiaries, joint ventures and associate (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 (No. 61 of 1973), as amended.

basis of preparation

The annual financial statements are prepared on the historical cost basis, except where otherwise indicated.

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

– IFRIC 13 customer loyalty programmes (effective1 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 had no material impact on the group's reported results as the only customer loyalty programme the group operates is the W points programme offered to Woolworths Visa card holders, which forms a minimal part of the group's operation.

– 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, particularly when minimum funding requirements exist.

IFRIC 14 is not applicable as the defined benefit plan is not in a surplus position. IFRIC 14 had no impact on the group's reported results.

– IAS 39 and IFRS 7 reclassification of financial assets – amendment (effective 1 July 2008)

The amendment permits an entity to reclassify non-derivative financial assets out of the fair value through profit or loss category and to transfer from the available-for-sale category to the loans and receivables category in particular circumstances. The amendment had no impact on the group's reported results.

– IAS 18 revenue – amendment (effective 1 April 2009)

The amendment clarifies that an entity acts as a principal when it is exposed to the significant risks and rewards associated with the sale of goods or the rendering of services.

The amendment had no material impact on the group's reported results.

The following amendments have been adopted early by the group, but had no material impact on the reported results.

– IFRS 1 and IAS 27 cost of an investment in a subsidiary, jointly controlled entity or associate – amendments (effective 1 January 2009)

The amendments permit an entity to recognise the dividend received from subsidiaries in its separate financial statements when its right to receive the dividend is established. However, it requires the entity to consider impairment of the subsidiary when the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or when the carrying amount of the investment in the entity's separate financial statements exceeds the equity recognised in the consolidated financial statements.

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 adopted 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 follows 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 summarised information on results for the period and 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, or when the presentation or classification of items leading to a reclassification of comparatives is made, 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 at grant date of the equity instruments granted. Where an award does not vest as the result of a failure to meet a non-vesting condition within the control of either the entity or the counterparty, it is accounted for as a cancellation. 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. Costs of issuing debt instruments are accounted for under IAS 39, and costs of issuing equity instruments are accounted for under IAS 32. All other costs associated with the acquisition must be expensed.

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 considerations 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 non-controlling interest, although this may result in the non-controlling 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 will 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.

– IFRS 2 (revised) group share-based payment transactions – amendment (effective 1 January 2010)

The amendments to IFRS 2 clarify that for share-based payment transactions among group entities, in the separate financial statements, the entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. In all other circumstances, the entity receiving the goods or services shall measure the goods and services as a cash-settled share-based payment transaction.

The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction.

These amendments are not expected to have any impact on the group's reported results. The group is still assessing the financial impact on the individual company's financial statements.

– IFRS 7 (revised) financial instruments: disclosures – amendment (effective 1 January 2009)

The amendments to IFRS 7 require an entity to classify fair-value measurements for each class of financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. In addition, liquidity risk disclosure has been enhanced whereby a maturity analysis is required for non-derivative financial liabilities that shows the remaining contractual maturities and only for derivative financial liabilities when it is essential in understanding the cash flow.

These amendments are not expected to have any impact on the group's reported results other than additional disclosure of qualitative and quantitative information.

– improvements to IFRSs (effective between 1 January 2009 and 1 January 2010)

In May 2008 and April 2009, the International Accounting Standards Board (IASB) issued amendments to various IFRSs, primarily with a view to removing inconsistencies and clarifying wording. A list of the significant amendments are discussed below, excluding those that are not expected to apply to the group:

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet, but are classified according to their expected settlement date. This amendment has no impact on the group as this policy was already applied.

IAS 28 Investment in Associates: An impairment test is not separately allocated to the goodwill included in the investment balance because an investment in an associate is a single asset for the purpose of conducting the impairment test. This amendment is not expected to have any impact on the group's reported results.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate effect on the group financial statements because the recoverable amount of its cash-generating units is currently estimated using 'value in use'.

For the purpose of impairment testing, goodwill acquired in a business combination is required to be allocated to cash-generating units and these units shall not be larger than an operating segment. This amendment is not expected to have any impact on the group's reported results.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the group either has the right to access the goods or has received the service.

This amendment is not expected to have any material impact on the group's reported results.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: This amendment specifies that when an entity is committed to a sale plan involving the loss of control of a subsidiary, it shall classify all the assets and liabilities of a subsidiary as held for sale. This amendment is not expected to 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 intragroup balances, transactions, income and expenses and profit and losses resulting from intragroup 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 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 or receiving the loan. In the consolidated financial statements they are carried in equity until realised, and 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, are included in the cost of the asset when incurred if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the company, and the cost is reliably measurable.

An asset is depreciated from the time that 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 is equal to or exceeds the carrying value, depreciation is discontinued.

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

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

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 five 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 is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The residual value of an intangible asset may increase to an amount equal to or greater than the asset's carrying amount. 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 of the date that the asset is classified as held for sale (or is included in a disposal group that is classified as held for sale), or the date that the asset is derecognised.

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

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 or from investment properties when there is a change in use of the property. Transfers are also 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 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 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 foreseeable 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 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 foreseeable future.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the 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, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 of merchandise is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Management estimate, based on their assessment of quality and volume, the extent to which merchandise on hand at the reporting date will be sold below cost.

Raw materials and consumables held for 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 is recognised at the commencement date at the lower of the fair value of the leased asset or the present value of the minimum lease payments calculated using the interest rate implicit in the lease at the inception of the lease. Any initial direct costs incurred are added to the amount recognised as an asset.

Related finance costs are charged to income over the period of the lease using the effective interest rate method.

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 with fixed escalation clauses (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. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset.

Contingent rental escalations, such as those relating to turnover, are expensed in the year in which the escalation is determined.

short-term employee benefits

Short-term employee benefits include salaries, bonuses, allowances and other fringe benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay the amount and the obligation can be estimated reliably.

retirement benefits

Current contributions to defined contribution retirement funds are based on a percentage of the pensionable payroll and are recognised as an employee benefit expense when they are due.

The group has no further payment obligations once the contributions are paid.

The group has an obligation to provide certain post-employment medical aid benefits to certain employees and pensioners.

The calculated cost arising in respect of post-retirement medical aid benefits is charged to the income statement 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. Refer to note 20 for a detailed description of each of the schemes.

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

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

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

Outstanding rights to acquire shares could result in share dilution in the computation of earnings per share (refer to note 7).

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.

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

fair value

The fair value of instruments traded in an active market is determined with reference to quoted market bid and ask 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 and at fair value through profit or loss. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

loans and receivables

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 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. On 1 October 2008, these assets were no longer consolidated due to the disposal of controlling interest in WFS. Refer note 36.

other loans

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

trade and other receivables

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

cash and cash equivalents

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

financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or designated as at fair value through profit or loss.

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. After initial recognition, derivative financial instruments are measured at their fair values.

Gains and losses arising on the change in the fair value of financial assets or liabilities at fair value through profit and loss are accounted for in the income statement.

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

financial liabilities

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

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

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.

hedge accounting

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

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

impairment

non-financial assets

The carrying amount of the group's assets, other than goodwill, inventories, joint ventures and deferred tax assets (see accounting policy note on each asset mentioned respectively), 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. When impaired, the carrying amount of the asset is reduced through the use of 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 individually or collectively for assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of an impairment loss decreases due to an event occurring after recognition of the impairment, the previously recognised impairment loss is reversed. Such a reversal is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost 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. On 1 October 2008, these assets were no longer consolidated due to the disposal of controlling interest in WFS. Refer note 36.

trade and other receivables

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

treasury shares

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

investment in joint ventures

The group's interests in jointly controlled entities are accounted for by using the equity method of accounting, and the investments are accounted for at cost less accumulated impairment in the separate financial statements of the venturer companies.

Under the equity method, an investment in a joint venture is carried in the balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the joint venture.

The income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the group recognises its share of any changes and discloses this, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the profit of a joint venture is shown on the face of the income statement. This is the profit attributable to the equity holding of the joint venture and therefore is profit after tax and minority interests of the joint venture. Any dividend received by the group is credited against the investment in the joint venture.

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

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

The group determines at each balance sheet date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the group calculates the amount of impairment as being the difference between the recoverable amount of the joint venture and the carrying value and recognises the amount in the income statement.

investment in associate

An associate is an entity in which the group has significant influence. The group's investment in its associate is accounted for using the equity method of accounting.

Refer to the description of the equity method of accounting under 'investment in joint ventures'.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in associates.

The group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the recoverable amount of the associate and the carrying value and recognises the amount in the income statement.

revenue

Revenue of the group comprises:
- turnover: net merchandise sales, sales to franchisees and logistics services; and
- 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, financial services and net interest. The retail segment is further subdivided by chain being Woolworths and Country Road. Each segment has its own revenues, profits, assets and liabilities. Support charges are allocated 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 seven and 10 years, while convertible preference shares issued in terms of the broad-based black economic empowerment scheme have a life of eight years terminating in 2014. 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. The 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 is 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.

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.

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 identifies situations where an arrangement entered into may have to be accounted for as a lease. The interpretation concludes that an arrangement is a lease when fulfilment thereof is dependent on the use of specific assets and when the arrangement conveys the right to use those assets. Judgement is exercised in assessing whether existing supplier agreements may contain a lease. In the opinion of management, the requirements of IFRIC 4 were not met during the current year as suppliers do not have to use specific assets to fulfil their supply 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.

	2009 Rm	2008 Rm
2. revenue		
Turnover	**21 175.0**	20 064.9
Clothing and Home	**9 657.4**	9 328.2
Foods	**11 126.1**	10 360.3
Logistics services and other	**391.5**	376.4
Other revenue	**747.3**	1 687.6
Interest	**557.8**	1 359.8
Bank interest received	**189.4**	37.4
Financial services assets	**363.4**	1 311.7
Other	**5.0**	10.7
Royalties, franchise and other commissions	**138.0**	286.2
Rentals	**51.5**	41.6
	21 922.3	21 752.5

3. profit before exceptional items includes:

	2009 Rm	2008 Rm
3.1 Operating lease expenses		
Land and buildings – rentals	**942.1**	955.8
Plant and equipment	**2.4**	2.2
Provision for onerous lease commitments	**1.8**	16.2
3.2 Auditors' remuneration		
Audit fee	**7.8**	7.6
current year	**7.8**	7.5
prior year underprovision	**–**	0.1
Tax advisory and other services	**1.6**	1.4
3.3 Net foreign exchange loss/(profit)	**34.8**	(10.6)
3.4 Other expenses		
Technical and consulting service fees	**59.0**	99.8
Depreciation and amortisation expenses (notes 9 & 11)	**401.4**	377.9
Loss on sale of property, plant and equipment	**3.5**	0.8
Unwinding of discount of provisions	**5.4**	3.6
Loss on fair-value movements arising from derivative instruments	**79.0**	3.1
3.5 Employment costs	**2 688.1**	2 563.4
Short-term employment benefits	**2 407.8**	2 291.1
Expense of share-based payments	**70.0**	77.1
Pension costs (note 25)	**167.6**	160.5
Post-retirement medical benefits (note 25)	**33.1**	24.9
Termination and other benefits	**9.6**	9.8
3.6 Finance costs	**281.2**	502.5
Bank borrowings and overdrafts	**1.8**	104.3
Other interest-bearing borrowings	**279.4**	398.2

	2009 Rm	2008 Rm

4. exceptional items

	2009 Rm	2008 Rm
2009		
Net profit on disposal of controlling interest in Woolworths Financial Services (Proprietary) Limited (refer note 36)	380.0	–

5. tax

	2009 Rm	2008 Rm
Current year		
South Africa		
Normal tax	301.3	425.6
Deferred tax relating to the origination and reversal of temporary differences (note 16)	53.2	10.7
Deferred tax relating to the reduction in tax rates (note 16)	–	10.5
Income tax rate	–	6.7
Secondary tax on companies rate	–	3.8
Secondary tax on companies	138.0	79.3
Foreign tax	55.7	26.7
	548.2	552.8
Prior year		
South Africa		
Normal tax	(0.6)	(34.6)
Deferred tax (note 16)	(1.4)	34.3
Foreign tax	0.1	–
	546.3	552.5

	2009 %	2008 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Tax losses in subsidiaries not provided	0.1	–
Disallowable expenditure	1.3	1.9
Exempt income	–	–
Effect on opening deferred taxes of reduction in tax rate		
Income tax rate	–	0.4
Secondary tax on companies rate	–	0.3
Other	(1.1)	0.2
Prior years	(0.1)	(0.1)
Secondary tax on companies	7.8	6.1
Foreign tax	0.1	0.1
Effective rate before exceptional items	36.1	36.9
Exceptional items	(5.9)	–
Effective tax rate	30.2	36.9

6. earnings per share

Basic and headline earnings

	Profit before tax Rm	Tax Rm	Minority shareholders' interest Rm	Attributable profit Rm
2009				
Per the financial statements	**1 806.1**	**(546.3)**	**(12.1)**	**1 247.7**
BEE preference dividend paid	**(8.6)**	**–**	**–**	**(8.6)**
Basic earnings	**1 797.5**	**(546.3)**	**(12.1)**	**1 239.1**
Adjustments:				
Loss on disposal of property, plant and equipment	**3.5**	**(1.0)**	**–**	**2.5**
Net profit on disposal of controlling interest in Woolworths Financial Services (Proprietary) Limited	**(380.0)**	**–**	**–**	**(380.0)**
Headline earnings	**1 421.0**	**(547.3)**	**(12.1)**	**861.6**
2008				
Per the financial statements	1 497.7	(552.5)	(8.5)	936.7
BEE preference dividend paid	(6.7)	–	–	(6.7)
Basic earnings	1 491.0	(552.5)	(8.5)	930.0
Adjustments:				
Loss on disposal of property, plant and equipment	0.8	(0.2)	–	0.6
Headline earnings	1 491.8	(552.7)	(8.5)	930.6

Weighted average number of shares

The weighted average number of ordinary shares in issue is calculated after eliminating shares repurchased during the year.

	Number of shares 2009	2008
Weighted average number of shares	**788 269 330**	809 873 368
Number of issued shares at the beginning of the period	**795 521 457**	809 319 773
Weighted average number of shares repurchased during the period	**(9 628 031)**	(1 293 522)
Weighted average number of shares issued during the period	**2 375 904**	1 847 117
Earnings per share (cents)		
Basic	**157.2**	114.8
Headline	**109.3**	114.9

	2009 Rm	2008 Rm
7. diluted earnings per share		
Diluted earnings		
Basic earnings	1 239.1	930.0
Adjust for profit impact of assumed conversion of the dilutive potential ordinary shares:		
Pre-tax BEE preference dividend	9.5	7.4
Diluted earnings	1 248.6	937.4
Headline adjustment	(377.5)	0.6
Diluted headline earnings	871.1	938.0
Diluted weighted average number of shares		
Weighted average number of shares	788 269 330	809 873 368
Potential dilutive effect of outstanding number of share options	22 314 286	26 685 040
Diluted weighted average number of shares	810 583 616	836 558 408

The dilution arises from the outstanding in-the-money share incentive scheme share options 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.

	2009	2008
Diluted earnings per share (cents)		
Basic	154.0	112.0
% dilution	2.0%	2.4%
Headline	107.5	112.1
% dilution	1.7%	2.4%

8. related party transactions

Related parties

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

Holding company

Refer to note 8 of the company annual financial statements for the transactions between the holding company and subsidiaries.

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.

