21

WHL

WOOLWORTHS HOLDINGS LIMITED

2021 Annual Financial Statements

START

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REPORTS

Woolworths, Spring 2021

SHAREHOLDING DISCLOSURES

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value

ISSUED

Ordinary shares – 1 049 977 230 of no par value

Further details of the stated capital and the movements for the period under review are disclosed in note 9 of the Company Annual Financial Statements.

SHAREHOLDER SPREAD

PUBLIC AND NON-PUBLIC SHAREHOLDERS	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of Issued capital
1 – 1 000 shares	41 842	74.9	9 375 165	0.9
1 001 – 10 000 shares	11 455	20.5	33 837 451	3.2
10 001 – 100 000 shares	1 883	3.4	57 381 568	5.5
100 001 – 1 000 000 shares	565	1.0	174 982 417	16.7
1 000 001 shares and above	135	0.2	774 400 629	73.7
Total	55 880	100.0	1 049 977 230	100.0

ANALYSIS OF SHAREHOLDERS

PUBLIC AND NON-PUBLIC SHAREHOLDERS	Number of shareholders	Percentage of total	Number of shares	Percentage of total
Non-public shareholders	13	–	93 156 195	8.9
Directors and their associates	10	–	8 777 234	0.8
E-Com Investments 16 (RF) Proprietary Limited	1	–	43 763 861	4.2
Woolworths Proprietary Limited	1	–	40 497 604	3.9
Woolworths Proprietary Limited on behalf of deceased and untraceable former Woolworths Employee Share Ownership Trust beneficiaries	1	–	117 496	–
Public shareholders	55 867	100.0	956 821 035	91.1
Total shareholders	55 880	100.0	1 049 977 230	100.0

Total number of treasury shares held at 27 June 2021 – 84 261 465.

Directors of the Company hold direct and indirect beneficial interests of 8 777 234 ordinary shares (2020: 7 128 912) 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 27 June 2021:

	Total shareholding Jun 2021	% of issued capital	Total shareholding Jun 2020	% of issued capital
Major shareholders				
Allan Gray Proprietary Limited*	213 153 880	20.3	210 876 727	20.1
Government Employees Pension Fund (PIC) (ZA)	119 522 589	11.4	151 970 156	14.5
BlackRock Inc.*	46 915 116	4.5	55 243 909	5.3

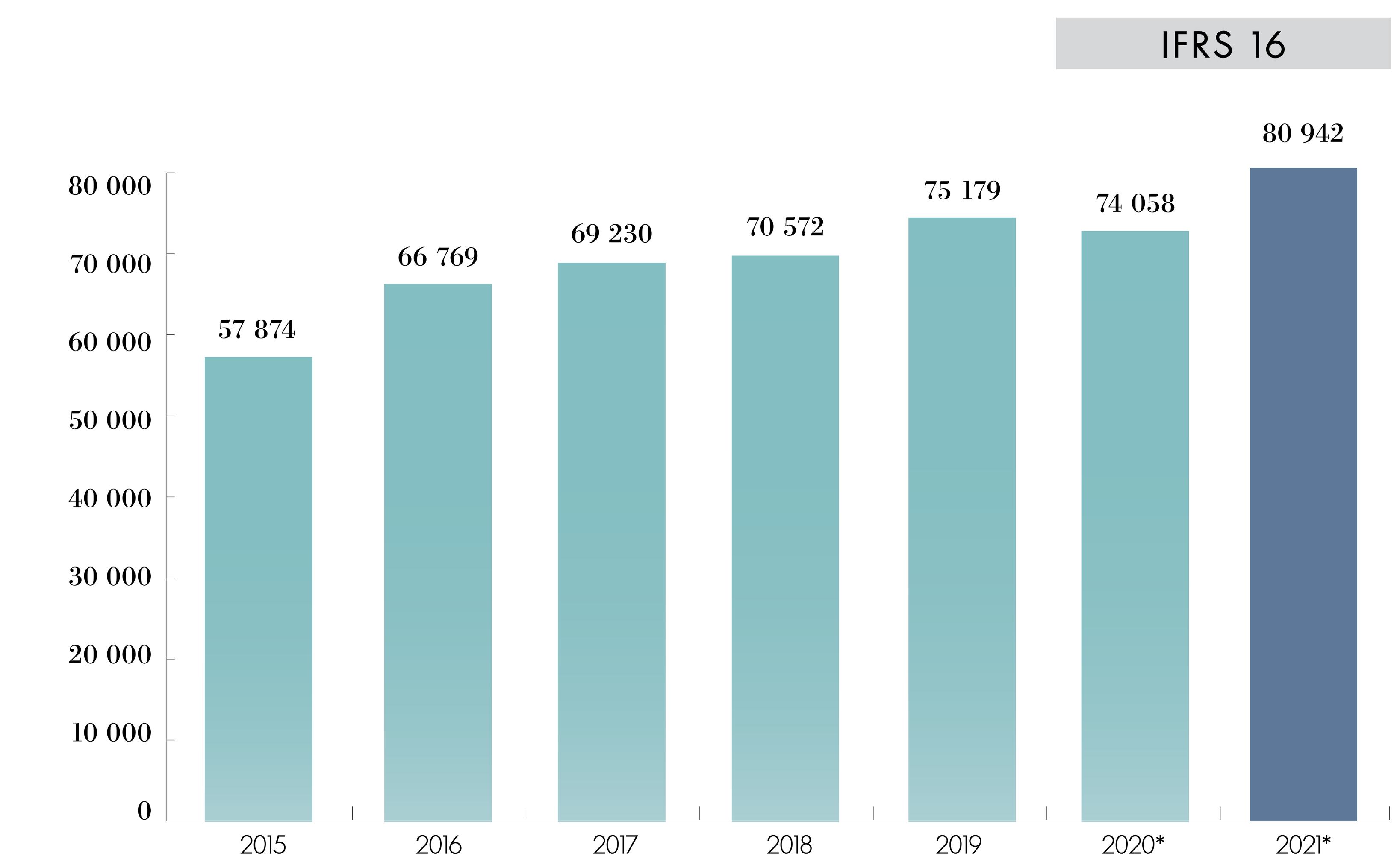
* Held on behalf of their clients

SEVEN-YEAR REVIEW

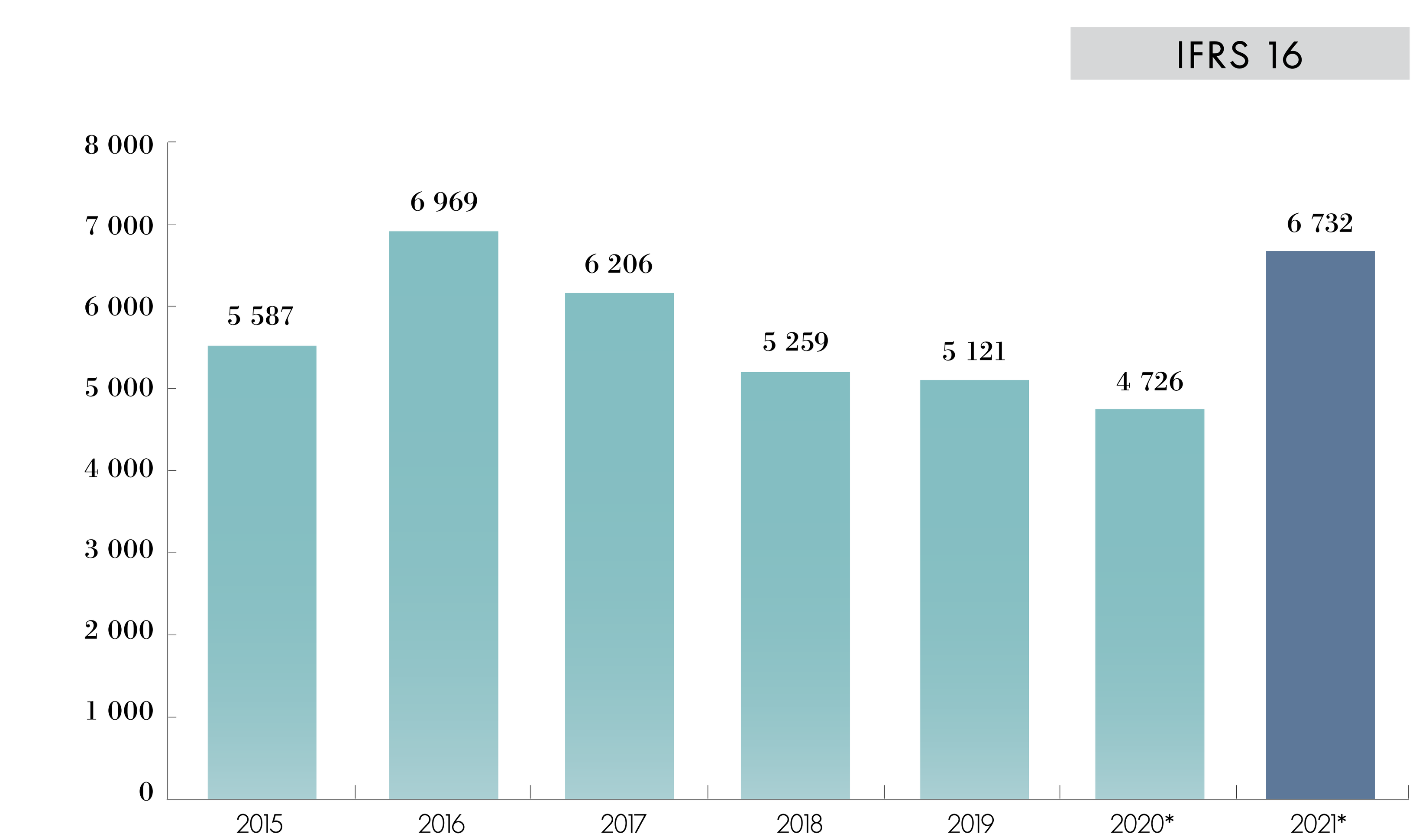
Year Number of weeks	2021* 52 Rm	2020* 52 Rm	2019 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm
GROUP STATEMENTS OF PROFIT OR LOSS							
Revenue	80 942	74 058	75 179	70 572	69 230	66 769	57 874
Turnover and concession sales	85 857	78 262	79 816	75 232	74 052	71 928	61 775
Concession sales	(7 094)	(6 054)	(6 713)	(6 640)	(6 862)	(7 133)	(5 464)
Turnover	78 763	72 208	73 103	68 592	67 190	64 795	56 311
Cost of sales	(49 816)	(46 859)	(45 139)	(41 700)	(40 518)	(38 409)	(33 161)
Gross profit	28 947	25 349	27 964	26 892	26 672	26 386	23 150
Other revenue	2 096	1 788	2 000	1 909	1 944	1 926	1 447
Expenses	(24 311)	(22 411)	(24 843)	(23 542)	(22 410)	(21 343)	(19 010)
Operating profit	6 732	4 726	5 121	5 259	6 206	6 969	5 587
Profit on sale of property in Australia	492	–	–	–	1 420	–	–
Lease exit and modification gains	591	–	–	–	–	–	–
Impairment of assets	(364)	(799)	(6 153)	(6 927)	–	–	–
Investment income	83	62	76	71	96	48	116
Finance costs	(2 502)	(2 688)	(1 139)	(1 124)	(1 256)	(1 234)	(1 494)
Earnings from joint ventures	118	101	295	287	260	249	221
Earnings from associate	–	–	–	–	–	1	2
Profit/(loss) before tax	5 150	1 402	(1 800)	(2 434)	6 726	6 033	4 432
Tax (expense)/credit	(987)	(843)	716	(1 115)	(1 278)	(1 680)	(1 312)
Profit/(loss) for the year	4 163	559	(1 084)	(3 549)	5 448	4 353	3 120
Profit attributable to:							
Shareholders of the parent	4 161	557	(1 086)	(3 550)	5 446	4 344	3 116
Non-controlling interests	2	2	2	1	2	9	4

* 2021 and 2020 includes the impact of the adoption of IFRS 16 Leases.

REVENUE (R million)



OPERATING PROFIT (R million)

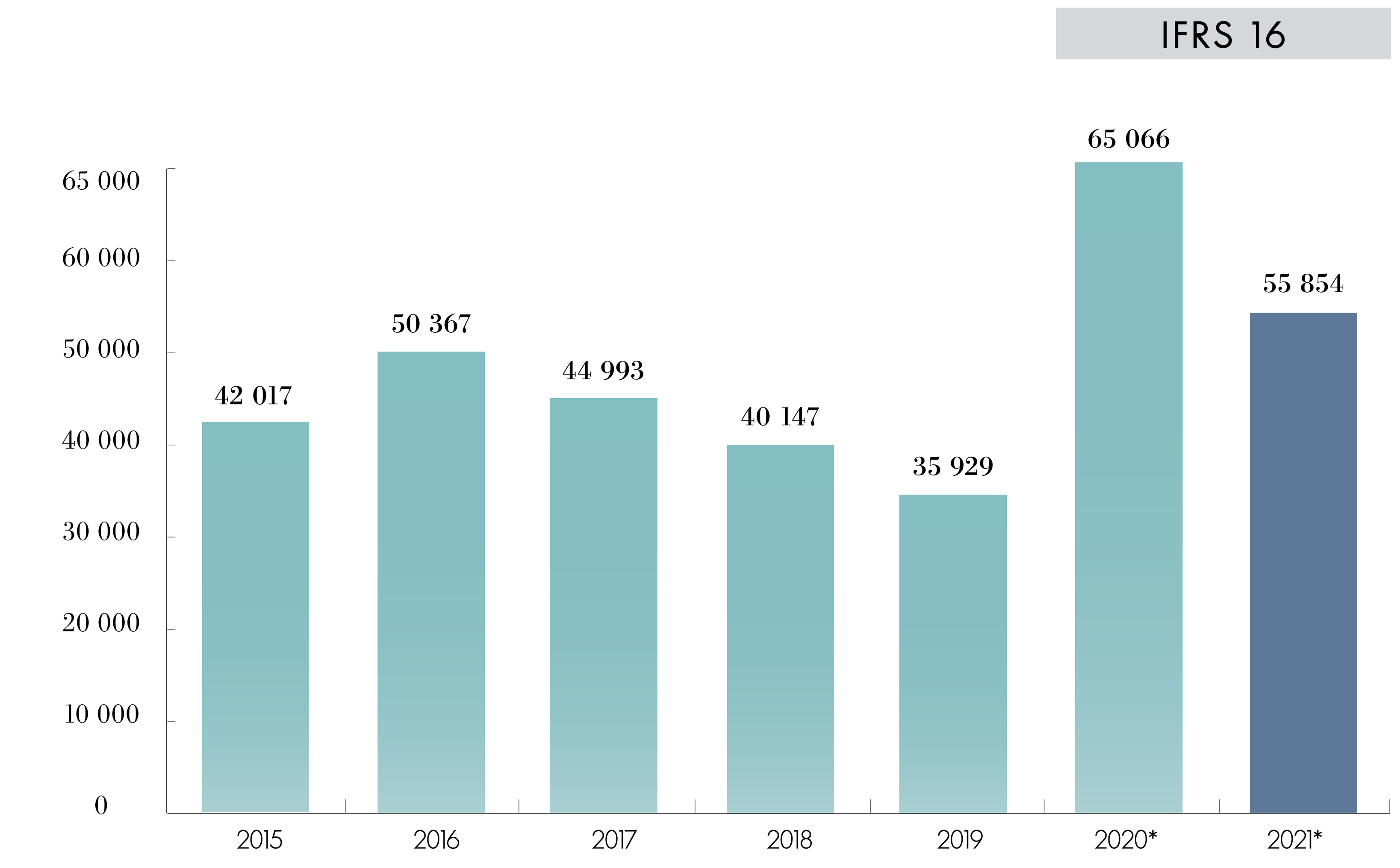


SEVEN-YEAR REVIEW (CONTINUED)

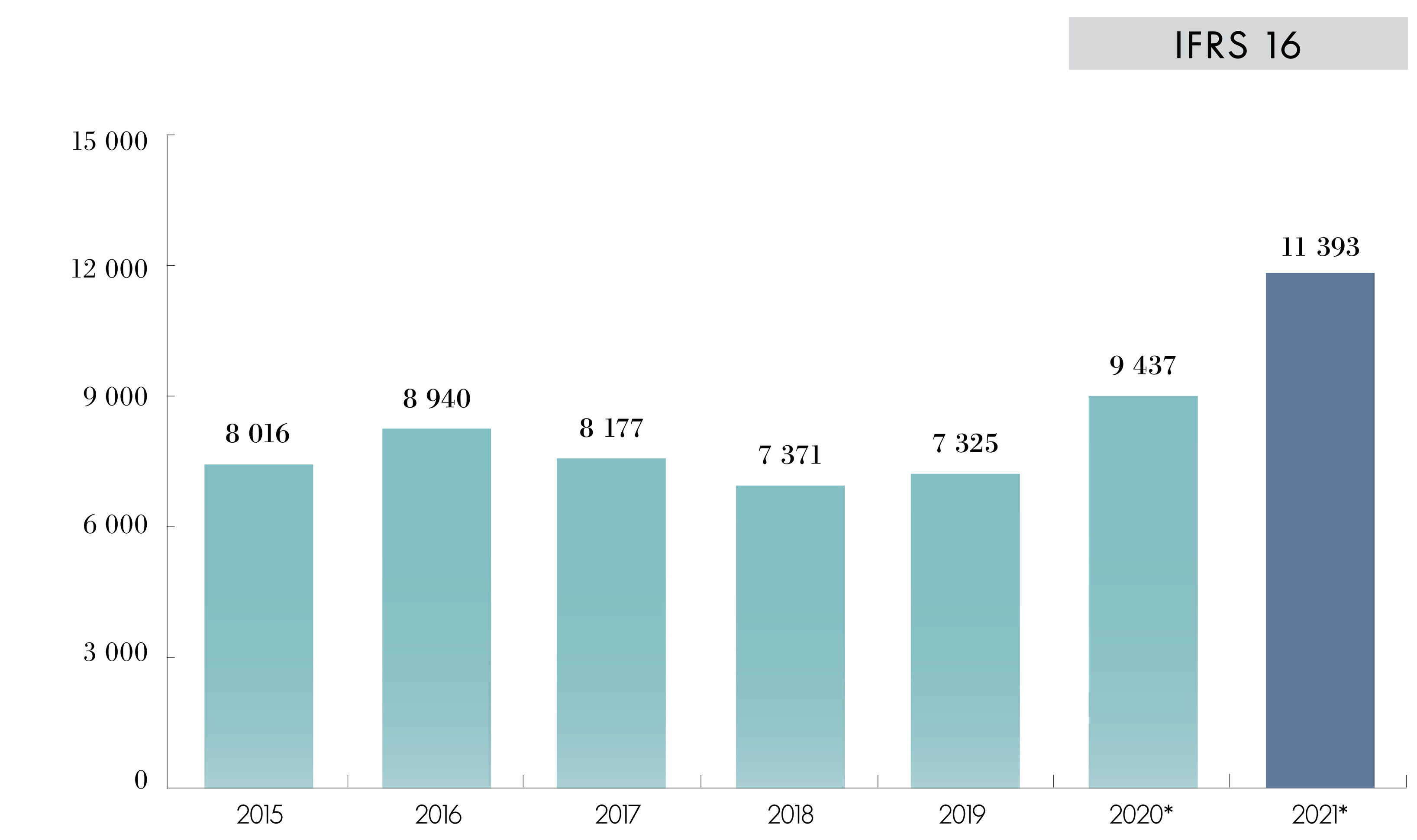
Year Number of weeks	2021* 52 Rm	2020* 52 Rm	2019 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm
GROUP STATEMENTS OF FINANCIAL POSITION							
Non-current assets	40 400	47 920	24 032	28 650	34 706	40 027	33 766
Current assets	15 454	17 146	11 897	11 497	10 287	10 340	8 251
Total assets	55 854	65 066	35 929	40 147	44 993	50 367	42 017
Equity attributable to shareholders of the parent	9 571	6 489	9 428	13 113	19 038	19 826	14 251
Non-controlling interests	23	21	15	13	28	27	46
Non-current liabilities	31 305	42 746	15 850	15 076	15 336	19 536	18 634
Current liabilities	14 955	15 810	10 636	11 945	10 591	10 978	9 086
Total equity and liabilities	55 854	65 066	35 929	40 147	44 993	50 367	42 017
GROUP STATEMENTS OF CASH FLOWS							
Cash inflow from trading	11 393	9 437	7 325	7 371	8 177	8 940	8 016
Working capital movements	256	1 704	(991)	(305)	(615)	(311)	(657)
Cash generated by operating activities	11 649	11 141	6 334	7 066	7 562	8 629	7 359
Net interest paid	(2 512)	(2 507)	(1 051)	(1 046)	(1 120)	(1 128)	(1 030)
Tax paid	(1 108)	(685)	(1 114)	(1 037)	(1 701)	(1 536)	(1 199)
Cash generated by operations	8 029	7 949	4 169	4 983	4 741	5 965	5 130
Dividends received from joint ventures	–	170	245	325	223	162	129
Dividends received from associate	–	–	–	–	–	7	–
Dividends paid to ordinary shareholders	–	(1 808)	(2 145)	(2 782)	(3 015)	(2 464)	(2 146)
Net cash inflow from operating activities	8 029	6 311	2 269	2 526	1 949	3 670	3 113
Net cash inflow/(outflow) from investing activities	5 910	(2 430)	(2 710)	(2 601)	422	(2 809)	(24 274)
Net cash (outflow)/inflow from financing activities	(13 516)	(1)	(393)	171	(2 007)	(326)	20 440
Increase/(decrease) in cash and cash equivalents	423	3 880	(834)	96	364	535	(721)
Net cash and cash equivalents at the beginning of the year	5 437	1 042	1 878	1 761	1 497	891	1 666
Effect of foreign exchange rate changes	(376)	515	(2)	21	(100)	71	(54)
Net cash and cash equivalents at the end of the year	5 484	5 437	1 042	1 878	1 761	1 497	891

* 2021 and 2020 includes the impact of the adoption of IFRS 16 Leases.

