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WOOLWORTHS HOLDINGS LIMITED

2018 Annual Financial Statements

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Woolworths, Summer 2018

ANNUAL FINANCIAL STATEMENTS

GROUP FINANCE DIRECTOR'S REPORT

OUR GROUP FINANCE DIRECTOR'S REPORT

We remain committed to delivering on our strategies and are focused on shareholder returns through effective management of our balance sheet and cash flows.

OVERVIEW

These results are presented in the context of a challenging 2018 financial year. The tougher trading conditions experienced in both geographies in 2017 persisted throughout the year, resulting in a disappointing performance for the Group. While some of this was due to macro and cyclical factors, a significant amount related to poor product execution in some areas of womenswear and not delivering on expected synergies.

In South Africa, the first half was characterised by intense political uncertainty and negative sentiment. While this improved in the second half, it did not translate into increased sales, as the consumer remained under increased pressure. Our Food business continued to trade ahead of the market and delivered a result above our medium-term target despite the difficult trading conditions. This was achieved through a focus on quality and innovation, together with an investment in price that drove positive volume growth. The Woolworths Fashion, Beauty and Home (FBH) business performed poorly and failed to gain market share due to heightened competitor promotional activity and range misses in womenswear.

In Australia, we completed a number of key David Jones (DJ) business transformation initiatives. This included the implementation of new merchandise, finance and online systems, as well as the relocation of the David Jones head office from Sydney to Melbourne. In addition, we have commenced with the refurbishment of the Elizabeth Street store, rolled out new Food formats, and repositioned the private label business. The disruption caused by these initiatives, together with constrained consumer spending and a highly promotional trade environment, resulted in a disappointing performance for the year, despite the second half showing an improved sales performance on the first half. The transition to the new merchandise system in August 2017 was significant and required a significant degree of management focus and oversight. The transition was not without its challenges and the focus is now on stabilisation and optimisation of systems and processes.

The performance of the business and more muted outlook also resulted in an impairment charge of A$712.5 million (R6 927 million) in respect of the carrying value of the DJ assets, which was processed in the first half of the financial year.

Country Road Group (CRG) performance was also impacted by intense competitor and promotional activity and struggled to achieve consistency in its Country Road womenswear business. Lower footfall and declining consumer confidence, due to elevated debt levels and higher cost of living expenses, as well as lower discretionary spend, impacted the results in both Australian segments.

STRATEGIC FINANCIAL PRIORITIES

Despite the poor result, our key strategies remained unchanged and we continued to focus on:

- Delivering on our key projects
- Building business resilience during tough trade through managing costs and capital
- Strengthening the balance sheet and preserving cash
- Ensuring appropriate allocation of capital

Given the muted performance and volatility in the trading landscape, we also focused on improving free cash flow and our gearing position. In this regard, we deferred certain non-critical projects, focused on space optimisation, improving productivity and cost savings. As a result, comparable store and head office costs were well managed across the Group. We also conducted an extensive cost and structure review in Australia, which will result in significant costs out of the base going forward.

At the same time, we continued to invest in the drivers of growth and in areas that would make us better prepared for the structural changes that have started to disrupt the retail industry. These include significant investments in online platforms, sales-enabling technology and systems.

From a capital structure perspective, we have improved the strength of the balance sheet and de-risked the debt profile:

- Gearing continues to be proactively managed on clear Group capital allocation principles and internal covenant measures that are more stringent than the Group's Banking Covenants
- Further debt has been re-structured during the year, flattening the repayment profile and significantly reducing refinancing risk
- Debt has been refinanced both in South Africa and Australia, maintaining an appropriate maturity profile
- The inaugural bond issue under the DMTN programme was well received by the market and the Group continues to issue debt in South Africa at very competitive rates
- The inaugural listed bond issue was accompanied by an S&P National Scale rating of the Group that is currently ZaAA
- The liquidity profile continues to be actively managed, maintaining the level of committed facilities in excess of 365 days

We will continue refinancing existing debt, broadening the source and type of funding, and manage the risk profile appropriately. Furthermore, we have set clear cash flow and capital allocation targets based on cost of capital and hurdle rates that have been implemented across the Group.

Our focus is on improving free cash flow and ROCE by delivering shareholder returns above the cost of capital.

OPERATING PERFORMANCE	2018 %	2017 %
Turnover and concession sales growth	1.6	3.0
Gross profit margin	39.2	39.7
Operating profit margin	7.0	8.4
Adjusted diluted headline earnings per share growth	(12.8)	(7.9)

While some parts of our business performed well under difficult conditions, other parts were impacted by a combination of factors that included:

- Lower discretionary spend
- Intense promotional activity
- Product misses, especially in womenswear in some of our big brands
- Extensive change in multiple areas within DJ

Our first half performance reflected the slowdown in the market, while the second half softened further. The expected uplift in sales, as sentiment improved from the positive political change in South Africa, did not materialise, while in Australia, the intense promotional activity continued. This resulted in a contraction at the sales and margin level, and a final year position that was behind the previous year. Our continued focus on expenses and capital spend assisted in cushioning the result to some extent.

We recorded a loss after tax of R3 549 million, due to the R6 927 million impairment charge on the re-assessment of DJ assets in the first half. Excluding this impairment and other property, plant and equipment adjustments, as well as the profit on disposal of the DJ Market Street property last year, headline earnings were R3 327 million, 17.8% down on last year.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2018 Rm	2017 Rm	% change
Turnover and concession sales	75 232	74 052	1.6
Turnover	68 592	67 190	2.1
Cost of sales	41 700	40 518	2.9
Gross profit	26 892	26 672	0.8
Other revenue	1 909	1 944	(1.8)
Expenses	23 255	22 171	4.9
Operating profit	5 546	6 445	(13.9)
Net finance costs	1 053	1 160	(9.2)
Earnings from joint ventures	287	260	10.4
Adjusted profit before tax	4 780	5 545	(13.8)
Adjustments	(7 214)	1 181	
Impairment due to re-assessment of David Jones assets	(6 927)	–	
Relocation, restructure, onerous leases, transaction and swap close-out costs	(293)	(250)	
Unrealised foreign exchange gains	6	11	
Profit on sale of property in Sydney	–	1 762	
Impairment due to sale of property	–	(342)	
(Loss)/profit before tax	(2 434)	6 726	>(100)
Tax	1 115	1 278	(12.8)
(Loss)/profit for the year	(3 549)	5 448	>(100)
Other comprehensive income	446	(3 195)	
Total comprehensive (loss)/income for the year	(3 103)	2 253	
Reconciliation of headline earnings			
Basic (loss)/earnings attributable to shareholders of the parent	(3 550)	5 446	>(100)
Adjustments for capital items (post-tax)	6 877	(1 401)	
Headline earnings	3 327	4 045	(17.8)
Adjustments to headline earnings (post-tax)	192	(9)	
Adjusted headline earnings	3 519	4 036	(12.8)

GROUP FINANCE DIRECTOR'S REPORT

TURNOVER

Group sales for the 52 weeks ended 24 June 2018 increased by 1.6% compared to the prior year (and by 2.9% in constant currency). The second half growth in sales slowed considerably compared with the first half.

FBH sales declined by 2.9% in the second half, resulting in a full-year contraction of 1.5%, with price movement of 0.8%. Comparable store sales were 4.1% lower. Woolworths Food increased sales by a market-leading 8.4%, achieving positive volume growth on price movement of 3.2%. Comparable store sales were up 4.8%.

DJ sales increased by 2.2% in the second half and by 2.7% in comparable stores. Full-year sales finished 0.9% lower (and 0.4% lower in comparable stores). The sales disruption from the refurbishment of the Elizabeth Street store in Sydney will continue for approximately another 18 months. Online sales grew 21.4%, contributing 5.3% of sales.

CRG sales increased by 1.7% for the year, but comparable store sales, which exclude the menswear brand Politix, acquired in November 2016, declined by 1.8%. Online sales in CRG now represent 18.0% of sales with growth of 20.8% over the year.

GROSS PROFIT

There were margin gains from the benefits of Group sourcing initiatives and a stronger rand, which were offset by higher markdowns and promotions, as well as the impact of continued price investment in Food to improve the Food value proposition. Gross profit was up 0.8% on last year, although gross profit margin, at 39.2%, was 50 basis points (bps) down on last year.

EXPENSES

We continued to actively manage our occupancy and operating costs through efficiency and synergy benefits, and through an extensive cost review in Australia, in response to tougher trade.

Group expenses were up 4.9% on the prior year on an adjusted basis. This increase was primarily driven by strategic initiatives in DJ, the inclusion of Politix, and a 4.3% increase in store costs, from ongoing store development. Within this, FBH and Food expense growth was 4.4% and 7.4% respectively. DJ costs were 8.8% higher, as a result of the implementation of new inventory and online systems, the repositioning of the food business and the head office relocation. CRG costs were 6.1% up on last year, mainly due to the inclusion of Politix.

EARNINGS FROM JOINT VENTURE

Our share of profit after tax from Woolworths Financial Services (WFS), our joint venture with ABSA Group Limited, was 10.4% up on last year, at R286 million. The debtors book reflected positive year-on-year growth of 3.8%, as at the end of June 2018. The impairment rate for the 12 months ended 30 June 2018 reduced to 5.2% from 6.3% in the prior year.

NET FINANCE COSTS

Net finance costs of R1 053 million were 9.2% lower than last year, due to a reduction in gearing in South Africa, a decrease in base rates across the Group, and pullback in capital spend. We continue to manage our interest rate risk through effective hedging. Net interest cover improved to 7.5 times from last year's 7.3 times.

ADJUSTMENTS

The adjustments to profit were significant and consisted of the impairment of the DJ assets, costs related to the relocation to the new Australian head office in Melbourne (net of government grants), restructure costs in DJ and CRG, and a provision for onerous leases in DJ. These costs are regarded as adjustments to earnings, as they are significant once-off costs not directly related to operations.

TAX

The full-year tax charge was R1 115 million. The Group's effective tax rate was negative 45.8%, due to the non-deductibility of the R6 597 million goodwill impairment, while the adjusted effective tax rate was 27.4%, 10 bps below the prior year.

BASIC AND HEADLINE EARNINGS

Basic earnings decreased by 165.2%, due to the impairment charge in the current year, as well as the inclusion of the profit on sale of Market Street in the prior year.

Headline earnings and adjusted headline earnings, which exclude the impairment, profit and other property, plant and equipment adjustments, declined by 17.8% and 12.8% respectively.

SEGMENTAL CONTRIBUTION

	2018 Rm	2017 Rm	% change	Constant currency % change
Woolworths Fashion, Beauty and Home	1 707	2 168	(21.3)	
Woolworths Food	2 167	1 977	9.6	
Woolworths Financial Services	286	259	10.4	
Woolworths	4 160	4 404	(5.5)	
David Jones	660	1 305	(49.4)	(49.6)
Country Road Group	1 032	987	4.6	5.1
Segmental profit	5 852	6 696	(12.6)	(12.2)
Net finance and other costs	(1 072)	(1 151)	(6.9)	
Adjusted profit before tax	4 780	5 545	(13.8)	(13.4)

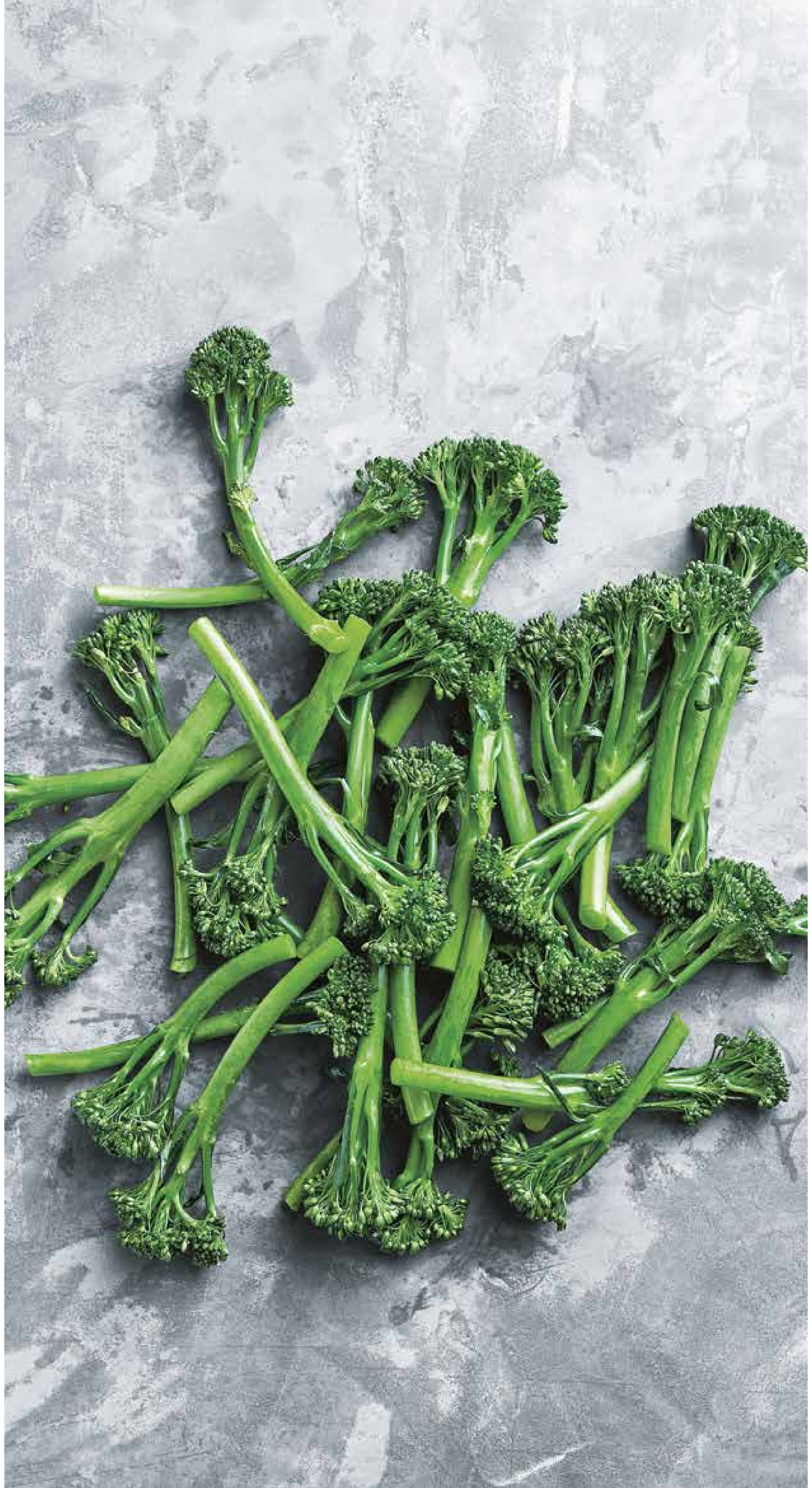
The Group results reflect the difficult trading performance across all segments, with a positive contribution from Food and CRG partially offsetting the downside in the other apparel segments.

Woolworths' result was 5.5% down on last year, as FBH was negatively affected by tough trading conditions and product misses in some areas of womenswear. Food delivered above target growth of 9.6%, with market-leading sales growth and, together with the positive result in WFS, partially cushioned the 21.3% contraction in FBH.

DJ's result was also impacted by challenging trading conditions and the disruption experienced during the year by various transformational initiatives, ending the year 49.6% down on last year (in A$). The CRG performance benefitted from ongoing improvements to ranges during the year, despite the product misses in Country Road's womenswear, and ended the year up 5.1% (in A$). The Australian businesses' contributions were negatively impacted by the relative strengthening of the ZAR against the A$, which averaged R9.9 for the year, compared to R10.2 last year.

The Group's segmental profit declined by 12.2% on last year in constant currency, with the adjusted operating profit margin decreasing by 140 basis points to 7.3%. Adjusted profit before tax declined by 13.8% and by 13.4% in constant currency.

The segmental results are analysed in more detail further on in this report.



EARNINGS PER SHARE (EPS)

	2018 cents	2017 cents	% change
EPS	(369.5)	566.7	>(100)
HEPS	346.3	420.9	(17.7)
Adjusted HEPS	366.3	420.0	(12.8)
Adjusted diluted HEPS	364.1	417.7	(12.8)
DPS	239.0	313.0	(23.6)
WANOS (millions)	960.8	961.0	–

The 165.2% decrease in EPS is as a result of the impairment charge in the current year, as well as the inclusion of the profit on the sale of Market Street in the prior year. Headline EPS (HEPS), which excludes the impairment and profit, declined by 17.7%, in line with the decrease in headline earnings. Adjusted diluted HEPS decreased by 12.8%, with dilution arising from the unexercised options under the Group's share incentive schemes.

DIVIDEND PER SHARE (DPS)

The Board approved a final DPS of 130.5 cents, which is a 27.5% decrease on last year's final DPS of 180.0 cents. The total DPS for the year is 239.0 cents, a 23.6% decline on last year's 313.0 total DPS.

Despite the challenging result, we have, over the past five years, returned R12.5 billion to our shareholders in dividends, with an average dividend yield of 3.7%, reflecting our commitment to delivering strong shareholder returns.

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2018 Rm	2017 Rm	% change	Constant currency % change
Assets				
Property, plant and equipment	13 959	13 846	0.8	(0.7)
Intangible assets	13 410	19 595	(31.6)	(32.7)
Investment in joint ventures	978	1 015	(3.6)	(3.6)
Inventories	7 542	6 990	7.9	6.7
Trade and other receivables and loans	1 794	1 368	31.1	29.9
Tax and deferred tax assets	441	392	12.5	12.0
Cash and cash equivalents	2 023	1 787	13.2	12.3
Total assets	40 147	44 993	(10.8)	(12.0)
Equity and liabilities				
Shareholders' funds	13 126	19 066	(31.2)	(32.7)
Borrowings	13 860	13 325	4.0	3.3
Other non-current liabilities	2 607	2 541	2.6	1.2
Tax and deferred tax liabilities	882	684	28.9	26.3
Trade and other payables and provisions	9 672	9 377	3.1	2.2
Total equity and liabilities	40 147	44 993	(10.8)	(12.0)
Net gearing	11 837	11 538	2.6	2.0

The assets and liabilities of the Australian subsidiaries contained within the Group statement of financial position are impacted by the higher exchange rate at year-end, which was R10.0/A$ compared to R9.8/A$ last year. The decrease in equity is primarily due to the decrease in the foreign currency translation reserve, from the stronger rand throughout the year.

The decrease in property, plant and equipment and intangible assets is due to the impairment arising from the re-assessment of DJ assets.

Inventories increased by 6.7% in constant currency, due to the impact of inflation, space growth, and lower sell-through in apparel.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

	2018	2017
ROCE (%)*	13.7	15.1
ROE (%)*	18.0	20.8
Net debt: Equity (times)	0.9	0.6
Net debt: EBITDA (times)	1.5	1.4
Interest cover (times)	7.5	7.3

* DJ asset impairment added back

ROCE has decreased from 15.1% to 13.7%, with ROE declining by 280 bps to 18.0%, with both the ROCE and ROE affected by lower profitability. The impairment of the DJ goodwill and assets was added back in the calculation of ROCE and ROE for comparability purposes.

Net gearing has increased by R299 million to R11 837 million. The net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) ratio increased to 1.5 times.

CAPITAL EXPENDITURE

The Group continued to invest in strategic and other key initiatives, particularly in DJ, to deliver business transformation and long-term growth. There was a pullback in budgeted spend for the year, due to the subdued trading performance.

Total net capital expenditure amounted to R2.6 billion, driven mainly by the strategic and transformational initiatives in DJ, investment in digital technology, ongoing store development, and supply chain investment in Woolworths.

The Group's operations were expanded in 2018 with trading space increasing by 1.8% to 1 327 000 m^2. This was as a result of opening 69 net new store locations and concessions, as well as the extension of existing stores. Within this, FBH and Food expanded their footprint by 11 000 m^2 and 8 000 m^2 (2.5% and 3.5%) respectively, while DJ and CRG opened two and 58 net new store locations and concessions respectively.

WORKING CAPITAL MOVEMENTS

Group working capital requirements were higher than last year, due to new store openings and higher inventory balances from the apparel sales shortfall.

SUMMARISED STATEMENT OF CASH FLOWS

	2018 Rm	2017 Rm
Cash inflow from trading	7 371	8 177
Working capital movements	(305)	(615)
Cash generated by operating activities	7 066	7 562
Investment income received	71	96
Finance costs paid	(1 117)	(1 216)
Tax paid	(1 037)	(1 701)
Cash generated by operations	4 983	4 741
Dividends received	325	223
Dividends paid	(2 782)	(3 015)
Net cash inflow from operating activities	2 526	1 949
Net investment in assets	(2 589)	(2 552)
Proceeds on disposal of property in Sydney	–	3 677
Acquisition of subsidiary, net of cash acquired	–	(711)
Loans (advanced)/repaid	(12)	8
Net cash (outflow)/inflow from investing activities	(2 601)	422
Net share issues and costs	(123)	(41)
Net borrowings raised/(repaid)	294	(1 966)
Net cash inflow/(outflow) from financing activities	171	(2 007)
Net cash inflow for the year	96	364

CASH FLOWS

The Group managed cash flows well despite the lower trading results. Cash inflow from trading was R7 371 million, reduced by an increase in working capital of R305 million.

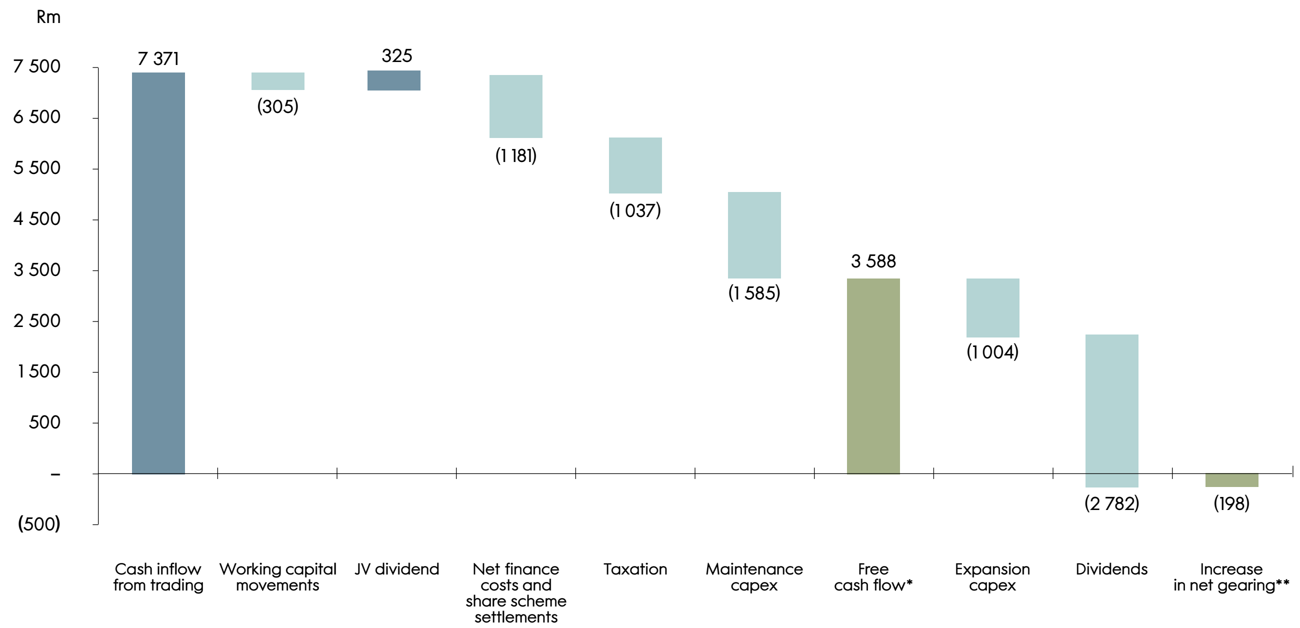
Free cash flow after capital expenditure to maintain operations, working capital movements, and the payment of finance costs, taxation, and dividends, was R3 588 million. The Group paid R1 037 million in income tax to the various revenue authorities in the various tax jurisdictions and utilised a net R2 589 million to invest in infrastructure and other transformational and capital expansion projects.

Free cash flow per share was 373.4 cps, a 2.4% increase from last year, and our cash conversion ratio improved by 153 bps to 74.5%.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	2018 Rm	2017 Rm
Shareholders' interest at the beginning of the year	19 066	19 853
Movements for the year:		
Total comprehensive (loss)/income for the year	(3 103)	2 253
(Loss)/profit for the year	(3 549)	5 448
Other comprehensive income	446	(3 195)
Share-based payments, including issues, settlements and costs	(55)	(25)
Dividends to ordinary shareholders	(2 782)	(3 015)
Shareholders' interest at the end of the year	13 126	19 066

CASH GENERATION FOR THE 52 WEEKS ENDED 24 JUNE 2018



* Free cash flow per share (Free cash flow before Expansion capex and Dividends): 373.4 cps (2017: 364.7 cps)
** Net gearing excludes R101 million currency translation impact
Cash conversion ratio (Adjusted PAT and Free cash flow after Expansion capex and before Dividends): 74.5% (2017: 59.2%)

OUTLOOK

In South Africa, the change in the political leadership has yet to translate into economic growth. Despite the initial improved consumer confidence, the consumer is expected to continue to be under significant pressure, with higher costs of living impacting discretionary spend.

In Australia, the macroeconomic environment is expected to improve gradually on the back of supportive economic conditions and a strengthening labour market, although the tough retail environment is expected to persist, with department stores expected to show the lowest growth among retailers. The heightened levels of promotional activity in the market is expected to continue. The structural shifts are already in play, with further disruption in the industry expected.

We remain committed to delivering our strategies and will continue to invest in transformational initiatives to drive growth and efficiencies in these difficult and competitive environments, while continuing to focus on reducing costs and improving cash flows.

MR Isaacs
Group Finance Director
22 August 2018


David Jones. Autumn 2018

SEGMENTAL REVIEWS

WOOLWORTHS FASHION, BEAUTY AND HOME

INCOME STATEMENT	2018 Rm	2017 Rm	% change
Turnover	13 687	13 894	(1.5)
Cost of sales	7 297	7 244	0.7
Gross profit	6 390	6 650	(3.9)
Other revenue	18	19	(5.3)
Expenses	4 702	4 502	4.4
Store costs	3 269	3 071	6.4
Other operating costs	1 433	1 431	0.1
Adjusted operating profit	1 706	2 167	(21.3)
Earnings from joint venture	1	1	
Adjusted profit before tax	1 707	2 168	(21.3)

FBH sales declined by 2.9% in the second half, resulting in a full-year contraction of 1.5%, with price movement of 0.8%. Comparable store sales were 4.1% lower, with net retail space growing by 2.5%. Growth in the second half slowed further, as the market remained intensely competitive, with consumer spending biased towards clearance and promotions.

Womenswear underperformed due to product misses, particularly in the Edition brand, while beauty and lingerie performed much better. The online channel grew sales by 77.0%, while the rest of Africa had a disappointing year.

The increase in promotions and markdowns further impacted profitability, as gross profit margins declined by 120 bps to 46.7%.

The 6.4% increase in store expenses was driven by new space, while comparable store cost growth was well controlled at 2.7%. Other operating costs were well controlled, in line with last year, with a focus on head office and discretionary costs. The overall result was a decrease in operating profit of 21.3%, with operating profit margin declining from 15.6% to 12.5%.

The online channel grew sales by 77.0%

WOOLWORTHS FOOD

INCOME STATEMENT	2018 Rm	2017 Rm	% change
Turnover and concession sales	30 019	27 688	8.4
Concession sales	(687)	(613)	12.1
Turnover – own buy	29 332	27 075	8.3
Cost of sales	21 989	20 281	8.4
Gross profit – own buy	7 343	6 794	8.1
Concession and other revenue	130	124	4.8
Expenses	5 306	4 941	7.4
Store costs	3 848	3 513	9.5
Other operating costs	1 458	1 428	2.1
Adjusted profit before tax	2 167	1 977	9.6

Food increased sales by a market-leading 8.4%, achieving positive volume growth on price movement of 3.2%. Comparable store sales were up 4.8%, with net retail space growing by 3.5%. Growth in the second half of the year was lower than in the first half, impacted by lower inflation.

There was positive growth across all categories, despite lower inflation, in a tough grocery market. Our bakery, protein, grocery, and wine & beverages departments contributed significantly to the overall result. We continued our focus on targeted profitable promotions, and improved consumer price perception.

The gross profit margin declined by 10 bps to 25.0%, as a result of our investment in price and higher levels of targeted promotions, which were partially offset by improved waste management and increased rebates on stronger volumes.