Joint ventures

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

	2009 Rm	2008 Rm
Woolworths Financial Services (Proprietary) Limited		
Customer service costs paid to Woolworths (Proprietary) Limited	32.7	–
Information system service costs paid to Woolworths (Proprietary) Limited	30.4	–
Other sundry service costs paid to Woolworths (Proprietary) Limited	2.7	–
Accounts payable to Woolworths (Proprietary) Limited	180.9	–
Accounts receivable from Woolworths (Proprietary) Limited	179.7	–
Nedglen Properties (Proprietary) Limited		
Rental paid by Woolworths Development (Proprietary) Limited	2.4	–

Associate

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

	2009 Rm	2008 Rm
Retail Risk Management Alliance Trust		
Insurance premium received from Woolworths (Proprietary) Limited	31.3	31.5
Interest received from Woolworths (Proprietary) Limited	1.8	3.5
Dividend paid to Woolworths (Proprietary) Limited	(1.2)	(1.1)
Cash loan to Woolworths (Proprietary) Limited	–	53.4
Accounts receivable from Woolworths (Proprietary) Limited	–	0.2

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.

8. related party transactions (continued)

	2009 Rm	2008 Rm
Key management compensation		
Short-term employee benefits	**46.5**	37.8
Woolworths Holdings Limited directors	**26.2**	27.9
Other key management personnel	**20.3**	9.9
Post-employment benefits	**2.0**	2.2
Woolworths Holdings Limited directors	**1.7**	1.8
Other key management personnel	**0.3**	0.4
Loss of office and restraint of trade payments	**–**	5.1
IFRS 2 value of share-based payments expensed	**4.5**	2.6
Woolworths Holdings Limited directors	**4.5**	2.2
Other key management personnel	**–**	0.4
	53.0	47.7

Short-term employee benefits comprise salaries, directors' fees and bonuses payable within 12 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.

	2009 Rm	2008 Rm
Share purchase scheme loans and investments (at cost)		
Loans and investments at the beginning of the year	**88.6**	128.8
Loans granted during the year	**0.2**	0.3
Loans repaid during the year	**(21.6)**	(40.5)
Loans and investments at the end of the year	**67.2**	88.6

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 (2008: nil).

	2009 Rm	2008 Rm
Woolworths card and Woolworths Visa credit card accounts		
Balance outstanding at the beginning of the year	**0.2**	0.2
Annual spend	**2.6**	2.2
Annual repayments	**(1.7)**	(2.2)
Balance outstanding at the end of the year	**1.1**	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 (2008: 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.

9. property, plant and equipment

	Land and buildings Rm	Leasehold improvements Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2008					
Balance at 1 July 2007					
Cost	597.3	169.9	1 665.4	502.8	2 935.4
Accumulated depreciation	–	22.0	940.8	414.0	1 376.8
Net book value	597.3	147.9	724.6	88.8	1 558.6
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)
Transfers to investment properties	(14.9)	–	–	–	(14.9)
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	602.6	173.5	907.8	126.6	1 810.5
Made up as follows:					
Cost	602.6	216.0	2 015.3	630.3	3 464.2
Accumulated depreciation	–	42.5	1 107.5	503.7	1 653.7
Net book value at June 2008	602.6	173.5	907.8	126.6	1 810.5
2009					
Current year movements					
Additions	**1.0**	**77.1**	**421.6**	**116.9**	**616.6**
Disposals/scrappings – cost	**(22.1)**	**(21.9)**	**(571.1)**	**(240.4)**	**(855.5)**
Disposals/scrappings – accumulated depreciation	**–**	**3.1**	**530.3**	**240.1**	**773.5**
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – cost (note 36)	**–**	**–**	**(8.3)**	**(16.8)**	**(25.1)**
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – accumulated depreciation (note 36)	**–**	**–**	**6.3**	**10.7**	**17.0**
Depreciation	**–**	**(18.4)**	**(252.0)**	**(89.2)**	**(359.6)**
Foreign exchange rate differences – cost	**–**	**(25.7)**	**(37.9)**	**(8.7)**	**(72.3)**
Foreign exchange rate differences – accumulated depreciation	**–**	**7.4**	**18.3**	**6.1**	**31.8**
Balance at June 2009	**581.5**	**195.1**	**1 015.0**	**145.3**	**1 936.9**
Made up as follows:					
Cost	**581.5**	**245.5**	**1 819.6**	**481.3**	**3 127.9**
Accumulated depreciation	**–**	**50.4**	**804.6**	**336.0**	**1 191.0**
Net book value at June 2009	**581.5**	**195.1**	**1 015.0**	**145.3**	**1 936.9**

9. property, plant and equipment (continued)

The net carrying amounts of assets held under finance leases were as follows:

	2009 Rm	2008 Rm
Motor vehicles	0.3	–
Computer equipment	23.8	12.1

Additions during the year include R47.9m (2008: R6.3m) of assets held under finance leases.

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

At 30 June 2009, 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	2009	192.5	109.0
	2008	189.8	109.0
Distribution centres	2009	728.8	380.1
	2008	752.1	369.2
Corporate owner-occupied properties	2009	144.4	73.8
	2008	122.8	73.6

Land and buildings are valued externally every 3 years and annually by internal valuers. The most recent external valuation was performed on 30 June 2009.

No depreciation on buildings was recognised during the current or prior year as residual values exceed 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

	2009 Rm	Restated 2008 Rm
Balance at the beginning of the year		
Cost	120.8	105.9
Current year movements		
Transfers from land and buildings	–	14.9
Balance at the end of the year	120.8	120.8

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

At 30 June 2009 investment properties were valued by external valuers at R196.7m (2008: R182.1m).

Rental income and expense from investment properties

	2009	2008
Rental income from investment properties	14.5	10.9
Direct operating expenses from investment properties that earned rental income during the period	5.7	3.9

No restrictions exist on the sale of investment properties.

Refer to note 34 for disclosure on operating leases.

11. intangible assets

	Computer Software Rm	Goodwill Rm	Total Rm
2008			
Balance at 1 July 2007			
Cost	569.2	23.0	592.2
Accumulated amortisation	287.2	–	287.2
Net book value at June 2007	282.0	23.0	305.0
Current year movements			
Additions	66.7	–	66.7
Disposals/scrappings – cost	(4.8)	–	(4.8)
Amortisation	(59.8)	–	(59.8)
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	251.3	23.0	274.3
Made up as follows:			
Cost	607.3	23.0	630.3
Accumulated amortisation	356.0	–	356.0
Net book value at June 2008	251.3	23.0	274.3
2009			
Current year movements			
Additions	**136.4**	**–**	**136.4**
Disposals/scrappings – cost	**(86.5)**	**–**	**(86.5)**
Disposals/scrappings – accumulated amortisation	**74.1**	**–**	**74.1**
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – cost (note 36)	**(18.8)**	**–**	**(18.8)**
Amount no longer consolidated due to disposal of controlling interest in subsidiaries – accumulated depreciation (note 36)	**15.7**	**–**	**15.7**
Amortisation	**(41.8)**	**–**	**(41.8)**
Foreign exchange rate differences – cost	**(13.8)**	**–**	**(13.8)**
Foreign exchange rate differences – accumulated amortisation	**10.9**	**–**	**10.9**
Balance at June 2009	**327.5**	**23.0**	**350.5**
Made up as follows:			
Cost	**624.6**	**23.0**	**647.6**
Accumulated amortisation	**297.1**	**–**	**297.1**
Net book value at June 2009	**327.5**	**23.0**	**350.5**
Goodwill			
The carrying value 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 two-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 was 12% in the current year (2008: 14.8%).

The cash flows generated by Virtual Market Place (Proprietary) Limited are based on the customer loyalty created by participation in the MySchool programme and the brand awareness that the programme generates.

12. investment in associate

Woolworths Holdings Limited is a beneficiary of Retail Risk Management Alliance Trust and, in terms of the trust deed, companies can appoint trustees and are entitled to vote according to the three-year average percentage of premium contribution per beneficiary. During 2009, the group contributed 28% (2008: 30%) of total premium. Retail Risk Management Alliance Trust also holds an investment in Unison Risk Management Alliance (Proprietary) Limited that provides insurance broking services.

The following amounts represent the group's share of the assets and liabilities, and income and profit of the associate:

	2009 Rm	2008 Rm
Total assets	**55.7**	57.9
Total liabilities	**(20.2)**	(32.9)
Net assets	**35.5**	25.0
Total revenue	**31.4**	30.3
Net profit for the year	**11.7**	1.0

R28.7m (2008: R19.9m) of the reserves in Retail Risk Management Alliance Trust and Unison Risk Management Alliance (Proprietary) Limited combined, is not distributable in terms of the Short-term Insurance Act, and protocols governing the trust. This amount is revised on an annual basis.

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

	2009 Rm	2008 Rm
13. prepaid employment costs		
Balance at the beginning of the year	**45.5**	61.4
Prepayment arising from share loans granted during the year	**1.9**	1.6
Unwinding of prepayment on loans repaid during the year	**(4.8)**	(12.6)
Current employment costs released to income statement (included in note 3.5)	**(5.6)**	(4.9)
Balance at the end of the year	**37.0**	45.5

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

	2009 Rm	2008 Rm
14. participation in export partnerships		
Balance at the beginning of the year	**66.3**	70.4
Adjustment to opening balance due to change in tax rate	**–**	(2.7)
Payments received relating to the current year	**(1.0)**	(1.0)
Current portion included in trade and other receivables (refer note 18)	**(0.9)**	(1.5)
Notional interest accrued for the year	**1.0**	1.1
Balance at the end of the year	**65.4**	66.3

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

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

Due to the terms and conditions attached 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.

	2009 Rm	2008 Rm
15. other loans		
Housing and other employee loans	**9.3**	23.6
Balance at the beginning of the year	**23.6**	36.2
Loans granted during the year	**3.5**	9.9
Loans repaid during the year	**(19.2)**	(21.8)
Current portion included in trade and other receivables (refer to note 18)	**(0.3)**	(3.4)
Interest accrued for the year (included in note 2)	**1.7**	2.7
Share purchase scheme participant loans and investments	**115.6**	128.9
Balance at the beginning of the year	**128.9**	149.3
Loans granted during the year	**5.8**	5.7
Loans repaid during the year	**(24.6)**	(30.2)
Current portion included in trade and other receivables (refer to note 18)	**(0.1)**	(0.8)
Notional interest accrued for the year (included in note 2)	**5.6**	4.9
Other	**1.3**	1.1
	126.2	153.6

Housing loans bear interest at prime less 2% (2008: prime less 2%). The carrying values of the housing loans approximate fair value. Housing loans are required to be repaid on termination of employment.

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

The fair value of share purchase loans amounted to R127.0m (2008: R138.0m) at the balance sheet date. The fair values are calculated by discounting the future cash flows arising from settlement of the loans over the expected period of repayment using market-related interest rates.

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.

	2009 Rm	2008 Rm
16. deferred tax		
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	227.1	268.3
Amount debited to the income statement	(51.9)	(55.6)
Adjustment to the opening balance resulting from reduction in tax rate		
– income tax rate	–	(6.7)
– secondary tax on companies (STC) rate	–	(3.8)
Property, plant and equipment	(10.0)	(47.9)
Prepayments	(6.4)	(2.5)
Working capital and other provisions	(47.4)	9.1
Export partnerships	0.9	4.9
Post-retirement medical aid liability	6.9	6.7
Secondary tax on companies	(2.2)	(12.9)
Other	6.3	(2.5)
Amounts (debited)/credited directly in equity		
Foreign currency translation reserve adjustment	(8.8)	15.4
Financial instrument revaluation reserve adjustment	20.3	(1.0)
Amount no longer consolidated due to disposal of controlling interest in subsidiary (refer note 36)	(22.0)	–
Balance at the end of the year	164.7	227.1
Deferred tax liability	(65.3)	(66.9)
Deferred tax asset	230.0	294.0
Net deferred tax asset	164.7	227.1
Comprising:		
Property, plant and equipment	(80.9)	(66.5)
Prepayments	(26.0)	(19.9)
Working capital and other provisions	235.5	308.2
Export partnerships	(65.3)	(66.2)
Post-retirement medical aid liability	76.2	70.3
Secondary tax on companies	25.2	2.2
Other	–	(1.0)
	164.7	227.1

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

	2009 Rm	2008 Rm
Losses available for set-off against future taxable income for which a deferred tax asset has not been raised	–	(18.4)

There are no temporary differences arising from investments in associate and joint ventures for which deferred tax liabilities have not been recognised at the balance sheet date (2008: nil).

17. inventories

	2009 Rm	Restated 2008 Rm
Merchandise	1 748.9	1 444.3
Provision for shrinkage, obsolescence and markdown of inventory	(42.3)	(88.9)
Consumables	6.9	8.3
Raw materials	9.2	7.7
	1 722.7	1 371.4
Inventories carried at net realisable value included above	179.0	177.1
Writedowns of inventories recognised in cost of sales	81.4	91.3

Inventory to the amount of R248.7m (2008: R217.5m) has been pledged as security for liabilities in Country Road.

18. trade and other receivables

On 1 October 2008, the group disposed of a 50% plus one share interest in Woolworths Financial Services (Proprietary) Limited ("WFS"). The disposal transaction included the disposal of Account On Us (Proprietary) Limited ("AOU"), a special-purpose securitisation vehicle which bought card receivables from Woolworths (Proprietary) Limited ("WPL") on a daily basis. As WPL, the main trading subsidiary of the group, retained the significant risks and rewards of ownership of the securitised card receivables, they continued to be recognised on the group balance sheet. At 30 June 2008, these assets amounted to R3 060.4m, and were, along with other assets of the WFS business, included in a disposal group in the group balance sheet.

At 30 June 2008 the assets were owned by AOU as security for notes in issue under the asset-backed note securitisation programme – refer note 23. The notes were redeemed on 1 October 2008 when the AOU securitisation programme was terminated as part of the disposal transaction.

	2009 Rm	2008 Rm
Woolworths card debtors*	–	3 707.8
Provision for impairment	–	(256.2)
Carrying value of Woolworths card debtors (refer to note 36)	–	3 451.6
Movements in the provision for impairment of Woolworths card debtors were as follows:		
Balance at the beginning of the year	**256.2**	182.6
Charge for the year	**373.4**	182.1
Amounts written off	**(385.4)**	(108.5)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries (refer to note 36)	**(244.2)**	–
Balance at the end of the year	–	256.2
Credit card receivables*	–	1 065.3
Provision for impairment	–	(105.6)
Carrying value of credit card receivables (refer to note 36)	–	959.7
Movements in the provision for impairment of credit card receivables were as follows:		
Balance at the beginning of the year	**105.6**	73.4
Charge for the year	**42.3**	175.5
Amounts written off	**(46.5)**	(143.3)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries (refer to note 36)	**(101.4)**	–
Balance at the end of the year	–	105.6
Loans to customers – non-current*	–	283.3
Loans to customers – current*	–	811.0
Provision for impairment	–	(86.0)
– non-current	–	(22.3)
– current	–	(63.7)
Carrying value of loans to customers (refer to note 36)	–	1 008.3

* The carrying amount of Woolworths card debtors, credit card receivables and loans to customers at 30 June 2008 is included in a disposal group, as defined in IFRS 5 – Non-current Assets Held for Trading and Discontinued Operations. Refer to note 36.

	2009 Rm	2008 Rm

18. trade and other receivables (continued)

	2009 Rm	2008 Rm
Movements in the provision for impairment of loans to customers were as follows:		
Balance at the beginning of the year	**86.0**	58.0
Charge for the year	**23.1**	102.8
Amounts written off	**(19.8)**	(74.8)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries (refer to note 36)	**(89.3)**	–
Balance at the end of the year	**–**	86.0
Trade and other receivables	**779.0**	709.0
Provision for impairment	**(33.8)**	(11.6)
Trade and other receivables – net	**745.2**	697.4
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	**11.6**	39.6
Charge for the year	**33.0**	13.6
Amounts written off	**(10.5)**	(41.6)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries (refer to note 36)	**(0.3)**	–
Balance at the end of the year	**33.8**	11.6

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

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

Woolworths store card debtors and credit card receivables have revolving credit terms. Loans to customers have a maximum repayment period of three years. Financial service 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 7.5% (2008: 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 prior to disposal were net charge-off rates of:

	%	%
Woolworths card debtors	**6.6**	6.9
Credit card receivables	**9.6**	9.9
Loans to customers	**8.1**	7.9

The creation and release of provisions for impaired receivables has been included in other operating costs in the income statement up to the date of disposal.

