WHL

WOOLWORTHS HOLDINGS LIMITED

UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS ENDED 29 DECEMBER 2019 AND CASH DIVIDEND DECLARATION

COMMENTARY

FINANCIAL OVERVIEW

Adoption of IFRS 16: Our statutory results for this period include the first time adoption of IFRS 16 on a modified retrospective basis, with no restatement of the prior period reported results. The key financial metrics reflect the results on a post and pre IFRS 16 basis; however, to aid comparability, the commentary that follows excludes the impact of IFRS 16.

COMMENTARY

Group turnover and concession sales for the 26 weeks ended 29 December 2019 ('current period') increased by 3.8% compared to the 26 weeks ended 23 December 2018 ('prior period') and by 4.6% in constant currency terms. As previously reported, the 2019 financial year had a 53-week year, which resulted in a shift in trading weeks in 2020 compared to the prior financial year. This shift resulted in the Christmas week, including Boxing Day which is a significant trading day in Australia, falling into the first half of the current year compared to the second half of the prior year.

Woolworths SA

In South Africa, the constrained economic environment, exacerbated by the disruption to trade caused by power outages, unseasonal weather in parts of the country and an underperformance in clothing led to a slower second quarter.

Woolworths Fashion, Beauty and Home ('FBH')

Sales and comparable store sales both grew by 2.2% and by 0.9% after adjusting for the shift in trading weeks. Price movement in Fashion categories was 4.0% and overall net space growth across FBH was 1.2%. Our Black Friday performance was disappointing due to under-participation. Womenswear underperformed as a result of some product failure, a lack of newness in summer and higher price points, which also impacted sales and volumes.

Gross profit margin decreased by 0.5% to 46.6% mainly due to stock write-offs as South African brands exit the Australian market. Expenses grew by 4.8%, while store costs increased by 3.7%, resulting in negative operating leverage. Operating profit decreased by 8.9% to R834 million, with an operating margin of 11.5%.

Woolworths Food

Turnover and concession sales increased by 8.1%, and by 7.8% after adjusting for the shift in trading weeks, with comparable store sales 5.4% higher and price movement of 5.1%. The business has maintained positive volume growth for the period and continues to grow market share. Net space growth was 4.0%.

Gross profit margin of 24.6% was in line with the prior period despite further price investment. Expenses grew by 8.5% and operating profit increased by 8.0% to R1 157 million, with an operating margin of 6.9%.

Woolworths Financial Services

The Woolworths Financial Services book reflected positive year-on-year growth of 8.3% as at the end of December 2019. The annualised impairment rate for the six months ended 31 December 2019 was 3.3% (six months ended 31 December 2018: 3.2%).

David Jones

Turnover and concession sales for the period increased by 4.9%, but were disappointingly 0.5% lower after adjusting for the shift of the Christmas week. The bushfires impacted footfall and sales at the end of the half, although sales were up 1.3% for the second quarter and we gained market share in a tough market. The disruption from the Elizabeth Street store refurbishment had a significant impact, but this was reduced in the last two weeks of December subsequent to the opening of the ground floor. Comparable store sales (which include online) were 0.4% lower after adjusting for the trading week shift. Online sales grew by 61.8% and now comprise 10.4% of total sales.

Gross profit margin was 2.9% lower than the prior period due to the inclusion of Boxing Day clearance in the first half, a higher proportion of promotional sales, disruption from refurbishments and reversal of certain inventory related provisions in the first half of last year. Store costs increased by 4.7%, while other operating costs were flat on the prior period. Operating profit declined to A$20.0 million, with an operating margin of 1.7%.

Country Road Group

Sales, which were also impacted by the bushfires, declined by 2.5%. However, sales increased by 3.3% excluding the impact of the Myer exit. Comparable store sales (which include online) grew by 0.1% after adjusting for the shift in trading weeks. Online sales in Australasia grew by 6.2% and now represents 21.4% of total Australasia sales. Net space in the Country Road Group reduced by 8.1%, which includes the space exited in Myer. The Myer transfer to other channels has been better than expected.

Gross profit margin declined by 1.7% to 62.3% due to lower full-priced sales. Expenses were 4.1% lower due to the Myer exit. Operating profit decreased by 8.2% to A$56.0 million, resulting in an operating margin of 10.4%.

As the contribution from online sales increases, the reduction of unproductive space remains a priority in David Jones and the Country Road Group.

Group earnings

Earnings per share and headline earnings per share ('HEPS') decreased by 9.0% and 10.1% respectively. Adjusted diluted HEPS decreased by 11.7% to 179.1 cents per share.

