WHL

WOOLWORTHS HOLDINGS LIMITED

2019 Annual Financial Statements

WE REMAIN COMMITTED TO DELIVERING OUR STRATEGIES AND INVEST IN INITIATIVES THAT DRIVE GROWTH AND EFFICIENCIES, WHILE FOCUSING ON REDUCING COSTS, IMPROVING CASH FLOWS AND STRENGTHENING THE BALANCE SHEET.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

Woolworths, Summer 2019

GROUP FINANCE DIRECTOR'S REPORT

OUR GROUP FINANCE DIRECTOR'S REPORT

OVERVIEW

The Group faced challenging economic and trading conditions in both South Africa and Australia and delivered mixed performances across the businesses. Woolworths Food had another exceptional year, and FBH, after a disappointing first half, had a much improved second half. In Australia, CRG delivered an overall reasonable performance for the period, while David Jones had a disappointing year, significantly impacted by the disruption from the Elizabeth Street store refurbishment and disappointing execution of strategies. An impairment of A$437.4 million (net of deferred tax) was recognised at the period end, reducing the valuation of David Jones to approximately A$965.0 million.

We continue to focus on the execution of our key strategies, which are to:

- Build business resilience through managing costs and capital
- Ensure appropriate capital allocation, improving cash flow and working capital
- Reduce net gearing and strengthen the balance sheet
- Invest in areas of growth and opportunity

Over the past two years, we prioritised reducing capital expenditure, focused on space optimisation, improving productivity and delivering cost savings, and continued to invest significantly in digital and online platforms. As a result, comparable store and head office costs were well managed across the Group. Most of the large capital projects in DJ are complete, with the Elizabeth Street redevelopment on track to be completed by the third quarter of the 2020 financial year.

Our focus also continues to be on improving free cash flow and Return on Capital Employed (ROCE) by delivering shareholder returns above the cost of capital.

COMPARABLE REPORTING

There were a few changes which impacted this year's results, viz. an additional trading week and the adoption of new accounting standards. The impact of the new standards is discussed later on in this report.

The Group manages its retail operations on a 52-week basis, with the current year having a 53rd week. This happens approximately every six years in order to align the trading and reporting calendars. Our statutory financial results are prepared on a 53-week basis. However, to facilitate comparison against the prior year, this commentary refers to a pro forma 52-week period and excludes the impact of IFRS 15.

GROUP INCOME STATEMENT EXCLUDING THE 53RD WEEK AND IFRS 15

	52 weeks 2019 Rm	52 weeks 2018 Rm	% change
Turnover and concession sales	78 174	75 232	3.9
Turnover	71 596	68 592	4.4
Cost of sales	43 920	41 700	5.3
Gross profit	27 676	26 892	2.9
Other revenue	1 940	1 909	1.6
Expenses	24 265	23 255	4.3
Adjusted operating profit	5 351	5 546	(3.5)
Net finance costs	1 044	1 053	(0.9)
Earnings from joint ventures	295	287	2.8
Adjusted profit before tax	4 602	4 780	(3.7)
Adjustments	(6 569)	(7 214)	
Loss before tax	(1 967)	(2 434)	19.2
Tax (credit)/expense	(764)	1 115	>(100)
Loss for the year	(1 203)	(3 549)	66.1
Reconciliation of headline earnings			
Basic loss attributable to shareholders of the parent	(1 206)	(3 550)	66.0
Adjustments for capital items (post-tax)	4 369	6 877	
Headline earnings	3 163	3 327	(4.9)
Adjustments to headline earnings (post-tax)	276	192	
Adjusted headline earnings	3 439	3 519	(2.3)

GROUP FINANCE DIRECTOR'S REPORT

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

TURNOVER AND CONCESSION SALES

Group sales increased by 3.9% (+3.2% in constant currency). In South Africa, FBH sales increased by 1.5% for the year (comparable sales up 1.0%), with second-half sales up 5.5% (5.0% after adjusting for the pre-Christmas trade day included in the second half). Comparable sales in H2 were up 4.7% due to a focus on core ranges and basics, backed by improved inventory availability. Price movement for the year for Fashion was 2.5%. Space growth was pulled back as we focused on productivity and operating efficiencies with net retail space declining by 0.1%.

Woolworths Food sales increased by 7.7% for the year (comparable sales 5.4% up), with second-half growth of 9.0% (8.4% after adjusting for the pre-Christmas trade day included in the second half). This was driven by investment in price, innovation and convenience, resulting in continued volume growth. Price movement was 1.8% and space grew by a net 2.0%.

David Jones sales declined by 0.8% for the year, with comparable sales 0.1% lower. Online sales at David Jones grew by 46.8% and now contribute 7.7% of total sales. The Elizabeth Street store refurbishment, which significantly impacted sales in the period, is on track to be completed by the third quarter of the 2020 financial year. Net retail space grew by 0.4%.

Country Road Group sales for the year grew by 0.5% (comparable sales 0.6% lower), with sales growth slowing in the second half in line with the market. Online sales in Australia and New Zealand grew by 12.9%, representing 20.3% of sales. Net retail space reduced by 2.9%, and remains a priority as the contribution from online sales increases.

GROSS PROFIT

Gross profit was up 2.9% on last year from some margin gains on benefits of Group sourcing initiatives and higher full-priced sales in FBH and CRG, which were offset by higher markdowns and clearance of aged stock, particularly in DJ, as well as the impact of continued price investment in Food. As a result, gross profit margin, at 38.7%, 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 which commenced at the end of last year in response to tougher trade. Group expenses were up 4.3% on the prior year, on an adjusted basis, significantly contributed to by the cost out exercise in David Jones. FBH and Food expense growth was 5.1% and 7.5% respectively, which was driven by space and higher volumes, as well as the inclusion of performance incentives in the current year. DJ costs were 0.3% higher, while CRG costs were 2.3% up on last year.

EARNINGS FROM JOINT VENTURE

Our share of profit after tax from Woolworths Financial Services (WFS), our joint venture with ABSA Group Limited, was 3.1% up on last year, at R295 million. The book reflected positive year-on-year growth of 7.4%. The impairment rate for the 12 months ended 30 June 2019 was 3.7% under IFRS 9 (4.6% adjusted under IAS 39).

NET FINANCE COSTS

Net finance costs of R1 044 million were 0.9% lower than last year, due to a reduction in gearing in SA, a decrease in base rates across the Group, and pullback in capital spend. We continue to manage our interest rate risk through effective hedging, with a greater percentage being hedged across the Group. Net interest cover declined to 7.3 times from last year's 7.5 times.

ADJUSTMENTS

The R6 569 million pre-tax adjustments to profit consisted of:

- A$622.1 million (R6 153 million) impairment of DJ assets
- A$21.0 million (R212 million) costs related to the relocation and restructure costs in DJ and CRG
- A$19.9 million (R196 million) net onerous leases provision raised in DJ
- R8 million unrealised foreign exchange losses recognised in WSA

Aside from the impairment, which is taken into account for the calculation of headline earnings, the other costs are regarded as adjustments to headline earnings, as they are significant once-off abnormal costs not directly related to retail operations.

IMPAIRMENT

As a result of the economic headwinds and the accelerating structural changes affecting the Australian retail sector, as well as the performance of the business, the carrying value of David Jones was impaired by A$622.1 million, including store assets of A$15.8 million, reducing the valuation of David Jones to approximately A$965.0 million. The impairment was based on a considered view of future cash flows, based on the medium-term plan, which included key assumptions on sales growth, margins and expenses. The impairment included an impairment of brands, which resulted in the release of a deferred tax liability, with the net impact on equity of A$437.4 million. In determining the carrying value of David Jones, due consideration was also given to terminal value growth rates, capital expenditure assumptions and the discount rates used, with particular emphasis on risk premiums. Our models and assumptions were subject to an independent review.

TAX

The Group's adjusted effective tax rate was 25.8%, 160 bps lower than the prior year, as a result of an overprovision of tax included in the current year, and a higher contribution of profit from Woolworths to the Group profit. As a result of the deferred tax liability release on the brands impairment, a R764 million tax credit was recognised for the Group.

BASIC AND HEADLINE EARNINGS

Basic earnings were impacted by the impairment charge. Headline earnings and adjusted headline earnings, which exclude the impairment as well as other property, plant and equipment adjustments, declined by 4.6% and 1.9% respectively.

SEGMENTAL CONTRIBUTION

	52 weeks 2019 Rm	52 weeks 2018 Rm	% change	Constant currency % change
Woolworths Fashion, Beauty and Home	1 688	1 707	(1.1)	
Woolworths Food	2 283	2 167	5.4	
Woolworths Financial Services	295	286	3.1	
Woolworths	4 266	4 160	2.5	
David Jones	378	660	(42.7)	(42.2)
Country Road Group	1 016	1 032	(1.6)	(2.9)
Segmental profit	5 660	5 852	(3.3)	(3.8)
Net finance and other costs	(1 058)	(1 072)	(1.3)	
Adjusted profit before tax	4 602	4 780	(3.7)	(4.2)

Woolworths' result was driven by continued strong performance in Food, an improved second-half performance in FBH and a consistent positive contribution from WFS, to end the year 2.5% up on last year. DJ's result was impacted by challenging trading conditions and the disruption from the Elizabeth Store refurbishment, ending the year 42.2% down on last year (in A$). CRG had a reasonable performance in a tough retail environment, albeit a subdued second half and ended the year with adjusted EBIT of A$100.0 million, down 2.9% on last year (in A$).

The Group's segmental profit declined by 3.8% on last year, in constant currency, with the adjusted operating profit margin decreasing by 60 basis points to 6.4%. Adjusted profit before tax declined by 3.7%, and by 4.2% in constant currency.

GROUP FINANCE DIRECTOR'S REPORT

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

EARNINGS PER SHARE (EPS)

	53 weeks to 30 Jun 2019 cents	52 weeks to 23 Jun 2019 cents	52 weeks to 24 Jun 2018 cents	Change on prior period 53 weeks %	52 weeks %
EPS	(113.4)	(126.0)	(369.5)	69.3	65.9
HEPS	342.9	330.4	346.3	(1.0)	(4.6)
Adjusted HEPS	371.7	359.2	366.3	1.5	(1.9)
Adjusted diluted HEPS	368.7	356.3	364.1	1.3	(2.1)
DPS	190.5	190.5	239.0	(20.3)	(20.3)
WANOS (millions)	957.5	957.5	960.8	(0.3)	(0.3)

EPS reflects the further impairment of the DJ business. The loss per share was -113.4 cps. Headline EPS (HEPS), which excludes the impairment, declined by 4.6%, 0.3% better than the 4.9% decrease in headline earnings, due to the 0.3% decline in WANOS. Adjusted diluted HEPS decreased by 2.1%, with dilution arising from the unexercised options under the Group's share incentive schemes.

DIVIDEND PER SHARE (DPS)

The Board took a decision at the half year to base the interim and final dividends on a cover ratio of 1.45 times headline earnings of the combined Woolworths South Africa (WSA) business segments (FBH, Food and Woolworths Financial Services), and to withhold the dividend from the Australian businesses for approximately two years in order to reduce the Australian gearing to a more prudent level of approximately A$200 million.

The Board approved a final DPS of 98.5 cents, which is a 24.5% decrease on last year's final DPS of 130.5 cents. The total DPS for the year is 190.5 cents, a 20.3% decline on last year's 239.0 total DPS. The dividend cover at Group level increased to 1.80 times headline earnings.

NEW STANDARDS

IFRS 9: FINANCIAL INSTRUMENTS AND IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group adopted IFRS 9 and IFRS 15 with effect from the beginning of the current financial period, using the modified retrospective approach. As a result, the cumulative effect of initial application of the standards is recognised as an adjustment to opening equity. Comparative information has not been restated and continues to be reported in terms of previous applicable standards, IAS 39 and IAS 18 respectively.

In terms of IFRS 9, the carrying value of the Group's investment in the WFS joint venture reduced by R217 million, with the corresponding debit taken to equity. The adjustment had no impact on the prior period results, nor on earnings per share measures.

In terms of IFRS 15, a R6 million cumulative debit adjustment to equity was recognised. The current year impact on profits from the application of IFRS 15 is a R1 million reduction in profit before tax.

IFRS 16: LEASES

IFRS 16 is effective and will be adopted by the Group from 1 July 2019 and will therefore be applied to the financial statements for the 2020 financial year. The new standard requires most leases to be recognised in the statement of financial position, with the current distinction between operating and finance leases removed.

The Group will adopt the modified retrospective approach to implementation, which requires an adjustment to opening equity balances rather than restating comparative information. The application of the standard is expected to have a material impact on the Group's financial statements, which 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 further impact a number of statutory and performance measures.

IFRS 16 will have no impact on our operations or cash flows. Our financial goals do not change, with leasing remaining a key part of our business model. Further details on the impacts of IFRS 16 will be presented to investors in the second quarter of the 2020 financial year.

SUMMARISED STATEMENT OF FINANCIAL POSITION (53 WEEKS)

	2019 Rm	2018 Rm	% change	Constant currency % change
Assets				
Property, plant and equipment	14 295	13 959	2.4	3.2
Intangible assets	7 283	13 410	(45.7)	(45.4)
Investment in joint ventures	810	978	(17.2)	(17.2)
Inventories	8 325	7 542	10.4	10.9
Trade and other receivables and loans	1 518	1 602	(5.2)	(4.7)
Derivative financial instruments	185	192	(3.6)	(3.6)
Deferred tax and tax assets	1 600	441	>100	>100
Cash and cash equivalents	1 913	2 023	(5.4)	(5.0)
Total assets	35 929	40 147	(10.5)	(9.9)
Equity and liabilities				
Shareholders' funds	9 443	13 126	(28.1)	(27.2)
Borrowings and overdrafts	14 393	13 860	3.8	4.2
Operating lease accrual and fair value lease adjustment	1 761	2 021	(12.9)	(12.1)
Other non-current liabilities	805	701	14.8	15.4
Derivative financial instruments	178	77	>100	>100
Deferred tax and tax liabilities	138	882	(84.4)	(84.1)
Trade and other payables and provisions	9 211	9 480	(2.8)	(2.4)
Total equity and liabilities	35 929	40 147	(10.5)	(9.9)
Net gearing	12 480	11 837	5.4	5.8

The assets and liabilities of the Australian subsidiaries contained within the Group Statement of Financial Position are impacted by the lower exchange rate at year-end, which was R9.9/A$ compared to R10.0/A$ last year. Significant movements, in constant currency, since June 2018 are discussed below:

Intangible assets and deferred tax movements are a result of the David Jones impairment of goodwill, brands and other intangible assets of A$622.1 million, and the deferred tax reversal related to the brands and other intangible assets.

Investment in joint ventures represents the 50% less 1 share of the net assets of WFS of R801 million. The investment decreased on last year due to the R217 million post-tax Day 1 adjustment in respect of IFRS 9 and higher dividends received, as a result of the decrease in the minimum capital requirements of WFS.

Inventory increased by 10.9% due to increased inventory in Woolworths, particularly in FBH, with the drive to improve availability and right-size the Beautiful Basics categories that were understocked last year. DJ and CRG had reduced stock levels, resulting from the clearance of aged inventory at year-end, partially offset by lower inventory provisions.

Shareholders' funds decrease is primarily due to the impairment and decrease in the foreign currency translation reserve, arising from translation of our foreign subsidiaries at a stronger rand at year-end.

Trade and other payables decreased primarily due to the timing of creditor payments which were made in (the additional) week 53 of the year.

GROUP FINANCE DIRECTOR'S REPORT

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

NET GEARING (53 WEEKS)

	2019	2018
WHL Net debt (R million)	(12 480)	(11 837)
Interest-bearing term debt	(13 522)	(13 715)
Net cash and cash equivalents	1 042	1 878
Unutilised committed facilities – Group	8 147	10 216
SA Net debt (R million)	(8 327)	(8 289)
Interest-bearing term debt	(8 685)	(9 414)
Net cash and cash equivalents	358	1 125
Unutilised committed facilities – SA	5 199	6 661
Australia Net debt (A$ million)	(420)	(355)
Interest-bearing term debt	(489)	(431)
Net cash and cash equivalents	69	76
Unutilised committed facilities – AUS	298	356

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. The Group net gearing increased primarily due to the investment in the redevelopment of the David Jones Elizabeth Street store in Sydney.

There have been a number of initiatives across the Group in order to reduce the level of gearing and strengthen the balance sheet. In particular, the decision to withhold dividends from Australia and pay the Group dividend only out of earnings from Woolworths South Africa was aimed at reducing the debt in Australia to more prudent levels. The dividend will resume once the Australian debt reaches c.A$200 million. Furthermore, capex spend was also reduced or deferred in order to improve cash flow.

The Group's debt is maintained at an appropriate maturity and liquiditiy profile. The liquidity profile continues to be actively managed, maintaining the level of committed facilities in excess of 365 days.

Group working capital requirements were higher than last year due to new store openings and higher inventory balances (10.9% up on last year in constant currency) from the impact of inflation and replenishment of core apparel ranges in Woolworths FBH. Inventory levels were well managed in DJ and CRG as both businesses had cleared aged inventory at year-end. The increase in working capital was also due to lower accounts payable balances resulting from the additional week in the financial year, as a result of the payment of creditors in the 53rd week.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS (52 WEEKS)

	2019	2018
ROCE (%)*	13.2	13.7
ROE (%)*	17.5	18.0
Net debt: Equity (times)	1.3	0.9
Net debt: EBITDA (times)	1.6	1.5
Interest cover (times)	7.3	7.5

* David Jones asset impairment added back

ROCE decreased from 13.7% to 13.2% and ROE declined by 50 bps to 17.5%, with both ROCE and ROE affected by lower profitability and adjusted for the DJ impairment.

Net gearing has increased by R643 million to R12 480 million. The Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased to 1.6 times.

CAPITAL EXPENDITURE

The Group continued to invest in strategic and other key initiatives to deliver business transformation and long-term growth. There was a pullback from the budgeted spend for the year, with some projects also deferred to future years. There was also rollover capex for projects that had not been completed by the end of the year. Total net capital expenditure amounted to R2.7 billion, driven mainly by the strategic and transformational initiatives in DJ, investment in digital technology, ongoing store development, and supply chain investment in Woolworths.

Space growth has been limited across the Group, with the Group's operations expanding by 0.4% in 2019 to 1 329 000 m^2 as we focus on productivity and operating efficiencies. Within this, FBH contracted by 0.1% and Food expanded its footprint by 2.0%. Net retail space in DJ increased by 0.4% with two new store locations, while CRG space contracted by 2.9%.

StudioW, Winter 2019

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

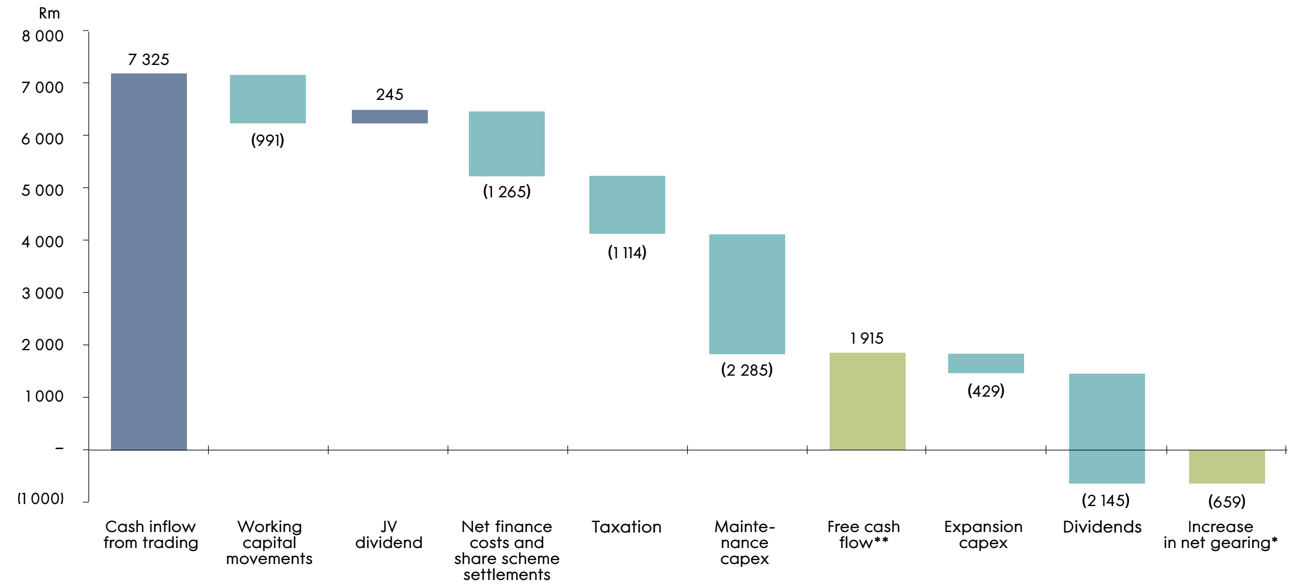
SUMMARISED STATEMENT OF CASH FLOWS (53 WEEKS)

	2019 Rm	2018 Rm
Cash inflow from trading	7 325	7 371
Working capital movements	(991)	(305)
Cash generated by operating activities	6 334	7 066
Investment income received	76	71
Finance costs paid	(1 127)	(1 117)
Tax paid	(1 114)	(1 037)
Cash generated by operations	4 169	4 983
Dividends received	245	325
Dividends paid	(2 145)	(2 782)
Net cash inflow from operating activities	2 269	2 526
Net investment in assets	(2 714)	(2 589)
Other loans repaid/(advanced)	4	(12)
Net cash outflow from investing activities	(2 710)	(2 601)
Net share issues and costs	(218)	(123)
Net borrowings (repaid)/raised	(175)	294
Net cash (outflow)/inflow from financing activities	(393)	171
Net cash (outflow)/inflow for the year	(834)	96

CASH FLOWS

Cash inflow from trading of R7 325 million was reduced by an increase in working capital of R991 million, which was significantly impacted by week 53. Free cash flow after capital expenditure to maintain operations, working capital movements, and the payment of finance costs, taxation, and dividends, was R1 915 million. The Group paid R1 114 million in income tax to the revenue authorities in the various tax jurisdictions the Group operates in and utilised a net R2 714 million to invest in infrastructure and other transformational and capital expansion projects. Free cash flow per share was 200.0 cps and our cash conversion ratio was 43.5%.

CASH GENERATION FOR THE 53 WEEKS ENDED 30 JUNE 2019



* Net gearing excludes R16 million currency translation impact

** Free cash flow per share (Free cash flow before Expansion capex and Dividends): 200.0 cps
Cash conversion ratio (Adjusted PAT and Free cash flow (after Expansion capex and before Dividends)): 43.5%

SUMMARISED STATEMENT OF CHANGES IN EQUITY (53 WEEKS)

	2019 Rm	2018 Rm
Shareholders' interest at the beginning of the year	13 126	19 066
Effect of IFRS 9 and IFRS 15 adoption	(223)	–
Shareholders' interest at the beginning of the year (restated)	12 903	19 066
Movements for the year:		
Total comprehensive loss for the year	(1 230)	(3 103)
Loss for the year	(1 084)	(3 549)
Other comprehensive income	(146)	446
Share-based payments	141	68
Net (acquisition)/disposal of Treasury shares	(226)	(123)
Dividends to ordinary shareholders	(2 145)	(2 782)
Shareholders' interest at the end of the year	9 443	13 126

The decline in equity is as a result of the impairment and the initial application of IFRS 9 and IFRS 15.