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 25% to 28.5%). Interest rates charged on credit card receivables are market-related.

18. trade and other receivables (continued)

Up to the disposal date, interest was earned on financial services assets as follows:

	2009 Rm	2008 Rm
Woolworths card debtors	**237.4**	856.1
Credit card receivables	**60.3**	209.8
Loans to customers	**65.7**	245.8
	363.4	1 311.7

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 ageing analysis of receivables is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	< 90 days delinquent	90-120 days delinquent	>120 days delinquent
2009					
Trade and other receivables	**639.9**	**542.2**	**94.2**	**2.2**	**1.3**
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

The ageing analysis above does not include the ageing of non-financial assets included in trade and other receivables. Refer to note 29.5 for the analysis of trade and other receivables. 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.

	2009 Assets Rm	2009 Liabilities Rm	2008 Assets Rm	2008 Liabilities Rm
19. derivative financial instruments				
Interest rate swaps and collars held as hedging instruments – cash flow hedges	–	15.7	35.1	(23.1)
Forward exchange contracts held as hedging instruments – cash flow hedges	5.8	62.6	13.7	(25.4)
Forward exchange contracts – not hedge accounted	–	79.0	4.7	(1.6)
	5.8	157.3	53.5	(50.1)
Total return interest rate swap included in disposal group at 30 June 2008 – refer to note 36	–	–	(20.4)	23.1
	5.8	157.3	33.1	(27.0)
Derivatives mature as follows:				
Within 12 months	5.8	141.6	50.4	(50.1)
After 12 months	–	15.7	3.1	–
	5.8	157.3	53.5	(50.1)

Total return interest rate swap

The structure of the asset-backed note programme required that the basis risk be swapped out of the special-purpose vehicle, Account On Us (Proprietary) Limited. Account On Us (Proprietary) Limited 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 was swapped for a Jibar-related return. Woolworths (Proprietary) Limited entered into a back-to-back swap with Standard Bank of South Africa Limited. On 1 October 2008, the swap was sold as part of the transaction mentioned in note 36.

Interest rate swaps

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2009 was R1 000m (2008: nil). Gains and losses on calculating the fair value of the interest rate swaps are recognised directly in equity. The swaps are reset every three months. The next payment date is expected to take place in September 2009. 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 contracts at 30 June 2009 were nil (2008: R550.0m). Gains and losses on calculating the fair value of the interest rate collars are recognised directly in equity. Interest rate collars were measured at fair value. Fair value was calculated by discounting the future cash flows arising from the collars using prevailing market interest rates. The valuation of interest rate collars was performed by external experts.

Forward exchange contracts

The notional principal amount of the outstanding contracts at 30 June 2009 amounts to R1 350.7m (2008: R1 104.1m). The related cash flows are expected to occur on the maturity dates of these contracts between one and 12 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 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.

20. ordinary share capital

	2009 Rm	2008 Rm
Authorised		
1 410 600 000 (2008: 1 410 600 000) ordinary shares of 0.15 cents each	**2.2**	2.2
89 400 000 (2008: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each.	**0.1**	0.1
	2.3	2.3
Issued		
774 731 831 (2008: 795 521 457) ordinary shares of 0.15 cents each	**1.1**	1.1
Reconciliation of value of ordinary shares in issue		
Balance at the beginning of the year	**1.1**	1.1
5 595 343 (2008: 4 074 229) ordinary shares issued amounting to R8 393 (2008: R6 111)	**–**	–
Nil (2008: 17 872 545) ordinary shares repurchased and cancelled amounting to nil (2008: R26 809)	**–**	–
26 384 969 (2008: nil) ordinary shares repurchased by subsidiary, E-Com Investments 16 (Proprietary) Limited, amounting to R39 577 (2008: nil)	**–**	–
	1.1	1.1

Reconciliation of number of ordinary shares in issue	Number of shares 2009	Number of shares 2008
Balance at the beginning of the year	**795 521 457**	809 319 773
Shares issued	**5 595 343**	4 074 229
Shares repurchased and cancelled	**–**	(17 872 545)
Shares repurchased by subsidiary	**(26 384 969)**	–
	774 731 831	795 521 457

During the year, 86 871 694 shares amounting to R891.1m were repurchased from subsidiary, E-Com Investments 16 (Proprietary) Limited and cancelled. 26 384 969 shares amounting to R316.6m were repurchased from the market by E-Com (Proprietary) Limited and are held as treasury shares by the group.

For more information on the group's capital management policy, refer to note 30.

20. ordinary share capital

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 assume 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 are valued at intrinsic value. The shares vest in tranches of 20% per annum.

	Number of shares	
	2009	2008
Shares held by participants		
Balance at the beginning of the year	**23 168 825**	32 979 168
Issued	**1 361 215**	1 252 268
Sold	**(6 410 918)**	(10 711 476)
Transferred to trust stock and shares released from the scheme	**(221 661)**	(351 135)
Balance at the end of the year	**17 897 461**	23 168 825
Market value at 30 June (rands)	**230 161 348**	236 090 327
Percentage of shares vested at 30 June	**77%**	73%
Weighted average issue price (rands)	**7.03**	6.08
Weighted average market price per share traded (rands)	**10.65**	14.64
Number of participants on management share scheme	**85**	91
Options granted to participants		
Balance at the beginning of the year	**22 926 841**	28 770 004
Granted	**326 395**	–
Exercised	**(5 535 130)**	(4 461 078)
Forfeited and expired	**(1 432 243)**	(1 382 085)
Balance at the end of the year	**16 285 863**	22 926 841
Percentage of options vested at the end of the year	**66%**	58%
Weighted average exercise price of options granted during the year (rands)	**8.81**	–
Weighted average exercise price of options outstanding at year end (rands)	**9.09**	9.59
Weighted average market price per share traded (rands)	**11.87**	16.26
Number of participants on management option scheme	**195**	205

20. ordinary share capital (continued)

Period of offer*	Number of share options outstanding 2009	2008	Original exercise price	Current exercise price**	Fair value at grant date***
8 December 1998 and 8 December 2008	–	820 578	2.60	–	–
1 January 1999 and 1 January 2009	–	38 560	2.84	–	–
2 February 1999 and 2 February 2009	–	17 500	2.90	–	–
2 February 1999 and 1 May 2009	–	93 327	3.06	–	–
3 March 1999 and 3 March 2009	–	834	4.09	–	–
14 May 1999 and 14 May 2009	–	944 543	3.22	–	–
27 May 1999 and 27 May 2009	–	43 877	4.53	–	–
23 July 1999 and 23 July 2009	**43 095**	214 653	3.80	2.83	–
29 September 1999 and 29 September 2009	**59 860**	90 223	3.77	2.80	–
21 December 1999 and 21 December 2009	**81 825**	165 891	3.84	2.86	–
10 March 2000 and 10 March 2010	**6 201**	13 203	3.51	2.53	–
25 April 2000 and 25 April 2010	**12 405**	14 080	3.21	2.23	–
25 May 2000 and 1 August 2010	**184 221**	258 841	2.70	1.72	–
30 June 2000 and 30 June 2010	**54 069**	79 027	3.00	2.02	–
27 October 2000 and 1 January 2011	**1 007 584**	1 160 042	2.77	1.79	–
1 February 2001 and 1 February 2011	**22 268**	39 118	2.82	1.84	–
1 March 2001 and 1 March 2011	**41 467**	50 500	2.82	1.83	–
1 April 2001 and 1 June 2011	**196 107**	302 074	3.03	2.04	–
1 July 2001 and 1 September 2011	**250 117**	329 155	3.33	2.34	–
1 October 2001 and 1 October 2011	**14 667**	20 422	3.59	2.60	–
1 November 2001 and 1 December 2011	**260 965**	265 629	3.59	2.59	–
1 January 2002 and 1 January 2012	**270 934**	270 934	3.46	2.46	–
1 April 2002 and 1 May 2012	**50 766**	192 972	3.43	2.43	–
4 April 2002 and 1 November 2012	**267 596**	428 145	3.98	2.97	–
20 May 2002 and 20 May 2012	**393 610**	478 931	3.78	2.77	–
1 August 2002 and 26 August 2012	**618 780**	765 905	3.98	2.98	–
1 December 2002 and 1 December 2012	**19 524**	19 524	4.38	3.36	2.20
1 January 2003 and 1 January 2013	**109 071**	353 563	4.42	3.39	2.14
1 February 2003 and 1 February 2013	**32 657**	32 657	4.49	3.46	1.84
1 March 2003 and 1 May 2013	–	259 675	4.62	3.57	1.96
1 June 2003 and 1 June 2013	–	170 249	4.69	3.64	2.16
12 August 2003 and 22 August 2013	**822 187**	1 112 623	5.16	4.10	2.88
2 September 2003 and 2 September 2013	–	7 598	5.53	5.53	2.65
22 September 2003 and 22 September 2013	**300 347**	300 347	5.76	4.66	2.31
1 October 2003 and 1 November 2013	**130 024**	130 024	6.10	4.98	2.26
1 January 2004 and 1 January 2014	**9 106**	36 914	6.43	5.28	2.69
1 January 2004 and 1 January 2014	**31 860**	69 424	7.28	6.06	2.93
1 February 2004 and 1 February 2014	**159 310**	159 310	7.25	6.03	2.67
2 March 2004 and 2 March 2014	**159 804**	226 064	6.84	5.65	2.46
1 April 2004 and 1 April 2014	**47 826**	47 826	7.33	6.10	2.63
1 June 2004 and 1 June 2014	**25 426**	76 278	7.13	5.91	2.71
1 December 2004 and 1 December 2014	**1 089 011**	1 559 112	10.59	9.06	3.55
29 March 2005 and 29 March 2015	**198 909**	542 322	10.18	8.66	3.44
Balance carried forward to page 130	**6 971 599**	12 202 474			

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

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

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

20. ordinary share capital (continued)

Period of offer*	Number of share options outstanding 2009	2008	Original exercise price	Current exercise price**	Fair value at grant date***
Subtotal	**6 971 599**	12 202 474			
4 April 2005 and 4 April 2015	–	46 435	9.99	9.99	3.22
1 May 2005 and 4 May 2015	**401 536**	597 821	9.73	8.24	3.15
1 June 2005 and 1 June 2015	–	–	10.64	10.64	3.14
1 July 2005 and 1 July 2015	**402 631**	560 826	10.33	8.80	3.30
1 August 2005 and 1 August 2015	**133 987**	133 987	11.58	9.92	3.73
24 August 2005 and 24 August 2015	**841 709**	1 057 515	11.31	9.66	3.66
1 September 2005 and 1 September 2015	**184 238**	205 926	11.64	9.96	3.67
1 October 2005 and 1 October 2015	–	–	12.71	12.71	4.22
1 November 2005 and 1 November 2015	**484 787**	745 449	12.45	10.68	4.11
3 January 2006 and 3 January 2016	**264 025**	264 025	14.11	12.16	4.43
1 March 2006 and 1 March 2016	–	–	15.81	15.81	4.89
1 April 2006 and 1 April 2016	**116 242**	116 242	16.33	14.15	5.16
1 May 2006 and 1 May 2016	**74 716**	113 354	16.56	14.35	5.27
23 August 2006 and 23 August 2016	**1 766 537**	2 046 990	13.30	11.42	4.25
1 September 2006 and 1 September 2016	**38 497**	64 161	13.17	11.31	4.10
1 October 2006 and 1 October 2016	**46 187**	119 806	13.58	11.68	4.54
4 October 2006 and 4 October 2016	**583 516**	583 516	13.71	11.80	4.64
1 November 2006 and 1 November 2016	**274 076**	274 076	15.56	13.46	5.21
14 November 2006 and 14 November 2016	**192 906**	338 319	15.74	13.61	5.06
1 December 2006 and 1 December 2016	**1 784 652**	1 784 652	16.81	14.58	5.23
15 February 2007 and 15 February 2017	**490 708**	634 688	20.35	17.75	6.57
1 March 2007 and 1 March 2017	**350 461**	350 461	20.35	17.75	6.47
1 April 2007 and 1 April 2017	**31 390**	63 585	21.53	18.78	7.07
20 April 2007 and 20 April 2017	**22 872**	22 872	22.03	19.22	7.09
15 May 2007 and 15 May 2017	**207 095**	244 266	24.13	21.11	7.08
1 June 2007 and 1 June 2017	**295 101**	355 395	22.92	20.00	7.17
17 October 2008 and 17 October 2018	**326 395**	–	10.57	8.81	1.59
	16 285 863	22 926 841			

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

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

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

20. ordinary 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 is that the group's headline earnings per share should increase by a cumulative 6% 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 cumulative 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 rights	
	2009	2008
Rights granted to participants		
Balance at the beginning of the year	**7 986 544**	–
Granted	**11 621 496**	8 356 772
Forfeited	**(1 499 928)**	(370 228)
Balance at the end of the year	**18 108 112**	7 986 544
Cumulative percentage of bonus shares vested at the end of the year	**0.0%**	0.0%
Weighted average grant price of rights outstanding	**10.51**	12.20
Number of participants on share appreciation rights scheme	**306**	265

Period of offer	**Number of rights 2009**	Number of rights 2008	Original exercise price	Current exercise price**	Fair value at grant date
16 April 2008 and 16 April 2013	**6 990 076**	7 986 554	11.95	10.26	2.78
21 August 2008 and 21 August 2013	**9 357 353**	–	11.94	10.24	2.42
19 February 2009 and 19 February 2014	**1 760 683**	–	12.95	12.95	2.54

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

20. ordinary share capital (continued)

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.

No vesting occurs unless the real headline earnings per share growth of the group equals or exceeds 5% (2% for grants after April 2008) over the three-year period, while 100% vesting will occur if real headline earnings growth over the period equals or exceeds 13% (10% for grants after April 2008). In addition, no awards vest if the group's TSR falls within the lower quartile when compared to the comparator group, while full vesting occurs if TSR falls within the upper quartile. 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 distributions 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 awards	
	2009	2008
Awards granted to participants		
Balance at the beginning of the year	**1 259 425**	–
Granted	**2 005 848**	1 259 425
Granted due to repricing**	**257 551**	–
Forfeited	**(78 791)**	–
Balance at the end of the year	**3 444 033**	1 259 425
Cumulative percentage of bonus shares vested at the end of the year	**0.0%**	0.0%
Weighted average grant price of awards outstanding (rands)	**11.99**	12
Number of participants on long term incentive plan	**22**	17

Period of offer	**Number of awards 2009**	Number of awards 2008	Exercise price	Fair value at grant date
16 April 2008 and 16 April 2013	**1 467 014**	1 259 425	11.95	8.41
21 August 2008 and 21 August 2013	**1 810 069**	–	11.94	9.83
19 February 2009 and 19 February 2014	**166 950**	–	12.95	12.00

** Additional awards have been granted to take into account the effect of the special dividend paid to the ordinary shareholders in December 2008.

20. ordinary share capital (continued)

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 distributions 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 an equity-based share-based payment.

	Number of shares	
	2009	2008
Bonus shares granted to participants		
Balance at the beginning of the year	**172 411**	–
Granted	**–**	172 411
Forfeited	**–**	–
Balance at the end of the year	**172 411**	172 411
Cumulative percentage of bonus shares vested at the end of the year	**0.0%**	0.0%
Weighted average fair value of awards granted during the year (rands)	**–**	12.50
Weighted average fair value of awards outstanding (rands)	**12.50**	12.50
Number of participants on deferred bonus plan	**5**	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.

