



WHL

WOOLWORTHS HOLDINGS LIMITED / 2016 INTEGRATED REPORT

***WE HAVE REMAINED
FOCUSED ON EXECUTING
OUR CLEARLY ESTABLISHED
STRATEGIES AND IN
PARTICULAR, THE BUSINESS
TRANSFORMATION
INITIATIVES IN DAVID JONES.***

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4/ HIGHLIGHTS

We have gained significant traction with the business transformation of David Jones.

16.4%
Group turnover and concession sales



14.7%
Adjusted profit before tax



Diluted headline earnings per share
23.3%
to 452.5 cents per share



Adjusted diluted headline earnings per share
8.9%
to 453.4 cents per share



Total dividend for the year
313.0c
cents per share



43 140
Number of employees



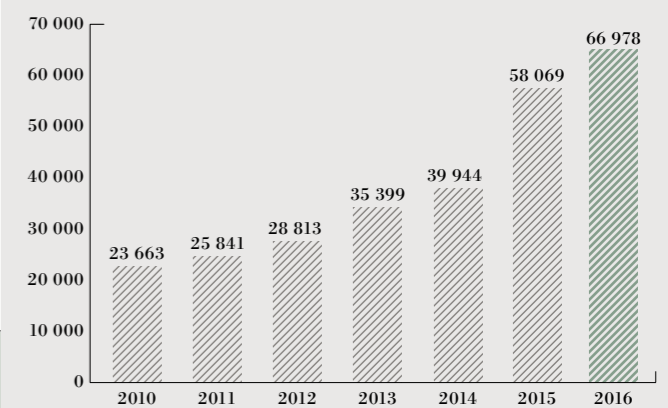
1 395
Store locations



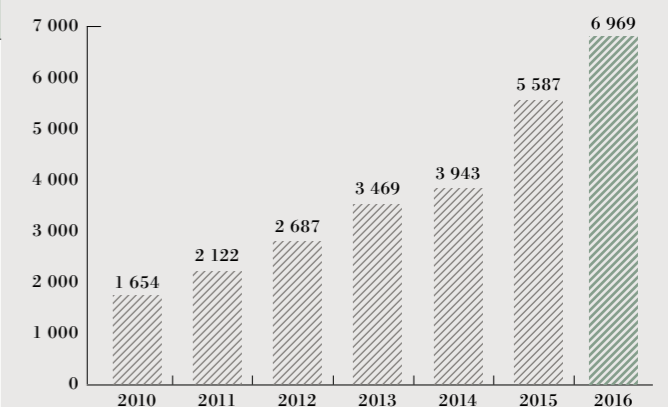
R2.7BN
Value created for BEEESOS



Revenue (R million)



Operating profit (R million)



6/ OUR INTEGRATED REPORT

Woolworths Holdings Limited (WHL or the Group) presents its 2016 Integrated Report: an overview of WHL's performance, value created for stakeholders and contribution to society for the 52 weeks ended 26 June 2016. The report has been prepared for the benefit of all our stakeholders, with a particular focus on aspects relevant to those stakeholders who provide us with access to resources of a financial nature.

SCOPE AND BOUNDARY OF REPORT

The scope of this 2016 Integrated Report incorporates the financial reporting boundary of the WHL Group - i.e. the performance and data relating to the company and its subsidiaries, associates and operations of the Group throughout South Africa, the rest of sub-Saharan Africa and Australasia. The financial performance of Woolworths Financial Services (WFS) is reported as an equity accounted joint venture.

As a largely private label retail Group across food, clothing, homeware and beauty, our business model is based on long-term supplier relationships and a responsibility to influence change throughout the supply chain. We manage our broader business impact through comprehensive social, ethical and environmental policies and practices. Where aspects of our Good Business Journey programme are more fully developed, the risks, opportunities and outcomes of those stakeholders impacted are incorporated in both the Integrated Report and the Good Business Journey Report. The role that these stakeholders play in the Group's value creation is highlighted in the 'case studies' included in this report.

REPORTING FRAMEWORKS AND COMPARABILITY

In compiling this report, we have considered information included in previous reports, legislative reporting requirements and the International Integrated Reporting Council's (IIRC) Framework. We are committed to adopting the IIRC framework in this report. Other reporting frameworks applied, where appropriate, include:

- G4 'core' guidelines of the Global Reporting Initiative, relevant to information provided in the sustainability strategic focus area;
- International Financial Reporting Standards, relevant to financial information provided in the Group Finance Director's report.

The contents of this 2016 Integrated Report are broadly comparable with that of the 2015 Integrated Report. The financial results for David Jones are included for a 12-month period (2015: 11 months).

The following icons are applied throughout the report to improve usability and show the integration between the relevant elements of the report.



2016 REPORTING SUITE

The 2016 WHL Integrated Report is the key report that provides a holistic view of the Group's business, strategy and performance, and the creation of value for all stakeholders. This report should be read in conjunction with the more detailed reports highlighted below.

Complementing the Integrated Report are a number of other reports targeted at specific stakeholders. These reports are:

- Annual Financial Statements, providing a more detailed understanding of the financial aspects of our business;
- Good Business Journey Report, providing details of our sustainability strategy and a review of performance primarily against non-financial targets for social, transformation and environmental matters; and
- Annual General Meeting (AGM) Notice Report, providing the relevant information necessary for shareholders to vote on the resolutions to be tabled at the Annual General Meeting.

All the above reports are available online on our corporate website at www.woolworthsholdings.co.za. Printed copies of these reports can be obtained by emailing InvestorRelations@woolworths.co.za. The AGM Notice Report will be sent to all shareholders registered in the company's share register on 16 September 2016.

Supporting documents and compliance information not included in the reports can be accessed on our corporate website at www.woolworthsholdings.co.za.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Group's control. The directors therefore advise readers to use caution regarding interpreting any forward-looking statements in the report.

APPROVAL AND ASSURANCE OF OUR REPORTS

The content of this report is consistent with the indicators used for our internal management and Board reports. The WHL Audit Committee reviewed the Integrated Report and Annual Financial Statements and recommended them to the Board for approval. The Social and Ethics Committee and the Sustainability Committee reviewed and recommended the Good Business Journey report as well as the social and environmental 'case studies' contained in the Integrated Report to the Board for approval.

The Board has applied its mind to the Integrated Report and believes that it addresses all material matters, and fairly presents the integrated performance of the Group. Elements of the information included in our Integrated Report were verified by a combination of internal and external assurance specialists. This assurance covers a significant spread of business operations. Details of our assurance elements and providers are available on our corporate website at www.woolworthsholdings.co.za.

This 2016 WHL Integrated Report was approved by the Board on 31 August 2016.


SN SUSMAN
Chairman


I MOIR
Group Chief Executive Officer

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8/ OUR GROUP



10/ OUR VISION AND VALUES

OUR VISION

To be the leading retail Group in the southern hemisphere

OUR MISSION

To be the first choice for customers who care about value, innovation and sustainability in the southern hemisphere

OUR VALUES

Our values inform and underpin the way we do business across our Group. From values-based leadership to passionate brand advocacy, we seek to embed our values across all dimensions of our business.

QUALITY AND STYLE

Always exceptional

VALUE

Always value with values

SERVICE

Always customer first

INNOVATION

Create the difference

INTEGRITY

Do what you say you will do; be transparent

ENERGY

Be passionate and deliver

SUSTAINABILITY

Build for a better future



*©My Table by Siba Mtongana
Photography: C+D Photography
Publisher: The Siba Co.*

12/ THE WHL GROUP

The WHL Group is a South African-based retailer with operations across the southern hemisphere. It is one of the top 40 companies listed on the JSE Limited Securities Exchange (JSE).

THE GROUP HAS THREE MAJOR OPERATING DIVISIONS:

- Woolworths South Africa (Woolworths or WSA) based in South Africa and operating across 11 countries in sub-Saharan Africa;
- David Jones (David Jones or DJ) based and trading in Australia and New Zealand; and
- Country Road Group (Country Road Group or CRG) based in Australia and trading in Australia, New Zealand and South Africa.

Woolworths Financial Services (WFS) is a joint venture between Woolworths and Barclays Africa Group, with Barclays Africa Group owning 50% + 1 share. The WFS board is constituted with directors from both WHL and Barclays Africa Group, with direction on credit policy, risk and funding aspects received from Barclays and direction on customer integration from Woolworths.

WOOLWORTHS SA

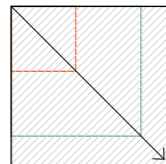
EST.
1931

PROFILE

Leading South African retailer offering a range of primarily private label products

TRADING SPACE

- Woolworths 683 000 m²



OFFERING

A selected range of quality clothing and general merchandise and food products. Financial services provided through Woolworths Financial Services (WFS)



Loyalty programme
3.2M
Active
WRewards members
(Excluding MySchool base)



55.0%
Group turnover*



60.4%
Group adjusted profit before interest and tax

DAVID JONES

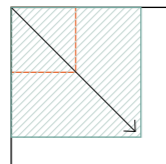
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1838

PROFILE

One of Australasia's leading premium department stores

TRADING SPACE

- David Jones 471 000 m²



OFFERING

Premium retailer offering leading international and local brands with strong private label general merchandise and food offering



Loyalty programme
1.7M
Customers for whom we have collected email addresses



30.2%
Group turnover*



25.3%
Group adjusted profit before interest and tax



COUNTRY ROAD GROUP

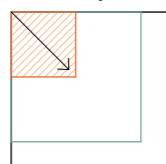
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1974

PROFILE

Leading Australasian specialty retailer

TRADING SPACE

- Country Road Group 118 000 m²



OFFERING

Stylish, high-quality apparel, accessories, footwear and homeware



Loyalty programme
2.0M
Active members



14.8%
Group turnover*



14.3%
Group adjusted profit before interest and tax

* Including concession sales.

14/ RESOURCES WE USE TO CREATE VALUE

The IIRC Framework for Integrated Reporting has introduced the concept of reporting how a business creates value through the use of six capitals – financial, manufactured, intellectual, human, social and relationship, and natural capital.







As a Group we have chosen to refer to the capitals as resources, which are available to the Group and used as inputs to the business model. As a retail Group, we refer to the names of the different resources in a more relevant way to link in with our business model.

Resources may be in abundance or constrained, but are generally available to all businesses. We believe that the activities in our business model use them in such a way to optimise value creation. We also recognise the interdependencies between the resources and the fact that there are trade-offs between the costs and

benefits offered by the resources that we have to manage responsibly.

To assist readers who are familiar with the capital terminology, we explain below how our resources reference to the capitals, and provide a brief explanation of how they are interpreted in our business model.

A unique quality of the Group's business model is the extent to which the Good Business Journey programme supports and nurtures future access to all our resources.

RESOURCES	CAPITALS	WHAT THEY MEAN FOR OUR BUSINESS
Financial 	Financial	<i>Equity and debt funding structure of WHL</i>
Products and Channels 	Manufactured	<i>The network of stores, distribution centres, websites and information technology infrastructure</i>
Know-how 	Intellectual	<i>Develops and designs products that appeal to our customers and builds the inherent value of our private label brands. This includes customer database management, cross-selling, customer segmentation and business planning abilities</i>
People 	Human	<i>Values-based employment proposition, combined with a unique employee experience, skills and leadership</i>
Stakeholders 	Social and Relationship	<i>The relationships that the Group has with our customers, suppliers, business partners and other stakeholder groups</i>
Natural 	Natural	<i>The environmental resources used throughout the Group's value chain in the production, manufacturing, distribution and retailing of our products</i>



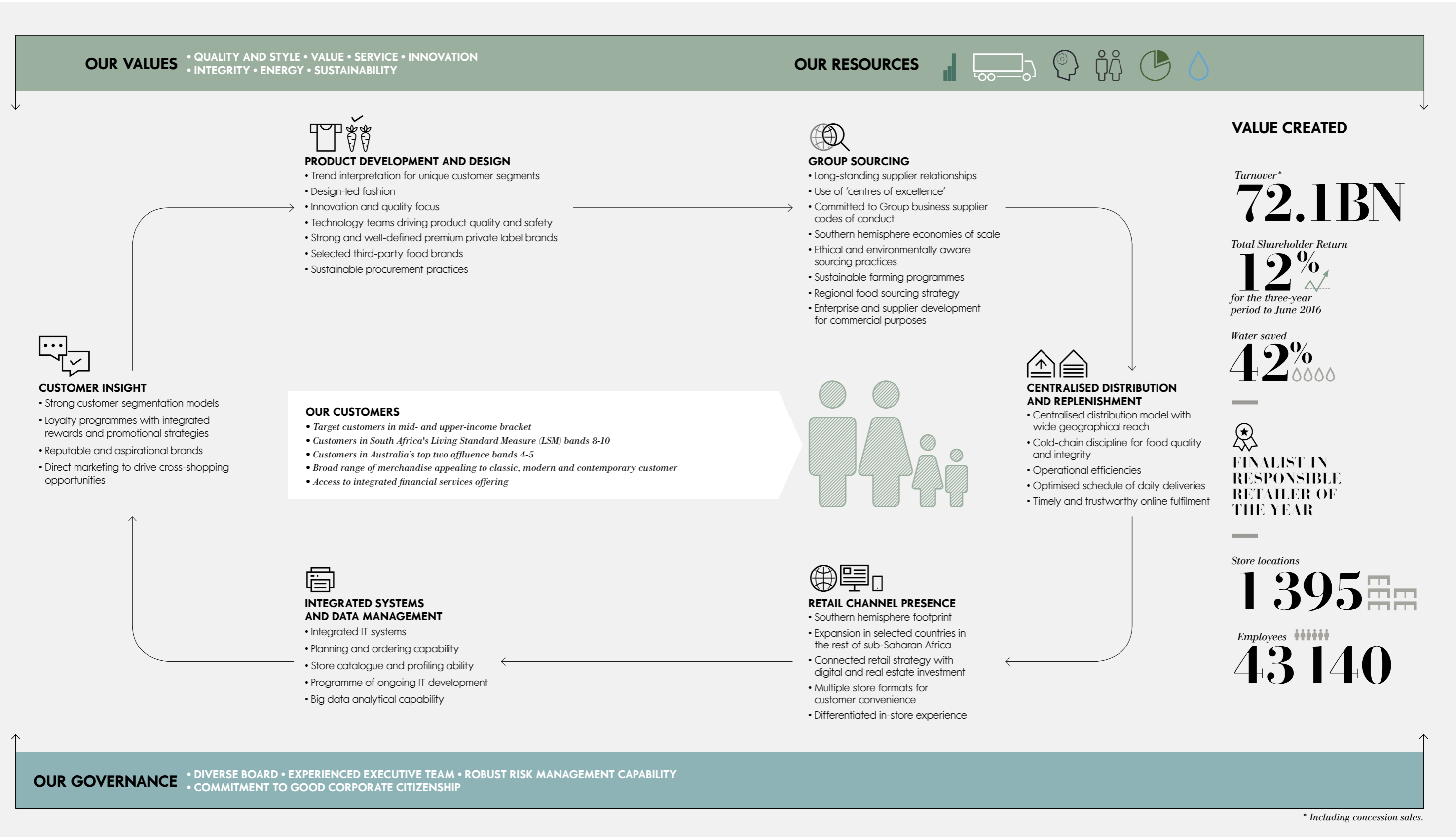
David Jones, Summer 2016

OUR BUSINESS MODEL

Our business model describes how we create sustainable value by using the resources available to us in an integrated way. Our values direct the decisions we make, challenge us to consider the impact on all our stakeholders and guide us when we manage the trade-off between resources and capitals.

The WHL Group has developed a set of key competencies over the years that direct the way in which we create value. These represent areas of expertise within the generic retail value chain and clearly differentiate the Group's activities.

Our business model has proven its ability to generate sustainable returns over the short-, medium- and long-term for those investors and shareholders. The Group is based in South Africa and offers an exchange rate and country risk hedge through geographic diversification.



* Including concession sales.

18/ MATERIAL ISSUES, RISKS AND OPPORTUNITIES



Woolworths SA, Mall of Africa

We have identified material issues as being those items that have the potential to significantly impact the performance and sustainability of the Group. Relevant internal, industry and macro-economic factors were considered in addition to the material interests, expectations and concerns of our stakeholder groups that are most likely to influence the Group's ability to create sustainable shareholder value. Elements of the material issues may be relevant across the Group and others may be specific either to our South African or Australian operations.

The risks identified are aligned to the risks on WHL's risk register. Opportunities indicate how we are mitigating these risks, capitalising on the issues and integrating them into our strategic focus areas. The risk management process is discussed in more detail on page 121.

THE TRADING ENVIRONMENT

The South African economy remains under pressure with little relief expected for consumers in the medium-term. This has been driven by both external challenges, including weak commodity prices and China's economic slowdown, and domestic headwinds such as increasing interest rates, rising petrol prices and curtailed unsecured lending. In March 2016, Moody's, a rating agency, placed South Africa under ratings review, raising concerns of a downgrade in the country's sovereign credit rating to 'junk' status.

The food shortages caused by the severe drought earlier this year have worked their way through the economy and the price of food has risen substantially. Further increases are expected as South Africa will have to import large amounts of staple food at volatile exchange rates. The devaluation of the rand has negatively impacted the price of imported clothing and general merchandise.

The Australian economy has also been negatively impacted by weaker demand from China. Growth is expected to continue, albeit at a rate lower than the long-term average. Recent employment growth has offset lower wage growth, and the medium-term outlook for Australian discretionary retailers remains robust.

Changing and unseasonable weather patterns are influencing customer shopping patterns with a mis-alignment of trading seasons and climate.

Our risks

- Worsening macro, socio-political risks, particularly in South Africa, negatively impact consumer spending and the Group's profitability
- Negative customer perceptions of price and value
- Unable to provide appropriate trans-seasonal merchandise in response to changing weather patterns

Our opportunities

- Customer positioning continues to focus on mid-to-upper-income customers whose spending is more resilient during challenging economic times
- Appropriate investment in food prices to improve price perception and retain competitiveness
- Increased scale and Group sourcing in our clothing businesses allow us to unlock additional margin which can be passed on to the consumer to allow for more competitive pricing
- Focus on Key Value Lines (KVL), benchmarking them to competitors to improve price perception
- Expand and introduce new ranges appealing to broader customer market
- Increased focus on speed to market and shorter critical path for design and production



Stakeholders impacted

- Customers, Suppliers



Strategic focus areas to mitigate risk and maximise opportunity



Relevant resources utilised

2

SHIFTS IN CONSUMER SPENDING AND BEHAVIOUR

The face of retailing is evolving quickly, with online shopping experiencing growth rates in excess of in-store shopping globally – digital disruption. Within online shopping, mobile is experiencing the strongest growth. Online shopping has created more price-savvy consumers who expect the in-store experience to add value, be relevant, personalised and entertaining, whilst experiencing an efficient and effective online shopping alternative. Mobile and related technologies are enabling consumers to interact with each other and with global retailers directly. This affects every part of the customer journey – from researching products and prices before purchase, to post-purchase feedback.

Competition continues to intensify as northern hemisphere retailers continue to expand into the southern hemisphere. Customers are demanding more fashionable merchandise at competitive prices. At the same time, local competitors are seeking to diversify their operations and increase their scale by acquiring overseas retailers, predominantly in Europe.

Our risks

- Our product does not meet customer expectations with respect to fashion and fit
- Unable to provide our customers with a compelling digital offering
- Delivery of our connected retail experience, particularly mobile, does not meet customer expectations

Our opportunities

- Deliver a connected retail experience, connecting our customer consistently and seamlessly across multiple channels
- Use loyalty tools to drive more personalised interactions with our customers
- Customer data and analytics from loyalty to inform our business decisions, including product decisions
- Continue to build our design and sourcing processes, people and capacity to deliver brands which are more design-led and fashion relevant
- We have a strong social media presence in South Africa and Australia, and constantly refresh and enhance our positioning
- Balanced real estate growth planned to maximise opportunities



Stakeholders impacted

- Customers, Suppliers



Strategic focus areas to mitigate risk and maximise opportunity



Relevant resources utilised

3

THE EFFECTIVE USE OF TECHNOLOGY

Technology is developing rapidly and impacts all aspects of our business. Effective systems and processes are critical in reducing costs, increasing flexibility and driving efficiency and productivity. A common IT platform is a key enabler in unlocking Group synergies.

Customers are also embracing technology, particularly mobile and social media, impacting how retailers communicate and transact with them across all channels.

The ubiquitous nature of technology has resulted in an increased threat of cyber attacks and compromised infrastructure and data security.

Our risks

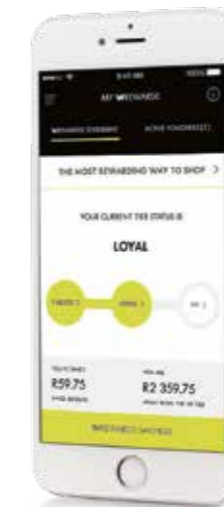
- Inability to deliver IT requirements to support the growth of the business
- Cyber attacks, IT infrastructure disruptions and data loss

Our opportunities

- Increase the focus on the customer and integrated, customer-facing technology, particularly mobile
- Develop a roadmap of Group-wide IT requirements to ensure consistency of services and processes across all entities and protect our business from security threats and business interruptions

Stakeholders impacted

- Customers, Suppliers



Strategic focus areas to mitigate risk and maximise opportunity



Relevant resources utilised

4

THE BUSINESS TRANSFORMATION OF DAVID JONES

Through the successful transformation and integration of David Jones, we will build a large-scale, highly efficient business that will firmly establish us as a leading southern hemisphere retailer.

Our risks

- Inability to unlock David Jones' potential transformational and synergistic benefits

Our opportunities

- The Group Transformation Management Office (GTMO) provides the framework under which Group transformational work streams are managed to ensure that acquisition benefits are realised
- Continue to identify additional synergies and benefits across WHL, unlocking further shareholder value
- Leverage core skills across the Group to ensure integration and transfer of knowledge

Stakeholders impacted

- Customers, Suppliers



David Jones, Sydney



Strategic focus areas to mitigate risk and maximise opportunity



Relevant resources utilised

Read more about David Jones on pages 86 to 101.

5

PEOPLE, CULTURE AND DIVERSITY

We recognise that attracting and retaining talented employees is critical to delivering our strategy. Competition for talented employees is intensifying, with targeted recruitment and poaching of core talent by local and international retailers offering above market-related salaries.

In South Africa, we have a further obligation to transform WSA in line with the revised BBBEE Codes of Good Practice.

Our risks

- Inability to attract and retain retail talent
- Failure to transform WSA in line with the BBBEE Codes of Good Practice

Our opportunities

- Employee Value Proposition (EVP) designed to attract, inspire, engage, retain and motivate the right diverse leadership and talent required to deliver to the strategy. The EVP balances remuneration (financial rewards) with non-financial rewards to drive and deliver a high performance culture
- Talent management structures and processes and our broader Group talent pool allow for additional development and secondment opportunities
- Accredited training programmes for staff and senior leadership development programmes to strengthen management talent
- Build on and adapt WSA transformation strategy to align to new BBBEE codes



Stakeholders impacted

- Employees, Other stakeholder groups



Strategic focus areas to mitigate risk and maximise opportunity



Relevant resources utilised

Read more about our people and transformation in our Good Business Journey Report at www.woolworthsholdings.co.za

6

DELIVERING SUSTAINED FINANCIAL PERFORMANCE

Through leveraging our scale, driving synergies and implementing our clear, consistent strategies across the Group, we will generate sustainable returns over the short-, medium- and long-term for our investors and shareholders.

Our risks

- Cost growth is uncontained, leading to negative operating leverage
- Reduced liquidity impacts our ability to maintain or grow the business
- Current trading performance is impacted by management focus on change programmes

Our opportunities

- Common seasonality, scale and global sourcing opportunities allow us to enhance margins
- Leveraging Group systems, processes and structures allow us to improve efficiency and productivity

Stakeholders impacted

- Customers, Suppliers



Woolworths SA, Waterstone Village



Strategic focus areas to mitigate risk and maximise opportunity



Relevant resources utilised

Read more about our financial performance in the Group Finance Director's report on pages 42 to 57.

7

SUSTAINABILITY

Retailers continue to experience a significant change in mind-set among consumers that doing business is no longer only about profit, but also creating shared value and meeting responsibilities to contribute to economic development and give back to communities and our planet.

Our risks

- Failure to maintain sustainability leadership position resulting in the loss of competitive advantage and brand deterioration
- Scarcity of supply and increasing cost of natural resources (especially water and energy) impacting our operations and supply chain

Our opportunities

- Expansion of the Good Business Journey's (GBJ) principles and initiatives throughout the Group
- Revised GBJ targets and commitments will deliver renewed focus
- We form part of a complex and globalised supply chain with the potential to influence both upstream and downstream value chain players in order to drive positive and sustainable change

Stakeholders impacted

- Employees, Suppliers, Customers, Other stakeholder groups



Strategic focus areas to mitigate risk and maximise opportunity



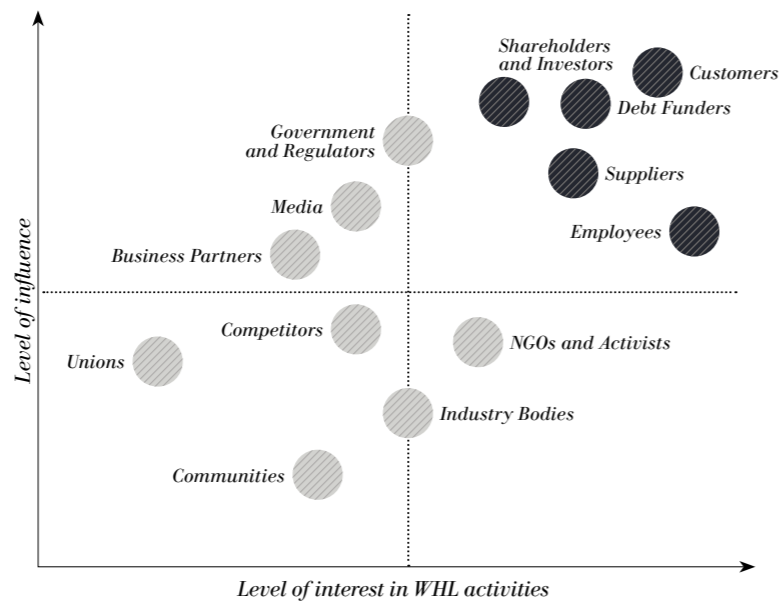
Relevant resources utilised

Read more about our Good Business Journey Report at www.woolworthsholdings.co.za

26/ OUR STAKEHOLDERS

It is the intent of the Group to develop sustainable relationships based on mutual trust and respect.

[Read more about our stakeholders in our Good Business Journey Report at www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za)



Sustainable relationships form the foundation of the Group's ability to create value in the short-, medium- and long-term. We believe that building strong stakeholder partnerships is key to building a more sustainable business and future. Our stakeholders, their interests and level of influence in the Group's operations will vary according to geographical location, business area and the nature of their interest. We recognise that there is a broad range of stakeholders with an interest in the Group, its products, activities and initiatives and also on whom our business has an impact. This relationship is depicted in the graph above.

The WHL Group is committed to developing and sustaining quality, long-term relationships with all our key stakeholders. These relationships help foster an environment that helps us build on the growth and prosperity of our Group. The Board is committed to stakeholder engagement with the interactions, monitoring, and implementation of stakeholder engagement being the responsibility of the respective management teams in the Group.

Based on the strategy we adopted last year, we have sought to embed strategic

engagement and collaboration in a number of business areas. This programme of stakeholder engagement helps the Group better navigate through a complex regulatory, legislative and political landscape; provides ongoing macro-environmental insights; develops goodwill ambassadors and ultimately ensures our continued social licence to operate.

Our philosophy is to engage authentically, openly and inclusively with our stakeholders so that we can better understand and benefit from their insights, concerns and priorities, seek areas of potential

partnership, mitigate risks to the business and create mutual trust and respect. Understanding that the opportunity now exists for a more effective business voice, we ensure our engagements are based around issues that are both salient for the business and aligned to national priorities. We will continue to enhance and build on our stakeholder engagement function by focusing on developing those relationships that have a material impact on the Group in the short-, medium- and long-term.

OUR CUSTOMERS

The Group has in excess of 15 million customers who transact with us using multiple channels, and across different geographic footprints.

We engage with our customers on a continuous basis through advertising, in-store communication and campaigns, WHL and brand websites, on social media, through customer service centres, loyalty programmes, focus groups and survey feedback. The aim of these interactions is to increase awareness of our brands and to get feedback on improvement opportunities for the business.

As a customer-led business, feedback informs the operational and tactical components of our strategic objectives. Customers provide us with feedback on product availability, fashion appeal, value and choice, innovation and service, and tell us how we are managing key sustainability issues.

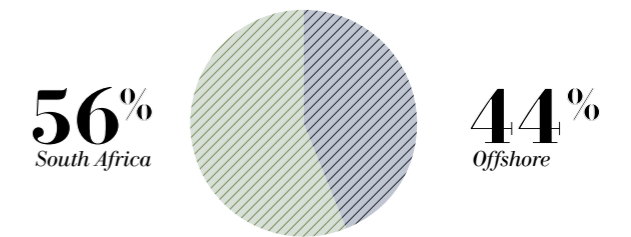
During the year, Woolworths announced that it would remove sweets and chocolates from Food checkout aisles of new and large format stores. There was extensive engagement with customers to determine the alternative snack options they would like to see in the aisles. As a result of that engagement, the sweets and chocolates have been replaced with options such as dried fruit, biltong and nuts. There are now 171 store locations which no longer have sweets and chocolates in their checkout aisles; they are located elsewhere.

