WHL

WOOLWORTHS HOLDINGS LIMITED

2020 Annual Financial Statements

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GROUP FINANCE DIRECTOR'S REPORT

OVERVIEW

This report is presented during a period that is unprecedented and most extraordinary in recent memory and indeed in the history of our Group. It has been a very unusual and challenging year, characterised by two distinct halves and significantly distorted by the unexpected and disruptive impact of COVID-19 in the second half (H2). Our primary focus during this time, has been that of the health and safety of our people and our customers. At the same time, we have undertaken numerous initiatives to stabilise our operations and cash flow and to strengthen our balance sheet.

The extremely challenging trading conditions brought about by the pandemic placed significant pressure on the performance of our discretionary businesses across the Group. However, the exceptional performance of our Food business in South Africa and the growth in our online channels underpinned the Group result for the year.

In the first half (H1), we delivered profit before tax of R2.2 billion, with earnings per share ('EPS') of 164.1 cps and headline EPS of 164.9 cps and we distributed dividends of 89.0 cps. Excluding the impact of IFRS 16 (which is discussed later in this report), adjusted profit before tax (aPBT) was R2.4 billion and adjusted diluted headline earnings per share (HEPS) was 179.1 cps. While it was a disappointing first half, the third quarter started off reasonably well across the Group, with Australia trade more affected by the bushfires and the loss of the Asian tourist from February onwards.

As the pandemic began to spread, we started to see a more significant impact (Food positively, by stockpiling) with lockdowns in South Africa and restrictions on movement in Australia, which caused significant disruptions to our businesses resulting from store closures, loss of footfall and margin dilution due to promotions and clearance to avoid inventory build-up, particularly in the fourth quarter. The effects of lower disposable income and consumer confidence also affected sales in our discretionary businesses, which was partially offset by an acceleration in online growth.

The Group's focus shifted to generating and preserving cash, by driving trade through promotions and clearance, strengthening our online offer and capacity, managing working capital by reducing inventory intake and extending supplier payment terms, cost containment through seeking rent concessions and deferrals and reducing discretionary spend, cutting non-critical capex and securing government relief in the form of TERS UIF in South Africa and JobKeeper subsidy in Australia. Cost reduction was and continues to be a key focus area and we achieved substantial cost savings across the Group in the second half.

We also focused our efforts on securing liquidity and covenant waivers through proactive engagement with our lenders in South Africa and Australia. We achieved the relaxation and suspension of covenant testing for two measurement periods (June and December 2020) and supported the Australian businesses with an A$75 million WHL loan facility, in the form of a second lien loan. From a liquidity and net gearing perspective, we exceeded our forecasts in South Africa and Australia at the end of June 2020, and were particularly pleased with the Australian result with net gearing at year-end of A$366 million, well within the A$744 million facility, without the need to draw down on the WHL facility.

We also initiated and accelerated key projects to build a more resilient business and to strengthen the Group balance sheet through a review of our long-term capital structure. In South Africa, the underpin of the Food business places us in a strong position. Post year end we received the proceeds of A$121 million from the disposal of the Bourke Street menswear building and are exploring other options in further strengthening the Australian balance sheet including the sale and leaseback of our Elizabeth and Bourke Street Womenswear stores, for which we have recently received non-binding indicative offers from interested parties.

COVID-19 reduced expected cash flows which necessitated an assessment of the carrying values of assets including the IFRS 16 Right-of-use assets relating to store leases. This resulted in post-tax impairments of R305 million and onerous lease charges of R267 million.

Furthermore, we did not raise deferred tax assets on assessed losses in respect of certain entities within the Group. Accounting convention requires that we consider the recoverability of assessed losses using no longer than a certain projected period. In light of the uncertainty and potential volatility emanating from COVID-19, both in quantum and timing, we elected to take a prudent approach in not recognising the deferred tax assets as they relate to assessed losses, bearing in mind, that the assessed losses would also have been impacted by previous impairments. These assessed losses remain available for set off against future taxable income. This increased our Group effective tax rate significantly to 53.5%. The Group's adjusted effective tax rate is marginally below that of 2019.

This was also the first year of implementation of IFRS 16. We adopted the modified retrospective approach to implementation, which requires an adjustment to opening reserves rather than restating comparative information. The application of the standard has had a material impact on the Group's financial statements, and results in changes to the statement of financial position, whereby Right-of-use (ROU) assets and Lease liabilities are recognised. Changes to the statement of comprehensive income include current operating lease costs being replaced by an amortisation of the ROU assets and associated finance costs. The impact on the opening balance sheet is an increase in liabilities of R26.5 billion and a net increase in ROU assets of R19.8 billion. The net adjustment to opening equity amounted to R3.2 billion. The impact on the PBT and aPBT for the year is R302 million and R318 million respectively.

The impact of IFRS 16 results in a current year profit before tax of R1.4 billion, compared to a R1.8 billion loss in the prior year, with EPS and HEPS at 58.2 cps and 119.8 cps, compared to -113.4 cps and 342.9 cps in the prior year respectively.

COMPARABLE REPORTING

The adoption of IFRS 16, as mentioned earlier, impacted this year's reported results which is discussed later on in this report. Furthermore, the current year had 52 trading weeks compared to 53 for the year ended 30 June 2019, which also resulted in a shift in trading weeks between the respective halves. This should also be taken into account when comparing the year-on-year performance. **To facilitate comparison, the commentary that follows excludes the impact of IFRS 16 on the current year and references a pro forma 52-week prior year, unless specified otherwise.**

Some key metrics in respect of 2020 are reflected below, clearly reflecting the challenges faced in the second half:

	GROUP PERFORMANCE SUMMARY		
	H1	H2	FULL YEAR
TURNOVER AND CONCESSION SALES	+3.8% to R40.9 billion	-4.0% to R37.4 billion	-0.1% to R78.3 billion
ADJUSTED EBITDA	-7.6% to R3.9 billion	-47.5% to R1.8 billion	-25.4% to R5.7 billion
ADJUSTED PROFIT BEFORE TAX	-12.3% to R2.4 billion	-94.1% to R0.1 billion	-46.0% to R2.5 billion
ADJUSTED DILUTED HEPS	-11.7% to 179.1 cps	-90.5% to 14.5 cps	-45.7% to 193.6 cps

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

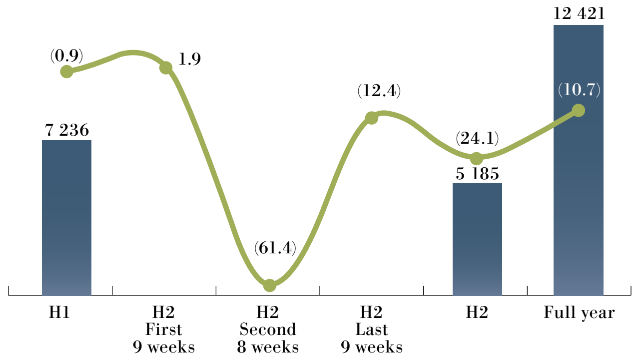
GROUP INCOME STATEMENT

	Pre IFRS 16 52 weeks 2020 Rm	IFRS 16 adjustment Rm	Post IFRS 16 52 weeks 2020 Rm	52 weeks 2019 Rm	Pre IFRS 16 % change
Turnover and concession sales	78 262	–	78 262	78 335	(0.1)
Turnover	72 208	–	72 208	71 757	0.6
Cost of sales	46 872	(13)	46 859	44 284	5.8
Gross profit	25 336	13	25 349	27 473	(7.8)
Other revenue	1 788	–	1 788	1 956	(8.6)
Expenses	23 668	(1 224)	22 444	24 079	(1.7)
Adjusted operating profit	3 456	1 237	4 693	5 350	(35.4)
Net finance costs	1 071	1 555	2 626	1 044	2.6
Earnings from joint ventures	101	–	101	295	(65.8)
Adjusted profit before tax	2 486	(318)	2 168	4 601	(46.0)

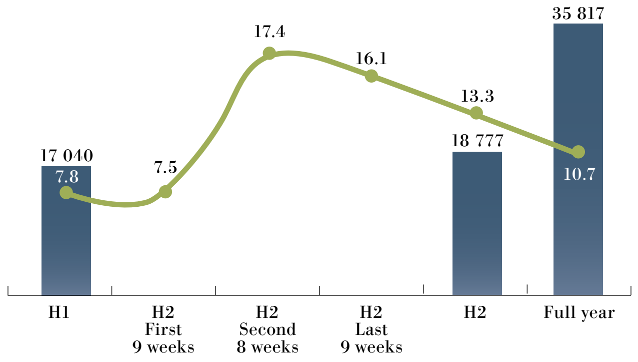
TURNOVER AND CONCESSION SALES

Group sales for the current year was 0.6% up on the 52-week prior year and 1.2% down on the statutory 53-week prior year. Group turnover and concession sales declined by 0.1% (-1.1% in constant currency), and by 4.0% in the second half. The following graphs are a representation of the trade for the year, with particular emphasis on before, during and post the trading restrictions in H2. This illustrates the consequential negative effect on trade on our apparel businesses in the second half. However, online sales growth accelerated during this period.

Woolworths SA– Fashion, Beauty and Home



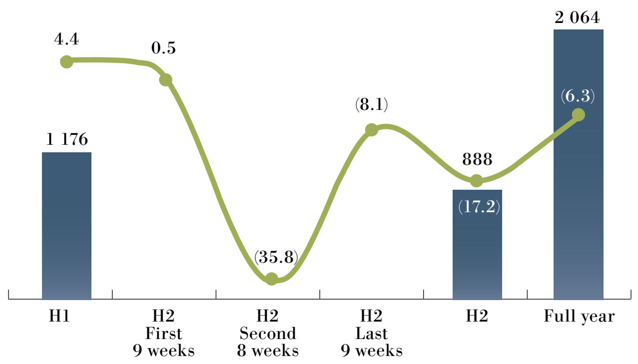
*Woolworths SA– Food**



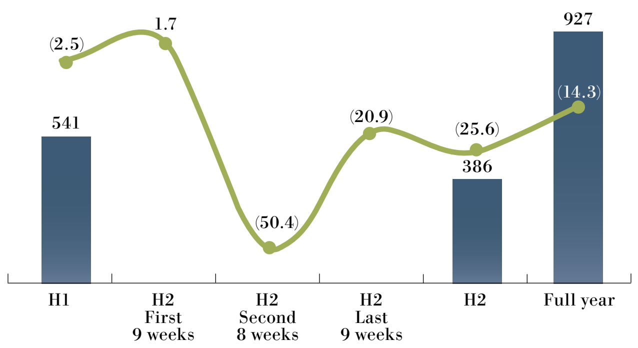
* Including concession sales

Sales (Rm) | % on LY

*David Jones**



Country Road Group



* Including concession sales

Sales (A$m) | % on LY

In South Africa, FBH sales declined by 10.7% for the year, with second-half sales declining by 24.1%, as stores were closed for April and certain restrictions applied in May. Price movement for the year was 0.7%. Space growth was curtailed as we focused on productivity and operating efficiencies, with net retail space growth of 1.0%.

Woolworths Food turnover and concession sales increased by 10.7% for the year, with second-half growth of 13.3%. Food benefited from the changes in customer buying behaviour in the second half, enhanced by further investment in price, innovation and convenience. We experienced good volume growth and continued to gain market share.

David Jones turnover and concession sales declined by 6.4% for the year and by 17.2% in the second half. The decline in store sales was partly mitigated by the significant shift to online, which saw the channel growing by 100% in H2, and contributing 18.4% to sales. The Elizabeth Street store redevelopment was completed, with all floors trading from 4 April 2020.

Country Road Group (CRG) began a phased re-opening of stores from 21 May 2020, following the two-month closure, resulting in a moderate improvement in trade in the last nine weeks, despite sales in CBD and airport store locations continuing to be negatively impacted. Sales for the year declined by 14.3%, and by 25.6% in the second half. Growth was also negatively impacted by the exit from the concession arrangement with Myer in August 2019. Online sales remained strong, growing by 28.1% in H2, contributing 33.5% of total sales.

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

GROSS PROFIT

Gross profit was down 7.8% and gross profit margin, excluding concessions, reduced by 3.2%. While this reduction is due to a combination of factors, the primary driver in the second half was the additional promotional and markdown activity aimed at reducing inventory levels and generating cash.

EXPENSES

Expenses for the year, including store and other support costs, reduced by 1.7%, notwithstanding the additional COVID-19 related costs that were incurred to comply with health and safety protocols. As a consequence of the drop in sales, we embarked on various programmes to reduce costs across the Group, which resulted in substantial savings.

While we continued to pay our FBH staff during the lockdown in South Africa and stood-down some of our staff in Australia, we secured the government relief programme payments, viz. the UIF TERS in South Africa and JobKeeper subsidy in Australia. We also negotiated rent concessions from landlords, particularly for the period when our stores were closed. During this period, discretionary costs were cut and the filling of vacancies put on hold.

EARNINGS FROM JOINT VENTURE

Our share of profit after tax from Woolworths Financial Services (WFS), our joint venture with ABSA Group Limited, was 65.8% down on last year, at R101 million. The result was significantly impacted by the higher impairment charge for the year (as a consequence of lower collections), together with lower interest and transactional revenue. The book reflected positive year-on-year growth of 2.0%, while the impairment rate for the 12 months ended 28 June 2020 was 7.9%, which was more than double that of the prior year at 3.7%.

NET FINANCE COSTS

Net finance costs of R1 071 million were 2.6% higher than last year. We had lower debt levels and base rates in South Africa and Australia, but this was offset by the additional costs arising from the refinancing of debt in Australia, as well as translation effects. We continue to manage our interest rate risk through effective hedging. Net interest cover declined to 5.4 times from last year's 7.3 times.

ADJUSTMENTS (Pre IFRS 16)

Adjustments to profit before tax include:

- R419 million pre-tax impairment of assets across the Group
- R380 million pre-tax onerous leases
- R13 million restructure costs provision reversed
- R4 million unrealised foreign exchange gains recognised

As explained earlier, the impairment relates primarily to store assets, and onerous lease provisions under IAS 17, which are reclassified as ROU assets impairment arising from the IFRS 16 implementation. The non-recognition of R506 million of deferred tax assets, which has been explained earlier, is also taken into account in the calculation of adjusted headline earnings.

TAX

The Group's adjusted effective tax rate (pre IFRS 16) is 25.2%, which is marginally lower than the 25.8% in the prior year, primarily due to the lower contribution of the Australian operating entities to Group profit. The Group effective tax rate before adjusting for the non-recognition of the deferred tax asset referred to earlier, is 53.5% (60.2% on a post IFRS 16 basis).

HEADLINE EARNINGS (HEPS)

Headline earnings and adjusted headline earnings per share, which exclude the impairment as well as other adjustments referred to above, declined by 64.8% and 45.5% respectively, reflecting the impact of COVID-19 on the results for the year.

EARNINGS PER SHARE (EPS)

The various earnings per share, HEPS and adjusted HEPS on a diluted and adjusted diluted and on a pre and post IFRS basis are presented in the table below. The impact of impairments is 31.5 cps and the impact of adjustments, mainly in respect of onerous leases and the non-recognition of deferred tax on assessed losses, is 78.7 cps.

	Pre IFRS 16 52 weeks to 28 Jun 2020 cents	Post IFRS 16 52 weeks to 28 Jun 2020 cents	52 weeks to 23 Jun 2019 cents	53 weeks to 30 Jun 2019 cents	Change on prior period Pre IFRS 16 52 weeks %	Change on prior period Post IFRS 16 53 weeks %
EPS	82.6	58.2	(126.0)	(113.4)	>100	>100
Diluted EPS	81.6	57.6	(126.0)	(113.4)	>100	>100
HEPS	116.2	119.8	330.4	342.9	(64.8)	(65.1)
Diluted HEPS	114.9	118.4	327.7	340.1	(64.9)	(65.2)
Adjusted HEPS	195.8	170.3	359.2	371.7	(45.5)	(54.2)
Adjusted diluted HEPS	193.6	168.4	356.3	368.7	(45.7)	(54.3)
DPS	89.0	89.0	190.5	190.5	(53.3)	(53.3)
WANOS (millions)	956.9	956.9	957.4	957.5	(0.1)	(0.1)

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

DIVIDEND PER SHARE (DPS)

An interim dividend of 89.0 cps was declared in respect of the first half earnings. The Board believes that it is in the best interest of the Group for distributions to WHL shareholders to be suspended until such time as the situation arising from COVID-19 stabilises. The Board has consequently decided not to declare a final FY20 dividend and will consider dividends thereafter in the context of the conditions prevailing at the time.

NEW STANDARDS

IFRS 16: LEASES

IFRS 16 was adopted by the Group from 1 July 2019, which requires leases to be recognised in the statement of financial position, with the current distinction between operating and finance leases removed. We adopted the modified retrospective basis to implementation which did not require a restatement of prior years, but recognised the cumulative effect as a Day 1 adjustment of R3 210 million debit to the opening equity balance at 1 July 2019. Lease provisions, under IAS 17 of R2.2 billion were offset either against the ROU assets or equity.

IFRS 16 has a significant impact on the statement of financial position as illustrated in the table below. Total assets increased by R22.1 billion, with the recognition of ROU assets and deferred tax on the lease liabilities, offset by the reversal of fair value lease adjustments and lease prepayments under IAS 17. Total liabilities increased by R26.4 billion, with the recognition of lease liabilities and deferred tax on ROU assets, offset by the reversal of fair value lease adjustments and operating lease accruals under IAS 17. While this has added significant lease liabilities and ROU assets on our balance sheet, this is expected to reduce over time as leases expire and space is reduced, as we rationalise our store portfolio.

The following table reflects the shift in key performance measures post adoption:

		Pre IFRS 16 Jun 2020	Change	Post IFRS 16 Jun 2020
BALANCE SHEET				
Net debt*	Rbn	11.6	19.9	31.5
Net debt to EBITDA*	times	2.0	1.3	3.3
Net debt to Equity	times	1.1	3.7	4.8
ROCE* & **	%	7.7	(0.6)	7.1
INCOME STATEMENT				
Segmental contribution before interest and tax	Rbn	3.6	1.2	4.8
Operating profit margin	%	4.8	1.7	6.5
Adjusted profit before tax	Rbn	2.5	(0.3)	2.2
Adjusted diluted HEPS	cents	193.6	(25.2)	168.4
Interest cover	times	5.4	(1.7)	3.7

* Post IFRS 16 on Lease liabilities net of deferred tax
** Excluding abnormal asset impairments

SUMMARISED STATEMENT OF FINANCIAL POSITION (52:53 WEEKS)

	Pre IFRS 16 2020 Rm	IFRS 16 adjustment Rm	Post IFRS 16 2020 Rm	2019 Rm	Constant currency % change
Assets					
Property, plant and equipment	16 280	(34)	16 246	14 295	(0.4)
Intangible assets	8 228	–	8 228	7 283	1.4
Right-of-use assets	–	20 519	20 519	–	–
Investment in joint ventures	742	–	742	810	(8.4)
Inventories	8 054	–	8 054	8 325	(11.3)
Trade and other receivables and loans	2 414	(170)	2 244	1 518	34.2
Derivative financial instruments	283	–	283	185	42.2
Deferred tax and tax assets	1 411	1 805	3 216	1 600	73.4
Cash and cash equivalents	5 534	–	5 534	1 913	>100
Total assets	42 946	22 120	65 066	35 929	60.7
Equity and liabilities					
Shareholders' funds	10 790	(4 280)	6 510	9 443	(45.0)
Interest-bearing borrowings and overdrafts	17 158	(38)	17 120	14 393	9.4
Lease liabilities	–	28 599	28 599	–	–
Operating lease accrual and fair value lease adjustment	1 770	(1 770)	–	1 761	(100.0)
Other non-current liabilities	890	(155)	735	805	(13.5)
Derivative financial instruments	341	–	341	178	87.1
Deferred tax and tax liabilities	242	(91)	151	138	(6.5)
Trade and other payables and provisions	11 755	(145)	11 610	9 211	15.1
Total equity and liabilities	42 946	22 120	65 066	35 929	60.7
Net gearing	11 624	19 882	31 506	12 480	>100

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)


Woolworths, Summer 2020

The assets and liabilities of the Australian subsidiaries contained within the Group Statement of Financial Position are impacted by the higher exchange rate at year-end, which was R11.8/A$ compared to R9.9/A$ last year. There has been significant focus on our balance sheet through the period, given the COVID-19 effects and potential impact on carrying values of assets.

Shareholders' funds are at R10.8 billion (pre IFRS 16) at the end of the period with a net debt to equity ratio of 1.1x (prior year 1.3x) and total gearing having reduced to R11.6 billion from R12.5 billion on a pre IFRS 16 basis (12.5% in constant currency). We remain committed to reducing net gearing across the Group.

Significant movements, in constant currency, since June 2019 are discussed below:

Property, plant and equipment and intangible assets movement include the impairment of assets, and capital expenditure (capex) in the period, including the Elizabeth Street store. The Bourke Street menswear property was reclassified as a non-current asset held for sale. The sale of the building is a material, non-adjusting event and has been disclosed as a subsequent event in the AFS.

Investment in joint ventures represents the 50% less 1 share of the net assets of WFS of R732 million. The investment decreased from last year due to the significant impact of COVID-19 on the impairment charge and the debtors' book.

Inventory decreased by 11.3% due to the deliberate efforts to reduce intake and clear stock in order to reduce working capital and generate cash.

Shareholders' funds (pre IFRS 16) increased due to retained earnings, an increase in the foreign currency translation reserve arising from translation of our foreign subsidiaries at a weaker rand at year-end, partially offset by the impairments.

Lease liabilities of R25.9 billion (non-current) and R2.7 billion (current) comprise the R26.5 billion recognised on Day 1, additions and R3.7 billion foreign exchange translation impacts, offset by R3.7 billion payments for the period (inclusive of finance costs).

Trade and other payables and provisions increased primarily due to the timing of creditor payments, rent and tax deferrals and extended terms negotiated with our trade suppliers.

Right-of-use assets and Lease liabilities arise from the implementation of IFRS 16 which capitalises leases, primarily from the lease agreements on our store network.

NET GEARING (52:53 WEEKS AND PRE IFRS 16)

	2020	2019
WHL Net debt (R million)	(11 624)	(12 480)
Interest-bearing debt	(17 061)	(13 522)
Net cash and cash equivalents	5 437	1 042
Unutilised committed facilities – Group	6 340	8 147
SA Net debt (R million)	(7 299)	(8 327)
Interest-bearing debt	(8 687)	(8 685)
Net cash and cash equivalents	1 388	358
Unutilised committed facilities – SA	5 914	5 199
Australia Net debt (A$ million)	(366)	(420)
Interest-bearing debt	(708)	(489)
Net cash and cash equivalents	342	69
Unutilised committed facilities – AUS	36	298

The net gearing position reflects the focus on cash and liquidity during the period with both South Africa and Australia substantially below our expected position and last year, despite the negative impact of the pandemic. The net decrease in gearing for the period, after a R726 million negative impact of exchange rates, was R856 million, notwithstanding capex spent in respect of the Elizabeth Street redevelopment. Working capital was actively managed and reduced, contributing R1.6 billion to the improvement in H2.

In the first half, the Group's debt in Australia was refinanced, establishing an appropriate maturity profile. The liquidity profile continues to be actively managed, maintaining an adequate level of committed facilities. The Group follows internal capital allocation principles and has defined covenant measures that are more stringent than banking covenants.

There are a number of initiatives currently in progress across the Group with the aim of optimising our capital structure and ensuring financial flexibility. We have disposed of our men's store in Bourke Street, Melbourne and consideration is being given to the sale and leaseback of the remaining properties in Australia.

LIQUIDITY AND COVENANTS

The negative effect of COVID-19 on trade impacted our expected liquidity and covenant position in both South Africa and Australia. Having implemented cash focus measures as previously mentioned, the liquidity positions of the businesses were closely monitored. The forecast positions required covenant suspension and relaxation from the banks and bondholders which was subsequently obtained.

The Australian liquidity position was expected to peak in March/April of 2020, with winter intake and on completion of the Elizabeth Street redevelopment. At that point, and based on a potential downside scenario, the WHL Board decided to make available a facility of A$75 million to the Australian businesses, in the form of a second lien secured loan, to cater for any potential liquidity shortfall in Australia. This was also done to facilitate the covenant waiver process with lenders.

Lenders were approached in Australia and a suspension of covenant measurement for June and December 2020 was agreed to by the banking syndicate and the bondholders before the financial year end. Lenders in South Africa were also approached, and covenants were amended for the June and December 2020 measurement periods, which took into account the potential A$75 million loan to Australia. Trading and liquidity in Australia were better than forecast and there has been no need to date to call on this funding from WHL. There remains significant unutilised committed facilities in South Africa.

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS (52:52 WEEKS AND PRE IFRS 16)

	2020	2019
ROCE (%)*	7.7	13.2
ROE (%)*	8.7	17.5
Net debt: Equity (times)	1.1	1.3
Net debt: EBITDA (times)	2.0	1.6
Interest cover (times)	5.4	7.3

* Excluding abnormal asset impairments

ROCE decreased to 7.7% and ROE declined to 8.7%, due to lower profitability and an increase in the capital base as a result of the higher exchange rate at year-end.

The Net Debt to Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) ratio increased to 2.0 times, impacted by the second half results. We are targeting a long-term net debt to EBITDA ratio of 1.5x which we believe can be achieved in two years through a reduction in debt and an improvement in our trading performance.