20. ordinary share capital (continued)

Black economic empowerment scheme

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

The beneficial ownership of the shares, including the voting and distribution rights, resides with the participants of the 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 valuation, the cost of the distribution stream attached to the scheme will be added to the option costs, as a traditional share option does not receive distributions. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 4.2%, 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	
	2009	2008
Shares held by participants		
Balance at the beginning of the year	**88 267 306**	–
Issued	**–**	88 267 306
Forfeited	**–**	–
Early conversions	**–**	–
Balance at the end of the year	**88 267 306**	88 267 306
Percentage of shares vested at 30 June	**–**	–
Weighted average fair value of instruments (rands)	**2.76**	2.76
Number of participants on share scheme	**9 744**	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 81 to 83.

	2009 Rm	2008 Rm
21. share premium		
Balance at the beginning of the year	116.0	95.6
Share issues in terms of the share incentive scheme	25.6	20.4
Balance at the end of the year	141.6	116.0

	2009 Rm	2008 Rm
22. reserves		
Non-distributable reserve		
Foreign currency translation reserve	207.2	279.7
Distributable reserves		
Share-based payment reserve		
Balance at the beginning of the year	132.5	55.4
Share-based payments arising from the group's share incentive schemes	70.0	77.1
Shares	–	0.2
Share options and other	23.1	20.3
Black economic empowerment preference shares	46.9	56.6
Balance at the end of the year	202.5	132.5
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative instruments	(44.6)	6.4
Retained profit	2 833.5	3 881.1
Company	95.4	195.2
Arising on consolidation of subsidiaries	2 738.1	3 685.9
	2 991.4	4 020.0

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.

23. interest-bearing borrowings

	2009 Rm	2008 Rm
Non-current – unsecured		
Floating rate loan maturing on 30 November 2010 – Jibar plus 1.65%	**1 000.0**	1 000.0
Floating rate loan bearing interest at prime less 3.5%, maturing on 6 December 2012	**500.0**	500.0
Finance lease liabilities (refer note 35)	**31.6**	3.7
	1 531.6	1 503.7
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
Current – unsecured	**15.2**	920.6
Call loans payable on demand – floating interest rates at nil (2008: 12.4% – 13.8%)	–	916.3
Finance lease liabilities (refer note 35)	**15.2**	4.3
	15.2	3 099.6

* The notes issued were asset-backed with security provided to investors under the note programme agreement – refer note 18. At 30 June 2008, the notes were held by the Standard Bank of South Africa Limited under a warehousing agreement. The carrying value of all notes were included in the disposal group held for sale at 30 June 2008 and therefore classified as current. Refer to note 36.

Sureties for other borrowings are provided by Woolworths Holdings Limited. A 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.

The finance lease liabilities are measured at amortised cost at an average effective rate of 20.5% (2008: 23.3%). Maturity period varies between three and five years (refer note 35). The fair value of the finance lease liabilities is estimated by discounting future cash flows using a market-related interest rate applicable to the group. The fair value of the finance lease liabilities amounted to R38.5m (2008: 8.3m) at the balance sheet date.

Refer to group's liquidity risk management policies in note 29.4.

24. trade and other payables

	2009 Rm	2008 Rm
Non-current		
Operating lease accrual	**456.8**	450.0
	456.8	450.0
Current		
Trade payables	**1 583.6**	1 371.9
Other payables	**783.1**	605.7
Operating lease accrual	**6.1**	13.1
	2 372.8	1 990.7

Trade and other payables are interest-free and have payment terms of up to 30 days.
The carrying value of trade and other payables 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 Pension Funds Act of 1956, as amended. Actuarial valuations are carried out every three years for the Wooltru Retirement Fund and the other retirement funds in which Woolworths participates. 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 R167.6m (2008: R160.5m).

Woolworths subsidises a portion of the medical aid contributions of retired employees. The group values its accrued and future liability in respect of post-retirement medical aid contributions annually in June. The liability was actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions. For the purposes of the valuation it was assumed that investment returns would be 10.65% (2008: 8.5%) and would exceed medical inflation by 1.5% (2008: 1.5%) per annum. The discount rate used to value the liability at 30 June 2009 is 9% (2008: 10.7%) per annum.

At 30 June 2009, the accrued liability amounted to R272.1m (2008: R251.2m) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the group's in-house medical aid scheme. At that date, Woolworths had funded nil (2008: R1.1m) 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:

	2009 Rm	2008 Rm
Funding liability	261.6	246.8
Fair value of assets	–	(1.1)
Funding deficit	261.6	245.7
Unrecognised actuarial gain	10.5	5.5
Net obligation	272.1	251.2

25. retirement benefit information (continued)

	2009 Rm	2008 Rm
Reconciliation:		
Net obligation at the beginning of the year	**251.2**	227.2
Net movement charged to employment cost in the income statement (refer note 3.5)	**33.1**	24.9
Current service cost	**6.7**	5.7
Interest on obligation	**26.5**	19.6
Expected return on assets	**(0.1)**	(0.4)
Contribution paid	**(8.3)**	(0.9)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries*	**(3.9)**	–
Net obligation at the end of the year	**272.1**	251.2
Funding liability at the beginning of the period	**246.8**	229.2
Interest cost	**26.8**	19.6
Current service cost	**6.7**	5.7
Contributions	**(9.4)**	(8.4)
Amount no longer consolidated due to disposal of controlling interest in subsidiaries*	**(3.9)**	–
Actuarial loss/(gain)	**(5.4)**	0.7
Funding liability at the end of the period	**261.6**	246.8
Fair value of plan assets at the beginning of the year	**1.1**	8.8
Expected returns	**0.1**	0.4
Contributions	**(1.2)**	(7.5)
Actuarial loss	**–**	(0.6)
	–	1.1
Plan assets comprise the following (%):		
Capital market	**–**	11.0
Money market	**–**	13.0
Foreign assets	**–**	15.0
Equity market	**–**	61.0
	–	100.0
Actual return on plan assets:		
Expected return on plan assets	**0.1**	0.4
Actuarial gain on plan assets	**–**	(0.6)
Actual return on plan assets	**0.1**	(0.2)

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 market factors such as interest rates, inflation, credit spreads and market risk premiums.

* From 1 October 2008, due to the disposal of the controlling interest in WFS, the net post-retirement medical benefits liability for WFS is no longer included in the group obligation. The obligation relating to the employees of WFS is for the account of the joint venture.

25. retirement benefit information (continued)

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Funding liability	**261.6**	246.8	229.2	202.2	195.0
Fair value of assets	**–**	1.1	8.8	12.5	15.4
Funding deficit	**261.6**	245.7	220.4	189.7	179.6
Actuarial loss/(gain) on funding liability	**(5.4)**	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	**7.5%**	9.2%	8.2%	10.2%	
Service cost for the year ended June 2009	**6.7**	6.9	5.6	8.6	
Interest cost for the year ended June 2009	**26.8**	26.6	22.8	31.1	
Medical inflation assumption	**7.5%**	9.2%	8.2%	10.2%	
Accrued liability at June 2009	**261.6**	246.7	213.3	288.1	

The group anticipates making contributions amounting to R10.6m in the next financial year.

The obligation relating to the employees of WFS is for the account of the joint venture.

26. provisions

	Leave pay Rm	Provision for onerous lease commitments Rm	Employee benefits Rm	Total 2009 Rm	Total 2008 Rm
Balance at the beginning of the year	134.3	44.7	34.3	**213.3**	156.3
Raised	50.7	7.2	52.3	**110.2**	119.0
Released	(0.7)	(2.8)	–	**(3.5)**	(1.5)
Utilised	(41.0)	(14.6)	(11.1)	**(66.7)**	(60.5)
Amount no longer consolidated due to the disposal of controlling interest in subsidiaries (refer note 36)	(2.9)	–	–	**(2.9)**	–
Balance at the end of the year	140.4	34.5	75.5	**250.4**	213.3

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.

Employee benefits

Employee benefits include Australian long-service leave entitlements and the Country Road Executive long-term incentive scheme provision. The long-service leave entitlement 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.

27. capital commitments

	2009 Rm	2008 Rm
Commitments in respect of capital expenditure not accrued at the balance sheet date:		
Contracted for	**144.2**	314.8
Not contracted for	**479.7**	366.4
	623.9	681.2

This expenditure on items of a capital nature will be financed by cash generated from the group's activities and from available borrowing facilities.

28. contingent liabilities

Various group companies are parties to legal disputes and investigations which arise in the ordinary course of business. Whilst the outcome of some of these matters cannot readily be foreseen, the directors believe that they will be disposed of without material effect.

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.

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

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

Financial services credit risk is managed by a credit risk committee attended by two directors of the Woolworths Holdings Limited board.

29.1 Foreign currency management

The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Australian dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. It is the group's policy to fully cover all committed exposures.

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 2009 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)

2009	Contract foreign currency amount	Rand equivalent Rm	Average rate R	Fair-value adjustment Rm
Forward exchange contract				
US dollar	145.4	1 311.0	9.0	(135.5)
British pound	1.7	22.6	13.4	–
Euro	1.3	15.4	11.8	(0.6)
Australian dollar	–	–	–	–
Canadian dollar	0.2	1.5	7.6	0.1
Swiss franc	–	–	–	–
		1 350.5		(136.0)
2008				
Forward exchange contract				
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		(8.8)

At 30 June 2009, the group held 256 (2008: 316) forward exchange contracts designated as hedges of expected future purchases from suppliers outside South Africa for which the group has firm commitments. Of these, 126 (2008: 160) are designated cash flow hedges in an effective hedging relationship.

The cash flow hedges resulted in a net unrealised loss of R56.2m (2008: gain of R4.1m) with a related deferred tax asset/(liability) of R17.4m (2008: loss of R1.0m) which was included in equity in respect of these contracts.

The remaining 130 (2008: 156) forward exchange contracts are not designated as cash flow hedges. During the year, a loss amounting to R79.0m (2008: gain of R3.1m) 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	
	2009	2008	2009	2008
R/US dollar	9.1	7.3	7.9	7.9
R/Australian dollar	6.7	6.6	6.4	7.6

A reasonably possible change in the group's material transactional foreign currencies, with all other variables being equal, will increase or decrease the profit before tax and equity of the group.

In the following table, the sensitivity of the group's exposure to foreign currency risk is estimated by assessing the impact that a reasonably possible movement over the next 12 months in foreign exchange rates would have had on the profits and equity of the group at the balance sheet date.

29. financial risk management (continued)

29.1 Foreign currency management (continued)

Transactional foreign exchange risk (continued)

US dollar	Movement in exchange rate	Decrease/ (increase) on profit before tax Rm	Decrease/ (increase) on equity Rm
2009			
Foreign creditors	**+10%**	**10.9**	**7.6**
	-10%	**(9.7)**	**(6.8)**
Forward exchange contracts	**+10%**	**(45.9)**	**(101.1)**
	-10%	**46.4**	**89.0**
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

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.

	2009 Rm	2008 Rm
The group has unhedged interests in foreign subsidiaries of:		
US dollar	**433.7**	561.9
Euro	**(531.7)**	(531.1)
Australian dollar	**(11.9)**	(180.0)

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 over the next 12 months 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	Decrease/ (increase) on equity Rm
2009		
US dollar	**+10%**	**(43.3)**
	-10%	**43.3**
Euro	**+10%**	**45.3**
	-10%	**(45.3)**
Australian dollar	**+10%**	**72.1**
	-10%	**(72.1)**
2008		
US dollar	+5%	(28.1)
	-1.5%	8.4
Euro	+5%	22.6
	-1.5%	(6.8)
Australian dollar	+5%	44.1
	-1.5%	(13.2)

29. financial risk management (continued)

29.1 Foreign currency management (continued)

Transactional 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.

	2009 Rm	2008 Rm
Foreign cash balances are concentrated in the following major currencies:		
US dollar	13.4	14.4
Euro	0.1	–
Australian dollar	165.7	234.8
	179.2	249.2

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

	Movement in exchange rate	Decrease/ (increase) on equity Rm
2009		
US dollar		
	+10%	(1.3)
	-10%	1.3
Australian dollar		
	+10%	(16.6)
	-10%	16.6
2008		
US dollar	+5%	(0.7)
	-1.5%	0.2
Australian dollar	+5%	(11.7)
	-1.5%	3.5

29. financial risk management (continued)

29.2 Interest rate management

The group's interest rate risk arises from interest-bearing borrowings, cash and cash equivalents and, prior to the transaction mentioned in note 36, financial service 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 group is also exposed to the cash flow interest rate risk from its floating rate cash and cash equivalents. The cash flow interest rate sensitivity of the cash and cash equivalents is based on period-end cash balances.

The sensitivity of the group's profits and equity to its exposure to interest rate risk from borrowings is presented below. The analysis considers the impact of a reasonably possible change over the next 12 months in 3-month Jibar, with all other variables held constant. At the balance sheet date, 3-month Jibar is 7.6% (2008: 12.4%). Due to the disposal of controlling interest in subsidiaries (refer note 36), the balance of interest-bearing borrowings has decreased during the year compared to 2008. As a result, the exposure to interest rate risk has decreased substantially in 2009.

	Movement in basis points	Decrease/ (increase) on profit before tax Rm	Decrease/ (increase) on equity Rm
2009			
Floating rate loans	**+50**	**0.4**	**0.3**
	-100	**(0.8)**	**(0.5)**
Interest rate derivatives	**+50**	**–**	**(5.7)**
	-100	**–**	**11.4**
2008			
Floating rate loans	+50	2.0	1.4
	-75	(2.9)	(2.1)
Interest rate derivatives	+50	–	(1.9)
	-75	–	2.9

Reasonably possible changes in the prime interest rate will also impact the group's profits and equity. The sensitivity of the group's exposure to this variable is presented below.

2009			
Other floating rate loans	**+50**	**0.3**	**0.2**
	-100	**(0.6)**	**(0.4)**
Cash and cash equivalents	**+50**	**(12.0)**	**(8.6)**
	-100	**24.0**	**17.2**
2008			
Other floating rate loans	+50	0.4	0.3
	-75	(0.6)	(0.4)
Cash and cash equivalents	+50	0.5	0.3
	-75	(0.7)	(0.5)

As at the balance sheet date, the prime interest rate is 11.0% (2008: 15.5%).

29. financial risk management (continued)

29.2 Interest rate management (continued)

The interest rate pricing profile at 30 June 2009 is summarised as follows:

	2009 Rm	**2009 Effective interest rate** %	2008 Rm	2008 Effective interest rate %
Local interest-bearing borrowings				
Floating rate	**1 500.0**	**12.1%**	4 595.3	13.0%
% of total borrowings	**100%**		100%	

There are no foreign interest-bearing borrowings.

During 2008, the interest rate exposure on the notes maturing in February 2009, totalling R550m, was hedged using interest rate collars. These notes were repaid on 1 October 2008 (refer to note 36).

The fair values of the financial instruments at 30 June 2009 are included in note 19. These fair values are supported by observable current market transactions in similar instruments.

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 loss of R15.1m (2008: gain of R0.1m) being recognised in equity. The related deferred tax charged to equity amounted to R4.4m (2008: nil). 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
2009					
Floating rate					
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	**–**	**–**	**–**	**–**	**–**
Interest rate swaps and collars	**–**	**–**	**–**	**15.7**	**–**
2008					
Floating rate					
Notes in issue (part of disposal group, refer notes 23 & 36)	–	–	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)	–	–

29. financial risk management (continued)

29.3 Credit risk management

Credit risk arises from cash and cash equivalents, financial services assets (prior to the disposal of controlling interest in WFS), 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 enters 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 loans to directors of the group. Security of housing loans is required, while share purchase loans are secured by shares in Woolworths Holdings Limited.