Outlook

In South Africa, consumers remain under pressure from a weak economy amidst continued power outages. FBH will focus on improving performance through better pricing and ranges, particularly in Womenswear. Food is expected to continue to trade ahead of the market.

In Australia, consumer spending is likely to be muted in the short-term due to stagnant wage growth and the impact of the bushfires. The heightened levels of competition and promotional activity is expected to continue. David Jones is expected to benefit from the completion of the Elizabeth Street store refurbishment, with trade normalising from the fourth quarter and the Market Street rent ceasing from FY2021.

Online is an increasingly important channel for the Group and we continue to invest in this growth driver.

The Coronavirus is significantly impacting tourism, footfall and sales in Australia. A further impact on sourcing is also expected across the Group. The Group is currently actively considering ways to mitigate the risks associated with the Coronavirus.

Any reference to future financial performance included in this statement has not been reviewed or reported on by the Group's external auditors, and does not constitute an earnings forecast.

CHANGES TO THE BOARD OF DIRECTORS

As previously advised on the JSE Stock Exchange News Service, the following changes to the Board of Directors were effected during the period under review:

- Ms Belinda Earl and Mr Christopher Colfer were appointed to the Board as Non-executive Directors on 1 July 2019.
- Mr Clive Thomson was appointed to the Board as a Non-executive Director on 19 August 2019 and as Chairman of the Audit Committee on 27 November 2019.
- Messrs Simon Susman and Tom Boardman stepped down from the Board with effect from the conclusion of the 2019 WHL Annual General Meeting.
- Mr Hubert Brody and Ms Zarina Bassa were appointed as Chairman of the Board and Lead Independent Director respectively with effect from the conclusion of the 2019 WHL Annual General Meeting.
- Mr Ian Moir resigned as WHL Group Chief Executive Officer ('CEO') and as an Executive Director with effect from 16 February 2020.
- Mr Roy Bagattini was appointed as WHL CEO and as an Executive Director with effect from 17 February 2020.

The Board wishes to thank Ian for his stewardship of the business over the past nine years during which he oversaw a period of significant growth and transformation and welcomes Mr Bagattini as the new WHL CEO.

H Brody
Chairman
Cape Town, 19 February 2020

R Bagattini
Group Chief Executive Officer

DIVIDEND DECLARATION

Notice is hereby given that the Board of Directors has declared an interim gross cash dividend per ordinary share ('dividend') of 89.0 cents (71.2 cents net of dividend withholding tax) for the 26 weeks ended 29 December 2019, a 3.3% decrease on the prior period's 92.0 cents per share. The dividend has been declared from reserves and therefore does not constitute a distribution of 'contributed tax capital' as defined in the Income Tax Act, 58 of 1962. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 1 048 533 621 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 10 March 2020
Shares commence trading 'ex' dividend	Wednesday, 11 March 2020
Record date	Friday, 13 March 2020
Payment date	Monday, 16 March 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 March 2020 and Friday, 13 March 2020, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited or updated on Monday, 16 March 2020. Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

CA Reddiar
Group Company Secretary
Cape Town, 19 February 2020

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME*

53 weeks to 30 Jun 2019 Rm		Notes	26 weeks to 29 Dec 2019 Rm	26 weeks to 23 Dec 2018 Rm	% change
75 179	**Revenue**		38 442	37 016	3.9
79 816	**Turnover and concession sales**		40 882	39 383	3.8
(6 713)	Concession sales		(3 437)	(3 368)	2.0
73 103	**Turnover**		37 445	36 015	4.0
45 139	Cost of sales		23 311	21 788	7.0
27 964	**Gross profit**		14 134	14 227	(0.7)
2 000	Other revenue		974	974	–
24 843	Expenses		11 829	12 225	(3.2)
17 735	Store costs		8 569	8 933	(4.1)
7 108	Other operating costs		3 260	3 292	(1.0)
5 121	**Operating profit**		3 279	2 976	10.2
6 153	Impairment of David Jones assets		–	–	–
76	Investment income		23	27	(14.8)
1 139	Finance costs		1 309	556	>100
(2 095)	**Profit/(loss) before earnings from joint ventures**		1 993	2 447	(18.6)
295	Earnings from joint ventures		159	157	1.3
(1 800)	**Profit/(loss) before tax**		2 152	2 604	(17.4)
(716)	Tax expense/(credit)		579	711	(18.6)
(1 084)	**Profit/(loss) for the period**		1 573	1 893	(16.9)
	Other comprehensive income:				
	Amounts that may be reclassified to profit or loss				
(64)	Fair value adjustments on financial instruments, after tax		(184)	174	
(97)	Exchange differences on translation of foreign subsidiaries		(232)	324	
	Amounts that may not be reclassified to profit or loss				
15	Post-retirement medical benefit liability: actuarial gain, after tax		–	–	
(146)	**Other comprehensive income for the period**		(416)	498	
(1 230)	**Total comprehensive income/(loss) for the period**		1 157	2 391	
(1 084)	**Profit/(loss) attributable to:**		1 573	1 893	
(1 086)	Shareholders of the parent		1 571	1 892	
2	Non-controlling interests		2	1	
(1 230)	**Total comprehensive income/(loss) attributable to:**		1 157	2 391	
(1 232)	Shareholders of the parent		1 155	2 390	
2	Non-controlling interests		2	1	
(113.4)	Earnings/(loss) per share (cents)	2	164.1	197.5	(16.9)
(113.4)	Diluted earnings/(loss) per share (cents)	2	162.4	196.0	(17.1)
957.0	Number of shares in issue (millions)		957.6	956.8	0.1
957.5	Weighted average number of shares in issue (millions)		957.3	957.8	(0.1)