OUTLOOK

In South Africa, consumer spending is expected to remain constrained. However, we expect Food to continue to trade ahead of the market and for FBH to continue its turnaround.

In Australia, we believe the retail market will continue to be tough with heavy discounting and promotional activity.

We remain committed to delivering our strategies and invest in initiatives that drive growth and efficiencies, while focusing on reducing costs, improving cash flows and strengthening the balance sheet.

MR Isaacs
Group Finance Director
28 August 2019

Witchery, Summer 2019

SEGMENTAL REVIEWS

WOOLWORTHS FASHION, BEAUTY AND HOME

INCOME STATEMENT	52 weeks 2019 Rm	52 weeks 2018 Rm	% change
Turnover	13 899	13 687	1.5
Cost of sales	7 286	7 297	(0.2)
Gross profit	6 613	6 390	3.5
Other revenue	17	18	(5.6)
Expenses	4 942	4 702	5.1
Store costs	3 385	3 269	3.5
Other operating costs	1 557	1 433	8.7
Adjusted operating profit	1 688	1 706	(1.1)
Earnings from joint venture	–	1	
Adjusted profit before tax	1 688	1 707	(1.1)

Sales increased by 1.5% for the year (comparable store sales up 1.0%), with second-half sales up 5.5% (5.0% after adjusting for the pre-Christmas trade day included in the second half), as a result of the focus on core ranges and basics backed by improved availability. Price movement for the year for Fashion was 2.5%. Space growth has been limited as we focus on productivity and operating efficiencies with net retail space declining by 0.1%. There was positive growth on last year across all categories, with the exception of footwear, which struggled with product ranges and availability.

Gross profit margin increased by 0.9% to 47.6% as a result of lower markdowns and a higher contribution of regular-priced sales and a smaller, but more profitable sale.

The 3.5% increase in store expenses includes the roll out of Beauty and was well controlled, while other operating costs increased due to the inclusion of performance incentives for the year. On a normalised basis, costs were 3.8% up on last year, due to a focus on reducing head office and discretionary costs.

The overall result was a decrease in operating profit of 1.1%, with operating profit margin declining from 12.5% to 12.1%.

SEGMENTAL REVIEWS (CONTINUED)

WOOLWORTHS FOOD

INCOME STATEMENT	52 weeks 2019 Rm	52 weeks 2018 Rm	% change
Turnover and concession sales	32 323	30 019	7.7
Concession sales	(746)	(687)	8.6
Turnover – own buy	31 577	29 332	7.7
Cost of sales	23 725	21 989	7.9
Gross profit – own buy	7 852	7 343	6.9
Concession and other revenue	135	130	3.8
Expenses	5 704	5 306	7.5
Store costs	4 140	3 848	7.6
Other operating costs	1 564	1 458	7.3
Adjusted profit before tax	2 283	2 167	5.4

Sales increased by 7.7% for the year (comparable store sales 5.4% up), with second-half growth of 9.0% (8.4% after adjusting for the pre-Christmas trade day included in the second half) driven by further investment in price, innovation and convenience, resulting in strong volume growth. Second-half comparable sales growth was 6.5%. Price movement was 1.8% and space grew by a net 2.0%.

There was positive growth across all categories from higher volumes and improved availability, despite lower inflation, in a highly competitive grocery market. Our bakery, home personal care, grocery, and wine & beverages departments contributed significantly to the overall result. We continued our focus on innovation and range extension, targeted profitable promotions, and improved consumer price perception.

The gross profit margin declined by 10 bps to 24.9% as a result of our investment in price and higher levels of targeted promotions, which were partially offset by improved shrinkage management and increased rebates on stronger volumes.

Store costs increased by 7.6%, driven by new space and increased employment costs to support higher volumes. Normalised other operating costs were well controlled, at 2.5% growth on last year.

Overall, the Food business achieved an operating profit growth of 5.4%, with the operating margin at 7.2%, 20 bps lower than last year.

WOOLWORTHS FINANCIAL SERVICES

	2019 Rm		2018 Rm		% change
Average total financial services assets	12 295		11 711		5.0
INCOME STATEMENT		% to book		% to book	
Interest income	2 142	17.4	2 166	18.5	(1.1)
Interest paid	663	5.4	640	5.5	3.6
Net interest income	1 479	12.0	1 526	13.0	(3.1)
Impairment charge	461	3.7	551	4.7	(16.3)
Risk-adjusted margin	1 018	8.3	975	8.3	4.4
Non-interest revenue	847	6.9	810	6.9	4.6
Operating costs	1 045	8.5	985	8.4	6.1
Profit before tax	820	6.7	800	6.8	2.5
Tax	230	1.9	228	1.9	0.9
Profit after tax	590	4.8	572	4.9	3.1
50% equity accounted	295		286		
Return on equity	33.2%		29.6%		

The joint venture with ABSA Group Limited contributed R295 million profit after tax to Group profit, 3.1% up on last year. Net interest income growth was impacted by lower product yields due to rate decreases.

Growth in the risk-adjusted margin was 4.4%, and benefited from a lower impairment rate, which improved by 100 bps on last year to 3.7% as a result of an improved book shape, strong collections and lower debt counselling inflows. Non-interest revenue grew by 4.6%, from higher credit card transactional income.

Operating costs increased by 6.1%, which was due to increased costs of collections and investment in customer acquisition campaigns and digital on-boarding capabilities.

The average total book grew by 5.0%, with the closing book up 7.4% on last year, driven by the Credit Card portfolio growth. Return on equity of 33.2% was maintained above our 27.5% medium-term target and was positively impacted by the reduction in minimum equity capital requirements in the prior period.

The WFS results are accounted for under IFRS 9.

SEGMENTAL REVIEWS (CONTINUED)

DAVID JONES

INCOME STATEMENT	52 weeks 2019 A$m	52 weeks 2018 A$m	% change
Turnover and concession sales	2 193	2 212	(0.8)
Concession sales	(747)	(763)	(2.1)
Turnover – own buy	1 446	1 449	(0.2)
Cost of sales	854	829	3.0
Gross profit – own buy	592	620	(4.5)
Concession and other revenue	197	200	(1.5)
Gross profit	789	820	(3.8)
Expenses	777	775	0.3
Store costs	635	623	1.9
Other operating costs	142	152	(6.6)
Department store adjusted operating profit	12	45	(73.3)
Financial services operating profit	25	19	31.6
Adjusted operating profit	37	64	(42.2)
Net finance costs	–	1	
Adjusted profit before tax	37	63	(41.3)

David Jones, Autumn 2019

Retail trading conditions in Australia remain challenging. David Jones was also significantly impacted by sales disruption resulting from the Elizabeth Street store refurbishment, which is on track to be completed by the third quarter of the 2020 financial year. Online sales at David Jones grew by 46.8%, and now contribute 7.7% of total sales. Full year sales declined by 0.8% with comparable store sales 0.1% lower. Net retail space grew by 0.4% with the opening of two new stores. Further net space reductions to improve the productivity of the store portfolio are planned.

Gross profit margin decreased by 110 bps to 36.0% as a result of higher markdowns and an increased focus on the clearance of aged inventory at period end.

The 1.9% increase in store costs is the result of the opening of two new stores. Other operating costs decreased by 6.6%, as the cost and structure review performed towards the end of last year resulted in a reduction in the cost base.

Operating profit of A$37 million was 42.2% down on last year, with an operating margin of 1.7%, inclusive of profit from financial services.

COUNTRY ROAD GROUP

INCOME STATEMENT	52 weeks 2019 A$m	52 weeks 2018 A$m	% change
Turnover	1 079	1 074	0.5
Cost of sales	395	400	(1.3)
Gross profit	684	674	1.5
Other revenue	5	5	–
Expenses	589	576	2.3
Store costs	419	412	1.7
Other operating costs	170	164	3.7
Adjusted operating profit	100	103	(2.9)
Net finance costs	(2)	–	
Adjusted profit before tax	102	103	(1.0)

CRG sales increased by 0.5% for the year and comparable store sales declined by 0.6% with sales growth slowing in the second half in line with the market. At a brand level, Politix was the standout performer, with Country Road showing a recovery and Mimco having a disappointing year. Online sales in CRG now represent 20.3% of sales, with growth of 12.9% over the year. Net retail space reduced by 2.9% and remains a priority as the contribution from online sales increases.

Gross profit margin improved by 60 bps to 63.4% from sourcing benefits and higher full-priced sales, notwithstanding that the market was characterised by aggressive promotional activity.

Expenses were well controlled, increasing by 2.3%. Store costs benefited from store efficiency initiatives, while other operating costs were impacted by the DJ private label development, as well as the increased cost of the loyalty programme.

Operating profit of A$100 million was 2.9% down on last year, with operating profit margin declining by 30 bps to 9.3%.

Country Road, Winter 2019

SHAREHOLDING DISCLOSURES

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value

ISSUED

Ordinary shares – 1 048 466 077 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	58 556	100.0	953 800 843	91.0
Non-public shareholders				
Directors and their associates	11	–	10 286 273	1.0
E-Com Investments 16 Proprietary Limited (RF)	1	–	43 763 861	4.2
Woolworths Proprietary Limited	1	–	40 497 604	3.8
Woolworths Proprietary Limited on behalf of deceased and untraceable former Woolworths Employee Share Ownership Trust beneficiaries	2	–	117 496	–
Total shareholders	58 571	100.0	1 048 466 077	100.0

Total number of treasury shares held at 30 June 2019 – 84 261 465.

Directors of the Company hold direct and indirect beneficial interests of 10 286 273 ordinary shares (2018: 9 601 885) 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 30 June 2019:

Major shareholders	Number of shares	2019 Percentage of shares	2018 Percentage of shares
Allan Gray Proprietary Limited*	173 295 066	16.5	11.7
Government Employees Pension Fund**	135 104 345	12.9	14.1
Coronation Asset Management Proprietary Limited*	52 646 127	5.0	4.8

* Held on behalf of their clients.

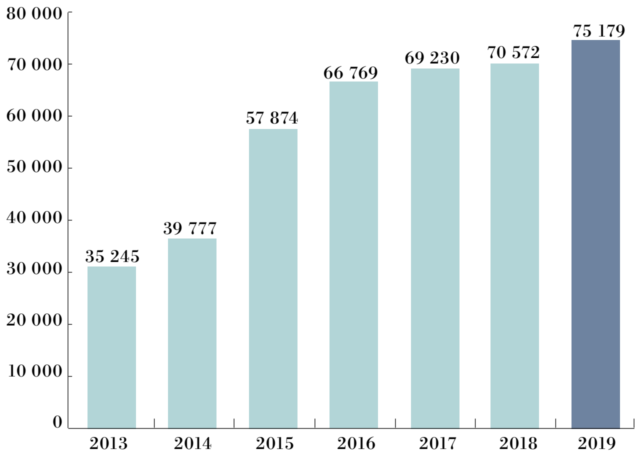
** Beneficial shareholders.

Politix, Winter 2019

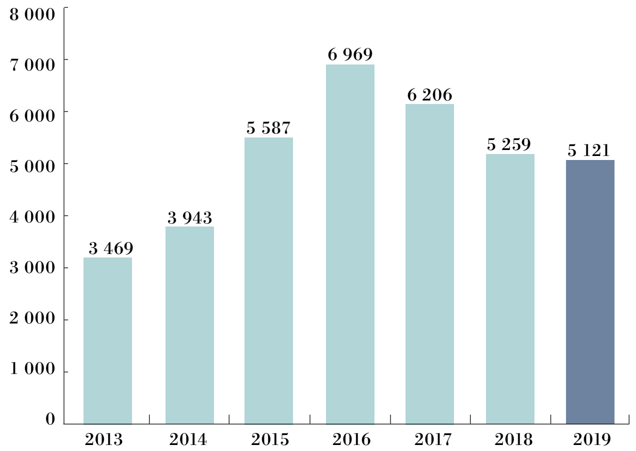
SEVEN-YEAR REVIEW

Year Number of weeks	2019 ** 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm
GROUP STATEMENTS OF PROFIT OR LOSS							
Revenue	75 179	70 572	69 230	66 769	57 874	39 777	35 245
Turnover and concession sales	79 816	75 232	74 052	71 928	61 775	39 845	35 073
Concession sales*	(6 713)	(6 640)	(6 862)	(7 133)	(5 464)	(305)	–
Turnover	73 103	68 592	67 190	64 795	56 311	39 540	35 073
Cost of sales	(45 139)	(41 700)	(40 518)	(38 409)	(33 161)	(24 042)	(21 520)
Gross profit	27 964	26 892	26 672	26 386	23 150	15 498	13 553
Other revenue	2 000	1 909	1 944	1 926	1 447	125	115
Expenses	(24 843)	(23 542)	(22 410)	(21 343)	(19 010)	(11 680)	(10 199)
Operating profit	5 121	5 259	6 206	6 969	5 587	3 943	3 469
Impairment of David Jones assets	(6 153)	(6 927)	–	–	–	–	–
Profit on sale of property in Sydney, net of impairment	–	–	1 420	–	–	–	–
Investment income	76	71	96	48	116	112	57
Finance costs	(1 139)	(1 124)	(1 256)	(1 234)	(1 494)	(136)	(68)
Earnings from joint ventures	295	287	260	249	221	181	180
Earnings from associate	–	–	–	1	2	4	9
(Loss)/profit before tax	(1 800)	(2 434)	6 726	6 033	4 432	4 104	3 647
Tax credit/(expense)	716	(1 115)	(1 278)	(1 680)	(1 312)	(1 114)	(1 009)
(Loss)/profit for the year	(1 084)	(3 549)	5 448	4 353	3 120	2 990	2 638
(Loss)/profit attributable to:							
Shareholders of the parent	(1 086)	(3 550)	5 446	4 344	3 116	2 888	2 597
Non-controlling interests	2	1	2	9	4	102	41

Revenue (R million)



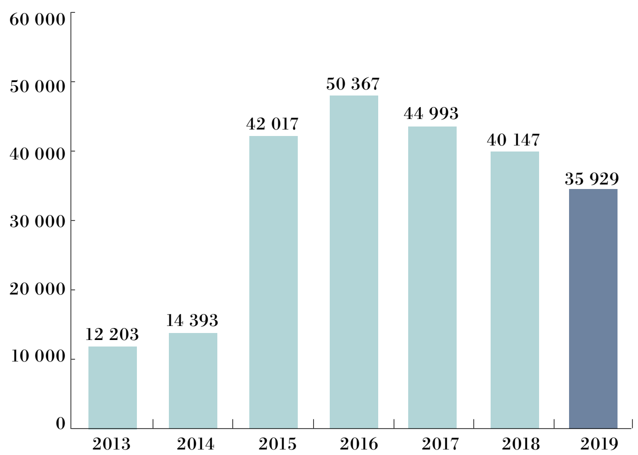
Operating profit (R million)



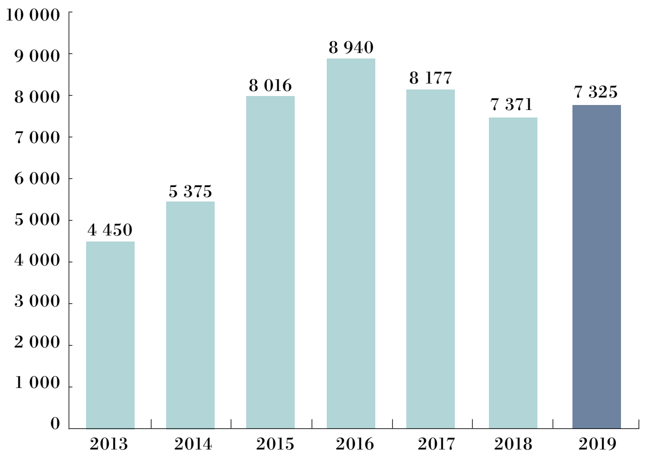
* Concession sales information prior to 2014 is not available.
** 2019 Group Statement of Profit or Loss includes the impact of IFRS 9 and IFRS 15.

Year Number of weeks	2019 ** 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm
GROUP STATEMENTS OF FINANCIAL POSITION							
Non-current assets	24 032	28 650	34 706	40 027	33 766	8 192	6 836
Current assets*	11 897	11 497	10 287	10 340	8 251	6 201	5 367
Total assets	35 929	40 147	44 993	50 367	42 017	14 393	12 203
Equity attributable to shareholders of the parent	9 428	13 113	19 038	19 826	14 251	6 629	5 652
Non-controlling interests	15	13	28	27	46	323	285
Non-current liabilities	15 850	15 076	15 336	19 536	18 634	1 918	1 890
Current liabilities*	10 636	11 945	10 591	10 978	9 086	5 523	4 376
Total equity and liabilities	35 929	40 147	44 993	50 367	42 017	14 393	12 203
GROUP STATEMENTS OF CASH FLOWS							
Cash inflow from trading	7 325	7 371	8 177	8 940	8 016	5 375	4 450
Working capital movements	(991)	(305)	(615)	(311)	(657)	(407)	(196)
Cash generated by operating activities	6 334	7 066	7 562	8 629	7 359	4 968	4 254
Net interest paid	(1 051)	(1 046)	(1 120)	(1 128)	(1 030)	(2)	(15)
Tax paid	(1 114)	(1 037)	(1 701)	(1 536)	(1 199)	(1 047)	(1140)
Cash generated by operations	4 169	4 983	4 741	5 965	5 130	3 919	3 099
Dividends received from joint ventures	245	325	223	162	129	95	83
Dividends received from associate	–	–	–	7	–	62	–
Dividends to shareholders	(2 145)	(2 782)	(3 015)	(2 464)	(2 146)	(2 072)	(1 640)
Net cash inflow from operating activities	2 269	2 526	1 949	3 670	3 113	2 004	1 542
Net cash (outflow)/inflow from investing activities	(2 710)	(2 601)	422	(2 809)	(24 274)	(1 692)	(2 312)
Net cash (outflow)/inflow from financing activities	(393)	171	(2 007)	(326)	20 440	(326)	165
(Decrease)/increase in cash and cash equivalents	(834)	96	364	535	(721)	(14)	(605)
Net cash and cash equivalents at the beginning of the year	1 878	1 761	1 497	891	1 666	1 582	2 165
Effect of foreign exchange rate changes	(2)	21	(100)	71	(54)	98	22
Net cash and cash equivalents at the end of the year	1 042	1 878	1 761	1 497	891	1 666	1 582

Total assets (R million)



Cash inflow from trading (R million)

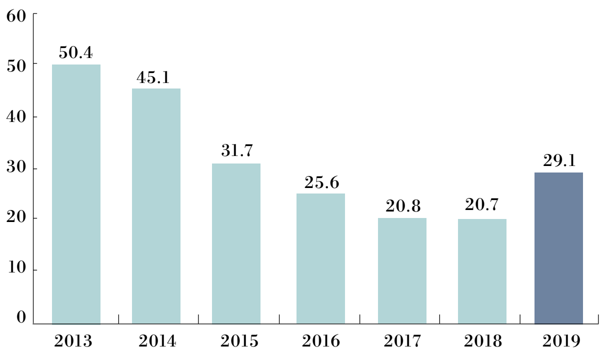


* 2014 based on net cash and cash equivalents.
** 2019 Group Statement of Financial Position includes the impact of IFRS 9 and IFRS 15.

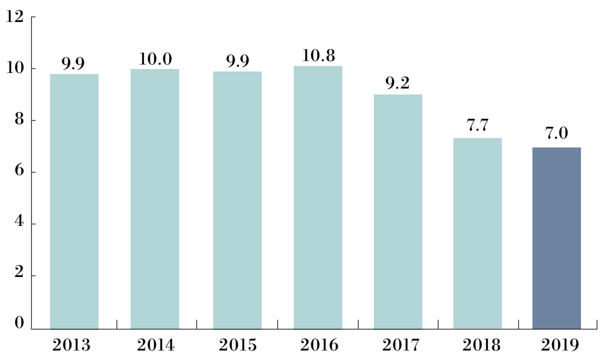
SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2019 53 %	2018 52 %	2017 52 %	2016 52 %	2015 52 %	2014 52 %	2013 53 %
RETURNS							
Return on ordinary shareholders' equity	29.1	20.7	20.8	25.6	31.7	45.1	50.4
– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year							
Return on assets*	13.6	12.6	13.2	15.4	20.3	30.4	32.2
– operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year							
Return on capital employed (ROCE)*	18.3	15.4	15.1	16.8	15.7	53.8	66.0
– adjusted operating profit after tax as a percentage of average capital employed at the beginning and end of the year							
MARGINS							
Gross margin	38.3	39.2	39.7	40.7	41.1	39.2	38.6
– gross profit as a percentage of turnover							
Operating margin	7.0	7.7	9.2	10.8	9.9	10.0	9.9
– operating profit as a percentage of turnover							
SOLVENCY AND LIQUIDITY							
Debt ratio*	40.1	34.5	29.6	31.6	36.0	5.5	6.8
– interest-bearing debt as a percentage of total assets							
Current ratio (times)*	1.1	1.0	1.0	0.9	0.9	1.1	1.2
– current assets divided by current liabilities							
Total liabilities to shareholders' equity*	280.5	205.9	136.0	153.7	193.9	107.0	105.5
– non-current liabilities (including deferred tax) and current liabilities as a percentage of total shareholders' interest							
Net debt to shareholders' equity*&***	1.3	0.9	0.6	0.7	1.0	n/a	n/a
– net debt divided by shareholders' equity							
Net debt to EBITDA *&***	1.6	1.5	1.4	1.6	1.7	n/a	n/a
– net debt divided by earnings before interest, tax, depreciation and amortisation							
Interest cover ratio****	7.4	7.5	7.3	7.6	6.4	n/a	n/a
– earnings before interest, tax, depreciation and amortisation divided by net interest							

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 and 2019 ROCE are impacted by the David Jones asset impairment.

Year Number of weeks	2019 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm
DIVISIONAL ANALYSIS							
REVENUE							
Woolworths Fashion, Beauty and Home	14 197	13 705	13 913	13 728	12 518	11 523	10 778
Woolworths Food	32 343	29 462	27 199	25 071	22 445	19 767	17 543
Woolworths Logistics	492	429	376	306	249	251	407
David Jones	17 347	16 676	17 169	17 297	13 642	–	–
Country Road Group	11 272	10 770	10 867	10 690	9 120	8 145	6 478
Treasury	51	11	69	28	100	91	39
Intragroup	(523)	(481)	(363)	(351)	(200)	–	–
	75 179	70 572	69 230	66 769	57 874	39 777	35 245
TURNOVER							
Woolworths Fashion, Beauty and Home	14 180	13 687	13 894	13 701	12 499	11 505	10 764
Woolworths Food	32 206	29 332	27 075	24 956	22 352	19 694	17 469
Woolworths Logistics	492	429	376	306	249	251	407
David Jones	15 043	14 455	15 030	15 185	12 130	–	–
Country Road Group	11 182	10 689	10 815	10 647	9 081	8 090	6 433
	73 103	68 592	67 190	64 795	56 311	39 540	35 073
(LOSS)/PROFIT BEFORE TAX							
Woolworths Fashion, Beauty and Home	1 745	1 712	2 177	2 295	2 124	1 909	1 899
Woolworths Food	2 338	2 168	1 979	1 824	1 580	1 290	1 037
Woolworths Financial Services	295	286	259	248	221	181	180
David Jones	(6 095)	(6 527)	2 502	1 814	1 049	–	–
Country Road Group	1 017	991	939	1 016	1 011	891	515
Treasury	(1 100)	(1 064)	(1 130)	(1 164)	(1 553)	(167)	16
	(1 800)	(2 434)	6 726	6 033	4 432	4 104	3 647
(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths*	2 462	2 281	2 405	2 352	1 654	2 312	2 264
David Jones	(4 291)	(6 540)	2 376	1 274	733	–	–
Country Road Group	743	709	665	718	729	576	333
	(1 086)	(3 550)	5 446	4 344	3 116	2 888	2 597

* Includes Woolworths Fashion, Beauty and Home, Woolworths Food, Woolworths Logistics, Woolworths Financial Services, Treasury and earnings from associate and property joint venture.