Customer satisfaction surveys help us understand what our customers want from their shopping experience, while customer focus groups help us to fine-tune our product offering.

At David Jones, we conducted extensive quantitative and qualitative research with existing, lapsed and potential customers to understand their view of David Jones and the role it plays in their shopping repertoire. This knowledge informs our repositioning of the David Jones brand and the merchandise assortment plans, and provides input into the service proposition.

At the Country Road Group, we are transforming the way we measure and track customer satisfaction and brand equity to improve our customer experience.

OUR SHAREHOLDERS AND INVESTORS



At the end of the financial year, 44% of WHL's shareholders were based offshore. We actively engage the investment community through individual conversations, presentations, roadshows and biannual financial reporting events.


The Group continues to hold specific engagements with our shareholders on the progress of the David Jones integration. We engage with investors on business performance, strategy and our economic, social and environmental risks.

We offered a scrip distribution to shareholders as an alternative to the interim dividend. Our shareholders told us that they preferred the cash position and therefore the uptake was not significant at 18.1%. The Group reverted back to a cash dividend for the final year-end dividend.

The Group participates in a number of international indices such as the Dow Jones World Sustainability Index, the FTSE/JSE Responsible Investment Index and the CDP (previously the Carbon Disclosure Project) to broaden the awareness and demonstrate the commitment of WHL as a global good corporate citizen.

OUR DEBT FUNDERS

Debt funders remain a significant stakeholder of the Group – in both South Africa and Australia. Comprehensive agreements govern the key aspects of funding and are proactively managed by the Group Treasury Function. Regular meetings are held with funders and potential funders to keep them abreast of the current financial performance and strategic focus areas of the Group. Both the South African and Australian debt were restructured in conjunction with the debt funders during the year.

 **OUR EMPLOYEES**

The Group has over 43 000 employees across 14 different countries, primarily in South Africa and Australia. Our employee engagement is focused around aligning our employees to deliver to our strategy as well as our Employee Value Proposition (EVP). The EVP has been designed such that it will continue to attract, inspire, engage, retain and motivate the right diverse leadership and talent required to deliver sustainable profit growth.

The EVP balances remuneration (financial rewards) with non-financial rewards to drive and deliver a high-performance culture. The remuneration policy and framework is explained in more detail in the remuneration report on pages 126 to 149. This policy is applied to all employees across the Group. All employees have an opportunity to participate in the variable pay element of short-term incentive/performance bonus schemes, with participation in long-term incentives dependent on the role performed. The short-term incentive scheme is aligned across the Group, recognising that value creation at a Group level is critical for continued growth.

The components of the non-financial rewards are:

- **Opportunity:** career development and training;
- **Organisation:** ethics, brand and diversity;
- **Work:** recognition, innovation and job impact; and
- **People:** leadership and work environment.

The Group conducts an annual employee satisfaction survey in each of the operating companies to provide feedback on how well the Group delivers the EVP and the employment experience, and to learn from our employees where we need to improve.

At Woolworths, the latest 'Let's Ask' employee survey, with participation from over 88% of employees, received a 74.5% positive response rate marginally up from last year. Our employees told us that we are continuing to do well in terms of benefits, workplace, and community, and we saw an improvement in team leadership and development, which is especially pleasing given our focus on values based leadership. The improvement in the score for rewards and recognition was particularly encouraging and reflects of the changes made to the Group remuneration policy and our intent to be the retail employer of choice.

David Jones and Country Road Group also undertook an externally hosted alignment and engagement survey. The results of the 2016 Pulse survey revealed positive engagement scores across all areas of the business.

31 631

Africa


11 509

Australasia


The Group conducts an annual employee satisfaction survey in each of the operating companies to provide feedback on how well the Group delivers.



Inspired Leaf Farm, Krugersdorp

 **OUR SUPPLIERS**

As a predominantly private-label retail Group, the relationship that we have with our suppliers is a key element of the Group's business model.

Our approach to the life cycle management of our products means that we work closely with our suppliers to deliver consistent quality and high product standards, and that we continuously create innovative products for our customers. The potential to influence primary and secondary suppliers in order to drive positive and sustainable change through the application of codes of conduct, sourcing policies and creation of lasting supplier relationships presents both an opportunity and a challenge.

Our expanded southern hemisphere footprint provides the opportunity to drive volume-based sourcing opportunities,

lowering the cost of goods. We also have the opportunity to further entrench the Woolworths sustainability ethos consistently across the David Jones and Country Road operations, while recognising the need to respect local culture and the context of business in different regions.

We hold regular supplier roadshows, conferences, and audits that create broad understanding of our strategy, business requirements and growth plans. Our relationship with suppliers has enabled us to successfully implement programmes like Farming for the Future and Fishing for the Future in South Africa, and influence animal husbandry in Australia. We are also committed to supporting the development of small, black-owned businesses in South Africa through our enterprise and supplier development programmes.



Graaff Fruit, Romansrivier

 **OTHER STAKEHOLDER GROUPS**

Building solid relationships with reputable and well-established industry bodies remains an important element of our stakeholder engagement strategy.

Senior executives within Woolworths continue to participate in industry bodies such as Business Leadership South Africa, National Business Initiative, Business Unity South Africa, Business Against Crime, Consumer Goods Council of South Africa, National Clothing Retail Federation and Retailers Association. This is accomplished through representation at various national and international industry summits, events and relevant issue-specific meetings.

Through supportive and responsive interaction with the South African government, we have in the last year found opportunities to meet with the Departments of Health, Agriculture, Forestry and Fisheries, Education, and Trade and Industry at various levels. The discussions held have been constructive and productive, ranging from issues of mutual concern to policy formulation.

We have also engaged unions, regulators, academic institutions and the media on relevant business issues during the last 12 months.

With reference to sustainability in particular, we have established platforms that allow for structured engagement with key stakeholders, resulting in shared value. Our Good Business Journey is aligned to core non-governmental organisations that prioritise sustainability. In part, our transformational partnership with the WWF-SA – which has just been renewed for a further five years – helps us achieve mutual goals around bio-diversity.

In Australia, we engage closely with industry, state and federal government bodies and regulators to help shape and support the sustainable growth of our retail businesses.

Building solid relationships with reputable and well-established industry bodies remains an important element of our stakeholder engagement strategy.

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A SPREADING OF OUR VALUES

2016 has seen the Group consolidating its strategy of being a major southern hemisphere retail player – trading on two continents to aspirational customers who seek to buy beautiful goods from our 1 400 stores. David Jones is now fully part of the organisation and delivers meaningful profit to the Group. Woolworths in South Africa, and David Jones and Country Road Group in Australia form three powerful and integrated pillars for our business. Having a large Group with a single set of core values deeply based in human principles is enabling Ian Moir and his team to drive real growth through one common philosophy.



Group sales (including concession sales) were up 16.1% to R72.1 billion and adjusted profit before tax up 11.7% to R6.1 billion.

The strategy of having a large footprint in more than one sovereign territory was a major help in cushioning the shock of President Zuma's damaging decision to remove Finance Minister, Nhlanhla Nene in December 2015. That decision, even though corrected by the appointment of the highly respected Pravin Gordhan rocked the confidence of South African citizens. It, and similar self-interested decisions, impacted directly on business and consumer confidence and will have major repercussions on whether South Africa's sovereign debt rating is downgraded later this year.

Where we trade in the Rest of Africa and Australia, the politico-economic situations have remained on track, providing shareholders with the very cushion that we anticipated when rebalancing our sovereign exposures. Africa continues its long-term journey towards greater democracy and we feel confident that our investments there will carry on expanding,

alongside the natural growth of an aspiring middle class.

Australia remains the most stable of the regions in which we operate. While its economy has slowed, it has the unique track record of experiencing 97 continuous quarters of growth – unheard of in a commodity-based, developed economy.

Operationally, the strategy of building scale across the southern hemisphere is bearing real fruit. We are seeing benefits in sourcing, real estate, and in placing human capital strategically, as well as in our ability to attract world-class talent. Indeed, earlier in the year we welcomed John Dixon to Australia. He is a highly experienced retailer from Marks & Spencer in the United Kingdom, and is already making a strong impact as CEO of David Jones.

2016 PERFORMANCE

The Group has delivered financial results that show continued real growth – this despite the downward pressure on consumers in South Africa and a slowdown in Australia – a commendable performance from our management team. Group sales were up 16.4% to R72.1 billion and adjusted profit before tax was up 14.7% to R6.1 billion.

Woolworths South Africa again showed market share gains in both Food, and Clothing and General Merchandise and continues to invest sourcing and synergy improvements back into selected prices to improve our competitiveness.

David Jones in Australia performed well, also gaining significant market share –

reflecting the benefits of the transformation programme we embarked upon after the acquisition in 2014. We have extended our own brands deeper into David Jones, both from the Country Road Group and from Woolworths, and have also strengthened our relationships with the most aspirational international and Australian brands.

While the performance of David Jones was pleasing, the Country Road Group by contrast had a disappointing year, again missing the fashion looks that our customers were seeking. We have made a number of changes to the leadership team and initial indications for spring are looking positive.

Our governance policies and practices continue to be informed by local and international best practices, but most of all they are underpinned by the values of the Group.

Operating profit by geography



GOVERNANCE FOR VALUE CREATION

As the executive team settles into managing a significantly larger Group and spread of geographies, so is our Board of Directors settling into a more strategic role. We now have a truly diverse Board – in gender, in geography, in race and in skill sets. Our Board members have strong views and opinions, and in bringing these views together, we are able to both guide and oversee our management team in their building of an ever stronger business.

We have also replicated boards in each of the three operating groups, Woolworths SA, David Jones and the Country Road Group. These operating company boards are chaired by the Chief Executive Officer and are largely comprised of executives. Each of the operating company boards have one or more Independent Non-executive WHL Board members on their board. The result of this is that the Holdings Board itself is now able to spend its time on the higher-level strategic issues facing the Group, whereas the responsibility for the more operational and governance elements of the three entities is the responsibility of the operating company boards. This is a journey that no doubt will mature further over the years to come.

Our governance policies and practices continue to be informed by local and international best practices, but most of all they are underpinned by the values of the Group. These give us the primary moral guidance in doing the right thing transparently and openly for all stakeholders.

We are delighted to announce the appointment of Chantel Reddiar as Group Company Secretary and Head of

Governance, Risk and Compliance. She joins us on 5 September 2016 and brings with her a wide range of experience in this role. I would personally like to thank Ralph Buddle, who stood in as Interim Group Company Secretary for the past nine months. Ralph has been a great support to myself and the Board and we look forward to his continuing engagement as Ian Moir's Director of Strategy and Business Development.

THE TRANSFORMING POWER OF VALUES

The value system of this Group is intrinsic to all that it does and has guided its continuing transformation for 85 years. It has given us a sense of who we are, how to behave and how to grow. It has helped us bring employment to over 43 000 people directly and tens of thousands more indirectly. It has helped us become one of the largest tax-payers in South Africa and in Australia. In the last year alone in South Africa, we were responsible for R3.7 billion of taxes paid.

The business' goal of becoming the most sustainable retailer in the southern hemisphere continues this powerful journey. There are five Good Business Journey sustainability priorities all deeply rooted in our values:

- over R3.5 billion community contributions over five years;
- save 500 billion litres of water over five years;
- halve our energy impact by 2020 and have all our energy come from renewables by 2030;
- responsible sourcing of all key commodities by 2020; and
- all directly sourced products to have at least one sustainability attribute by 2020.

These, combined with our philosophies on people development and supplier relationships, ensure we are in a permanent state of transparent and open transformation. This transformation is by its nature focussed on long-term sustainability. We have indeed been on this journey for over 50 years. We started in the 1960s by refusing to create separate amenities in our stores for people of different race. We pioneered black management development throughout the 1970s and 1980s – finding ways around the numerous draconian bits of apartheid legislation – to pursue our values and develop our people.

It is this long-term, unwavering, and values-based commitment to transformation that has helped develop inspirational leaders such as Zyda Rylands, Sam Ngumeni and Reeza Isaacs. There are no shortcuts.

We have also found few shortcuts in our highly successful Black Supplier Development programme in South Africa. This exciting journey has now produced over 40 new suppliers for Woolworths. We provide seed funding in the form of subsidised loans, which today have a book value of R45 million. Most importantly, though, we provide management guidance and a predictable market to these businesses. We have a 97% success rate and are continuously seeking further black entrepreneurs who, like all our suppliers, share our values and who can play a meaningful role in our supply chain.

The value system of this Group is intrinsic to all that it does and has guided its continuing transformation for 80 years.

A VALUES-DRIVEN SOUTH AFRICA

Our fears for South Africa, our home base, lie in precisely the field of values. The deep lack of values shown by our national leadership has cost our country dearly. Indeed, the WHL Group's top risk is 'worsening SA sovereign risk'. This is a core concern for the Woolworths Board.

The complete lack of transparency around the state-owned enterprises and the constant threats to the Constitution and people of principle have caused much of the stress that the country is suffering. So many decisions from the top of government are seemingly made with personal, not the nation's interests in mind. As a nation, we ignore at our peril the basic requirements for economic growth – a strong Constitution, honest government, enshrined property rights and real co-operation with business to enable it to create the jobs and the taxes we so badly need.

The unemployed millions, especially the youth, are the primary victims of the country's economic woes. Labour legislation needs to change, especially for small businesses. The great wastage of national funds through corruption and lack of accountability needs to be stopped and directed towards real drivers of growth.

There are, though, some signs of encouragement. Government itself has extended its hand to business to work together on issues such as education, entrepreneurship and employment. Woolworths and I are active participants here and welcome this engagement. We have also witnessed continued resolve for implementing positive change from civil society, non-profit organisations and certain departments of the state. The South African judiciary is world-class, untainted and independent and the corporate environment generally operates under a high level of governance.

Business and government should now passionately commit to a joint powerful set of values. Society is asking for this, knowing full well that without such values, we cannot look to a future that provides for greater growth for all.

THE WAY FORWARD

Each of the regions in which we operate is seeing tough consumer environments. Our job, in each region, is to provide beautiful merchandise at great value that best serves our customers.

As always, the year will bring changes to the Group. Our recent announcement on co-locating our Australian businesses under one roof is a major step towards streamlining decision-making and delivering financial benefits. The sale of our Market Street property in Sydney will generate significant cash, the bulk of which will be used to transform our Elizabeth Street flagship over the next three years into one of the most beautiful department stores in the world. We now also have the exciting prospect of introducing a new food experience in David Jones, combining our grocery skills with the unique Australian household needs and palate.

On behalf of the Board, I would again like to thank the 43 000 members of the team for their passion, their energy and their commitment to our customers. We also deeply appreciate that same passion that our world-wide supplier base brings to delivering beautiful goods to those same customers.

WE REMAIN RESOLUTELY COMMITTED TO THE VALUE SYSTEM THAT WE KNOW DRIVES THIS BUSINESS AND LOOK FORWARD TO GROWING THROUGH THE CHALLENGES OF THE YEAR AHEAD.

38/ OUR GROUP CHIEF EXECUTIVE OFFICER'S REPORT

The business performed well during the year against difficult global and local economic conditions and an increasingly tough retail trading environment in both South Africa and Australia. We have remained focused on executing our clearly established strategies and in particular the business transformation initiatives in David Jones.



The redevelopment of Elizabeth Street is an exciting milestone in the transformation of David Jones and will create a new benchmark in both Australian and global retail.

THE TRANSFORMATION OF DAVID JONES

The introduction of Woolworths and Country Road Group brands to David Jones is a key aspect of the transformation: during the year we completed the roll-out and expansion of the CRG brands i.e. Country Road, Trenerly, Witchery and Mimco; in August 2015 we introduced Woolworths' private label brands, namely RE., Studio.V, Distraction and JT One, and in February 2016 we re-launched David Jones' own private label classic offering. We will be introducing a premium David Jones private label collection in August 2016, and we remain confident that all these brands are appropriately positioned in the market and that their trading performance will continue to improve as they become more established.

Our new Customer Relationship Management platform, introduced in July 2016, is a key enabler for us to gain a deeper understanding of our customer and to use this information to inform our business decisions. We are also designing a new loyalty programme for David Jones with the potential of introducing a regional umbrella programme across David Jones and Country Road Group during 2018.

We continue to make strides in other areas too: we have completed the roll-out of our new customer store service model that offers both a much-improved value proposition to our employees as well as an improved service to our customers. We are investing in our information technology platforms by introducing new, world-class merchandise and planning systems, and driving our online sales performance through upgrading our website platform that has richer content and is quicker and easier to navigate.

We are continuing to optimise the real estate portfolio of David Jones with new stores and formats, by driving space productivity and profit and by carving out space for Food. This includes opening our first store in Wellington, New Zealand in July 2016 – the first store outside of Australia in David Jones' 178 year history.

Recently, we were pleased to announce the A\$360 million sale of our Market Street building in Sydney. The sale of the building facilitates a redevelopment of up to A\$200 million of the adjacent Elizabeth Street building to create a 39 000 m² luxury department store spanning 11 levels in the heart of the city's vibrant CBD retail precinct.

The redevelopment of Elizabeth Street is an exciting milestone in the transformation of David Jones and will create a new benchmark in both Australian and global retail, bringing together for the first time a unique combination of contemporary gourmet food and dining, and luxury fashion, under one roof. A new restaurant will be developed in partnership with renowned Australian chef, Neil Perry.

A three-year lease-back arrangement will ensure the redevelopment of Elizabeth Street occurs in a co-ordinated phased approach with limited disruption to our customers. The redevelopment will commence in the second half of 2017 with completion expected in the second half of 2019.

As the sale of the Market Street property and redevelopment of the Elizabeth Street store require the relocation of David Jones' head office, we will be establishing an Australasian head office in Melbourne, co-locating the service functions of both David Jones and CRG. The creation of a centre of retail excellence and a singular operational hub is an important step that will achieve substantial financial, operational and cultural benefits. By harnessing the advantages of scale and proximity, we will be able to improve operational effectiveness while investing in the infrastructure and resources needed for the next phase of growth.

I am also extremely excited by the opportunity we have to transform the David Jones Food experience. There is a gap in the Australian food market to offer an accessible place where customers can appreciate quality food. We are primed to capitalise upon this opportunity by leveraging David Jones' brand equity and real estate and our Group knowledge and expertise. This will allow us to transform the David Jones Food business to provide our customers with an authentic food experience that offers consistent superior quality, flavour and innovation.

PERFORMANCE IN SOUTH AFRICA

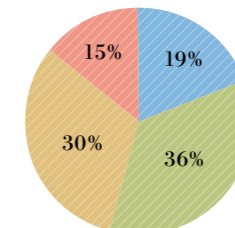
South Africa has experienced a turbulent year and challenging economic conditions with the slowdown in the growth rate and the threat of a sovereign debt downgrade. Rising interest rates and inflation, the impact of the drought on food prices, and political turmoil have all impacted consumer confidence and spending. The unseasonably warmer weather, particularly in the second half of the financial year, impacted retail sales across the southern hemisphere. Nonetheless, our mid-to-upper income target customer remains resilient and the Woolworths business continues to perform well.

In Clothing and General Merchandise, despite the impact of the unseasonably warm winter, sales grew by 9.6% to R13.7 billion. We remain firmly focused on driving our fashion credibility and improving our value proposition to customers.

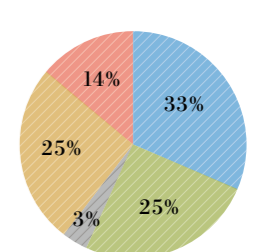
Food continued its above-market performance, delivering sales, including food service concession sales of R25.5 billion, 11.9% up on the prior year. Our Food business is differentiated on quality, freshness and innovation. We recognise that consumers are increasingly under pressure and we will continue to lower prices in certain categories where our customers expect more value.

Despite the introduction of the National Credit Amendment Act's onerous new requirements, Woolworths Financial Services (WFS) grew its average debtors' book by 8.1%. We incentivised customers to use their WFS cards as tender by repositioning the WFS offer within WRewards to deliver a simpler, richer programme. This has yielded encouraging results in a credit environment that remains under pressure.

Turnover and concession sales by segment



Operating profit by segment



● Woolworths Clothing and GM
 ● Country Road Group
 ● Woolworths Food
 ● David Jones
 ● Woolworths Financial Services

PERFORMANCE IN AUSTRALASIA

The Australian retail market has been negatively affected by the elections and particularly impacted by a later and warmer winter, which resulted in high levels of promotional activity and discounting in the market. Competition is also increasing with the continued entrance and expansion of international retailers.

Against this backdrop, David Jones delivered solid performance in its first full year of trading within the Group. On a 52-week basis, David Jones sales, including concession sales, increased by 8.4% in Australian dollar terms to A\$2.2 billion, with comparable sales increasing by 7.0%.

Country Road Group sales, including sales in South Africa, increased by 5.5% in Australian dollar terms, with sales in comparable stores being 3.9% lower. Performance was impacted by the warm winter, range issues and high levels of promotional activity in the market. A new Managing Director of Country Road and heads of design and planning are being charged with turning the business around, and I am encouraged by progress thus far.

SUSTAINABILITY

We continue to embed sustainability throughout the business by driving a consistent, Group-wide Good Business Journey strategy. As a business, we address the social challenges of food security, education and social transformation proactively by contributing meaningfully to developmental priorities. Our focus areas include creating ethical sourcing chains, building long-term partnerships with our suppliers, and supporting or contributing to the growth of small- to medium-sized business enterprises. We are particularly excited to announce the 2020 Group sustainability commitments, which we set in the year, including contributing over R3.5 billion to our communities over five years; saving 500 billion litres of water over five years; halving our energy impact by 2020 and source all our energy from renewables by 2030; responsibly sourcing all key commodities and ensuring that all our directly sourced products have at least one sustainability attribute.

OUR COMBINED PRESENCE CONTINUES TO PRESENT US WITH OPPORTUNITIES TO GROW MARKET SHARE AND DRIVE PROFITABILITY IN BOTH SUB-SAHARAN AFRICA AND AUSTRALASIA.

LEADERSHIP

In September 2015, Zyda Rylands was appointed to the new position of Chief Executive Officer of Woolworths South Africa. Each operating division in the Group, is now headed up by a Chief Executive Officer focused on driving growth and profitability in their businesses. The Group Executive Committee consists of the Group Finance Director, Reeza Isaacs; the Group Chief Operating Officer, Sam Ngumeni, Director of Strategy and Business Development, Ralph Buddle and the CEO's of Woolworths, David Jones and Country Road Group. This strong leadership team ensures that we are aligned across the Group and positioned to deliver our strategic objectives.

APPRECIATION

The Group now employs more than 43 000 employees across 14 countries who continue to add value to our customers on a daily basis. I would like to thank them for their hard work and efforts to make this year a success. I would also like to thank the Board for their guidance and support during the year, and the senior teams of the Group for their leadership in driving the delivery of our strategic objectives.

OUTLOOK

Looking to the year ahead, the South African customer continues to be under pressure, and the Australian trading environment continues to be tough. Both markets are becoming more competitive with the arrival of northern hemisphere retailers and increasing promotional activity. Nonetheless, our mid-to upper-income customers are resilient, and our combined Group presence continues to present us with opportunities to grow market share and drive profitability in both sub-Saharan Africa and Australasia. We are confident that our strategies are clear and that our businesses are well-positioned despite the prevailing conditions.



Woolworths SA, Autumn 2016

42/ OUR GROUP FINANCE DIRECTOR'S REPORT



“We are focused on shareholder returns through the effective deployment of capital and ensuring that we deliver on our Group targets.”

COMPARABLE RESULTS

This is the second year since we acquired David Jones and the minority interests in Country Road Group, which together fundamentally changed the way in which the Group operated. As we acquired David Jones on 1 August 2014, our 2016 results are not fully comparable to 2015, which did not contain the traditional clearance month of July. Comparable results were also affected by one-off transaction costs and the effect on the weighted number of shares of the rights offer that was completed at the end of September 2014.

STRATEGIC PRIORITIES

From a Finance point of view, our strategic priorities in 2016 were:

- achieving our 2016 and medium-term plan targets;
- delivering the Group integration and synergy targets;
- strengthening the balance sheet; and
- effectively managing the Group's capital.

We performed well against the first priority, despite apparel sales in the second half being impacted by the unseasonably warm weather experienced across the southern hemisphere. We were especially pleased by the David Jones sales performance. Country Road Group, however, fell short of expectations. Woolworths Clothing and General Merchandise had a pleasing year.

In a tough grocery market we continued to grow our Woolworths Food business ahead of the market and delivered in excess of our medium-term plan Earnings Before Interest and Tax (EBIT) targets.

In delivering value for our shareholders, the focus on Group integration synergies was a priority. A structured process ensured that we delivered on the overall transformation project targets, with regular updates on progress and robust benefits tracking. While we

experienced challenges in some areas, we outperformed on others and delivered on our commitment that the David Jones acquisition would be earnings neutral in 2016.

The balance sheet was fundamentally impacted by the 2015 acquisitions, changing the capital structure of the business, requiring more active management of the balance sheet from a governance, liquidity and risk perspective:

- Gearing is now managed proactively based on clear Group capital allocation principles and internal covenant measures that are more stringent than the Group's banking covenants;
- The debt assumed in South Africa at the time of the acquisitions has been restructured, altering the repayment profiles, covenants and security, to the benefit of the Group from a cost and liquidity risk perspective. Consideration will be given to listed debt instruments in the near future, market conditions permitting;
- The Australian debt was amalgamated under a Common Terms Deed, resulting in pricing benefits, and we are currently looking at the extension of facilities;
- A number of measures have been put in place to strengthen the liquidity profile, such as converting uncommitted facilities to committed facilities and increasing the level of longer-dated revolving credit facilities; and
- The unwinding of the existing BEEESOS structure, facilitated via a successful R2 billion placement of WHL shares on behalf of the participants.

The year ahead will incorporate a consolidation of the above processes, most notably the continued refinancing of existing debt, broadening the source and type of funding, and managing the risk profile appropriately.

A Head of Treasury for the Group was appointed, which has enhanced treasury management and oversight across the business. A Group Treasury Committee was established, which oversees all treasury activities of the Group and ensures proper governance of this important function. This committee, which meets quarterly and is chaired by myself, is an executive committee which reports into the Group Audit Committee. Members of the committee include the Group CEO and the Group Head of Treasury. The Chairman of the Audit Committee attends the meeting as a permanent invitee.

We now have clear capital allocation principles inclusive of appropriate cost of capital and hurdle rates that have been implemented across the Group. As with most 'balance-sheet-light'

retailers, Return On Equity (ROE) has been historically high, however, ROE and Return On Capital Employed (ROCE) have been structurally altered by the acquisitions and are sensitive to exchange rate volatility. Our focus is on improving ROE and ROCE by delivering shareholder returns significantly above the cost of capital. To this end, medium-term ROCE targets have been incorporated into long-term incentive targets.

OPERATING PERFORMANCE

	2016	2015
Sales growth, including concession sales (%)	16.4	54.9
- excluding David Jones (%)	12.0	12.0
Gross profit margin (%)	40.6	41.0
Operating profit margin (%)	9.7	9.0
Adjusted diluted headline earnings per share growth (%)	8.9	11.0

The global economy, including South Africa and Australia, faced significant uncertainty during the year under review, resulting in slowing growth, depressed consumer confidence, and constrained spending. Our businesses, however, produced a pleasing set of results.

We delivered a strong first half performance, which slowed in the second half, impacted by the warm winter. Our focus on expenses assisted in delivering a strong result. Profit before interest and tax increased by 24.3% on last year to R7 219 million, and adjusted headline earnings increased by 16.4% to R4 367 million.

The global economy, including South Africa and Australia, faced significant uncertainty during the year under review, resulting in slowing growth, depressed consumer confidence, and constrained spending. Our businesses, however, produced a pleasing set of results.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2016 Rm	2015 Rm	% change
Turnover and concession sales	72 137	61 970	16.4
Turnover	65 004	56 506	15.0
Cost of sales	38 618	33 356	15.8
Gross profit	26 386	23 150	14.0
Other revenue	1 926	1 447	33.1
Expenses	21 330	18 336	16.3
Operating profit	6 982	6 261	11.5
Net finance costs	1 186	1 214	(2.3)
Earnings from joint ventures and associate	250	223	12.1
Profit before adjustments and tax	6 046	5 270	14.7
Adjustments (pre-tax)	(13)	(838)	
Unrealised foreign exchange (losses)/gains	(13)	29	
Acquisition and restructuring costs	-	(867)	
Tax	1 680	1 312	28.0
Profit for the year	4 353	3 120	39.5
Other comprehensive income	3 651	(931)	
Total comprehensive income	8 004	2 189	
Reconciliation of headline earnings			
Basic earnings attributable to shareholders of the parent	4 344	3 017	44.0
Adjustments for capital items (post-tax)	14	290	
Headline earnings	4 358	3 307	31.8
Adjustments to headline earnings (post-tax)	9	444	
Adjusted headline earnings	4 367	3 751	16.4

REVENUE

Group sales, including concession sales, increased by 16.4% (up 11.1% on a constant currency basis) over the comparable 52-week period in 2015. Excluding David Jones, Group sales increased by 12.0%. This was a strong result with market share gains in both Woolworths South Africa and David Jones in Australia.