ADDITIONAL EARNINGS MEASURES

53 weeks to 30 Jun 2019 Rm		Notes	26 weeks to 29 Dec 2019 Rm	26 weeks to 23 Dec 2018 Rm	% change
342.9	Headline earnings per share (cents)	3	164.9	200.4	(17.7)
340.1	Diluted headline earnings per share (cents)	3	163.2	198.8	(17.9)
371.7	Adjusted headline earnings per share (cents)	4	163.9	204.5	(19.9)
368.7	Adjusted diluted headline earnings per share (cents)	4	162.2	202.9	(20.1)

* December 2019 reported on an IFRS 16 basis; December 2018 not restated. Refer to note 8.

INTERIM GROUP STATEMENT OF FINANCIAL POSITION*

At 30 Jun 2019 Rm		Notes	At 29 Dec 2019 Rm	At 23 Dec 2018 Rm
	ASSETS			
24 032	**Non-current assets**		44 207	29 145
14 295	Property, plant and equipment	5	13 688	14 360
7 283	Intangible assets	5	7 373	13 749
–	Right-of-use assets	7	19 321	–
810	Investment in joint ventures		890	793
52	Fair value lease adjustment		–	65
56	Other loans		73	54
14	Derivative financial instruments	9	19	–
1 522	Deferred tax		2 843	124
11 897	**Current assets**		13 533	13 851
8 325	Inventories		9 006	9 298
1 410	Trade and other receivables		1 638	1 596
171	Derivative financial instruments	9	79	340
78	Tax		596	197
1 913	Cash and cash equivalents		2 214	2 420
–	**Non-current assets held for sale**	5	922	–
35 929	**TOTAL ASSETS**		58 662	42 996
	EQUITY AND LIABILITIES			
9 443	**TOTAL EQUITY**		6 569	13 898
9 428	Equity attributable to shareholders of the parent		6 552	13 884
15	Non-controlling interests		17	14
15 850	**Non-current liabilities**		37 145	16 387
13 259	Interest-bearing borrowings		12 240	13 029
–	Lease liabilities	7	24 136	–
1 651	Operating lease accrual and fair value lease adjustment		–	1 922
369	Post-retirement medical benefit liability		378	383
436	Provisions		313	283
72	Derivative financial instruments	9	78	6
63	Deferred tax		–	764
10 636	**Current liabilities**		14 948	12 711
8 289	Trade and other payables		9 541	10 257
922	Provisions		883	1 093
–	Lease liabilities	7	2 054	–
110	Operating lease accrual and fair value lease adjustment		–	117
106	Derivative financial instruments	9	230	22
75	Tax		483	158
1 134	Overdrafts and interest-bearing borrowings		1 757	1 064
26 486	**TOTAL LIABILITIES**		52 093	29 098
35 929	**TOTAL EQUITY AND LIABILITIES**		58 662	42 996
985	**Net asset book value per share (cents)**		684	1 451
	GROUP SEGMENTAL ANALYSIS			
35 929	**Total assets**		58 662	42 996
13 479	Woolworths**		20 656	14 209
14 479	David Jones		25 616	20 229
7 080	Country Road Group		11 427	7 713
801	Woolworths Financial Services		881	784
90	Treasury		82	61
8 325	**Inventories**		9 006	9 298
4 235	Woolworths**		4 434	4 403
2 890	David Jones		3 264	3 658
1 200	Country Road Group		1 308	1 237
26 486	**Total liabilities**		52 093	29 098
5 621	Woolworths**		11 480	7 003
4 600	David Jones		18 688	6 088
1 737	Country Road Group		7 631	1 894
14 528	Treasury		14 294	14 113
2 997	**Approved capital commitments**		1 490	2 748
1 424	Woolworths**		791	1 291
1 262	David Jones		534	1 164
311	Country Road Group		165	293

* December 2019 reported on an IFRS 16 basis; December 2018 not restated. Refer to note 8.