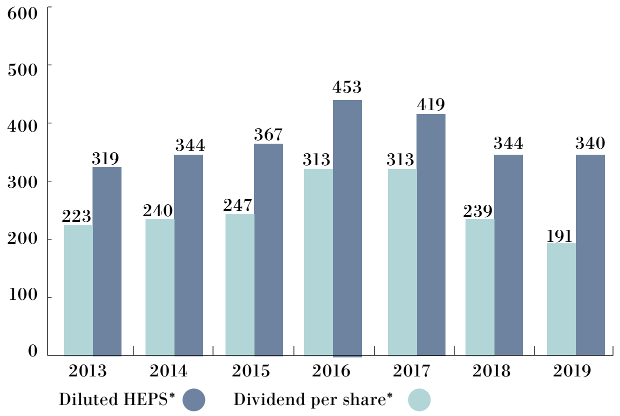
SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2019 53	2018 52	2017 52	2016 52	2015 52	2014 52	2013 53
OTHER STATISTICAL DATA							
WOOLWORTHS							
Woolworths Fashion, Beauty and Home – gross margin (%)	47.6	46.7	47.9	48.3	47.4	46.7	46.4
Woolworths Food – gross margin (%)	24.8	25.0	25.1	25.5	25.7	25.3	25.6
Number of employees (average weekly full-time equivalent)	35 312	34 104	33 545	32 870	31 196	28 368	25 989
Number of stores							
– owned (local)	400	394	390	382	372	344	330
– Africa, Engen and franchise	146	142	141	140	134	126	131
Closing trading area (m²)							
– owned (local)	682 862	676 771	657 741	633 156	593 407	549 008	512 252
– Africa, Engen and franchise	52 028	52 806	51 054	50 001	51 417	50 427	56 900
Turnover ratios							
– turnover per employee (R'000)	1 327.5	1 274.0	1 239.1	1 191.7	1 131.4	1 114.5	1 107.9
– turnover per m² (owned) (R'000)	68.6	64.2	63.2	61.9	59.5	57.6	56.2
Asset turn (times) *	3.6	3.4	3.3	3.5	3.8	4.1	4.3
– revenue divided by average total assets less deferred tax at the beginning and end of the year							
Inventory turn (times)	8.2	8.3	8.2	8.4	8.8	9.1	9.5
– cost of sales divided by average inventory at the beginning and end of the year							
Profit before tax to turnover (%)	9.3	9.6	10.7	11.2	11.2	10.7	10.9
DAVID JONES (IN A$ TERMS)							
Gross margin (%)	35.9	37.1	37.0	37.9	39.6	–	–
Number of employees (full-time equivalent)	4 321	4 360	4 701	4 956	4 175	–	–
Number of stores – owned	47	45	43	40	38	–	–
Trading area (m²)	475 332	473 554	473 190	471 214	455 430	–	–
Turnover (including concession sales) ratios							
– turnover per employee (A$'000)	517.0	507.3	471.0	442.3	451.5	–	–
– turnover per m² (A$'000)	4.7	4.7	4.7	4.7	4.1	–	–
Asset turn (times)	1.8	1.9	1.8	1.9	1.8	–	–
Inventory turn (times)	3.1	3.3	3.9	3.8	3.1	–	–
Profit before tax to turnover (%)	(27.6)	(30.5)	11.0	7.7	5.8	–	–
COUNTRY ROAD GROUP (IN A$ TERMS)							
Gross margin (%)	63.4	62.8	60.3	59.4	60.9	62.0	61.9
Number of employees (full-time equivalent)	3 611	3 701	3 851	3 459	3 223	3 287	3 370
Number of store locations							
– owned	365	379	389	362	355	322	307
– concession	443	420	352	298	268	207	172
Trading area (m²)	121 058	124 693	121 625	118 025	111 249	92 825	89 563
Turnover ratios							
– turnover per employee (A$'000)	304.1	290.2	274.2	290.5	295.4	258.3	209.5
– turnover per m² (A$'000)	9.1	8.6	8.7	8.5	8.6	9.1	7.9
Asset turn (times)	1.4	1.4	1.8	2.0	2.1	2.0	2.5
Inventory turn (times)	3.4	3.2	3.2	3.3	3.4	3.6	4.4
Profit before tax to turnover (%)	9.1	9.2	8.8	9.5	11.2	11.1	7.9

* 2014 based on net cash and cash equivalents.

Year Number of weeks	2019 53	2018 52	2017 52	2016 52	2015 52	2014 52	2013 53
ORDINARY SHARE PERFORMANCE							
Earnings/(loss) per share (cents)*	(113.4)	(369.5)	566.7	454.2	337.3	350.6	322.5
Headline earnings per share (cents)*	342.9	346.3	420.9	455.6	369.7	348.6	324.9
Adjusted headline earnings per share (cents)*	371.7	366.3	420.0	456.6	419.4	379.9	329.8
Dividend per share (cents)*	190.5	239.0	313.0	313.0	247.0	240.0	223.3
Net asset book value per share (cents)	985.2	1 365.1	1 979.6	2 065.0	1 531.9	872.8	745.8
Share price (cents): Highest	5 775	6 754	9 410	10 490	9 886	7 789	7 931
Lowest	4 305	5 375	6 227	7 928	6 848	6 030	5 024
Average	5 018	6 109	7 379	9 356	8 291	7 068	6 542
Closing	4 888	5 415	6 289	8 364	9 886	7 739	6 441
Indexed closing share price (June 2000 = 100)	1 686	1 867	2 169	2 884	3 409	2 669	2 221
JSE indexed:							
– retail (June 2000 = 100)	780	884	790	945	1 072	800	746
– all share (June 2000 = 100)	755	737	668	670	683	657	513
Market capitalisation at June (R million)	51 249	56 766	65 899	87 490	100 499	65 550	54 275
Number of shares in issue (millions)**	957	961	962	960	930	760	753
Number of shares traded (millions)	955	1 253	1 299	1 459	868	980	876
Percentage of shares traded	99.8	130.4	135.1	152.0	93.3	129.0	116.3
Value of shares traded (R million)	47 922	76 546	95 853	136 504	71 966	69 266	57 308
Price:earnings ratio*	(43.1)	(14.7)	11.1	18.4	29.3	22.1	20.0
Dividend yield (%)*	3.9	4.4	5.0	3.7	2.5	3.1	3.5
FOREIGN CURRENCY EXCHANGE RATES							
US$ – average	14.18	12.84	13.64	14.47	11.45	10.37	8.83
US$ – closing	14.11	13.44	12.93	15.07	12.21	10.58	9.87
A$ – average	10.14	9.95	10.28	10.56	9.53	9.51	9.05
A$ – closing	9.89	10.00	9.79	11.25	9.35	9.96	9.01
KEY INFORMATION US$MILLION							
Revenue	5 302	5 496	5 076	4 614	5 054	3 836	3 992
Headline earnings per share (cents)*	24.2	27.0	30.9	31.5	32.3	33.6	36.8
Net profit/(loss) attributable to ordinary shareholders	(77)	(277)	319	300	272	279	294
Total assets***	2 546	2 987	3 480	3 342	3 441	1 360	1 236
Market capitalisation	3 632	4 224	5 097	5 806	8 231	6 196	5 499

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 (RF) and Woolworths Proprietary Limited.
*** 2014 based on net cash and cash equivalents.

Trenery, Winter 2019

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 30 June 2019 and that all such returns and notices are true, correct and up to date.

Signed on 28 August 2019.

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, 28 August 2019 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 WHL Audit Committee (committee) is pleased to present its report for the 2019 financial year. This report has been prepared in accordance with the requirements of the Companies Act, 71 of 2008, as amended (Companies Act), the King IV™ Code of Governance for South Africa, the JSE Listings Requirements and other relevant requirements.

The committee's role is to provide independent oversight of the effectiveness of the Group's external and internal assurance functions and services, internal financial controls and the system of internal controls to assist the Board in ensuring and monitoring the integrity of the Group's Annual Financial Statements and related external reports.

This report provides details on the committee's composition and its processes which are considered as key enablers for the committee to fulfill its role. It also provides an overview of the manner in which the committee carried out its various statutory and governance obligations during the year under review.

COMMITTEE COMPOSITION AND PROCESSES

All members of the committee are independent and collectively have the necessary financial literacy skills and experience to execute their duties effectively. Independence on the committee is assessed by means of the Board's annual independence review.

During the year under review, Patrick Allaway resigned as a director, and consequently from the committee on 8 February 2019 while Thembisa Skweyiya was appointed to the Board and as a member of the committee on 11 March 2019. Subsequent to the year-end, on 19 August 2019, Clive Thomson was appointed. Clive will also perform the duties of chairing the WSA Audit Review Panel and the subsidiary Audit Committee that oversees the Group's Australian operations. It is the intention that Clive will become the chair of the Group Audit Committee, when I step down from the role at the Group's AGM later this year. Full biographical details of all members are available in the Integrated Report and members' fees have been included in the table of directors' remuneration on page 66.

Four meetings and two ad-hoc meetings of the committee were held during the year under review with full attendance recorded by all members. The ad-hoc meetings were convened for purposes of considering the dividend reduction and the outcome of the review of the carrying value of David Jones assets (see further detail later in this report). The committee composition and members' attendance at the meetings during the 2019 financial year are set out in the following table:

Member	Date of appointment	Attendance	Ad-hoc
Hubert Brody (Committee Chairman) BAcc (Hons), CA(SA)	2014	4/4	2/2
Patrick Allaway[1] BA/LLB	2014	2/2	0/0
Zarina Bassa BAcc, CA(SA)	2011	4/4	2/2
Andrew Higginson BSc (Hons), FCMA	2012	4/4	2/2
Thembisa Skweyiya[2] B.Proc, LLB, LLM, H. Dip (Tax)	2019	1/1	1/1
Clive Thomson[3] BCom (Hons), MPhil, CA(SA)	2019 (subsequent to the 2019 financial year)	n/a	n/a

1 Resigned from the Board and the committee with effect from 8 February 2019.
2 Appointed to the Board and the committee with effect from 11 March 2019.
3 Appointed to the Board and committee with effect from 19 August 2019, after the end of the financial year.

The Group Chief Executive Officer, the Group Finance Director and the Heads of Group risk management and compliance, internal audit, and treasury; as well as the external auditors, are invited to attend all meetings of the committee. In addition, all Board members attend the committee meetings in May and November each year and have access to all committee papers for each of the committee's meetings. Other senior executives and professional advisors are invited to meetings when required for purposes of providing insight into specific issues or areas of the Group.

The committee meets independently with the external and internal auditors to discuss pertinent matters as they arise, as well as to discuss matters relating to the year-end audit and finalisation of the interim financial results. The committee Chairman also meets separately with external and internal auditors between committee meetings.

Committee members are also members of the WHL Risk and Compliance Committee, which provides members with insight into the Group enterprise risk management framework, key risks and compliance coverage in the Group. The cross-committee membership enhances the committee's oversight of financial and other risks that may affect the integrity of the Company's external reports (such as financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting, and risks pertaining to information and technology).

The committee Chairman reports to the Board at the quarterly Board meetings on the committee's activities and matters discussed at each meeting, highlighting key items deliberated and those requiring the Board's attention.

KEY AREAS OF ACTIVITY DURING THE YEAR

During the year, the committee dealt with the following statutory, regulatory and compliance matters:

- reviewed the Group Finance Director's quarterly reports relating to the Group's financial performance, forecasts, the budget, medium-term plan (MTP), long-term plans and capital expenditure;
- reviewed reports from the Group Treasury Committee in regard to Group funding matters, including the Group's facilities, the ongoing renewal thereof, financial scenario planning and the Domestic Medium Term Note (DMTN) programme;
- reviewed the reporting process and controls in respect of the compilation of the financial information and found the processes and controls to be effective and appropriate;
- reviewed the interim reports and preliminary results announcements and recommended them to the Board for approval;
- assessed and confirmed the appropriateness of the going concern assumption used in the Annual Financial Statements with regard to working capital and the liquidity profiles;
- reviewed the solvency and liquidity tests, working capital and going concern statements and recommended proposals to the Board in respect of interim and final dividends;
- reviewed management's proposals on the accounting policies for the implementation of IFRS 16: Leases;
- reviewed the JSE's eighth Report Back on Pro-Active Monitoring of Financial Statements;
- considered, responded and closed-out queries from the JSE which were raised in terms of the JSE's pro-active monitoring programme;
- reported to the Board on matters concerning the Company's accounting policies, financial controls, records and reporting;
- accepted the role of audit committee for Woolworths Proprietary Limited (WSA) as contemplated by section 94(2) of the Companies Act, and received regular feedback from the WSA Audit Review Panel on audit matters and reports;
- received regular feedback on audit matters and reports from the David Jones and Country Road Group audit committees;
- reviewed the expertise and experience of the Group Finance Director (Reeza Isaacs) as well as the expertise and resources within the finance function and concluded that both are appropriate;
- considered and recommended the Group's updated policies that fall within the committee's remit, including the Insider Trading, Price-Sensitive Information, External Auditor, Complaints and Whistleblowing policies;
- noted details of the only complaint received via the Group's whistleblowing service during the year and the independent investigation and ultimate resolution thereof.

EXTERNAL AUDITOR MATTERS

The committee is responsible for the appointment, remuneration and oversight of the Group's external auditors, Ernst & Young Inc. (EY). Following designated audit partner rotation in 2017, Ms. Johanna Cornelia de Villiers was appointed as the designated auditor of the Group.

During the year under review, the committee:

- approved the external auditors' annual plan for the 2019 annual audit as well as the related scope of work, and the appropriateness of key audit risks identified;
- approved the audit fees for the 2019 external audit which included additional work such as, for example, the impact of IFRS 16 (details appear on page 32);
- had interactions with the designated audit partner (currently Ms de Villiers) and the lead Australian EY audit partner (Mr Butler);
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- reviewed the findings and recommendation of the external auditors and confirmed that there were no noteworthy unresolved matters at the end of the financial period;
- approved fees for other audit-related and non-audit services amounting to 2.0% of the prior year audit fee (2018: 3.5%) and which are within the 30% policy limit in the External Auditor Independence policy;
- reviewed the independence of the external auditor in accordance with the provisions of Sections 90 and 94 of the Companies Act and assessed the performance and accreditation of the external audit firm and designated auditor, in terms of the JSE Listings Requirements and applicable regulations and legislation and the appropriate audit quality indicators, and is satisfied with their independence, JSE accreditation, and performance. In addition EY has confirmed that its internal governance processes are in place to ensure independence and effectiveness. The committee has accordingly nominated EY as the external auditor for the 2020 financial year, subject to shareholder approval; and
- reviewed its timing on mandatory auditor rotation as reported on later in this report.

INTERNAL AUDIT

The internal audit function reviews and provides assurance on the adequacy and effectiveness of internal controls and internal financial controls through assessments conducted for interim and year-end purposes. The scope of these assessments, which are based on the Combined Assurance Model, includes the frequency of internal audits on the audit coverage plan and discussions of any serious control issues raised and their impact.

REPORT OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE (C0NTINUED)

During the year under review, the committee:

- reviewed and approved the annual internal audit coverage plan and charter;
- evaluated the independence, effectiveness and performance of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, resourcing, overall performance and position within the organisation;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- considered the internal audit reports on the Group's systems of internal controls, including financial controls, and business risk management;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to internal audit findings and considered management's responses to adverse internal-audit findings;
- met with the head of internal audit independently of management;
- 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.

SIGNIFICANT MATTERS

The committee has considered the key audit matters reported in the external audit report on page 38. In addition the committee considered significant matters arising during the year. These include the following:

CARRYING VALUE OF DAVID JONES

An impairment charge of A$622.1 million (pre-tax) was recognised as at 30 June 2019, reducing the valuation of David Jones to approximately A$965 million. The impact of the impairment was shielded by a deferred tax provision on the valuation of brands, which resulted in a net charge to equity of A$437.4 million. A strategic review of the David Jones store portfolio also identified stores with onerous leases resulting in an additional provision of A$22.4 million at period end.

In considering the carrying value of David Jones, and the consequent impairment, the committee carefully applied its mind to:

- its most recent performance;
- the revised budget and medium-term plans, and in particular key assumptions regarding growth, gross margins, and expenses;
- the prospects of online and store sales as the market dynamics continue to shift;
- the imminent re-opening of the Elizabeth Street store in Sydney;
- the long-term capital expenditure assumptions;
- terminal growth rates;
- discount rates, with an emphasis on ensuring that an appropriate risk premium is applied;
- the views and opinion of the consultants that assisted in the process; and
- the views of EY, our independent auditors.

The impairment is a reflection of the economic headwinds and accelerating structural changes affecting the Australian retail sector as well as the performance of the business, which fell short of expectations. The Audit Committee carefully considered the valuation work that was performed and the resultant accounting implications and recommended the impairment to the WHL Board.

DIVIDEND REDUCTION

Recognising the challenging conditions facing retail in general and the Group in particular, the committee considered and recommended to the Board that the Group's dividends be based on a cover ratio of 1.45 times headline earnings of the combined Woolworths South Africa business segments (FBH, Food and Woolworths Financial Services) and that no dividend be paid from the Australian businesses for a period of approximately two years. This recommendation, which was approved by the Board, aims to reduce the level of the Group's Australian interest-bearing debt, together with other capital management measures to approximately A$200 million.

AUDIT FIRM ROTATION

The committee reported last year, that the Group would be targeting 2021 as the year in which mandatory audit firm rotation would be implemented unless there were unexpected delays, in which case mandatory audit firm rotation would be implemented no later than the prescribed date.

The decision to implement audit firm rotation before the prescribed date was based on various considerations and financial reporting requirements as these existed at the time. While the committee is working towards implementation of audit firm rotation ahead of the mandatory date of 1 April 2023, it has decided to delay implementation thereof by one year for two reasons. Firstly as a result of the implementation of IFRS 16: Leases. The impact of the new standard on the balance sheet is significant to the Group and the committee believes it will be appropriate to allow time for new systems and procedures to be embedded and refined in the Group before appointing a new external auditor.

The committee, furthermore, deems it prudent to allow time for the audit profession in South Africa to stabilise following the recent events and reputational concerns that have impacted this profession. Given that the Group will follow a tender process for the appointment of a new external auditor, this will provide time for audit firms to take corrective steps, and all be in a more advanced position to report comprehensively on the progress regarding key issues that had surfaced in the profession over the recent past, and for the Audit Committee to consider progress made. While the committee remains of the view that it requires the services of a main tier audit firm for audit services, it is committed to growing medium tier firms through the provision of non-audit related services and potential sub-contracting of audit services by the main appointed audit firm.

IFRS IMPACTS

IFRS 16: LEASES

The Group will adopt IFRS 16 from 1 July 2019, and has undertaken an assessment of the impact of the new standard.

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.

IFRS 9: FINANCIAL INSTRUMENTS AND IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group adopted IFRS 9 and IFRS 15 with effect from the beginning of the current financial period, using the modified retrospective approach. As a result, the cumulative effect of initial application of the standards is recognised as an adjustment to opening equity. Comparative information has not been restated, and continues to be reported in terms of previous applicable standards, IAS 39 and IAS 18 respectively.

In terms of IFRS 9, the carrying value of the Group's investment in the Woolworths Financial Services joint venture reduced by R217 million, with the corresponding debit taken to equity. The adjustment had no impact on the prior period results and earnings per share measures.

In terms of IFRS 15, a R6 million cumulative debit adjustment to equity was processed. Further details can be found in the notes to the Group Annual Financial Statements.

DAVID JONES SYSTEM IMPLEMENTATION

The committee last year reported on the implementation of the new David Jones merchandise system which had affected various processes and resulted in the control environment not being optimal in certain areas during the 2018 financial year. During the year under review the committee was kept appraised by management of the progress in addressing the control issues, the continued implementation of mitigating controls and monitored all outstanding matters which had affected the various processes and the control environment. Accordingly, the committee is pleased to confirm that the matters have mostly been addressed, with the system now functioning as intended.

DMTN PROGRAMME

The DMTN programme was utilised to issue listed and unlisted notes during the course of the year, which were all well received in the market and priced favourably. The committee had oversight of these note issues.

INTERNAL FINANCIAL CONTROLS

The committee has reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the Group's internal financial controls. Based on the results of this review, information provided by management and the risk management process, together with the work and engagement with the independent assurance providers, the committee is of the opinion that the internal financial controls in place, are adequate and effective and form a sound basis for the preparation of reliable financial statements.

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 they were adequate to address all significant financial risks facing the business;
- 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 coordinated approach to assurance as well as that the level of assurance from the internal and external assurance providers, was adequate.

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 WHL for the year ended 30 June 2019, 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 the 2019 Integrated Annual Report.

APPROVAL

The committee reviewed the Group and Company's Annual Financial Statements and 2019 Integrated Annual Report for the year ended 30 June 2019 and recommended them to the Board for approval on 28 August 2019.

The Board subsequently approved the Annual Financial Statements and the Integrated Annual Report, which will be open for discussion at the upcoming AGM.

CONCLUDING REMARKS

The committee is satisfied that it has complied with all statutory duties as well as with the duties assigned to it by the Board under its terms of reference.

I have been nominated for appointment as Chairman of the Board, to be put to shareholders at the AGM in November 2019, as our current Chairman, Simon Susman, will be stepping down after the Company's 2019 AGM.

As this report will therefore likely be my last in the capacity of Audit Committee chair, I would like to use the opportunity to thank all members of the committee with whom I have worked over the past five years, for their support, robust debate as well as considered contributions to the committee. Furthermore, I would like to thank our external and internal auditors, the Group Finance Director and the Finance team, as well as the executives and other management for their contributions over the years.

I would like to sincerely welcome our new audit committee members, Thembisa Skweyiya and Clive Thomson. I have worked with Thembisa before and experienced her as an excellent board member. She discharges her role as audit committee member with a good degree of scepticism. She has comprehensive experience on various listed boards that qualifies her perfectly for this role with us, and also brings important legal skills to the committee. Clive Thomson, who previously served as the Chief Executive Officer of Barloworld Limited, will take over from me as the new chairman of the committee, subject to shareholder approval. Clive has also held various finance roles over his career, and I believe his knowledge of the Australian environment, capital management and funding matters will make him a very appropriate chairman of the Audit Committee.

H Brody
Audit Committee Chairman
28 August 2019

DIRECTORS' REPORT

NATURE OF BUSINESS

Woolworths Holdings Limited (Company) is a southern hemisphere retail Group with operations 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 joint venture operation, Woolworths Financial Services Proprietary Limited (WFS), offers financial products to WSA customers.

The Company is listed on the securities exchange of the JSE Limited (JSE), where it has maintained a listing since 1997.

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 636 WSA store locations in South Africa (including 80 stores operated on Engen forecourts) and 85 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 46 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 726 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 39 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 since the prior year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The review of operations and financial results of the Group are contained in the 2019 Integrated Annual Report and the 2019 Annual Financial Statements.