Woolworths Clothing and General Merchandise sales increased by 9.6% and by 4.4% in comparable stores. The growth of online sales and sales in the Rest of Africa business contributed positively to sales growth. Woolworths Food delivered strong growth ahead of the market, at 11.9%, with sales in comparable stores increasing by 5.7%. On a pro forma 52-week basis, DJ sales, including concession sales, increased by 8.4% in Australian dollar terms, with sales in comparable stores growing by 7.0%. CRG sales increased by 5.5% in Australian dollar terms, although sales in comparable stores were 3.9% lower.

GROSS MARGIN

Gross profit was up 14.0% on last year with gross margin at 40.6%, 40 basis points down on last year. There were margin gains across the Group due to the benefits of Group sourcing initiatives. However, these gains were offset by higher apparel markdowns due to the warm winter (especially in CRG) as well as the impact of price investment in Woolworths Food.

Group expenses were up 16.3% on the prior year. This increase was primarily driven by a 15.8% increase in store costs due to ongoing store development as well as investment in the launch of private label brands into the David Jones channel and translation. We continued to actively manage our costs to reduce the impact of tougher trade, especially in the second half. Efficiency and synergy benefits, in the areas of occupancy costs and non-trade procurement, have had a positive impact on costs.

EARNINGS FROM JOINT VENTURE

Profits from Woolworths Financial Services (WFS), our joint venture with Barclays Africa Group, was 12.2% up on last year, with strong operating performance benefitting from interest rate gains. This was partially offset by cost investment in our WRewards programme and costs relating to new compliance obligations under the National Credit Amendment Act regulations. The average debtors' book grew by 8.1% and the impairment rate was 5.7%.

NET FINANCE COSTS

Net finance costs of R1 186 million were 2.3% down on the prior year, due to the R134 million once-off equity bridge costs incurred at the time of the acquisitions in 2015. We continue to manage our finance costs through effective hedging, as outlined in our strategic priorities.

Net interest cover of 7.6 times improved from last year's 6.4 times.

TAXATION

The full year tax charge was R1 680 million. The Group's effective tax rate of 27.8% was 1.8% lower than last year due to the non-deductibility of certain acquisition costs in 2015.

BASIC AND HEADLINE EARNINGS

Basic and headline earnings increased by 44.0% and 31.8% respectively, due to the inclusion of acquisition-related costs as well as unrealised foreign exchange gains totalling R444 million (post-tax) in earnings for the prior year. Adjusted headline earnings grew by 16.4%.

SEGMENTAL CONTRIBUTION

	2016 Rm	2015 Rm	% change	Constant currency % change
Woolworths Clothing and General Merchandise	2 306	2 095	10.1	
Woolworths Food	1 826	1 580	15.6	
Woolworths Financial Services	248	221	12.2	
Woolworths	4 380	3 896	12.4	
David Jones	1 839	1 532	20.0	5.6
Country Road Group	1 035	1 058	(2.2)	(12.6)
Segmental profit	7 254	6 486	11.8	6.3
Net finance and other costs	(1 208)	(1 216)	(0.7)	(4.9)
Adjusted profit before tax	6 046	5 270	14.7	8.9

The Group performance reflects a strong contribution from Woolworths and David Jones, while Country Road Group underperformed and showed negative growth on last year. The Australian businesses now contribute 40% to Group earnings. The A\$ earnings provide a natural hedge for the Group against volatility and weakness in the ZAR, which in the current year enhanced Group earnings.

The Group's unadjusted operating profit margin increased by 70 basis points to 9.7%. This was achieved through increased sales and positive operating leverage from expense growth. Adjusted profit before tax increased by 14.7%.

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

EARNINGS PER SHARE (EPS)

The 34.7% and 23.2% increase in EPS and Headline EPS (HEPS) respectively was impacted by the 6.9% increase in the Weighted Average Number Of Shares in issue (WANOS), as a result of the rights issue in the prior year. Adjusted HEPS and adjusted diluted HEPS increased by 8.9%. Dilution arises from the unexercised options under the Group's share incentive schemes.

DIVIDEND PER SHARE (DPS)

The Group dividend policy remains unchanged at a cover of 1.45x headline earnings. The Board approved a final DPS of 180.0 cents, which is a 19.6% increase on last year. This brings the total DPS for the year to 313.0 cents, an overall increase of 26.7%, which is higher than the increase in HEPS of 23.2%, due to the difference in the number of shares in issue at year-end to the WANOS for the period.

A scrip distribution was offered to shareholders as an alternative to the interim cash dividend. The majority of our shareholders preferred the cash option and the uptake was therefore not significant and had a minimal dilution effect on EPS.

	2016 cents	2015 cents	% change
EPS	454.2	337.3	34.7
HEPS	455.6	369.7	23.2
Adjusted HEPS	456.6	419.4	8.9
Adjusted diluted HEPS	453.4	416.4	8.9
DPS	313.0	247.0	26.7
WANOS (millions)	956.5	894.4	6.9

Over the past five years, we have returned R9.9 billion to our shareholders in dividends, with an average dividend yield of 3.2%, reflecting the continued growth in the Group's underlying profitability and our commitment to delivering strong shareholder returns. Over the same period, our share price has risen by 187%.



SUMMARISED STATEMENT OF FINANCIAL POSITION

	Jun 2016 Rm	Jun 2015 Rm	% change	Constant currency % change
ASSETS				
Property, plant and equipment and investment properties	17 451	14 538	20.0	4.0
Intangible assets	18 965	15 700	20.8	3.4
Investments in JVs and associate	978	894	9.4	9.4
Inventories	7 117	5 881	21.0	10.0
Accounts receivable, tax, deferred tax and loans	3 354	3 551	(5.5)	(14.8)
Cash	1 525	891	71.2	60.4
Total assets	49 390	41 455	19.1	4.4
EQUITY AND LIABILITIES				
Shareholders' funds	19 853	14 297	38.9	12.5
Borrowings	15 918	15 118	5.3	(1.4)
Other non-current liabilities and deferred tax	2 856	3 150	(9.3)	(20.1)
Accounts payable, provisions and tax	10 763	8 890	21.1	9.6
Total equity and liabilities	49 390	41 455	19.1	4.4

The assets and liabilities of the Australian subsidiaries contained within the Group statement of financial position are inflated by the higher exchange rate at year-end. The increase in the equity is primarily due to the increase in the foreign currency translation reserve. Inventory increased by 10.0% in constant currency, due to the impact of inflation, space growth, private label and lower sell through in CRG.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

	2016	2015
ROCE (%)	16.8	15.7
ROE (%)	25.6	26.3*
Net debt:equity (times)	0.7	1.0
Net debt to EBITDA (times)	1.6	1.7
Interest cover (times)	7.6	6.4

* 2015 based on closing equity

ROCE has increased from 15.7% to 16.8%. On a constant currency basis, ROCE was 17.4%, reflecting a return that is well ahead of our cost of capital. ROE has reduced marginally by 0.7% to 25.6% and increased to 27.7% on a constant currency basis. Both the ROCE and ROE have been affected by the depreciation of the rand and the translation effects.

Net debt has increased by R166 million to R14.4 billion due to the translation effect on Australian dollar denominated debt. Overall, net debt was R749 million lower in constant currency terms.

The net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) ratio has improved to 1.6 and is well within our internal target.

CAPITAL EXPENDITURE

The Group is in an intensive capital expenditure phase and we continue to invest in key initiatives to deliver Group business transformation, optimisation and capacity, as well as store and support infrastructure to deliver growth.

Total capital expenditure amounted to R2.9 billion, driven mainly by the transformation of David Jones, ongoing store development across the Group, and supply chain investment in Woolworths. Our Omni-channel Fulfilment Centre in Australia became fully operational during the year and we are optimising this facility and beginning to realise the benefits of the investment.

The Group's operations were expanded in 2016 with trading space increasing by 5.0% to 1 272 000 m². This was as a result of opening 62 net new store locations and concessions, as well as the extension of existing stores. Within this, Woolworths Clothing and General Merchandise and Woolworths Food each expanded their footprint by 19 000 m² (4.3% and 9.3% respectively). David Jones opened two new stores, and CRG opened 37 new store locations, including additional concessions and space within David Jones.

After the balance sheet date, David Jones concluded a contract to dispose of its property in Market Street, Sydney for A\$360 million. The proceeds of the sale will be used to reinvest in the Elizabeth Street store, pay down debt and to invest in other long-term value enhancing initiatives such as David Jones Food.

WORKING CAPITAL MOVEMENTS

Working capital requirements have increased due to new store openings across the Group and the expansion of private label brands into DJ stores.

SUMMARISED STATEMENT OF CASH FLOWS

	2016 Rm	2015 Rm
Cash inflow from trading	8 940	8 016
Working capital movements	(311)	(657)
Cash generated by operating activities	8 629	7 359
Interest income	40	160
Finance costs paid	(1 168)	(1 190)
Tax paid	(1 536)	(1 199)
Cash generated by operations	5 965	5 130
Dividends received	169	129
Dividends paid	(2 464)	(2 146)
Net cash inflow from operating activities	3 670	3 113
Net investment in assets	(2 829)	(2 828)
Acquisitions	-	(21 515)
Other	20	69
Net cash outflow from investing activities	(2 809)	(24 274)
Net share issues and debt and equity costs	(35)	9 076
Net borrowings (repaid)/raised	(206)	13 517
Acquisition of non-controlling interests	(85)	(2 153)
Net cash (outflow)/inflow from financing activities	(326)	20 440
Net cash inflow/(outflow) for the year	535	(721)

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	2016 Rm	2015 Rm
Shareholders' interest at the beginning of the year	14 297	6 952
Movements for the year:		
Total comprehensive income for the year	8 004	2 189
Shares issued, net of costs	2 848	9 701
Share-based payments liability and settlements	(2 533)	(246)
Dividends to shareholders	(2 716)	(2 146)
Acquisition of non-controlling interests	(47)	(2 153)
Shareholders' interest at the end of the year	19 853	14 297

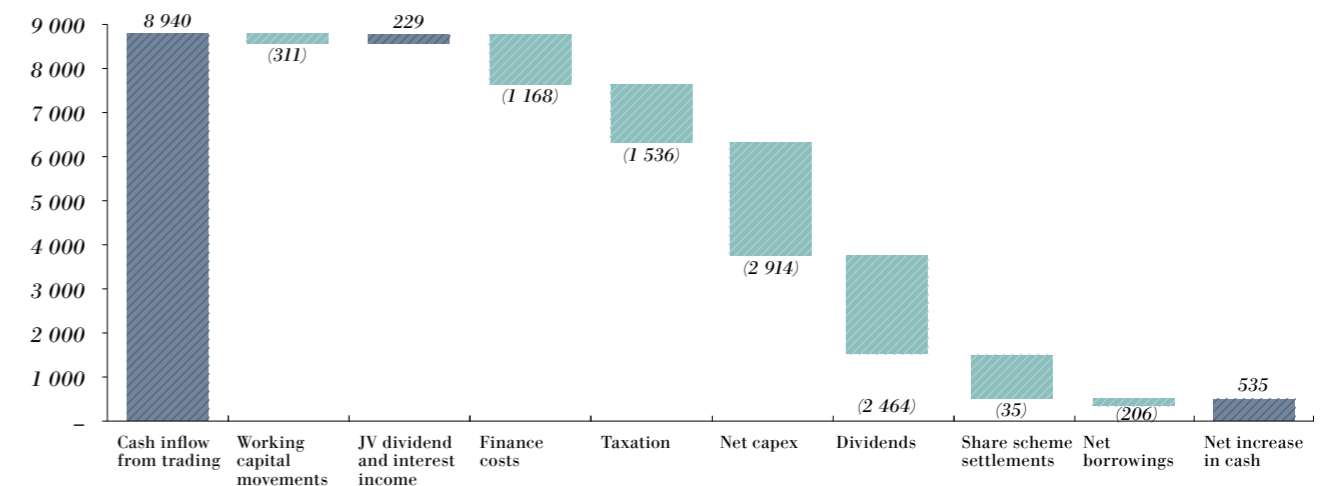
CASH FLOW

We delivered strong cash flows from operations, which increased to R8.6 billion, from strong business performance and improved management of working capital. EBITDA increased to R9.1 billion from R8.0 billion last year.

The Group paid R1.5 billion tax to the various revenue authorities in the jurisdictions that we operate in.

We utilised R2.9 billion of the cash generated to invest in infrastructure and other capital expansion projects. Free cash flow after capital expenditure, working capital movements, the payment of finance costs, taxation and dividends is R535 million.

CASH FLOW WATERFALL GRAPH



OUTLOOK

Looking ahead, trading conditions are expected to remain challenging both in South Africa and Australia.

In South Africa, pressure on the consumer persists, although our upper LSM customer remains more resilient. Food inflation in the first half of the new financial year is expected to increase on the back of the drought. Clothing price inflation will continue to be actively managed with our approach to hedging and focus on sourcing. Credit growth and impairments are expected to be at similar levels to that in 2016.

In Australia, whilst we are seeing an improvement in consumer confidence since the election, we are also expecting a continuation

of the tougher, highly promotional trading environment. Our strategy remains unchanged and we will further drive the integration and transformation of our businesses there. The recently announced sale of our Market Street property and redevelopment of our Elizabeth Street store in Sydney will generate excess cash, some of which will be invested in projects such as David Jones Food, which will generate shareholder value over the longer term, so will our establishment of a single Australasian head office.

In addition to the transformational capex, we will continue to invest in supply chain, space expansion and our overall capex levels, excluding rollovers will be broadly in line with that of 2016.

SEGMENTAL REVIEWS

WOOLWORTHS CLOTHING AND GENERAL MERCHANDISE


INCOME STATEMENT	2016 Rm	2015 Rm	% change
Turnover	13 701	12 499	9.6
Cost of sales	7 085	6 574	7.8
Gross profit	6 616	5 925	11.7
Other revenue	27	19	42.1
Expenses	4 338	3 850	12.7
Store costs	2 904	2 544	14.2
Other operating costs	1 434	1 306	9.8
Adjusted operating profit	2 305	2 094	10.1
Earnings from joint venture and associate	1	1	
Adjusted profit before tax	2 306	2 095	10.1

Sales increased by 9.6% and by 4.4% in comparable stores, with price movement of 6.2%. These results include 50% Woolworths private label in David Jones. Trading in the second half slowed considerably on the back of weaker macro-economic fundamentals that resulted in lower disposable income and declining consumer confidence, as well as the late and warm winter. We took steps to minimise the impact on profitability through margin and expense management. There were strong performances in some departments, particularly brands and lingerie, as well as good growth in the Rest of Africa and the online channel.

We continue to leverage the synergies across the Group in using scale and global sourcing opportunities to deliver better quality products at competitive prices. This resulted in the gross profit margin improving by 0.9% to 48.3%. The increase in expenses was driven by the increase in space and the launch costs of the private label brands in David Jones stores. Comparable store cost growth was 3.2%.

The overall result was an increase in the operating profit by 10.1% and operating profit margin was maintained at 16.8%.

We continue to leverage the synergies across the Group in using scale and global sourcing opportunities to deliver better quality products at competitive prices.

 [Read more about Woolworths SA on pages 69 to 85.](#)

WOOLWORTHS FOOD

INCOME STATEMENT	2016 Rm	2015 Rm	% change
Turnover and concession sales	25 504	22 796	11.9
Concession sales	(548)	(444)	23.4
Turnover – own buy	24 956	22 352	11.6
Cost of sales	18 586	16 598	12.0
Gross profit – own buy	6 370	5 754	10.7
Other revenue	115	93	23.7
Expenses	4 660	4 268	9.2
Store costs	3 215	2 898	10.9
Other operating costs	1 445	1 370	5.5
Adjusted operating profit	1 825	1 579	15.6
Earnings from joint venture and associate	1	1	
Adjusted profit before tax	1 826	1 580	15.6



Woolworths Food delivered another strong performance and continued to trade ahead of the market throughout the year, despite a tough trading environment. Sales increased by 11.9% and by 5.7% in comparable stores. However, price movement in the second half accelerated on the back of the drought and a weakening currency, resulting in a price movement for the year of 6.7%. At a product level, all categories showed positive growth on improved customer price perception and increased promotions, with significant contributions from our produce and groceries departments. The contribution to Food sales from the Rest of Africa and the growth in the online channel has also contributed positively to the growth.

The gross profit margin reduced by 0.2% as we invested in price to improve our competitiveness, drove targeted promotions and had a lower contribution from high-margin confectionary due to the removal of sweets from food checkout aisles and due to lower demand. This deleverage in margin was offset by good expense control resulting in an expense growth of 9.2%. Store cost growth of 10.9% was driven by an increase in space with comparable store cost growth of 3.4%.

The Food business achieved an operating profit growth of 15.6% and an improvement in the operating margin by 0.2% to 7.3%.

Woolworths Food sales
increased by
11.9%
5.7% in comparable stores

[Read more about Woolworths SA on pages 69 to 85.](#)

WOOLWORTHS FINANCIAL SERVICES

INCOME STATEMENT	2016 Rm	% to book	2015 Rm	% to book	% change
Interest income	1 993	20.0	1 718	18.6	16.0
Interest paid	580	5.8	497	5.4	16.7
Net interest income	1 413	14.2	1 221	13.2	15.7
Impairment charge	570	5.7	503	5.4	13.3
Risk-adjusted margin	843	8.4	718	7.8	17.4
Non-interest revenue	746	7.5	672	7.3	11.0
Operating costs	902	9.0	777	8.4	16.1
Profit before tax	687	6.9	613	6.6	12.1
Tax	192	1.9	171	1.9	
Profit after tax	495	5.0	442	4.8	12.0
50% equity accounted	248		221		
Average financial services assets	9 980		9 232		8.1
Return on equity	26.9%		26.6%		

Our joint venture with Barclays Africa Group contributed R248 million to Group profit, 12.2% up on last year, with strong operating performance benefiting from higher yields on the credit card and in-store card portfolios, and from interest rate increases. The introduction of the National Credit Amendment Act regulations resulted in a marked slowdown in the growth of new business and in existing customer balances. There was, however, growth in the risk-adjusted margin of 17.4%. Higher operating cost growth was driven by higher credit card recharges and investment in the WRewards programme.

The average debtors' book grew by 8.1% and the impairment rate was kept at a modest 5.7%, with the return on equity maintained well above our 22.0% medium-term target.

[Read more about Woolworths SA on pages 69 to 85.](#)

DAVID JONES

INCOME STATEMENT	12 months 2016 A\$m	11 months* 2015 A\$m
Turnover and concession sales	2 192	1 885
Concession sales	(758)	(609)
Turnover - own buy	1 434	1 276
Cost of sales	782	670
Gross profit - own buy	652	606
Concession and other revenue	179	141
Gross profit	831	747
Expenses	674	603
Store costs	564	506
Other operating costs	110	97
Department store operating profit	157	144
Financial services operating profit	18	17
Operating profit before charges	175	161
Restructure costs	(5)	-
Adjusted operating profit	170	161
Net finance costs	2	4
Adjusted profit before tax	168	157

* From acquisition date of 1 August 2014.



David Jones, Summer 2016

[Read more about David Jones on pages 89 to 101.](#)

The results for David Jones are not comparable to last year, as the acquisition was effective 1 August 2014 and, therefore, reflects 11 months for the 2015 financial year.

David Jones' overall performance exceeded our expectations despite the slowdown in the second half due to the late winter. On a 52-week basis, sales including concession sales grew by 8.4% in Australian dollar terms, well ahead of the market. This was primarily driven by improved merchandising and the expansion of private label product across the chain. Sales in comparable stores grew by 7.0%.

Despite the inclusion this year of July, traditionally a clearance month, gross profit increased by 11.2%. Gross profit margins were impacted

by changes in brand mix, the introduction and expansion of Group private label brands offset by increased promotions and markdowns and A\$ weakness against US\$.

Costs were well controlled and in line with sales growth, notwithstanding the once-off costs associated with the launch of private label and other transformational projects resulting in an operating profit of A\$170 million for the year, and a departmental store operating margin of 7.2%.

David Jones operating profit, including profit earned in other segments from the David Jones channel, is A\$202 million.

COUNTRY ROAD GROUP

INCOME STATEMENT	2016 A\$m	2015 A\$m	% change
Turnover	1 005	952	5.5
Cost of sales	408	372	9.7
Gross profit	597	580	2.9
Other revenue	4	4	-
Expenses	504	473	6.6
Store costs	369	340	8.5
Other operating costs	135	133	1.5
Adjusted operating profit	97	111	(12.6)
Net finance costs	2	1	
Adjusted profit before tax	95	110	(13.6)

Country Road Group experienced a challenging year, as its brands competed in an aggressive promotion-driven environment driven by the late winter, range issues and subdued consumer sentiment.

Country Road Group benefitted from the space growth in David Jones and continues to grow the contribution of online sales. The Group is also well positioned to benefit from the investment in the Omni-channel Fulfilment Centre through efficiencies in the supply chain.

Higher store costs resulted from the roll-out of additional space in David Jones, although the impact was offset to some extent by tightly managed expense control. However, this was not sufficient to prevent the contraction in operating profit, which ended the year 12.6% below last year.

Operating profit margin reduced by 2.0% to 9.7%.



Country Road, Summer 2016

[Read more about Country Road Group on pages 105 to 113.](#)

60 / *Build stronger, more profitable customer relationships*

61 / *Towards connected retail*

62 / *Drive synergies and efficiencies across the Group*

63 / *Embed Good Business Journey throughout the business*

58/ OUR STRATEGY



60/ STRATEGIC FOCUS AREAS

We measure our performance in more than just financial terms. Our long-term success depends on our ability to implement the Group's strategy, achieving our targets for each strategic focus area and thereby creating value for all our stakeholders.



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

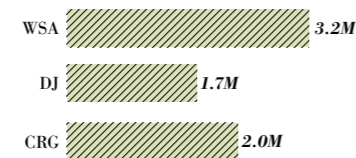
Our customer insights and data will drive and inform all our business decisions, shifting us from being a customer centric business to a customer driven Group. To build on this, we continue to enhance our loyalty proposition and offer our customers a connected retail experience.

HOW WILL WE ACHIEVE THIS:

- Deepen our customer understanding, particularly in the Australasian market
- Lead the market in customer experience and loyalty and increase membership, retention and spend
- Build a single view of the customer, enabling customers to be recognised in real time, with delivery of personalised, seamless service across channels
- Drive a common, Group-level roadmap to realise shared opportunities and economies of scale
- Define and deliver common, optimised customer architectures, blueprints and operating models to inform our capabilities within each country and across the Group
- Embed customer insights and analytics across the Group as a core competency

HOW WE MEASURE THIS:

Number of active customers*



* In David Jones, this represents the number of customers for whom we have collected active email addresses.

% of revenue tracked on loyalty cards

Woolworths
74%

Country Road Group
82%

We have refined the eight strategic focus areas used in 2015 down to four strategic focuses that we drive at a Group level. The two product-related focus areas of 'Be a leading fashion retailer in the southern hemisphere' and 'Become a big Food business with a difference' have been incorporated into the commentary on the three companies. The two other strategic focus areas of 'Expand into the rest of Africa' and 'Simple, convenient and rewarding Financial Services', have been incorporated into the Woolworths South Africa strategy.

All the strategic focus areas are supported by two key enablers, being our people and our infrastructure.



TOWARDS CONNECTED RETAIL

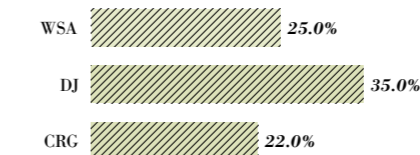
We are focused on offering our customers a connected retail experience, connecting our customer seamlessly to personalised marketing, the physical store, the digital experience, supply chain, seamless payment options and helping our staff deliver a consistent, brand-aligned customer experience.

HOW WILL WE ACHIEVE THIS:

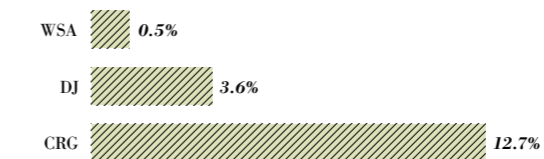
- Increased focus on the customer and integrated, customer-focused technology to move from a channel to a connected retail experience
- Define the ideal customer experience by format, channel and services
- Digitally transform stores, improving connectivity to enable staff and customers to engage differently
- Harness digital channels, increasing focus on mobile commerce to engage customers more effectively
- Investigate potential for single e-commerce platform across the Group

HOW WE MEASURE THIS:

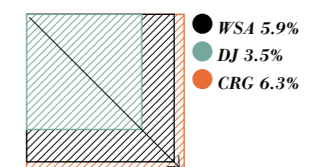
Growth in online sales



% online sales



Net new space



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

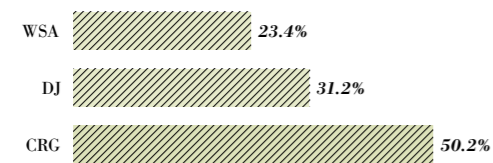
A key strategy for the Group is to leverage scale across the southern hemisphere. Through closer integration across our businesses, we will drive efficiencies and add significantly to profitability.

HOW WILL WE ACHIEVE THIS:

- Leverage scale across the southern hemisphere
- Co-location of David Jones and Country Road Group shared services
- Leverage real estate in Australia
- Leverage and invest in distribution capacity and capabilities to support growth
- Embed a mindset of continuous improvement in productivity and ongoing cost optimisation

HOW DO WE MEASURE THIS:

Cost to sell %



—
THROUGH CLOSER INTEGRATION, WE WILL DRIVE EFFICIENCIES AND ADD SIGNIFICANTLY TO PROFITABILITY.

EMBED GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Our vision is to be the most sustainable retailer in the southern hemisphere. We will achieve this by entrenching our Good Business Journey programme throughout the Group. Through this programme, we embed sustainability into every aspect of our business model, with eight focus areas.

HOW WILL WE ACHIEVE THIS:


- Transformation of our business and supply chain
- Contributing to social development priorities where we operate
- Health and wellness for our customers and colleagues
- Ethical trade
- Sustainable farming and sourcing of raw materials
- Reducing waste across our business and helping customers do the same
- Reduce water consumption to manage scarce water resources
- Improve energy efficiency

HOW WE MEASURE THIS:



94% OF OUR PRIMARY SUPPLIERS ACROSS PRODUCE, HORTICULTURE, WINE AND DAIRY ARE FARMING FOR THE FUTURE ACCREDITED.



 Read more about our Good Business Journey Report at www.woolworthsholdings.co.za

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64/ COMPANY REVIEW



WOOLWORTHS SA



**OUR VISION
IS TO BE OUR
CUSTOMERS'
FAVOURITE
RETAIL BRAND.**

WOOLWORTHS SA

PURPOSE

To make a difference because we care about our customers, our products, our people, our communities and our planet.

KEY DELIVERABLES IN 2016

- Continued innovation of WRewards programme, including integration of WFS offer
- Introduction of Woolworths private label brands in David Jones stores
- Continued improvement in price perception, particularly in Food, with price investment trial
- Removal of sweets from more than 50% of our Food checkout aisles
- Enhancing the customer experience with new retail store concepts introduced in the Mall of Africa and Waterstone stores

FINANCIAL PERFORMANCE

Sales, including Food service concessions, increased by 11.1%, and net retail space grew by 5.9%. Adjusted operating profit grew by 12.4% and Return on Sales (ROS) improved from 11.0% to 11.2%.