TOTAL ASSETS (R million)



CASH INFLOW FROM TRADING (R million)

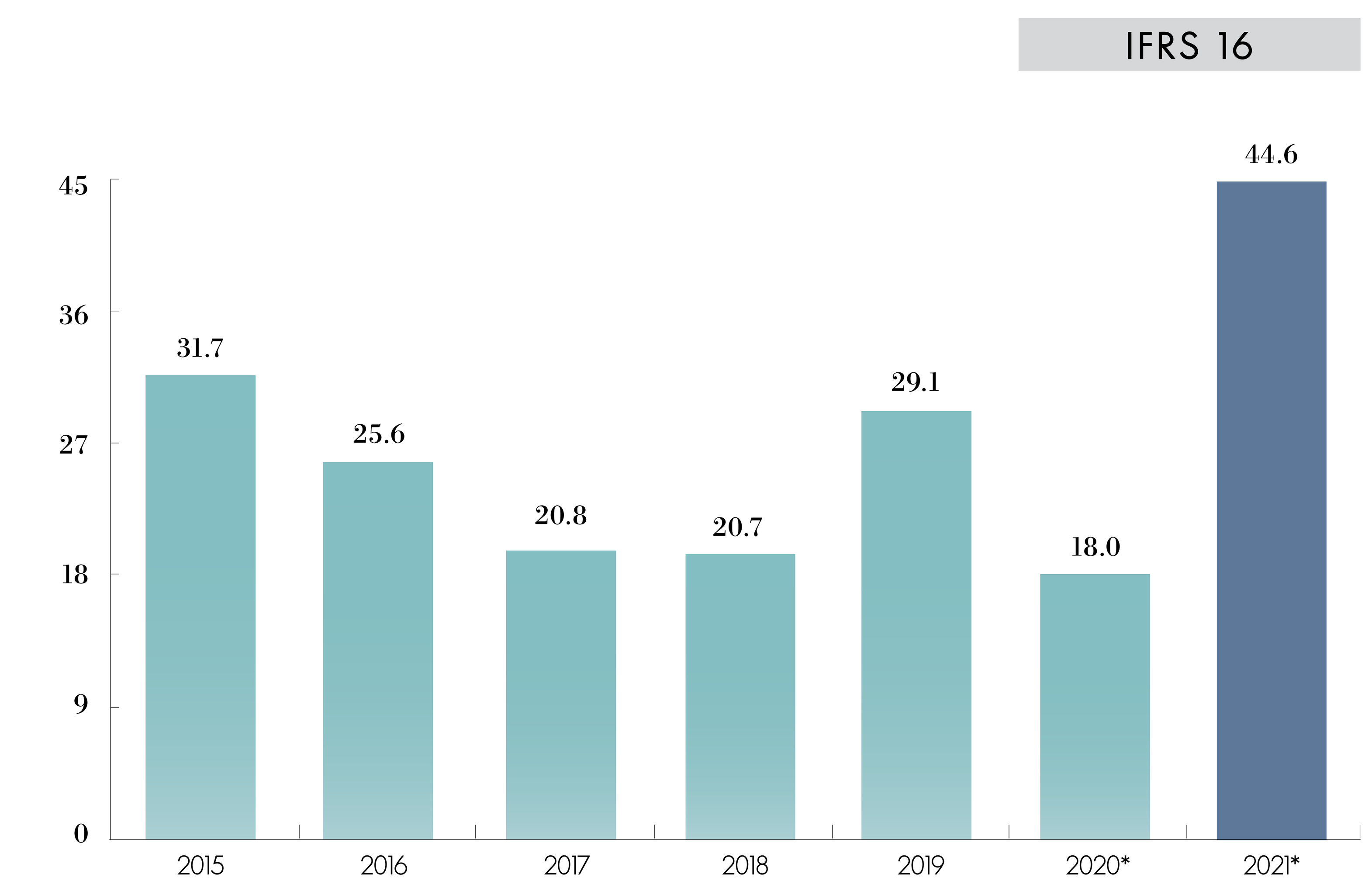


SEVEN-YEAR REVIEW (CONTINUED)

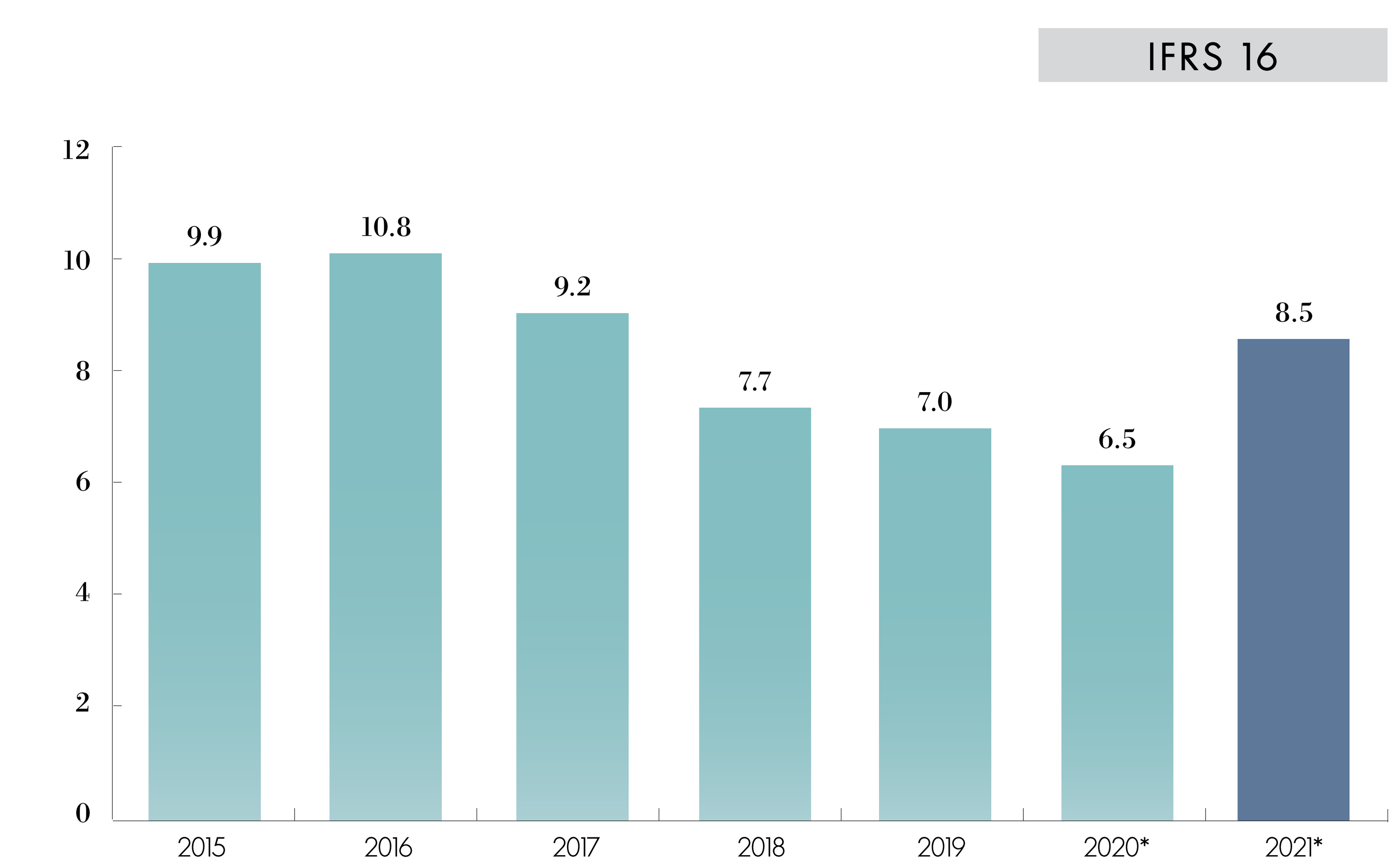
Year Number of weeks	2021* 52 %	2020* 52 %	2019 53 %	2018 52 %	2017 52 %	2016 52 %	2015 52 %
RETURNS							
Return on ordinary shareholders' equity	44.6	18.0	29.1	20.7	20.8	25.6	31.7
– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year							
Return on assets	11.1	9.4	13.6	12.6	13.2	15.4	20.3
– 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)	14.9	9.2	18.3	15.4	15.1	16.8	15.7
– adjusted operating profit after tax as a percentage of average capital employed at the beginning and end of the year							
MARGINS							
Gross margin	36.8	35.1	38.3	39.2	39.7	40.7	41.1
– gross profit as a percentage of turnover							
Operating margin	8.5	6.5	7.0	7.7	9.2	10.8	9.9
– operating profit as a percentage of turnover							
SOLVENCY AND LIQUIDITY							
Debt ratio	11.9	26.3	40.1	34.5	29.6	31.6	36.0
– interest-bearing debt as a percentage of total assets							
Current ratio (times)	1.0	1.1	1.1	1.0	1.0	0.9	0.9
– current assets divided by current liabilities							
Total liabilities to shareholders' equity	482.2	899.5	280.5	205.9	136.0	153.7	193.9
– non-current liabilities (including deferred tax) and current liabilities as a percentage of total shareholders' interest							
Net debt to shareholders' equity	2.1	4.8	1.3	0.9	0.6	0.7	1.0
– net debt divided by shareholders' equity							
Net debt to EBITDA	1.7	3.3	1.6	1.5	1.4	1.6	1.7
– net debt divided by earnings before interest, tax, depreciation and amortisation							
Interest cover ratio	4.9	3.7	7.4	7.5	7.3	7.6	6.4
– earnings before interest, tax, depreciation and amortisation divided by net interest							

* 2021 and 2020 includes the impact of the adoption of IFRS 16 Leases.

RETURN ON EQUITY (%)



OPERATING MARGIN (%)



SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2021* 52 Rm	2020* 52 Rm	2019 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm
DIVISIONAL ANALYSIS							
REVENUE							
Woolworths Fashion, Beauty and Home	12 869	12 438	14 197	13 705	13 913	13 728	12 518
Woolworths Food	37 827	35 258	32 343	29 462	27 199	25 071	22 445
Woolworths Logistics	574	517	492	429	376	306	249
David Jones	18 113	16 566	17 347	16 676	17 169	17 297	13 642
Country Road Group	12 056	9 723	11 272	10 770	10 867	10 690	9 120
Treasury	70	49	51	11	69	28	100
Intragroup	(567)	(493)	(523)	(481)	(363)	(351)	(200)
	80 942	74 058	75 179	70 572	69 230	66 769	57 874
TURNOVER							
Woolworths Fashion, Beauty and Home	12 855	12 421	14 180	13 687	13 894	13 701	12 499
Woolworths Food	37 743	35 141	32 206	29 332	27 075	24 956	22 352
Woolworths Logistics	574	517	492	429	376	306	249
David Jones	15 569	14 474	15 043	14 455	15 030	15 185	12 130
Country Road Group	12 022	9 655	11 182	10 689	10 815	10 647	9 081
	78 763	72 208	73 103	68 592	67 190	64 795	56 311
PROFIT/(LOSS) BEFORE TAX							
Woolworths Fashion, Beauty and Home	1 081	887	1 745	1 712	2 177	2 295	2 124
Woolworths Food	3 001	2 905	2 338	2 168	1 979	1 824	1 580
Woolworths Financial Services	118	101	295	286	259	248	221
David Jones	1 535	(499)	(6 095)	(6 527)	2 502	1 814	1 049
Country Road Group	1 674	561	1 017	991	939	1 016	1 011
Treasury	(2 259)	(2 553)	(1 100)	(1 064)	(1 130)	(1 164)	(1 553)
	5 150	1 402	(1 800)	(2 434)	6 726	6 033	4 432
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths**	1 054	688	2 462	2 281	2 405	2 352	1 654
David Jones	1 913	(543)	(4 291)	(6 540)	2 376	1 274	733
Country Road Group	1 194	412	743	709	665	718	729
	4 161	(1 086)	(3 550)	5 446	4 344	3 116	2 888

* 2021 and 2020 includes the impact of the adoption of IFRS 16 Leases.
** 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	2021* 52	2020* 52	2019 53	2018 52	2017 52	2016 52	2015 52
OTHER STATISTICAL DATA							
WOOLWORTHS							
Woolworths Fashion, Beauty and Home – gross margin (%)	45.5	44.0	47.6	46.7	47.9	48.3	47.4
Woolworths Food – gross margin (%)	24.5	24.9	24.8	25.0	25.1	25.5	25.7
Number of employees (average weekly full-time equivalent)	33 589	32 168	35 312	34 104	33 545	32 870	31 196
Number of stores							
– owned (local)	396	406	400	394	390	382	372
– Africa, Engen and franchise	149	147	146	142	141	140	134
Closing trading area (m^2)							
– owned (local)	661 678	693 625	682 862	676 771	657 741	633 156	593 407
– Africa, Engen and franchise	55 047	53 953	52 028	52 806	51 054	50 001	51 417
Turnover ratios							
– turnover per employee (R'000)	1 523.5	1 496.6	1 327.5	1 274.0	1 239.1	1 191.7	1 131.4
– turnover per m^2 (owned) (R'000)	77.3	69.3	68.6	64.2	63.2	61.9	59.5
Asset turn (times)	2.7	3.0	3.6	3.4	3.3	3.5	3.8
– revenue divided by average total assets less deferred tax at the beginning and end of the year							
Inventory turn (times)	8.6	8.3	8.2	8.3	8.2	8.4	8.8
– cost of sales divided by average inventory at the beginning and end of the year							
Profit before tax to turnover (%)	8.2	8.1	9.3	9.6	10.7	11.2	11.2
DAVID JONES (IN A$ TERMS)							
Gross margin (%)	35.2	33.0	35.9	37.1	37.0	37.9	40
Number of employees (full-time equivalent)	3 768	4 181	4 321	4 360	4 701	4 956	4 175
Number of stores – owned	45	47	47	45	43	40	38
Trading area (m^2)	441 935	471 574	475 332	473 554	473 190	471 214	455 430
Turnover (including concession sales) ratios							
– turnover per employee (A$'000)	560.5	493.7	517.0	507.3	471.0	442.3	452
– turnover per m^2 (A$'000)	4.8	4.4	4.7	4.7	4.7	4.7	4
Asset turn (times)	1.0	1.2	1.8	1.9	1.8	1.9	2
Inventory turn (times)	3.4	3.4	3.1	3.3	3.9	3.8	3
Profit before tax to turnover (%)	3.4	(4.7)	(27.6)	(30.5)	11.0	7.7	6

* 2021 and 2020 includes the impact of the adoption of IFRS 16 Leases.

SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2021* 52	2020* 52	2019 53	2018 52	2017 52	2016 52	2015 52
OTHER STATISTICAL DATA							
COUNTRY ROAD GROUP (IN A$ TERMS)							
Gross margin (%)	60.8	58.6	63.4	62.8	60.3	59.4	60.9
Number of employees (full-time equivalent)	2 982	3 464	3 611	3 701	3 851	3 459	3 223
Number of store locations							
– owned	348	368	365	379	389	362	355
– concession	341	346	443	420	352	298	268
Trading area (m²)	110 875	114 699	121 058	124 693	121 625	118 025	111 249
Turnover ratios							
– turnover per employee (A$'000)	352.8	267.6	304.1	290.2	274.2	290.5	295.4
– turnover per m² (A$'000)	9.5	8.1	9.1	8.6	8.7	8.5	8.6
Asset turn (times)	0.8	0.9	1.4	1.4	1.8	2.0	2.1
Inventory turn (times)	3.4	3.2	3.4	3.2	3.2	3.3	3.4
Profit before tax to turnover (%)	12.3	3.8	9.1	9.2	8.8	9.5	11.2
ORDINARY SHARE PERFORMANCE							
Earnings per share (cents)	435.1	58.2	(113.4)	(369.5)	566.7	454.2	337.3
Headline earnings per share (cents)	374.4	119.8	342.9	346.3	420.9	455.6	369.7
Adjusted headline earnings per share (cents)	346.6	170.3	371.7	366.3	420.0	456.6	419.4
Dividend per share (cents)	66.0	89.0	190.5	239.0	313.0	313.0	247.0
Net asset book value per share (cents)	1 000.4	678.8	985.2	1 365.1	1 979.6	2 065.0	1 531.9
Share price (cents): Highest	5 681	6 027	5 775	6 754	9 410	10 490	9 886
Lowest	3 054	2 558	4 305	5 375	6 227	7 928	6 848
Average	4 177	4 503	5 018	6 109	7 379	9 356	8 291
Closing	5 439	3 276	4 888	5 415	6 289	8 364	9 886
Indexed closing share price (June 2000 = 100)	1 876	1 130	1 686	1 867	2 169	2 884	3 409
JSE indexed:							
– retail (June 2000 = 100)	811	440	780	884	790	945	1 072
– all share (June 2000 = 100)	858	696	755	737	668	670	683
Market capitalisation at June (R million)	57 108	34 351	51 249	56 766	65 899	87 490	100 499
Number of shares in issue (millions)**	957	956	957	961	962	960	930
Number of shares traded (millions)	1 019	1 359	955	1 253	1 299	1 459	868
Percentage of shares traded	106.5	142.2	99.8	130.4	135.1	152.0	93.3
Value of shares traded (R million)	42 549	61 196	47 922	76 546	95 853	136 504	71 966
Price:earnings ratio	12.5	56.3	(43.1)	(14.7)	11.1	18.4	29.3
Dividend yield (%)	1.2	2.7	3.9	4.4	5.0	3.7	2.5

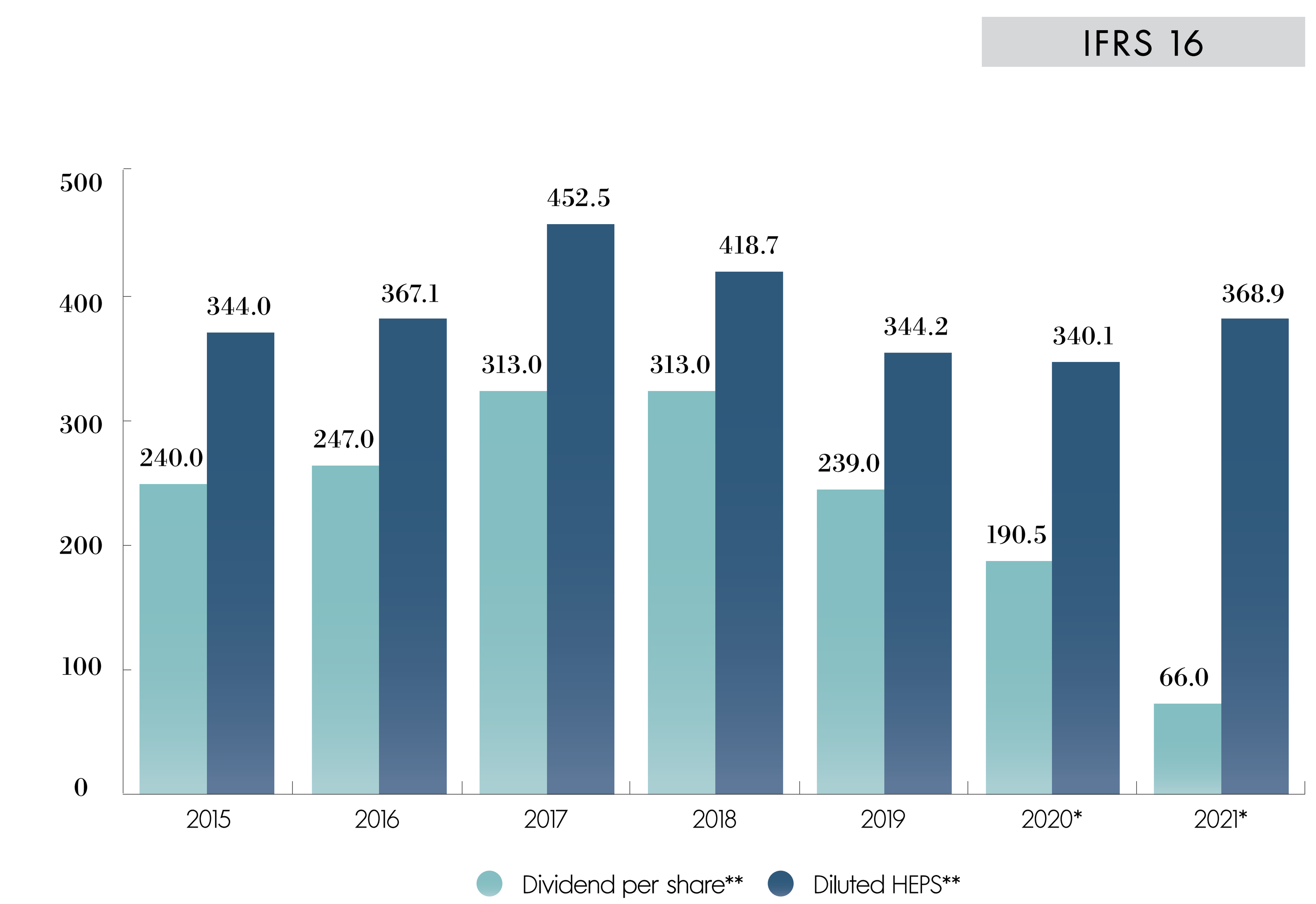
* 2021 and 2020 includes the impact of the adoption of IFRS 16 Leases.
** Net of treasury shares held by subsidiaries, E-Com Investments 16 (RF) Proprietary Limited and Woolworths Proprietary Limited.

SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2021* 52	2020* 52	2019 53	2018 52	2017 52	2016 52	2015 52
OTHER STATISTICAL DATA							
FOREIGN CURRENCY EXCHANGE RATES							
US$ – average	15.44	15.66	14.18	12.84	13.64	14.47	11.45
US$ – closing	14.12	17.24	14.11	13.44	12.93	15.07	12.21
A$ – average	11.50	10.48	10.14	9.95	10.28	10.56	9.53
A$ – closing	10.73	11.83	9.89	10.00	9.79	11.25	9.35
KEY INFORMATION (US$ MILLION)							
Revenue	5 242	4 729	5 302	5 496	5 076	4 614	5 054
Headline earnings per share (cents)	24.2	7.7	24.2	27.0	30.9	31.5	32.3
Profit/(loss) attributable to ordinary shareholders	270	36	(77)	(277)	319	300	272
Total assets	3 956	3 774	2 546	2 987	3 480	3 342	3 441
Market capitalisation	4 044	1 993	3 632	4 224	5 097	5 806	8 231

* 2021 and 2020 includes the impact of the adoption of IFRS 16 Leases.