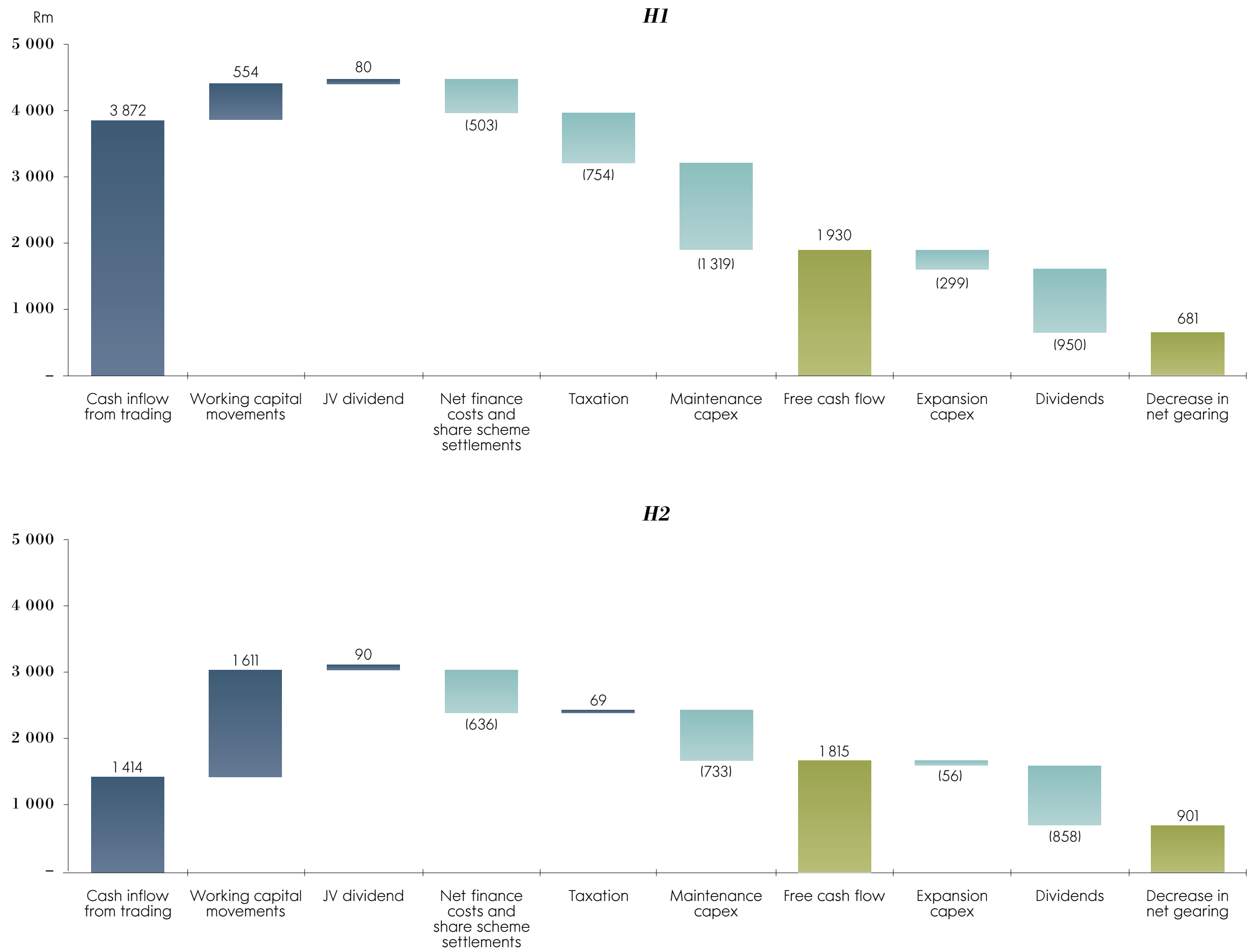
CAPITAL EXPENDITURE

Total capex for the year was R2.4 billion of which A$92.8 million was spent on the completion of the Elizabeth Street redevelopment. Given the focus on preserving cash, all non-critical capex was suspended. We pulled capex back by R450 million across the Group in the second half.

We continued to invest in an enhanced digital capability to support the growth in online and other opportunities, while space growth across the Group has been curtailed, as we focus on reducing space in our discretionary businesses.


Trenery, Spring 2020

CASH GENERATION



Net gearing for the first half decreased by R681 million. The focus in H2 was on cash generation and preservation. Overall decrease in net gearing for the year was R1.6 billion (R856 million including foreign exchange translation effect), ending the year at R11.6 billion, notwithstanding the impact of COVID-19 and Elizabeth Street store spend, which ramped up in H2 as we completed the project.

Working capital contributed R2.2 billion of the positive movement for the year, through the focus on inventory and extending supplier and other payment terms, especially in H2.

Capex for the period was R464 million below that which was previously guided for the full year.

OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

SUMMARISED STATEMENT OF CHANGES IN EQUITY (52:53 WEEKS)

	2020 Rm	2019 Rm
Shareholders' interest at the beginning of the year	9 443	13 126
Effect of IFRS 16 adoption (2019: IFRS 9 and IFRS 15 adoption)	(3 210)	(223)
Shareholders' interest at the beginning of the year (restated)	6 233	12 903
Movements for the year:		
Total comprehensive income/(loss) for the year	2 018	(1 230)
Profit/(loss) for the year	559	(1 084)
Other comprehensive income	1 459	(146)
Share-based payments	92	141
Net acquisition of Treasury shares	(25)	(226)
Dividends to ordinary shareholders	(1 808)	(2 145)
Shareholders' interest at the end of the year	6 510	9 443

The decline in equity is as a result of the impairment and the initial application of IFRS 16.

EVENTS SUBSEQUENT TO YEAR-END

Subsequent to year end, the sale of the Bourke Street Menswear building was successfully concluded with proceeds of A$121 million (R1.5 billion) received.

OUTLOOK

The macro environments in both South Africa and Australia will remain constrained for the foreseeable future with GDP growth, employment and consumer confidence under further pressure. This will have a negative effect on discretionary spend in both regions.

Whilst trade post year end has been encouraging with some level of recovery (and Food sales growth remaining strong), the trading environment will continue to be fluid and uncertain. The recently announced Victoria state and New Zealand lockdowns as a result of a second wave of infections is an example of this. The pandemic also continues to disrupt our local and international supply chains, store operations, and the availability of products, which are challenges we continue to manage proactively.

We are, however making steady progress on our key strategic projects. Whilst discretionary spend will be under pressure, FBH, under new leadership has identified significant opportunities for 'self-help'. We are also excited about fast tracking our online capabilities supported with appropriate levels of capital investment. We are making progress on reducing our store footprints across the Group and are encouraged by the progress in landlord negotiations in Australia. The review of the capital structure of the Australasian group, with the aim of unlocking shareholder value is also progressing. Our substantial property assets provide us with alternatives to achieving our objectives in this region.

Our focus on cash management, proactive engagement with lenders and other operational actions taken to reduce our cost base will continue, and the Board and management remain resolutely focused on positioning the business to deliver sustainable long-term shareholder value.

MR Isaacs
Group Finance Director
15 September 2020


StudioW, Summer 2020

SEGMENTAL REVIEWS


David Jones, Summer 2020

SEGMENTAL CONTRIBUTION

The segmental results and commentary are presented on a pre IFRS 16 and 52-week basis for comparability with the pro forma prior year.

	52 weeks 2020 Rm	52 weeks 2019 Rm	% change	Constant currency % change
Woolworths Fashion, Beauty and Home	683	1 686	(59.5)	
Woolworths Food	2 716	2 283	19.0	
Woolworths Financial Services	101	295	(65.8)	
Woolworths	3 500	4 264	(17.9)	
David Jones	(331)	380	>(100)	>(100)
Country Road Group	401	1 015	(60.5)	(60.0)
Segmental contribution before interest and tax	3 570	5 659	(36.9)	(36.9)
Net finance and other costs	(1 084)	(1 058)	2.5	
Adjusted profit before tax	2 486	4 601	(46.0)	(45.8)

The Group results were underpinned by the strong performance of Food, offset by the significant decline in second-half performance in the apparel businesses. The Group's segmental adjusted profit before tax declined by 45.8% on last year, in constant currency.

SEGMENTAL REVIEWS (CONTINUED)

WOOLWORTHS FASHION, BEAUTY AND HOME

INCOME STATEMENT	52 weeks 2020 Rm	52 weeks 2019 Rm	% change
Turnover	12 421	13 908	(10.7)
Cost of sales	6 953	7 298	(4.7)
Gross profit	5 468	6 610	(17.3)
Other revenue	17	17	–
Expenses	4 802	4 941	(2.8)
Store costs	3 287	3 373	(2.5)
Other operating costs	1 515	1 568	(3.4)
Adjusted operating profit	683	1 686	(59.5)

FBH performance in H2 was negatively impacted by the closure of stores and the restrictions on trade, including online, during the period of the lockdown in South Africa and in the other Southern African countries that we operate in. Since the re-opening of stores in May, trade was focussed on promotional activity to drive sales and reduce inventory levels. This achieved its purpose, with stock levels down on last year by 18%. Sales in the second half declined by 24.1%, ending the year 10.7% down on LY. Space growth was limited as we focused on productivity and operating efficiencies with net retail space increasing by 1.0%.

Gross profit margin decreased by 3.5% to 44.0%, as a result of the promotional and clearance activity undertaken. Expenses were well controlled and decreased by 2.8%, due to the focus on cost reduction. We continued to pay our staff during the lockdown period, assisted by the UIF TERS subsidy. Operating profit decreased by 59.5% to R683 million, with an operating margin of 5.5%.

WOOLWORTHS FOOD

INCOME STATEMENT	52 weeks 2020 Rm	52 weeks 2019 Rm	% change
Turnover and concession sales	35 817	32 342	10.7
Concession sales	(676)	(746)	(9.4)
Turnover – own buy	35 141	31 596	11.2
Cost of sales	26 397	23 763	11.1
Gross profit – own buy	8 744	7 833	11.6
Concession and other revenue	117	135	(13.3)
Expenses	6 145	5 685	8.1
Store costs	4 484	4 110	9.1
Other operating costs	1 661	1 575	5.5
Adjusted operating profit	2 716	2 283	19.0

The resilience of our Food business together with the shifts in customer shopping behaviour and the trust in our brand, resulted in an exceptional Food performance. Food sales peaked in March and April, with above-market growth continuing into May and June. Turnover and concession sales grew by 13.3% in H2, with full year growth at 10.7%, continuing to grow ahead of the market. This was achieved notwithstanding the constrained environment, restrictions on trade and the intermittent closure of specific stores in instances of COVID-19. Online food sales grew by 87.8% in H2 and by 57.2% for the year, notwithstanding the need for further improvements to our fulfilment capability in this area.

Gross profit margin of 24.9% was marginally higher than the prior year, notwithstanding further price investment, primarily due to supply chain efficiencies, lower waste and higher volume rebates. Expenses grew by 8.1%, which includes additional COVID-19 related store costs including additional incentives paid to frontline staff. Operating profit increased by 19.0% to R2 716 million, returning an operating margin of 7.7%.

WOOLWORTHS FINANCIAL SERVICES

	2020 Rm		2019 Rm		% change
Average total financial services assets	13 185		12 295		7.2
INCOME STATEMENT		% to book		% to book	
Interest income	2 135	16.2	2 142	17.4	(0.3)
Interest paid	638	4.8	663	5.4	(3.8)
Net interest income	1 497	11.4	1 479	12.0	1.2
Impairment charge	1 043	7.9	461	3.7	>100
Risk-adjusted margin	454	3.4	1 018	8.3	(55.4)
Non-interest revenue	880	6.7	847	6.9	3.9
Operating costs	1 053	8.0	1 045	8.5	0.8
Profit before tax	281	2.1	820	6.7	(65.7)
Tax	80	0.6	230	1.9	(65.2)
Profit after tax	201	1.5	590	4.8	(65.9)
50% equity accounted	101		295		
Return on equity	11.3%		33.2%		

The Woolworths Financial Services ('WFS') book grew by 2.0% year-on-year and by 9.0% at 31 March 2020, highlighting the significant growth pre COVID-19. The results for the year also reflected the negative impact of lower interest rates, which affected net interest income; the closure of stores affecting transactional revenue and collections; and by a higher impairment charge arising from lower collections and a significant macro-economic adjustment to the impairment charge for the year. The impairment rate for the 12 months ended 28 June 2020 was 7.9%, compared to a rate of 4.2% for the 9 months ended 31 March 2020 and 3.7% for the 12 months ended 30 June 2019.

SEGMENTAL REVIEWS (CONTINUED)

DAVID JONES

INCOME STATEMENT	52 weeks 2020 A$m	52 weeks 2019 A$m	% change
Turnover and concession sales	2 064	2 204	(6.4)
Concession sales	(677)	(747)	(9.4)
Turnover – own buy	1 387	1 457	(4.8)
Cost of sales	881	867	1.6
Gross profit – own buy	506	590	(14.2)
Concession and other revenue	176	197	(10.7)
Gross profit	682	787	(13.3)
Expenses	739	775	(4.6)
Store costs	641	633	1.3
Other operating costs	98	142	(31.0)
Department store adjusted operating (loss)/profit	(57)	12	>(100)
Financial services operating profit	24	25	(4.0)
Adjusted operating (loss)/profit	(33)	37	>(100)

While most David Jones stores continued trading during the second half, there was a significant decline in footfall, which began earlier in the half when the first signs of the pandemic affected Asian tourism during the Lunar New Year trading period. Footfall was down across the chain, but more pronounced in CBD and tourist locations. Turnover and concession sales declined by 17.2% in the second half, ending the year 6.4% below the prior year. The decline in store sales was partly mitigated by the shift to online, which grew by 100.7% in H2, contributing 18.4% to sales. The completion of the Elizabeth Street store redevelopment in April contributed positively to the uplift in sales in the latter part of the half; however, it has not yet reached its potential due to the more pronounced effect of the pandemic on CBD locations.

Gross profit margin was 2.7% lower than the prior year, due to the significance of clearance activity in the last quarter to generate cash and reduce inventory levels and further markdowns. Costs reduced by 4.6%, as non-essential expenditure was curtailed to mitigate the impact of the loss of trade.

David Jones, Winter 2020

COUNTRY ROAD GROUP

INCOME STATEMENT	52 weeks 2020 A$m	52 weeks 2019 A$m	% change
Turnover	927	1 082	(14.3)
Cost of sales	384	414	(7.2)
Gross profit	543	668	(18.7)
Other revenue	6	6	–
Expenses	509	574	(11.3)
Store costs	359	404	(11.1)
Other operating costs	150	170	(11.8)
Adjusted operating profit	40	100	(60.0)

Country Road Group stores were closed for most of the fourth quarter with a phased re-opening of stores from 21 May 2020 in which the recovery of CBD and airport stores were subdued. This resulted in sales in the second half declining by 25.6% and ending the year down 14.3% on the prior year, also affected by the exit from Myer in August 2019. During the period, online sales remained strong, growing by 28.1% in H2, and contributing 33.5% of total sales.

Gross profit margin declined by 3.1% to 58.6% due to heightened promotions to clear excess inventory. Expenses for the year, including costs incurred on the Myer exit, reduced by 11.3%. Operating profit decreased by 60.0% to A$40 million, resulting in an operating margin of 4.3%.

OTHER REPORTS

SHAREHOLDING DISCLOSURES

STATED CAPITAL

AUTHORISED

Ordinary shares – 2 410 600 000 of no par value

ISSUED

Ordinary shares – 1 048 576 648 of no par value

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

SHAREHOLDER SPREAD

Public and non-public shareholders	Number of share-holders	Percentage of total share-holders	Number of shares	Percentage of issued capital
1 – 1 000 shares	40 415	69.1	11 203 417	1.1
1 001 – 10 000 shares	15 192	26.0	44 895 050	4.3
10 001 – 100 000 shares	2 196	3.8	64 465 981	6.1
100 001 – 1 000 000 shares	540	0.9	163 469 444	15.6
1 000 001 shares and above	124	0.2	764 542 756	72.9
Total	58 467	100.0	1 048 576 648	100.0

ANALYSIS OF SHAREHOLDERS

Public and non-public shareholders	Number of share-holders	Percentage of total	Number of shares	Percentage of total
Non-public shareholders	17	–	95 683 010	9.1
Directors and their associates	14	–	11 304 049	1.1
E-Com Investments 16 (RF) Proprietary Limited	1	–	43 763 861	4.2
Woolworths Proprietary Limited	1	–	40 497 604	3.8
Woolworths Proprietary Limited on behalf of deceased and untraceable former Woolworths Employee Share Ownership Trust beneficiaries	1	–	117 496	–
Public shareholders	58 450	100.0	952 893 638	90.9
Total shareholders	58 467	100.0	1 048 576 648	100.0

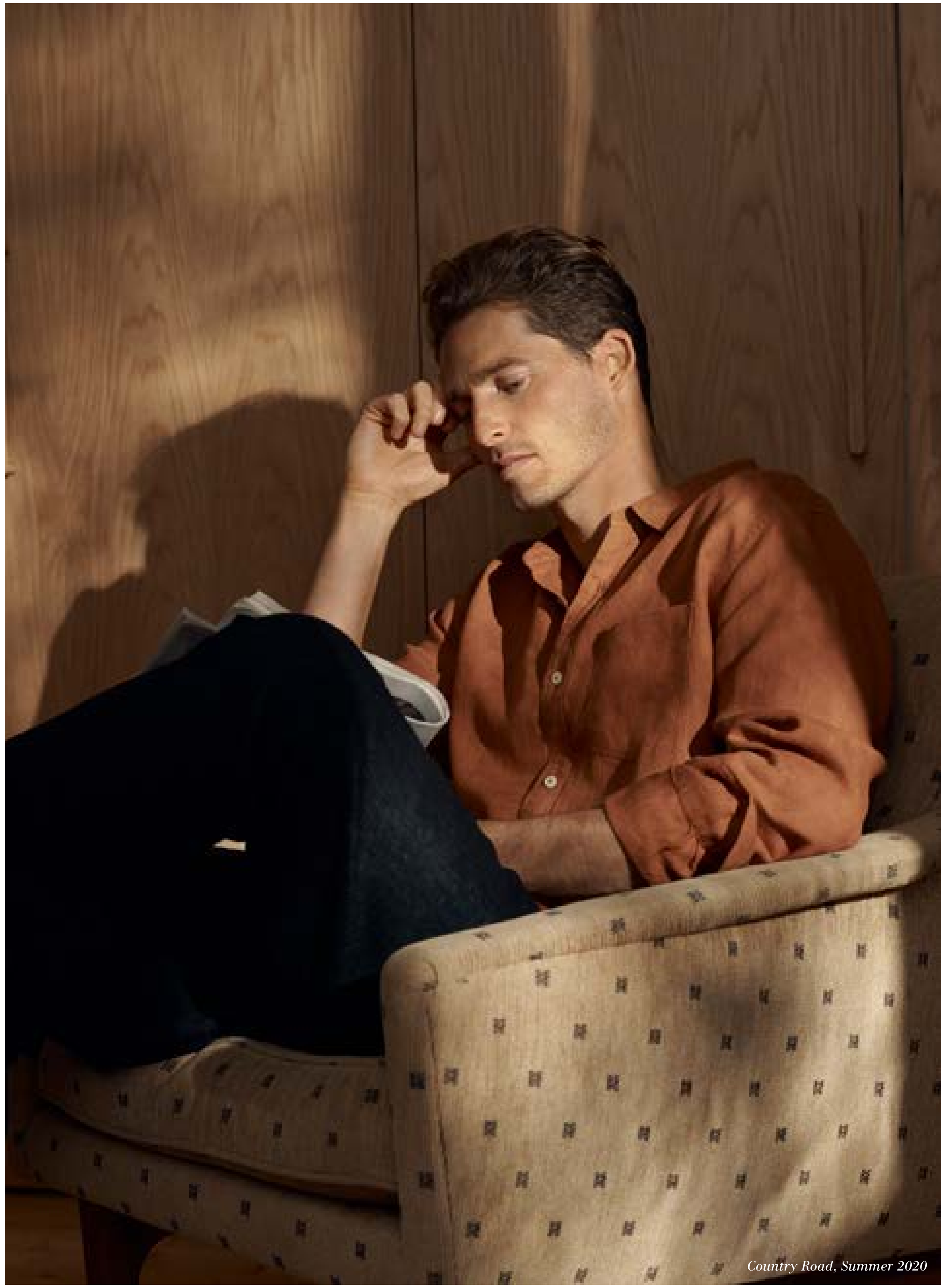
Total number of treasury shares held at 28 June 2020 – 84 261 465.

Directors of the Company hold direct and indirect beneficial interests of 11 304 049 ordinary shares (2019: 10 286 273) in the Company.

According to the Company's register of shareholders, read in conjunction with the Company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held, directly and indirectly, beneficially in excess of 5% of any class of the issued stated capital at 28 June 2020:

	Total shareholding Jun 2020	% of issued capital	Total shareholding Jun 2019	% of issued capital
Major shareholders				
Allan Gray Proprietary Limited*	210 876 727	20.1	173 295 066	16.5
Government Employees Pension Fund (PIC) (ZA)	151 970 156	14.5	135 104 345	12.9
BlackRock Inc.*	55 243 909	5.3	46 966 474	4.5

* Held on behalf of their clients

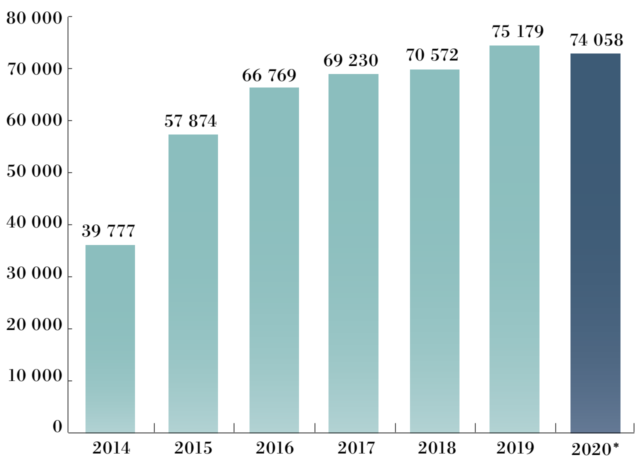


Country Road, Summer 2020

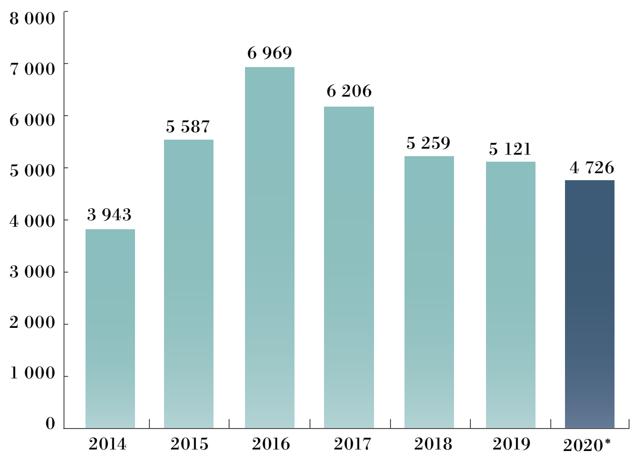
SEVEN-YEAR REVIEW

Year Number of weeks	2020* 52 Rm	2019 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm
GROUP STATEMENTS OF PROFIT OR LOSS							
Revenue	74 058	75 179	70 572	69 230	66 769	57 874	39 777
Turnover and concession sales	78 262	79 816	75 232	74 052	71 928	61 775	39 845
Concession sales	(6 054)	(6 713)	(6 640)	(6 862)	(7 133)	(5 464)	(305)
Turnover	72 208	73 103	68 592	67 190	64 795	56 311	39 540
Cost of sales	(46 859)	(45 139)	(41 700)	(40 518)	(38 409)	(33 161)	(24 042)
Gross profit	25 349	27 964	26 892	26 672	26 386	23 150	15 498
Other revenue	1 788	2 000	1 909	1 944	1 926	1 447	125
Expenses	(22 411)	(24 843)	(23 542)	(22 410)	(21 343)	(19 010)	(11 680)
Operating profit	4 726	5 121	5 259	6 206	6 969	5 587	3 943
Impairment of assets	(799)	(6 153)	(6 927)	–	–	–	–
Profit on sale of property in Sydney, net of impairment	–	–	–	1 420	–	–	–
Investment income	62	76	71	96	48	116	112
Finance costs	(2 688)	(1 139)	(1 124)	(1 256)	(1 234)	(1 494)	(136)
Earnings from joint ventures	101	295	287	260	249	221	181
Earnings from associate	–	–	–	–	1	2	4
Profit/(loss) before tax	1 402	(1 800)	(2 434)	6 726	6 033	4 432	4 104
Tax (expense)/credit	(843)	716	(1 115)	(1 278)	(1 680)	(1 312)	(1 114)
Profit/(loss) for the year	559	(1 084)	(3 549)	5 448	4 353	3 120	2 990
Profit/(loss) attributable to:							
Shareholders of the parent	557	(1 086)	(3 550)	5 446	4 344	3 116	2 888
Non-controlling interests	2	2	1	2	9	4	102

Revenue (R million)



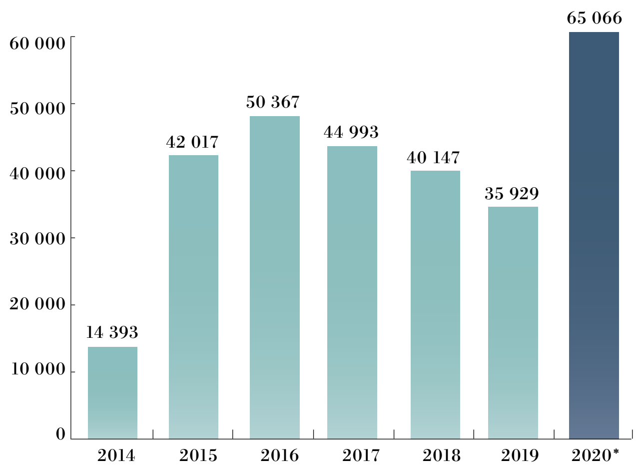
Operating profit (R million)



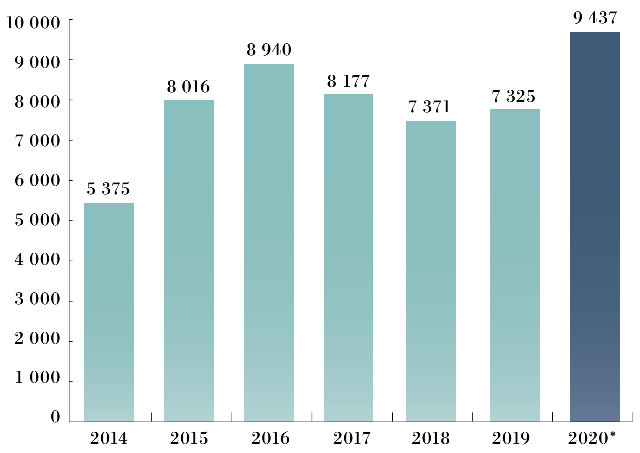
* 2020 includes the impact of IFRS 16.
** 2014 based on net cash and cash equivalents.