STATED CAPITAL

AUTHORISED

Ordinary shares	– 2 410 600 000 of no par value (2018: 2 410 600 000)

ISSUED

Ordinary shares	– 1 048 466 077 of no par value (2018: 1 048 313 728)

DIVIDENDS

The following dividends were declared in respect of the year ended 30 June 2019:

INTERIM

On 21 February 2019, a gross cash dividend of 92.0 cents (2018: 108.5 cents) was declared to shareholders recorded at the close of business on Friday, 15 March 2019. The cash dividend was paid on Monday, 18 March 2019.

FINAL

On 28 August 2019, a gross cash dividend of 98.5 cents (2018: 130.5 cents) was declared to shareholders recorded at close of business on Friday, 20 September 2019, to be paid on Monday, 23 September 2019.

BORROWINGS

The Company's borrowing powers are unlimited in terms of the Memorandum of Incorporation and all borrowings by the Group are subject to Board approval. Details of borrowings appear in note 17 on page 91.

DIRECTORATE AND GROUP COMPANY SECRETARY

Details of the directors who served on the Board during the year and at the reporting date, as well as changes in the directorate during the year under review, are provided below. Biographical details of the current directors are available on the Company's website at: https://www.woolworthsholdings.co.za/

Name of director	Designation	Date of appointment	Director change
Simon Susman	Chairman Non-independent Non-executive	18/11/2010	Retirement at 2019 AGM
Patrick Allaway	Independent Non-executive	01/12/2014	Resigned on 08/02/2019
Zarina Bassa	Independent Non-executive	17/11/2011	To be appointed Lead Independent Director at 2019 AGM
Tom Boardman	Lead Independent Director Non-executive	27/09/2010	Retirement at 2019 AGM
Hubert Brody	Independent Non-executive	01/07/2014	To be appointed Chairman at 2019 AGM
Christopher Colfer	Independent Non-executive	01/07/2019	Appointed during year under review
Belinda Earl	Independent Non-executive	01/07/2019	Appointed during year under review
Andrew Higginson	Independent Non-executive	01/06/2012	
Reeza Isaacs	Executive	26/11/2013	
Gail Kelly	Independent Non-executive	01/10/2015	Resigned on 08/02/2019
David Kneale	Independent Non-executive	11/03/2019	Appointed during year under review
Nombulelo Moholi	Independent Non-executive	01/07/2014	
Ian Moir	Executive	01/10/2010	
Siza Mzimela	Independent Non-executive	01/07/2018	Resigned on 05/11/2018
Sam Ngumeni	Executive	12/02/2014	
Zyda Rylands	Executive	22/08/2006	
Thembisa Skweyiya	Independent Non-executive	11/03/2019	Appointed during year under review

In terms of the Company's Memorandum of Incorporation, at least one-third of the Board are required to retire by rotation at each Annual General Meeting and may offer themselves for re-election. The directors to retire are firstly those appointed since the last Annual General Meetings and thereafter, those in office the longest since their last election.

Mr David Kneale, Ms Thembisa Skweyiya, Ms Belinda Earl, Mr Christopher Colfer and Mr Clive Thomson were appointed to the Board subsequent to the 2018 Annual General Meeting and accordingly, retire by rotation in terms of the Memorandum of Incorporation. They are each available for re-election.

Mr Simon Susman and Mr Tom Boardman are also due to retire, each having served a nine-year term. They will therefore not seek re-election as they will both step down from the Board on conclusion of the Annual General Meeting.

It is anticipated that Mr Hubert Brody will be appointed as Chairman of the Board at the 2019 Annual General Meeting. Ms Zarina Bassa will be appointed as Lead Independent Director, subject to shareholder approval.

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:

	2019 Beneficial		2018 Beneficial	
	Direct	Indirect	Direct	Indirect
NON-EXECUTIVE DIRECTORS				
Simon Susman	60 403	1 987 460	60 403	1 987 460
Patrick Allaway*	–	–	38 363	–
Zarina Bassa	5 077	–	5 077	–
Tom Boardman	6 702	–	6 702	–
Hubert Brody	8 682	–	8 682	–
Andrew Higginson	22 490	–	22 490	–
David Kneale	6 500	–	–	–
Thembisa Skweyiya	944	–	–	–
EXECUTIVE DIRECTORS				
Ian Moir	2 304 933	176 043	2 032 531	263 511
Reeza Isaacs	410 723	248 760	193 687	181 083
Sam Ngumeni	898 652	573 294	506 394	513 607
Zyda Rylands	2 380 423	1 195 187	1 734 766	1 143 258
Total	6 105 529	4 180 744	4 609 095	4 088 919

* Resigned from the Board on 8 February 2019.

There have been no further changes to the directors' interests between the end of the reporting period and the date of the Directors' Report, except for Clive Thomson's indirect holding of 9 992 shares.

The remuneration paid to directors of the Company during the period under review is set out on page 66.

During the course of the year, no directors had any material interests in contracts with the Company or any of its subsidiaries that gave rise to a conflict of interest.

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 64.

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Financial Statements and other information presented in the 2019 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 30 June 2019.

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 pages 38 to 41.

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 (CONTINUED)

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, financial misstatements or 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. As such, there is a continual focus on ensuring that the control environment within each business area is understood and maintained at the required level.

GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to 28 June 2020, 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.

SUBSIDIARY COMPANIES

Full particulars of the subsidiary companies appears in Annexure 1 on page 132.

EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors are not aware of any material events that have occurred between the reporting date and the date of approval of these financial statements.

SPECIAL RESOLUTIONS

The following special resolutions were passed by shareholders of the Company at the Annual General Meeting in November 2018:

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

There was no repurchase of shares and no granting of financial assistance in terms of the Company's share-based incentive schemes during the year under review.

A resolution seeking general authority to repurchase shares (which is valid for one year) will be tabled again at the 2019 Annual General Meeting.

Woolworths, Summer 2019

REPORT OF THE INDEPENDENT AUDITORS

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 and its subsidiaries (the Group) and Company set out on pages 42 to 134, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the 53-week period then ended, and notes to the consolidated and separate 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 the Group and Company as at 30 June 2019, 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 and Company in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing the audits of the Group and Company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

The Key Audit Matters apply equally to the audit of the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key matter
Impairment considerations in respect of David Jones assets	
The Group is required to assess the recoverable amount of these assets, including goodwill and brand-related intangible assets, on an annual basis in accordance with IAS 36: Impairment of Assets. The carrying value of goodwill and brands amounted to R5 734 million at 30 June 2019 (2018: R11 674 million). This is regarded as a Key Audit Matter because 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 growth rates. 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 assets resulted in the recognition of an impairment charge of R5 997 million, reflecting the economic headwinds and the accelerating structural changes affecting the Australian retail sector as well as the performance of the business. Details of the assumptions utilised and the resulting impairment charge are disclosed in note 9.	Our procedures included: • Assessment of the presence of indicators of impairment; • Assessment of the appropriateness of principles and methodology applied in the calculation of the fair value less cost of disposal by means of 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 forecast sales and gross margins along with growth rates in respect of the base business as well as approved projects 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; • Assessment of the appropriateness of the release of the deferred tax liability recognised on acquisition in relation to brands-related intangible assets; • 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 assets.

Key audit matter	How our audit addressed the key matter
Inventory adjustments	
At 30 June 2019, inventory of R8 325 million is held on the Group balance sheet (2018: R7 542 million). The closing carrying value of inventory is impacted by manual and judgemental computations which, due to their nature, are considered to be a Key Audit Matter. Manual adjustments are made to the carrying value of inventories to reflect inventory at the lower of cost and net realisable value. Management has made estimates and assumptions in the manual adjustments related to shrinkage and obsolescence. This judgement is informed by: • Historical data and sell-through rates; • The inventory profile and age; • Forecast mark-downs. Related disclosure is included in note 12 and note 23 of the Group financial statements.	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; • Considering the adequacy of the Group's disclosures in relation to the assumptions applied.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Finance Director's Report, Shareholding disclosures, Seven-year review, Report of the Group Company Secretary, Report of the Audit Committee and the Directors' Report as required by the Companies Act of South Africa, and the Preliminary Audited Group Results. The 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.

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 consolidated and separate 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 and Company'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 and Company 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 and Company'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 and Company'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 and separate 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 and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 consolidated and separate 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 87 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant (SA)
3 Dock Road,
Waterway House
V&A Waterfront
Cape Town
8001
28 August 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	53 weeks to 30 June 2019 Rm	Restated* 52 weeks to 24 June 2018 Rm
Revenue	2	75 179	70 572
Turnover and concession sales		79 816	75 232
Concession sales		(6 713)	(6 640)
Turnover	2	73 103	68 592
Cost of sales		45 139	41 700
Gross profit		27 964	26 892
Other revenue	2	2 000	1 909
Expenses		24 843	23 542
Store costs		17 735	16 960
Other operating costs		7 108	6 582
Operating profit		5 121	5 259
Impairment of David Jones assets		6 153	6 927
Investment income	2	76	71
Finance costs	3.6	1 139	1 124
Loss before earnings from joint ventures and associate		(2 095)	(2 721)
Earnings from joint ventures	29	295	287
Loss before tax	3	(1 800)	(2 434)
Tax (credit)/expense	4	(716)	1 115
Loss for the year		(1 084)	(3 549)
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	23.6	(91)	256
Tax on fair value adjustments on financial instruments		27	(74)
Exchange differences on translation of foreign subsidiaries		(97)	263
Amounts that may not be reclassified to profit or loss			
Post-retirement medical benefit liability: actuarial gain	19	21	2
Deferred tax on post-retirement medical benefit liability: actuarial gain		(6)	(1)
Other comprehensive income for the year		(146)	446
Total comprehensive loss for the year		(1 230)	(3 103)
Loss attributable to:		(1 084)	(3 549)
Shareholders of the parent		(1 086)	(3 550)
Non-controlling interests		2	1
Total comprehensive loss attributable to:		(1 230)	(3 103)
Shareholders of the parent		(1 232)	(3 104)
Non-controlling interests		2	1
Loss per share (cents)	5	(113.4)	(369.5)
Headline earnings per share (cents)	5	342.9	346.3
Diluted loss per share (cents)*	6	(113.4)	(369.5)
Diluted headline earnings per share (cents)	6	340.1	344.2

* Comparative information has been restated to correct the dilutive earnings per share line, which erroneously included the impact of anti-dilutive potential ordinary shares in the prior year. Due to the restatement, the dilutive earnings per share has changed from a loss per share of 367.3 cents to a loss per share of 369.5 cents. The restatement has had no impact on the prior period Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows, nor on Earnings per share and Headline earnings per share.

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2019 Rm	At 24 June 2018 Rm
ASSETS			
Non-current assets		24 032	28 650
Property, plant and equipment	8	14 295	13 959
Intangible assets	9	7 283	13 410
Investment in joint ventures	29	810	978
Fair value lease adjustment	13	52	59
Other loans	10	56	56
Derivative financial instruments	14	14	18
Deferred tax	11	1 522	170
Current assets		11 897	11 497
Inventories	12	8 325	7 542
Trade and other receivables	13	1 410	1 487
Derivative financial instruments	14	171	174
Tax	26.3	78	271
Cash and cash equivalents	26.4	1 913	2 023
TOTAL ASSETS		35 929	40 147
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		9 428	13 113
Stated capital	15	11 407	11 399
Treasury shares		(1 711)	(1 457)
Non-distributable reserve	16	253	350
(Accumulated loss)/distributable reserves	16	(521)	2 821
Non-controlling interests		15	13
TOTAL EQUITY		9 443	13 126
Non-current liabilities		15 850	15 076
Interest-bearing borrowings	17	13 259	11 711
Operating lease accrual and fair value lease adjustment	18	1 651	1 906
Post-retirement medical benefit liability	19	369	404
Provisions	20	436	297
Derivative financial instruments	14	72	–
Deferred tax	11	63	758
Current liabilities		10 636	11 945
Trade and other payables	18	8 289	8 728
Provisions	20	922	752
Operating lease accrual and fair value lease adjustment	18	110	115
Derivative financial instruments	14	106	77
Tax	26.3	75	124
Overdrafts and interest-bearing borrowings	17	1 134	2 149
TOTAL LIABILITIES		26 486	27 021
TOTAL EQUITY AND LIABILITIES		35 929	40 147

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 (loss)/profit Rm	Shareholders' interest before non-controlling interests Rm	Non-controlling interests Rm	Total Rm
Shareholders' interest at 25 June 2017		11 375	(1 370)	87	599	(106)	8 453	19 038	28	19 066
Loss for the year		–	–	–	–	–	(3 550)	(3 550)	1	(3 549)
Other comprehensive income		–	–	263	–	182	1	446	–	446
Total comprehensive loss for the year		–	–	263	–	182	(3 549)	(3 104)	1	(3 103)
Shares issued	15	24	(24)	–	–	–	–	–	–	–
Share-based payments		–	–	–	68	–	–	68	–	68
Net (acquisition)/disposal of Treasury shares		–	(63)	–	(45)	–	(15)	(123)	–	(123)
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
Effect of IFRS 9 and IFRS 15 adoption	1	–	–	–	–	–	(223)	(223)	–	(223)
Shareholders' interest at 25 June 2018 (restated)		11 399	(1 457)	350	622	76	1 900	12 890	13	12 903
Loss for the year		–	–	–	–	–	(1 086)	(1 086)	2	(1 084)
Other comprehensive income		–	–	(97)	–	(64)	15	(146)	–	(146)
Total comprehensive loss for the year		–	–	(97)	–	(64)	(1 071)	(1 232)	2	(1 230)
Shares issued	15	8	(8)	–	–	–	–	–	–	–
Share-based payments		–	–	–	141	–	–	141	–	141
Net (acquisition)/disposal of Treasury shares		–	(246)	–	(460)	–	480	(226)	–	(226)
Dividends to ordinary shareholders	25	–	–	–	–	–	(2 145)	(2 145)	–	(2 145)
Shareholders' interest at 30 June 2019		11 407	(1 711)	253	303	12	(836)	9 428	15	9 443

	Notes	2019	2018
Dividend per ordinary share declared for the financial year (cents)	25	190.5	239.0
Interim		92.0	108.5
Final		98.5	130.5

GROUP ANNUAL FINANCIAL STATEMENTS

GROUP STATEMENT OF CASH FLOWS

	Notes	53 weeks to 30 June 2019 Rm	52 weeks to 24 June 2018 Rm
Cash flow from operating activities			
Cash inflow from trading	26.1	7 325	7 371
Working capital movements	26.2	(991)	(305)
Cash generated by operating activities		6 334	7 066
Investment income received		76	71
Finance costs paid		(1 127)	(1 117)
Tax paid	26.3	(1 114)	(1 037)
Cash generated by operations		4 169	4 983
Dividends received from joint ventures		245	325
Dividends to ordinary shareholders		(2 145)	(2 782)
Net cash inflow from operating activities		2 269	2 526
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(2 285)	(1 664)
Investment in property, plant and equipment and intangible assets to expand operations		(429)	(1 004)
Proceeds on disposal of property, plant and equipment and intangible assets		–	79
Other loans repaid/(advanced)		4	(12)
Net cash outflow from investing activities		(2 710)	(2 601)
Cash flow from financing activities			
Settlement of share-based payments through share purchase		(218)	(122)
Share purchase costs		–	(1)
Finance lease payments		(14)	(12)
Borrowings raised		5 839	3 306
Borrowings repaid		(6 000)	(3 000)
Net cash (outflow)/inflow from financing activities		(393)	171
(Decrease)/increase in cash and cash equivalents		(834)	96
Net cash and cash equivalents at the beginning of the year		1 878	1 761
Effect of foreign exchange rate changes		(2)	21
Net cash and cash equivalents at the end of the year	26.4	1 042	1 878


Country Road, Summer 2019

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 53 weeks ended 30 June 2019 (2018: 52 weeks ended 24 June 2018) 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.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE

Standards, interpretations and amendments to published standards, that have become effective during the year:

CHANGES IN ACCOUNTING POLICIES

IFRS 9: FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT – IMPACT OF ADOPTION

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting, mainly in an effort to align hedge accounting with risk management, and a new impairment model for financial assets.

The adoption of IFRS 9, Financial Instruments, from 25 June 2018, resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with transitional provisions, comparative figures have not been restated and continue to be reported in terms of the previous applicable standard of IAS 39. The Group has chosen to take the transition differences through retained earnings at 25 June 2018 as allowed by IFRS 9, so as not to adopt the standard retrospectively and not to make use of hindsight.

The total impact on the Group of the IFRS 9 implementation is a reduction of R217 million of the carrying value of the Group's investment in the joint venture with ABSA Limited, Woolworths Financial Services, with the corresponding debit taken to equity.

i) Classification and measurement

IFRS 9 requires all debt instruments held by the Group to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group's management has assessed the contractual cash flows and business model tests that apply to the financial assets held by the Group and has classified financial instruments into the appropriate IFRS 9 categories.

There has been no change to the classification of the Group's financial assets and liabilities and they continue to be classified and measured at amortised cost.

The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

All of the Group's other financial assets which were classified as loans and receivables satisfy the conditions for classification at amortised cost and hence there is no change to the classification and measurement of these assets.

ii) Equity instruments

Under IAS 39, derivative financial assets/liabilities that were linked to, and settled by, delivery of unquoted equity instruments, and whose fair value cannot be reliably determined, are required to be measured at cost. IFRS 9 removes this cost exception for derivative financial assets/liabilities; therefore, all derivative assets and liabilities will be measured at fair value through profit or loss (FVTPL).

IAS 39 allowed certain equity investments in private companies for which the fair value is not reliably determinable to be measured at cost, while under IFRS 9 all equity investments are measured at fair value.

iii) Derivatives and hedge accounting

Hedge accounting under IFRS 9 improves the decision-usefulness of the financial statements by better aligning hedge accounting with the risk management activities of the Group. Hedge accounting under IFRS 9 is considered an improvement and will provide more flexibility to the Group to possibly lower the application of hedge accounting where previously the Group would not have been able to do so. The Group maintained hedge relationships on adoption of IFRS 9. Accordingly, the Group did not experience a significant impact on the accounting for its hedging relationships.

iv) Impairment of financial assets: Expected credit loss (ECL) model

IFRS 9 has introduced new ECL impairment requirements that result in the earlier recognition of credit provisions. The ECL requirements apply to debt financial assets measured at either amortised cost or at fair value through other comprehensive income (FVOCI), loan commitments where there is a present commitment to extend credit (unless these are measured at FVTPL) and financial guarantees.

ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL of the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

The Group has the following types of financial assets measured at amortised cost that are subject to IFRS 9's new ECL model:

- Trade receivables – Retail
- Loans receivable – Financial Services

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The Group applies the IFRS 9 simplified approach to measuring ECL's for all trade receivables, and the general approach for loans and other receivables.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS – IMPACT OF ADOPTION

IFRS 15, which replaces IAS 18, is based on the principle that revenue is recognised when control of a good or service transfers to a customer. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of IFRS 15, Revenue from Contracts with Customers, from 25 June 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the revenue note below. In accordance with the transition provisions in IFRS 15, the Group has adopted the new standard using the modified retrospective approach and has not restated figures for the comparative period. Instead, the cumulative impact has been recognised at the beginning of the financial year, which resulted in a net adjustment of R6 million reducing retained earnings.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that have been affected:

(a) Right of return and Refund liability: IFRS 15 requires separate presentation on the Statement of Financial Position of the right to recover the goods from the customer when goods are returned and the refund obligation to either replace the goods, provide the customer with a full refund or credit that can be applied against money owed.

(b) Gift card breakage: IFRS 15 requires the Group to estimate the value of gift cards that would expire and recognise this amount as revenue.

(c) 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.

Set out below are the amounts by which each financial statement line item is affected as at the year-end 30 June 2019, as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have any impact on other comprehensive income, or the Group's operating, investing and financing cash flows, nor any material impact on earnings per share measures. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted.

GROUP STATEMENT OF PROFIT OR LOSS

	Amounts prepared under		
	IFRS 15 53 weeks to 30 Jun 2019 Rm	Previous IFRS 53 weeks to 30 Jun 2019 Rm	Increase/ (decrease) Rm
Revenue	75 179	75 002	177
Turnover and concession sales	79 816	79 655	161
Concession sales	(6 713)	(6 713)	–
Turnover	73 103	72 942	161
Cost of sales	45 139	44 775	364
Gross profit	27 964	28 167	(203)
Other revenue	2 000	1 984	16
Expenses	24 843	25 029	(186)
Store costs	17 735	17 943	(208)
Other operating costs	7 108	7 086	22
Operating profit	5 121	5 122	(1)
Impairment of David Jones assets	6 153	6 153	–
Investment income	76	76	–
Finance costs	1 139	1 139	–
Loss before earnings from joint ventures and associate	(2 095)	(2 094)	(1)
Earnings from joint ventures	295	295	–
Loss before tax	(1 800)	(1 799)	(1)
Tax (credit)/expense	(716)	(716)	–
Loss for the year	(1 084)	(1 083)	(1)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER STANDARDS

The following standards, interpretations and amendments have had no material financial impact on the reported results in the period. Where applicable, additional disclosures for the current and comparative year are provided.

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.

The Group did not have any transactions that are impacted by the amendment to the standard and as such there will not be any material impact as a result of the implementation of the amendment.

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 did not have any transactions that would fall under the standard and as such there will not be any material impact as a result of the implementation of the amendment.

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.

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 profits 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.

GOODWILL AND BRANDS

Goodwill and brands are 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 and brands are 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.

PROPERTY, PLANT AND EQUIPMENT

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

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

PROVISION FOR NET REALISABLE VALUE OF INVENTORY

The provision for net realisable value of inventory represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting date will be sold below cost. Refer to note 12.

Management make an estimate and make assumptions to identify the extent to which merchandise on hand at the reporting date will be sold below cost. The estimate by management is made after considering the following factors:

- Historical data and sell-through rates
- the inventory profile and age
- forecast mark downs.

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.

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.

BUSINESS COMBINATIONS

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

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:

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.

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, 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 TRUST

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 become 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.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The cost of merchandise is the net of the invoice price of merchandise, insurance, freight, customs duties, an appropriate allocation of distribution costs, trade discounts, rebates and settlement discounts. Rebates and discounts received as a reduction in the purchase price of inventories are deducted from the cost of those inventories.

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 make adjustments to the carrying value of inventory to reflect the cost of inventory at the lower of cost and net realisable value, as well as the cost of hedge accounting. In accordance with the provisions of IFRS 9, the application of hedge accounting requires management to adjust the cost of inventory to incorporate the impact of forward exchange hedging contracts.

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.

ONEROUS LEASE CONTRACTS

The Group recognises a provision for onerous lease contracts when the expected benefits, including subleasing income, to be derived from non-cancellable operating lease contracts are lower than the unavoidable costs of meeting the contract obligations. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The notional interest charge relating to the unwinding of the provisions discounting is included in the Statement of Comprehensive Income as finance costs. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Subsequent measurement for each financial instrument in the Group is performed in accordance with classification of the instrument in line with the following:

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'Debt instruments at amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

EFFECTIVE INTEREST METHOD (AMORTISED COST)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

The Group uses the effective interest method for the following financial assets:

- Trade and other receivables: this comprises 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.
- Other loans: these comprise housing and employee loans.
- Cash and cash equivalents: this comprises 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 (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) – EQUITY INSTRUMENTS

At the initial recognition of the equity instrument, the Group may make an irrevocable election to classify its investments in equity instruments as designated at fair value through other comprehensive income if the investment is not held for trading. This election is performed on an instrument-by-instrument basis.