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

Credit quality of financial assets

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

	Rating	2009 Rm	Rating	2008 Rm
Financial assets other than financial services assets				
Participation in export partnerships	High grade	65.4	High grade	66.3
Other loans	High grade	126.2	High grade	153.6
Cash and cash equivalents	High grade	2 391.1	High grade	825.6
Derivative financial instruments	High grade	5.8	High grade	53.5
Trade and other receivables	High grade	542.2	High grade	352.0
Financial services assets				
Loans to customers				
	Group 1	–	Group 1	23.5
	Group 2	–	Group 2	578.8
	Group 3	–	Group 3	309.0
Woolworths card debtors				
	Group 1	–	Group 1	106.3
	Group 2	–	Group 2	699.7
	Group 3	–	Group 3	1 562.1
Credit card receivables				
	Group 1	–	Group 1	14.8
	Group 2	–	Group 2	33.7
	Group 3	–	Group 3	656.9

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 six months);

Group 2 – existing customers (more than six months) with no defaults in the past; and

Group 3 – existing customers (more than six 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.

	2009 Rm	2008 Rm
Banking facilities		
Total banking facilities	3 477.0	3 791.4
Less: Drawn down portion	–	(916.3)
Total undrawn banking facilities	3 477.0	2 875.1

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 appropriate committed and uncommitted banking facilities.

None (2008: 67%) of the group's total borrowings at 30 June 2009 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
2009					
Interest-bearing borrowings	–	–	16.4	1 532.1	–
Forward exchange contracts	–	49.6	92.0	–	–
Trade and other payables	–	2 366.7	–	–	–
2008					
Interest-bearing borrowings	916.3	–	5.1	1 503.9	–
Interest-bearing borrowings included in disposal group (refer to notes 23 & 36)	–	–	2 179.0	–	–
Forward exchange contracts	–	–	27.0	–	–
Interest rate swaps and collars included in disposal group (refer to notes 19 & 36)	–	–	23.1	–	–
Trade and other payables	–	1 977.6	–	–	–

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.

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
30 June 2009					
Assets as per balance sheet					
Participation in export partnerships	65.4	–	–	–	65.4
Other loans	126.2	–	–	–	126.2
Trade and other receivables	639.9	–	–	105.3	745.2
Derivative financial instruments	–	–	5.8	–	5.8
Cash	2 391.1	–	–	–	2 391.1
Total	3 222.6	–	5.8	105.3	3 333.7

	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	1 546.8	–	–	–	1 546.8
Trade and other payables	2 278.0	–	–	94.8	2 372.8
Derivative financial instruments	–	79.0	78.3	–	157.3
Total	3 824.8	79.0	78.3	94.8	4 076.9

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
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 36):					
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 instrument	–	–	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	2 424.3	–	–	–	2 424.3
Trade and other payables	1 954.0	–	–	36.7	1 990.7
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 36):					
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)

29.6 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
2009					
Loans and receivables	**–**	**194.4**	**–**	**(22.2)**	**172.2**
Financial liabilities at amortised cost	**–**	**–**	**281.2**	**–**	**281.2**
Financial instruments at fair value through profit or loss	**(79.0)**	**–**	**–**	**–**	**(79.0)**
Derivatives used as hedging instruments (note 19)	**(71.3)**	**–**	**–**	**–**	**(71.3)**
Total	**(150.3)**	**194.4**	**281.2**	**(22.2)**	**303.1**
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 (note 19)	(4.2)	–	–	–	(4.2)
Total	(1.1)	48.1	502.5	(25.3)	524.2
Disposal group (note 36):					
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

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

The R380m gain on disposal of a controlling interest in WFS (refer note 36) includes the profit or loss on disposal of financial instruments. The group has not allocated any amount to this note.

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	
		2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Financial assets					
Participation in export partnerships	(note 14)	**65.4**	66.3	**65.4**	66.3
Other loans	(note 15)	**126.2**	153.6	**137.6**	162.7
Trade and other receivables	(note 18)	**745.2**	697.4	**745.2**	697.4
Derivative financial instruments	(note 19)	**5.8**	33.1	**5.8**	33.1
Cash	(note 33)	**2 391.1**	825.6	**2 391.1**	825.6
Disposal group (note 36):					
Loans to customers	(note 18)	**–**	1 008.3	**–**	1 008.3
Woolworths card debtors	(note 18)	**–**	3 451.6	**–**	3 451.6
Credit card receivables	(note 18)	**–**	959.7	**–**	959.7
Derivative financial instruments	(note 19)	**–**	20.4	**–**	20.4
Financial liabilities					
Interest-bearing borrowings	(note 23)	**1 546.8**	2 424.3	**1 538.5**	2 424.6
Trade and other payables	(note 24)	**2 372.8**	1 990.7	**1 990.7**	1 990.7
Derivative financial instruments	(note 19)	**157.3**	27.0	**157.3**	27.0
Disposal group (note 36):					
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

Prior to the disposal of a controlling interest in WFS, the group's strategy was to maintain a debt ratio of between 80% and 85% for the financial services segment.

Group strategy is now to maintain a broadly neutral net debt position.

The group considers share capital (note 20), share premium (note 21), non-distributable and distributable reserves (note 22) as capital. Management has made progress in meeting the following objectives:

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

The management of capital is reviewed by the board of directors on a quarterly basis. The group will manage the overall capital structure through payments to shareholders and share repurchases. The group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the needs of the group. The group monitors capital using return on equity (ROE). The group's policy is to keep ratios in line with annual targets.

The group ensures that it complies with the liquidity and solvency requirements, in terms of the Companies Act, for any share repurchase or dividend payment.

Debt covenants, which exist on long-term borrowings, are monitored by management on an ongoing basis. There has been no breach of any covenants during the year.

	2009	2008
Return on equity (%)	**26.3%**	27.5%

	2008 Rm

31. comparative figures

31.1 Reclassification of internally generated distribution costs

Internally generated distribution costs, previously included in other operating costs, are included in cost of sales for the current and comparative period. This reclassification removes a critical variable component from expenses and aligns it with sales and therefore produces a more accurate reflection of operating expense growth.

This reclassification had no impact on the reported results.

	2008 Rm
The comparatives have been reclassified as follows:	
Cost of sales as previously reported	13 076.7
Internally generated distribution costs	721.6
Cost of sales	13 798.3
Other operating cost as previously disclosed	2 077.4
Internally generated distribution costs	(721.6)
Other operating cost (refer 31.2)	1 355.8

31.2 Presentation of operating costs on income statement

Total operating costs are disclosed based on function. Previously, operating costs were disclosed under the categories: depreciation, employment, occupancy, net bad debts and bad debts provisions, and other operating costs. This new presentation aims to provide a clearer picture of the group's financial performance. This reclassification had no impact on the reported results.

	2008 Rm
The comparatives have been reclassified as follows:	
Depreciation and amortisation	374.4
Occupancy cost	1 073.6
Employment cost	2 560.6
Net bad debts and bad debt provisions	584.3
Other	6.3
Other operating cost as in 31.1	1 355.8
Total operating cost	5 955.0
The total above is disclosed as follows:	
Store costs	3 118.1
Net bad debts and bad debt provisions	584.3
Other operating cost	2 252.6

31.3 Disclosure of inventory

Settlement discounts previously netted off against provision for shrinkage, obsolescence and markdowns of inventories are disclosed as part of merchandise for the current and comparative period.

	2008 Rm
The comparatives have been reclassified as follows:	
Merchandise as previously reported	1 417.8
Settlement discount	26.5
Merchandise	1 444.3
Provision for shrinkage, obsolescence and markdowns of inventories as previously reported	(62.4)
Settlement discount	(26.5)
Provision for shrinkage, obsolescence and markdowns of inventories	(88.9)

31.4 Segment profit before tax

Segment profit before tax, assets and liabilities is disclosed separately for net interest. This reclassification had no impact on the reported results.

32. distributions to shareholders

	2009 Rm	2008 Rm
Ordinary shareholders:		
Distribution no. 20 of 46.5 cents per share was declared on 22 August 2007 and paid on 17 September 2007	–	417.1
Less: Distribution received on treasury shares	–	(33.7)
Distribution no. 21 of 29.5 cents per share was declared on 20 February 2008 and paid on 17 March 2008	–	265.3
Less: Distribution received on treasury shares	–	(25.6)
Distribution no. 22 of 49.5 cents per share was declared on 20 August 2008 and paid on 15 September 2008	437.4	–
Less: Distribution received on treasury shares	(43.0)	–
Distribution no. 23 of 94.0 cents per share was declared on 19 November 2008 and paid on 15 December 2008	831.5	–
Less: Distribution received on treasury shares	(81.7)	–
Distribution no. 24 of 31.5 cents per share was declared on 19 February 2009 and paid on 16 March 2009	251.8	–
Less: Distribution received on treasury shares	(5.4)	–
Preference shareholders:		
Distribution no. 1 of 5.1 cents per share was declared on 22 August 2007 and paid on 17 September 2007	–	4.5
Less: Distribution accruing to the holding company	–	(0.2)
Distribution no. 2 of 3.2 cents per share was declared on 20 February 2008 and paid on 17 March 2008	–	2.8
Less: Distribution accruing to the holding company	–	(0.4)
Distribution no. 3 of 7.9 cents per share was declared on 20 August 2008 and paid on 15 September 2008	7.0	–
Less: Distribution accruing to the holding company	(1.8)	–
Distribution no. 4 of 5.0 cents per share was declared on 19 February 2009 and paid on 16 March 2009	4.4	–
Less: Distribution accruing to the holding company	(1.0)	–
Total net distributions paid	1 399.2	629.8

Distribution no. 25 of 53.5 cents per share was declared to ordinary shareholders on 26 August 2009.

Distribution no. 5 of 12.3 cents per share was declared to preference shareholders on 26 August 2009.

	2009 Rm	Restated 2008 Rm
33. cash flow information		
33.1 Cash flow from trading		
Profit before exceptional item	**1 426.1**	1 497.7
Earnings from associate	**(11.7)**	(1.0)
Earnings from joint ventures	**(58.1)**	–
Depreciation and amortisation	**401.4**	377.9
Finance costs paid	**281.2**	502.5
Interest received	**(557.8)**	(1 359.8)
Loss on sale of property, plant and equipment	**3.5**	0.8
Movement in working capital and other provisions	**26.7**	179.6
Impairment of Trencor due to tax rate reduction	**–**	2.7
Post-retirement medical aid provision	**24.7**	24.0
Prepaid employment cost	**5.6**	4.9
Share-based payments	**70.0**	77.1
Operating lease accrual	**4.2**	12.0
Unrealised foreign exchange losses/(profits)	**34.8**	(10.6)
Net inflow from trading	**1 650.6**	1 307.8
33.2 Working capital movements		
Inventories	**(360.9)**	(151.5)
Trade and other receivables	**(215.7)**	(57.4)
Trade and other payables	**643.9**	(121.4)
Net inflow/(outflow)	**67.3**	(330.3)
33.3 Tax paid		
Normal and foreign tax		
Amounts receivable/(owing) at the beginning of the year	**45.8**	(200.5)
Amounts charged to income statement	**(356.4)**	(417.7)
Foreign currency translation reserve	**4.5**	(3.7)
Amount no longer consolidated due to disposal of controlling interest in subsidiary (refer note 36)	**(34.0)**	–
Amounts owing/(receivable) at the end of the year	**107.8**	(45.8)
Cash amounts (paid)/received	**(232.3)**	(667.7)
Secondary tax on companies		
Amounts charged to income statement	**(138.0)**	(79.3)
Total tax paid	**(370.3)**	(747.0)
33.4 Dividend paid to shareholders		
Normal dividend to shareholders	**(654.8)**	(635.5)
Special dividend to shareholders	**(750.0)**	–
Amounts charged to statement of changes in equity and paid	**(1 404.8)**	(635.5)
33.5 Cash and cash equivalents		
Cash		
Interest earning		
Local – variable at interest rates of 2% to 9.5% (2008: 6% to 8.8%)	**159.7**	560.3
Local – dividend account at an interest rate of 2% to 9.5% (2008: 0.5%)	**39.5**	16.1
Foreign - variable at interest rates of 0.05% to 6.75% (2008: 2.1% to 5.9%) Refer note 29.1.	**179.2**	249.2
Short-term interest-bearing deposits – variable at interest rates of 7% to 7.25% (2008: nil)	**2 012.7**	–
	2 391.1	825.6
Overdrafts and short-term interest-bearing borrowings* (refer note 23)	**–**	(916.3)
Cash and cash equivalents	**2 391.1**	(90.7)

* Excluding current floating rate notes

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

34. operating leases

The group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between one 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.

	2009 Rm	2008 Rm
34.1 Operating lease commitments		
Land and buildings:		
2009/10	**930.0**	891.9
2010/11 to 2013/14	**3 426.4**	2 850.4
Thereafter	**1 579.1**	2 292.9

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

	2009 Rm	2008 Rm
Land and buildings:		
2009/10	**24.8**	30.5
2010/11 to 2013/14	**56.8**	67.7
Thereafter	**11.3**	13.0

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

	2009 Rm	2008 Rm
Land and buildings:		
2009/10	**18.2**	19.0
2010/11 to 2013/14	**30.0**	47.3
Thereafter	**2.0**	1.0
	50.2	67.3

The operating lease accrual of R462.9m (2008: R463.1m) represents the difference between the cash flow impact and income statement impact of the above leases (refer note 24).

Contingent rent payable is calculated based on turnover level. The amount recognised in the income statement was R61.7m (2008: R58.4m).

Total minimum lease payments made during the year amount to R969.0m (2008: R970.4m).

Total minimum lease payments received during the year amount to R53.3m (2008: R41.4m).

35. finance leases

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

	2009		2008	
	Minimum payments Rm	**Present value of payments Rm**	Minimum payments Rm	Present value of payments Rm
Within one year	**16.4**	**15.2**	5.1	4.3
Between one and five years	**32.1**	**31.6**	3.9	3.7
Total minimum lease payments	**48.5**	**46.8**	9.0	8.0
Less amounts representing finance charges	**(1.7)**		(1.0)	
Present value of minimum lease payments	**46.8**	**46.8**	8.0	8.0

36. 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 complete. However, in the opinion of the directors, the conclusion of the transaction was highly probable.

The affected assets and liabilities formed part of the financial services segment and met 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 were 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 were 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

On 1 October 2008, Woolworths Financial Services (Proprietary) Limited issued shares to Absa Bank Limited to the value of R875m resulting in the dilution of the group's shareholding to 50% less one share and a net profit on disposal of a controlling interest of R380m.

The carrying value of assets and liabilities of WFS at the transaction date were as follows:

	2009 **Rm**
Loans to customers	**1 008.1**
Woolworths card debtors	**3 461.0**
Credit card receivables	**949.8**
Property, plant and equipment	**8.1**
Intangible assets	**3.1**
Cash	**535.1**
Other receivables and deferred tax	**184.8**
Assets	**6 150.0**
Interest-bearing borrowings	**(2 179.0)**
Other payables, deferred tax and provisions	**(3 019.2)**
Liabilities	**(5 198.2)**
Net asset value on disposal of controlling interest	**951.8**
The net profit on disposal is as follows:	
Proceeds	**875.0**
Additional consideration received	**29.0**
Net asset value of WFS disposed	**(475.9)**
	428.1
Costs incurred on disposal of interest in WFS	**(48.1)**
Net profit on disposal of controlling interest	**380.0**

The difference between the net asset value at disposal and net assets classified as held for sale is mainly due to the intercompany loan amount having been settled by the joint venture partner.