Year Number of weeks	2020* 52 Rm	2019 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm
GROUP STATEMENTS OF FINANCIAL POSITION							
Non-current assets	47 920	24 032	28 650	34 706	40 027	33 766	8 192
Current assets**	17 146	11 897	11 497	10 287	10 340	8 251	6 201
Total assets	65 066	35 929	40 147	44 993	50 367	42 017	14 393
Equity attributable to shareholders of the parent	6 489	9 428	13 113	19 038	19 826	14 251	6 629
Non-controlling interests	21	15	13	28	27	46	323
Non-current liabilities	42 746	15 850	15 076	15 336	19 536	18 634	1 918
Current liabilities	15 810	10 636	11 945	10 591	10 978	9 086	5 523
Total equity and liabilities	65 066	35 929	40 147	44 993	50 367	42 017	14 393
GROUP STATEMENTS OF CASH FLOWS							
Cash inflow from trading	9 437	7 325	7 371	8 177	8 940	8 016	5 375
Working capital movements	1 704	(991)	(305)	(615)	(311)	(657)	(407)
Cash generated by operating activities	11 141	6 334	7 066	7 562	8 629	7 359	4 968
Net interest paid	(2 507)	(1 051)	(1 046)	(1 120)	(1 128)	(1 030)	(2)
Tax paid	(685)	(1 114)	(1 037)	(1 701)	(1 536)	(1 199)	(1 047)
Cash generated by operations	7 949	4 169	4 983	4 741	5 965	5 130	3 919
Dividends received from joint ventures	170	245	325	223	162	129	95
Dividends received from associate	–	–	–	–	7	–	62
Dividends paid to ordinary shareholders	(1 808)	(2 145)	(2 782)	(3 015)	(2 464)	(2 146)	(2 072)
Net cash inflow from operating activities	6 311	2 269	2 526	1 949	3 670	3 113	2 004
Net cash (outflow)/inflow from investing activities	(2 430)	(2 710)	(2 601)	422	(2 809)	(24 274)	(1 692)
Net cash (outflow)/inflow from financing activities	(1)	(393)	171	(2 007)	(326)	20 440	(326)
Increase/(decrease) in cash and cash equivalents	3 880	(834)	96	364	535	(721)	(14)
Net cash and cash equivalents at the beginning of the year	1 042	1 878	1 761	1 497	891	1 666	1 582
Effect of foreign exchange rate changes	515	(2)	21	(100)	71	(54)	98
Net cash and cash equivalents at the end of the year	5 437	1 042	1 878	1 761	1 497	891	1 666

Total assets (R million)



Cash inflow from trading (R million)

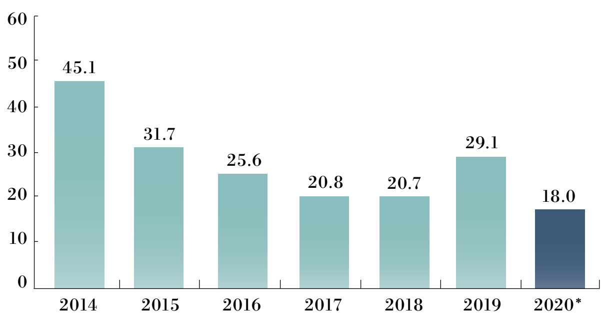


* 2020 includes the impact of IFRS 16.
** 2014 based on net cash and cash equivalents.

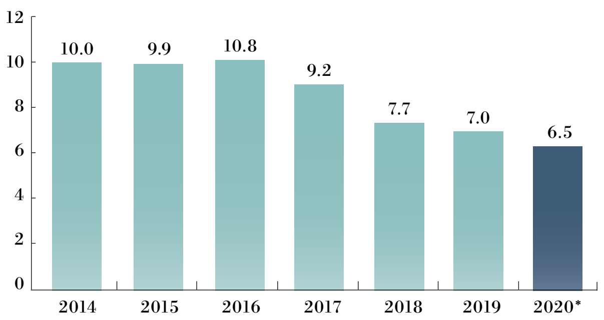
SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2020* 52 %	2019 53 %	2018 52 %	2017 52 %	2016 52 %	2015 52 %	2014 52 %
RETURNS							
Return on ordinary shareholders' equity	18.0	29.1	20.7	20.8	25.6	31.7	45.1
– headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year							
Return on assets**	9.4	13.6	12.6	13.2	15.4	20.3	30.4
– operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year							
Return on capital employed (ROCE)#	9.2	18.3	15.4	15.1	16.8	15.7	53.8
– adjusted operating profit after tax as a percentage of average capital employed at the beginning and end of the year							
MARGINS							
Gross margin	35.1	38.3	39.2	39.7	40.7	41.1	39.2
– gross profit as a percentage of turnover							
Operating margin	6.5	7.0	7.7	9.2	10.8	9.9	10.0
– operating profit as a percentage of turnover							
SOLVENCY AND LIQUIDITY							
Debt ratio**	26.3	40.1	34.5	29.6	31.6	36.0	5.5
– interest-bearing debt as a percentage of total assets							
Current ratio (times)**	1.1	1.1	1.0	1.0	0.9	0.9	1.1
– current assets divided by current liabilities							
Total liabilities to shareholders' equity**	899.5	280.5	205.9	136.0	153.7	193.9	107.0
– non-current liabilities (including deferred tax) and current liabilities as a percentage of total shareholders' interest							
Net debt to shareholders' equity ** & ****	4.8	1.3	0.9	0.6	0.7	1.0	n/a
– net debt divided by shareholders' equity							
Net debt to EBITDA ** & ****	3.3	1.6	1.5	1.4	1.6	1.7	n/a
– net debt divided by earnings before interest, tax, depreciation and amortisation							
Interest cover ratio*****	3.7	7.4	7.5	7.3	7.6	6.4	n/a
– earnings before interest, tax, depreciation and amortisation divided by net interest							

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



***Operating margin** (%)*



* 2020 includes the impact of IFRS 16.
** 2014 based on net cash and cash equivalents.
*** 2015 return on equity decrease due to David Jones acquisition.
**** Net cash position in 2014.
*****Net investment income position in 2014.
ROCE has been structurally changed due to the David Jones acquisition. Since 2018, ROCE has been impacted by the David Jones asset impairment.

Year Number of weeks	2020* 52 Rm	2019 53 Rm	2018 52 Rm	2017 52 Rm	2016 52 Rm	2015 52 Rm	2014 52 Rm
DIVISIONAL ANALYSIS							
REVENUE							
Woolworths Fashion, Beauty and Home	12 438	14 197	13 705	13 913	13 728	12 518	11 523
Woolworths Food	35 258	32 343	29 462	27 199	25 071	22 445	19 767
Woolworths Logistics	517	492	429	376	306	249	251
David Jones	16 566	17 347	16 676	17 169	17 297	13 642	–
Country Road Group	9 723	11 272	10 770	10 867	10 690	9 120	8 145
Treasury	49	51	11	69	28	100	91
Intragroup	(493)	(523)	(481)	(363)	(351)	(200)	–
	74 058	75 179	70 572	69 230	66 769	57 874	39 777
TURNOVER							
Woolworths Fashion, Beauty and Home	12 421	14 180	13 687	13 894	13 701	12 499	11 505
Woolworths Food	35 141	32 206	29 332	27 075	24 956	22 352	19 694
Woolworths Logistics	517	492	429	376	306	249	251
David Jones	14 474	15 043	14 455	15 030	15 185	12 130	–
Country Road Group	9 655	11 182	10 689	10 815	10 647	9 081	8 090
	72 208	73 103	68 592	67 190	64 795	56 311	39 540
PROFIT/(LOSS) BEFORE TAX							
Woolworths Fashion, Beauty and Home	887	1 745	1 712	2 177	2 295	2 124	1 909
Woolworths Food	2 905	2 338	2 168	1 979	1 824	1 580	1 290
Woolworths Financial Services	101	295	286	259	248	221	181
David Jones	(499)	(6 095)	(6 527)	2 502	1 814	1 049	–
Country Road Group	561	1 017	991	939	1 016	1 011	891
Treasury	(2 553)	(1 100)	(1 064)	(1 130)	(1 164)	(1 553)	(167)
	1 402	(1 800)	(2 434)	6 726	6 033	4 432	4 104
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS							
Woolworths**	688	2 462	2 281	2 405	2 352	1 654	2 312
David Jones	(543)	(4 291)	(6 540)	2 376	1 274	733	–
Country Road Group	412	743	709	665	718	729	576
	557	(1 086)	(3 550)	5 446	4 344	3 116	2 888

* 2020 includes the impact of IFRS 16.
** Includes Woolworths Fashion, Beauty and Home, Woolworths Food, Woolworths Logistics, Woolworths Financial Services, Treasury and earnings from associate and property joint venture.

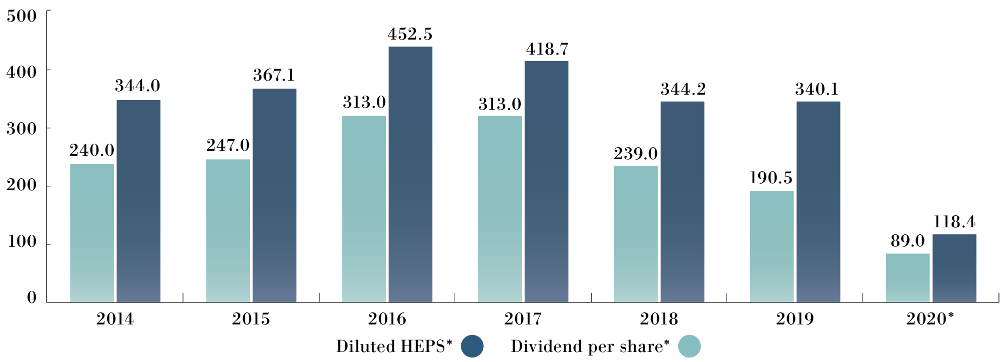
SEVEN-YEAR REVIEW (CONTINUED)

Year Number of weeks	2020* 52	2019 53	2018 52	2017 52	2016 52	2015 52	2014 52
OTHER STATISTICAL DATA							
WOOLWORTHS							
Woolworths Fashion, Beauty and Home – gross margin (%)	44.0	47.6	46.7	47.9	48.3	47.4	46.7
Woolworths Food – gross margin (%)	24.9	24.8	25.0	25.1	25.5	25.7	25.3
Number of employees (average weekly full-time equivalent)	32 168	35 312	34 104	33 545	32 870	31 196	28 368
Number of stores							
– owned (local)	406	400	394	390	382	372	344
– Africa, Engen and franchise	147	146	142	141	140	134	126
Closing trading area (m²)							
– owned (local)	693 625	682 862	676 771	657 741	633 156	593 407	549 008
– Africa, Engen and franchise	53 953	52 028	52 806	51 054	50 001	51 417	50 427
Turnover ratios							
– turnover per employee (R'000)	1 494.6	1 327.5	1 274.0	1 239.1	1 191.7	1 131.4	1 114.5
– turnover per m² (owned) (R'000)	69.3	68.6	64.2	63.2	61.9	59.5	57.6
Asset turn (times)**	3.0	3.6	3.4	3.3	3.5	3.8	4.1
– revenue divided by average total assets less deferred tax at the beginning and end of the year							
Inventory turn (times)	8.3	8.2	8.3	8.2	8.4	8.8	9.1
– cost of sales divided by average inventory at the beginning and end of the year							
Profit before tax to turnover (%)	8.1	9.3	9.6	10.7	11.2	11.2	10.7
DAVID JONES (IN A$ TERMS)							
Gross margin (%)	33.0	35.9	37.1	37.0	37.9	39.6	–
Number of employees (full-time equivalent)	4 181	4 321	4 360	4 701	4 956	4 175	–
Number of stores - owned	47	47	45	43	40	38	–
Trading area (m²)	471 574	475 332	473 554	473 190	471 214	455 430	–
Turnover (including concession sales) ratios							
– turnover per employee (A$'000)	493.7	517.0	507.3	471.0	442.3	451.5	–
– turnover per m² (A$'000)	4.4	4.7	4.7	4.7	4.7	4.1	–
Asset turn (times)	1.2	1.8	1.9	1.8	1.9	1.8	–
Inventory turn (times)	3.4	3.1	3.3	3.9	3.8	3.1	–
Profit before tax to turnover (%)	(4.7)	(27.6)	(30.5)	11.0	7.7	5.8	–
COUNTRY ROAD GROUP (IN A$ TERMS)							
Gross margin (%)	58.6	63.4	62.8	60.3	59.4	60.9	62.0
Number of employees (full-time equivalent)	3 464	3 611	3 701	3 851	3 459	3 223	3 287
Number of store locations							
– owned	368	365	379	389	362	355	322
– concession	346	443	420	352	298	268	207
Trading area (m²)	114 699	121 058	124 693	121 625	118 025	111 249	92 825
Turnover ratios							
– turnover per employee (A$'000)	267.6	304.1	290.2	274.2	290.5	295.4	258.3
– turnover per m² (A$'000)	8.1	9.1	8.6	8.7	8.5	8.6	9.1
Asset turn (times)	0.9	1.4	1.4	1.8	2.0	2.1	2.0
Inventory turn (times)	3.2	3.4	3.2	3.2	3.3	3.4	3.6
Profit before tax to turnover (%)	3.8	9.1	9.2	8.8	9.5	11.2	11.1

* 2020 includes the impact of IFRS 16.
** 2014 based on net cash and cash equivalents.

Year Number of weeks	2020* 52	2019 53	2018 52	2017 52	2016 52	2015 52	2014 52
ORDINARY SHARE PERFORMANCE							
Earnings/(loss) per share (cents)**	58.2	(113.4)	(369.5)	566.7	454.2	337.3	350.6
Headline earnings per share (cents)**	119.8	342.9	346.3	420.9	455.6	369.7	348.6
Adjusted headline earnings per share (cents)**	170.3	371.7	366.3	420.0	456.6	419.4	379.9
Dividend per share (cents)**	89.0	190.5	239.0	313.0	313.0	247.0	240.0
Net asset book value per share (cents)	678.8	985.2	1 365.1	1 979.6	2 065.0	1 531.9	872.8
Share price (cents): Highest	6 027	5 775	6 754	9 410	10 490	9 886	7 789
Lowest	2 558	4 305	5 375	6 227	7 928	6 848	6 030
Average	4 503	5 018	6 109	7 379	9 356	8 291	7 068
Closing	3 276	4 888	5 415	6 289	8 364	9 886	7 739
Indexed closing share price (June 2000 = 100)	1 130	1 686	1 867	2 169	2 884	3 409	2 669
JSE indexed:							
– retail (June 2000 = 100)	440	780	884	790	945	1 072	800
– all share (June 2000 = 100)	696	755	737	668	670	683	657
Market capitalisation at June (R million)	34 351	51 249	56 766	65 899	87 490	100 499	65 550
Number of shares in issue (millions)***	956	957	961	962	960	930	760
Number of shares traded (millions)	1 359	955	1 253	1 299	1 459	868	980
Percentage of shares traded	142.2	99.8	130.4	135.1	152.0	93.3	129.0
Value of shares traded (R million)	61 196	47 922	76 546	95 853	136 504	71 966	69 266
Price:earnings ratio*	56.3	(43.1)	(14.7)	11.1	18.4	29.3	22.1
Dividend yield (%)*	2.7	3.9	4.4	5.0	3.7	2.5	3.1
FOREIGN CURRENCY EXCHANGE RATES							
US$ – average	15.66	14.18	12.84	13.64	14.47	11.45	10.37
US$ – closing	17.24	14.11	13.44	12.93	15.07	12.21	10.58
A$ – average	10.48	10.14	9.95	10.28	10.56	9.53	9.51
A$ – closing	11.83	9.89	10.00	9.79	11.25	9.35	9.96
KEY INFORMATION US$MILLION							
Revenue	4 729	5 302	5 496	5 076	4 614	5 054	3 836
Headline earnings per share (cents)**	7.7	24.2	27.0	30.9	31.5	32.3	33.6
Profit/(loss) attributable to ordinary shareholders	36	(77)	(277)	319	300	272	279
Total assets****	3 774	2 546	2 987	3 480	3 342	3 441	1 360
Market capitalisation	1 993	3 632	4 224	5 097	5 806	8 231	6 196

Diluted HEPS and dividend per share (cents)



* 2020 includes the impact of IFRS 16.
** 2014 restated for bonus element of rights offer in October 2014.
*** Net of treasury shares held by subsidiaries, E-Com Investments 16 (RF) Proprietary Limited and Woolworths Proprietary Limited.
**** 2014 based on net cash and cash equivalents.

Trenery, Spring 2020

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 28 June 2020 and that all such returns and notices are true, correct and up to date.

Signed on 15 September 2020.

CA Reddiar
Group Company Secretary

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

The Annual Financial Statements were approved by the Board on Tuesday, 15 September 2020 and signed on its behalf by:

H Brody
Chairman

R Bagattini
Group Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The WHL Audit Committee (committee) is pleased to present its report for the 2020 financial year. This report has been prepared in accordance with the requirements of the Companies Act, 71 of 2008, as amended (Companies Act), the King IV™ Code of Governance for South Africa, the JSE Listings Requirements and other relevant requirements.

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

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

COMMITTEE COMPOSITION AND PROCESSES

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

The composition of the committee and details of the changes during the year under review are included in the table below.

Full biographical details of all members are available in the Integrated Report and members' fees have been included in the table of directors' remuneration on page 72.

The committee met every quarter and held three ad-hoc meetings during the year to consider the refinancing of the Australian group debt, the provision of funding support to the Australian businesses and the outcome of the impairment review of assets in David Jones, Country Road Group and Woolworths SA (see further details later in this report).

The committee composition and members' attendance at the meetings during the 2020 financial year are set out in the following table:

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

1 Appointed to the Board and committee with effect from 19 August 2019 and as Chair of the committee with effect from 27 November 2019.
2 Resigned as Chair and from the committee with effect from 27 November 2019.
3 Appointed as a member of the committee with effect from 27 November 2019.
4 Resigned as a member from the committee with effect from 31 March 2020.

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

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

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

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

KEY AREAS OF ACTIVITY DURING THE YEAR

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

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

EXTERNAL AUDITOR MATTERS

The committee is responsible for the appointment, remuneration and oversight of the Group's external auditors, Ernst & Young Inc. (EY). Following designated audit partner rotation, Lucian Rolleston was appointed as the designated auditor of the Group.

During the year under review, the committee:

- approved the external auditors' annual plan for the 2020 annual audit as well as the related scope of work, and the appropriateness of key audit risks identified;
- approved the audit fees for the 2020 external audit, which included additional work such as, for example, the impact of IFRS 16 (details appear on page 67);
- had interactions with the designated audit partner, Mr Rolleston and the lead Australian EY audit partner, Mr Butler;
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- reviewed the findings and recommendation of the external auditors and confirmed that there were no noteworthy unresolved matters at the date the Annual Financial Statements were approved;
- approved fees for other audit-related and non-audit services amounting to 3.1% of the prior year audit fee (2019: 2.0%) and which are within the 30% policy limit in the External Auditor policy;
- reviewed the independence of the external auditor in accordance with the provisions of Sections 90 and 94 of the Companies Act and assessed the performance and accreditation of the external audit firm and designated auditor, in terms of the JSE Listings Requirements and applicable regulations and legislation and the appropriate audit quality indicators, and is satisfied with their independence, JSE accreditation, and performance. In addition, EY has confirmed that its internal governance processes are in place to ensure independence and effectiveness. The committee has accordingly nominated EY as the external auditor for the 2021 financial year, subject to shareholder approval; and
- auditor rotation as reported on later in this report.

INTERNAL AUDIT

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

REPORT OF THE AUDIT COMMITTEE (C0NTINUED)

During the year under review, the committee:

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

SIGNIFICANT MATTERS

The committee has considered the Key Audit Matters reported in the external audit report on page 42. In addition, the committee considered significant matters arising during the year. These include the following:

COVID-19 IMPACTS

Management identified several critical areas to be considered in the preparation of the Annual Financial Statements for the Group arising from the economic and trading impact of COVID-19 and the resultant uncertainties. These included detailed impairment assessments of non-current assets (property, plant and equipment, goodwill and intangible assets, brands, store assets, and right-of- use assets), the carrying amount of inventories, the recoverable amount of financial assets (trade receivables, investments and loans), the recoverability of deferred tax assets, and the solvency, liquidity and going concern assessments. Key matters are summarised below:

IMPAIRMENT REVIEWS

COVID-19 had a significant impact on the performance of the Group in the second half of the financial year, and is expected to continue to do so for at least the remainder of the calendar year, given the fluid and challenging environment. This necessitated an assessment of the carrying values of assets, including the right-of-use assets relating to our store fleet arising from the implementation of IFRS 16. Consequently, the carrying value of assets has been impaired by R799 million.

NON-RECOGNITION OF DEFERRED TAX ASSETS

In addition, due to the economic and trading uncertainty caused by COVID-19, and the resulting impact this may have on reliably forecasting the timing of future taxable earnings, the Group has elected not to recognise deferred tax assets arising from assessed losses in relation to certain Group entities in Australia, amounting to R506 million. This has resulted in an increased Group effective tax rate, thereby adversely further impacting EPS and HEPS. The impact thereof has been adjusted in calculating the adjusted diluted HEPS. These tax losses remain available for utilisation in subsequent years as and when future taxable income is earned.

CHANGES IN ACCOUNTING POLICIES: IFRS 16 (LEASES)

The Group has adopted the modified retrospective approach permitted in terms of IFRS 16. This recognises the cumulative prior year's effect as an adjustment to opening equity with the current year results being reported on an IFRS 16 basis, however the prior year comparatives are not restated. As reported at the half year, the primary impact on the current year opening balance sheet (1 July 2019) has been to raise Right-of-use (ROU) assets of R19 766 million (net of onerous lease provisions, fair value lease adjustments and impairments) and related Lease liabilities of R26 505 million. The net adjustment (charge) to opening equity was R3 210 million.

The major impact on the Group statement of comprehensive income for the year was to reverse the actual operating lease costs previously expensed under IAS 17 and to charge an amount to the profit or loss for the amortisation of the ROU assets and an interest expense disclosed on the finance cost line. The net impact (reduction) on the Group profit before tax amounts to R302 million.

In view of the materiality of the IFRS 16 adjustments, EY designed and performed specific audit procedures in relation to the 1 July 2019 (Day 1) opening adjustment, as well as on the statement of comprehensive income impact for the year and they concluded that the entries processed are materially correct.

SUSPENSION OF DEBT COVENANTS

A suspension of covenants was successfully negotiated with the Australian lenders at June 2020 and December 2020 and a relaxation of covenants was agreed with the SA lenders as at these reporting dates.

DIVIDEND

Consideration was given to the COVID-19 impact on the Group's cash flows, liquidity, capital structure and targeted debt ratios. The Board believes that it is in the best interest of the Company for distributions to WHL shareholders to be suspended until such time as the situation arising from COVID-19 stabilises. The Board will consequently not declare a final dividend for the 2020 financial year, and will consider dividends thereafter in the context of the conditions prevailing at the time.

JSE LISTINGS REQUIREMENTS ON ATTESTATION

The JSE Listings Requirement relating to Chief Executive Officer and Chief Financial Officer sign-off on the effectiveness of internal controls over financial reporting will apply to the Group for the 2021 financial year.

EXTERNAL AUDITOR ROTATION

In 2018, the Audit Committee indicated that it would be targeting 2021 as the year in which audit firm rotation would be implemented, unless there were unexpected delays, in which case mandatory audit firm rotation would be implemented no later than the prescribed date. In 2019 it was reported that while the committee was working towards implementation of mandatory audit firm rotation ahead of the mandatory date of 1 April 2023, it had decided to delay implementation thereof by one year (to 2022).

DMTN PROGRAMME

The DMTN Programme was utilised to issue unlisted notes during the course of the year, which were all priced favourably. The committee had oversight of these note issues.

Notes to the value of R3.8 billion (2019: R3.8 billion) have been issued to date under the DMTN programme, which is a further source of funding to the Group and will be used to raise debt on an ongoing basis. The DMTN is guaranteed by Woolworths Proprietary Limited.

INTERNAL FINANCIAL CONTROLS

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

COMBINED ASSURANCE

In respect of the co-ordination of assurance activities, the committee reviewed:

- the plans and work outputs of the external and internal auditors and concluded they were adequate to address all significant financial risks facing the business;
- the comprehensive Combined Assurance Report which had also been reviewed by the Group's Risk and Compliance Committee.

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

ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were compiled under the supervision of the Group Finance Director, Reeza Isaacs CA (SA). Following the review by the Audit Committee of the Annual Financial Statements of WHL for the year ended 28 June 2020, the committee is of the view that, in all material respects, these financial statements comply with the relevant provisions of the Companies Act of South Africa and IFRS. The committee also considered the integrity of the 2020 Integrated Annual Report.

APPROVAL

The committee reviewed the 2020 Group and Company's Annual Financial Statements and 2020 Integrated Annual Report for the year ended 28 June 2020 and recommended them to the Board for approval on 15 September 2020.

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

CONCLUDING REMARKS

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

C Thomson
Audit Committee Chairman
15 September 2020

DIRECTORS' REPORT

NATURE OF BUSINESS

Woolworths Holdings Limited (Company) is a southern hemisphere retail Group with operations conducted through three major operating subsidiaries, namely Woolworths Proprietary Limited and its subsidiaries (WSA), David Jones Proprietary Limited (DJ) and Country Road Group Proprietary Limited (CRG). A further joint venture operation, Woolworths Financial Services Proprietary Limited (WFS), offers financial products to WSA customers.

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

WSA was established in 1931, and is a leading South African retailer primarily offering a range of private label products under its own brand name. There are 643 WSA store locations in South Africa (including 80 stores operated on Engen forecourts) and 88 store locations in the rest of Africa.

DJ is the oldest department store in Australia and one of the oldest in the world. The iconic department store opened its first store in Sydney in 1838. DJ is synonymous with style and progress and offers customers the finest brands across fashion, beauty and home in its 47 store locations in Australia and New Zealand.

CRG is a retail chain offering clothing and homeware products in stand-alone retail stores and concession locations throughout Australia, New Zealand and South Africa. There are 631 retail and concession store locations in Australia and New Zealand. It is also represented in 83 selected WSA store locations in South Africa.

WFS is operated jointly with ABSA Group Limited and provides a suite of financial products to WSA customers, including the WSA store card, credit card and personal loans. Financial services hubs are located in 38 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 140. There have been no material changes to the nature of the Group's business since the prior year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The review of the operations and financial results of the Group are contained in the 2020 Integrated Annual Report and the 2020 Annual Financial Statements.

STATED CAPITAL

AUTHORISED

Ordinary shares	– 2 410 600 000 of no par value (2019: 2 410 600 000)

ISSUED

Ordinary shares	– 1 048 576 648 of no par value (2019: 1 048 466 077)

DIVIDENDS

The following dividends were declared in respect of the year ended 28 June 2020:

INTERIM

On 19 February 2020, a gross cash dividend of 89.0 cents (2019: 92.0 cents) was declared to shareholders recorded at the close of business on Friday, 13 March 2020. The cash dividend was paid on Monday, 16 March 2020.

FINAL

The Board believes that it is in the best interests of the Company for distributions to WHL shareholders to be suspended until such time as the situation arising from COVID-19 stabilises. The Board consequently did not declare a final dividend FY20 dividend and will consider dividends for future periods in the context of the conditions prevailing at the time.

