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WOOLWORTHS HOLDINGS LIMITED | 2017 ANNUAL FINANCIAL STATEMENTS

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WE ARE FOCUSED ON SHAREHOLDER RETURNS THROUGH THE EFFECTIVE DEPLOYMENT OF CAPITAL AND ENSURING THAT WE DELIVER ON OUR GROUP TARGETS.

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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.

STRATEGIC PRIORITIES

From a Finance point of view, our strategic priorities in 2017 were:

- Achieving our 2017 and medium-term plan targets;
- Delivering on our integration and synergy targets;
- Focusing on cost management and longer term cost flexibility given the uncertain trading conditions; and
- Continued strengthening of the balance sheet and ensuring judicious and appropriate allocation of the Group’s capital.

The 2017 financial year has been described as the toughest since the global financial crisis. Although we continued to maintain or increase market share in the segments in which we operate, the tougher trading conditions in both geographies resulted in a year that was below expectations overall for the Group. The year was characterised by low growth and political and economic uncertainty in SA, and a discretionary retail sector under increasing pressure in Australia, with lower footfall and declining consumer confidence. Performance in Country Road Group, however, improved in the second half. Our Food business also continues to grow ahead of the market in a tough grocery market, and delivered in excess of our medium-term plan Return On Sales (ROS) targets.

In delivering value for our shareholders, the focus on Group integration synergies was again a priority. A structured process ensures that we are focused on delivering on our transformational projects. We experienced challenges in Private Label in David Jones, which was exacerbated by the trading conditions referred to earlier. We have also identified and approved new opportunities that were not in our original targets, such as the Elizabeth Street store refurbishment and Food in David Jones. Whilst these will be a drag on earnings in the short-term, we are excited by the initiatives and expect them to deliver substantial returns over the longer term. We were also pleased with the sale price achieved for the DJ Market Street property, which will partly be used to fund these transformation projects.

Given the sales growth challenges and the increasingly promotion-driven retail environment, we have naturally focused on costs, with comparable store and head office costs well managed across the Group. We have also focused on developing greater cost flexibility in an increasingly uncertain trading environment. This includes a better understanding of cost drivers in our businesses. Each of the businesses requires varying degrees of investment and the growth in the cost base in DJ is a function of the investments in systems, processes and real estate that is necessary to transform this business. The growth of online is also changing our approach to real estate and we are very focused on getting the right balance between bricks and mortar and online and pulling back on store real estate over the next three to five years, as online grows to c.20% of sales. Our longer-term cost efficiency drive has gained significant traction with the relocation of DJ and CRG onto a single campus, the first phase of which starts in August 2017.

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

- Gearing continues to be proactively managed on clear Group capital allocation principles and internal covenant measures that are more stringent than the Group's banking covenants;
- The 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 future, market conditions permitting;
- The Australian debt was amalgamated under a Common Terms Deed resulting in pricing benefits and extended facilities; and
- 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.

The year ahead will see the continued refinancing of existing debt, broadening the source and type of funding and managing the risk profile appropriately.

The Group Treasury Committee oversees all treasury activities of the Group and ensures proper governance and direction. 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 have set clear capital allocation principles based on cost of capital and hurdle rates that have been implemented across the Group. 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

	2017 %	2016 %
Sales growth, including concession sales	3.0	16.4
Gross profit margin	39.6	40.6
Operating profit margin	8.4	9.7
Adjusted diluted headline earnings per share growth	(7.9)	8.9

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 were not unaffected by these events.

Our first half performance reflected the slowdown in the market, which slowed even further in the second half, resulting in a final year position which was behind the previous year. Our focus on expenses assisted in cushioning the result.

Profit after tax increased by 25.2% on last year to R5 448 million, due to the inclusion of the profit on disposal of the DJ Market Street property in Sydney. Excluding this profit and other property, plant and equipment impairment, adjusted headline earnings declined by 7.6% to R4 036 million.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2017 Rm	2016 Rm	% change
Turnover and concession sales	74 273	72 137	3.0
Turnover	67 411	65 004	3.7
Cost of sales	40 739	38 618	5.5
Gross profit	26 672	26 386	1.1
Other revenue	1 944	1 926	0.9
Expenses	22 171	21 330	3.9
Operating profit	6 445	6 982	(7.7)
Net finance costs	1 160	1 186	(2.2)
Earnings from joint ventures and associate	260	250	4.0
Profit before adjustments and tax	5 545	6 046	(8.3)
Adjustments (pre-tax)	1 181	(13)	
Unrealised foreign exchange gains/(losses)	11	(13)	
Profit on sale of property	1 762	–	
Impairment due to sale of property	(342)	–	
Transaction, relocation, write-down and swap close-out costs	(250)	–	
Tax	1 278	1 680	(23.9)
Profit for the year	5 448	4 353	25.2
Other comprehensive income	(3 195)	3 651	
Total comprehensive income for the year	2 253	8 004	
Reconciliation of headline earnings			
Basic earnings attributable to shareholders of the parent	5 446	4 344	25.4
Adjustments for capital items (post-tax)	(1 401)	14	
Headline earnings	4 045	4 358	(7.2)
Adjustments to headline earnings (post-tax)	(9)	9	
Adjusted headline earnings	4 036	4 367	(7.6)

REVENUE

Group sales, including concession sales, increased by 3.0% (up 4.4% in constant currency), despite difficult trading conditions in Southern Africa and Australia. The second half growth in sales slowed considerably compared with the first half, particularly in the fourth quarter.

C&GM sales increased by 1.4% and declined by 0.9% in comparable stores. Price movement was 6.6%. The growth of online and sales in the rest of Africa contributed positively to sales growth. Food growth remained above market throughout the period, delivering 8.6% growth on last year, with price movement of 8.4%.

DJ sales increased by 1.0% in Australian dollar terms. The termination of the Dick Smith electronics concession last year negatively impacted growth by 1.0%. Sales in comparable stores declined by 0.7% (excluding Dick Smith). CRG sales increased by 5.1% in Australian dollar terms and showed a marked improvement in the second half, reflecting the ongoing improvements to its ranges. The inclusion of Politix from November 2016 positively impacted sales growth; adjusting for this, sales were 1.4% higher. Sales in comparable stores declined by 0.4%. Online sales continue to grow well ahead of the market.

GROSS PROFIT

Gross profit was up 1.1% on last year, although gross profit margin, at 39.6%, was 100 basis points down on last year. Margin gains across the Group from the benefits of Group sourcing initiatives and a stronger rand were offset by higher apparel markdowns and promotions due to higher promotional activity, as well as the impact of improving consumer value perception in Food through price investment.

EXPENSES

Group expenses were up 3.9% on the prior year on an adjusted basis. This increase was primarily driven by strategic initiatives in DJ, the inclusion of Politix and a 3.8% increase in store costs from ongoing store development. Within this, C&GM and Food expense growth was 3.8% and 6.0% respectively.

DJ costs were 4.9% higher, as a result of the commencement of strategic initiatives, including Food and the merchandise systems, which accelerated in the second half. In addition, the rental on the leaseback of the Market Street property contributed significantly to store costs, but also resulted in savings in depreciation and finance costs. CRG costs were 7.7% up on last year mainly due to the inclusion of Politix. We continued to actively manage our occupancy and operating costs through efficiency and synergy benefits to reduce the impact of tougher trade.

EARNINGS FROM JOINT VENTURE

Profits from Woolworths Financial Services (WFS), our joint venture with Barclays Africa Group, were 4.4% up on last year, with performance impacted by rate adjustments and a higher impairment charge in a challenging collection environment, and implementation costs relating to compliance obligations under the National Credit Amendment Act. The average debtors book grew by 2.1% and the impairment rate was 60 basis points higher than last year, at 6.3%.

NET FINANCE COSTS

Net finance costs of R1 160 million were 2.2% lower than last year, due to the reduction in the base rates in Australia and settlement of debt out of the proceeds on the sale of the Market Street property in Sydney. We continue to manage our finance cost risk through effective hedging. Net interest cover declined from 7.6 times to 7.3 times.

TAXATION

The full year tax charge was R1 278 million. The Group's effective tax rate of 19.0% was 8.8% lower than last year due to the effect of the tax base of the Market Street property and other DJ assets attributed on acquisition. These benefits are excluded from the calculation of adjusted headline earnings.

BASIC AND HEADLINE EARNINGS

Basic earnings increased by 25.4%, due to the inclusion of the profit on sale of Market Street. Headline earnings and adjusted headline earnings, which excludes this profit and other property, plant and equipment impairment, declined by 7.2% and 7.6% respectively.

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

SEGMENTAL CONTRIBUTION

	2017 Rm	2016 Rm	% change	Constant currency % change
Woolworths Clothing and General Merchandise	2 168	2 306	(6.0)	
Woolworths Food	1 977	1 826	8.3	
Woolworths Financial Services	259	248	4.4	
Woolworths	4 404	4 380	0.5	
David Jones	1 305	1 839	(29.0)	(25.3)
Country Road Group	987	1 035	(4.6)	1.0
Segmental profit	6 696	7 254	(7.7)	(6.0)
Net finance and other costs	(1 151)	(1 208)	(4.7)	
Adjusted profit before tax	5 545	6 046	(8.3)	(6.2)

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

DJ's profit was negatively affected by difficult trading conditions and the impact of transformation initiative costs. CRG showed a marked improvement in the second half from ongoing improvements to ranges during the year, and ended the year 1.0% up in A$ terms. Although the Australian businesses contributed 34.2% to Group earnings, their results were impacted by relative strengthening of the ZAR against the A$, compared to last year. Group profit declined by 6.0% on last year, in constant currency.

The Group's unadjusted operating profit margin declined by 130 basis points to 8.4% and Adjusted profit before tax declined by 8.3%, and 6.2% in constant currency.

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

EARNINGS PER SHARE (EPS)

	2017 cents	2016 cents	% change
EPS	566.7	454.2	24.8
HEPS	420.9	455.6	(7.6)
Adjusted HEPS	420.0	456.6	(8.0)
Adjusted diluted HEPS	417.7	453.4	(7.9)
DPS	313.0	313.0	–
WANOS (millions)	961.0	956.5	0.5

The 24.8% increase in EPS is as a result of the inclusion of the profit on sale of Market Street. Headline EPS (HEPS), which excludes the profit and impairment of capital items, declined by 7.6%. Adjusted diluted HEPS decreased by 7.9%, with dilution arising from the unexercised options under the Group's share incentive schemes.

DIVIDEND PER SHARE (DPS)

The Board approved a final DPS of 180.0 cents, thereby maintaining last year's final and total dividend. This has resulted in the dividend cover reducing to 1.34 times.

Over the past five years, we have returned R11.3 billion to our shareholders in dividends, with an average dividend yield of 3.6%, reflecting the continued growth in the Group's underlying profitability and our commitment to delivering strong shareholder returns.

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2017 Rm	Restated 2016 Rm	% change	Constant currency % change
ASSETS				
Property, plant and equipment and investment properties	13 846	17 451	(20.7)	(12.2)
Intangible assets	19 595	21 136	(7.3)	4.5
Investment in JVs and associate	1 015	978	3.8	3.8
Inventories	6 990	7 117	(1.8)	5.4
Trade and other receivables and loans	1 368	1 606	(14.8)	(9.3)
Tax and deferred tax assets	392	554	(29.2)	(27.8)
Cash	1 787	1 525	17.2	23.1
Total assets	44 993	50 367	(10.7)	(1.4)
EQUITY AND LIABILITIES				
Shareholders' funds	19 066	19 853	(4.0)	11.9
Borrowings	13 325	15 918	(16.3)	(13.1)
Other non-current liabilities	2 541	2 850	(10.8)	(2.1)
Tax and deferred tax liabilities	684	1 376	(50.3)	(43.2)
Trade and other payables and provisions	9 377	10 370	(9.6)	(3.2)
Total equity and liabilities	44 993	50 367	(10.7)	(1.4)
Net gearing	11 538	14 393	(19.8)	(16.9)

The assets and liabilities of the Australian subsidiaries contained within the Group statement of financial position are impacted by the lower exchange rate at year-end, which was R9.8/A$ compared to R11.2/A$ for last year. The decrease in equity is primarily due to the decrease in the foreign currency translation reserve, from the stronger rand at year-end.

The decrease in property, plant and equipment is due to the sale of the Market Street property. The prior year intangible assets and deferred tax liabilities have been restated as a result of a change in accounting policy, whereby deferred tax liabilities have been retrospectively raised on indefinite life intangible assets (brands and trademarks) in our Australian subsidiaries. Further details can be found in note 10 to the Group Annual Financial Statements Report.

Inventories increased by 5.4% in constant currency, due to the impact of inflation, space growth, and lower sell through in our apparel segments.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

	2017	2016
ROCE (%)	15.1	16.8
ROE (%)	20.8	25.6
Net debt to equity (times)	0.6	0.7
Net debt to EBITDA (times)*	1.4	1.6
Interest cover (times)*	7.3	7.6

* Broadly aligned to Bank Covenants; excludes the sale of Market Street

ROCE has decreased from 16.8% to 15.1%, with ROE declining by 4.8% to 20.8%. On a constant currency basis, ROCE and ROE were 14.3% and 19.2% respectively, reflecting a return that is ahead of our cost of capital. However, both the ROCE and ROE have been affected by the below expectation profit result.

Net debt has decreased by R2.9 billion to R11.5 billion, due to the settlement of debt out of the proceeds on sale of Market Street.

The net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) ratio has improved to 1.4 times.

CAPITAL EXPENDITURE

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

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

The Group's operations were expanded in 2017 with trading space increasing by 2.5% to 1 298 000 m^2, exclusive of 6 000 m^2 space from the Politix acquisition. This was as a result of opening 17 net new store locations and concessions (excluding 75 Politix store locations), as well as the extension of existing stores. Within this, C&GM and Food expanded their footprint by 9 000 m^2 and 17 000 m^2 respectively (2.0% and 7.6% respectively). DJ opened three new stores, and CRG opened six new stores, excluding the Politix acquisition.

WORKING CAPITAL MOVEMENTS

There was a higher investment in working capital requirements due to new store openings across the Group, and higher inventory balances from the apparel sales shortfall.

SUMMARISED STATEMENT OF CASH FLOWS

	2017 Rm	2016 Rm
Cash inflow from trading	8 177	8 940
Working capital movements	(615)	(311)
Cash generated by operating activities	7 562	8 629
Investment income received	96	40
Finance costs paid	(1 216)	(1 168)
Tax paid	(1 701)	(1 536)
Cash generated by operations	4 741	5 965
Dividends received	223	169
Dividends paid	(3 015)	(2 464)
Net cash inflow from operating activities	1 949	3 670
Net investment in assets	(2 552)	(2 829)
Proceeds on disposal of property in Sydney	3 677	–
Acquisitions	(711)	–
Other	8	20
Net cash inflow/(outflow) from investing activities	422	(2 809)
Net share issues and costs	(41)	(35)
Net borrowings repaid	(1 966)	(206)
Acquisition of non-controlling interests	–	(85)
Net cash outflow from financing activities	(2 007)	(326)
Net cash inflow for the year	364	535

CASH FLOWS

Cash flows from operations were impacted by the trading results and higher investment in working capital of R615 million. Cash inflow from trading decreased by R763 million to R8 177 million from last year.

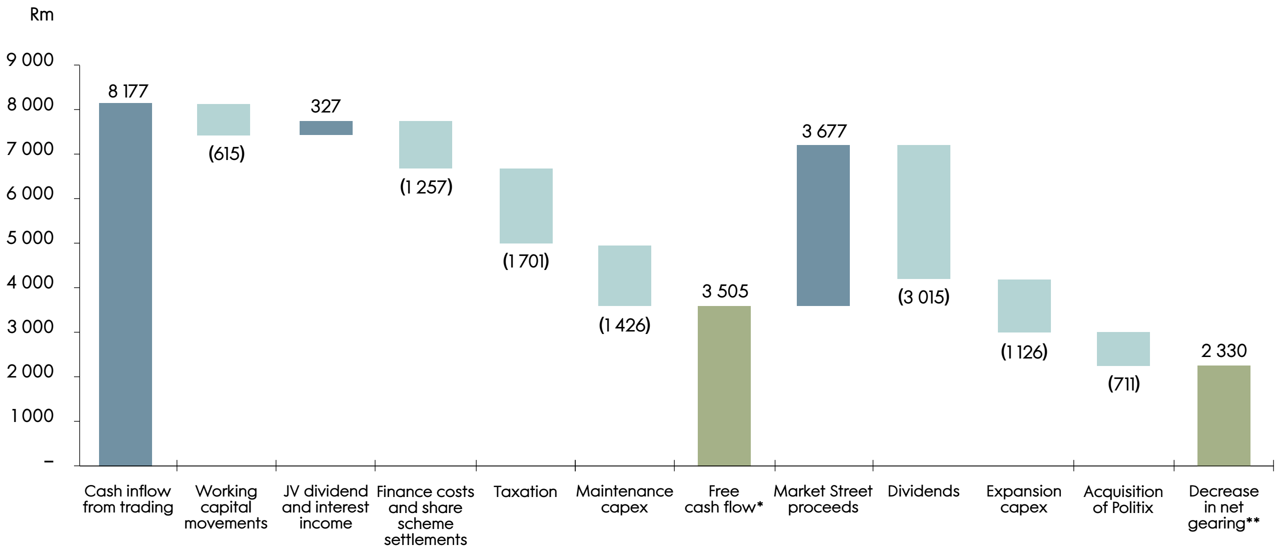
The Group paid R1 701 million tax to the various revenue authorities in the jurisdictions in which we operate. We received R3 677 million from the disposal of the Market Street property in Sydney, and utilised a portion to pay down debt in Australia. We utilised R2 552 million of cash generated to invest in infrastructure and other transformational and capital expansion projects and acquired the Politix brand for R711 million.

Free cash flow after capital expenditure to maintain operations, working capital movements, and the payment of finance costs, taxation and dividends was R3 505 million. Free cash flow per share was 364.7 cps.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	2017 Rm	2016 Rm
Shareholders' interest at the beginning of the year	19 853	14 297
Movements for the year:		
Total comprehensive income for the year	2 253	8 004
Profit for the year	5 448	4 353
Other comprehensive income	(3 195)	3 651
Shares issued, net of costs	138	2 849
Share-based payments liability and settlements	(163)	(2 534)
Dividends to shareholders	(3 015)	(2 716)
Acquisition of non-controlling interests	–	(47)
Shareholders' interest at the end of the year	19 066	19 853

CASH FLOW WATERFALL GRAPH



* Free cashflow per share: 364.7 cps.
** Net gearing excludes R525m currency translation impact.

OUTLOOK

In South Africa, political uncertainty and negative economic fundamentals are expected to put further pressure on the consumer. Inflation in the first half of the new financial year is expected to decrease further, while credit growth and impairments are expected to be at similar levels to that of the prior year.

In Australia, we are also expecting a continuation of highly promotional trading environment, as personal finances are under pressure.

Our capex spend in 2018 will increase due to the transformational investments in David Jones and rollover of capex from 2017, totalling approximately R4.7 billion.

We have clear strategies that remain unchanged and we will continue to drive the integration and transformation of our businesses in these difficult trading conditions and in an evolving retail environment.

MR Isaacs
Finance Director

Woolworths SA, Summer 2017

SEGMENTAL REVIEWS

WOOLWORTHS CLOTHING AND GENERAL MERCHANDISE

INCOME STATEMENT	2017 Rm	2016 Rm	% change
Turnover	13 894	13 701	1.4
Cost of sales	7 244	7 085	2.2
Gross profit	6 650	6 616	0.5
Other revenue	19	27	(29.6)
Expenses	4 502	4 338	3.8
Store costs	3 071	2 904	5.8
Other operating costs	1 431	1 434	(0.2)
Adjusted operating profit	2 167	2 305	(6.0)
Earnings from joint venture and associate	1	1	
Adjusted profit before tax	2 168	2 306	(6.0)

Woolworths South Africa's Clothing and General Merchandise sales increased by 1.4%, with price movement of 6.6%. Sales in comparable stores declined by 0.9%, with retail space growing by a net 2.2%. Growth in the second half of the year was lower, as a result of significant political upheaval and its economic impact on the consumer.

Most departments performed ahead of last year, with lingerie and home the better performers. There was also a strong performance in the online channel, whilst the rest of Africa performance was impacted by the strengthening of the rand.

Despite the increase in promotions and markdowns, we managed to minimise the impact on profitability through sourcing gains from synergies across the Group in using scale and global sourcing opportunities, as well as benefitted from a stronger rand. This resulted in a 40 bps decline in gross profit margin from 48.3% to 47.9%.

The increase in expenses was driven by the 2.0% increase in space and non-comparable expansion costs of the private label brands in DJ stores. Comparable store cost growth was 1.9%. The overall result was a decrease in the operating profit by 6.0% and operating profit margin declined from 16.8% to 15.6%.

Woolworths South Africa's Clothing and General Merchandise sales increased by 1.4%, with price movement of 6.6%.

WOOLWORTHS FOOD

INCOME STATEMENT	2017 Rm	2016 Rm	% change
Turnover and concession sales	27 688	25 504	8.6
Concession sales	(613)	(548)	11.9
Turnover – own buy	27 075	24 956	8.5
Cost of sales	20 281	18 586	9.1
Gross profit – own buy	6 794	6 370	6.7
Concession and other revenue	124	115	7.8
Expenses	4 941	4 660	6.0
Store costs	3 513	3 215	9.3
Other operating costs	1 428	1 445	(1.2)
Adjusted operating profit	1 977	1 825	8.3
Earnings from joint venture and associate	–	1	
Adjusted profit before tax	1 977	1 826	8.3

Woolworths Food sales increased by

8.6%

4.6% in comparable stores

Woolworths South Africa's Food sales growth remained above market throughout the period and increased by 8.6%. Growth in the second half of the year was lower than in the first half, impacted by lower inflation, resulting in price movement for the year moderating to 8.4%. Sales in comparable stores grew by 4.6%, with availability issues, as a result of unseasonal weather, impacting performance.

All categories showed positive growth on last year from increased promotions, as we continued to invest in price. There were significant contributions particularly from our groceries and bakery departments, which traded well above last year. The contribution to Food sales from the rest of Africa and growth in the online channel have also contributed positively.

The gross profit margin declined by 40 bps to 25.1%, as a result of our investment in lower prices to improve our competitiveness, as well as increased levels of targeted promotions, all of which were partially offset by supply chain efficiencies.

Good expense control offset some of the margin deleverage. Store cost growth of 9.3% was driven by a 7.6% increase in space with comparable store cost growth of 2.8%.

The Food business achieved an operating profit growth of 8.3% and the operating margin was maintained at 7.3%.

WOOLWORTHS FINANCIAL SERVICES

INCOME STATEMENT	2017 Rm	% to book	2016 Rm	% to book	% change
Interest income	2 123	20.8	1 993	20.0	6.5
Interest paid	633	6.2	580	5.8	9.1
Net interest income	1 490	14.6	1 413	14.2	5.4
Impairment charge	638	6.3	570	5.7	11.9
Risk-adjusted margin	852	8.4	843	8.4	1.1
Non-interest revenue	769	7.5	746	7.5	3.1
Operating costs	906	8.9	902	9.0	0.4
Profit before tax	715	7.0	687	6.9	4.1
Tax	197	1.9	192	1.9	
Profit after tax	518	5.1	495	5.0	4.6
50% equity accounted	259		248		
Average financial services assets	10 194		9 980		2.1
Return on equity	26.4%		26.9%		

The joint venture with Barclays Africa Group contributed R259 million profit after tax to Group profit, 4.4% up on last year. The strong operating performance benefitted from higher yields on the credit card and in-store card portfolios, and from interest rate increases. The National Credit Amendment Act regulations continue to negatively impact growth of new accounts and existing customer balances.

Growth in risk adjusted margin was 1.1%, impacted by higher charge offs in a tougher collections environment. Operating costs were well controlled and supported the 4.1% growth in profit before tax.

The average debtors book grew by 2.1%, with the closing book up 3.3% on last year. The impairment rate was 0.6% higher than last year at 6.3%, with return on equity maintained above our 22.0% medium-term target.

DAVID JONES

INCOME STATEMENT	2017 A$m	2016 A$m	% change
Turnover and concession sales	2 214	2 192	1.0
Concession sales	(750)	(758)	(1.1)
Turnover – own buy	1 464	1 434	2.1
Cost of sales	832	782	6.4
Gross profit – own buy	632	652	(3.1)
Concession and other revenue	188	179	5.0
Gross profit	820	831	(1.3)
Expenses	712	679	4.9
Store costs	585	564	3.7
Other operating costs	127	115	10.4
Department store operating profit	108	152	(28.9)
Financial services operating profit	19	18	5.6
Adjusted operating profit	127	170	(25.3)
Net finance costs	3	2	50.0
Adjusted profit before tax	124	168	(26.2)

David Jones, Winter 2017

David Jones sales increased by 1.0% in Australian dollar terms. The termination of the Dick Smith electronics concession last year impacted growth by 1.0%. Sales in comparable stores declined by 0.7% (excluding Dick Smith). Whilst relevant market share has grown, sales growth slowed in the second half, as falling consumer confidence resulted in lower footfall.

Gross profit margin declined by 90 bps to 37.0%, and was impacted by increased promotions and markdowns, partially offset by improved concession rates and the expansion of Group private label brands.

Costs were well controlled, notwithstanding the costs associated with the sale and leaseback of Market Street and execution of transformational projects. This resulted in an operating profit of A$127 million for the year, and an operating margin of 6.3%, inclusive of profit from financial services.