37. investment in joint ventures

The group has the following interest in joint ventures:

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

The following amounts represent the group's share of the aggregate amount of the assets and liabilities, and income and expenses of the joint ventures:

	2009 Rm
Assets	
Current assets	3 065.2
Non-current assets	63.2
	3 128.4
Liabilities	
Current liabilities	(170.7)
Non-current liabilities	(2 423.6)
	(2 594.3)
Net asset value	534.1
Income	669.7
Expenses	(611.6)
Profit after income tax	58.1
Share of the capital commitment of the joint ventures are as follows:	
Woolworths Financial Services (Proprietary) Limited	16.2
Nedglen Property Development (Proprietary) Limited	–

There are no contingent liabilities relating to the group's interest in the joint venture, and no contingent liabilities of the venture itself.

38. events after the balance sheet date

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

39. segmental information

39.1 Primary segmentation based on nature of business and retail chain

	Total Rm	Intra-group Rm	2009 Retail Woolworths Rm	2009 Retail Country Road Rm	Net interest Rm	Financial services Rm
Operating results						
Revenue	21 922.3	(20.4)	18 931.5	2 353.1	184.4	473.7
Turnover	21 175.0	–	18 835.2	2 335.8	–	4.0
Cost of sales	14 501.1	–	13 555.8	945.3	–	–
Gross profit	6 673.9	–	5 279.4	1 390.5	–	4.0
Other revenue	747.3	(20.4)	96.3	17.3	184.4	469.7
Expenses	5 783.7	(20.4)	4 279.4	1 268.7	–	256.0
Segmental operating profit	1 637.5	–	1 096.3	139.1	184.4	217.7
Earnings from joint ventures	58.1	–	0.7	–	–	57.4
Earnings from associate	11.7	–	11.7	–	–	–
Finance costs	281.2	–	–	0.8	134.5	145.9
Profit before tax and exceptional item	1 426.1	–	1 108.7	138.3	49.9	129.2
Return on equity*	26.3%		35.8%	22.5%		

* Return on equity for Woolworths Financial Services is not calculated for the current year due to the change in nature of the investment during the year.

	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Net interest Rm	Financial services Rm
Balance sheets						
Property, plant and equipment, investment property, intangible assets and loans	2 636.8	–	2 332.8	304.0	–	–
Inventories	1 722.7	–	1 474.0	248.7	–	–
Financial services assets	–	–	–	–	–	–
Trade and other receivables and derivative financial assets	751.0	–	715.2	35.8	–	–
Cash	2 391.1	–	212.8	165.6	2 012.7	–
Segment assets	7 501.6	–	4 734.8	754.1	2 012.7	–
Investment in joint ventures	534.1	–	0.7	–	–	533.4
Investment in associate	35.5	–	35.5	–	–	–
Tax and deferred tax assets	233.9	–	151.4	82.5	–	–
Total assets	8 305.1	–	4 922.4	836.6	2 012.7	533.4
Trade and other payables and provisions	3 556.2	–	3 182.4	373.8	–	–
Borrowings	1 500.0	–	–	–	1 500.0	–
Segment liabilities	5 056.2	–	3 182.4	373.8	1 500.0	–
Tax and deferred tax liabilities	177.0	–	123.0	54.0	–	–
Total liabilities	5 233.2	–	3 305.4	427.8	1 500.0	–
Debt ratio	18.1%	–	–	–	–	–
Depreciation	401.4	–	343.1	57.0	–	1.3
Capital expenditure – gross additions	753.0	–	610.5	142.5	–	–
Capital commitments	623.8	–	473.1	150.7	–	–
Shareholding			100.0%	87.9%		50.0%

		Restated 2008			
		Retail			
Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Net interest Rm	Financial services Rm
21 752.5	(90.8)	18 220.6	1 939.3	20.5	1 662.9
20 064.9	–	18 129.4	1 918.4	–	17.1
13 798.3	–	13 054.4	743.9	–	–
6 266.6	–	5 075.0	1 174.5	–	17.1
1 687.6	(90.8)	91.2	20.9	20.5	1 645.8
5 955.0	(90.8)	3 948.6	1 093.4	–	1 003.8
1 999.2	–	1 217.6	102.0	20.5	659.1
–	–	–	–	–	–
1.0	–	1.0	–	–	–
502.5	–	–	1.0	0.4	501.1
1 497.7	–	1 218.6	101.0	20.1	158.0
27.5%		50.2%	18.1%		10.0%*
2 471.0	–	2 211.4	254.2	–	5.4
1 371.4	–	1 154.0	217.4	–	–
5 419.6	–	–	–	–	5 419.6
750.9	–	564.4	26.9	–	159.6
825.6	–	360.9	166.0	–	298.7
10 838.5	–	4 290.7	664.5	–	5 883.3
–	–	–	–	–	–
25.0	–	25.0	–	–	–
393.3	–	294.9	66.5	–	31.9
11 256.8	–	4 610.6	731.0	–	5 915.2
2 963.3	–	2 628.8	253.3	–	81.2
4 595.3	–	–	–	–	4 595.3
7 558.6	–	2 628.8	253.3	–	4 676.5
120.4	–	71.3	29.8	–	19.3
7 679.0	–	2 700.1	283.1	–	4 695.8
40.8%	–	–	–	–	78.1%
377.9	–	313.6	58.7	–	5.6
638.4	–	525.4	99.5	–	13.5
681.2	–	485.6	195.1	–	0.5
		100.0%	87.9%		100.0%

39. segmental information (continued)

39.2 Secondary segmentation based on geographic location of customers and assets

	2009					
			Retail			
	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Net interest Rm	Financial services Rm
Revenue						
South Africa	19 381.5	(20.4)	18 642.5	101.3	184.4	473.7
Rest of Africa	245.8	–	245.8	–	–	–
Middle East	43.2	–	43.2	–	–	–
Australasia	2 251.8	–	–	2 251.8	–	–
	21 922.3	(20.4)	18 931.5	2 353.1	184.4	473.7
Turnover – based on location of end user/customers						
South Africa	18 651.5	–	18 546.2	101.3	–	4.0
Rest of Africa	245.8	–	245.8	–	–	–
Middle East	43.2	–	43.2	–	–	–
Australasia	2 234.5	–	–	2 234.5	–	–
	21 175.0	–	18 835.2	2 335.8	–	4.0
Total assets – based on location of assets						
South Africa	5 304.4	–	4 771.0	–	–	533.4
Australasia	754.1	–	–	754.1	–	–
		–	4 771.0	754.1	–	533.4
Tax and deferred tax assets	233.9					
	6 292.4					
Capital expenditure (gross) – based on location of assets						
South Africa	610.5	–	610.5	–	–	–
Australasia	142.5	–	–	142.5	–	–
	753.0	–	610.5	142.5	–	–

			Restated 2008 Retail			
	Total Rm	Intra-group Rm	Woolworths Rm	Country Road Rm	Net interest Rm	Financial services Rm
	19 546.1	(90.8)	17 953.5	–	20.5	1 662.9
	209.7	–	209.7	–	–	–
	57.4	–	57.4	–	–	–
	1 939.3	–	–	1 939.3	–	–
	21 752.5	(90.8)	18 220.6	1 939.3	20.5	1 662.9
	17 889.3	–	17 872.2	–	–	17.1
	201.3	–	201.3	–	–	–
	57.4	–	57.4	–	–	–
	1 916.9	–	–	1 916.9	–	–
	20 064.9	–	18 130.9	1 916.9	–	17.1
	10 199.0	–	4 315.7	–	–	5 883.3
	664.5	–	–	664.5	–	–
		–	4 315.7	664.5	–	5 883.3
	393.3					
	11 256.8					
	538.9	–	525.4	–	–	13.5
	99.5	–	–	99.5	–	–
	638.4	–	525.4	99.5	–	13.5

company income statement

for the year ended 30 June

	Note	2009 Rm	2008 Rm
Revenue	2	**2 723.9**	656.3
Expenses		**2.2**	0.3
Other operating cost		**2.2**	0.3
Profit before exceptional items	3	**2 721.7**	656.0
Exceptional items	4	**(317.7)**	17.5
Profit before tax		**2 404.0**	673.5
Tax	5	**139.2**	66.1
Profit for the year		**2 264.8**	607.4

company balance sheet

as at 30 June

	Note	2009 Rm	2008 Rm
ASSETS			
Non-current assets		**450.5**	429.3
Interest in subsidiaries	8	**423.6**	401.3
Participation in export partnerships	9	**26.9**	28.0
Current assets		**161.7**	345.8
Trade and other receivables	11	**0.5**	1.3
Tax		**3.3**	–
Amounts owing by subsidiaries	8	**118.4**	328.4
Cash	19.5	**39.5**	16.1
Total assets		**612.2**	775.1
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		**238.3**	312.6
Share capital	12	**1.2**	1.3
Share premium	13	**141.6**	116.0
Preference share capital	12	**0.1**	0.1
Retained profit		**95.4**	195.2
Total shareholders' interest		**238.3**	312.6
Non-current liabilities		**26.8**	27.9
Deferred tax	10	**26.8**	27.9
Current liabilities		**347.1**	434.6
Trade and other payables	14	**3.5**	2.0
Tax		**–**	8.5
Amounts owing to subsidiaries	8	**343.6**	424.1
Total equity and liabilities		**612.2**	775.1

company statement of changes in equity

for the year ended 30 June

	Note	Share capital Rm	Share premium Rm	Preference share capital Rm	Retained profit Rm	Total Equity Rm
Shareholders' interest at the beginning of the year – July 2007		1.3	95.6	–	480.5	577.4
Profit for the year		–	–	–	607.4	607.4
Issue of ordinary shares	12 & 13	–	20.4	–	–	20.4
Repurchase of shares	12 & 13	–	–	–	(200.0)	(200.0)
Issue of preference shares	12	–	–	0.1	–	0.1
BEE transaction costs		–	–	–	(3.0)	(3.0)
Dividends paid to shareholders	19	–	–	–	(689.7)	(689.7)
Shareholders' interest at the end of the year – June 2008		**1.3**	**116.0**	**0.1**	**195.2**	**312.6**
Profit attributable to shareholders		–	–	–	2 264.8	2 264.8
Issue of ordinary shares	12 & 13	–	25.6	–	–	25.6
Repurchase of shares	12 & 13	(0.1)	–	–	(828.6)	(828.7)
Issue of preference shares	12	–	–	–	–	–
Share repurchase costs		–	–	–	(3.9)	(3.9)
Dividends paid to shareholders	19	–	–	–	(1 532.1)	(1 532.1)
Shareholders' interest at the end of the year – June 2009		**1.2**	**141.6**	**0.1**	**95.4**	**238.3**

company cash flow statement

for the year ended 30 June

	Note	2009 Rm	2008 Rm
Cash flow from operating activities			
Cash outflow from trading	19.1	**(2.2)**	(1.7)
Working capital movements	19.2	**2.8**	1.0
Cash generated/(utilised) by operating activities		**0.6**	(0.7)
Interest received		**2.4**	0.1
Tax paid	19.3	**(152.1)**	(57.5)
Cash utilised by operations		**(149.1)**	(58.1)
Dividends received		**2 721.3**	655.9
Normal dividends paid to shareholders	19.4	**(700.6)**	(689.7)
Net cash inflow/(outflow) from operating activities		**1 871.6**	(91.9)
Cash flow from investing activities			
Repayment of loans by subsidiaries		**129.6**	289.9
Investment in subsidiary	8	**(340.0)**	–
Participation in export partnerships		**0.8**	2.2
Net cash (outflow)/inflow from investing activities		**(209.6)**	292.1
Cash flow from financing activities			
Shares issued		**25.6**	20.4
Repurchase of shares		**(828.8)**	(200.0)
Preference shares issued		**–**	0.1
Special dividend to shareholders	19.4	**(831.5)**	–
Share repurchase costs		**(3.9)**	–
BEE transaction costs		**–**	(3.0)
Net cash outflow from financing activities		**(1 638.6)**	(182.5)
Increase in cash and cash equivalents		**23.4**	17.7
Net cash and cash equivalents at the beginning of the year		**16.1**	(1.6)
Net cash and cash equivalents at the end of the year	19.5	**39.5**	16.1

notes to the company annual financial statements

1. significant accounting policies

The accounting policies are in line with the Woolworths Group accounting policies. Refer to page 97 of the annual financial statements.

	2009 Rm	2008 Rm
2. revenue		
	2 723.9	656.3
Interest	**2.6**	0.4
Dividends received	**2 721.3**	655.9
	2 723.9	656.3
3. profit before exceptional items includes:		
3.1 Auditors' remuneration:		
Audit fee	**2.2**	1.7
current year	**2.2**	1.7
4. exceptional items		
2009		
Impairment of investment in:		
E-Com Investments 16 (Proprietary) Limited	**(317.7)**	–
2008		
Reversal of impairment of investment in:		
Woolworths International Holdings Limited	**–**	17.5

The provision for impairment against the company's investment in E-Com Investments 16 (Proprietary) Limited is based on an assessment of fair value of the underlying net assets at the year end.

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 nil (2008: R17.5m). The provision is based on an assessment of fair value based on the underlying net assets and the exchange rates prevailing at the year end.

	2009 Rm	2008 Rm
5. tax		
Current year		
South Africa		
Normal tax	**2.3**	2.8
Deferred tax relating to the origination and reversal of temporary differences (note 10)	**(1.1)**	(7.2)
Deferred tax relating to the reduction in tax rates (note 10)	**–**	(1.2)
Income tax rate	**–**	(1.2)
Secondary tax on companies rate	**–**	–
Secondary tax on companies	**138.0**	72.3
	139.2	66.7
Prior year		
South Africa		
Deferred tax (note 10)	**–**	(0.6)
	139.2	66.1

	2009 %	2008 %
The rate of tax on profit is reconciled as follows:		
Standard rate	**28.0**	28.0
Disallowable expenditure	**–**	0.1
Exempt income	**(31.7)**	(27.3)
Effect on opening deferred taxes of reduction in tax rate		
Income tax rate	**–**	(0.2)
Other	**–**	(0.7)
Prior years	**–**	(0.1)
Secondary tax on companies	**5.8**	10.7
Effective rate before exceptional items	**2.1**	10.5
Exceptional items	**3.7**	(0.7)
Effective tax rate	**5.8**	9.8

6. 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:

	2009 Rm	2008 Rm
Executive directors		
Fees	**0.4**	0.5
Remuneration	**10.8**	12.4
Retirement, medical, accident and death benefits	**1.7**	1.8
Performance bonus	**3.7**	2.0
Loss of office and retention payments	**–**	5.1
Other benefits	**0.4**	0.4
Interest-free loan benefit	**7.8**	9.5
	24.8	31.7
Non-executive directors		
Fees	**3.1**	3.4
	3.1	3.4
	27.9	35.1

Directors' emoluments are paid by Woolworths (Proprietary) Limited.

Details of the directors' emoluments are provided in the corporate governance report on pages 79 and 80.

7. related party transactions

The nature of transactions between the company and subsidiaries of the group mainly comprise dividend received.

The company provides sureties for the banking facilities and lease obligations of certain subsidiaries. The banking facilities at year end are disclosed in note 17.2 to the annual financial statements.

Details of interests in subsidiaries and loans owing to/by subsidiaries are disclosed in note 8 and Annexure 1. For the year ended 30 June 2009, the group has not recognised any impairment losses relating to amounts owing by related parties (2008: nil).

The following related party transactions occurred during the period:

	2009	2008
Woolworths Holdings Limited		
Dividend received from subsidiary companies	**2 721.3**	655.9
Dividend paid to subsidiary company on treasury shares held by the subsidiary	**130.1**	66.0

Key management personnel

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

7. related party transactions (continued)

	2009 Rm	2008 Rm
Key management compensation		
Short-term employee benefits	**26.2**	28.2
Post-employment benefits	**1.7**	1.8
Loss of office and restraint of trade payments	**–**	5.1
	27.9	35.1

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	**88.4**	119.1
Loans granted during the year	**0.2**	0.3
Loans repaid during the year	**(25.7)**	(31.0)
Loans and investments at the end of the year	**62.9**	88.4

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 (2008: nil).