BORROWINGS

The Company's borrowing powers are unlimited in terms of the Memorandum of Incorporation and all borrowings by the Group are subject to Board approval. Details of borrowings appear in note 18 on page 96.

DIRECTORATE AND GROUP COMPANY SECRETARY

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

Name of director	Designation	Date of appointment	Director change
Simon Susman	Chairman Non-independent Non-executive	18/11/2010	Retired on 27/11/2019
Hubert Brody	Independent Non-executive Chairman	01/07/2014	Appointed Chairman on 27/11/2019
Roy Bagattini	Chief Executive Officer	17/02/2020	Appointed on 17/02/2020
Zarina Bassa	Independent Non-executive	17/11/2011	Appointed Lead Independent Director on 27/11/2019
Tom Boardman	Lead Independent Director Non-executive	27/09/2010	Retired on 27/11/2019
Christopher Colfer	Independent Non-executive	01/07/2019	
Belinda Earl	Independent Non-executive	01/07/2019	
Andrew Higginson	Independent Non-executive	01/06/2012	Resigned on 31/03/2020
Reeza Isaacs	Executive	26/11/2013	
David Kneale	Independent Non-executive	11/03/2019	
Nombulelo Moholi	Independent Non-executive	01/07/2014	
Ian Moir	Executive	01/10/2010	Resigned on 16/02/2020
Sam Ngumeni	Executive	12/02/2014	
Zyda Rylands	Executive	22/08/2006	
Thembisa Skweyiya	Independent Non-executive	11/03/2019	
Clive Thomson	Independent Non-executive	19/08/2019	

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

Roy Bagattini was appointed subsequent to the 2019 AGM while Zarina Bassa, Reeza Isaacs and Sam Ngumeni have been in office the longest since their last election. They are each available for election or re-election, as the case may be.

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:

	2020 Beneficial		2019 Beneficial	
	Direct	Indirect	Direct	Indirect
NON-EXECUTIVE DIRECTORS				
Simon Susman[1]	60 403	1 987 460	60 403	1 987 460
Hubert Brody	86 882	–	8 682	–
Zarina Bassa	5 077	–	5 077	–
Tom Boardman[2]	6 702	–	6 702	–
Christopher Colfer	25 000	–	–	–
Belinda Earl	–	–	–	–
Andrew Higginson[3]	22 490	–	22 490	–
David Kneale	6 500	–	6 500	–
Nombulelo Moholi	–	–	–	–
Thembisa Skweyiya	5 944	–	944	–
Clive Thomson	–	9 992	–	–
EXECUTIVE DIRECTORS				
Roy Bagattini[4]	1 432 537	–		
Reeza Isaacs	350 723	313 229	410 723	248 760
Ian Moir[5]	1 994 327	103 755	2 304 933	176 043
Sam Ngumeni	798 652	455 888	898 652	573 294
Zyda Rylands	2 384 575	1 253 913	2 380 423	1 195 187
Total	7 179 812	4 124 237	6 105 529	4 180 744

1. Retired from the Board on 27 November 2019.
2. Retired from the Board on 27 November 2019.
3. Resigned from the Board on 31 March 2020.
4. Appointed to the Board on 17 February 2020.
5. Resigned from the Board on 16 February 2020.

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

The remuneration paid to directors of the Company during the period under review is set out on page 72.

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

Related party transactions in terms of the International Financial Reporting Standards, between the Company or its subsidiaries, and the directors or their associates, are disclosed in note 7 on page 70.

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Financial Statements and other information presented in the 2020 Integrated Annual Report, in a manner that fairly presents the financial position and the results of the operations of the Company and the Group for the year ended 28 June 2020.

The external auditors are responsible for carrying out an independent examination of the Annual Financial Statements in accordance with International Standards on Auditing and in the manner required by the Companies Act of South Africa and for reporting their findings thereon. The auditors' report is set out on pages 42 to 45.

The Annual Financial Statements set out on pages 48 to 142 have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies, which have been consistently applied in all material respects, and are supported by reasonable and prudent estimates, where appropriate. Adequate accounting records have been maintained throughout the period under review.

DIRECTORS' REPORT (CONTINUED)

INTERNAL CONTROL

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

GOING CONCERN

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

LITIGATION STATEMENT

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

SUBSIDIARY COMPANIES

Full particulars of the subsidiary companies appears in Annexure 1 on page 140.

EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to year-end, the property described as the Bourke Street Menswear store, within the David Jones segment, was disposed for an amount of R1.5 billion (A$121.0 million). All conditions precedent to the sale were fulfilled.

SPECIAL RESOLUTIONS

The following special resolutions were passed by shareholders of the Company at the Annual General Meeting in November 2019:

- remuneration for the non-executive directors;
- general authority to repurchase shares.

There was no repurchase of shares during the year under review.

A resolution seeking general authority to repurchase shares (which is valid for one year) will be tabled again at the 2020 Annual General Meeting.

David Jones, Summer 2020

REPORT OF THE INDEPENDENT AUDITORS

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF WOOLWORTHS HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Woolworths Holdings Limited and its subsidiaries (the Group) and Company set out on pages 48 to 142, which comprise the consolidated and separate statements of financial position as at 28 June 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the 52-week period then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 28 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in South Africa.

The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

The Key audit matters applies to the audit of the consolidated financial statements.

Key audit matter	How our audit addressed the key matter
Adoption of IFRS 16: Leases	

IFRS 16: Leases became effective for the Group in the current year, commencing 1 July 2019. The Group has applied the modified retrospective approach for the initial application of the standard, resulting in the recognition of Right-of-use assets (ROUA) and Lease liabilities amounting to R19 766 million and R26 505 million respectively on initial application.

At 28 June 2020, ROUA amounting to R20 519 million and Lease liabilities of R28 599 million were recognised on the Group Balance sheet. The disclosures required by IFRS 16 are contained in notes 3.1, 10 and 19. The impact of adopting IFRS 16 Leases is disclosed in note 1.

The Group has a significant number of lease agreements with different lessors with different terms and conditions. Therefore, the initial adoption of IFRS 16 is regarded as a Key audit matter, due to the extent of audit effort required and the significant impact on the Group's reported results.

Our procedures included:

- Evaluating the initial measurement and valuation of the ROUA and Lease liabilities with respect to the requirements of IFRS 16, including the practical expedients applicable to the modified retrospective approach that was selected for initial adoption;
- Involving our internal valuation specialists, we assessed the reasonability of the incremental borrowing rates applied at initial adoption and at year-end by agreeing the base rates to external sources, evaluating the credit margins applied by management to the base rates and recalculating the discount rates;
- Evaluating the completeness of the leases identified by management, by comparing lease agreements to rental payments made during the year;
- Evaluating the appropriateness of the lease periods used in the valuation, including the consideration of option periods included in lease contracts by agreeing lease terms and options to lease agreements and assessing the expected lease period determined by management with reference to historical and forecast store performance;

Key audit matter (continued)	How our audit addressed the key matter
Adoption of IFRS 16: Leases (continued)	

The extent of audit effort required was as a result of the significant number of lease agreements, which we evaluated on initial adoption, as well as the new leases and modifications during the year, as well as the evaluation of lease terms for the inclusion/exclusion of option periods. In addition, there were significant judgments made by management on the incremental borrowing rates applied, which required the involvement of our internal valuation specialists.

- For a sample of leases, we:
  - Inspected the terms and conditions of the underlying contract and evaluated management's identification of relevant lease terms to determine whether the leases were correctly considered for adoption and accounted for in terms of the standard;
  - Assessed the appropriateness of the contractual considerations, including the assessment of fixed and variable lease payments by agreeing lease payments to lease contracts and terms;
  - Recalculated the Lease liabilities, ROUA, finance costs and depreciation;
  - Recalculated the impact of lease modifications;
- Evaluating the adequacy of disclosures made my management with reference to the requirements of IFRS 16: Leases.

Key audit matter	How our audit addressed the key matter
Impairment considerations in respect of carrying value of non-current assetss	

The carrying value of goodwill, brands and property, plant and equipment (PP&E) and ROUA are as follows:

	2020 Rm	2019 Rm
Goodwill and brands	6 391	5 734
PP&E	15 134	14 295
ROUA	20 519	–

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

Management use discounted cash flow forecasts to determine the recoverable amount of these assets based on their cash generating units (CGUs). The determination of the recoverable amounts involves significant judgments made by management about the inputs in the discounted cash flow forecasts such as the discount rate, forecasted revenue and margins, and future growth rates. The impact of COVID-19 during the financial year also affected these key inputs which may not be comparable to past history.

We involved our internal valuation specialists to assist us with the evaluation of the economic indicators and inputs into the valuation models, and we benchmarked to external data sources, where applicable. The impact of COVID-19 and lockdown on the above assumptions in management's valuations required consideration from the audit team with the support of our specialists and involved discussions with management.

Details of the assumptions utilised and the resulting impairment charges are disclosed in note 8, 9 and 10.

Our procedures included:

- Assessing the presence of indicators of impairment and the completeness thereof for PP&E and ROUA by evaluating actual individual store performance against historical performance, budgets, forecasts, and earnings ratios;
- With the support of our internal valuation specialists, we assessed the methodologies and assumptions applied in determining the recoverable amount of these non-current assets. This included:
  - Evaluating the valuation methodology against acceptable industry methods and accounting standards;
  - Evaluating sales and margin forecasts along with future growth rates by comparing to the past performance of each CGU, and assessing the macro-economic conditions supporting the forecast and growth rates used with reference to external data sources and industry norms;
  - Evaluating the inputs into the cash flow forecasts against the growth;
  - Performing sensitivity analysis over management's forecasts where relevant;
- With reference to the above procedures, we considered the extent and appropriateness of the impact of the COVID-19 pandemic and lockdown on the market related assumptions through discussion with both management and our EY valuation specialists;
- Comparing the calculated recoverable amounts against the carrying values of each cash generating unit;
- Recalculating the valuation models for arithmetical accuracy;

Evaluating the adequacy of the Group's disclosures of those assumptions to which the outcome of the impairment test is most sensitive, that is, those that could have the most significant effect on the determination of the recoverable amount of assets.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

Key audit matter	How our audit addressed the key matter
Inventory valuation	
At 28 June 2020, inventory of R8 054 million is held on the Group balance sheet (2019: R8 325 million). Inventory is valued at the lower of cost and net realisable value. Management has made estimates and assumptions in the determination of net realisable value of the inventory on hand; management's estimates were affected by: • Historical data and sell-through rates; • Inventory profile and age; • Expected sell-through rates; • Planned and expected mark-downs. The impact of COVID-19 during the financial year has also resulted in slower sales during the periods of lockdown, and higher risk of inventory obsolescence which increased the extent of the amount of inventory we tested for obsolescence. The large volumes of inventory across product categories (fashion, beauty, food), market segments and geographies required extensive audit effort. In addition, management's valuations determined based on expected sell-through rates and planned mark-downs as at year-end which was also impacted by the effects of COVID-19 required consideration from the audit team and involved discussions with management. Related disclosure is included in note 13 of the Group financial statements.	Our procedures included: • Evaluating the assumptions and estimates applied to the inventory valuation by testing the accuracy of the inputs to the respective calculations including historical information, data trends and ageing profiles; • Evaluating whether inputs applied in calculating these provisions correctly account for changes in consumer buying patterns as a result of COVID-19 by comparing to the impact of COVID-19 on inventory turn which impacts the release of adjustments and evaluating provisions in reference to post year-end performance. • Testing the arithmetical accuracy of the models used to calculate these provisions; • Evaluating the adequacy of the Group's disclosures in relation to the assumptions applied.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 157-page document titled "Woolworths Holdings Limited 2020 Annual Financial Statements for the period ended 28 June 2020", which includes the Group Finance Director's Report, Shareholding disclosures, Seven-year review, Report of the Group Company Secretary, Report of the Audit Committee and the Directors' Report as required by the Companies Act of South Africa, Non-IFRS Measures, Shareholder Calendar, Glossary of financial terms and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our Auditor's Report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that EY has been the auditor of Woolworths Holdings Limited for 88 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Lucian Rolleston
Registered Auditor
Chartered Accountant (SA)
3 Dock Road,
Waterway House,
V&A Waterfront
Cape Town, 8001
15 September 2020

GROUP ANNUAL FINANCIAL STATEMENTS

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 28 June 2020 Rm	Restated * 53 weeks to 30 June 2019 Rm
Revenue	2	74 058	75 179
Turnover	2	72 208	73 103
Cost of sales		46 859	45 139
Gross profit		25 349	27 964
Other revenue	2	1 788	2 000
Expenses		22 411	24 843
Store costs		16 355	17 735
Other operating costs		6 056	7 108
Operating profit		4 726	5 121
Impairment of assets		799	6 153
Investment income	2	62	76
Finance costs	3.6	2 688	1 139
Profit/(loss) before earnings from joint ventures		1 301	(2 095)
Earnings from joint ventures	31	101	295
Profit/(loss) before tax	3	1 402	(1 800)
Tax expense/(credit)	4	843	(716)
Profit/(loss) for the year		559	(1 084)
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	25.6	35	(91)
Tax on fair value adjustments on financial instruments		(14)	27
Exchange differences on translation of foreign subsidiaries		1 416	(97)
Amounts that may not be reclassified to profit or loss			
Post-retirement medical benefit liability: actuarial gain	21	30	21
Deferred tax on post-retirement medical benefit liability: actuarial gain		(8)	(6)
Other comprehensive income/(loss) for the year		1 459	(146)
Total comprehensive income/(loss) for the year		2 018	(1 230)
Profit/(loss) attributable to:		559	(1 084)
Shareholders of the parent		557	(1 086)
Non-controlling interests		2	2
Total comprehensive income/(loss) attributable to:		2 018	(1 230)
Shareholders of the parent		2 012	(1 232)
Non-controlling interests		6	2
Earnings/(loss) per share (cents)	5	58.2	(113.4)
Diluted earnings/(loss) per share (cents)	6	57.6	(113.4)
Headline earnings per share (cents)	5	119.8	342.9
Diluted headline earnings per share (cents)	6	118.4	340.1

* Turnover and concession sales and Concession sales previously disclosed on the Statement of comprehensive income have now been included in note 2.1. The restatement had no impact on the prior period Group Statement of financial position, Group Statement of changes in equity, Group Statement of cash flows, nor on Earnings per share and Headline earnings per share.

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	At 28 June 2020 Rm	At 30 June 2019 Rm
ASSETS			
Non-current assets		47 920	24 032
Property, plant and equipment	8	15 134	14 295
Intangible assets	9	8 228	7 283
Right-of-use assets	10	20 519	–
Investment in joint ventures	31	742	810
Fair value lease adjustment	14	–	52
Other loans	11	84	56
Derivative financial instruments	15	1	14
Deferred tax	12	3 212	1 522
Current assets		16 034	11 897
Inventories	13	8 054	8 325
Trade and other receivables	14	2 160	1 410
Derivative financial instruments	15	282	171
Tax	28.3	4	78
Cash and cash equivalents	28.4	5 534	1 913
Non-current assets held for sale	8	1 112	–
TOTAL ASSETS		65 066	35 929
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent		6 489	9 428
Stated capital	16	11 413	11 407
Treasury shares		(1 728)	(1 711)
Non-distributable reserve	17	1 664	253
Accumulated loss	17	(4 860)	(521)
Non-controlling interests		21	15
TOTAL EQUITY		6 510	9 443
Non-current liabilities		42 746	15 850
Interest-bearing borrowings	18	16 023	13 259
Lease liabilities	19	25 929	–
Operating lease accrual and fair value lease adjustment	20	–	1 651
Post-retirement medical benefit liability	21	354	369
Provisions	22	381	436
Derivative financial instruments	15	59	72
Deferred tax	12	–	63
Current liabilities		15 810	10 636
Trade and other payables	20	10 762	8 289
Provisions	22	848	922
Lease liabilities	19	2 670	–
Operating lease accrual and fair value lease adjustment	20	–	110
Derivative financial instruments	15	282	106
Tax	28.3	151	75
Overdrafts and interest-bearing borrowings	18	1 097	1 134
TOTAL LIABILITIES		58 556	26 486
TOTAL EQUITY AND LIABILITIES		65 066	35 929

GROUP STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to: Stated capital Rm	Attributable to: Treasury shares Rm	shareholders of the parent: Non-distributable reserve: Foreign currency translation reserve Rm	Distributable reserves: Share-based payments reserve Rm	Distributable reserves: Financial instrument revaluation reserve Rm	Retained loss Rm	Shareholders' interest before non-controlling interests Rm	Non-controlling interests Rm	Total Rm
Shareholders' interest at 25 June 2018		11 399	(1 457)	350	622	76	1 900	12 890	13	12 903
Loss for the year		–	–	–	–	–	(1 086)	(1 086)	2	(1 084)
Other comprehensive income		–	–	(97)	–	(64)	15	(146)	–	(146)
Total comprehensive loss for the year		–	–	(97)	–	(64)	(1 071)	(1 232)	2	(1 230)
Shares issued	16	8	(8)	–	–	–	–	–	–	–
Share-based payments		–	–	–	141	–	–	141	–	141
Net (acquisition)/disposal of Treasury shares		–	(246)	–	(460)	–	480	(226)	–	(226)
Dividends to ordinary shareholders	27	–	–	–	–	–	(2 145)	(2 145)	–	(2 145)
Shareholders' interest at 30 June 2019		11 407	(1 711)	253	303	12	(836)	9 428	15	9 443
Effect of IFRS 16 adoption	1	–	–	–	–	–	(3 210)	(3 210)	–	(3 210)
Shareholders' interest at 1 July 2019 (restated)		11 407	(1 711)	253	303	12	(4 046)	6 218	15	6 233
Profit for the year		–	–	–	–	–	557	557	2	559
Other comprehensive income		–	–	1 412	–	21	22	1 455	4	1 459
Total comprehensive income for the year		–	–	1 412	–	21	579	2 012	6	2 018
Shares issued	16	6	(6)	–	–	–	–	–	–	–
Share-based payments		–	–	–	92	–	–	92	–	92
Net (acquisition)/disposal of Treasury shares		–	(11)	–	(59)	–	45	(25)	–	(25)
Transfer between reserves		–	–	(1)	–	16	(15)	–	–	–
Dividends to ordinary shareholders	27	–	–	–	–	–	(1 808)	(1 808)	–	(1 808)
Shareholders' interest at 28 June 2020		11 413	(1 728)	1 664	336	49	(5 245)	6 489	21	6 510

	Notes	2020	2019
Dividend per ordinary share declared for the financial year (cents)	27	89.0	190.5
Interim		89.0	92.0
Final		–	98.5

GROUP STATEMENT OF CASH FLOWS

	Notes	52 weeks to 28 June 2020 Rm	53 weeks to 30 June 2019 Rm
Cash flow from operating activities			
Cash inflow from trading	28.1	9 437	7 325
Working capital movements	28.2	1 704	(991)
Cash generated by operating activities		11 141	6 334
Investment income received		62	76
Finance costs paid		(2 569)	(1 127)
Tax paid	28.3	(685)	(1 114)
Cash generated by operations		7 949	4 169
Dividends received from joint ventures		170	245
Dividends to ordinary shareholders		(1 808)	(2 145)
Net cash inflow from operating activities		6 311	2 269
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(2 075)	(2 285)
Investment in property, plant and equipment and intangible assets to expand operations		(355)	(429)
Proceeds on disposal of property, plant and equipment and intangible assets		23	–
Other loans (advanced)/repaid		(23)	4
Net cash outflow from investing activities		(2 430)	(2 710)
Cash flow from financing activities			
Settlement of share-based payments through share purchase		(36)	(218)
Lease liabilities repaid		(2 263)	(14)
Borrowings raised		2 598	5 839
Borrowings repaid		(300)	(6 000)
Net cash outflow from financing activities		(1)	(393)
Increase/(decrease) in cash and cash equivalents		3 880	(834)
Net cash and cash equivalents at the beginning of the year		1 042	1 878
Effect of foreign exchange rate changes		515	(2)
Net cash and cash equivalents at the end of the year	28.4	5 437	1 042

StudioW, Summer 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate Annual Financial Statements of Woolworths Holdings Limited (the Company) for the 52 weeks ended 28 June 2020 (2019: 53 weeks ended 30 June 2019) comprise the Company, its subsidiaries, joint ventures and associates (together referred to as the Group).

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

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

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

The accounting policies set out below have been consistently applied to all years presented in these consolidated and separate Annual Financial Statements, except where the Group has adopted the IFRS and IFRIC interpretations and amendments listed below that became effective during the year.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT HAVE BECOME EFFECTIVE DURING THE YEAR

CHANGES IN ACCOUNTING POLICIES

IFRS 16: LEASES (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019)

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

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

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

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

	2020 Rm
Total operating lease commitments at 30 June 2019 (restated)*	29 446
Discounting at weighted average incremental borrowing rate at 1 July 2019	(7 274)
Lease payments not recognised	(677)
Commitments relating to leases previously classified as finance leases	38
Payments in optional extension periods not recognised at 30 June 2019	4 972
Lease liabilities recognised under IFRS 16 at 1 July 2019	26 505
Net movements in lease liabilities during the current year	2 094
Lease liabilities (non-current and current) at 28 June 2020	28 599

* In determining the Group IFRS 16 impact, the value of lease commitments totalling R30 130 million under IAS 17 was found to be overstated. Refer to note 29.1.

The effect of the adoption of IFRS 16 on 1 July 2019 is as follows:

Day 1 adoption	2020 Rm
Right-of-use assets	19 766
Present value of future lease payments	21 495
Less: Fair value lease adjustment and onerous leases	(1 538)
Less: Impairment	(191)
Deferred tax asset	7 800
Lease liabilities	(26 505)
Deferred tax liability	(6 450)
Straight-line lease provisions reversed to equity	641
	(4 748)
Fair value lease adjustment and onerous leases	1 538
Net equity impact	(3 210)

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

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

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

(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

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

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

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from March 2020 to June 2020.

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

OTHER STANDARDS

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

IFRIC 23: UNCERTAINTY OVER INCOME TAX TREATMENTS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019)

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

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

In respect of the other standards, the Group did not have any transactions that are impacted by the amendment to the standards and as such there will not be any material impact as a result of the implementation of the amendments. While there are no new disclosure requirements, the Group is reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Various other new and amended IFRS and IFRIC interpretations, which have been issued, have not been adopted by the Group as they are not applicable to its activities.

BASIS OF CONSOLIDATION

The Group consolidates all of its subsidiaries. Accounting policies are applied consistently in all Group companies. The results of subsidiaries are included from the effective date of acquisition up to the effective date of disposal. All subsidiaries, with the exception of the Woolworths Holdings Share Trust and the Woolworths Trust, have the same financial year ends and are consolidated to that date. The results of subsidiaries with year ends differing from that of the Group are compiled for a rolling 12-month year ending June and consolidated to that date.

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

CONTROL

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

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

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

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

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

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

FOREIGN CURRENCY TRANSLATIONS

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

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

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

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

USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

GOODWILL AND BRANDS

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

LEASES

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

Lease terms applicable to lease agreements, relating to the Group's lease liabilities, are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Management exercises judgement in determining the likelihood of exercising termination or extension options in determining the lease term including considerations of the age of the lease, the nature of the leased asset and the expected return on the underlying cash-generating unit to which the leased asset belongs.

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

Incremental borrowing rates applied in the measurement of certain lease liabilities are specific to the country, term, currency and start date of the applicable lease agreement. Incremental borrowing rates are based on a series of inputs including the prime lending rate, the repo rate, a credit risk adjustment and a country specific adjustment.

PROPERTY, PLANT AND EQUIPMENT

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

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

PROVISION FOR NET REALISABLE VALUE OF INVENTORY

The provision for net realisable value of inventory represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting date will be sold below cost. Refer to note 13.

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

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

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

FAIR VALUE OF RIGHTS TO ACQUIRE EQUITY INSTRUMENTS GRANTED

The fair value of rights to acquire shares granted in terms of share-based payment transactions is obtained using option pricing models and, in the case of options, assuming an option life of between seven and 10 years, and between three and seven years for the new schemes. Other valuation assumptions include estimates of attrition, the volatility of the shares, dividend yield and the risk-free interest rate. Refer to note 16 for additional information regarding the fair value of such instruments at grant date.

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

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

BUSINESS COMBINATIONS

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

IMPAIRMENT OF FINANCIAL ASSETS

EXPECTED CREDIT LOSS (ECL) MODEL

IFRS 9 introduced new ECL impairment requirements that result in the earlier recognition of credit provisions. The ECL requirements apply to debt financial assets measured at either amortised cost or at fair value through other comprehensive income (FVOCI), loan commitments where there is a present commitment to extend credit (unless these are measured at FVTPL) and financial guarantees. ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL of the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

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

PROVISION FOR EMPLOYEE BENEFITS

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

SIGNIFICANT JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

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

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

INCOME TAXES

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

CONSOLIDATION OF THE GROUP'S SHARE TRUST

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

PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recognised at cost, which includes any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

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

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

Useful lives per asset category:

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

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

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

INTANGIBLE ASSETS

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

COMPUTER SOFTWARE

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

RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred.

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

GOODWILL

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

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

Goodwill on acquisitions of the equity-accounted associate and joint ventures is included in the investments in associate or joint ventures and tested for impairment as part of the carrying value of the investment. Goodwill recognised on the acquisition of the associate or joint ventures (equity-accounted) is calculated as the difference between the cost of the investment and the fair value of the proportionate net assets acquired. Any excess of the fair value of the proportionate net assets acquired over the cost of the investment is included in profit or loss of the investor, in the year when acquired, as part of the proportionate share in the associate's profit after tax.

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

RIGHT-OF-USE ASSETS

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

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

LEASE LIABILITIES

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

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

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

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

LEASES ACCOUNTING POLICIES APPLICABLE TO THE COMPARATIVE PERIOD

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.

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.

ONEROUS LEASE CONTRACTS

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

BUSINESS COMBINATIONS

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

GOVERNMENT GRANTS

Government grants in respect of income are recognised in profit or loss as a deduction in the related expenses, in the period in which they become receivable. Government grants in respect of capital expenditure are initially recognised as deferred income on the Statement of Financial Position, and subsequently recognised in profit or loss on a systematic basis over the useful life of the assets.

TAXES

CURRENT TAX

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

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

DEFERRED TAX

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

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

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

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

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

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

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

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

DIVIDEND WITHHOLDING TAX (DWT)

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CURRENT ASSETS AND LIABILITIES

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

INVENTORIES

Merchandise, raw materials and consumables are initially recognised at cost, determined using the weighted average cost formula. The cost of merchandise is the net of the invoice price of merchandise, insurance, freight, customs duties, an appropriate allocation of distribution costs, trade discounts, rebates and settlement discounts. Rebates and discounts received as a reduction in the purchase price of inventories are deducted from the cost of those inventories.