		2014 (Rand)	2015 (Rand)	2016 (Rand)	2019 TARGET (Rand)
WOOLWORTHS	Sales	31.6bn	35.3bn	39.2bn	
	Adjusted operating profit	3.5bn	3.9bn	4.4bn	
	ROS %	11.1%	11.0%	11.2%	11%
	Capex	1.1bn	1.4bn	1.5bn	
CLOTHING AND GENERAL MERCHANDISE	Sales	11.5bn	12.5bn	13.7bn	
	Gross profit %	46.7%	47.4%	48.3%	
	Adjusted operating profit	2.0bn	2.1bn	2.3bn	
	ROS %	17.6%	16.8%	16.8%	18%
FOOD	Sales (including concessions)	19.7bn	22.8bn	25.5bn	
	Gross profit %	25.3%	25.7%	25.5%	
	Adjusted operating profit	1.3bn	1.6bn	1.8bn	
	ROS %	6.4%	7.1%	7.3%	7%
WOOLWORTHS FINANCIAL SERVICES	Operating profit	503m	613m	687m	
	Average financial services assets	8.3bn	9.2bn	9.9bn	
	ROE	24.3%	26.6%	26.9%	22%

MEDIUM-TERM TARGET

ROS OF 11%

[Read more about our financial performance in the Group Finance Director's report on pages 42 to 57.](#)

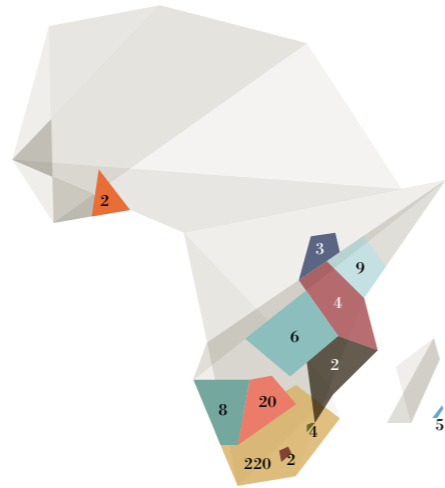
CLOTHING AND GENERAL MERCHANDISE

OFFERING
Womens, Mens and Childrens apparel and accessories, Home and Beauty

BRANDS
RE:
studio·w
DISTRACTION
JTOONE

GEOGRAPHICAL FOOTPRINT


- South Africa
- Namibia
- Tanzania
- Mozambique
- Mauritius
- Kenya
- Ghana
- Zambia
- Botswana
- Lesotho
- Swaziland
- Uganda



285 

Store locations

Contribution to Group turnover* **19.0%** 

Contribution to Group profit before interest and tax **31.8%** 

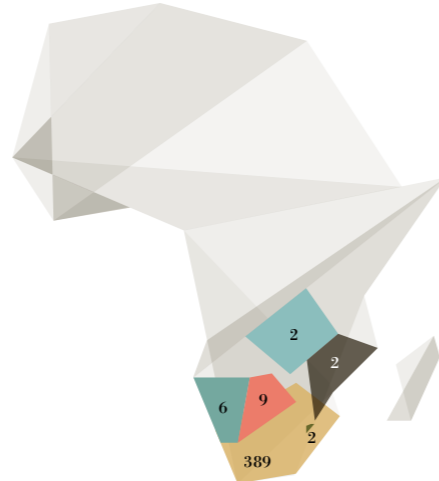
FOOD



OFFERING
Fresh produce, Butchery, Bakery, Groceries and Long-life products

GEOGRAPHICAL FOOTPRINT

- South Africa
- Botswana
- Swaziland
- Mozambique
- Namibia
- Zambia



410 

Store locations

Contribution to Group turnover* **36.0%** 

Contribution to Group profit before interest and tax **25.2%** 



FINANCIAL SERVICES



GEOGRAPHICAL FOOTPRINT
● South Africa
● Namibia



OWNERSHIP
Joint venture operation with Barclays Africa Group. WHL holding 50% less one share

OFFERING
Woolworths in-store card, credit card, personal loans and short-term insurance

Contribution to Group profit before interest and tax **3.4%** 

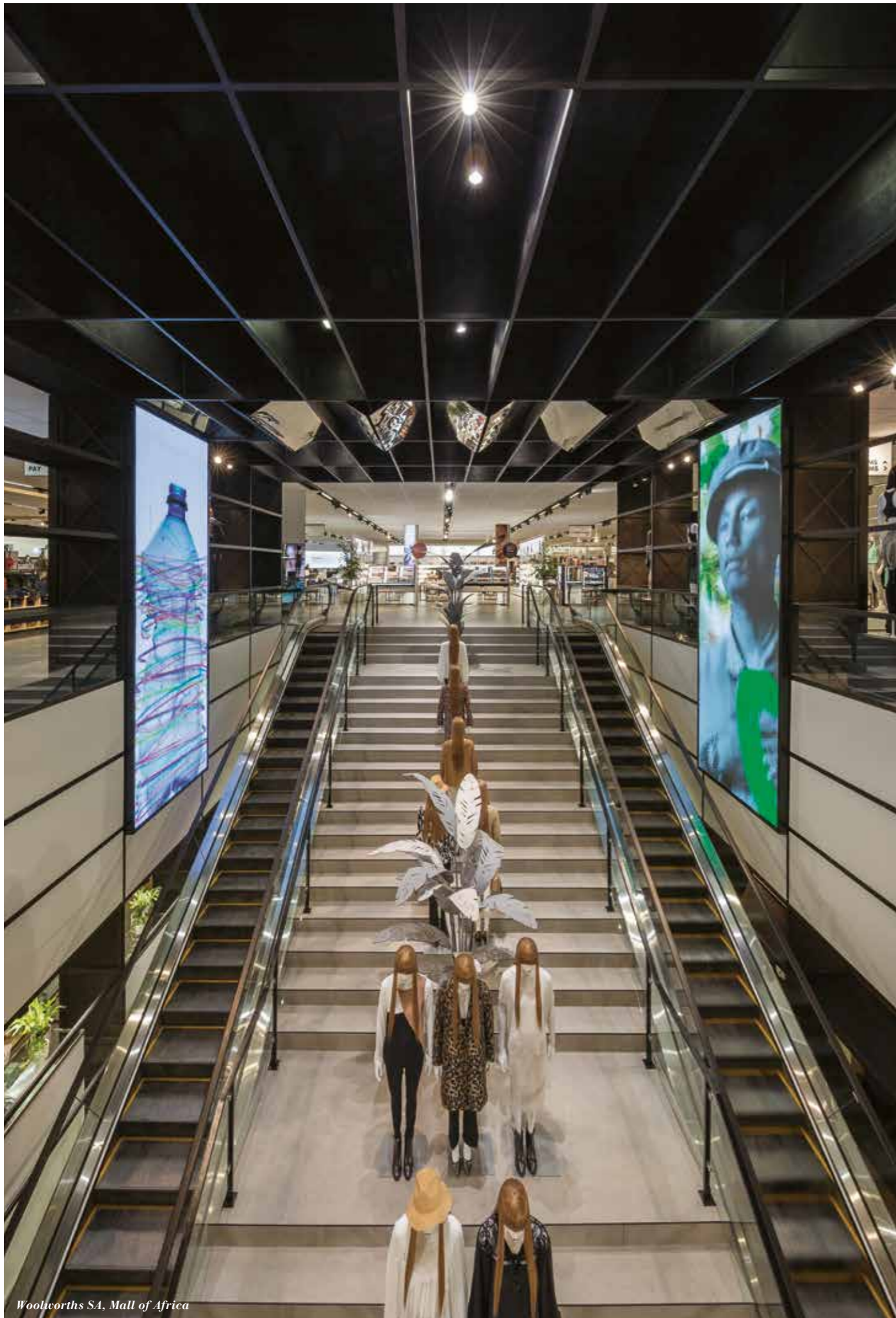
39 

Number of Financial Services hubs

Number of employees **1014** 



* Including concession sales.



Woolworths SA, Mall of Africa

73/ PERFORMANCE FOR 2016

BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Our WRewards programme continued its strong performance. We now have an active customer base of 3.2 million customers – up from 3.1 million customers last year. We continue to track 74% of our sales on loyalty cards, whilst simultaneously growing our active customer base, and attracting more younger customers. We continued to focus on our target LSM 8-10 market and have maintained our overall penetration of the upper-end South African and sub-Saharan African customer.

Customer engagement and relationships were driven through our WRewards programme, which includes MySchool, our partnership with Vitality and our own in-store card and credit cards.

Our WRewards basket was expanded and offered an additional 5% discount on WRewards items where customers use their cards to pay for these purchases. Our mobile app capability was improved and digital vouchers were introduced on mobile to appeal to more tech-savvy customers. Our engagement with all our WRewards members continued to be personalised with more tailored and relevant marketing and vouchers.

Our collaboration with Pharrell Williams was well received, raising money and awareness for education and sustainability. It also served to increase our number of card holders, especially among the younger, black LSM 8-10 market.



We now have an active customer base of

3.2M

TOWARDS CONNECTED RETAIL

We continued to invest in our channels both physical and online. Over 19 000 m² of net new space was added to our Clothing and General Merchandise and Food businesses. The growth in space was driven by both new stores and extensions. A new concept clothing store was launched in Mall of Africa in April 2016, representing a refreshed look for our merchandise offering. Our Food offer was a tiered format of our Waterstone concept store.

In Food, specifically, we continue to focus on opening larger format stores whilst also delivering convenience across all formats and channels. We now have five stand-alone large format supermarkets and three more within our full-line stores. We are trading out of 68 Engen forecourt stores and expanded our convenience offering by opening six forecourt stores in the current year.

Our online sales only represent 0.5% of total sales but continues to gain traction, with sales growth of 25.0% in the last year. The majority of our Food, Clothing and General Merchandise offering can be viewed and purchased online. Food sales comprise the

majority of the online revenue, however stronger growth in Clothing and General Merchandise is now being experienced.

In the current year, the improvement in the conversion rate of online purchases was driven by increasing site speed, enabling upfront delivery slots selection and launching various site enhancements such as interactive 'look books' and bigger images. The number of picking stores for foods was increased and a new logistics partner was added to increase scale and span.

We continued to build the Woolworths brand in the African countries in which we operate. In Clothing and General Merchandise, in order to remain appealing to our customers, we focused on providing appropriately tiered and ranged product offerings, which were appropriate to the seasons and relevant to the customers. Specific focus was paid to the size level availability in our African stores. In Food, our in-country sourcing and distribution capabilities were bolstered, resulting in better quality and availability, particularly for countries that prohibit the sale of imported products.

 **BE A LEADING FASHION RETAILER**

Despite the impact of the late winter, Clothing and General Merchandise sales grew by 9.6% and by 4.4% in comparable stores. All divisions and brands delivered equally to the performance, with kidswear starting to turn around due to improved value and design.

Clothing and General Merchandise gross profit margin improved from 47.4% to 48.3% as a result of sourcing gains, improved markdowns and other efficiencies. Adjusted profit before tax grew by 10.1% with return on sales at 16.8%.

We continued to build our fashion credibility by offering a more segmented, brand-directed customer experience. Our existing brands, RE:, Studio.VV, JT One and Distraction, which appeal to our modern and contemporary customer, continued to perform well.

In order to offer a similar, clearly segmented product offering and experience to our classic customer, we re-branded our classic collection to David Jones in February 2016. These brands have also all been introduced into our David Jones stores in Australia.

Our value perception was strengthened through our Key Value Lines (KVLs), maintaining the KVL contribution to sales at a consistent level per season. Regular price surveys were performed to ensure that our prices are sharp and comparable to major competitors.

The current year experienced significant exchange rate volatility. However, our forex exposure was carefully and successfully managed to mitigate the impact on price.

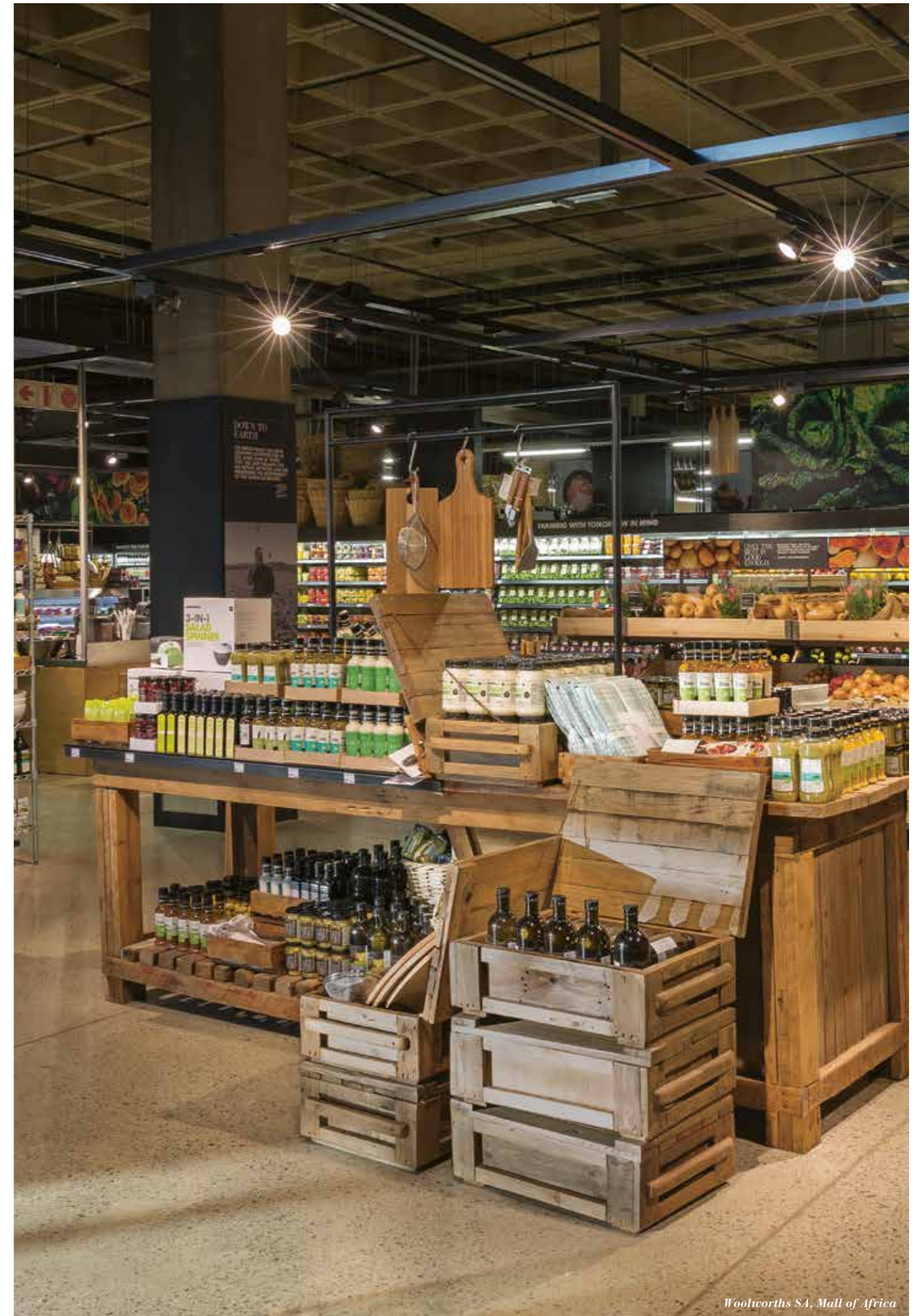
 **BE A BIG FOOD BUSINESS WITH A DIFFERENCE**

Food continued with its strong performance, well ahead of the market, with total sales up 11.9% and comparable sales of 5.7%. A tougher second half, with the drought impacting supply and price of raw materials resulting in significant price inflation, had an impact on volumes. Sales performance was impacted by very aggressive promotional activity in the market as well as the removal of sweets from bollards from more than half of our stores.

One of our key strategies is to improve price perception in Woolworths by investing in price. An aggressive promotional programme was implemented in the second half of the financial year with the introduction of mid-month promotions and increasing the extent of month-end promotions. Meat was specifically identified as the biggest bad ambassador in our food basket. A price investment strategy in steak and mince was trialed with promising results. Due to the price investment, Food gross profit margin decreased from 25.7% to 25.5%. Adjusted profit before tax grew by 15.6% with return on sales increasing by 0.2% to 7.3%.

Our new long-life concept across wine, chocolate, coffee, gifting, global and health was introduced in our Waterstone store. Our fresh repositioning in the bakery, prepared meals, cheese, meat and frozen categories was also delivered. This cements our position as a food authority, whilst offering a magical customer in-store experience. The lessons learnt from the Waterstone store will be launched in our other stores in various tiered formats, either through roll-backs of these initiatives or through real estate development and expansion.

ADJUSTED PROFIT BEFORE TAX GREW BY 15.6% WITH RETURN ON SALES INCREASING TO 7.3%.



Woolworths SA, Mall of Africa

BE A LEADING RETAIL FOCUSED FINANCIAL SERVICES PROVIDER

During the year, the WFS value proposition was repositioned with WRewards to deliver a simpler, richer programme. Customers can now receive up to 20% off selected WRewards items when swiping their Woolworths in-store or credit card. To encourage customers to use their WFS cards to pay for their shopping, an additional 5% discount on these products is offered when WFS cards are used for tender. The new WRewards offering has yielded encouraging increases on the card contribution to Woolworths sales.

The year focused on delivering compliance with the National Credit Act Amendments (NCAA) regarding proof of income and affordability amendments, as well as NCAA pricing amendments.

We focused on ensuring that we are able to validate the necessary proof of income as quickly as possible. This has included integration with retail banks for electronic document verification. The pricing amendments resulted in adjusted fees being introduced.

We now have 39 stores with Financial Services hubs, including closer alignment with the retail environment as piloted in the Mall of Africa store. Our focus on digital was increased, specifically on the WFS mobile app, with over 260 000 new downloads in the past year.



Woolworths Financial Services hub, Mall of Africa

Profit before tax
687M

Return on equity
26.9%

2019 ROE target
22%

DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

Woolworths has four distribution centres in Cape Town, Johannesburg and Durban. These distribution centres distribute both food and clothing and general merchandise to stores throughout South Africa and sub-Saharan Africa.

In the year, our distribution centres were optimised through investment in capacity and end-to-end supply chain efficiencies. We also continued to invest in our systems and processes to gear us to be a big Food business and a larger southern hemisphere fashion retailer.

EMBED GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Our Good Business Journey is embedded in everything we do. This is reflected by the retention of the position as South Africa's most reputable retailer for the third consecutive year in the annual Reputation Institute's National RepTrak® Pulse survey for 2016. Our reputation score also increased from 71.2 last year to 75.4 this year. Both our Food and Clothing and General Merchandise businesses have made good progress in their responsible sourcing of key commodities such as cotton, viscose, cocoa and palm oil.



**OUR GOOD
BUSINESS JOURNEY
IS EMBEDDED IN
EVERYTHING WE DO.**

GOOD BUSINESS JOURNEY

case studies



FREE RANGE AND CAGE-FREE EGGS MILESTONE

Woolworths is proud to have been the first major local retailer to stop selling whole eggs from hens kept in cages in 2004 – only whole free range eggs are sold in Woolworths stores. We remain the only major local retailer to have achieved this. Of the 120 million eggs we source every year, about half are sold in cartons; the rest are turned into pasteurised liquid or dried egg and used as ingredients in food products.

As of 2016, we are proud to report that over 95% of locally manufactured Woolworths private label food products listing egg as an ingredient are made with free range eggs. Excluding micro-ingredients, the remainder is cage-free.

95% of locally manufactured Woolworths private label food products listing egg as an ingredient are now made with free range eggs.

SEED & FEED

The Seed & Feed initiative is an opportunity for our customers to contribute to the EduPlant programme through purchases of specific vegetables chosen monthly, identifiable with a Seed & Feed logo on-packets. Every time a customer makes a purchase, a portion of the proceeds is donated as seeds and/or seedlings to an EduPlant school on their behalf. The seeds and/or seedlings are given to schools in all provinces participating in workshops where they learn how to grow and sustain their own food gardens.



3 087 of seedlings to start their vegetable gardens

SEASONS FIND

Season's find is a family run business that started with a R2 750 investment in 1998 to make promotional material from a residential garage. As the business was awarded more contracts, Lance Luiters and his family decided to open a second business to increase their output. Financial constraints later forced the owners to start cutting costs; this involved merging the two businesses and moving it back to the garage. This is how Season's find was established. As luck would have it, a year later the demand for their clothing increased enough for them to seek premises in Woodstock and employ 35 people.

Financial stability was still a challenge, and Lance realised that the only way to alleviate this would be to supply retailers directly, so he started courting Woolworths. The 2010 FIFA™ World Cup in South Africa was Lance's big break. Woolworths was looking for a local supplier with a quick turnaround time to assist with the manufacturing of World Cup merchandise.

Lance had to double his staff and in two months he supplied over 75 000 units of 2010 World Cup branded kidswear and menswear. Based on the success of this order, Woolworths asked Season's Find to become an official Woolworths supplier and placed their next order for Autumn/Winter 2011. Season's Find products are proudly Southern African in that not only are all garments made in Cape Town, but the fabrics and trimmings are also manufactured locally or in Swaziland.

In 2014, Woolworths Enterprise Development department offered Season's Find a loan of R1.9 million. This investment and the additional Woolworths orders have resulted in Season's Find doubling their turnover, and they now employ 179 locals in Cape Town – mostly women.

Being a local supplier with a big social community focus aligns the business with our Good Business Journey.



FIRST RETAILER IN SA TO REMOVE SWEETS FROM FOOD CHECKOUT AISLES

In August 2015, Woolworths announced a decision to remove all sweets and chocolates from food checkout aisles, reflecting a commitment to providing better alternatives for children and parents at checkout, particularly in light of the many health-related issues faced by children in South Africa today. This was also in response to a significant amount of customer feedback received around this issue.

Following the initial statement in 2015, a phased approach to the removal of sweets was adopted, with all the sweets and chocolates from checkout aisles in 104 stores replaced with better snacking options, such as nuts and dried fruit. As of June 2016, 171 stores have implemented the change across South Africa and Africa, which is more stores than the initial target (166). These stores represent 50% of total Woolworths stores and 70% of total sweets and chocolates sales, and include all of our large format flagship stores. The remaining 50% of stores will be completed in a phased approach over the course of 2016 and 2017. This milestone represents a huge transformation for Woolworths, with both operational and financial impact.



OVATION WINES



Thokozani was started 10 years ago on Diemersfontein Wine Estate in the Western Cape by David and Sue Sonnenberg who wanted to set up a trust for their staff members. Diemersfontein Wine Estate has been supplying quality wines to Woolworths for a number of years. What began as an empowerment BEE project, blossomed into a story of true human development, and is a breakthrough in BBBEE business.

Thokozani began with 35 staff shareholders. Each farm worker, with at least one year's service and a willingness to participate, was given shares in Thokozani, conditional on the workers staying and working on the farm for five years. Each month thereafter, participating members devoted 2% of their salary to buying more shares in Thokozani. Thokozani wines have now shifted from 30% ownership by staff members, to 80% ownership by farm workers and the remaining 20% by Diemersfontein. The wine brand is run by the team who have nominated their own set of directors.

Ovation is their new wine label, made exclusively for Woolworths, and comprises a collection of three wines – a Sauvignon Blanc, a Merlot and a Pinotage.

81/ STRATEGY FOR 2017 ONWARDS

BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

We focus on LSM 8-10 customers. Our strategies focus is on retaining our current customers, acquiring more customers in our target demographic and increasing the penetration and spend of our black customers. We are moving towards connected retail by delivering an exceptional experience to our customer, in a seamless and integrated way.

We focus on building our customer relationships. We will combine our various customer databases to offer a single view of the

customer and use this to further leverage data and insights. This will drive significant campaign optimisation and inform our product, service and format strategies.

We continuously innovate our WRewards loyalty programme, driving customer acquisition, frequency and spend through compelling loyalty benefits and WFS credit products.

TOWARDS CONNECTED RETAIL

In support of our strategy, we invest in channels, formats and geographies and grow our real estate.

While stores will remain the dominant channel for Woolworths in the coming years, our customers are becoming increasingly digitally connected, demanding a connected retail experience. As technology advances, the method of engagement and time spent pre-trip is evolving, with customers researching our products online before buying in-store or online.

We are committed to improving our service for online customers and growing and improving our digital presence. We continue

to improve our customers' journey by upgrading our picking and fulfilment processes, launching new channels and improved services. This is supported by digitally transforming our stores' infrastructure. We will open a 'dark store' for our Clothing and General Merchandise products in the first half of the new financial year and will drive sales by enabling increased availability, visibility and national reach.

We will continue to invest in our store footprint. Over the next three years, we plan to add 10.9% and 20.1% net new space to Clothing and General Merchandise and Food respectively.

***WE ARE MOVING TOWARDS CONNECTED
RETAIL BY DELIVERING AN EXCEPTIONAL
EXPERIENCE TO OUR CUSTOMER, IN A
SEAMLESS AND INTEGRATED WAY.***



BE A LEADING FASHION RETAILER

In our Clothing and General Merchandise business, we focus on leading the market in quality, relevant fashion ranges and innovation. We continue to build fashion credibility through clearly segmented, design-led collections. We deliver superior product through fabric innovation, fit and our sustainability credentials.

In order to remain relevant to our target customers, we are moving towards being a 'private brands business' by offering a more segmented, brand-directed customer experience. The profile of the South African LSM 8-10 market continues to shift towards a younger, black customer. The private label brands of RE, Studio.W, JT One and Distraction are targeted to attract and retain this younger target market. We also recognise the importance of the classic customer and the David Jones Collection is targeted towards this customer segment. We will continue to update the classic range and also introduce a premium David Jones offering in the first quarter of our new financial year to entrench Woolworths as a destination in the mind of this important customer segment.

In addition to our current brands, we will introduce a new brand for Tweens (9 to 14 year olds) in the first quarter of the new financial year. We will focus on growing our brands by consistently entrenching their identities across all our channels, including our David Jones stores. We will tier and scale our 'Mall of Africa' experience across all our stores.

We actively focus on strengthening our value perception through the combination of KVLs and customer awareness, and understanding of the 'difference': the combination of quality, innovation, sustainability and price that underpins our value proposition. Highlighting products through WRewards is seen as an important lever in driving value perception.

By leveraging our scale and integrating our sourcing across the Group, we will enhance our profit margins. We will continue with our efforts to improve speed to market and source more products directly in support of delivering more fashionable products.

BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE

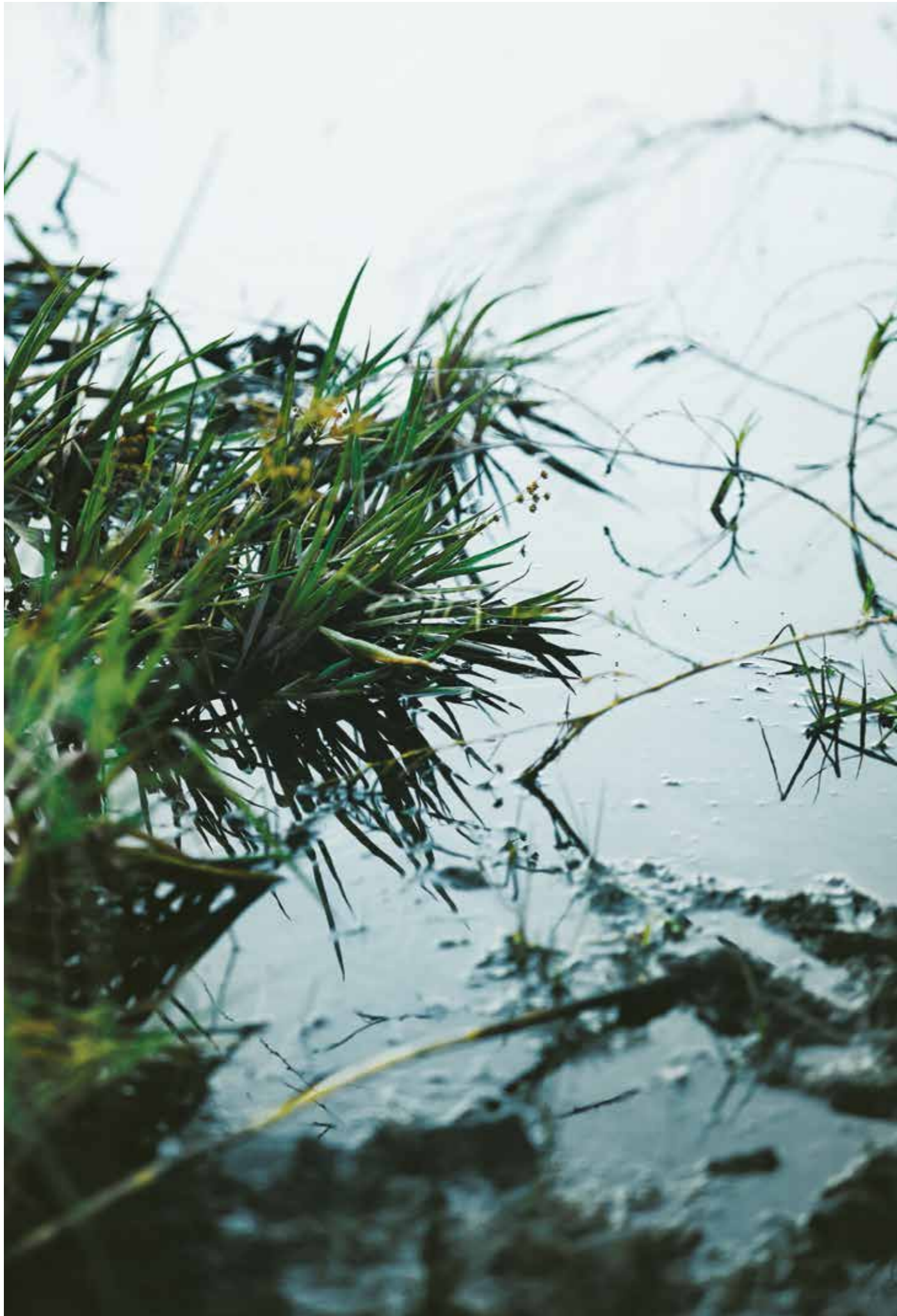
In our Food business, our vision is to be the destination of choice in our customers' world of food through having the 'mind of a supermarket and the soul of a deli'. We are on a journey to become a big Food business with a difference, maintaining our leadership positioning in fresh produce, innovation and quality, while expanding our ranges at competitive prices to deliver value to our customers.

We have significant market share in fresh produce and prepared food categories, but we under-index in groceries. This category accounts for nearly half of the typical basket spend in South Africa. In order to capture a greater share of spend from our existing target customers, we have extended the breadth and depth of our range, particularly in long-life. Third-party brands sold in Woolworths are selectively chosen to represent our customers' most desired brands, encouraging them to 'complete' their shop at Woolworths. We deliver convenience to our customers across all channels and formats, while also continuing to open larger format stores to capture more of our customers' spend.

We focus on improving our customers' price and value experienced and perceptions. We conduct a weekly basket check against the prices of our competitors to ensure that our prices are comparable to the food retailers and actively identify and address products that erode our value perception. We also undertake marketing initiatives that convey our price competitiveness to customers. We will continue to invest in price, while rewarding loyalty by using WRewards to drive our price competitiveness.