Expenses increased by 7.4%, with store cost growth of 9.5%, driven by new space. Comparable store cost growth was 5.0%.

Overall, the Food business achieved an operating profit growth of 9.6%, with the operating margin at 7.4%, 10 bps better than last year.

Woolworths Food sales increased by

8.4%

WOOLWORTHS FINANCIAL SERVICES

	2018 Rm	% to book	2017 Rm	% to book	% change
Average financial services assets	10 659		10 194		4.6
INCOME STATEMENT					
Interest income	2 166	20.3	2 123	20.8	2.0
Interest paid	640	6.0	633	6.2	1.1
Net interest income	1 526	14.3	1 490	14.6	2.4
Impairment charge	551	5.2	638	6.3	(13.6)
Risk-adjusted margin	975	9.1	852	8.4	14.4
Non-interest revenue	810	7.6	769	7.5	5.3
Operating costs	985	9.2	906	8.9	8.7
Profit before tax	800	7.5	715	7.0	11.9
Tax	228	2.1	197	1.9	
Profit after tax	572	5.4	518	5.1	10.4
50% equity accounted	286		259		
Return on equity	29.6%		26.4%		

The joint venture with ABSA Group Limited contributed R286 million profit after tax to Group profit, 10.4% up on last year. Net interest income growth was impacted by lower product yields due to two rate decreases.

Growth in the risk-adjusted margin was 14.4%, and benefitted from a lower impairment rate, which improved by 110 bps on last year to 5.2%, as a result of an improved book shape, strong collections and lower debt counselling inflows. Non-interest revenue grew by 5.3% from higher credit card transactional income.

Operating costs increased by 8.7%, which was due to increased costs of collections and investment in customer acquisition campaigns.

The average debtors book grew by 4.6%, with the closing book up 3.8% on last year, driven by the credit card portfolio growth. Return on equity of 29.6% was maintained above our 27.5% medium-term target.

DAVID JONES

INCOME STATEMENT	2018 A$m	2017 A$m	% change
Turnover and concession sales	2 212	2 214	(0.1)
Concession sales	(763)	(750)	1.7
Turnover – own buy	1 449	1 464	(1.0)
Cost of sales	829	832	(0.4)
Gross profit – own buy	620	632	(1.9)
Concession and other revenue	200	188	6.4
Gross profit	820	820	–
Expenses	775	712	8.8
Store costs	623	585	6.5
Other operating costs	152	127	19.7
Department store adjusted operating profit	45	108	(58.3)
Financial services operating profit	19	19	–
Adjusted operating profit	64	127	(49.6)
Net finance costs	1	3	
Adjusted profit before tax	63	124	(49.2)

DJ sales increased by 2.2% in the second half and by 2.7% in comparable stores. Full-year sales finished 0.9% lower and 0.4% lower in comparable stores. Online sales grew by 21.4%, contributing 5.3% to sales. Net retail space grew by 0.1%, with 4.2% new space offset by 4.1% of space reductions and closures.

Gross profit margin increased by 10 bps to 37.1%, due to a change in mix between own buy and concession, and despite increased promotional activity, as well as higher shrinkage as we continue to invest in the food business.

The 8.8% increase in costs is the result of the opening of new stores and costs associated with the execution of transformational initiatives such as food, value chain and online re-platforming. The cost and structure review performed towards the end of the year will remove A$20 million of cost from the base.

This resulted in an operating profit of A$64 million for the year, 49.6% down on last year, and an operating margin of 2.9%, inclusive of profit from financial services.

David Jones, Autumn 2018

COUNTRY ROAD GROUP

INCOME STATEMENT	2018 A$m	2017 A$m	% change
Turnover	1 074	1 056	1.7
Cost of sales	400	419	(4.5)
Gross profit	674	637	5.8
Other revenue	5	4	25.0
Expenses	576	543	6.1
Store costs	412	387	6.5
Other operating costs	164	156	5.1
Adjusted operating profit	103	98	5.1
Net finance costs	–	3	
Adjusted profit before tax	103	95	8.4

CRG sales increased by 1.7% for the year, but comparable store sales, which exclude the menswear brand Politix, acquired in November 2016, declined by 1.8%. At a brand level, Politix was the standout performer, and Mimco and Witchery also traded well, while Country Road womenswear underperformed. Online sales in CRG now represent 18.0% of sales, with growth of 20.8% over the year. Net retail space grew by 2.5%, largely due to the Politix roll out in David Jones.

Gross profit margin improved by 250 bps to 62.8% from sourcing benefits and higher full-priced sales, notwithstanding that the market was characterised by aggressive competitor promotional activity.

Expenses were well controlled, and increased by 6.1%, despite the inclusion of Politix, as well as new store development. Comparable store costs were 1.9% up on last year.

Operating profit ended the year 5.1% ahead of last year, with operating profit margin increasing by 30 bps to 9.6%.

Sales increased by

1.7%

in Australian dollar terms

Witchery, Winter 2018

SHAREHOLDING DISCLOSURES

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value

ISSUED

Ordinary shares – 1 048 313 728 of no par value

Further details of the stated capital and the movements for the period under review are disclosed in note 10 of the Company Annual Financial Statements.

ANALYSIS OF SHAREHOLDERS

Public and non-public shareholders	Number of share-holders	Percentage of total	Number of shares	Percentage of total
Public shareholders	61 808	100.0	954 330 023	91.0
Non-public shareholders				
Directors and their associates	12	–	9 601 885	0.9
E-Com Investments 16 Proprietary Limited	1	–	43 763 861	4.2
Woolworths Proprietary Limited	1	–	40 497 604	3.9
Woolworths Proprietary Limited on behalf of deceased and untraceable former Woolworths Employee Share Ownership Trust beneficiaries	2	–	120 355	–
Total shareholders	61 824	100.0	1 048 313 728	100.0

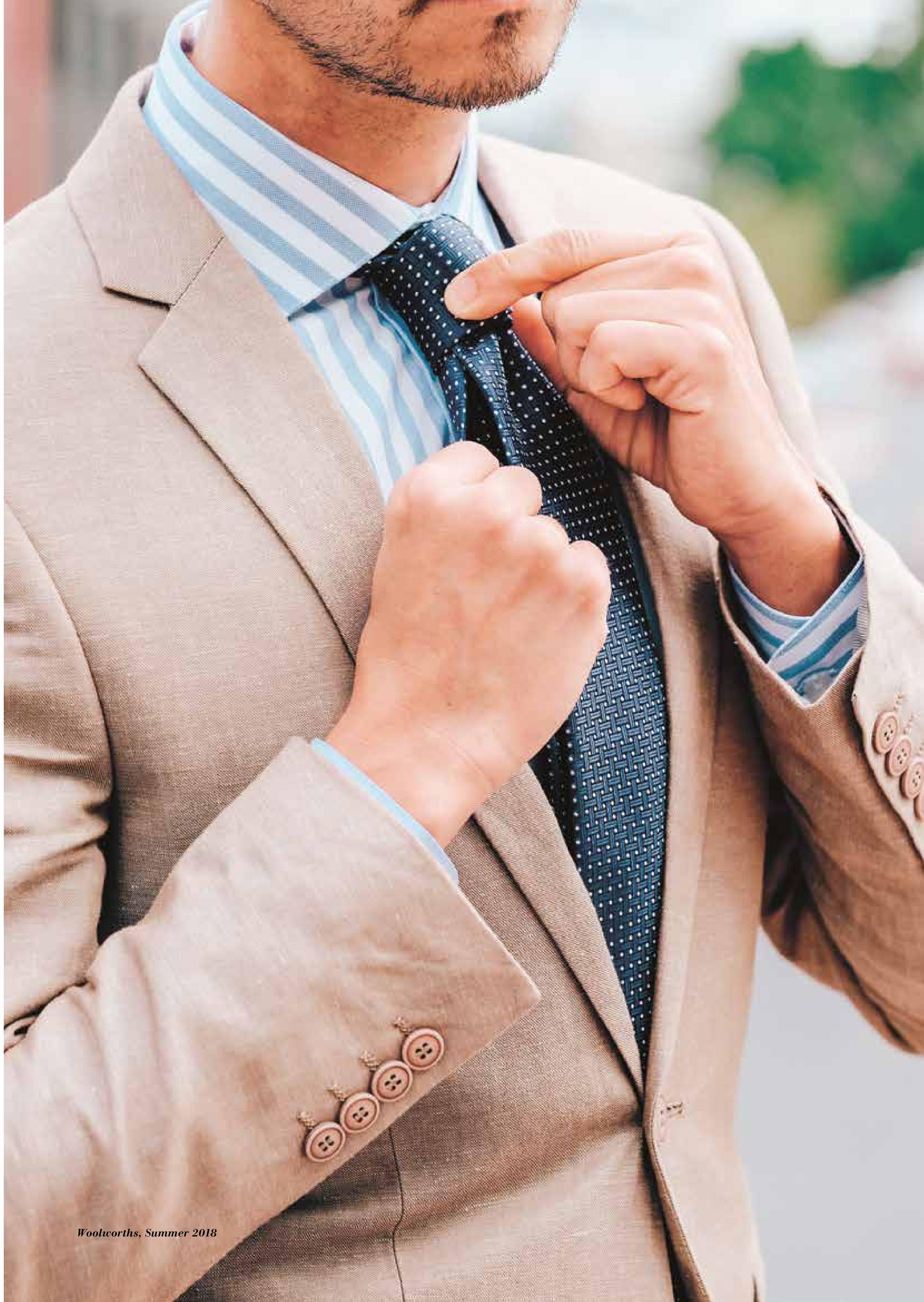
Total number of treasury shares held at 24 June 2018 – 84 261 465.

Directors of the Company hold direct and indirect beneficial interests of 9 601 885 ordinary shares (2017: 8 362 417) in the Company.

According to the Company's register of shareholders, read in conjunction with the Company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held, directly and indirectly, beneficially in excess of 5% of any class of the issued stated capital at 24 June 2018:

Major beneficial shareholders	Number of shares	2018 Percentage of shares	2017 Percentage of shares
Government Employees Pension Fund	147 398 214	14.1	14.4
Allan Gray Proprietary Limited*	122 487 074	11.7	3.3
Lazard Asset Management LLC Group*	53 607 075	5.1	4.9

* Held on behalf of their clients.

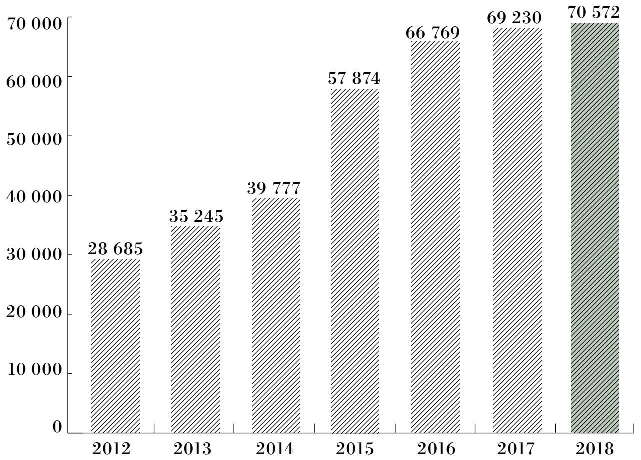


Woolworths, Summer 2018

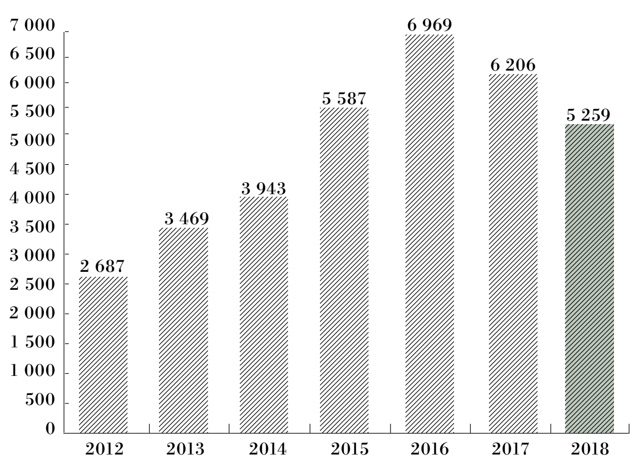
SEVEN-YEAR REVIEW

Year Number of weeks	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm
GROUP STATEMENTS OF PROFIT OR LOSS							
Revenue**	70 572	69 230	66 769	57 874	39 777	35 245	28 685
Turnover and concession sales**	75 232	74 052	71 928	61 775	39 845	35 073	28 476
Concession sales*	(6 640)	(6 862)	(7 133)	(5 464)	(305)	–	–
Turnover**	68 592	67 190	64 795	56 311	39 540	35 073	28 476
Cost of sales**	(41 700)	(40 518)	(38 409)	(33 161)	(24 042)	(21 520)	(18 291)
Gross profit	26 892	26 672	26 386	23 150	15 498	13 553	10 185
Other revenue	1 909	1 944	1 926	1 447	125	115	127
Expenses	(23 542)	(22 410)	(21 343)	(19 010)	(11 680)	(10 199)	(7 625)
Operating profit	5 259	6 206	6 969	5 587	3 943	3 469	2 687
Impairment due to re-assessment of David Jones assets	(6 927)	–	–	–	–	–	–
Profit on sale of property in Sydney, net of impairment	–	1 420	–	–	–	–	–
Investment income	71	96	48	116	112	57	82
Finance costs	(1 124)	(1 256)	(1 234)	(1 494)	(136)	(68)	(38)
Earnings from joint ventures	287	260	249	221	181	180	133
Earnings from associate	–	–	1	2	4	9	6
(Loss)/profit before tax	(2 434)	6 726	6 033	4 432	4 104	3 647	2 870
Tax	(1 115)	(1 278)	(1 680)	(1 312)	(1 114)	(1 009)	(811)
(Loss)/profit for the year	(3 549)	5 448	4 353	3 120	2 990	2 638	2 059
(Loss)/profit attributable to:							
Shareholders of the parent	(3 550)	5 446	4 344	3 116	2 888	2 597	2 048
Non–controlling interests	1	2	9	4	102	41	11

Revenue (R million)



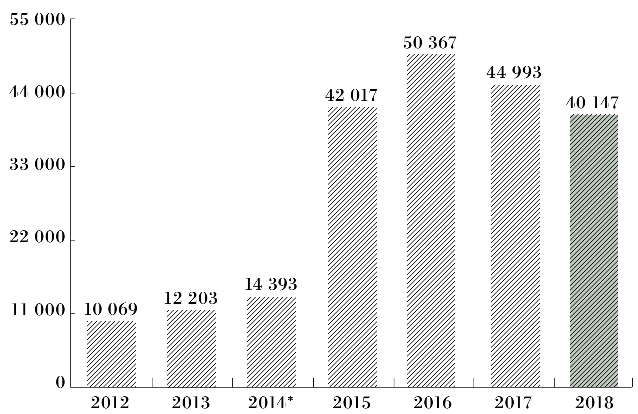
Operating profit (R million)



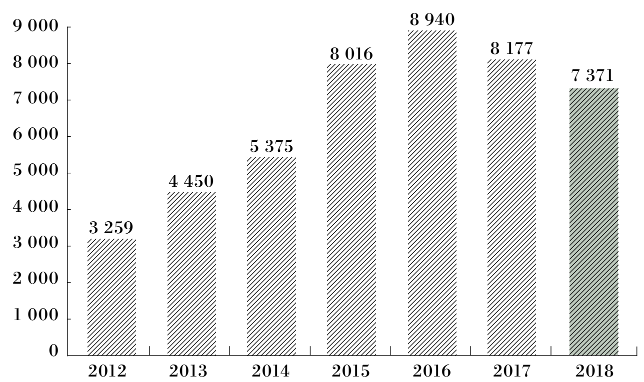
* Concession sales information prior to 2014 is not available.
** Restated due to reclassification of trunking revenue from Turnover and concession sales to Cost of sales.

Year Number of weeks	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm
GROUP STATEMENTS OF FINANCIAL POSITION							
Non-current assets	28 650	34 706	40 027	33 766	8 192	6 836	5 015
Current assets*	11 497	10 287	10 340	8 251	6 201	5 367	5 054
Total assets	40 147	44 993	50 367	42 017	14 393	12 203	10 069
Equity attributable to shareholders of the parent	13 113	19 038	19 826	14 251	6 629	5 652	4 476
Non-controlling interests	13	28	27	46	323	285	107
Non-current liabilities	15 076	15 336	19 536	18 634	1 918	1 890	1 190
Current liabilities*	11 945	10 591	10 978	9 086	5 523	4 376	4 296
Total equity and liabilities	40 147	44 993	50 367	42 017	14 393	12 203	10 069
GROUP STATEMENTS OF CASH FLOWS							
Cash inflow from trading	7 371	8 177	8 940	8 016	5 375	4 450	3 259
Working capital movements	(305)	(615)	(311)	(657)	(407)	(196)	(131)
Cash generated by operating activities	7 066	7 562	8 629	7 359	4 968	4 254	3 128
Net interest (paid)/income	(1 046)	(1 120)	(1 128)	(1 030)	(2)	(15)	35
Tax paid	(1 037)	(1 701)	(1 536)	(1 199)	(1 047)	(1 140)	(356)
Cash generated by operations	4 983	4 741	5 965	5 130	3 919	3 099	2 807
Dividends received from joint ventures	325	223	162	129	95	83	95
Dividends received from associate	–	–	7	–	62	–	1
Dividends to shareholders	(2 782)	(3 015)	(2 464)	(2 146)	(2 072)	(1 640)	(1 313)
Net cash inflow from operating activities	2 526	1 949	3 670	3 113	2 004	1 542	1 590
Net cash (outflow)/inflow from investing activities	(2 601)	422	(2 809)	(24 274)	(1 692)	(2 312)	(1 101)
Net cash inflow/(outflow) from financing activities	171	(2 007)	(326)	20 440	(326)	165	(675)
Increase/(decrease) in cash and cash equivalents	96	364	535	(721)	(14)	(605)	(186)
Net cash and cash equivalents at the beginning of the year	1 761	1 497	891	1 666	1 582	2 165	2 313
Effect of foreign exchange rate changes	21	(100)	71	(54)	98	22	38
Net cash and cash equivalents at the end of the year	1 878	1 761	1 497	891	1 666	1 582	2 165

Total assets (R million)



Cash inflow from trading (R million)

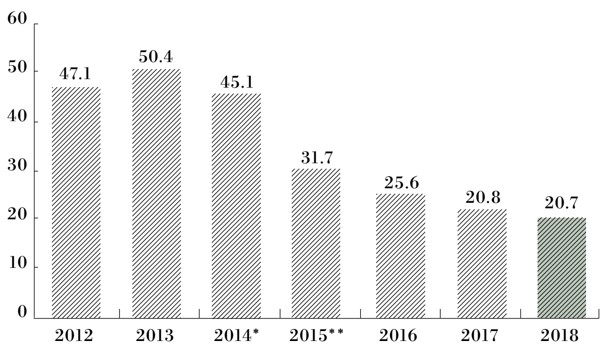


* 2014 based on net cash and cash equivalents.

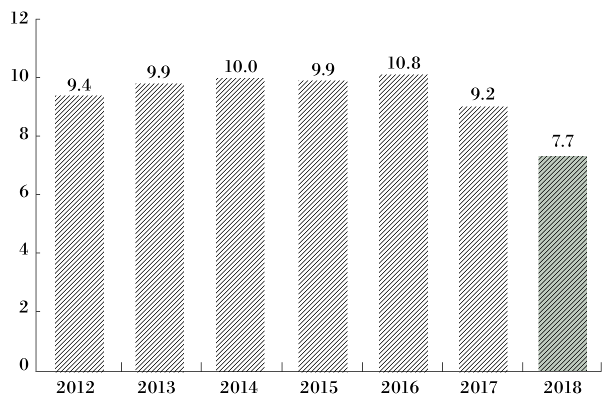
SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2018 52 %	2017 52 %	2016 52 %	2015 52 %	2014 52 %	2013 53 %	2012 52 %
RETURNS							
Return on ordinary shareholders' equity *– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year*	20.7	20.8	25.6	31.7	45.1	50.4	47.1
Return on assets* *– operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year*	12.6	13.2	15.4	20.3	30.4	32.2	28.9
Return on capital employed (ROCE)* *– adjusted operating profit after tax as a percentage of average capital employed at the beginning and end of the year*	15.4	15.1	16.8	15.7	53.8	66.0	78.3
MARGINS							
Gross margin** *– gross profit as a percentage of turnover*	39.2	39.7	40.7	41.1	39.2	38.6	35.8
Operating margin** *– operating profit as a percentage of turnover*	7.7	9.2	10.8	9.9	10.0	9.9	9.4
SOLVENCY AND LIQUIDITY							
Debt ratio* *– interest-bearing debt as a percentage of total assets*	34.5	29.6	31.6	36.0	5.5	6.8	5.3
Current ratio (times)* *– current assets divided by current liabilities*	1.0	1.0	0.9	0.9	1.1	1.2	1.2
Total liabilities to shareholders' equity* *– non-current liabilities (including deferred tax) and current liabilities as a percentage of total shareholders' interest*	205.9	136.0	153.7	193.9	107.0	105.5	119.7
Net debt to shareholders' equity* & *** *– net debt divided by shareholders' equity*	0.9	0.6	0.7	1.0	n/a	n/a	n/a
Net debt to EBITDA* & *** *– net debt divided by earnings before interest, tax, depreciation and amortisation*	1.5	1.4	1.6	1.7	n/a	n/a	n/a
Interest cover ratio**** *– earnings before interest, tax, depreciation and amortisation divided by net interest*	7.5	7.3	7.6	6.4	n/a	n/a	n/a

***Return on equity** (%)*



***Operating margin** (%)*



* 2014 based on net cash and cash equivalents.
** 2015 return on equity decrease due to David Jones acquisition.
*** Net cash position from 2012 to 2014.
**** Net investment income position in 2012 and 2014.
* ROCE has been structurally changed due to the David Jones acquisition. 2018 ROCE increase due to the David Jones asset impairment.
** Restated due to reclassification of trunking revenue from Turnover and concession sales to Cost of sales.

Year Number of weeks	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm
DIVISIONAL ANALYSIS							
REVENUE							
Woolworths Fashion, Beauty and Home	13 705	13 913	13 728	12 518	11 523	10 778	9 606
Woolworths Food	29 462	27 199	25 071	22 445	19 767	17 543	15 224
Woolworths Logistics**	429	376	306	249	251	407	378
David Jones	16 676	17 169	17 297	13 642	–	–	–
Country Road Group	10 770	10 867	10 690	9 120	8 145	6 478	3 402
Treasury	11	69	28	100	91	39	75
Intragroup	(481)	(363)	(351)	(200)	–	–	–
	70 572	69 230	66 769	57 874	39 777	35 245	28 685
TURNOVER							
Woolworths Fashion, Beauty and Home	13 687	13 894	13 701	12 499	11 505	10 764	9 585
Woolworths Food	29 332	27 075	24 956	22 352	19 694	17 469	15 140
Woolworths Logistics**	429	376	306	249	251	407	378
David Jones	14 455	15 030	15 185	12 130	–	–	–
Country Road Group	10 689	10 815	10 647	9 081	8 090	6 433	3 373
	68 592	67 190	64 795	56 311	39 540	35 073	28 476
(LOSS)/PROFIT BEFORE TAX							
Woolworths Fashion, Beauty and Home	1 712	2 177	2 295	2 124	1 909	1 899	1 647
Woolworths Food	2 168	1 979	1 824	1 580	1 290	1 037	877
Woolworths Financial Services	286	259	248	221	181	180	133
David Jones	(6 527)	2 502	1 814	1 049	–	–	–
Country Road Group	991	939	1 016	1 011	891	515	172
Treasury	(1 064)	(1 130)	(1 164)	(1 553)	(167)	16	41
	(2 434)	6 726	6 033	4 432	4 104	3 647	2 870
(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths*	2 281	2 405	2 352	1 654	2 312	2 264	1 929
David Jones	(6 540)	2 376	1 274	733	–	–	–
Country Road Group	709	665	718	729	576	333	119
	(3 550)	5 446	4 344	3 116	2 888	2 597	2 048
EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths*	8 268	9 708	5 736	3 108	4 743	3 868	3 862
David Jones	533	5 091	9 873	8 370	–	–	–
Country Road Group	4 312	4 239	4 217	2 773	1 886	1 784	614
	13 113	19 038	19 826	14 251	6 629	5 652	4 476

* Includes Woolworths Fashion, Beauty and Home, Woolworths Food, Woolworths Logistics, Woolworths Financial Services, Treasury and earnings from associate and property joint venture.
** Restated due to reclassification of trunking revenue from Turnover and concession sales to Cost of sales.

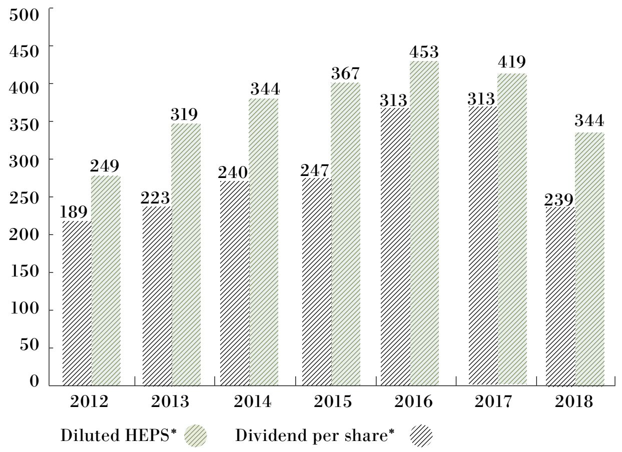
SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2018 52	2017 52	2016 52	2015 52	2014 52	2013 53	2012 52
OTHER STATISTICAL DATA							
WOOLWORTHS							
Woolworths Fashion, Beauty and Home – gross margin (%)	46.7	47.9	48.3	47.4	46.7	46.4	44.5
Woolworths Food – gross margin (%)	25.0	25.1	25.5	25.7	25.3	25.6	25.2
Number of employees (average weekly full-time equivalent)	34 104	33 545	32 870	31 196	28 368	25 989	25 693
Number of stores							
– owned (local)	394	390	382	372	344	330	330
– Africa, Engen and franchise	142	141	140	134	126	131	118
Closing trading area (m²)							
– owned (local)	676 771	657 741	633 156	593 407	549 008	512 252	498 626
– Africa, Engen and franchise	52 806	51 054	50 001	51 417	50 427	56 900	52 808
Turnover ratios							
– turnover per employee (R000)	1 274.0	1 239.1	1 191.7	1 131.4	1 114.5	1 107.9	982.0
– turnover per m² (owned) (R000)	64.2	63.2	61.9	59.5	57.6	56.2	50.6
Asset turn (times)* & **	3.4	3.3	3.5	3.8	4.1	4.3	4.3
– revenue divided by average total assets less deferred tax at the beginning and end of the year							
Inventory turn (times)**	8.3	8.2	8.4	8.8	9.1	9.5	10.1
– cost of sales divided by average inventory at the beginning and end of the year							
Profit before tax to turnover (%)**	9.6	10.7	11.2	11.2	10.7	10.9	10.6
DAVID JONES (IN A$ TERMS)							
Gross margin (%)	37.1	37.0	37.9	39.6	–	–	–
Number of employees (full-time equivalent)	4 360	4 701	4 956	4 175	–	–	–
Number of stores – owned	45	43	40	38	–	–	–
Trading area (m²)	473 554	473 190	471 214	455 430	–	–	–
Turnover (including concession sales) ratios							
– turnover per employee (A$000)	507.3	471.0	442.3	451.5	–	–	–
– turnover per m² (A$000)	4.7	4.7	4.7	4.1	–	–	–
Asset turn (times)	1.9	1.8	1.9	1.8	–	–	–
Inventory turn (times)	3.3	3.9	3.8	3.1	–	–	–
Profit before tax to turnover (%)	(30.5)	11.0	7.7	5.8	–	–	–
COUNTRY ROAD GROUP (IN A$ TERMS)							
Gross margin (%)	62.8	60.3	59.4	60.9	62.0	61.9	59.6
Number of employees (full-time equivalent)	3 701	3 851	3 459	3 223	3 287	3 370	1 360
Number of store locations							
– owned	379	389	362	355	322	307	88
– concession	420	352	298	268	207	172	99
Trading area (m²)	124 693	121 625	118 025	111 249	92 825	89 563	56 285
Turnover ratios							
– turnover per employee (A$000)	290.2	274.2	290.5	295.4	258.3	209.5	308.1
– turnover per m² (A$000)	8.6	8.7	8.5	8.6	9.1	7.9	7.4
Asset turn (times)	1.4	1.8	2.0	2.1	2.0	2.5	3.1
Inventory turn (times)	3.2	3.2	3.3	3.4	3.6	4.4	3.6
Profit before tax to turnover (%)	9.2	8.8	9.5	11.2	11.1	7.9	5.0

* 2014 based on net cash and cash equivalents.
** Restated due to reclassification of trunking revenue from Turnover and concession sales to Cost of sales.