Subsequent to initial recognition, inventories are measured at the lower of cost and net realisable value. Net realisable value of merchandise is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Management make adjustments to the carrying value of inventory to reflect the cost of inventory at the lower of cost and net realisable value, as well as the cost of hedge accounting. In accordance with the provisions of IFRS 9, the application of hedge accounting requires management to adjust the cost of inventory to incorporate the impact of forward exchange hedging contracts.

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

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

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 16 for a detailed description of each of the schemes.

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

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

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

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

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

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

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

PROVISIONS

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

FINANCIAL INSTRUMENTS

RECOGNITION AND MEASUREMENT

Financial instruments are initially recognised on the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, which includes directly attributable transaction costs in the case of financial assets and liabilities not at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Subsequent measurement for each financial instrument in the Group is performed in accordance with classification of the instrument in line with the following:

FINANCIAL ASSETS

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

EFFECTIVE INTEREST METHOD (AMORTISED COST)

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

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

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

- Trade and other receivables: this comprises all trade and non-trade debtors other than financial services debtors. Short-duration receivables with no stated interest rate are measured at original invoice amount, unless the effect of imputing interest is significant.
- Other loans: these comprise housing and employee loans.
- Cash and cash equivalents: this comprises cash at banks and on hand, overdrafts, as well as short-term deposits held at call with banks.

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

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

DEBT INSTRUMENTS AT AMORTISED COSTS

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

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

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

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

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

CLASSIFICATION AS DEBT OR EQUITY

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

EQUITY INSTRUMENTS

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

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

FINANCIAL LIABILITIES

Financial liabilities are classified as either of the following categories:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Financial guarantee contracts are recognised initially at fair value. Subsequently, the contract is measured in accordance with IFRS 9 at the higher of:

- the amount of the loss determined as expected credit loss; or
- the amount initially recognised, less cumulative amortisation recognised in accordance with IFRS 15, unless it was designated as at fair value through profit or loss at inception and measured as such.

Financial guarantee contracts provided by the Company to subsidiaries are provided at no cost to subsidiaries. Subsequently, these contracts are measured in accordance with IFRS 9, if probable that a guarantee will be called upon.

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

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

HEDGE ACCOUNTING
Gains and losses on the effective portion of cash flow hedges in respect of a risk associated with a recognised asset or liability, or highly probable forecast transaction or firm commitment, are recognised in the cash flow reserve within equity. Gains and losses on the ineffective portion are recognised in profit or loss immediately, within other gains/(losses).

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

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

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

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

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

Costs to dispose are incremental costs directly attributable to the disposal, excluding finance costs and income tax expense.

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

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

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

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

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

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

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

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

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

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

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

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

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

REVENUE
Revenue of the Group comprises:

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

Turnover and concession sales represent the total sales amount of goods sold in Group stores. Concession sales are the sale of goods by concession operators and are not included in revenue.

Value added tax is excluded.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts to be collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue is recognised on the following basis:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SALE OF MERCHANDISE

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

SERVICE REVENUE

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

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

GIFT CARD

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

OTHER REVENUE

- royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement;
- dividends are recognised when the shareholder's right to receive payment is established;
- investment income is recognised as interest accrues using the effective interest method;
- rental income for fixed escalation leases; and
- contingent rentals.

BORROWING COSTS

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

EXPENSES

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

SEGMENTAL INFORMATION

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

- Woolworths Fashion, Beauty and Home (FBH) (Clothing, homeware, beauty and other lifestyle products)
- Woolworths Food
- Woolworths Logistics
- David Jones (Department store clothing retailer)
- Country Road Group (Clothing retailer, which includes the Witchery Group)
- Woolworths Financial Services (WFS) (Financial products and services)
- Treasury (Cash and debt management activities)

The Executive Directors evaluate the segmental performance based on profit or loss before exceptional items and tax. To increase transparency and comparability of revenue, the Group has included additional voluntary disclosure of revenue from logistics services.

EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share is calculated in accordance with Circular 1/2019 issued by the SAICA. Diluted earnings per share is presented to show the effect of the conversion of favourable potential ordinary shares.

DIVIDENDS TO SHAREHOLDERS

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

INVESTMENT IN SUBSIDIARIES

A subsidiary is an entity over which an investor exercises control. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in subsidiary is shown at cost less impairment losses, as applicable. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the income statement. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

IFRS AMENDMENTS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

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

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

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

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

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

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

2. REVENUE

	2020 Rm	2019 Rm
Turnover	72 208	73 103
Fashion, Beauty and Home	35 987	39 631
Food	35 704	32 980
Logistics services and other	517	492
Other revenue	1 788	2 000
Rentals	10	10
Concession sales commission	1 692	1 905
Royalties	86	85
Investment income	62	76
Interest earned from cash and investments	62	75
Other	–	1
	74 058	75 179

Revenue from contracts with customers has been further disaggregated by nature of business and retail chain. Refer to note 33. Rentals and investment income fall outside the scope of IFRS 15.

2.1 TURNOVER AND CONCESSION SALES

	2020 Rm	2019 Rm
Turnover (as above)	72 208	73 103
Concession sales	6 054	6 713
Turnover and concession sales	78 262	79 816

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

3. PROFIT/(LOSS) BEFORE TAX INCLUDES:

	2020 Rm	2019 Rm
3.1 OPERATING LEASE EXPENSES		
Land and buildings – Straight-lined rentals	–	3 706
– Contingent rentals	–	1 122
Plant and equipment	8	9
Expenses relating to short-term leases	28	–
Expenses relating to low-value assets not shown above as short-term leases	7	–
Expenses relating to variable lease payments not included in lease liabilities	652	–
COVID-19 rent relief	(124)	–
3.2 AUDITOR'S REMUNERATION		
Audit fee – current year	34	30
Audit fee – prior year	6	3
Tax advisory and other services	3	3
3.3 NET FOREIGN EXCHANGE (PROFIT)/LOSS	(8)	14
3.4 OTHER EXPENSES		
Technical and consulting fees	225	196
Depreciation and amortisation (refer to notes 8, 9 and 10)	4 772	2 069
Net loss on disposal of property, plant and equipment and intangible assets	35	25
Net impairment of property, plant and equipment, intangible assets and right-of-use assets (refer to notes 8, 9, 10 and 33.1)	789	6 190
Loss/(profit) on fair value movements arising from derivative instruments (refer to note 25.6)	(4)	8
Relocation and restructure costs, net of grants received*	–	177
3.5 EMPLOYMENT COSTS	10 402	11 305
Short-term employment benefits**	9 385	10 254
Share-based payments expense	91	153
Pension costs (refer to note 21)	856	860
Post-retirement medical benefit (refer to note 21)	38	8
Termination and other benefits	32	30
3.6 FINANCE COSTS	2 688	1 139
Long-term borrowings, bank borrowings and overdrafts	1 133	1 139
Lease-liabilities	1 555	–

* During the period, the Group received government grants from the State of Victoria, Australia, in respect of expenses and capital expenditure (2019: capital expenditure), on the establishment of an Australian regional head office for the Group's subsidiaries, David Jones and Country Road Group. Included in profit before tax are grants received in respect of income, which have been deducted from the related expenses in terms of IAS 20: Government Grants. Grants received in respect of capital expenditure have been recognised in profit before tax on a systematic basis over the useful life of the assets. There are no unfulfilled conditions and contingencies attached to the grants recognised in the current period.

** Net of TERS UIF in South Africa and JobKeeper subsidy in Australia of R650 million.

4. TAX

	2020 Rm	2019 Rm
Current year		
Normal tax		
South Africa	686	924
Foreign	153	320
Deferred tax		
South Africa	(23)	(45)
Foreign	85	(1 882)
	901	(683)
Prior year		
Normal tax		
South Africa	(24)	4
Foreign	(32)	12
Deferred tax		
South Africa	1	(11)
Foreign	(3)	(38)
	843	(716)
Normal tax recognised in other comprehensive income	39	23
Deferred tax recognised in other comprehensive income	467	58
Normal tax recognised in share-based payments reserve	1	1
Deferred tax recognised in share-based payments reserve	–	(13)

	2020 %	2019 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	1.8	(0.9)
Exempt income	–	1.1
Impact of foreign tax rates*	2.7	6.2
WFS equity-accounted earnings	(2.0)	4.6
Impairment of assets	0.7	(1.0)
Deferred tax on assessed losses not recognised*	33.7	–
Prior year	(4.1)	1.4
Other	(0.6)	0.4
Effective tax rate	60.2	39.8

* Due to the uncertainty caused by COVID-19, and the resulting impact this may have on reliably forecasting the timing of future taxable earnings, the Group elected not to recognise deferred tax assets of R573 million arising from assessed losses related to certain Group entities. This results in an increased Group effective tax rate with an impact of R506 million.

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

5. EARNINGS/(LOSS) PER SHARE

BASIC AND HEADLINE EARNINGS

	Profit/(loss) before tax Rm	Tax Rm	Non-controlling interests Rm	Attributable profit/(loss) Rm
2020				
Basic earnings	1 402	(843)	(2)	557
Adjustments:				
Net loss on disposal of property, plant and equipment and intangible assets	35	(10)	–	25
Impairment of property, plant and equipment, intangible assets and right-of-use assets	799	(228)	–	571
Reversal of impairment of property, plant and equipment, intangible assets and right-of-use assets	(10)	3	–	(7)
Headline earnings	2 226	(1 078)	(2)	1 146
2019				
Basic loss	(1 800)	716	(2)	(1 086)
Adjustments:				
Net loss on disposal of property, plant and equipment and intangible assets	25	(7)	–	18
Impairment of property, plant and equipment and intangible assets	6 190	(1 839)	–	4 351
Headline earnings	4 415	(1 130)	(2)	3 283

	Number of shares 2020	Number of shares 2019
WEIGHTED AVERAGE NUMBER OF SHARES (WANOS)		
Weighted average number of shares	956 947 071	957 490 878
Number of shares in issue at the beginning of the year	956 993 049	960 574 823
Weighted average number of shares issued in terms of share schemes during the year	56 352	93 010
Weighted average number of shares purchased during the year	(558 052)	(3 753 859)
Weighted average number of shares released in terms of the Restricted Share Plan	455 722	576 904
EARNINGS/(LOSS) PER SHARE (CENTS)		
Basic	58.2	(113.4)
Headline	119.8	342.9

6. DILUTED EARNINGS/(LOSS) PER SHARE

	2020 Rm	2019 Rm
DILUTED EARNINGS/(LOSS)		
Diluted basic earnings/(loss)	557	(1 086)
Headline earnings adjustment, after tax	589	4 369
Diluted headline earnings	1 146	3 283

	Number of shares 2020	Number of shares 2019
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of shares	956 947 071	957 490 878
Potential dilutive effect of outstanding number of share options	10 890 574	7 753 045
Diluted weighted average number of shares	967 837 645	965 243 923

Dilution arises from the outstanding in-the-money share incentive scheme options that will be issued to employees at a value lower than the weighted average traded price during the past financial year. At year-end, 28 500 share options have been excluded from the diluted weighted average number of shares' calculation due to their effect being anti-dilutive.

	2020	2019
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS)		
Basic	57.6	(113.4)
% dilution	1.0%	0.0%
Headline	118.4	340.1
% dilution	1.2%	0.8%

7. RELATED-PARTY TRANSACTIONS

RELATED PARTIES

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

HOLDING COMPANY

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

SUBSIDIARIES

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

	2020 Rm	2019 Rm
JOINT VENTURES		
The following related-party transactions and balances occurred between the Group and the joint ventures:		
WOOLWORTHS FINANCIAL SERVICES PROPRIETARY LIMITED		
Service costs received by Woolworths Proprietary Limited	(88)	(85)
Merchant fee income paid by Woolworths Proprietary Limited	109	119
Accounts receivable by Woolworths Proprietary Limited	58	67
Accounts payable by Woolworths Proprietary Limited	(75)	(110)
NEDGLEN PROPERTIES PROPRIETARY LIMITED		
Rental paid by Woolworths Proprietary Limited	4	4

	2020 Rm	2019 Rm
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited and Woolworths Proprietary Limited. Key management personnel have been defined as the Board of Directors, the Chief Executive Officers of Woolworths Proprietary Limited, David Jones Proprietary Limited and Country Road Group Proprietary Limited. The definition of related parties includes close family members of key management personnel.		
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	99	110
Woolworths Holdings Limited directors	61	56
Other key management personnel	38	54
Post-employment benefits	15	2
Woolworths Holdings Limited directors	11	1
Other key management personnel	4	1
IFRS 2 value of share-based payments expense	(26)	39
Woolworths Holdings Limited directors	(5)	32
Other key management personnel	(21)	7
	88	151

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.

	2020 Rm	2019 Rm
GROUP CARD AND VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	2	3
Annual spend	4	5
Annual repayments	(4)	(6)
Balance outstanding at the end of the year	2	2

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

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

No bad or doubtful debts have been recognised in respect of these card accounts of key management personnel (2019: 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 28 June 2020 and comparative information for 30 June 2019 are set out below:

		Guaranteed pay			Short-term incentives	Long-term incentives	Retention	Remuneration	Remuneration
	Notes	Base salary (1) R'000	Benefits (2) R'000	Total guaranteed pay (3) R'000	Performance bonus (4) R'000	Fair value of shares, options, SARS, LTIP and PSP granted (5) R'000	Fair value of RSP shares (6) R'000	Total remu-neration R'000	Single-figure remu-neration (7) R'000
2020									
Roy Bagattini	(8)	4 669	9 771	14 440	–	–	5 272	19 712	15 715
Ian Moir	(9)	12 388	109	12 497	–	–	–	12 497	13 950
Reeza Isaacs		5 896	437	6 333	–	–	3 541	9 874	8 198
Sam Ngumeni		6 959	429	7 388	–	–	5 583	12 971	9 750
Zyda Rylands		8 381	485	8 866	–	–	6 680	15 546	11 694
		38 293	**11 231**	**49 524**	**–**	**–**	**21 076**	**70 600**	**59 307**
2019									
Ian Moir	(9)	18 907	142	19 049	–	–	9 333	28 382	23 041
Reeza Isaacs		5 800	421	6 221	–	2 818	3 203	12 242	6 799
Sam Ngumeni		6 876	453	7 329	–	3 190	4 973	15 492	8 265
Zyda Rylands		8 274	465	8 739	2 107	3 855	5 951	20 652	11 966
		39 857	**1 481**	**41 338**	**2 107**	**9 863**	**23 460**	**76 768**	**50 071**

NOTES

1. Base salary reflected post COVID-19 salary reduction for period April-June 2020.
2. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores.
3. Guaranteed pay and other benefits: actual payments made in the financial year.
4. Short-term incentives: amounts accrued in the financial year relating to the financial performance against target for the year.
5. IFRS 2 Share-based payments has been used to equate the annual expense value of shares, SARS, LTIP and PSP held at the end of the financial year. Where a prior year reversal exceeds the annual expense, the expense has been disclosed as nil.
6. IFRS 2 Share-based payments has been used to equate the annual expense value of RSP shares. Where a prior year reversal exceeds the annual expense, the expense has been disclosed as nil.
7. The intention of single-figure remuneration is to disclose the remuneration earned and/or accrued by directors based on the performance of the current year, the vesting of shares with non-financial performance conditions, and including any income attributable to unvested long-term share schemes. Single-figure remuneration has been disclosed and includes the fair value of shares being calculated, based on the value of LTIP, PSP and/or RSP vesting of performance conditions, based on individual performance measure for the period FY2018 – FY2020, valued using the 30-day VWAP share price of WHL at 28 June 2020 of R32.29 (2019: 30-day VWAP R47.44), instead of the IFRS 2 equity-settled expense.
8. Roy Bagattini was appointed as Group CEO on 17 February 2020. Benefits include conditional sign-on bonus, relocation, rental accommodation, legal expenses and incidental relocation expenses amounting to R9.5 million.
9. Ian Moir resigned as Group CEO on 16 February 2020; his remuneration earned up to that date is disclosed in the table above. From 17 February, he earned an amount of A$576 215 as acting CEO for David Jones. Upon his departure from the Group, he will receive a settlement of outstanding leave and 12 months notice pay of A$1.9 million. The Remuneration Committee evaluated the restraint of trade agreement for Ian, which had been negotiated in 2013 (prior to the acquisition of David Jones) and was applicable to South Africa only. In order to protect the Group, an extended restraint of trade also covering Australasia was negotiated and, should Ian not breach his obligations, a restraint of trade payment of A$2.9 million is due to him in the 2023 financial year. As part of such agreement, it was agreed that no further shares would be issued to Ian in terms of his employment agreement from 2019 onwards. Ian's agreement entitled him to shares to the value of 150% of his guaranteed package per annum.

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 28 June 2020 and comparative information for 30 June 2019 are set out below:

	Notes	Directors' fees (1) R'000	Audit Committee member R'000	Nominations Committee member R'000	Remuneration Committee member R'000	Risk and Compliance Committee member R'000	Social and Ethics Committee member R'000	Sustainability Committee member R'000	Treasury Committee member R'000	Benefits (2) R'000	Total Non-executive Directors' remuneration R'000
2020											
Hubert Brody	(3)	1 852	141	141	116	116	105	105	77	34	2 687
Simon Susman	(4)	706	–	45	50	50	45	194	–	84	1 174
Zarina Bassa	(5)	1 381	179	105	176	221	–	–	77	113	2 252
Tom Boardman	(6)	271	–	73	96	50	45	45	–	17	597
Christopher Colfer	(7)	2 940	150	70	77	117	–	–	–	171	3 525
Belinda Earl	(8)	1 373	–	–	–	116	–	68	–	–	1 557
Andrew Higginson	(9)	1 075	144	85	93	93	–	–	–	1	1 491
David Kneale		379	–	105	116	116	–	–	–	25	741
Nombulelo Moholi		400	–	–	122	122	189	111	–	54	998
Thembisa Skweyiya		379	179	–	–	116	–	68	–	23	765
Clive Thomson	(10)	812	238	–	–	100	68	–	105	22	1 345
		11 568	**1 031**	**624**	**846**	**1 217**	**452**	**591**	**259**	**544**	**17 132**
2019											
Simon Susman	(4)	1 728	–	111	122	122	111	189	–	310	2 693
Hubert Brody	(3)	1 546	345	56	61	122	56	56	45	279	2 566
Patrick Allaway	(11)	2 149	115	–	74	74	–	–	27	4	2 443
Zarina Bassa	(5)	1 210	189	111	122	234	–	–	22	239	2 127
Tom Boardman	(6)	663	–	178	234	122	111	111	–	153	1 572
Andrew Higginson	(9)	1 403	189	56	122	122	–	–	–	9	1 901
Gail Kelly	(11)	982	–	68	74	74	–	68	–	7	1 273
David Kneale	(12)	124	–	34	38	38	–	–	–	4	238
Nombulelo Moholi		401	–	–	122	122	189	111	–	170	1 115
Sizakele Mzimela	(13)	138	–	–	–	42	–	–	–	38	218
Thembisa Skweyiya	(12)	124	59	–	–	38	–	–	–	32	253
		10 468	**897**	**614**	**969**	**1 110**	**467**	**535**	**94**	**1 245**	**16 399**

NOTES

1. Directors' fees are exclusive of Vat and are reflected post COVID-19 fee reduction for period April-June 2020.
2. Benefits are discounts received on purchases made in WHL Group stores (2019: include Vat paid on directors' fees).
3. Hubert Brody was appointed as Chairman on 27 November 2019. His director's fees earned include fees while he was the Chairman of Woolworths SA Audit Review Panel of R87 767 (2019: R332 547). He was paid R486 122 (2019: R865 404) for the additional hours he worked as Deputy Chairman during the year and the 2018 David Jones impairment.
4. Simon Susman retired from the Board on 27 November 2019. He does not earn any fees for his role as Honorary President, and is entitled to fees as Acting Chairman of the Sustainability Committee. He received post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position.

   Benefits of R84 077 (2019: R310 461) include the following:

   – post-retirement healthcare benefit of R34 266 (2019: R39 858);

   – discounts received on purchases made in WHL Group stores of R49 811 (2019: R55 971).
5. Zarina Bassa was appointed as the Lead Independent Director on 27 November 2019. Zarina's director's fees earned include fees as a Non-executive Director for Woolworths South Africa of R818 621 (2019: R931 103).
6. Tom Boardman resigned from the Board on 27 November 2019.
7. Christopher Colfer was appointed to the Board on 1 July 2019. He was appointed to the Audit, Nominations, Remuneration, and Risk and Compliance Committees. He was also appointed as a Non-executive Director of David Jones and Country Road Group and Chairman of the Risk and Compliance, and Remuneration Committees. He earned fees of R1 520 417 fees from David Jones and Country Road Group.
8. Belinda Earl was appointed to the Board on 1 July 2019. She was appointed to the Risk and Compliance and Sustainability Committees.
9. Andrew Higginson resigned from the Board on 31 March 2020. His director's fees were paid in Sterling as a British resident.
10. Clive Thomson was appointed to the Board on 19 August 2019. He was appointed to the Audit, Risk and Compliance, Social and Ethics Committees, Chairman of the Treasury Committee, Chairman of the Woolworths SA Audit Review Panel (fees of R239 903) and Chairman of the David Jones and Country Road Group Audit Committees (fees of R244 897).
11. Patrick Allaway and Gail Kelly resigned from the Board on 8 February 2019.
12. David Kneale and Thembisa Skweyiya were appointed to the Board on 11 March 2019.
13. Sizakele Mzimela resigned from the Board on 5 November 2018.

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 39.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 28 June 2020, are set out below:

ROY BAGATTINI

			As at 30 June 2019		Awarded		Forfeited		Sold/transferred			As at 28 June 2020		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
RESTRICTED SHARE PLAN (RSP) SCHEME	20 Feb 2020	20 Feb 2023			1 432 537	R37.87							1 432 537	1 432 537
Total					1 432 537								1 432 537	1 432 537
Total					**1 432 537**								**1 432 537**	**1 432 537**

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

IAN MOIR

			As at 30 June 2019		Awarded		Forfeited		Sold/transferred			As at 28 June 2020		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
SHARE APPRECIATION RIGHTS (SARS) SCHEME	23 Aug 2012	27 Aug 2015	72 288	R51.48					72 288	R57.74	452 407	–		–
	29 Aug 2013	29 Aug 2016	103 755	R56.06								103 755		103 755
Total			176 043						72 288		452 407	103 755		103 755
RESTRICTED SHARE PLAN (RSP) SCHEME	25 Aug 2016	26 Aug 2019	318 442	R84.79			318 442					–		–
	24 Aug 2017	24 Aug 2020	475 118	R59.99									475 118	475 118
	24 Aug 2017	24 Aug 2020	475 117	R59.99									475 117	475 117
	23 Aug 2018	23 Aug 2021	525 265	R54.26									525 265	525 265
Total			1 793 942				318 442						1 475 500	1 475 500
Total			**1 969 985**				**318 442**		**72 288**		**452 407**	**103 755**	**1 475 500**	**1 579 255**

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

REEZA ISAACS

			As at 30 June 2019		Awarded		Forfeited		Sold/transferred			As at 28 June 2020		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
RESTRICTED SHARE PLAN (RSP) SCHEME	24 Aug 2017	24 Aug 2020	42 678	R59.99									42 678	42 678
	23 Aug 2018	23 Aug 2021	217 036	R54.26									217 036	217 036
Total			259 714										259 714	259 714
PERFORMANCE SHARE PLAN (PSP) SCHEME	25 Aug 2016	26 Aug 2019	55 498	R87.86			55 498					–		–
	24 Aug 2017	24 Aug 2020	78 014	R65.63									78 014	78 014
	23 Aug 2018	23 Aug 2021	115 248	R51.09									115 248	115 248
	29 Aug 2019	29 Aug 2022			119 967	R51.78							119 967	119 967
Total			248 760		119 967		55 498						313 229	313 229
Total			**508 474**		**119 967**		**55 498**					**–**	**572 943**	**572 943**

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

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

Details of directors' interests in shares of the Company are disclosed in the Directors' Report on page 39.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 28 June 2020, are set out below:

SAM NGUMENI			As at 30 June 2019		Awarded		Forfeited		Sold/transferred			As at 28 June 2020		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
RESTRICTED SHARE PLAN (RSP) SCHEME	24 Aug 2017	24 Aug 2020	48 762	R59.99									48 762	48 762
	23 Aug 2018	23 Aug 2021	371 971	R54.26									371 971	371 971
Total			420 733										420 733	420 733
PERFORMANCE SHARE PLAN (PSP) SCHEME	25 Aug 2016	26 Aug 2019	60 324	R87.86			60 324					–		–
	24 Aug 2017	24 Aug 2020	89 137	R65.63									89 137	89 137
	23 Aug 2018	23 Aug 2021	131 680	R51.09									131 680	131 680
	29 Aug 2019	29 Aug 2022			142 918	R51.78							142 918	142 918
Total			281 141		142 918		60 324						363 735	363 735
Total			**701 874**		**142 918**		**60 324**					**–**	**784 468**	**784 468**

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

7. RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

Details of directors' interests in shares of the Company are disclosed in the Directors' Report on page 39.