DILUTED HEPS AND DIVIDEND PER SHARE (CENTS)



** Net of treasury shares held by subsidiaries, E-Com Investments 16 (RF) Proprietary Limited and Woolworths Proprietary Limited.

Woolworths, Spring 2021

CERTIFICATE OF THE GROUP COMPANY SECRETARY

In my capacity as the Group Company Secretary and in terms of the Companies Act of South Africa, I hereby confirm 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 27 June 2021 and that all such returns and notices are true, correct and up to date.

CA Reddiar
Group Company Secretary
25 August 2021

RESPONSIBILITY STATEMENT

In terms of Section 3.84(k) of the JSE Limited Listings Requirements, the directors, whose names are stated below, hereby confirm that:

a) The Annual Financial Statements, set out on pages 21 to 65, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) No facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;

c) Internal financial controls have been put in place to ensure that material information relating to Woolworths Holdings Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of Woolworths Holdings Limited; and

d) The internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

R Bagattini
Group Chief Executive Officer
25 August 2021

MR Isaacs
Group Finance Director

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, 25 August 2021 and signed on its behalf by:

H Brody
Chairman

R Bagattini
Group Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The WHL Audit Committee (committee) is pleased to present its report for the 2021 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, Debt Listings Requirements and other applicable regulatory requirements.

The committee's role and responsibility 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 fulfil 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.

The committee had oversight over two significant aspects this year: (i) the process leading to the recommendation to shareholders to appoint new external auditors to the Group; and (ii) the appointment of the Group's new Head of Internal Audit and Fraud, details of which are provided later in this report.

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.

Full biographical details of all members are available in the Integrated Annual Report and members' fees have been included in the table of directors' remuneration on page 33.

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 review of assets in David Jones, Country Road Group and Woolworths SA (as reported in the 2020 Audit Committee Report) and the rotation of the Group's external auditors (see further details later in this report).

The committee composition and members' attendance at the meetings during the 2021 financial year are set out in the following table:

Woolworths, Spring 2021

		Attendance	
Member	Date of appointment	Scheduled meetings	Ad-hoc meetings
Clive Thomson (Committee Chairman) BCom (Hons), MPhil, CA(SA)	2019	4/4	2/2
Zarina Bassa BAcc, CA(SA)	2011	4/4	2/2
Christopher Colfer BA	2019	4/4	2/2
Thembisa Skweyiya B.Proc, LLB, LLM, H. Dip (Tax)	2019	4/4	2/2

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, there is an open invitation to all Board members to attend committee meetings and all directors have access to the 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.

Trenery, Winter 2021

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 refinancing and ongoing renewal thereof, debt covenants and compliance, the capital restructure of the Australian entities, financial scenario planning and the Domestic Medium Term Note (DMTN) programme;
- reviewed proposed refinancing of debt in Australia and South Africa and the required financial assistance resolutions and recommended same to the Board for approval;
- considered a proposal to negotiate ESG-type funding with appropriate downward price adjustments should the ESG targets be met;
- reviewed proposed amendments to the Treasury policy to increase the counterparty limits and recommended same to the Board for approval;
- 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 these to the Board for approval;
- assessed and confirmed the appropriateness of the going concern assumption used in the Group Annual Financial Statements taking working capital, solvency and liquidity profiles, debt covenants and suspension of covenant testing into account and recommended proposals to the Board in respect of interim and final dividends;
- reviewed the basis for determining materiality for external reporting;
- considered the Group's dividend policy in the light of Covid-19 impacts;
- reviewed the committee's terms of reference;
- reviewed the JSE's tenth Report Back on Pro-Active Monitoring of Financial Statements;
- 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 SA and certain Woolworths SA subsidiary companies as contemplated by section 94(2) of the Companies Act;
- received regular feedback on audit matters and reports from the Woolworths SA; David Jones and Country Road Group boards;
- considered 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 the experience and expertise of the Group Finance Director and finance function is appropriate and effective for the Group;
- considered the financial reporting procedures of the Group and concluded that those procedures are appropriate for the Group and are operating;
- considered and recommended the Group's updated policies that fall within the committee's remit, including the Insider Trading, Price-Sensitive Information, External Auditor and Complaints Procedure policies;
- considered, and was satisfied with, the appointment of Ian Thompson as the Group's Debt Officer in line with requirements of the JSE Debt Listings Requirements; and
- considered the new JSE Listings Requirement relating to the Chief Executive Officer and Chief Financial Officer sign-off on the effectiveness of internal controls and resultant impact changes.

EXTERNAL AUDITOR MATTERS

We are pleased to report that the committee, in line with its commitment to shareholders, considered and recommended the appointment of KPMG Inc., as the Group's new external auditors, which will take effect from the conclusion of the 2021 Annual General Meeting ("AGM"), subject to shareholder approval. We set out details in this regard later in this report.

For the year under review, the committee was responsible for oversight of the Group's current external auditors, Ernst & Young Inc. (EY). The committee expresses its appreciation to EY for its high level of audit and related services over its tenure and for assisting the Group as it transitions to KPMG Inc.

During the year under review, the committee:

- approved the external auditors' plan for the 2021 annual audit as well as the related scope of work, and the appropriateness of key audit risks identified;
- approved the audit fees for the 2021 external audit, which included additional work (details appear on page 30);
- had interactions with the designated audit partner, Mr Rolleston and the lead Australian EY audit partner, Ms Lonergan who was appointed following the Australian lead audit partner rotation; 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 recommendations of the external auditors and confirmed that there were no material unresolved matters at the date the Annual Financial Statements were approved;
- approved fees for other audit-related and non-audit services amounting to 2.9% of the prior year audit fee (2020: 3.1%) and which are well within the 30% policy limit in the External Auditor policy;
- reviewed the independence of the incumbent (EY) and proposed new external auditors (KPMG Inc.) in accordance with the provisions of Sections 90 and 94 of the Companies Act and assessed the performance and accreditation of the external audit firms and designated auditors, in terms of the JSE Listings Requirements; applicable regulations and legislation; and the appropriate audit quality indicators; and concluded that it is satisfied with the external auditors' independence, JSE accreditation, and performance;
- monitored the effectiveness of the incumbent (EY) external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan;
- received confirmation from EY and KPMG Inc. as to their internal governance processes that are in place to ensure independence and effectiveness;
- approved, with the Board's endorsement, the external auditor rotation for recommendation to shareholders, as reported on later in this report;
- requested the information as per 22.15(h) of the Listings Requirements from the external auditors when assessing their suitability for their appointment for the current year and from KPMG Inc. when assessing their suitability for appointment for the next financial year; and
- tabled a resolution at the AGM held on 25 November 2020 to appoint EY as the external auditors for the 2021 financial year and will table a resolution at the AGM to be held on 24 November 2021 to appoint KPMG Inc. as the external auditors for the 2022 financial year.

INTERNAL AUDIT

The committee welcomed Ms Catherine Nyati, the Group's new Head of Internal Audit and Fraud, who succeeded Mr Rob Oosterbaan, who retired from the Group at the end of June 2021. The committee expressed appreciation for Mr Oosterbaan's invaluable contributions to the Group and wished him well in his retirement.

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.

During the year under review, the committee:

- reviewed and approved the annual internal audit coverage plan and charter;
- evaluated and satisfied itself as to the independence, effectiveness and performance of the Group Head of Internal Audit and Fraud and 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;
- 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;
- monitored and challenged, where appropriate, actions taken by management regarding 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 effective; and
- received confirmation that internal audit members conform to the recognised industry code of ethics and satisfied itself that the internal audit function had conformed to the key principles of the International Institute of Internal Auditors standards for professional practice of internal auditing.

SIGNIFICANT MATTERS

The committee has considered the Key Audit Matters reported in the external audit report on page 18. In addition, the committee considered significant matters arising during the year. These include the following:

SALE OF BOURKE STREET MENSWEAR PROPERTY

David Jones concluded the sale of the men's store in Bourke Street, Melbourne in August 2020. The proceeds on the sale were A$121 million, which resulted in a profit on the sale of A$23.5 million. David Jones entered in to a lease-back of the property for a period of three years, which resulted in the recognition of a lease liability and right-of-use asset.

SALE AND LEASEBACK OF ELIZABETH STREET PROPERTY AND SETTLEMENT OF AUSTRALIAN DEBT

David Jones concluded the sale of the Elizabeth Street property in March 2021. The proceeds on the sale were A$510 million, which resulted in a profit on sale of A$19 million. Following the conclusion of the sale, David Jones entered into a lease-back of the property for an initial period of 20 years, with five options to renew the lease, each for a further term of 10 years.

The proceeds of the Property Sale have been applied towards the repayment of debt in Australia, pursuant to the WHL Board's review of the capital structure of the Australian entities. In addition, the Property Sale and refinancing have facilitated the separation of the combined Australian debt and financing facilities of David Jones and Country Road Group, inclusive of the termination of the cross guarantees between the two groups. The David Jones and Country Road Group are now financed separately, save for immaterial support from David Jones to Country Road Group as a result of the total proceeds of the Property Sale being received in David Jones.

LEASE EXIT AND MODIFICATION GAINS

David Jones stated strategy is to realign its store portfolio by rationalising unproductive space and reducing lease terms. There has therefore been a material reduction in Lease Liabilities and Right-of-Use assets for the Group during the year primarily as a result of the surrender and modification of leases, which in accordance with IFRS 16 resulted in credits to the income statement in the form of lease modification gains of R591 million. This has been reflected as an adjustment to headline earnings.

REFINANCING OF WOOLWORTHS SA DEBT

During the financial year, it was noted that Woolworths South Africa had excess cash on its balance sheet that needed to be reduced by the end of the year. The Treasury Committee ratified management's proposed refinancing, resulting in the gross debt being reduced by c.R1.5 billion. This was effected by refinancing a number of loans at less than the original amounts, inclusive of the first sustainability linked term loan in the South African Retail Sector and sustainability linked unlisted bond.

JSE LISTINGS REQUIREMENTS ON ATTESTATION

The JSE Listings Requirement relating to Chief Executive Officer and Chief Financial Officer sign-off on the effectiveness of internal controls over financial reporting is effective for the Group from FY21 and will be found in the 2021 Integrated Annual Report.

EXTERNAL AUDITOR ROTATION

In line with the committee's previous undertakings to work towards implementation of audit firm rotation ahead of the mandatory date of 1 April 2023, the committee completed a formal request for proposal process for the rotation of the Group's external auditors. The committee, with Board endorsement, recommends the appointment of KPMG Inc. as the Group's incoming external auditor with Mr Edward Belstead as the designated audit partner to perform the Group's audit for the financial year ending 26 June 2022. The appointment of KPMG Inc. will take effect from the conclusion of the 2021 AGM, subject to shareholder approval at the AGM in terms of Section 90(1) of the Companies Act. The committee further agreed that KPMG Inc. would shadow EY during FY21, and attend the committee meetings, to ensure an effective external auditor transition.

DMTN PROGRAMME

The DMTN Programme was utilised to issue unlisted notes during the course of the year, which all priced favourably. The Committee had oversight of these note issues. Notes to the value of R3.3 billion (2020: R3.8 billion) are outstanding under the DMTN programme, which is a further source of funding to the Group. The programme is guaranteed by Woolworths Proprietary Limited.

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; and
- the comprehensive Combined Assurance Report which had also been reviewed by the Group's Risk and Compliance Committee.

The committee was satisfied that the Group's Combined Assurance Model was effective in achieving:

- transparent reporting to management and the Board;
- risk mitigation; and
- an acceptable level of residual risk.

The committee confirmed that the Combined Assurance Model enabled a sufficiently coordinated approach to assurance and that the level of assurance from the internal and external assurance providers, was adequate and effective.

ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were compiled under the supervision of the Group Finance Director, Reeza Isaacs CA (SA). Following the review by the Audit Committee of the Annual Financial Statements of WHL for the year ended 27 June 2021, the committee is of the view that, in all material respects, these financial statements comply with the relevant provisions of the Companies Act of South Africa and IFRS.

RECOMMENDATION AND APPROVAL

The committee reviewed the 2021 Group and Company's Annual Financial Statements for the year ended 27 June 2021 and recommended them to the Board for approval on 25 August 2021.

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

KEY FOCUS AREAS OF ACTIVITY FOR 2022

The committee has set the following key areas of focus for the 2022 financial period:

- monitor the external auditor transition;
- continue to monitor the financial impacts of Covid-19 relative to the Group's strategic initiatives;
- track operational cost saving initiatives to achieve greater flexibility in the cost base;
- monitor the financial implications of the rationalisation of the Group's physical store footprint;
- monitor the establishment of an internal reporting framework to ensure appropriate Climate-related Financial Disclosures (TCFD) in reports going forward; and
- ensure that financing decisions are aligned with the sustainability strategy.

CONCLUDING REMARKS

The committee is satisfied that it has complied with and discharged all statutory duties in terms of Section 94(7) of the Companies Act and the JSE Listings Requirements, as well as with the functions and responsibilities assigned to it by the Board under its terms of reference and committee mandate, for the 2021 financial year.

C Thomson
Audit Committee Chairman
25 August 2021

DIRECTORS' REPORT

NATURE OF BUSINESS

WHL 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 719 WSA store locations in South Africa (including 81 stores operated on Engen forecourts) and 88 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 45 store locations in Australia and 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 606 retail and concession store locations in Australia and New Zealand. It is also represented in 83 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 36 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 65. 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 the operations and financial results of the Group are contained in the 2021 Integrated Annual Report and the 2021 Annual Financial Statements.

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value (2020: 2 410 600 000)

ISSUED

Ordinary shares – 1 049 977 230 of no par value (2020: 1 048 576 648)

Details of the Group's shareholder analysis as at 27 June 2021 are set out on page 4.

DIVIDEND

The following dividends were declared in respect of the year ended 27 June 2021:

INTERIM

The Board did not declare an interim dividend given the ongoing impact and uncertainty of Covid-19 during the reporting period. (2020: 89.0 cents).

FINAL

On 25 August 2021, a gross cash dividend of 66.0 cents (52.8 cents net of dividend withholding tax) (2020: nil) was declared to shareholders recorded at close of business on Friday, 17 September 2021, to be paid on Monday, 20 September 2021.

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 18 on page 44.

DIRECTORATE AND GROUP COMPANY SECRETARY

Details of the directors who served on the Board during the year and at the reporting date are provided below. The following director role changes occurred during the reporting period. Biographical details of the current directors are available on the Company's website at: https://www.woolworthsholdings.co.za/

NAME	DESIGNATION	DATE OF APPOINTMENT	ROLE CHANGES
Hubert Brody	Independent Non-executive Chairman	27/11/2019	
	Independent Non-executive	1/07/2014	
Zarina Bassa	Lead Independent Non-executive	27/11/2019	
	Independent Non-executive	17/11/2011	
Christopher Colfer	Independent Non-executive	1/07/2019	
Belinda Earl	Independent Non-executive	1/07/2019	Appointed Chairman of the Sustainability Committee on 26 August 2020, with effect from 25 November 2020.
David Kneale	Independent Non-executive	11/03/2019	
Nombulelo Moholi	Independent Non-executive	1/07/2014	Appointed a member of the Nominations Committee with effect from 26 August 2020 on 26 August 2020. Stepped down as Chairman of the Social and Ethics Committee on 26 August 2020 with effect from 25 November 2020, however remains a member of the Committee.
Thembisa Skweyiya	Independent Non-executive	11/03/2019	Appointed as a member of the Social and Ethics Committee and the Treasury Committee on and with effect from 26 August 2020. Appointed as Chairman of the Social and Ethics Committee with effect from 25 November 2020 on 26 August 2020.
Clive Thomson	Independent Non-executive	19/08/2019	
Roy Bagattini	Chief Executive Officer	17/02/2020	
Reeza Isaacs	Executive	26/11/2013	
Sam Ngumeni	Executive	12/02/2014	
Zyda Rylands	Executive	22/08/2006	
Chantel Reddiar	Group Company Secretary	1/09/2016	

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 (AGM) and may offer themselves for re-election. The directors to retire are firstly those appointed since the last AGM and thereafter, those in office the longest since their last election.

Hubert Brody, Nombulelo Moholi and Zyda Rylands have been in office the longest since their last election. They are each available for election or re-election, as the case may be. Board evaluation feedback is provided in the Governance Report of the 2021 Integrated Annual Report, to be published on or about 30 September 2021.

DIRECTORS' INTERESTS IN SHARES

Over the reporting period, the directors of the Company beneficially held the following ordinary shares in the Company:

	2021 BENEFICIAL		2020 BENEFICIAL	
	DIRECT	INDIRECT	DIRECT	INDIRECT
NON-EXECUTIVE DIRECTORS				
Hubert Brody	106 482	–	86 882	–
Zarina Bassa	5 077	–	5 077	–
Christopher Colfer	25 000	–	25 000	–
Belinda Earl	–	–	–	–
David Kneale	6 500	–	6 500	–
Nombulelo Moholi	–	–	–	–
Thembisa Skweyiya	5 944	–	5 944	–
Clive Thomson	–	9 992	–	9 992
EXECUTIVE DIRECTORS				
Roy Bagattini	2 095 893	–	1 432 537	–
Reeza Isaacs	331 598	422 383	350 723	313 229
Sam Ngumeni	1 448 252	589 727	798 652	455 888
Zyda Rylands	2 357 114	1 373 272	2 384 575	1 253 913
Total	6 381 860	2 395 374	5 095 890	2 033 022

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

The remuneration paid to directors of the Company during the period under review is set out on page 33.

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 32.

DEBT OFFICER

Ian Thompson was appointed the Debt Officer of the Group on 1 November 2020, in accordance with paragraph 7.3(g) of the Debt Listings Requirements.

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Financial Statements 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 27 June 2021.

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 18 to 19.

The Annual Financial Statements set out on pages 21 to 65 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.

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, 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.

SOLVENCY AND LIQUIDITY TEST

The directors have performed the required solvency and liquidity tests required by the Companies Act of South Africa for the Company and Group.

KING IV™

The Group applies the King IV™ principles, details of which are reported in the Group's 2021 Integrated Annual Report with a more detailed application register to be made available on the Company's website, both of which we expect to publish on or about 30 September 2021.

SUBSIDIARY COMPANIES

Full particulars of the subsidiary companies appears in Annexure 1 on page 65.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Other than the events disclosed in note 30 of the Group Annual Financial Statements, no other events subsequent to the reporting date were identified.

SPECIAL RESOLUTIONS

The following special resolutions were passed by shareholders of the Company at the AGM in November 2020:

- remuneration for the non-executive directors;
- financial assistance to directors and/or prescribed officers and employee share scheme beneficiaries;
- general authority to provide financial assistance to related or inter-related companies or undertakings; and
- general authority to repurchase shares.

There was no repurchase of shares 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 2021 AGM.

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 21 to 65, which comprise the consolidated and separate statements of financial position as at 27 June 2021, 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 52-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 27 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the period 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 the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) 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 in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 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 only applies to the audit of the consolidated financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY MATTER

IMPAIRMENT CONSIDERATIONS IN RESPECT OF CARRYING VALUE OF NON-CURRENT ASSETS

Key audit matter

The carrying value of Goodwill, Brands and Property, Plant and Equipment (PP&E) and Right-of-Use Assets (ROUA) are as follows:

	2021 Rm	2020 Rm
Goodwill and brands	5 957	6 391
PP&E	9 315	15 134
ROUA	19 116	20 519

The Group is required to assess the recoverable amount of goodwill and brand-related intangible assets annually and assess at each reporting date whether there are any indications that other non-current assets may be impaired, including PP&E and ROUA in accordance with IAS 36: Impairment of Assets.

Due to the ongoing impact of Covid-19 on the Group, with varying lockdown levels and changing consumer spend patterns, the Group's performance has not been in line with historic trends which has resulted in challenges in forecasting across the geographic locations which the Group trades in.

We focused our attention on significant judgments made by management about the inputs in the discounted cashflow forecasts such as the discount rate, forecasted revenue and margins as well as growth rates. Furthermore, we focused our attention on the assumptions and inputs used in calculating discount rates, including the judgement involved in quantifying specific risk premiums.

Given the level of judgement and management estimates that are required, we consider the impairment assessment of goodwill, PP&E and ROUA to be a key audit matter.

Details of the assumptions applied and the resulting impairment charges are disclosed in Property, Plant and Equipment (refer to note 8), Intangible Assets (refer to note 9) and Right of Use Assets (refer to note 10).

How our audit addressed the key matter

Our procedures included:

- We assessed the presence of indicators of impairment and the completeness thereof for PP&E and ROUA by evaluating the performance of the cash generating unit (CGU) against budgets, forecasts, and earnings ratios;
- In conjunction with our internal valuation specialists, we assessed the methodologies and assumptions applied in determining the recoverable amount based on the fair value less costs of disposal and value in use of these non-current assets. We:
  - Evaluated the valuation methodology against acceptable industry methods and accounting standards;
  - Evaluated revenue and margin forecasts along with future growth rates by comparing the past performance of each CGU including management's assumptions incorporating the impact of Covid-19 on the future performance of the respective CGUs, and assessing the macro-economic conditions supporting the forecast and growth rates used with reference to external data sources and industry norms;
  - Performed sensitivity analysis over management's forecasts where relevant;
  - Evaluated the appropriateness of the inputs used in the determination of the discount rates applied by comparing inputs to external sources and industry norms and quantifying specific risk premiums, where relevant.
- Evaluated the appropriateness of the methodology of the assets and liabilities included in the carrying amount of the respective CGU based on the cash flows included in the determination of the recoverable amount.
- Compared the calculated recoverable amounts against the carrying values of each CGU;
- Recalculated the valuation models for arithmetical accuracy;
- Evaluating the completeness and accuracy of the Group's disclosures relating to the impairment assessments for compliance with the requirements of IAS 36: Impairment of Assets.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 72-page document titled 'Woolworths Holdings Limited 2021 Annual Financial Statements', which includes the Shareholding disclosures, Seven-year review, Certificate of the Group Company Secretary, Responsibility Statement, Report of the Audit Committee and the Directors' Report as required by the Companies Act of South Africa, Non-IFRS Measures, Shareholder Calendar and Glossary of financial terms, which we obtained prior to the date of this report, and the 2021 Integrated Annual Report, which is expected to be made available to us after that date. 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, actions taken to eliminate threats or safeguards applied.