** Includes Woolworths Fashion, Beauty and Home, Woolworths Food and Woolworths Logistics.

INTERIM GROUP STATEMENT OF CASH FLOWS*

53 weeks to 30 Jun 2019 Rm		Notes	26 weeks to 29 Dec 2019 Rm	26 weeks to 23 Dec 2018 Rm
	Cash flow from operating activities			
7 325	Cash inflow from trading		5 867	3 968
(991)	Working capital movements		554	148
6 334	**Cash generated by operating activities**		6 421	4 116
76	Investment income received		23	27
(1 127)	Finance costs paid		(1 309)	(567)
(1 114)	Tax paid		(754)	(559)
4 169	**Cash generated by operations**		4 381	3 017
245	Dividends received from joint ventures		80	125
(2 145)	Dividends paid to ordinary shareholders		(950)	(1 257)
2 269	**Net cash inflow from operating activities**		3 511	1 885
	Cash flow from investing activities			
(2 285)	Investment in property, plant and equipment and intangible assets to maintain operations		(1 319)	(1 197)
(429)	Investment in property, plant and equipment and intangible assets to expand operations		(299)	(202)
–	Proceeds on disposal of property, plant and equipment and intangible assets		–	7
4	Other loans repaid		4	9
(2 710)	**Net cash outflow from investing activities**		(1 614)	(1 383)
	Cash flow from financing activities			
(218)	Settlement of share-based payments through share purchase	6	25	(206)
(14)	Lease liabilities repaid		(1 241)	(8)
5 839	Borrowings raised		3 500	3 914
(6 000)	Borrowings repaid		(3 751)	(4 500)
(393)	**Net cash outflow from financing activities**		(1 467)	(800)
(834)	**Increase/(decrease) in cash and cash equivalents**		430	(298)
1 878	**Net cash and cash equivalents at the beginning of the period**		1 042	1 878
(2)	**Effect of foreign exchange rate changes**		(15)	34
1 042	**Net cash and cash equivalents at the end of the period**		1 457	1 614
	GROUP SEGMENTAL ANALYSIS			
6 334	**Cash generated by operating activities**		6 421	4 116
4 410	Woolworths		3 313	2 619
394	David Jones		1 894	762
1 530	Country Road Group		1 214	735

* December 2019 reported on an IFRS 16 basis; December 2018 not restated. Refer to note 8.

INTERIM GROUP STATEMENT OF CHANGES IN EQUITY*

Total 53 weeks to 30 Jun 2019 Rm		Shareholders of the parent Rm	Non-controlling interests Rm	Total 26 weeks to 29 Dec 2019 Rm	Shareholders of the parent Rm	Non-controlling interests Rm	Total 26 weeks to 23 Dec 2018 Rm
13 126	**Shareholders' interest at the beginning of the period**	9 428	15	9 443	13 113	13	13 126
(223)	Effect of IFRS 16 adoption (2018: IFRS 9 and IFRS 15 adoption)	(3 210)	–	(3 210)	(223)	–	(223)
12 903	**Shareholders' interest at the beginning of the period (restated)**	6 218	15	6 233	12 890	13	12 903
	Movements for the period:						
(1 084)	Profit/(loss) for the period	1 571	2	1 573	1 892	1	1 893
(146)	Other comprehensive income:	(416)	–	(416)	498	–	498
(1 230)	Total comprehensive income/(loss) for the period	1 155	2	1 157	2 390	1	2 391
141	Share-based payments	104	–	104	79	–	79
(226)	Net disposal/(acquisition) of Treasury shares	25	–	25	(218)	–	(218)
(2 145)	Dividends to ordinary shareholders	(950)	–	(950)	(1 257)	–	(1 257)
9 443	**Shareholders' interest at the end of the period**	6 552	17	6 569	13 884	14	13 898
190.5	Dividend per ordinary share (cents)			89.0			92.0
1.80	Dividend cover (based on headline earnings)			1.85			2.18

* December 2019 reported on an IFRS 16 basis; December 2018 not restated.