Shares purchased and options granted to Executive Directors in terms of the Group's share schemes, which had not been exercised at 28 June 2020, are set out below:

ZYDA RYLANDS			As at 30 June 2019		Awarded		Forfeited		Sold/transferred			As at 28 June 2020		
Scheme	Award date	Vesting date	Number	Price	Number	Price (2)	Number	Price	Number	Price	Realisation value (1) Rands	Vested	Unvested	Total
SHARE APPRECIATION RIGHTS (SARS) SCHEME	23 Aug 2012	27 Aug 2015	38 304	R51.48					38 304	R57.74	239 722	–		–
	29 Aug 2013	29 Aug 2016	40 790	R56.06								40 790		40 790
Total			79 094						38 304		239 722	40 790		40 790
RESTRICTED SHARE PLAN (RSP) SCHEME	24 Aug 2017	24 Aug 2020	58 348	R59.99									58 348	58 348
	23 Aug 2018	23 Aug 2021	445 093	R54.26									445 093	445 093
Total			503 441										503 441	503 441
PERFORMANCE SHARE PLAN (PSP) SCHEME	25 Aug 2016	26 Aug 2019	73 982	R87.86			73 982					–		–
	24 Aug 2017	24 Aug 2020	106 659	R65.63									106 659	106 659
	23 Aug 2018	23 Aug 2021	157 566	R51.09									157 566	157 566
	29 Aug 2019	29 Aug 2022			171 012	R51.78							171 012	171 012
Total			338 207		171 012		73 982						435 237	435 237
Total			**920 742**		**171 012**		**73 982**		**38 304**		**239 722**	**40 790**	**938 678**	**979 468**

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improve-ments Rm	Furniture, fittings, equipment and motor vehicles Rm	Computer equipment Rm	Total Rm
2019					
Cost	6 719	1 703	12 804	1 646	22 872
Accumulated depreciation	(154)	(621)	(6 149)	(1 085)	(8 009)
Accumulated impairment	(37)	(48)	(691)	(128)	(904)
Net book value at June 2018	6 528	1 034	5 964	433	13 959
Current year movements:					
Additions	6	94	1 974	249	2 323
Net transfers*	(14)	2	18	21	27
Disposals/scrappings – cost	–	(56)	(615)	(46)	(717)
Disposals/scrappings – accumulated depreciation	–	52	608	36	696
Depreciation	(45)	(96)	(1 308)	(226)	(1 675)
Impairment	–	(26)	(156)	(5)	(187)
Foreign exchange rate differences	(55)	(10)	(60)	(6)	(131)
Balance at June 2019	6 420	994	6 425	456	14 295
Made up as follows:					
Cost	6 669	1 806	13 962	1 887	24 324
Accumulated depreciation	(212)	(738)	(6 686)	(1 298)	(8 934)
Accumulated impairment	(37)	(74)	(851)	(133)	(1 095)
Net book value at June 2019	6 420	994	6 425	456	14 295
2020					
Current year movements:					
Additions	1 477	–	220	145	1 842
Net transfers*	(1 112)	(308)	292	(21)	(1 149)
Disposals/scrappings – cost	–	(102)	(1 198)	(137)	(1 437)
Disposals/scrappings – accumulated depreciation	–	99	1 179	136	1 414
Depreciation	(64)	(106)	(1 366)	(226)	(1 762)
Impairment	–	(37)	(174)	(5)	(216)
Foreign exchange rate differences	1 181	111	815	40	2 147
Balance at June 2020	7 902	651	6 193	388	15 134
Made up as follows:					
Cost	8 306	2 049	14 643	2 025	27 023
Accumulated depreciation	(367)	(1 277)	(7 295)	(1 493)	(10 432)
Accumulated impairment	(37)	(121)	(1 155)	(144)	(1 457)
Net book value at June 2020	7 902	651	6 193	388	15 134

* Net transfers represent reclassifications of categories within Property, plant and equipment and Intangible assets, based on a review of the respective definitions applied by the Group. Included in net transfers is an amount of R1 112 million previously disclosed under property, plant and equipment (within the David Jones segment) that has been reclassified to non-currents asset held for sale.

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

	2020 Rm	2019 Rm
The net carrying amounts of assets held under finance leases (IAS 17) were as follows:		
Motor vehicles and computer equipment	–	38

Additions of R18 million of assets in 2019 were held under finance leases (under IAS 17).

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

	Carrying value 2020 Rm	Carrying value 2019 Rm
Retail stores	6 334	5 005
Distribution centres	1 494	1 336
Corporate owner-occupied properties	74	79

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

A fixed property, amounting to R1 112 million (A$94.0 million), previously disclosed under property, plant and equipment (within the David Jones segment) has been reclassified to non-current asset held for sale, with depreciation ceasing at date of reclassification. At period end, the property is recognised at the lower of its carrying amount and fair value, less costs to sell. Subsequent to year-end, the property was disposed for an amount of R1.5 billion (A$121.0 million). All conditions precedent to the sale were fulfilled.

9. INTANGIBLE ASSETS

	Brands and customer databases Rm	Computer software Rm	Goodwill Rm	Reacquired rights Rm	Total Rm
2019					
Cost	6 749	3 039	11 820	490	22 098
Accumulated amortisation	(75)	(1 307)	–	(458)	(1 840)
Accumulated impairment	–	(27)	(6 820)	(1)	(6 848)
Net book value at June 2018	6 674	1 705	5 000	31	13 410
Current year movements:					
Additions	–	409	–	–	409
Net transfers*	1	(28)	–	–	(27)
Disposals/scrappings – cost	–	(15)	–	–	(15)
Disposals/scrappings – accumulated amortisation	–	13	–	–	13
Amortisation	(10)	(363)	–	(21)	(394)
Impairment	(5 771)	(167)	(65)	–	(6 003)
Foreign exchange rate differences	(69)	(15)	(26)	–	(110)
Balance at June 2019	825	1 539	4 909	10	7 283
Made up as follows:					
Cost	6 680	3 450	11 714	490	22 334
Accumulated amortisation	(84)	(1 717)	–	(479)	(2 280)
Accumulated impairment	(5 771)	(194)	(6 805)	(1)	(12 771)
Net book value at June 2019	825	1 539	4 909	10	7 283

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

9. INTANGIBLE ASSETS (CONTINUED)

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

Brands and customer databases include costs of R83 million (2019: R69 million) and accumulated amortisation of R83 million (2019: R67 million) in respect of customer databases. The acquired brands are established trademarks in the retail environment in Australia. Management considers these brands to have indefinite useful lives.

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

	2020 Rm	2019 Rm
GOODWILL		
The carrying value of goodwill comprises of:		
Arising on acquisition of Virtual Market Place (RF) Proprietary Limited	13	13
Arising on acquisition of franchise operations	831	831
Arising on acquisition of Witchery Group	775	775
Arising on acquisition of David Jones	9 535	9 535
Arising on acquisition of Politix	513	513
Accumulated impairment	(6 842)	(6 805)
Foreign exchange rate differences since acquisition	587	47
Closing balance	5 412	4 909

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

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

DAVID JONES

	2020 Rm	2019 Rm
The goodwill arising on the acquisition of David Jones has been allocated to three CGUs for impairment testing as follows:		
David Jones	6 817	6 817
Accumulated impairment	(6 817)	(6 817)
	–	–
Woolworths Fashion, Beauty and Home	1 480	1 480
Country Road Group	1 238	1 238
Foreign exchange rate differences since acquisition	238	(18)
	2 956	2 700

COVID-19 had a significant impact on the performance of the Group in the second half of the financial year, and is expected to continue to do so for at least the remainder of the calendar year, given the fluid and challenging environment. The mandatory lockdown measures imposed to curb the pandemic resulted in the closure of a significant number of the Group's apparel store locations, restrictions on the sale of certain items and reduced trading hours in Food locations, which all led to a decreased overall demand in the short-term. The uncertainty of the effects of COVID-19 on future cash flows has necessitated the use of judgements and assumptions in estimating the impact on the carrying value of certain assets, in applying the accounting policies in the preparation of the Annual Financial Statements. Accordingly, an impairment charge has been recognised for property, plant and equipment of R216 million (refer to note 8), goodwill and software of R82 million (refer to note 9) and right-of-use assets of R491 million (refer to note 10).

In the prior year, an impairment charge of R6 153 million was recognised at period end and allocated to the David Jones remaining goodwill of A$6.3 million (R63 million), brands of A$583.5 million (R5 771 million), intangible assets of A$16.5 million (R163 million) and property, plant and equipment of A$15.8 million (R156 million). The impairment reflected the economic headwinds and the accelerating structural changes affecting the Australian retail sector, as well as the performance of the business, which fell short of expectations.

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS:

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

Sales growth rates: sales growth rates are based on the approved forecast sales growth for the forecast period, taking account of expected market conditions and the impact of the strategic initiatives and investments that are expected to grow the topline sales.

Gross margins: gross margins are based on the approved forecast gross margin for the forecast period, and take into consideration initiatives to enhance margins while being cognisant of the competitive environment. Cost growth assumptions have also been reviewed and revised, through restructuring and efficiency initiatives. The initiatives have been approved by executive management and the Board.

Discount rates: discount rates between 10.7% and 11.6% (2019: 11.1% and 12.0%) represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments, and is derived from its weighted average cost of capital (WACC).

Long-term growth rates: long-term growth rates are based on the longer term inflation expectations for the Australian retail industry, at 1.5% (2019: 1.7%).

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

9. INTANGIBLE ASSETS (CONTINUED)

WITCHERY GROUP AND POLITIX

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

	2020 Rm	2019 Rm
WITCHERY GROUP		
Country Road	443	443
Witchery	232	232
Mimco	100	100
Foreign exchange rate differences since acquisition	284	110
	1 059	885
BRANDS		
Brands with indefinite useful lives arising on the acquisition of the Witchery Group have been allocated to three CGUs for impairment testing as follows:		
Country Road	8	8
Witchery	351	351
Mimco	141	141
Foreign exchange rate differences since acquisition	192	79
	692	579
POLITIX		
Goodwill		
Arising on acquisition	513	513
Foreign exchange rate differences since acquisition	76	(21)
	589	492
BRANDS		
Arising on acquisition	206	206
Foreign exchange rate differences since acquisition	31	(8)
	237	198

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from financial forecasts approved by senior management and the Board, covering a five-year period. The discount rate applied to the cash flow projection ranges from 9.2% to 10.3% (2019: 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% (2019: 3.0%), which is considered to be the long-term average growth rate for the Australian retail industry. Sales growth and gross margin were considered in determining the value-in-use.

FRANCHISE OPERATIONS

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

	2020 Rm	2019 Rm
South Africa	397	397
Botswana	192	192
Namibia	80	80
Rest of Africa	162	162
Foreign exchange rate differences since acquisition	(11)	(16)
	820	815

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATIONS

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

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

	Discount rate Low %	Discount rate High %	Long-term growth rate %
2020			
South Africa	11.8	14.4	4.8
Botswana	7.1	9.5	3.5
Namibia	12.6	15.5	4.5
Rest of Africa	9.1	31.5	5.6
2019			
South Africa	12.6	13.1	3.5
Botswana	9.1	10.6	2.8
Namibia	13.0	14.6	3.9
Rest of Africa	9.3	25.2	4.0

The projected cash flows are discounted to their present value using country risk-adjusted rates, based on the Group's WACC. The Group's WACC is 11.8% (2019: 11.1%).

Sales growth rates: sales growth rates have been derived by analysing historical data, considering growth rates projected by the Woolworths planning department, which includes price, volume and real estate growth, and considering the economic and trading conditions of each area within South Africa for local franchise buybacks and each country in the rest of Africa.

Gross margins: gross margins have been derived by analysing historical data, approved forecast gross margins for the forecast period, and considering the impact of currency fluctuations.

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

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

Long-term growth rates: long-term growth rates are based on the longer term inflation and currency expectations for the retail industry in South Africa and the rest of Africa.

10. RIGHT-OF-USE ASSETS

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

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

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

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

11. OTHER LOANS

	2020 Rm	2019 Rm
Housing and other employee loans	8	10
Balance outstanding at the beginning of the year	10	5
Loans granted during the year	1	6
Loans repaid during the year	(3)	(1)
Enterprise development loans and other	76	46
Closing balance	88	46
Provision for impairment	(12)	–
	84	56

Housing loans bear interest at prime less 2.0% (2019: prime less 2.0%). Housing loans are required to be repaid on termination of employment. The carrying value of housing loans approximates their fair value.

Enterprise development loans are granted to certain South African suppliers for development as part of the Good Business Journey, and are repaid over a period of three to five years. These loans bear interest at floating rates ranging between 4.3% to 7.8% (2019: 6.8% to 10.3%).

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

12. DEFERRED TAX

	2020 Rm	2019 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	1 459	(588)
Amounts (debited)/credited to profit or loss	(60)	1 976
Property, plant and equipment	(23)	(48)
Prepayments	19	19
Working capital and provisions	41	138
Post-retirement medical benefit liability	4	(4)
Share-based payments	7	40
Assessed losses	(81)	33
Intangible assets	22	1 793
Financial instruments	(7)	5
Right-of-use assets	632	–
Lease liabilities	(674)	–
Amounts (debited)/credited directly to other comprehensive income	467	58
Foreign currency translation reserve adjustment	448	11
Financial instrument revaluation reserve adjustment	27	53
Post-retirement medical benefit liability – actuarial gain	(8)	(6)
Amounts debited directly to equity	1 346	(13)
Share-based payments reserve	–	(13)
Adjustment on initial application of IFRS 16	1 346	–
Deferred tax asset relating to foreign losses	–	26
Balance at the end of the year	3 212	1 459
Deferred tax asset	3 212	1 522
Deferred tax liability	–	(63)
Net deferred tax (liability)/asset	3 212	1 459
Comprising:		
Property, plant and equipment	169	126
Prepayments	(16)	(35)
Working capital and provisions	806	1 290
Post-retirement medical benefit liability	99	104
Share-based payments	63	56
Assessed losses	8	86
Intangible assets	(231)	(200)
Financial instruments	57	32
Right-of-use assets	(6 422)	–
Lease liabilities	8 679	–
	3 212	1 459

Deferred tax has been calculated at the standard corporate and the capital gains tax rates as at the reporting date, based on management's expected manner of recovery of the carrying value of assets and settlement of the carrying value of liabilities.

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

Deferred tax assets are raised after due consideration of future taxable income. The Group has recognised a deferred tax asset of R8 million (2019: R86 million) in respect of assessed losses. These relate to subsidiaries that have a history of losses and which do not expire. The Group has reviewed the forecast taxable profits for these subsidiaries to utilise the deferred tax asset in the future.

13. INVENTORIES

	2020 Rm	2019 Rm
Merchandise, net of provision	8 045	8 316
Consumables	9	9
	8 054	8 325
Movements in the provision for shrinkage, obsolescence and mark-down were as follows:		
Balance at the beginning of the year	(215)	(356)
Net charge for the year	(338)	53
Unused amounts reversed	152	89
Foreign exchange rate differences	(33)	(1)
Balance at the end of the year	(434)	(215)

14. TRADE AND OTHER RECEIVABLES AND FAIR VALUE LEASE ADJUSTMENT

	2020 Rm	2019 Rm
NON-CURRENT		
Fair value lease adjustment (under IAS 17)	–	52
	–	52
CURRENT		
Fair value lease adjustment (under IAS 17)	–	7
Trade and other receivables	2 171	1 424
Provision for impairment	(11)	(21)
	2 160	1 410
Movements in the provision for impairment of trade and other receivables were as follows:		
Balance at the beginning of the year	(21)	(24)
Charge for the year	(2)	(5)
Amounts written off	–	7
Unused amounts reversed	–	1
Transfer to other loans (refer to note 11)	12	–
Balance at the end of the year	(11)	(21)

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

Ageing of trade debtors provided for:	June 2020 Gross carrying amount Rm	June 2020 Expected credit loss rate %	June 2020 Expected credit loss Rm	June 2019 Gross carrying amount Rm	June 2019 Expected credit loss rate %	June 2019 Expected credit loss Rm
0 – 60 days	1 431	0.1%	1	844	0.3%	3
61 – 90 days	34	0.0%	–	7	0.0%	–
91 – 120 days	44	0.0%	–	17	0.0%	–
121+ days	119	8.4%	10	75	24.0%	18
Total	1 628		11	943		21

The favourable fair value lease adjustment arose as a result of the acquisition of David Jones Proprietary Limited. At acquisition, leases were determined to be favourable in comparison to market-related rentals and, accordingly, were previously disclosed separately as an asset on the Statement of Financial Position. These have been taken into account in the calculation of the right-of-use assets on adoption of IFRS 16.

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

Included in trade and other receivables is a Right of return asset of R45 million (2019: R119 million). The asset is a right of the Group to recover merchandise from the customer when merchandise is returned, and has been recognised in terms of IFRS 15. When recognising the Right of return asset, using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and when the customer pays for that good or service will be one year or less.

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

The creation and release of provisions for impaired receivables have been included in other operating costs in the Statement of Comprehensive Income.

Refer to note 25.5 for the analysis of trade and other receivables. The Group does not hold any collateral as security.

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 Assets Rm	2020 Liabilities Rm	2019 Assets Rm	2019 Liabilities Rm
NON-CURRENT				
Forward exchange contracts held as hedging instruments	1	–	14	–
Interest rate swaps held as hedging instruments	–	59	–	72
	1	59	14	72
CURRENT				
Forward exchange contracts held as hedging instruments	274	78	170	45
Forward exchange contracts not hedge-accounted	8	8	1	5
Interest rate swaps held as hedging instruments	–	196	–	56
	282	282	171	106

FORWARD EXCHANGE CONTRACTS

The notional principal amount of the outstanding contracts at year-end amounts to R6 984 million (2019: R7 766 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 R5 597 million (2019: R7 335 million). This comprises hedges on the South African debt of R8 650 million (2019: R8 650 million), as well as Australian debt of R8 374 million (2019: R4 837 million), including transaction costs of R2 million and R1 million respectively. These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 18). Gains and losses on interest rate swaps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income and are reclassified in the same period that the hedged cash flows affect profit or loss.

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

16. STATED CAPITAL

	2020 Rm	2019 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 407	11 399
110 571 (2019: 152 349) ordinary shares issued in terms of share incentive schemes	6	8
Balance at the end of the year	11 413	11 407

	2020 R'000	2019 R'000
AUTHORISED		
2 410 600 000 (2019: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
956 024 619 (2019: 956 993 049) ordinary shares of no par value	–	–
	–	–

16. STATED CAPITAL (CONTINUED)

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE

	Number of shares	
	2020	2019
Balance at the beginning of the year	956 993 049	960 574 823
Shares purchased from the market and held as treasury shares in terms of the Restricted Share Plan	(1 699 987)	(4 491 788)
Shares sold in terms of the Restricted Share Plan	439 562	533 495
Shares allocated in terms of the Restricted Share Plan	181 424	224 170
Shares issued in terms of share incentive schemes	110 571	152 349
Balance at the end of the year	956 024 619	956 993 049

1 699 987 (2019: 4 491 788) ordinary shares totalling R64 million (2019: R243 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. 439 562 (2019: 533 495) ordinary shares totalling R28 million (2019: R25 million) were sold to the market in terms of the Group's Restricted Share Plan. 181 424 (2019: 224 170) ordinary shares totalling R14 million (2019: R17 million) previously purchased were allocated to employees in terms of the Group's Restricted Share Plan.

110 571 (2019: 152 349) ordinary shares totalling R6 million (2019: R8 million) were issued and allocated to employees in terms of the Group's other share incentive schemes.

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

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

SHARE INCENTIVE SCHEMES

RESTRICTED SHARE PLAN (RSP)

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

Shares granted in terms of the RSP meet the definition of an equity-settled share-based payment. The full terms and conditions of the scheme are detailed in the Remuneration Committee Report that forms part of the Integrated Report. In terms of the plan, the Group purchased equity instruments totalling R64 million in the current year (2019: R243 million) for the benefit of the participants. The participants will be entitled to the dividends and voting rights on these shares from grant date.

Vesting in respect of the shares issued occurs as follows:

Period of offer	Year 0 – 2 %	Year 3 %	Year 4 %	Year 5 %
28 August 2014; 13 November 2014; 12 February 2015; 27 August 2015; 1 November 2015; 19 May 2016; 25 August 2016; 1 September 2017; 1 March 2018; 16 May 2018; 1 June 2020	–	50	25	25
25 August 2016; 24 August 2017; 1 June 2018; 23 August 2018	–	100	–	–
19 May 2016; 17 May 2017; 22 February 2018; 16 May 2018; 23 August 2018; 1 May 2019; 20 February 2020	–	25	25	50

	Number of shares	
	2020	2019
Shares granted to participants		
Balance at the beginning of the year	7 211 563	3 477 440
Purchased	1 699 987	4 491 788
Vested	(181 424)	(224 170)
Forfeited	(439 562)	(533 495)
Balance at the end of the year	8 290 564	7 211 563
Market value per share at the end of the year (rands)	32.76	48.88
Percentage of shares vested at the end of the year	2.5%	6.4%
Weighted average price per share purchased (rands)	37.50	54.06
Number of participants on RSP	105	109

Period of offer	Number of shares 2020	2019	Fair value at grant date
28 August 2014 and 28 August 2019	–	12 052	80.50
13 November 2014 and 13 November 2019	–	8 495	78.45
12 February 2015 and 12 February 2020	–	3 484	91.68
27 August 2015 and 27 August 2020	13 818	27 636	95.03
1 November 2015 and 1 November 2020	3 836	7 672	97.75
19 May 2016 and 19 May 2021	28 500	48 114	84.13
25 August 2016 and 25 August 2019	–	318 442	84.79
25 August 2016 and 25 August 2021	57 013	114 027	83.31
17 May 2017 and 17 May 2022	42 685	56 913	66.58
24 August 2017 and 24 August 2020	1 573 033	1 599 707	59.99
1 September 2017 and 1 September 2022	93 357	93 357	59.99
22 February 2018 and 22 February 2023	38 604	38 604	64.76
1 March 2018 and 1 March 2023	46 325	46 325	64.76
16 May 2018 and 16 May 2023	419 498	419 498	56.62
1 June 2018 and 1 June 2021	19 076	19 076	56.62
23 August 2018 and 24 August 2021	868 464	868 464	53.35
23 August 2018 and 24 August 2023	3 351 479	3 494 808	54.26
1 May 2019 and 1 May 2024	34 889	34 889	46.80
20 February 2020 and 20 February 2025	1 524 815	–	37.87
1 June 2020 and 1 June 2025	175 172	–	34.25
Balance at the end of the year	8 290 564	7 211 563	

WOOLWORTHS PERFORMANCE SHARE PLAN (PSP)

The Performance Share Plan provides executives and employees with the opportunity to receive Woolworths Holdings Limited shares by way of conditional awards of shares, which are subject to the fulfilment of predetermined performance conditions covering a three-year period, at a grant price of the volume weighted average price as quoted on the JSE for the five business days immediately preceding the date of grant. The performance conditions applicable to schemes issued before August 2018 are weighted between adjusted headline earnings per share (aHEPS) growth, total shareholder return (TSR) of the Company relative to the TSR of a selected peer group index for the same period and return on capital employed (ROCE) conditions. The aHEPS performance condition, which has a 50.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100% vesting. The TSR performance condition, which has a 30.0% weighting, requires the TSR performance of Woolworths to exceed the upper quartile performance of the peer group, for this portion of the PSP to vest. The ROCE performance condition, which has a 20.0% weighting, has a minimum threshold for 30.0% vesting and a target for 100% vesting. For schemes issued from and including August 2018, the TSR condition has been replaced by a cash flow condition. The cash flow condition has a 20.0% weighting, the ROCE has a 30.0% weighting and the aHEPS remains with a 50.0% weighting. Vesting occurs on a linear scale in accordance with an agreed threshold and target.

The conditional awards are valued using a Monte Carlo simulation model, assuming a life span of three years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of between 3.48% and 5.15% and a risk-free interest rate based on the bootstrapped zero-coupon perfect fit swap curve as at the grant date with a term consistent with the life of the awards.

16. STATED CAPITAL (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

WOOLWORTHS PERFORMANCE SHARE PLAN (PSP) (CONTINUED)

	Number of awards 2020	2019
Awards granted to participants		
Balance at the beginning of the year	8 624 228	7 653 464
Granted and back-dated dividends	4 842 412	5 199 303
Exercised	(60 534)	(107 145)
Forfeited	(2 587 550)	(4 121 394)
Balance at the end of the year	10 818 556	8 624 228
Weighted average exercise price per award outstanding at the end of the year (rands)	54.30	61.43
Weighted average exercise price per award granted (rands)	51.34	50.79
Weighted average exercise price per award forfeited (rands)	75.55	80.95
Weighted average market price per award exercised (rands)	46.63	48.08
Number of participants on PSP	757	711

Period of offer	Number of awards 2020	2019	Exercise price	Fair value at grant date
25 August 2016 and 25 August 2019	–	1 286 504	87.86	51.64
16 February 2017 and 11 February 2020	–	208 114	73.15	16.27
24 August 2017 and 24 August 2020	917 766	1 133 906	65.63	45.88
24 August 2017 and 24 August 2020[1]	725 230	733 567	65.63	49.78
24 August 2017 and 24 August 2020[2]	626 465	652 332	65.63	54.15
22 February 2018 and 22 February 2021[1]	88 157	88 157	65.60	49.76
22 February 2018 and 22 February 2021[2]	51 878	57 519	65.60	53.42
23 August 2018 and 23 August 2021[3]	1 708 623	1 996 267	51.09	50.60
23 August 2018 and 23 August 2021[1&3]	1 191 350	1 216 870	51.09	50.60
23 August 2018 and 23 August 2021[2&3]	858 009	999 247	51.09	50.60
21 February 2019 and 21 February 2022[1]	97 719	97 719	45.16	43.05
21 February 2019 and 21 February 2022[2]	132 146	154 026	45.16	43.05
29 August 2019 and 29 August 2022	1 768 290	–	51.78	53.93
29 August 2019 and 29 August 2022[1]	1 293 438	–	51.78	53.93
29 August 2019 and 29 August 2022[2]	1 103 751	–	51.78	53.93
20 February 2020 and 20 February 2023[1]	93 291	–	43.95	42.40
20 February 2020 and 20 February 2023[2]	162 443	–	43.95	42.40
Balance at the end of the year	10 818 556	8 624 228		

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

WOOLWORTHS SHARE APPRECIATION RIGHTS SCHEME (SARS)

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

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

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

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

	Number of rights 2020	2019
Rights granted to participants		
Balance at the beginning of the year	1 722 537	1 919 415
Exercised	(506 300)	(115 653)
Forfeited	(75 750)	(81 225)
Balance at the end of the year	1 140 487	1 722 537
Weighted average exercise price per right outstanding at the end of the year (rands)	56.10	55.09
Weighted average exercise price per right exercised (rands)	51.79	30.79
Weighted average exercise price per right forfeited (rands)	61.81	54.93
Weighted average market price per right exercised (rands)	57.50	50.67
Number of participants on SARS	165	192

Period of offer	Number of rights 2020	2019	Original exercise price	Current exercise price*	Fair value at grant date
23 August 2012 and 26 November 2019	–	473 292	55.68	51.48	17.55
14 February 2013 and 14 February 2020	–	69 248	67.08	62.42	20.81
29 August 2013 and 29 August 2020	1 030 595	1 063 438	60.72	56.06	20.22
13 February 2014 and 13 February 2021	109 892	116 559	61.23	56.48	17.76
Balance at the end of the year	1 140 487	1 722 537			

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

DIRECTORS' INTEREST IN SHARES

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

17. RESERVES

	2020 Rm	2019 Rm
NON-DISTRIBUTABLE RESERVE		
Foreign currency translation reserve	1 664	253
DISTRIBUTABLE RESERVES		
Share-based payment reserve		
Balance at the beginning of the year	303	622
Share-based payments arising from the Group's share incentive schemes	33	(319)
Shares	91	153
Tax on share-based payments recognised in equity	1	(12)
Settlement of share-based payments	(14)	(24)
Transfer between reserves	(45)	(436)
Balance at the end of the year	336	303
Financial instrument revaluation reserve		
Interest rate and foreign exchange derivative financial instruments	49	12
Accumulated loss	(5 245)	(836)
Company	125	133
Arising on consolidation of subsidiaries	(5 370)	(969)
Total accumulated loss	(4 860)	(521)

NATURE AND PURPOSE OF RESERVES

FOREIGN CURRENCY TRANSLATION RESERVE

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

SHARE-BASED PAYMENTS RESERVE

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes. Refer to note 16 for further details of the relevant schemes.