Woolworths card and Woolworths Visa credit card accounts		
Balance outstanding at the beginning of the year	**0.2**	0.2
Annual spend	**2.6**	2.0
Annual repayments	**(1.7)**	(2.0)
Balance outstanding at the end of the year	**1.1**	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 (2008: 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 group's annual financial statements.

	2009 Rm	2008 Rm
8. interest in subsidiaries		
Ordinary Shares	**401.3**	401.3
Cost	**401.3**	401.3
Provision for impairment	**–**	–
Preference shares – investment in E-Com Investments 16 (Proprietary) Limited	**22.3**	–
Cost	**340.0**	–
Investment in equity	**230.5**	–
Loan receivable	**109.5**	–
Provision for impairment	**(317.7)**	–
Investment in equity	**(230.5)**	–
Loan receivable	**(87.2)**	–
Amounts owing (to)/by subsidiaries		
Woolworths (Proprietary) Limited	**(343.6)**	(424.1)
E-Com Investments 16 (Proprietary) Limited	**118.3**	328.3
Woolworths Employee Share Ownership Trust	**0.1**	0.1
iSentials (Proprietary) Limited	**–**	–
Cost	**–**	22.1
Provision for impairment	**–**	(22.1)
Total net interest	**198.4**	305.6
Movements in the provision for impairment of shares in subsidiaries were as follows:		
Balance at the beginning of the year	**–**	17.5
Charge for the year	**317.7**	–
Amount reversed during the year	**–**	(17.5)
Balance at the end of the year	**317.7**	–
Movements in the provision for impairment of loans to iSentials (Proprietary) Limited were as follows:		
Balance at the beginning of the year	**22.1**	24.5
Amounts reversed	**(22.1)**	–
Charge for the year	**–**	–
Amount repaid during the year	**–**	(2.4)
Balance at the end of the year	**–**	22.1

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

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

The investment in preference shares of E-Com is a compound financial instrument in terms of IAS 32, and the cost is therefore split between equity and loan receivable. The loan receivable component is determined as the net present value of the investment discounted using the weighted average cost of capital applicable to the group.

The recoverable amount of the investment is determined to be the net asset value of E-Com at the end of the year. The total impairment loss is allocated to the equity component first and the balancing amount is attributable to loan receivable.

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 are their carrying values. The amount owing by subsidiaries is considered to be neither past due nor impaired except for amount owed by iSentials (Proprietary) Limited in 2008, which was fully impaired. Refer to note 16.1 for details of the company's credit risk management policies.

	2009 Rm	2008 Rm
9. participation in export partnerships		
Balance at the beginning of the year	**28.0**	31.0
Adjustment to opening balance due to change in tax rate	–	(1.1)
Payments received relating to the current year	**(0.8)**	(0.9)
Current portion included in trade and other receivables (refer note 11)	**(0.5)**	(1.3)
Notional interest accrued for the year	**0.2**	0.3
Balance at the end of the year	**26.9**	28.0

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

Participation in export partnerships is measured at amortised cost using the effective interest rate method. Amortised cost is the company's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any writedown for impairment or uncollectability. Any impairment to the participation in export partnerships would result in a corresponding reduction in the related deferred taxation liability and thus there would be no impact on the cash flow statement nor the net profit of the company.

Due to the terms and conditions attached 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 16.1 for details of the company's credit risk management policies.

	2009 Rm	2008 Rm
10. deferred tax		
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	**(27.9)**	(37.0)
Amount (debited)/credited to the income statement	**1.1**	9.1
Adjustment to the opening balance resulting from reduction in tax rate		
– income tax rate	–	1.2
Export partnerships	**1.1**	2.6
Other	–	5.3
Balance at the end of the year	**(26.8)**	(27.9)
Comprising:		
Export partnerships	**(26.8)**	(27.9)
	(26.8)	(27.9)

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

There are no temporary differences arising from investments in subsidiaries for which deferred tax liabilities have not been recognised at the balance sheet date (2008: nil).

	2009 Rm	2008 Rm

11. trade and other receivables

	2009 Rm	2008 Rm
Trade and other receivables	**0.5**	1.3
	0.5	1.3

Trade and other receivables consist of the current portion of participation in export partnerships. The balance is neither past due nor impaired.

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

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

12. ordinary and preference share capital

	2009 Rm	2008 Rm
Authorised		
1 410 600 000 (2008: 1 410 600 000) ordinary shares of 0.15 cents each	**2.2**	2.2
89 400 000 (2008: 89 400 000) convertible, redeemable, non-cumulative participating preference shares of 0.15 cents each.	**0.1**	0.1
	2.3	2.3
Issued		
801 116 800 (2008: 882 393 151) ordinary shares of 0.15 cents each	**1.2**	1.3
88 267 306 (2008: 88 267 306) preference shares of 0.15 cents each	**0.1**	0.1
	1.3	1.4
Reconciliation of value of ordinary shares in issue:		
Balance at the beginning of the year	**1.3**	1.3
5 595 343 (2008: 4 074 229) ordinary shares issued	**–**	–
86 871 694 (2008: 17 872 545) ordinary shares repurchased and cancelled	**(0.1)**	–
	1.2	1.3

	Number of shares 2009	Number of shares 2008
Reconciliation of number of ordinary shares in issue:		
Balance at the beginning of the year	**882 393 151**	896 191 467
Shares issued	**5 595 343**	4 074 229
Shares repurchased and cancelled	**(86 871 694)**	(17 872 545)
	801 116 800	882 393 151

	Rm	Rm
Reconciliation of value of preference shares in issue:		
Balance at the beginning of the year	**0.1**	–
Nil (2008: 88 267 306) preference shares issued	**–**	0.1
Nil (2008: nil) shares converted to ordinary shares	**–**	–
	0.1	0.1

	Number of shares 2009	Number of shares 2008
Reconciliation of number of preference shares in issue:		
Balance at the beginning of the year	**88 267 306**	–
Nil (2008: 88 267 306) preference shares issued	**–**	88 267 306
Shares converted to ordinary shares	**–**	–
	88 267 306	88 267 306

For more information on the company's capital management policy, refer to note 16.

	2009 Rm	2008 Rm

13. share premium

	2009 Rm	2008 Rm
Balance at the beginning of the year	**116.0**	95.6
Share issues in terms of the share incentive scheme	**25.6**	20.4
Shares repurchased and cancelled	**–**	–
Balance at the end of the year	**141.6**	116.0

14. trade and other payables

	2009 Rm	2008 Rm
Other payables	**3.5**	2.0
	3.5	2.0

Trade and other payables mainly includes audit fee accrual and dividends payable to shareholders. The carrying value of trade and other payables approximates the fair value.

15. contingent liabilities

The company provides sureties for the banking facilities (refer note 29.4 to the group financial statements) and lease obligations of certain subsidiaries. In the opinion of the directors, the possibility of loss arising therefrom is remote.

16. financial risk management

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

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

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

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

16. financial risk management (continued)

16.1 Credit risk management

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

The company only deposits short-term cash surpluses with major banks of high quality credit standing. Trencor Limited has materially warranted certain important cash flow aspects of the company's participation in export partnerships, thus the credit quality of this receivable is considered to be high. Trade and other receivables consist mainly of interest receivable from Trencor Limited. Refer to note 8 for details of amount owing by subsidiaries.

Credit quality of financial assets

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

	2009 Rm	2008 Rm
Financial assets		
Amount owing by subsidiaries	**118.4**	328.4
Participation in export partnerships	**26.9**	28.0
Cash and cash equivalents	**39.5**	16.1
Trade and other receivables	**0.5**	1.3

16.2 Liquidity management

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

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

	On demand	
	2009 Rm	2008 Rm
Amount owing to subsidiaries	**343.6**	424.1
Trade and other payables	**3.5**	2.0

16.3 Interest rate management

The company's interest rate risk arises from interest-bearing cash balances.

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

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

	Movement in basis points	Decrease/ (increase) on profit before tax Rm	Decrease/ (increase) on equity Rm
2009			
Cash	**+50**	**(0.2)**	**(0.1)**
	-100	**0.4**	**0.3**
2008			
Cash	+50	(0.1)	(0.1)
	-75	0.1	0.1

16. financial risk management (continued)

16.4 Financial instruments by category

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

	2009 Rm	2008 Rm
Loans and receivables		
Participation in export partnerships	**26.9**	28.0
Amounts owing by subsidiaries	**118.4**	328.4
Trade and other receivables	**0.5**	1.3
Cash	**39.5**	16.1
Total	**185.3**	373.8
Financial liabilities at amortised cost		
Amounts owing to subsidiaries	**343.6**	424.1
Trade and other payables	**3.5**	2.0
Total	**347.1**	426.1

16.5 Gains and losses on financial instruments

The table below summarises the gains and (losses) in financial instruments.

	Interest income Rm	Impairment loss Rm	Total Rm
2009			
Loans and receivables	**2.6**	**–**	**2.6**
2008			
Loans and receivables	0.4	(18.8)	(18.4)

17. management of capital

The company considers the management of capital with reference to the group policy. Refer to note 30 of the group annual financial statements.

	2009 Rm	2008 Rm
18. distributions to shareholders		
Ordinary shareholders:		
Distribution no. 20 of 46.5 cents per share was declared on 22 August 2007 and paid on 17 September 2007	–	417.1
Distribution no. 21 of 29.5 cents per share was declared on 20 February 2008 and paid on 17 March 2008	–	265.3
Distribution no. 22 of 49.5 cents per share was declared on 20 August 2008 and paid on 15 September 2008	437.4	–
Distribution no. 23 of 94.0 cents per share was declared on 19 November 2008 and paid on 15 December 2008	831.5	–
Distribution no. 24 of 31.5 cents per share was declared on 19 February 2009 and paid on 16 March 2009	251.8	–
Preference shareholders:		
Distribution no. 1 of 5.1 cents per share was declared on 22 August 2007 and paid on 17 September 2007	–	4.5
Distribution no. 2 of 3.2 cents per share was declared on 20 February 2008 and paid on 17 March 2008	–	2.8
Distribution no. 3 of 7.9 cents per share was declared on 20 August 2008 and paid on 15 September 2008	7.0	–
Distribution no. 4 of 5.0 cents per share was declared on 19 February 2009 and paid on 16 March 2009	4.4	–
Total net distributions paid	1 532.1	689.7

Distribution no. 25 of 53.5 cents per share was declared to ordinary shareholders on 26 August 2009.

Distribution no. 5 of 12.3 cents per share was declared to preference shareholders on 26 August 2009.

	2009 Rm	2008 Rm
19. cash flow information		
19.1 Cash flow from trading		
Profit before exceptional item	2 721.7	656.0
Interest received	(2.6)	(0.4)
Movement in working capital and other provisions	–	(0.1)
Provision for impairment of loan to subsidiary	–	(2.4)
Impairment of Trencor due to tax rate reduction	–	1.1
Dividends received	(2 721.3)	(655.9)
Net outflow from trading	(2.2)	(1.7)
19.2 Working capital movements		
Trade and other receivables	1.3	0.7
Trade and other payables	1.5	0.3
Net inflow	2.8	1.0
19.3 Tax paid		
Normal and foreign tax		
Amounts (owing)/receivable at the beginning of the year	(8.5)	9.1
Amounts charged to income statement	(2.3)	(2.8)
Amounts (receivable)/owing at the end of the year	(3.3)	8.5
Cash amounts (paid)/received	(14.1)	14.8
Secondary tax on companies		
Amounts charged to income statement	(138.0)	(72.3)
Total tax paid	(152.1)	(57.5)
19.4 Distributions to shareholders		
Normal dividend to shareholders	(700.6)	(689.7)
Special dividend to shareholders	(831.5)	–
Amounts charged to statement of changes in equity and paid	(1 532.1)	(689.7)
19.5 Cash and cash equivalents		
Cash		
Interest earning		
Local – dividend account at an interest rate of 2% to 9.5% (2008: 0.5%)	39.5	16.1
Cash and cash equivalents	39.5	16.1

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

20. events after the balance sheet date

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

annexure 1

			2009 Carrying value of shares Rm	2009 % Holding	2008 Carrying value of shares Rm	2008 % Holding
Interest in subsidiaries						
Directly held			423.6		401.3	
Woolworths (Proprietary) Limited	R	1	–	100.0	–	100.0
Woolworths Finance (Proprietary) Limited*	D	1	–	100.0	–	100.0
Woolworths Developments (Proprietary) Limited	P	1	–	100.0	–	100.0
Woolworths Computer Services (Proprietary) Limited	D	1	–	100.0	–	100.0
Woolworths International Holdings Limited	H	5	401.3	100.0	401.3	100.0
E-Com Investments 16 (Proprietary) Limited	H	1	22.3	100.0	–	100.0
Woolworths Holdings Share Trust**			–	–	–	–
Woolworths Employee Share Ownership Trust**			–	–	–	–
Indirectly held						
Woolworths International (SA) (Proprietary) Limited (sold to Woolworths (Proprietary) Limited in March 2009)	D	1		100.0		100.0
Woolworths (Namibia) (Proprietary) Limited	D	2		100.0		100.0
Woolworths Pharmaceuticals (Proprietary) Limited*	D	1		100.0		100.0
Woolworths (Claremont) Properties Share Block (Proprietary) Limited*	D	1		100.0		100.0
Woolworths (Lesotho) (Proprietary) Limited*	D	3		100.0		100.0
Woolworths (Swaziland) (Proprietary) Limited*	D	4		100.0		100.0
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 (NZ) Limited	R	8		87.9		87.9
Country Road Properties (Proprietary) Limited	P	7		87.9		87.9
Country Road Australia Limited	R	5		87.9		87.9
Country Road International (Proprietary) Limited	F	7		87.9		87.9
Country Road (Hong Kong) Limited	R	9		87.9		87.9
Universal Product Networks (Proprietary) Limited	L	1		100.0		100.0
inthebag (Proprietary) Limited	R	1		100.0		100.0
Virtual Market Place (Proprietary) Limited****	R	1		100.0		100.0
Interest in joint ventures						
Woolworths Financial Services (Proprietary) Limited	F	1		50% – 1 share		100.0
Nation-wide Recovery Services (Proprietary) Limited	D	1		–		100.0
Up-front Investments 132 (Proprietary) Limited	F	1		–		100.0
Account On Us (Proprietary) Limited*****	F	1		–		–
iSentials (Proprietary) Limited	R	1		–		100.0
Nedglen Property Developments (Proprietary) Limited	P	1		30.0		30.0
			423.6		401.3	
Amounts owing by/(to) subsidiaries						
Woolworths (Proprietary) Limited			(343.6)		(424.1)	
Country Road Limited			–		–	
E-Com Investments 16 (Proprietary) Limited			118.3		328.3	
Woolworths Employee Share Ownership Trust			0.1		0.1	
Total interest			198.4		305.6	

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

* Submitted to CIPRO for deregistration.

** 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 Woolworths Trust is an intermediate holding entity for Woolworths Worldwide Limited (Guernsey). Woolworths Holdings Limited is a beneficiary of the trust.

**** 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.

***** In 2008, 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.

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

	2009 Rm	2008 Rm
Profits	**1 916.9**	1 203.8
Losses	**(0.7)**	(8.1)
	1 916.2	1 195.7

glossary of financial terms

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.

actuarial gains or losses

Actuarial gains and losses comprise:

1. experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
2. the effects of changes in actuarial assumptions.

black-scholes model

A valuation equation that assumes the price of the underlying asset changes continuously through to the option's expiration date by a statistical process known as geometric Brownian motion.

binomial option pricing model

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

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:

1. is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
2. could affect profit or loss.

cash-generating unit

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

company

Woolworths Holdings Limited – a legally incorporated business entity registered in terms of the Companies Act 61 of 1973 in South Africa.

consolidated financial statements

The financial results of the group presented as those of a single economic entity.

contingent liability

1. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of an entity.
2. A present obligation that arises from past events but is not recognised because:
   - 2.1 it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   - 2.2 the amount of the obligation cannot be measured with sufficient reliability.

control

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.

defined benefit plan

Post-employment benefit plans other than defined contribution plans.