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 89 years.

Ernst & Young Inc.

Director – Lucian Rolleston
Registered Auditor
Chartered Accountant (SA)
3 Dock Road
Waterway House
V&A Waterfront
Cape Town
8001
25 August 2021


Woolworths Spring 2021

GROUP ANNUAL FINANCIAL STATEMENTS

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 27 June 2021 Rm	52 weeks to 28 June 2020 Rm
Revenue	2	80 942	74 058
Turnover	2	78 763	72 208
Cost of sales		49 816	46 859
Gross profit		28 947	25 349
Other revenue	2	2 096	1 788
Expenses		24 311	22 411
Store costs		17 512	16 355
Other operating costs		6 799	6 056
Operating profit		6 732	4 726
Profit on sale of property in Australia	8	492	–
Lease exit and modification gains	10	591	–
Impairment of assets	8 – 10	364	799
Investment income	2	83	62
Finance costs	3.6	2 502	2 688
Profit before earnings from joint ventures and associate		5 032	1 301
Earnings from joint ventures	29	118	101
Profit before tax	3	5 150	1 402
Tax expense	4	987	843
Profit for the year		4 163	559
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	25.6	(498)	35
Tax on fair value adjustments on financial instruments		106	(14)
Exchange differences on translation of foreign subsidiaries		(1 027)	1 416
Amounts that may not be reclassified to profit or loss			
Post-retirement medical benefit liability: actuarial gain	21	5	30
Deferred tax on post-retirement medical benefit liability: actuarial gain		(1)	(8)
Other comprehensive income for the year		(1 415)	1 459
Total comprehensive income for the year		2 748	2 018
Profit attributable to:		4 163	559
Shareholders of the parent		4 161	557
Non-controlling interests		2	2
Total comprehensive income attributable to:		2 748	2 018
Shareholders of the parent		2 746	2 012
Non-controlling interests		2	6
Earnings per share (cents)	5	435.1	58.2
Diluted earnings per share (cents)	6	428.7	57.6
Headline earnings per share (cents)	5	374.4	119.8
Diluted headline earnings per share (cents)	6	368.9	118.4

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	At 27 June 2021 Rm	At 28 June 2020 Rm
ASSETS			
Non-current assets		40 400	47 920
Property, plant and equipment	8	9 315	15 134
Intangible assets	9	7 546	8 228
Right-of-use assets	10	19 116	20 519
Investment in joint ventures	29	893	742
Other loans	11	100	84
Derivative financial instruments	15	13	1
Deferred tax	12	3 417	3 212
Current assets		15 454	16 034
Inventories	13	8 501	8 054
Trade and other receivables	14	1 248	2 160
Derivative financial instruments	15	33	282
Tax	28.3	48	4
Cash and cash equivalents	28.4	5 624	5 534
Non-current assets held for sale	8	–	1 112
TOTAL ASSETS		55 854	65 066
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		9 571	6 489
Stated capital	16	11 465	11 413
Treasury shares		(1 715)	(1 728)
Non-distributable reserve	17	637	1 664
Accumulated loss	17	(816)	(4 860)
Non-controlling interests		23	21
TOTAL EQUITY		9 594	6 510
Non-current liabilities		31 305	42 746
Interest-bearing borrowings	18	5 963	16 023
Lease liabilities	19	24 608	25 929
Post-retirement medical benefit liability	21	363	354
Provisions	22	361	381
Derivative financial instruments	15	10	59
Current liabilities		14 955	15 810
Trade and other payables	20	9 625	10 762
Provisions	22	1 308	848
Lease liabilities	19	2 586	2 670
Derivative financial instruments	15	369	282
Tax	28.3	390	151
Overdrafts and interest-bearing borrowings	18	677	1 097
TOTAL LIABILITIES		46 260	58 556
TOTAL EQUITY AND LIABILITIES		55 854	65 066

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 Rm	Shareholders' interest before non-controlling interests Rm	Non-controlling interests Rm	Total Rm
Shareholders' interest at 1 July 2019		11 407	(1 711)	253	303	12	(4 046)	6 218	15	6 233
Profit for the year		–	–	–	–	–	557	557	2	559
Other comprehensive income		–	–	1 412	–	21	22	1 455	4	1 459
Total comprehensive income for the year		–	–	1 412	–	21	579	2 012	6	2 018
Shares issued	16	6	(6)	–	–	–	–	–	–	–
Share-based payments		–	–	–	92	–	–	92	–	92
Net (acquisition)/disposal of Treasury shares		–	(11)	–	(59)	–	45	(25)	–	(25)
Transfer between reserves		–	–	(1)	–	16	(15)	–	–	–
Dividends to ordinary shareholders	27	–	–	–	–	–	(1 808)	(1 808)	–	(1 808)
Shareholders' interest at 28 June 2020		11 413	(1 728)	1 664	336	49	(5 245)	6 489	21	6 510
Profit for the year		–	–	–	–	–	4 161	4 161	2	4 163
Other comprehensive income		–	–	(1 027)	–	(392)	4	(1 415)	–	(1 415)
Total comprehensive income for the year		–	–	(1 027)	–	(392)	4 165	2 746	2	2 748
Shares issued	16	52	(52)	–	–	–	–	–	–	–
Share-based payments		–	–	–	250	–	–	250	–	250
Net (acquisition)/disposal of Treasury shares		–	65	–	(161)	–	26	(70)	–	(70)
Transfer of Financial Instrument revaluation reserve to inventories		–	–	–	–	156	–	156	–	156
Transfer between reserves		–	–	–	(12)	12	–	–	–	–
Shareholders' interest at 27 June 2021		11 465	(1 715)	637	413	(175)	(1 054)	9 571	23	9 594

	Notes	2021 Rm	2020 Rm
Dividend per ordinary share declared for the financial year (cents)	27	66.0	89.0
Interim		–	89.0
Final		66.0	–

GROUP STATEMENT OF CASH FLOWS

	Notes	52 weeks to 27 June 2021 Rm	52 weeks to 28 June 2020 Rm
Cash flow from operating activities			
Cash inflow from trading	28.1	11 393	9 437
Working capital movements	28.2	256	1 704
Cash generated by operating activities		11 649	11 141
Investment income received		83	62
Finance costs paid		(2 595)	(2 569)
Tax paid	28.3	(1 108)	(685)
Cash generated by operations		8 029	7 949
Dividends received from joint ventures		–	170
Dividends to ordinary shareholders		–	(1 808)
Net cash inflow from operating activities		8 029	6 311
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(1 110)	(2 075)
Investment in property, plant and equipment and intangible assets to expand operations		(315)	(355)
Proceeds on disposal of property, plant and equipment and intangible assets		7 356	23
Other loans advanced		(21)	(23)
Net cash inflow/(outflow) from investing activities		5 910	(2 430)
Cash flow from financing activities			
Settlement of share-based payments through share purchase		(70)	(36)
Lease liabilities repaid		(3 048)	(2 263)
Borrowings raised		500	2 598
Borrowings repaid		(10 898)	(300)
Net cash outflow from financing activities		(13 516)	(1)
Increase in cash and cash equivalents		423	3 880
Net cash and cash equivalents at the beginning of the year		5 437	1 042
Effect of foreign exchange rate changes		(376)	515
Net cash and cash equivalents at the end of the year	28.4	5 484	5 437

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate Annual Financial Statements of Woolworths Holdings Limited (the Company) for the 52 weeks ended 27 June 2021 (2020: 52 weeks ended 28 June 2020) 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, the JSE Limited Listings Requirements and Debt 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 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 HAVE BECOME EFFECTIVE DURING THE YEAR

CHANGES IN ACCOUNTING POLICIES

AMENDMENTS TO IFRS 16: COVID-19-RELATED RENT CONCESSIONS

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the Covid-19 pandemic. The expedient initially applied to reductions in lease payments due on or before 30 June 2021, but that date was subsequently extended to 30 June 2022 through further amendments made in March 2021, effective from 1 April 2021. These need to satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2022; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria occuring during the financial year.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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 periods are provided.

DEFINITION OF MATERIAL – AMENDMENTS TO IAS 1 AND IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

DEFINITION OF A BUSINESS – AMENDMENTS TO IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for by the Group as asset acquisitions.

INTEREST RATE BENCHMARK REFORM – AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

REVISED CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

ACCOUNTING POLICY NOT YET ADOPTED: IFRIC AGENDA DECISION – CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The Group is currently assessing the impact of the agenda decision on its current accounting policy, which may result in previously capitalised costs needing to be expensed.

The process to quantify the impact of the decision in progress and a project has been initiated across the Group. This process is time consuming requiring significant effort in obtaining the underlying information from historical records covering multiple projects and assessing the nature of each of the costs.

At year-end, the impact of the IFRIC agenda decision on the Group is not reasonably estimable. The Group expects to adopt the change in policy in its interim financial statements for the 2022 financial year.

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 12-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.

LEASES

Judgement is applied when assessing whether an arrangement should be treated as a lease. Where the Group acts as the lessee, judgement is applied in determining whether control of the underlying asset have been transferred in order to recognise a lease.

Lease terms applicable to lease agreements, relating to the Group's lease liabilities, are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Management exercises judgement in determining the likelihood of exercising termination or extension options in determining the lease term including considerations of the age of the lease, the nature of the leased asset and the expected return on the underlying cash-generating unit to which the leased asset belongs.

Subsequent to the commencement date of lease agreements, lease terms are reassessed when there is a significant event or change in circumstances that is within the Group's control and affects its ability to exercise or not to exercise the option to renew or to terminate. Significant events could include a change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option, the incurrences of unanticipated significant leasehold improvements or the negotiation of unanticipated lease incentives.

Incremental borrowing rates applied in the measurement of certain lease liabilities are specific to the country, term, currency and start date of the applicable lease agreement. 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.

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 13.

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

As a consequence of the national lockdowns and restrictions on trade in both South Africa and Australia, the Group has been exposed to additional risk of slow moving or obsolete inventory. Management has reassessed the key assumptions used in estimating the net realisable value of inventory on hand. The Group has considered the nature and condition of inventory, as well as applying assumptions around when trade restrictions might be eased leading to the normalisation of sales. The inventory provision reflects management's best assumptions relating to stock that will be cleared below cost.

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 16 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

EXPECTED CREDIT LOSS (ECL) MODEL

IFRS 9 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 applies the IFRS 9 simplified approach to measuring ECL's for all trade receivables, and the general approach for loans and other receivables.

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 21.

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.

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.

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 – 40 years
Leasehold improvements	Written off over the lease period or shorter period if appropriate
Furniture, fittings and equipment	2 – 15 years
Motor vehicles	5 years
Computer equipment	3 – 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.

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.

RIGHT-OF-USE ASSETS

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 shorter of the lease term and the estimated useful lives of the assets. 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

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.

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.

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.

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.

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. 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. Current service costs and interest cost is included in employee costs in profit and loss.

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 16 for a detailed description of each of the schemes.

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

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

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

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

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

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

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

PROVISIONS

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

FINANCIAL INSTRUMENTS

RECOGNITION AND MEASUREMENT

Financial instruments are initially recognised on the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, which includes directly attributable transaction costs in the case of financial assets and liabilities not at fair value through profit or loss. 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, overdrafts, 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)

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.

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 LIABILITIES

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 remeasurement 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 financial instrument revolution 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 financial instrument revaluation 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.

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 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.

BORROWING COSTS

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

EXPENSES

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

SEGMENTAL INFORMATION

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

- 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 1/2021 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.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale rather than continuing use. The following conditions are regarded as met to be classified as held for sale: (i) management is committed to a plan to sell, (ii) the asset is available for immediate sale in its present condition, and (iii) the sale is highly probable, within 12 months of classification as held for sale, and subject only to terms that are usual and customary for sale of such assets.

Non-current assets classified as held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell, other than financial assets and deferred tax assets, which continue to be measured in accordance with their relevant accounting standards. Assets are assessed for impairment at the time of classification and subsequent to classification. A gain for any subsequent increase in fair value less costs to sell of an asset can be recognised in the profit or loss to the extent that it is not in excess of the cumulative impairment loss that has been recognised.

Property, plant and equipment are not depreciated or amortised once classified as non-current asset held for sale.

IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF MATERIAL (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2. REVENUE

	2021 Rm	2020 Rm
Turnover	78 763	72 208
Fashion, Beauty and Home	39 910	35 987
Food	38 279	35 704
Logistics services and other	574	517
Other revenue	2 096	1 788
Rentals	9	10
Concession sales commission	2 034	1 692
Royalties	53	86
Investment income	83	62
Interest earned from cash and investments	83	62
	80 942	74 058

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.

2.1 TURNOVER AND CONCESSION SALES

	2021 Rm	2020 Rm
Turnover (as above)	78 763	72 208
Concession sales	7 094	6 054
Turnover and concession sales	85 857	78 262

This illustrates the impact on financial information by including the turnover of concession operators of goods sold (concession sales) within the Group's stores. Concession sales are the sale of goods by concession operators and are not included in revenue, and have been extracted from the Group's accounting records.

3. PROFIT BEFORE TAX INCLUDES:

	2021 Rm	2020 Rm
3.1 OPERATING LEASE EXPENSES		
Plant and equipment	8	8
Expense relating to short-term leases	16	28
Expense relating to low-value assets not shown above as short-term leases	7	7
Expense relating to variable lease payments not included in lease liabilities	815	652
Covid-19 rent relief	(244)	(124)
3.2 AUDITOR'S REMUNERATION		
Audit fee – current year	35	34
Audit fee – prior year	5	6
Tax advisory and other services	3	3
3.3 NET FOREIGN EXCHANGE LOSS/(PROFIT)	104	(8)
3.4 OTHER EXPENSES		
Technical and consulting fees	298	225
Depreciation and amortisation (refer to notes 8, 9 and 10)	4 736	4 772
Net gain on sale of property in Australia	(492)	–
Net loss on disposal of property, plant and equipment and intangible assets	14	35
Net impairment of property, plant and equipment, intangible assets and right-of-use assets (refer to notes 8, 9, 10 and 31.1)	364	789
Loss/(profit) on fair value movements arising from derivative instruments (refer to note 25.6)	14	(4)
3.5 EMPLOYMENT COSTS	11 355	10 402
Short-term employment benefits*	10 175	9 385
Share-based payments expense	238	91
Pension costs (refer to note 21)	877	856
Post-retirement medical benefit (refer to note 21)	38	38
Termination and other benefits	27	32
3.6 FINANCE COSTS	2 502	2 688
Long-term borrowings, bank borrowings and overdrafts	991	1 133
Lease liabilities	1 511	1 555

* Net of TERS UIF in South Africa and JobKeeper subsidy in Australia of R838 million (2020: R650 million).

4. TAX

	2021 Rm	2020 Rm
Current year		
Normal tax		
South Africa	894	686
Foreign	570	153
Deferred tax		
South Africa	(122)	(23)
Foreign	(362)	85
	980	901
Prior year		
Normal tax		
South Africa	(12)	(24)
Foreign	(36)	(32)
Deferred tax		
South Africa	(23)	1
Foreign	78	(3)
	987	843
Normal tax recognised in other comprehensive income	(100)	39
Deferred tax recognised in other comprehensive income	(236)	467
Normal tax recognised in share-based payments reserve	–	1
Deferred tax recognised in share-based payments reserve	12	–

	2021 %	2020 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	0.2	1.8
Exempt income	–	–
Impact of foreign tax rates*	(0.3)	2.7
WFS equity-accounted earnings	(0.6)	(2.0)
Impairment of assets	0.1	0.7
(Tax losses utilised)/deferred tax on assessed losses not recognised*	(7.7)	33.7
Prior year	0.1	(4.1)
Other	(0.6)	(0.6)
Effective tax rate	19.2	60.2

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.

* During the year the Group utilised tax losses of R453 million, which has not been previously recognised as a deferred tax asset. Due to the uncertainty caused by Covid-19, and the resulting impact this may have on reliably forecasting the timing of future taxable earnings, the Group has unrecognised deferred tax assets of R108 million (2020: R573 million) arising from remaining assessed losses related to certain Group entities.

5. EARNINGS PER SHARE

BASIC AND HEADLINE EARNINGS

	Profit before tax Rm	Tax Rm	Non-controlling interests Rm	Attributable profit Rm
2021				
Basic earnings	5 150	(987)	(2)	4 161
Adjustments:				
Profit on sale of property in Australia*	(492)	(369)	–	(861)
Net loss on disposal of property, plant and equipment and intangible assets	14	(4)	–	10
Net impairment of property, plant and equipment, intangible assets and right-of-use assets	364	(94)	–	270
Headline earnings	5 036	(1 454)	(2)	3 580
2020				
Basic earnings	1 402	(843)	(2)	557
Adjustments:				
Net loss on disposal of property, plant and equipment and intangible assets	35	(10)	–	25
Net impairment of property, plant and equipment, intangible assets and right-of-use assets	789	(225)	–	564
Headline earnings	2 226	(1 078)	(2)	1 146

* The Profit on sale of R492 million was determined in accordance with IFRS 16 Leases for sale and leaseback arrangements. Tax of R369 million relates to deferred tax on the profit of sale, net of R517 million utilisation of tax losses against the capital gains tax on the sale of the property.

WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)

	Number of shares 2021	2020
Weighted average number of shares	956 330 298	956 947 071
Number of shares in issue at the beginning of the year	956 024 619	956 993 049
Weighted average number of shares issued in terms of share schemes during the year	962 045	56 352
Weighted average number of shares purchased during the year	(2 067 476)	(558 052)
Weighted average number of shares released in terms of the Restricted Share Plan	1 411 110	455 722

EARNINGS PER SHARE (CENTS)

	2021	2020
Basic	435.1	58.2
Headline	374.4	119.8

6. DILUTED EARNINGS PER SHARE

	2021 Rm	2020 Rm
DILUTED EARNINGS		
Diluted basic earnings/(loss)	4 161	557
Headline earnings adjustment, after tax	(581)	589
Diluted headline earnings	3 580	1 146

	Number of shares	
	2021	2020
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of shares	956 330 298	956 947 071
Potential dilutive effect of outstanding number of share options	14 194 740	10 890 574
Diluted weighted average number of shares	970 525 038	967 837 645

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, nil share options have been excluded from the diluted weighted average number of shares' calculation due to their effect being anti-dilutive.

	2021	2020
DILUTED EARNINGS PER SHARE (CENTS)		
Basic	428.7	57.6
% dilution	1.5%	1.0%
Headline	368.9	118.4
% dilution	1.5%	1.2%

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.

	2021 Rm	2020 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	(88)	(88)
Merchant fee income paid by Woolworths Proprietary Limited	104	109
Accounts receivable by Woolworths Proprietary Limited	56	58
Accounts payable by Woolworths Proprietary Limited	(70)	(75)
NEDGLEN PROPERTIES PROPRIETARY LIMITED		
Rental paid by Woolworths Proprietary Limited	4	4

KEY MANAGEMENT PERSONNEL

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

KEY MANAGEMENT COMPENSATION	2021 Rm	2020 Rm
Short-term employee benefits	163	99
Woolworths Holdings Limited directors	92	61
Other key management personnel	71	38
Post-employment benefits	2	15
Woolworths Holdings Limited directors	1	11
Other key management personnel	1	4
IFRS 2 value of share-based payments expense	84	(26)
Woolworths Holdings Limited directors	53	(5)
Other key management personnel	31	(21)
	249	88

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.

	2021 Rm	2020 Rm
GROUP CARD AND VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	2	2
Annual spend	4	4
Annual repayments	(4)	(4)
Balance outstanding at the end of the year	2	2

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 (2020: 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 21.

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 27 June 2021 and comparative information for 28 June 2020 are set out below:

		Guaranteed pay			Short-term incentives	Long-term incentives	Retention	Remuneration	Remuneration
	Notes	Base salary (1) R'000	Benefits (2) R'000	Total guaranteed pay (3) R'000	Performance bonus (4) R'000	Fair value of shares, options, SARS, LTIP and PSP granted (5) R'000	Fair value of RSP shares (6) R'000	Total remuneration R'000	Single-figure remuneration (7) R'000
2021									
Roy Bagattini	(8)	16 627	1 363	17 990	15 300	–	21 049	54 339	33 291
Reeza Isaacs		6 249	394	6 643	5 091	3 528	2 824	18 086	16 024
Sam Ngumeni		7 417	472	7 889	7 277	4 201	11 010	30 377	21 752
Zyda Rylands		9 026	456	9 482	7 257	5 026	5 700	27 465	24 619
		39 319	**2 685**	**42 004**	**34 925**	**12 755**	**40 583**	**130 267**	**95 686**
2020									
Roy Bagattini		4 669	9 771	14 440	–	–	5 272	19 712	15 715
Ian Moir		12 388	109	12 497	–	–	–	12 497	13 950
Reeza Isaacs		5 896	437	6 333	–	–	3 541	9 874	8 198
Sam Ngumeni		6 959	429	7 388	–	–	5 583	12 971	9 750
Zyda Rylands		8 381	485	8 866	–	–	6 680	15 546	11 694
		38 293	**11 231**	**49 524**	**–**	**–**	**21 076**	**70 600**	**59 307**

NOTES

1. 2020:Base salary reflected post Covid-19 reduction for period April-June 2020.
2. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores.
3. Guaranteed pay and other benefits: actual payments made in the financial year.
4. Short-term incentives: amounts accrued in the financial year relating to the financial performance against target for the year.
5. 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. Where a prior year reversal exceeds the annual expense, the expense has been disclosed as nil.
6. IFRS 2 Share-based payments has been used to equate the annual expense value of RSP shares. Where a prior year reversal exceeds the annual expense, the expense has been disclosed as nil.
7. 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 individual performance measure for the period FY2018 – FY2020, valued using the 30-day VWAP share price of WHL at 27 June 2021 of R54.28 (2020: 30-day VWAP R32.29), instead of the IFRS 2 equity-settled expense.
8. Roy Bagattini was appointed as Group CEO on 17 February 2020.