Gains or losses that are recognised as a result of subsequent measurement of these instruments are never recycled to profit or loss. Dividends received from these instruments are recognised in profit or loss, unless the Group has received these dividends as a recovery of part of the cost of the financial asset.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) – DEBT INSTRUMENTS

Debt instruments such as listed bonds are measured by the Group at FVOCI where the contractual cash flows are solely principal and interest and the objective of the Group's business model for such instruments is achieved both by collecting contractual cash flows and selling the financial assets.

Gains or losses on the instrument are recognised in other comprehensive income, with the exception of impairment losses or reversals, and foreign exchange gains or losses, which are recognised in profit or loss. Interest income earned on the instrument is recognised in profit and loss. Upon derecognition, the cumulative fair value change is recycled from OCI to profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEBT INSTRUMENTS AT AMORTISED COST

Debt instruments are measured by the Group at amortised cost where the contractual cash flows are solely principal and interest and the objective of the Group's business model for such instruments is achieved by collecting contractual cash flows of the financial assets.

Debt instruments at amortised cost (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Amortised cost is calculated considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation is recognised in investment income in the Statement of Comprehensive Income. Impairment losses on loans and receivables are recognised in other operating costs in the Statement of Comprehensive Income.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

FINANCIAL INSTRUMENTS

Financial liabilities are classified as either of the following categories:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial liabilities classified as fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

OTHER FINANCIAL LIABILITIES

Other financial liabilities include borrowings, trade and other payables and overdrafts. The Group subsequently measures these liabilities at amortised cost using the effective interest method. The effective interest method has been outlined above.

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 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 in accordance with IFRS 9 at the higher of:

- the amount of the loss determined as expected credit loss; or
- the amount initially recognised, less cumulative amortisation recognised in accordance with IFRS 15, 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 IFRS 9, 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 the cash flow reserve within equity. Gains and losses on the ineffective portion are recognised in profit or loss immediately, within other gains/(losses).

When forward contracts are used to hedge forecast transactions, the group designates the entire contract as the hedging instrument, i.e. the Group designates the full change in fair value of the forward contract (including forward points) as the hedging instrument. This means the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

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 recognises an allowance for ECL, for all debt instruments subsequently measured using the effective interest rate method, i.e. not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. A 12-month ECL which means that the group will recognise a loss allowance based on default events that are possible within the next 12 months, provided that the credit exposures have not seen a significant increase in the credit risk since initial recognition. The second stage, which is referred to as the lifetime ECL, is a loss allowance for credit losses that are expected over the remaining life of the exposure, irrespective of the timing of default. The Group recognises this stage of the allowance where the credit exposures have seen a significant increase in the credit risk since initial recognition.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Debt instruments at amortised cost are recognised net of an allowance for ECL.

For loans and other receivables, the Group applies the general approach in calculating ECL, by incorporating forward-looking information in its application. The general approach is applied using the following stages:

- Stage 1 – This is where the credit risk has not increased significantly since initial recognition. In this stage the Group recognises a 12-month ECL and recognises interest income on a gross basis, i.e. interest is calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- Stage 2 – This is where the credit risk has increased significantly since initial recognition. When the financial asset transfers to stage 2, the Group recognises lifetime ECL, but interest income will continue to be recognised on a gross basis.
- Stage 3 – This is where the financial asset is credit impaired, i.e. there is objective evidence of impairment at the reporting date. For these assets, the Group recognises lifetime ECL, but the interest income is recognised on a net basis, i.e. interest is calculated on the gross carrying amount less ECL.

Financial Instruments Accounting Policies Applicable to the Comparative Period

The Group has applied IFRS 9 by taking the transition differences through retained earnings as at 25 June 2018, as allowed by the standard, whereby the Group has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy under IAS 39, as follows:

FINANCIAL LIABILITIES

Financial liabilities consisted 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 were 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.

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

Gains and losses on financial liabilities at fair value through profit or loss arose 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group were those contracts that required a payment to be made to reimburse the holder for a loss it incurred because the specified debtor failed to make a payment when it became due, in accordance with the terms of a debt instrument.

Financial guarantee contracts were recognised initially at fair value. Subsequently, the contract was 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 were provided at no cost to subsidiaries. Subsequently, these contracts were measured in accordance with IAS 37, if probable that a guarantee will be called upon.

Financial guarantees were derecognised when the obligation was extinguished, expired or transferred.

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

IMPAIRMENT

FINANCIAL ASSETS

The Group assessed at each Statement of Financial Position date whether objective evidence existed that a financial asset or a group of financial assets was impaired.

ASSETS CARRIED AT AMORTISED COST

If there was objective evidence that an asset carried at amortised cost was impaired, the loss was 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 was reduced through the use of a provision for impairment account, and the amount of the loss was recognised in profit or loss. Assets, together with the associated provision for impairment, were written off when there was no realistic prospect of future recovery.

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

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

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

TRADE AND OTHER RECEIVABLES

For trade and other receivables, a provision for impairment was established when there was objective evidence that the Group would 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 measured based on the consideration specified in a contract with a customer and excludes amounts to be collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue is recognised on the following basis:

SALE OF MERCHANDISE

The Group recognises sales revenue, net of sales taxes and estimated sales returns at the time it sells merchandise to the customer, which is generally at till point when no further performance obligations are required. Online sales include shipping revenue and are recorded upon delivery to the customer when control is deemed to have passed onto the customer. Generally, merchandise purchased in store, or on an online platform can be returned within a reasonable number of days specified on the till slip. Estimated sales returns are calculated using historical experience of actual returns as a percentage of sales calculated at the end of each reporting period using the expected value method. A refund liability as applied to Revenue is recognised in provisions and a right of return asset is recognised in relation to the sales return in other receivables (and corresponding adjustment to cost of sales).

SERVICE REVENUE

The Group recognises the revenue from service transactions over the time the service is performed and when control is transferred to the customer. Services provided by the Group include the following:

- logistics services which relate to the transport of goods on behalf of third parties;
- concession commissions which relate to the commission accrued to the Group when sales on third-party items in accordance with the sale agreements with suppliers, occur. The principal vs agent analysis is made based on whether the intermediary party controls the good or service before transferring it to the customer. The commission is recognised on the conclusion that the Group is currently acting as the agent in its sale agreements.

GIFT CARD

Customer purchases of gift cards, to be utilised in our stores or on our e-commerce websites, are not recognised as revenue until the card is redeemed and the customer purchases merchandise using the gift card subject, to breakage. The Group recognises a contract liability in respect of the performance obligation to transfer, or to stand ready to transfer goods or services in the future. Gift cards in Woolworths carry an expiration date. However, in line with the three-year prescription period these are deemed to only expire after three years. A certain number of shopping cards, both with and without expiration dates, will not be fully redeemed. Management estimates unredeemed gift cards and recognises breakage in proportion to the pattern of rights exercised by the customer where it is determined the likelihood of redemption is remote. Management periodically reviews and updates its estimates for breakage.

OTHER REVENUE

- 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;
- investment income is recognised as interest accrues using the effective interest method;
- rental income for fixed escalation leases; and
- contingent rentals.

Revenue Accounting Policies Applicable to the Comparative Period

The Group has applied IFRS 15 using the modified retrospective method, which means we have elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy as follows:

- 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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:

- 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. 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.

IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

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 will apply the modified retrospective approach, which does not require a restatement of comparative information, with effect from 1 July 2019. The Group expects the application of the standard to have the following financial impact:

- Total assets are expected to increase by between 75% and 85%;
- Total liabilities are expected to increase by between 115% and 125%;
- Finance costs are expected to increase by between 125% and 135%; and
- Depreciation and amortisation are expected to increase by between 120% and 130%.

The ranges provided are dependant on the ZAR/A$ exchange rates.

IFRIC 23: UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the Group should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the Group should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, the Group is reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

2. REVENUE

	2019 Rm	2018 Rm
Turnover	73 103	68 592
Fashion, Beauty and Home	39 631	38 075
Food	32 980	30 088
Logistics services and other	492	429
Other revenue	2 000	1 909
Rentals	10	9
Concession sales commission	1 905	1 834
Royalties	85	66
Investment income	76	71
Interest earned from cash and investments	75	70
Other	1	1
	75 179	70 572

Revenue from contracts with customers has been further disaggregated by nature of business and retail chain. Refer to note 31. Rentals and investment income fall outside the scope of IFRS 15.

3. LOSS BEFORE TAX INCLUDES:

	2019 Rm	2018 Rm
3.1 OPERATING LEASE EXPENSES		
Land and buildings – Straight-lined rentals*	3 706	3 507
– Contingent rentals*	1 122	920
Plant and equipment	9	10
3.2 AUDITOR'S REMUNERATION		
Audit fee – current year	30	30
Audit fee – prior year	3	7
Tax advisory and other services	3	3
3.3 NET FOREIGN EXCHANGE LOSS	14	32
3.4 OTHER EXPENSES		
Technical and consulting fees	196	168
Depreciation and amortisation (refer to notes 8 and 9)	2 069	2 018
Net loss on disposal of property, plant and equipment and intangible assets	25	42
Impairment of property, plant and equipment and intangible assets (refer to notes 8 and 9)	6 190	6 954
Loss/(profit) on fair value movements arising from derivative instruments (refer to note 23.6)	8	(6)
Relocation and restructure costs, net of grants received**	177	110
3.5 EMPLOYMENT COSTS	11 305	10 447
Short-term employment benefits	10 254	9 507
Share-based payments expense	153	66
Pension costs (refer to note 19)	860	825
Post-retirement medical benefit (refer to note 19)	8	41
Termination and other benefits	30	8
3.6 FINANCE COSTS		
Long-term borrowings, bank borrowings and overdrafts	1 139	1 124

* Comparative information in the note disclosure required by IAS 17 (note 3.1) has been restated to reclassify amounts from straight-lined rentals to contingent rentals, the impact of which increases the amounts disclosed as contingent rentals from R174 million to R920 million. In addition, R1 123 million other occupancy costs not considered as operating lease expenses have been excluded from straight-lined rentals. The restatement has had no impact on the prior period Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows, nor on Earnings per share and other share measures. There are no tax consequences for this change.

** During the period, the Group received government grants from the State of Victoria, Australia, in respect of capital expenditure (2018: 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.

4. TAX

	2019 Rm	2018 Rm
Current year		
Normal tax		
South Africa	924	848
Foreign	320	294
Deferred tax		
South Africa	(45)	4
Foreign	(1 882)	(15)
	(683)	1 131
Prior year		
Normal tax		
South Africa	4	1
Foreign	12	(22)
Deferred tax		
South Africa	(11)	(5)
Foreign	(38)	10
	(716)	1 115
Normal tax recognised in other comprehensive income	23	7
Deferred tax recognised in other comprehensive income	58	(75)
Normal tax recognised in share-based payments reserve	1	(3)
Deferred tax recognised in share-based payments reserve	(13)	(1)

	2019 %	2018 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	(0.9)	(0.8)
Exempt income	1.1	0.9
Impact of foreign tax rates	6.2	5.2
WFS equity-accounted earnings	4.6	3.3
Impairment of David Jones assets	(1.0)	(83.0)
Prior year	1.4	0.4
Other	0.4	0.2
Effective tax rate	39.8	(45.8)

Disallowable expenditure consists of expenses of a capital nature, which includes legal fees, consulting fees, directors' fees, share expenses and donations. Exempt income consists primarily of non-taxable income.

5. LOSS PER SHARE

BASIC AND HEADLINE EARNINGS

	Profit/(loss) before tax Rm	Tax Rm	Non-controlling interests Rm	Attributable profit Rm
2019				
Basic loss	(1 800)	716	(2)	(1 086)
Adjustments:				
Net loss on disposal of property, plant and equipment and intangible assets	25	(7)	–	18
Impairment of property, plant and equipment and intangible assets	6 190	(1 839)	–	4 351
Headline earnings	4 415	(1 130)	(2)	3 283
2018				
Basic loss	(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

	Number of shares	
WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)	2019	2018
Weighted average number of shares	957 490 878	960 789 336
Number of shares in issue at the beginning of the year	960 574 823	961 697 769
Weighted average number of shares issued in terms of share schemes during the year	93 010	165 502
Weighted average number of shares purchased during the year	(3 753 859)	(1 546 481)
Weighted average number of shares released in terms of the Restricted Share Plan	576 904	472 546
LOSS PER SHARE (CENTS)		
Basic	(113.4)	(369.5)
Headline	342.9	346.3

6. DILUTED LOSS PER SHARE

	2019 Rm	2018 Rm
DILUTED LOSS		
Diluted basic loss	(1 086)	(3 550)
Headline earnings adjustment, after tax	4 369	6 877
Diluted headline earnings	3 283	3 327

	Number of shares 2019	Number of shares 2018
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of shares	957 490 878	960 789 336
Potential dilutive effect of outstanding number of share options	7 753 045	5 735 663
Diluted weighted average number of shares	965 243 923	966 524 999

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. At year-end, 7 753 045 share options have been excluded from the diluted weighted average number of shares' calculation due to their effect being anti-dilutive.

	2019	2018
DILUTED LOSS PER SHARE (CENTS)		
Basic*	(113.4)	(369.5)
% dilution	0.0%	0.0%
Headline	340.1	344.2
% dilution	0.8%	0.6%

* Comparative information has been restated to correct the dilutive earnings per share line, which erroneously included the impact of anti-dilutive potential ordinary shares in the prior year. Due to the restatement, the dilutive earnings per share has changed from a loss per share of 367.3 cents to a loss per share of 369.5 cents. The restatement has had no impact on the prior period Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows, nor on Earnings per share and Headline earnings per share.

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.

	2019 Rm	2018 Rm
JOINT VENTURES		
The following related-party transactions and balances occurred between the Group and the joint ventures:		
WOOLWORTHS FINANCIAL SERVICES PROPRIETARY LIMITED		
Service costs received by Woolworths Proprietary Limited	(85)	(82)
Merchant fee income paid by Woolworths Proprietary Limited	119	115
Accounts receivable by Woolworths Proprietary Limited	67	85
Accounts payable by Woolworths Proprietary Limited	(110)	(48)
NEDGLEN PROPERTIES PROPRIETARY LIMITED		
Rental paid by Woolworths Proprietary Limited	4	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.

	2019 Rm	2018 Rm
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	110	104
Woolworths Holdings Limited directors	56	55
Other key management personnel	54	49
Post-employment benefits	2	1
Woolworths Holdings Limited directors	1	1
Other key management personnel	1	–
IFRS 2 value of share-based payments expense	39	12
Woolworths Holdings Limited directors	32	6
Other key management personnel	7	6
	151	117

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.

	2019 Rm	2018 Rm
GROUP CARD AND VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	5	10
Annual repayments	(6)	(10)
Balance outstanding at the end of the year	2	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 (2018: 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 30 June 2019 and comparative information for 24 June 2018 are set out below:

2019		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	Fair value of RSP shares (3) R'000	Total remu-neration R'000	Single-figure remu-neration (4) R'000
Ian Moir		18 907	142	19 049	–	–	9 333	28 382	23 041
Reeza Isaacs		5 800	421	6 221	–	2 818	3 203	12 242	6 799
Sam Ngumeni		6 876	453	7 329	–	3 190	4 973	15 492	8 265
Zyda Rylands		8 274	465	8 739	2 107	3 855	5 951	20 652	11 966
		39 857	**1 481**	**41 338**	**2 107**	**9 863**	**23 460**	**76 768**	**50 071**

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	Fair value of RSP shares (3) R'000	Total remu-neration R'000	Single-figure remu-neration (4) R'000
Ian Moir		18 915	139	19 054	–	–	6 565	25 619	30 555
John Dixon	(5)	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**

NOTES

1. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores.
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. IFRS 2 Share-based payments has been used to equate the annual expense value of RSP shares.
4. 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 FY2017 – FY2019, valued at actual share price of R47.44 on the vesting date (2018: 30-day VWAP R56.84), instead of the IFRS 2 equity-settled expense.
5. 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 30 June 2019 and comparative information for 24 June 2018 are set out below:

2019

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	Treasury Committee member R'000	Benefits (1) R'000	Total non-executive directors' remuneration R'000
Simon Susman	(2)	1 728	–	122	122	111	189	111	–	310	2 693
Hubert Brody	(3)	1 546	345	61	122	56	56	56	45	279	2 566
Patrick Allaway	(4)	2 149	115	74	74	–	–	–	27	4	2 443
Zarina Bassa	(5)	1 210	189	122	234	111	–	–	22	239	2 127
Tom Boardman		663	–	234	122	178	111	111	–	153	1 572
Andrew Higginson	(6)	1 403	189	122	122	56	–	–	–	9	1 901
Gail Kelly	(7)	982	–	74	74	68	68	–	–	7	1 273
David Kneale	(8)	124	–	38	38	34	–	–	–	4	238
Nombulelo Moholi		401	–	122	122	–	111	189	–	170	1 115
Sizakele Mzimela	(9)	138	–	–	42	–	–	–	–	38	218
Thembisa Skweyiya	(10)	124	59	–	38	–	–	–	–	32	253
		10 468	**897**	**969**	**1 110**	**614**	**535**	**467**	**94**	**1 245**	**16 399**

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	Treasury 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
Hubert Brody	(3)	700	335	–	119	–	–	–	–	78	1 232
Patrick Allaway	(4)	3 041	184	119	119	–	–	–	–	3	3 466
Peter Bacon	(11)	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
Andrew Higginson	(6)	1 274	184	119	119	–	–	–	–	57	1 753
Gail Kelly	(7)	1 741	–	119	119	108	108	–	–	62	2 257
Nombulelo Moholi		384	–	119	119	–	108	184	–	82	996
Stuart Rose	(12)	1 146	–	119	119	108	184	–	–	53	1 729
		11 901	**976**	**1 118**	**1 060**	**605**	**616**	**400**	**–**	**693**	**17 369**

NOTES

1. Benefits include discounts received on purchases made in WHL Group stores. Any VAT charged by directors on their directors' and committee fees is also included.
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 R310 461 (2018: R166 970) include the following:
   – post-retirement healthcare benefit of R39 858 (2018: R28 416);
   – discounts received on purchases made in Woolworths stores of R55 971 (2018: R42 574);
   – VAT of R214 632 (2018: R95 980).
3. Hubert Brody's director's fees earned include fees as the Chairman of Woolworths Audit Review Panel of R322 547 (2018: R315 788). He was appointed Deputy Chairman on 12 November 2018 and appointed to the Nominations, Remuneration, Social and Ethics and Sustainability Committees in February 2019. He was paid R865 404 for the additional hours he worked as Deputy Chairman during the year and in respect of the FY2018 David Jones impairment.
4. Patrick Allaway resigned from the Board on 8 February 2019. His director's fees were paid in Australian Dollars as an Australian resident. He was appointed to the Treasury Committee from 1 July 2018. He was paid R160 260 for additional hours he worked in respect of the FY2018 David Jones impairment. Director's fees earned include fees as a non-executive director for David Jones and Country Road Group of A$99 166 (2018: A$150 000).
5. Zarina Bassa's director's fees earned include fees as a Non-executive Director for Woolworths SA of R931 103 (2018: R780 202).
6. Andrew Higginson's director's fees are paid in Sterling as a British resident. He was appointed to the Nominations Committee in February 2019.
7. Gail Kelly resigned from the Board on 8 February 2019. Her director's fees were paid in Australian Dollars as an Australian resident. Director's fees earned include fees as a Non-executive Director for David Jones and Country Road Group of A$ nil (2018: A$19 327).
8. David Kneale was appointed to the Board on 11 March 2019. On his appointment to the Board, David was appointed as a member of the Nominations, Remuneration, and Risk and Compliance Committees.
9. Sizakele Mzimela was appointed to the Board on 1 July 2018 and resigned from the Board on 5 November 2018. During her tenure she was a member of the Risk and Compliance Committee.
10. Thembisa Skweyiya was appointed to the Board on 11 March 2019. On her appointment to the Board, Thembisa was appointed to the Audit and Risk and Compliance Committees.
11. Peter Bacon retired from the Board on 28 November 2017.
12. Stuart Rose resigned from the Board on 28 May 2018. His director's fees were paid in Sterling as a British resident.

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 35.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 30 June 2019, are set out below:

IAN MOIR

			As at 24 June 2018		Awarded		Forfeited		Sold/transferred			As at 30 June 2019		
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	R53.30	2 222 562			–
	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						87 468		2 222 562	176 043		176 043
RESTRICTED SHARE PLAN (RSP) SCHEME	5 Jan 2015	16 Feb 2018	106 500	R92.14			106 500							–
	27 Aug 2015	27 Aug 2018	186 126	R96.71			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
	23 Aug 2018	23 Aug 2021			525 265	R54.26							525 265	525 265
Total			1 561 303		525 265		292 626						1 793 942	1 793 942
Total			**1 824 814**		**525 265**		**292 626**		**87 468**		**2 222 562**	**176 043**	**1 793 942**	**1 969 985**

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 24 June 2018		Awarded		Forfeited		Sold/transferred			As at 30 June 2019		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
RESTRICTED SHARE PLAN (RSP) SCHEME	1 Jun 2013	24 Aug 2017	26 210	R73.92					26 210	R50.09	1 312 851			–
	24 Aug 2017	24 Aug 2020	42 678	R59.99									42 678	42 678
	23 Aug 2018	23 Aug 2021			217 036	R54.26							217 036	217 036
Total			68 888		217 036				26 210		1 312 851		259 714	259 714
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	37 581	R96.70										–
	11 Feb 2016	11 Feb 2019	9 990	R93.69			37 581							–
	25 Aug 2016	26 Aug 2019	55 498	R87.86			9 990						55 498	55 498
	24 Aug 2017	24 Aug 2020	78 014	R65.63									78 014	78 014
	23 Aug 2018	23 Aug 2021			115 248	R51.09							115 248	115 248
Total			181 083		115 248		47 571						248 760	248 760
Total			**249 971**		**332 284**		**47 571**		**26 210**		**1 312 851**		**508 474**	**508 474**

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 35.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 30 June 2019, are set out below:

SAM NGUMENI			As at 24 June 2018		Awarded			Forfeited		Sold/transferred			As at 30 June 2019		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)		Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
RESTRICTED SHARE PLAN (RSP) SCHEME	24 Aug 2017	24 Aug 2020	48 762	R59.99										48 762	48 762
	23 Aug 2018	23 Aug 2021			371 971	R54.26								371 971	371 971
Total			48 762		371 971									420 733	420 733
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	40 848	R96.70				40 848							–
	11 Feb 2016	11 Feb 2019	10 858	R93.69				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
	23 Aug 2018	23 Aug 2021			131 680	R51.09								131 680	131 680
Total			201 167		131 680			51 706						281 141	281 141
Total			**249 929**		**503 651**			**51 706**						**701 874**	**701 874**

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 35.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 30 June 2019, are set out below:

ZYDA RYLANDS			As at 24 June 2018		Awarded		Forfeited		Sold/transferred			As at 30 June 2019		
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	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
Total			79 094									79 094		79 094
RESTRICTED SHARE PLAN (RSP) SCHEME	24 Aug 2017	24 Aug 2020	58 348	R59.99									58 348	58 348
	23 Aug 2018	23 Aug 2021			445 093	R54.26							445 093	445 093
Total			58 348		445 093								503 441	503 441
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	105 073	R96.70			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
	23 Aug 2018	23 Aug 2021			157 566	R51.09							157 566	157 566
Total			285 714		157 566		105 073						338 207	338 207
Total			**423 156**		**602 659**		**105 073**					**79 094**	**841 648**	**920 742**

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 improve-ments Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2018					
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
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
2019					
Current year movements:					
Additions	6	94	1 974	249	2 323
Net transfers*	(14)	2	18	21	27
Disposals/scrappings – cost	–	(56)	(615)	(46)	(717)
Disposals/scrappings – accumulated depreciation	–	52	608	36	696
Disposals/scrappings – accumulated impairment	–	–	–	–	–
Depreciation	(45)	(96)	(1 308)	(226)	(1 675)
Impairment	–	(26)	(156)	(5)	(187)
Foreign exchange rate differences	(55)	(10)	(60)	(6)	(131)
Balance at June 2019	6 420	994	6 425	456	14 295
Made up as follows:					
Cost	6 669	1 806	13 962	1 887	24 324
Accumulated depreciation	(212)	(738)	(6 686)	(1 298)	(8 934)
Accumulated impairment	(37)	(74)	(851)	(133)	(1 095)
Net book value at June 2019	6 420	994	6 425	456	14 295

* Net transfers represent reclassifications of categories within Property, plant and equipment and Intangible assets, based on a review of the respective definitions applied by the Group.