We will maintain our food authority credentials through our offer of high-quality, innovative products and also enhance the in-store experience through tiering and scaling flagship fresh and long-life concepts across our stores, and through the Woolworths Café.

We focus on delivering high-quality, ethically sourced products through our Good Business Journey programme, supplier relationships and the technological innovations implemented in the value chain process.



 **BE A LEADING RETAIL FOCUSED FINANCIAL SERVICES PROVIDER**

We are focusing on transforming the WFS customer experience to one that is consistent with and aligned to the Woolworths brand. The WFS customer sees Woolworths and WFS as one, and expects us to deliver one brand experience across all our channels, including

stores, the contact centre, the Woolworths website and the WFS mobile app. WFS is an integral part of the Woolworths connected retail strategy, with mobile functionality and integration with WRewards programme being strategic focuses.

 **DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP**

We are investing in our supply chain to enhance store replenishment and online fulfilment capabilities at lower cost with increased control and elimination of capacity risk. This will also facilitate decreased transport costs and improved delivery lead times. We are expanding our capacity through building a new long life Food distribution centre in Cape Town, which will be completed in 2018.

We are also scaling our IT infrastructure by investing in world-class merchandise processes and systems, improving availability of products in both Clothing and General Merchandise and Food.

We recognise that our partnerships with our suppliers provide us with a competitive advantage, and we will grow and protect these relationships by integrating even more closely with them and bolstering our sourcing capability to leverage scale.

 **EMBED GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS**


We will continue to embed our Good Business Journey in everything we do. We need to share more of the stories about our products and also about the people behind the products. We will also use our GBJ to enhance our customers' value equation.

We will contribute towards delivering the Group sustainability commitments by:

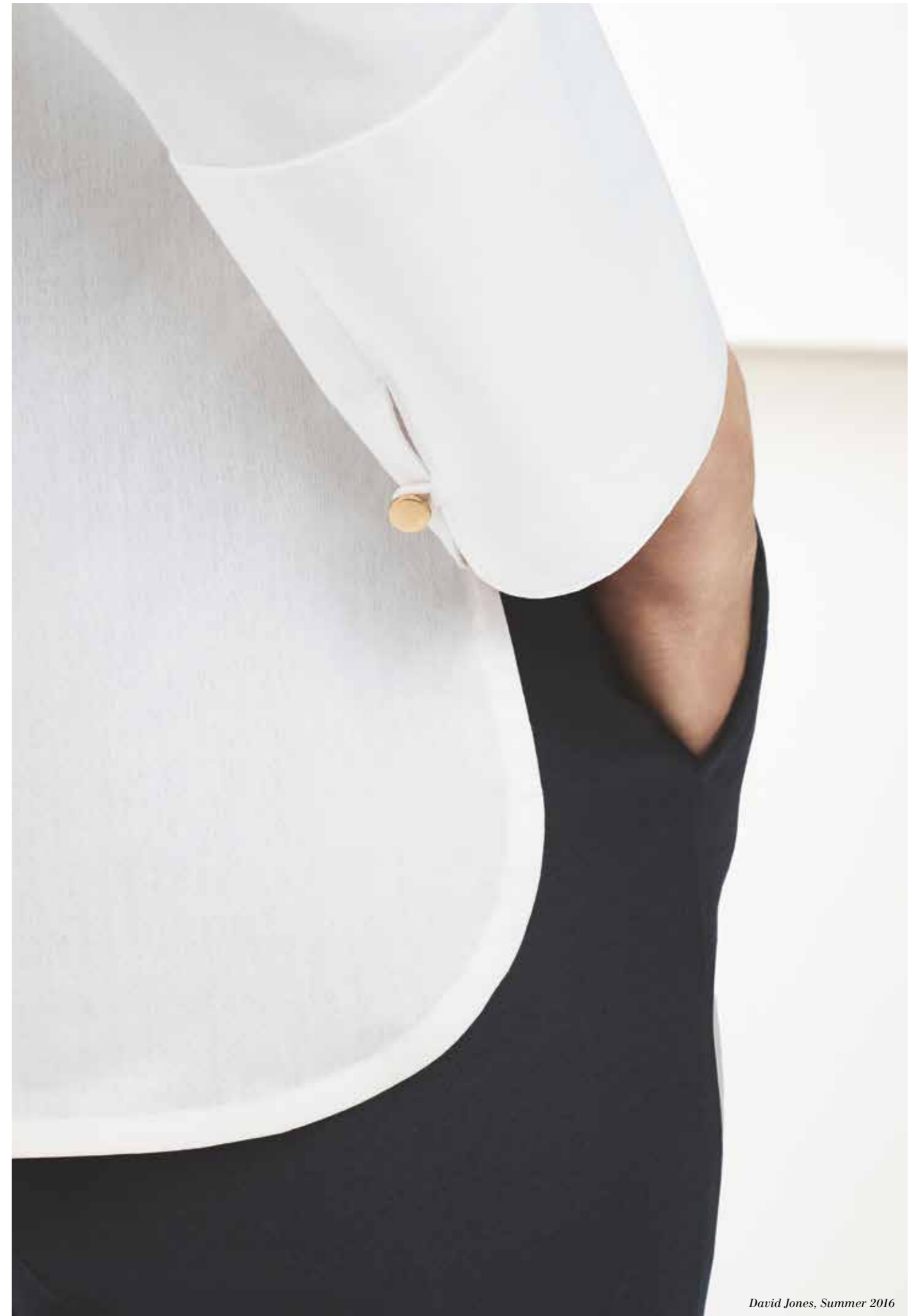
- delivering to our Fishing for the Future commitments;
- continuing to reduce the environmental impact of our supply chain via Farming for the Future;
- reducing food waste by 20%;
- continuing to partner with key charity organisations to make a difference and to provide opportunities for our teams to be involved in supporting local communities; and
- continuing to support emerging businesses through our supplier and enterprise development programme.

R622M
*Total Woolworths social contribution
 for the year in South Africa*



 *Read more in our Good Business Journey Report
 at www.woolworthsholdings.co.za*

DAVID JONES



AUSTRALIA'S ICONIC DEPARTMENT STORE TRADING FOR OVER 178 YEARS.

DAVID JONES

VISION

To be Australasia's premium retailer, profitably combining leading international and local brands with a strong private label general merchandise and food offering.

KEY DELIVERABLES IN 2016

- Continued focus on the transformation of David Jones which is well underway
- Realisation of the benefits of key transformation initiatives which have been implemented
- Introduction of Woolworths private label brands
- Expansion of Country Road Group pads in all stores
- New store openings, including Eastland in Melbourne and Pacific Fair in Queensland
- Development of a world-class leadership team

FINANCIAL PERFORMANCE

On a 52-week basis, sales, including concession sales, increased by 8.4% in Australian dollar terms. Sales in comparable stores grew by 7.0% and net retail space grew by 3.5%. Adjusted operating profit increased to A\$170 million with return on sales of 7.2%.

	2015 (11 months)		2016		2019 TARGET
	A\$	Rand	A\$	Rand	
Sales	1.9bn	17.9bn	2.2bn	23.2bn	
Gross profit %	39.6%		37.9%		
Adjusted operating profit	161m	1.5bn	170m	1.8bn	
ROS* %	7.6%		7.2%		10%
Capex		496m		1.1bn	

* Department store operating profit as a percentage of turnover and concession sales.

MEDIUM-TERM TARGET

ROS* OF 10%

[Read more about our financial performance in the Group Finance Director's report on pages 42 to 57.](#)

OFFERING

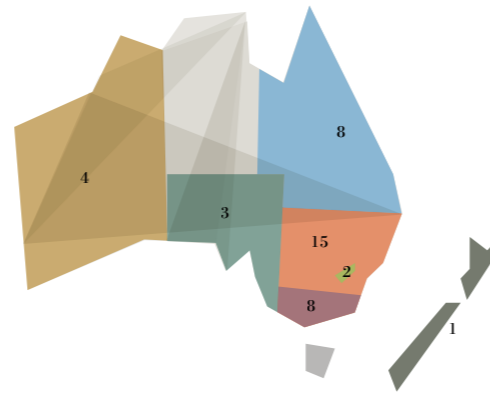
Womens, Mens and Childrens apparel and accessories, Home, Beauty and Food

PRIVATE LABEL BRANDS

DAVID JONES

GEOGRAPHICAL FOOTPRINT

- New South Wales
- Australian Capital Territory
- Victoria
- Queensland
- South Australia
- Western Australia
- New Zealand



 **THE EASTLAND STORE WON THE BEST NEW DEPARTMENT STORE GLOBALLY IN THE RETAIL DESIGN INSTITUTE INTERNATIONAL STORE DESIGN COMPETITION.**

40
Store locations


5 964
Employees


80%
Fashion and Beauty


17%
Home


3%
Food



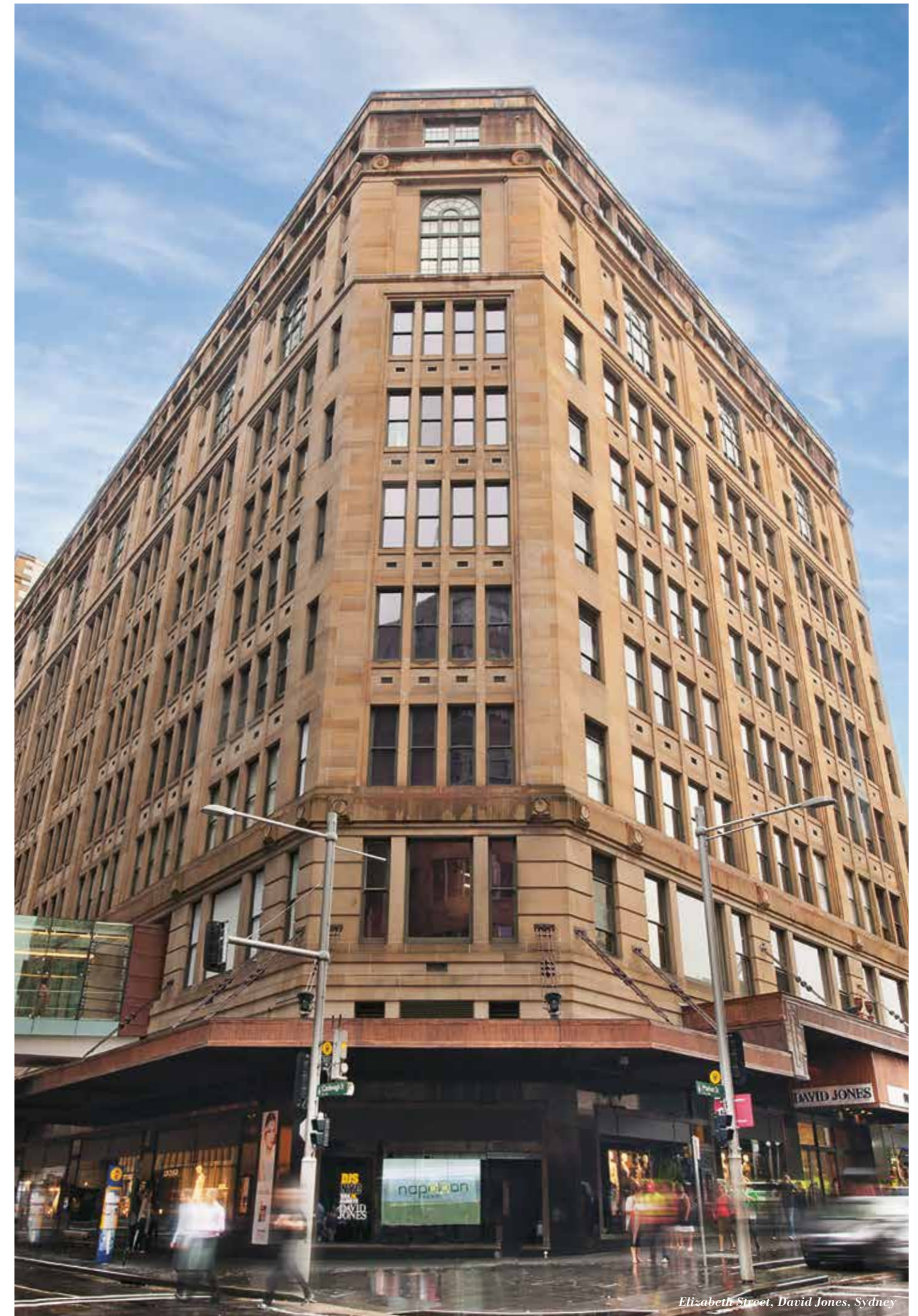

Contribution to Group turnover* **30.2%**



Contribution to Group profit before interest and tax **25.3%**



* Including concession sales.



Elizabeth Street, David Jones, Sydney

93/ PERFORMANCE FOR 2016

BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Actively managing our customer relationships remains a key focus. Currently, 14.5% of sales are tracked through our financial services card and we now have 1.7 million customer email address details, growing the pool of customers with whom we can directly communicate. In July 2016, the first phase of our

Customer Relationship Management (CRM) programme was introduced, which enables the use of customer data to inform our business decisions and provides a deeper understanding of our customers to better service their needs.

TOWARDS CONNECTED RETAIL

Online sales grew by 35.0% in the current year and now represents 3.6% of total sales. The growth was due to tactical enhancements to systems, which will continue for the next 12 months until our new online platform upgrade is complete in 2017.

In August 2016, the sale of the Market Street CBD building, which generates over a third of David Jones Sydney flagship store sales, was successfully completed for A\$360 million. Proceeds from the sale will be used to entirely refurbish and internally redesign the iconic Elizabeth Street store to achieve a significant enlargement of the trading floors with the addition of a new basement and increased retail space. The refurbished Elizabeth Street store will offer a luxurious and contemporary department store while maintaining David Jones' proud heritage and history.

Our Eastland store in Melbourne and Pacific Fair store in Queensland were opened in October 2015 and May 2016 respectively. The Eastland store represents the new elements of our retail and design strategy, including space planning, store

design, beauty services and fully serviced concessions. The store won the best new department store globally in the Retail Design Institute international store design competition, beating many key global retailers.

A new space management model was introduced, which allows us to drive space productivity and profit management in stores.

In a drive to better serve our customer, our new customer service model was introduced to redefine store management roles and clearly delineate roles and tasks between store selling and non-selling functions. This also impacts how we reward and incentivise our store staff to encourage improved sales and customer experience. The new service model resulted in strong progress in the year, with improved performance against prior years and targets on key metrics, including sales, average transaction value, conversion, customer feedback and employee retention and attendance.

THE REFURBISHED ELIZABETH STREET STORE WILL OFFER A LUXURIOUS AND CONTEMPORARY DEPARTMENT STORE WHILE MAINTAINING DAVID JONES' PROUD HERITAGE AND HISTORY.

BE A LEADING FASHION RETAILER

Australia experienced a particularly warm winter resulting in even more aggressive activity in a promotionally driven market. Trading in David Jones, however, was strong, with solid performances in both our own buy and concession businesses. We continued to grow ahead of the Australian department store market and outperformed in the specialty market.

Gross profit margin decreased from 39.6% to 37.9%, partially due to the unseasonably warm winter, with higher markdowns to ensure inventory management. Margin growth is expected to be delivered in the coming financial year as the benefits of the private label strategy and other merchandise initiatives are realised.

Our market insights have improved our merchandise offering and optimised our brand assortment. Smaller or underperforming brands were exited while the number and space of stronger, well-performing brands was increased to build brand credibility within our ranges.

The introduction and further expansion of Woolworths and Country Road Group brands respectively in our stores is a key lever in the transformation and growth strategies. The roll-out or expansion of the Country Road Group brands in David Jones was completed in the year, increasing their space since our acquisition of David Jones from 5 660 m² to 22 540 m². Performance of these brands in David Jones stores fell slightly short of expectations.

Woolworths private label brands, including RE:, Studio.W, Distractions and JT One, were rolled out in August 2015. The David Jones Collection private label brand was also re-launched in February 2016. Supply chain integration resulted in issues with stock visibility and availability, hampering initial performance. Performance of these private label brands has improved during the course of the year as systems issues were resolved and the brands gained traction.

We have a renewed focus on markdown management and full-price sales, which will be further enabled by the delivery of our new merchandise system in 2017.



THE INTRODUCTION AND EXPANSION OF WOOLWORTHS AND COUNTRY ROAD GROUP BRANDS IN OUR STORES IS A KEY LEVER IN THE TRANSFORMATION AND GROWTH STRATEGIES.

BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE

We commenced our journey to re-invigorate the David Jones Food business and reached a number of key milestones through the course of the year, including the formulation of our strategy and five-year business plan. Key highlights during the year included the successful opening of our first premium David Jones café in our Pacific Fair store in Queensland during the year and in our Wellington store in New Zealand in July 2016. We formalised our

partnership with renowned chef Neil Perry in our food services business and secured our first production facilities for fresh retail products. Significant progress has been made to simplify existing business processes and prepare infrastructure to be more robust and scalable. We successfully recruited a highly talented and experienced management team and made significant progress with the recruitment of our operational teams.

DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

A number of initiatives have been identified to reduce the cost of doing business across the Group.

Reduced store occupancy costs have been realised through pursuing a collaborative landlord negotiation process between David Jones and Country Road Group. The centralisation of support services in Australia in non-trade procurement and information

technology allowed for further increased bargaining power and scale-related cost reduction.


The Group Transformation Management Office continues to provide a framework under which Group transformational work streams are managed to ensure that acquisition benefits are realised.

EMBED GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

An integrated social responsibility and sustainability strategy, aligned to the Group sustainability strategy, has been developed. This involved extensive engagement with stakeholders and included

market research. The strategy comprises six focus areas, including environment, ethical sourcing, community investment, diversity and inclusion, well-being and employee engagement.

WE COMMENCED OUR JOURNEY TO RE-INVIGORATE THE DAVID JONES FOOD BUSINESS AND REACHED A NUMBER OF KEY MILESTONES.

 Read more in our Good Business Journey Report at www.woolworthsholdings.co.za

97/ STRATEGY FOR 2017 ONWARDS

BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

We focus on the mid-to upper-customer in Australasia. We will leverage our single view of the customer enabled by our new CRM platform to gain a deeper understanding of our current and future customers. This will underpin a clear and integrated marketing strategy which will be consistently executed across all customer touch points. A detailed customer segmentation review is currently underway to enable us to further refine our understanding of our current and future customers to better meet their needs.

We will use our customer insights to further drive and inform all our decisions and from August 2016, we will be able to communicate with customers in a more meaningful and targeted manner, delivering incremental benefits to our business.

We will continue to evaluate the optimal value proposition with a view to implementing a profitable loyalty programme, integrated into an appropriate, innovative promotional calendar. Together with Country Road Group, we will leverage Group customer knowledge.

TOWARDS CONNECTED RETAIL

The successful sale of the Market Street building in Sydney facilitates a redevelopment of up to A\$200 million of the adjacent Elizabeth Street building to create a 39 000 m² luxury department store, spanning 11 levels, bringing together a unique combination of contemporary gourmet food and dining and luxury fashion under one roof. This will include a new restaurant developed in partnership with renowned Australia chef, Neil Perry.

The redevelopment of Elizabeth Street will commence in the second half of 2017, with completion expected in the second half of 2019. We will limit the disruption to our customers by implementing a co-ordinated, phased approach with a three-year lease-back arrangement of Market Street.

Our online channel is growing rapidly. Online sales as a percentage of total sales at 3.6% are below industry norms and presents a significant opportunity.

We will upgrade our website platform that has richer content and is quicker and easier to navigate. This will be the key enabler in driving online sales to at least 10% of total sales by 2020. The upgraded platform will improve conversions and sales by increasing our online brand catalogue, and developing range initiatives such as personalised ranging and buyer guides as well as enable in-store fulfilment and enhance our gift registry. We will optimise our supply chain processes and plan to shift to an online fulfilment centre in the medium-term to enhance visibility, availability and profitability of online sales.

Our topline growth and end-to-end improvements in our processes and systems will also transform the profitability of our online store and improve the digital experience, connecting customers seamlessly across all touch points to deliver a consistent customer experience.

We plan to add 5.1% net new space over the next three years through the addition of new stores, while simultaneously optimising our existing Clothing and General Merchandise business by carving out existing space for our new Food business. The space management tool will drive space productivity and profit with space planning and format strategy principles across our store portfolio, and we will continue to optimise our store portfolio with new stores and new formats. We opened our first store outside of Australia in Wellington, New Zealand at the end of July 2016 to great customer response. In November 2016, we will open a new format 1 400 m² city store in the new Sydney waterfront precinct of Barangaroo. This store will offer the Sydney city commuter an edited beauty, apparel and cafe offering and provides us with the opportunity to trade off a smaller footprint than the traditional department store model.

After successfully introducing our new customer service model in 2016, we will transform the way we train and incentivise our store staff to deliver on our customers' evolving expectations. We will develop our training programme to provide staff with selling skills that are tailored to the brand and product. This will enable them to better serve our customers and exceed customer service expectations.



David Jones, Sydney, Australia



 **BE A LEADING FASHION RETAILER**

We will use our market insights to optimise our merchandise and brand assortment. Our target customer is the mid-to upper-income consumer. We will appeal to them by increasing our market dominance and exclusivity of key brands, specifically in the higher tiered, mid-to-upper brands and by protecting the exclusive brands. This will be enabled by continuing to exit smaller, underperforming brands and allocating more trading space to the top-performing brands.

We will continue to build an appropriate private label offering by growing private label ranges. The premium David Jones Collection will be launched in September 2016 to appeal to the consumer who seeks stylish merchandise with superior, luxurious fabrics and finishings. We regularly assess trading performance of our private labels and agree on strategies to optimise sales and profitability.

THE DAVID JONES COLLECTION PREMIUM PRIVATE LABEL BRANDS WILL BE LAUNCHED IN SEPTEMBER 2016 TO APPEAL TO THE CONSUMER WHO SEEK STYLISH MERCHANDISE WITH SUPERIOR, LUXURIOUS FABRICS AND FINISHINGS.

 **BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE**

Our vision for the David Jones Food business is to be a trusted, inspirational food brand that connects people who love food through an authentic food experience that offers consistent superior quality, flavour and innovative fresh food.

We believe that there is a significant long-term opportunity to build a differentiated food offer at the top-end of the Australian food retail market.

We will do this by leveraging the David Jones brand, existing real estate footprint and customer as well as the premium Food knowledge and skill within the Group. This will enable a transformation of the current Food offer into a unique and differentiated Food experience.

We will improve the merchandise on offer by editing the existing ranges to ensure that the edited choice is a strategic advantage to

traditional supermarkets, driving exclusivity of product and owning and developing our own David Jones Food brand. This will be enabled by ensuring that we build the best product and technical skills in the market, and by developing key categories with strategic and exclusive suppliers. In Food Services, we have partnered with leading Australian culinary expert, Neil Perry, to offer the best Food service experience in the marketplace.

We will implement different formats, with each format having a different mix between Food services and Food retail depending on customer profile and location. In the short-term, we will improve our existing Food business through improved product, visual merchandise and services. We will adopt a phased approach to roll out the Food offering down the chain in the format which best suits the customers' needs.

DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

Our combined Group presence provides us with opportunities to leverage our scale to increase our bargaining power, minimise costs, and improve profitability.

The sale of Market Street and the redevelopment of Elizabeth Street store require the relocation of David Jones head office. We will establish a new designed-for-purpose Australasian head office in Melbourne, co-locating both David Jones and Country Road Group. This will provide us with a centre of retail excellence and a single operating hub. This will drive co-operation and creative collaboration, and harness advantages of scale and proximity to improve operational effectiveness, while investing in infrastructure and resources for future growth. The relocation to the head office campus is expected to be completed by the end of 2018.

We will also leverage our scale in our sourcing platform across the Group. We are able to drive margin gains from Group sourcing as we develop world-class supplier partners to drive improved product development, flexibility, price accessibility and speed to market.

Our larger Group presence in Australia has bolstered our bargaining power in landlord negotiations. This minimises our occupancy costs and capital investment for both David Jones and Country Road Group.

We will implement new, world-class merchandise and planning systems in 2017, which will enable better stock management and improve stock-turn and markdowns. We will continue to develop a clear merchandise strategy by group and channel to optimise profitability.

We are developing a future-state regional supply chain strategy, including the use of Country Road Group's purpose-built Omni-channel Fulfilment Centre in Melbourne. A centralised supply chain will transform our logistical operations and improve our in-store availability, enhance stock management, reduce online fulfilment costs and drive material cost efficiencies.

EMBED GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

David Jones' Good Business Journey forms a key component of the corporate strategy and consists of six work streams that support and broadly align with the key focus areas of WHL's Good Business Journey.

A materiality assessment and extensive engagement with a range of stakeholders has informed development of David Jones' Good Business Journey strategy across the areas of employee engagement, diversity, wellbeing, community investment, the environment, and ethical sourcing.

The cumulative effect of this consultation and research is that David Jones has developed a strategy that reflects the

expectations of key stakeholders (such as employees, customers and the community) while helping to realise collaborative opportunities with business partners like landlords, suppliers and service providers.

A range of new charity partners has been announced and significant progress made in engaging with both branded and private label suppliers, and training buyers on ethical sourcing issues as part of driving positive change on environmental, social and ethical standards along the supply chain.

We will launch our Good Business Journey programme and 2020 commitments externally during the first half of the financial year.

GBJ case study: STAKEHOLDERS AT THE CENTRE OF DAVID JONES GBJ STRATEGY

Extensive engagement with a range of stakeholders continues to inform development of David Jones' Good Business Journey strategy. More than 60 hours of interviews and roundtable discussions have been conducted, in addition to an online survey of customers, to ensure that David Jones' commitments in relation to sustainability and social responsibility meet stakeholder expectations.

Some of the activities conducted to date have included: focus groups with employees from across the business; interviews with suppliers and service providers; peer-to-peer engagement with key strategic partners like Westfield, QANTAS and Australia Post; consultation with non-governmental organisations including Red Cross, World Vision and WWF; interviews with international retail peers as part of a broader analysis of best practice; and an academic review conducted by Sydney's UTS Business School.

This research has been supported by additional engagement with stakeholders relevant to each of the key programmes that comprise David Jones' Good Business Journey, including:

- *Engagement with the not-for-profit sector, supported by an online survey of more than 2 000 employees, to identify, evaluate and appoint new charity partners.*
- *Consultation with key internal stakeholders and external strategic partners, to help compile David Jones' first Health Insights Report, which has been used to define key focus areas for Wellbeing programmes.*
- *Roundtable discussions with non-governmental organisations (NGOs) representing the breadth of ethical sourcing issues, along with visits to factories in China, India, Bangladesh and South Africa to ensure that the perspective of suppliers and factory operators has been accurately reflected in David Jones' Ethical Sourcing Strategy.*

The cumulative effect of this consultation and research is that David Jones has developed a strategy that reflects the expectations of key stakeholders (such as employees, customers and the community) while helping to realise collaborative opportunities with business partners like landlords, suppliers and service providers.

Roundtable discussions with non-governmental organisations (NGOs) representing the breadth of ethical sourcing issues, along with visits to factories in China, India, Bangladesh and South Africa to ensure that the perspective of suppliers and factory operators has been accurately reflected in David Jones' Ethical Sourcing Strategy.



[Read more in our Good Business Journey Report at www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za)

COUNTRY ROAD GROUP



THE LEADING SPECIALTY FASHION CONNECTED RETAILER.

COUNTRY ROAD GROUP

VISION

To grow our brands' market share and be the connected retail market leader in the southern hemisphere.

KEY DELIVERABLES IN 2016

- Expansion of Country Road Group brands in David Jones stores
- Introduction of design-led approach in Country Road
- Successfully completed transition to purpose-built Omni-channel Fulfilment Centre in Melbourne
- Launched China Union Pay to attract more Asian customers
- Successful growth in digital with CRG online sales continued to outperform the market and on-track to achieve 20% of sales from online channel by 2020


FINANCIAL PERFORMANCE

Sales, including sales in South Africa, increased by 5.5% in Australian dollar terms. Sales in comparable stores were 3.9% lower. Net retail space grew by 6.3%, 2.7% of which was space reallocated from other brands in David Jones and, therefore, does not constitute additional space to the Group. Adjusted operating profit decreased by 12.6% and return on sales decreased to 9.7%.

	2014		2015		2016		2019 TARGET
	A\$	Rand	A\$	Rand	A\$	Rand	
Sales	849m	8.1bn	952m	9.1bn	1 005m	10.6bn	
Gross profit %	62.0%		60.9%		59.4%		
Adjusted operating profit	98m	930m	111m	1.1bn	97m	1.0bn	
ROS %	11.5%		11.7%		9.7%		12%
Capex		379m		936m		517m	

MEDIUM-TERM TARGET

ROS OF 12%

 Read more about our financial performance in the Group Finance Director's Report on pages 42 to 57.