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 27 June 2021 and comparative information for 28 June 2020 are set out below:

Notes	Directors' fees (1) R'000	Audit Committee member R'000	Nominations Committee member R'000	Remuneration Committee member R'000	Risk and Compliance Committee member R'000	Social and ethics Committee member R'000	Sustainability Committee member R'000	Treasury Committee member R'000	Benefits (2) R'000	Total Non-executive Directors Remuneration R'000
2021										
Hubert Brody	2 250	–	187	129	129	117	117	130	25	3 084
Zarina Bassa	1 282	199	117	245	245	–	–	130	36	2 254
Christopher Colfer	2 533	199	117	129	129	–	–	–	144	3 251
Belinda Earl	1 599	–	–	–	129	–	166	–	–	1 894
David Kneale	421	–	117	129	129	–	–	–	32	828
Nombulelo Moholi	421	–	99	129	129	150	117	–	45	1 090
Thembisa Skweyiya	421	199	–	–	129	148	117	110	29	1 153
Clive Thomson	757	362	–	–	129	117	–	245	40	1 650
	9 684	**959**	**637**	**761**	**1 148**	**532**	**517**	**615**	**351**	**15 204**
2020										
Hubert Brody	1 852	141	141	116	116	105	105	77	34	2 687
Simon Susman	706	–	45	50	50	45	194	–	84	1 174
Zarina Bassa	1 381	179	105	176	221	–	–	77	113	2 252
Tom Boardman	271	–	73	96	50	45	45	–	17	597
Christopher Colfer	2 940	150	70	77	117	–	–	–	171	3 525
Belinda Earl	1 373	–	–	–	116	–	68	–	–	1 557
Andrew Higginson	1 075	144	85	93	93	–	–	–	1	1 491
David Kneale	379	–	105	116	116	–	–	–	25	741
Nombulelo Moholi	400	–	–	122	122	189	111	–	54	998
Thembisa Skweyiya	379	179	–	–	116	–	68	–	23	765
Clive Thomson	812	238	–	–	100	68	–	105	22	1 345
	11 568	**1 031**	**624**	**846**	**1 217**	**452**	**591**	**259**	**544**	**17 132**

NOTES

1. Directors' fees are exclusive of VAT, (2020: post Covid-19 fee reduction for period April – June 2020).
2. Benefits are discounts received on purchases made in WHL Group stores.

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 17.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 27 June 2021, are set out below:

ROY BAGATTINI

			As at 27 June 2020		Awarded		Forfeited		Sold/transferred			As at 27 June 2021		
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	20 Feb 2020	20 Feb 2023	1 432 537	R37.87									1 432 537	1 432 537
	17 Sep 2020	17 Sep 2023			663 356	R35.05							663 356	663 356
Total			1 432 537		663 356								2 095 893	2 095 893
Total			**1 432 537**		**663 356**								**2 095 893**	**2 095 893**

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 28 June 2020		Awarded		Forfeited		Sold/transferred			As at 27 June 2021		
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	42 678	R59.99					42 678	R34.63	1 477 854			–
	23 Aug 2018	23 Aug 2021	217 036	R54.26									217 036	217 036
Total			259 714						42 678		1 477 854		217 036	217 036
PERFORMANCE SHARE PLAN (PSP) SCHEME	24 Aug 2017	24 Aug 2020	78 014	R65.63			78 014							–
	23 Aug 2018	23 Aug 2021	115 248	R51.09									115 248	115 248
	29 Aug 2019	29 Aug 2022	119 967	R51.78									119 967	119 967
	17 Sep 2020	17 Sep 2023			187 168	R35.18							187 168	187 168
Total			313 229		187 168		78 014						422 383	422 383
Total			**572 943**		**187 168**		**78 014**		**42 678**		**1 477 854**		**639 419**	**639 419**

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 17.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 27 June 2021, are set out below:

SAM NGUMENI

			As at 28 June 2020		Awarded		Forfeited		Sold/transferred			As at 27 June 2021		
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	R34.63	1 688 531			–
	23 Aug 2018	23 Aug 2021	371 971	R54.26									371 971	371 971
	17 Sep 2020	17 Sep 2023			671 424	R35.05							671 424	671 424
Total			420 733		671 424				48 762		1 688 531		1 043 395	1 043 395
PERFORMANCE SHARE PLAN (PSP) SCHEME	24 Aug 2017	24 Aug 2020	89 137	R65.63			89 137							–
	23 Aug 2018	23 Aug 2021	131 680	R51.09									131 680	131 680
	29 Aug 2019	29 Aug 2022	142 918	R51.78									142 918	142 918
	17 Sep 2020	17 Sep 2023			222 976	R35.18							222 976	222 976
Total			363 735		222 976		89 137						497 574	497 574
Total			**784 468**		**894 400**		**89 137**		**48 762**		**1 688 531**	**–**	**1 540 969**	**1 540 969**

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.

ZYDA RYLANDS

			As at 28 June 2020		Awarded		Forfeited		Sold/transferred			As at 27 June 2021		
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	29 Aug 2013	29 Aug 2016	40 790	R56.06			40 790							–
Total			40 790				40 790							
RESTRICTED SHARE PLAN (RSP) SCHEME	24 Aug 2017	24 Aug 2020	58 348	R59.99					58 348	R34.63	2 020 475			–
	23 Aug 2018	23 Aug 2021	445 093	R54.26									445 093	445 093
Total			503 441						58 348		2 020 475		445 093	445 093
PERFORMANCE SHARE PLAN (PSP) SCHEME	24 Aug 2017	24 Aug 2020	106 659	R65.63			**106 659**							**–**
	23 Aug 2018	23 Aug 2021	157 566	R51.09									**157 566**	**157 566**
	29 Aug 2019	29 Aug 2022	171 012	R51.78									**171 012**	**171 012**
	17 Sep 2020	17 Sep 2023			266 808	R35.18							**266 808**	**266 808**
Total			**435 237**		**266 808**		**106 659**						**595 386**	**595 386**
Total			**979 468**		**266 808**		**147 449**		**58 348**		**2 020 475**		**1 040 479**	**1 040 479**

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improvements Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2020					
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 2020	6 420	994	6 425	456	14 295
Current year movements:					
Additions	1 477	–	220	145	1 842
Net transfers*	(1 112)	(308)	292	(21)	(1 149)
Disposals/scrappings – cost	–	(102)	(1 198)	(137)	(1 437)
Disposals/scrappings – accumulated depreciation	–	99	1 179	136	1 414
Depreciation	(64)	(106)	(1 366)	(226)	(1 762)
Impairment	–	(37)	(174)	(5)	(216)
Foreign exchange rate differences	1 181	111	815	40	2 147
Balance at June 2020	7 902	651	6 193	388	15 134
Made up as follows:					
Cost	8 306	2 049	14 643	2 025	27 023
Accumulated depreciation	(367)	(1 277)	(7 295)	(1 493)	(10 432)
Accumulated impairment	(37)	(121)	(1 155)	(144)	(1 457)
Net book value at June 2020	7 902	651	6 193	388	15 134
2021					
Current year movements:					
Additions	10	105	762	97	974
Net transfers*	(1)	(101)	(64)	166	–
Disposals/scrappings – cost	(4 526)	(34)	(1 621)	(362)	(6 543)
Disposals/scrappings – accumulated depreciation	230	27	1 509	341	2 107
Disposals/scrappings – accumulated impairment	37	1	8	2	48
Depreciation	(48)	(103)	(1 305)	(215)	(1 671)
Impairment	–	–	(12)	–	(12)
Foreign exchange rate differences	(319)	(56)	(328)	(19)	(722)
Balance at June 2021	3 285	490	5 142	398	9 315
Made up as follows:					
Cost	3 448	1 711	13 337	1 701	20 197
Accumulated depreciation	(163)	(1 110)	(7 130)	(1 164)	(9 567)
Accumulated impairment	–	(111)	(1 065)	(139)	(1 315)
Net book value at June 2021	3 285	490	5 142	398	9 315

* 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.

Refer to note 9 for further details relating to the impairment, including key assumptions used in recoverable value calculations.

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

	Carrying value 2021 Rm	Carrying value 2020 Rm
Retail stores	1 745	6 334
Distribution centres	1 466	1 494
Corporate owner-occupied properties	74	74

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.

The following David Jones properties, previously disclosed under non-current assets held for sale, were disposed during the year:

- Elizabeth Street, in the Sydney CBD, with a carrying value of R4 128 million (A$372.5 million), was disposed for R5 842 million (A$504.4 million), net of A$5.6 million disposal costs. David Jones also entered into a sale and leaseback agreement granting David Jones, as lease tenant, a leasehold interest in the property at market-related terms. The lease is for an initial term of 20 years, together with five options to renew the lease, each for a further term of 10 years.
- Bourke Street Menswear, with a carrying value of R1 112 million (A$94.0 million), was disposed for R1 498 million (A$120.0 million), net of A$1.0 million disposal costs.

9. INTANGIBLE ASSETS

	Brands and customer databases Rm	Computer software Rm	Goodwill Rm	Reacquired rights Rm	Total Rm
2020					
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 2020	825	1 539	4 909	10	7 283
Current year movements:					
Additions	–	588	–	–	588
Net transfers*	–	–	–	–	–
Disposals/scrappings – cost	–	(104)	–	–	(104)
Disposals/scrappings – accumulated amortisation	–	69	–	–	69
Amortisation	(4)	(394)	–	(10)	(408)
Impairment	–	(45)	(37)	–	(82)
Foreign exchange rate differences	158	184	540	–	882
Balance at June 2020	979	1 837	5 412	–	8 228
Made up as follows:					
Cost	7 984	4 376	13 564	490	26 414
Accumulated amortisation	(104)	(2 264)	–	(489)	(2 857)
Accumulated impairment	(6 901)	(275)	(8 152)	(1)	(15 329)
Net book value at June 2020	979	1 837	5 412	–	8 228

9. INTANGIBLE ASSETS (CONTINUED)

	Brands and customer databases Rm	Computer software Rm	Goodwill Rm	Reacquired rights Rm	Total Rm
2021					
Current year movements:					
Additions	–	451	–	–	451
Net transfers*	–	–	–	–	–
Disposals/scrappings – cost	–	(315)	–	–	(315)
Disposals/scrappings – accumulated amortisation	–	296	–	–	296
Amortisation		(405)	–	–	(405)
Impairment	–	–	(12)	–	(12)
Foreign exchange rate differences	(140)	(275)	(282)	–	(697)
Balance at June 2021	839	1 589	5 118	–	7 546
Made up as follows:					
Cost	7 232	4 113	12 469	490	24 304
Accumulated amortisation	(94)	(2 248)	–	(489)	(2 831)
Accumulated impairment	(6 299)	(276)	(7 351)	(1)	(13 927)
Net book value at June 2021	839	1 589	5 118	–	7 546

* 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.

Brands and customer databases include costs of R75 million (2020: R83 million) and accumulated amortisation of R75 million (2020: R83 million) in respect of customer databases. The acquired brands are established trademarks in the retail environment in Australia. Management considers these brands to have indefinite useful lives.

	2021 Rm	2020 Rm
GOODWILL		
The carrying value of goodwill comprises of:		
Arising on acquisition of Virtual Market Place (RF) 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	(6 854)	(6 842)
Foreign exchange rate differences since acquisition	305	587
Closing balance	5 118	5 412

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 (RF) 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

	2021 Rm	2020 Rm
GOODWILL		
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)	(6 817)
Woolworths Fashion, Beauty and Home	1 480	1 480
Country Road Group	1 238	1 238
Foreign exchange rate differences since acquisition	98	238
	2 816	2 956

Covid-19 continued to have an impact on the performance of some of our stores, which necessitated an assessment of the carrying value of certain assets. Accordingly, a net impairment charge has been recognised for property, plant and equipment of R12 million (refer to note 8), goodwill of R12 million (refer to note 9) and right-of-use assets of R340 million (refer to note 10). These include reversals for stores previously assessed for impairment amounting to R97 million in property, plant and equipment and R108 million in right-of-use assets, where store cash flows significantly outperformed previous forecasts.

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 10.6% and 11.6% (2020: 10.7% and 11.6%) 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 1.5% (2020: 1.5%).

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.

WITCHERY GROUP AND POLITIX

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

WITCHERY GROUP

	2021 Rm	2020 Rm
GOODWILL		
Country Road	443	443
Witchery	232	232
Mimco	100	100
Foreign exchange rate differences since acquisition	186	284
	961	1 059

9. INTANGIBLE ASSETS (CONTINUED)

WITCHERY GROUP AND POLITIX (CONTINUED)

	2021 Rm	2020 Rm
BRANDS		
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	128	192
	628	692
POLITIX		
GOODWILL		
Arising on acquisition	513	513
Foreign exchange rate differences since acquisition	21	76
	534	589
BRANDS		
Arising on acquisition	206	206
Foreign exchange rate differences since acquisition	9	31
	215	237

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 10.0% to 11.5% (2020: 9.2% to 10.3%), and cash flows for each CGU beyond the five-year period are extrapolated using a growth rate of 1.5% (2020: 3.0%), which is considered to be the long-term average growth rate for the Australian retail industry. Sales growth and gross margin were considered in determining the value-in-use.

FRANCHISE OPERATIONS

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

	2021 Rm	2020 Rm
GOODWILL		
South Africa	397	397
Botswana	192	192
Namibia	80	80
Rest of Africa	162	162
Foreign exchange rate differences since acquisition	–	(11)
	831	820
Accumulated impairment	(37)	(25)
	794	795

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS

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

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

	Discount rate Low %	Discount rate High %	Long-term growth rate %
2021			
South Africa	11.0	13.7	4.9
Botswana	9.9	12.9	3.2
Namibia	10.0	13.0	4.9
Rest of Africa	9.0	30.1	5.1
2020			
South Africa	11.8	14.4	4.8
Botswana	7.1	9.5	3.5
Namibia	12.6	15.5	4.5
Rest of Africa	9.1	31.5	5.6

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 11.4% (2020: 11.8%).

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. RIGHT-OF-USE ASSETS

The Group has lease contracts for various land and buildings consisting mainly from store leases used in its operations. Leases for land and buildings have, on average, lease terms between six and 21 years, while furniture, fittings, equipment, motor vehicles and computer equipment have lease terms between three and five years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2020				
Cost on adoption	19 651	115	–	19 766
Current year movements:				
Transfers in	–	32	5	37
Additions	803	10	5	818
Terminations – cost	(10)	(7)	–	(17)
Terminations – accumulated depreciation	1	6	–	7
Depreciation	(2 556)	(45)	(1)	(2 602)
Impairment	(491)	–	–	(491)
Remeasurements	375	(4)	–	371
Foreign exchange rate differences	2 630	–	–	2 630
Balance at June 2020	20 403	107	9	20 519
Made up as follows:				
Cost	23 677	146	10	23 833
Accumulated depreciation	(2 782)	(39)	(1)	(2 822)
Accumulated impairment	(492)	–	–	(492)
Net book value at June 2020	20 403	107	9	20 519

10. RIGHT-OF-USE ASSETS (CONTINUED)

	Land and buildings Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2021				
Current year movements:				
Transfers in				
Additions	4 676	19	1	4 696
Terminations – cost	(23)	(15)	–	(38)
Terminations – accumulated depreciation	17	14	–	31
Depreciation	(2 614)	(43)	(3)	(2 660)
Impairment	(341)	–	–	(341)
Remeasurements	(1 506)	(7)	–	(1 513)
Foreign exchange rate differences	(1 578)	–	–	(1 578)
Balance at June 2021	19 034	75	7	19 116
Made up as follows:				
Cost	23 935	143	11	24 089
Accumulated depreciation	(4 017)	(68)	(4)	(4 089)
Accumulated impairment	(884)	–	–	(884)
Net book value at June 2021	19 034	75	7	19 116

Refer to note 9 for further details relating to the impairment, including key assumptions used in recoverable value calculations. Discount rates between 7.50% and 12.66% (2020: 6.87% and 10.011%) were used when considering the right-of-use assets for impairment.

During the year, the Group renegotiated various leases with landlords, particularly within the David Jones segment. As a result, right-of-use assets and lease liabilities were modified by approximately R1.5 billion and R2.3 billion respectively, with lease exit and modifications gains of R591 million (pre-tax) recognised in the current year.

11. OTHER LOANS

	2021 Rm	2020 Rm
Housing and other employee loans	12	8
Balance outstanding at the beginning of the year	8	10
Loans granted during the year	4	1
Loans repaid during the year	–	(3)
Enterprise development loans and other	88	76
Closing balance	97	88
Provision for impairment	(9)	(12)
	100	84

Housing loans bear interest at prime less 2.0% (2020: 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 3.5% to 7.0% (2020: 4.3% to 7.8%).

Other loans are not considered to be past due. Refer to note 25.3 for details of the Group's credit risk management policies.

12. DEFERRED TAX

	2021 Rm	2020 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	3 212	1 459
Amounts (debited)/credited to profit or loss	429	(60)
Property, plant and equipment	7	(23)
Prepayments	4	19
Working capital and provisions	258	41
Post-retirement medical benefit liability	4	4
Share-based payments	29	7
Assessed losses	(2)	(81)
Intangible assets	2	22
Financial instruments	–	(7)
Right-of-use assets	(70)	632
Lease liabilities	197	(674)
Amounts (debited)/credited directly to other comprehensive income	(236)	467
Foreign currency translation reserve adjustment	(269)	448
Financial instrument revaluation reserve adjustment	34	27
Post-retirement medical benefit liability – actuarial gain	(1)	(8)
Amounts debited directly to equity	12	1 346
Share-based payments reserve	12	–
Adjustment on initial application of IFRS 16	–	1 346
Deferred tax asset relating to foreign losses		–
Balance at the end of the year	3 417	3 212
Deferred tax asset	3 417	3 212
Deferred tax liability	–	–
Net deferred tax (liability)/asset	3 417	3 212
Comprising:		
Property, plant and equipment	141	169
Prepayments	(12)	(16)
Working capital and provisions	1 036	806
Post-retirement medical benefit liability	102	99
Share-based payments	104	63
Assessed losses	6	8
Intangible assets	(204)	(231)
Financial instruments	45	57
Right-of-use assets	(6 020)	(6 422)
Lease liabilities	8 219	8 679
	3 417	3 212

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 R6 million (2020: R8 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.

13. INVENTORIES

	2021 Rm	2020 Rm
Merchandise, net of provision	8 495	8 045
Consumables	6	9
	8 501	8 054
Movements in the provision for shrinkage, obsolescence and mark-down were as follows:		
Balance at the beginning of the year	(434)	(215)
Net charge for the year	(289)	(338)
Unused amounts reversed	371	152
Foreign exchange rate differences	20	(33)
Balance at the end of the year	(332)	(434)

14. TRADE AND OTHER RECEIVABLES

	2021 Rm	2020 Rm
CURRENT		
Trade and other receivables	1 253	2 171
Provision for impairment	(5)	(11)
	1 248	2 160
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	(11)	(21)
Charge for the year	(4)	(2)
Amounts written off	12	–
Unused amounts reversed	1	–
Transfer to other loans (refer to note 11)	(3)	12
Balance at the end of the year	(5)	(11)

	June 2021			June 2020		
Ageing of trade debtors provided for:	Gross carrying amount Rm	Expected credit loss rate %	Expected credit loss Rm	Gross carrying amount Rm	Expected credit loss rate %	Expected credit loss Rm
0 – 60 days	889	0.2%	2	1 431	0.1%	1
61 – 90 days	1	–	–	34	–	–
91 – 120 days	7	14.3%	1	44	–	–
121+ days	44	4.5%	2	119	8.4%	10
	941		5	1 628		11

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 by the Group using the simplified model when calculating the ECL. Therefore the Group does not track changes to credit risk, but rather recognises losss allowances based on ECLs at each reporting date. The Group has estalished a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

Included in trade and other receivables is a Right of return asset of R78 million (2020: R45 million). 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. 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 25.5 for the analysis of trade and other receivables. The Group does not hold any collateral as security.

Refer to note 25.3 for detailed information regarding the credit quality of financial assets.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
NON-CURRENT				
Forward exchange contracts held as hedging instruments	13	–	1	–
Interest rate swaps held as hedging instruments	–	10	–	59
	13	10	1	59
CURRENT				
Forward exchange contracts held as hedging instruments	31	303	274	78
Forward exchange contracts not hedge-accounted	2	16	8	8
Interest rate swaps held as hedging instruments	–	50	–	196
	33	369	282	282

FORWARD EXCHANGE CONTRACTS

The notional principal amount of the outstanding contracts at year-end amounts to R7 222 million (2020: R6 984 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 25.4). 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 R4 000 million (2020: R5 597 million). This comprises hedges on the South African debt of R6 500 million (2020: R8 650 million), as well as Australian debt of Rnil million (2020: R8 374 million), including transaction costs of R0.4 million and Rnil respectively. These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 18). 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.

16. STATED CAPITAL

	2021 Rm	2020 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 413	11 407
1 400 582 (2020: 110 571) ordinary shares issued in terms of share incentive schemes	52	6
Balance at the end of the year	11 465	11 413

	2021 R'000	2020 R'000
AUTHORISED		
2 410 600 000 (2020: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
956 676 942 (2020: 956 024 619) ordinary shares of no par value	–	–
	–	–

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE

	Number of shares 2021	2020
Balance at the beginning of the year	956 024 619	956 993 049
Shares purchased from the market and held as treasury shares in terms of the Restricted Share Plan	(2 976 552)	(1 699 987)
Shares sold in terms of the Restricted Share Plan	1 356 675	439 562
Shares allocated in terms of the Restricted Share Plan	871 618	181 424
Shares issued in terms of share incentive schemes	1 400 582	110 571
Balance at the end of the year	956 676 942	956 024 619

2 976 552 (2020: 1 699 987) ordinary shares totalling R122 million (2020: R64 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. 1 356 675 (2020: 439 562) ordinary shares totalling R52 million (2020: R28 million) were sold to the market in terms of the Group's Restricted Share Plan. 871 618 (2020: 181 424) ordinary shares totalling R54 million (2020: R14 million) previously purchased were allocated to employees in terms of the Group's Restricted Share Plan.