FINANCIAL INSTRUMENT REVALUATION RESERVE

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

RETAINED PROFIT/(ACCUMULATED LOSS)

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

18. INTEREST-BEARING BORROWINGS

	2020 Rm	2019 Rm
NON-CURRENT		
Long-term loans	16 023	13 234
Finance leases (under IAS 17)	–	25
	16 023	13 259
CURRENT		
Current portion of long-term loans	1 000	250
Finance leases (under IAS 17)	–	13
Overdrafts	97	871
	1 097	1 134

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

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

Notes to the value of R3.8 billion (2019: R3.8 billion) have been issued to date under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding to the Group. The DMTN is guaranteed by Woolworths Proprietary Limited. It will be used to raise debt on an ongoing basis.

The Australian funding was diversified by the issue of a A$300.0 million unlisted, unrated bond into the Australian capital market during the year. Interest-bearing borrowings of the Australian operations of A$708.0 million have been secured by Real Property Mortgages and a General Security Deed over certain Australian assets.

In the prior year, finance leases (under IAS 17) were measured at amortised cost at an average effective rate of 4.97%. Maturity periods varied between one and five years (refer to note 30). The fair value of the finance leases was estimated by discounting future cash flows, using a market-related interest rate applicable to the Group. The assets were pledged as collateral for the respective lease liabilities (refer to note 8). Finance leases (under IAS 17) have been reclassified to Lease liabilities with the adoption of IFRS 16 (refer to note 10).

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

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

	Debt denoted in: ZAR Rm	A$ Rm	2020 Rm	2019 Rm
Financial year 2021	1 000	–	1 000	250
Financial year 2022	4 587	769	5 356	4 578
Financial year 2023	1 649	2 768	4 417	5 902
Financial year 2024 and onwards	1 413	4 837	6 250	2 754
	8 649	8 374	17 023	13 484

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.

19. LEASE LIABILITIES

	2020 Rm	2019 Rm
NON-CURRENT		
Lease liabilities	25 929	–
	25 929	–
CURRENT		
Lease liabilities	2 670	–
	2 670	–
The maturity profile of lease liabilities is as follows:		
Within one year	4 096	–
Within two to five years	14 086	–
Thereafter	18 995	–
	37 177	–

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes					
	2019 Rm	Cash flows Rm	Additions Rm	Amortised costs Rm	Foreign exchange movement Rm	Lease modifications and rent relief/fair value changes Rm	Rent deferment reflected in other payables Rm	2020 Rm
Long-term loans (refer to note 18)	13 484	2 298	–	1	1 240	–	–	17 023
Finance leases	38	–	–	–	–	–	–	38
Finance leases reclassified	(38)	–	–	–	–	–	–	(38)
Lease liabilities	26 505	(2 263)	857	–	3 712	121	(333)	28 599
	39 989	35	857	1	4 952	121	(333)	45 622

			Non-cash changes				
	2018 Rm	Cash flows Rm	Additions Rm	Amortised costs Rm	Foreign exchange movement Rm	Lease modifications and rent relief/fair value changes Rm	2019 Rm
Long-term loans (refer to note 18)	13 681	(161)	–	20	(56)	–	13 484
Finance leases	34	(14)	18	–	–	–	38
	13 715	(175)	18	20	(56)	–	13 522

20. TRADE AND OTHER PAYABLES

	2020 Rm	2019 Rm
NON-CURRENT		
Operating lease accrual and fair value lease adjustment (under IAS 17)	–	1 651
	–	1 651
CURRENT		
Trade payables	5 052	3 606
Other payables	5 710	4 683
Operating lease accrual and fair value lease adjustment (under IAS 17)	–	110
	10 762	8 399

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 for the comparative prior period. These unwound over the duration of the leases through the Statement of comprehensive income up to the end of the 2019 financial year, and the balance at 1 July 2019 was reversed on adoption of IFRS 16.

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 (2019: 63) are contributory members of the Woolworths Group Retirement Fund. Certain employees, in addition to belonging to the Woolworths Group Retirement Fund, are contributory members of other retirement funds. All funds are defined contribution funds and are registered under the Pensions Fund Act of 1956, as amended. The Woolworths Group Retirement Fund is exempt from valuation. The Woolworths Group Retirement Fund's actuary undertakes annual financial reviews, of which the latest review, as at 28 February 2019, confirmed the fund's financial soundness. The annual review, as at 29 February 2020, is in the process of being completed and will be available during September 2020.

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 R856 million (2019: R860 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 (2019: nil). The discount rate used to value the liability at year-end is 10.6% (2019: 9.9%) per annum.

At year-end, the accrued liability amounted to R354 million (2019: R369 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:

	2020 Rm	2019 Rm
Funding liability at the beginning of the year	369	404
Current service cost	3	3
Past service cost	–	(30)
Interest on obligation	35	35
Employer contributions	(23)	(22)
Actuarial gain before tax	(30)	(21)
Funding liability at the end of the year	354	369

	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Funding liability	354	369	404	386	387
Funding deficit	354	369	404	386	387
Actuarial gain before tax	(30)	(21)	(2)	(21)	(10)

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

	2020 Rm	2019 Rm
Within 12 months	27	26
Between one and five years	128	147
Between five and 10 years	204	197
Beyond 10 years	248	244
Total expected payments	607	614

A 1.0 percentage point increase or decrease in the assumed medical inflation rate of 8.0% (2019: 8.0%) would have the following effect:

2020			
Medical inflation assumption	8.0%	7.0%	9.0%
Service cost for the year ended June 2020	3	2	3
Interest cost for the year ended June 2020	35	33	40
Accrued liability at June 2020	354	322	391
2019			
Medical inflation assumption	8.0%	7.0%	9.0%
Service cost for the year ended June 2019	3	2	3
Interest cost for the year ended June 2019	35	32	40
Accrued liability at June 2019	369	334	410

A 0.5 percentage point increase or decrease in the discount rate of 10.6% (2019: 9.9%) would have the following effect:

2020			
Discount rate assumption	10.6%	10.1%	11.1%
Accrued liability at June 2020	354	371	338
2019			
Discount rate assumption	9.9%	9.4%	10.4%
Accrued liability at June 2019	369	389	351

A one-year increase or decrease in the retirement age of 63 (2019: 63) would have the following effect:

2020			
Retirement age assumption	63	62	64
Accrued liability at June 2020	354	357	350
2019			
Retirement age assumption	63	62	64
Accrued liability at June 2019	369	373	366

22. PROVISIONS

	Leave Pay Rm	Provision for onerous lease commitments Rm	Employee benefits Rm	Sales returns and other Rm	Total 2020 Rm	Total 2019 Rm
NON-CURRENT						
Balance at the beginning of the year	103	234	99	–	436	297
Raised/transferred	149	(234)	20	82	17	209
Utilised	(103)	–	(1)	–	(104)	(64)
Foreign exchange rate differences	–	–	22	10	32	(6)
Balance at the end of the year	149	–	140	92	381	381
CURRENT						
Balance at the beginning of the year	208	124	287	303	922	752
Effect of IFRS 15 adoption	–	–	–	–	–	166
Raised/transferred	233	(124)	423	214	746	1 076
Utilised	(195)	–	(478)	(275)	(948)	(1 057)
Foreign exchange rate differences	20	–	75	33	128	(15)
Balance at the end of the year	266	–	307	275	848	922

LEAVE PAY

The provision for leave pay were 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 were calculated based on the present value of the unavoidable costs in fulfilling lease commitments, net of income receivable from the lease. The provision for onerous lease commitments reverses as the lease term runs down or if conditions change to the extent that the lease is no longer onerous.

The current year balances are nil as a result of the adoption of IFRS 16 (refer to note 19).

EMPLOYEE BENEFITS

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

SALES RETURNS AND OTHER

Included in sales returns and other is a provision for sales returns of R104 million (2019: R206 million) to either replace the goods, provide the customer with a full refund or credit that can be applied against money owed. In addition, a Right of return asset was recognised for the Group's right to recover merchandise returned by the customer (refer to note 14), and a provision of R154 million (2019: R76 million) for store closure costs.

23. CAPITAL COMMITMENTS

	2020 Rm	2019 Rm
Commitments in respect of capital expenditure not accrued at the reporting date:		
Contracted for	546	1 245
Not contracted for	1 120	1 752
	1 666	2 997

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

24. CONTINGENT LIABILITIES

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

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

25.1 FOREIGN CURRENCY RISK MANAGEMENT

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

TRANSACTIONAL FOREIGN EXCHANGE RISK

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

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

	Contract foreign currency amount m	Rand equivalent Rm	Average rate R	Fair value adjustment Rm
2020				
FORWARD EXCHANGE CONTRACTS				
US dollar	386	6 494	17.02	197
British pound	4	82	20.23	3
Euro	19	378	19.53	(1)
Canadian dollar	–	–	–	–
New Zealand dollar	–	–	–	–
Chinese Yuan	5	13	2.61	(1)
Other currencies	1	17	1.00	–
		6 984		198
TRADE PAYABLES				
US dollar (closing rate)	36	638	15.66	33
2019				
FORWARD EXCHANGE CONTRACTS				
US dollar	526	7 304	14.42	134
British pound	7	131	19.27	(1)
Euro	18	298	16.35	2
Chinese Yuan	4	9	2.14	–
Other currencies	24	24	1.00	–
		7 766		135
TRADE PAYABLES				
US dollar (closing rate)	39	552	14.22	(4)

At year-end, the Group held 1 136 (2019: 1 079) forward exchange contracts in order to hedge expected future purchases from suppliers outside South Africa, to which the Group has firm commitments. Of these, 1 027 (2019: 961) are designated cash flow hedges in an effective hedging relationship.

The remaining 109 (2019: 118) forward exchange contracts are not designated as cash flow hedges. At year-end, an unrealised gain of R4 million (2019: R8 million loss) was recognised in profit or loss in respect of these forward exchange contracts.

The cash flow hedges resulted in a net unrealised gain of R47 million (2019: R173 million), with a related deferred tax liability of R14 million (2019: R50 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	
	2020	2019	2020	2019
US dollar/rand	15.66	14.18	17.24	14.11
Australian dollar/rand	10.48	10.14	11.83	9.89

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
2020			
US dollar			
Foreign creditors	+5	34	–
	-5	(34)	–
Forward exchange contracts	+5	(117)	(350)
	-5	117	350
2019			
US dollar			
Foreign creditors	+5	25	–
	-5	(25)	–
Forward exchange contracts	+5	(109)	(360)
	-5	109	360

TRANSLATIONAL FOREIGN EXCHANGE RISK

Net investments in foreign subsidiaries

The Group has investments in foreign subsidiaries, whose net assets (including cash and cash equivalents) are exposed to translational foreign exchange risk.

	2020 Rm	2019 Rm
The Group has unhedged interests in foreign subsidiaries of:		
Australian dollar	8 939	11 527

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

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

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 FOREIGN CURRENCY RISK MANAGEMENT (CONTINUED)

TRANSLATIONAL FOREIGN EXCHANGE RISK (CONTINUED)

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2020		
Australian dollar	+5	(447)
	-5	447
2019		
Australian dollar	+5	(576)
	-5	576

Foreign cash

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

	2020 Rm	2019 Rm
Foreign cash and cash equivalent balances/(overdrafts) are concentrated in the following major currencies:		
US dollar	(81)	(191)
Australian dollar	3 949	455
	3 868	264

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

	Movement in foreign exchange rate %	Decrease/ (increase) in other comprehensive income Rm
2020		
Australian dollar	+5	(197)
	-5	197
2019		
Australian dollar	+5	(23)
	-5	23

25.2 INTEREST RATE RISK MANAGEMENT

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

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

The Group entered into long-term debt with the interest payable linked to various floating interbank rates. At year-end, the Group had swapped approximately 33% (2019: 54%) of floating rate exposure for fixed rates.

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

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

	Movement in basis points	Decrease/ (increase) in profit before tax Rm	Decrease/ (increase) in other comprehensive income Rm
2020			
Interest-bearing borrowings	+50	77	–
	-50	(77)	–
Interest rate swaps	+50	(28)	(35)
	-50	28	35
Cash and cash equivalents	+50	(18)	–
	-50	18	–
2019			
Interest-bearing borrowings	+50	61	–
	-50	(61)	–
Interest rate swaps	+50	(37)	(35)
	-50	37	35
Cash and cash equivalents	+50	(5)	–
	-50	5	–

At year-end, the South African prime interest rate was 7.25% (2019: 10.25%). JIBAR was 3.91% (2019: 7.02%). The Australian prime interest rate was 0.25% (2019: 1.25%).

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

	2020		2019	
	Rm	Effective interest rate %	Rm	Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long-term loans	17 023	4.3 – 7.7	13 484	4.0 – 9.0
Overdrafts	97	3.6 – 9.6	871	3.6 – 9.6
% of total borrowings	100%		100%	

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 INTEREST RATE RISK MANAGEMENT (CONTINUED)

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2020					
Long-term loans	–	250	750	12 475	3 548
Overdrafts	–	97	–	–	–
2019					
Long-term loans	–	250	–	13 234	–
Overdrafts	120	751	–	–	–

25.3 CREDIT RISK MANAGEMENT

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

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

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

Other loans include housing loans of the Group. Security for housing loans is required.

Woolworths Holdings Limited is exposed to credit risk mainly through amounts owing by its subsidiaries.

CREDIT QUALITY OF FINANCIAL ASSETS

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

	Rating	2020 Rm	Rating	2019 Rm
FINANCIAL ASSETS				
Other loans	High grade	43	High grade	38
Trade and other receivables	High grade	1 617	High grade	905
Enterprise development loans	Low grade	21	Low grade	41
Derivative financial instruments*	High grade	283	High grade	185
Cash and cash equivalents*	High grade	5 534	High grade	1 913

Ratings

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

Low grade – debtors are considered to have high credit risk when they have low-quality credit standing. The counterparties for these instruments are considered more likely to default on capital or interest payments.

* External rating

25.4 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.

	2020 Rm	2019 Rm
BANKING AND DEBT FACILITIES		
Total banking and debt facilities	24 311	23 094
Less: Portion utilised	(17 439)	(14 447)
Total undrawn banking and debt facilities	6 872	8 647
Made up as follows:	6 872	8 647
Committed	6 340	8 147
Uncommitted	532	500

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

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

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2020					
Interest-bearing borrowings*	–	447	1 284	13 766	3 615
Forward exchange contracts	–	12	72	2	–
Interest rate swaps	–	9	187	59	–
Trade and other payables	370	9 642	82	198	–
Overdrafts	–	97	–	–	–
2019					
Interest-bearing borrowings*	–	473	653	14 440	–
Forward exchange contracts	–	31	19	–	–
Interest rate swaps	–	4	52	72	–
Trade and other payables	279	7 222	86	168	–
Overdrafts	120	751	–	–	–

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

	Notes	Financial assets at amortised cost Rm	Financial assets at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial assets Rm	Total Rm
2020						
Assets						
Other loans	11	84	–	–	–	84
Trade and other receivables	14	1 790	–	–	370	2 160
Derivative financial instruments	15	–	8	275	–	283
Cash and cash equivalents	28.4	5 534	–	–	–	5 534
Total		7 408	8	275	370	8 061

	Notes	Financial liabilities at amortised cost Rm	Financial liabilities at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial liabilities Rm	Total Rm
Liabilities						
Interest-bearing borrowings	18	17 120	–	–	–	17 120
Trade and other payables	20	10 292	–	–	470	10 762
Derivative financial instruments	15	–	8	333	–	341
Total		27 412	8	333	470	28 223

	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
2019						
Assets						
Other loans	11	56	–	–	–	56
Trade and other receivables	14	929	–	–	481	1 410
Derivative financial instruments	15	–	1	184	–	185
Cash and cash equivalents	28.4	1 913	–	–	–	1 913
Total		2 898	1	184	481	3 564

	Notes	Financial liabilities at amortised cost Rm	Financial liabilities at fair value through profit or loss Rm	Derivatives used as hedging instruments Rm	Non-financial liabilities Rm	Total Rm
Liabilities						
Interest-bearing borrowings	18	14 393	–	–	–	14 393
Trade and other payables	20	7 755	–	–	2 295	10 050
Derivative financial instruments	15	–	5	173	–	178
Total		22 148	5	173	2 295	24 621

25.6 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Fair value measurement Rm	Investment income Rm	Finance costs Rm	Impairment loss Rm	Total Rm
2020					
Loans and receivables	–	62	–	–	62
Financial liabilities at amortised cost	–	–	(1 133)	–	(1 133)
Financial instruments at fair value through profit or loss	(4)	–	–	–	(4)
Derivatives used as hedging instruments	35	–	–	–	35
Total	31	62	(1 133)		(1 040)
2019					
Loans and receivables	–	76	–	(7)	69
Financial liabilities at amortised cost	–	–	(1 139)	–	(1 139)
Financial instruments at fair value through profit or loss	8	–	–	–	8
Derivatives used as hedging instruments	(91)	–	–	–	(91)
Total	(83)	76	(1 139)	(7)	(1 153)

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

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

	2020 Rm	2019 Rm
Forward exchange contracts	239	54
Interest rate swaps	(94)	(110)
Reclassified to non-financial assets	(86)	(20)
Reclassified to profit or loss	(24)	(15)
Total	35	(91)

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).

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

	Fair value measurement using	Carrying amount 2020 Rm	Carrying amount 2019 Rm	Fair value 2020 Rm	Fair value 2019 Rm
FINANCIAL ASSETS					
Derivative financial instruments					
Forward exchange contracts	Level 2	283	185	283	185
Interest rate swaps	Level 2	–	–	–	–
FINANCIAL LIABILITIES					
Derivative financial instruments					
Forward exchange contracts	Level 2	86	50	86	50
Interest rate swaps	Level 2	255	128	255	128

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

26. MANAGEMENT OF CAPITAL

The Group considers stated capital (note 16), reserves (note 17) and interest-bearing borrowings (note 18) as capital employed. Management focuses on the following:

- solvency, liquidity, interest rate and refinancing risk metrics based on internal policy requirements; and
- debt and equity covenants that are measured for both internal and external purposes.

These processes aid the Group's ability to continue as a going concern and to provide appropriate returns to shareholders. Returns are measured in terms of Returns on Assets, Equity and Capital Employed.

	2020	2019
Return on equity	18.0%	29.1%

The Group ensures that it complies with the liquidity and solvency requirements for any share repurchase or dividend payment per the Companies Act of South Africa.

27. DIVIDENDS TO ORDINARY SHAREHOLDERS

	2020 Rm	2019 Rm
Dividend no. 43 of 130.5 cents per share was declared on 22 August 2018 and paid on 17 September 2018	–	1 368
Less: Dividend received on treasury shares	–	(110)
Dividend no. 44 of 92.0 cents per share was declared on 20 February 2019 and paid on 18 March 2019	–	965
Less: Dividend received on treasury shares	–	(78)
Dividend no. 45 of 98.5 cents per share was declared on 28 August 2019 and paid on 23 September 2019	1 033	–
Less: Dividend received on treasury shares	(83)	–
Dividend no. 46 of 89.0 cents per share was declared on 19 February 2020 and paid on 16 March 2020	933	–
Less: Dividend received on treasury shares	(75)	–
Total net dividends paid	1 808	2 145

No final dividend was declared to ordinary shareholders on 15 September 2020.

28. CASH FLOW INFORMATION

28.1 CASH INFLOW FROM TRADING

	2020 Rm	2019 Rm
Profit/(loss) before tax	1 402	(1 800)
Investment income	(62)	(76)
Earnings from joint ventures	(101)	(295)
Depreciation and amortisation	4 772	2 069
Net loss on disposal of property, plant and equipment and intangible assets	35	25
Net impairment of property, plant and equipment, intangible assets and right-of-use assets	789	6 190
Finance costs	2 688	1 139
Movement in other provisions and post-retirement medical benefit liability	(50)	146
Share-based payments	91	153
Operating lease accrual	–	(132)
Fair value lease adjustment	–	(106)
Rent relief and IFRS 16 lease cancellation gain	(105)	–
Foreign exchange gain/(loss)	(22)	12
Net inflow from trading	9 437	7 325

28.2 WORKING CAPITAL MOVEMENTS

	2020 Rm	2019 Rm
Decrease/(increase) in inventories	921	(828)
(Increase)/decrease in trade and other receivables	(512)	234
Increase/(decrease) in trade and other payables	1 295	(397)
Net inflow/(outflow)	1 704	(991)

28. CASH FLOW INFORMATION (CONTINUED)

	2020 Rm	2019 Rm
28.3 TAX PAID		
NORMAL AND FOREIGN TAX		
Amounts owing at the beginning of the year (net)	3	147
Amounts charged to profit or loss	(783)	(1 260)
Amounts recognised in other comprehensive income	(39)	(23)
Amounts recognised in share-based payments reserve	1	1
Amounts recognised on deferred tax asset relating to foreign losses	–	26
Foreign currency translation reserve	(14)	(2)
Amounts receivable at the end of the year	(4)	(78)
Amounts owing at the end of the year	151	75
Amount paid	(685)	(1 114)

	2020 Rm	2019 Rm
28.4 NET CASH AND CASH EQUIVALENTS		
Local – variable interest rates of 0% to 6.43% (2019: 0% to 7.66%)	1 177	1 215
Foreign – variable interest rates of 0% to 3.08% (2019: 0% to 5.37%)	4 357	698
Cash and cash equivalents	5 534	1 913
Overdrafts and overnight borrowings at variable rates of 6.3% to 6.7% (2019: 7.79% to 8.0%)	–	(665)
Foreign overdrafts – variable interest rates of 3.1% to 9.6% (2019: 3.3% to 9.5%)	(97)	(206)
Net cash and cash equivalents	5 437	1 042

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

29. OPERATING LEASES (UNDER IAS 17)

The Group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between one and 31 years, with further renewal options thereafter. The commitments disclosed below comprise the minimum payments, as well as additional contingent payments, based on expected turnover levels.

	2020 Rm	2019* Rm
29.1 OPERATING LEASE COMMITMENTS		
Land and buildings:		
Within one year	–	4 201
Within two to five years	–	10 996
Thereafter	–	14 249
	–	29 446

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

	2020 Rm	2019 Rm
29.2 FUTURE MINIMUM SUB-LEASE PAYMENTS EXPECTED TO BE RECEIVED FROM FRANCHISEES AND OTHER TENANTS UNDER NON-CANCELLABLE OPERATING LEASES AS LESSOR AT YEAR-END		
Land and buildings:		
Within one year	–	4
Within two to five years	–	2
Thereafter	–	1
	–	7

The operating lease accrual in 2019 of R552 million represented 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 in 2019 was R1 122 million. The total minimum lease payments in 2019 amounted R3 690 million. The total minimum lease payments received in 2019 amounted to R54 million.

The current year balances are nil as a result of the adoption of IFRS 16 (refer to note 18).

30. FINANCE LEASES (UNDER IAS 17)

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

	2020		2019	
	Minimum payments Rm	Present value of payments Rm	Minimum payments Rm	Present value of payments Rm
Within one year	–	–	15	13
Between one and five years	–	–	27	25
Total minimum lease payments	–	–	42	38
Less: Finance costs	–	–	(4)	–
Present value of minimum lease payments	–	–	38	38
Opening balance reclassified to Lease liabilities (refer to note 19)	–	–	(38)	(38)

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:

	2020 Rm	2019 Rm
Assets		
Current assets, including cash and cash equivalents of R96 million (2019: R86 million)	7 511	8 395
Non-current assets	2 916	2 441
	10 427	10 836
Liabilities		
Current liabilities, including financial liabilities of R189 million (2019: R301 million)	(201)	(335)
Non-current liabilities, including financial liabilities of R8 737 million (2019: R8 899 million)	(8 762)	(8 899)
	(8 963)	(9 234)
Equity	1 464	1 602
Group carrying amount of investment in WFS	732	801
Summarised Statement of Comprehensive Income:		
Revenue (including gross investment income of R2 135 million (2019: R2 142 million))	2 377	2 326
Operating costs (including depreciation of R48 million (2019: R42 million) and impairment charge of R1 043 million (2019: R483 million))	2 096	1 506
Profit before tax	281	820
Tax	80	230
Total comprehensive income	201	590
Group proportionate share	101	295
Group carrying amount of investment in Nedglen	10	9
Total investment in joint ventures	742	810
The following dividends were received during the year:		
Woolworths Financial Services Proprietary Limited	170	245

The Group's share of Nedglen profits amounted to R1.2 million (2019: R0.3 million) and other comprehensive income of nil in both years.

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

The increase in net assets is after dividends earned.

32. EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to year-end, the property described as the Bourke Street Menswear store, within the David Jones segment, was disposed for an amount of R1.5 billion (A$121.0 million). All conditions precedent to the sale were fulfilled.

33. SEGMENTAL INFORMATION

33.1 PRIMARY SEGMENTATION BASED ON NATURE OF BUSINESS AND RETAIL CHAIN

	2020									2019								
		Woolworths									Woolworths							
	Total Rm	Fashion, Beauty and Home Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm	Total Rm	Fashion, Beauty and Home Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
OPERATING RESULTS																		
Revenue	74 058	12 438	35 258	517	–	16 566	9 723	49	(493)	75 179	14 197	32 343	492	–	17 347	11 272	51	(523)
Turnover and concession sales*	78 262	12 421	35 817	517	–	21 542	9 655	–	(1 690)	79 816	14 180	32 966	492	–	22 778	11 182	–	(1 782)
Concession sales*	(6 054)	–	(676)	–	–	(7 068)	–	–	1 690	(6 713)	–	(760)	–	–	(7 735)	–	–	1 782
Turnover	72 208	12 421	35 141	517	–	14 474	9 655	–	–	73 103	14 180	32 206	492	–	15 043	11 182	–	–
Cost of sales	46 859	6 953	26 397	517	–	9 235	4 034	–	(277)	45 139	7 436	24 226	492	–	8 956	4 277	–	(248)
Gross profit	25 349	5 468	8 744	–	–	5 239	5 621	–	277	27 964	6 744	7 980	–	–	6 087	6 905	–	248
Other revenue	1 788	17	117	–	–	2 088	59	–	(493)	2 000	17	137	–	–	2 302	67	–	(523)
Expenses	22 411	4 531	5 951	–	–	7 070	5 058	17	(216)	24 843	5 016	5 779	–	–	8 326	5 977	20	(275)
Segmental operating profit	4 726	954	2 910	–	–	257	622	(17)	–	5 121	1 745	2 338	–	–	63	995	(20)	–
Impairment of assets	799	67	5	–	–	658	69	–	–	6 153	–	–	–	–	6 153	–	–	–
Investment income	62	–	–	–	–	4	9	49	–	76	–	–	–	–	2	23	51	–
Finance costs	2 688	–	–	–	–	102	1	2 585	–	1 139	–	–	–	–	7	1	1 131	–
Earnings from joint ventures	101	–	–	–	101	–	–	–	–	295	–	–	–	295	–	–	–	–
Profit/(loss) before tax	1 402	887	2 905	–	101	(499)	561	(2 553)	–	(1 800)	1 745	2 338	–	295	(6 095)	1 017	(1 100)	–
Adjustments	766	61	(9)	–	–	650	60	4	–	6 569	7	1	–	–	6 466	88	7	–
Adjusted profit/(loss) for the year	2 168	948	2 896	–	101	151	621	(2 549)	–	4 769	1 752	2 339	–	295	371	1 105	(1 093)	–
Impact of IFRS 16	318	(265)	(180)	–	–	(580)	(212)	1 555	–	–	–	–	–	–	–	–	–	–
Adjusted profit/(loss) for the year under IAS 17	2 486	683	2 716	–	101	(429)	409	(994)	–	4 769	1 752	2 339	–	295	371	1 105	(1 093)	–
Return on equity	18.0%									29.1%								

* Comparative information for segmentals has been restated to include the Concession sales within the Group's stores. Refer to note 2.1.