COUNTRY ROAD GROUP

OFFERING

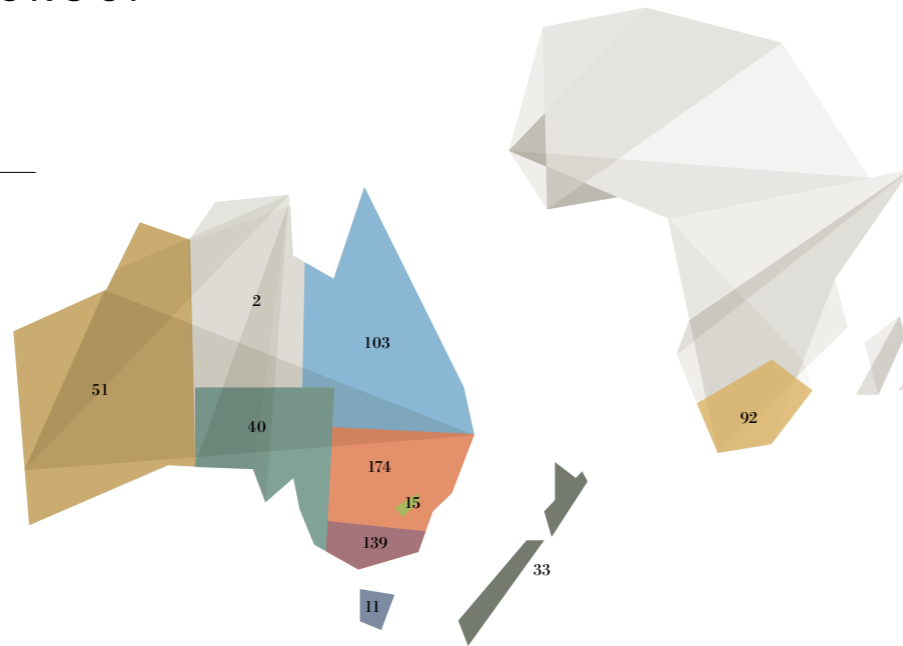
Womens, Mens and Childrens apparel and accessories and Home

BRANDS

COUNTRY ROAD
WITCHERY
TRENERY
MIMCO

GEOGRAPHICAL FOOTPRINT

- South Africa
- New South Wales
- Australian Capital Territory
- Victoria
- Queensland
- South Australia
- Western Australia
- New Zealand
- Tasmania
- Northern Territory



Country Road Group
5545
Employees
👤👤👤👤👤



Contribution to Group turnover* **14.8%**

Contribution to Group profit before interest and tax **14.3%**

COUNTRY ROAD

ONE OF AUSTRALIA'S MOST ICONIC LIFESTYLE BRANDS FOR WOMEN, MEN, CHILDREN AND HOME. THE COUNTRY ROAD BRAND IS RENOWNED FOR STYLISH, HIGH-QUALITY APPAREL, ACCESSORIES AND HOMEWARE.



205
Store locations
☐



WITCHERY

LEADING AUSTRALIAN BRAND WITH A FOCUS ON FASHIONABLY DESIGNED HIGH QUALITY WOMENSWEAR, MENSWEAR, ACCESSORIES AND CHILDRENSWEAR. POSITIONED AS THE 'STYLE AUTHORITY'.

211
Store locations
☐

113
Store locations
☐



TRENERY

DESIGNED FOR WOMEN AND MEN WHO APPRECIATE THE BEAUTY OF SIMPLE, SOPHISTICATED COLLECTIONS THAT ARE MODERN IN APPROACH AND CLASSIC IN STYLE.

MIMCO

ONE OF AUSTRALIA'S LEADING DESIGNER BRANDS POSITIONED AS AN ACCESSIBLE LUXURY ACCESSORIES BRAND, DESIGNED WITH QUIRK.



131
Store locations
☐

* Including concession sales.



Country Road, Summer 2016

109/ PERFORMANCE FOR 2016

BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Country Road Group continued to leverage its successful loyalty programme. Our active customer base has increased by 500 000 members and we currently have an active customer base of 2.0 million customers, allowing us to track 82% of sales on loyalty cards.

During the year, our customer relationships were enhanced by further embedding customer experience management throughout the Country Road Group.

A customer experience measure has been introduced to provide actionable insights and analytics to all levels of the businesses. A brand equity measure was also introduced to provide consistent metrics to drive our brands' strategies.

TOWARDS CONNECTED RETAIL

The acquisition of David Jones by WHL provided us with the opportunity to significantly grow the footprint of Country Road Group brands in Australia. In the year, the launch and expansion of an additional 61 category store locations was successfully completed, taking the total to 386 Country Road Group category pads across David Jones.

As the Asian tourist customer base grows, China Union Pay was introduced in our stores to capture a greater share of this market.

Country Road Group continued to outperform the market across all brands in online sales growth, with growth of 22.0% in the past year. Online sales now represent 12.7% of total sales. The customers' digital experience continued to be improved by introducing online gift cards and increasing speed and functionality of mobile and desktop sites.

BE A LEADING FASHION RETAILER

As noted in David Jones, Australasia experienced a late winter in an increasingly promotional-driven market. Despite strong performance in Mimco, sales transfer and range issues in the apparel brands further impacted the performance of the Country Road Group. Despite adding 6.3% net new space, sales grew by 5.5%.

Margins achieved in the year reduced by 1.5%, largely as a result of increased promotions. Stringent cost reduction strategies were employed to mitigate the impact of soft sales on profitability.

In the year, the improvement of Country Road womenswear was a key focus. New leadership, a more design-led approach, customer feedback and modernised processes to improve speed to market were all introduced. Initially, initiatives were showing significant momentum and promising signs of improved performance. However, the impact of these changes was clouded by the late winter.

12.7%

% online sales contribution

CRG ONLINE SALES CONTINUED TO OUTPERFORM THE MARKET, WITH GROWTH OF 22% IN THE PAST YEAR.

DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

The transition to our purpose-built Omni-channel Fulfilment Centre in Melbourne was completed. The facility is now fully operational with all key activities and brands transitioned in the year. This is the first time that all Country Road Group stores and online fulfilment are run from the same location. The centre also serves to support growth in David Jones, including the supply of Woolworths private label brands to David Jones. The centralised approach will reduce end-to-end handling costs due to improved labour productivity and the consolidation of transport costs.

EMBED GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

The Country Road Group's Good Business Journey programme has seven key focus areas, and 16 projects below these, all monitored by an executive steering committee.

Significant progress has been made in setting Good Business Journey targets through to 2020, integrating these into balanced scorecards and the performance management processes, and thereby shifting some of the projects into business as usual.

Product attributes have also been defined, and increased traceability work done around key commodities, with a particular focus around sustainable cotton, viscose and leather.

Collaboration with a range of community and ethical artisan partners has resulted in a growing community contribution, as well as positive ratings in a number of external assessments such as the Baptist World Aid Australian Fashion Report, and Australian Packaging Covenant.

Read more in our Good Business Journey Report at www.woolworthsholdings.co.za

GBJ case study: MIMCO ENCOURAGES CUSTOMERS TO STAND UP, SPEAK OUT AND BE PART OF THE CHANGE

In Australia, one in four women have experienced physical or sexual violence from a current or former partner, and one in four children have been exposed to violence against their mother. In March 2016, Mimco launched a partnership with Our Watch, a not-for-profit organisation dedicated to preventing domestic violence through challenging its drivers – gender inequality and restrictive gender stereotypes.

The three year commitment will see Mimco release seasonal capsule collections with 100% of all profits going towards educational programmes and training to help end violence against women and children.

The first collection of pouches were designed in collaboration with print designer, Karolina York, and are embossed with the words 'INSPIRE', 'EMPOWER' and 'RESPECT'.

The campaign not only strives to raise awareness among customers, but internally among employees too.

Through the sale of the pouches to date, A\$164 000 has been raised for Our Watch, with a second collection to be launched later this year.



Country Road, Homeware 2016

112/ STRATEGY FOR 2017 ONWARDS

BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

We focus on the mid-to upper-customer in both Australasia and South Africa. We will continue to improve the functionality of our Customer Relationship Management programme and leverage the combined customer databases across all four Country Road Group brands in order to drive revenue synergies through cross-shopping

opportunities. We will also explore the possibility of combining the Country Road Group brands loyalty programmes into one loyalty programme to further drive cross-shopping behaviour. This has the potential to integrate David Jones to establish a regional umbrella Australian loyalty programme.

TOWARDS CONNECTED RETAIL

We will grow online sales aggressively, integrating online with stores, to provide an innovative and truly connected retail experience to our customers.

We continue to invest in innovative digital development focused on digital accessibility and personalisation through enhanced mobile platforms, targeted communication based on customer behaviour and integrated customer experience. A three-year roadmap of digital innovations to drive a leading customer experience and increase online penetration has been developed and we have commenced delivery of initiatives included on the 12-month horizon. We will also leverage our Omni-channel Fulfilment Centre to optimise our fulfilment processes.

We plan to integrate with a cross-border solution provider to drive international online sales. We will look to potentialise international market opportunities, focusing initially on Asia, the United Kingdom and North America to drive sales and brand awareness.

We plan to add 5.1% net new space over the next three years. Our primary focus is enhancing profitability across all channels. A predictive channel optimisation model will be developed. This will enable store location planning and drive our future real estate strategy, including shifts in store formats and the related optimal category mix for these formats. In the short-term, we will specifically focus on driving profitability in our expanded David Jones footprint and the South African channel.

BE A LEADING FASHION RETAILER

The Country Road, Trenery, Witchery and Mimco brands are positioned in the mid- to upper-tier of the Australian specialty fashion market.

We continue to differentiate ourselves from our competitors and offer a superior customer proposition by evolving our customer-led strategy. We will drive and grow the four brands, ensuring that each brand appeals to its specific target customers, while driving

the significant growth opportunity of cross shopping between the brands. We will evolve our design-led strategy, focusing on Country Road and Witchery, to emphasise the point of difference in our brands that are relevant to our target customer. We will leverage Group sourcing in order to deliver both superior product and profitability.

WE WILL EVOLVE OUR DESIGN-LED STRATEGY TO EMPHASISE THE POINT OF DIFFERENCE IN OUR BRANDS.

DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

As discussed in David Jones, we are creating an Australasian head office in Melbourne, Australia, which will achieve substantial financial, operational and synergy benefits across the Group.

We have identified 'hot spots' within our end-to-end value chain that have multiple impacts across the business and require an end-to-end approach to resolve. We are developing a value chain optimisation programme that will develop plans and initiatives to address these hot spots and lead to improved reporting, productivity, efficiency and speed to market. This includes operations in our Omni-channel Fulfilment Centre where we will focus on further driving labour productivity and cost savings. We are also leveraging the Group sourcing capability to develop a world-class supply base that integrates with a modern design-led business to deliver aspirational product that is 'on brand, on margin and on time'.

EMBED GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Work has commenced on rolling out energy monitoring in the stores network, and the Group's Omni-channel Fulfilment Centre has received a '5 Star Green Star – Industrial As Built v1' rating from the Green Building Council of Australia.

We are continuing and growing the ethical and artisan fashion collaborations established by the Country Road Group brands, as well as incorporating more sustainable fibres in our clothing.

 Read more in our Good Business Journey Report at www.woolworthsholdings.co.za



Country Road, Summer 2016

116 / Directors

118 / WHL Group executives

120 / Our Governance report

126 / Our Remuneration report

114/ OUR GOVERNANCE



116/ DIRECTORS



SIMON SUSMAN (66)
(South African)
Non-independent,
Non-executive Director and Chairman

- Member of the Nominations, Remuneration, Risk and Compliance, Social and Ethics, and Sustainability Committees
- Expertise: Retail
- Joined the Board in 1995 and appointed as Chairman in 2011



IAN MOIR (57)
(Australian)
Group Chief Executive Officer

- Member of the Risk and Compliance, Social and Ethics, and Sustainability Committees
- Expertise: Retail
- Joined the Board in 2010



GAIL KELLY (60)
(Australian)
Independent Non-executive Director

- Member of the Nominations, Remuneration, Risk and Compliance, and Sustainability Committees
- Expertise: Business leadership and banking
- Joined the Board in 2015



NOMBULELO MOHOLI (56)
(South African)
Independent Non-executive Director

- Member of the Remuneration, Risk and Compliance, and Social and Ethics Committees
- Expertise: Business leadership and telecommunications
- Joined the Board in 2014



PATRICK ALLAWAY (55)
(Australian)
Independent Non-executive Director

- Member of the Audit, Remuneration, and Risk and Compliance Committees
- Expertise: Finance and banking
- Joined the Board in 2014



PETER BACON (70)
(British)
Independent Non-executive Director

- Member of the Audit and Remuneration Committees
- Expertise: Business leadership, hotels, gaming and leisure
- Joined the Board in 2006



LORD STUART ROSE (67)
(British)
Independent Non-executive Director

- Chairman of the Sustainability Committee
- Member of the Nominations, Remuneration, and Risk and Compliance Committees
- Expertise: Retail
- Joined the Board in 2011



THINA SIWENDU (50)
(South African)
Independent Non-executive Director

- Chairman of the Social and Ethics Committee
- Member of the Risk and Compliance and Sustainability Committees
- Expertise: Legal and corporate governance
- Joined the Board in 2009



ZARINA BASSA (52)
(South African)
Independent Non-executive Director

- Chairman of the Risk and Compliance Committee
- Member of the Audit, Nominations and Remuneration Committees
- Expertise: Finance and banking
- Joined the Board in 2011



TOM BOARDMAN (66)
(South African)
Independent Non-executive Director

- Lead Independent Director
- Chairman of the Remuneration and Nominations Committees
- Member of the Social and Ethics, and Sustainability Committees
- Expertise: Business leadership, banking and retail
- Joined the Board in 2011

OUR VALUES INFORM AND UNDERPIN THE WAY WE DO BUSINESS ACROSS OUR GROUP.



REEZA ISAACS (47)
(South African)
Group Finance Director

- Member of the Risk and Compliance Committee
- Expertise: Financial and retail
- Joined the Board in 2013



HUBERT BRODY (52)
(South African)
Independent Non-executive Director

- Chairman of the Audit Committee
- Member of the Risk and Compliance Committee
- Expertise: Business leadership, finance and banking
- Joined the Board in 2014



ANDREW HIGGINSON (59)
(British)
Independent Non-executive Director

- Member of the Audit, Remuneration, and Risk and Compliance Committees
- Expertise: Retail
- Joined the Board in 2012



SAM NGUMENI (48)
(South African)
Group Chief Operating Officer

- Member of the Risk and Compliance Committee
- Expertise: Operations and financial services
- Joined the Board in 2014



ZYDA RYLANDS (51)
(South African)
Chief Executive Officer:
Woolworths South Africa

- Member of the Risk and Compliance, Social and Ethics, and Sustainability Committees
- Expertise: Retail
- Joined the Board in 2006

118/ WHL GROUP EXECUTIVES



IAN MOIR (57)

Group Chief Executive Officer



RALPH BUDDLE (49)

Director: Strategy and Business Development and Interim Group Company Secretary



JOHN DIXON (48)

Chief Executive Officer: David Jones



MATT KEOGH (43)

Chief Executive Officer: Country Road Group



REEZA ISAACS (47)

Group Finance Director



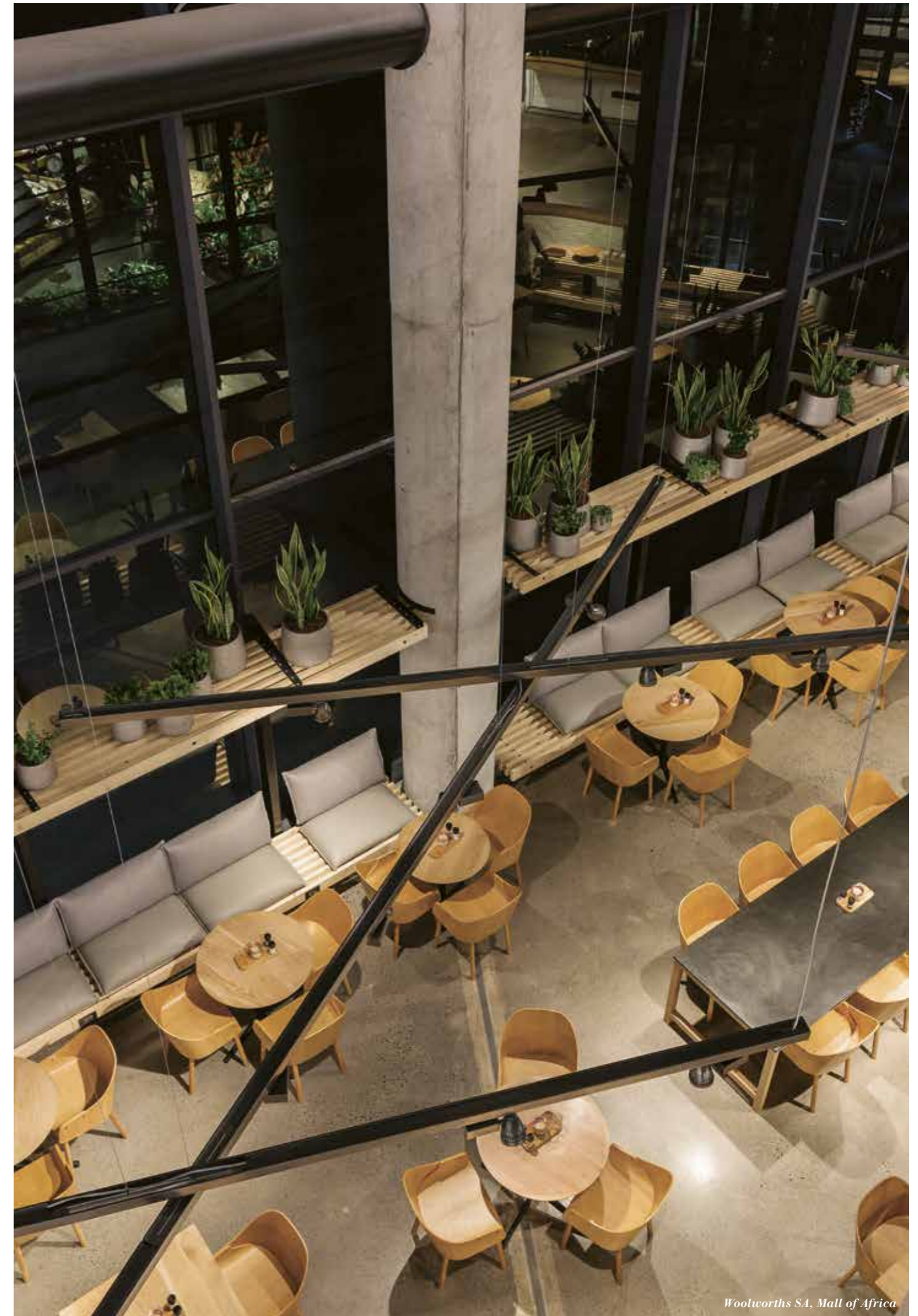
SAM NGUMENI (48)

Group Chief Operating Officer



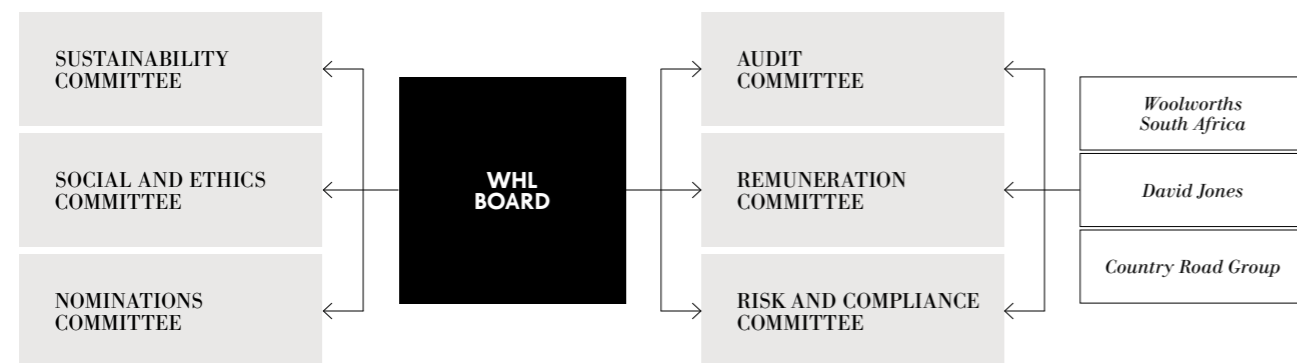
ZYDA RYLANDS (51)

Chief Executive Officer: Woolworths South Africa



120/ OUR GOVERNANCE REPORT

Our governance policies and practices continue to be informed by local and international best practice, and most importantly are underpinned by the values of the Group.



GROUP GOVERNANCE FRAMEWORK

The Group governance framework (and structure), as illustrated above, was approved by the Board during the year. The WHL Board and committee structure is supported by three aligned subsidiary governance structures for:

- Woolworths South Africa (including WFS and the rest of Africa);
- David Jones; and
- Country Road Group.

This allows information to be reviewed and discussed at the operating entity level to ensure reporting to the WHL Board is at the right level and relevant to its strategic focus.


The Woolworths South Africa Board has been strengthened, with the appointment of Zarina Bassa as an Independent Non-executive Director. A new governance structure for Woolworths SA was approved. This structure includes an Audit Review Panel and two board committees for Risk and Compliance and Remuneration. Zarina is the Chairman of both these committees, while the

Audit Review Panel is chaired by the WHL Audit Committee Chairman, Hubert Brody.

This governance framework supports the transition of WHL into the investment holding company of the Group and the Board's commitment to ensure there are appropriate governance processes and procedures throughout the Group.

Various management committees are in place to support the Group governance structure. These include:

- Executive committees for each of Woolworths, David Jones and Country Road Group which are responsible for the day-to-day business operations and operational governance;
- Investment committees to manage the approval of capital planning allocations; and
- Group Treasury Committee to facilitate an optimum debt and capital management model.

 [Read more about the Group Treasury Committee in the Group Finance Director's report on page 43.](#)

OUR REPORTING AND ENGAGEMENT APPROACH

The Board embraces the approach of integrated reporting and is cognisant of the shift in King IV towards integrated thinking. Financial and non-financial reporting is considered to drive a balanced and integrated approach. The Board remains committed to transparency and accountability as the fundamentals that safeguard the Group's assets and protect value for all stakeholders, including shareholders. We actively communicate and engage with the investment community, providing updates on developments and strategy implementation.

RISK AND COMPLIANCE MANAGEMENT

The Board recognises that risk management is an integral part of the Group strategy setting process. The responsibility for designing, implementing and monitoring the risk management plan is delegated to management. The Group Head of Enterprise Risk Management ensures that a consistent approach to risk management is applied across all companies in the Group.

The key risks are tabled and reviewed on a quarterly basis by the Risk and Compliance Committee. Risk metrics and indicators are clearly defined for all risks, with the risk management process embedded in the Group's business operations.

The Board is satisfied that the risk process is effective in continuously identifying and evaluating risks and ensuring that these risks are managed in line with business strategy. The material issues highlighted in the report on pages 18 to 25 are agreed by the Board as being those issues which can materially impact the creation of stakeholder value in the short-, medium- and long-term. The

material issues highlight both the risks and opportunities, with the risks being extracted from the Group's top key risks.


The Group's combined assurance management framework is tabled on an annual basis to ensure that the Board is comfortable with the level and type of assurance that is obtained over the key risks. Assurance of the effectiveness of the internal controls is obtained from the various assurance providers in a co-ordinated manner to avoid duplication of efforts. The Group continues to adopt the three lines of defence model in determining the focus of assurance providers on the key risks. Distinctions are made between assurance providers or functions who own and manage risks, functions who oversee the risk, and functions who provide independent assurance. In order to fully maximise the benefits obtained from the combined assurance, the nature of assurance provided is further assessed using the two dimensions of coverage and effectiveness.

Compliance with statutory and legislative requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the Group has been monitored and ensures that process and compliance controls are in place to manage compliance risk. Group-wide regulatory requirements are identified, assessed, categorised, and controls implemented, monitored and reported in terms of the processes set out in our compliance framework. The business monitors and anticipates changes to any regulations that could impact our business strategy and operations. Action plans are tracked, monitored and reported to the Risk and Compliance Committee on a quarterly basis.

The Group has not breached any regulatory requirements and has not failed any statutory obligation.

KING III APPLICATION

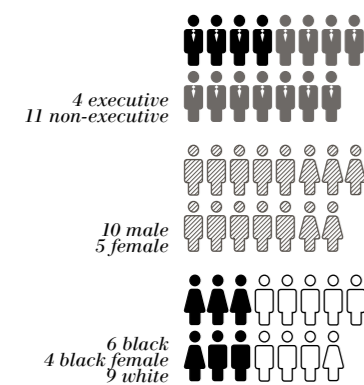
The Board is responsible for the holistic application of the principles contained in the King III Code. The Board has applied all the principles recommended by King III, with one exception – the election of an Independent Director as Chairman of the Board. The WHL Chairman, Simon Susman, is classified as a Non-independent Director by virtue of the number of WHL shares he holds. In mitigation, the position of Lead Independent Director has been maintained and is held by Tom Boardman. The Lead Independent Director oversees matters discussed by the Board when the Chairman may, or is seen to have, a conflict of interest. The Board is monitoring King IV developments proactively and submitted comments on the draft code released in March 2016. Publication of the final code in November 2016 is anticipated.

 [Our King III assessment is available at \[www.woolworthsholdings.co.za\]\(http://www.woolworthsholdings.co.za\)](#)

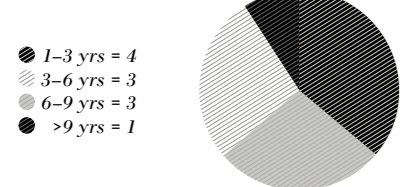
OUR BOARD

The Board is the custodian of corporate governance within the Group. It is responsible for determining the company's strategic direction and ultimately is accountable for its performance. The deliberations of the Board are guided by a Board charter and supported by a Delegation of Authority, both of which are reviewed annually. The delegation of authority sets out the delegation of matters by the Board to its committees and the Group Chief Executive Officer. A number of governance policies provide context for execution in terms of the delegation of authority.

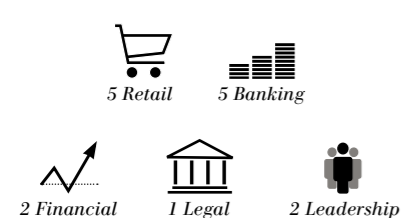
Directors



Tenure Non-executive



Experience



COMPOSITION

The Group has a unitary Board of 15 directors, of whom ten are Independent Non-executive Directors, one a Non-independent Non-executive Director (Chairman), and four Executive Directors. The Board diversity ensures a wide range of skills and experience are brought to the Board's deliberations.

The responsibilities of the Chairman and Group Chief Executive Officer are clearly defined and separate. The Chairman is responsible for providing overall leadership of the Board while the Group Chief Executive Officer is responsible for execution of the approved strategy.

An induction programme is in place for new directors and there is an ongoing programme to ensure that existing Board members are kept up-to-date on developments within the retail business and general economy in the respective geographies as well as in the governance and compliance environment.

BOARD AND COMMITTEE SUCCESSION

The Nominations Committee reviews Board and committee succession on an annual basis. The Board has an agreed process and policy in place for appointing directors. As previously reported in the 2015 Integrated Report, the Board approved the appointment of Gail Kelly, an Independent Non-executive Director, effective 1 October 2015.

During the year, two changes to committee memberships were approved by the Board. Zarina Bassa was appointed to the Remuneration Committee and Zyda Rylands appointed to the Social and Ethics Committee. These changes ensure that the committees are well resourced, diverse in composition, and provide appropriate succession opportunities.

BOARD AND COMMITTEE EVALUATIONS

An internal evaluation of the performance of the Board, committees and directors was conducted during 2016. The evaluation focused on eight topics, including Board size, composition and structure; strategic alignment and direction; leadership and teamwork; and succession and engagement with business and stakeholders.

Key themes from the evaluation included:

- Providing more global retail industry best practice and benchmarking information to the Board as the Group transforms and aligns its strategy as a leading global retailer;
- Further development of succession and rotation plans to grow business talent pools throughout the larger Group as a whole; and
- Continued alignment and improvement of Board processes across the Group to provide appropriate information for discussion at the WHL Board and committee meetings.

DIRECTORS

INDEPENDENCE

The independence of Non-executive Directors is reviewed annually by the Nominations Committee. A formal independence test is performed on those directors retiring by rotation at the Annual General Meeting. The Board applies the direction provided by King III in its determination of a director's independence.

PERFORMANCE EVALUATION

Informal performance evaluations of individual directors takes place on an ongoing basis. A formal review by the Chairman is conducted annually, the result of which is shared with the members of the Nominations Committee and the Board. The review of the Chairman is carried out by the Lead Independent Director.

TENURE

As set out in WHL's Memorandum of Incorporation (MOI), Non-executive Directors may serve office for a continuous period of nine years, unless otherwise agreed by the Board on an annual basis. In 2015, the Board extended the tenure of Peter Bacon for a further year to November 2016. To ensure appropriate succession, the Board, at its discretion, agreed to further extend Peter Bacon's tenure as a director for another year.

GROUP COMPANY SECRETARY

The Board is cognisant of the duties of the Group Company Secretary and an environment exists in which the Group Company Secretary is able to ensure that Board procedures and relevant regulations are fully adhered to.

Following the resignation of Thobeka Sishuba on 31 January 2016, Ralph Buddle was appointed Interim Group Company Secretary. The Board assessed the competence and expertise of the individuals who performed the Group Company Secretary role, and is satisfied that they had the appropriate qualifications and experience required by the Group, and as detailed in the Companies Act 2008, JSE Listings Requirements and the King III Code. The Group Company Secretary is supported by the governance, risk and compliance business unit. The Interim Group Secretary's qualifications are outlined on page 24 of the 2015 Notice of Annual General Meeting Report. The Board is satisfied that the Group Company Secretary maintained an arm's length relationship with the Board.