Year Number of weeks	2018 52	2017 52	2016 52	2015 52	2014 52	2013 53	2012 52
ORDINARY SHARE PERFORMANCE							
Earnings per share (cents)*	(369.5)	566.7	454.2	337.3	350.6	322.5	256.9
Headline earnings per share (cents)*	346.3	420.9	455.6	369.7	348.6	324.9	255.1
Adjusted headline earnings per share (cents)*	366.3	420.0	456.6	419.4	379.9	329.8	253.6
Dividend per share (cents)*	239.0	313.0	313.0	247.0	240.0	223.3	189.0
Net asset book value per share (cents)	1 365.1	1 979.6	2 065.0	1 531.9	872.8	745.8	598.8
Share price (cents): Highest	6 754	9 410	10 490	9 886	7 789	7 931	5 039
Lowest	5 375	6 227	7 928	6 848	6 030	5 024	2 989
Average	6 109	7 379	9 356	8 291	7 068	6 542	4 097
Closing	5 415	6 289	8 364	9 886	7 739	6 441	5 039
Indexed closing share price (June 2000 = 100)	1 867	2 169	2 884	3 409	2 669	2 221	1 738
JSE indexed:							
– retail (June 2000 = 100)	884	790	945	1 072	800	746	707
– all share (June 2000 = 100)	737	668	670	683	657	513	443
Market capitalisation at June (R million)	56 766	65 899	87 490	100 499	65 550	54 275	42 095
Number of shares in issue (millions)**	961	962	960	930	760	753	746
Number of shares traded (millions)	1 253	1 299	1 459	868	980	876	870
Percentage of shares traded	130.4	135.1	152.0	93.3	129.0	116.3	116.6
Value of shares traded (R million)	76 546	95 853	136 504	71 966	69 266	57 308	35 644
Price:earnings ratio*	(14.7)	11.1	18.4	29.3	22.1	20.0	19.6
Dividend yield (%)*	4.4	5.0	3.7	2.5	3.1	3.5	3.8
FOREIGN CURRENCY EXCHANGE RATES							
US$ – average	12.84	13.64	14.47	11.45	10.37	8.83	7.73
US$ – closing	13.44	12.93	15.07	12.21	10.58	9.87	8.35
A$ – average	9.95	10.28	10.56	9.53	9.51	9.05	7.97
A$ – closing	10.00	9.79	11.25	9.35	9.96	9.01	8.40
KEY INFORMATION US$ MILLION							
Revenue****	5 496	5 076	4 614	5 054	3 836	3 992	3 711
Headline earnings per share (cents)*	27.0	30.9	31.5	32.3	33.6	36.8	33.0
Net (loss)/profit attributable to ordinary shareholders	(277)	319	300	272	279	294	265
Total assets***	2 987	3 480	3 342	3 441	1 360	1 236	1 203
Market capitalisation	4 224	5 097	5 806	8 231	6 196	5 499	5 041

Diluted HEPS and dividend per share (cents)



* Prior years restated for bonus element of rights offer in October 2014.
** Net of treasury shares held by subsidiaries, E-Com Investments 16 Proprietary Limited and Woolworths Proprietary Limited.
*** 2014 based on net cash and cash equivalents.
**** Restated due to reclassification of trunking revenue from Turnover and concession sales to Cost of sales.

Witchery, Summer 2018

REPORT OF THE GROUP COMPANY SECRETARY

In terms of Section 88(2)(e) of the Companies Act of South Africa, I certify that to the best of my knowledge and belief the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 24 June 2018 and that all such returns and notices are true, correct and up to date.

Signed on 22 August 2018.

CA Reddiar
Group Company Secretary

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

The Annual Financial Statements were approved by the Board on Wednesday, 22 August 2018 and signed on its behalf by:

SN Susman
Chairman

I Moir
Group Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The Audit Committee (the committee) is pleased to present its report in terms of Section 94 of the Companies Act, No 71 of 2008, as amended (the Companies Act), the King Code of Governance for South Africa (King IV) and the Johannesburg Stock Exchange (JSE) Listings Requirements for the financial year ended 24 June 2018.

The role of the Audit Committee is to ensure that trust and integrity are maintained over corporate reporting, entrenched by sound internal controls, an effective internal audit function, the independence and proficiency of external auditors and optimised through a Combined Assurance Model.

The committee is guided by detailed terms of reference that is informed by the Companies Act and King IV, and is approved annually by the Board.

The Audit Committee has executed its duties and responsibilities for the 2018 financial year in accordance with its terms of reference.

STRUCTURE OF THE AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors. The members are nominated annually by the Board for re-election by shareholders. The individual members satisfy the requirements to serve as members of an Audit Committee, as provided in Section 94 of the Companies Act, and have adequate knowledge and experience to serve on the Audit Committee. The Group Chief Executive Officer, the Group Finance Director, the Group head of risk management and compliance, the Group head of internal audit, the Group head of treasury, and the external auditors, as well as any other senior executives and professional advisors as deemed appropriate, attend the committee's meetings by invitation.

As previously announced, Mr Peter Bacon retired as a member of the Board, and consequently the Audit Committee, during the year under review.

The committee meets at least four times a year, and the committee also convened one special Audit Committee meeting during the year under review.

The committee had 95% member attendance at its meetings during the year under review with individual attendance as follows:

Member	Attendance
Hubert Brody (Committee Chairman) BAcc (Hons), CA(SA) Appointed to Committee: 2014	80%*
Patrick Allaway (Australian) BA/LLB Appointed to Committee: 2014	100%
Zarina Bassa BAcc, CA(SA) Appointed to Committee: 2011	100%
Andrew Higginson (British) BSc (Hons), FCMA Appointed to Committee: 2012	100%
Peter Bacon (British)** FIH Appointed to Committee: 2011	100%

* One meeting not attended due to family bereavement.
** Retired from the committee on 28 November 2018.

The effectiveness of the individual members of the committee was assessed during the year under review. Based on this assessment, each of the existing members of the committee, has been nominated by the Board to shareholders for re-election to the Audit Committee for the FY2019.

Biographical details of the committee members appear under Directorate on page 115 of the 2018 Integrated Annual Report. Fees paid to the committee members are outlined in note 7 of the Group Annual Financial Statements.

THE YEAR UNDER REVIEW

SIGNIFICANT MATTERS

The Group has endured a difficult year and the committee has focused its attention on related matters that required significant attention. Key audit matters identified by the external auditors are included in their report on page 38. These matters have been discussed and agreed with management and were presented to the committee.

Specific significant matters considered by the committee during the year included:

IMPAIRMENT OF THE CARRYING VALUE OF DAVID JONES

Most prominently, the committee had to oversee a significant impairment to the carrying value of David Jones which resulted in the impairment charge of A$712.5 million (R6 927 million). This impairment reflects the expectation of lower future cash flows from the investment, due to the cyclical downturn and structural changes that have impacted performance across the Australian retail sector, as well as poor and delayed execution in certain of the Group's key initiatives.

DAVID JONES SYSTEMS IMPLEMENTATION

A further matter that occupied the committee's attention was the implementation of the new merchandise system at David Jones during the course of the year. The system implementation was complex, affected various processes during the period and the control environment was not optimal in certain areas. This was compensated for by mitigating controls, ensuring that the Annual Financial Statements of David Jones were reliable in all material respects. The committee will be kept appraised by management of the progress in addressing the control issues.

DMTN PROGRAMME

Continued implementation and issuance under the Domestic Medium-Term Note Programme. The inaugural issue of listed notes under the DMTN programme was well received in the market and priced favourably. The DMTN programme was further utilised to issue unlisted notes during the course of the year. The Audit Committee had oversight of these note issues.

TREASURY COMMITTEE

The Treasury Committee, which was previously an executive committee, was reconstituted as a sub-committee of the Audit Committee and Messrs Brody (previously an invitee) and Allaway were appointed as members. The Treasury Committee is mandated to oversee the Group's treasury exposures within acceptable risk limits and in compliance with treasury policy guidelines.

INTERNAL AUDIT APPROACH

The committee emphasised the alignment of the internal audit approach across geographies to ensure adequate coverage, in order to obtain appropriate assurance over the internal control environment.

MANDATORY AUDIT FIRM ROTATION

The Audit Committee has deliberated regarding the timing of audit firm rotation, considering many aspects including the views of key stakeholders. The Independent Regulatory Board for Auditors (IRBA) mandatory audit firm rotation requirements will become effective on 1 April 2023 and are applicable to the Group's financial year ending 30 June 2024.

The Audit Committee concluded that the Group should rotate to a new external audit firm earlier than IRBA's mandatory date. As such, it is intended that a new external audit firm be appointed for the Group's financial year ending 27 June 2021, and in any event, if unexpected delays occur, no later than in respect of the 25 June 2023 year end. The Audit Committee evaluated the independence and quality of service of the current external audit firm, Ernst & Young Inc. (EY) and concluded that it is satisfied in both respects.

EXTERNAL AUDIT OVERSIGHT

The committee, amongst other matters:

- nominated to shareholders for appointment, EY as the external auditor, and Cornea de Villiers as the designated audit partner, for the financial year ended 24 June 2018;
- confirmed that it fulfilled its oversight responsibility and all other relevant aspects in relation to the independence of the auditor and the audit quality in terms of the JSE Listing Requirements and other applicable legal and regulatory requirements;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor. Fees paid to the auditor in FY2018 amounted to R30 million, and R3 million for other services, and are detailed in note 3 of the Group Annual Financial Statements;
- reviewed the external audit reports presented to the committee, evaluated the effectiveness of the audit work performed and evaluated the external auditor's internal quality control procedures;
- considered the observations of the external auditor on the Group's systems of internal control including financial controls;
- determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services to be undertaken. The non-audit fees for the year are outlined in the Group Annual Financial Statements on page 58, and were 3.5% of the FY2017 audit fees; and
- assessed the performance of EY against appropriate audit quality indicators and has nominated the external auditor and the designated independent auditor for each of the Group companies.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The Audit Committee is satisfied that EY is independent of the Group after considering the following factors:

- representations made by EY to the Audit Committee in line with their internal independence policy;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group;
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants and international regulatory bodies.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

FINANCIAL STATEMENTS

In respect of the financial statements, the committee among other matters:

- confirmed the going-concern requirement as the basis of preparation of the interim and Annual Financial Statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the Company was adequate;
- examined and reviewed the interim and Annual Financial Statements, as well as all financial information disclosed to the public prior to submission to and approval by the Board;
- ensured that the Annual Financial Statements fairly present the financial position of the Company and of the Group as at the end of the financial year, and the results of operations and cash flows for the financial year;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the Group financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have an impact on the financial statements;
- met separately with management and external audit to review and discuss the Annual Financial Statements; and
- received and considered reports from the internal auditors.

INTERNAL CONTROLS AND INTERNAL AUDIT

In respect of internal controls and internal audit, the committee among other matters:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit function and compliance with its charter;
- considered the reports of the internal auditor on the Group's systems of internal control, including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to internal audit findings;
- assessed the adequacy of the performance of the internal audit function and found it to be satisfactory; and
- received confirmation that internal audit members conform to the recognised industry code of ethics.

In respect of legal and regulatory requirements, to the extent that these may have an impact on the financial statements, the committee:

- reviewed legal matters that could have a material impact on the Group and concluded that there were no such matters;
- noted the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities; and
- monitored complaints received via the Group's whistle-blowing service, and noted that there were no complaints or concerns regarding accounting matters, internal audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters.

COMBINED ASSURANCE

In respect of the co-ordination of assurance activities, the committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

The committee reviewed the comprehensive Combined Assurance Report, which had also been reviewed by the Group's Risk and Compliance Committee. The committee confirmed that the Combined Assurance Model enabled a sufficiently co-ordinated approach to assurance as well as that the level of assurance from the internal and external assurance providers, was adequate.

GROUP FINANCE DIRECTOR AND THE FINANCE FUNCTION

The committee considered the expertise and experience of the Group Finance Director, Mr Reeza Isaacs, and concluded that these were appropriate. His biographical details appear under Directorate in the 2018 Integrated Annual Report on page 115.

The committee has also satisfied itself of the appropriateness of the expertise and experience of the Group's finance function and the adequacy of the resources employed in this function.

SOLVENCY, LIQUIDITY REVIEW AND GOING CONCERN

The committee has reviewed the solvency and liquidity assessment on the Company and Group, performed in terms of Section 46 of the Companies Act, and the Board concluded that the Company will satisfy the test after payment of the final dividend. In addition, the committee has reviewed the assessment of the going concern status of the Group and recommended to the Board that the Group will continue to be a going concern for the foreseeable future.

ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were compiled under the supervision of Mr Reeza Isaacs, CA(SA), the Group Finance Director. Following the review by the Audit Committee of the Annual Financial Statements of Woolworths Holdings Limited for the year ended 24 June 2018, the committee is of the view that, in all material respects, these comply with the relevant provisions of the Companies Act and IFRS. The committee also considered the integrity of the remainder of this 2018 Integrated Annual Report.

APPROVAL

The Audit Committee recommended the Annual Financial Statements and 2018 Integrated Annual Report for the year ended 24 June 2018 for approval to the Board. The Board has subsequently approved the Annual Financial Statements and the Integrated Annual Report, which will be open for discussion at the upcoming Annual General Meeting.

Signed on 22 August 2018.

H Brody
Audit Committee Chairman

DIRECTORS' REPORT

NATURE OF BUSINESS

Woolworths Holdings Limited (WHL) is a southern hemisphere retail Group and is listed on the securities exchange operated by the JSE Limited (JSE) since 1997. The operations of the Group are conducted through three major operating subsidiaries, namely Woolworths Proprietary Limited and its subsidiaries (WSA), David Jones Proprietary Limited (DJ) and Country Road Group Proprietary Limited (CRG). A further operation is conducted via a joint venture, Woolworths Financial Services Proprietary Limited (WFS).

WSA was established in 1931, and is a leading South African retailer primarily offering a range of private label products under its own brand name. There are 626 WSA store locations in South Africa (including 74 stores operated on Engen forecourts) and 86 store locations in the rest of Africa.

DJ is the oldest department store in Australia and one of the oldest in the world. The iconic department store opened its first store in Sydney in 1838. DJ is synonymous with style and progress and offers customers the finest brands across fashion, beauty and home in its 44 store locations in Australia and one store in New Zealand.

CRG is a retail chain offering clothing and homeware products in stand-alone retail stores and concession locations throughout Australia, New Zealand and South Africa. There are 717 retail and concession store locations in Australia and New Zealand. It is also represented in 82 selected WSA store locations in South Africa.

WFS is operated jointly with ABSA Group Limited and provides a suite of financial products to WSA customers, including the WSA store card, credit card and personal loans. Financial services hubs are located in 41 WSA stores, where credit card applications can be processed, and which offer instant customer service.

The nature of the business of the subsidiaries held directly and indirectly is set out in Annexure 1 on page 132. There have been no material changes to the nature of the Group's business from the prior year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The review of operations and financial results of the Group are contained in the 2018 Integrated Annual Report and the 2018 Annual Financial Statements.

STATED CAPITAL

AUTHORISED

Ordinary shares	– 2 410 600 000 of no par value (2017: 2 410 600 000)

ISSUED

Ordinary shares	– 1 048 313 728 of no par value (2017: 1 047 847 794)

DISTRIBUTIONS TO ORDINARY SHAREHOLDERS

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

INTERIM

On 21 February 2018, a gross cash dividend of 108.5 cents (86.8 cents net of dividend withholding tax) (2017: 133.0 cents) was declared to shareholders recorded at the close of business on Friday, 16 March 2018. The cash dividend was paid on Monday, 19 March 2018.

FINAL

On 22 August 2018, a gross cash dividend of 130.5 cents (104.4 cents net of dividend withholding tax) (2017: 180.0 cents) was declared to shareholders recorded at close of business on Friday, 14 September 2018, to be paid on Monday, 17 September 2018.

DIRECTORATE AND GROUP COMPANY SECRETARY

Non-independent chairman:	1
Lead independent non-executive director:	1
Independent non-executive directors:	7
Executive directors:	4

The composition of the Board at the date of this report and the details of the directors and the Group Company Secretary are disclosed in the 2018 Integrated Annual Report.

CHANGES TO DIRECTORATE

During the year under review and as previously reported:

- Mr Peter Bacon retired from the Board on 28 November 2017;
- Mr Stuart Rose resigned from the Board on 28 May 2018;
- Mr John Dixon resigned from the Board on 21 May 2018; and
- Ms Sizakele Mzimela was appointed to the Board with effect from 1 July 2018.

RE-ELECTION OF DIRECTORS RETIRING BY ROTATION

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

In terms of the Memorandum of Incorporation of the Company, Patrick Allaway, Andrew Higginson, Gail Kelly and Zyda Rylands are due to retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.


&US, Summer 2018

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

As at the end of the reporting period, the directors of the Company beneficially held the following ordinary shares in the Company:

	2018 Beneficial		2017 Beneficial	
	Direct	Indirect	Direct	Indirect
NON-EXECUTIVE DIRECTORS				
Simon Susman	60 403	1 987 460	60 403	1 987 460
Patrick Allaway	38 363	–	13 363	–
Peter Bacon*	–	30 971	–	30 971
Zarina Bassa	5 077	–	5 077	–
Tom Boardman	6 702	–	6 702	–
Hubert Brody	8 682	–	8 682	–
Andrew Higginson	22 490	–	22 490	–
Stuart Rose**	–	–	66 706	–
EXECUTIVE DIRECTORS				
Ian Moir	2 032 531	263 511	1 306 680	263 511
John Dixon***	–	872 900	–	437 375
Reeza Isaacs	193 687	181 083	161 352	155 392
Sam Ngumeni	506 394	513 607	468 955	518 957
Zyda Rylands	1 734 766	1 143 258	1 630 777	1 217 564
Total	4 609 095	4 992 790	3 751 187	4 611 230

* Resigned on 28 November 2017
** Resigned on 28 May 2018
*** Resigned on 21 May 2018

There have been no further changes to the directors' interests between the end of the reporting period and the date of the Directors' Report.

DIRECTORS' EMOLUMENTS

The emoluments of directors of the company are set out on pages 64 to 73.

RELATED-PARTY CONTRACTS

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

Transactions, defined as related-party transactions in terms of the International Financial Reporting Standards, between the Company or its subsidiaries and the directors or their associates are disclosed in note 7 on page 61.

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Financial Statements and other information presented in the 2018 Integrated 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 24 June 2018.

The external auditors are responsible for carrying out an independent examination of the Annual Financial Statements in accordance with International Standards on Auditing and in the manner required by the Companies Act of South Africa and for reporting their findings thereon. The auditors' report is set out on page 38.

The Annual Financial Statements set out on pages 42 to 134 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.

DIRECTORS' REPORT

INTERNAL CONTROL

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

GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to 30 June 2019 and details of the Group insurance arrangements. On the basis of this review, and in 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 Annual Financial Statements.

LITIGATION STATEMENT

The directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the previous 12 months, a material effect on the Group's financial position.

BORROWING POWERS

In terms of the Memorandum of Incorporation, the borrowing powers of the Company are unlimited. However, all borrowings by the Group are subject to Board approval, as required by the Board delegation of authority. The details of borrowings appear in note 17 on page 92.

SUBSIDIARY COMPANIES

An annexure containing full particulars of the subsidiary companies appears on page 132.

EVENTS SUBSEQUENT TO THE REPORTING DATE

No event material to the understanding of these Group Annual Financial Statements has occurred between the end of the financial year and the date of approval.

SPECIAL RESOLUTIONS

The following special resolutions were passed during the year:

WOOLWORTHS HOLDINGS LIMITED

November 2017 Annual General Meeting:

- remuneration for the non-executive directors;
- amendments to the company's Memorandum of Incorporation;
- general authority to repurchase shares;
- financial assistance to related or inter-related companies or corporations; and
- issue of shares or options and granting of financial assistance in terms of the company's share-based incentive schemes.

REPORT OF THE INDEPENDENT AUDITORS

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF WOOLWORTHS HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Woolworths Holdings Limited set out on pages 42 to 134, which comprise the statements of financial position as at 24 June 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the 52-week period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Woolworths Holdings Limited as at 24 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code),* the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA Code)* and other independence requirements applicable to performing audits of Woolworths Holdings Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Woolworths Holdings Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We only identified key audit matters in respect of the Group (consolidated) and did not believe any matters were considered key audit matters in the context of the Company (separate).

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key matter
Goodwill impairment considerations	
The Group is required to assess the recoverable amount of its goodwill on an annual basis in accordance with IAS 36: Impairment of Assets. The carrying value of goodwill amounted to R5 000 million at 24 June 2018 (2017: R11 574 million). The valuation process is complex and involves judgement regarding certain assumptions when concluding on inputs to the calculation. The inputs include: the determination of appropriate discount rates, the assessment of forecast sales and gross margins along with their growth rates and the quantification of synergies between business units, where new strategies and future programmes have been considered. Management's assumptions also include views on the expected future market or economic conditions. The re-assessment of the carrying value of the David Jones goodwill resulted in the recognition of an impairment charge of R6 598 million, reflecting the cyclical downturn and structural changes that have impacted performance across the Australian retail sector, in addition to poor execution and delays in certain key initiatives. These assumptions are disclosed in note 9.	We performed testing on the key assumptions made by management and our procedures included: • Assessment of the presence of indicators of impairment; • Assessment of the appropriateness of principles and methodology applied to the discounted cash flow valuations; • Testing the arithmetical accuracy of the calculations in the respective models, including agreement to approved budgets and forecasts used as inputs into the models; • Evaluating the approved budgets and cash flow forecasts, including growth rates for sales, margin and expenses as well as approved projects provided by management and as applied in the model against historical data and other relevant information; • Vouching the other key inputs used in the model calculations, including the discount rates, terminal value cash flows and growth rates, capital expenditure and disposal costs with reference to external data and our own expertise; • Performing sensitivity analyses around key inputs to determine the potential impact; • Including a valuation specialist on our team to assist in the assessments of the inputs applied by management in the valuation models, including reasonability checks against comparable market information; • Comparison of calculated recoverable amounts against the carrying values of goodwill allocated to cash generating units, including consideration of the appropriateness of the allocation of synergies across cash generating units; • Considering the adequacy of the Group's disclosures of those assumptions to which the outcome of the impairment test is most sensitive, that is, those that could have the most significant effect on the determination of the recoverable amount of goodwill.

Key audit matter	How our audit addressed the key matter
Inventory	
At 24 June 2018, inventory of R7 542 million is held on the Group balance sheet (2017: R6 990 million). Manual adjustments are made to the carrying value of inventories to reflect inventory at the lower of cost and net realisable value, as well as the impact of hedge accounting. Related disclosure is included in note 12 and note 23 of the Group financial statements. Management has made estimates and assumptions in the manual adjustments related to shrinkage and obsolescence, as well as a write down for mark-down. This judgement is informed by: • Historical data and sell-through rates; • The inventory profile and age; • Forecast mark-downs. The application of hedge accounting requires management to adjust inventory values to incorporate the impact of forward exchange hedging contracts. These calculations and associated accounting entries are complex due to the significant volume of contracts with different terms. **David Jones** In respect of the David Jones business in Australia, additional audit effort was required as a result of changes implemented by the business in the current year. The changes included: • Inventory system migrations; • The inventory valuation method was changed from the retail inventory method (RIM) to the weighted average cost (WAC) method.	Our procedures included the following to assess inventory provisions: • Evaluating the assumptions and estimates applied to the shrinkage, obsolescence and manual adjustments by testing the accuracy of the inputs to the respective calculations, including historical information, data trends and ageing profiles; • Testing the arithmetical accuracy of the models used to calculate these provisions. Our procedures included the following to assess the application of hedge accounting in relation to inventory: • Confirming the existence of hedge contracts; • Recalculating the valuation of hedge contracts used to adjust inventory valuation on initial recognition; • Assessment of the effectiveness of hedge relationships designated by management; • Recalculation of the ineffective portion of hedging contracts. In respect of inventory at David Jones, our audit strategy specifically considered the system changes and the change in valuation method by focusing on: • Updating of system descriptions and conducting walkthroughs of processes to confirm our understanding of the flow of data and transactions, as well as the related risks and controls. • We designed and executed an audit approach through combining a mix of controls testing and substantive procedures, taking cognisance of the maturity and timing of implementation of new functionality and controls. Our assessment was informed by the results of pre- and post-implementation work performed on the IT control environment. Where deemed appropriate, sample sizes for testing procedures were increased. • We executed specific procedures on the cut-over with a focus on: quantities migrated; the transition from RIM to WAC by performing recalculations on a sample basis; and by evaluating the consequential changes to manual adjustments against inventory. • We attended a sample of store and warehouse stock takes across Australia and New Zealand and traced the results through to the general ledger. We evaluated the stock take and shrinkage results in conjunction with the results from other audit procedures on purchases, inventory related payables and other indicators of potential risk from system changes and performed specific additional substantive procedures where deemed appropriate. • We evaluated the results of the work performed by internal audit in relation to stock takes. • We executed roll-forward procedures between the date of the stock counts and year-end.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Group Finance Director's Report, Shareholding disclosures, Seven-year review, Report of the Group Company Secretary and Directors' approval, Report of the Audit Committee and the Directors' Report, as required by the Companies Act of South Africa, Pro forma financial information, Shareholder calendar and Glossary of financial terms. Other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that EY has been the auditor of Woolworths Holdings Limited for 86 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant
3 Dock Road,
Waterway House
V&A Waterfront
Cape Town
8001

22 August 2018

GROUP ANNUAL FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 24 June 2018 Rm	Restated* 52 weeks to 25 June 2017 Rm
Revenue	2	70 572	69 230
Turnover and concession sales		75 232	74 052
Concession sales		(6 640)	(6 862)
Turnover	2	68 592	67 190
Cost of sales		41 700	40 518
Gross profit		26 892	26 672
Other revenue	2	1 909	1 944
Expenses		23 542	22 410
Store costs		16 960	16 233
Other operating costs		6 582	6 177
Operating profit		5 259	6 206
Impairment due to re-assessment of David Jones assets	9	6 927	–
Profit on sale of property in Sydney, net of impairment		–	1 420
Profit on sale of property		–	1 762
Impairment due to sale of property		–	342
Investment income	2	71	96
Finance costs	3.6	1 124	1 256
(Loss)/profit before earnings from joint ventures and associate		(2 721)	6 466
Earnings from joint ventures	29	287	260
(Loss)/profit before tax	3	(2 434)	6 726
Tax	4	1 115	1 278
(Loss)/profit for the year		(3 549)	5 448
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	23.6	256	(168)
Tax on fair value adjustments on financial instruments		(74)	45
Exchange differences on translation of foreign subsidiaries		263	(3 087)
Amounts that may not be reclassified to profit or loss			
Post-retirement medical benefit liability: actuarial gain	19	2	21
Deferred tax on post-retirement medical benefit liability: actuarial gain		(1)	(6)
Other comprehensive income for the year		446	(3 195)
Total comprehensive (loss)/income for the year		(3 103)	2 253
(Loss)/profit attributable to:		(3 549)	5 448
Shareholders of the parent		(3 550)	5 446
Non-controlling interests		1	2
Total comprehensive (loss)/income attributable to:		(3 103)	2 253
Shareholders of the parent		(3 104)	2 251
Non-controlling interests		1	2
(Loss)/earnings per share (cents)	5	(369.5)	566.7
Headline earnings per share (cents)	5	346.3	420.9
Diluted (loss)/earnings per share (cents)	6	(367.3)	563.7
Diluted headline earnings per share (cents)	6	344.2	418.7

* Comparative information has been restated for the change in classification of trunking revenue within the Woolworths Logistics segment, as it was established that gross rebates received from suppliers should have been presented as part of Cost of sales and not Turnover. Consequently, R221 million previously reported under Turnover and concession sales has been reclassified to Cost of sales. The reclassification has had no impact on the prior year statement of financial position, statement of changes in equity, statement of cash flows, nor on earnings per share and other share measures.