	2019 Rm	2018 Rm
The net carrying amounts of assets held under finance leases were as follows:		
Motor vehicles and computer equipment	38	34

Additions during the year include R18 million (2018: R18 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 2019 Rm	Carrying value 2018 Rm
Retail stores	5 005	5 097
Distribution centres	1 336	1 352
Corporate owner-occupied properties	79	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
2018					
Cost	6 605	3 098	11 584	490	21 777
Accumulated amortisation	(64)	(1 490)	–	(427)	(1 981)
Accumulated impairment	–	(190)	(10)	(1)	(201)
Net book value at June 2017	6 541	1 418	11 574	62	19 595
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

9. INTANGIBLE ASSETS (CONTINUED)

	Brands and customer databases Rm	Computer software Rm	Goodwill Rm	Reacquired rights Rm	Total Rm
2019					
Current year movements:					
Additions	–	409	–	–	409
Net transfers*	1	(28)	–	–	(27)
Disposals/scrappings – cost	–	(15)	–	–	(15)
Disposals/scrappings – accumulated amortisation	–	13	–	–	13
Disposals/scrappings – accumulated impairment	–	–	–	–	–
Amortisation	(10)	(363)	–	(21)	(394)
Impairment	(5 771)	(167)	(65)	–	(6 003)
Foreign exchange rate differences	(69)	(15)	(26)	–	(110)
Balance at June 2019	825	1 539	4 909	10	7 283
Made up as follows:					
Cost	6 680	3 450	11 714	490	22 334
Accumulated amortisation	(84)	(1 717)	–	(479)	(2 280)
Accumulated impairment	(5 771)	(194)	(6 805)	(1)	(12 771)
Net book value at June 2019	825	1 539	4 909	10	7 283

Brands and customer databases include costs of R69 million (2018: R70 million) and accumulated amortisation of R67 million (2018: R58 million) in respect of customer databases. The acquired brands are established trademarks in the retail environment in Australia. Management considers the remaining brands to have indefinite useful lives.

* Net transfers represent reclassifications of categories within Property, plant and equipment and Intangible assets, based on a review of the respective definitions applied by the Group.

	2019 Rm	2018 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	(6 805)	(6 607)
Foreign exchange rate differences since acquisition	47	(60)
Closing balance	4 909	5 000

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

	2019 Rm	2018 Rm
The goodwill arising on the acquisition of David Jones has been allocated to three CGUs for impairment testing as follows:		
David Jones	6 817	6 817
Accumulated impairment	(6 817)	(6 598)
	–	219
Woolworths	1 480	1 480
Country Road Group	1 238	1 238
Foreign exchange rate differences since acquisition	(18)	(144)
	2 700	2 793

An impairment charge of R6 153 million (A$622.1 million; A$437.4 million net of deferred tax) has been recognised at the period end, reducing the valuation of David Jones to approximately A$965.0 million. This impairment charge has been allocated to the David Jones remaining goodwill of R65 million (A$6.3 million), brands of R5 771 million (A$583.5 million) and intangible assets of R163 million (A$16.5 million). In addition, an impairment charge of R156 million (A$15.8 million) was recognised for property, plant and equipment. The impairment reflects the economic headwinds and the accelerating structural changes affecting the Australian retail sector, as well as the performance of the business, which has fallen short of expectations.

In November 2016, in consequence of the IFRS Interpretations Committee (IFRIC) final agenda decision, the Group amended its accounting policy to comply with the guidance and recognised a deferred tax liability on the David Jones and Country Road Group brands acquired, based on their full carrying amount. The quantitative impact on the Group in the 2017 financial year was to increase goodwill by R2 171 million (A$193.0 million) as at 26 June 2016, with the corresponding credit to deferred tax.

The adjustment has consequences for brands where an impairment is recognised. In such an instance, the deferred tax liability initially raised requires an adjustment in order to be reflective of the manner of recovery of the lower carrying amount at the reporting date, i.e. a lower deferred tax liability. Accordingly, the impairment of David Jones brand in the current year has resulted in a R1 731 million (A$175.1 million) release of the associated deferred tax liability, as the brands have been impaired.

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 take 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 11.1% and 12.0% (2018: 9.6% and 10.7%) 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 1.7% (2018: 1.9%).

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

9. INTANGIBLE ASSETS (CONTINUED)

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:

	2019 Rm	2018 Rm
WITCHERY GROUP		
Country Road	443	443
Witchery	232	232
Mimco	100	100
Foreign exchange rate differences since acquisition	110	120
	885	895
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	79	85
	579	585
POLITIX		
Goodwill on acquisition	513	513
Brand on acquisition	206	206
Foreign exchange rate differences since acquisition	(29)	(21)
	690	698

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% (2018: 9.2% to 10.3%), and cash flows for each CGU beyond the five-year period are extrapolated using a growth rate of 3.0% (2018: 3.6%), 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:

	2019 Rm	2018 Rm
South Africa	397	397
Botswana	192	192
Namibia	80	80
Rest of Africa	162	162
Foreign exchange rate differences since acquisition	(16)	(15)
	815	816

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.

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	Discount rate Low %	Discount rate High %	Long-term growth rate %
2019			
South Africa	12.6	13.1	3.5
Botswana	9.1	10.6	2.8
Namibia	13.0	14.6	3.9
Rest of Africa	9.3	25.2	4.0
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

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 11.1% (2018: 11.7%).

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

	2019 Rm	2018 Rm
Housing and other employee loans	10	5
Balance outstanding at the beginning of the year	5	6
Loans granted during the year	6	–
Loans repaid during the year	(1)	(1)
Enterprise development loans	46	51
	56	56

Housing loans bear interest at prime less 2.0% (2018: 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 6.8% to 10.3% (2018: 6.5% to 10.0%).

Other loans are not considered to be past due. Refer to note 23.3 for details of the Group's credit risk management policies.

11. DEFERRED TAX

	2019 Rm	2018 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	(588)	(518)
Amounts (debited)/credited to profit or loss	1 976	6
Property, plant and equipment	(48)	(47)
Prepayments	19	(7)
Working capital and provisions	138	49
Post-retirement medical benefit liability	(4)	10
Share-based payments	40	(11)
Assessed losses	33	3
Intangible assets*	1 793	9
Financial instruments	5	–
Amounts (debited)/credited directly to other comprehensive income	58	(75)
Foreign currency translation reserve adjustment	11	(10)
Financial instrument revaluation reserve adjustment	53	(64)
Post-retirement medical benefit liability – actuarial loss/(gain)	(6)	(1)
Amounts debited directly to equity		
Share-based payments reserve	(13)	(1)
Deferred tax asset relating to foreign losses	26	–
Balance at the end of the year	1 459	(588)
Deferred tax asset	1 522	170
Deferred tax liability	(63)	(758)
Net deferred tax asset/(liability)	1 459	(588)
Comprising:		
Property, plant and equipment	126	176
Prepayments	(35)	(55)
Working capital and provisions	1 290	1 179
Post-retirement medical benefit liability	104	113
Share-based payments	56	30
Assessed losses	86	21
Intangible assets	(200)	(2 011)
Financial instruments	32	(41)
	1 459	(588)

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.

Working capital and provisions relate to deferred tax on various amounts, including lease provisions, leave pay provision, employee incentives, inventory and doubtful debt provisions.

Deferred tax assets are raised after due consideration of future taxable income. The Group has recognised a deferred tax asset of R86 million (2018: R21 million) in respect of assessed losses. These relate to subsidiaries that have a history of losses and which do not expire. The Group has reviewed the forecast taxable profits for these subsidiaries to utilise the deferred tax asset in the future.

* The deferred tax credit to profit or loss includes the release of the deferred tax liability of R1 731 million (A$175.1 million) arising from the impairment of the David Jones brands. Refer to note 9 for further details.

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12. INVENTORIES

	2019 Rm	2018 Rm
Merchandise, net of provision	8 316	7 539
Consumables	9	3
	8 325	7 542
Movements in the provision for shrinkage, obsolescence and mark-down were as follows:		
Balance at the beginning of the year	(356)	(493)
Net charge for the year	53	(15)
Unused amounts reversed	89	157
Foreign exchange rate differences	(1)	(5)
Balance at the end of the year	(215)	(356)

13. TRADE AND OTHER RECEIVABLES AND FAIR VALUE LEASE ADJUSTMENT

	2019 Rm	2018 Rm
NON-CURRENT		
Fair value lease adjustment	52	59
	52	59
CURRENT		
Fair value lease adjustment	7	7
Trade and other receivables	1 424	1 504
Provision for impairment	(21)	(24)
	1 410	1 487
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	(24)	(42)
Charge for the year	(5)	(14)
Amounts written off	7	4
Unused amounts reversed	1	26
Foreign exchange rate differences	–	2
Balance at the end of the year	(21)	(24)

13. TRADE AND OTHER RECEIVABLES AND FAIR VALUE LEASE ADJUSTMENT (CONTINUED)

Ageing of trade debtors provided for:	June 2019 Gross carrying amount Rm	Expected credit loss rate %	Expected credit loss Rm
0 – 60 days	844	0.3%	3
61 – 90 days	7	0.0%	–
91 – 120 days	17	0.0%	–
121+ days	75	24.0%	18
Total	943		21

In the prior period, the ageing analysis of trade and other receivables was as follows:

	Total Rm	Neither past due nor impaired Rm	Past due but not impaired 61–90 days delinquent Rm	91–120 days delinquent Rm	>120 days delinquent Rm
2018	950	861	21	33	35

The favourable fair value lease adjustment arose 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.

Included in trade and other receivables is a Right of return asset of R119 million (2018: nil). The asset is a right of the Group to recover merchandise from the customer when merchandise is returned, and has been recognised in terms of IFRS 15 (refer to note 1 for change in accounting policies). When recognising the Right of return asset, using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and when the customer pays for that good or service will be one year or less.

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.

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.

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14. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 Assets Rm	2019 Liabilities Rm	2018 Assets Rm	2018 Liabilities Rm
NON-CURRENT				
Forward exchange contracts held as hedging instruments	14	–	18	–
Interest rate swaps and collars held as hedging instruments	–	72	–	–
	14	72	18	–
CURRENT				
Forward exchange contracts held as hedging instruments	170	45	165	60
Forward exchange contracts not hedge-accounted	1	5	9	5
Interest rate swaps and collars held as hedging instruments	–	56	–	12
	171	106	174	77

FORWARD EXCHANGE CONTRACTS

The notional principal amount of the outstanding contracts at year-end amounts to R7 766 million (2018: R6 316 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 R7 335 million (2018: R6 349 million). This comprises hedges on the South African debt of R8 650 million (2018: R9 400 million), as well as Australian debt of R4 837 million (2018: R4 301 million), including transaction costs of R2 million and R1 million respectively. 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.

15. STATED CAPITAL

	2019 Rm	2018 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 399	11 375
152 349 (2018: 465 934) ordinary shares issued in terms of share incentive schemes	8	24
Balance at the end of the year	11 407	11 399

	2019 R'000	2018 R'000
AUTHORISED		
2 410 600 000 (2018: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
956 993 049 (2018: 960 574 823) ordinary shares of no par value	–	–
	–	–

15. STATED CAPITAL (CONTINUED)

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE

	Number of shares 2019	2018
Balance at the beginning of the year	960 574 823	961 697 769
Shares purchased from the market and held as treasury shares in terms of the Restricted Share Plan	(4 491 788)	(2 300 294)
Shares sold in terms of the Restricted Share Plan	533 495	266 700
Shares allocated in terms of the Restricted Share Plan	224 170	444 714
Shares issued in terms of share incentive schemes	152 349	465 934
Balance at the end of the year	956 993 049	960 574 823

4 491 788 (2018: 2 300 294) ordinary shares totalling R243 million (2018: R137 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. 533 495 (2018: 266 700) ordinary shares totalling R25 million (2018: R15 million) were sold to the market in terms of the Group's Restricted Share Plan. 224 170 (2018: 444 714) ordinary shares totalling R17 million (2018: R35 million) previously purchased were allocated to employees in terms of the Group's Restricted Share Plan.

152 349 (2018: 465 934) ordinary shares totalling R8 million (2018: R24 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.

SHARE INCENTIVE SCHEMES

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 Report that forms part of the Integrated Report. In terms of the plan, the Group purchased equity instruments totalling R243 million in the current year (2018: R137 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 %
28 August 2014; 13 November 2014; 12 February 2015; 27 August 2015; 1 November 2015; 19 May 2016; 25 August 2016; 1 September 2017; 1 March 2018; 16 May 2018	–	50	25	25
25 August 2016; 24 August 2017; 1 June 2018; 23 August 2018	–	100	–	–
19 May 2016; 17 May 2017; 22 February 2018; 16 May 2018; 23 August 2018; 1 May 2019	–	25	25	50

	Number of shares 2019	2018
Shares granted to participants		
Balance at the beginning of the year	3 477 440	1 888 559
Purchased	4 491 788	2 300 294
Vested	(224 170)	(444 713)
Forfeited	(533 495)	(266 700)
Balance at the end of the year	7 211 563	3 477 440
Market value per share at the end of the year (rands)	48.88	54.63
Percentage of shares vested at the end of the year	6.4%	23.5%
Weighted average price per share purchased (rands)	54.06	59.47
Number of participants on RSP	109	56

Period of offer	Number of shares 2019	2018	Fair value at grant date
1 June 2013 and 1 June 2018	–	26 210	73.92
29 August 2013 and 29 August 2018	–	13 192	65.16
14 November 2013 and 14 November 2018	–	14 668	73.18
1 July 2014 and 1 July 2019	–	81 113	61.64
28 August 2014 and 28 August 2019	12 052	24 105	80.50
2 September 2014 and 2 September 2019	–	13 974	80.50
13 November 2014 and 13 November 2019	8 495	16 990	78.45
5 January 2015 and 5 January 2019	–	106 500	92.14
12 February 2015 and 12 February 2020	3 484	6 968	91.68
14 May 2015 and 14 May 2020	–	21 829	98.79
27 August 2015 and 27 August 2018	–	186 126	96.71
27 August 2015 and 27 August 2020	27 636	55 272	95.03
1 November 2015 and 1 November 2020	7 672	15 345	97.75
11 February 2016 and 11 February 2021	–	27 018	85.13
19 May 2016 and 19 May 2021	48 114	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	1 599 707	1 626 714	59.99
1 September 2017 and 1 September 2022	93 357	93 357	59.99
1 December 2017 and 1 December 2022	–	56 720	58.18
22 February 2018 and 22 February 2023	38 604	38 604	64.76
1 March 2018 and 1 March 2023	46 325	46 325	64.76
16 May 2018 and 16 May 2023	419 498	419 498	56.62
1 June 2018 and 1 June 2021	19 076	19 076	56.62
23 August 2018 and 24 August 2021	868 464	–	53.35
23 August 2018 and 24 August 2023	3 494 808	–	54.26
1 May 2019 and 1 May 2024	34 889	–	46.80
Balance at the end of the year	7 211 563	3 477 440	

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 schemes issued before August 2018 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. For schemes issued from and including August 2018, the TSR condition has been replaced by a cash flow condition. The cash flow condition has a 20.0% weighting, the ROCE has a 30.0% weighting and the aHEPS remains with a 50.0% weighting. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

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.

15. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS PERFORMANCE SHARE PLAN (PSP) (CONTINUED)

	Number of awards 2019	2018
Awards granted to participants		
Balance at the beginning of the year	7 653 464	4 131 916
Granted and back-dated dividends	5 199 303	4 324 203
Exercised	(107 145)	(6 145)
Forfeited	(4 121 394)	(796 510)
Balance at the end of the year	8 624 228	7 653 464
Weighted average exercise price per award outstanding at the end of the year (rands)	61.43	77.63
Weighted average exercise price per award granted (rands)	50.79	65.63
Weighted average exercise price per award forfeited (rands)	80.95	77.37
Weighted average market price per award exercised (rands)	48.08	65.60
Number of participants on PSP	711	693

Period of offer	Number of awards 2019	2018	Exercise price	Fair value at grant date
27 August 2015 and 27 August 2018	–	1 026 310	96.70	63.55
11 February 2016 and 11 February 2019	–	528 032	93.69	54.35
25 August 2016 and 25 August 2019	1 286 504	1 950 905	87.86	51.64
16 February 2017 and 11 February 2020	208 114	234 898	73.15	16.27
24 August 2017 and 24 August 2020	1 133 906	1 726 508	65.63	45.88
24 August 2017 and 24 August 2020 [1]	733 567	797 683	65.63	49.78
24 August 2017 and 24 August 2020 [2]	652 332	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 [1]	88 157	94 499	65.60	49.76
22 February 2018 and 22 February 2021 [2]	57 519	59 989	65.60	53.42
23 August 2018 and 23 August 2021 [3]	1 996 267	–	51.09	50.60
23 August 2018 and 23 August 2021 [1&3]	1 216 870	–	51.09	50.60
23 August 2018 and 23 August 2021 [2&3]	999 247	–	51.09	50.60
21 February 2019 and 21 February 2022 [1]	97 719	–	45.16	43.05
21 February 2019 and 21 February 2022 [2]	154 026	–	45.16	43.05
Balance at the end of the year	8 624 228	7 653 464		

1 These awards are subject to 50.0% of the performance conditions.
2 These awards are not subject to any performance conditions.
3 These awards are subject to the new cash condition.

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 2019	2018
Rights granted to participants		
Balance at the beginning of the year	1 919 415	4 914 385
Exercised	(115 653)	(768 205)
Forfeited	(81 225)	(2 226 765)
Balance at the end of the year	1 722 537	1 919 415
Weighted average exercise price per right outstanding at the end of the year (rands)	55.09	53.62
Weighted average exercise price per right exercised (rands)	30.79	35.42
Weighted average exercise price per right forfeited (rands)	54.93	74.78
Weighted average market price per right exercised (rands)	50.67	61.13
Number of participants on SARS	192	204

Period of offer	Number of rights 2019	2018	Original exercise price	Current exercise price*	Fair value at grant date
25 August 2011 and 25 August 2018	–	87 468	31.44	27.89	8.76
16 February 2012 and 16 February 2019	–	24 650	41.90	38.12	19.79
23 August 2012 and 26 November 2019	473 292	498 206	55.68	51.48	17.55
14 February 2013 and 14 February 2020	69 248	69 248	67.08	62.42	20.81
19 August 2013 and 19 August 2020	1 063 438	1 109 144	60.72	56.06	20.22
13 February 2014 and 13 February 2021	116 559	130 699	61.23	56.48	17.76
Balance at the end of the year	1 722 537	1 919 415			

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

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.

15. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

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

	Number of awards 2019	Number of awards 2018
Awards granted to participants		
Balance at the beginning of the year	–	477 668
Back-dated dividends	–	70 770
Exercised	–	(71 866)
Forfeited	–	(476 572)
Balance at the end of the year	–	–
Weighted average exercise price per award outstanding at the end of the year (rands)	–	–
Weighted average exercise price per award granted (rands)	–	–
Weighted average exercise price per award forfeited (rands)	–	75.53
Weighted average market price per award exercised (rands)	–	58.87
Number of participants on LTIP	–	–

Period of offer	Number of awards 2019	Number of awards 2018	Exercise price	Fair value at grant date
15 September 2014 and 15 September 2017	–	–	74.06	53.08
13 November 2014 and 15 November 2017	–	–	78.13	58.83
12 February 2015 and 12 February 2018	–	–	83.02	53.39
Balance at the end of the year	–	–		

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

	2019 Rm	2018 Rm
NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	253	350
DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	622	599
Share-based payments arising from the Group's share incentive schemes	(319)	23
Shares	153	66
Tax on share-based payments recognised in equity	(12)	2
Settlement of share-based payments	(24)	(45)
Transfer between reserves	(436)	–
Balance at the end of the year	303	622
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative financial instruments	12	76
(Accumulated loss)/retained profit	(836)	2 123
Company	133	(5 529)
Arising on consolidation of subsidiaries	(969)	7 652
Total (accumulated loss)/distributable reserves	(521)	2 821

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 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 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

	2019 Rm	2018 Rm
NON-CURRENT		
Long-term loans	13 234	11 685
Finance lease liabilities (refer to note 28)	25	26
	13 259	11 711
CURRENT		
Finance lease liabilities (refer to note 28)	13	8
Current portion of long-term loans	250	1 996
Overdrafts	871	145
	1 134	2 149

17. INTEREST-BEARING BORROWINGS (CONTINUED)

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 R3.8 billion (2018: R2.5 billion) have been issued to date under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding to the Group. The DMTN 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 4.97% (2018: 5.13%). 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 R38 million (2018: R34 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:			
	ZAR Rm	A$ Rm	2019 Rm	2018 Rm
Financial year 2020	250	–	250	1 996
Financial year 2021	2 679	1 899	4 578	3 986
Financial year 2022	3 657	2 245	5 902	3 597
Financial year 2023 and onwards	2 062	692	2 754	4 102
	8 648	4 836	13 484	13 681

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

			Non-cash changes				
	2018 Rm	Cash flows Rm	Additions Rm	Amortised costs Rm	Foreign exchange movement Rm	Fair value changes Rm	2019 Rm
Long-term loans	13 681	(161)	–	20	(56)	–	13 484
Finance lease liabilities	34	(14)	18	–	–	–	38
	13 715	(175)	18	20	(56)	–	13 522

			Non-cash changes				
	2017 Rm	Cash flows Rm	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

	2019 Rm	2018 Rm
NON-CURRENT		
Operating lease accrual and fair value lease adjustment	1 651	1 906
	1 651	1 906
CURRENT		
Trade payables	3 606	5 000
Other payables	4 683	3 728
Operating lease accrual and fair value lease adjustment	110	115
	8 399	8 843

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 (2018: 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 2018, confirmed the fund's financial soundness. The annual review, as at 28 February 2019, is in the process of being completed and will be available during September 2019.

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 R860 million (2018: R825 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 (2018: nil). The discount rate used to value the liability at year-end is 9.9% (2018: 9.5%) per annum.

At year-end, the accrued liability amounted to R369 million (2018: R404 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.