COUNTRY ROAD GROUP

INCOME STATEMENT	2017 A$m	2016 A$m	% change
Turnover	1 056	1 005	5.1
Cost of sales	419	408	2.7
Gross profit	637	597	6.7
Other revenue	4	4	–
Expenses	543	504	7.7
Store costs	387	369	4.9
Other operating costs	156	135	15.6
Adjusted operating profit	98	97	1.0
Net finance costs	3	2	
Adjusted profit before tax	95	95	–

Country Road, Summer 2016

Country Road Group sales increased by 5.1% in Australian dollar terms and showed a marked improvement in the second half (with sales growth of 10.6% in the second half), notwithstanding the difficult trading conditions. Sales in comparable stores declined by 0.4%. Retail space declined by a net 1.9%, and the inclusion of newly acquired Politix added 3.7% to sales. Country Road's above-market performance reflected the ongoing improvements to ranges during the year.

Despite aggressive promotional activity in the market, gross profit margin improved by 90 bps to 60.3%.

Higher costs resulted from the inclusion of Politix, as well as new store development.

Operating profit ended the year 1.0% ahead of last year, although the second half saw growth of 30.6%. Operating profit margin declined by 0.4% to 9.3%.

Sales increased by

5.1%

in Australian dollar terms

SHAREHOLDING DISCLOSURES

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value

ISSUED

Ordinary shares – 1 047 847 794 of no par value

Further details of the stated capital and the movements for the period under review are disclosed in note 11 of the Company Annual Financial Statements.

ANALYSIS OF SHAREHOLDERS

Public and non-public shareholders	Number of share-holders	Percentage of total	Number of shares	Percentage of total
Public shareholders	67 523	100.0	955 094 536	91.1
Non-public shareholders				
Directors and their associates	13	–	8 362 417	0.8
E-Com Investments 16 Proprietary Limited	1	–	43 763 861	4.2
Woolworths Proprietary Limited	1	–	40 497 604	3.9
Woolworths Proprietary Limited on behalf of deceased and untraceable former Woolworths Employee Share Ownership Trust beneficiaries	2	–	129 376	–
Total shareholders	67 540	100.0	1 047 847 794	100.0

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held, directly and indirectly, beneficially in excess of 5% of any class of the issued stated capital at 25 June 2017:

Major beneficial shareholders	Number of shares	2017 Percentage of shares	2016 Percentage of shares
Government Employees Pension Fund	150 387 684	14.4	15.5
Mondrian Investment Partners Limited (UK)	60 071 973	5.7	3.4

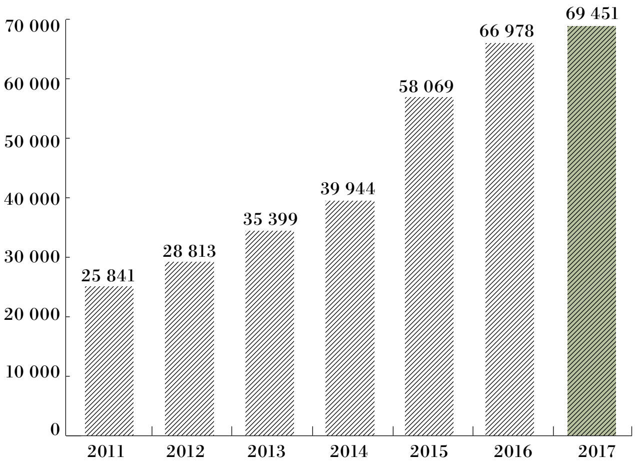
Directors of the company hold direct and indirect beneficial interests of 8 362 417 ordinary shares (2016: 10 917 342) in the company.

Mimco, Summer 2017

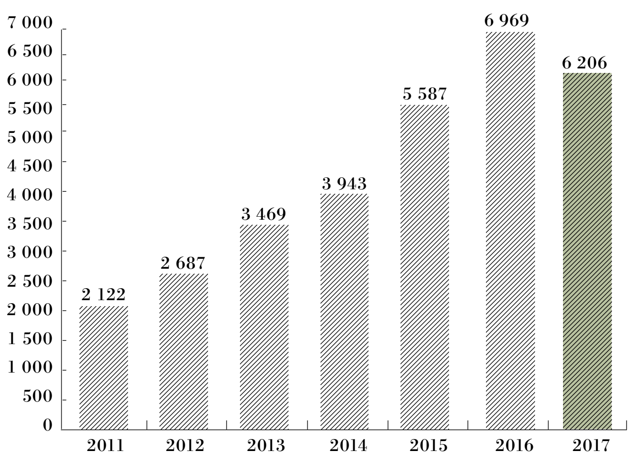
SEVEN-YEAR REVIEW

Year Number of weeks	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm	2011 52 Rm
GROUP STATEMENTS OF PROFIT OR LOSS							
Revenue	69 451	66 978	58 069	39 944	35 399	28 813	25 841
Turnover and concession sales	74 273	72 137	61 970	40 012	35 227	28 604	25 582
Concession sales*	(6 862)	(7 133)	(5 464)	(305)	–	–	–
Turnover	67 411	65 004	56 506	39 707	35 227	28 604	25 582
Cost of sales	(40 739)	(38 618)	(33 356)	(24 209)	(21 674)	(18 419)	(16 683)
Gross profit	26 672	26 386	23 150	15 498	13 553	10 185	8 899
Other revenue	1 944	1 926	1 447	125	115	127	127
Expenses	(22 410)	(21 343)	(19 010)	(11 680)	(10 199)	(7 625)	(6 904)
Operating profit	6 206	6 969	5 587	3 943	3 469	2 687	2 122
Profit on sale of property in Sydney, net of impairment	1 420	–	–	–	–	–	–
Investment income	96	48	116	112	57	82	132
Finance costs	(1 256)	(1 234)	(1 494)	(136)	(68)	(38)	(84)
Earnings from joint ventures	260	249	221	181	180	133	129
Earnings from associate	–	1	2	4	9	6	7
Profit before tax	6 726	6 033	4 432	4 104	3 647	2 870	2 306
Tax	(1 278)	(1 680)	(1 312)	(1 114)	(1 009)	(811)	(659)
Profit for the year	5 448	4 353	3 120	2 990	2 638	2 059	1 647
Profit attributable to:							
Shareholders of the parent	5 446	4 344	3 116	2 888	2 597	2 048	1 631
Non-controlling interests	2	9	4	102	41	11	16

Revenue (R million)



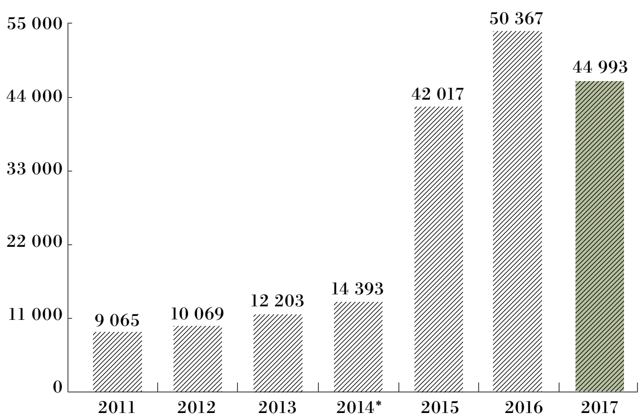
Operating profit (R million)



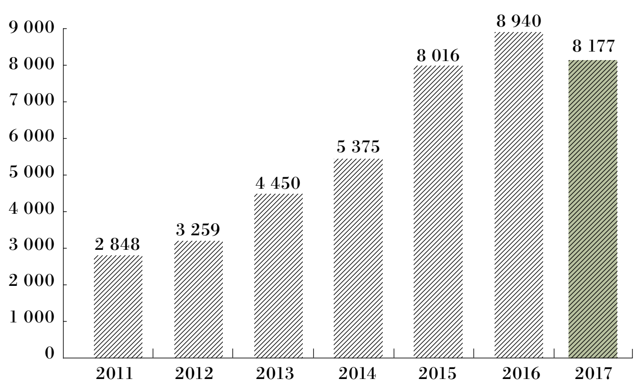
* Concession sales information prior to 2014 is not available.

Year Number of weeks	2017 52 Rm	Restated** 2016 52 Rm	Restated** 2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm	2011 52 Rm
GROUP STATEMENTS OF FINANCIAL POSITION							
Non-current assets	34 706	40 027	33 766	8 192	6 836	5 015	4 115
Current assets*	10 287	10 340	8 251	6 201	5 367	5 054	4 950
Total assets	44 993	50 367	42 017	14 393	12 203	10 069	9 065
Equity attributable to shareholders of the parent	19 038	19 826	14 251	6 629	5 652	4 476	4 008
Non-controlling interests	28	27	46	323	285	107	85
Non-current liabilities	15 336	19 536	18 634	1 918	1 890	1 190	1 460
Current liabilities*	10 591	10 978	9 086	5 523	4 376	4 296	3 512
Total equity and liabilities	44 993	50 367	42 017	14 393	12 203	10 069	9 065
GROUP STATEMENTS OF CASH FLOWS							
Cash inflow from trading	8 177	8 940	8 016	5 375	4 450	3 259	2 848
Working capital movements	(615)	(311)	(657)	(407)	(196)	(131)	377
Cash generated by operating activities	7 562	8 629	7 359	4 968	4 254	3 128	3 225
Net interest (paid)/income	(1 120)	(1 128)	(1 030)	(2)	(15)	35	28
Tax paid	(1 701)	(1 536)	(1 199)	(1 047)	(1 140)	(356)	(985)
Cash generated by operations	4 741	5 965	5 130	3 919	3 099	2 807	2 268
Dividends received from joint ventures	223	162	129	95	83	95	125
Dividends received from associate	–	7	–	62	–	1	1
Dividends to shareholders	(3 015)	(2 464)	(2 146)	(2 072)	(1 640)	(1 313)	(923)
Net cash inflow from operating activities	1 949	3 670	3 113	2 004	1 542	1 590	1 471
Net cash inflow/(outflow) from investing activities	422	(2 809)	(24 274)	(1 692)	(2 312)	(1 101)	(771)
Net cash (outflow)/inflow from financing activities	(2 007)	(326)	20 440	(326)	165	(675)	(1 328)
Increase/(decrease) in cash and cash equivalents	364	535	(721)	(14)	(605)	(186)	(628)
Net cash and cash equivalents at the beginning of the year	1 497	891	1 666	1 582	2 165	2 313	2 917
Effect of foreign exchange rate changes	(100)	71	(54)	98	22	38	4
Net cash and cash equivalents at the end of the year	1 761	1 497	891	1 666	1 582	2 165	2 293

Total assets (R million)



Cash inflow from trading (R million)



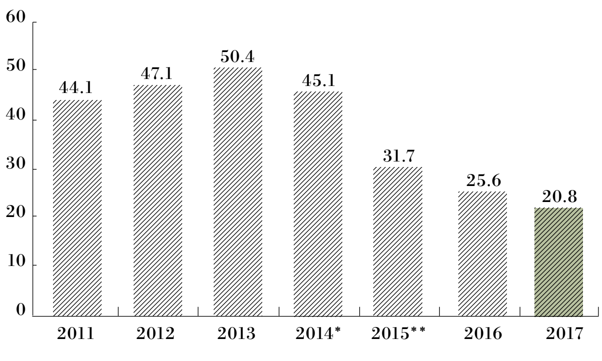
* 2014 based on net cash and cash equivalents.

** 2015 and 2016 restated due to a change in policy. Refer to note 10 of the Goup Annual Financial Statements.

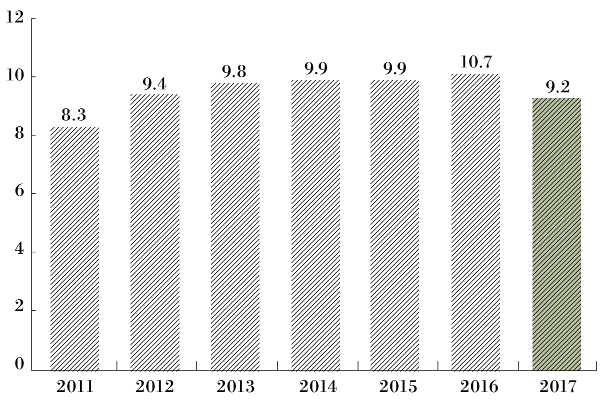
SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2017 52 %	Restated*** 2016 52 %	Restated*** 2015 52 %	2014 52 %	2013 53 %	2012 52 %	2011 52 %
RETURNS							
Return on ordinary shareholders' equity *– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year*	20.8	25.6	31.7	45.1	50.4	47.1	44.1
Return on assets* *– operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year*	13.2	15.4	20.3	30.4	32.2	28.9	23.8
Return on capital employed (ROCE)# *– adjusted operating profit after tax as a percentage of average capital employed at the beginning and end of the year*	15.1	16.8	15.7	53.8	66.0	78.3	75.2
MARGINS							
Gross margin *– gross profit as a percentage of turnover*	39.6	40.6	41.0	39.0	38.5	35.6	34.8
Operating margin *– operating profit as a percentage of turnover*	9.2	10.7	9.9	9.9	9.8	9.4	8.3
SOLVENCY AND LIQUIDITY							
Debt ratio* *– interest-bearing debt as a percentage of total assets*	29.6	31.6	36.0	5.5	6.8	5.3	5.8
Current ratio (times)* *– current assets divided by current liabilities*	1.0	0.9	0.9	1.1	1.2	1.2	1.4
Total liabilities to shareholders' equity* *– non-current liabilities (including deferred tax) and current liabilities, as a percentage of total shareholders' interest*	136.0	153.7	193.9	107.0	105.5	119.7	121.5
Net debt to shareholders' equity* & **** *– net debt divided by shareholders' equity*	0.6	0.7	1.0	n/a	n/a	n/a	n/a
Net debt to EBITDA* & **** *– net debt divided by earnings before interest, tax, depreciation and amortisation*	1.4	1.6	1.7	n/a	n/a	n/a	n/a
Interest cover ratio***** *– earnings before interest, tax, depreciation and amortisation divided by net interest*	7.3	7.6	6.4	n/a	n/a	n/a	n/a

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



***Operating margin** (%)*



* 2014 based on net cash and cash equivalents.
** 2015 return on equity decrease due to David Jones acquisition.
*** 2015 and 2016 restated due to a change in policy. Refer to note 10 of the Goup Annual Financial Statements.
**** Net cash position from 2011 to 2014.
***** Net investment income position in 2011 and 2014.
\# ROCE has been structurally changed with the David Jones acquisition.

Year Number of weeks	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm	2013 53 Rm	2012 52 Rm	2011 52 Rm
DIVISIONAL ANALYSIS							
REVENUE							
Woolworths Clothing and General Merchandise	13 913	13 728	12 518	11 523	10 778	9 606	8 616
Woolworths Food	27 199	25 071	22 445	19 767	17 543	15 224	13 613
Woolworths Logistics	597	515	444	418	561	506	483
David Jones	17 169	17 297	13 642	–	–	–	–
Country Road Group	10 867	10 690	9 120	8 145	6 478	3 402	3 000
Treasury	69	28	100	91	39	75	129
Intragroup	(363)	(351)	(200)	–	–	–	–
	69 451	66 978	58 069	39 944	35 399	28 813	25 841
TURNOVER							
Woolworths Clothing and General Merchandise	13 894	13 701	12 499	11 505	10 764	9 585	8 591
Woolworths Food	27 075	24 956	22 352	19 694	17 469	15 140	13 535
Woolworths Logistics	597	515	444	418	561	506	483
David Jones	15 030	15 185	12 130	–	–	–	–
Country Road Group	10 815	10 647	9 081	8 090	6 433	3 373	2 973
	67 411	65 004	56 506	39 707	35 227	28 604	25 582
PROFIT BEFORE TAX							
Woolworths Clothing and General Merchandise	2 177	2 295	2 124	1 909	1 899	1 647	1 318
Woolworths Food	1 979	1 824	1 580	1 290	1 037	877	647
Woolworths Financial Services	259	248	221	181	180	133	129
David Jones	2 502	1 814	1 049	–	–	–	–
Country Road Group	939	1 016	1 011	891	515	172	162
Treasury	(1 130)	(1 164)	(1 553)	(167)	16	41	50
	6 726	6 033	4 432	4 104	3 647	2 870	2 306
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths*	2 405	2 352	1 654	2 312	2 264	1 929	1 516
David Jones	2 376	1 274	733	–	–	–	–
Country Road Group	665	718	729	576	333	119	115
	5 446	4 344	3 116	2 888	2 597	2 048	1 631
EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths*	9 708	5 736	3 108	4 743	3 868	3 862	3 516
David Jones	5 091	9 873	8 370	–	–	–	–
Country Road Group	4 239	4 217	2 773	1 886	1 784	614	492
	19 038	19 826	14 251	6 629	5 652	4 476	4 008

* Includes Woolworths Clothing and General Merchandise, Woolworths Food, Woolworths Logistics, Woolworths Financial Services, Treasury and earnings from associate and property joint venture.

SEVEN-YEAR REVIEW (CONTINUED)

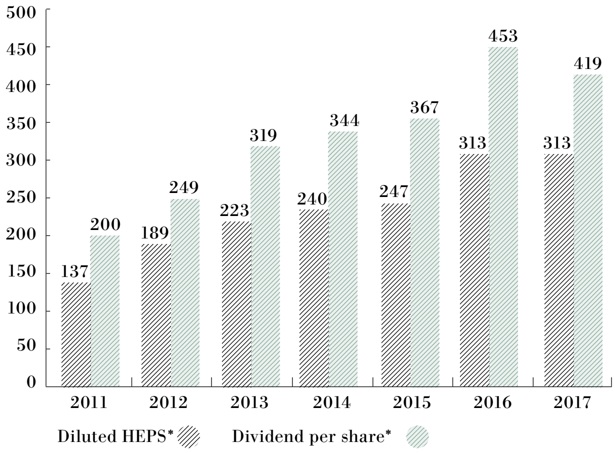
Year Number of Weeks	2017 52	Restated** 2016 52	Restated** 2015 52	2014 52	2013 53	2012 52	2011 52
OTHER STATISTICAL DATA							
WOOLWORTHS							
Woolworths Clothing and General Merchandise							
– gross margin (%)	47.9	48.3	47.4	46.7	46.4	44.5	43.7
Woolworths Food							
– gross margin (%)	25.1	25.5	25.7	25.3	25.6	25.2	24.4
Number of employees (average weekly full-time equivalent)	33 545	32 870	31 196	28 368	25 989	25 693	23 304
Number of stores							
– owned (local)	390	382	372	344	330	330	293
– Africa, Engen and franchise	141	140	134	126	131	118	145
Closing trading area (m^2)							
– owned (local)	657 741	633 156	593 407	549 008	512 252	498 626	449 297
– Africa, Engen and franchise	51 054	50 001	51 417	50 427	56 900	52 808	82 990
Turnover ratios							
– turnover per employee (R000)	1 239.1	1 191.7	1 131.4	1 114.5	1 107.9	982.0	970.2
– turnover per m^2 (owned) (R000)	63.2	61.9	59.5	57.6	56.2	50.6	50.3
Asset turn (times)*	3.4	3.6	3.8	4.1	4.3	4.3	4.4
– *revenue divided by average total assets less deferred tax at the beginning and end of the year*							
Inventory turn (times)	8.2	8.5	8.8	9.1	9.5	10.1	10.7
– *cost of sales divided by average inventory at the beginning and end of the year*							
Profit before tax to turnover (%)	10.6	11.2	10.5	10.1	10.2	10.0	8.7
DAVID JONES (IN A$ TERMS)							
Gross margin (%)	37.0	37.9	39.6	–	–	–	–
Number of employees (full-time equivalent)	4 701	4 956	4 175	–	–	–	–
Number of stores – owned	43	40	38	–	–	–	–
Trading area (m^2)	473 190	471 214	455 430	–	–	–	–
Turnover (including concession sales) ratios							
– turnover per employee (A$000)	471.0	442.3	451.5	–	–	–	–
– turnover per m^2 (A$000)	4.7	4.7	4.1	–	–	–	–
Asset turn (times)	1.8	1.9	1.8	–	–	–	–
Inventory turn (times)	3.9	3.8	3.1	–	–	–	–
Profit before tax to turnover (%)	11.0	7.7	5.8	–	–	–	–
COUNTRY ROAD GROUP (IN A$ TERMS)							
Gross margin (%)	60.3	59.4	60.9	62.0	61.9	59.6	59.3
Number of employees (full-time equivalent)	3 851	3 459	3 223	3 287	3 370	1 360	1 345
Number of store locations							
– owned	389	362	355	322	307	88	99
– concession	352	298	268	207	172	99	100
Trading area (m^2)	121 625	118 025	111 249	92 825	89 563	56 285	55 105
Turnover ratios							
– turnover per employee (A$000)	274.2	290.5	295.4	258.3	209.5	308.1	318.2
– turnover per m^2 (A$000)	8.7	8.5	8.6	9.1	7.9	7.4	7.8
Asset turn (times)	1.8	2.0	2.1	2.0	2.5	3.1	3.3
Inventory turn (times)	3.2	3.3	3.4	3.6	4.4	3.6	4.0
Profit before tax to turnover (%)	8.8	9.5	11.2	11.1	7.9	5.0	5.3

* 2014 based on net cash and cash equivalents.

** 2015 and 2016 restated due to a change in policy. Refer to note 10 of the Goup Annual Financial Statements.

Year	2017	Restated**** 2016	Restated**** 2015	2014	2013	2012	2011
Number of Weeks	52	52	52	52	53	52	52
ORDINARY SHARE PERFORMANCE							
Earnings per share (cents)*	566.7	454.2	337.3	350.6	322.5	256.9	202.5
Headline earnings per share (cents)*	420.9	455.6	369.7	348.6	324.9	255.1	205.1
Adjusted headline earnings per share (cents)*	420.0	456.6	419.4	379.9	329.8	253.6	205.1
Dividend per share (cents)*	313.0	313.0	247.0	240.0	223.3	189.0	137.0
Net asset book value per share (cents)	1 979.6	2 065.0	1 531.9	872.8	745.8	598.8	530.7
Share price (cents): Highest	9 410	10 490	9 886	7 789	7 931	5 039	2 982
Lowest	6 227	7 928	6 848	6 030	5 024	2 989	2 299
Average	7 379	9 356	8 291	7 068	6 542	4 097	2 606
Closing	6 289	8 364	9 886	7 739	6 441	5 039	2 910
Indexed closing share price (June 2000 = 100)	2 169	2 884	3 409	2 669	2 221	1 738	1 003
JSE indexed:							
– retail (June 2000 = 100)	790	945	1 072	800	746	707	495
– all share (June 2000 = 100)	668	670	683	657	513	443	398
Market capitalisation at June (Rmillion)	65 899	87 490	100 499	65 550	54 275	42 095	24 580
Number of shares in issue (millions)**	962	960	930	760	753	746	755
Number of shares traded (millions)	1 299	1 459	868	980	876	870	781
Percentage of shares traded	135.1	152.0	93.3	129.0	116.3	116.6	103.4
Value of shares traded (R million)	95 853	136 504	71 966	69 266	57 308	35 644	20 353
Price:earnings ratio*	11.1	18.4	29.3	22.1	20.0	19.6	14.4
Dividend yield (%)*	5.0	3.7	2.5	3.1	3.5	3.8	4.7
FOREIGN CURRENCY EXCHANGE RATES							
US$ – average	13.64	14.47	11.45	10.37	8.83	7.73	6.99
US$ – closing	12.93	15.07	12.21	10.58	9.87	8.35	6.82
A$ – average	10.28	10.56	9.53	9.51	9.05	7.97	6.89
A$ – closing	9.79	11.25	9.35	9.96	9.01	8.40	7.17
KEY INFORMATION US$ MILLION							
Revenue	5 092	4 629	5 072	3 852	4 009	3 727	3 697
Headline earnings per share (cents)*	30.9	31.5	32.3	33.6	36.8	33.0	29.3
Net profit attributable to ordinary shareholders	319	300	272	279	294	265	233
Total assets***	3 480	3 342	3 441	1 360	1 236	1 203	1 329
Market capitalisation	5 097	5 806	8 231	6 196	5 499	5 041	3 604

Diluted HEPS and dividend per share (cents)



* Prior years restated for bonus element of rights offer.

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

*** 2014 based on net cash and cash equivalents.

**** 2015 and 2016 restated due to a change in policy. Refer to note 10 of the Goup Annual Financial Statements.

REPORT OF THE GROUP COMPANY SECRETARY

In terms of Section 88(2)(e) of the Companies Act of South Africa, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 25 June 2017 and that all such returns and notices are true, correct and up to date.

Signed on 23 August 2017.

C Reddiar
Group Company Secretary

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

The Annual Financial Statements were approved by the Board on Wednesday, 23 August 2017 and signed on its behalf by:

SN Susman
Chairman

I Moir
Group Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

The role of the Audit Committee in addition to its statutory duties prescribed in the Companies Act is to provide independent oversight of the effectiveness of the internal financial controls and system of internal controls to assist the Board in monitoring the integrity of the Group's Annual Financial Statements and related external reports. The committee further oversees the effectiveness and independence of the Group's external and internal assurance functions and services that contribute to ensuring the integrity of the Group's financial and integrated reporting.

This report sets out the manner in which the committee has fulfilled these duties during the year under review and in relation to the financial statements, the manner in which it has complied with the relevant legislation and governance practices.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee comprises of five independent, non-executive directors and meets at least four times per annum or more frequently as required. Members' fees have been included in the table of directors' remuneration on page 66. The Group Chief Executive Officer, the Group Finance Director, the Group head of risk management and compliance, the Group head of internal audit, the Group head of treasury and the external auditors, as well as any other senior executives and professional advisors as deemed appropriate, attend the meetings by invitation.

To facilitate effective functioning and oversight of the risk management function of the Group, the Audit Committee Chairman is a member of the Risk and Compliance Committee and the chairman of the Risk and Compliance Committee is a member of the Audit Committee.