INTERIM SEGMENTAL ANALYSIS*

53 weeks to 30 Jun 2019 Rm		Notes	26 weeks to 29 Dec 2019 Rm	26 weeks to 23 Dec 2018 Rm	% change
	REVENUE				
73 103	**Turnover**		37 445	36 015	4.0
14 180	Woolworths Fashion, Beauty and Home		7 236	7 078	2.2
32 206	Woolworths Food		16 648	15 396	8.1
492	Woolworths Logistics		253	243	4.1
15 043	David Jones		7 844	7 602	3.2
11 182	Country Road Group		5 464	5 696	(4.1)
2 076	**Other revenue and investment income**		997	1 001	(0.4)
17	Woolworths Fashion, Beauty and Home		7	7	–
137	Woolworths Food		69	66	4.5
2 304	David Jones		1 145	1 154	(0.8)
90	Country Road Group		25	25	–
51	Treasury		17	13	30.8
(523)	Intragroup	12	(266)	(264)	0.8
75 179	**Total Group**		38 442	37 016	3.9
	GROSS PROFIT				
6 744	Woolworths Fashion, Beauty and Home		3 372	3 337	1.0
7 980	Woolworths Food		4 101	3 783	8.4
6 087	David Jones		3 130	3 342	(6.3)
6 905	Country Road Group		3 400	3 642	(6.6)
248	Intragroup	12	131	123	6.5
27 964	**Total Group**		14 134	14 227	(0.7)
	PROFIT/(LOSS) BEFORE TAX				
1 752	Woolworths Fashion, Beauty and Home		969	915	5.9
2 339	Woolworths Food		1 243	1 071	16.1
295	Woolworths Financial Services		159	157	1.3
371	David Jones		390	468	(16.7)
1 105	Country Road Group		659	636	3.6
(1 093)	Treasury		(1 282)	(540)	>100
4 769	**Total Group – adjusted**		2 138	2 707	(21.0)
(6 569)	**Adjustments**		14	(103)	
(6 153)	Impairment of David Jones assets		–	–	
(212)	Relocation, restructure and store exit costs		(3)	(127)	
–	Lease cancellation gain		25	–	
(196)	Net onerous leases raised/(released)		–	26	
(8)	Unrealised foreign exchange losses		(8)	(2)	
(1 800)	**Total Group – unadjusted**		2 152	2 604	(17.4)
1 745	Woolworths Fashion, Beauty and Home		973	913	6.6
2 338	Woolworths Food		1 256	1 071	17.3
295	Woolworths Financial Services		159	157	1.3
(6 095)	David Jones		387	448	(13.6)
1 017	Country Road Group		659	555	18.7
(1 100)	Treasury		(1 282)	(540)	>100

* December 2019 reported on an IFRS 16 basis; December 2018 not restated.

INTERIM NOTES

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous Group Annual Financial Statements for the 53-week period ended 30 June 2019, and are consistent with the prior period, except for the new standards adopted, as detailed in note 7.

The condensed consolidated interim financial statements have been prepared on the going concern and historical cost bases, except where otherwise indicated. The presentation currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

The condensed consolidated interim financial statements have been prepared under the supervision of the Group Finance Director, Reeza Isaacs CA(SA), and are the full responsibility of the directors.

2. EARNINGS PER SHARE

The difference between earnings per share and diluted earnings per share is due to the impact of unexercised options under the Group's share incentive schemes (refer to note 6).

3. RECONCILIATION OF HEADLINE EARNINGS

53 weeks to 30 Jun 2019 Rm		26 weeks to 29 Dec 2019 Rm	26 weeks to 23 Dec 2018 Rm	% change
	Reconciliation of headline earnings			
(1 086)	Basic earnings/(loss) attributable to shareholders of the parent	1 571	1 892	(17.0)
25	Net loss/(profit) on disposal of property, plant and equipment and intangible assets	5	(8)	
6 190	Impairment of property, plant and equipment, intangible assets and right-of-use assets	6	47	
(1 846)	Tax impact of adjustments	(3)	(12)	
3 283	**Headline earnings**	1 579	1 919	(17.7)

Headline earnings is calculated by starting with the Basic earnings number in terms of IAS 33 and then excluding all re-measurements that have been identified in The South African Institute of Chartered Accountants' Headline Earnings Circular 1/2019.

4. NON-IFRS MEASURES

53 weeks to 30 Jun 2019 Rm		26 weeks to 29 Dec 2019 Rm	26 weeks to 23 Dec 2018 Rm	% change
	ADJUSTED HEADLINE EARNINGS			
3 283	Headline earnings	1 579	1 919	(17.7)
276	Adjustments	(10)	40	
187	Relocation, restructure and store exit costs	3	80	
–	Lease cancellation gain	(25)	–	
196	Net onerous leases raised/(released)	–	(26)	
8	Unrealised foreign exchange losses	8	2	
(115)	Tax impact of adjustments	4	(16)	
3 559	Adjusted headline earnings	1 569	1 959	(19.9)

Adjusted headline earnings is calculated by excluding costs of a non-recurring nature from headline earnings.