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	At 24 June 2018 Rm	At 25 June 2017 Rm
ASSETS			
Non-current assets		28 650	34 706
Property, plant and equipment	8	13 959	13 846
Intangible assets	9	13 410	19 595
Investment in joint ventures	29	978	1 015
Fair value lease adjustment	13	59	65
Other loans	10	56	42
Derivative financial instruments	14	18	3
Deferred tax	11	170	140
Current assets		11 497	10 287
Inventories	12	7 542	6 990
Trade and other receivables	13	1 487	1 218
Derivative financial instruments	14	174	40
Tax	26.3	271	252
Cash and cash equivalents	26.4	2 023	1 787
TOTAL ASSETS		40 147	44 993
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		13 113	19 038
Stated capital	15	11 399	11 375
Treasury shares		(1 457)	(1 370)
Non-distributable reserve	16	350	87
Distributable reserves	16	2 821	8 946
Non-controlling interests		13	28
TOTAL EQUITY		13 126	19 066
Non-current liabilities		15 076	15 336
Interest-bearing borrowings	17	11 711	12 137
Operating lease accrual and fair value lease adjustment	18	1 906	1 980
Post-retirement medical benefit liability	19	404	386
Provisions	20	297	156
Derivative financial instruments	14	–	19
Deferred tax	11	758	658
Current liabilities		11 945	10 591
Trade and other payables	18	8 728	8 262
Provisions	20	752	825
Operating lease accrual and fair value lease adjustment	18	115	114
Derivative financial instruments	14	77	176
Tax	26.3	124	26
Overdrafts and interest-bearing borrowings	17	2 149	1 188
TOTAL LIABILITIES		27 021	25 927
TOTAL EQUITY AND LIABILITIES		40 147	44 993

GROUP ANNUAL FINANCIAL STATEMENTS

GROUP STATEMENT OF CHANGES IN EQUITY

		Attributable to		shareholders of the parent						
				Non-distributable reserve	Distributable reserves					
	Notes	Stated capital Rm	Treasury shares Rm	Foreign currency translation reserve Rm	Share-based payments reserve Rm	Financial instrument revaluation reserve Rm	Retained profit Rm	Shareholders' interest before non-controlling interest Rm	Non-controlling interest Rm	Total Rm
Shareholders' interest at 26 June 2016		11 237	(1 348)	3 174	665	17	6 081	19 826	27	19 853
Profit for the year		–	–	–	–	–	5 446	5 446	2	5 448
Other comprehensive income		–	–	(3 087)	–	(123)	15	(3 195)	–	(3 195)
Total comprehensive income for the year		–	–	(3 087)	–	(123)	5 461	2 251	2	2 253
Shares issued	15	138	(138)	–	–	–	–	–	–	–
Shares purchased		–	(39)	–	–	–	–	(39)	–	(39)
Share purchase costs		–	–	–	–	–	(2)	(2)	–	(2)
Share-based payments		–	–	–	16	–	–	16	–	16
Settlement of share-based payments		–	155	–	(82)	–	(73)	–	–	–
Dividends to ordinary shareholders	25	–	–	–	–	–	(3 014)	(3 014)	(1)	(3 015)
Shareholders' interest at 25 June 2017		11 375	(1 370)	87	599	(106)	8 453	19 038	28	19 066
(Loss)/profit for the year		–	–	–	–	–	(3 550)	(3 550)	1	(3 549)
Other comprehensive income		–	–	263	–	182	1	446	–	446
Total comprehensive (loss)/income for the year		–	–	263	–	182	(3 549)	(3 104)	1	(3 103)
Shares issued	15	24	(24)	–	–	–	–	–	–	–
Shares purchased		–	(122)	–	–	–	–	(122)	–	(122)
Share purchase costs		–	–	–	–	–	(1)	(1)	–	(1)
Share-based payments		–	–	–	68	–	–	68	–	68
Settlement of share-based payments		–	59	–	(45)	–	(14)	–	–	–
Transfer between reserves		–	–	–	–	–	15	15	(15)	–
Dividends to ordinary shareholders	25	–	–	–	–	–	(2 781)	(2 781)	(1)	(2 782)
Shareholders' interest at 24 June 2018		11 399	(1 457)	350	622	76	2 123	13 113	13	13 126

	Notes	2018	2017
Dividend per ordinary share declared for the financial year (cents)	25	239.0	313.0
Interim		108.5	133.0
Final		130.5	180.0

GROUP STATEMENT OF CASH FLOWS

	Notes	52 weeks to 24 June 2018 Rm	52 weeks to 25 June 2017 Rm
Cash flow from operating activities			
Cash inflow from trading	26.1	7 371	8 177
Working capital movements	26.2	(305)	(615)
Cash generated by operating activities		7 066	7 562
Investment income received		71	96
Finance costs paid		(1 117)	(1 216)
Tax paid	26.3	(1 037)	(1 701)
Cash generated by operations		4 983	4 741
Dividends received from joint ventures		325	223
Dividends to ordinary shareholders		(2 782)	(3 015)
Net cash inflow from operating activities		2 526	1 949
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(1 664)	(1 439)
Investment in property, plant and equipment and intangible assets to expand operations		(1 004)	(1 126)
Proceeds on disposal of property, plant and equipment and intangible assets		79	13
Proceeds on disposal of property in Sydney		–	3 677
Acquisition of subsidiary, net of cash acquired		–	(711)
Participation in export partnerships		–	8
Loans (advanced)/repaid		(12)	–
Net cash (outflow)/inflow from investing activities		(2 601)	422
Cash flow from financing activities			
Settlement of share-based payments through share purchase		(122)	(39)
Share purchase costs		(1)	(2)
Finance lease payments		(12)	(14)
Borrowings raised		3 306	1 900
Borrowings repaid		(3 000)	(3 852)
Net cash inflow/(outflow) from financing activities		171	(2 007)
Increase in cash and cash equivalents		96	364
Net cash and cash equivalents at the beginning of the year		1 761	1 497
Effect of foreign exchange rate changes		21	(100)
Net cash and cash equivalents at the end of the year	26.4	1 878	1 761

Country Road, Summer 2018

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate Annual Financial Statements of Woolworths Holdings Limited (the Company) for the 52 weeks ended 24 June 2018 (2017: 52 weeks ended 25 June 2017) comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the Group).

STATEMENT OF COMPLIANCE

The consolidated and separate Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the Companies Act of South Africa and the JSE Limited Listings Requirements.

BASIS OF PREPARATION

The consolidated and separate Annual Financial Statements are prepared on the going concern and historical cost bases, except where otherwise indicated.

The presentation and functional currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

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

IAS 7: DISCLOSURE INITIATIVE – STATEMENT OF CASH FLOWS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2017)

The amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are intended to provide information to help investors better understand changes in a company's debt (refer to note 17 and note 28).

IAS 12: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES – AMENDMENTS TO IAS 12 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2017)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2017)

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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 and the Woolworths Trust, have the same financial year-ends and are consolidated to that date. The results of subsidiaries with year-ends differing from that of the Group are compiled for a rolling twelve-month year-ending June and consolidated to that date.

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

CONTROL

The Group consolidates an entity when control exists and can be demonstrated as follows:

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

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

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

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

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

FOREIGN CURRENCY TRANSLATIONS

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

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

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

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

USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

PROPERTY, PLANT AND EQUIPMENT

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

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

GOODWILL

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. The recoverable amount is determined with the use of a discounted cash flow, which takes into account the latest available projected sales growth rates, operating margin, return on capital, reinvestment of profits, working capital requirements, capital expenditure and terminal value assumptions. Where the cash-generating unit's recoverable amount is less than its carrying value, an impairment loss is recognised. It is allocated first to reduce the carrying value of any goodwill allocated to the cash-generating unit, and then to other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill cannot be reversed in future periods.

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 12.

FAIR VALUE OF RIGHTS TO ACQUIRE EQUITY INSTRUMENTS GRANTED

The fair value of rights to acquire shares granted in terms of share-based payment transactions is obtained using option pricing models and, in the case of options, assuming an option life of between seven and 10 years, and between three and seven years for the new schemes. Other valuation assumptions include estimates of attrition, the volatility of the shares, dividend yield and the risk-free interest rate. Refer to note 15 for additional information regarding the fair value of such instruments at grant date.

BUSINESS COMBINATIONS

The Group determines the fair value allocations for assets and liabilities acquired via business combinations, where applicable.

REACQUIRED RIGHTS

The fair value attached to the reacquired rights is determined with the use of a discounted cash flow, which takes into account the remaining term of the franchise agreement. The Group determines whether these assets are impaired at each reporting date.

Key assumptions applied to the earnings portion of a discounted cash flow calculation include the latest available projected sales growth rate, which varies from 6.0% to 8.2%, operating margin, return on capital required of between 11.2% and 13.5%, reinvestment of profits, working capital requirements and capital expenditure. The growth rate used to extrapolate cash flows beyond the most recent budget year is also estimated, as above. In determining the discount rate applied to calculate the present value of future earnings, the Group estimates the market risk return and uses a weighted average cost of capital of 11.7%. Refer to note 9.

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

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

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

The Group owns 50% of WFS. As a result of the Group's equity holding and representation on the Board (through the Joint Venture Agreement), the Group accounts for WFS as a joint venture per IFRS 11. Refer to note 29.

IMPAIRMENT OF FINANCIAL ASSETS

LOANS AND RECEIVABLES

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

PROVISION FOR EMPLOYEE BENEFITS

Post-retirement defined benefits are provided to certain existing and former employees. Actuarial valuations are performed to assess the financial position of relevant funds and are based on assumptions, which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions. Refer to note 19.

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:

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)

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 through a separate share trust. The trust is operated for the purposes of incentivising staff to promote the continued growth of the Group, and is funded by loan accounts from companies within the Group and by dividends received from the Company. In management's judgement, the Group controls the respective trust in accordance with IFRS 10: Consolidated Financial Statements, and the appropriate accounting treatment for this entity is to consolidate its results.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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
Motor vehicles	5 years
Computer equipment	3 to 7 years

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

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

INTANGIBLE ASSETS

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

Other than brands and goodwill, all of the Group's intangible assets are assessed as having finite useful lives. The Group's intangible assets are amortised over their useful lives using a straight-line basis. Computer software is amortised between five to 10 years. Reacquired rights are amortised over the remaining contractual term of the franchise contracts acquired, which varies between two and 10 years per store. Customer databases are amortised over seven years.

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

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

The residual value of an intangible asset is 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 ceases at the earlier of the date that the asset is classified as held-for-sale (or is included in a disposal group that is classified as held-for-sale), or the date that the asset is derecognised.

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

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

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

COMPUTER SOFTWARE

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

RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred.

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

GOODWILL

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

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

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

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

BUSINESS COMBINATIONS

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

GOVERNMENT GRANTS

Government grants in respect of income are recognised in profit or loss as a deduction in the related expenses, in the period in which they becomes receivable. Government grants in respect of capital expenditure are initially recognised as deferred income on the statement of financial position, and subsequently recognised in profit or loss on a systematic basis over the useful life of the assets.

TAXES

CURRENT TAX

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

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

DEFERRED TAX

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

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

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

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

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

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

Current tax and deferred tax are credited or charged directly to equity or other comprehensive income if they relate to items credited or charged directly to equity or other comprehensive income.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

SHARE-BASED PAYMENT TRANSACTIONS
Shares and rights to acquire shares granted to employees in terms of the Group's share incentive schemes meet the definition of share-based payment transactions. Refer to note 15 for a detailed description of each of the schemes.

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

The equity-settled share-based payment schemes allow Group employees to acquire shares in the Company. The fair value of shares granted or rights to acquire shares (granted in the form of share options), is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period in which the employees become unconditionally entitled to these rights. The fair value of the grants is measured with reference to the listed share price, using option pricing models, taking into account the terms and conditions under which the grants were made. In valuing the grants, market conditions imposed, where applicable, on the vesting or exercisability of the shares or share rights are taken into account. No adjustments to the cost of share-based payment schemes are made if a market condition is not satisfied.

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

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

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

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

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

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

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

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES
A financial asset is derecognised when 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, and where the Group has transferred control or substantially all the risks and rewards of the asset. Where the Group has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

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

FAIR VALUE
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of quoted instruments traded in an active market is determined with reference to closing prices at close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market value of other similar instruments, discounted cash flow analyses and option pricing models.

OFFSET
Where a current legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to realise the asset and settle the liability 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: (1) loans and receivables and (2) at fair value through profit or loss. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

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

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

OTHER LOANS
Other loans comprise housing and other employee loans.

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 designated 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 fair value. Gains and losses arising on the change in the fair value of financial assets or liabilities at fair value through profit or loss are recognised under other operating expenses.

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

FINANCIAL LIABILITIES
Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to the 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 or hedging instruments, which are measured at fair value.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

HEDGE ACCOUNTING

Gains and losses on the effective portion of cash flow hedges in respect of a risk associated with a recognised asset or liability, or highly probable forecast transaction or firm commitment, are recognised in other comprehensive income and are recycled to profit or loss when the hedged cash flows impact profit or loss. Gains and losses on the ineffective portion are recognised in profit or loss in the period in which they arise. When a hedged forecast transaction is recognised as a non-financial asset or a non-financial liability, the cumulative gains and losses associated with the forecast transaction are removed from equity and included in the initial measurement of the non-financial asset or non-financial liability. When cash flow hedges result in the recognition of a financial asset or a financial liability, the cumulative gains and losses reflected in other comprehensive income are included in profit or loss in the same period in which the related asset or liability affects profit or loss. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment occurs.

Derivative financial 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 and losses being recognised in profit or loss in the period in which they arise.

IMPAIRMENT

NON-FINANCIAL ASSETS

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

The recoverable amount is the higher of an asset's or the cash-generating unit's fair value, less costs of disposal 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. This incorporates information and assumptions that a market participant would consider when pricing the item under consideration, the time value of money and the risks specific to the asset or cash-generating unit. Costs to dispose are incremental costs directly attributable to the disposal, excluding finance costs and income tax expense.

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

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

FINANCIAL ASSETS

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

ASSETS CARRIED AT AMORTISED COST

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

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

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

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

TRADE AND OTHER RECEIVABLES

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

TREASURY SHARES

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

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in a joint venture or associate. The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the joint venture and associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the joint venture or associate and the carrying value and recognises the amount in profit or loss.

REVENUE

Revenue of the Group comprises:

- Turnover: net merchandise sales, sales to franchisees and logistics services.
- Other revenue: rentals, concession sales commission, royalties, other commission, dividends and investment income.

Turnover and concession sales on the statement of comprehensive income represent the total sales amount of goods sold in Group stores. Concession sales are the sale of goods by concession operators and are not included in revenue.

Value added tax is excluded.

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

Revenue is recognised on the following basis:

- sale of merchandise is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandise, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group;
- logistics services relate to the transport of goods on behalf of third parties and is recognised when the service has been provided;
- rental income for fixed escalation leases is recognised on a straight-line basis;
- contingent rentals are recognised in the period in which they arise;
- 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;
- 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; and
- investment income is recognised as interest accrues using the effective interest method.

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

BORROWING COSTS

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

EXPENSES

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

SEGMENTAL INFORMATION

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Woolworths Fashion, Beauty and Home (FBH) (Clothing, homeware, beauty and other lifestyle products)
- Woolworths Food
- Woolworths Logistics
- David Jones (Department store clothing retailer)
- Country Road Group (Clothing retailer, which includes the Witchery Group)
- Woolworths Financial Services (WFS) (Financial products and services)
- Treasury (Cash and debt management activities)

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

EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share is calculated in accordance with Circular 4/2018 issued by the SAICA. Diluted earnings per share is presented to show the effect of the conversion of favourable potential ordinary shares.

DIVIDENDS TO SHAREHOLDERS

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

INVESTMENT IN SUBSIDIARIES

A subsidiary is an entity over which an investor exercises control. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in subsidiary is shown at cost less impairment losses, as applicable. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the income statement. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE

Standards, interpretations and amendments to published standards, that have become effective during the current financial period have been assessed and have no material impact.

IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

IFRS 9: Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

IFRS 9: Financial Instruments, which includes amended guidance for the classification and measurement of financial assets, sets out a new impairment model (which will result in earlier recognition of losses), and aligns hedge accounting more closely with risk management. It is effective for periods beginning on or after 1 January 2018.

Financial assets held by the Group include debt instruments currently classified as held-to-maturity and loans and receivables measured at amortised cost, which meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets, and the classification will therefore remain the same as under IAS 39.

Furthermore, there will be no significant impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15: Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is currently in the process of assessing the impact of IFRS 9 using the provision matrix approach. Impairment losses are expected to be recognised earlier and will often result in a higher charge than is currently provided for, due to the incorporation of forward-looking information and a default rate applied to all debtors. Based on the Group's assessment, a reduction of between 13% and 17% of the carrying value of the investment is expected to be recognised through the opening retained earnings, as a result of the increase in impairment provision recognised by the Group's joint venture partner with ABSA Group Limited, Woolworths Financial Services.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

IFRS 15: Revenue (effective for annual periods beginning on or after 1 January 2018)

IFRS 15: Revenue from Contracts with Customers establishes the principles that an entity should apply in recognising revenue arising from a contract with a customer. The standard is effective for annual periods beginning on or after 1 January 2018.

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The core principle of IFRS 15 is that an entity should recognise revenue to the extent that its performance obligations in relation to delivery of goods or services has been fulfilled.

The Group recognises revenue from the principal activities of retailing and associated activities, such as logistics services and concession sales commission. The majority of the Group's revenue is recognised at point of sale, and is currently consistent with the requirements of IFRS 15.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Rights of return: IFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation. The requirements of IFRS 15 are not expected to result in a change in the provisioning for refunds, nor is the right of return asset expected to exceed 0.2% of sales, and is therefore not considered material;
- Gift card breakage: IFRS 15 requires the Group to estimate the value of gift cards that would expire and recognise this amount as revenue. The Group currently does not recognise revenue for future gift card breakage. The value of expected gift card breakage is not expected to exceed 0.1% of sales, and is therefore not considered material;
- Customer loyalty programmes: The standard specifies that, when the Group grants a customer the option to acquire additional goods or services in terms of customer loyalty programmes, and that option is a separate performance obligation, the Group should defer the recognition of revenue relating to the option until the performance obligations are fulfilled. Management has estimated that the impact on revenue is not expected to exceed 0.1% of sales, and is therefore not considered material.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the disclosures about its financial instruments, particularly in the year of the adoption of the new standard.

Excluding these areas, the Group does not consider other potential impacts of application of the standard to be material.

IFRS 16: Leases (effective for annual periods beginning on or after 1 January 2019)

In July 2016, the IASB issued the final version of IFRS 16, the scope of which includes leases of all assets, with certain exceptions, and requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions), in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). Reassessment of certain key considerations (e.g. lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The lease expense recognition pattern for lessees will generally be accelerated as compared to today. The new standard requires lessees and lessors to make more extensive disclosures than under IAS 17. Early application is permitted, but not before an entity applies IFRS 15.

The standard is expected to have a material impact due to the significant number of leases, and will result in changes to the statement of financial position, whereby a right-of-use asset and lease liability will be recognised. Changes to the statement of comprehensive income will result in the current operating lease costs being replaced by an amortisation of the right-of-use asset and associated finance costs. The standard will also impact a number of statutory measures such as operating profit and cash generated from operations, and alternative performance measures.

The Group continues to assess the full impact on its Annual Financial Statements in respect of the application of IFRS 16, including understanding the practical application of the principles of the standard. It is therefore not practical to provide a reasonable estimate of the financial effect until this review is complete.

IFRS 2: Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)

The amendments to IFRS 2 are intended to eliminate diversity in practice, and address three main areas: (1) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; (2) The classification of a share-based payment transaction with net settlement features for the withholding tax obligations; (3) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early adoption is permitted.

IAS 40: Amendments to IAS 40 – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The Group expects that adoption of the pronouncements listed above, with the exception of IFRS 16, IFRS 9 and IFRS 15, will have no material financial impact on the reported results in the period of initial application. However, the Group will comply with the additional disclosure requirements resulting from such initial application. Various other new and amended IFRS and IFRIC interpretations, which have been issued, have not been adopted by the Group as they are not applicable to its activities.

2. REVENUE

	2018 Rm	Restated 2017 Rm
Turnover	68 592	67 190
Fashion, Beauty and Home	38 075	39 739
Foods	30 088	27 075
Logistics services and other	429	376
Other revenue	1 909	1 944
Rentals	9	8
Concession sales commission	1 834	1 868
Royalties and other	66	68
Investment income	71	96
Interest earned from cash and investments	70	95
Other	1	1
	70 572	69 230

3. PROFIT BEFORE TAX INCLUDES:

	2018 Rm	Restated 2017 Rm
3.1 OPERATING LEASE EXPENSES		
Land and buildings – Straight-lined rentals	5 376	5 390
– Contingent rentals	174	145
Plant and equipment	10	31
3.2 AUDITOR'S REMUNERATION		
Audit fee – current year	30	29
Audit fee – prior year	7	–
Tax advisory and other services	3	1
3.3 NET FOREIGN EXCHANGE LOSS	32	85
3.4 OTHER EXPENSES		
Technical and consulting fees	168	195
Depreciation and amortisation (refer to notes 8 and 9)	2 018	1 935
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	42	(1 752)
Impairment of property, plant and equipment and intangible assets (refer to notes 8 and 9)	6 954	382
Profit on fair value movements arising from derivative instruments (refer to note 23.6)	(6)	(11)
Transaction costs on acquisitions	–	19
Relocation and retrenchment costs, net of grants received*	110	173
3.5 EMPLOYMENT COSTS	10 447	10 160
Short-term employment benefits	9 507	9 113
Share-based payments expense	66	54
Pension costs (refer to note 19)	825	827
Post-retirement medical benefit (refer to note 19)	41	43
Termination and other benefits	8	123
3.6 FINANCE COSTS		
Long-term borrowings, bank borrowings and overdrafts	1 124	1 256

* During the period, the Group received government grants from the State of Victoria, Australia, in respect of operating expenses and capital expenditure, on the establishment of an Australian regional head office for the Group's subsidiaries, David Jones and Country Road Group. Included in profit before tax are grants received in respect of income, which have been deducted from the related expenses in terms of IAS 20: Government Grants. Grants received in respect of capital expenditure have been recognised in profit before tax on a systematic basis over the useful life of the assets. There are no unfulfilled conditions and contingencies attached to the grants recognised in the current period.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

4. TAX

	2018 Rm	2017 Rm
Current year		
Normal tax		
South Africa	848	824
Foreign	294	695
Deferred tax		
South Africa	4	55
Foreign	(15)	(294)
	1 131	1 280
Prior year		
Normal tax		
South Africa	1	(2)
Foreign	(22)	(1)
Deferred tax		
South Africa	(5)	6
Foreign	10	(5)
	1 115	1 278
Normal tax recognised in other comprehensive income	7	(73)
Deferred tax recognised in other comprehensive income	(75)	89
Normal tax recognised in share-based payment reserve	(3)	(20)
Deferred tax recognised in share-based payment reserve	(1)	(58)

	2018 %	2017 %
The rate of tax on profit is reconciled as follows:*		
Standard rate	(28.0)	28.0
Disallowable expenditure	0.8	0.5
Exempt income	(0.9)	(0.4)
Foreign tax	(5.2)	0.9
WFS equity-accounted earnings	(3.3)	(1.2)
Impairment due to re-assessment of David Jones assets	83.0	–
Tax base adjustments on David Jones assets at acquisition	–	(9.0)
Other	(0.6)	0.2
Effective tax rate	45.8	19.0

* The reconciliation is presented in the context of a loss incurred by the Group in the current year.

5. (LOSS)/EARNINGS PER SHARE

BASIC AND HEADLINE EARNINGS

	(Loss)/profit before tax Rm	Tax Rm	Non-controlling interests Rm	Attributable profit Rm
2018				
Basic (loss)/earnings	(2 434)	(1 115)	(1)	(3 550)
Adjustments:				
Net loss on disposal of property, plant and equipment and intangible assets	42	(12)	–	30
Impairment of property, plant and equipment and intangible assets	6 954	(107)	–	6 847
Headline earnings	4 562	(1 234)	(1)	3 327
2017				
Basic earnings	6 726	(1 278)	(2)	5 446
Adjustments:				
Net profit on disposal of property, plant and equipment and intangible assets	(1 752)	83	–	(1 669)
Impairment of property, plant and equipment and intangible assets	382	(114)	–	268
Headline earnings	5 356	(1 309)	(2)	4 045

WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)

	Number of shares 2018	Number of shares 2017
Weighted average number of shares	960 789 336	960 984 002
Number of shares in issue at the beginning of the year	961 697 769	960 088 973
Weighted average number of shares issued in terms of share schemes during the year	165 502	1 117 487
Weighted average number of shares purchased during the year	(1 546 481)	(362 588)
Weighted average number of shares released in terms of the Restricted Share Plan	472 546	140 130

(LOSS)/EARNINGS PER SHARE (CENTS)

	2018	2017
Basic	(369.5)	566.7
Headline	346.3	420.9

6. DILUTED (LOSS)/EARNINGS PER SHARE

DILUTED (LOSS)/EARNINGS

	2018 Rm	2017 Rm
Diluted basic (loss)/earnings	(3 550)	5 446
Headline earnings adjustment, after tax	6 877	(1 401)
Diluted headline earnings	3 327	4 045

DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

	Number of shares 2018	Number of shares 2017
Weighted average number of shares	960 789 336	960 984 002
Potential dilutive effect of outstanding number of share options	5 735 663	5 176 365
Diluted weighted average number of shares	966 524 999	966 160 367

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

DILUTED (LOSS)/EARNINGS PER SHARE (CENTS)

	2018	2017
Basic	(367.3)	563.7
% dilution	0.6%	0.5%
Headline	344.2	418.7
% dilution	0.6%	0.5%

7. RELATED-PARTY TRANSACTIONS

RELATED PARTIES

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

HOLDING COMPANY

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

SUBSIDIARIES

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

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

JOINT VENTURES

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

	2018 Rm	2017 Rm
WOOLWORTHS FINANCIAL SERVICES PROPRIETARY LIMITED		
Service costs received by Woolworths Proprietary Limited	(82)	(90)
Merchant fee income paid by Woolworths Proprietary Limited	115	114
Accounts receivable by Woolworths Proprietary Limited	85	103
Accounts payable by Woolworths Proprietary Limited	(48)	(68)
NEDGLEN PROPERTIES PROPRIETARY LIMITED		
Rental paid by Woolworths Proprietary Limited	3	3

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited and Woolworths Proprietary Limited. Key management personnel have been defined as the Board of Directors, the Chief Executive Officers of Woolworths Proprietary Limited, David Jones Proprietary Limited and Country Road Group Proprietary Limited. The definition of related parties includes close family members of key management personnel.

KEY MANAGEMENT COMPENSATION

	2018 Rm	2017 Rm
Short-term employee benefits	104	112
Woolworths Holdings Limited directors	55	54
Other key management personnel	49	58
Post-employment benefits	1	1
Woolworths Holdings Limited directors	1	1
Other key management personnel	–	–
IFRS 2 value of share-based payments expense	12	26
Woolworths Holdings Limited directors	6	22
Other key management personnel	6	4
	117	139

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

	2018 Rm	2017 Rm
SHARE PURCHASE SCHEME LOANS AND INVESTMENTS		
Balance outstanding at the beginning of the year	–	9
Loans repaid during the year	–	(9)
Balance outstanding at the end of the year	–	–
GROUP CARD AND VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	10	7
Annual repayments	(10)	(7)
Balance outstanding at the end of the year	3	3

Group cards include cards on offer by Woolworths and David Jones. Country Road Group does not have store and credit cards on offer.

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

No bad or doubtful debts have been recognised in respect of these card accounts of key management personnel (2017: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of David Jones Proprietary Limited and Country Road Group Proprietary Limited employees are disclosed in note 19.