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.

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.

deferred tax assets

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

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

deferred tax liabilities

The amounts of income tax payable in future periods in respect of taxable temporary differences.

derivative

A financial instrument or other contract with all three of the following characteristics:

1. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index pf prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

2. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in, market factors; and
3. it is settled at a future date.

dilution

A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

disposal group

A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

equity-settled share-based payment transaction

A share-based payment transaction in which the entity 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:
1. cash;
2. an equity instrument of another entity;
3. a contractual right:
   - 3.1 to receive cash or another financial asset from another entity; or
   - 3.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
4. a contract that will or may be settled in the entity's own equity instruments and is:
   - 4.1 a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
   - 4.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

financial asset or financial liability at fair value through profit or loss

A financial asset or financial liability that meets either of the following conditions,

1. it is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:
   - 1.1 acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   - 1.2 that forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   - 1.3 that is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

2. Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted or when doing so results in more relevant information, because either
   - 2.1 it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
   - 2.2 a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

financial instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

financial liability

Any liability that is:
1. a contractual obligation:
   - 1.1 to deliver cash or another financial asset to another entity; or
   - 1.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

2. a contract that will or may be settled in the entity's own equity instruments and is:
   - 2.1 a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
   - 2.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

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.

hedging instrument

A designated derivative or, for a hedge of the risk of changes in foreign currency exchange rates only, a designated non-derivative financial asset or non-derivative financial liability, whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

hedged item

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.

hedge effectiveness

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

held for trading financial instrument

See financial asset or financial liability at fair value through profit or loss.

intangible asset

An identifiable non-monetary asset without physical substance.

interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

intrinsic value

The difference between the fair value of the shares to which the counterparty has the (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:

1. those that the entity intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
2. those that the entity upon initial recognition designates as available-for-sale; or
3. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.

long-term incentive plan

The long-term incentive plan provides eligible employees with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares 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 exceed 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:

1. directly, or indirectly through one or

more intermediaries, the party:
   1.1 controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   1.2 has an interest in the entity that gives it significant influence over the entity; or
   1.3 has joint control over the entity;
2. the party is an associate of the entity;
3. the party is a joint venture in which the entity is a venturer;
4. the party is a member of the key management personnel of the entity or its parent;
5. the party is a close family member of any individual referred to in (1) or (4) above;
6. 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 (4) or (5) above; or
7. 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:
1. interest, including interest incurred on advances or loans from other segments;
2. losses on sales of investments;
3. an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method;
4. income tax expense; and
5. general administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as a whole.

segment result

Segment revenue less segment expense before any adjustments for minority 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:
1. interest or dividend income unless the segment's operations are primarily of a financial nature; or
2. 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

An 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

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company registration number
1929/001986/06

country of incorporation
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analysis of shareholders

ordinary shareholder spread

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of share holders at 30 June 2009 was as follows:

Shareholder spread	Number of shareholders	% of total	Number of shares	% of total
1 – 1 000 shares	5 474	42.68	2 102 290	0.26
1 001 – 10 000 shares	5 356	41.76	20 148 828	2.52
10 001 – 100 000 shares	1 446	11.28	42 844 069	5.35
100 001 – 1 000 000 shares	418	3.26	135 039 719	16.85
1 000 000 shares and over	131	1.02	600 981 894	75.01
	12 825	100.00	801 116 800	100.00

Public and non-public	Number of shareholders	% of total	Number of shares	% of issued capital
Public shareholders	12 814	99.91	739 469 131	92.31
Non-public shareholders:				
Directors and their associates	9	0.07	17 365 239	2.17
E-Com Investments 16 (Pty) Ltd	1	0.01	26 384 969	3.29
Share trust	1	0.01	17 897 461	2.23
	12 825	100.00	801 116 800	100.00

major shareholders

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held directly and indirectly beneficially in excess of 3% of any class of the issued share capital at 30 June 2009.

Beneficial shareholders	Shares held	% of total
Government Employees Pension Fund	72 063 747	9.00
Liberty Life Association of Africa	49 072 567	6.13
Sanlam Insurance	35 257 961	4.40
Investment Solutions	34 862 124	4.35
E-Com Investments 16 (Pty) Ltd	26 384 969	3.29
	217 641 368	27.17

To the best of the directors' knowledge, the percentage of the company's shares held by non-South African shareholders at 30 June 2009 was 16.6%.

Category	Number of shareholders	Shares held	% of total
Charity	5	1 622 857	0.20
Corporate holding	2	41 697 622	5.21
Custodians	16	5 364 572	0.67
Collateral	2	1 247 098	0.16
Foreign government	6	13 625 383	1.70
Hedge fund	2	499 381	0.06
Insurance companies	12	109 093 019	13.62
Investment trust	2	9 941 392	1.24
Local authority	1	248 001	0.03
Mutual fund	5	1 362 764	0.17
Other managed funds	57	88 381 260	11.03
Pension funds	90	262 754 272	32.80
Private investors	20	43 339 746	5.41
Trading position	2	683 326	0.09
Unit trusts	123	210 726 340	26.30
University	1	759 025	0.09
Remainder		9 770 742	1.22
	346	801 116 800	100.00

chairman's letter to shareholders

I invite you to attend the annual general meeting of Woolworths Holdings Limited.

Dear Shareholder

I invite you to attend the annual general meeting of Woolworths Holdings Limited to be held at 09h00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on Thursday, 19 November 2009.

I urge you to attend and vote your shares at the annual general meeting as this is your opportunity to meet and question members of the board.

explanatory notes on resolutions

resolution 1: ordinary resolution – adoption of the annual financial statements
Receive and consider for adopting the annual financial statements of the company and the group for the financial year ended 30 June 2009. This is ordinary business, apart from the sale of 50 percent less one share in Woolworths Financial Services (Proprietary) Limited to Absa Limited, as per our announcement dated 2 October 2008.

resolution 2: ordinary resolution – re-appointment of auditors
Authorise the company to re-appoint the joint auditors Messrs Ernst & Young Incorporated and Messrs SAB & T Incorporated.

resolution 3: ordinary resolution – increase in the remuneration for the non-executive directors
Approve the non-executive directors' fees for the financial year commencing 1 July 2009.

resolutions 4 to 9: 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 appointed since the last annual general meeting and directors who are due to retire by rotation. In line with this

requirement, Lindiwe Mthimunye-Bakoro and Namhla Thina Siwendu, who were appointed on 26 August 2009, and Peter Bacon, Brian Frost, Mike Leeming and Zyda Rylands retire and, being eligible, offer themselves for re-election.

A brief curriculum vitae of each director seeking re-election may be found in the notice of the annual general meeting on page 188.

resolution 10: 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 11: special resolution – general authority to repurchase shares
Authorise the directors, through a general authority, to allow the company and/or its subsidiaries to repurchase the company's shares during the course of the year.

The company will publish an announcement complying with the JSE Listings Requirement if and when an initial and successive three percent tranche(s) of its shares have been repurchased in terms of this general authority.

The company's sponsor will provide a letter to the JSE, regarding the directors' statement as to the adequacy of the group's working capital, in terms of this general authority.

resolution 12: ordinary resolution – authority to sign all documents required
Authorise the directors and group secretary to implement ordinary resolution 10 and the special resolution.

disclosures

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 10 and 11
- major shareholders of the company: page 185
- directors' interests in shares: page 81
- share capital of the company: pages 172 and 185.

litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on pages10 and 11 of the annual report of which this letter 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 within the previous 12 months, a material effect on the group's financial position.

directors' responsibility statement

The directors, whose names are given on pages 10 and 11 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the resolutions in the notice of the annual general meeting on page 188 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 the notice of annual general meeting.

attendance at annual general meeting

I look forward to welcoming you to 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 2009

notice
of annual general meeting

Notice is hereby given that the 2009 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, 19 November 2009, to consider and if thought fit, to pass, with or without, amendment the following ordinary and special resolutions:

1. **Ordinary resolution number 1 – Adoption 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 2009, be and are hereby approved."

2. **Ordinary resolution number 2 – Re-appointment of auditors**
   "Authorise the company to re-appoint the joint auditors, Messrs Ernst & Young Incorporated (with the designated auditor currently being Mr R Isaacs) and Messrs SAB & T Inc (with the designated auditor currently being Mr A Darmalingham)."

3. **Ordinary resolution number 3 – Increase in 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 2009, details of which are contained in the corporate governance section of the annual report of the company 2009, be and are hereby approved."

4. **Ordinary resolution number 4 – Re-election of director**
   "Resolved as an ordinary resolution that Mr Peter Douglas St. John Bacon, 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 63
   National Diploma in Hotel Keeping and Catering – (UK), Fellow of the Institute of Hospitality (FIH), S.E.P. Stanford.

   Other directorships include: National Sea Rescue Institute (Chairman) and Cape Town Routes Unlimited (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.

5. **Ordinary resolution number 5 – Re-election of director**
   "Resolved as an ordinary resolution that Ms Lindiwe Mthimunye-Bakoro, 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 35
   BCom CA(SA), HDip Accounting (UCT), HDip Tax Law (WITS)

   Other directorships include: Group Five Limited, Imperial Bank Limited, Sea Harvest Corporation Limited, Palau Structured Solutions (Proprietary) Limited, Vega Capital Partners (Proprietary) Limited and Inamac Capital Partners Group (Proprietary) Limited.

   Lindiwe joined Rand Merchant bank in 1999 specialising in structured and project finance after completing her articles at KPMG. She became a non-executive director in 2009.

6. **Ordinary resolution number 6 – Re-election of director**
   "Resolved as an ordinary resolution that Mr Brian James Frost, 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 65
   BCom, 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.

7. **Ordinary resolution number 7 – Re-election of director**
   "Resolved as an ordinary resolution that Mr Michael John Leeming, who retires in accordance with the articles of association and, being eligible, offers himself for re-election, be and is hereby re-elected as a director."

   Brief curriculum vitae
   Age 65
   BCom, MCom, 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.

8. **Ordinary resolution number 8 – Re-election of director**
   "Resolved as an ordinary resolution that Ms Zyda Rylands, 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 44
BCom (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 People director of Woolworths (Proprietary) Limited in 2005 and was appointed to the board of Woolworths in 2006.

9. **Ordinary resolution number 9 – Re-election of director**
"Resolved as an ordinary resolution that Ms Namhla Thina Yvonne Siwendu, 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 43
BSocSc (Hons), LLB (SA)

Other directorships include: Grinrod Limited, Kearsney College, Mawavune Woman's Investments (Proprietary) Limited, Airports Company of South Africa Limited and Camberely Investments (Proprietary) Limited.

Thina has been a partner of Siwendu and Partners Incorporated since 2001, specialising in the area of Corporate Governance Law and Regulation and previously completed her articles at the law firm Cheadle Thompson and Haysom. She became a non-executive director in 2009.

10. **Ordinary resolution number 10 – 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 Listings Requirements of the JSE Limited ("JSE") 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, and to make distributions in terms of section 46 of the Companies Act, 2008 (No. 71 of 2008), in such amount and in such form as the directors may in their discretion from time to time determine, provided that:

10.1 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;

10.2 such payment may not, in the aggregate, exceed 20% 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;

10.3 such payments shall be made pro rata to all shareholders; and

10.4 such general authority shall not be required for the declaration and payment of, or preclude the company or the directors from declaring and paying dividends."

The directors may utilise the authority in terms of ordinary resolution number 10 in order to make payments to shareholders if and when deemed appropriate. Announcements complying with Schedule 24 of the Listings Requirements of the JSE, 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.

11. **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, section 48 of the Companies Act, 2008 (No. 71 of 2008), the company's articles of association and the Listings Requirements of the JSE Limited ("JSE"); provided that:

11.1 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 counter party, reported trades being prohibited;

11.2 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

11.3 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;

11.4 when the company has cumulatively repurchased 3% 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% in aggregate of the initial number of that class acquired thereafter, a press announcement must be made containing the details required in terms of the Listings Requirements of the JSE in respect of such acquisitions;

11.5 no repurchase of shares shall be effected during a prohibited period as contemplated in the Listings Requirements of the JSE unless they have in place a repurchase programme where the date 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;

11.6 after such acquisition, the company will still comply with the Listings Requirements of the JSE concerning shareholder spread requirements;

11.7 the company only appoints one agent to effect any acquisitions on its behalf;

11.8 the aggregate of such acquisitions may not, in any one financial year, exceed 20% of the company's issued share capital of that class as at the date of grant of this general authority;

11.9 the aggregate of such acquisitions held by subsidiaries of the company may not exceed 10% of the company's issued share capital at any one time; and

11.10 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 Listings Requirements of the JSE."

12. Ordinary resolution number 11 – Authority to sign all documents required

"Resolved as an ordinary resolution that each of the directors and the group secretary be and he or she 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 10 and the special resolution to be proposed at the annual general meeting at which this resolution will be proposed."

The reasons for and the effects of ordinary resolution number 10 and the special resolution.

The reason for and the effect of ordinary resolution number 10, if passed, is to provide a general authority in terms of the Listings Requirements of the JSE, to allow the company to make payments to shareholders 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, the Companies Act, 2008 (No. 71 of 2008) and the Listings Requirements of the JSE for the acquisition by the company and/or its subsidiaries of shares issued by the company.

The directors, having considered the effects of the repurchase of the maximum number of shares in terms of the foregoing general authority, consider that for a period of 12 months after the date of the notice of this annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group; and
- the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The directors consider that such general authority should be put in place in order to repurchase the company's shares should an opportunity to do so, which is in the best interests of the company and its shareholders, present itself during the year.

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, 17 November 2009.

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 2009

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 number: 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) or broker and 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 annual general meeting of shareholders of the company to be held in the Auditorium, 1st Floor Woolworths House, 93 Longmarket Street, Cape Town, 8001 at 09h00 on Thursday, 19 November 2009, and at any adjournment thereof ("the annual general meeting").

If you are a shareholder referred to above, and are 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 shares 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 ____________________ failing him/her,

2. ____________________ of ____________________ failing him/her,

3. the Chairman of the annual general meeting, as my/our proxy to attend, speak and on a poll to vote or abstain from voting on my/our behalf, as indicated below, at the annual general meeting and/or at any adjournment thereof

Resolution	For	Against	Abstain
Ordinary resolution 1 – adoption of the annual financial statements			
Ordinary resolution 2 – re-appointment of joint auditors and individual auditor			
Ordinary resolution 3 – increase in the remuneration for the non-executive directors			
Ordinary resolution 4 – re-election of P Bacon as a director			
Ordinary resolution 5 – re-election of L Mthimunye-Bakoro as a director			
Ordinary resolution 6 – re-election of B Frost as a director			
Ordinary resolution 7 – re-election of M Leeming as a director			
Ordinary resolution 8 – re-election of Z Rylands as a director			
Ordinary resolution 9 – re-election of N Siwendu as a director			
Ordinary resolution 10 – general authority to make payments to shareholders			
Special resolution – general authority to repurchase shares			
Ordinary resolution 11 – authority to sign all documents required			

* Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares which you desire to vote (see note 2).

Signed at ____________________ this __________ day of ____________________ 2009

Signature ____________________

Assisted by me (if applicable) ____________________

Please read the notes on the reverse side hereof.

instructions for proxy form

Notes:

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 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09h00 on Tuesday, 17 November 2009.