1 400 582 (2020: 110 571) ordinary shares totalling R52 million (2020: R6 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 26 for more information on the Group's capital management policy.

SHARE INCENTIVE SCHEMES

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 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 R122 million in the current year (2020: R64 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 %
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; 20 February 2020; 1 June 2020; 17 September 2020; 4 November 2020; 25 February 2021; 1 March 2021; 17 May 2021; 1 June 2021	–	25	25	50

	Number of shares 2021	2020
SHARES GRANTED TO PARTICIPANTS		
Balance at the beginning of the year	8 290 564	7 211 563
Purchased	2 976 552	1 699 987
Vested	(871 618)	(181 424)
Forfeited	(1 356 675)	(439 562)
Balance at the end of the year	9 038 823	8 290 564
Market value per share at the end of the year (rands)	54.39	32.76
Percentage of shares vested at the end of the year	10.5%	2.5%
Weighted average price per share purchased (rands)	40.34	37.50
Number of participants on RSP	97	105

Period of offer	Number of shares 2021	2020	Fair value at grant date
27 August 2015 and 27 August 2020	–	13 818	95.03
1 November 2015 and 1 November 2020	–	3 836	97.75
19 May 2016 and 19 May 2021	–	28 500	84.13
25 August 2016 and 25 August 2021	28 506	57 013	83.31
17 May 2017 and 17 May 2022	28 457	42 685	66.58
24 August 2017 and 24 August 2020	–	1 573 033	59.99
1 September 2017 and 1 September 2022	46 679	93 357	59.99
22 February 2018 and 22 February 2023	28 953	38 604	64.76
1 March 2018 and 1 March 2023	23 164	46 325	64.76
16 May 2018 and 16 May 2023	89 199	419 498	56.62
1 June 2018 and 1 June 2021	–	19 076	56.62
23 August 2018 and 24 August 2021	868 464	868 464	53.35
23 August 2018 and 24 August 2023	3 291 257	3 351 479	54.26
1 May 2019 and 1 May 2024	12 968	34 889	46.80
20 February 2020 and 20 February 2025	1 524 815	1 524 815	37.87
1 June 2020 and 1 June 2025	175 172	175 172	34.25
17 September 2020 and 17 September 2025	638 391	–	35.05
17 September 2020 and 17 September 2023	1 334 780	–	35.05
4 November 2020 and 4 November 2025	722 181	–	50.58
25 February 2021 and 25 February 2026	29 659	–	50.58
1 March 2021 and 1 March 2026	59 317	–	50.58
17 May 2021 and 17 May 2026	35 661	–	51.88
1 June 2021 and 1 June 2026	101 200	–	51.88
Balance at the end of the year	9 038 823	8 290 564	

16. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS PERFORMANCE SHARE PLAN (PSP)

The Performance Share Plan provides executives and employees with the opportunity to receive Woolworths Holdings Limited shares by way of conditional awards of shares, which are subject to the fulfilment of predetermined performance conditions covering a three-year period, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are weighted between adjusted headline earnings per share (aHEPS) growth 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 ROCE performance condition, which has a 25.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100.0% vesting. For Performance Share Plan schemes issued from and including August 2018, the TSR condition has been replaced by a cash flow condition. The cash flow condition has a 25.0% weighting, the ROCE has a 25.0% weighting and the aHEPS remains with a 50% 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 1.93% and 3.84% and a risk-free interest rate based on the bootstrapped zero-coupon perfect fit swap curve as at the grant date with a term consistent with the life of the awards.

	Number of awards 2021	2020
AWARDS GRANTED TO PARTICIPANTS		
Balance at the beginning of the year	10 818 556	8 624 228
Granted and back-dated dividends	8 029 040	4 842 412
Exercised	(1 400 582)	(60 534)
Forfeited	(2 579 325)	(2 587 550)
Balance at the end of the year	14 867 689	10 818 556
Weighted average exercise price per award outstanding at the end of the year (rands)	43.60	54.30
Weighted average exercise price per award granted (rands)	35.49	51.34
Weighted average exercise price per award forfeited (rands)	57.57	75.55
Weighted average market price per award exercised (rands)	37.17	46.63
Number of participants on PSP	779	757

Period of offer	Number of awards 2021	2020	Exercise price	Fair value at grant date
24 August 2017 and 24 August 2020	–	917 766	65.63	45.88
24 August 2017 and 24 August 2020[1]	–	725 230	65.63	49.78
24 August 2017 and 24 August 2020[2]	–	626 465	65.63	54.15
22 February 2018 and 22 February 2021[1]	–	88 157	65.60	49.76
22 February 2018 and 22 February 2021[2]	–	51 878	65.60	53.42
23 August 2018 and 23 August 2021[3]	1 578 884	1 708 623	51.09	50.60
23 August 2018 and 23 August 2021[1&3]	1 162 203	1 191 350	51.09	50.60
23 August 2018 and 23 August 2021[2&3]	732 998	858 009	51.09	50.60
21 February 2019 and 21 February 2022[1]	89 658	97 719	45.16	43.05
21 February 2019 and 21 February 2022[2]	105 854	132 146	45.16	43.05
29 August 2019 and 29 August 2022	1 636 288	1 768 290	51.78	53.93
29 August 2019 and 29 August 2022[1]	1 258 573	1 293 438	51.78	53.93
29 August 2019 and 29 August 2022[2]	928 418	1 103 751	51.78	53.93
20 February 2020 and 20 February 2023[1]	93 291	93 291	43.95	42.40
20 February 2020 and 20 February 2023[2]	149 078	162 443	43.95	42.40
17 September 2020 and 17 September 2023	3 244 387	–	35.18	36.00
17 September 2020 and 17 September 2023[1]	1 840 918	–	35.18	36.00
17 September 2020 and 17 September 2023[2]	1 827 602	–	35.18	36.00
25 February 2021 and 25 February 2024	51 774	–	45.84	47.13
25 February 2021 and 25 February 2024[1]	49 175	–	45.84	47.13
25 February 2021 and 25 February 2024[2]	118 588	–	45.84	47.13
Balance at the end of the year	14 867 689	10 818 556		

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 2021	2020
RIGHTS GRANTED TO PARTICIPANTS		
Balance at the beginning of the year	1 140 487	1 722 537
Exercised	–	(506 300)
Forfeited	(1 140 487)	(75 750)
Balance at the end of the year	–	1 140 487
Weighted average exercise price per right outstanding at the end of the year (rands)	–	56.10
Weighted average exercise price per right exercised (rands)	–	51.79
Weighted average exercise price per right forfeited (rands)	56.10	61.81
Weighted average market price per right exercised (rands)	–	57.50
Number of participants on SARS	–	165

Period of offer	Number of rights 2021	2020	Original exercise price	Current exercise price*	Fair value at grant date
29 August 2013 and 29 August 2020	–	1 030 595	60.72	56.06	20.22
13 February 2014 and 13 February 2021	–	109 892	61.23	56.48	17.76
Balance at the end of the year	–	1 140 487			

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

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.

17. RESERVES

	2021 Rm	2020 Rm
NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	637	1 664
DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	336	303
Share-based payments arising from the Group's share incentive schemes	77	33
Shares	238	91
Tax on share-based payments recognised in equity	12	1
Settlement of share-based payments	(108)	(14)
Transfer between reserves	(65)	(45)
Balance at the end of the year	413	336
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative financial instruments	(175)	49
Accumulated loss	(1 054)	(5 245)
Company	118	125
Arising on consolidation of subsidiaries	(1 172)	(5 370)
Total accumulated loss	(816)	(4 860)

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 16 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/(ACCUMULATED LOSS)

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

18. INTEREST-BEARING BORROWINGS

	2021 Rm	2020 Rm
NON-CURRENT		
Long-term loans	5 963	16 023
	5 963	16 023
CURRENT		
Current portion of long-term loans	537	1 000
Overdrafts	140	97
	677	1 097

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 25.2).

A significant portion of the interest associated with such borrowings is subject to interest rate swaps (refer to note 15).

Notes to the value of R3.3 billion (2020: R3.8 billion) are outstanding 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.

Debt Facilities of A$93.0 million have been established for the Country Road Group (CRG) and are secured by property mortgages and a General Security Deed over the assets of CRG. As at 27 June 2021, the facilities are undrawn.

Subsequent to the sale of two of its properties, David Jones has repaid and cancelled all its long-term debt facilities, inclusive of A$300 million of bonds. A rental bank guarantee of A$25.5 million was in place at 27 June 2021. This facility is secured by property mortgages.

Refer to note 25.4 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	2021 Rm	2020 Rm
Financial year 2022	537	–	537	1 000
Financial year 2023	2 150	–	2 150	5 356
Financial year 2024	1 513	–	1 513	4 417
Financial year 2025 and onwards	2 300	–	2 300	6 250
	6 500	–	6 500	17 023

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

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

19. LEASE LIABILITIES

	2021 Rm	2020 Rm
NON-CURRENT		
Lease liabilities	24 608	25 929
	24 608	25 929
CURRENT		
Lease liabilities	2 586	2 670
	2 586	2 670
The maturity profile of lease liabilities is as follows:		
Within one year	3 969	4 096
Within two to five years	13 750	14 086
Thereafter	19 436	18 995
	37 155	37 177

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				Non-cash changes				
	2020 Rm	Cash flows Rm	Additions Rm	Amortised costs Rm	Foreign exchange movement Rm	Lease modifi-cations and rental relief/fair value changes Rm	Rent deferment in other payables Rm	2021 Rm
Long-term loans (refer to note 18)	17 023	(10 398)	–	69	(194)	–	–	6 500
Lease liabilities	28 599	(3 048)	6 081	–	(2 280)	(2 504)	346	27 194
	45 622	**(13 446)**	**6 081**	**69**	**(2 474)**	**(2 504)**	**346**	**33 694**
	2019 Rm	Rm	Rm	Rm	Rm	Rm	Rm	2020 Rm
Long-term loans (refer to note 18)	13 484	2 298	–	1	1 240	–	–	17 023
Finance leases	38	–	–	–	–	–	–	38
Finance leases reclassified	(38)	–	–	–	–	–	–	(38)
Lease liabilities	26 505	(2 263)	857	–	3 712	121	(333)	28 599
	39 989	**35**	**857**	**1**	**4 952**	**121**	**(333)**	**45 622**

20. TRADE AND OTHER PAYABLES

	2021 Rm	2020 Rm
CURRENT		
Trade payables	4 594	5 052
Other payables	5 031	5 710
	9 625	10 762

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

The carrying value of trade and other payables approximates their fair value.

21. RETIREMENT BENEFIT INFORMATION

Woolworths permanent employees under the age of 63 (2020: 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 29 February 2020, confirmed the fund's financial soundness. The annual review, as at 28 February 2021, is in the process of being completed and will be available during September 2021.

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 R877 million (2020: R856 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 (2020: nil). The discount rate used to value the liability at year-end is 10.7% (2020: 10.6%) per annum.

At year-end, the accrued liability amounted to R363 million (2020: R354 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.

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

	2021 Rm	2020 Rm
Funding liability at the beginning of the year	354	369
Current service cost	2	3
Interest on obligation	36	35
Employer contributions	(24)	(23)
Actuarial gain before tax	(5)	(30)
Funding liability at the end of the year	363	354

21. RETIREMENT BENEFIT INFORMATION (CONTINUED)

	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Funding liability	363	354	369	404	386
Funding deficit	363	354	369	404	386
Actuarial gain before tax	(5)	(30)	(21)	(2)	(21)

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

	2021 Rm	2020 Rm
Within 12 months	28	27
Between one and five years	160	128
Between five and 10 years	213	204
Beyond 10 years	258	248
Total expected payments	659	607

A 1.0 percentage point increase or decrease in the assumed medical inflation rate of 8.3% (2020: 8.0%) would have the following effect:

2021			
Medical inflation assumption	8.3%	7.3%	9.3%
Service cost for the year ended June 2021	2	2	3
Interest cost for the year ended June 2021	36	34	42
Accrued liability at June 2021	363	331	401
2020			
Medical inflation assumption	8.0%	7.0%	9.0%
Service cost for the year ended June 2020	3	2	3
Interest cost for the year ended June 2020	35	33	40
Accrued liability at June 2020	354	322	391

A 0.5 percentage point increase or decrease in the discount rate of 10.7% (2020: 10.6%) would have the following effect:

2021			
Discount rate assumption	10.7%	10.2%	11.2%
Accrued liability at June 2021	363	381	347
2020			
Discount rate assumption	10.6%	10.1%	11.1%
Accrued liability at June 2020	354	371	338

A one-year increase or decrease in the retirement age of 63 (2020: 63) would have the following effect:

2021			
Retirement age assumption	63	62	64
Accrued liability at June 2021	363	367	360
2020			
Retirement age assumption	63	62	64
Accrued liability at June 2020	354	357	350

22. PROVISIONS

	Leave pay Rm	Employee benefits Rm	Sales returns and other Rm	Total 2021 Rm	Total 2020 Rm
NON-CURRENT					
Balance at the beginning of the year	149	140	92	381	436
Raised/transferred	168	(19)	(8)	141	17
Utilised	(142)	–	–	(142)	(104)
Foreign exchange rate differences	–	(11)	(8)	(19)	32
Balance at the end of the year	175	110	76	361	381
CURRENT					
Balance at the beginning of the year	266	307	275	848	922
Raised/transferred	552	258	270	1 080	746
Utilised	(256)	(84)	(182)	(522)	(948)
Foreign exchange rate differences	(29)	(44)	(25)	(98)	128
Balance at the end of the year	533	437	338	1 308	848

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.

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 R173 million (2020: R104 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 14), and a provision of R161 million (2020: R154 million) for store closure costs.

23. CAPITAL COMMITMENTS

	2021 Rm	2020 Rm
Commitments in respect of capital expenditure not accrued at the reporting date:		
Contracted for	986	546
Not contracted for	1 798	1 120
	2 784	1 666

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

24. 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.

25. 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.

25.1 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
2021				
FORWARD EXCHANGE CONTRACTS				
US dollar	455	6 739	15.18	(266)
British pound	2	45	20.83	(1)
Euro	24	414	17.67	(6)
Chinese Yuan	5	10	2.23	–
Other currencies	1	14	1.00	–
		7 222		(273)
TRADE PAYABLES				
US dollar (closing rate)	41	573	15.44	54
2020				
FORWARD EXCHANGE CONTRACTS				
US dollar	386	6 494	17.02	197
British pound	4	82	20.23	3
Euro	19	378	19.53	(1)
Chinese Yuan	5	13	2.61	(1)
Other currencies	1	17	1.00	–
		6 984		198
TRADE PAYABLES				
US dollar (closing rate)	36	638	15.66	33

At year-end, the Group held 890 (2020: 1 136) forward exchange contracts in order to hedge expected future purchases from suppliers outside South Africa, to which the Group has firm commitments. Of these, 772 (2020: 1 027) are designated cash flow hedges in an effective hedging relationship.

The remaining 118 (2020: 109) forward exchange contracts are not designated as cash flow hedges. At year-end, an unrealised loss of R14 million (2020: R4 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 R16 million (2020: R47 million), with a related deferred tax liability of R5 million (2020: R14 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 2021	Average rate 2020	Closing rate 2021	Closing rate 2020
US dollar/rand	15.44	15.66	14.12	17.24
Australian dollar/rand	11.50	10.48	10.73	11.83

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

	Movement in foreign exchange rate %	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2021			
US DOLLAR			
Foreign creditors	+5	29	–
	–5	(29)	–
Forward exchange contracts	+5	(141)	(334)
	–5	141	334
2020			
US DOLLAR			
Foreign creditors	+5	34	–
	–5	(34)	–
Forward exchange contracts	+5	(117)	(350)
	–5	117	350

TRANSLATIONAL FOREIGN EXCHANGE RISK

NET INVESTMENT 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.

	2021 Rm	2020 Rm
The Group has unhedged interests in foreign subsidiaries of:		
Australian dollar	9 621	8 939

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.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2021		
Australian dollar	+5	(481)
	–5	481
2020		
Australian dollar	+5	(447)
	–5	447

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.

	2021 Rm	2020 Rm
Foreign cash and cash equivalent balances/(overdrafts) are concentrated in the following major currencies:		
US dollar	(135)	(81)
Australian dollar	3 813	3 949
	3 678	3 868

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

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2021		
Australian dollar	+5	(191)
	–5	191
2020		
Australian dollar	+5	(197)
	–5	197

25.2 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.

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 62% (2020: 33%) of floating rate exposure for fixed rates.

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

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

	Movement in basis points	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2021			
SOUTH AFRICA			
Interest-bearing borrowings	+50	32	–
	–50	(32)	–
Interest rate swaps	+50	(20)	(8)
	–50	20	8
Cash and cash equivalents	+50	(6)	–
	–50	6	–
AUSTRALIA			
Interest-bearing borrowings	+10	–	–
	–10	–	–
Interest rate swaps	+10	–	–
	–10	–	–
Cash and cash equivalents	+10	(4)	–
	–10	4	–
2020			
SOUTH AFRICA			
Interest-bearing borrowings	+50	43	–
	–50	(43)	–
Interest rate swaps	+50	(20)	(27)
	–50	20	27
Cash and cash equivalents	+50	(5)	–
	–50	5	–
AUSTRALIA			
Interest-bearing borrowings	+50	34	–
	-50	(34)	–
Interest rate swaps	+50	(8)	(8)
	-50	8	8
Cash and cash equivalents	+50	(13)	–
	-50	13	–

At year-end, the South African prime interest rate was 7.00% (2020: 7.25%). JIBAR was 3.683% (2020: 3.91%). The Australian prime interest rate was 0.10% (2020: 0.25%).

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

	2021 Rm	2021 Effective interest rate %	2020 Rm	2020 Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long-term loans	6 500	7.8	17 023	4.3 – 7.7
Overdrafts	140	2.4 – 4.8	97	3.6 – 9.6
% of total borrowings	100%		100%	

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 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
2021					
Long-term loans	–	–	537	5 963	–
Overdrafts	–	140	–	–	–
2020					
Long-term loans	–	250	750	12 475	3 548
Overdrafts	–	97	–	–	–

The table below indicates the nominal amount and weighted average maturity of the Group's risk exposure that is directly affected by the interest rate benchmark reform analysed by interest rate basis.

	Nominal Amount Rm	2021 Average Time to Maturity (Years)
INTEREST-BEARING BORROWINGS – REFER TO NOTE 18		
JIBAR (3 Months)	6 500	2.15

The notional principal amount of the interest rate swaps at year-end amounts to R4 000 million of which R1 000 million could be affected by the interest rate reform. The balance of contracts expire within six months after year-end and would not be affected.

The Group is managing the transition process to an alternative benchmark rate by maintaining proactive engagement with its lenders.

25.3 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 25.5.

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	2021 Rm	Rating	2020 Rm
FINANCIAL ASSETS				
Other loans	High grade	38	High grade	43
Trade and other receivables	High grade	936	High grade	1 617
Enterprise development loans	Low grade	26	Low grade	21
Derivative financial instruments*	High grade	46	High grade	283
Cash and cash equivalents*	High grade	5 624	High grade	5 534

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.4 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.

	2021 Rm	2020 Rm
BANKING AND DEBT FACILITIES		
Total banking and debt facilities	14 382	24 311
Less: Portion utilised	(6 980)	(17 439)
Total undrawn banking and debt facilities	7 402	6 872
Made up as follows:	7 402	6 872
Committed	7 285	6 340
Uncommitted	117	532

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
2021					
Interest-bearing borrowings*	–	87	794	6 519	–
Forward exchange contracts	–	158	161	–	–
Interest rate swaps	–	–	50	10	–
Trade and other payables	422	8 412	42	116	–
Overdrafts	–	140	–	–	–
2020					
Interest-bearing borrowings*	–	447	1 284	13 766	3 615
Forward exchange contracts	–	12	72	2	–
Interest rate swaps	–	9	187	59	–
Trade and other payables	370	9 642	82	198	–
Overdrafts	–	97	–	–	–

* Includes interest payments

BORROWING CAPACITY

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

25.5 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
2021						
ASSETS						
Other loans	11	100	–	–	–	100
Trade and other receivables	14	936	–	–	312	1 248
Derivative financial instruments	15	–	2	44	–	46
Cash and cash equivalents	28.4	5 624	–	–	–	5 624
		6 660	2	44	312	7 018

	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
2021						
LIABILITIES						
Interest-bearing borrowings	18	6 640	–	–	–	6 640
Trade and other payables	20	8 992	–	–	633	9 625
Derivative financial instruments	15	–	16	363	–	379
		15 632	16	363	633	16 644

	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
2020						
ASSETS						
Other loans	11	84	–	–	–	84
Trade and other receivables	14	1 790	–	–	370	2 160
Derivative financial instruments	15	–	8	275	–	283
Cash and cash equivalents	28.4	5 534	–	–	–	5 534
		7 408	8	275	370	8 061

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

	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
2020						
LIABILITIES						
Interest-bearing borrowings	18	17 120	–	–	–	17 120
Trade and other payables	20	10 292	–	–	470	10 762
Derivative financial instruments	15	–	8	333	–	341
		27 412	8	333	470	28 223

25.6 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
2021					
Loans and receivables	–	83	–	–	83
Financial liabilities at amortised cost	–	–	(991)	–	(991)
Financial instruments at fair value through profit or loss	14	–	–	–	14
Derivatives used as hedging instruments	(498)	–	–	–	(498)
	(484)	83	(991)	–	(1 392)
2020					
Loans and receivables	–	62	–	–	62
Financial liabilities at amortised cost	–	–	(1 133)	–	(1 133)
Financial instruments at fair value through profit or loss	(4)	–	–	–	(4)
Derivatives used as hedging instruments	35	–	–	–	35
	31	62	(1 133)	–	(1 040)

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:

	2021 Rm	2020 Rm
Forward exchange contracts	(713)	239
Interest rate swaps	296	(94)
Reclassified to non-financial assets	156	(86)
Reclassified to profit or loss	(81)	(24)
	(342)	35

25.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Fair value measurement using	Carrying amount 2021 Rm	Carrying amount 2020 Rm	Fair value 2021 Rm	Fair value 2020 Rm
FINANCIAL ASSETS					
Derivative financial instruments					
Forward exchange contracts	Level 2	46	283	46	283
FINANCIAL LIABILITIES					
Derivative financial instruments					
Forward exchange contracts	Level 2	319	86	319	86
Interest rate swaps	Level 2	60	255	60	255

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.