7. RELATED–PARTY TRANSACTIONS (CONTINUED)

EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS

Emoluments paid to Executive Directors of Woolworths Holdings Limited in connection with the affairs of the Company and its subsidiaries for the year ended 24 June 2018 and comparative information for 25 June 2017 are set out below:

2018		Guaranteed pay			Short-term incentives	Long-term incentives		Retention	Remuneration	Remuneration
Executive directors	Notes	Base salary R'000	Benefits (1) R'000	Total guaranteed pay R'000	Performance bonus R'000	Fair value of shares, options, SARS, LTIP and PSP granted (2) R'000	Interest-free loan benefit (3) R'000	Fair value of RSP shares (4) R'000	Total remuneration R'000	Single figure remuneration (5) R'000
Ian Moir		18 915	139	19 054	–	–	–	6 565	25 619	30 555
John Dixon	(6)	17 086	2 041	19 127	–	–	–	–	19 127	19 127
Reeza Isaacs		5 378	387	5 765	–	530	–	1 066	7 361	5 964
Sam Ngumeni		6 168	449	6 617	–	608	–	826	8 051	6 758
Zyda Rylands		7 430	412	7 842	–	586	–	972	9 400	8 009
		54 977	**3 428**	**58 405**	**–**	**1 724**	**–**	**9 429**	**69 558**	**70 413**

2017		Guaranteed pay			Short-term incentives	Long-term incentives		Retention	Remuneration	Remuneration
Executive directors	Notes	Base salary R'000	Benefits (1) R'000	Total guaranteed pay R'000	Performance bonus R'000	Fair value of shares, options, SARS, LTIP and PSP granted (2) R'000	Interest-free loan benefit (3) R'000	Fair value of RSP shares (4) R'000	Total remuneration R'000	Single figure remuneration (5) R'000
Ian Moir		18 673	135	18 808	–	470	–	15 397	34 675	24 046
John Dixon	(6)	16 078	2 950	19 028	–	4 125	–	–	23 153	19 028
Reeza Isaacs		4 752	373	5 125	–	1 326	–	831	7 282	5 550
Sam Ngumeni		5 369	422	5 791	–	1 549	91	100	7 531	6 386
Zyda Rylands		6 532	372	6 904	–	2 015	101	–	9 020	7 240
		51 404	4 252	55 656	–	9 485	192	16 328	81 661	62 250

NOTES

1. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores. Benefits for John Dixon include in-country legislative components.
2. IFRS 2 Share-based payments has been used to equate the annual expense value of shares, SARS, LTIP and PSP held at the end of the financial year.
3. The interest-free loan relates to the purchases of shares under Woolworths Holding Share Trust. The benefit has been calculated at 8.0% (average) on the value of the outstanding loan.
4. IFRS 2 Share-based payments has been used to equate the annual expense value of RSP shares.
5. The intention of single figure remuneration is to disclose the remuneration earned and/or accrued by directors based on the performance of the current year, the vesting of shares with non-financial performance conditions, and including any income attributable to unvested long-term share schemes. Single figure remuneration has been disclosed and includes the fair value of shares being calculated, based on the value of LTIP, PSP and/or RSP vesting of performance conditions, based on the three-year period from FY2016 – FY2018, valued at actual share price of R65.69 on the vesting date (2017: 30-day VWAP R64.56), instead of the IFRS 2 equity-settled expense.
6. John Dixon resigned as an Executive Director on 21 May 2018. John will be paid his notice period of 12 months' salary as per his employment agreement. This amount equates to R18 million (A$1.8 million). He is entitled to a salary of R10 million (A$1.0 million) until 31 December 2018 in terms of his employment agreement. The Company will pay for costs incurred relocating him back to the UK.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

NON-EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS

Emoluments paid to Non-executive Directors of Woolworths Holdings Limited in connection with the affairs of the Company and its subsidiaries for the year ended 24 June 2018 and comparative information for 25 June 2017 are set out below:

2018

Non-executive directors	Notes	Directors' fees R'000	Audit Committee member R'000	Remuneration Committee member R'000	Risk and Compliance Committee member R'000	Nominations Committee member R'000	Sustainability Committee member R'000	Social and Ethics Committee member R'000	Benefits (1) R'000	Total non-executive directors' remuneration R'000
Simon Susman	(2)	1 657	–	119	119	108	108	108	167	2 386
Patrick Allaway	(3)	3 041	184	119	119	–	–	–	3	3 466
Peter Bacon	(4)	150	89	58	–	–	–	–	9	306
Zarina Bassa	(5)	1 164	184	119	227	108	–	–	107	1 909
Tom Boardman		644	–	227	–	173	108	108	75	1 335
Hubert Brody	(6)	700	335	–	119	–	–	–	78	1 232
Andrew Higginson	(7)	1 274	184	119	119	–	–	–	57	1 753
Gail Kelly	(8)	1 741	–	119	119	108	108	–	62	2 257
Nombulelo Moholi		384	–	119	119	–	108	184	82	996
Stuart Rose	(9)	1 146	–	119	119	108	184	–	53	1 729
		11 901	**976**	**1 118**	**1 060**	**605**	**616**	**400**	**693**	**17 369**

2017

Non-executive directors	Notes	Directors' fees (11) R'000	Audit Committee member R'000	Remuneration Committee member R'000	Risk and Compliance Committee member R'000	Nominations Committee member R'000	Sustainability Committee member R'000	Social and Ethics Committee member R'000	Benefits (1) R'000	Total non-executive directors' remuneration R'000
Simon Susman	(2)	1 547	–	113	112	103	103	103	82	2 163
Patrick Allaway	(3)	3 106	174	113	113	–	–	–	–	3 506
Peter Bacon	(4)	359	174	113	–	–	–	–	14	660
Zarina Bassa	(5)	1 091	175	113	215	102	–	–	14	1 710
Tom Boardman		588	–	215	–	164	103	102	19	1 191
Hubert Brody	(6)	658	318	–	112	–	–	–	–	1 088
Andrew Higginson	(7)	1 294	174	113	113	–	–	–	–	1 694
Gail Kelly	(8)	2 335	–	113	113	102	102	–	4	2 769
Nombulelo Moholi		359	–	112	113	–	–	121	28	733
Stuart Rose	(9)	1 294	–	112	113	103	174	–	–	1 796
Thina Siwendu	(10)	223	–	–	84	–	76	130	15	528
		12 854	**1 015**	**1 117**	**1 088**	**574**	**558**	**456**	**176**	**17 838**

NOTES

1. Benefits are discounts received on purchases made in WHL Group stores and reimbursement of VAT on directors' fees approved by shareholders at the 2017 AGM.
2. Simon Susman receives post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position. Benefits of R166 970 (2017: R82 294) include the following:
   - post-retirement healthcare benefit of R28 416 (2017: R30 740);
   - discounts received on purchases made in Woolworths stores of R42 574 (2017: R51 554);
   - VAT reimbursement of R95 980.
3. Patrick Allaway's director's fees are paid in Australian dollars as an Australian resident. Director's fees earned include fees as a Non-executive Director for David Jones and Country Road Group of A$150 000 (2017: A$150 000).
4. Peter Bacon retired from the Board on 28 November 2017.
5. Zarina Bassa's director's fees earned include fees as a Non-executive Director for Woolworths of R780 202 (2017: R732 875).
6. Hubert Brody's director's fees earned include fees for the attendance at the Treasury Committee and Chairman of Woolworths Audit Review Panel of R315 788 (2017: R299 300).
7. Andrew Higginson's director's fees are paid in Sterling as a British resident.
8. Gail Kelly's director's fees are paid in Australian dollars as an Australian resident. Gail resigned as a Non-executive Director of David Jones and Country Road Group on 1 October 2017. She earned fees of A$19 327 (2017: A$75 000).
9. Stuart Rose's director's fees were paid in Sterling as a British resident. Stuart Rose resigned from the Board on 28 May 2018.
10. Thina Siwendu resigned from the Board on 15 February 2017.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interests in shares of the Company are disclosed in the Directors' Report on page 36.

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 24 June 2018, are set out below:

IAN MOIR

			As at 25 June 2017		Awarded		Forfeited		Sold/transferred			As at 24 June 2018		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
SHARE APPRECIATION RIGHTS (SARS) SCHEME	25 Aug 2011	28 Aug 2014	87 468	R27.89								87 468		87 468
	23 Aug 2012	27 Aug 2015	72 288	R51.48								72 288		72 288
	29 Aug 2013	29 Aug 2016	103 755	R56.06								103 755		103 755
Total			263 511									263 511		263 511
RESTRICTED SHARE PLAN (RSP) SCHEME	9 Oct 2014	9 Oct 2017	258 210	R69.71			224 384		33 826	R59.42	2 009 912			–
	5 Jan 2015	16 Feb 2018	213 000	R92.14					106 500	R65.69	6 995 985		106 500	106 500
	27 Aug 2015	27 Aug 2018	186 126	R96.71									186 126	186 126
	25 Aug 2016	26 Aug 2019	318 442	R84.79									318 442	318 442
	24 Aug 2017	24 Aug 2020			475 118	R59.99							475 118	475 118
	24 Aug 2017	24 Aug 2020			475 117	R59.99							475 117	475 117
Total			975 778		950 235		224 384		140 326		9 005 897		1 561 303	1 561 303
Total			**1 239 289**		**950 235**		**224 384**		**140 326**		**9 005 897**	**263 511**	**1 561 303**	**1 824 814**

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.
2. The grant price is the volume weighted average price of a share, as quoted on the Johannesburg Stock Exchange, for the five business days immediately preceding the date of grant. The grant price for RSP is the price of a share, as quoted on the Johannesburg Stock Exchange, on the date the share is purchased.

REEZA ISAACS

			As at 25 June 2017		Awarded		Forfeited		Sold/transferred			As at 24 June 2018		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
SHARE APPRECIATION RIGHTS (SARS) SCHEME	15 Sep 2014	15 Sep 2017	25 115	R74.06			25 115							–
Total			25 115				25 115							–
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME	15 Sep 2014	15 Sep 2017	27 208	R74.06	523	R59.62	23 644		4 087	R59.62	243 667			–
Total			27 208		523		23 644		4 087		243 667			–
RESTRICTED SHARE PLAN (RSP) SCHEME	1 Jun 2013	24 Aug 2017	52 420	R73.92					26 210	R63.86	1 673 747		26 210	26 210
	24 Aug 2017	24 Aug 2020			42 678	R59.99							42 678	42 678
Total			52 420		42 678				26 210		1 673 747		68 888	68 888
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	37 581	R96.70									37 581	37 581
	11 Feb 2016	11 Feb 2019	9 990	R93.69									9 990	9 990
	25 Aug 2016	26 Aug 2019	55 498	R87.86									55 498	55 498
	24 Aug 2017	24 Aug 2020			78 014	R65.63							78 014	78 014
Total			103 069		78 014								181 083	181 083
Total			**207 812**		**121 215**		**48 759**		**30 297**		**1 917 414**		**249 971**	**249 971**

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.
2. The grant price is the volume weighted average price of a share, as quoted on the Johannesburg Stock Exchange, for the five business days immediately preceding the date of grant. The grant price for RSP is the price of a share, as quoted on the Johannesburg Stock Exchange, on the date the share is purchased.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interests in shares of the Company are disclosed in the Directors' Report on page 36.

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 24 June 2018, are set out below:

SAM NGUMENI			As at 25 June 2017		Awarded			Forfeited		Sold/transferred			As at 24 June 2018		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)		Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
SHARE APPRECIATION RIGHTS (SARS) SCHEME	15 Sep 2014	15 Sep 2017	55 092	R74.06				55 092							–
Total			55 092					55 092							–
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME	15 Sep 2014	15 Sep 2017	59 682	R74.06	1 146	R59.62		51 864		8 964	R59.62	534 434			–
Total			59 682		1 146			51 864		8 964		534 434			–
RESTRICTED SHARE PLAN (RSP) SCHEME	23 Aug 2012	23 Aug 2017	6 953	R59.25						6 953	R63.86	444 019			–
	24 Aug 2017	24 Aug 2020			48 762	R59.99								48 762	48 762
Total			6 953		48 762					6 953		444 019		48 762	48 762
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	40 848	R96.70										40 848	40 848
	11 Feb 2016	11 Feb 2019	10 858	R93.69										10 858	10 858
	25 Aug 2016	26 Aug 2019	60 324	R87.86										60 324	60 324
	24 Aug 2017	24 Aug 2020			89 137	R65.63								89 137	89 137
Total			112 030		89 137									201 167	201 167
Total			**233 757**		**139 045**			**106 956**		**15 917**		**978 453**		**249 929**	**249 929**

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.
2. The grant price is the volume weighted average price of a share, as quoted on the Johannesburg Stock Exchange, for the five business days immediately preceding the date of grant. The grant price for RSP is the price of a share, as quoted on the Johannesburg Stock Exchange, on the date the share is purchased.

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interests in shares of the Company are disclosed in the Directors' Report on page 36.

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 24 June 2018, are set out below:

ZYDA RYLANDS

			As at 25 June 2017		Awarded		Forfeited		Sold/transferred			As at 24 June 2018		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
SHARE OPTION SCHEME	17 Aug 2008	17 Aug 2013	65 279	R8.81					65 279	R56.56	3 117 072			–
Total			65 279						65 279		3 117 072			–
SHARE APPRECIATION RIGHTS (SARS) SCHEME	25 Aug 2011	28 Aug 2014	53 538	R27.89					53 538	R56.56	1 534 934			–
	23 Aug 2012	27 Aug 2015	38 304	R51.48								38 304		38 304
	29 Aug 2013	29 Aug 2016	40 790	R56.06								40 790		40 790
	15 Sep 2014	15 Sep 2017	32 358	R74.06			32 358							–
Total			164 990				32 358		53 538		1 534 934	79 094		79 094
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME	15 Sep 2014	15 Sep 2017	35 055	R74.06	673	R59.62	30 463		5 265	R59.62	313 899			–
Total			35 055		673		30 463		5 265		313 899			–
RESTRICTED SHARE PLAN (RSP) SCHEME	24 Aug 2017	24 Aug 2020			58 348	R59.99							58 348	58 348
Total					58 348								58 348	58 348
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	105 073	R96.70									105 073	105 073
	25 Aug 2016	26 Aug 2019	73 982	R87.86									73 982	73 982
	24 Aug 2017	24 Aug 2020			106 659	R65.63							106 659	106 659
Total			179 055		106 659								285 714	285 714
Total			**444 379**		**165 680**		**62 821**		**124 082**		**4 965 905**	**79 094**	**344 062**	**423 156**

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.
2. The grant price is the volume weighted average price of a share, as quoted on the Johannesburg Stock Exchange, for the five business days immediately preceding the date of grant. The grant price for RSP is the price of a share, as quoted on the Johannesburg Stock Exchange, on the date the share is purchased.

JOHN DIXON

			As at 25 June 2017		Awarded		Forfeited		Sold/transferred			As at 24 June 2018		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
PERFORMANCE SHARE PLAN (PSP) SCHEME	11 Feb 2016	11 Feb 2019	216 523	R93.69			216 523							–
	25 Aug 2016	26 Aug 2019	220 852	R87.86			220 852							–
	24 Aug 2017	24 Aug 2020			435 525	R65.63	435 525							–
Total			**437 375**		**435 525**		**872 900**							**–**

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.
2. The grant price is the volume weighted average price of a share, as quoted on the Johannesburg Stock Exchange, for the five business days immediately preceding the date of grant. The grant price for RSP is the price of a share, as quoted on the Johannesburg Stock Exchange, on the date the share is purchased.

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improvements Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2017					
Cost	7 060	1 823	11 440	1 657	21 980
Accumulated depreciation	(87)	(514)	(4 776)	(964)	(6 341)
Accumulated impairment	–	(16)	(295)	(4)	(315)
Net book value at June 2016	6 973	1 293	6 369	689	15 324
Current year movements:					
Additions	201	73	1 471	169	1 914
Acquisition of subsidiary	–	–	48	–	48
Net transfers	78	–	(1)	–	77
Disposals/scrappings – cost	–	(2)	(148)	(31)	(181)
Disposals/scrappings – accumulated depreciation	–	2	125	31	158
Depreciation	(40)	(106)	(1 295)	(199)	(1 640)
Impairment	(41)	–	(313)	(14)	(368)
Foreign exchange rate differences	(776)	(159)	(499)	(52)	(1 486)
Balance at June 2017	6 395	1 101	5 757	593	13 846
Made up as follows:					
Cost	6 546	1 661	11 941	1 696	21 844
Accumulated depreciation	(114)	(544)	(5 619)	(1 087)	(7 364)
Accumulated impairment	(37)	(16)	(565)	(16)	(634)
Net book value at June 2017	6 395	1 101	5 757	593	13 846
2018					
Current year movements:					
Additions	61	85	1 773	178	2 097
Disposals/scrappings – cost	–	(74)	(1 021)	(243)	(1 338)
Disposals/scrappings – accumulated depreciation	–	73	813	236	1 122
Disposals/scrappings – accumulated impairment	–	–	98	7	105
Depreciation	(37)	(139)	(1 289)	(227)	(1 692)
Impairment	–	(31)	(207)	(118)	(356)
Foreign exchange rate differences	109	19	40	7	175
Balance at June 2018	6 528	1 034	5 964	433	13 959
Made up as follows:					
Cost	6 719	1 703	12 804	1 646	22 872
Accumulated depreciation	(154)	(621)	(6 149)	(1 085)	(8 009)
Accumulated impairment	(37)	(48)	(691)	(128)	(904)
Net book value at June 2018	6 528	1 034	5 964	433	13 959

	2018 Rm	2017 Rm
The net carrying amounts of assets held under finance leases were as follows:		
Motor vehicles	34	28

Additions during the year include R18 million (2017: R16 million) of assets held under finance leases.

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

	Carrying value Rm
2018	
Retail stores	5 097
Distribution centres	1 352
Corporate owner-occupied properties	79
2017	
Retail stores	5 026
Distribution centres	1 290
Corporate owner-occupied properties	79

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

9. INTANGIBLE ASSETS

	Brands and customer databases Rm	Computer software Rm	Goodwill Rm	Reacquired rights Rm	Total Rm
2017					
Cost	7 354	2 654	12 634	490	23 132
Accumulated amortisation	(62)	(1 339)	–	(381)	(1 782)
Accumulated impairment	–	(210)	(3)	(1)	(214)
Net book value at June 2016	7 292	1 105	12 631	108	21 136
Current year movements:					
Additions	7	655	–	–	662
Acquisition of subsidiary	207	–	513	–	720
Net transfers	–	1	–	–	1
Disposals/scrappings – cost	–	(4)	–	–	(4)
Disposals/scrappings – accumulated amortisation	–	4	–	–	4
Amortisation	(10)	(239)	–	(46)	(295)
Impairment	–	(6)	(8)	–	(14)
Foreign exchange rate differences	(955)	(98)	(1 562)	–	(2 615)
Balance at June 2017	6 541	1 418	11 574	62	19 595
Made up as follows:					
Cost	6 605	3 098	11 584	490	21 777
Accumulated amortisation	(64)	(1 490)	–	(427)	(1 982)
Accumulated impairment	–	(190)	(10)	(1)	(201)
Net book value at June 2017	6 541	1 418	11 574	62	19 595
2018					
Current year movements:					
Additions	6	558	–	–	564
Disposals/scrappings – cost	–	(655)	–	–	(655)
Disposals/scrappings – accumulated amortisation	–	482	–	–	482
Disposals/scrappings – accumulated impairment	–	163	–	–	163
Amortisation	(10)	(285)	–	(31)	(326)
Impairment	–	–	(6 598)	–	(6 598)
Foreign exchange rate differences	137	24	24	–	185
Balance at June 2018	6 674	1 705	5 000	31	13 410
Made up as follows:					
Cost	6 749	3 039	11 820	490	22 098
Accumulated amortisation	(75)	(1 307)	–	(458)	(1 840)
Accumulated impairment	–	(27)	(6 820)	(1)	(6 848)
Net book value at June 2018	6 674	1 705	5 000	31	13 410

Brands and customer databases include costs of R70 million (2017: R69 million) and accumulated amortisation of R58 million (2017: R45 million) in respect of customer databases. The acquired brands are established trademarks in the retail environment in Australia. History indicates that competitor movements had no significant impact on the sales generated by these brands. As such, management considers these brands to have indefinite useful lives.

As a result of the cyclical downturn and structural changes that have impacted performance across the Australian retail sector, and the impact of poor or delayed execution in certain key initiatives within David Jones, the carrying value of property, plant and equipment and intangible assets within David Jones was reassessed during the year. Consequently, an impairment charge of R6 927 million (A$712.5 million) relating to goodwill (R6 598 million) and other assets (R329 million) was recognised (refer to note 8).

	2018 Rm	2017 Rm
GOODWILL		
The carrying value of goodwill comprises of:		
Arising on acquisition of Virtual Market Place Proprietary Limited	13	13
Arising on acquisition of franchise operations	831	831
Arising on acquisition of Witchery Group	775	775
Arising on acquisition of David Jones	9 535	9 535
Arising on acquisition of Politix	513	513
Accumulated impairment	(6 607)	(10)
Foreign exchange rate differences since acquisition	(60)	(83)
Closing balance	5 000	11 574

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

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

DAVID JONES

The goodwill arising on the acquisition of David Jones has been allocated to three CGUs for impairment testing as follows:

	2018 Rm	2017 Rm
David Jones	6 817	6 817
Impairment	(6 598)	–
	219	6 817
Woolworths	1 480	1 480
Country Road Group	1 238	1 238
Foreign exchange rate differences since acquisition	(144)	(153)
	2 793	9 382

Brands with indefinite useful lives arising on the acquisition of David Jones are included in the David Jones CGU for impairment testing. The carrying value of brands amounts to R5 832 million (2017: R5 716 million). The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from financial forecasts approved by senior management and the Board, covering a five-year period.

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS:

The assumptions below have been applied to calculate the recoverable amount of the David Jones CGU based on fair value less costs of disposal (Level 3 per IFRS 13: Fair Value Measurement):

Sales growth rates: sales growth rates are based on the approved forecast sales growth for the forecast period, taking account of expected market conditions and the impact of the strategic initiatives and investments that are expected to grow the topline sales.

Gross margins: gross margins are based on the approved forecast gross margin for the forecast period, and takes into consideration initiatives to enhance margins while being cognisant of the competitive environment. Cost growth assumptions have also been reviewed and revised, through restructuring and efficiency initiatives. The initiatives have been approved by executive management and the Board.

Discount rates: discount rates between 9.6% and 10.7% (2017: 9.0% and 10.0%) represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments, and is derived from its weighted average cost of capital (WACC).

Long-term growth rates: long-term growth rates are based on the longer term inflation expectations for the Australian retail industry, at 1.9% (2017: 2.0%).

The recoverable amounts of the Woolworths and Country Road Group have been determined based on a value-in-use calculation for the forecast period. Refer to the South Africa franchise operations' assumptions for the Woolworths CGU. Refer to the Witchery Group assumptions for the Country Road Group CGU.

9. INTANGIBLE ASSETS (CONTINUED)

SENSITIVITY ANALYSIS

Discount rate: A 0.5 percentage point change in the discount rate would result in a R938 million (A$93.9 million) change in the available headroom.

Terminal value growth rate: A 0.5 percentage point change in the terminal value growth rate would result in a R814 million (A$81.4 million) change in the available headroom.

Sales growth: A 0.5 percentage point change in the sales growth would result in a R1 676 million (A$167.7 million) change in the available headroom.

WITCHERY GROUP AND POLITIX

The goodwill and brands arising on the acquisition of the Witchery Group and Politix has been allocated to the CGUs for impairment testing as follows:

WITCHERY GROUP	2018 Rm	2017 Rm
Country Road	443	443
Witchery	232	232
Mimco	100	100
Foreign exchange rate differences since acquisition	120	101
	895	876
Brands with indefinite useful lives arising on the acquisition of the Witchery Group, have been allocated to three CGUs for impairment testing as follows:		
Country Road	8	8
Witchery	351	351
Mimco	141	141
Foreign exchange rate differences since acquisition	85	73
	585	573
POLITIX		
Goodwill on acquisition	513	513
Brand on acquisition	206	206
Foreign exchange rate differences since acquisition	(21)	(36)
	698	683

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from financial forecasts approved by senior management and the Board, covering a five-year period. The discount rate applied to the cash flow projection ranges from 9.2% to 10.3% (2017: 9.0% to 10.0%), and cash flows for each CGU beyond the five-year period are extrapolated using a growth rate of 3.6% (2017: 3.0%), which is considered to be the long-term average growth rate for the Australian retail industry. Sales growth and gross margin were considered in determining the value-in-use.

FRANCHISE OPERATIONS

Each franchise business acquired has the ability to generate cash inflows that are largely independent from the cash inflows of other assets and, consequently, each franchise business is treated as a separate CGU for impairment testing. The goodwill allocated to material CGUs by geography is as follows:

	2018 Rm	2017 Rm
South Africa	397	397
Botswana	192	192
Namibia	80	80
Rest of Africa	162	162
Foreign exchange rate differences since acquisition	(15)	(4)
	816	827

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FRANCHISE OPERATIONS (CONTINUED)

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS

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

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

	Discount rate		Long-term growth rate
	Low %	High %	%
2018			
South Africa	11.2	12.7	3.5
Botswana	12.7	14.7	2.0
Namibia	12.7	14.7	2.0
Rest of Africa	12.5	29.0	4.5
2017			
South Africa	12.2	13.5	5.3
Botswana	13.5	15.5	3.0
Namibia	13.5	15.5	1.5
Rest of Africa	14.5	24.7	5.0

The projected cash flows are discounted to their present value using country risk-adjusted rates, based on the Group's WACC. The Group's WACC is 11.7% (2017: 12.2%).

Sales growth rates: sales growth rates have been derived by analysing historical data, considering growth rates projected by the Woolworths planning department, which includes price, volume and real estate growth, and considering the economic and trading conditions of each area within South Africa for local franchise buybacks and each country in the rest of Africa.

Gross margins: gross margins have been derived by analysing historical data, approved forecast gross margins for the forecast period, and considering the impact of currency fluctuations.

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

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

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

10. OTHER LOANS

	2018 Rm	2017 Rm
Housing and other employee loans	5	6
Balance outstanding at the beginning of the year	6	7
Loans granted during the year	–	1
Loans repaid during the year	(1)	(2)
Enterprise development loans and prepayments	51	36
	56	42

Housing loans bear interest at prime less 2.0% (2017: prime less 2.0%). Housing loans are required to be repaid on termination of employment. The carrying value of housing loans approximates their fair value.

Enterprise development loans are granted to certain South African suppliers for development, as part of the Good Business Journey, and are repaid over a period of three to five years. These loans bear interest at floating rates ranging between 6.5%to 10.0% (2017: 7.5% to 10.5%).

Prepayments include amounts prepaid that are of a long-term nature.

Other loans are not considered to be past due nor impaired. Refer to note 23.3 for details of the Group's credit risk management policies.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

11. DEFERRED TAX

	2018 Rm	2017 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	(518)	(725)
Amounts (debited)/credited to profit or loss	6	238
Property, plant and equipment	(47)	377
Prepayments	(7)	(5)
Working capital and other provisions	99	(155)
Participation in export partnerships	–	14
Post-retirement medical benefit liability	10	7
Share-based payments	(11)	(7)
Assessed losses	3	(8)
Intangible assets	9	19
Other	(50)	(4)
Amounts (debited)/credited directly to other comprehensive income	(75)	89
Foreign currency translation reserve adjustment	(10)	122
Financial instrument revaluation reserve adjustment	(64)	(27)
Post-retirement medical benefit liability – actuarial loss/(gain)	(1)	(6)
Amounts debited directly to equity		
Share-based payments reserve	(1)	(58)
Amounts arising on business combinations	–	(62)
Balance at the end of the year	(588)	(518)
Deferred tax asset	170	140
Deferred tax liability	(758)	(658)
Net deferred tax liability	(588)	(518)
Comprising:		
Property, plant and equipment	176	220
Prepayments	(55)	(49)
Working capital and other provisions	1 095	1 131
Post-retirement medical benefit liability	113	103
Share-based payments	30	44
Assessed losses	21	16
Intangible assets	(2 011)	(1 980)
Financial instruments	(41)	20
Other	84	(23)
	(588)	(518)

Deferred tax has been calculated at the standard corporate and the capital gains tax rates as at the reporting date, based on management's expected manner of recovery of the carrying value of assets and settlement of the carrying value of liabilities.

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

	2018 Rm	2017 Rm
12. INVENTORIES		
Merchandise, net of provision	7 539	6 986
Consumables	3	2
Raw materials	–	2
	7 542	6 990

13. TRADE AND OTHER RECEIVABLES AND FAIR VALUE LEASE ADJUSTMENT

	2018 Rm	2017 Rm
NON-CURRENT		
Fair value lease adjustment	59	65
	59	65
CURRENT		
Fair value lease adjustment	7	7
Trade and other receivables	1 504	1 253
Provision for impairment	(24)	(42)
	1 487	1 218
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	(42)	(53)
Charge for the year	(14)	(5)
Amounts written off	4	4
Unused amounts reversed	26	8
Foreign exchange rate differences	2	4
Balance at the end of the year	(24)	(42)

The favourable fair value lease adjustment arises as a result of the acquisition of David Jones Proprietary Limited. At acquisition, leases were determined to be favourable in comparison to market-related rentals and, accordingly, have been disclosed separately as an asset on the statement of financial position. These will unwind over the duration of the leases through the statement of comprehensive income.