Four Audit Committee meetings were held during the year under review with 95% attendance overall and per member as follows:

Member	Attendance
Hubert Brody (Committee Chairman) BAcc (Hons), CA(SA) Appointed to committee: 2014	100%
Patrick Allaway (Australian) BA/LLB Appointed to committee: 2014	75%
Peter Bacon (British) FIH Appointed to committee: 2011	100%
Zarina Bassa BAcc, CA(SA) Appointed to committee: 2011	100%
Andrew Higginson (British) BSc (Hons), FCMA Appointed to committee: 2012	100%

AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

The Audit Committee regulated its affairs as set out in its terms of reference which are reviewed and approved by the Board on an annual basis. This year, having mindfully reviewed the recommended principles and practices set out in the King IV Report on Corporate Governance for South Africa, 2016 (King IV), the committee revised its terms of reference to align with the recommended King IV principles, as described later in this report.

The terms of reference include the committee's statutory duties as detailed in the Companies Act and are supplemented with the additional responsibilities assigned to it by the Board. The committee is satisfied that it has discharged its responsibilities as mandated by its terms of reference, a copy of which may be found on the website: www.woolworthsholdings.co.za.

The committee also performs the requisite statutory functions on behalf of its South African subsidiaries. The Woolworths South Africa Audit Review Panel is chaired by the committee chairman, with quarterly feedback provided at Audit Committee meetings. Separate Audit Committees, chaired by Patrick Allaway, are constituted in Australia for each of David Jones and Country Road Group and quarterly feedback is provided to the Audit Committee.

KING IV

King IV was released on 1 November 2016 and the committee conducted a self-assessment against the recommended principles and practices that would impact on the work of the committee. King III has been applied for the 2017 financial year, however while the effective date for disclosure on the application of King IV is only in respect of financial years starting on or after 1 April 2017, the committee is satisfied that its current practices are already in substantive alignment with the principles and are mindfully overseeing the adaptation of any relevant practices.

KEY FUNCTIONS

The committee performed the following duties during the year:

- provided oversight on the direction and approach for financial reporting and reviewed and recommended the financial statements, interim reports and preliminary results announcements to the Board for approval;
- reviewed the solvency and liquidity, working capital and going concern statements in support of dividend and finance transactions;
- reviewed reports and significant matters regarding funding of the Group presented by the Treasury Committee including the Group's Domestic Medium Term Note programme (which is not yet implemented);
- monitored the controls over and implementation of new systems in Australia;
- considered and recommended the Group's updated insider trading, price-sensitive information, complaints and external auditors' independence policies to the Board for approval;
- satisfied itself on the adequacy of the Group's internal controls, including internal financial controls;
- reviewed the expertise and experience of the Group Finance Director and the finance function;
- considered and nominated the external auditors and the designated auditor for appointment at the 2017 Annual General Meeting;
- considered the independence and effectiveness of the external auditors against appropriate audit quality indicators as set out in the external auditors' independence policy;
- determined the fees to be paid to the auditors and the auditors' terms of engagement;
- determined the nature and extent of any non-audit services;
- pre-approved any proposed agreement with the auditors for the provision of non-audit services;
- considered the internal audit charter and plan and reviewed the independent quality assurance review assessment on internal audit;

- assessed the combined assurance model;
- considered the independence and effectiveness of the head of internal audit and audit function;
- confirmed that there were no concerns or complaints raised in relation to financial reporting and internal controls;
- received and considered proactive monitoring reports from the Johannesburg Stock Exchange;
- reported to the Board on matters concerning the company's accounting policies, financial controls, records and reporting.

EVALUATION AND RE-ELECTION

Each year, an evaluation of the effectiveness of the committee is conducted as mandated by its terms of reference. This year, the committee's effectiveness was independently evaluated by the Board Practice. The findings of the evaluation reflected that the committee performed its duties effectively.

The evaluation further confirmed that the members of the committee as a whole have the necessary skills and experience to discharge their duties effectively. The committee members continue to satisfy the membership requirements of the Companies Act and relevant regulation and governance codes.

Following this evaluation and an effectiveness and independence assessment by the Nominations Committee, the committee members have been nominated by the Board for re-election at the upcoming Annual General Meeting for the 2018 financial year.

SIGNIFICANT MATTERS

Significant matters include the key audit matters identified by the external auditors in their report on pages 38 to 40 and have been discussed and agreed with management and tabled for committee consideration.

KEY AUDIT MATTERS

The external auditors report includes two key audit matters namely: goodwill impairment and inventory valuation. Specifically, the underlying valuation processes are complex and involve the use of estimates, judgements and assumptions and thus have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years. The auditor's findings have been discussed in detail and the Audit Committee is satisfied with the results as disclosed in the financial statements.

Further significant matters considered by the committee during the year, included the following:

POLITIX ACQUISITION

The acquisition of the net assets of Politix, a market-leading Australian designer menswear business, by Country Road Group, for a total value of R711 million (A$68.7 million). The accounting treatment and policies, funding, performance and process integration continue to be monitored by the committee.

MARKET STREET DISPOSAL

The disposal of the Market Street property in Sydney by David Jones for A$360 million. The committee monitored the property sale and accounting treatment, together with the related impairments.

DMTN PROGRAMME

Establishment of a ZAR10 billion Domestic Medium Term Note Programme, approved by the JSE on 17 March 2017. The Audit Committee had oversight over the process of establishing the Programme and evaluated the Programme documentation. No notes have been issued under the Programme as at the date of this report.

The committee leverages off the combined assurance model described below and is satisfied that procedures and actions performed are adequate and appropriate.

COMBINED ASSURANCE MODEL

The Combined Assurance Model is integrated with risk management and ensures that assurance over the effectiveness of risk mitigations or controls is obtained from various assurance providers in a co-ordinated manner, therefore avoiding duplication of effort.

The '3 Lines of Defence' strategy has been adopted, which distinguishes between assurance providers or functions that own and manage risks, functions that oversee the risk and functions that provide independent assurance. Assurance is assessed over two dimensions, namely coverage and effectiveness, to ensure that the nature of assurance provided is appropriately assessed and clearly defined.

This approach is well established and operating effectively within the Group. The Combined Assurance Model is updated annually for approval by the committee, providing sufficient assurance over the Group's risk universe.

EXTERNAL AUDIT FUNCTION

Ernst & Young Inc (EY) are the Group's external auditors and as Chairman I continue to have regular interactions with the designated audit partner, currently Anthony Cadman. As a committee, we meet independently with the external auditors to discuss matters relating to the year-end audit and prior to the finalisation of the interim financial results.

The committee has assessed the independence of EY in terms of the applicable regulations and legislation. In addition, EY has confirmed that it has complied with the requirements regarding independence and is considered independent to the Group as required by the codes endorsed and administered by the IRBA, the South African Institute of Chartered Accountants and the International Federation of Accountants.

The independence of the external auditor is assessed and monitored against the external auditors' independence policy which is reviewed by the committee on an annual basis to ensure that it is in line with best practice. During the year under review, the fees pertaining to other audit-related and non-audit services were 17.5% of the prior year audit fee. The non-audit services were within the 30% limit stipulated in our external auditor independence policy.

The committee is satisfied that the external auditors remain independent of the Group. Following an assessment of the performance of EY against appropriate audit quality indicators, the committee has nominated, for approval at the Annual General Meeting, EY as the external auditors for the 2018 financial year. The committee is also satisfied that the audit firm and designated auditor are accredited to appear on the JSE List of accredited auditors and advisors.

The committee, in consultation with the Board, agreed the EY letter of engagement, the audit coverage plan and the audit fees for the 2017 financial year.

In accordance with the Companies Act the individual registered auditor responsible for the Group audit, Anthony Cadman, is required to rotate after the 2017 financial year having served five consecutive financial years. Cornea de Villiers is proposed to replace Anthony as designated auditor. The committee has assessed and considered Cornea's knowledge and experience and recommended approval of her appointment to the shareholders. Furthermore, the rotation of designated auditor strengthens the independence of the external audit function. The committee thanks Anthony for his contributions during his tenure.

REPORT OF THE AUDIT COMMITTEE

INTERNAL AUDIT FUNCTIONS

The committee is responsible for ensuring that the Group internal audit function is independent and effective and has the necessary resources and authority to enable it to discharge its duties. An independent external quality assurance review of the internal audit function was conducted during the financial year. The review assessed conformance with the Institute of Internal Auditors Standards, Code of Ethics, and internal audit charter, plans, policies, procedures, and practices. The overall conclusion reported was that the internal audit function operates effectively and generally conforms to the requirements of the standards for the Professional Practice of Internal Auditing.

The committee annually reviews and approves the internal audit coverage plan and charter and considers the internal audit department's budget and resources in May each year. The Group head of internal audit reports to the committee on a quarterly basis and as Chairman I continue to meet with him independently of management.

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

INTERNAL FINANCIAL CONTROLS

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

ANNUAL FINANCIAL STATEMENTS

The committee has reviewed the Group's Annual Financial Statements for the year ended 25 June 2017 and is satisfied that they comply with International Financial Reporting Standards. The committee recommended the audited Group Annual Financial Statements to the Board for approval, which the Board subsequently approved.

GOING CONCERN, SOLVENCY AND LIQUIDITY

The committee reviewed the assessment of the going concern status of the Group and recommended to the Board that the Group will continue to be considered on a going concern basis for the foreseeable future and that the company is considered solvent and able to distribute its proposed dividend to shareholders.

EXPERTISE AND EXPERIENCE OF THE GROUP FINANCE DIRECTOR AND FINANCE FUNCTION

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

The committee reviewed and satisfied itself that the expertise and experience of Mr Isaacs, the Group Finance Director, is appropriate. The committee further reviewed and was satisfied that the expertise and resources within the finance management function were appropriate.

INTEGRATED REPORTING

Having considered and fulfilled its responsibility for overseeing the financial reporting process, the committee reviewed and recommended the 2017 Integrated Annual Report to the Board for approval.

Signed on 23 August 2017.

H Brody
Audit Committee Chairman

David Jones, Foodhall at Bondi Junction

David Jones, Foodhall at Bondi Junction

David Jones, Foodhall at Bondi Junction

DIRECTORS' REPORT

NATURE OF BUSINESS

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

WSA was established in 1931 and is a leading South African retailer primarily offering a range of private label products under its own brand name. There are 703 WSA store locations in South Africa (including 72 stores operated on Engen forecourts) and 87 store locations in the rest of Africa.

DJ is the oldest department store in Australia and one of the oldest in the world. The iconic department store opened its first store in Sydney in 1838. DJ is synonymous with style and progress and offers customers the finest brands across fashion, beauty and home in its 42 stores in Australia and one store in New Zealand.

CRG is a retail chain offering clothing and homeware products in stand-alone retail stores and concession locations throughout Australia, New Zealand and South Africa. There are 648 retail and concession store locations in Australia and New Zealand, including the recently acquired Politix. It is also represented in 93 selected WSA store locations throughout South Africa.

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

The nature of the business of the subsidiaries held directly and indirectly is set out in Annexure 1 on page 131. There have been no material changes to the nature of the Group's business from the prior year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The review of operations and financial results of the Group are contained in the 2017 Annual Integrated Report and the 2017 Annual Financial Statements.

STATED CAPITAL

AUTHORISED

Ordinary shares	– 2 410 600 000 of no par value (2016: 2 410 600 000)

ISSUED

Ordinary shares	– 1 047 847 794 of no par value (2016: 1 046 026 844)

DISTRIBUTIONS TO ORDINARY SHAREHOLDERS

Distributions to shareholders have been passed by way of Board resolutions after taking into account the solvency and liquidity assessment, as required by the Companies Act 71 of 2008, as amended (Companies Act).

INTERIM

On 15 February 2017, a gross cash dividend of 133.0 cents (106.4 cents net of dividend withholding tax) (2016: 133.0 cents) was declared to shareholders recorded at the close of business on Friday, 10 March 2017. The cash dividend was paid on Monday, 13 March 2017.

FINAL

On 23 August 2017, a gross cash dividend of 180.0 cents (144.0 cents net of dividend withholding tax) (2016: 180.0 cents) was declared to shareholders recorded at close of business on Friday, 15 September 2017, to be paid on Monday, 18 September 2017.

DIRECTORATE AND GROUP COMPANY SECRETARY

Non-independent chairman:	1
Independent non-executive directors:	9
Executive directors:	5

The composition of the Board at the date of this report and the details of the directors and the Group Company Secretary are disclosed in the 2017 Annual Integrated Report.

CHANGES TO DIRECTORATE AND GROUP COMPANY SECRETARY

During the year under review and as previously reported:

- Ms Thina Siwendu resigned from the Board on 15 February 2017;
- Mr John Dixon was appointed as an executive director on 18 May 2017 and his appointment will be confirmed by shareholders at the upcoming Annual General Meeting; and
- Ms Chantel Reddiar was appointed Group Company Secretary on 5 September 2016.

RE-ELECTION OF DIRECTORS RETIRING BY ROTATION

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

In terms of the Memorandum of Incorporation of the company, Zarina Bassa, Hubert Brody, Nombulelo Moholi, Sam Ngumeni and John Dixon are due to retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

After having served over 11 years as a Non-executive Director and member of the Audit and Remuneration Committees and trustee of the Woolworths Holdings Share Trust ('Trust'), Peter Bacon will retire from the Board and Trust at the conclusion of the Annual General Meeting.

DIRECTORS' INTERESTS IN SHARES

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

	2017 beneficial		2016 beneficial	
	Direct	Indirect	Direct	Indirect
NON-EXECUTIVE DIRECTORS				
Simon Susman	60 403	1 987 460	60 403	4 757 068
Patrick Allaway	13 363	–	13 363	–
Peter Bacon	–	30 971	–	30 971
Zarina Bassa	5 077	–	5 077	–
Tom Boardman	6 702	–	6 702	–
Hubert Brody	8 682	–	8 682	–
Andrew Higginson	22 490	–	15 763	–
Lord Rose	66 706	–	49 290	–
Thina Siwendu**	–	–	–	–
EXECUTIVE DIRECTORS				
Ian Moir	1 306 680	263 511	939 153	536 298
John Dixon*	–	437 375	–	–
Reeza Isaacs	161 352	155 392	127 905	191 332
Sam Ngumeni	468 955	518 957	271 209	786 180
Zyda Rylands	1 630 777	1 217 564	1 458 981	1 658 965
Total	3 751 187	4 611 230	2 956 528	7 960 814

* Appointed 18 May 2017.
** Resigned 15 February 2017.

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

DIRECTORS' EMOLUMENTS

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

RELATED-PARTY CONTRACTS

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

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

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Financial Statements and other information presented in the Annual Integrated Report in a manner that fairly presents the financial position and the results of the operations of the company and the Group for the year ended 25 June 2017.

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

The Annual Financial Statements set out on pages 42 to 133 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies, which have been consistently applied in all material respects, and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

DIRECTORS' REPORT (CONTINUED)

INTERNAL CONTROL

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

GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to 24 June 2018 and details of the Group insurance arrangements. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the Group is a going concern and have continued to adopt the going concern basis in preparing the Annual Financial Statements.

LITIGATION STATEMENT

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

BORROWING POWERS

In terms of the Memorandum of Incorporation, the borrowing powers of the company are unlimited. However, all borrowings by the Group are subject to Board approval, as required by the Board delegation of authority. The details of borrowings appear in note 19 on page 91.

SUBSIDIARY COMPANIES

An annexure containing full particulars of the subsidiary companies appears on page 131.

EVENTS SUBSEQUENT TO THE REPORTING DATE

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

SPECIAL RESOLUTIONS

The following special resolutions were passed during the year:

WOOLWORTHS HOLDINGS LIMITED

November 2016 Annual General Meeting:

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


Style by SA 2017, Woolworths SA

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF WOOLWORTHS HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Woolworths Holdings Limited set out on pages 42 to 133, which comprise the statements of financial position as at 25 June 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the 52-week period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Woolworths Holdings Limited as at 25 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key Audit Matter	How Our Audit Addressed the Key Matter
Goodwill impairment considerations	
The Group is required to assess the recoverable amount of its goodwill on an annual basis in accordance with IAS 36: Impairment of Assets. The carrying value of goodwill amounted to R11 574 million at 25 June 2017 (2016: R12 631 million). The valuation process is complex and involves judgement regarding certain assumptions when concluding on inputs to the calculation. The inputs include: the determination of appropriate discount rates, the assessment of forecast sales and gross margins along with their growth rates and the quantification of synergies between business units where new strategies and future programmes have been considered. Management's assumptions also include views on the expected future market or economic conditions; in particular those in Australia. These assumptions are disclosed in note 10.	We performed testing on the key assumptions made by management and our procedures included: • Evaluating the forecasts and approved budgets provided by management against historical data and other relevant information; • Assessment of the principles and method applied to the discounted cash flow valuations for appropriateness; • Vouching the key inputs used in the calculation (e.g. discount rates, sales growth rates) with reference to external data and our own expertise; • Testing the arithmetical accuracy of the calculations within the respective models; • Including a valuation specialist on our team to assist in the assessments of these forecasts applied by management; • Performing sensitivity analyses around key assumptions to determine the impact on potential impairment; • Considering the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that could have the most significant effect on the determination of the recoverable amount of goodwill.

Key Audit Matter	How Our Audit Addressed the Key Matter
Inventory	
At 25 June 2017 inventory of R6 990 million is held on the Group balance sheet (2016: R7 117 million). Additional audit attention was placed on the carrying value of inventories due to the judgements and estimates made by management when assessing the manual adjustments required in relation to both the write down to net-realisable value for inventory and hedge accounting. Management has made estimates and assumptions for write downs against inventory related to shrinkage and obsolescence, as well as a write down for mark-down. This judgement is informed by: • historical data and sell-through rates; • the inventory profile and age; • forecast mark-downs. The application of hedge accounting requires management to adjust inventory values to incorporate the impact of forward exchange hedging contracts. These calculations and associated accounting entries are complex due to the significant volume of contracts with different terms. There is therefore greater effort in the audit of: • valuation of hedging contracts used to adjust inventory valuation on recognition; • the effectiveness of hedge relationships and recognition of ineffective hedging gains and losses. Accordingly, the write downs carried against inventory and hedge accounting principles are considered to be a key audit matter, and related disclosure is included in note 14 and note 25 of the Group financial statements.	Our procedures included the following to assess inventory provisions: • Evaluating the assumptions and estimates applied to the shrinkage, obsolescence and mark-down calculations by testing the accuracy of historical information, data trends and ageing profiles; • Testing the arithmetical accuracy of the models used to calculate these provisions; • Performing a retrospective review of actual sell-off rates and achieved margins against the assumptions raised in the mark-down write down calculation. Our procedures included the following to assess the application of hedge accounting in relation to inventory: • Confirming the existence of hedge contracts; • Recalculating the valuation of hedge contracts used to adjust inventory valuation on initial recognition; • Assessment of the effectiveness of hedge relationships designated by management; • Recalculation of the ineffective portion of hedging contracts.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF WOOLWORTHS HOLDINGS LIMITED (CONTINUED)

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

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

We also:

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that EY has been the auditor of Woolworths Holdings Limited for 85 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Anthony Cadman
Registered Auditor
Chartered Accountant
3 Dock Road
Waterway House
V&A Waterfront
Cape Town
8001
23 August 2017

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 25 June 2017 Rm	52 weeks to 26 June 2016 Rm
Revenue	2	69 451	66 978
Turnover and concession sales		74 273	72 137
Concession sales		(6 862)	(7 133)
Turnover	2	67 411	65 004
Cost of sales		40 739	38 618
Gross profit		26 672	26 386
Other revenue	2	1 944	1 926
Expenses		22 410	21 343
Store costs		16 233	15 640
Other operating costs		6 177	5 703
Operating profit		6 206	6 969
Profit on sale of property in Sydney, net of impairment		1 420	–
Profit on sale of property	8	1 762	–
Impairment due to sale of property		342	–
Investment income	2	96	48
Finance costs	3.6	1 256	1 234
Profit before earnings from joint ventures and associate		6 466	5 783
Earnings from joint ventures	31	260	249
Earnings from associate		–	1
Profit before tax	3	6 726	6 033
Tax	4	1 278	1 680
Profit for the year		5 448	4 353
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	25.6	(168)	(166)
Tax on fair value adjustments on financial instruments		45	62
Exchange differences on translation of foreign subsidiaries		(3 087)	3 748
Amounts that may not be reclassified to profit or loss			
Post-retirement medical benefit liability – actuarial gain	21	21	10
Deferred tax on post-retirement medical benefit liability – actuarial gain		(6)	(3)
Other comprehensive income for the year		(3 195)	3 651
Total comprehensive income for the year		2 253	8 004
Profit attributable to:		5 448	4 353
Shareholders of the parent		5 446	4 344
Non-controlling interests		2	9
Total comprehensive income attributable to:		2 253	8 004
Shareholders of the parent		2 251	7 988
Non-controlling interests		2	16
Earnings per share (cents)	5	566.7	454.2
Headline earnings per share (cents)	5	420.9	455.6
Diluted earnings per share (cents)	6	563.7	451.0
Diluted headline earnings per share (cents)	6	418.7	452.5

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	At 25 June 2017 Rm	Restated* At 26 June 2016 Rm	Restated* At 28 June 2015 Rm
ASSETS				
Non-current assets		34 706	37 978	33 736
Property, plant and equipment	8	13 846	15 324	14 430
Investment properties	9	–	78	78
Intangible assets	10	19 595	21 136	17 502
Investment in joint ventures and associate	31	1 015	978	894
Participation in export partnerships	11	–	8	19
Fair value lease adjustment	15	65	83	76
Other loans	12	42	41	55
Derivative financial instruments	16	3	72	82
Deferred tax	13	140	258	600
Current assets		10 287	10 340	8 251
Inventories	14	6 990	7 117	5 881
Trade and other receivables	15	1 218	1 312	1 051
Derivative financial instruments	16	40	90	219
Tax	28.3	252	296	209
Cash and cash equivalents	28.4	1 787	1 525	891
Non-current assets held for sale	8	–	2 049	30
TOTAL ASSETS		44 993	50 367	42 017
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the parent		19 038	19 826	14 251
Stated capital	17	11 375	11 237	10 802
Treasury shares		(1 370)	(1 348)	(1 347)
Non-distributable reserve	18	87	3 174	(567)
Distributable reserves	18	8 946	6 763	5 363
Non-controlling interests		28	27	46
TOTAL EQUITY		19 066	19 853	14 297
Non-current liabilities		15 336	19 536	18 634
Interest-bearing borrowings	19	12 137	15 703	14 922
Operating lease accrual and fair value lease adjustment	20	1 980	2 264	2 037
Post-retirement medical benefit liability	21	386	387	374
Provisions	22	156	187	197
Derivative financial instruments	16	19	12	26
Deferred tax	13	658	983	1 078
Current liabilities		10 591	10 978	9 086
Trade and other payables	20	8 262	9 107	7 699
Provisions	22	825	863	738
Operating lease accrual and fair value lease adjustment	20	114	135	122
Derivative financial instruments	16	176	265	72
Tax	28.3	26	393	259
Overdrafts and interest-bearing borrowings	19	1 188	215	196
TOTAL LIABILITIES		25 927	30 514	27 720
TOTAL EQUITY AND LIABILITIES		44 993	50 367	42 017

* Certain comparative amounts shown do not correspond to the 2016 Annual Financial Statements and reflect adjustments made. Refer to note 10.

GROUP STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to Stated capital Rm	 Treasury shares Rm
Shareholders' interest at 28 June 2015		10 802	(1 347)
Profit for the year		–	–
Other comprehensive income		–	–
Total comprehensive income for the year		–	–
Shares issued	17	2 849	(2 597)
BEEESOS unwind	17 & 18	(2 414)	2 414
Shares purchased	17	–	(34)
Share purchase costs		–	–
Share-based payments		–	–
Settlement of share-based payments		–	216
Dividends to ordinary shareholders	27	–	–
Acquisition of non-controlling interests	32	–	–
Shareholders' interest at 26 June 2016		11 237	(1 348)
Profit for the year		–	–
Other comprehensive income		–	–
Total comprehensive income for the year		–	–
Shares issued	17	138	(138)
Shares purchased	17	–	(39)
Share purchase costs		–	–
Share-based payments		–	–
Settlement of share-based payments		–	155
Dividends to ordinary shareholders	27	–	–
Shareholders' interest at 25 June 2017		11 375	(1 370)

	Notes	2017	2016
Dividend per ordinary share declared for the financial year (cents)	27	313.0	313.0
Interim		133.0	133.0
Final		180.0	180.0

shareholders of the parent						
Non-distributable reserve	Distributable reserves					
Foreign currency translation reserve Rm	Share-based payments reserve Rm	Financial instrument revaluation reserve Rm	Retained profit Rm	Shareholders' interest before non-controlling interest Rm	Non-controlling interests Rm	Total Rm
(567)	992	121	4 250	14 251	46	14 297
–	–	–	4 344	4 344	9	4 353
3 741	–	(104)	7	3 644	7	3 651
3 741	–	(104)	4 351	7 988	16	8 004
–	–	–	–	252	–	252
–	(336)	–	336	–	–	–
–	–	–	–	(34)	–	(34)
–	–	–	(1)	(1)	–	(1)
–	98	–	–	98	–	98
–	(89)	–	(127)	–	–	–
–	–	–	(2 716)	(2 716)	–	(2 716)
–	–	–	(12)	(12)	(35)	(47)
3 174	665	17	6 081	19 826	27	19 853
–	–	–	5 446	5 446	2	5 448
(3 087)	–	(123)	15	(3 195)	–	(3 195)
(3 087)	–	(123)	5 461	2 251	2	2 253
–	–	–	–	–	–	–
–	–	–	–	(39)	–	(39)
–	–	–	(2)	(2)	–	(2)
–	16	–	–	16	–	16
–	(82)	–	(73)	–	–	–
–	–	–	(3 014)	(3 014)	(1)	(3 015)
87	599	(106)	8 453	19 038	28	19 066

GROUP STATEMENT OF CASH FLOWS

	Notes	52 weeks to 25 June 2017 Rm	52 weeks to 26 June 2016 Rm
Cash flow from operating activities			
Cash inflow from trading	28.1	8 177	8 940
Working capital movements	28.2	(615)	(311)
Cash generated by operating activities		7 562	8 629
Investment income received		96	40
Finance costs paid		(1 216)	(1 168)
Tax paid	28.3	(1 701)	(1 536)
Cash generated by operations		4 741	5 965
Dividends received from joint ventures		223	162
Dividends received from associate		–	7
Dividends to ordinary shareholders		(3 015)	(2 464)
Net cash inflow from operating activities		1 949	3 670
Cash flow from investing activities			
Investment in property, plant and equipment, intangible assets and investment properties		(2 565)	(2 849)
Proceeds on disposal of property, plant and equipment, intangible assets, investment properties and non-current assets held for sale		13	20
Proceeds on disposal of property in Sydney		3 677	–
Acquisition of subsidiary, net of cash acquired	32	(711)	–
Participation in export partnerships		8	5
Loans and advances repaid by employees and share scheme participants		–	15
Net cash inflow/(outflow) from investing activities		422	(2 809)
Cash flow from financing activities			
Settlement of share-based payments through share purchase		(39)	(34)
Share purchase costs		(2)	(1)
Finance lease payments		(14)	(12)
Borrowings raised		1 900	190
Borrowings repaid		(3 852)	(384)
Acquisition of non-controlling interests in subsidiaries		–	(85)
Net cash outflow from financing activities		(2 007)	(326)
Increase in cash and cash equivalents		364	535
Net cash and cash equivalents at the beginning of the year		1 497	891
Effect of foreign exchange rate changes		(100)	71
Net cash and cash equivalents at the end of the year	28.4	1 761	1 497

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1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate Annual Financial Statements of Woolworths Holdings Limited (the company) for the 52 weeks ended 25 June 2017 (2016: 52 weeks ended 26 June 2016) comprise the company, its subsidiaries, joint ventures and associates (together referred to as the Group).