26. MANAGEMENT OF CAPITAL

The Group considers stated capital (note 16), reserves (note 17) and interest-bearing borrowings (note 18) 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.

	2021	2020
Return on equity	44.6%	18.0%

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.

27. DIVIDENDS TO ORDINARY SHAREHOLDERS

	2021 Rm	2020 Rm
Dividend no. 45 of 98.5 cents per share was declared on 28 August 2019 and paid on 23 September 2019	–	1 033
Less: Dividend received on treasury shares	–	(83)
Dividend no. 46 of 89.0 cents per share was declared on 19 February 2020 and paid on 16 March 2020	–	933
Less: Dividend received on treasury shares	–	(75)
Total net dividends paid	–	1 808

Dividend no. 47 of 66.0 cents per share was declared on 25 August 2021.

28. CASH FLOW INFORMATION

	2021 Rm	2020 Rm
28.1 CASH INFLOW FROM TRADING		
Profit before tax	5 150	1 402
Investment income	(83)	(62)
Earnings from joint ventures	(118)	(101)
Depreciation and amortisation	4 736	4 772
Net (gain)/loss on disposal of property, plant and equipment and intangible assets	(478)	35
Net impairment of property, plant and equipment, intangible assets and right-of-use assets	364	789
Finance costs	2 502	2 688
Movement in other provisions and post-retirement medical benefit liability	(69)	(50)
Share-based payments	238	91
Rent relief and IFRS 16 lease exit and modification gains	(835)	(105)
Foreign exchange gain	(14)	(22)
Net inflow from trading	11 393	9 437
28.2 WORKING CAPITAL MOVEMENTS		
(Increase)/decrease in inventories	(929)	921
Decrease/(increase) in trade and other receivables	852	(512)
Increase in trade and other payables and other provisions	333	1 295
Net inflow	256	1 704
28.3 TAX PAID		
NORMAL AND FOREIGN TAX		
Amounts owing at the beginning of the year (net)	(147)	3
Amounts charged to profit or loss	(1 416)	(783)
Amounts recognised in other comprehensive income	100	(39)
Amounts recognised in share-based payments reserve	–	1
Amounts recognised on deferred tax asset relating to foreign losses	–	–
Foreign currency translation reserve	13	(14)
Amounts receivable at the end of the year	(48)	(4)
Amounts owing at the end of the year	390	151
Amount paid	(1 108)	(685)
28.4 NET CASH AND CASH EQUIVALENTS		
Local – variable interest rates of 0% to 6.4% (2020: 0% to 6.4%)	1 612	1 177
Foreign – variable interest rates of 0% to 1.2% (2020: 0% to 3.1%)	4 012	4 357
Cash and cash equivalents	5 624	5 534
Foreign overdrafts – variable interest rates of 2.4% to 4.8% (2020: 3.1% to 9.6%)	(140)	(97)
Net cash and cash equivalents	5 484	5 437

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

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:

	2021 Rm	2020 Rm
ASSETS		
Current assets, including cash and cash equivalents of R107 million (2020: R96 million)	7 318	7 511
Non-current assets	3 287	2 916
	10 605	10 427
LIABILITIES		
Current liabilities, including financial liabilities of R230 million (2020: R189 million)	(240)	(201)
Non-current liabilities, including financial liabilities of R8 589 million (2020: R8 737 million)	(8 602)	(8 762)
	(8 842)	(8 963)
EQUITY	1 763	1 464
Group carrying amount of investment in WFS	882	732
Summarised Statement of Comprehensive Income:		
Revenue (including gross investment income of R1 665 million (2020: R2 135 million))	2 044	2 377
Operating costs (including depreciation of R50 million (2020: R48 million) and impairment charge of R690 million (2020: R1 043 million))	1 711	2 096
Profit before tax	333	281
Tax	98	80
Total comprehensive income	235	201
Group proportionate share	118	101
Group carrying amount of investment in Nedglen	11	10
Total investment in joint ventures	893	742
The following dividends were received during the year:		
Woolworths Financial Services Proprietary Limited	–	170

The Group's share of Nedglen profits amounted to R1.0 million (2020: R1.2 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

In July 2021, the province of KwaZulu-Natal (KZN) and parts of Gauteng in South Africa experienced civil unrest, which escalated into widespread looting and destruction of property. Eleven Woolworths stores were looted and severely damaged and although looters gained entry to the Maxmead Distribution Centre (DC) in KZN, the infrastructure remained secured, together with our other DCs.

The Group has SA Special Risk Insurance Assurance (SASRIA) cover in place in respect of material damage caused by the rioting, together with the related business interruption cover. At the date of this report, our assessment of the loss of stock is estimated to be between R50 million and R60 million and damage to fixtures and fittings to be between R140 million and R150 million. In addition, loss of trade is estimated to be between R150 million and R200 million. We will lodge our claims once our investigations are complete, and will account for this upon confirmation of the value from the insurance assessors.

In Australia and New Zealand, we experienced significant disruption to trade post year-end due to the various lockdowns, resulting in store closures arising from a spike in Covid-19 infections. While this has had a significant impact on our trade, we have been monitoring the situation and actively managing our inventory levels and cash flow.

31. SEGMENTAL INFORMATION

31.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

	2021									2020								
		Woolworths									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	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	80 942	12 869	37 827	574	–	18 113	12 056	70	(567)	74 058	12 438	35 258	517	–	16 566	9 723	49	(493)
Turnover and concession sales	85 857	12 860	38 286	574	–	24 147	12 022	–	(2 032)	78 262	12 421	35 817	517	–	21 542	9 655	–	(1 690)
Concession sales	(7 094)	(5)	(543)	–	–	(8 578)	–	–	2 032	(6 054)	–	(676)	–	–	(7 068)	–	–	1 690
Turnover	78 763	12 855	37 743	574	–	15 569	12 022	–	–	72 208	12 421	35 141	517	–	14 474	9 655	–	–
Cost of sales	49 816	7 003	28 491	574	–	9 302	4 720	–	(274)	46 859	6 953	26 397	517	–	9 235	4 034	–	(277)
Gross profit	28 947	5 852	9 252	–	–	6 267	7 302	–	274	25 349	5 468	8 744	–	–	5 239	5 621	–	277
Other revenue	2 096	14	84	–	–	2 536	26	3	(567)	1 788	17	117	–	–	2 088	59	–	(493)
Expenses	24 311	4 795	6 329	–	–	7 898	5 567	15	(293)	22 411	4 531	5 951	–	–	7 070	5 058	17	(216)
Segmental operating profit	6 732	1 071	3 007	–	–	905	1 761	(12)	–	4 726	954	2 910	–	–	257	622	(17)	–
Profit on sale of property in Australia	492	–	–	–	–	492	–	–	–	–	–	–	–	–	–	–	–	–
Lease exit and modification gains	591	19	–	–	–	572		–	–	–	–	–	–	–	–	–	–	–
Impairment of assets	364	9	6	–	–	271	78	–	–	799	67	5	–	–	658	69	–	–
Investment income	83	–	–	–	–	8	8	67	–	62	–	–	–	–	4	9	49	–
Finance costs	2 502	–	–	–	–	171	17	2 314	–	2 688	–	–	–	–	102	1	2 585	–
Earnings from joint ventures	118	–	–	–	118	–	–	–	–	101	–	–	–	101	–	–	–	–
Profit before tax	5 150	1 081	3 001	–	118	1 535	1 674	(2 259)	–	1 402	887	2 905	–	101	(499)	561	(2 553)	–
Adjustments	(582)	2	8	–	–	(699)	83	24	–	766	61	(9)	–	–	650	60	4	–
Adjusted profit for the year	4 568	1 083	3 009	–	118	836	1 757	(2 235)	–	2 168	948	2 896	–	101	151	621	(2 549)	–
Return on equity	44.6%									18.0%								

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

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

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

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

31. SEGMENTAL INFORMATION (CONTINUED)

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

	2021						2020					
		Woolworths						Woolworths				
	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	16 861	6 871	–	5 102	4 888	–	24 474	7 070	–	11 753	5 651	–
Right-of-use assets	19 116	4 581	–	11 072	3 463	–	20 519	5 281	–	10 590	4 648	–
Inventories	8 501	4 458	–	2 737	1 306	–	8 054	3 959	–	2 668	1 427	–
Trade and other receivables, derivative financial assets and loans	1 394	947	–	211	226	10	2 527	986	–	761	624	156
Cash and cash equivalents	5 624	1 726	–	3 066	760	72	5 534	1 439	–	2 687	1 362	46
Segment assets	51 496	18 583	–	22 188	10 643	82	61 108	18 735	–	28 459	13 712	202
Investment in joint ventures	893	10	883	–	–	–	742	10	732	–	–	–
Tax and deferred tax assets	3 465	686	–	2 453	310	16	3 216	503	–	2 503	194	16
Total assets	55 854	19 279	883	24 641	10 953	98	65 066	19 248	732	30 962	13 906	218
Trade and other payables, provisions, derivative financial instruments and other non-current liabilities	12 036	6 558	–	3 369	1 795	314	12 686	5 969	–	4 242	2 188	287
Interest-bearing borrowings and overdrafts	6 640	140	–	–	–	6 500	17 120	97	–	–	–	17 023
Lease liabilities	27 194	6 055	–	16 854	4 285	–	28 599	6 727	–	16 305	5 567	–
Segment liabilities	45 870	12 753	–	20 223	6 080	6 814	58 405	12 793	–	20 547	7 755	17 310
Tax and deferred tax liabilities	390	(307)	–	–	303	394	151	16	–	–	135	–
Total liabilities	46 260	12 446	–	20 223	6 383	7 208	58 556	12 809	–	20 547	7 890	17 310
Debt ratio	11.9%						26.3%					
Depreciation and amortisation	4 736	1 746	–	1 589	1 401	–	4 772	1 773	–	1 558	1 441	–
Net impairment of property, plant and equipment and intangible assets	364	15	–	271	78	–	789	62	–	658	69	–
Share-based payment expense	238	188	–	29	21	–	91	85	–	4	2	–
Capital expenditure (gross)	1 425	926	–	319	180	–	2 430	1 023	–	1 170	237	–
Capital commitments	2 784	1 804	–	600	380	–	1 666	1 066	–	409	191	–
Shareholding		100.0%	50.0%	100.0%	100.0%	100.0%		100.0%	50.0%	100.0%	100.0%	100.0%

31. SEGMENTAL INFORMATION (CONTINUED)

31.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

	2021									2020								
		Woolworths									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	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
REVENUE																		
South Africa	49 660	11 501	37 137	574	–	–	945	70	(567)	46 717	11 107	34 683	517	–	–	854	49	(493)
Rest of Africa	2 058	1 368	690	–	–	–	–	–	–	1 823	1 248	575	–	–	–	–	–	–
Australia and New Zealand	29 224	–	–	–	–	18 113	11 111	–	–	25 518	83	–	–	–	16 566	8 869	–	–
	80 942	12 869	37 827	574	–	18 113	12 056	70	(567)	74 058	12 438	35 258	517	–	16 566	9 723	49	(493)
TURNOVER																		
South Africa	50 059	11 487	37 053	574	–	–	945	–	–	47 027	11 090	34 566	517	–	–	854	–	–
Rest of Africa	2 058	1 368	690	–	–	–	–	–	–	1 823	1 248	575	–	–	–	–	–	–
Australia and New Zealand	26 646	–	–	–	–	15 569	11 077	–	–	23 358	83	–	–	–	14 474	8 801	–	–
	78 763	12 855	37 743	574	–	15 569	12 022	–	–	72 208	12 421	35 141	517	–	14 474	9 655	–	–

	2021						2020					
	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
TOTAL ASSETS												
South Africa	20 074	18 593	883	–	516	82	20 198	18 745	732	–	519	202
Australia and New Zealand	32 315	–	–	22 188	10 127	–	41 652	–	–	28 459	13 193	–
	52 389	18 593	883	22 188	10 643	82	61 850	18 745	732	28 459	13 712	202
Tax and deferred tax assets	3 465						3 216					
	55 854						65 066					
CAPITAL EXPENDITURE (GROSS)												
South Africa	930	926	–	–	4	–	1 036	1 023	–	–	13	–
Australia and New Zealand	495	–	–	319	176	–	1 394	–	–	1 170	224	–
	1 425	926	–	319	180	–	2 430	1 023	–	1 170	237	–

COMPANY ANNUAL FINANCIAL STATEMENTS

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 27 June 2021 Rm	52 weeks to 28 June 2020 Rm
Revenue	2	275	2 297
Expenses		10	11
Other operating costs		10	11
Finance costs		270	327
(Loss)/profit before tax	3	(5)	1 959
Tax	4	2	1
(Loss)/profit for the year		(7)	1 958
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	14.5	–	–
Tax on fair value adjustments on financial instruments		–	–
Other comprehensive income for the year		–	–
Total Comprehensive (loss)/income for the year		(7)	1 958

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	At 27 June 2021 Rm	At 28 June 2020 Rm
ASSETS			
Non-current assets		23 891	24 060
Interest in and amounts owing by subsidiaries	7	23 875	23 995
Derivative financial instruments	18	10	57
Deferred tax	8	6	8
Current assets		1 621	1 884
Amounts owing by subsidiaries	7	1 500	1 759
Other receivables		2	–
Derivative financial instruments	18	47	80
Cash and cash equivalents	17.3	72	45
TOTAL ASSETS		25 512	25 944
EQUITY AND LIABILITIES			
Equity attributable to shareholders		12 942	12 660
Stated capital	9	11 465	11 413
Distributable reserves	10	1 477	1 247
TOTAL EQUITY		12 942	12 660
Non-current liabilities		2 723	3 126
Interest-bearing borrowings	11	2 713	3 069
Derivative financial instruments	18	10	57
Current liabilities		9 847	10 158
Other payables	12	72	80
Amounts owing to subsidiaries	7	9 191	9 248
Derivative financial instruments	18	47	80
Current portion of interest-bearing borrowings	11	537	750
TOTAL LIABILITIES		12 570	13 284
TOTAL EQUITY AND LIABILITIES		25 512	25 944

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Stated capital Rm	Distributable reserves: Share-based payments reserve Rm	Distributable reserves: Retained profit Rm	Total Rm
Shareholders' interest at 30 June 2019		11 407	1 031	133	12 571
Profit and total comprehensive income for the year		–	–	1 958	1 958
Shares issued	9	6	–	–	6
Share-based payments	10	–	91	–	91
Dividends to ordinary shareholders	16	–	–	(1 966)	(1 966)
Shareholders' interest at 28 June 2020		11 413	1 122	125	12 660
Loss and total comprehensive loss for the year		–	–	(7)	(7)
Shares issued	9	52	–	–	52
Share-based payments	10	–	237	–	237
Shareholders' interest at 27 June 2021		11 465	1 359	118	12 942

COMPANY STATEMENT OF CASH FLOWS

	Notes	52 weeks to 27 June 2021 Rm	52 weeks to 28 June 2020 Rm
Cash flow from operating activities			
Cash outflow from trading	17.1	(7)	(11)
Working capital movements	17.2	1	(10)
Cash utilised by operating activities		(6)	(21)
Investment income received		281	346
Finance costs paid		(280)	(343)
Cash utilised by operations		(5)	(18)
Dividends received		–	1 966
Dividends paid to ordinary shareholders		–	(1 966)
Net cash outflow from operating activities		(5)	(18)
Cash flow from investing activities			
Repayment of loans by subsidiaries		602	–
Net cash inflow from investing activities		602	–
Cash flow from financing activities			
Borrowings repaid	11	(570)	–
Net cash outflow from financing activities		(570)	–
Increase/(decrease) in cash and cash equivalents		27	(18)
Net cash and cash equivalents at the beginning of the year		45	63
Net cash and cash equivalents at the end of the year	17.3	72	45

2. REVENUE

	2021 Rm	2020 Rm
Investment income	272	331
Dividends received	–	1 966
Other	3	–
	275	2 297

3. (LOSS)/PROFIT BEFORE TAX INCLUDES:

	2021 Rm	2020 Rm
Audit fee – current year	4	4

4. TAX

	2021 Rm	2020 Rm
Deferred tax relating to the origination and reversal of temporary differences (refer to note 8): South Africa		
Current year	2	1
	2	1

	2021 %	2020 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	(52.8)	0.2
Prior year	(0.5)	–
Exempt income	–	(28.2)
Effective tax rate	(25.3)	–

* Disallowable expenditure consists of expenses of a capital nature, which includes legal fees, consulting fees, directors fees and share expenses.

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:

	2021 Rm	2020 Rm
Executive Directors		
Remuneration	77	44
Retirement, medical, accident and death benefits	1	11
Share-based payments	53	(5)
	131	50
Non-executive Directors		
Fees	15	17
	15	17
Total directors' emoluments	146	67

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

6. RELATED-PARTY TRANSACTIONS

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

The following related-party transactions occurred during the year:

	2021 Rm	2020 Rm
DIVIDEND RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	–	1 884
E-Com Investments 16 Proprietary Limited (RF)	–	82
	–	1 966
INTEREST RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	190	306
	190	306
DIVIDENDS PAID TO SUBSIDIARY COMPANIES	–	158
MANAGEMENT FEE CHARGED TO SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	23	25
David Jones Proprietary Limited	16	15
Country Road Group Proprietary Limited	10	8
	49	48

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.

KEY MANAGEMENT COMPENSATION

	2021 Rm	2020 Rm
Short-term employee benefits	92	61
Post-employment benefits	1	11
IFRS 2 value of share-based payments expense	53	(5)
	146	67

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.

	2021 Rm	2020 Rm
WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	4	4
Annual repayments	(4)	(4)
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 (2020: 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 21 of the Group Annual Financial Statements.

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

	2021 Rm	2020 Rm
Ordinary shares	19 466	19 466
E-Com Investments 16 Proprietary Limited (RF): Cost	230	230
Highway Holdings N.V.	11 618	11 618
Osiris Holdings Proprietary Limited:	7 618	7 618
Cost	18 977	18 977
Less accumulated impairment	(11 359)	(11 359)
Share-based payments arising from the Group's share incentive schemes	1 696	1 459
Amounts owing by subsidiaries: non-current		
Woolworths Proprietary Limited	2 713	3 070
Interest in and amounts owing by subsidiaries	23 875	23 995
Amounts owing by subsidiaries: current	1 500	1 759
Woolworths Proprietary Limited	978	1 199
Vela Investments Proprietary Limited	1	19
David Jones Proprietary Limited	16	15
Woolworths International (Australia) II Proprietary Limited	–	3
Country Road Clothing Proprietary Limited	10	8
E-Com Investments 16 Proprietary Limited (RF)	495	515
Amounts owing to subsidiaries: current	(9 191)	(9 248)
Woolworths Proprietary Limited	(9 191)	(9 248)
Total net interest in subsidiaries	16 184	16 506

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

The loan to Woolworths Proprietary Limited arises as a result of the proceeds of the DMTN programme (refer to note 11) 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 2021 is considered to be neither past due nor impaired. All subsidiaries are in a financially sound position. Refer to note 14.1 for details of the Company's credit risk management policies. Refer to Annexure 1 for details of the Company's interest in subsidiaries.

8. DEFERRED TAX

	2021 Rm	2020 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	8	9
Amounts credited to profit or loss	(2)	(1)
Assessed loss	(2)	(1)
Balance at the end of the year	6	8
Comprising:		
Assessed loss	(6)	(8)
	(6)	(8)

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. The deferred tax asset has been raised after due consideration of future taxable income. The Company has recognised a deferred tax asset of R6 million (2020: R8 million) in respect of assessed losses, which do not expire. The Company has reviewed the forecast taxable profits in order to utilise the deferred tax asset in the future.

9. ORDINARY SHARE CAPITAL

	2021 Rm	2020 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 413	11 407
1 400 582 (2020: 110 571) ordinary shares issued in terms of share incentive schemes	52	6
Balance at the end of the year	11 465	11 413
	R'000	R'000
AUTHORISED		
2 410 600 000 (2020: 2 410 600 000) ordinary shares of no par value	–	–
ISSUED		
1 049 977 230 (2020: 1 048 576 648) ordinary shares of no par value		

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	1 048 576 648	1 048 466 077
Shares issued in terms of share incentive schemes	1 400 582	110 571
Balance at the end of the year	1 049 977 230	1 048 576 648

10. DISTRIBUTABLE RESERVES

	2021 Rm	2020 Rm
Share-based payments reserve		
Balance at the beginning of the year	1 122	1 031
Share-based payments arising from share incentive schemes	237	91
Balance at the end of the year	1 359	1 122
Retained profit	118	125
Total distributable reserves	1 477	1 247

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 16 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.

	2021 Rm	2020 Rm
11. INTEREST-BEARING BORROWINGS		
NON-CURRENT		
Long-term loans	2 713	3 069
	2 713	3 069
CURRENT		
Current portion of long-term loans	537	750
	537	750

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 R3.3 billion are outstanding under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding for the Group. The DMTN programme 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 R0.4 million.

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

	2021 Rm	2020 Rm
Financial year 2022	537	750
Financial year 2023	1 250	857
Financial year 2024	963	1 249
Financial year 2025 and onwards	500	963
	3 250	3 819

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2020 Rm	Cash flows Rm	Non-cash changes: Amortised costs Rm	Non-cash changes: Foreign exchange movement Rm	Non-cash changes: Fair value changes Rm	2021 Rm
Long-term loans	3 819	(570)	1	–	–	3 250

	2019 Rm	Cash flows Rm	Non-cash changes: Amortised costs Rm	Non-cash changes: Foreign exchange movement Rm	Non-cash changes: Fair value changes Rm	2020 Rm
Long-term loans	3 818	–	1	–	–	3 819

	2021 Rm	2020 Rm
12. OTHER PAYABLES		
Other payables	72	80
	72	80

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

13. SURETIES AND GUARANTEES

The Company provides sureties or guarantees for banking facilities amounting to R9 700 million (2020: R11 100 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:

	2021 Rm	2020 Rm
Financial year 2022	–	250
Financial year 2023	900	3 730
Financial year 2024	550	400
Financial year 2025 and onwards	1 800	450
	3 250	4 830

14. 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 amount of 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 there are any deviations from treasury policy and performance against budgets.