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 may not be recoverable.

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

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

At year-end, the ageing analysis of trade and other receivables was as follows:

			Past due but not impaired		
	Total Rm	Neither past due nor impaired Rm	60 – 90 days delinquent Rm	90 – 120 days delinquent Rm	>120 days delinquent Rm
2018	950	861	21	33	35
2017	716	653	5	17	41

Refer to note 23.5 for the analysis of trade and other receivables. The Group does not hold any collateral as security.

Refer to note 23.3 for detailed information regarding the credit quality of financial assets that are neither past due nor impaired.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
NON-CURRENT				
Forward exchange contracts held as hedging instruments	18	–	3	3
Interest rate swaps and collars held as hedging instruments	–	–	–	16
	18	–	3	19
CURRENT				
Forward exchange contracts held as hedging instruments	165	60	38	162
Forward exchange contracts not hedge-accounted	9	5	1	3
Interest rate swaps and collars held as hedging instruments	–	12	1	11
	174	77	40	176

FORWARD EXCHANGE CONTRACTS

The notional principal amount of the outstanding contracts at year-end amounts to R6 316 million (2017: R6 774 million). These contracts are to hedge the foreign currency exposure of the anticipated purchase of goods. The related cash flows are expected to occur on the maturity dates of these contracts between one and 18 months (refer to note 23.4). Gains and losses on forward exchange contracts held as hedging instruments in designated and effective hedging relationships are initially recognised in other comprehensive income and reclassified on recognition of the associated non-financial asset. Gains and losses on remaining contracts not hedge-accounted for are recognised directly in profit or loss. 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. The contracts are settled on a gross basis.

INTEREST RATE SWAPS

The notional principal amount of the interest rate swaps at year-end amounts to R6 349 million (2017: R7 478 million). This comprises hedges on the South African debt of R9 400 million (2017: R9 900 million), as well as Australian debt of R4 301 million (2017: R3 426 million). These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 17). Gains and losses on interest rate swaps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income and are reclassified in the same period that the hedged cash flows affect profit or loss.

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

	2018 Rm	2017 Rm

15. STATED CAPITAL

STATED CAPITAL

	2018 Rm	2017 Rm
Balance at the beginning of the year	11 375	11 237
465 934 (2017: 1 820 950) ordinary shares issued in terms of share incentive schemes	24	138
Balance at the end of the year	11 399	11 375

	2018 R'000	2017 R'000
AUTHORISED		
2 410 600 000 (2017: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
960 574 823 (2017: 961 697 769) ordinary shares of no par value	–	–
	–	–

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE:

	Number of shares	
	2018	2017
Balance at the beginning of the year	961 697 769	960 088 973
Shares purchased from the market and held as treasury shares in terms of the Restricted Share Plan	(2 300 294)	(489 382)
Shares sold in terms of the Restricted Share Plan	266 700	27 186
Shares allocated in terms of the Restricted Share Plan	444 714	250 042
Shares issued in terms of share incentive schemes	465 934	1 820 950
Balance at the end of the year	960 574 823	961 697 769

2 300 294 (2017: 489 382) ordinary shares totalling R137 million (2017: R39 million) were purchased from the market by Woolworths Proprietary Limited for the purposes of share incentive schemes and are held as treasury shares by the Group. 266 700 (2017: 27 186) ordinary shares totalling R15 million (2017: R2 million) were sold to the market in terms of the Group's Restricted Share Plan. 444 714 (2017: 250 042) ordinary shares totalling R35 million (2017: R18 million) were purchased and allocated to employees in terms of the Group's Restricted Share Plan.

465 934 (2017: 1 820 950) ordinary shares totalling R24 million (2017: R138 million) were issued and allocated to employees in terms of the Group's other share incentive schemes.

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

Refer to note 24 for more information on the Group's capital management policy.

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SHARE INCENTIVE SCHEMES

EXECUTIVE INCENTIVE SCHEME

Shares and share options granted in terms of the Executive Incentive Scheme meet the definition of equity-settled share-based payments. The options vest in tranches of 20.0% 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 5.0% and a risk-free interest rate based on the zero-coupon yield of South African government bonds with a term consistent with the option life.

This scheme has been replaced by the Share Appreciation Rights Scheme (SARS), Long-Term Incentive Plan (LTIP), Deferred Bonus Plan (DBP), and Restricted Share Plan (RSP). The Performance Share Plan (PSP) has subsequently replaced SARS and LTIP. The DBP was concluded in 2015.

	Number of shares	
	2018	2017
Shares held by participants		
Balance at the beginning of the year	–	1 069 723
Sold	–	(107 664)
Transferred to trust stock and shares released from the scheme	–	(962 059)
Balance at the end of the year	–	–
Market value at the end of the year (rands)	–	–
Percentage of shares vested at the end of the year	100.0%	100.0%
Weighted average issue price (rands)	–	16.59
Weighted average market price per share traded (rands)	–	71.36
Number of participants on Executive Incentive Scheme	–	–
Options granted to participants		
Balance at the beginning of the year	65 279	157 796
Exercised	(65 279)	(92 517)
Balance at the end of the year	–	65 279
Percentage of options vested at the end of the year	100.0%	100.0%
Weighted average exercise price per option outstanding at the end of the year (rands)	–	8.81
Weighted average exercise price per option exercised (rands)	8.81	16.81
Weighted average market price per share traded (rands)	56.56	71.46
Number of participants on Executive Incentive Scheme	–	1

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15. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS SHARE APPRECIATION RIGHTS SCHEME (SARS)

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

Participants are able to exercise the vested SARS for up to four years after vesting. Vesting of the share appreciation rights is subject to performance conditions as determined by the Board on an annual basis in respect of each new grant. The performance condition applied to each grant is that the Group's headline earnings per share should increase by a cumulative 6.0% above inflation over a three-year period.

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

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

	Number of rights	
	2018	2017
Rights granted to participants		
Balance at the beginning of the year	4 914 385	7 589 838
Exercised	(768 205)	(2 472 211)
Forfeited	(2 226 765)	(203 242)
Balance at the end of the year	1 919 415	4 914 385
Weighted average exercise price per right outstanding at the end of the year (rands)	53.62	60.36
Weighted average exercise price per right exercised (rands)	35.42	42.04
Weighted average exercise price per right forfeited (rands)	74.78	74.85
Weighted average market price per right exercised (rands)	61.13	75.82
Number of participants on SARS	204	434

Period of offer	Number of rights 2018	2017	Original exercise price	Current exercise price*	Fair value at grant date
26 August 2010 and 26 August 2017	–	75 766	23.34	19.85	6.27
17 February 2011 and 17 February 2018	–	70 530	23.49	20.01	7.81
25 August 2011 and 25 August 2018	87 468	456 040	31.44	27.89	8.76
16 February 2012 and 16 February 2019	24 650	24 650	41.90	38.12	19.79
23 August 2012 and 23 August 2019	498 206	571 294	55.68	51.48	17.55
14 February 2013 and 14 February 2020	69 248	91 609	67.08	62.42	20.81
19 August 2013 and 19 August 2020	1 109 144	1 259 881	60.72	56.06	20.22
13 February 2014 and 13 February 2021	130 699	139 322	61.23	56.48	17.76
15 September 2014 and 15 September 2021	–	2 043 869	74.06	74.06	21.57
12 February 2015 and 12 February 2022	–	181 424	83.02	83.02	26.77
Balance at the end of the year	1 919 415	4 914 385			

* The original exercise price was adjusted to take into account the effect of the rights offer in October 2014.

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS LONG-TERM INCENTIVE PLAN (LTIP)

The Long-Term Incentive Plan provides executives with the opportunity to receive Woolworths Holdings Limited shares by way of conditional awards of shares, which are subject to the fulfilment of predetermined performance conditions covering a three-year period, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are equally weighted between headline earnings per share (HEPS) growth and total shareholder return (TSR) of the Company relative to the TSR of a selected peer group index for the same period. The HEPS performance condition has a minimum threshold for 30.0% vesting and a target for 100% vesting. If the TSR performance of Woolworths falls below the lower quartile (i.e. if 75.0% of our peers perform better than Woolworths), then this portion of the LTIP does not vest. However, if the TSR performance of Woolworths exceeds the upper quartile (or 75.0% of our peers) performance, then 100% of the award vests. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

LTIP constitutes an equity-settled share-based payment.

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

	Number of awards	
	2018	2017
Awards granted to participants		
Balance at the beginning of the year	477 668	1 364 185
Back-dated dividends	70 770	64 000
Exercised	(71 866)	(624 735)
Forfeited	(476 572)	(325 782)
Balance at the end of the year	–	477 668
Weighted average exercise price per award outstanding at the end of the year (rands)	–	75.53
Weighted average exercise price per award granted (rands)	–	85.50
Weighted average exercise price per award forfeited (rands)	75.53	70.06
Weighted average market price per award exercised (rands)	58.87	85.59
Number of participants on LTIP	–	41

Period of offer	Number of awards 2018	2017	Exercise price	Fair value at grant date
15 September 2014 and 15 September 2017	–	329 125	74.06	53.08
13 November 2014 and 15 November 2017	–	128 932	78.13	58.83
12 February 2015 and 12 February 2018	–	19 611	83.02	53.39
Balance at the end of the year	–	477 668		

15. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS RESTRICTED SHARE PLAN (RSP)

The Group operates a Restricted Share Plan, of which ownership of these shares vests with Woolworths Proprietary Limited until service conditions are met by the employees.

Shares granted in terms of the RSP meet the definition of an equity-settled share-based payment. The RSPs dated 1 July 2014, 9 October 2014 and 5 January 2015 have performance conditions attached without linear vestings. The full terms and conditions of the scheme are detailed in the Remuneration Committee section of the Integrated Report. In terms of the plan, the Group purchased equity instruments totalling R137 million in the current year (2017: R39 million) for the benefit of the participants. The participants will be entitled to the dividends and voting rights on these shares from grant date.

Vesting in respect of the shares issued occurs as follows:

Period of offer	Year 0 – 2 %	Year 3 %	Year 4 %	Year 5 %
14 May 2013; 1 June 2013; 29 August 2013; 14 November 2013; 28 August 2014; 2 September 2014; 13 November 2014; 12 February 2015; 14 May 2015; 27 August 2015; 1 November 2015; 19 May 2016; 25 August 2016; 1 September 2017; 1 March 2018 and 16 May 2018	–	50	25	25
27 August 2015; 25 August 2016; 24 August 2017 and 1 June 2018	–	100	–	–
5 January 2015	40	30	30	–
11 February 2016; 19 May 2016; 17 May 2017; 22 February 2018 and 16 May 2018	–	25	25	50

	Number of shares	
Shares granted to participants	2018	2017
Balance at the beginning of the year	1 888 559	1 676 405
Purchased	2 300 294	489 382
Vested	(444 713)	(250 042)
Forfeited	(266 700)	(27 186)
Balance at the end of the year	3 477 440	1 888 559
Market value per share at the end of the year (rands)	54.63	62.89
Percentage of shares vested at the end of the year	23.5%	14.9%
Weighted average price per share purchased (rands)	59.47	82.33
Number of participants on RSP	56	42

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS RESTRICTED SHARE PLAN (RSP) (CONTINUED)

	Number of shares		Fair value
Period of offer	2018	2017	at grant date
23 August 2012 and 23 August 2017	–	26 815	60.32
13 November 2012 and 13 November 2017	–	24 045	69.63
14 February 2013 and 14 February 2018	–	7 046	69.19
14 May 2013 and 14 May 2018	–	15 129	71.25
1 June 2013 and 1 June 2018	26 210	52 420	73.92
29 August 2013 and 29 August 2018	13 192	26 384	65.16
14 November 2013 and 14 November 2018	14 668	29 336	73.18
1 July 2014 and 1 July 2019	81 113	162 227	61.64
28 August 2014 and 28 August 2019	24 105	48 212	80.50
2 September 2014 and 2 September 2019	13 974	27 949	80.50
9 October 2014 and 9 October 2017	–	258 210	69.71
13 November 2014 and 13 November 2019	16 990	74 330	78.45
5 January 2015 and 5 January 2019	106 500	213 000	92.14
12 February 2015 and 12 February 2020	6 968	28 200	91.68
14 May 2015 and 14 May 2020	21 829	43 659	98.79
27 August 2015 and 27 August 2018	186 126	186 126	96.71
27 August 2015 and 27 August 2020	55 272	55 272	95.03
1 November 2015 and 1 November 2020	15 345	15 345	97.75
11 February 2016 and 11 February 2021	27 018	27 018	85.13
19 May 2016 and 19 May 2021	78 454	78 454	84.13
25 August 2016 and 25 August 2019	318 442	318 442	84.79
25 August 2016 and 25 August 2021	114 027	114 027	83.31
17 May 2017 and 17 May 2022	56 913	56 913	66.58
24 August 2017 and 24 August 2020	1 626 714	–	59.99
1 September 2017 and 1 September 2022	93 357	–	59.99
1 December 2017 and 1 December 2022	56 720	–	58.18
22 February 2018 and 22 February 2023	38 604	–	64.76
1 March 2018 and 1 March 2023	46 325	–	64.76
16 May 2018 and 16 May 2023	419 498	–	56.62
1 June 2018 and 1 June 2021	19 076	–	56.62
Balance at the end of the year	3 477 440	1 888 559	

15. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS PERFORMANCE SHARE PLAN (PSP)

The Performance Share Plan provides executives and employees with the opportunity to receive Woolworths Holdings Limited shares by way of conditional awards of shares, which are subject to the fulfilment of predetermined performance conditions covering a three-year period, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are weighted between adjusted headline earnings per share (aHEPS) growth, total shareholder return (TSR) of the Company relative to the TSR of a selected peer group index for the same period and return on capital employed (ROCE) conditions. The aHEPS performance condition, which has a 50.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100% vesting. The TSR performance condition, which has a 30.0% weighting, requires the TSR performance of Woolworths to exceed the upper quartile performance of the peer group, for this portion of the PSP to vest. The ROCE performance condition, which has a 20.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100% vesting. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

PSP constitutes an equity-settled share-based payment.

The conditional awards are valued using a Monte Carlo simulation model, assuming a life span of three years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of between 3.48% and 5.15% and a risk-free interest rate based on the bootstrapped zero-coupon perfect fit swap curve as at the grant date with a term consistent with the life of the awards.

	Number of awards	
Awards granted to participants	**2018**	**2017**
Balance at the beginning of the year	4 131 916	2 069 301
Granted and back-dated dividends	4 324 203	2 479 116
Exercised	(6 145)	(4 637)
Forfeited	(796 510)	(411 864)
Balance at the end of the year	7 653 464	4 131 916
Weighted average exercise price per award outstanding at the end of the year (rands)	77.63	90.07
Weighted average exercise price per award granted (rands)	65.63	86.07
Weighted average exercise price per award forfeited (rands)	77.37	95.24
Weighted average market price per award exercised (rands)	65.60	82.09
Number of participants on PSP	693	672

	Number of awards			
Period of offer	**2018**	**2017**	**Exercise price**	**Fair value at grant date**
27 August 2015 and 27 August 2018	1 026 310	1 171 502	96.70	63.55
11 February 2016 and 11 February 2019	528 032	548 708	93.69	54.35
25 August 2016 and 25 August 2019	1 950 905	2 110 864	87.86	51.64
16 February 2017 and 11 February 2020	234 898	300 842	73.15	16.27
24 August 2017 and 24 August 2020	1 726 508	–	65.63	45.88
24 August 2017 and 24 August 2020*	797 683	–	65.63	49.78
24 August 2017 and 24 August 2020**	1 200 156	–	65.63	54.15
22 February 2018 and 22 February 2021	34 484	–	65.60	46.10
22 February 2018 and 22 February 2021*	94 499	–	65.60	49.76
22 February 2018 and 22 February 2021**	59 989	–	65.60	53.42
Balance at the end of the year	7 653 464	4 131 916		

* These awards are subject to 50.0% of the performance conditions.
** These awards are not subject to any performance conditions.

DIRECTORS' INTEREST IN SHARES

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

16. RESERVES

	2018 Rm	2017 Rm
NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	350	87
DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	599	665
Share-based payments arising from the Group's share incentive schemes	23	(66)
Shares	66	87
Share options and other	–	(33)
Tax on share-based payments recognised in equity	2	(38)
Settlement of share-based payments	(45)	(82)
Balance at the end of the year	622	599
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative financial instruments	76	(106)
Retained profit	2 123	8 453
Company	(5 529)	663
Arising on consolidation of subsidiaries	7 652	7 790
Total distributable reserves	2 821	8 946

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 15 for further details of the relevant schemes.

FINANCIAL INSTRUMENT REVALUATION RESERVE

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

RETAINED PROFIT

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

17. INTEREST-BEARING BORROWINGS

	2018 Rm	2017 Rm
NON-CURRENT		
Long-term loans	11 685	12 114
Finance lease liabilities (refer to note 28)	26	23
	11 711	12 137
CURRENT		
Finance lease liabilities (refer to note 28)	8	5
Current portion of long-term loans	1 996	1 000
Other loans	–	157
Overdrafts	145	26
	2 149	1 188

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value (refer to note 23.2).

A significant portion of the interest associated with such borrowings is subject to interest rate swaps (refer to note 14).

Notes to the value of R2.5 billion were issued under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding to the Group. The DMTN programme was approved by the JSE on 17 March 2017 and is guaranteed by Woolworths Proprietary Limited. It will be used to raise debt on an ongoing basis.

Finance lease liabilities are measured at amortised cost at an average effective rate of 5.13% (2017: 5.22%). Maturity periods vary between one and five years (refer to note 28). 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. At year-end, the fair value of the finance lease liabilities amounted to R34 million (2017: R28 million). The assets have been pledged as collateral for the respective lease liabilities (refer to note 8).

Refer to note 23.4 for the Group's liquidity risk management policies.

The maturity profile of long-term interest-bearing borrowings is as follows:

	Debt denoted in: Rand Rm	A$ Rm	2018 Rm	2017 Rm
Financial year 2019	1 996	–	1 996	1 000
Financial year 2020	3 986	–	3 986	7 243
Financial year 2021	1 748	1 849	3 597	3 973
Financial year 2022 and onwards	1 649	2 453	4 102	898
	9 379	4 302	13 681	13 114

Interest on South African-based debt is linked to JIBAR and payable quarterly in arrears.

Interest on Australian-based debt is linked to BBSY and payable quarterly in arrears.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017 Rm	Cash flows Rm	Non-cash changes: Additions Rm	Amortised costs Rm	Foreign exchange movement Rm	Fair value changes Rm	2018 Rm
Long-term loans	13 271	306	–	25	79	–	13 681
Finance lease liabilities	28	(12)	18	–	–	–	34
	13 299	294	18	25	79	–	13 715

18. TRADE AND OTHER PAYABLES

	2018 Rm	2017 Rm
NON-CURRENT		
Operating lease accrual and fair value lease adjustment	1 906	1 980
	1 906	1 980
CURRENT		
Trade payables	5 000	4 464
Other payables	3 728	3 798
Operating lease accrual and fair value lease adjustment	115	114
	8 843	8 376

As a result of the David Jones acquisition, leases were determined to be unfavourable in comparison to market-related rentals and, accordingly, have been disclosed separately as liabilities on the statement of financial position. These will unwind over the duration of the leases through the statement of comprehensive income.

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

The carrying value of trade and other payables (except the operating lease accrual) approximates their fair value.

19. RETIREMENT BENEFIT INFORMATION

Woolworths permanent employees under the age of 63 (2017: 63) are contributory members of the Woolworths Group Retirement Fund. Certain employees, in addition to belonging to the Woolworths Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. The Woolworths Group Retirement Fund is exempt from valuation. The Woolworths Group Retirement Fund's actuary undertakes annual financial reviews, of which the latest review, as at 28 February 2017, confirmed the fund's financial soundness. The annual review, as at 28 February 2018, is in the process of being completed and will be available during September 2018.

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

David Jones Proprietary Limited provides superannuation benefits for various categories of employees in Australia. The company contributes to several defined contribution superannuation plans. All superannuation contributions are made in accordance with the relevant trust deeds and the superannuation guarantee charge. Contributions are only made to defined contribution funds, and are recognised as an expense in the statement of comprehensive income as they become payable.

Total Group contributions are charged to profit or loss as incurred and amounted to R825 million (2017: R827 million). Refer to note 3.5.

Woolworths subsidises a portion of the medical aid contributions of retired employees who joined the healthcare fund before 1 November 2000. The Group values its accrued and future liability in respect of post-retirement medical aid contributions annually in June. The liability was actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions. For the purposes of the valuation, it was assumed that investment returns would be nil (2017: nil). The discount rate used to value the liability at year-end is 9.5% (2017: 9.7%) per annum.

At year-end, the accrued liability amounted to R404 million (2017: R386 million) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the Group's in-house medical aid scheme. Woolworths has not funded the liability.

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19. RETIREMENT BENEFIT INFORMATION (CONTINUED)

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

	2018 Rm	2017 Rm
Funding liability at the beginning of the year	386	387
Current service cost	4	4
Interest on obligation	37	39
Employer contributions	(21)	(23)
Actuarial loss/(gain) before tax	(2)	(21)
Actuarial (gain)/loss due to membership changes and mortality	(2)	4
Actuarial gain due to actual subsidy increase being lower than expected	–	(2)
Actuarial loss due to changes in financial assumptions	–	(23)
Funding liability at the end of the year	404	386

	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Funding liability	404	386	387	374	349
Funding deficit	404	386	387	374	349
Actuarial (gain)/loss on funding liability, before tax	(2)	(21)	(10)	8	8

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

	2018 Rm	2017 Rm
Within 12 months	24	23
Between 1 and 5 years	115	108
Between 5 and 10 years	189	178
Beyond 10 years	239	229
Total expected payments	567	538

A 1.0 percentage point increase or decrease in the assumed medical inflation rate of 8.1% (2017: 8.3%) would have the following effect:

2018			
Medical inflation assumption	8.1%	7.1%	9.1%
Service cost for the year ended June 2018	4	3	5
Interest cost for the year ended June 2018	37	31	41
Accrued liability at June 2018	404	361	456
2017			
Medical inflation assumption	8.3%	7.3%	9.3%
Service cost for the year ended June 2017	4	3	5
Interest cost for the year ended June 2017	39	35	45
Accrued liability at June 2017	386	347	432

A 0.5 percentage point increase or decrease in the discount rate of 9.5% (2017: 9.7%) would have the following effect:

2018			
Discount rate assumption	9.5%	9.0%	10.0%
Accrued liability at June 2018	404	428	382
2017			
Discount rate assumption	9.7%	9.2%	10.2%
Accrued liability at June 2017	386	408	366

A one-year increase or decrease in the retirement age of 63 (2017: 63) would have the following effect:

2018			
Retirement age assumption	63	62	64
Accrued liability at June 2018	404	409	399
2017			
Retirement age assumption	63	62	64
Accrued liability at June 2017	386	390	383

20. PROVISIONS

	Leave pay Rm	Provision for onerous lease commitments Rm	Employee benefits Rm	Sales returns and other Rm	Total 2018 Rm	Total 2017 Rm
NON-CURRENT						
Balance at the beginning of the year	59	–	97	–	156	187
Raised	63	147	12	–	222	91
Utilised	(58)	(8)	(17)	–	(83)	(89)
Foreign exchange rate differences	–	–	2	–	2	(33)
Balance at the end of the year	64	139	94	–	297	156
CURRENT						
Balance at the beginning of the year	304	37	351	133	825	863
Raised/acquired	355	3	439	55	852	861
Utilised	(332)	–	(517)	(90)	(939)	(810)
Foreign exchange rate differences	2	–	10	2	14	(89)
Balance at the end of the year	329	40	283	100	752	825

LEAVE PAY

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

PROVISION FOR ONEROUS LEASE COMMITMENTS

The provision for onerous lease commitments is calculated based on the present value of the unavoidable costs in fulfilling lease commitments, net of income receivable from the lease. The provision for onerous lease commitments reverses as the lease term runs down or if conditions change to the extent that the lease is no longer onerous.

EMPLOYEE BENEFITS

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

21. CAPITAL COMMITMENTS

	2018 Rm	2017 Rm
Commitments in respect of capital expenditure not accrued at the reporting date:		
Contracted for	1 420	669
Not contracted for	2 419	4 028
	3 839	4 697

This capital expenditure will be financed by cash generated from the Group's activities and available cash.

22. CONTINGENT LIABILITIES

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

23. FINANCIAL RISK MANAGEMENT

Exposure to foreign currency, interest rate, refinancing, counterparty, credit and liquidity risks arises in the normal course of business. It is the Group's objective to manage 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 (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 Bank Covenants, interest rates, refinancing, liquidity, counterparty and foreign exchange risk, as well as any deviations from treasury policy and performance against budgets.

Woolworths Financial Services' credit risk is managed by a Credit Risk Committee attended by two directors of the Board. Woolworths Proprietary Limited, David Jones Proprietary Limited and Country Road Group Proprietary Limited's credit risk are each managed by an Audit and Risk Committee attended by directors of the Board.

23.1 FOREIGN CURRENCY RISK MANAGEMENT

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

TRANSACTIONAL FOREIGN EXCHANGE RISK

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

Forward exchange contracts and trade payables at year-end are summarised below. These amounts represent the net rand equivalent of Group commitments to purchase and sell foreign currencies.

	Contract foreign currency amount m	Rand equivalent Rm	Average rate R	Fair value adjustment Rm
2018				
FORWARD EXCHANGE CONTRACTS				
US dollar	457	6 058	13.66	114
British pound	2	29	17.64	–
Euro	14	212	15.42	13
Canadian dollar	–	4	10.36	–
New Zealand dollar	1	6	9.42	–
Other currencies	–	7	–	–
		6 316		127
TRADE PAYABLES				
US dollar (closing rate)	8	112	13.44	(13)
2017				
FORWARD EXCHANGE CONTRACTS				
US dollar	457	6 110	13.77	(142)
British pound	3	49	17.11	–
Euro	39	549	14.71	15
Canadian dollar	2	19	10.00	–
New Zealand dollar	–	4	9.62	–
Other currencies	–	43	–	–
		6 774		(127)
TRADE PAYABLES				
US dollar (closing rate)	30	392	12.93	(23)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

At year-end, the Group held 963 (2017: 1 290) forward exchange contracts in order to hedge expected future purchases from suppliers outside South Africa, for which the Group has firm commitments. Of these, 857 (2017: 1 146) are designated cash flow hedges in an effective hedging relationship.

The remaining 106 (2017: 144) forward exchange contracts are not designated as cash flow hedges. At year-end, an unrealised gain of R6 million (2017: R11 million) was recognised in profit or loss in respect of these forward exchange contracts.

The cash flow hedges resulted in a net unrealised gain of R131 million (2017: R106 million unrealised loss), with a related deferred tax liability of R38 million (2017: R30 million deferred tax asset), which was included in the financial instrument revaluation reserve in respect of these contracts.

The following exchange rates applied during the year:

	Average rate		Closing rate	
	2018	2017	2018	2017
US dollar/rand	12.84	13.64	13.44	12.93
Australian dollar/rand	9.95	10.28	10.00	9.79

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

	Movement in foreign exchange rate %	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2018			
US dollar			
Foreign creditors	+5	6	–
	-5	(6)	–
Forward exchange contracts	+5	(8)	90
	-5	8	(90)
2017			
US dollar			
Foreign creditors	+5	20	–
	-5	(20)	–
Forward exchange contracts	+5	(24)	(168)
	-5	24	168

23.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

TRANSLATIONAL FOREIGN EXCHANGE RISK

Net investments in foreign subsidiaries

The Group has investments in foreign subsidiaries whose net assets (including cash and cash equivalents) are exposed to translational foreign exchange risk.

	2018 Rm	2017 Rm
The Group has unhedged interests in foreign subsidiaries of:		
Australian dollar	14 712	21 746

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

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

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

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2018		
Australian dollar	+5	(736)
	-5	736
2017		
Australian dollar	+5	(1 087)
	-5	1 087

Foreign cash

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

	2018 Rm	2017 Rm
Foreign cash and cash equivalent balances/(overdrafts) are concentrated in the following major currencies:		
US dollar	(130)	(65)
Australian dollar	456	314
	326	249

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

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2018		
Australian dollar	+5	(23)
	-5	23
2017		
Australian dollar	+5	(16)
	-5	16

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.2 INTEREST RATE RISK MANAGEMENT

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

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

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

The Group entered into long-term debt with the interest payable linked to various floating interbank rates. At year-end, the Group had swapped approximately 46% (2017: 56%) of floating rate exposure for fixed rates.