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

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

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

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

In terms of the IFRS Interpretations Committee (IFRIC) agenda decision issued in November 2016, the Group has changed its policy to raising deferred tax liabilities on indefinite life intangible assets. Refer to note 10 for the impact of the change in policy.

ANNUAL IMPROVEMENTS TO IFRS 2012 – 2014 CYCLE (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016)

The proposed amendment clarifies that, when an entity reclassifies an asset (or disposal group) from being held-for-sale to being held-for-distribution without interruption, the entity would continue to apply held-for-sale accounting. Similarly, if an entity reclassifies an asset (or disposal group) from being held-for-distribution to held-for-sale without interruption, the entity would continue to apply held-for-distribution accounting. A held-for-distribution plan is a plan to spin off a division and distribute a dividend in kind to the shareholders. This is not expected to impact the Group.

IAS 1: DISCLOSURE INITIATIVE – AMENDMENTS TO IAS 1 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016)

The amendments clarify the materiality requirements in IAS 1; that specific items in the statements of comprehensive income and financial position may be disaggregated; that entities have flexibility as to the order in presenting notes to final statements; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

IFRS 10, IFRS 12 AND IAS 28 INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION – AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 28 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016)

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

IFRS 11 ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS – AMENDMENTS TO IFRS 11 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016)

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

IAS 19 EMPLOYEE BENEFITS – DISCOUNT RATE: REGIONAL MARKET ISSUE (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016)

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 27: EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS – AMENDMENTS TO IAS 27 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016)

The amendments allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for their investments either (1) at cost; (2) in accordance with IFRS 9; or (3) using the equity method. The entity must apply the same accounting for each category of investment, and the amendment must be applied retrospectively.

IAS 16 AND IAS 38 – AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016)

The amendments clarify the principle in IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

BASIS OF CONSOLIDATION

The Group consolidates all of its subsidiaries. Accounting policies are applied consistently in all Group companies. The results of subsidiaries are included from the effective date of acquisition up to the effective date of disposal. All subsidiaries, with the exception of the Woolworths Holdings Share Trust and the Woolworths Trust, have the same financial year-ends and are consolidated to that date. The results of subsidiaries with year-ends differing from that of the Group are compiled for a rolling twelve-month year-ending June and consolidated to that date.

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

CONTROL

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

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

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

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

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

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

FOREIGN CURRENCY TRANSLATIONS

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

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

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

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

USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

PROPERTY, PLANT AND EQUIPMENT

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

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

GOODWILL

Goodwill is tested for impairment at every financial year-end or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill is allocated. The recoverable amount is determined with the use of a discounted cash flow, which takes into account the latest available projected sales growth rates, operating margin, return on capital, reinvestment of profits, working capital requirements and capital expenditure. Where the cash generating unit's recoverable amount is less than its carrying value, an impairment loss is recognised. It is allocated first to reduce the carrying value of any goodwill allocated to the cash-generating unit, and then to other assets of the unit pro-rata, on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill at year-end.

PROVISION FOR NET REALISABLE VALUE OF INVENTORY

The provision for net realisable value of inventory represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting date will be sold below cost. Refer to note 14.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF RIGHTS TO ACQUIRE EQUITY INSTRUMENTS GRANTED

The fair value of rights to acquire shares granted in terms of share-based payment transactions is obtained using option pricing models and, in the case of options, assuming an option life of between seven and 10 years, and between three and seven years for the new schemes. Other valuation assumptions include estimates of attrition, the volatility of the shares, dividend yield and the risk-free interest rate. Refer to note 17 for additional information regarding the fair value of such instruments at grant date.

BUSINESS COMBINATIONS

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

REACQUIRED RIGHTS

The fair value attached to the reacquired rights is determined with the use of a discounted cash flow, which takes into account the remaining term of the franchise agreement. The Group determines whether these assets are impaired at each reporting date. Key assumptions applied to the earnings portion of a discounted cash flow calculation include the latest available projected sales growth rate, which varies from 0% – 15.0%, operating margin, return on capital required of 12.5% – 24.7%, reinvestment of profits, working capital requirements and capital expenditure. The growth rate used to extrapolate cash flows beyond the most recent budget year is also estimated, as above. In determining the discount rate applied to calculate the present value of future earnings, the Group estimates the market risk return and uses a weighted average cost of capital of 12.2%. Refer to note 10.

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

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

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

The Group owns 50% of WFS. As a result of the Group's equity holding and representation on the Board (through the Joint Venture Agreement), the Group accounts for WFS as a joint venture per IFRS 11. Refer to note 31.

IMPAIRMENT OF FINANCIAL ASSETS

LOANS AND RECEIVABLES

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

PROVISION FOR EMPLOYEE BENEFITS

Post-retirement defined benefits are provided to certain existing and former employees. Actuarial valuations are performed to assess the financial position of relevant funds and are based on assumptions, which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions. Refer to note 21.

SIGNIFICANT JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The following areas require significant judgements to be made by management in the application of the Group's accounting policies:

INCOME TAXES

The Group is subject to income tax in more than one jurisdiction. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE (IFRIC 4)

IFRIC 4 identifies situations where an arrangement entered into may have to be accounted for as a lease. The interpretation concludes that an arrangement is a lease when fulfilment thereof is dependent on the use of specific assets, and when the arrangement conveys the right to use those assets. Judgement is exercised in assessing whether existing supplier agreements may contain a lease. In the opinion of management, the requirements of IFRIC 4 were not met during the current year, as suppliers do not have to use specific assets to fulfil their supply obligations and, although the Group enforces stringent quality standards on goods sourced, it has no control over how assets are used. In addition, purchases are priced per individual order and the Group does not control physical access to suppliers' assets.

CONSOLIDATION OF THE GROUP'S SHARE TRUSTS

The Group operates a share incentive scheme through a separate share trust. These trusts are operated for the purposes of incentivising staff to promote the continued growth of the Group, and is funded by loan accounts from companies within the Group and by dividends received from the company. In management's judgement, the Group controls the respective trusts in accordance with IFRS 10: Consolidated Financial Statements, and the appropriate accounting treatment for these entities is to consolidate their results.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

Useful lives per asset category:

Buildings	15 to 40 years
Leasehold improvements	Written off over the lease period or shorter period if appropriate
Furniture, fittings and equipment	2 to 15 years
Motor vehicles	5 years
Computer equipment	3 to 7 years

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

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

INTANGIBLE ASSETS

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

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

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

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

The residual value of an intangible asset is zero, unless there is a commitment by a third party to purchase the asset at the end of its useful life, or if the residual value can be determined by reference to an active market and it is probable that the market will still exist at the end of the asset's useful life.

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

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

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

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

COMPUTER SOFTWARE

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

RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred.

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

GOODWILL

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

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

Goodwill on acquisitions of the equity-accounted associate and joint ventures is included in the investments in associate or joint ventures and tested for impairment as part of the carrying value of the investment. Goodwill recognised on the acquisition of the associate or joint ventures (equity-accounted) is calculated as the difference between the cost of the investment and the fair value of the proportionate net assets acquired. Any excess of the fair value of the proportionate net assets acquired over the cost of

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the investment is included in profit or loss of the investor, in the year when acquired, as part of the proportionate share in the associate's profit after tax.

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

BUSINESS COMBINATIONS

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

INVESTMENT PROPERTIES

Investment properties are land and buildings, which are held, either to earn rental income or for capital appreciation, or both. Investment properties are accounted for under the cost model and the accounting treatment, after initial recognition, follows that applied to property, plant and equipment.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in other operating costs in the year of retirement or disposal.

TAXES

CURRENT TAX

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

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

DEFERRED TAX

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

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

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

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

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

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

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

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

DIVIDEND WITHHOLDING TAX (DWT)

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

CURRENT ASSETS AND LIABILITIES

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

INVENTORIES

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

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

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

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

LEASES

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

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

SHORT-TERM EMPLOYEE BENEFITS

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

RETIREMENT BENEFITS

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

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

SHARE-BASED PAYMENT TRANSACTIONS

Shares and rights to acquire shares granted to employees in terms of the Group's share incentive schemes meet the definition of share-based payment transactions. Refer to note 17 for a detailed description of each of the schemes.

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

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

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

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

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

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

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

PROVISIONS

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

FINANCIAL INSTRUMENTS

RECOGNITION AND MEASUREMENT

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is derecognised when the right to receive cash from the asset has expired, or the Group has transferred the asset and the transfer qualifies for derecognition. A transfer qualifying for derecognition occurs when the Group transfers the contractual rights to receive the cash flows of the financial asset, or retains the rights but assumes a contractual obligation to pay those cash flows in full without material delay to a third party under a 'pass-through' arrangement, and where the Group has transferred control or substantially all the risks and rewards of the asset. Where the Group has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

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

FAIR VALUE

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

OFFSET

Where a current legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to realise the asset and settle the liability simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

FINANCIAL ASSETS

The trade date method of accounting has been adopted for 'regular-way' purchases or sales of financial assets. The Group categorises its financial assets in the following categories: (1) loans and receivables and (2) at fair value through profit or loss. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

LOANS RECEIVABLE

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

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

PARTICIPATION IN EXPORT PARTNERSHIPS

Amortised cost is the Group's cost of original participation, less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability. A corresponding deferred tax liability is recorded, equal to the cost of original participation together with the Group's share of the partnership gross profit less the Group's share of subsequent amounts received by the partnership.

OTHER LOANS

Other loans comprise housing and other employee loans as well as loans to participants in the Group share purchase schemes.

TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise all trade and non-trade debtors other than financial services debtors. Short-duration receivables with no stated interest rate are measured at original invoice amount, unless the effect of imputing interest is significant.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand, as well as short-term deposits held at call with banks.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. After initial recognition, derivative financial instruments are measured at fair value. Gains and losses arising on the change in the fair value of financial assets or liabilities at fair value through profit or loss are recognised under other operating expenses.

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

FINANCIAL LIABILITIES

Financial liabilities consist of interest-bearing borrowings, trade and other payables, bank overdrafts and interest-bearing money market borrowings, liabilities categorised at fair value through profit or loss and derivatives held for hedging (refer to the accounting policy on hedge accounting).

After initial recognition, financial liabilities are recognised at amortised cost, using the effective interest method, except for financial liabilities at fair value through profit or loss or hedging instruments, which are measured at fair value.

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

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

HEDGE ACCOUNTING

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

Derivative financial instruments not designated as hedging instruments or subsequently not expected to be effective hedges are classified as held-for-trading and recognised at fair value with the resulting gains and losses being recognised in profit or loss in the period in which they arise.

IMPAIRMENT

NON-FINANCIAL ASSETS

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

The recoverable amount is the higher of an asset's or the cash-generating unit's fair value, less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments. This incorporates information and assumptions that a market participant would consider when pricing the item under consideration, the time value of money and the risks specific to the asset or cash-generating unit. Costs to dispose are incremental costs directly attributable to the disposal, excluding finance costs and income tax expense.

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

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

FINANCIAL ASSETS

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

ASSETS CARRIED AT AMORTISED COST

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

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

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

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

TRADE AND OTHER RECEIVABLES

For trade and other receivables, a provision for impairment is established when there is objective evidence that the Group will not be able

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to collect all amounts due according to the original terms of the receivables. Indicators of impairment include long-overdue accounts, significant financial difficulties of the debtors and defaults in payments.

TREASURY SHARES

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

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

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

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

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

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

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

REVENUE

Revenue of the Group comprises:

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

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

Value added tax is excluded.

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

Revenue is recognised on the following basis:

- sale of merchandise is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandise, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group;
- logistics services relate to the transport of goods on behalf of third parties and is recognised when the service has been provided;
- rental income for fixed escalation leases is recognised on a straight-line basis;
- contingent rentals are recognised in the period in which they arise;
- commissions are recognised on an accrual basis in accordance with the substance of the relevant agreement when the sale which gives rise to the commission has occurred;
- royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement;
- dividends are recognised when the shareholder's right to receive payment is established; and
- investment income is recognised as interest accrues using the effective interest method.

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

BORROWING COSTS

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

EXPENSES

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

SEGMENTAL INFORMATION

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

- Woolworths Clothing and General Merchandise (C&GM) (Clothing, homeware, beauty and other lifestyle products)
- Woolworths Food

- Woolworths Logistics
- David Jones (Department store clothing retailer)
- Country Road Group (Clothing retailer, which includes the Witchery Group)
- Woolworths Financial Services (WFS) (Financial products and services)
- Treasury (Cash and debt management activities)

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

EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share is calculated in accordance with Circular 2/2015 issued by the SAICA. Diluted earnings per share is presented to show the effect of the conversion of favourable potential ordinary shares.

DIVIDENDS TO SHAREHOLDERS

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

IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

IAS 7: Disclosure Initiative – Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2017)

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

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

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39: Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Despite the requirement to apply IFRS 9 in its entirety, entities may elect to apply early only the requirements for the presentation of gains and losses on financial liabilities designated as fair value through profit and loss (FVTPL) without applying the other requirements in the standard. The adoption of IFRS 9 will have an effect on the classification, measurement and impairment of the Group's financial assets and financial liabilities as well as hedge accounting. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. Entities are generally required to recognise either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For certain trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

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

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

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

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

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

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

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

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

	2017 Rm	2016 Rm
2. REVENUE		
Turnover	67 411	65 004
Clothing and General Merchandise	39 739	39 533
Foods	27 075	24 956
Logistics services and other	597	515
Other revenue	1 944	1 926
Rentals	8	13
Concession sales commission	1 868	1 830
Royalties and other	68	83
Investment income	96	48
Interest earned from cash and investments	95	46
Other	1	2
	69 451	66 978

3. PROFIT BEFORE TAX INCLUDES:

	2017 Rm	2016 Rm
3.1 OPERATING LEASE EXPENSES		
Land and buildings – Straight-lined rentals	5 390	5 031
– Contingent rentals	145	185
Plant and equipment	31	19
3.2 AUDITOR'S REMUNERATION		
Audit fee – current year	29	27
Tax advisory and other services	1	1
3.3 NET FOREIGN EXCHANGE LOSS/(GAIN)	85	(12)
3.4 OTHER EXPENSES		
Technical and consulting service fees	195	200
Depreciation and amortisation (refer to notes 8 and 10)	1 935	1 825
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(1 752)	22
Impairment of property, plant and equipment and intangible assets (refer to notes 8 and 10)	382	7
(Profit)/loss on fair value movements arising from derivative instruments (refer to note 25.6)	(11)	13
Transaction costs on acquisitions	19	–
David Jones relocation and retrenchment costs	173	–
3.5 EMPLOYMENT COSTS	10 160	9 859
Short-term employment benefits	9 113	8 850
Share-based payments expense	54	120
Pension costs (refer to note 21)	827	785
Post-retirement medical benefit (refer to note 21)	43	41
Termination and other benefits	123	63
3.6 FINANCE COSTS		
Long-term borrowings, bank borrowings and overdrafts	1 256	1 234

	2017 Rm	2016 Rm
4. TAX		
Current year		
Normal tax		
South Africa	824	881
Foreign	695	656
Deferred tax		
South Africa	55	(42)
Foreign	(294)	181
	1 280	1 676
Prior year		
Normal tax		
South Africa	(2)	–
Foreign	(1)	18
Deferred tax		
South Africa	6	–
Foreign	(5)	(14)
	1 278	1 680

	2017 %	2016 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	0.5	0.6
Exempt income	(0.4)	(0.5)
Tax base adjustments on David Jones assets at acquisition	(9.0)	–
Foreign tax	0.9	0.7
WFS equity-accounted earnings	(1.2)	(1.2)
Other	0.2	0.2
Effective tax rate	19.0	27.8
Normal tax recognised in other comprehensive income	(73)	45
Normal tax recognised in share-based payment reserve	(20)	(48)

5. EARNINGS PER SHARE

BASIC AND HEADLINE EARNINGS

	Profit before tax Rm	Tax Rm	Non-controlling interests Rm	Attributable profit Rm
2017				
Basic earnings	6 726	(1 278)	(2)	5 446
Adjustments:				
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(1 752)	83	–	(1 669)
Impairment of property, plant and equipment and intangible assets	382	(114)	–	268
Headline earnings	5 356	(1 309)	(2)	4 045
2016				
Basic earnings	6 033	(1 680)	(9)	4 344
Adjustments:				
Loss on disposal of property, plant and equipment and intangible assets	22	(6)	–	16
Profit on disposal of associate	(7)	–	–	(7)
Impairment of property, plant and equipment and intangible assets	7	(2)	–	5
Headline earnings	6 055	(1 688)	(9)	4 358

WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)

	Number of shares 2017	Number of shares 2016
Weighted average number of shares	960 984 002	956 492 529
Number of shares in issue at the beginning of the year	960 088 973	930 315 662
Weighted average number of shares issued in terms of share schemes during the year	1 117 487	1 277 763
Weighted average number of shares issued in terms of BEEESOS unwind	–	23 826 571
Weighted average number of shares issued in terms of scrip distribution alternative	–	890 703
Bonus issue in terms of scrip distribution alternative*	–	38 218
Weighted average number of shares purchased during the year	(362 588)	(226 990)
Weighted average number of shares released in terms of the Restricted Share Plan	140 130	370 602

EARNINGS PER SHARE (CENTS)

	2017	2016
Basic	566.7	454.2
Headline	420.9	455.6

* In the prior year, the Group offered a scrip distribution as an alternative to the interim dividend.

	2017 Rm	2016 Rm

6. DILUTED EARNINGS PER SHARE

DILUTED EARNINGS

	2017 Rm	2016 Rm
Diluted basic earnings	5 446	4 344
Headline earnings adjustment, after tax	(1 401)	14
Diluted headline earnings	4 045	4 358

DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

	Number of shares	
	2017	2016
Weighted average number of shares	960 984 002	956 492 529
Potential dilutive effect of outstanding number of share options	5 176 365	6 562 907
Diluted weighted average number of shares	966 160 367	963 055 436

In the prior year, the Group offered a scrip distribution as an alternative to the Interim dividend.

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

DILUTED EARNINGS PER SHARE (CENTS)

	2017	2016
Basic	563.7	451.0
% dilution	0.5%	0.7%
Headline	418.7	452.5
% dilution	0.5%	0.7%

7. RELATED-PARTY TRANSACTIONS

RELATED PARTIES

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

HOLDING COMPANY

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

SUBSIDIARIES

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

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

	2017 Rm	2016 Rm
JOINT VENTURES		
The following related-party transactions and balances occurred between the Group and the joint ventures:		
WOOLWORTHS FINANCIAL SERVICES PROPRIETARY LIMITED		
Service costs received by Woolworths Proprietary Limited	(90)	(85)
Merchant fee income paid by Woolworths Proprietary Limited	114	116
Accounts receivable by Woolworths Proprietary Limited	103	93
Accounts payable by Woolworths Proprietary Limited	(68)	(72)
NEDGLEN PROPERTIES PROPRIETARY LIMITED		
Rental paid by Woolworths Proprietary Limited	3	3

KEY MANAGEMENT PERSONNEL

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

KEY MANAGEMENT COMPENSATION

	2017 Rm	2016 Rm
Short-term employee benefits	112	155
Woolworths Holdings Limited directors	54	75
Other key management personnel	58	80
Post-employment benefits	1	3
Woolworths Holdings Limited directors	1	2
Other key management personnel	–	1
IFRS 2 value of share-based payments expense	26	37
Woolworths Holdings Limited directors	22	33
Other key management personnel	4	4
	139	195

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

	2017 Rm	2016 Rm
SHARE PURCHASE SCHEME LOANS AND INVESTMENTS		
Balance outstanding at the beginning of the year	9	12
Loans repaid during the year	(9)	(3)
Balance outstanding at the end of the year	–	9

Details of the terms and conditions relating to these loans are disclosed in note 12.

No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2016: nil).

	2017 Rm	2016 Rm
GROUP CARD AND VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	7	8
Annual repayments	(7)	(8)
Balance outstanding at the end of the year	3	3

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

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

No bad or doubtful debts have been recognised in respect of these card accounts of key management personnel (2016: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of David Jones Proprietary Limited and Country Road Group Proprietary Limited employees are disclosed in note 21.

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS

Emoluments paid to Executive Directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries for the year ended 25 June 2017 and comparatives for 26 June 2016 are set out below:

2017		Guaranteed pay			Short-term incentives	Long-term incentives		Retention	Remuneration
Executive directors	Notes	Base salary R000's	Benefits (1) R000's	Total guaranteed pay R000's	Performance bonus R000's	Fair value of shares, options, SARS, LTIP and PSP granted (2) R000's	Interest-free loan benefit (3) R000's	Fair value of restricted shares (4) R000's	Total remu-neration R000's
Ian Moir		18 673	135	18 808	–	470	–	15 397	34 675
John Dixon	(5)	16 078	2 950	19 028	–	4 215	–	–	23 243
Reeza Isaacs		4 752	373	5 125	–	1 326	–	831	7 282
Sam Ngumeni		5 369	422	5 791	–	1 549	91	100	7 531
Zyda Rylands		6 532	372	6 904	–	2 015	101	–	9 020
		51 404	**4 252**	**55 656**	**–**	**9 575**	**192**	**16 328**	**81 751**

2016		Guaranteed pay			Short-term incentives	Long-term incentives		Retention	Remuneration
Executive directors	Notes	Base salary R000's	Benefits (1) R000's	Total guaranteed pay R000's	Performance bonus R000's	Fair value of shares, options, SARS, LTIP and PSP granted (2) R000's	Interest-free loan benefit (3) R000's	Fair value of restricted shares (4) R000's	Total remun-eration R000's
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		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

NOTES

1. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores. Benefits for John Dixon includes in-country legislative components.
2. IFRS 2 Share-based payments have been used to equate the annual expense value of shares, SARS, LTIP and PSP held at the end of the financial year.
3. The interest free loan relates to the purchases of shares under Woolworths Holdings Share Trust. The benefit has been calculated at 8.0% (2016: 7.396%) (average) on the value of the outstanding. All loans were paid-up during the course of the year.
4. IFRS 2 Share-based payments have been used to equate the annual expense value of RSP shares.
5. John Dixon was appointed as an Executive Director on 18 May 2017, his remuneration is disclosed for the full year in rands. His total remuneration for the year in Australian dollars is A$2 260 496.