19. RETIREMENT BENEFIT INFORMATION (CONTINUED)

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

	2019 Rm	2018 Rm
Funding liability at the beginning of the year	404	386
Current service cost	3	4
Past service cost	(30)	–
Interest on obligation	35	37
Employer contributions	(22)	(21)
Actuarial gain before tax	(21)	(2)
Funding liability at the end of the year	369	404

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Funding liability	369	404	386	387	374
Funding deficit	369	404	386	387	374
Actuarial (gain)/loss, before tax	(21)	(2)	(21)	(10)	8

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

	2019 Rm	2018 Rm
Within 12 months	26	24
Between one and five years	147	115
Between five and 10 years	197	189
Beyond 10 years	244	239
Total expected payments	614	567

A 1.0 percentage point increase or decrease in the assumed medical inflation rate of 8.0% (2018: 8.1%) would have the following effect:

2019			
Medical inflation assumption	8.0%	7.0%	9.0%
Service cost for the year ended June 2019	3	2	3
Interest cost for the year ended June 2019	35	32	40
Accrued liability at June 2019	369	334	410
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

A 0.5 percentage point increase or decrease in the discount rate of 9.9% (2018: 9.5%) would have the following effect:

2019			
Discount rate assumption	9.9%	9.4%	10.4%
Accrued liability at June 2019	369	389	351
2018			
Discount rate assumption	9.5%	9.0%	10.0%
Accrued liability at June 2018	404	428	382

A one-year increase or decrease in the retirement age of 63 (2018: 63) would have the following effect:

2019			
Retirement age assumption	63	62	64
Accrued liability at June 2019	369	373	366
2018			
Retirement age assumption	63	62	64
Accrued liability at June 2018	404	409	399

20. PROVISIONS

	Leave Pay Rm	Provision for onerous lease commitments Rm	Employee benefits Rm	Sales returns and other Rm	Total 2019 Rm	Total 2018 Rm
NON-CURRENT						
Balance at the beginning of the year	64	139	94	–	297	156
Raised	103	100	6	–	209	222
Utilised	(64)	–	–	–	(64)	(83)
Foreign exchange rate differences	–	(5)	(1)	–	(6)	2
Balance at the end of the year	103	234	99	–	436	297
CURRENT						
Balance at the beginning of the year	329	40	283	100	752	825
Effect of IFRS 15 adoption	–	–	–	166	166	–
Raised	300	114	534	128	1 076	852
Utilised	(420)	(27)	(525)	(85)	(1 057)	(939)
Foreign exchange rate differences	(1)	(3)	(5)	(6)	(15)	14
Balance at the end of the year	208	124	287	303	922	752

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.

The provision is calculated on a per store basis. The increase in the provision in the current period is as result of a review of the real estate strategy of the David Jones operations, which is in relation to managed leasehold stores. The review has been completed with specific focus on the challenges around loss-making stores, whereby the losses are considered unavoidable for the remaining committed lease term.

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.

SALES RETURNS AND OTHER

Included in sales returns and other is a provision for sales returns of R206 million to either replace the goods, provide the customer with a full refund or credit that can be applied against money owed. In addition, a Right of return asset was recognised for the Group's right to recover merchandise returned by the customer (refer to note 13), and a provision of R76 million for store closure costs.

21. CAPITAL COMMITMENTS

	2019 Rm	2018 Rm
Commitments in respect of capital expenditure not accrued at the reporting date:		
Contracted for	1 245	1 420
Not contracted for	1 752	2 419
	2 997	3 839

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's overall treasury policy is reviewed and approved by the Woolworths Holdings Limited Board (Board), Audit and Treasury Committees. The policy specifies the risks, parameters and permitted instruments relating to interest rate, refinancing, liquidity, counter party and foreign exchange risks.

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
2019				
FORWARD EXCHANGE CONTRACTS				
US dollar	526	7 304	14.42	134
British pound	7	131	19.27	(1)
Euro	18	298	16.35	2
Canadian dollar	–	–	–	–
New Zealand dollar	–	–	–	–
Chinese Yuan	4	9	2.14	–
Other currencies	24	24	1.00	–
		7 766		135
TRADE PAYABLES				
US dollar (closing rate)	39	552	14.22	(4)
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)

At year-end, the Group held 1 079 (2018: 963) forward exchange contracts in order to hedge expected future purchases from suppliers outside South Africa, to which the Group has firm commitments. Of these, 961 (2018: 857) are designated cash flow hedges in an effective hedging relationship.

The remaining 118 (2018: 106) forward exchange contracts are not designated as cash flow hedges. At year-end, an unrealised loss of R8 million (2018: R6 million gain) was recognised in profit or loss in respect of these forward exchange contracts.

The cash flow hedges resulted in a net unrealised gain of R173 million (2018: R131 million), with a related deferred tax liability of R50 million (2018: R38 million), 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	
	2019	2018	2019	2018
US dollar/rand	14.18	12.84	14.11	13.44
Australian dollar/rand	10.14	9.95	9.89	10.00

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 compre-hensive income Rm
2019			
US dollar			
Foreign creditors	+5	25	–
	-5	(25)	–
Forward exchange contracts	+5	(109)	(360)
	-5	109	360
2018			
US dollar			
Foreign creditors	+5	6	–
	-5	(6)	–
Forward exchange contracts	+5	(8)	90
	-5	8	(90)

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.

	2019 Rm	2018 Rm
The Group has unhedged interests in foreign subsidiaries of:		
Australian dollar	11 527	14 712

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 following table. 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.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

TRANSLATIONAL FOREIGN EXCHANGE RISK (CONTINUED)

	Movement in foreign exchange rate %	Decrease/ (increase) in other compre-hensive income Rm
2019		
Australian dollar	+5	(576)
	-5	576
2018		
Australian dollar	+5	(736)
	-5	736

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.

	2019 Rm	2018 Rm
Foreign cash and cash equivalent balances/(overdrafts) are concentrated in the following major currencies:		
US dollar	(191)	(130)
Australian dollar	455	456
	264	326

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 compre-hensive income Rm
2019		
Australian dollar	+5	(23)
	-5	23
2018		
Australian dollar	+5	(23)
	-5	23

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.

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 54% (2018: 46%) 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 compre-hensive income Rm
2019			
Interest-bearing borrowings	+50	61	–
	-50	(61)	–
Interest rate swaps	+50	(37)	(35)
	-50	37	35
Cash and cash equivalents	+50	(5)	–
	-50	5	–
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	–

At year-end, the South African prime interest rate was 10.25% (2018: 10.0%). JIBAR was 7.02% (2018: 6.93%). The Australian prime interest rate was 1.25% (2018: 1.5%).

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

	2019		2018	
	Rm	Effective interest rate %	Rm	Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long-term loans	13 484	4.0 – 9.0	13 681	3.6 – 8.88
Overdrafts	871	3.6 – 9.6	145	3.3 – 9.5
% of total borrowings	100%		100%	

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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
2019					
Long-term loans	–	250	–	13 234	–
Overdrafts	120	751	–	–	–
2018					
Long-term loans	–	998	998	11 485	200
Overdrafts	–	142	–	3	–

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:

	Rating	2019 Rm	Rating	2018 Rm
FINANCIAL ASSETS				
Other loans	High grade	38	High grade	56
Trade and other receivables	High grade	905	High grade	950
Enterprise development loans	Low grade	41	Low grade	39
Derivative financial instruments*	High grade	185	High grade	192
Cash and cash equivalents*	High grade	1 913	High grade	2 023

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

23.4 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.

	2019 Rm	2018 Rm
BANKING AND DEBT FACILITIES		
Total banking and debt facilities	23 094	24 786
Less: Portion utilised	(14 447)	(14 070)
Total undrawn banking and debt facilities	8 647	10 716
Made up as follows:	8 647	10 716
Committed	8 147	10 216
Uncommitted	500	500

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
2019					
Interest-bearing borrowings*	–	473	653	14 440	–
Forward exchange contracts	–	31	19	–	–
Interest rate swaps	–	4	52	72	–
Trade and other payables	279	7 222	86	168	–
Overdrafts	120	751	–	–	–
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	–	–

* 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. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.5 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Notes	Financial assets at amortised cost Rm	Financial assets at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial assets Rm	Total Rm
2019						
Assets						
Other loans	10	56	–	–	–	56
Trade and other receivables	13	929	–	–	481	1 410
Derivative financial instruments	14	–	1	184	–	185
Cash and cash equivalents	26.4	1 913	–	–	–	1 913
Total		2 898	1	184	481	3 564

	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	14 393	–	–	–	14 393
Trade and other payables	18	7 755	–	–	2 295	10 050
Derivative financial instruments	14	–	5	173	–	178
Total		22 148	5	173	2 295	24 621

	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

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
2019					
Loans and receivables	–	76	–	(7)	69
Financial liabilities at amortised cost	–	–	(1 139)	–	(1 139)
Financial instruments at fair value through profit or loss	8	–	–	–	8
Derivatives used as hedging instruments	(91)	–	–	–	(91)
Total	(83)	76	(1 139)	(7)	(1 153)
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)

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

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

	2019 Rm	2018 Rm
Forward exchange contracts	54	13
Interest rate swaps and collars	(110)	19
Reclassified to non-financial assets	(20)	235
Reclassified to profit or loss	(15)	(11)
Total	(91)	256

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

		Carrying amount		Fair value	
	Fair value measurement using	2019 Rm	2018 Rm	2019 Rm	2018 Rm
FINANCIAL ASSETS					
Derivative financial instruments					
Forward exchange contracts	Level 2	185	192	185	192
Interest rate swaps and collars	Level 2	–	–	–	–
FINANCIAL LIABILITIES					
Derivative financial instruments					
Forward exchange contracts	Level 2	50	65	50	65
Interest rate swaps and collars	Level 2	128	12	128	12

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.

	2019	2018
Return on equity	29.1%	20.7%

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

25. DIVIDENDS TO ORDINARY SHAREHOLDERS

	2019 Rm	2018 Rm
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)
Dividend no. 43 of 130.5 cents per share was declared on 22 August 2018 and paid on 17 September 2018	1 368	–
Less: Dividend received on treasury shares	(110)	–
Dividend no. 44 of 92.0 cents per share was declared on 20 February 2019 and paid on 18 March 2019	965	–
Less: Dividend received on treasury shares	(78)	–
Total net dividends paid	2 145	2 781

Dividend no. 45 of 98.5 cents per share was declared to ordinary shareholders on 28 August 2019.

26. CASH FLOW INFORMATION

26.1 CASH INFLOW FROM TRADING

	2019 Rm	2018 Rm
Loss before tax	(1 800)	(2 434)
Investment income	(76)	(71)
Earnings from joint ventures	(295)	(287)
Depreciation and amortisation	2 069	2 018
Net loss on disposal of property, plant and equipment and intangible assets	25	42
Impairment of property, plant and equipment and intangible assets	6 190	6 954
Finance costs	1 139	1 124
Movement in other provisions and post-retirement medical benefit liability	146	68
Share-based payments	153	66
Operating lease accrual	(132)	14
Fair value lease adjustment	(106)	(115)
Foreign exchange loss/(gain)	12	(8)
Net inflow from trading	7 325	7 371

26.2 WORKING CAPITAL MOVEMENTS

	2019 Rm	2018 Rm
Increase in inventories	(828)	(435)
Decrease/(increase) in trade and other receivables	234	(293)
(Decrease)/increase in trade and other payables	(397)	423
Net outflow	(991)	(305)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

26. CASH FLOW INFORMATION (CONTINUED)

	2019 Rm	2018 Rm
26.3 TAX PAID		
NORMAL AND FOREIGN TAX		
Amounts owing at the beginning of the year (net)	147	226
Amounts charged to profit or loss	(1 260)	(1 121)
Amounts recognised in other comprehensive income	(23)	(7)
Amounts recognised in share-based payments reserve	1	3
Amounts recognised on deferred tax asset relating to foreign losses	26	–
Foreign currency translation reserve	(2)	9
Amounts receivable at the end of the year	(78)	(271)
Amounts owing at the end of the year	75	124
Amount paid	(1 114)	(1 037)
26.4 NET CASH AND CASH EQUIVALENTS		
Local – variable interest rates of 0% to 7.66% (2018: 0% to 7.7%)	1 215	1 009
Foreign – variable interest rates of 0% to 5.37% (2018: 0% to 4.59%)	698	1 014
Cash and cash equivalents	1 913	2 023
Overdrafts and overnight borrowings at variable rates of 7.75% to 8.00%	(665)	–
Foreign overdrafts – variable interest rates of 3.3% to 9.5% (2018: 0% to 9.5%)	(206)	(145)
Net cash and cash equivalents	1 042	1 878

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 31 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.

	2019 Rm	2018 Rm
27.1 OPERATING LEASE COMMITMENTS		
Land and buildings:		
Within one year	4 142	4 044
Within two to five years	12 144	12 395
Thereafter	13 844	14 311
	30 130	30 750

	2019 Rm	2018 Rm
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
Within two to five years	–	–
	–	2
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	4	7
Within two to five years	2	5
Thereafter	1	1
	7	13

The operating lease accrual of R552 million (2018: R685 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 R1 122 million (2018: R920 million).

The total minimum lease payments during the year amount to R3 690 million (2018: R3 522 million).

The total minimum lease payments received during the year amount to R54 million (2018: R37 million).

28. FINANCE LEASES

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

	2019		2018	
	Minimum payments Rm	Present value of payments Rm	Minimum payments Rm	Present value of payments Rm
Within one year	15	13	9	8
Between one and five years	27	25	28	26
Total minimum lease payments	42	38	37	34
Less: Finance costs	(4)	–	(3)	–
Present value of minimum lease payments	38	38	34	34

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:

	2019 Rm	2018 Rm
Assets		
Current assets, including cash and cash equivalents of R86 million (2018: R93 million)	8 395	8 088
Non-current assets	2 441	2 401
	10 836	10 489
Liabilities		
Current liabilities, including financial liabilities of R301 million (2018: R270 million)	(335)	(299)
Non-current liabilities, including financial liabilities of R8 899 million (2018: R8 252 million)	(8 899)	(8 252)
	(9 234)	(8 551)
Equity	1 602	1 938
Group carrying amount of investment in WFS	801	969
Summarised Statement of Comprehensive Income:		
Revenue (including gross investment income of R2 142 million (2018: R2 166 million))	2 326	2 336
Operating costs (including depreciation of R42 million (2018: R33 million) and impairment charge of R483 million (2018: R551 million))	1 506	1 536
Profit before tax	820	800
Tax	230	228
Total comprehensive income	590	572
Group proportionate share	295	286
Group carrying amount of investment in Nedglen	9	9
Total investment in joint ventures	810	978
The following dividends were received during the year:		
Woolworths Financial Services Proprietary Limited	245	325

The Group's share of Nedglen profits amounted to R0.3 million (2018: R0.9 million) and other comprehensive income of nil in both years.

The Group's share of capital commitments 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.

Woolworths, Summer 2019

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

31. SEGMENTAL INFORMATION

31.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

2019

		Woolworths							
	Total Rm	Fashion, Beauty and Home Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
OPERATING RESULTS									
Revenue	75 179	14 197	32 343	492	–	17 347	11 272	51	(523)
Turnover	73 103	14 180	32 206	492	–	15 043	11 182	–	–
Cost of sales	45 139	7 436	24 226	492	–	8 956	4 277	–	(248)
Gross profit	27 964	6 744	7 980	–	–	6 087	6 905	–	248
Other revenue	2 000	17	137	–	–	2 302	67	–	(523)
Expenses	24 843	5 016	5 779	–	–	8 326	5 977	20	(275)
Segmental operating profit	5 121	1 745	2 338	–	–	63	995	(20)	–
Impairment of David Jones assets	6 153	–	–	–	–	6 153	–	–	–
Investment income	76	–	–	–	–	2	23	51	–
Finance costs	1 139	–	–	–	–	7	1	1 131	–
Earnings from WFS joint venture	295	–	–	–	295	–	–	–	–
Earnings from Nedglen and associate	–	–	–	–	–	–	–	–	–
(Loss)/profit before tax	(1 800)	1 745	2 338	–	295	(6 095)	1 017	(1 100)	–
Return on equity	29.1%								

2018

		Woolworths							
	Total Rm	Fashion, Beauty and Home Rm	Food Rm	Logistics Rm	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 of David Jones assets	6 927	–	–	–	–	6 927	–	–	–
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%								

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

31. SEGMENTAL INFORMATION (CONTINUED)

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

	2019						2018					
	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	21 578	7 084	–	9 540	4 954	–	27 369	7 031	–	15 177	5 161	–
Inventories	8 325	4 235	–	2 890	1 200	–	7 542	3 610	–	2 747	1 185	–
Trade and other receivables, derivative financial assets and loans	1 703	759	–	426	507	11	1 794	963	–	429	402	–
Cash and cash equivalents	1 913	1 165	–	266	419	63	2 023	1 221	–	374	382	46
Segment assets	33 519	13 243	–	13 122	7 080	74	38 728	12 825	–	18 727	7 130	46
Investment in joint ventures	810	9	801	–	–	–	978	9	969	–	–	–
Tax and deferred tax assets	1 600	227	–	1 357	–	16	441	364	–	77	–	–
Total assets	35 929	13 479	801	14 479	7 080	90	40 147	13 198	969	18 804	7 130	46
Trade and other payables, provisions, derivative financial instruments and other non-current liabilities	11 955	5 589	–	4 600	1 631	135	12 279	6 074	–	4 824	1 381	–
Interest-bearing borrowings and overdrafts	14 393	–	–	–	–	14 393	13 860	26	–	3	–	13 831
Segment liabilities	26 348	5 589	–	4 600	1 631	14 528	26 139	6 100	–	4 827	1 381	13 831
Tax and deferred tax liabilities	138	32	–	–	106	–	882	43	–	647	192	–
Total liabilities	26 486	5 621	–	4 600	1 737	14 528	27 021	6 143	–	5 474	1 573	13 831
Debt ratio	40.1%						34.5%					
Depreciation and amortisation	2 069	1 006	–	676	387	–	2 018	1 011	–	623	384	–
Impairment of property, plant and equipment and intangible assets	6 190	–	–	6 153	37	–	6 954	–	–	6 929	25	–
Share-based payment expense	153	141	–	(6)	18	–	66	40	–	13	13	–
Capital expenditure (gross)	2 732	1 093	–	1 364	275	–	2 662	1 109	–	1 239	314	–
Capital commitments	2 997	1 424	–	1 262	311	–	3 839	1 811	–	1 648	380	–
Shareholding		100.0%	50.0%	100.0%	100.0%	100.0%		100.0%	50.0%	100.0%	100.0%	100.0%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

31. SEGMENTAL INFORMATION (CONTINUED)

31.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

2019

	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	45 537	12 662	31 829	492	–	–	1 026	51	(523)
Rest of Africa	1 875	1 361	514	–	–	–	–	–	–
Australia and New Zealand	27 767	174	–	–	–	17 347	10 246	–	–
	75 179	14 197	32 343	492	–	17 347	11 272	51	(523)
Turnover									
South Africa	45 855	12 645	31 692	492	–	–	1 026	–	–
Rest of Africa	1 875	1 361	514	–	–	–	–	–	–
Australia and New Zealand	25 373	174	–	–	–	15 043	10 156	–	–
	73 103	14 180	32 206	492	–	15 043	11 182	–	–

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	26 683	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	–	–

2019

	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
Total assets						
South Africa	14 638	13 252	801	–	511	74
Australia and New Zealand	19 691	–	–	13 122	6 569	–
	34 329	13 252	801	13 122	7 080	74
Tax and deferred tax assets	1 600					
	35 929					
Capital expenditure (gross)						
South Africa	1 101	1 093	–	–	8	–
Australia and New Zealand	1 631	–	–	1 364	267	–
	2 732	1 093	–	1 364	275	–

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	1 121	1 109	–	–	12	–
Australia and New Zealand	1 541	–	–	1 239	302	–
	2 662	1 109	–	1 239	314	–

StudioW, Winter 2019

COMPANY ANNUAL FINANCIAL STATEMENTS

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

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COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	53 weeks to 30 Jun 2019 Rm	52 weeks to 24 Jun 2018 Rm
Other revenue	2	13 461	3 158
Expenses		5 156	6 225
Other operating costs		5 156	6 225
Finance costs		305	101
Profit/(loss) before tax	3	8 000	(3 168)
Tax	4	6	–
Profit/(loss) for the year		7 994	(3 168)
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	15.5	–	–
Tax on fair value adjustments on financial instruments		–	–
Other comprehensive income for the year		–	–
Total comprehensive income/(loss) for the year		7 994	(3 168)

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	At 30 Jun 2019 Rm	At 24 Jun 2018 Rm
ASSETS			
Non-current assets		24 694	17 930
Interest in and amounts owing by subsidiaries	7	24 654	17 915
Derivative financial instruments	19	31	–
Deferred tax	8	9	15
Current assets		1 012	587
Other receivables	9	–	8
Amounts owing by subsidiaries	7	930	535
Derivative financial instruments	19	19	–
Tax	18.3	–	9
Cash and cash equivalents	18.4	63	35
TOTAL ASSETS		25 706	18 517
EQUITY AND LIABILITIES			
Equity attributable to shareholders		12 571	6 750
Stated capital	10	11 407	11 399
Distributable reserves/(accumulated loss)	11	1 164	(4 649)
TOTAL EQUITY		12 571	6 750
Non-current liabilities		3 849	2 498
Interest-bearing borrowings	12	3 818	2 498
Derivative financial instruments	19	31	–
Current liabilities		9 286	9 269
Other payables	13	69	36
Amounts owing to subsidiaries	7	9 198	9 233
Derivative financial instruments	19	19	–
TOTAL LIABILITIES		13 135	11 767
TOTAL EQUITY AND LIABILITIES		25 706	18 517

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Stated capital Rm	Distributable reserves/ (accumulated loss) Share-based payments reserve Rm	Retained profit/(loss) Rm	Total Rm
Shareholders' interest at 25 June 2017		11 375	813	663	12 851
Loss 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
Profit and total comprehensive income for the year		–	–	7 994	7 994
Shares issued	10	8	–	–	8
Share-based payments	11	–	152	–	152
Dividends to ordinary shareholders	17	–	–	(2 333)	(2 333)
Shareholders' interest at 30 June 2019		11 407	1 031	133	12 571

COMPANY ANNUAL FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS

	Notes	53 weeks to 30 Jun 2019 Rm	52 weeks to 24 Jun 2018 Rm
Cash flow from operating activities			
Cash outflow from trading	18.1	(9)	(13)
Working capital movements	18.2	9	28
Cash generated by operating activities		–	15
Investment income received		342	81
Finance costs paid		(268)	(101)
Tax received	18.3	9	–
Cash generated/(utilised) by operations		83	(5)
Dividends received		2 353	3 018
Dividends paid to ordinary shareholders		(2 333)	(3 023)
Net cash inflow/(outflow) from operating activities		103	(10)
Cash flow from investing activities			
Loans repaid by subsidiaries		8	13
Net cash inflow from investing activities		8	13
Cash flow from financing activities			
Loans advanced to subsidiaries	7	(1 403)	(2 500)
Borrowings raised	12	1 320	2 498
Net cash outflow from financing activities		(83)	(2)
Increase in cash and cash equivalents		28	1
Net cash and cash equivalents at the beginning of the year		35	34
Net cash and cash equivalents at the end of the year	18.4	63	35

	2019 Rm	2018 Rm
2. OTHER REVENUE		
Investment income	346	140
Dividends received	13 115	3 018
	13 461	3 158
Other revenue falls outside the scope of IFRS 15.		
3. PROFIT BEFORE TAX INCLUDES:		
Audit fee – current year	4	3
Impairment of investment in Osiris Holdings Proprietary Limited*	5 147	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 and the brand in David Jones, the Company's investment in Osiris, with an opening carrying value of R12 765 million, needs to be considered separately from the goodwill impairment. Accordingly, an impairment of R5 147 million was recognised to the recoverable amount for the current period, after the Company determined the recoverable amount by reference to Osiris' fair value less costs of disposal. The main valuation input used was the discounted cash flows from the base operating business. The majority of the inputs that have been used in the valuation are observable either directly or indirectly and, as such, the fair value of Osiris is classified as a Level 3 fair value.