INTERIM NOTES (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group acquired property, plant and equipment at a fair value of R1 317 million (2018: R949 million) and intangible assets at a fair value of R372 million (2018: R224 million).

A fixed property, amounting to R922 million (A$94.0 million), previously disclosed under property, plant and equipment (within the David Jones segment) has been reclassified to non-currents asset held for sale, with depreciation ceasing at date of reclassification. The directors consider the conclusion of the sale to be highly probable. At period end, the property is recognised at the lower of its carrying amount and fair value, less costs to sell.

6. ISSUE AND PURCHASE OF SHARES

366 118 (2018: 440 892) ordinary shares totalling R25 million (2018: R38 million) were sold to the market in terms of the Group's Restricted Share Plan. 97 094 (2018: 149 360) ordinary shares totalling R8 million (2018: R12 million) previously purchased were allocated to employees in terms of the Group's Restricted Share Plan.

In the prior period, 4 456 899 ordinary shares totalling R244 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.

67 544 (2018: 99 830) ordinary shares totalling R4 million (2018: R5 million) were issued and allocated to employees in terms of the Group's other share incentive schemes.

7. ACCOUNTING POLICIES

The adoption of certain new standards, which became effective in the current period, has resulted in minor changes to accounting policies and disclosure, none of which have a material impact on the financial position or performance of the Group, except as disclosed below.

Standards issued and effective

IFRS 16: Leases

IFRS 16 Leases (IFRS 16) is effective for the Group from 1 July 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases (IAS 17), and requires lessees to recognise right-of-use assets and lease liabilities on the statement of financial position for all leases, except short-term and low value asset leases.

Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liabilities, plus any initial direct costs incurred, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight line basis over the lease term. The Group determined the lease term as any non-cancellable period of a lease together with reasonably certain termination or extension option periods. Right-of-use assets are tested for impairment when there are any indicators of impairment and periodically reduced by impairment losses, if required.

Lease liabilities are initially measured at the present value of future lease payments discounted using the Group's incremental borrowing rate taking into account lease term, country, currency and start date of the lease. Incremental borrowing rates are based on a series of inputs including the prime lending rate, the repo rate, a credit risk adjustment and a country specific adjustment.

Standards issued and effective (continued)

IFRS 16: Leases (continued)

Lease liabilities are subsequently measured at amortised cost using the effective interest method, and reduced by future lease payments net of interest charged. It is remeasured, with a corresponding adjustment to right-of-use assets, when there is a change in future lease payments resulting from a rent review, change in relevant index or rate, such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option.

The remeasurement results in a corresponding adjustment to the carrying amount of right-of-use assets, with the difference recorded in profit or loss if the carrying amount of right-of-use assets has been reduced to zero.

Variable lease payments that do not depend on an index or rate are not included in the measurement of right-of-use assets and lease liabilities. These related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur. Other variable lease payments that depend on an index or rate are included in the measurement of right-of-use assets and lease liabilities.

The Group has adopted IFRS 16 using the modified retrospective approach, by recognising the cumulative effect as an adjustment to the opening balance of equity at 1 July 2019. At the date of initial application, the Group elected to use the practical expedient provided by IFRS 16, which allows the Group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. In addition the Group has elected to apply the following practical expedients on a lease by lease basis:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluding initial direct costs from measuring right-of-use assets at the transition date;
- Using hindsight when determining the lease term where the contract contains renewal and termination options.

When measuring lease liabilities on transition to IFRS 16, the Group discounted its lease payments using the weighted average incremental borrowing rate of 5.8% at 1 July 2019. The following table reconciles the Group's operating lease commitments at 30 June 2019, as previously disclosed in the Group's Annual Financial Statements, to lease liabilities recognised on initial application of IFRS 16:

	2019 Rm
Total operating lease commitments at 30 June 2019 (restated)*	29 446
Discounting at weighted average incremental borrowing rate at 1 July 2019	(7 274)
Lease payments not recognised	(677)
Commitments relating to leases previously classified as finance leases	38
Payments in optional extension periods not recognised at 30 June 2019	4 972
Lease liabilities recognised under IFRS 16 at 1 July 2019	26 505
Net movements in lease liabilities during the current period	(315)
Lease liabilities (non-current and current) at 29 December 2019	26 190

* In determining the Group IFRS 16 impact, the value of lease commitments totalling R30 130 million under IAS 17 was found to be overstated in note 27.1 of the 2019 Group Annual Financial Statements. This resulted in a reduction of R684 million to the operating lease commitments at 30 June 2019 in the reconciliation above. Other than the disclosure in note 27.1, this correction had no impact on the 2019 Group Annual Financial Statements, nor on earnings per share or any other share measures.