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

NON-EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS

Emoluments paid to Non-executive Directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries for the year ended 25 June 2017 and comparatives for 26 June 2016 are set out below:

2017

Non-executive directors	Notes	Directors' fees R000's	Audit committee member R000's	Remun-eration committee member R000's	Risk and compliance committee member R000's	Nominations committee member R000's	Sustain-ability committee member R000's	Social and ethics committee member R000's	Benefits (1) R000's	Total Non-executive directors' remune-ration R000's
Simon Susman	(2)	1 547	–	113	112	103	103	103	82	2 163
Patrick Allaway	(3)	3 106	174	113	113	–	–	–	–	3 506
Peter Bacon		359	174	113	–	–	–	–	14	660
Zarina Bassa	(4)	1 091	175	113	215	102	–	–	14	1 710
Tom Boardman		588	–	215	–	164	103	102	19	1 191
Hubert Brody	(5)	658	318	–	112	–	–	–	–	1 088
Andrew Higginson	(6)	1 294	174	113	113	–	–	–	–	1 694
Gail Kelly	(7)	2 335	–	113	113	102	102	–	4	2 769
Nombulelo Moholi	(8)	359	–	112	113	–	–	121	28	733
Lord Rose	(9)	1 294	–	112	113	103	174	–	–	1 796
Thina Siwendu	(10)	223	–	–	84	–	76	130	15	528
		12 854	**1 015**	**1 117**	**1 088**	**574**	**558**	**456**	**176**	**17 838**

2016

Non-executive directors	Notes	Directors' fees (11) R000's	Audit committee member R000's	Remun-eration committee member R000's	Risk and compliance committee member R000's	Nominations committee member R000's	Sustain-ability committee member R000's	Social and ethics committee member R000's	Benefits (1) R000's	Total Non-executive directors' remune-ration 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)	667	147	–	193	79	–	–	18	1 104
Tom Boardman		436	–	203	–	128	89	89	18	963
Hubert Brody	(5)	495	217	–	99	–	–	–	–	811
Andrew Higginson	(6)	1 278	147	104	98	–	–	–	1	1 628
Gail Kelly	(7)	1 841	–	79	77	50	70	–	116	2 233
Mike Leeming	(11)	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	(10)	309	–	–	98	–	89	163	19	678
		11 590	**927**	**906**	**1 005**	**444**	**500**	**430**	**433**	**16 235**

NOTES

1. Benefits are discounts received on purchases made in WHL Group stores.
2. Simon Susman receives post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position. Benefits of R82 294 (2016: R117 062) include the following:
   - post-retirement healthcare benefit of R30 740 (2016: R37 428);
   - discounts received on purchases made in Woolworths stores of R51 554 (2016: R79 634).
3. Patrick Allaway's director's fees are paid in Australian dollars as an Australian resident. Directors' fees earned include fees as a Non-executive Director for David Jones and Country Road Group of A$150 000 (2016: A$150 000).
4. Zarina Bassa's director's fees earned include fees as a Non-executive Director for Woolworths of R732 857 (2016: 357 500). Zarina was appointed a Non-executive Director for Woolworths on 4 February 2016.
5. Hubert Brody's director's fees earned include attendance at the Treasury Committee and Chairman of Woolworths South Africa Audit Review Panel of R299 300 (2016: R186 000).
6. Andrew Higginson's fees as a director are paid in sterling as a British resident.
7. Gail Kelly's director's fees are paid in Australian dollars as an Australian resident. Directors' fees earned include fees as a Non-executive Director for David Jones and Country Road Group of A$75 000 (2016: A$56 250). Gail was appointed to the board on 1 October 2015.
8. Nombulelo Moholi was appointed as Chairman of Social and Ethics Committee on 15 February 2017 and a member of the Sustainability Committee on 18 May 2017.
9. Lord Rose's director's fees are paid in Sterling as a British resident.
10. Thina Siwendu resigned from the board on 15 February 2017.
11. Mike Leeming retired from the Board on 26 November 2015.

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interests in shares of the company are disclosed in the Directors' Report on page 35.

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 25 June 2017, are set out below:

IAN MOIR

			As at 26 June 2016		Awarded	
Scheme	Award date	Vesting date	Number	Price	Number	Price
SHARE APPRECIATION RIGHTS (SARS) SCHEME	26 Aug 2010	29 Aug 2013	117 823	R19.85		
	25 Aug 2011	28 Aug 2014	87 468	R27.89		
	23 Aug 2012	27 Aug 2015	72 288	R51.48		
	29 Aug 2013	29 Aug 2016	103 755	R56.06		
Total			381 334			
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME	29 Aug 2013	29 Aug 2016	154 964	R60.72	13 924	R86.76
Total			154 964		13 924	
RESTRICTED SHARE PLAN (RSP) SCHEME	9 Oct 2014	9 Oct 2017	258 210	R69.71		
	5 Jan 2015	16 Feb 2017	284 000	R92.14		
	27 Aug 2015	27 Aug 2018	186 126	R96.71		
	25 Aug 2016	26 Aug 2019			318 442	R84.79
Total			728 336		318 442	
Total			**1 264 634**		**332 366**	

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.

REEZA ISAACS

			As at 26 June 2016		Awarded	
Scheme	Award date	Vesting date	Number	Price	Number	Price
SHARE APPRECIATION RIGHTS (SARS) SCHEME	29 Aug 2013	29 Aug 2016	43 396	R56.06		
	15 Sep 2014	15 Sep 2017	25 115	R74.06		
Total			68 511			
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME	29 Aug 2013	29 Aug 2016	48 042	R60.72	4 318	R86.76
	15 Sep 2014	15 Sep 2017	27 208	R74.06		
Total			75 250		4 318	
RESTRICTED SHARE PLAN (RSP) SCHEME	1 Jun 2013	24 Aug 2017	52 420	R73.92		
Total			52 420			
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	37 581	R96.70		
	11 Feb 2016	14 Feb 2019	9 990	R93.69		
	25 Aug 2016	26 Aug 2019			55 498	R87.86
Total			47 571		55 498	
Total			**243 752**		**59 816**	

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.

Forfeited		Sold/transferred			As at 25 June 2017		
Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
		117 823	R81.26	9 573 932			–
					87 468		87 468
					72 288		72 288
					103 755		103 755
		117 823		9 573 932	263 511		263 511
33 777	R86.76	135 111	R84.19	11 374 671			–
33 777		135 111		11 374 671			
						258 210	258 210
		71 000	R70.84	5 029 541		213 000	213 000
						186 126	186 126
						318 442	318 442
		71 000		5 029 541		975 778	975 778
33 777		**323 934**		**25 978 144**	**263 511**	**975 778**	**1 239 289**

Forfeited		Sold/transferred			As at 25 June 2017		
Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
		43 396	R83.10	3 605 995			–
						25 115	25 115
		43 396		3 605 995		25 115	25 115
10 471	R86.76	41 889	R84.19	3 526 534			–
						27 208	27 208
10 471		41 889		3 526 534		27 208	27 208
						52 420	52 420
						52 420	52 420
						37 581	37 581
						9 990	9 990
						55 498	55 498
						103 069	103 069
10 471		**85 285**		**7 132 529**		**207 812**	**207 812**

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interests in shares of the company are disclosed in the Directors' Report on page 35.

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 25 June 2017, are set out below:

SAM NGUMENI

			As at 26 June 2016		Awarded	
Scheme	Award date	Vesting date	Number	Price	Number	Price
SHARE PURCHASE SCHEME	23 Aug 2006	23 Aug 2011	33 050	R13.30		
	14 Nov 2006	14 Nov 2011	190 216	R15.74		
Total			223 266			
SHARE APPRECIATION RIGHTS (SARS) SCHEME	25 Aug 2011	28 Aug 2014	34 987	R27.89		
	23 Aug 2012	27 Aug 2015	29 095	R51.48		
	29 Aug 2013	29 Aug 2016	28 281	R56.06		
	15 Sep 2014	15 Sep 2017	55 092	R74.06		
Total			147 455			
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME	29 Aug 2013	29 Aug 2016	32 031	R60.72	2 879	R86.76
	15 Sep 2014	15 Sep 2017	59 682	R74.06		
Total			91 713		2 879	
RESTRICTED SHARE PLAN (RSP) SCHEME	23 Aug 2012	25 Aug 2016	13 906	R59.25		
Total			13 906			
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	40 848	R96.70		
	11 Feb 2016	14 Feb 2019	10 858	R93.69		
	25 Aug 2016	26 Aug 2019			60 324	R87.86
Total			51 706		60 324	
Total			**528 046**		**63 203**	

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.

Forfeited		Sold/transferred			As at 25 June 2017		
Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
		33 050	R13.30	439 565			–
		190 216	R15.74	2 994 000			–
		223 266		3 433 565			
		34 987	R72.43	2 533 972			–
		29 095	R72.43	2 107 237			–
		28 281	R72.43	2 048 283			–
						55 092	55 092
		92 363		6 689 492		55 092	55 092
6 982	R86.76	27 928	R84.19	2 351 191			–
						59 682	59 682
6 982		27 928		2 351 191		59 682	59 682
		6 953	R87.67	609 570		6 953	6 953
		6 953		609 570		6 953	6 953
						40 848	40 848
						10 858	10 858
						60 324	60 324
						112 030	112 030
6 982		**350 510**		**13 083 818**		**233 757**	**233 757**

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Details of directors' interests in shares of the company are disclosed in the Directors' Report on page 35.

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust, which had not been exercised at 25 June 2017, are set out below:

ZYDA RYLANDS

			As at 26 June 2016		Awarded	
Scheme	Award date	Vesting date	Number	Price	Number	Price
SHARE PURCHASE SCHEME	23 Aug 2006	23 Aug 2011	129 699	R13.30		
	4 Oct 2006	4 Nov 2011	291 758	R13.71		
Total			421 457			
SHARE OPTION SCHEME	17 Aug 2008	17 Aug 2013	65 279	R8.81		
Total			65 279			
SHARE APPRECIATION RIGHTS (SARS) SCHEME	27 Aug 2009	27 Aug 2012	107 000	R11.35		
	25 Aug 2011	28 Aug 2014	53 538	R27.89		
	23 Aug 2012	27 Aug 2015	38 304	R51.48		
	29 Aug 2013	29 Aug 2016	40 790	R56.06		
	15 Sep 2014	15 Sep 2017	32 358	R74.06		
Total			271 990			
LONG-TERM INCENTIVE PLAN (LTIP) SCHEME	29 Aug 2013	29 Aug 2016	46 199	R60.72	4 152	R86.76
	15 Sep 2014	15 Sep 2017	35 055	R74.06		
Total			81 254		4 152	
PERFORMANCE SHARE PLAN (PSP) SCHEME	27 Aug 2015	27 Aug 2018	105 073	R96.70		
	25 Aug 2016	26 Aug 2019			73 982	R87.86
Total			105 073		73 982	
Total			**945 053**		**78 134**	

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.

JOHN DIXON

			As at 26 June 2016		Awarded	
Scheme	Award date	Vesting date	Number	Price	Number	Price
PERFORMANCE SHARE PLAN (PSP) SCHEME	11 Feb 2016	11 Feb 2019	216 523	R93.69		
	25 Aug 2016	26 Aug 2019			220 852	R87.86
Total			216 523		220 852	

1. Realisation value: taxable value realised by the individual on sale or transfer of awards.

	Forfeited		Sold/transferred			As at 25 June 2017		
	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
			129 699	R13.30	1 724 997			–
			291 758	R13.71	4 000 002			–
			421 457		5 724 999			
						65 279		65 279
						65 279		65 279
			107 000	R87.67	9 380 594			–
						53 538		53 538
						38 304		38 304
						40 790		40 790
							32 358	32 358
			107 000		9 380 594	132 632	32 358	164 990
	10 070	R86.76	40 281	R84.19	3 391 161			–
							35 055	35 055
	10 070		40 281		3 391 161		35 055	35 055
							105 073	105 073
							73 982	73 982
							179 055	179 055
	10 070		**568 738**		**18 496 754**	**197 911**	**246 468**	**444 379**

	Forfeited		Sold/transferred			As at 25 June 2017		
	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
							216 523	216 523
							220 852	220 852
							437 375	437 375

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improve-ments Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2016					
Cost	7 823	1 431	8 719	1 391	19 364
Accumulated depreciation	(32)	(326)	(3 530)	(781)	(4 669)
Accumulated impairment	–	(15)	(246)	(4)	(265)
Net book value at June 2015	7 791	1 090	4 943	606	14 430
Current year movements:					
Additions	6	260	1 844	237	2 347
Net transfers	(189)	(151)	228	(32)	(144)
Disposals/scrappings – cost	–	(5)	(248)	(21)	(274)
Disposals/scrappings – accumulated depreciation	–	2	214	16	232
Transfer to non-current assets held for sale – cost	(1 978)	–	(85)	–	(2 063)
Transfer to non-current assets held for sale – accumulated depreciation	3	–	11	–	14
Depreciation	(48)	(114)	(1 160)	(192)	(1 514)
Impairment	–	–	(7)	–	(7)
Foreign exchange rate differences	1 388	211	629	75	2 303
Balance at June 2016	6 973	1 293	6 369	689	15 324
Made up as follows:					
Cost	7 060	1 823	11 440	1 657	21 980
Accumulated depreciation	(87)	(514)	(4 776)	(964)	(6 341)
Accumulated impairment	–	(16)	(295)	(4)	(315)
Net book value at June 2016	6 973	1 293	6 369	689	15 324
2017					
Current year movements:					
Additions	201	73	1 471	169	1 914
Acquisition of subsidiary (refer to note 32)	–	–	48	–	48
Net transfers	78	–	(1)	–	77
Disposals/scrappings – cost	–	(2)	(148)	(31)	(181)
Disposals/scrappings – accumulated depreciation	–	2	125	31	158
Depreciation	(40)	(106)	(1 295)	(199)	(1 640)
Impairment	(41)	–	(313)	(14)	(368)
Foreign exchange rate differences	(776)	(159)	(499)	(52)	(1 486)
Balance at June 2017	6 395	1 101	5 757	593	13 846
Made up as follows:					
Cost	6 546	1 661	11 941	1 696	21 844
Accumulated depreciation	(114)	(544)	(5 619)	(1 087)	(7 364)
Accumulated impairment	(37)	(16)	(565)	(16)	(634)
Net book value at June 2017	6 395	1 101	5 757	593	13 846

	2017 Rm	2016 Rm
8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
The net carrying amounts of assets held under finance leases were as follows:		
Motor vehicles	28	24
Computer equipment	–	1

Additions during the year include R16 million (2016: R9 million) of assets held under finance leases.

A fixed property, with a carrying value of R2 049 million (A$182 million), previously disclosed as a non-current asset held for sale, was sold during the year. This disposal resulted in a profit on sale of R1 762 million (A$172.6 million).

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

	Carrying value Rm
2017	
Retail stores	5 026
Distribution centres	1 290
Corporate owner-occupied properties	79
2016	
Retail stores	5 829
Distribution centres	1 069
Corporate owner-occupied properties	75

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

	2017 Rm	2016 Rm
9. INVESTMENT PROPERTIES		
Balance at the beginning of the year	78	78
Transferred to property, plant & equipment (refer to note 8)	(78)	–
Balance at the end of the year	–	78

No depreciation was recognised on investment properties in the current or prior year, as residual values exceeded carrying values of all properties classified as investment properties. The investment property has been transferred to property, plant and equipment due to a change in use.

Investment properties were valued at R106 million for the period ended 26 June 2016. The market values were determined by an external valuator using a discounted cash flow for the property, taking into account estimated rental value per square metre, annual growth rates and vacancy rates. This is considered a level 3 valuation under IFRS 13.

RENTAL INCOME AND EXPENSE FROM INVESTMENT PROPERTIES

	2017 Rm	2016 Rm
Rental income from investment properties	–	5

No restrictions exist on the sale of investment properties. Refer to note 29 for disclosure on operating leases.

10. INTANGIBLE ASSETS

	Brands and customer databases Rm	Computer software Rm	Restated* Goodwill Rm	Reacquired rights Rm	Total Rm
2016					
Cost	6 085	1 784	10 660	490	19 019
Accumulated amortisation	(43)	(981)	–	(313)	(1 337)
Accumulated impairment	–	(177)	(2)	(1)	(180)
Net book value at June 2015	6 042	626	10 658	176	17 502
Current year movements:					
Additions	8	470	369	–	847
Net transfers	–	174	–	–	174
Amortisation	(11)	(232)	–	(68)	(311)
Foreign exchange rate differences	1 253	67	1 604	–	2 924
Balance at June 2016	7 292	1 105	12 631	108	21 136
Made up as follows:					
Cost	7 354	2 654	12 634	490	23 132
Accumulated amortisation	(62)	(1 339)	–	(381)	(1 782)
Accumulated impairment	–	(210)	(3)	(1)	(214)
Net book value at June 2016	7 292	1 105	12 631	108	21 136
2017					
Current year movements:					
Additions	7	655	–	–	662
Acquisition of subsidiary (refer to note 32)	207	–	513	–	720
Net transfers	–	1	–	–	1
Disposals/scrappings – cost	–	(4)		–	(4)
Disposals/scrappings – accumulated amortisation	–	4	–	–	4
Amortisation	(10)	(239)	–	(46)	(295)
Impairment	–	(6)	(8)	–	(14)
Foreign exchange rate differences	(955)	(98)	(1 562)	–	(2 615)
Balance at June 2017	6 541	1 418	11 574	62	19 595
Made up as follows:					
Cost	6 605	3 098	11 584	490	21 777
Accumulated amortisation	(64)	(1 490)	–	(427)	(1 981)
Accumulated impairment	–	(190)	(10)	(1)	(201)
Net book value at June 2017	6 541	1 418	11 574	62	19 595

Brands and customer databases include costs of R69 million (2016: R79 million) and accumulated amortisation of R45 million (2016: R29 million) in respect of customer databases. The acquired brands are established trademarks in the retail environment in Australia. History indicates that competitor movements had no significant impact on the sales generated by these brands. As such, management considers these brands to have indefinite useful lives.

* CHANGE IN ACCOUNTING POLICY

Historically, the Group has assessed deferred tax on indefinite life intangible assets using the assumption that the value will be recovered through sale, rather than use, as these assets are not amortised.

In November 2016, the IFRS Interpretations Committee (IFRIC) issued a final agenda decision, clarifying that an intangible asset with an indefinite useful life is subject to consumption and therefore not a non-depreciable asset in terms of paragraph 51B of IAS 12: Income Taxes. IFRIC therefore concluded that the assumption of sale could not be presumed in calculating the deferred tax liability on an intangible asset.

As a consequence of this decision, the Group has amended its accounting policy to comply with the revised guidance. The impact of the restatement is to increase goodwill by R2 171 million (A$193 million) as at 26 June 2016 and by R1 802 million (A$193 million) as at 28 June 2015, with a corresponding credit to deferred tax, split as follows:

	2016			2015		
	Goodwill Rm	Deferred tax assets Rm	Deferred tax liabilities Rm	Goodwill Rm	Deferred tax assets Rm	Deferred tax liabilities Rm
David Jones	1 971	1 001	970	1 637	1 074	562
Country Road	200	193	7	165	166	–
Total	2 171	1 194	977	1 802	1 240	562

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

	2017 Rm	Restated 2016 Rm
GOODWILL		
The carrying value of goodwill comprises of:		
Arising on acquisition of Virtual Market Place Proprietary Limited	13	13
Arising on acquisition of franchise operations	831	831
Arising on acquisition of Witchery Group	775	775
Arising on acquisition of David Jones	9 535	9 535
Arising on acquisition of Politix (refer to note 32)	513	–
Impairment	(10)	(3)
Foreign exchange rate differences	(83)	1 480
Closing balance	11 574	12 631

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

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

DAVID JONES

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

	2017 Rm	Restated 2016 Rm
David Jones	6 817	6 817
Woolworths	1 480	1 480
Country Road Group	1 238	1 238
Foreign exchange rate differences	(153)	1 212
	9 382	10 747

Brands with indefinite useful lives arising on the acquisition of David Jones are included in the David Jones CGU for impairment testing. The carrying value of brands amounts to R5 716 million (2016: R6 568 million). The recoverable amount of each CGU has been determined using cash flow projections from financial forecasts approved by senior management and the Board, covering a five-year period.

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS

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

Sales growth rates: sales growth rates are based on the approved forecast sales growth for the forecast period of five years, and are between 2.1% and 7.7% (2016: 6.0% and 8.7%).

Gross margins: gross margins are based on the approved forecast gross margin for the forecast period, and are between 37.9% and 38.9% (2016: 39.1% and 40.3%).

Discount rates: discount rates between 9.0% and 10.0% (2016: 9.3% and 10.4%) represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

Long-term growth rates: these rates are based on the longer term inflation expectations for the Australian retail industry, at 2.0%.

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

10. INTANGIBLE ASSETS (CONTINUED)

WITCHERY GROUP

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

	2017 Rm	Restated 2016 Rm
Country Road	443	443
Witchery	232	232
Mimco	100	100
Foreign exchange rate differences	101	243
	876	1 018
Brands with indefinite useful lives arising on the acquisition of the Witchery Group, have been allocated to three CGUs for impairment testing as follows:		
Country Road	8	8
Witchery	351	351
Mimco	141	141
	500	500

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from financial forecasts approved by senior management and the Board, covering a five-year period. The discount rate applied to the cash flow projection ranges from 9.0% to 10.0% (2016: 9.2% to 10.3%), and cash flows for each CGU beyond the five-year period are extrapolated using a growth rate of 3.0% (2016: 3.0%), which is considered to be the long-term average growth rate for the Australian retail industry. Sales growth and gross margin were considered in determining the value-in-use.

POLITIX	2017 Rm	2016 Rm
Arising on acquisition (refer to note 32)	513	–
Foreign exchange rate differences	(27)	–
	486	–

FRANCHISE OPERATIONS

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

Botswana	192	192
Namibia	80	80
Other	559	559
Foreign exchange rate differences	(4)	26
	827	857

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

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

The projected cash flows are discounted to their present value using country risk-adjusted rates ranging from 12.5% to 24.7% (2016: 12.5% to 24.7%), based on the Group's WACC. The Group's WACC is 12.2% (2016: 12.7%).

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS

Sales growth rates: sales growth rates of between 0% and 15.0% (2016: 6.0% and 13.0%) have been used for local franchise buybacks, and between 5.6% and 43.7% (2016: 5.2% and 30.0%), for the rest of Africa stores. These sales growth rates have been derived by analysing historical data, considering growth rates projected by the Woolworths planning department, which includes price, volume and real estate growth, and considering the economic and trading conditions of each country in the rest of Africa and each area within South Africa for local franchise buybacks.

Gross margins: gross margins are between 31.74% and 57.7% (2016: 23.9% and 58.9%) and have been derived by analysing historical data, approved forecast gross margins for the forecast period, and considering the impact of currency fluctuations.

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

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

Long-term growth rates: these rates are based on the longer term inflation and currency expectations for the retail industry in South Africa of 5.3% (2016: 6.2%) and the rest of Africa and vary accordingly.

	2017 Rm	2016 Rm
11. PARTICIPATION IN EXPORT PARTNERSHIPS		
Balance outstanding at the beginning of the year	8	19
Payments received during the current year	(8)	(5)
Current portion included in trade and other receivables	–	(6)
Balance outstanding at the end of the year	–	8

The Group participated as a partner in a number of container export partnerships. The partnerships sold containers as long-term suspensive purchase and credit sale agreements.

Participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost is the Group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment or uncollectability.

The export partnerships reached maturity and the final amounts were paid to the Group during the year.

12. OTHER LOANS

	2017 Rm	2016 Rm
Housing and other employee loans	6	7
Balance outstanding at the beginning of the year	7	10
Loans granted during the year	1	–
Loans repaid during the year	(2)	(3)
Share purchase scheme participant loans and investments	–	14
Balance outstanding at the beginning of the year	14	18
Loans repaid during the year	(14)	(5)
Notional interest accrued for the year (included in note 2)	–	1
Enterprise development loans and prepayments	36	20
	42	41

Housing loans bear interest at prime less 2.0% (2016: prime less 2.0%). Housing loans are required to be repaid on termination of employment. The carrying value of housing loans approximates their fair value.

Loans to directors and other employees participating in the share purchase scheme are interest-free and are secured by shares in Woolworths Holdings Limited. The loans are repaid when participants take delivery of shares, over a period not exceeding 10 years. The shares held in terms of the share option and purchase schemes as disclosed in the Remuneration Report are held as collateral for the loan. The value of the shares held as collateral is significantly higher than the outstanding loans, ensuring the Group exposure to credit risk is limited.

Enterprise development loans are granted to certain South African suppliers for development as part of the Good Business Journey and are repaid over a period of three to five years. These loans bear interest at floating rates ranging between 7.5% to 10.5% (2016: 7.5% to 10.5%).

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

Other loans are not considered to be past due nor impaired. Refer to note 25.3 for details of the Group's credit risk management policies.

13. DEFERRED TAX

	2017 Rm	Restated 2016 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	(725)	(478)
Amounts (debited)/credited to profit or loss	238	(125)
Property, plant and equipment	377	(106)
Prepayments	(5)	(7)
Working capital and other provisions	(155)	(46)
Participation in export partnerships	14	6
Post-retirement medical benefit liability	7	1
Share-based payments	(7)	19
Assessed losses	(8)	(2)
Intangible assets	19	22
Other	(4)	(12)
Amounts credited/(debited) directly to other comprehensive income	89	(52)
Foreign currency translation reserve adjustment	122	(156)
Financial instrument revaluation reserve adjustment	(27)	107
Post-retirement medical benefit liability – actuarial (gain)/loss	(6)	(3)
Amounts debited directly to equity		
Share-based payment reserve	(58)	(70)
Amounts arising on business combinations (refer to note 32)	(62)	–
Balance at the end of the year	(518)	(725)
Deferred tax asset	140	258
Deferred tax liability	(658)	(983)
Net deferred tax liability	(518)	(725)
Comprising:		
Property, plant and equipment	220	(140)
Prepayments	(49)	(46)
Working capital and other provisions	1 131	1 340
Participation in export partnerships	–	(13)
Post-retirement medical benefit liability	103	103
Share-based payments	44	106
Assessed losses	16	32
Intangible assets	(1 980)	(2 235)
Financial instruments	20	51
Other	(23)	77
	(518)	(725)

Deferred tax has been calculated at the standard corporate tax rate as at the reporting date, as management expects to recover the carrying value of assets and settle the carrying value of liabilities through use.

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

	2017 Rm	2016 Rm
14. INVENTORIES		
Merchandise	7 479	7 798
Provision for shrinkage, obsolescence and mark-down	(493)	(688)
Consumables	2	1
Raw materials	2	6
	6 990	7 117
Movements in the provision for shrinkage, obsolescence and mark-down were as follows:		
Balance at the beginning of the year	(688)	(553)
Net charge for the year	(68)	(62)
Acquisition of subsidiary	(11)	–
Unused amounts reversed	202	25
Foreign exchange rate differences	72	(98)
Balance at the end of the year	(493)	(688)

15. TRADE AND OTHER RECEIVABLES AND FAIR VALUE LEASE ADJUSTMENT

	2017 Rm	2016 Rm
NON-CURRENT		
Fair value lease adjustment	65	83
	65	83
CURRENT		
Fair value lease adjustment	7	8
Trade and other receivables	1 253	1 357
Provision for impairment	(42)	(53)
Trade and other receivables – net	1 218	1 312
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	(53)	(7)
Charge for the year	(5)	(50)
Amounts written off	4	1
Unused amounts reversed	8	5
Foreign exchange rate differences	4	(2)
Balance at the end of the year	(42)	(53)

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

Trade and other receivables are interest-free unless overdue, and have payment terms ranging from seven days to 60 days. The provision for impairment of trade and other receivables is recognised when there is objective evidence obtained during the collection process, such as inability to recover long overdue accounts and liquidity problems experienced by the debtors, that indicate that the receivables may not be recoverable.