14.1 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.

	2021 Rm	2020 Rm
FINANCIAL ASSETS		
Other receivables	2	–
Cash and cash equivalents	72	45
Amounts owing by subsidiaries: current: Woolworths Proprietary Limited	978	1 199
Amounts owing by subsidiaries: current: Vela Investments Proprietary Limited	1	19
Amounts owing by subsidiaries: current: David Jones Proprietary Limited	16	15
Amounts owing by subsidiaries: current: Woolworths International (Australia) II Proprietary Limited	–	3
Amounts owing by subsidiaries: current: Country Road Clothing Proprietary Limited	10	8
Amounts owing by subsidiaries: current: E-Com Investments 16 Proprietary Limited (RF)	495	515
Amounts owing by subsidiaries: non-current: Woolworths Proprietary Limited	2 713	3 070

14.2 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 14.3).

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
2021					
Amounts owing to subsidiaries	9 191	–	–	–	–
Long-term loans	–	43	652	2 938	–
Other payables	72	–	–	–	–
2020					
Amounts owing to subsidiaries	9 248	–	–	–	–
Long-term loans	–	53	875	3 362	–
Other payables	80	–	–	–	–

14.3 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.

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 62% (2020: 52%) 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.

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.3 INTEREST RATE RISK MANAGEMENT (CONTINUED)

	Movement in basis points	(Increase)/ decrease in profit before tax R'000	(Increase)/ decrease in equity R'000
2021			
Cash and cash equivalents	+50	(360)	(259)
	-50	360	259
Interest rate swaps	+50	–	–
	-50	–	–
Long-term loans	+50	16 250	11 700
	-50	(16 250)	(11 700)
Amounts owing by subsidiaries	+50	(21 065)	(15 167)
	-50	21 065	15 167
2020			
Cash and cash equivalents	+50	(225)	–
	-50	225	–
Interest rate swaps	+50	–	17
	-50	–	(17)
Long-term loans	+50	19 095	13 748
	-50	(19 095)	(13 748)
Amounts owing by subsidiaries	+50	(15 350)	(11 052)
	-50	15 350	11 052

At year-end, the South African prime interest rate was 7.00% (2020: 7.25%). JIBAR was 3.683% (2020: 3.92%). The Australian prime interest rate was 0.10% (2020: 0.25%).

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

	2021		2020	
	Rm	Effective interest rate %	Rm	Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long-term loans	3 250	5.0 – 8.0	3 819	6.0 – 8.0
% 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
2021					
Long-term loans		–	537	2 713	–
2020					
Long-term loans		–	750	3 069	–

The table below indicates the nominal amount and weighted average maturity of the Company's risk exposure that is directly affected by the interest rate benchmark reform analysed by interest rate basis.

	Nominal Amount	Average time to Maturity (years)
INTEREST-BEARING BORROWINGS – REFER TO NOTE 11	3 250	1.88
JIBAR (3 months)		

The notional principal amount of the interest rate swaps at year-end amounts to R2 000 million of which R1 000 million could be affected by the interest rate reform. The balance of contracts expire within six months after year-end and would not be affected.

The Company is managing the transition process to an alternative benchmark rate by maintaining proactive engagement with its lenders.

14.4 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 Rm	2020 Rm
FINANCIAL ASSETS		
Amortised cost		
Amounts owing by subsidiaries	4 213	4 829
Cash and cash equivalents	72	45
Total	4 285	4 874
FINANCIAL LIABILITIES		
Amortised cost		
Other payables	72	80
Amounts owing to subsidiaries	9 191	9 248
Long-term loans	2 713	3 069
Total	11 976	12 397

14.5 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Interest income Rm	Net movement in other comprehensive income Rm	Total Rm
2021			
Financial assets at amortised cost	272	–	272
2020			
Financial assets at amortised cost	331	–	331

	2021 Rm	2020 Rm
Revaluation of financial instruments*	–	–
Reclassified to profit or loss	–	–
Total	–	–

* The other comprehensive income reconciliation reflects a nil amount, as a result of a loss of R81 million (2020: R88 million gain) on the revaluation of the financial instrument asset, and a R81 million gain (2020: R88 million loss) on the revaluation of the financial instrument liability that net off.

15. MANAGEMENT OF CAPITAL

The Company considers the management of capital with reference to the Group policy. Refer to note 26 of the Group Annual Financial Statements.

16. DIVIDENDS TO ORDINARY SHAREHOLDERS

	2021 Rm	2020 Rm
Dividend no. 45 of 98.5 cents per share was declared on 28 August 2019 and paid on 23 September 2019	–	1 033
Dividend no. 46 of 89.0 cents per share was declared on 19 February 2020 and paid on 16 March 2020	–	933
Total dividends paid	–	1 966

Dividend no. 47 of 66.0 cents per share was declared on 25 August 2021.

17. CASH FLOW INFORMATION

	2021 Rm	2020 Rm
17.1 CASH OUTFLOW FROM TRADING		
(Loss)/profit before tax	(5)	1 959
Investment income	(272)	(331)
Finance costs paid	270	327
Dividends received	–	(1 966)
Net outflow from trading	(7)	(11)
17.2 WORKING CAPITAL MOVEMENTS		
Increase/(decrease) in intercompany loans	–	(37)
Increase in other payables	1	27
Net inflow/(outflow)	1	(10)
17.3 CASH AND CASH EQUIVALENTS		
Local – variable interest rates of 0% to 1.00% (2020: 0% to 3.58%)	72	45
Cash and cash equivalents	72	45

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 Assets Rm	2021 Liabilities Rm	2020 Assets Rm	2020 Liabilities Rm
NON-CURRENT				
Interest rate swaps held as hedging instruments	10	10	57	57
	10	10	57	57
CURRENT				
Interest rate swaps held as hedging instruments	47	47	80	80
	47	47	80	80

INTEREST RATE SWAPS

The notional principal amount of the interest rate swaps at year-end amounts to R2 000 million (2020: R2 000 million). This comprises hedges on the South African debt of R3 250 million (2020: 3 820 million). These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 11). 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.

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

Refer to note 30 of the Group Annual Financial Statements.

SUPPLEMENTARY

ANNEXURE 1

			2021 % holding	2020 % holding
INTEREST IN SUBSIDIARIES AND JOINT VENTURES				
Interest in subsidiaries directly held				
Woolworths Proprietary Limited	R	1	100	100
E-Com Investments 16 (RF) Proprietary Limited	H	1	100	100
Woolworths International (Australia) II Proprietary Limited	H	4	100	100
Osiris Holdings Proprietary Limited	H	4	100	100
Highway Holdings N.V.	H	3	100	100
The Woolworths Trust (Charitable Trust)[1]	H	1	–	–
The Woolworths Holdings Share Trust[1]	H	1	–	–
INTEREST IN SUBSIDIARIES INDIRECTLY HELD				
Universal Product Networks (RF) Proprietary Limited	L	1	100	100
Virtual Market Place (RF) Proprietary Limited[2]	R	1	100	100
NowNow Foods Proprietary Limited	R	1	100	–
Longmarket Apparel Proprietary Limited	R	4	100	100
Woolworths Developments (RF) Proprietary Limited	P	1	100	100
Woolworths (Lesotho) Proprietary Limited	R	12	100	100
Woolworths (Namibia) Proprietary Limited	R	2	100	100
Woolworths (Eswatini) Proprietary Limited	R	16	100	100
Woolworths Holding (Mauritius) Limited	H	7	100	100
Woolworths (Mauritius) Limited[3]	R	7	100	100
Woolies (Zambia) Limited[3]	R	8	100	100
W-Stores Company Tanzania Limited[3]	R	9	51	51
W-Stores Company Uganda Limited[3]	R	10	95	95
Woolworths Mozambique, Limitada[3]	R	11	100	100
Woolworths (Kenya) Proprietary Limited[3]	R	13	100	100
Woolworths (Botswana) Proprietary Limited[3]	R	15	100	100
W-Stores (Ghana) Proprietary Limited[3]	D	17	100	100
Woolworths Rwanda Limited[3]	R	18	100	100
Woolworths International (Australia) Proprietary Limited	H	4	100	100
Country Road Group Proprietary Limited	H	4	100	100
Country Road Clothing Proprietary Limited	R	4	100	100
Country Road Clothing (N.Z.) Limited	R	5	100	100
Country Road Ventures Proprietary Limited	R	4	100	100
Country Road Ventures SA Proprietary Limited	R	5	100	100
Country Road International Proprietary Limited	H	4	100	100
Country Road (Hong Kong) Limited	R	6	100	100
CRG Logistics Proprietary Limited	L	4	100	100
Cicero Clothing Proprietary Limited	R	4	100	100
Politix (NZ) Limited	R	5	100	100
Witchery Australia Holdings Proprietary Limited	H	4	100	100
Witchery Holdings Proprietary Limited	H	4	100	100
Witchery Fashions Proprietary Limited	R	4	100	100
Witchery Fashions (NZ) Limited	R	5	100	100
Witchery Singapore Pte Limited	R	14	100	100
Witchery Fashions (SA) Proprietary Limited	D	1	100	100
Mimco Proprietary Limited	R	4	100	100
Mimco Design Singapore Pte Limited	R	14	100	100
Mimco (NZ) Limited	R	5	100	100
Vela Investments Proprietary Limited[4]	H	4	100	100
David Jones Proprietary Limited	R	4	100	100
Ahern's Holdings Proprietary Limited	H	4	100	100
Ahern's (Suburban) Proprietary Limited	D	4	100	100
Atkin Proprietary Limited	H	4	100	100
David Jones Finance Proprietary Limited	F	4	100	100
299 – 307 Bourke Street Proprietary Limited	P	4	100	100
Helland Close Proprietary Limited	D	4	100	100
David Jones Credit Proprietary Limited	D	4	100	100
John Martin Retailers Proprietary Limited	D	4	100	100
David Jones Financial Services Limited	F	4	100	100
David Jones Insurance Proprietary Limited	F	4	100	100
David Jones (NZ) Proprietary Limited	R	5	100	100
David Jones Properties (South Australia) Proprietary Limited	P	4	100	100
David Jones (Adelaide) Proprietary Limited	D	4	100	100
Buckley & Nunn Proprietary Limited	P	4	100	100
David Jones Properties (Victoria) Proprietary Limited	P	4	100	100
David Jones Properties (Queensland) Proprietary Limited	P	4	100	100
Speertill Proprietary Limited	R	4	100	100
David Jones Properties Proprietary Limited	P	4	100	100
David Jones Employee Share Plan Proprietary Limited	H	4	100	100
David Jones Share Plans Proprietary Limited	H	4	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: Belgium 4: Australia 5: New Zealand 6: Hong Kong 7: Mauritius 8: Zambia 9: Tanzania 10: Uganda 11: Mozambique 12: Lesotho 13: Kenya 14: Singapore 15: Botswana 16: Eswatini 17: Ghana 18: Rwanda

Notes

1. The Woolworths Holdings Share Trust and The Woolworths Trust (Charitable Trust) are included as subsidiaries based on the interpretation guidance of IFRS 10: Consolidated Financial Statements.
2. Virtual Market Place (RF) Proprietary Limited is a virtual community development company that creates partnerships between businesses and supporters for the benefit of broad-based educational institutions.
3. 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.
4. 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:

	2021 Rm	2020 Rm
Profits	4 246	2 406
Losses	(68)	(1 511)
	4 178	895

NON-IFRS MEASURES

	52 weeks to 27 Jun 2021 Rm	52 weeks to 28 Jun 2020 Rm	% change
ADJUSTED HEADLINE EARNINGS			
Headline earnings	3 580	1 146	212.4
Adjustments	(265)	484	
Lease exit and modification gains	(591)	(16)	
Restructure and store exit costs	123	(13)	
Unrealised foreign exchange losses/(gains)	14	(4)	
Deferred tax on assessed losses not recognised	33	506	
Tax impact of adjustments	156	11	
Adjusted headline earnings	3 315	1 630	103.4

Adjusted headline earnings is calculated by excluding items from headline earnings that have attributes of either being of a non-recurring nature, volatile, having a material impact on earnings or not incurred in the ordinary course of business, which would otherwise have not been considered under IAS 33: Earnings per share or the SAICA guideline on headline earnings. Management believes that the use of an adjusted headline earnings measure is helpful to users of financial statements and investors by providing a more meaningful measure of sustainable earnings or the quality of earnings and thereby improve performance comparisons between different reporting periods. The methodology of determining adjustments are applied consistently over the different reporting periods. Adjusted headline earnings is also one of the performance conditions applicable to the Group's share incentive schemes.

PRO FORMA FINANCIAL INFORMATION

This note sets out the illustrative impact on the financial information as follows:

- In note 1: for the 52 weeks to 27 June 2021, Turnover and concession sales have been reported against the prior year reported 52 weeks to 28 June 2020. These are important for understanding underlying business performance and are described as "Non-IFRS financial information".
- In note 2: for the 52 weeks to 27 June 2021, adjustments, as detailed in supplementary notes 2 and 3, have been made (respectively, the 'Non-IFRS financial information'). These are important for understanding underlying business performance and are described as "Non-IFRS financial information".
- In note 3: for the 52 weeks to 27 June 2021, Turnover and concession sales, as well as pro forma segmental contribution before interest and tax, have been shown on a constant currency basis.

The Non-IFRS financial information and constant currency information (collectively the 'pro forma financial information') is presented in accordance with the JSE Limited Listings Requirements which requires that pro forma financial information be compiled in terms of the JSE Limited Listings Requirements and the SAICA Guide on Pro Forma Financial Information.

The pro forma financial information is the responsibility of the Group's directors and is based on the Group Annual Financial Statements for the 52 weeks to 27 June 2021 and 52 weeks to 28 June 2020.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, may not fairly present the Group's financial position, results of operations or cash flows.

1. TURNOVER AND CONCESSION SALES

	52 weeks to 27 Jun 2021 Rm	52 weeks to 28 Jun 2020 Rm	% change
Turnover	78 763	72 208	9.1
Concession sales	7 094	6 054	17.2
Turnover and concession sales	85 857	78 262	9.7

Notes

1.1 The '52 weeks to 27 Jun 2021' and '52 weeks to 28 Jun 2020' turnover financial information has been extracted, without adjustment, from the Group Statement of comprehensive income for the 52 weeks to 27 Jun 2021 and 52 weeks to 28 Jun 2020, as presented in the Summary of the Audited Group Results for the 52 weeks ended 27 June 2021. The Concession sales information has been extracted from the Group's accounting records.

This illustrates the impact on financial information by including the turnover of concession operators of goods sold (concession sales) within the Group's stores. Concession sales are the sale of goods by concession operators and are not included in revenue, and have been extracted from the Group's accounting records.

2. ADJUSTMENT OF OPERATING PROFIT AND PROFIT BEFORE TAX

	52 weeks to 27 Jun 2021 (1) Rm	Adjustments (2) Rm	Pro forma 52 weeks to 27 Jun 2021 (4) Rm	52 weeks to 28 Jun 2020 (1) Rm	Adjustments (3) Rm	Pro forma 52 weeks to 28 Jun 2020 (4) Rm
Segmental contribution before interest and tax	6 732	206	6 938	4 726	81	4 807
Profit before tax	5 150	(582)	4 568	1 402	766	2 168

Notes

2.1 The '52 weeks to 27 Jun 2021' and '52 weeks to 28 Jun 2020' financial information has been extracted, without adjustment, from the Group Statement of Comprehensive Income for the 52 weeks to 27 Jun 2021 and 52 weeks to 28 Jun 2020, as presented in the Summary of the Audited Group Results for the 52 weeks ended 27 June 2021. Segmental contribution before interest and tax comprises of operating profit as illustrated on the Group Statement of Comprehensive Income for the 52 weeks to 27 Jun 2021 and 52 weeks to 28 Jun 2020.

2.2 Segmental contribution before interest and tax adjustments for the '52 weeks to 27 Jun 2021' comprise of restructure and store exit costs of R123 million, foreign exchange losses of R14 million, earnings from WFS of R118 million and the exclusion of abnormal finance costs of R61 million included in restructure costs and group entity costs of R12 million which results in a segmental contribution before interest and tax. Profit before tax adjustments include all of the aforementioned adjustments excluding the R61 million abnormal cost, Group entity costs of R12 million and WFS earnings of R118 million and include adjustments for the gain on sale of property of R492 million, lease exit and modification gain of R591 million and impairment of assets of R364 million which results in an adjusted profit before tax.

2.3 Segmental contribution before interest and tax adjustments for the '52 weeks to 28 June 2020' comprise of restructure and store exit costs reversed of R13 million, unrealised foreign exchange gains of R4 million, lease exit and modification gain of R16 million, earnings from WFS of R101 million and Group entity costs of R13 million which results in a segmental contribution before interest and tax. Profit before tax adjustments include the aforementioned, excluding WFS earnings of R101 million and Group entity cost of R13 million and include adjustments for the impairment of assets of R799 million which results in an adjusted profit before tax.

2.4 The 'Pro forma 52 weeks to 27 Jun 2021' and the 'Pro forma 52 weeks to 28 June 2020' column reflects the pro forma financial information after adjusting for the items included in column 2 (2020: column 3), which results in an adjusted segmental contribution before interest and tax (also referred to as adjusted EBIT) and adjusted profit before tax.

3. CONSTANT CURRENCY INFORMATION

GROUP STATEMENT OF COMPREHENSIVE INCOME ITEMS

	52 weeks to 27 Jun 2021 Rm	52 weeks to 28 Jun 2020 Rm	% change
Turnover and concession sales[1]	82 862	78 262	5.9
Pro forma segmental contribution before interest and tax[2]	6 702	4 807	39.4

Notes

3.1 Turnover and concession sales 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 year has been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior year. The aggregated monthly average Australian dollar exchange rate is R11.43/A$ for the current year and R10.43/A$ for the prior year.

3.2 Pro forma segmental contribution before interest and tax 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 pro forma segmental contribution before interest and tax growth rate, pro forma segmental contribution before interest and tax denominated in Australian dollars for the current period has been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior year. The aggregated monthly average Australian dollar exchange rate is R11.42/A$ for the current year and R10.29/A$ for the prior year.

3.3 The turnover and concession sales and pro forma segmental contribution before interest and tax has been extracted from notes 1 and 2 above, respectively.

The pro forma financial information has been extracted, without adjustment, from note 8 in the Summary of the Audited Group Results for the 52 weeks ended 27 June 2021, Cash Dividend Declaration, Changes to the Board of Directors and Amendment of Policies on which Ernst & Young Inc. have issued reporting accountant's reports on the pro forma financial information which is available for inspection at the Group's registered offices.

SHAREHOLDER CALENDAR AND ADMINISTRATION

SHAREHOLDER CALENDAR

2021	
June	Financial year-end – 27 June
July	Trading update
August	Annual results and announcement of final dividend, if declared
September	Publication of 2021 Integrated Annual Report, final dividend payment, if declared, and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

2022	
January	Trading update
February	Interim results and announcement of interim dividend, if declared
June	Financial year-end – 26 June
July	Trading update
August	Annual results and announcement of final dividend, if declared
September	Publication of 2022 Integrated Annual Report, final dividend payment, if declared, and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

ADMINISTRATION

WOOLWORTHS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1929/001986/06
LEI: 37890095421E07184E97
Share code: WHL
Share ISIN: ZAE000063863
Bond Company code: WHLI
Tax reference number: 9300/149/71/4

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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 AND DEBT SPONSOR
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(A division of FirstRand Bank Limited)
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TRANSFER SECRETARIES
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PO Box 61051
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Tel: +27 (11) 370 5000
Fax: +27 (11) 370 5487
Email: woolworths@computershare.co.za

Woolworths, Spring 2021

GLOSSARY OF 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.

ANNUAL REPORT
A document issued by an entity, usually on an annual basis, which includes its financial statements together with the auditor's report.

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.

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.

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.


Woolworths, Spring 2021

RELATED PARTY

1. A person or a close member of that person's family is related to a reporting entity if that person:
   - 1.1 has control or joint control over the reporting entity; or
   - 1.2 has significant influence over the reporting entity; or
   - 1.3 is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
2. An entity is related to a reporting entity if any of the following conditions apply:
   - 2.1 the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
   - 2.2 one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
   - 2.3 both entities are joint ventures of the same third party; or
   - 2.4 one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
   - 2.5 the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; or
   - 2.6 the entity is controlled or jointly controlled by a person identified in 1; or
   - 2.7 a person identified in 1.1 has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

REPORTING DATE

The last day of the financial period.

RESTRICTED SHARE PLAN

The Restricted Share Plan gives eligible employees the rights to receive Woolworths Holdings Limited shares, subject to the satisfaction of certain service conditions within a specific time period.

SEGMENT ASSETS

Those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude income tax assets, as well as investments, where the resulting income arising from the investments is excluded from segment results.

SEGMENT EXPENSE

Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. Segment expense does not include:

1. interest, including interest incurred on advances or loans from other segments;
2. losses on sale of investments;
3. an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method;
4. income tax expense; and
5. general administrative expenses, head office expenses and other expenses that arise at the entity level and relate to the entity as a whole.

SEGMENT RESULT

Segment revenue less segment expense before any adjustments for non-controlling interests.

SEGMENT REVENUE

Revenue reported in the entity's Statement of Comprehensive Income that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment.

Segment revenue does not include:

1. interest or dividend income, unless the segment's operations are primarily of a financial nature; and
2. gains on sale of investments or gains on extinguishment of debt, unless the segment's operations are primarily of a financial nature.

SHARE APPRECIATION RIGHTS SCHEME

This scheme gives eligible employees the rights to receive Woolworths Holdings Limited shares equal to the value of the difference between the exercise price and the grant price, subject to the satisfaction of certain performance conditions within a specified period.

SHARE-BASED PAYMENT TRANSACTION

A transaction in which the entity:

1. receives goods or services from the supplier of those goods or services (including an employee) in a share-based payment arrangement; or
   - 1.1 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.
   - 1.2 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. 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
   - 2.1 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.