Comparative information has not been restated and has been reported under the previous IAS 17. To provide more meaningful comparison of the current period's financial performance with the prior period, the current period has been adjusted to illustrate the impact should IFRS 16 not have been applied, as detailed in note 8.1.

8. PRO FORMA FINANCIAL INFORMATION

Excluding the impact of IFRS 16 and turnover and concession sales constant currency information presented in the condensed consolidated interim financial statements constitute pro forma financial information.

8.1 EXCLUDING THE IMPACT OF IFRS 16

PRO FORMA GROUP STATEMENT OF PROFIT OR LOSS	26 weeks to 29 Dec 2019 Rm	Adjust-ments (notes 8.3.3 & 8.3.4) Rm	Pro forma under IAS 17 26 weeks to 29 Dec 2019 Rm	26 weeks to 23 Dec 2018 Rm	Pro forma under IAS 17 change on prior period %
Turnover	37 445	–	37 445	36 015	4.0
Cost of sales	23 311	–	23 311	21 788	7.0
Gross profit	14 134	–	14 134	14 227	(0.7)
Other revenue	974	–	974	974	–
Expenses	11 829	542	12 371	12 225	1.2
Store costs	8 569	524	9 093	8 933	1.8
Other operating costs	3 260	18	3 278	3 292	(0.4)
Operating profit	3 279	(542)	2 737	2 976	(8.0)
Investment income	23	–	23	27	(14.8)
Finance costs	1 309	(754)	555	556	(0.2)
Profit before earnings from joint ventures	1 993	212	2 205	2 447	(9.9)
Earnings from joint ventures	159	–	159	157	1.3
Profit before tax	2 152	212	2 364	2 604	(9.2)
Tax expense	579	62	641	711	(9.8)
Profit for the period	1 573	150	1 723	1 893	(9.0)
Basic earnings attributable to shareholders of the parent	1 571	150	1 721	1 892	(9.0)
Headline earnings adjustments, net of tax	8	(4)	4	27	
Headline earnings	1 579	146	1 725	1 919	(10.1)
Adjustments, net of tax	(10)	18	8	40	
Adjusted headline earnings	1 569	164	1 733	1 959	(11.5)
Earnings per share (cents)	164.1		179.8	197.5	(9.0)
Diluted earnings per share (cents)	162.4		177.9	196.0	(9.2)
Headline earnings per share (cents)	164.9		180.2	200.4	(10.1)
Diluted headline earnings per share (cents)	163.2		178.3	198.8	(10.3)
Adjusted headline earnings per share (cents)	163.9		181.0	204.5	(11.5)
Adjusted diluted headline earnings per share (cents)	162.2		179.1	202.9	(11.7)
PRO FORMA GROUP STATEMENT OF FINANCIAL POSITION ITEMS					
TOTAL ASSETS	58 662	(20 627)	38 035	42 996	
Right-of-use assets	19 321	(19 321)	–	–	
Deferred tax asset	2 843	(1 394)	1 449	124	
TOTAL EQUITY	6 569	3 471	10 040	13 898	
TOTAL LIABILITIES	52 093	(24 098)	27 995	29 098	
Lease liabilities (non-current and current)	26 190	(26 190)	–	–	
Operating lease accrual and fair value lease adjustment	–	1 616	1 616	2 039	
Provisions (non-current and current)	1 196	446	1 642	1376	
Net asset value per share (cents)	684	363	1 047	1 451	
PRO FORMA GROUP STATEMENT OF CASH FLOWS ITEMS					
Net cash inflow from operating activities	3 511	(1 233)	2 278	1 885	
Net cash outflow from financing activities	(1 467)	1 233	(234)	(800)	

8.2 TURNOVER AND CONCESSSION SALES CONSTANT CURRENCY INFORMATION

	2019 Rm	2018 Rm	% change
Turnover and concession sales (note 8.3.5)	41 184	39 383	4.6

8.3 NOTES

8.3.1. 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.

8.3.2. The accounting policies adopted by the Group in the latest Annual Financial Statements for the period ended 30 June 2019, which have been prepared in accordance with IFRS, have been used in preparing the pro forma financial information.

8.3.3. The adjustments are calculated with reference to actual lease costs within store costs and other operating costs
and finance costs for the 26-week period from 1 July to 29 December 2019, on a pre and post IFRS 16 basis, which have been extracted from the Group's accounting records, and an effective tax rate of 29.2%, all attributable to the appropriate segments.