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

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

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

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

			Past due but not impaired		
	Total Rm	Neither past due nor impaired Rm	60 – 90 days delinquent Rm	90 – 120 days delinquent Rm	>120 days delinquent Rm
2017	716	653	5	17	41
2016	690	621	2	44	23

The above ageing analysis does not include the ageing of non-financial assets included in trade and other receivables. Refer to note 25.5 for the analysis of trade and other receivables. The Group does not hold any collateral as security.

Refer to note 25.3 for detailed information regarding the credit quality of financial assets that are neither past due nor impaired.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
NON-CURRENT				
Forward exchange contracts held as hedging instruments	3	3	–	–
Interest rate swaps and collars held as hedging instruments	–	16	72	12
	3	19	72	12
CURRENT				
Forward exchange contracts held as hedging instruments	38	162	76	209
Forward exchange contracts not hedge-accounted	1	3	2	15
Interest rate swaps and collars held as hedging instruments	1	11	12	41
	40	176	90	265

FORWARD EXCHANGE CONTRACTS

The notional principal amount of the outstanding contracts at year-end amounts to R6 774 million (2016: R7 233 million). These contracts are to hedge the foreign currency exposure of the anticipated purchase of goods. The related cash flows are expected to occur on the maturity dates of these contracts between one and 18 months (refer to note 25.4). Gains and losses on forward exchange contracts held as hedging instruments in designated and effective hedging relationships are initially recognised in other comprehensive income and reclassified on recognition of the associated non-financial asset. Gains and losses on remaining contracts not hedge-accounted for are recognised directly in profit or loss. Forward contracts are measured at fair value, which is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year-end. The contracts are settled on a gross basis.

INTEREST RATE SWAPS

The notional principal amount of the interest rate swaps at year-end amounts to R7 478 million (2016: R10 350 million). This comprises hedges on the South African debt of R9 900 million (2016: R10 000 million) as well as Australian debt of R3 426 million (2016: R5 799 million). These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 19). Gains and losses on interest rate swaps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income and are reclassified in the same period that the hedged cash flows affect profit or loss.

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

17. STATED CAPITAL

	2017 Rm	2016 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 237	10 802
Nil (2016: 24 361 954) ordinary shares issued in terms of BEEESOS unwind	–	2 414
Nil (2016: 24 361 954) ordinary shares allocated in terms of BEEESOS unwind	–	(2 414)
Nil (2016: 2 920 865) ordinary shares issued in terms of scrip distribution alternative	–	252
1 820 950 (2016: 2 167 167) ordinary shares issued in terms of share incentive schemes	138	183
Balance at the end of the year	11 375	11 237

	2017 R'000	2016 R'000
AUTHORISED		
2 410 600 000 (2016: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
961 697 769 (2016: 960 088 973) ordinary shares of no par value	–	–
	–	–

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE

	Number of shares	
	2017	2016
Balance at the beginning of the year	960 088 973	930 315 662
Shares issued in terms of BEEESOS unwind	–	24 361 954
Shares issued in terms of scrip distribution alternative	–	2 920 865
Shares issued in terms of share incentive schemes	1 820 950	2 167 167
Shares allocated in terms of the Restricted Share Plan	277 228	685 540
Shares purchased from the market and held as treasury shares in terms of the Restricted Share Plan	(489 382)	(362 215)
Balance at the end of the year	961 697 769	960 088 973

1 820 950 (2016: 2 167 167) ordinary shares totalling R138 million (2016: R183 million) were issued and allocated to employees in terms of the Group's share incentive schemes.

489 382 (2016: 362 215) ordinary shares totalling R39 million (2016: R34 million) were purchased from the market by Woolworths Proprietary Limited for the purposes of share incentive schemes and are held as treasury shares by the Group. 277 228 (2016: 685 540) ordinary shares totalling R18 million (2016: R33 million) were allocated to employees in terms of the Group's Restricted Share Plan.

In the prior year, 24 361 954 ordinary shares totalling R2 414 million were issued and allocated to employees in terms of the Group's Black Economic Empowerment Employee Share Ownership Scheme, which reached maturity on 30 June 2015, and 2 920 865 ordinary shares totalling R252 million were issued and allocated to shareholders in terms of the scrip distribution alternative.

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

Refer to note 26 for more information on the Group's capital management policy.

17. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES

EXECUTIVE INCENTIVE SCHEME

Shares and share options granted in terms of the executive incentive scheme meet the definition of equity-settled share-based payments. The options vest in tranches of 20.0% per annum and expire 10 years after grant date. The options were valued using a binomial model and assume an option life of 10 years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 5.0% and a risk-free interest rate based on the zero-coupon yield of South African government bonds with a term consistent with the option life.

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

	Number of shares	
	2017	2016
Shares held by participants		
Balance at the beginning of the year	1 069 723	1 486 662
Sold	(107 664)	(115 703)
Transferred to trust stock and shares released from the scheme	(962 059)	(301 236)
Balance at the end of the year	–	1 069 723
Market value at the end of the year (rands)	–	89 471 632
Percentage of shares vested at the end of the year	100.0%	100.0%
Weighted average issue price (rands)	16.59	11.42
Weighted average market price per share traded (rands)	71.36	88.01
Number of participants on executive incentive scheme	–	3
Options granted to participants		
Balance at the beginning of the year	157 796	240 743
Exercised	(92 517)	(82 947)
Balance at the end of the year	65 279	157 796
Percentage of options vested at the end of the year	100.0%	100.0%
Weighted average exercise price per option outstanding at the end of the year (rands)	8.81	13.45
Weighted average exercise price per option exercised (rands)	16.81	11.78
Weighted average market price per share traded (rands)	71.46	89.47
Number of participants on executive incentive scheme	1	4

	Number of options		Original	Current	
Period of offer*	2017	2016	exercise price	exercise price**	Fair value at grant date
14 November 2006 and 14 November 2016	–	23 120	15.74	13.61	5.06
15 February 2007 and 15 February 2017	–	32 752	20.35	17.75	6.57
1 March 2007 and 1 March 2017	–	36 645	20.35	17.75	6.47
17 October 2008 and 17 October 2018	65 279	65 279	10.57	8.81	1.59
Balance at the end of the year	65 279	157 796			

* The period of offer refers to the total life of the options. Options not exercised at the end of the period of offer, expire.

** The original exercise price was adjusted to take into account the effect of the special dividend paid to ordinary shareholders in December 2008. These were not further adjusted for the rights offer in October 2014.

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS SHARE APPRECIATION RIGHTS SCHEME (SARS)

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

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

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

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

	Number of rights	
	2017	2016
Rights granted to participants		
Balance at the beginning of the year	7 589 838	10 601 615
Exercised	(2 472 211)	(2 684 589)
Forfeited	(203 242)	(327 188)
Balance at the end of the year	4 914 385	7 589 838
Weighted average exercise price per right outstanding at the end of the year (rands)	60.36	54.78
Weighted average exercise price per right exercised (rands)	42.04	36.90
Weighted average exercise price per right forfeited (rands)	74.85	65.38
Weighted average market price per right exercised (rands)	75.82	94.78
Number of participants on SARS	434	470

Period of offer	Number of options 2017	Number of options 2016	Original exercise price	Current exercise price*	Fair value at grant date
21 August 2009 and 21 August 2016	–	107 000	15.00	11.35	3.42
18 February 2010 and 18 February 2017	–	34 438	19.74	16.24	5.21
26 August 2010 and 26 August 2017	75 766	606 292	23.34	19.85	6.27
17 February 2011 and 17 February 2018	70 530	92 890	23.49	20.01	7.81
25 August 2011 and 25 August 2018	456 040	734 440	31.44	27.89	8.76
16 February 2012 and 16 February 2019	24 650	24 650	41.90	38.12	19.79
23 August 2012 and 23 August 2019	571 294	785 360	55.68	51.48	17.55
14 February 2013 and 14 February 2020	91 609	107 690	67.08	62.42	20.81
19 August 2013 and 19 August 2020	1 259 881	2 471 423	60.72	56.06	20.22
13 February 2014 and 13 February 2021	139 322	190 382	61.23	56.48	17.76
15 September 2014 and 15 September 2021	2 043 869	2 225 807	74.06	74.06	21.57
12 February 2015 and 12 February 2022	181 424	209 466	83.02	83.02	26.77
Balance at the end of the year	4 914 385	7 589 838			

* The original exercise price was adjusted to take into account the effect of a special dividend paid to ordinary shareholders in December 2008 and further by the rights offer in October 2014.

17. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS LONG-TERM INCENTIVE PLAN (LTIP)

The Long-term Incentive Plan provides executives with the opportunity to receive Woolworths Holdings Limited shares by way of conditional awards of shares, which are subject to the fulfilment of predetermined performance conditions covering a three-year period, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are equally weighted between headline earnings per share (HEPS) growth and total shareholder return (TSR) of the company relative to the TSR of a selected peer group index for the same period. The HEPS performance condition has a minimum threshold for 30.0% vesting and a target for 100.0% vesting. If the TSR performance of Woolworths falls below the lower quartile (i.e. if 75.0% of our peers perform better than Woolworths), then this portion of the LTIP does not vest. However, if the TSR performance of Woolworths exceeds the upper quartile (or 75.0% of our peers) performance, then 100.0% of the award vests. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

LTIP constitutes an equity-settled share-based payment.

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

	Number of awards	
	2017	2016
Awards granted to participants		
Balance at the beginning of the year	1 364 185	2 065 393
Granted	64 000	29 014
Exercised	(624 735)	(443 222)
Forfeited	(325 782)	(287 000)
Balance at the end of the year	477 668	1 364 185
Weighted average exercise price per award outstanding at the end of the year (rands)	75.53	68.75
Weighted average exercise price per award granted (rands)	85.50	95.92
Weighted average exercise price per award forfeited (rands)	70.06	75.24
Weighted average market price per award exercised (rands)	85.59	96.57
Number of participants on LTIP	41	58

	Number of awards			
Period of offer	2017	2016	Exercise price	Fair value at grant date
29 August 2013 and 29 August 2016	–	636 398	60.72	46.88
13 February 2014 and 13 February 2017	–	12 840	61.23	53.38
15 September 2014 and 15 September 2017	329 125	391 407	74.06	53.08
13 November 2014 and 15 November 2017	128 932	303 929	78.13	58.83
12 February 2015 and 12 February 2018	19 611	19 611	83.02	53.39
Balance at the end of the year	477 668	1 364 185		

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS RESTRICTED SHARE PLAN (RSP)

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

Shares granted in terms of the RSP meet the definition of an equity-settled share-based payment. The RSPs dated 1 July 2014, 9 October 2014 and 5 January 2015 have performance conditions attached without linear vestings. The full terms and conditions of the scheme are detailed in the Remuneration Committee section of the Integrated Report. In terms of the plan, the Group purchased equity instruments totalling R39 million in the current year (2016: R34 million) for the benefit of the participants. The participants will be entitled to the dividends and voting rights on these shares from grant date.

Vesting in respect of the grants issued occurs as follows:

Period of offer	Year 0 – 2 %	Year 3 %	Year 4 %	Year 5 %
26 August 2010 and 26 August 2015	–	50	25	25
17 February 2011 and 17 February 2016 and subsequent grants till 2 September 2014	–	50	25	25
9 October 2014 and 9 October 2017; 27 August 2015 and 27 August 2018; 25 August 2016 and 25 August 2019	–	100	–	–
13 November 2014 and 13 November 2019	–	50	25	25
5 January 2015 and 5 January 2019	40	30	30	–
12 February 2015 and 12 February 2020 and subsequent grants	–	50	25	25
11 February 2016 and 19 May 2021; 19 May 2016 and 19 May 2021	–	25	25	50

	Number of shares	
Shares granted to participants	**2017**	**2016**
Balance at the beginning of the year	1 676 405	1 999 730
Purchased	489 382	362 215
Vested	(250 042)	(630 575)
Forfeited	(27 186)	(54 965)
Balance at the end of the year	1 888 559	1 676 405
Market value per share at the end of the year (rands)	62.89	83.64
Percentage of shares vested at the end of the year	14.9%	31.5%
Weighted average price per share purchased (rands)	82.33	92.91
Number of participants on RSP	42	40

17. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS RESTRICTED SHARE PLAN (RSP) (CONTINUED)

Period of offer	Number of shares 2017	Number of shares 2016	Fair value at grant date
25 August 2011 and 25 August 2016	–	5 020	34.59
15 May 2012 and 15 May 2017	–	11 089	48.86
23 August 2012 and 23 August 2017	26 815	72 365	60.32
13 November 2012 and 13 November 2017	24 045	57 380	69.63
14 February 2013 and 14 February 2018	7 046	14 092	69.19
14 May 2013 and 14 May 2018	15 129	30 255	71.25
1 June 2013 and 1 June 2018	52 420	52 420	73.92
3 June 2013 and 3 June 2018	–	18 983	67.17
29 August 2013 and 29 August 2018	26 384	67 127	65.16
14 November 2013 and 14 November 2018	29 336	58 672	73.18
1 July 2014 and 1 July 2019	162 227	162 227	61.64
28 August 2014 and 28 August 2019	48 212	48 212	80.50
2 September 2014 and 2 September 2019	27 949	27 949	80.50
9 October 2014 and 9 October 2017	258 210	258 210	69.71
13 November 2014 and 13 November 2019	74 330	74 330	78.45
5 January 2015 and 5 January 2019	213 000	284 000	92.14
12 February 2015 and 12 February 2020	28 200	28 200	91.68
14 May 2015 and 14 May 2020	43 659	43 659	98.79
27 August 2015 and 27 August 2018	186 126	186 126	96.71
27 August 2015 and 27 August 2020	55 272	55 272	95.03
1 November 2015 and 1 November 2020	15 345	15 345	97.75
11 February 2016 and 11 February 2021	27 018	27 018	85.13
19 May 2016 and 19 May 2021	78 454	78 454	84.13
25 August 2016 and 25 August 2019	318 442	–	84.79
25 August 2016 and 25 August 2021	114 027	–	83.31
17 May 2017 and 17 May 2022	56 913	–	66.58
Balance at the end of the year	1 888 559	1 676 405	

BLACK ECONOMIC EMPOWERMENT EMPLOYEE SHARE OWNERSHIP SCHEME (BEEESOS)

In 2008, the Group's Black Economic Empowerment Employee Share Ownership Scheme, in terms of which convertible, redeemable, non-cumulative participating preference shares were issued to qualifying employees of the Group, became effective. The scheme matured on 30 June 2015 and, in accordance with the rules of the scheme, 24 361 954 ordinary shares totalling R2 414 million were issued and allocated to employees in the prior year.

	Number of shares 2017	Number of shares 2016
Shares in issue at the beginning of the year	–	89 117 253
Shares redeemed	–	(89 117 253)
Shares in issue at the end of the year	–	–
Percentage of shares vested at the end of the year	–	100%
Weighted average fair value per instrument at grant date (rands)	–	–
Number of active participants on share scheme	–	–

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS PERFORMANCE SHARE PLAN (PSP)

The Performance Share Plan provides executives and employees with the opportunity to receive Woolworths Holdings Limited shares by way of conditional awards of shares, which are subject to the fulfilment of predetermined performance conditions covering a three-year period, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to this scheme are weighted between adjusted headline earnings per share (aHEPS) growth, total shareholder return (TSR) of the company relative to the TSR of a selected peer group index for the same period and return on capital employed (ROCE) conditions. The aHEPS performance condition, which has a 50.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100% vesting. The TSR performance condition, which has a 30.0% weighting, requires the TSR performance of Woolworths to exceed the upper quartile performance of the peer group, for this portion of the PSP to vest. The ROCE performance condition, which has a 20.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100.0% vesting. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

PSP constitutes an equity-settled share-based payment.

The conditional awards are valued using a Monte Carlo simulation model, assuming a life of three years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of between 0.9% and 1.8% and a risk-free interest rate based on the bootstrapped zero-coupon perfect fit swap curve as at the grant date with a term consistent with the life of the awards.

	Number of awards	
Awards granted to participants	**2017**	**2016**
Balance at the beginning of the year	2 069 301	–
Granted	2 479 116	2 152 215
Exercised	(4 637)	(747)
Forfeited	(411 864)	(82 167)
Balance at the end of the year	4 131 916	2 069 301
Weighted average exercise price per award outstanding at the end of the year (rands)	90.07	95.89
Weighted average exercise price per award granted (rands)	86.07	95.92
Weighted average exercise price per award forfeited (rands)	95.24	96.63
Weighted average market price per award exercised (rands)	82.09	87.46
Number of participants on PSP	672	550

	Number of awards			
Period of offer	**2017**	**2016**	**Exercise price**	**Fair value at grant date**
27 August 2015 and 27 August 2018	1 171 502	1 511 138	96.70	63.55
11 February 2016 and 11 February 2019	548 708	558 163	93.69	54.35
25 August 2016 and 25 August 2019	2 110 864	–	87.86	51.64
16 February 2017 and 11 February 2020	300 842	–	73.15	16.27
Balance at the end of the year	4 131 916	2 069 301		

DIRECTORS' INTEREST IN SHARES

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

18. RESERVES

	2017 Rm	2016 Rm
NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	87	3174
DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	665	992
Share-based payments arising from the Group's share incentive schemes	(66)	(327)
Shares	87	63
Share options and other	(33)	57
Tax on share-based payments recognised in equity	(38)	(22)
Settlement in terms of BEEESOS unwind	–	(336)
Settlement of share-based payments	(82)	(89)
Balance at the end of the year	599	665
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative financial instruments	(106)	17
Retained profit	8 453	6 081
Company	663	622
Arising on consolidation of subsidiaries	7 790	5 459
Total distributable reserves	8 946	6 763

NATURE AND PURPOSE OF RESERVES

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve is used to record exchange differences arising from the translation of the results of foreign subsidiaries.

SHARE-BASED PAYMENT RESERVE

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes. Refer to note 17 for further details of the relevant schemes.

FINANCIAL INSTRUMENT REVALUATION RESERVE

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

RETAINED PROFIT

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

	2017 Rm	2016 Rm
19. INTEREST-BEARING BORROWINGS		
NON-CURRENT		
Long-term loans	12 114	15 683
Finance lease liabilities (refer to note 30)	23	20
	12 137	15 703
CURRENT		
Finance lease liabilities (refer to note 30)	5	6
Current portion of long-term loans	1 000	–
Other loans	157	181
Overdrafts	26	28
	1 188	215

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value. Refer to note 25.2.

A significant portion of the interest associated with such borrowings is subject to interest rate swaps (refer to note 16).

Finance lease liabilities are measured at amortised cost at an average effective rate of 5.22% (2016: 5.04%). Maturity periods vary between one and five years (refer to note 30). The fair value of the finance lease liabilities is estimated by discounting future cash flows, using a market-related interest rate applicable to the Group. At year-end, the fair value of the finance lease liabilities amounted to R28 million (2016: R26 million). The assets have been pledged as collateral for the respective lease liabilities (refer to note 8).

Refer to note 25.4 for the Group's liquidity risk management policies.

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

	Debt denoted in			
	Rand Rm	Australian dollar Rm	2017 Rm	2016 Rm
Financial year 2018	1 000	–	1 000	7 626
Financial year 2019	3 983	3 260	7 243	4 091
Financial year 2020	3 973	–	3 973	3 966
Financial year 2021 and onwards	898	–	898	–
	9 854	3 260	13 114	15 683

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

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

20. TRADE AND OTHER PAYABLES

	2017 Rm	2016 Rm
NON-CURRENT		
Operating lease accrual and fair value lease adjustment	1 980	2 264
	1 980	2 264
CURRENT		
Trade payables	4 464	4 945
Other payables	3 798	4 162
Operating lease accrual and fair value lease adjustment	114	135
	8 376	9 242

As a result of the David Jones acquisition, leases were determined to be unfavourable in comparison to market-related rentals and, accordingly, have been disclosed separately as liabilities on the statement of financial position. Included in the operating lease accrual and fair value lease adjustment are R1 309 million (2016: R1 636 million) non-current liabilities and R114 million (2016: R135 million) current liabilities. These will unwind over the duration of the leases through the statement of comprehensive income.

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

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

21. RETIREMENT BENEFIT INFORMATION

Woolworths permanent employees under the age of 63 (2016: 63) are contributory members of the Woolworths Group Retirement Fund. Certain employees, in addition to belonging to the Woolworths Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. The Woolworths Group Retirement Fund is exempt from valuation. The Woolworths Group Retirement Fund's actuary undertakes annual financial reviews, of which the latest review, as at 29 February 2016, confirmed the fund's financial soundness. The annual review as at 28 February 2017 is in the process of being completed and will be available during September 2017.

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

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

Total Group contributions are charged to profit or loss as incurred and amounted to R827 million (2016: R785 million). Refer to note 3.5.

Woolworths subsidises a portion of the medical aid contributions of retired employees who joined the healthcare fund before 1 November 2000. The Group values its accrued and future liability in respect of post-retirement medical aid contributions annually in June. The liability was actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions. For the purposes of the valuation, it was assumed that investment returns would be nil (2016: nil). The discount rate used to value the liability at year-end is 9.7% (2016: 10.4%) per annum.

At year-end, the accrued liability amounted to R386 million (2016: R387 million) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the Group's in-house medical aid scheme. Woolworths has not funded the liability.

21. RETIREMENT BENEFIT INFORMATION (CONTINUED)

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

	2017 Rm	2016 Rm
Funding liability at the beginning of the year	387	374
Current service cost	4	5
Interest on obligation	39	36
Employer contributions	(23)	(18)
Actuarial (gain)/loss before tax	(21)	(10)
Actuarial loss due to membership changes and mortality	4	2
Actuarial (gain)/loss due to actual subsidy increase being lower than expected	(2)	2
Actuarial gain due to changes in financial assumptions	(23)	(14)
Funding liability at the end of the year	386	387

	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Funding liability	386	387	374	349	338
Funding deficit	386	387	374	349	338
Actuarial (gain)/loss on funding liability, before tax	(21)	(10)	8	8	(31)

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

	2017 Rm	2016 Rm
Within 12 months	23	20
Between 1 and 5 years	108	104
Between 5 and 10 years	178	187
Beyond 10 years	229	267
Total expected payments	538	578

21. RETIREMENT BENEFIT INFORMATION (CONTINUED)

A 1.0 percentage point increase or decrease in the assumed medical inflation rate of 8.3% (2016: 9.5%) would have the following effect:

2017

Medical inflation assumption	8.3%	7.3%	9.3%
Service cost for the year ended June 2017	4	3	5
Interest cost for the year ended June 2017	39	35	45
Accrued liability at June 2017	386	347	432

2016

Medical inflation assumption	9.5%	8.5%	10.5%
Service cost for the year ended June 2016	5	4	6
Interest cost for the year ended June 2016	36	29	38
Accrued liability at June 2016	387	341	434

A 0.5 percentage point increase or decrease in the discount rate of 9.7% (2016: 10.4%) would have the following effect:

2017

Discount rate assumption	9.7%	9.2%	10.2%
Accrued liability at June 2017	386	408	366

2016

Discount rate assumption	10.4%	9.9%	10.9%
Accrued liability at June 2016	387	408	362

A one year increase or decrease in the retirement age of 63 (2016: 63) would have the following effect:

2017

Retirement age assumption	63	62	64
Accrued liability at June 2017	386	390	383

2016

Retirement age assumption	63	62	64
Accrued liability at June 2016	387	388	379

22. PROVISIONS

	Leave pay Rm	Provision for onerous lease commitments Rm	Employee benefits Rm	Sales returns and other Rm	Total 2017 Rm	Total 2016 Rm
NON-CURRENT						
Balance at the beginning of the year	54	15	118	–	187	197
Raised/acquired	68	–	23	–	91	56
Utilised	(63)	(14)	(12)	–	(89)	(100)
Foreign exchange rate differences	–	(1)	(32)	–	(33)	34
Balance at the end of the year	59	–	97	–	156	187
CURRENT						
Balance at the beginning of the year	298	88	375	102	863	738
Raised/acquired	293	4	432	132	861	661
Utilised	(272)	(54)	(388)	(96)	(810)	(660)
Foreign exchange rate differences	(15)	(1)	(68)	(5)	(89)	124
Balance at the end of the year	304	37	351	133	825	863

LEAVE PAY

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

PROVISION FOR ONEROUS LEASE COMMITMENTS

The provision for onerous lease commitments is calculated based on the present value of the unavoidable costs in fulfilling lease commitments, net of income receivable from the lease.

The provision for onerous lease commitments reverses as the lease term runs down or if conditions change to the extent that the lease is no longer onerous.

EMPLOYEE BENEFITS

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

	2017 Rm	2016 Rm
23. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure not accrued at the reporting date:		
Contracted for	669	308
Not contracted for	4 028	3 594
	4 697	3 902

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

24. CONTINGENT LIABILITIES

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

25. FINANCIAL RISK MANAGEMENT

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

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

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

In addition, a Treasury Committee reports regularly to the Board on the implementation of treasury policies, focusing in particular on bank covenants, interest rates, refinancing, liquidity, counterparty and foreign exchange risk, as well as any deviations from treasury policy and performance against budgets.