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

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

	Movement in basis points	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2018			
Interest-bearing borrowings	+50	68	–
	-50	(68)	–
Interest rate swaps	+50	(32)	(19)
	-50	32	19
Cash and cash equivalents	+50	(10)	–
	-50	10	–
2017			
Interest-bearing borrowings	+50	66	–
	-50	(66)	–
Interest rate swaps	+50	(37)	(40)
	-50	37	40
Cash and cash equivalents	+50	(9)	–
	-50	9	–

At year-end, the South African prime interest rate was 10.0% (2017: 10.5%). JIBAR was 6.93% (2017: 7.33%). The Australian prime interest rate was 1.5% (2017: 1.5%).

The variable interest rate pricing profile at year-end is summarised as follows:

	2018		2017	
	Rm	Effective interest rate %	Rm	Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long-term loans	13 681	3.6 – 8.88	13 114	2.86 – 9.29
Other loans	–	–	157	3.07
Overdrafts	145	3.3 – 9.5	26	5.1 – 7.2
% of total borrowings	100%		100%	

23.2 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2018					
Long-term loans	–	998	998	11 485	200
Other loans	–	–	–	–	–
Overdrafts	–	142	–	3	–
2017					
Long-term loans	–	1 000	–	11 514	600
Other loans	–	157	–	–	–
Overdrafts	–	–	26	–	–

23.3 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, trade and other receivables and derivative financial instruments, as well as credit exposure to other loans. The Group's maximum exposure to credit risk is equal to the carrying amount of these classes of assets. Refer to note 23.5.

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

Trade and other receivables consist mainly of property-related and franchise 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 of the Group. Security for housing loans is required.

Woolworths Holdings Limited is exposed to credit risk mainly through amounts owing by its subsidiaries.

CREDIT QUALITY OF FINANCIAL ASSETS

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

	2018		2017	
	Rating	Rm	Rating	Rm
FINANCIAL ASSETS				
Other loans	High grade	56	High grade	31
Trade and other receivables	High grade	950	High grade	696
Enterprise development loans	Low grade	39	Low grade	41
Derivative financial instruments*	High grade	192	High grade	43
Cash and cash equivalents*	High grade	2 023	High grade	1 787

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.

Low grade – debtors are considered to have high credit risk when they have low-quality credit standing. The counterparties for these instruments are considered more likely to default on capital or interest payments.

* External rating

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.4 LIQUIDITY RISK MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from adequate banking facilities ranging from overnight to 36-month facilities and the ability to close out market positions. Derivative financial liabilities are measured at fair value and are included in the analysis on the basis of management's expectation of settlement. The fair values indicate the net settlement amounts due.

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

	2018 Rm	2017 Rm
BANKING AND DEBT FACILITIES		
Total banking and debt facilities	24 786	25 302
Less: Drawn-down portion	(14 070)	(13 469)
Total undrawn banking and debt facilities	10 716	11 833
Made up as follows:	10 716	11 833
Committed	10 216	11 033
Uncommitted	500	800

All facilities and any security provided are required to be approved by the Board.

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

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2018					
Interest-bearing borrowings*	–	1 227	1 665	12 639	200
Forward exchange contracts	–	52	13	–	–
Interest rate swaps	–	–	12	3	–
Trade and other payables	384	5 770	2 414	160	–
Overdrafts	–	142	3	–	–
2017					
Interest-bearing borrowings*	–	1 401	685	12 380	620
Forward exchange contracts	–	82	83	3	–
Interest rate swaps	–	3	8	16	–
Trade and other payables	101	6 218	1 943	–	–

* Includes interest payments

BORROWING CAPACITY

In terms of the Memorandum of Incorporation, the Group has unlimited borrowing powers.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

23.5 FINANCIAL INSTRUMENTS BY CATEGORY

The following classifications for financial instruments have been applied to the line items below:

	Notes	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
2018						
Assets						
Other loans	10	56	–	–	–	56
Trade and other receivables	13	950	–	–	537	1 487
Derivative financial instruments	14	–	9	183	–	192
Cash and cash equivalents	26.4	2 023	–	–	–	2 023
Total		3 029	9	183	537	3 758

	Notes	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						
Interest-bearing borrowings	17	13 826	–	–	34	13 860
Trade and other payables	18	8 429	–	–	2 320	10 749
Derivative financial instruments	14	–	5	72	–	77
Total		22 255	5	72	2 354	24 686

	Notes	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
2017						
Assets						
Other loans	10	42	–	–	–	42
Trade and other receivables	13	716	–	–	502	1 218
Derivative financial instruments	14	–	1	42	–	43
Cash and cash equivalents	26.4	1 787	–	–	–	1 787
Total		2 545	1	42	502	3 090

	Notes	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						
Interest-bearing borrowings	17	13 297	–	–	28	13 325
Trade and other payables	18	7 971	–	–	2 385	10 356
Derivative financial instruments	14	–	3	192	–	195
Total		21 268	3	192	2 413	23 876

23. FINANCIAL RISK MANAGEMENT (C0NTINUED)

23.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Fair value measurement Rm	Investment income Rm	Finance costs Rm	Impairment loss Rm	Total Rm
2018					
Loans and receivables	–	71	–	–	71
Financial liabilities at amortised cost	–	–	(1 124)	–	(1 124)
Financial instruments at fair value through profit or loss	6	–	–	–	6
Derivatives used as hedging instruments	256	–	–	–	256
Total	262	71	(1 124)	–	(791)
2017					
Loans and receivables	–	96	–	–	96
Financial liabilities at amortised cost	–	–	(1 256)	–	(1 256)
Financial instruments at fair value through profit or loss	11	–	–	–	11
Derivatives used as hedging instruments	(168)	–	–	–	(168)
Total	(157)	96	(1 256)	–	(1 317)

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

The gains/(losses) on the fair value adjustments of financial instruments recognised within other comprehensive income comprises of:

	2018 Rm	2017 Rm
Forward exchange contracts	13	(405)
Interest rate swaps and collars	19	(60)
Reclassified to non-financial assets	235	317
Reclassified to profit or loss	(11)	(20)
Total	256	(168)

23.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Fair value measurement using	Carrying amount 2018 Rm	Carrying amount 2017 m	Fair value 2018 Rm	Fair value 2017 Rm
FINANCIAL ASSETS					
Derivative financial instruments					
Forward exchange contracts	Level 2	192	42	192	42
Interest rate swaps and collars	Level 2	–	1	–	1
FINANCIAL LIABILITIES					
Derivative financial instruments					
Forward exchange contracts	Level 2	65	168	65	168
Interest rate swaps and collars	Level 2	12	27	12	27

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

24. MANAGEMENT OF CAPITAL

The Group considers stated capital (note 15), reserves (note 16) and interest-bearing borrowings (note 17) as capital employed. Management focuses on the following:

- solvency, liquidity, interest rate and refinancing risk metrics based on internal policy requirements; and
- debt and equity covenants that are measured for both internal and external purposes.

These processes aid the Group's ability to continue as a going concern and to provide appropriate returns to shareholders. Returns are measured in terms of Returns on Assets, Equity and Capital Employed.

	2018	2017
Return on equity	20.7%	20.8%

The Group ensures that it complies with the liquidity and solvency requirements for any share repurchase or dividend payment per the Companies Act of South Africa.

25. DIVIDENDS TO SHAREHOLDERS

	2018 Rm	2017 Rm
Dividend no. 39 of 180.0 cents per share was declared on 24 August 2016 and paid on 19 September 2016	–	1 885
Less: Dividend received on treasury shares	–	(152)
Dividend no. 40 of 133.0 cents per share was declared on 15 February 2017 and paid on 13 March 2017	–	1 393
Less: Dividend received on treasury shares	–	(112)
Dividend no. 41 of 180.0 cents per share was declared on 23 August 2017 and paid on 18 September 2017	1 886	–
Less: Dividend received on treasury shares	(151)	–
Dividend no. 42 of 108.5 cents per share was declared on 21 February 2018 and paid on 19 March 2018	1 137	–
Less: Dividend received on treasury shares	(91)	–
Total net dividends paid	2 781	3 014

Dividend no. 43 of 130.5 cents per share was declared to ordinary shareholders on 22 August 2018.

26. CASH FLOW INFORMATION

26.1 CASH INFLOW FROM TRADING

	2018 Rm	2017 Rm
(Loss)/profit before tax	(2 434)	6 726
Investment income	(71)	(96)
Earnings from joint ventures	(287)	(260)
Depreciation and amortisation	2 018	1 935
Loss/(profit) on disposal of property, plant and equipment and intangible assets	42	(1 752)
Impairment of property, plant and equipment and intangible assets	6 954	382
Finance costs	1 124	1 256
Movement in other provisions and post-retirement medical benefit liability	68	73
Share-based payments	66	54
Operating lease accrual	14	43
Fair value lease adjustment	(115)	(157)
Foreign exchange loss/(gain)	(8)	(27)
Net inflow from trading	7 371	8 177

26.2 WORKING CAPITAL MOVEMENTS

	2018 Rm	2017 Rm
Increase in inventories	(435)	(361)
(Increase)/decrease in trade and other receivables	(293)	38
Increase/(decrease) in trade and other payables	423	(292)
Net outflow	(305)	(615)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

26. CASH FLOW INFORMATION (CONTINUED)

26.3 TAX PAID

NORMAL AND FOREIGN TAX

	2018 Rm	2017 Rm
Amounts owing at the beginning of the year (net)	226	(97)
Amounts charged to profit or loss	(1 121)	(1 516)
Amounts recognised in other comprehensive income	(7)	73
Amounts recognised in share-based payments reserve	3	20
Foreign currency translation reserve	9	45
Amounts receivable at the end of the year	(271)	(252)
Amounts owing at the end of the year	124	26
Amount paid	(1 037)	(1 701)

26.4 NET CASH AND CASH EQUIVALENTS

	2018 Rm	2017 Rm
Local – variable interest rates of 0% to 7.7% (2017: 0% to 7.1%)	1 009	999
Foreign – variable interest rates of 0% to 4.59% (2017: 0% to 1.65%)	1 014	788
Cash and cash equivalents	2 023	1 787
Foreign overdrafts – variable interest rates of 0% to 9.5% (2017: 5.1% to 7.2%)	(145)	(26)
Net cash and cash equivalents	1 878	1 761

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

27. OPERATING LEASES

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

	2018 Rm	2017 Rm
27.1 OPERATING LEASE COMMITMENTS		
Land and buildings:		
Within one year	4 044	3 668
Within two to five years	12 395	12 295
Thereafter	14 311	12 347
	30 750	28 310
27.2 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS PRINCIPAL LESSOR AT YEAR-END		
Land and buildings:		
Within one year	2	2
Within two to five years	–	2
	2	4
27.3 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS LESSOR AT YEAR-END		
Land and buildings:		
Within one year	7	7
Within two to five years	5	11
Thereafter	1	2
	13	20

The operating lease accrual of R685 million (2017: R670 million) represents the difference between the cash flow impact and profit or loss impact of the above leases (refer to note 18).

Contingent rent payable is calculated based on turnover level. The amount recognised in profit or loss was R174 million (2017: R145 million).

The total minimum lease payments during the year amount to R5 284 million (2017: R5 309 million).

The total minimum lease payments received during the year amount to R37 million (2017: R22 million).

28. FINANCE LEASES

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

	2018		2017	
	Minimum payments Rm	Present value of payments Rm	Minimum payments Rm	Present value of payments Rm
Within one year	9	8	6	5
Between one and five years	28	26	25	23
Total minimum lease payments	37	34	31	28
Less: Finance costs	(3)	–	(3)	–
Present value of minimum lease payments	34	34	28	28

29. INVESTMENT IN JOINT VENTURES

The Group has the following interests in joint ventures:

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

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

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

	2018 Rm	2017 Rm
Assets		
Current assets, including cash and cash equivalents of R93 million (2017: R89 million)	8 088	7 690
Non-current assets	2 401	2 590
	10 489	10 280
Liabilities		
Current liabilities, including financial liabilities of R270 million (2017: R282 million)	(299)	(282)
Non-current liabilities, including financial liabilities of R8 252 million (2017: R7 983 million)	(8 252)	(7 984)
	(8 551)	(8 266)
Equity	1 938	2 014
Group carrying amount of investment in WFS	969	1 007
Summarised statement of comprehensive income:		
Revenue (including gross investment income of R2 166 million (2017: R2 123 million))	2 336	2 259
Operating costs (including depreciation of R33 million (2017: R30 million) and impairment charge of R551 million (2017: R638 million))	1 536	1 544
Profit before tax	800	715
Tax	228	197
Total comprehensive income	572	518
Group proportionate share	286	259
Group carrying amount of investment in Nedglen	9	8
Total investment in joint ventures	978	1 015
The following dividends were received during the year:		
Woolworths Financial Services Proprietary Limited	325	223

The Group's share of Nedglen profits amounted to R0.9 million (2017: R1 million) and other comprehensive income of nil in both years.

The Group's share of the capital commitment of the joint ventures is nil.

The increase in net assets is after dividends earned.

30. EVENTS SUBSEQUENT TO THE REPORTING DATE

No event material to the understanding of these Group Annual Financial Statements has occurred between the end of the financial year and the date of approval.

31. SEGMENTAL INFORMATION

31.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

2018

	Total Rm	Woolworths: Fashion, Beauty and Home Rm	Woolworths: Food Rm	Woolworths: Logistics Rm	Woolworths: Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
OPERATING RESULTS									
Revenue	70 572	13 705	29 462	429	–	16 676	10 770	11	(481)
Turnover	68 592	13 687	29 332	429	–	14 455	10 689	–	–
Cost of sales	41 700	7 297	21 989	429	–	8 249	3 977	–	(241)
Gross profit	26 892	6 390	7 343	–	–	6 206	6 712	–	241
Other revenue	1 909	18	130	–	–	2 192	50	–	(481)
Expenses	23 542	4 697	5 305	–	–	7 988	5 771	21	(240)
Segmental operating profit	5 259	1 711	2 168	–	–	410	991	(21)	–
Impairment due to reassessment of David Jones assets	6 927	–	–	–	–	6 927	–	–	–
Profit on sale of property in Sydney, net of impairment	–	–	–	–	–	–	–	–	–
Investment income	71	–	–	–	–	29	31	11	–
Finance costs	1 124	–	–	–	–	39	31	1 054	–
Earnings from WFS joint venture	286	–	–	–	286	–	–	–	–
Earnings from Nedglen and associate	1	1	–	–	–	–	–	–	–
(Loss)/profit before tax	(2 434)	1 712	2 168	–	286	(6 527)	991	(1 064)	–
Return on equity	20.7%								

2017

	Total Rm	Woolworths: Fashion, Beauty and Home Rm	Woolworths: Food Rm	Woolworths: Restated Logistics Rm	Woolworths: Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
OPERATING RESULTS									
Revenue	69 230	13 913	27 199	376	–	17 169	10 867	69	(363)
Turnover	67 190	13 894	27 075	376	–	15 030	10 815	–	–
Cost of sales	40 518	7 244	20 281	376	–	8 524	4 295	–	(202)
Gross profit	26 672	6 650	6 794	–	–	6 506	6 520	–	202
Other revenue	1 944	19	124	–	–	2 121	43	–	(363)
Expenses	22 410	4 493	4 939	–	–	7 519	5 595	25	(161)
Segmental operating profit	6 206	2 176	1 979	–	–	1 108	968	(25)	–
Impairment due to reassessment of David Jones assets	–	–	–	–	–	–	–	–	–
Profit on sale of property in Sydney, net of impairment	1 420	–	–	–	–	1 420	–	–	–
Investment income	96	–	–	–	–	18	9	69	–
Finance costs	1 256	–	–	–	–	44	38	1 174	–
Earnings from WFS joint venture	259	–	–	–	259	–	–	–	–
Earnings from Nedglen and associate	1	1	–	–	–	–	–	–	–
(Loss)/profit before tax	6 726	2 177	1 979	–	259	2 502	939	(1 130)	–
Return on equity	20.8%								

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

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

David Jones and Country Road Group represent the results of the Group's Australian subsidiaries.

Intragroup adjustments relate to the sale of concession goods between segments and supply chain distribution adjustments.

31. SEGMENTAL INFORMATION (CONTINUED)

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

	2018						2017					
	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
STATEMENT OF FINANCIAL POSITION												
Property, plant and equipment and intangible assets	27 369	7 031	–	15 177	5 161	–	33 441	6 873	–	21 377	5 191	–
Inventories	7 542	3 610	–	2 747	1 185	–	6 990	3 550	–	2 191	1 249	–
Trade and other receivables, derivative financial assets and loans	1 794	963	–	429	402	–	1 368	772	–	422	174	–
Cash and cash equivalents	2 023	1 221	–	374	382	46	1 787	1 136	–	178	428	45
Segment assets	38 728	12 825	–	18 727	7 130	46	43 586	12 331	–	24 168	7 042	45
Investment in joint ventures	978	9	969	–	–	–	1 015	8	1 007	–	–	–
Tax and deferred tax assets	441	364	–	77	–	–	392	341	–	49	2	–
Total assets	40 147	13 198	969	18 804	7 130	46	44 993	12 680	1 007	24 217	7 044	45
Trade and other payables, provisions and other non-current liabilities	12 279	6 074	–	4 824	1 381	–	11 918	5 892	–	4 679	1 347	–
Interest-bearing borrowings and overdrafts	13 860	26	–	3	–	13 831	13 325	27	–	1 397	156	11 745
Segment liabilities	26 139	6 100	–	4 827	1 381	13 831	25 243	5 919	–	6 076	1 503	11 745
Tax and deferred tax liabilities	882	43	–	647	192	–	684	26	–	575	83	–
Total liabilities	27 021	6 143	–	5 474	1 573	13 831	25 927	5 945	–	6 651	1 586	11 745
Debt ratio	34.5%						29.6%					
Depreciation and amortisation	2 018	1 011	–	623	384	–	1 935	904	–	651	380	–
Impairment of property, plant and equipment and intangible assets	6 954	–	–	6 929	25	–	382	13	–	366	3	–
Share-based payment expense	66	40	–	13	13	–	54	44	–	9	1	–
Capital expenditure (gross)	2 662	1 109	–	1 239	314	–	3 344	1 244	–	996	1 104	–
Capital commitments	3 839	1 811	–	1 648	380	–	4 697	2 035	–	2 157	505	–
Shareholding		100.0%	50.0%	100.0%	100.0%	100.0%		100.0%	50.0%	100.0%	100.0%	100.0%

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31. SEGMENTAL INFORMATION (CONTINUED)

31.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

2018

	Total Rm	Woolworths: Fashion, Beauty and Home Rm	Woolworths: Food Rm	Woolworths: Logistics Rm	Woolworths: Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
Revenue									
South Africa	42 222	12 258	28 987	429	–	–	1 018	11	(481)
Rest of Africa	1 667	1 192	475	–	–	–	–	–	–
Australia and New Zealand	26 682	255	–	–	–	16 676	9 752	–	–
	70 572	13 705	29 462	429	–	16 676	10 770	11	(481)
Turnover									
South Africa	42 544	12 240	28 857	429	–	–	1 018	–	–
Rest of Africa	1 667	1 192	475	–	–	–	–	–	–
Australia and New Zealand	24 381	255	–	–	–	14 455	9 671	–	–
	68 592	13 687	29 332	429	–	14 455	10 689	–	–

2017

	Total Rm	Woolworths: Fashion, Beauty and Home Rm	Woolworths: Food Rm	Woolworths: Restated Logistics Rm	Woolworths: Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
Revenue									
South Africa	40 444	12 516	26 758	376	–	–	1 088	69	(363)
Rest of Africa	1 648	1 207	441	–	–	–	–	–	–
Australia and New Zealand	27 138	190	–	–	–	17 169	9 779	–	–
	69 230	13 913	27 199	376	–	17 169	10 867	69	(363)
Turnover									
South Africa	40 595	12 497	26 634	376	–	–	1 088	–	–
Rest of Africa	1 648	1 207	441	–	–	–	–	–	–
Australia and New Zealand	24 947	190	–	–	–	15 030	9 727	–	–
	67 190	13 894	27 075	376	–	15 030	10 815	–	–

2018

	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
Total assets						
South Africa	14 456	12 834	969	–	607	46
Australia and New Zealand	25 250	–	–	18 727	6 523	–
	39 706	12 834	969	18 727	7 130	46
Tax and deferred tax assets	441					
	40 147					
Capital expenditure (gross)						
South Africa	1 120	1 108	–	–	12	–
Australia and New Zealand	1 541	–	–	1 239	302	–
	2 661	1 108	–	1 239	314	–

2017

	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
Total assets						
South Africa	14 108	12 339	1 007	–	717	45
Australia and New Zealand	30 493	–	–	24 168	6 325	–
	44 601	12 339	1 007	24 168	7 042	45
Tax and deferred tax assets	392					
	44 993					
Capital expenditure (gross)						
South Africa	1 255	1 244	–	–	11	–
Australia and New Zealand	2 089	–	–	996	1 093	–
	3 344	1 244	–	996	1 104	–

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COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 24 June 2018 Rm	52 weeks to 25 June 2017 Rm
Revenue	2	3 158	3 336
Expenses		6 225	15
Other operating costs		6 225	15
Finance costs		101	–
(Loss)/profit before tax	3	(3 168)	3 321
Tax	4	–	2
(Loss)/profit and total comprehensive income for the year		(3 168)	3 319

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COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	At 24 June 2018 Rm	At 25 June 2017 Rm
ASSETS			
Non-current assets		17 930	21 543
Interest in and amounts owing by subsidiaries	7	17 915	21 528
Deferred tax	8	15	15
Current assets		587	597
Other receivables	9	8	10
Amounts owing by subsidiaries	7	535	544
Tax	18.3	9	9
Cash and cash equivalents	18.4	35	34
TOTAL ASSETS		18 517	22 140
EQUITY AND LIABILITIES			
Equity attributable to shareholders		6 750	12 851
Stated capital	10	11 399	11 375
(Accumulated loss)/distributable reserves	11	(4 649)	1 476
TOTAL EQUITY		6 750	12 851
Non-current liabilities		2 498	–
Interest-bearing borrowings	12	2 498	–
Current liabilities		9 269	9 289
Other payables	13	36	10
Amounts owing to subsidiaries	7	9 233	9 279
TOTAL LIABILITIES		11 767	9 289
TOTAL EQUITY AND LIABILITIES		18 517	22 140

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Stated capital Rm	(Accumulated loss)/ distributable reserves: Share-based payments reserve Rm	Retained (loss)/ profit Rm	Total Rm
Shareholders' interest at 26 June 2016		**11 237**	**759**	**622**	**12 618**
Profit and total comprehensive income for the year		–	–	3 319	3 319
Shares issued	10	138	–	–	138
Share-based payments	11	–	54	–	54
Dividends to ordinary shareholders	17	–	–	(3 278)	(3 278)
Shareholders' interest at 25 June 2017		**11 375**	**813**	**663**	**12 851**
(Loss)/profit and total comprehensive income for the year		–	–	(3 168)	(3 168)
Shares issued	10	24	–	–	24
Share-based payments	11	–	66	–	66
Dividends to ordinary shareholders	17	–	–	(3 023)	(3 023)
Shareholders' interest at 24 June 2018		**11 399**	**879**	**(5 528)**	**6 750**

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COMPANY STATEMENT OF CASH FLOWS

	Notes	52 weeks to 24 June 2018 Rm	52 weeks to 25 June 2017 Rm
Cash flow from operating activities			
Cash outflow from trading	18.1	(114)	(13)
Working capital movements	18.2	28	3
Cash utilised by operating activities		(86)	(10)
Investment income received		81	4
Cash utilised in operations		(5)	(6)
Dividends received		3 018	3 301
Dividends paid to ordinary shareholders		(3 023)	(3 278)
Net cash (outflow)/inflow from operating activities		(10)	17
Cash flow from investing activities			
Participation in export partnerships		–	3
Loans repaid by subsidiaries		13	9
Net cash inflow from investing activities		13	12
Cash flow from financing activities			
Loans advanced to subsidiaries	7	(2 500)	–
Borrowings raised	12	2 498	–
Net cash outflow from financing activities		(2)	–
Increase in cash and cash equivalents		1	29
Net cash and cash equivalents at the beginning of the year		34	5
Net cash and cash equivalents at the end of the year	18.4	35	34

	2018 Rm	2017 Rm
2. REVENUE		
Investment income	140	33
Dividends received	3 018	3 301
Participation in export partnerships	–	2
	3 158	3 336
3. PROFIT BEFORE TAX INCLUDES:		
Audit fee – current year	3	3
Impairment of investment in Osiris Holdings Proprietary Limited*	6 212	–

* The Company holds the investment in Osiris Holdings Proprietary Limited (Osiris), which is the holding company of David Jones Proprietary Limited. As a result of the impairment of goodwill in David Jones, the Company's investment in Osiris, which is carried at a cost of R18 977 million, needs to be considered separately from the goodwill impairment. The recoverable amount of the investment would be the higher of David Jones' value-in-use or net realisable value. Accordingly, an impairment of R6 212 million was recognised to the recoverable amount.

4. TAX

	2018 Rm	2017 Rm
Deferred tax relating to the origination and reversal of temporary differences (refer to note 8)	–	2
	–	2

	2018 %	2017 %
The rate of tax on profit is reconciled as follows:*		
Standard rate	(28.0)	28.0
Disallowable expenditure	0.1	0.1
Exempt income	(26.7)	(27.9)
Impairment of investment in Osiris Holdings Proprietary Limited	54.9	–
Other	(0.3)	(0.2)
Effective tax rate	–	–

* The reconciliation is presented in the context of a loss incurred by the Company in the current year.

5. DIRECTORS' EMOLUMENTS

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

	2018 Rm	2017 Rm
Executive Directors		
Remuneration	38	35
Retirement, medical, accident and death benefits	1	1
Share-based payments	6	22
	45	58
Non-executive Directors		
Fees	17	18
	17	18
Total directors' emoluments	62	76

Executive Directors' emoluments are paid by Woolworths Proprietary Limited, David Jones Proprietary Limited and Country Road Group Proprietary Limited. Details of the directors' fees and emoluments are provided in note 7 of the Group Annual Financial Statements.

6. RELATED-PARTY TRANSACTIONS

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

The following related-party transactions occurred during the year:

WOOLWORTHS HOLDINGS LIMITED

	2018 Rm	2017 Rm
DIVIDEND RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	2 212	2 248
Osiris Holdings Proprietary Limited	371	896
Country Road Group Proprietary Limited	435	157
	3 018	3 301
INTEREST RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	103	–
E-Com Investments 16 Proprietary Limited	33	29
	136	29
DIVIDENDS PAID TO SUBSIDIARY COMPANIES	244	264

SHARE-BASED PAYMENTS TRANSACTIONS

The Company accounts for the Group share-based payment transactions settled in its equity instruments, as an equity-settled share-based payment arrangement, with a corresponding increase in its investment in subsidiaries (refer to note 7).

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all directors, executive and non-executive, of the Company. Key management personnel have been defined as the Board of Directors of the Company. The definition of related parties includes close family members of key management personnel.

	2018 Rm	2017 Rm
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	55	53
Post-employment benefits	1	1
IFRS 2 value of share-based payments expense	6	32
	62	86

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

	2018 Rm	2017 Rm
SHARE PURCHASE SCHEME LOANS AND INVESTMENTS (AT COST)		
Balance at the beginning of the year	–	9
Loans repaid during the year	–	(9)
Balance at the end of the year	–	–

6. RELATED-PARTY TRANSACTIONS (CONTINUED)

	2018 Rm	2017 Rm
WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	6	6
Annual repayments	(6)	(6)
Balance outstanding at the end of the year	3	3

Purchases made by key management personnel are at standard discounts granted to all employees of the Company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other cardholders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths Visa credit card accounts of key management personnel (2017: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of David Jones Proprietary Limited and Country Road Group Proprietary Limited employees are disclosed in note 19 of the Group Annual Financial Statements.