4. TAX

	2019 Rm	2018 Rm
Deferred tax relating to the origination and reversal of temporary differences (refer to note 8): South Africa		
Current year	3	–
Prior year	3	–
	6	–

	2019 %	2018 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	–	(0.1)
Exempt income	(45.9)	26.7
Impairment of investment in Osiris Holdings Proprietary Limited	18.0	(54.9)
Other	(0.1)	0.3
Effective tax rate	–	–

5. DIRECTORS' EMOLUMENTS

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

	2019 Rm	2018 Rm
Executive Directors		
Remuneration	40	38
Retirement, medical, accident and death benefits	1	1
Share-based payments	32	6
	73	45
Non-executive Directors		
Fees	16	17
	16	17
Total directors' emoluments	89	62

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.

NOTES TO THE COMPANY 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:

	2019 Rm	2018 Rm
WOOLWORTHS HOLDINGS LIMITED		
DIVIDEND RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	1 982	2 212
Osiris Holdings Proprietary Limited	–	371
Country Road Group Proprietary Limited	314	435
E-Com Investments 16 Proprietary Limited (RF)	102	–
Woolworths International Holdings Limited*	10 717	–
	13 115	3 018

* Woolworths International Holdings Limited (WIHL) declared a divided in-specie. WIHL had an investment in Highway Holdings and transferred the investment to WHL in settlement of the dividend.

	2019 Rm	2018 Rm
INTEREST RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	299	103
E-Com Investments 16 Proprietary Limited (RF)	36	33
	335	136
DIVIDENDS PAID TO SUBSIDIARY COMPANIES	188	244

SHARE-BASED PAYMENT 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.

	2019 Rm	2018 Rm
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	56	55
Post-employment benefits	1	1
IFRS 2 value of share-based payments expense	32	6
	89	62

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.

	2019 Rm	2018 Rm
WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	4	6
Annual repayments	(4)	(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 (2018: 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

	2019 Rm	2018 Rm
Ordinary shares	19 466	13 896
E-Com Investments 16 Proprietary Limited (RF): Cost	230	230
Woolworths International Holdings Limited: Cost	–	901
Highway Holdings N.V.	11 618	–
Osiris Holdings Proprietary Limited:	7 618	12 765
Cost	18 977	18 977
Less accumulated impairment (refer to note 3)	(11 359)	(6 212)
Share-based payments arising from the Group's share incentive schemes	1 368	1 215
Amounts owing by subsidiaries: non-current		
E-Com Investments 16 Proprietary Limited (RF)	–	304
Woolworths Proprietary Limited	3 820	2 500
Interest in and amounts owing by subsidiaries	24 654	17 915
Amounts owing by subsidiaries: current	930	535
Woolworths Proprietary Limited	405	405
E-Com Investments 16 Proprietary Limited (RF)	525	130
Amounts owing to subsidiaries: current	(9 198)	(9 233)
Woolworths Proprietary Limited	(9 198)	(9 233)
Total net interest in subsidiaries	16 386	9 217

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

During the period, WIHL declared a dividend in-specie to the Company. WIHL had an investment in Highway Holdings N.V. and the investment was used to settle the dividend with the Company, i.e. WIHL transferred its shares in Highway Holdings N.V. in settlement of the dividend in-specie.

During the period, the investment in preference shares of E-Com Investments 16 Proprietary Limited (RF) (E-Com) was redeemed in full by E-Com.

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

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 of five basis points. 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 2019 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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

8. DEFERRED TAX

	2019 Rm	2018 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	15	15
Amounts credited to profit or loss	(6)	–
Assessed loss	(6)	–
Balance at the end of the year	9	15
Comprising:		
Assessed loss	(9)	(15)
	(9)	(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

	2019 Rm	2018 Rm
Other receivables	–	8
	–	8

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

	2019 Rm	2018 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 399	11 375
152 349 (2018: 465 934) ordinary shares issued in terms of share incentive schemes	8	24
Balance at the end of the year	11 407	11 399
	R'000	R'000
AUTHORISED		
2 410 600 000 (2018: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
1 048 466 077 (2018: 1 048 313 728) ordinary shares of no par value	–	–
	–	–

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	1 048 313 728	1 047 847 794
Shares issued in terms of share incentive schemes	152 349	465 934
Balance at the end of the year	1 048 466 077	1 048 313 728

	2019 Rm	2018 Rm
11. DISTRIBUTABLE RESERVES		
Share-based payments reserve		
Balance at the beginning of the year	879	813
Share-based payments arising from share incentive schemes	152	66
Balance at the end of the year	1 031	879
Retained profit/(loss)	133	(5 528)
Total distributable reserves/(accumulated loss)	1 164	(4 649)

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 PROFIT

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

12. INTEREST-BEARING BORROWINGS

	2019 Rm	2018 Rm
Long-term loans	3 818	2 498
	3 818	2 498

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value. Notes to the value of R3.8 billion have been issued to date under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding for the Group. The DMTN is guaranteed by Woolworths Proprietary Limited. It will be used to raise debt on an ongoing basis. The above loan is shown net of transaction costs of R2 million.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes			
	2018 Rm	Cash flows Rm	Amortised costs Rm	Foreign exchange movement Rm	Fair value changes Rm	2019 Rm
Long-term loans	2 498	1 320	–	–	–	3 818

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

13. OTHER PAYABLES

	2019 Rm	2018 Rm
Other payables	69	36
	69	36

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 R11 600 million (2018: R14 350 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 or guarantees for, is as follows:

	2019 Rm	2018 Rm
Financial year 2020	–	1 996
Financial year 2021 and onwards	1 749	3 986
Financial year 2022 and onwards	857	–
Financial year 2023 and onwards	1 212	899
	3 818	6 881

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT

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

The Company's overall treasury policy is reviewed and approved by the Woolworths Holdings Limited Board (Board), Audit and Treasury Committees. The policy specifies the risks, parameters and permitted instruments relating to interest rate, refinancing, liquidity, counter party and foreign exchange risks.

In addition, a Treasury Committee reports regularly to the Audit Committee and the Board on the implementation of treasury policies, focusing in particular on the exposure to the financial risk, the extent to which these risks are covered, the implications of expected future movements in market interest rates, as well as whether 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.

	2019 Rm	2018 Rm
FINANCIAL ASSETS		
Other receivables	–	8
Cash and cash equivalents	63	35
Preference share loan in E-Com Investments 16 Proprietary Limited (RF)	–	304
Amounts owing by subsidiaries: current: Woolworths Proprietary Limited	405	405
Amounts owing by subsidiaries: current: E-Com Investments 16 Proprietary Limited (RF)	525	130
Amounts owing by subsidiaries: non-current: Woolworths Proprietary Limited	3 820	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
2019					
Amounts owing to subsidiaries	9 198	–	–	–	–
Long-term loans	–	82	232	4 269	–
Other payables	69	–	–	–	–
2018					
Amounts owing to subsidiaries	9 233	–	–	–	–
Long-term loans	–	48	164	2 972	–
Other payables	36	–	–	–	–

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 INTEREST RATE RISK MANAGEMENT

The Company's interest rate risk arises from interest-bearing borrowings, derivative financial instruments, other loans and cash balances. Interest rates applicable to cash and cash equivalents are at variable interest rates.

Borrowings issued at floating rates expose the Company to cash flow interest rate risk, while fixed rate borrowings expose the Company to fair value interest rate risk. As part of the process of managing the Company'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 Company's exposure to cash flow interest rate risk, the Company uses derivative financial instruments, such as interest rate swaps and collars.

The Company entered into long-term debt with the interest payable linked to various floating interbank rates. At year-end, the Company had swapped approximately 52% (2018: 0%) of floating rate exposure for fixed rates.

The Company 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 Company's profits and equity to its exposure to interest rate risk from borrowings is presented below. The analysis below 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 other comprehensive income R'000
2019			
Cash and cash equivalents	+50	(315)	–
	-50	315	–
Interest rate swaps	+50	–	24
	-50	–	(24)
Long-term loans	+50	19 090	13 745
	-50	(19 090)	(13 745)
Amounts owing by subsidiaries	+50	(19 100)	(13 752)
	-50	19 100	13 752
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

At year-end, the South African prime interest rate was 10.25% (2018: 10.0%). JIBAR was 7.02% (2018: 6.93%). The Australian prime interest rate was 1.25% (2018: 1.5%).

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

	2019		2018	
	Rm	Effective interest rate %	Rm	Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long term loans	3 818	8.0 – 9.0	2 498	3.6 – 8.88
Overdrafts	–	–	–	–
% of total borrowings	100%		100%	

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
2019					
Long term loans		–	–	3 818	–
Overdrafts		–	–	–	–
2018					
Long-term loans		–	–	2 498	–
Overdrafts		–	–	–	–

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

15.4 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 Rm	2018 Rm
FINANCIAL ASSETS		
Amortised cost		
Other receivables and prepayments	–	8
Amounts owing by subsidiaries	930	535
Cash and cash equivalents	63	35
Preference share loan in E-Com Investments 16 Proprietary Limited (RF)	–	304
Amounts owing by Woolworths Proprietary Limited	3 820	2 500
Total	4 813	3 382
FINANCIAL LIABILITIES		
Amortised cost		
Other payables	69	36
Amounts owing to subsidiaries	9 198	9 233
Long-term loans	3 818	2 498
Total	13 085	11 767

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 compre-hensive income Rm	Total Rm
2019			
Financial assets at amortised cost	310	–	310
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited (RF)	36	–	36
2018			
Loans and receivables	107	–	107
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited (RF)	33	–	33

	2019 Rm	2018 Rm
Revaluation of financial instruments*	–	–
Reclassification to profit or loss	–	–
Total	–	–

* The other comprehensive income reconciliation reflects a nil amount, as a result of a gain of R50 million on the revaluation of the financial instrument asset, and a R50 million loss on the revaluation of the financial instrument liability that net off.

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.

	2019 Rm	2018 Rm
17. DIVIDENDS TO ORDINARY SHAREHOLDERS		
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
Dividend no. 43 of 130.5 cents per share was declared on 22 August 2018 and paid on 17 September 2018	1 368	–
Dividend no. 44 of 92.0 cents per share was declared on 20 February 2019 and paid on 18 March 2019	965	–
Total dividends paid	2 333	3 023

Dividend no. 45 of 98.5 cents per share was declared to ordinary shareholders on 28 August 2019.

18. CASH FLOW INFORMATION

18.1 CASH OUTFLOW FROM TRADING

	2019 Rm	2018 Rm
Profit/(loss) before tax	8 000	(3 168)
Investment income	(346)	(140)
Finance costs paid	305	101
Dividends received	(13 115)	(3 018)
Impairment of investment in Osiris Holdings Proprietary Limited	5 147	6 212
Net outflow from trading	(9)	(13)

18.2 WORKING CAPITAL MOVEMENTS

	2019 Rm	2018 Rm
Decrease in other receivables	8	2
Increase in other payables	1	26
Net inflow	9	28

18.3 TAX RECEIVED

	2019 Rm	2018 Rm
NORMAL AND FOREIGN TAX		
Amounts receivable at the beginning of the year	9	9
Amounts receivable at the end of the year	–	(9)
Cash amounts received	9	–

18.4 CASH AND CASH EQUIVALENTS

	2019 Rm	2018 Rm
Local – variable interest rates of 0% to 3.33% (2018: 0% to 3.33%)	63	35
Cash and cash equivalents	63	35

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
NON-CURRENT				
Interest rate swaps and collars held as hedging instruments	31	31	–	–
	31	31	–	–
CURRENT				
Interest rate swaps and collars held as hedging instruments	19	19	–	–
	19	19	–	–

INTEREST RATE SWAPS

The notional principal amount of the interest rate swaps at year-end amounts to R2 000 million (2018: Nil). This comprises hedges on the South African debt of R3 820 million (2018: Nil). These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 12). 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.

20. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

ANNEXURE 1

INTEREST IN SUBSIDIARIES AND JOINT VENTURES

			Company 2019 % holding	Company 2018 % holding
Interest in subsidiaries directly held				
Woolworths Proprietary Limited	R	1	100	100
E-Com Investments 16 Proprietary Limited (RF)	H	1	100	100
Woolworths Trust[1 & 2]	H	3	–	–
Woolworths International Holdings Limited	H	3	100	100
Woolworths International (Australia) II Proprietary Limited	H	5	100	100
Osiris Holdings Proprietary Limited	H	5	100	100
Highway Holdings N.V.	H	4	100	100
The Woolworths Trust (Charitable Trust)[1]	H	1	–	–
The Woolworths Holdings Share Trust[1]	H	1	–	–
Interest in subsidiaries indirectly held				
Woolworths Developments Proprietary Limited	P	1	100	100
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 (Eswatini) 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
Woolworths International (Australia) Proprietary Limited	H	5	100	100
Country Road Group Proprietary Limited	H	5	100	100

INTEREST IN SUBSIDIARIES AND JOINT VENTURES (continued)

			Company 2019 % holding	Company 2018 % holding
Country Road Clothing Proprietary Limited	R	5	100	100
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	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	100
David Jones Properties (South Australia) Proprietary Limited	P	5	100	100

ANNEXURE 1 (CONTINUED)

INTEREST IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

			Company 2019 % holding	Company 2018 % holding
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
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

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: Eswatini 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.

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

	2019 Rm	2018 Rm
Profits	3 709	3 768
Losses	(5 370)	(7 709)
	(1 661)	(3 941)

Studio.W, Summer 2019

PRO FORMA FINANCIAL INFORMATION

The impact of the 53rd week, turnover and concession sales excluding the impact of IFRS 15 and the 53rd week and constant currency information presented in these Group Annual Financial Statements constitute pro forma financial information.

1. IMPACT OF THE 53RD WEEK

The Group manages its retail operations on a 52-week retail calendar basis and, as a result, a 53rd week is required approximately every six years to realign the calendars. Pro forma 52-week financial information is provided to facilitate comparison against the 52-week comparative reporting period.

GROUP INCOME STATEMENT EXCLUDING THE 53RD WEEK

	53 weeks to 30 Jun 2019 Rm	53rd week adjustments Rm	52 weeks to 23 Jun 2019 Pro forma Rm	Change on prior period 53 weeks %	Change on prior period 52 weeks %	Restated 52 weeks to 24 Jun 2018 Rm
Turnover and concession sales	79 816	(1 481)	78 335	6.1	4.1	75 232
Concession sales	(6 713)	135	(6 578)	1.1	(0.9)	(6 640)
Turnover	73 103	(1 346)	71 757	6.6	4.6	68 592
Cost of sales	45 139	(855)	44 284	8.2	6.2	41 700
Gross profit	27 964	(491)	27 473	4.0	2.2	26 892
Other revenue	2 000	(44)	1 956	4.8	2.5	1 909
Expenses	24 843	(348)	24 495	5.5	4.0	23 542
Store costs	17 735	(238)	17 497	4.6	3.2	16 960
Other operating costs	7 108	(110)	6 998	8.0	6.3	6 582
Operating profit	5 121	(187)	4 934	(2.6)	(6.2)	5 259
Impairment of David Jones assets	6 153	–	6 153	(11.2)	(11.2)	6 927
Investment income	76	(1)	75	7.0	5.6	71
Finance costs	1 139	(20)	1 119	1.3	(0.4)	1 124
Loss before earnings from joint ventures	(2 095)	(168)	(2 263)	23.0	16.8	(2 721)
Earnings from joint ventures	295	–	295	2.8	2.8	287
Loss before tax	(1 800)	(168)	(1 968)	26.0	19.1	(2 434)
Tax (credit)/expense	(716)	(48)	(764)	>(100)	>(100)	1 115
Loss for the year	(1 084)	(120)	(1 204)	69.5	66.1	(3 549)
Loss attributable to:	(1 084)	(120)	(1 204)			(3 549)
Shareholders of the parent	(1 086)	(120)	(1 206)			(3 550)
Non-controlling interests	2	–	2			1
Reconciliation of headline earnings						
Basic loss attributable to shareholders of the parent	(1 086)	(120)	(1 206)	69.4	66.0	(3 550)
Headline earnings adjustments, net of tax	4 369	–	4 369			6 877
Headline earnings	3 283	(120)	3 163	(1.3)	(4.9)	3 327
Adjustments, net of tax	276	–	276			192
Adjusted headline earnings	3 559	(120)	3 439	1.1	(2.3)	3 519
Loss per share (cents)	(113.4)		(126.0)	69.3	65.9	(369.5)
Headline earnings per share (cents)	342.9		330.4	(1.0)	(4.6)	346.3
Adjusted headline earnings per share (cents)	371.7		359.2	1.5	(1.9)	366.3
Diluted loss per share (cents)	(113.4)		(126.0)	69.3	65.9	(369.5)
Diluted headline earnings per share (cents)	340.1		327.7	(1.2)	(4.8)	344.2
Adjusted diluted headline earnings per share (cents)	368.7		356.3	1.3	(2.1)	364.1

2. TURNOVER AND CONCESSION SALES EXCLUDING THE IMPACT OF IFRS 15 AND THE 53RD WEEK

	53 weeks to 30 Jun 2019 Rm	IFRS 15 adjust-ments Rm	53 weeks to 30 Jun 2019 Pro forma Rm	53rd week adjust-ments Rm	52 weeks to 23 Jun 2019 Pro forma Rm	Change on prior period 53 weeks %	Change on prior period 52 weeks %	52 weeks to 24 Jun 2018 Rm
Turnover and concession sales								
Group	79 816	161	79 655	(1 481)	78 174	5.9	3.9	75 232
Group (constant currency)	79 243	157	79 086	(1 472)	77 614	5.1	3.2	75 232
Woolworths Fashion, Beauty and Home	14 180	9	14 171	(272)	13 899	3.5	1.5	13 687
Woolworths Food	32 966	19	32 947	(624)	32 323	9.8	7.7	30 019
David Jones (A$)	2 245	11	2 234	(41)	2 193	1.0	(0.8)	2 212
Country Road Group (A$)	1 101	2	1 099	(20)	1 079	2.3	0.5	1 074
Comparable sales								
Woolworths Fashion, Beauty and Home					11 995		1.0	11 871
Woolworths Food					28 875		5.4	27 406
David Jones (A$)					1 646		(0.1)	1 648
Country Road Group (A$)					954		(0.6)	960

3. CONSTANT CURRENCY INFORMATION

	2019 Rm	2018 Rm	% change
STATEMENT OF COMPREHENSIVE INCOME ITEMS (52 WEEKS AND EXCLUDING IFRS 15)			
Segmental profit	5 631	5 852	(3.8)
Adjusted profit before tax	4 578	4 780	(4.2)
STATEMENT OF FINANCIAL POSITION ITEMS AS AT 30 JUNE 2019			
Total assets	36 155	40 147	(9.9)
Property, plant and equipment	14 402	13 959	3.2
Intangible assets	7 328	13 410	(45.4)
Investment in joint ventures	810	978	(17.2)
Inventories	8 367	7 542	10.9
Trade and other receivables and loans	1 527	1 794	(4.7)
Derivative financial instruments	185	192	(3.6)
Deferred tax and tax assets	1 615	441	>100
Cash and cash equivalents	1 921	2 023	(5.0)
Total equity and liabilities	36 155	40 147	(9.9)
Shareholders' funds	9 552	13 126	(27.2)
Interest-bearing borrowings and overdrafts	14 444	13 860	4.2
Operating lease accrual and fair value lease adjustment	1 776	2 021	(12.1)
Other non-current liabilities	809	701	15.4
Derivative financial instruments	178	77	>100
Deferred tax and tax liabilities	140	882	(84.1)
Trade and other payables and provisions	9 256	9 840	(2.4)
	A$m	A$m	
David Jones adjusted operating profit (52 weeks and excluding IFRS 15)	37	64	(42.2)
Country Road Group adjusted operating profit (52 weeks and excluding IFRS 15)	100	103	(2.9)

PRO FORMA FINANCIAL INFORMATION (CONTINUED)

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. The 53 weeks to 30 June 2019 information has been extracted from the Group Annual Financial Statements on which an opinion has been issued by Ernst & Young Inc.
2. The 53rd week adjustments are calculated with reference to actual turnover and concession sales and cost of sales for the one-week period from 24 June to 30 June 2019, which have been extracted from the Group's accounting records for total and comparable sales, cost of sales, gross profit, expenses based on an assessment of management information, and an effective tax rate of 28.7%, all attributable to the appropriate segments.
3. The calculation of earnings per share, headline earnings per share and other share measures for the pro forma 52-week period is based on the weighted average number of shares in issue for the pro forma 52-week period.
4. Turnover and concession sales excluding the impact of IFRS 15 is derived by excluding IFRS 15 adjustments to Turnover and concession sales for the 53-week and pro forma 52-week periods (refer to the IFRS 15 reconciliation in note 1).
5. 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, 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 R9.97/A$. The statement of financial position items are as at 30 June 2019 and the constant currency information has been determined by applying the closing rate applicable for the prior comparable period of R9.95/A$.
6. 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. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information.
7. Accordingly, because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.
8. The Group's external auditors, Ernst & Young Inc., have issued a Reporting Accountant's assurance report in terms of ISAE 3420: Assurance Engagements to Report of the Compilation of Pro forma Financial Information, on the Impact of the 53rd week, Turnover and concession sales excluding the Impact of IFRS 15 and the 53rd week, and the Constant Currency information, a copy of which is available for inspection at the Company's registered office.

NON-IFRS MEASURES

ADJUSTED HEADLINE EARNINGS

	2019 Rm	2018 Rm	% change
Headline earnings	3 283	3 327	(1.3)
Adjustments	276	192	
Relocation costs (net of grants received) and store exit costs	187	126	
Net onerous leases raised	196	147	
Unrealised foreign exchange losses/(gains)	8	(6)	
Tax impact of adjustments	(115)	(75)	
Adjusted headline earnings	3 559	3 519	1.1

Adjusted headline earnings is arrived at, after excluding from headline earnings, costs of a non-recurring nature.

Country Road, Summer 2019

SHAREHOLDER CALENDAR

2019

June	Financial year-end – 30 June
July	Trading update
August	Annual results and announcement of final dividend – 28 August
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

2020

January	Trading update
February	Interim results and announcement of interim dividend
June	Financial year-end – 28 June
July	Trading update
August	Annual results and announcement of final dividend
September	Publication of 2020 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
Share ISIN: ZAE000063863
Bond Company code: WHLI
Bond code: WHL01

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

REGISTERED OFFICE
Woolworths House
93 Longmarket Street
Cape Town 8001, South Africa

POSTAL ADDRESS
PO Box 680
Cape Town 8000, South Africa

CONTACT DETAILS
Tel: +27 (21) 407 9111

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

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS

AMORTISED COST

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

The amount at which a financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest 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.

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:
   - 1.1 is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   - 1.2 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 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.

GLOSSARY OF FINANCIAL TERMS (CONTINUED)

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.

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.

GLOSSARY OF FINANCIAL TERMS

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.

GLOSSARY OF FINANCIAL TERMS (CONTINUED)

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

www.woolworthsholdings.co.za

We appreciate any feedback on our Integrated Annual Report.
Please contact InvestorRelations@woolworths.co.za