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

25.1 FOREIGN CURRENCY RISK MANAGEMENT

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

TRANSACTIONAL FOREIGN EXCHANGE RISK

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

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

	Contract foreign currency amount m	Rand equivalent Rm	Average rate R	Fair value adjustment Rm
2017				
FORWARD EXCHANGE CONTRACTS				
US Dollar	457	6 110	13.77	(142)
British Pound	3	49	17.11	–
Euro	39	549	14.71	15
Canadian Dollar	2	19	10.00	–
New Zealand Dollar	–	4	9.62	–
		6 731		(127)
TRADE PAYABLES				
US Dollar (closing rate)	30	392	12.93	(23)
2016				
FORWARD EXCHANGE CONTRACTS				
US Dollar	430	6 725	15.51	(133)
British Pound	4	102	23.44	(8)
Euro	24	406	17.86	(5)
Canadian Dollar	1	17	12.57	1
New Zealand Dollar	1	10	10.84	(1)
		7 260		(146)
TRADE PAYABLES				
US Dollar (closing rate)	33	497	15.07	3

25.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

At year-end, the Group held 1 290 (2016: 1 473) forward exchange contracts in order to hedge expected future purchases from suppliers outside South Africa, for which the Group has firm commitments. Of these, 1 146 (2016: 1 262) are designated cash flow hedges in an effective hedging relationship.

The remaining 144 (2016: 211) forward exchange contracts are not designated as cash flow hedges. At year-end, an unrealised gain of R11 million (2016: R13 million loss) was recognised in profit or loss in respect of these forward exchange contracts.

The cash flow hedges resulted in a net unrealised loss of R106 million (2016: R140 million), with a related deferred tax asset of R30 million (2016: R41 million), which was included in the financial instrument revaluation reserve in respect of these contracts.

The following exchange rates applied during the year:

	Average rate		Closing rate	
	2017	2016	2017	2016
US Dollar/Rand	13.64	14.47	12.93	15.07
Australian Dollar/Rand	10.28	10.56	9.79	11.25

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

	Movement in foreign exchange rate %	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2017			
US DOLLAR			
Foreign creditors	+5	20	–
	-5	(20)	–
Forward exchange contracts	+5	(24)	(168)
	-5	24	168
2016			
US DOLLAR			
Foreign creditors	+5	25	–
	-5	(25)	–
Forward exchange contracts	+5	(29)	(297)
	-5	29	297

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

TRANSLATIONAL FOREIGN EXCHANGE RISK

Net investments in foreign subsidiaries

The Group has investments in foreign subsidiaries whose net assets (including cash) are exposed to foreign currency translation risk.

	2017 Rm	2016 Rm
The Group has unhedged interests in foreign subsidiaries of:		
Australian Dollar	21 746	22 575

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

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

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

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2017		
Australian Dollar	+5	(1 087)
	-5	1 087
2016		
Australian Dollar	+5	(1 129)
	-5	1 129

Foreign cash

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

	2017 Rm	2016 Rm
Foreign cash balances/(overdrafts) are concentrated in the following major currencies:		
US Dollar	(65)	(123)
Australian Dollar	314	398
	249	275

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

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2017		
Australian Dollar	+5	(16)
	-5	16
2016		
Australian Dollar	+5	(20)
	-5	20

25.2 INTEREST RATE RISK MANAGEMENT

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

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

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

The Group has entered into long-term debt with the interest payable linked to various floating interbank rates. At year end, after taking into account the effect of interest rate swaps, the Group has swapped approximately 56% (2016: 65%) of floating rate exposure for fixed rates.

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

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

	Movement in basis points	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2017			
Interest-bearing borrowings	+50	66	–
	-50	(66)	–
Interest rate swaps	+50	(37)	(40)
	-50	37	40
Cash and cash equivalents	+50	(9)	–
	-50	9	–
2016			
Interest-bearing borrowings	+50	80	–
	-50	(80)	–
Interest rate swaps	+50	(52)	(79)
	-50	52	79
Cash and cash equivalents	+50	(8)	–
	-50	8	–

As at the reporting date, the South African prime interest rate was 10.5% (2016: 10.5%). JIBAR was 7.33% (2016: 7.35%). The Australian prime interest rate was 1.5% (2016: 1.75%).

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

	2017		2016	
	Rm	Effective interest rate %	Rm	Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long-term loans	13 114	2.86 – 9.29	15 683	3.4 – 8.9
Other loans	157	3.07	181	3.1 – 12.4
Overdrafts	26	5.1 – 7.2	28	8.2
% of total borrowings	100%		100%	

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2017					
Long-term loan	–	1 000	–	11 514	600
Other loans	–	157	–	–	–
Overdrafts	–	–	26	–	–
2016					
Long-term loan	–	–	–	15 683	–
Other loans	–	169	12	–	–
Overdrafts	–	28	–	–	–

25.3 CREDIT RISK MANAGEMENT

Credit risk arises from cash and cash equivalents, trade and other receivables and derivative financial instruments, as well as credit exposure to other loans. The Group's maximum exposure to credit risk is equal to the carrying amount of these classes of assets. Refer to note 25.5.

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

Trade and other receivables consist mainly of property-related and franchise debtors. Rigorous credit granting procedures are applied to assess the credit quality of the customer, taking into account its financial position, credit rating and other factors.

Other loans include housing loans and share purchase loans to employees of the Group. Security for housing loans is required, while share purchase loans are secured by shares in Woolworths Holdings Limited.

The holding company is exposed to credit risk mainly through amounts owing by subsidiaries.

CREDIT QUALITY OF FINANCIAL ASSETS

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

	2017		2016	
	Rating	Rm	Rating	Rm
FINANCIAL ASSETS				
Participation in export partnerships	High grade	–	High grade	8
Other loans	High grade	31	High grade	25
Trade and other receivables	High grade	696	High grade	675
Enterprise development loans	Low grade	41	Low grade	31
Derivative financial instruments	High grade	43	High grade	162
Cash and cash equivalents	High grade	1 787	High grade	1 525

Ratings
High grade – debtors are considered to have low credit risk when they have high-quality credit standing or a guarantee on the amount owing is provided.

25.4 LIQUIDITY RISK MANAGEMENT

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

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

	2017 Rm	2016 Rm
BANKING AND DEBT FACILITIES		
Total banking and debt facilities	25 302	25 418
Less: Drawn-down portion	(13 469)	(16 201)
Total undrawn banking and debt facilities	11 833	9 217
Made up as follows:	11 833	9 217
Committed	11 033	8 417
Uncommitted	800	800

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

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

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2017					
Interest-bearing borrowings*	–	1 401	685	12 380	620
Forward exchange contracts	–	82	83	3	–
Interest rate swaps	–	3	8	16	–
Trade and other payables	101	6 218	1 943	–	–
2016					
Interest-bearing borrowings*	–	440	825	17 222	–
Forward exchange contracts	–	83	141	–	–
Interest rate swaps	–	9	32	12	–
Trade and other payables	681	8 193	85	–	–

* Includes interest payments

BORROWING CAPACITY

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.5 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Notes	Loans and receivables Rm	Financial assets at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial assets Rm	Total Rm
2017						
Assets as per statement of financial position						
Other loans	12	42	–	–	–	42
Trade and other receivables	15	716	–	–	502	1 218
Derivative financial instruments	16	–	1	42	–	43
Cash and cash equivalents	28.4	1 787	–	–	–	1 787
Total		2 545	1	42	502	3 090

	Notes	Financial liabilities at amortised cost Rm	Financial liabilities at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial liabilities Rm	Total Rm
Liabilities as per statement of financial position						
Interest-bearing borrowings	19	13 297	–	–	28	13 325
Trade and other payables	20	7 971	–	–	2 385	10 356
Derivative financial instruments	16	–	3	192	–	195
Total		21 268	3	192	2 413	23 876

	Notes	Loans and receivables Rm	Financial assets at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non–financial assets Rm	Total Rm
2016						
Assets as per statement of financial position						
Participation in export partnerships	11	8	–	–	–	8
Other loans	12	41	–	–	–	41
Trade and other receivables	15	690	–	–	622	1 312
Derivative financial instruments	16	–	2	160	–	162
Cash and cash equivalents	28.4	1 525	–	–	–	1 525
Total		2 264	2	160	622	3 048

25.5 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Notes	Financial liabilities at amortised cost Rm	Financial liabilities at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial liabilities Rm	Total Rm
Liabilities as per statement of financial position						
Interest-bearing borrowings	19	15 892	–	–	26	15 918
Trade and other payables	20	8 959	–	–	2 547	11 506
Derivative financial instruments	16	–	15	262	–	277
Total		24 851	15	262	2 573	27 701

25.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Fair value measurement Rm	Investment income Rm	Interest expense Rm	Impairment loss Rm	Total Rm
2017					
Loans and receivables	–	96	–	–	96
Financial liabilities at amortised cost	–	–	(1 256)	–	(1 256)
Financial instruments at fair value through profit or loss	11	–	–	–	11
Derivatives used as hedging instruments	(168)	–	–	–	(168)
Total	(157)	96	(1 256)	–	(1 317)
2016					
Loans and receivables	–	48	–	(44)	4
Financial liabilities at amortised cost	–	–	(1 234)	–	(1 234)
Financial instruments at fair value through profit or loss	(13)	–	–	–	(13)
Derivatives used as hedging instruments	(166)	–	–	–	(166)
Total	(179)	48	(1 234)	(44)	(1 409)

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

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

	2017 Rm	2016 Rm
Forward exchange contracts	(405)	469
Interest rate swaps and collars	(60)	(17)
Reclassified to non-financial assets	317	(685)
Reclassified to profit or loss	(20)	67
Fair value adjustments on financial instruments	(168)	(166)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

		Carrying amount		Fair value	
	Fair value measurement using	2017 Rm	2016 Rm	2017 Rm	2016 Rm
FINANCIAL ASSETS					
Derivative financial instruments					
Forward exchange contracts	Level 2	42	78	42	78
Interest rate swaps and collars	Level 2	1	84	1	84
FINANCIAL LIABILITIES					
Derivative financial instruments					
Forward exchange contracts	Level 2	168	224	168	224
Interest rate swaps and collars	Level 2	27	53	27	53

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

26. MANAGEMENT OF CAPITAL

The Group considers stated capital (note 17) and non-distributable and distributable reserves (note 18) as capital. Management has made progress in meeting the following objectives:

- to provide an adequate return to shareholders;
- to safeguard Woolworths' ability to continue as a going concern;
- to be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders; and
- to use excess cash to repurchase shares when the opportunity arises in order to maximise shareholder value, by enhancing both earnings per share and return on equity.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the needs of the Group. The Group monitors capital using return on equity (ROE), which has been based on average equity and headline earnings.

The Group's policy is to keep ratios in line with annual targets.

	2017	2016
Return on equity	20.8%	25.6%

The Group ensures that it complies with the liquidity and solvency requirements for any share repurchase or dividend payment per the Companies Act of South Africa. Debt covenants, which exist on long-term borrowings, are monitored by management on an ongoing basis.

27. DIVIDENDS TO SHAREHOLDERS

	2017 Rm	2016 Rm
Dividend no. 37 of 150.5 cents per share was declared on 26 August 2015 and paid on 21 September 2015	–	1 568
Less: Dividend received on treasury shares	–	(127)
Dividend no. 38 of 133.0 cents per share was declared on 10 February 2016 and paid on 7 March 2016*	–	1 387
Less: Dividend received on treasury shares	–	(112)
Dividend no. 39 of 180.0 cents per share was declared on 24 August 2016 and paid on 19 September 2016	1 885	–
Less: Dividend received on treasury shares	(152)	–
Dividend no. 40 of 133.0 cents per share was declared on 15 February 2017 and paid on 13 March 2017	1 393	–
Less: Dividend received on treasury shares	(112)	–
Total net dividends paid	3 014	2 716

* R252 million settled through scrip distribution alternative.

Dividend no. 41 of 180.0 cents per share was declared to ordinary shareholders on 23 August 2017.

28. CASH FLOW INFORMATION

28.1 CASH INFLOW FROM TRADING

	2017 Rm	2016 Rm
Profit before tax	6 726	6 033
Investment income	(96)	(48)
Earnings from joint ventures	(260)	(249)
Earnings from associate	-	(1)
Depreciation and amortisation	1 935	1 825
(Profit)/loss on disposal of property, plant and equipment and intangible assets	(1 752)	22
Impairment of property, plant and equipment and intangible assets	382	7
Finance costs	1 256	1 234
Movement in other provisions and post-retirement medical benefit liability	73	(20)
Share-based payments	54	120
Operating lease accrual	43	41
Fair value lease adjustment	(157)	(131)
Foreign exchange (gain)/loss	(27)	107
Net inflow from trading	8 177	8 940

28.2 WORKING CAPITAL MOVEMENTS

	2017 Rm	2016 Rm
Increase in inventories	(361)	(658)
Decrease/(increase) in trade and other receivables	38	(164)
(Decrease)/increase in trade and other payables	(292)	511
Net outflow	(615)	(311)

28.3 TAX PAID

NORMAL AND FOREIGN TAX

	2017 Rm	2016 Rm
Amounts owing at the beginning of the year (net)	(97)	(50)
Amounts charged to profit or loss	(1 516)	(1 555)
Amounts recognised in other comprehensive income	73	(45)
Amounts recognised in share-based payment reserve	20	48
Foreign currency translation reserve	45	(31)
Amounts receivable at the end of the year	(252)	(296)
Amounts owing at the end of the year	26	393
Cash amounts paid	(1 701)	(1 536)

28.4 NET CASH AND CASH EQUIVALENTS

	2017 Rm	2016 Rm
Cash – interest-earning		
Local – variable at interest rates of 0% to 7.1% (2016: 0% to 6.95%)	967	1 067
Local – dividend account at an interest rate of 0% to 3.58% (2016: 0% to 2.93%)	32	5
Foreign – variable at interest rates of 0% to 1.65% (2016: 0% to 2.5%)	788	453
Cash and cash equivalents	1 787	1 525
Foreign overdrafts – variable interest at an interest rate of 5.1% to 7.2% (2016: 8.2%)	(26)	(28)
Net cash and cash equivalents	1 761	1 497

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

29. OPERATING LEASES

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

	2017 Rm	2016 Rm
29.1 OPERATING LEASE COMMITMENTS		
Land and buildings:		
Within one year	3 668	3 638
Within two to five years	12 295	12 489
Thereafter	12 347	13 894
	28 310	30 021
29.2 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS PRINCIPAL LESSOR AT 25 JUNE 2017		
Land and buildings:		
Within one year	2	2
Within two to five years	2	2
	4	4
29.3 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS LESSOR AT 25 JUNE 2017		
Land and buildings:		
Within one year	7	6
Within two to five years	11	13
Thereafter	2	–
	20	19

The operating lease accrual of R670 million (2016: R628 million) represents the difference between the cash flow impact and profit or loss impact of the above leases (refer to note 20).

Contingent rent payable is calculated based on turnover level. The amount recognised in profit or loss was R145 million (2016: R185 million).

The total minimum lease payments during the year amount to R5 309 million (2016: R4 958 million).

The total minimum lease payments received during the year amount to R22 million (2016: R16 million).

30. FINANCE LEASES

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

	2017		2016	
	Minimum payments Rm	Present value of payments Rm	Minimum payments Rm	Present value of payments Rm
Within one year	6	5	7	6
Between one and five years	25	23	21	20
Total minimum lease payments	31	28	28	26
Less amounts representing finance charges	(3)	–	(2)	–
Present value of minimum lease payments	28	28	26	26

31. INVESTMENT IN JOINT VENTURES

The Group has the following interests in joint ventures:

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

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

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

	2017 Rm	2016 Rm
Assets		
Current assets, including cash and cash equivalents of R89 million (2016: R81 million)	7 690	7 620
Non-current assets	2 590	2 317
	10 280	9 937
Liabilities		
Current liabilities, including financial liabilities of R282 million (2016: R185 million)	(282)	(185)
Non-current liabilities, including financial liabilities of R7 983 million (2016: R7 796 million)	(7 984)	(7 810)
	(8 266)	(7 995)
Equity	2 014	1 942
Group proportionate ownership	50%	50%
Group carrying amount of investment	1 007	971
Summarised statement of comprehensive income:		
Revenue (including gross investment income of R2 123 million (2016: R1 993 million))	2 259	2 159
Operating costs (including depreciation of R30 million (2016: R24 million) and impairment charge of R638 million (2016: R570 million))	1 544	1 472
Profit before tax	715	687
Tax	197	192
Total comprehensive income	518	495
Group proportionate share	259	248
Group proportionate ownership of Nedglen	8	7
Total investment in joint ventures	1 015	978
The following dividends were received during the year:		
Woolworths Financial Services Proprietary Limited	223	162

The Group's share of Nedglen profits amounted to R1.0 million (2016: R0.7 million) and other comprehensive income of nil in both years.

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

The increase in net assets is after dividends earned.

32. ACQUISITION OF POLITIX

On 7 November 2016, Woolworths Holdings Limited (WHL), through its subsidiary, Country Road Group Proprietary Limited (CRG), acquired 100% of the net assets of Politix for a total value of R711 million (A$68.7 million). The acquisition was funded through internal sources.

The acquisition is consistent with the Group's southern hemisphere strategy of building a strong and diversified portfolio of iconic brands. Politix will add to the Group's existing Australian stable that already includes David Jones, Country Road, Witchery, Trenery and Mimco.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

WHL has measured the identifiable assets and liabilities of Politix at their acquisition-date fair values. The provisional values are presented below:

	Rm	A$m
Non-current assets	255	25
Property, plant and equipment	48	5
Intangible assets	207	20
Current assets	42	4
Inventories	34	3
Trade and other receivables	8	1
Non-current liabilities	69	7
Fair value lease adjustment	7	1
Deferred tax	62	6
Current liabilities	30	3
Trade and other payables	12	1
Provisions	18	2
Total identifiable net assets at fair value	198	19
Goodwill arising on acquisition	513	50
Cash outflow on acquisition	711	69

Goodwill of R513 million (A$49.6 million) and the Politix brand amounting to R207 million (A$20.0 million) have been recognised. Goodwill is R98 million (A$9.4 million) higher than previously reported, due to remeasurement of assets and liabilities from acquisition-date fair values, and a change in accounting policy (refer to note 10). The brand was remeasured, and the fair value is R21 million (A$2.0 million) lower than previously reported. Goodwill represents the value paid in excess of the fair value of net assets and consists largely of synergies and economies of scale expected from strategic initiatives. Transaction costs of R19 million (A$1.8 million) have been expensed in the current year and are included in other operating costs.

From the date of acquisition, R366 million (A$36.3 million) of additional revenue and R24 million (A$2.4 million) profit before tax has accrued. Had the acquisition been effective from the beginning of the year, the directors consider that the contribution to revenue and profit before tax for the 52 weeks ended 25 June 2017 would have been a further R220 million (A$21.4 million) and R14 million (A$1.4 million) respectively.

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

The fair values are provisional and are subject to further review for a period of up to one year from acquisition date, and as a result, not all of the required disclosures are contained herein.

The Australian dollar values have been translated at the closing exchange rate at 7 November 2016 of A$1:R10.3.

33. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

34. SEGMENTAL INFORMATION

34.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

	2017							
		Woolworths						
	Total Rm	Clothing and General Merchandise Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
OPERATING RESULTS								
Revenue	69 451	13 913	27 199	597	–	17 169	10 867	69
Turnover	67 411	13 894	27 075	597	–	15 030	10 815	–
Cost of sales	40 739	7 244	20 281	597	–	8 524	4 295	–
Gross profit	26 672	6 650	6 794	–	–	6 506	6 520	–
Other revenue	1 944	19	124	–	–	2 121	43	–
Expenses	22 410	4 493	4 939	–	–	7 519	5 595	25
Segmental operating profit	6 206	2 176	1 979	–	–	1 108	968	(25)
Profit on sale of property in Sydney, net of impairment	1 420	–	–	–	–	1 420	–	–
Investment income	96	–	–	–	–	18	9	69
Finance costs	1 256	–	–	–	–	44	38	1 174
Earnings from Woolworths Financial Services joint venture	259	–	–	–	259	–	–	–
Earnings from associate and property joint venture	1	1	–	–	–	–	–	–
Profit before tax	6 726	2 177	1 979	–	259	2 502	939	(1 130)
Return on equity	20.8%							

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

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

David Jones represents the Group's results of its Australian subsidiary.

Country Road Group represents the Group's results of its Australian subsidiary, which includes the Witchery Group and Politix.

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

	2016								
		Woolworths							
Intragroup Rm	Total Rm	Clothing and General Merchandise Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
(363)	66 978	13 728	25 071	515	–	17 297	10 690	28	(351)
–	65 004	13 701	24 956	515	–	15 185	10 647	–	–
(202)	38 618	7 085	18 586	515	–	8 283	4 334	–	(185)
202	26 386	6 616	6 370	–	–	6 902	6 313	–	185
(363)	1 926	27	115	–	–	2 096	39	–	(351)
(161)	21 343	4 349	4 662	–	–	7 159	5 317	22	(166)
–	6 969	2 294	1 823	–	–	1 839	1 035	(22)	–
–	–	–	–	–	–	–	–	–	–
–	48	–	–	–	–	16	4	28	–
–	1 234	–	–	–	–	41	23	1 170	–
–	248	–	–	–	248	–	–	–	–
–	2	1	1	–	–	–	–	–	–
–	6 033	2 295	1 824	–	248	1 814	1 016	(1 164)	–
	25.6%								

34. SEGMENTAL INFORMATION (CONTINUED)

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

	2017					
	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
STATEMENT OF FINANCIAL POSITION						
Property, plant and equipment, investment properties and intangible assets	33 441	6 873	–	21 377	5 191	–
Inventories	6 990	3 550	–	2 191	1 249	–
Trade and other receivables, derivative financial assets and loans	1 368	772	–	422	174	–
Cash and cash equivalents	1 787	1 136	–	178	428	45
Segment assets	43 586	12 331	–	24 168	7 042	45
Investment in joint ventures	1 015	8	1 007	–	–	–
Tax and deferred tax assets	392	341	–	49	2	–
Total assets	44 993	12 680	1 007	24 217	7 044	45
Trade and other payables, provisions and other non-current liabilities	11 918	5 892	–	4 679	1 347	–
Borrowings	13 325	27	–	1 397	156	11 745
Segment liabilities	25 243	5 919	–	6 076	1 503	11 745
Tax and deferred tax liabilities	684	26	–	575	83	–
Total liabilities	25 927	5 945	–	6 651	1 586	11 745
Debt ratio	29.6%					
Depreciation and amortisation	1 935	904	–	651	380	–
Impairment of property, plant and equipment and intangible assets	382	13	–	366	3	–
Share-based payment expense	54	44	–	9	1	–
Capital expenditure – gross additions	3 344	1 244	–	996	1 104	–
Capital commitments	4 697	2 035	–	2 157	505	–
Shareholding		100.0%	50.0%	100.0%	100.0%	100.0%

* Certain comparative amounts shown do not correspond to the 2016 Annual Financial Statements and reflect adjustments made. Refer to note 10.

Restated* 2016					
Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
38 587	6 802		26 609	5 176	
7 117	3 279	–	2 345	1 493	–
1 606	757	–	380	469	–
1 525	935	–	324	245	21
48 835	11 773	–	29 658	7 383	21
978	7	971	–	–	–
554	466	–	–	88	–
50 367	12 246	971	29 658	7 471	21
13 220	5 599	–	5 967	1 654	–
15 918	26	–	215	196	15 481
29 138	5 625	–	6 182	1 850	15 481
1 376	47	–	1 322	7	–
30 514	5 672	–	7 504	1 857	15 481
31.6%					
1 825	848	–	642	335	–
7	(2)	–	–	9	–
120	105	–	9	6	–
2 825	1 186	–	1 093	546	–
3 902	2 066	–	1 330	506	–
	100.0%	50.0%	100.0%	100.0%	100.0%

34. SEGMENTAL INFORMATION (CONTINUED)

34.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

	2017							
		Woolworths						
	Total Rm	Clothing and General Merchandise Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
Revenue								
South Africa	40 665	12 516	26 758	597	–	–	1 088	69
Rest of Africa	1 648	1 207	441	–	–	–	–	–
Australasia	27 138	190	–	–	–	17 169	9 779	–
	69 451	13 913	27 199	597	–	17 169	10 867	69
Turnover								
South Africa	40 816	12 497	26 634	597	–	–	1 088	–
Rest of Africa	1 648	1 207	441	–	–	–	–	–
Australasia	24 947	190	–	–	–	15 030	9 727	–
	67 411	13 894	27 075	597	–	15 030	10 815	–

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

* Certain comparative amounts shown do not correspond to the 2016 Annual Financial Statements and reflect adjustments made. Refer to note 10.