7. INTEREST IN AND AMOUNTS OWING BY/(TO) SUBSIDIARIES

	2018 Rm	2017 Rm
Ordinary shares	13 896	20 108
E-Com Investments 16 Proprietary Limited: Cost	230	230
Woolworths International Holdings Limited: Cost	901	901
Osiris Holdings Proprietary Limited:	12 765	18 977
Cost	18 977	18 977
Less impairment (refer to note 3)	(6 212)	–
Amounts owing by subsidiaries: non-current		
E-Com Investments 16 Proprietary Limited	304	271
Share-based payments arising from the Group's share incentive schemes	1 215	1 149
Woolworths Proprietary Limited	2 500	–
Interest in and amounts owing by subsidiaries	17 915	21 528
Amounts owing by subsidiaries: current	535	544
Woolworths Proprietary Limited	405	405
E-Com Investments 16 Proprietary Limited	130	139
Amounts owing to subsidiaries: current	(9 233)	(9 279)
Woolworths Proprietary Limited	(9 233)	(9 276)
Woolworths International Limited	–	(3)
Total net interest in subsidiaries	9 217	12 793

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

The investment in preference shares of E-Com Investments 16 Proprietary Limited (E-Com) entitles the Company to a cumulative dividend equal to 50% of the dividend declared and paid by E-Com on the ordinary shares from time to time. In addition, the preference shares are redeemable in full by E-Com 10 years after the issue date.

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

The loan to Woolworths Proprietary Limited arises as a result of the proceeds of the DMTN programme (refer to note 12) being on-lent to Woolworths Proprietary Limited with terms equivalent to the notes issued by Woolworths Holdings Limited (the issuer) and the Noteholders, plus a margin. Woolworths Proprietary Limited is the guarantor of such notes.

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 value of loans to and from subsidiaries approximate their fair value.

The Company's maximum exposure to the credit risk of loans to subsidiaries are their carrying value. The amount owing by subsidiaries in 2018 is considered to be neither past due nor impaired. All subsidiaries are in a financially sound position. Refer to note 15.1 for details of the Company's credit risk management policies. Refer to Annexure 1 for details of the Company's interest in subsidiaries.

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8. DEFERRED TAX

	2018 Rm	2017 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	15	17
Amounts credited to profit or loss	–	(2)
Participation in export partnerships	–	8
Working capital	–	(10)
Balance at the end of the year	15	15
Comprising:		
Working capital	(15)	(15)
	(15)	(15)

Deferred tax has been calculated at the standard corporate and the capital gains tax rates as at the reporting date, based on management's expected manner of recovery of the carrying value of assets and settlement of the carrying value of liabilities.

9. OTHER RECEIVABLES

	2018 Rm	2017 Rm
Other receivables	8	10
	8	10

The balance of other receivables is neither past due nor impaired.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

10. ORDINARY SHARE CAPITAL

	2018 Rm	2017 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 375	11 237
465 934 (2017: 1 820 950) ordinary shares issued in terms of share incentive schemes	24	138
Balance at the end of the year	11 399	11 375

	R'000	R'000
AUTHORISED		
2 410 600 000 (2017: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
1 048 313 728 (2017: 1 047 847 794) ordinary shares of no par value	–	–
	–	–

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	1 047 847 794	1 046 026 844
Shares issued in terms of share incentive schemes	465 934	1 820 950
Balance at the end of the year	1 048 313 728	1 047 847 794

	2018 Rm	2017 Rm
11. DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	813	759
Share-based payments arising from share incentive schemes	66	54
Balance at the end of the year	879	813
Retained (loss)/profit	(5 528)	663
Total (accumulated loss)/distributable reserves	(4 649)	1 476

NATURE AND PURPOSE OF RESERVES

SHARE-BASED PAYMENTS 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 15 of the Group Annual Financial Statements for further details of the relevant schemes.

RETAINED (LOSS)/PROFIT

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

12. INTEREST-BEARING BORROWINGS

	2018 Rm	2017 Rm
Long-term loans	2 498	–
	2 498	–

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value. R2.5 billion notes were issued under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding to the Group. The DMTN programme that was approved by the JSE on 17 March 2017 is guaranteed by Woolworths Proprietary Limited and will be used to raise debt on an ongoing basis.

	2017 Rm	Cash flows Rm	Non-cash changes: Amortised costs Rm	Non-cash changes: Foreign exchange movement Rm	Non-cash changes: Fair value changes Rm	2018 Rm
Long-term loans	–	2 498	–	–	–	2 498

13. OTHER PAYABLES

	2018 Rm	2017 Rm
Other payables	36	10
	36	10

The carrying value of other payables approximates their fair value. These balances are payable on demand.

14. CONTINGENT LIABILITIES

The Company provides sureties or guarantees for banking facilities amounting to R14 350 million (2017: R14 850 million) and lease obligations of certain subsidiaries. These can be called on immediately in the event of the subsidiaries not honouring their obligations. There are no other material contingent liabilities.

The maturity profile of such drawn facilities that the Company provides sureties for, is as follows:

	2018 Rm	2017 Rm
Financial year 2019	1 996	1 000
Financial year 2020	3 986	3 983
Financial year 2021	–	3 973
Financial year 2022 and onwards	899	898
	6 881	9 854

15. FINANCIAL RISK MANAGEMENT

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

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

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

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

15.1 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, amounts owing by subsidiaries and other receivables. The Company's maximum exposure to credit risk is equal to the carrying value of these classes of assets.

The Company only deposits short-term cash surpluses with major banks of high-quality credit standing. Refer to note 7 for details of amounts owing by subsidiaries.

CREDIT QUALITY OF FINANCIAL ASSETS

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

	2018 Rm	2017 Rm
FINANCIAL ASSETS		
Other receivables	8	10
Cash and cash equivalents	35	34
Preference share loan in E-Com Investments 16 Proprietary Limited	304	271
Amounts owing by subsidiaries: current: Woolworths Proprietary Limited	405	405
Amounts owing by subsidiaries: current: E-Com Investments 16 Proprietary Limited	130	139
Amounts owing by subsidiaries: non-current: Woolworths Proprietary Limited	2 500	–

15.2 LIQUIDITY RISK MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents. In terms of the Company's Memorandum of Incorporation, there is no limit on the Company's authority to raise interest-bearing debt (refer to note 15.3).

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2018					
Amounts owing to subsidiaries	9 233	–	–	–	–
Long-term loans	–	48	164	2 972	–
Other payables	36	–	–	–	–
2017					
Amounts owing to subsidiaries	9 279	–	–	–	–
Other payables	10	–	–	–	–

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 INTEREST RATE RISK MANAGEMENT

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

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

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

	Movement in basis points	(Increase)/ decrease in profit before tax R'000	(Increase)/ decrease in equity R'000
2018			
Cash and cash equivalents	+50	(175)	(126)
	-50	175	126
Long-term loans	+50	12 490	8 993
	-50	(12 490)	(8 993)
Amounts owing by subsidiaries	+50	(12 500)	(9 000)
	-50	12 500	9 000
2017	+50	(170)	(122)
Cash and cash equivalents	-50	170	122

15.4 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2018 Rm	2017 Rm
FINANCIAL ASSETS		
Loans and receivables		
Other receivables and prepayments	8	10
Amounts owing by subsidiaries	535	544
Cash and cash equivalents	35	34
Preference share loan in E-Com Investments 16 Proprietary Limited	304	271
Amounts owing by Woolworths Proprietary Limited	2 500	–
Total	3 382	859
FINANCIAL LIABILITIES		
Amortised cost		
Other payables	36	10
Amounts owing to subsidiaries	9 233	9 279
Long-term loans	2 498	–
Total	11 767	9 289

15.5 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Interest income Rm	Net movement in other comprehensive income Rm	Total Rm
2018			
Loans and receivables	107	–	107
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited	33	–	33
2017			
Loans and receivables	4	–	4
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited	29	–	29

16. MANAGEMENT OF CAPITAL

The Company considers the management of capital with reference to the Group policy. Refer to note 24 of the Group Annual Financial Statements.

	2018 Rm	2017 Rm
17. DIVIDENDS TO ORDINARY SHAREHOLDERS		
Dividend no. 39 of 180.0 cents per share was declared on 24 August 2016 and paid on 19 September 2016	–	1 885
Dividend no. 40 of 133.0 cents per share was declared on 15 February 2017 and paid on 13 March 2017	–	1 393
Dividend no. 41 of 180.0 cents per share was declared on 23 August 2017 and paid on 18 September 2017	1 886	–
Dividend no. 42 of 108.5 cents per share was declared on 21 February 2018 and paid on 19 March 2018	1 137	–
Total dividends paid	3 023	3 278

Dividend no. 43 of 130.5 cents per share was declared to ordinary shareholders on 22 August 2018.

		2018 Rm	2017 Rm
18.	**CASH FLOW INFORMATION**		
18.1	**CASH OUTFLOW FROM TRADING**		
	(Loss)/profit before tax	(3 168)	3 321
	Investment income	(140)	(33)
	Dividends received	(3 018)	(3 301)
	Impairment of investment in Osiris Holdings Proprietary Limited	6 212	–
	Net outflow from trading	(114)	(13)
18.2	**WORKING CAPITAL MOVEMENTS**		
	Other receivables	2	(1)
	Other payables	26	4
	Net inflow	28	3
18.3	**TAX PAID**		
	NORMAL AND FOREIGN TAX		
	Amounts receivable at the beginning of the year	9	9
	Amounts receivable at the end of the year	(9)	(9)
	Cash amounts paid	–	–
18.4	**CASH AND CASH EQUIVALENTS**		
	Local – variable interest rates of 0% to 3.33% (2017: 0% to 3.58%)	35	34
	Cash and cash equivalents	35	34

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

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

No event material to the understanding of these Company financial statements has occurred between the end of the financial year and the date of approval.

David Jones, Summer 2018

ANNEXURE 1

INTEREST IN SUBSIDIARIES AND JOINT VENTURES

			Company 2018 Carrying value of shares Rm	2018 % Holding	Company 2017 Carrying value of shares Rm	2017 % Holding
Interest in subsidiaries directly held			13 896		20 108	
Woolworths Proprietary Limited	R	1	–	100	–	100
Woolworths Developments Proprietary Limited	P	1	–	100	–	100
E-Com Investments 16 Proprietary Limited	H	1	230	100	230	100
Woolworths Trust[1 & 2]	H	3	–	–	–	–
Woolworths International Holdings Limited	H	3	901	100	901	100
Woolworths International (Australia) II Proprietary Limited	H	5	–	100	–	100
Osiris Holdings Proprietary Limited	H	5	12 765	100	18 977	100
The Woolworths Trust (Charitable Trust)[1]	H	1	–	–	–	–
The Woolworths Holdings Share Trust[1]	H	1	–	–	–	–
Interest in subsidiaries indirectly held						
Universal Product Networks Proprietary Limited	L	1		100		100
Virtual Market Place Proprietary Limited[3]	R	1		100		100
Longmarket Apparel Proprietary Limited	R	5		100		100
Woolworths (Lesotho) Proprietary Limited[6]	R	14		100		100
Woolworths (Namibia) Proprietary Limited	R	2		100		100
Woolworths (Swaziland) Proprietary Limited	R	18		100		100
Woolworths Holding (Mauritius) Limited	H	9		100		100
Woolworths (Mauritius) Limited[4]	R	9		100		100
Woolies (Zambia) Limited[4]	R	10		100		100
W-Stores Company Tanzania Limited[4]	R	11		51		51
W-Stores Company Uganda Limited[4]	R	12		95		95
Woolworths Mozambique, Limitada[4]	R	13		100		100
Woolworths (Kenya) Proprietary Limited[4]	R	15		100		100
Woolworths (Botswana) Proprietary Limited[4]	R	17		100		100
W-Stores (Ghana) Proprietary Limited[4]	R	19		100		100
Woolworths Rwanda Limited[4]	R	21		100		100
Woolworths Worldwide Limited	H	3		100		100
Woolworths International Limited	H	3		100		100
WSM Operations Holding Company Limited	D	20		100		100
Highway Holdings N.V.	H	4		100		100
Woolworths International (Australia) Proprietary Limited	H	5		100		100
Country Road Group Proprietary Limited	H	5		100		100
Country Road Clothing Proprietary Limited	R	5		100		100

INTEREST IN SUBSIDIARIES (CONTINUED)

			Company 2018 Carrying value of shares Rm	2018 % Holding	Company 2017 Carrying value of shares Rm	2017 % Holding
Country Road Clothing (N.Z.) Limited	R	6		100		100
Country Road Ventures Proprietary Limited	R	5		100		100
Country Road Ventures (SA) Proprietary Limited	R	1		100		100
Country Road International Proprietary Limited	H	5		100		100
Country Road (Hong Kong) Limited	R	7		100		100
CRG Logistics Proprietary Limited	L	5		100		100
Cicero Clothing Proprietary Limited	R	5		100		100
Politix (NZ) Limited	R	6		100		100
Witchery Australia Holdings Proprietary Limited	H	5		100		–
Witchery Holdings Proprietary Limited	H	5		100		100
Witchery Fashions Proprietary Limited	R	5		100		100
Witchery Fashions (NZ) Limited	R	6		100		100
Witchery Singapore Pte Limited	R	16		100		100
Witchery Fashions (SA) Proprietary Limited	R	1		100		100
Mimco Proprietary Limited	R	5		100		100
Mimco Design Singapore Pte Limited	R	16		100		100
Mimco (NZ) Limited	R	6		100		100
Vela Investments Proprietary Limited[5]	H	5		100		100
David Jones Proprietary Limited	R	5		100		100
Ahern's Holdings Proprietary Limited	H	5		100		100
Ahern's (Suburban) Proprietary Limited	D	5		100		100
Atkin Proprietary Limited	H	5		100		100
David Jones Finance Proprietary Limited	F	5		100		100
299-307 Bourke Street Proprietary Limited	P	5		100		100
Helland Close Proprietary Limited	R	5		100		100
David Jones Credit Proprietary Limited	D	5		100		100
John Martin Retailers Proprietary Limited	D	5		100		100
David Jones Financial Services Limited	F	5		100		100
David Jones Insurance Proprietary Limited	F	5		100		100
David Jones (NZ) Proprietary Limited	R	6		100		–
David Jones Properties (South Australia) Proprietary Limited	P	5		100		100
David Jones (Adelaide) Proprietary Limited	D	5		100		100
Buckley & Nunn Proprietary Limited	P	5		100		100
David Jones Properties (Victoria) Proprietary Limited	P	5		100		100
David Jones Properties (Queensland) Proprietary Limited	P	5		100		100
Speertill Proprietary Limited	R	5		100		100

ANNEXURE 1 (CONTINUED)

			Company			
			2018		2017	
INTEREST IN SUBSIDIARIES (CONTINUED)			Carrying value of shares Rm	% Holding	Carrying value of shares Rm	% Holding
David Jones Properties Proprietary Limited	P	5		100		100
David Jones Employee Share Plan Proprietary Limited	H	5		100		100
David Jones Share Plans Proprietary Limited	H	5		100		100
INTEREST IN JOINT VENTURES						
Woolworths Financial Services Proprietary Limited	F	1		50% – 1 share		50% – 1 share
Nedglen Property Developments Proprietary Limited	P	1		30		30
AMOUNTS OWING (TO)/BY SUBSIDIARIES			(4 679)		(7 315)	
Woolworths Proprietary Limited			(5 113)		(7 722)	
E-Com Investments 16 Proprietary Limited			434		410	
Woolworths International Limited			–		(3)	
Total interest			9 217		12 793	

Nature of business

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

Country of incorporation

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

Notes

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

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

	2018 Rm	2017 Rm
Profits	3 768	6 040
Losses	(7 709)	(47)
	(3 941)	5 993

Studio.W, Summer 2018

PRO FORMA FINANCIAL INFORMATION

Adjusted headline earnings and constant currency information presented in these Group Annual Financial Statements constitute pro forma financial information.

	2018 Rm	2017 Rm	% change
1. ADJUSTED HEADLINE EARNINGS			
Headline earnings	3 327	4 045	(17.8)
Adjustments	192	(9)	
Relocation and restructure costs, net of grants received	126	173	
Onerous leases	147	–	
Transaction and swap close-out costs	–	53	
Unrealised foreign exchange gains	(6)	(11)	
Tax impact of adjustments	(75)	(60)	
Tax base adjustments on David Jones assets at acquisition	–	(164)	
Adjusted headline earnings	3 519	4 036	(12.8)
2. CONSTANT CURRENCY INFORMATION			
STATEMENT OF COMPREHENSIVE INCOME ITEMS			
Turnover and concession sales	76 168	74 052	2.9
Segmental profit	5 879	6 696	(12.2)
Adjusted profit before tax	4 801	5 545	(13.4)
STATEMENT OF FINANCIAL POSITION ITEMS			
Property, plant and equipment	13 756	13 846	(0.7)
Intangible assets	13 195	19 595	(32.7)
Investment in joint ventures	978	1 015	(3.6)
Inventories	7 461	6 990	6.7
Trade and other receivables and loans	1 777	1 368	29.9
Tax and deferred tax assets	439	392	12.0
Cash and cash equivalents	2 007	1 787	12.3
Shareholders' funds	12 826	19 066	(32.7)
Borrowings	13 771	13 325	3.3
Other non-current liabilities	2 571	2 541	1.2
Tax and deferred tax liabilities	864	684	26.3
Trade and other payables and provisions	9 581	9 377	2.2
	A$m	A$m	
David Jones segmental profit	64	127	(49.6)
Country Road Group segmental profit	103	98	5.1

Notes

1. The accounting policies adopted by the Group in the latest Annual Financial Statements, which have been prepared in accordance with IFRS, have been used in preparing the pro forma financial information.
2. Adjusted headline earnings is arrived at, after excluding from headline earnings, costs of a non-recurring nature.
3. Constant currency information has been presented to illustrate the impact of changes in the Group's major foreign currency, the Australian dollar. In determining the constant currency information for statement of comprehensive income items, amounts denoted in Australian dollars for the current financial reporting period have been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior comparable period of R10.25/A$.
4. Amounts denoted in Australian dollars for the current financial reporting period for statement of financial position items have been adjusted by application of the closing Australian dollar exchange rate for the prior comparable period of R9.79/A$.
5. The pro forma financial information, which is the responsibility of the Group's directors, has been presented for illustrative purposes only and is consistent with the prior reporting period.
6. Accordingly, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.
7. The Group's external auditors, EY, have issued a Reporting Accountant's assurance report in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information, on the pro forma financial information contained in this announcement, a copy of which is available at the Company's registered office.

SHAREHOLDER CALENDAR

2018

June	Financial year-end – 24 June
July	Trading update
August	Annual results and announcement of final dividend – 22 August
September	Publication of 2018 Integrated Annual Report, final dividend payment, and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

2019

January	Trading update
February	Interim results and announcement of interim dividend
June	Financial year-end – 30 June
July	Trading update
August	Annual results and announcement of final dividend
September	Publication of 2019 Integrated Annual Report, final dividend payment, and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

ADMINISTRATION

WOOLWORTHS HOLDINGS LIMITED
Registration number: 1929/001986/06
Tax reference number: 9300/149/71/4
Share code: WHL
Bond code: WHLI
Share ISIN: ZAE000063863
Bond ISIN: ZAG000147133

GROUP COMPANY SECRETARY
Chantal Reddiar
Email: Governance@woolworths.co.za

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CONTACT DETAILS
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INVESTOR RELATIONS
Email: InvestorRelations@woolworths.co.za

WEBSITE
www.woolworthsholdings.co.za

PRINCIPAL TRANSACTIONAL BANKERS
The Standard Bank of South Africa Limited
National Australia Bank Group
Commonwealth Bank of Australia
ABSA Bank Limited

AUDITORS
Ernst & Young Inc.

JSE SPONSOR
Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton 2194, South Africa
PO Box 786273
Sandton 2146, South Africa

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
15 Biermann Avenue, Rosebank 2196, South Africa
PO Box 61051, Marshalltown 2107, South Africa
Tel: +27 (11) 370 5000
Fax: +27 (11) 370 5487
Email: woolworths@computershare.co.za

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GLOSSARY OF FINANCIAL TERMS

AMORTISED COST

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

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

ACTUARIAL GAINS OR LOSSES

Actuarial gains or losses comprise:

1. experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
2. the effects of changes in actuarial assumptions.

BLACK-SCHOLES MODEL

A valuation equation model that assumes the price of the underlying asset changes continuously through to the option's expiration date by a statistical process known as geometric Brownian motion.

BINOMIAL OPTION PRICING MODEL

A valuation equation model that assumes the price of the underlying asset changes through a series of discrete upward or downward movements.

BUSINESS SEGMENT

An operating segment of an entity that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

CASH FLOW HEDGE

A hedge of the exposure to variability in cash flows that:

1. is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
2. could affect profit or loss.

CASH-GENERATING UNIT

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

COMPANY

Woolworths Holdings Limited – a legally incorporated business entity registered in terms of the Companies Act of South Africa.

CONSOLIDATED FINANCIAL STATEMENTS

The financial results of the Group presented as those of a single economic entity.

CONTINGENT LIABILITY

1. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of an entity.
2. A present obligation that arises from past events but is not recognised because:
   - 2.1 it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   - 2.2 the amount of the obligation cannot be measured with sufficient reliability.

CONTROL

Control exists when an investor can show:

1. power over the investee through having existing rights that give it the current ability to direct relevant activities;
2. exposure or rights to variable returns from its involvement with the investee; and
3. the ability to use its power over the investee to affect the amount of the investor's returns.

CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

CURRENCY RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

DEFERRED BONUS PLAN

The deferred bonus plan allows eligible employees to acquire Woolworths Holdings Limited shares at the ruling market price out of a portion of their declared short-term performance bonus. A matching award of Woolworths' shares will be made to the participant after a period of three years, on condition that the participant remains in the employ of the employer company and retains the bonus shares over the period.

DEFINED-BENEFIT PLAN

Post-employment benefit plan other than a defined-contribution plan.

DEFINED-CONTRIBUTION PLAN

Post-employment benefit plan under which an entity pays fixed contributions into a separate fund, and in respect of which the entity will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEFERRED TAX ASSET

The amount of income tax recoverable in future periods in respect of:

1. deductible temporary differences;
2. the carry forward of unused tax losses; and
3. the carry forward of unused tax credits.

DEFERRED TAX LIABILITY

The amount of income tax payable in future periods in respect of taxable temporary differences.

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS (CONTINUED)

DERIVATIVE

A financial instrument or other contract with all three of the following characteristics:

1. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract (sometimes called the 'underlying');
2. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
3. it is settled at a future date.

DILUTION

A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

DISPOSAL GROUP

A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTION

A share-based payment transaction in which the entity:

1. receives goods or services as consideration for its own equity instruments (including shares or share options); or
2. receives goods or services, but has no obligation to settle the transaction with the supplier.

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL ASSETS

Any asset that exhibits one or more of the following characteristics:

1. cash;
2. an equity instrument of another entity;
3. a contractual right:
   - 3.1 to receive cash or another financial asset from another entity; or
   - 3.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity;
4. a contract that will or may be settled in the entity's own equity instruments and is:
   - 4.1 a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
   - 4.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

FINANCIAL LIABILITY

Any liability that exhibits one or more of the following characteristics:

1. a contractual obligation:
   - 1.1 to deliver cash or another financial asset to another entity; or
   - 1.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity;
2. a contract that will or may be settled in the entity's own equity instruments and is:
   - 2.1 a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
   - 2.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that meets either of the following conditions:

1. it is classified as held-for-trading. A financial asset or financial liability is classified as held-for-trading if it is:
   - 1.1 acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   - 1.2 that forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   - 1.3 that is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument);
2. upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted or when doing so results in more relevant information, because either:
   - 2.1 it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
   - 2.2 a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FIRM COMMITMENT

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

FORECAST TRANSACTION

An uncommitted but anticipated future transaction.

FUNCTIONAL CURRENCY

The currency of the primary economic environment in which the entity operates.

GEOGRAPHICAL SEGMENT

An operating segment of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

GOOD BUSINESS JOURNEY

The Woolworths Good Business Journey (GBJ) is a comprehensive plan announced in April 2007, incorporating a series of challenging targets and commitments centred on four key priorities – accelerating transformation, driving social development, enhancing Woolworths' environmental focus and addressing climate change.

GRANT DATE

The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date, the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided that specified vesting conditions, if any, are met. If that agreement is subject to an approval process, the grant date is the date when that approval is obtained.

GROUP

The Group comprises Woolworths Holdings Limited and all its subsidiaries, joint ventures and associates.

HEDGING INSTRUMENT

A designated derivative or, for a hedge of the risk of changes in foreign currency exchange rates only, a designated non-derivative financial asset or non-derivative financial liability, whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

HEDGED ITEM

An asset, liability, firm commitment or highly probable forecast transaction that exposes the entity to risk of changes in fair value or future cash flows, and is designated as being hedged.

HEDGE EFFECTIVENESS

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

HELD-FOR-TRADING FINANCIAL INSTRUMENT

Refer to 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 due to changes in market interest rates.

INTRINSIC VALUE

The difference between the fair value of the shares to which the counterparty has the right (conditional or unconditional) to subscribe for, or which it has the right to receive, and the price (if any) that the counterparty is (or will be) required to pay for those shares.

JOINT ARRANGEMENT

An arrangement of which two or more parties have joint control.

JOINT CONTROL

The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

JOINT OPERATION

An arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

JOINT VENTURE

An arrangement in which the parties with joint control have rights to the net assets of the arrangement.

LIQUIDITY RISK

The risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities.

LOANS AND RECEIVABLES

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

1. those that the entity intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the entity, upon initial recognition, designates as at fair value through profit or loss; or
2. those that the entity upon initial recognition designates as available-for-sale; or
3. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS (CONTINUED)

LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan provides eligible employees with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares, subject to the fulfilment of predetermined performance conditions covering a three-year period.

MONETARY ITEMS

Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

MONTE CARLO SIMULATION METHOD

A method that is used to evaluate the probabilities of different gains or losses being realised over a future period. It is based on the generation of multiple trials to determine the expected value of a random variable.

NON-CONTROLLING INTEREST

The equity in a subsidiary not attributable, directly or indirectly, to a parent.

ONEROUS CONTRACT

A contract in which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received under it.

OPERATING LEASE ACCRUAL

Represents the difference between the cash flow impact and the amount charged to the statement of comprehensive income in respect of operating leases.

PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

PRESENT VALUE

A current estimate of the present discounted value of the future net cash flows in the normal course of business.

REASONABLY POSSIBLE CHANGE IN RISK VARIABLE

Reasonably possible change in risk variable refers to the most likely change in the risk variable during the next annual period, which is judged relative to the economic environment in which the entity operates, and does not include 'worst-case' scenarios.

RELATED PARTY

1. A person or a close member of that person's family is related to a reporting entity if that person:
   - 1.1 has control or joint control over the reporting entity; or
   - 1.2 has significant influence over the reporting entity; or
   - 1.3 is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
2. An entity is related to a reporting entity if any of the following conditions apply:
   - 2.1 the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
   - 2.2 one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
   - 2.3 both entities are joint ventures of the same third party; or
   - 2.4 one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
   - 2.5 the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; or
   - 2.6 the entity is controlled or jointly controlled by a person identified in 1; or
   - 2.7 a person identified in 1.1 has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

REPORTING DATE

The last day of the financial period.

RESTRICTED SHARE PLAN

The Restricted Share Plan gives eligible employees the rights to receive Woolworths Holdings Limited shares, subject to the satisfaction of certain service conditions within a specific time period.

SEGMENT ASSETS

Those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude income tax assets, as well as investments, where the resulting income arising from the investments is excluded from segment results.

SEGMENT EXPENSE

Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. Segment expense does not include:

1. interest, including interest incurred on advances or loans from other segments;
2. losses on sale of investments;
3. an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method;
4. income tax expense; and
5. general administrative expenses, head office expenses and other expenses that arise at the entity level and relate to the entity as a whole.

SEGMENT RESULT

Segment revenue less segment expense before any adjustments for non-controlling interests.

SEGMENT REVENUE

Revenue reported in the entity's statement of comprehensive income that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment.

Segment revenue does not include:

1. interest or dividend income, unless the segment's operations are primarily of a financial nature; and
2. gains on sale of investments or gains on extinguishment of debt, unless the segment's operations are primarily of a financial nature.

SHARE APPRECIATION RIGHTS SCHEME

This scheme gives eligible employees the rights to receive Woolworths Holdings Limited shares equal to the value of the difference between the exercise price and the grant price, subject to the satisfaction of certain performance conditions within a specified period.

SHARE-BASED PAYMENT TRANSACTION

1. A transaction in which the entity:
   - 1.1 receives goods or services from the supplier of those goods or services (including an employee) in a share-based payment arrangement; or
   - 1.2 incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.
2. An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:
   - 2.1 cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity; or
   - 2.2 equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.

SHARE OPTION

A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specific period of time.

SUBSIDIARY

An entity that is controlled by another entity.

TREASURY SHARES

An entity's own equity instruments, held by the entity or other members of the consolidated group.

VEST

To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, or other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.

To find out more about what we're doing, visit

We appreciate any feedback on our Integrated Annual Report.
Please contact InvestorRelations@woolworths.co.za