The Board has appointed Chantel Reddiar as the Group Company Secretary and she will join the Group with effect from 5 September 2016.

ETHICS AND GOVERNANCE POLICIES

The WHL values (see page 10) and derivations of these at the subsidiary level, underpin behaviour and decision-making processes in the Group and form a material part of each employee's performance appraisal assessment.

The Group maintains a number of governance policies on gifts, entertainment, insider trading and conflict of interests, and a zero-tolerance policy towards fraud, theft, corruption or any similar illegal behaviour. The Group has adopted a whistle-blowing policy and an anti-corruption and sanctions policy to align with the OECD guidelines on corruption.

BOARD AND COMMITTEES

PROCESS

The Board process is managed by the Group Company Secretary. Group and subsidiary board and committee meetings are held quarterly. Dedicated strategy meetings are held twice a year. The WHL Board meetings are held alternately in South Africa and Australia to ensure that directors receive adequate exposure to the respective local management teams and retail markets within which the Group operates.

ACTIVITIES

The activities and matters discussed at the Board and committee meetings are guided by annual work plans which ensure that, over the course of a financial year, the terms of reference have been adhered to. The terms of reference are reviewed and updated on an annual basis to adopt best practice, and include specific statutory requirements and matters relevant to the business model of the Group. All committees reviewed their responsibilities and are satisfied that they have carried these out during the year.

All Board committees are chaired by Independent Non-executive Directors. Committee membership ensures that the relevant skills, diversity and experience are appropriate to support the roles and responsibilities of the committee. Regular presentations by senior executives in the Group provide committee members with an opportunity to interrogate and form a first-hand view of matters under discussion. Committees also have access to external consultants and/or specific assurance providers to inform and advise them on their deliberations.

ATTENDANCE

The table below records the attendance of directors at Board and committee meetings for the year.

	ATTENDANCE	BOARD	STRATEGY	AUDIT	NOMINATIONS	RISK AND COMPLIANCE	REMUNERATION	SOCIAL AND ETHICS	SUSTAINABILITY
Simon Susman ¹	96%	4/4	2/2		4/4	4/4	4/4	3/4	2/2
Patrick Allaway	100%	4/4	2/2	4/4			4/4		
Peter Bacon	100%	4/4	2/2	4/4			4/4		
Zarina Bassa	100%	4/4	2/2	4/4	4/4	4/4*			
Tom Boardman ²	85%	4/4	2/2		4/4*		3/4*	3/4	1/2
Hubert Brody	100%	4/4	2/2	4/4*		4/4			
Andrew Higginson	100%	4/4	2/2	4/4		4/4	4/4		
Reeza Isaacs	100%	4/4	2/2			4/4			
Gail Kelly ³	100%	3/3	2/2		2/2	3/3	3/3		1/1
Mike Leeming ⁴	88%	1/1	1/1	2/2	1/2	2/2			
Nombulelo Moholi	100%	4/4	2/2			4/4	4/4	4/4	
Ian Moir	100%	4/4	2/2			4/4		4/4	2/2
Sam Ngumeni	100%	4/4	2/2			4/4			
Lord Rose	100%	4/4	2/2		4/4	4/4	4/4		2/2*
Zyda Rylands	100%	4/4	2/2			4/4		1/1	2/2
Thina Siwendu	100%	4/4	2/2			4/4		4/4*	2/2

1 = Chairman of the Board

2 = Lead Independent Director

* Denotes Committee Chairman

3 = Appointed to the Board with effect from 1 October 2015

4 = Retired from the Board with effect from 30 November 2015

x/x denotes number of meetings attended/number of meetings able to attend. Apologies tendered and accepted when absent from meetings

AUDIT COMMITTEE

Hubert Brody chairs the WHL Audit Committee. This committee is responsible for ensuring that the system of internal financial controls is adequate and effective to fairly state the Group's assessment of a going concern and the financial results. The internal and external annual audit plan is approved to support the assurance that the committee requires over the internal financial controls. An annual assessment of the competence and experience of the Group Finance Director and the function supporting him provides further support on the integrity of the financial statements. Committee membership is restricted to Independent Non-executive Directors with regular attendance from the Group CEO, Group Finance Director, external and internal audit, and senior management responsible for finance and risk. The Group Audit Committee is supported by audit committees in each of the three business operating entities, all chaired by Independent Directors. After due consideration, the Audit Committee recommends the Annual Financial Statements to the Board for approval. It furthermore considers the independence, qualification and registration of the External auditors. The Audit Committee recommends their appointment to shareholders at the Annual General Meeting.

NOMINATIONS COMMITTEE

Tom Boardman, the Lead Independent Director, is the Chairman of the Nominations Committee. This committee is responsible for ensuring that the Board is structured with directors who have the skills, experience and diversity required for effective oversight and governance for the WHL Group. It also ensures that membership of each Board committee is appropriate given their roles and responsibilities. This committee manages the performance evaluations of the Board, its committees, individual directors, the Group Company Secretary and secretarial function. The committee ensures that there is proper succession planning for the Board, Group CEO and Group executives, and reviews the independence and tenure of Non-executive Directors.

REMUNERATION COMMITTEE

Tom Boardman is the Chairman of the WHL Remuneration Committee. This committee ensures that the Group offers a compelling employee value proposition, with a reward structure that is appropriate to the Group's operations. It also ensures that short- and long-term incentives are aligned to the Group's strategic objectives and have challenging performance conditions for achievement of targets. Zarina Bassa, who chairs the Woolworths

Remuneration Committee, was appointed to the committee during the year. The Group Remuneration Committee is supported by remuneration committees in each of the three business operating entities, all chaired by Independent Directors.

RISK AND COMPLIANCE COMMITTEE

Zarina Bassa is the Chairman of the WHL Risk and Compliance Committee. This committee ensures that the Group's material issues and significant risks are identified, evaluated, and effectively managed and reported on through an effective ERM framework and that the mitigation and risks is assured through the combined assurance model. The committee ensures that the Group's policies and processes are adequate to manage compliance with the regulatory landscape applicable for the Group's business model. As risk and strategy are integrally linked, committee membership includes all Executive Directors. External audit, internal audit, and senior executives managing risk also attend these committee meetings. The Group Risk and Compliance Committee is supported by Risk and Compliance committees in each of the three business operating entities, all chaired by Independent Directors.

SOCIAL AND ETHICS COMMITTEE

Thina Siwendu is the Chairman of the Social and Ethics Committee. This committee ensures that the Group plays a strong corporate citizenship role in the geographies in which it operates and has specific statutory responsibilities for the South African operations as envisaged by the Companies Act, including a focus on socio-economic development and transformation for Woolworths SA. The Group has adopted the principles of the UN Global Compact and ensures that policies adopted by the Group support this. The Woolworths Trust, which manages the Woolworths SA corporate investment programme, reports to this committee. Zyda Rylands was appointed to this committee during the year in her capacity as Woolworths SA CEO.

SUSTAINABILITY COMMITTEE

The Sustainability Committee is chaired by Lord Rose. This committee ensures that the Group manages its responsible retailing practices, which are encompassed in the Group's Good Business Journey programme. This committee reviews and approves the strategic focus of the Good Business Journey programme, targets and key focus areas for the period to 2020. It works closely with the Social and Ethics Committee. It has oversight over the eight focus areas of the GBJ programme together with the five commitments.

126/ OUR REMUNERATION REPORT

This report comprises three sections:

SECTION 1

A report of material matters covered by the committee during the year from the Chairman of the Remuneration Committee

SECTION 2

The remuneration philosophy, policy and framework tabled at the Annual General Meeting for a non-binding advisory vote by the Group's shareholders

SECTION 3

The application of the remuneration policy in the 2016 financial year

SECTION 1: REMUNERATION COMMITTEE CHAIRMAN'S REPORT

I am pleased to present the Remuneration report for the Group. This report highlights the material matters dealt with by the Remuneration Committee and summarises the Group's performance for the year ended 26 June 2016 as well as remuneration outcomes.

The structure, content and layout of the Remuneration report continues to evolve as the committee adopts components of international best practice remuneration reporting principles, while retaining disclosure items required by the Johannesburg Stock Exchange (JSE). New requirements arising from King IV will be adopted in due course.

PERFORMANCE AND REMUNERATION OUTCOME

The Group financial performance for the year has been good. The PBTAE performance has resulted in short-term performance bonus payments being made for employees of WHL Group, Woolworths and David Jones. Country Road Group did not achieve their required PBTAE and did not qualify for bonus payments at the company level.

For the three years to 26 June 2016 the Group achieved a compound annualised adjusted Headline Earnings per Share (HEPS) growth of 7.3% per annum. Total Shareholder Return (TSR) performance against the comparator group has tracked between the median and upper quartile. The achievement of HEPS and partial achievement of TSR has enabled the 2013 long-term incentive allocations (Share Appreciation Rights - SARS and Long Term Incentive Plan - LTIP) with three-year performance periods to vest.

It is pleasing to see that the Group's performance continues, both in the short- and medium-term, in delivering value to our stakeholders, including our employees who drive the execution of the strategic objectives.

GROUP EXECUTIVE STRUCTURE

Detailed benchmarking was conducted on the remuneration package for the Group CEO. As the Group transforms into a major southern hemisphere retailer, the committee recognised his on-going high performance and the increasing demands expected of a Group CEO in driving an international strategy. An adjustment was made to his package to reflect a more appropriate mix between guaranteed pay (GP), short-term (STI) – and long-term incentives (LTI).

Zyda Rylands was appointed CEO of Woolworths South Africa (WSA). Her guaranteed pay was adjusted on her appointment and she also received a promotional allocation of Performance Shares (PSP).

REMUNERATION FRAMEWORK

As highlighted in the 2015 Integrated Report, the Group remuneration framework was redesigned to ensure that all employees across Woolworths, David Jones and Country Road Group are rewarded appropriately for their contribution to the execution of the strategy of the Group and entities.

Both the remuneration philosophy and the Employee Value Proposition (EVP) are becoming increasingly critical as the Group continues to grow, specifically within the context of an increasing number of international players entering the

South African and Australian retail markets, which have resulted in even stronger competition for scarce and critical skills.

The redesigned framework and policies were implemented during this year. We now have a common and consistent method to reward executives and employees to achieve the Group strategic focus areas and in turn deliver sustained financial performance.

The STI scheme is applied to all non-store and distribution employees across the Group. The 'gatekeeper' for the STI scheme is Group PBTAE, recognising that value creation at a Group level is critical for continued growth. Financial performance multipliers are determined at the operating company level and may also include modifiers at a business area level. This enables the financial reward to be driven by a more direct line of sight for levels below senior management. All Executive Directors have a minimum of 50% allocated to Group performance.

The LTI scheme operates with two share instruments to reward value creation over a three-to-five-year period. The Performance Share Plan (PSP) scheme has been rolled out across the Group to middle management levels and above. The PSP now includes Return on Capital Employed (RoCE) as a measure for all allocations made from 2016 onwards. In order to distinguish the awards that include RoCE as measure, the previous LTIP was renamed PSP – all other conditions applicable to LTIP remain the same. The Restricted Share Plan (RSP) scheme is primarily used for retention purposes.

REMUNERATION POLICY CHANGES

The policy as tabled at the November 2015 Annual General Meeting has been applied for the 2016 financial year, with one exception.

The committee reviewed the percentage annual allocation of PSP shares for Executive Directors, previously proposed at 79% of GP. It was agreed that Executive Directors who performed a Group role should receive the same percentage allocation as that of the CEO of an operating subsidiary. The adjustment recognises the additional responsibilities of performing a Group role. As a result of this decision, the roles of Group Chief Operating Officer (COO) and Group Finance Director (FD) would be entitled to an annual rolling allocation of PSP shares at 100% of GP.

The Group's Black Economic Empowerment Employee Share Ownership Scheme (BEEESOS) scheme was one of the key components of the Group's transformation strategy in South Africa. Over the eight-year period of the scheme, it played an integral part of the EVP for South African-based employees.

The scheme ended in June 2015, with significant value created in excess of R2.7 billion to more than 7 000 employees. Many of the employees used the proceeds to improve and enrich their own lifestyles as well as those of their families and the communities in which they live. More than 5% retained their shareholding in WHL and will continue to receive value through dividend payments and capital growth of their shares.

INDEPENDENT EXTERNAL ADVICE

The committee receives independent external remuneration advice to assist it in carrying out its responsibilities. During the year, PwC provided advice on remuneration trends and DG Capital provided benchmarking data for guidance on Executive remuneration and Non-executive Directors' fees. The Remuneration Committees in DJ and CRG received independent external remuneration advice from PwC and Mercer.

NON-BINDING ADVISORY VOTE

The Group received the support of more than 97% of shareholders who voted in favour of the remuneration policies tabled in the 2015 Integrated Report.

I am confident that the Group's remuneration philosophy and policies are aligned to its strategy and have contributed to the progress the Group has made in establishing itself as a major southern hemisphere retailer.

The committee is pleased to present the remuneration philosophy and policy of the Group, found on pages 128 to 134, to shareholders for a non-binding advisory vote.



TA BOARDMAN

Chairman of Remuneration Committee

**SECTION 2:
REMUNERATION PHILOSOPHY, POLICY AND REWARD FRAMEWORK**

This report specifically deals with the remuneration for the Group Chief Executive Officer (Group CEO), Executive Directors and Executive Committee (Execs) members. Disclosure is also provided in line with the requirements of South African legislation and guidelines of King III. In order to provide a more comprehensive view, policies applicable either to different levels of employees and/or different geographic areas are included where appropriate.

The following colours are used in the Remuneration report to denote the following:

REMUNERATION	GUARANTEED PAY	VARIABLE PAY	SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES	DIRECTORS' FEES	NON-FINANCIAL REWARDS
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REMUNERATION PHILOSOPHY

The Group's remuneration philosophy is to ensure that employees are rewarded appropriately for their contribution in the execution of the strategy of the Group. The EVP has been designed so that it will continue to attract, engage, retain and motivate the best, diverse talent required to deliver sustainable profit growth.

The remuneration policies are designed to achieve alignment between the Group's business strategy and the behaviours of all employees against the values of the Group. The policies recognise and reward individual responsibility, performance and behaviour in the achievement of the business areas' goals. These policies are

applicable to all Group employees and participation in short- and long-term incentive schemes is dependent on an individual's role and level within the Group.

The remuneration policy and the implementation thereof are focused on achieving a fair and sustainable balance between guaranteed pay, short-term incentives, long-term incentives and retention schemes for these employees.

The EVP balances remuneration (financial rewards) with other non-financial rewards to drive and deliver a high performance culture. The EVP framework is described in the diagram below.

EMPLOYEE VALUE PROPOSITION (EVP)

REWARDS (FINANCIAL)				NON-FINANCIAL	
GUARANTEED PAY (GP)		VARIABLE PAY (VP)		OPPORTUNITY	ORGANISATION
BASE PAY	BENEFITS	SHORT-TERM INCENTIVES (STI)	LONG-TERM INCENTIVES (LTI)	<ul style="list-style-type: none"> career development training 	<ul style="list-style-type: none"> diversity ethics brand
				WORK <ul style="list-style-type: none"> recognition innovation job impact 	PEOPLE <ul style="list-style-type: none"> leadership work environment

REMUNERATION FRAMEWORK

Remuneration is made up of two elements – Guaranteed Pay (GP) and Variable Pay (VP) as illustrated below:

REMUNERATION			
GUARANTEED PAY (GP)		VARIABLE PAY (VP)	
BASE PAY	BENEFITS	SHORT-TERM INCENTIVES (STI)	LONG-TERM INCENTIVES (LTI)
Market-related salary tailored to roles and performance	Market-related benefits including pension/superannuation, healthcare, vehicle allowances, discounts on purchases	Annual performance bonus paid on the achievement of one-year financial targets	Share schemes designed to incentivise delivery of long-term strategic goals aligned with shareholder expectations: <ul style="list-style-type: none"> Performance Share Plan (PSP) Restricted Share Plan (RSP)

Guaranteed pay (GP) is benchmarked against applicable retail and non-retail companies within geographic locations to ensure the GP is competitive to attract and retain the required level of experience and expertise required for the Group. Included in GP are benefits including annual leave, retirement or superannuation, healthcare, vehicle allowances, and discounts on purchases made in the Group's stores. The details and quantum of the benefits will vary according to Group's subsidiaries and the market in which they trade.

Variable Pay (VP) consists of short- and long-term incentives with the opportunity to earn additional financial rewards over performance periods of between one and five years.

Short-term incentives (STI) are designed to reward the achievement of short-term strategic, financial and non-financial objectives in the one-year business plan. All employees in the WHL Group participate in a STI scheme appropriate to the level and role that they perform in the Group.

Store- and distribution-based employees can participate either in a commission, quarterly, or biannual bonus scheme. Group STI payments are discretionary, and payments made under the scheme are dependent on both business and individual performance. Payments are delivered in cash in September each year after finalisation of the Group's consolidated annual financial results.

Long-term incentives (LTI), at Group CEO, Executive Director, Execs and senior- to middle-management levels across the Group, are an integral part of their total remuneration. Allocations of LTI are designed to motivate employees to achieve the three-year strategy aligning shareholder and employee interests. The Group has used a number of different share scheme instruments for LTI, explained in more detail below.

Current LTI share schemes in operation are:

- Performance share plan (PSP) – previously called Long-term incentive plan (LTIP); and
- Restricted share plan (RSP).

Previous LTI share schemes applied by the Group for Group CEO, Executive Directors, Execs and selected Woolworths and Country Road Group employees were:

- Share purchase scheme, last allocation made in 2006 with awards expiring in October 2016;
- Share option scheme, last allocation made in 2008 with awards expiring in October 2018;
- SARS, last allocation made in 2015 with awards expiring in February 2021;
- LTIP last allocation made in 2015 with awards expiring in February 2018; and
- CRG Executive Long-term Incentive Scheme (ELTIS), last allocation made in 2014 with awards expiring in 2017.

No allocations have been made in terms of these previously used schemes during the year. The Remuneration Committee, at its discretion, consider using the SARS scheme again, depending on circumstances.

REMUNERATION MIX AND ALIGNMENT TO STRATEGY

REMUNERATION MIX

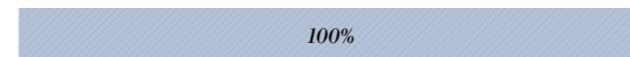
To achieve a performance culture and an alignment with shareholders through value creation, the total reward mix for the Group CEO, Executive Directors, Execs and senior management is geared towards a higher percentage of variable pay 'at risk' for the achievement of stretch goals.

The opposite chart illustrates the potential composition for the aggregate of the Group CEO and Executive Directors at below-, on-target and stretch levels.

Below target level assumes no vesting of annual LTI allocations and no STI payments. On-target level assumes 50% vesting of annual LTI allocations and on-target STI performance. Stretch assumes 100% vesting of annual LTI allocations and stretch STI performance.

Aggregated Executive Directors (including Group CEO)

BELOW



ON-TARGET



STRETCH



The expected behaviours are aligned to the values of the Group.

ALIGNMENT TO STRATEGY

The goals and performance measures are aligned with Group, company, and individual performance. The Group performance conditions, for STI and LTI, underpinning the vesting of 'at risk' remuneration have been selected as measures that encourage sustainable growth, without undue excessive risk taking.

While the performance measures of both the STI and LTI are financial in nature, the achievement of non-financial outcomes is incorporated in the measurement of individual employee performance. At an individual level, 40% of their IPM rating is achieved by measuring the behaviours they display in the manner in which they carry out their job. The expected behaviours are aligned to the values of the Group. Many of these individual measures are linked to the achievement of Good Business Journey programme outcomes, driving business transformation, customer service and environmental and social transformation and development outcomes.

The table overleaf illustrates how the measures at an individual, company and Group level support the Group's strategy and are aligned to expectations of shareholders in creating sustainable growth and value creation.



Woolworths SA, Summer 2016

STRATEGIC FOCUS AREAS	SHORT-TERM INCENTIVES (STI)			LONG-TERM INCENTIVES (LTI)
	INDIVIDUAL METRICS (EXAMPLES)	COMPANY/BUSINESS AREA METRIC	GROUP METRIC	SHAREHOLDER METRICS*
Build stronger, more profitable customer relationships	Market growth/share	PBTAE	GROUP PBTAE	HEPS
	Net promoter score			
Towards connected retail	Online sales	EBIT	GROUP PBTAE	TSR performance
Drive synergies and efficiencies across the Group	Number of new stores			
Embed Good Business Journey throughout our business	Integration of DJ	EBIT	GROUP PBTAE	RoCE
	Water reduction			
	Employment equity			

WOOLWORTHS HOLDINGS SHARE TRUST

The Woolworths Holdings Share Trust, managed by two trustees – Independent Non-executive Directors – administers the utilisation of shares for the purposes of the long-term incentive share schemes. The Trust is guided by the Trust Deed and share scheme rules approved by shareholders in November 2010. The Trust Deed and share scheme rules comply in all aspects with the JSE Limited Listings Requirements.

The maximum number of shares available for allocation in terms of the long-term incentive share schemes is 85 000 000, representing approximately 8% of the current issued share capital. In any one financial year, the maximum market value of grants and/or offers in terms of the long-term incentive schemes may not exceed 250% (face value) of an individual's GP. The aggregate total number of shares awarded to an individual participant in terms of the long-term incentive scheme may not exceed 12 700 000.

Shares allocated to participants under the LTI may be purchased on the open market or new shares may be issued. Shares and grants may not be awarded or exercised during a closed period.

SERVICE CONTRACTS AND NOTICE PERIODS

It is the policy that the Executive Directors and Execs have employment agreements with the company which, may be terminated with notice periods of between three and six months. The Group Chief Executive Officer's contract has a 12 month notice period. Employment agreements may also include restraint of trade agreements.

Expatriate Execs are employed on a fixed-term contract subject to obtaining and maintaining applicable work permits.

The Trust Deed and share scheme rules comply in all aspects with the JSE Limited Listings Requirements.

EXECUTIVE DIRECTORS

REMUNERATION POLICY APPLICABLE TO 2016 FINANCIAL YEAR

The table below sets out the components of the remuneration framework that have been applied by the WHL Group in the 2016 financial year for the Group Chief Executive Officer (Group CEO), Executive Directors and key senior executives (Execs). Components of the framework may differ

between the three main operating subsidiaries of the WHL Group and where elements are different, the details per subsidiary are highlighted. The remuneration framework is applied to all Group employees, with LTI components not available to lower management when the 'line-of-sight' is not easily attributable to those roles.

	GUARANTEED PAY (GP)		SHORT-TERM INCENTIVES (STI)	LONG-TERM INCENTIVES (LTI)	
	BASE SALARY	RETIREMENT/SUPERANNUATION, HEALTHCARE AND OTHER BENEFITS	SHORT-TERM PERFORMANCE BONUS	PERFORMANCE SHARE PLAN (PSP) PREVIOUSLY CALLED LTIP	RESTRICTED SHARE PLAN (RSP)
PURPOSE AND LINK TO STRATEGY	Market-related level of remuneration with consideration to specific requirements of the role.	Benefits and allowances of a compulsory and non-compulsory nature appropriate to the market and contribute to well-being of employees, in line with EVP.	Motivate executives and senior management to achieve short-term strategic, financial and non-financial objectives in the one-year business plan.	Motivate employees to achieve three-year strategy aligning shareholder and executive interests.	Retain and motivate employees who are key to the delivery of the Group's long-term strategy. Enables the recruitment of key executives to address value forfeited on resignation from a previous employer.
MECHANICS	<p>Reviewed annually against retail peer companies in South Africa, Australia and other countries in which the Group trades.</p> <p>Market conditions, company performance, internal comparability, individual performance and responsibility are taken into consideration.</p> <p>Includes performance against financial and non-financial objectives and individual behaviour against Group values.</p> <p>No obligation to increase base salary.</p> <p>Audited GP for Group CEO and Executive Directors is shown on page 143.</p>	<p>Benefits include:</p> <ul style="list-style-type: none"> retirement funding, superannuation; healthcare; motor vehicle allowance and vehicle leasing options; product discount on purchases made in the Group's stores; and other benefits as per specific country. 	<p>The target is determined annually in advance.</p> <p>STI calculated as follows:</p> <ul style="list-style-type: none"> Group CEO: 100% based on WHL Group performance Group COO and Group FD: 100% based on WHL Group performance Executive Directors and Execs: 50% – 75% based on WHL Group performance with remaining 50% – 25% based on Company and/or specific business area performance <p>Individual performance scores (IPM) and specific company EBIT performance are multipliers for the final payments.</p> <p>On-target performance allocations of GP:</p> <ul style="list-style-type: none"> Group CEO: 100% Group COO and Group FD: 80% WSA, DJ and CRG CEO's: 80% Execs: 30% – 50% <p>Payments commence when threshold incentive trigger is achieved. Earnings potential is applied on a sliding scale between threshold, on-target and stretch performance.</p> <p>Audited STI for Group CEO and Executive Directors is shown on page 143.</p>	<p>Participants are entitled to the delivery of conditional awards in shares after three years from date of grant provided that certain performance conditions are met.</p> <p>Vesting occurs subject to the achievement of performance conditions over a three-year performance period.</p> <p>Vesting occurs on a linear scale in accordance with an agreed threshold and stretch target.</p> <p>Participants receive a payment settled in equity on vesting equal to the value of dividends paid on the vested shares during the vesting period.</p> <p>PSP allocations for Executive Directors are shown on page 140.</p>	<p>Participants allocated the unrestricted delivery of shares after a three- to five-year period from the date of grant or shorter period at the discretion of the Remuneration Committee.</p> <p>Vesting occurs on condition that the participant is still in the employ of the Group on the expiry of the agreed vesting period and any applicable performance conditions are achieved.</p> <p>Staggered vesting occurs from year three to year five. The Remuneration Committee has the discretion to amend vesting periods where appropriate.</p> <p>Participants entitled to receive dividends during the vesting period.</p> <p>RSP allocations for Group CEO is shown on page 140.</p>
OPPORTUNITY AND MAXIMUM LIMIT	Base salary reviewed in context of company and Group performance, CPI and affordability.	Some benefits and the quantum of the benefits will vary according to Group's subsidiaries and the market in which they trade.	<p>Stretch performance allocations of GP capped at:</p> <ul style="list-style-type: none"> Group CEO: 125% Group COO and Group FD: 150% WSA CEO: 150% Execs (WSA): 75% to 150% DJ and CRG CEO's: 125% 	<p>Grants are made annually at the discretion of the Remuneration Committee based on GP at grant date.</p> <p>Allocations capped at:</p> <ul style="list-style-type: none"> Group COO and Group FD: 100% Executive Directors and Execs (WSA): 46% to 79% WSA, DJ and CRG CEO's: 100% DJ and CRG Exco members: 46% <p>The Group CEO does not receive PSP allocations.</p>	<p>Grants are made at the discretion of the Remuneration Committee based on GP at grant date.</p> <p>Allocations:</p> <ul style="list-style-type: none"> Group CEO: 150% Other categories: <ul style="list-style-type: none"> Minimum award: 100% and Maximum award: 300% <p>Allocations limited to the Group CEO, Executive Directors, Group Execs and selected core and scarce employees.</p> <p>The Group CEO receives an annual allocation of RSP with performance conditions in line with those of the LTIP/PSP.</p>
PERFORMANCE CONDITIONS	Adjustments influenced by individual performance metrics aligned with strategy and behaviours to Group values.	N/A	<p>Target: % growth of WHL Group PBTAE and/or company EBIT.</p> <p>WHL Group PBTAE acts as a gatekeeper for profit pool accumulation.</p> <p>In finalising STI payments, the Remuneration Committee may exercise discretion to mitigate any unintended consequences.</p>	<p>WHL Group measures weighted:</p> <ul style="list-style-type: none"> HEPS: 50%, TSR: 30%, RoCE: 20% <p>HEPS performance condition:</p> <ul style="list-style-type: none"> minimum threshold for 30% vesting stretch target for 100% vesting <p>TSR performance condition:</p> <ul style="list-style-type: none"> TSR performance of WHL is equal to or below the median quartile (i.e. if 50% of peer group perform better than WHL no vesting of TSR condition) TSR performance of WHL is equal to or exceeds the upper quartile performance (or 75% of our peers) 100% vesting <p>RoCE performance condition:</p> <ul style="list-style-type: none"> minimum threshold for 30% vesting stretch target for 100% vesting <p>Stretch target based on average three-year projected performance.</p> <p>No retesting of performance conditions. Awards lapse if performance conditions are not achieved.</p>	<p>100% vesting on condition that the participant is still in the employ of the Group on the expiry of the agreed vesting periods.</p> <p>Performance conditions imposed for vesting are at the discretion of the Remuneration Committee.</p> <p>No retesting of performance conditions. Awards lapse if performance conditions are not achieved.</p>
OTHER			<p>All employees in the WHL Group participate in a STI scheme at different levels of % of GP at on-target and stretch level. A percentage of WHL Group performance is included in the STI calculation regardless of the participants' employer company.</p> <p>Group STI payments are made in cash in October each year after the finalisation of WHL annual financial results.</p> <p>Store and supply chain employees participate in gain-share or commission schemes appropriate to their employer company. Cash payments may be made monthly, quarterly and biannually dependent on the scheme.</p> <p>The Remuneration Committee has the discretion to exercise reasonability and discretion to pay ex gratia payments where extraordinary value has been created by executives.</p>	<p>Peer group consists of a selection of JSE-listed companies based on PwC closeness metric approach that selects peer group based on following factors: sector, EBITDA, total assets, market capitalisation and price earnings ratio.</p> <p>Rules governing cessation of employment, change in control and delisting as per scheme rules aligned with King III recommendations.</p> <p>LTIP allocations granted up to February 2015 have two measures equally weighted between HEPS and TSR.</p>	<p>Rules governing cessation of employment, change in control and delisting as per scheme rules aligned with King III recommendations.</p> <p>Shares are purchased on the open market and held by third-party in escrow.</p>
NO. OF PARTICIPANTS				556	40

NON-EXECUTIVE DIRECTORS

REMUNERATION POLICY

The table below sets out the remuneration policies applied by the Group for the 2016 financial year for Non-executive Directors.