	2016								
		Woolworths							
Intragroup Rm	Total Rm	Clothing and General Merchandise Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
(363)	38 280	12 360	24 680	515	–	–	1 048	28	(351)
–	1 587	1 196	391	–	–	–	–	–	–
–	27 111	172	–	–	–	17 297	9 642	–	–
(363)	66 978	13 728	25 071	515	–	17 297	10 690	28	(351)
–	38 461	12 333	24 565	515	–	–	1 048	–	–
–	1 587	1 196	391	–	–	–	–	–	–
–	24 956	172	–	–	–	15 185	9 599	–	–
–	65 004	13 701	24 956	515	–	15 185	10 647	–	–

Restated*					
Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
13 367	11 780	971	–	596	20
36 446	–	–	29 658	6 787	1
49 813	11 780	971	29 658	7 383	21
554					
50 367					
1 247	1 186	–	–	61	–
1 578	–	–	1 093	485	–
2 825	1 186	–	1 093	546	–

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COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 25 June 2017 Rm	52 weeks to 26 June 2016 Rm
Revenue	2	3 336	2 984
Expenses		15	13
Other operating costs		15	13
Profit before tax	3	3 321	2 971
Tax	4	2	2
Profit and total comprehensive income for the year		3 319	2 969

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	At 25 June 2017 Rm	At 26 June 2016 Rm
ASSETS			
Non-current assets		21 543	21 465
Interest in subsidiaries	7	21 528	21 445
Participation in export partnerships	8	–	3
Deferred tax	9	15	17
Current assets		597	573
Other receivables	10	10	9
Amounts owing by subsidiaries	7	544	550
Tax	18.3	9	9
Cash and cash equivalents	18.4	34	5
TOTAL ASSETS		22 140	22 038
EQUITY AND LIABILITIES			
Equity attributable to shareholders		12 851	12 618
Stated capital	11	11 375	11 237
Distributable reserves	12	1 476	1 381
TOTAL EQUITY		12 851	12 618
Current liabilities		9 289	9 420
Trade and other payables	13	10	6
Amounts owing to subsidiaries	7	9 279	9 414
TOTAL LIABILITIES		9 289	9 420
TOTAL EQUITY AND LIABILITIES		22 140	22 038

COMPANY STATEMENT OF CHANGES IN EQUITY

			Distributable reserves			
	Notes	Stated capital Rm	Share-based payments reserve Rm	Financial instrument revaluation reserve Rm	Retained profit Rm	Total Rm
Shareholders' interest at 28 June 2015		10 802	975	–	272	12 049
Profit and total comprehensive income for the year		–	–	–	2 969	2 969
Shares issued	11	2 849	–	–	–	2 849
BEEESOS unwind	11 & 12	(2 414)	(336)	–	336	(2 414)
Share-based payments	12	–	120	–	–	120
Dividends to ordinary shareholders	17	–	–	–	(2 955)	(2 955)
Shareholders' interest at 26 June 2016		11 237	759	–	622	12 618
Profit and total comprehensive income for the year		–	–	–	3 319	3 319
Shares issued	11	138	–	–	–	138
Share-based payments	12	–	54	–	–	54
Dividends to ordinary shareholders	17	–	–	–	(3 278)	(3 278)
Shareholders' interest at 25 June 2017		11 375	813	–	663	12 851

COMPANY STATEMENT OF CASH FLOWS

	Notes	52 weeks to 25 June 2017 Rm	52 weeks to 26 June 2016 Rm
Cash flow from operating activities			
Cash outflow from trading	18.1	(13)	(13)
Working capital movements	18.2	3	1
Cash utilised by operating activities		(10)	(12)
Investment income received		4	1
Tax paid	18.3	–	(2)
Cash utilised in operations		(6)	(13)
Dividends received		3 301	2 957
Dividends to ordinary shareholders		(3 278)	(2 703)
Net cash inflow from operating activities		17	241
Cash flow from investing activities			
Participation in export partnerships		3	1
Loans repaid by subsidiaries		9	–
Net cash inflow from investing activities		12	1
Cash flow from financing activities			
Loans repaid to subsidiaries		–	(245)
Net cash inflow/(outflow) from financing activities		–	(245)
Increase/(decrease) in cash and cash equivalents		29	(3)
Net cash and cash equivalents at the beginning of the year		5	8
Net cash and cash equivalents at the end of the year	18.4	34	5

	2017 Rm	2016 Rm
2. REVENUE		
Interest income	33	27
Dividends received	3 301	2 957
Participation and export partnerships	2	–
	3 336	2 984
3. PROFIT BEFORE TAX INCLUDES:		
Audit fee – current year	3	3
4. TAX		
Prior year		
South Africa		
Normal tax	–	2
Deferred tax relating to the origination and reversal of temporary differences (refer to note 9)	2	–
	2	2

	2017 %	2016 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	0.1	0.1
Exempt income	(27.9)	(27.9)
Other	(0.2)	(0.1)
Effective tax rate	–	0.1

5. DIRECTORS' EMOLUMENTS

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

	2017 Rm	2016 Rm
Executive Directors		
Remuneration	35	31
Retirement, medical, accident and death benefits	1	2
Performance bonus	–	27
Share-based payments	22	33
Interest-free loan benefit	–	1
	58	94
Non-executive Directors		
Fees	18	16
	18	16
Total directors' emoluments	76	110

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

	2017 Rm	2016 Rm
6. RELATED-PARTY TRANSACTIONS		
The nature of transactions between the company and subsidiaries of the Group comprise mainly of dividends received.		
The following related-party transactions occurred during the year:		
WOOLWORTHS HOLDINGS LIMITED		
DIVIDEND RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	2 248	2 345
Osiris Holdings Proprietary Limited	896	612
Country Road Group Proprietary Limited	157	–
	3 301	2 957
INTEREST RECEIVED FROM SUBSIDIARY COMPANY		
E-Com Investments 16 Proprietary Limited	29	26
DIVIDENDS PAID TO SUBSIDIARY COMPANIES	264	239

SHARE-BASED PAYMENT TRANSACTIONS

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

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors, executive and non-executive, of the company. Key management personnel have been defined as the Board of Directors of the company. The definition of related parties includes close family members of key management personnel. All transactions with key management personnel have been at arm's length during the financial year.

	2017 Rm	2016 Rm
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	53	75
Post-employment benefits	1	2
IFRS 2 value of share-based payments expense	32	33
	86	110

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

	2017 Rm	2016 Rm
SHARE PURCHASE SCHEME LOANS AND INVESTMENTS (AT COST)		
Balance at the beginning of the year	9	12
Loans repaid during the year	(9)	(3)
Balance at the end of the year	–	9

Details of the terms and conditions relating to these loans are disclosed in note 7 of the Group Annual Financial Statements. No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2016: nil). These loans are held as receivables in the Woolworths Holdings Share Trust.

	2017 Rm	2016 Rm
6. RELATED-PARTY TRANSACTIONS (CONTINUED)		
WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	6	6
Annual repayments	(6)	(6)
Balance outstanding at the end of the year	3	3

Purchases made by key management personnel are at standard discounts granted to all employees of the company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other cardholders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths Visa credit card accounts of key management personnel (2016: nil).

POST-EMPLOYMENT BENEFIT PLAN

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of David Jones Proprietary Limited and Country Road Group Proprietary Limited employees are disclosed in note 21 of the Group Annual Financial Statements.

7. INTEREST IN SUBSIDIARIES

	2017 Rm	2016 Rm
Ordinary shares	21 027	20 973
Cost	19 878	19 878
Share-based payments arising from the Group's share incentive schemes	1 149	1 095
Preference shares: investment in E-Com Investments 16 Proprietary Limited	501	472
Investment in equity	230	230
Loan receivable	271	242
Interest in subsidiaries	21 528	21 445
Amounts owing to subsidiaries	(9 279)	(9 414)
Woolworths Proprietary Limited	(9 276)	(9 411)
Woolworths International Limited	(3)	(3)
Amounts owing by subsidiaries	544	550
Woolworths Proprietary Limited	405	405
E-Com Investments 16 Proprietary Limited	139	145
Total net interest in subsidiaries	12 793	12 581

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

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

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

Investments in and loans to subsidiaries are considered to be impaired when it is unlikely that the initial investment cost will be recovered or that the loan granted will be repaid.

The loans to and from the other subsidiaries are unsecured, interest-free and are repayable on demand. The carrying value of loans to and from subsidiaries approximate their fair value.

The company's maximum exposure to the credit risk of loans to subsidiaries are their carrying value. The amount owing by subsidiaries in 2017 is considered to be neither past due nor impaired. All subsidiaries are in a financially sound position. Refer to note 15.1 for details of the company's credit risk management policies. Refer to Annexure 1 for details of the company's interest in subsidiaries.

	2017 Rm	2016 Rm
8. PARTICIPATION IN EXPORT PARTNERSHIPS		
Balance at the beginning of the year	3	10
Payments received	(3)	(1)
Current portion included in other receivables	–	(6)
Balance at the end of the year	–	3

The company participated as a partner in a number of container export partnerships. The partnerships sold containers in terms of long-term suspensive purchase and credit sale agreements.

Participation in export partnerships is measured at amortised cost using the effective interest method. Amortised cost is the company's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment or uncollectability.

The export partnerships reached maturity and the final amounts were paid to the Group during the year.

9. DEFERRED TAX

The movement in the deferred tax account is as follows:

	2017 Rm	2016 Rm
Balance at the beginning of the year	17	17
Amounts credited to profit or loss	(2)	–
Participation in export partnerships	8	1
Working capital	(10)	(1)
Balance at the end of the year	15	17
Comprising:		
Participation in export partnerships	–	(8)
Working capital	15	25
	15	17

Deferred tax has been calculated at the standard corporate tax rate as at the reporting date, as management expects to recover the carrying value of assets and settle the carrying value of liabilities through use.

10. OTHER RECEIVABLES

	2017 Rm	2016 Rm
Other receivables	10	9
	10	9

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

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security. Refer to note 15.1 for detailed information regarding the credit quality of financial assets, which are neither past due nor impaired.

11. ORDINARY SHARE CAPITAL

	2017 Rm	2016 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 237	10 802
Nil (2016: 24 361 954) ordinary shares issued in terms of BEEESOS unwind	–	2 414
Nil (2016: 24 361 954) ordinary shares allocated in terms of BEEESOS unwind	–	(2 414)
Nil (2016: 2 920 865) ordinary shares issued in terms of scrip distribution alternative	–	252
1 820 950 (2016: 2 167 167) ordinary shares issued in terms of share incentive schemes	138	183
Balance at the end of the year	11 375	11 237

	R'000	R'000
AUTHORISED		
2 410 600 000 (2016: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
1 047 847 794 (2016: 1 046 026 844) ordinary shares of no par value	–	–
	–	–

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	1 046 026 844	1 016 576 858
Shares issued in terms of BEEESOS unwind	–	24 361 954
Shares issued in terms of scrip distribution alternative	–	2 920 865
Shares issued in terms of share incentive schemes	1 820 950	2 167 167
Balance at the end of the year	1 047 847 794	1 046 026 844

RECONCILIATION OF VALUE OF PREFERENCE SHARES IN ISSUE	R'000	R'000
Balance at the beginning of the year	–	134
Shares redeemed	–	(134)
Balance at the end of the year	–	–

RECONCILIATION OF NUMBER OF PREFERENCE SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	–	89 117 253
Shares redeemed	–	(89 117 253)
Balance at the end of the year	–	–

	2017 Rm	2016 Rm
12. DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	759	975
Share-based payments arising from share incentive schemes	54	120
Settlement in terms of BEEESOS unwind	–	(336)
Balance at the end of the year	813	759
Retained profit	663	622
Total distributable reserves	1 476	1 381

NATURE AND PURPOSE OF RESERVES

SHARE-BASED PAYMENT RESERVE

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes. Refer to note 17 of the Group Annual Financial Statements for further details of the relevant schemes.

RETAINED PROFIT

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

13. TRADE AND OTHER PAYABLES

	2017 Rm	2016 Rm
Other payables	10	6
	10	6

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

14. CONTINGENT LIABILITIES

The company provides sureties for banking facilities amounting to R14 850 million (2016: R14 820 million) and lease obligations of certain subsidiaries. The sureties can be called on immediately in the event of the subsidiaries not honouring their obligations. There are no other contingent liabilities.

15. FINANCIAL RISK MANAGEMENT

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

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

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

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

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.1 CREDIT RISK MANAGEMENT

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

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

CREDIT QUALITY OF FINANCIAL ASSETS

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

	2017 Rm	2016 Rm
FINANCIAL ASSETS		
Participation in export partnerships	–	3
Other receivables	10	9
Cash and cash equivalents	34	5
Preference share loan in E-Com Investments 16 Proprietary Limited (included in interest in subsidiaries)	271	242
Amounts owing by subsidiaries: Woolworths Proprietary Limited	405	405
Amounts owing by subsidiaries: E-Com Investments 16 Proprietary Limited	139	145

15.2 LIQUIDITY RISK MANAGEMENT

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

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

	Maturity	2017 Rm	2016 Rm
Amounts owing to subsidiaries	On demand	9 279	9 414
Trade and other payables	On demand	10	6

15.3 INTEREST RATE RISK MANAGEMENT

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

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

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

	Movement in basis points	(Increase)/ decrease in profit before tax R'000	(Increase)/ decrease in equity R'000
2017			
Cash	+50	(170)	(122)
	-50	170	122
2016	+50	(25)	(18)
Cash	-50	25	18

15.4 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2017 Rm	2016 Rm
FINANCIAL ASSETS		
Loans and receivables		
Participation in export partnerships	–	3
Other receivables	10	9
Amounts owing by subsidiaries	544	550
Cash and cash equivalents	34	5
Preference share loan in E-Com Investments 16 Proprietary Limited	271	242
Total	859	809
FINANCIAL LIABILITIES		
Amortised cost		
Trade and other payables	10	6
Amounts owing to subsidiaries	9 279	9 414
Total	9 289	9 420

15.5 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Interest income Rm	Net movement in other comprehensive income Rm	Total Rm
2017			
Loans and receivables	4	–	4
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited	29	–	29
2016			
Loans and receivables	1	–	1
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited	26	–	26

16. MANAGEMENT OF CAPITAL

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

	2017 Rm	2016 Rm
17. DIVIDENDS TO ORDINARY SHAREHOLDERS		
Dividend no. 37 of 150.5 cents per share was declared on 26 August 2015 and paid on 21 September 2015	–	1 568
Dividend no. 38 of 133.0 cents per share was declared on 10 February 2016 and paid on 7 March 2016*	–	1 387
Dividend no. 39 of 180.0 cents per share was declared on 24 August 2016 and paid on 19 September 2016	1 885	–
Dividend no. 40 of 133.0 cents per share was declared on 15 February 2017 and paid on 13 March 2017	1 393	–
Total dividends paid	3 278	2 955

* R252 million settled through scrip distribution alternative.

Dividend no. 41 of 180.0 cents per share was declared to ordinary shareholders on 23 August 2017.

	2017 Rm	2016 Rm
18. CASH FLOW INFORMATION		
18.1 CASH OUTFLOW FROM TRADING		
Profit before tax	3 321	2 971
Investment income	(33)	(27)
Dividends received	(3 301)	(2 957)
Net outflow from trading	(13)	(13)
18.2 WORKING CAPITAL MOVEMENTS		
Other receivables	(1)	1
Trade and other payables	4	–
Net inflow	3	1
18.3 TAX PAID		
NORMAL AND FOREIGN TAX		
Amounts receivable at the beginning of the year	9	9
Amounts charged to profit or loss	–	(2)
Amounts receivable at the end of the year	(9)	(9)
Cash amounts paid	–	(2)
18.4 CASH AND CASH EQUIVALENTS		
Cash – interest-earning		
Local – dividend account at an interest rate of 0% to 3.58% (2016: 0% to 2.93%)	34	5
Cash and cash equivalents	34	5

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

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

ANNEXURE 1

INTEREST IN SUBSIDIARIES AND JOINT VENTURES

			Company 2017 Carrying value of shares Rm	2017 % Holding	2016 Carrying value of shares Rm	2016 % Holding
Interest in subsidiaries directly held			20 108		20 108	
Woolworths Proprietary Limited	R	1	–	100	–	100
Woolworths Developments Proprietary Limited	P	1	–	100	–	100
E-Com Investments 16 Proprietary Limited	H	1	230	100	230	100
Woolworths Trust [1 & 2]	H	3	–	–	–	–
Woolworths International Holdings Limited	H	3	901	100	901	100
Woolworths International (Australia) II Proprietary Limited	H	5	–	100	–	100
Osiris Holdings Proprietary Limited	H	5	18 977	100	18 977	100
The Woolworths Trust (Charitable Trust)[1]	H	1	–	–	–	–
The Woolworths Holdings Share Trust[1]	H	1	–	–	–	–
Interest in subsidiaries indirectly held						
Universal Product Networks Proprietary Limited	L	1		100		100
Virtual Market Place Proprietary Limited[3]	R	1		100		100
Longmarket Apparel Proprietary Limited	R	5		100		–
Woolworths (Lesotho) Proprietary Limited[6]	R	14		100		100
Woolworths (Namibia) Proprietary Limited	R	2		100		100
Woolworths (Swaziland) Proprietary Limited	R	18		100		100
Woolworths Holding (Mauritius) Limited	H	9		100		100
Woolworths (Mauritius) Limited[4]	R	9		100		100
Woolies (Zambia) Limited[4]	R	10		100		100
W-Stores Company Tanzania Limited[4]	R	11		51		51
W-Stores Company Uganda Limited[4]	R	12		95		95
Woolworths Mozambique, Limitada[4]	R	13		100		100
Woolworths (Kenya) Proprietary Limited[4]	R	15		100		100
Woolworths (Botswana) Proprietary Limited[4]	R	17		100		100
W-Stores (Ghana) Proprietary Limited[4]	R	19		100		100
Woolworths Rwanda Limited[4]	R	21		100		100
Woolworths Worldwide Limited	H	3		100		100
Woolworths International Limited	H	3		100		100
WSM Operations Holding Company Limited	D	20		100		100
Highway Holdings N.V.	H	4		100		100
Woolworths International (Australia) Proprietary Limited	H	5		100		100
Country Road Group Proprietary Limited	H	5		100		100
Country Road Clothing Proprietary Limited	R	5		100		100

ANNEXURE 1 (CONTINUED)

INTEREST IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

			Company			
			2017		2016	
			Carrying value of shares Rm	% Holding	Carrying value of shares Rm	% Holding
Country Road Ventures Proprietary Limited	R	5		100		100
Country Road Clothing (N.Z.) Limited	R	6		100		100
CRG Logistics Proprietary Limited	L	5		100		100
Country Road International Proprietary Limited	H	5		100		100
Country Road (Hong Kong) Limited	R	7		100		100
Cicero Clothing Proprietary Limited	R	5		100		–
Witchery Australia Holdings Proprietary Limited	H	5		100		100
Witchery Holdings Proprietary Limited	H	5		100		100
Witchery Fashions Proprietary Limited	R	5		100		100
Witchery Fashions (NZ) Limited	R	6		100		100
Witchery Singapore Pte Limited	R	16		100		100
Witchery Fashions (SA) Proprietary Limited	R	1		100		100
Mimco Proprietary Limited	R	5		100		100
Mimco (UK) Limited (Deregistered)	R	8		–		100
Mimco Design Singapore Pte Limited	R	16		100		100
Mimco (NZ) Limited	R	6		100		100
Vela Investments Proprietary Limited[5]	H	5		100		100
David Jones Proprietary Limited	R	5		100		100
Ahern's Holdings Proprietary Limited	H	5		100		100
Ahern's (Suburban) Proprietary Limited	D	5		100		100
Atkin Proprietary Limited	H	5		100		100
David Jones Finance Proprietary Limited	F	5		100		100
299-307 Bourke Street Proprietary Limited	P	5		100		100
Helland Close Proprietary Limited	R	5		100		100
David Jones Credit Proprietary Limited	D	5		100		100
John Martin Retailers Proprietary Limited	D	5		100		100
David Jones Financial Services Limited	F	5		100		100
David Jones Insurance Proprietary Limited	F	5		100		100
David Jones (NZ) Proprietary Limited	R	6		100		–
David Jones Properties (South Australia) Proprietary Limited	P	5		100		100
David Jones (Adelaide) Proprietary Limited	D	5		100		100
Buckley & Nunn Proprietary Limited	P	5		100		100
David Jones Properties (Victoria) Proprietary Limited	P	5		100		100
David Jones Properties (Queensland) Proprietary Limited	P	5		100		100
Speertill Proprietary Limited	R	5		100		100

INTEREST IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

			Company			
			2017		2016	
			Carrying value of shares Rm	% Holding	Carrying value of shares Rm	% Holding
David Jones Properties Proprietary Limited	P	5		100		100
David Jones Employee Share Plan Proprietary Limited	H	5		100		100
David Jones Share Plans Proprietary Limited	H	5		100		100
Interest in joint ventures						
Woolworths Financial Services Proprietary Limited	F	1		50% – 1 share		50% – 1 share
Nedglen Property Developments Proprietary Limited	P	1		30		30
Amounts owing (to)/by subsidiaries			(7 315)		(7 527)	
Woolworths Proprietary Limited			(7 722)		(7 911)	
E-Com Investments 16 Proprietary Limited			410		387	
Woolworths International Limited			(3)		(3)	
Total interest			12 793		12 581	

Nature of business

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

Country of incorporation

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

Notes

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

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

	2017 Rm	2016 Rm
Profits	6 040	4 858
Losses	(47)	(80)
	5 993	4 778

SHAREHOLDER CALENDAR

2017

June	Financial year-end – 25 June
July	Trading update
August	Annual results and announcement of final dividend – 24 August
September	Publication of Integrated Report and final dividend payment and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

2018

January	Trading update
February	Interim results and announcement of interim dividend
June	Financial year-end – 24 June
July	Trading update
August	Annual results and announcement of final dividend and publication of Integrated Report and posting of Notice of Annual General Meeting
November	Annual General Meeting and trading update

ADMINISTRATION

WOOLWORTHS HOLDINGS LIMITED
Registration number: 1929/001986/06
Tax reference number: 9300/149/71/4
JSE share code: WHL
ISIN: ZAE000063863

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

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Cape Town 8001, South Africa

POSTAL ADDRESS
PO Box 680
Cape Town 8000, South Africa

CONTACT DETAILS
Tel: +27 (21) 407 9111

INVESTOR RELATIONS
Email: InvestorRelations@woolworths.co.za

WEBSITE
www.woolworthsholdings.co.za

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

AUDITORS
Ernst & Young Inc.

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

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

GLOSSARY OF FINANCIAL TERMS

AMORTISED COST

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

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

ACTUARIAL GAINS OR LOSSES

Actuarial gains or losses comprise:

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

BLACK-SCHOLES MODEL

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

BINOMIAL OPTION PRICING MODEL

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

BUSINESS SEGMENT

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

CASH AND CASH EQUIVALENTS

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

CASH FLOW HEDGE

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

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

CASH-GENERATING UNIT

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

COMPANY

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

CONSOLIDATED FINANCIAL STATEMENTS

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

CONTINGENT LIABILITY

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

CONTROL

Control exists when an investor can show:

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

CREDIT RISK

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

CURRENCY RISK

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

DEFERRED BONUS PLAN

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

DEFINED-BENEFIT PLAN

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

DEFINED-CONTRIBUTION PLAN

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

DEFERRED TAX ASSET

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

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

DEFERRED TAX LIABILITY

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

DERIVATIVE

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

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

DILUTION

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

DISPOSAL GROUP

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

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTION

A share-based payment transaction in which the entity:

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

FAIR VALUE

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

FINANCIAL ASSETS

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

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

FINANCIAL LIABILITY

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

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

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

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

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

FINANCIAL INSTRUMENT

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

FIRM COMMITMENT

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

FORECAST TRANSACTION

An uncommitted but anticipated future transaction.

FUNCTIONAL CURRENCY

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

GEOGRAPHICAL SEGMENT

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

GOOD BUSINESS JOURNEY

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

GRANT DATE

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

GROUP

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

HEDGING INSTRUMENT

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

HEDGED ITEM

An asset, liability, firm commitment or highly probable forecast transaction that exposes the entity to risk of changes in fair value or future cash flows, and is designated as being hedged.

HEDGE EFFECTIVENESS

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

HELD-FOR-TRADING FINANCIAL INSTRUMENT

Refer to financial asset or financial liability at fair value through profit or loss.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

INTEREST RATE RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

INTRINSIC VALUE

The difference between the fair value of the shares to which the counterparty has the right (conditional or unconditional) to subscribe for, or which it has the right to receive, and the price (if any) that the counterparty is (or will be) required to pay for those shares.

JOINT ARRANGEMENT

An arrangement of which two or more parties have joint control.

JOINT CONTROL

The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

JOINT OPERATION

An arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

JOINT VENTURE

An arrangement in which the parties with joint control have rights to the net assets of the arrangement.

LIQUIDITY RISK

The risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities.

LOANS AND RECEIVABLES

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

1. those that the entity intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the entity, upon initial recognition, designates as at fair value through profit or loss; or
2. those that the entity upon initial recognition designates as available-for-sale; or
3. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.

LONG-TERM INCENTIVE PLAN

The Long-term Incentive Plan provides eligible employees with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares, subject to the fulfilment of predetermined performance conditions covering a three-year period.

MONETARY ITEMS

Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

MONTE CARLO SIMULATION METHOD

A method that is used to evaluate the probabilities of different gains or losses being realised over a future period. It is based on the generation of multiple trials to determine the expected value of a random variable.

NON-CONTROLLING INTEREST

The equity in a subsidiary not attributable, directly or indirectly, to a parent.

ONEROUS CONTRACT

A contract in which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received under it.

OPERATING LEASE ACCRUAL

Represents the difference between the cash flow impact and the amount charged to the statement of comprehensive income in respect of operating leases.

PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

PRESENT VALUE

A current estimate of the present discounted value of the future net cash flows in the normal course of business.

REASONABLY POSSIBLE CHANGE IN RISK VARIABLE

Reasonably possible change in risk variable refers to the most likely change in the risk variable during the next annual period, which is judged relative to the economic environment in which the entity operates, and does not include 'worst-case' scenarios.

RELATED PARTY

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

REPORTING DATE

The last day of the financial period.

RESTRICTED SHARE PLAN

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

SEGMENT ASSETS

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

SEGMENT EXPENSE

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

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

SEGMENT RESULT

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

SEGMENT REVENUE

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

Segment revenue does not include:

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

SHARE APPRECIATION RIGHTS SCHEME

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

SHARE-BASED PAYMENT TRANSACTION

1. A transaction in which the entity:
   - 1.1 receives goods or services from the supplier of those goods or services (including an employee) in a share-based payment arrangement; or
   - 1.2 incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.
2. An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:
   - 2.1 cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity; or
   - 2.2 equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.

SHARE OPTION

A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specific period of time.

SUBSIDIARY

An entity that is controlled by another entity.

TREASURY SHARES

An entity's own equity instruments, held by the entity or other members of the consolidated group.

VEST

To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, or other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.

David Jones, Summer 2017

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