8.3.4. The pro forma financial information is derived by excluding IFRS 16 adjustments and including IAS 17 adjustments.
IFRS 16 adjustments relating to depreciation of right-of-use assets of R1 252 million have been reversed within expenses and finance costs of R754 million relating to the amortisation of lease liabilities have been reversed. Straight-lined rental costs of R1 794 million have been included to reflect the accounting for leases under IAS 17, had the standard still been in effect from 1 July 2019. This information is reflected in the above column heading 'Pro forma under IAS 17 26 weeks to 29 Dec 2019'.

8.3.5. 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 turnover and concession sales growth rate, turnover and concession sales denominated in Australian dollars for the current period have been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior period. The aggregated monthly average A$ exchange rate is R10.05/A$ for the current period and R10.26/A$ for the prior period.

8.3.6. The calculation of earnings per share, headline earnings per share and other share measures for the pro forma information is based on the weighted average number of shares in issue for the 26 weeks ended 29 December 2019.

8.3.7. Accordingly, because of its nature, the pro forma financial information may not fairly present the Group's financial position, results of operations or cash flows.

8.3.8. The pro forma financial information has not been reviewed or reported on by the Group's external auditors.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of trade and other receivables, trade and other payables and borrowings approximate their fair values. In terms of IFRS 13: Fair Value Measurement, the Group's borrowings are measured at amortised cost and its derivative financial instruments at fair value. These are determined to be Level 2 under the fair value hierarchy. Derivatives are valued using valuation techniques with market observable inputs, with derivatives being mainly in respect of 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.

INTERIM NOTES (CONTINUED)

10. 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, they are not expected to have any material financial effect.

11. BORROWING FACILITIES

Unutilised banking and debt facilities amount to R9 174 million (2018: R9 283 million) as follows:

	2019 Rm	2018 Rm
Committed	8 674	9 033
Uncommitted	500	250
Total	9 174	9 283

Notes to the value of R3.82 billion have been issued to date under the South African Domestic Medium Term Note (DMTN) programme, which is a further source of funding to the Group. The DMTN programme is guaranteed by Woolworths Proprietary Limited and will be used to raise debt on an ongoing basis at a Group level.

The Australian funding was diversified by the issue of an A$300 million unlisted, unrated bond into the Australian capital market during the period. Interest-bearing borrowings of the Australian operations of A$464.0 million have been secured by Real Property Mortgages and a General Security Deed over the Australian assets with a carrying amount of A$2 578 million (R25 288 million), excluding the IFRS16 right-of-use assets.

12. RELATED-PARTY TRANSACTIONS

The Group entered into related-party transactions, the substance of which is disclosed in the Group's 2019 Annual Financial Statements. Intragroup adjustments relate to the sale of concession goods between segments and supply chain distribution adjustments.

13. EVENTS SUBSEQUENT TO THE REPORTING DATE

No event material to the understanding of the condensed consolidated interim financial statements has occurred between the end of the financial period and the date of approval.

14. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors on 19 February 2020.

15. AUDIT OPINION

The condensed consolidated interim financial statements have not been reviewed or audited.

DIRECTORATE AND STATUTORY INFORMATION

NON-EXECUTIVE DIRECTORS
Hubert Brody (Chairman), Zarina Bassa (Lead Independent Director), Christopher Colfer (Canadian), Belinda Earl (British), Andrew Higginson (British), David Kneale (British), Nombulelo Moholi, Thembisa Skweyiya, Clive Thomson

EXECUTIVE DIRECTORS
Roy Bagattini (Group Chief Executive Officer), Reeza Isaacs (Group Finance Director), Sam Ngumeni, Zyda Rylands

GROUP COMPANY SECRETARY
Chantel Reddiar

REGISTRATION NUMBER
1929/001986/06

LEI
37890095421E07184E97

SHARE CODE
WHL

SHARE ISIN
ZAE000063863

BOND CODE
WHLI

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PO Box 680, Cape Town 8000, South Africa

TAX NUMBER
9300/149/71/4

JSE SPONSOR
Rand Merchant Bank (A division of FirstRand Bank Limited)

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
15 Biermann Avenue, Rosebank 2196, South Africa

FINANCIAL OVERVIEW

	Post IFRS 16	Pre IFRS 16
Turnover and concession sales	+3.8% to R40.9 billion	
Adjusted profit before tax	-21.0% to R2.1 billion	-12.3% to R2.4 billion
Earnings per share	-16.9% to 164.1 cps	-9.0% to 179.8 cps
Headline earnings per share	-17.7% to 164.9 cps	-10.1% to 180.2 cps
Adjusted diluted headline earnings per share	-20.1% to 162.2 cps	-11.7% to 179.1 cps
Interim dividend per share	-3.3% to 89.0 cps	
Return on equity*	15.8% from 16.6%	15.3% from 16.6%

* David Jones asset impairment added back

WOOLWORTHS DAVID JONES COUNTRY ROAD GROUP