These policies are also applicable for the 2017 financial year and form the underlying basis for the fees tabled for shareholder approval at the Annual General Meeting to be held in November 2016.

NON-EXECUTIVE DIRECTOR REMUNERATION				
	CHAIRMAN	DIRECTORS AND LEAD INDEPENDENT DIRECTOR	COMMITTEE	BENEFITS
PURPOSE	A market-related fee to attract and retain Non-executive Directors.		Fees to reflect the additional responsibilities undertaken through membership of committees. Committee Chairmen receive an additional amount.	
MECHANICS	<p>Fees are reviewed annually against retail peer companies in South Africa, Australia and the United Kingdom.</p> <p>Directors based in the United Kingdom are paid director fees in sterling and directors based in Australia in Australian dollars.</p> <p>Non-executive Directors who perform a similar role for the main operating subsidiaries are remunerated for those functions – Patrick Allaway and Gail Kelly are Non-executive Directors for DJ and CRG. Zarina Bassa is a Non-executive Director for WSA.</p> <p>Fees reflect the time commitment, demands and responsibility of the role.</p> <p>The Board believes that it is appropriate to propose an annual fee structure as the directors are required to provide input on an ongoing basis throughout the year that is not confined to attendance at meetings.</p> <p>Fees are proposed by Executive Directors based on independently benchmarked fees.</p> <p>The Remuneration Committee recommends the fees to the Board for final approval by shareholders.</p> <p>Audited Non-executive Directors' fees for the 2016 financial year are shown on page 148.</p>		<p>Non-executive Directors receive discounts on purchases made in WHL Group stores.</p> <p>No other benefits are provided.</p> <p>Non-executive Directors do not participate in any STI or LTI schemes.</p> <p>The Chairman receives post-retirement medical aid by virtue of him previously holding the role of Group CEO and retiring from that position.</p>	
PAYMENTS	Fees are paid quarterly in arrears in cash.			

PROPOSED NON-EXECUTIVE DIRECTORS' FEES

As explained in the Chairman's report on page 127, the proposed fees for the Non-executive Directors have been independently benchmarked by an external remuneration consultant, DG Capital. The proposed fees have been benchmarked with the average of: the top quartile for South African retail companies, the median of the Top 30 companies on the JSE, and the median for the Top 8 (those with >40% of revenue earned external of South Africa) on the JSE. Fees for international directors were benchmarked against directors' fees paid in the United Kingdom and Australian retail market.

The proposed fees for the calendar year 1 January 2017 to 30 December 2017 are shown in the table below:

	Current approved fees (R000's)	Proposed fees (R000's)	% increase
Chairman	1 510.0	1 585.5	5%
Lead Independent Director	550.0	625.0	14%
South African-based Director	350.0	367.5	5%
United Kingdom-based Director (paid in £)	£73.0	£75.0	3%
Australian-based Director (paid in A\$)	A\$150.0	A\$155.0	3%
Audit Committee Chairman	310.0	325.5	5%
Audit Committee member	170.0	178.5	5%
Nominations Committee Chairman	160.0	168.0	5%
Nominations Committee member	100.0	105.0	5%
Remuneration Committee Chairman	210.0	220.5	5%
Remuneration Committee member	110.0	115.5	5%
Risk and Compliance Committee Chairman	210.0	220.5	5%
Risk and Compliance Committee member	110.0	115.5	5%
Social and Ethics Committee Chairman	170.0	178.5	5%
Social and Ethics Committee member	100.0	105.0	5%
Sustainability Committee Chairman	170.0	178.5	5%
Sustainability Committee member	100.0	105.0	5%
Attendance at Executive Treasury Committee meetings	40.0	42.0	5%
Hourly rate for additional services	R4 800	R5 040	5%
WSA Director	715.0	750.8	5%
WSA Audit Panel member	252.0	264.6	5%
DJ and CRG Chairman	A\$150.0	A\$155.0	3%
DJ and CRG Director	A\$75.0	A\$77.5	3%

SERVICE CONTRACTS

Non-executive Directors do not have service contracts, but serve the company through a letter of appointment, which may be terminated without liability for compensation. Directors must be elected by shareholders at an Annual General Meeting on a rotational basis, usually being three-year intervals.



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SECTION 3: APPLICATION OF REMUNERATION POLICY FOR THE YEAR ENDED 26 JUNE 2016

This section of the report specifically deals with the remuneration for the Group CEO, Executive Directors and Non-executive Directors, and where appropriate, details are included for Execs and other employees.

The Board reviewed the executive structure within the Group and concluded that the prescribed officer roles are held by Executive Directors.

GROUP CEO AND EXECUTIVE DIRECTORS

REMUNERATION MIX

The opposite chart has been prepared on the same basis as the chart on page 130 representing the potential mix of GP, STI and LTI compared with the actual mix achieved for the year ended 26 June 2016. The chart reflects the composition for the aggregation for the Group CEO and Executive Directors.

On-target level assumes 50% vesting of annual LTI allocations and on-target STI performance. Stretch (maximum) assumes 100% vesting of annual LTI allocations and stretch STI performance.

The achieved remuneration mix is as a result of the STI achieved for the year, explained in more detail on page 139.

GUARANTEED PAY (GP)

The annual GP increases effective 1 October 2015 are set out in the table opposite.

The 31.9% increase shown for Group CEO and Executive Directors includes an adjustment made to the Group CEO remunerations as explained in the Chairman's report on page 126. It also reflects the appointment of the Woolworths CEO.

The 11.8% GP increase for key senior executives includes appointments into new positions.

Other increases are in line with inflation in South Africa and Australia.

Aggregated Executive Directors (including Group CEO)

ON-TARGET



ACHIEVED



STRETCH



	GUARANTEED PAY % increase
Group CEO and Executive Directors	31.9%
Key senior executives (Execs)	11.8%
Management South Africa Management Australia	5.84% 2.1% to 2.50%
Staff South Africa Staff Australia	6.88% 2.5%

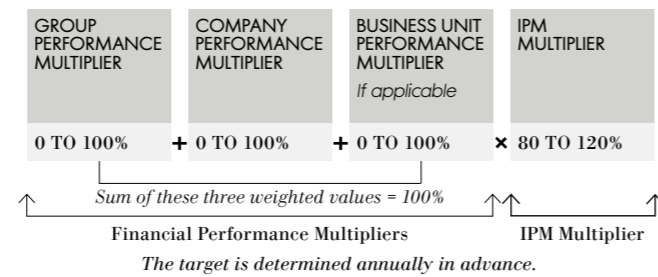
SHORT-TERM INCENTIVES (STI)

The framework and mechanics of the STI scheme explained opposite was applied to all employees in the Group for the 2016 financial year.

The STI is calculated as follows:

- Group CEO: 100% based on WHL Group performance
- Group COO and Group FD: 100% based on WHL Group performance
- Executive Directors and Execs:
 - 50% – 75% based on WHL Group performance with remaining
 - 50% – 25% based on company and/or specific business area performance

Individual performance scores (IPM) and specific company EBIT performance are multipliers for the final payments. Business unit modifiers are applicable for employees at levels below Execs.



THE GROUP ACHIEVED PBTAE PERFORMANCE FOR STI PAYMENTS.

PERFORMANCE FOR THE PERIOD

The performance conditions for the short-term performance bonus were tested to determine if the minimum incentive trigger had been achieved.

As explained in the FD’s report, the Group had mixed performance for the year, achieving the PBTAE trigger for STI purposes. At a company level, both Woolworths and David Jones achieved the required aEBIT for purposes of the STI scheme. Country Road Group did not meet the target aEBIT and consequently did not receive bonuses for the company performance multiplier.

The high-level design of the STI scheme is as follows:

- incentives are calculated at a business unit level taking into account the scheme design and parameters;
- a principle of budgeted pre-incentive profit is used across all business units as the trigger for on-target incentives;
- a gatekeeper of 93% for threshold bonuses are built into the scheme; and
- at the Group level (as a top-down approach), a final measure is built into the scheme to ensure affordability and threshold performance at a Group level, i.e. >93% achievement.

The STI payments for the Group CEO and Executive Directors based on Group, company and individual performance are depicted in the table below.

	PERFORMANCE AGAINST STI TARGETS						
	WEIGHTING	BELOW	THRESHOLD	TARGET	STRETCH	ACHIEVEMENT LEVEL	RESULTANT BONUS %
GROUP PERFORMANCE PBTAE	50%–100%			●		99%	
COMPANY PERFORMANCE	50%						
WOOLWORTHS aEBIT				●		97%	
DAVID JONES aEBIT					●	108%	
COUNTRY ROAD GROUP aEBIT		●				63%	

INDIVIDUAL PERFORMANCE MULTIPLIER

IAN MOIR				●			83%
REEZA ISAACS				●			66%
SAM NGUMENI					●		80%
ZYDA RYLANDS					●		68%

Read more about our financial performance in the Group Finance Director’s report on pages 42 to 57.

LONG-TERM INCENTIVES (LTI)

LTI ALLOCATIONS DURING 2016

The allocations for the Group CEO and Executive Directors for components of LTI were approved by the Remuneration Committee during the 2016 financial year and are shown in the table below.

LTI allocations made to Executive Directors and Execs were made in line with the percentage allocations described in the remuneration policy table on pages 132 and 133.

In line with the agreement by the Remuneration Committee to adjust annual allocations of PSP for Group roles, Sam Ngumeni (Group COO) and Reeza Isaacs (Group FD) were granted an additional 21% of GP in March 2016.

Zyda Rylands received an annual rolling allocation of PSP in line with the remuneration policy. She also received a promotion allocation of 100% on GP on her appointment as the CEO of Woolworths South Africa.

More details on LTI shares held by the Group CEO and Executive Directors can be found on page 144 to 147.

VESTING OF 2013 LTI ALLOCATIONS

The performance conditions for the SARS and LTIP August 2013 allocations were tested to determine if vesting had been achieved.

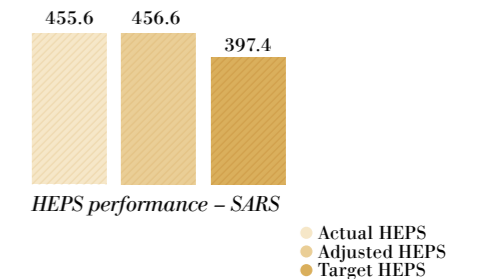
	LONG-TERM INCENTIVES						TOTAL ALLOCATIONS NUMBER
	PSP AWARDS			RSP AWARDS			
	BASIS	NUMBER	FACE VALUE R000's	BASIS	NUMBER	FACE VALUE R000's	
Ian Moir				150% of GP	186 126	18 000	186 126
Reeza Isaacs	79% of GP	37 581	3 634				37 581
Reeza Isaacs	21% of GP	9 990	936				9 990
Sam Ngumeni	79% of GP	40 848	3 950				40 848
Sam Ngumeni	21% of GP	10 858	1 017				10 858
Zyda Rylands	179% of GP	105 073	10 161				105 073
Total		204 350	19 698		186 126	18 000	390 476

WOOLWORTHS SARS SCHEME

The performance condition for SARS is HEPS growth of CPI plus 6% over the three-year performance period. HEPS has been adjusted for an unrealised foreign exchange losses (net of tax) of R9 million.

The opposite graph shows the target HEPS, which was required for the full vesting of the August 2013 SARS, against actual HEPS and adjusted HEPS.

Adjusted HEPS achieved was 456.6 cps, 14.9% growth on target HEPS of 397.4 cps. The August 2013 allocations have vested for all participants of the SARS scheme.



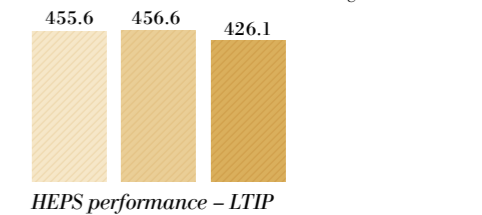
WOOLWORTHS LTIP (NOW CALLED PSP) SCHEME

The performance conditions for LTIP are:

- 50% based on HEPS growth of CPI plus 5% per annum and
- 50% based on TSR performance compared to the peer group TSR performance.

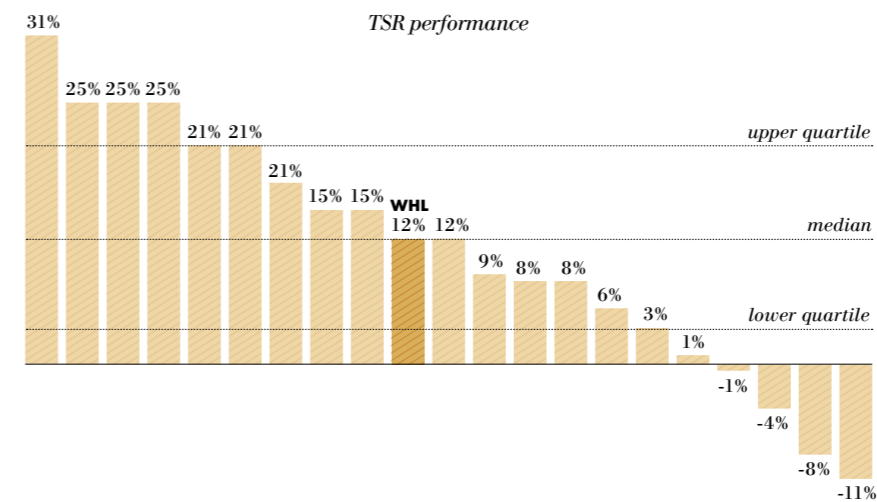
The opposite graph shows the target HEPS, which was required for the full vesting of the August 2013 LTIP against actual HEPS and adjusted HEPS.

Adjusted HEPS achieved was 456.6 cps, 7.2% growth on target HEPS of 426.1 cps.



The graph below compares the TSR performance of the company to the TSR index of the peer group at the lower, median and upper quartiles.

Actual TSR performance for WHL was 12% growth, in the median of the peer group performance. The TSR performance condition will vest at 60%. This, together with the HEPS performance shown above, has resulted in the LTIP 2013 allocations vesting at 80% for all participants of the LTIP scheme.



The TSR, together with the HEPS performance has resulted in the LTIP 2013 allocations vesting at 80% for all participants of the LTIP scheme.

COUNTRY ROAD GROUP ELTIS SCHEME

The CRG Executive Long-term Incentive Scheme (ELTIS) was in operation prior to CRG becoming a wholly owned subsidiary of WHL. The last allocations from this scheme were granted during 2014. Allocations granted in 2013 and 2014 will be tested for vesting in 2016 and 2017.

The performance conditions for the 2013 allocations have been tested to determine if vesting had been achieved. The performance condition is EPS growth of CPI plus 2% compounded over the three-year performance period.

The performance conditions for the 2013 allocations have been met with vesting for all participants of the ELTIS.

UTILISATION OF SHARES HELD BY WOOLWORTHS HOLDINGS SHARE TRUST

In line with the JSE requirements, an analysis of the shares utilised for the purposes of LTI is shown in the table below:

Opening balance available	20 228 122
Allocations made to participants	(2 543 444)
Exercised/lapsed	3 380 944
Sold by participants	(1 640 552)
Closing balance available	19 425 070

19.4M shares available for LTI

REMUNERATION FOR YEAR ENDED 26 JUNE 2016 (AUDITED)

As detailed in the remuneration policy on pages 128 to 134, remuneration paid to Executive Directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 26 June 2016 and comparatives for 28 June 2015 are set out below:

Notes	GUARANTEED PAY		SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES	RETENTION	REMUNERATION		
	Base salary (1) R000's	Benefits (2) R000's	Total guaranteed pay R000's	Performance bonus R000's	Fair value of shares, options, SARS, LTIP and PSP granted (3) R000's	Interest-free loan benefit (4) R000's	Fair value of restricted shares (5) R000's	Total remuneration R000's
2016								
EXECUTIVE DIRECTORS								
Ian Moir	16 430	196	16 626	14 960	3 317	-	18 845	53 748
Reeza Isaacs	4 348	579	4 927	3 241	2 261	-	2 056	12 485
Sam Ngumeni	4 539	837	5 376	4 228	2 859	255	403	13 121
Zyda Rylands (6)	5 218	1 012	6 230	4 447	3 429	500	-	14 606
	30 535	2 624	33 159	26 876	11 866	755	21 304	93 960
2015								
Ian Moir	11 187	138	11 325	20 866	5 336	-	11 650	49 177
Reeza Isaacs	3 839	433	4 272	2 410	1 534	-	2 163	10 379
Sam Ngumeni	3 835	807	4 642	3 013	2 610	259	950	11 474
Zyda Rylands (6)	3 775	1 001	4 776	2 792	2 781	771	-	11 120
	22 636	2 379	25 015	29 081	12 261	1 030	14 763	82 150

NOTES

1. Base salary includes Non-executive Director fees paid by Country Road Group: 2016: nil (2015: Ian Moir A\$24 375 and Zyda Rylands A\$7 576).
2. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores.
3. IFRS 2 Share-based payments have been used to equate the annual expense value of shares, options, SARS, LTIP and PSP held at the end of the financial year. 2015: includes the allocation of BEEESOS shares granted to Zyda Rylands and Sam Ngumeni.
4. The interest-free loan relates to the purchases of shares under Woolworths Holdings Share Trust. The benefit has been calculated at 7.396% (2015: 6.729%) (average) on the value of the outstanding loan.
5. IFRS 2 Share-based payments have been used to equate the annual expense value of RSP shares.
6. Zyda Rylands was appointed as Woolworths SA CEO on 1 September 2015. In compensation for the lost value on share options held at the time of the Rights Offer undertaken in October 2014, Zyda was paid a discretionary cash bonus of R168 090 (included in benefits).

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust which had not been exercised at 26 June 2016 are set out below:

IAN MOIR									
NAME AND OFFER DATE	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
	NUMBER**	PRICE	NUMBER	PRICE	NUMBER	PRICE	VESTED	UNVESTED	TOTAL
SARS									
August 2010	117 823	R19.85*					117 823		117 823
August 2011	87 468	R27.89*					87 468		87 468
August 2012	72 288	R51.48*					72 288		72 288
August 2013	103 755	R56.06*						103 755	103 755
Total	381 334						277 579	103 755	381 334
LTIP									
August 2012	107 847	R55.68	7 863	R96.70	115 710	R96.70			-
August 2013	154 964	R60.72						154 964	154 964
Total	262 811		7 863		115 710			154 964	154 964
RSP									
October 2014	258 210	R69.71						258 210	258 210
February 2015	355 000	R92.14			71 000	R85.18		284 000	284 000
August 2015			186 126	R96.71				186 126	186 126
Total	613 210		186 126		71 000			728 336	728 336
Total	1 257 355		193 989		186 710		277 579	987 055	1 264 634

* In the prior year, adjustments were made to the strike price of unexercised SARS as a result of the Rights Offer and in terms of the Trust Deed.

** In the prior year, additional LTIP were awarded for allocations prior to October 2014 as a result of the Rights Offer and in terms of the Trust Deed.

REEZA ISAACS									
NAME AND OFFER DATE	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
	NUMBER**	PRICE	NUMBER	PRICE	NUMBER	PRICE	VESTED	UNVESTED	TOTAL
SARS									
August 2013	43 396	R56.06*						43 396	43 396
September 2014	25 115	R74.06						25 115	25 115
Total	68 511							68 511	68 511
LTIP/PSP									
August 2013	48 042	R60.72						48 042	48 042
September 2014	27 208	R74.06						27 208	27 208
August 2015					37 581	R96.70		37 581	37 581
February 2016					9 990	R93.69		9 990	9 990
Total	75 250				47 571			122 821	122 821
RSP									
June 2013	104 840	R73.92					52 420	R83.78	52 420
Total	104 840						52 420		52 420
Total	248 601						52 420		243 752
									243 752

DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

SAM NGUMENI									
NAME AND OFFER DATE	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
	NUMBER**	PRICE	NUMBER	PRICE	NUMBER	PRICE	VESTED	UNVESTED	TOTAL
SHARE PURCHASE SCHEME									
August 2006	33 050	R13.30					33 050		33 050
November 2006	190 216	R15.74					190 216		190 216
Total	223 266						223 266		223 266
SARS									
August 2011	34 987	R27.89*					34 987		34 987
August 2012	29 095	R51.48*					29 095		29 095
August 2013	28 281	R56.06*						28 281	28 281
September 2014	55 092	R74.06						55 092	55 092
Total	147 455						64 082	83 373	147 455
LTIP/PSP									
August 2012	32 917	R55.68	2 400	R96.70	35 317	R96.70			-
August 2013	32 031	R60.72						32 031	32 031
September 2014	59 682	R74.06						59 682	59 682
August 2015			40 848	R96.70				40 848	40 848
February 2016			10 858	R93.69				10 858	10 858
Total	124 630		54 106		35 317			143 419	143 419
RSP									
February 2011	53 794	R25.56			53 794	R85.18			-
August 2012	27 812	R59.25			13 906	R97.42		13 906	13 906
Total	81 606				67 700			13 906	13 906
BEEESOS									
June 2007	475 000	R20.75			475 000	R97.96			-
Total	475 000				475 000				
Total	1 051 957		54 106		578 017		287 348	240 698	528 046

* In the prior year, adjustments were made to the strike price of unexercised SARS as a result of the Rights Offer and in terms of the Trust Deed.

** In the prior year, additional LTIP were awarded for allocations prior to October 2014 as a result of the Rights Offer and in terms of the Trust Deed.

ZYDA RYLANDS									
NAME AND OFFER DATE	As at 28 June 2015		Awarded		Sold or transferred		As at 26 June 2016		
	NUMBER**	PRICE	NUMBER	PRICE	NUMBER	PRICE	VESTED	UNVESTED	TOTAL
SHARE PURCHASE SCHEME									
August 2005	132 626	R11.31					132 626	R11.31	-
August 2005	144 923	R11.31					144 923	R11.31	-
August 2006	129 699	R13.30						129 699	129 699
October 2006	291 758	R13.71						291 758	291 758
Total	699 006						277 549		421 457
SHARE OPTION SCHEME									
October 2008	65 279	R8.81						65 279	65 279
Total	65 279							65 279	65 279
SARS									
August 2008	125 628	R6.57*					125 628	R96.05	-
August 2009	107 000	R11.35*						107 000	107 000
August 2011	53 538	R27.89*						53 538	53 538
August 2012	38 304	R51.48*						38 304	38 304
August 2013	40 790	R56.06*							40 790
September 2014	32 358	R74.06							32 358
Total	397 618						125 628		198 842
LTIP/PSP									
August 2012	43 336	R55.68	3 160	R96.70			46 496	R96.70	-
August 2013	46 199	R60.72						46 199	46 199
September 2014	35 055	R74.06						35 055	35 055
August 2015					105 073	R96.70			105 073
Total	124 590		108 233				46 496		186 327
BEEESOS									
June 2007	1 250 000	R20.75					1 250 000	R97.96	-
Total	1 250 000						1 250 000		
Total							105 073		105 073
Total	2 536 493		108 233				1 699 673	685 578	259 475
									945 053

NON-EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS (AUDITED)

Emoluments paid to Non-executive Directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 26 June 2016 and comparatives for 28 June 2015 are set out below:

2016

NON-EXECUTIVE DIRECTORS

	Notes	Directors' fees R000's	Audit committee member R000's	Remuneration committee member R000's	Risk and compliance committee member R000's	Nominations committee member R000's	Sustainability committee member R000's	Social and ethics committee member R000's	Benefit (1) R000's	Total non-executive directors' remuneration R000's
Simon Susman	(2)	1 293	-	104	99	79	89	89	117	1 870
Patrick Allaway	(3)	3 201	146	104	99	-	-	-	105	3 655
Peter Bacon		309	147	104	-	-	-	-	10	570
Zarina Bassa	(4), (10)	667	147	-	193	79	-	-	18	1 104
Tom Boardman		436	-	203	-	128	89	89	18	963
Hubert Brody	(5), (10)	495	217	-	99	-	-	-	-	811
Andrew Higginson	(7)	1 278	147	104	98	-	-	-	1	1 628
Gail Kelly	(6), (10)	1 841	-	79	77	50	70	-	116	2 233
Mike Leeming	(8)	174	123	-	44	29	-	-	10	380
Nombulelo Moholi		309	-	104	99	-	-	89	19	620
Lord Rose	(9)	1 278	-	104	99	79	163	-	-	1 723
Thina Siwendu		309	-	-	98	-	89	163	19	678
		11 590	927	906	1 005	444	500	430	433	16 235

NOTES

- Benefits are discounts received on purchases made in WHL Group stores.
- Simon Susman, the Chairman of the Board, previously held the role of Group Chief Executive Officer. On his retirement as Group Chief Executive Officer (in 2010) and in terms of the rules of the LTI share scheme, the directors approved that he had the balance of 10 years (of which the last allocation was in October 2006) to settle the interest-free share loan relating to the purchases of shares under Woolworths Holding Share Trust whilst he was an employee of Woolworths. He settled the loan on 15 October 2014 and transferred the shares into his own share trading account.

Benefits of R117 062 (2015: R666 751) include the following:
- post-retirement healthcare benefit of R37 428 (2014: R34 212);
- discounts received on purchases made in WHL Group stores of R79 634 (2015: R62 942);
- interest-free share loan benefit relating to the purchases of shares under Woolworths Holdings Share Trust whilst he was an employee of Woolworths. 2016: nil (2015: R569 597, benefit calculated at 6.729% (average) on the value of the outstanding loan until the repayment of the loan on 15 October 2014).
- Patrick Allaway's fees as a director are paid in Australian Dollars as an Australian resident. Directors fees earned as a Non-executive Director for David Jones and Country Road Group are A\$150 000 (2015: A\$65 754. R303 998 was paid for services rendered to the Group prior to his appointment as a WHL director). He was appointed to the Board on 1 December 2014.
- Zarina Bassa was appointed a Non-executive Director for Woolworths South Africa on 4 February 2016. Directors' and committee fees earned as a Non-executive Director for Woolworths are R357 500 (2015: nil).
- Hubert Brody's directors' fees earned include attendance at the Treasury Committee and Chairman of Woolworths Audit Review Panel are R186 000 (2015: nil). He was appointed to the Board on 1 July 2014.

2015

NON-EXECUTIVE DIRECTORS

	Notes	Directors' fees (1) R000's	Audit committee member R000's	Remuneration committee member R000's	Risk and compliance committee member R000's	Nominations committee member R000's	Sustainability committee member R000's	Social and ethics committee member R000's	Benefit (2) R000's	Total non-executive directors' remuneration R000's
Simon Susman	(2)	1 343	-	94	80	83	131	76	667	2 474
Patrick Allaway	(3)	1 735	90	72	62	-	-	-	-	1 959
Peter Bacon		604	117	94	-	-	-	-	13	828
Zarina Bassa		599	118	-	124	56	-	-	15	912
Tom Boardman		591	-	189	-	65	76	76	17	1 014
Hubert Brody		389	118	-	80	-	-	-	-	587
Andrew Higginson	(7)	1 074	118	94	80	-	-	-	1	1 367
Mike Leeming		719	235	-	116	56	-	-	15	1 141
Nombulelo Moholi	(12)	259	-	94	80	-	-	76	9	518
Chris Nissen	(13)	250	-	-	-	27	37	73	17	404
Lord Rose	(9)	910	-	94	80	56	95	-	-	1 235
Thina Siwendu		309	-	-	80	-	-	115	21	525
		8 782	796	731	782	343	339	416	775	12 964

- Gail Kelly was appointed to the Board and the Remuneration, Risk and Compliance and Sustainability Committees on 1 October 2015. Her fees as a director are paid in Australian Dollars as an Australian resident. Directors' fees earned as a Non-executive Director for David Jones and Country Road Group are A\$56 250 (2015: nil).
- Andrew Higginson's fees as a director are paid in Sterling as a British resident.
- Mike Leeming retired from the Board on 30 November 2015.
- Lord Rose's fees as a director are paid in Sterling as a British resident.
- Changes made to committee membership during the 2016 financial year are:
- Zarina Bassa was appointed to the Remuneration Committee effective 19 May 2016;
- Hubert Brody was appointed as the Chairman of the Audit Committee effective 26 November 2015;
- Gail Kelly was appointed to the Nominations Committee effective 10 February 2016.
- Directors' fees include an amount paid in 2015 in respect of the additional work performed for the acquisition of David Jones. The amounts are based on the approved hourly rate for additional services. Hubert Brody received payment for the work he performed prior to his appointment as a director.
- Nombulelo Moholi was appointed to the Board on 1 July 2014.
- Chris Nissen retired from the Board on 26 November 2014.

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