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

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

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

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

33. SEGMENTAL INFORMATION (CONTINUED)

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

	2020						2019					
	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
STATEMENT OF FINANCIAL POSITION												
Property, plant and equipment and intangible assets	24 474	7 070	–	11 753	5 651	–	21 578	7 084	–	9 540	4 954	–
Right-of-use assets	20 519	5 281	–	10 590	4 648	–	–	–	–	–	–	–
Inventories	8 054	3 959	–	2 668	1 427	–	8 325	4 235	–	2 890	1 200	–
Trade and other receivables, derivative financial assets and loans	2 527	986	–	761	624	156	1 703	759	–	426	507	11
Cash and cash equivalents	5 534	1 439	–	2 687	1 362	46	1 913	1 165	–	266	419	63
Segment assets	61 108	18 735	–	28 459	13 712	202	33 519	13 243	–	13 122	7 080	74
Investment in joint ventures	742	10	732	–	–	–	810	9	801	–	–	–
Tax and deferred tax assets	3 216	503	–	2 503	194	16	1 600	227	–	1 357	–	16
Total assets	65 066	19 248	732	30 962	13 906	218	35 929	13 479	801	14 479	7 080	90
Trade and other payables, provisions, derivative financial instruments and other non-current liabilities	12 686	5 969	–	4 242	2 188	287	11 955	5 589	–	4 600	1 631	135
Interest-bearing borrowings and overdrafts	17 120	97	–	–	–	17 023	14 393	–	–	–	–	14 393
Lease liabilities	28 599	6 727	–	16 305	5 567	–	–	–	–	–	–	–
Segment liabilities	58 405	12 793	–	20 547	7 755	17 310	26 348	5 589	–	4 600	1 631	14 528
Tax and deferred tax liabilities	151	16	–	–	135	–	138	32	–	–	106	–
Total liabilities	58 556	12 809	–	20 547	7 890	17 310	26 486	5 621	–	4 600	1 737	14 528
Debt ratio	26.3%						40.1%					
Depreciation and amortisation	4 772	1 773	–	1 558	1 441	–	2 069	1 006	–	676	387	–
Net impairment of property, plant and equipment and intangible assets	789	(62)	–	658	69	–	6 190	–	–	6 153	37	–
Share-based payment expense	91	85	–	4	2	–	153	141	–	(6)	18	–
Capital expenditure (gross)	2 430	1 023	–	1 170	237	–	2 732	1 093	–	1 364	275	–
Capital commitments	1 666	1 066	–	409	191	–	2 997	1 424	–	1 262	311	–
Shareholding		100.0%	50.0%	100.0%	100.0%	100.0%		100.0%	50.0%	100.0%	100.0%	100.0%

33. SEGMENTAL INFORMATION (CONTINUED)

33.2 SECONDARY SEGMENTATION BASED ON GEOGRAPHIC LOCATION OF CUSTOMERS AND ASSETS

	2020									2019								
		Woolworths									Woolworths							
	Total Rm	Fashion, Beauty and Home Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm	Total Rm	Fashion, Beauty and Home Rm	Food Rm	Logistics Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Intragroup Rm
Revenue																		
South Africa	46 717	11 107	34 683	517	–	–	854	49	(493)	45 537	12 662	31 829	492	–	–	1 026	51	(523)
Rest of Africa	1 823	1 248	575	–	–	–	–	–	–	1 875	1 361	514	–	–	–	–	–	–
Australia and New Zealand	25 518	83	–	–	–	16 566	8 869	–	–	27 767	174	–	–	–	17 347	10 246	–	–
	74 058	12 438	35 258	517	–	16 566	9 723	49	(493)	75 179	14 197	32 343	492	–	17 347	11 272	51	(523)
Turnover																		
South Africa	47 027	11 090	34 566	517	–	–	854	–	–	45 855	12 645	31 692	492	–	–	1 026	–	–
Rest of Africa	1 823	1 248	575	–	–	–	–	–	–	1 875	1 361	514	–	–	–	–	–	–
Australia and New Zealand	23 358	83	–	–	–	14 474	8 801	–	–	25 373	174	–	–	–	15 043	10 156	–	–
	72 208	12 421	35 141	517	–	14 474	9 655	–	–	73 103	14 180	32 206	492	–	15 043	11 182	–	–

	2020						2019					
	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm	Total Rm	Woolworths Rm	Woolworths Financial Services Rm	David Jones Rm	Country Road Group Rm	Treasury Rm
Total assets												
South Africa	20 198	18 745	732	–	519	202	14 638	13 252	801	–	511	74
Australia and New Zealand	41 652	–	–	28 459	13 193	–	19 691	–	–	13 122	6 569	–
	61 850	18 745	732	28 459	13 712	202	34 329	13 252	801	13 122	7 080	74
Tax and deferred tax assets	3 216						1 600					
	65 066						35 929					
Capital expenditure (gross)												
South Africa	1 036	1 023	–	–	13	–	1 101	1 093	–	–	8	–
Australia and New Zealand	1 394	–	–	1 170	224	–	1 631	–	–	1 364	267	–
	2 430	1 023	–	1 170	237	–	2 732	1 093	–	1 364	275	–

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COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 28 Jun 2020 Rm	53 weeks to 30 Jun 2019 Rm
Other revenue	2	2 297	13 461
Expenses		11	5 156
Other operating costs		11	5 156
Finance costs		327	305
Profit before tax	3	1 959	8 000
Tax	4	1	6
Profit for the year		1 958	7 994
Other comprehensive income:			
Amounts that may be reclassified to profit or loss			
Fair value adjustments on financial instruments	14.5	–	–
Tax on fair value adjustments on financial instruments		–	–
Other comprehensive income for the year		–	–
Total Comprehensive income for the year		1 958	7 994

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	At 28 Jun 2020 Rm	At 30 Jun 2019 Rm
ASSETS			
Non-current assets		24 060	24 694
Interest in and amounts owing by subsidiaries	7	23 995	24 654
Derivative financial instruments	18	57	31
Deferred tax	8	8	9
Current assets		1 884	1 012
Amounts owing by subsidiaries	7	1 759	930
Derivative financial instruments	18	80	19
Cash and cash equivalents	17.4	45	63
TOTAL ASSETS		25 944	25 706
EQUITY AND LIABILITIES			
Equity attributable to shareholders		12 660	12 571
Stated capital	9	11 413	11 407
Distributable reserves	10	1 247	1 164
TOTAL EQUITY		12 660	12 571
Non-current liabilities		3 126	3 849
Interest-bearing borrowings	11	3 069	3 818
Derivative financial instruments	18	57	31
Current liabilities		10 158	9 286
Other payables	12	80	69
Amounts owing to subsidiaries	7	9 248	9 198
Derivative financial instruments	18	80	19
Current portion of interest-bearing borrowings	11	750	–
TOTAL LIABILITIES		13 284	13 135
TOTAL EQUITY AND LIABILITIES		25 944	25 706

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Stated capital Rm	Distributable reserves: Share-based payments reserve Rm	Distributable reserves: Retained profit/(loss) Rm	Total Rm
Shareholders' interest at 24 June 2018		11 399	879	(5 528)	6 750
Profit and total comprehensive income for the year		–	–	7 994	7 994
Shares issued	9	8	–	–	8
Share-based payments	10	–	152	–	152
Dividends to ordinary shareholders	16	–	–	(2 333)	(2 333)
Shareholders' interest at 30 June 2019		11 407	1 031	133	12 571
Profit and total comprehensive income for the year		–	–	1 958	1 958
Shares issued	9	6	–	–	6
Share-based payments	10	–	91	–	91
Dividends to ordinary shareholders	16	–	–	(1 966)	(1 966)
Shareholders' interest at 28 June 2020		11 413	1 122	125	12 660

COMPANY STATEMENT OF CASH FLOWS

	Notes	52 weeks to 28 Jun 2020 Rm	53 weeks to 30 Jun 2019 Rm
Cash flow from operating activities			
Cash outflow from trading	17.1	(11)	(9)
Working capital movements	17.2	(10)	9
Cash utilised by operating activities		(21)	–
Investment income received		346	342
Finance costs paid		(343)	(268)
Tax received	17.3	–	9
Cash (utilised)/generated by operations		(18)	83
Dividends received		1 966	2 353
Dividends paid to ordinary shareholders		(1 966)	(2 333)
Net cash (outflow)/inflow from operating activities		(18)	103
Cash flow from investing activities			
Loans repaid by subsidiaries		–	8
Net cash inflow from investing activities		–	8
Cash flow from financing activities			
Loans advanced to subsidiaries	7	–	(1 403)
Borrowings raised	11	–	1 320
Net cash outflow from financing activities		–	(83)
(Decrease)/increase in cash and cash equivalents		(18)	28
Net cash and cash equivalents at the beginning of the year		63	35
Net cash and cash equivalents at the end of the year	17.4	45	63

	2020 Rm	2019 Rm
2. OTHER REVENUE		
Investment income	331	346
Dividends received	1 966	13 115
	2 297	13 461

Other revenue falls outside the scope of IFRS 15.

	2020 Rm	2019 Rm
3. PROFIT BEFORE TAX INCLUDES:		
Audit fee – current year	4	4
Impairment of investment in Osiris Holdings Proprietary Limited*	–	5 147

* The Company holds the investment in Osiris Holdings Proprietary Limited (Osiris), which is the holding company of David Jones Proprietary Limited. As a result of the impairment of property, plant and equipment, intangible assets and right-of-use assets in David Jones in the current period, the Company's investment in Osiris, with an opening carrying value of R7 618 million, needs to be considered separately from this impairment. No impairment was recognised to the recoverable amount for the current period (2019: R5 147 million) after the Company determined the recoverable amount by reference to Osiris' fair value less costs of disposal. The main valuation input used was the discounted cash flows from the base operating business. The majority of the inputs that have been used in the valuation are observable either directly or indirectly and, as such, the fair value of Osiris is classified as a Level 3 fair value.

4. TAX

	2020 Rm	2019 Rm
Deferred tax relating to the origination and reversal of temporary differences (refer to note 8): South Africa		
Current year	1	3
Prior year	–	3
	1	6

	2020 %	2019 %
The rate of tax on profit is reconciled as follows:		
Standard rate	28.0	28.0
Disallowable expenditure	0.2	–
Exempt income	(28.2)	(45.9)
Impairment of investment in Osiris Holdings Proprietary Limited	–	18.0
Other	–	(0.1)
Effective tax rate	–	–

5. DIRECTORS' EMOLUMENTS

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

	2020 Rm	2019 Rm
Executive Directors		
Remuneration	44	40
Retirement, medical, accident and death benefits	11	1
Share-based payments	(5)	32
	50	73
Non-executive Directors		
Fees	17	16
	17	16
Total directors' emoluments	67	89

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

6. RELATED-PARTY TRANSACTIONS

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

The following related-party transactions occurred during the year:

	2020 Rm	2019 Rm
WOOLWORTHS HOLDINGS LIMITED		
DIVIDEND RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	1 884	1 982
Country Road Group Proprietary Limited	–	314
E-Com Investments 16 Proprietary Limited (RF)	82	102
Woolworths International Holdings Limited*	–	10 717
	1 966	13 115

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

	2020 Rm	2019 Rm
INTEREST RECEIVED FROM SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	306	299
E-Com Investments 16 Proprietary Limited (RF)	–	36
	306	335
DIVIDENDS PAID TO SUBSIDIARY COMPANIES	158	188
MANAGEMENT FEE CHARGED TO SUBSIDIARY COMPANIES		
Woolworths Proprietary Limited	25	11
David Jones Proprietary Limited	15	–
Country Road Group Proprietary Limited	8	–
	48	11

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.

	2020 Rm	2019 Rm
KEY MANAGEMENT COMPENSATION		
Short-term employee benefits	61	56
Post-employment benefits	11	1
IFRS 2 value of share-based payments expense	(5)	32
	67	89

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.

6. RELATED-PARTY TRANSACTIONS (CONTINUED)

	2020 Rm	2019 Rm
WOOLWORTHS CARD AND WOOLWORTHS VISA CREDIT CARD ACCOUNTS		
Balance outstanding at the beginning of the year	3	3
Annual spend	4	4
Annual repayments	(4)	(4)
Balance outstanding at the end of the year	3	3

Purchases made by key management personnel are at standard discounts granted to all employees of the Company. Interest is charged on outstanding balances on the same terms and conditions applicable to all other cardholders. No bad or doubtful debts have been recognised in respect of the Woolworths card and Woolworths Visa credit card accounts of key management personnel (2019: nil).

POST-EMPLOYMENT BENEFIT PLAN

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

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

	2020 Rm	2019 Rm
Ordinary shares	19 466	19 466
E-Com Investments 16 Proprietary Limited (RF): Cost	230	230
Highway Holdings N.V.	11 618	11 618
Osiris Holdings Proprietary Limited:	7 618	7 618
Cost	18 977	18 977
Less accumulated impairment (refer to note 3)	(11 359)	(11 359)
Share-based payments arising from the Group's share incentive schemes	1 459	1 368
Amounts owing by subsidiaries: non-current		
E-Com Investments 16 Proprietary Limited (RF)	–	–
Woolworths Proprietary Limited	3 070	3 820
Interest in and amounts owing by subsidiaries	23 995	24 654
Amounts owing by subsidiaries: current	1 759	930
Woolworths Proprietary Limited	1 199	405
Vela Investments Proprietary Limited	19	–
David Jones Proprietary Limited	15	–
Woolworths International (Australia) II Proprietary Limited	3	–
Country Road Clothing Proprietary Limited	8	–
E–Com Investments 16 Proprietary Limited (RF)	515	525
Amounts owing to subsidiaries: current	(9 248)	(9 198)
Woolworths Proprietary Limited	(9 248)	(9 198)
Total net interest in subsidiaries	16 506	16 386

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

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

In the prior period, the investment in preference shares of E-Com Investments 16 Proprietary Limited (RF) (E-Com) was redeemed in full by E-Com. The investment in preference shares of E-Com was a compound financial instrument in terms of IAS 32: Financial Instruments: Presentation, and the cost was therefore previously split between equity and loan receivable. The loan receivable component was determined as the net present value of the investment discounted, using an interest rate of 12.0%. The carrying value of the loan component is nil at year-end.

The loan to Woolworths Proprietary Limited arises as a result of the proceeds of the DMTN programme (refer to note 11) being on-lent to Woolworths Proprietary Limited with terms equivalent to the notes issued by Woolworths Holdings Limited (the issuer) and the Noteholders, plus a margin of five basis points. Woolworths Proprietary Limited is the guarantor of such notes.

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

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

The Company's maximum exposure to the credit risk of loans to subsidiaries are their carrying value. The amount owing by subsidiaries in 2020 is considered to be neither past due nor impaired. All subsidiaries are in a financially sound position. Refer to note 14.1 for details of the Company's credit risk management policies. Refer to Annexure 1 for details of the Company's interest in subsidiaries.

8. DEFERRED TAX

	2020 Rm	2019 Rm
The movement in the deferred tax account is as follows:		
Balance at the beginning of the year	9	15
Amounts credited to profit or loss	(1)	(6)
Assessed loss	(1)	(6)
Balance at the end of the year	8	9
Comprising:		
Assessed loss	(8)	(9)
	(8)	(9)

Deferred tax has been calculated at the standard corporate and the capital gains tax rates as at the reporting date, based on management's expected manner of recovery of the carrying value of assets and settlement of the carrying value of liabilities.

9. ORDINARY SHARE CAPITAL

	2020 Rm	2019 Rm
STATED CAPITAL		
Balance at the beginning of the year	11 407	11 399
110 571 (2019: 152 349) ordinary shares issued in terms of share incentive schemes	6	8
Balance at the end of the year	11 413	11 407
	R'000	R'000
AUTHORISED		
2 410 600 000 (2018: 2 410 600 000) ordinary shares of no par value	–	–
	–	–
ISSUED		
1 048 576 648 (2019: 1 048 466 077) ordinary shares of no par value	–	–
	–	–

RECONCILIATION OF NUMBER OF ORDINARY SHARES IN ISSUE	Number of shares	
Balance at the beginning of the year	1 048 466 077	1 048 313 728
Shares issued in terms of share incentive schemes	110 571	152 349
Balance at the end of the year	1 048 576 648	1 048 466 077

10. DISTRIBUTABLE RESERVES

	2020 Rm	2019 Rm
Share-based payments reserve		
Balance at the beginning of the year	1 031	879
Share-based payments arising from share incentive schemes	91	152
Balance at the end of the year	1 122	1 031
Retained profit	125	133
Total distributable reserves	1 247	1 164

NATURE AND PURPOSE OF RESERVES

SHARE-BASED PAYMENTS RESERVE

This reserve records the fair value of the vested portion of shares or share options (determined at grant date) granted in terms of the Group's share-based payment schemes. Refer to note 16 of the Group Annual Financial Statements for further details of the relevant schemes.

RETAINED PROFIT

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

11. INTEREST-BEARING BORROWINGS

	2020 Rm	2019 Rm
NON-CURRENT		
Long-term loans	3 069	3 818
	3 069	3 818
CURRENT		
Long-term loans	750	–
	750	–

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value. Notes to the value of R3.8 billion have been issued to date under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding for the Group. The DMTN programme is guaranteed by Woolworths Proprietary Limited. It will be used to raise debt on an ongoing basis. The above loan is shown net of transaction costs of R1 million.

	2020 Rm	2019 Rm
Financial year 2021	750	1 749
Financial year 2022	857	857
Financial year 2023	1 249	1 212
Financial year 2024 and onwards	963	–
	3 819	3 818

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

12. OTHER PAYABLES

	2020 Rm	2019 Rm
Other payables	80	69
	80	69

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

13. SURETIES AND GUARANTEES

The Company provides sureties or guarantees for banking facilities amounting to R11 100 million (2019: R11 420 million) and lease obligations of certain subsidiaries. These can be called on immediately in the event of the subsidiaries not honouring their obligations. There are no other material contingent liabilities.

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

	2020 Rm	2019* Rm
Financial year 2021	250	250
Financial year 2022	3 730	930
Financial year 2023	400	2 800
Financial year 2024 and onwards	450	849
	4 850	4 829

* In determining the total guarantees and sureties provided by the Company in 2019, the value of R11 600 million was found to be overstated. This resulted in a decrease of R180 million to the banking facility above to R11 420 million for 2019. In the maturity profile of such drawn facilities, the value of the facilities of R3 818 million was found to be understated. This resulted in an increase of R1 011 million to the maturity profile above to R4 829 million. Other than the disclosure in this note, this correction had no impact on the 2019 Company and Group Annual Financial Statements, nor on earnings per share or any other share measures.

14. FINANCIAL RISK MANAGEMENT

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

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

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

14.1 CREDIT RISK MANAGEMENT

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

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

CREDIT QUALITY OF FINANCIAL ASSETS

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

	2020 Rm	2019 Rm
FINANCIAL ASSETS		
Cash and cash equivalents	45	63
Amounts owing by subsidiaries	4 829	4 750

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.2 LIQUIDITY RISK MANAGEMENT

Liquidity risk management includes maintaining sufficient cash and cash equivalents. In terms of the Company's Memorandum of Incorporation, there is no limit on the Company's authority to raise interest-bearing debt (refer to note 14.3).

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2020					
Amounts owing to subsidiaries	9 248	–	–	–	–
Long-term loans	–	53	875	3 362	–
Other payables	80	–	–	–	–
2019					
Amounts owing to subsidiaries	9 198	–	–	–	–
Long-term loans	–	82	232	4 269	–
Other payables	69	–	–	–	–

14.3 INTEREST RATE RISK MANAGEMENT

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

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

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

The Company entered into long-term debt with the interest payable linked to various floating interbank rates. At year-end, the Company had swapped approximately 52% (2019: 52%) of floating rate exposure for fixed rates.

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

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

	Movement in basis points	(Increase)/ decrease in profit before tax R'000	(Increase)/ decrease in other comprehensive income R'000
2020			
Cash and cash equivalents	+50	(225)	–
	-50	225	–
Interest rate swaps	+50	–	17
	-50	–	(17)
Long-term loans	+50	19 095	13 748
	-50	(19 095)	(13 748)
Amounts owing by subsidiaries	+50	(15 350)	(11 052)
	-50	15 350	11 052
2019			
Cash and cash equivalents	+50	(315)	–
	-50	315	–
Interest rate swaps	+50	–	24
	-50	–	(24)
Long-term loans	+50	19 090	13 745
	-50	(19 090)	(13 745)
Amounts owing by subsidiaries	+50	(19 100)	(13 752)
	-50	19 100	13 752

At year-end, the South African prime interest rate was 7.25% (2019: 10.25%). JIBAR was 3.92% (2019: 7.02%). The Australian prime interest rate was 0.25% (2019: 1.25%).

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

	2020 Rm	2020 Effective interest rate %	2019 Rm	2019 Effective interest rate %
INTEREST-BEARING BORROWINGS				
Long term loans	3 819	6.0 – 8.0	3 818	8.0 – 9.0
Overdrafts	–	–	–	–
% of total borrowings	100%		100%	

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

	On demand Rm	Less than 3 months Rm	3 – 12 months Rm	1 – 5 years Rm	>5 years Rm
2020					
Long term loans		–	750	3 069	–
2019					
Long-term loans		–	–	3 818	–

14.4 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 Rm	2019 Rm
FINANCIAL ASSETS		
Amortised cost		
Amounts owing by subsidiaries	4 829	4 750
Cash and cash equivalents	45	63
Total	4 874	4 813
FINANCIAL LIABILITIES		
Amortised cost		
Other payables	80	69
Amounts owing to subsidiaries	9 248	9 198
Long-term loans	3 069	3 818
Total	12 397	13 085

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.5 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Interest income Rm	Net movement in other comprehensive income Rm	Total Rm
2020			
Financial assets at amortised cost	331	–	331
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited (RF)	–	–	–
2019			
Loans and receivables	310	–	310
Loan receivable element of preference share in E-Com Investments 16 Proprietary Limited (RF)	36	–	36

	2020 Rm	2019 Rm
Revaluation of financial instruments*	–	–
Reclassification to profit or loss	–	–
Total	–	–

* The other comprehensive income reconciliation reflects a nil amount, as a result of a gain of R88 million (2019: R50 million) on the revaluation of the financial instrument asset, and a R88 million loss (2019: R50 million) on the revaluation of the financial instrument liability that net off.

15. MANAGEMENT OF CAPITAL

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

16. DIVIDENDS TO ORDINARY SHAREHOLDERS

	2020 Rm	2019 Rm
Dividend no. 43 of 130.5 cents per share was declared on 22 August 2018 and paid on 17 September 2018	–	1 368
Dividend no. 44 of 92.0 cents per share was declared on 20 February 2019 and paid on 18 March 2019	–	965
Dividend no. 45 of 98.5 cents per share was declared on 28 August 2019 and paid on 23 September 2019	1 033	–
Dividend no. 46 of 89.0 cents per share was declared on 19 February 2020 and paid on 16 March 2020	933	–
Total dividends paid	1 966	2 333

No final dividend was declared to ordinary shareholders on 26 August 2020.

17. CASH FLOW INFORMATION

	2020 Rm	2019 Rm
17.1 CASH OUTFLOW FROM TRADING		
Profit before tax	1 959	8 000
Investment income	(331)	(346)
Finance costs paid	327	305
Dividends received	(1 966)	(13 115)
Impairment of investment in Osiris Holdings Proprietary Limited	–	5 147
Net outflow from trading	(11)	(9)
17.2 WORKING CAPITAL MOVEMENTS		
Decrease in other receivables	–	8
Decrease in intercompany loans	(37)	–
Increase in other payables	27	1
Net (outflow)/inflow	(10)	9
17.3 TAX RECEIVED		
NORMAL AND FOREIGN TAX		
Amounts receivable at the beginning of the year	–	9
Amounts receivable at the end of the year	–	–
Cash amounts received	–	9
17.4 CASH AND CASH EQUIVALENTS		
Local – variable interest rates of 0% to 3.58% (2019: 0% to 3.33%)	45	63
Cash and cash equivalents	45	63

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
NON-CURRENT				
Interest rate swaps held as hedging instruments	57	57	31	31
	57	57	31	31
CURRENT				
Interest rate swaps held as hedging instruments	80	80	19	19
	80	80	19	19

INTEREST RATE SWAPS

The notional principal amount of the interest rate swaps at year-end amounts to R2 000 million (2019: R2 000 million). This comprises hedges on the South African debt of R3 820 million (2019: R3 820 million). These swaps are to hedge the interest that is payable under the various debt facilities (refer to note 11). Gains and losses on interest rate swaps held as hedging instruments in designated and effective hedging relationships are recognised in other comprehensive income and are reclassified in the same period that the hedged cash flows affect profit or loss.

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

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

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.

SUPPLEMENTARY

ANNEXURE 1

INTEREST IN SUBSIDIARIES AND JOINT VENTURES

			Company 2020 % holding	Company 2019 % holding
Interest in subsidiaries directly held				
Woolworths Proprietary Limited	R	1	100	100
E-Com Investments 16 (RF) Proprietary Limited	H	1	100	100
Woolworths International (Australia) II Proprietary Limited	H	4	100	100
Osiris Holdings Proprietary Limited	H	4	100	100
Highway Holdings N.V.	H	3	100	100
The Woolworths Trust (Charitable Trust)[1]	H	1	–	–
The Woolworths Holdings Share Trust[1]	H	1	–	–
Interest in subsidiaries indirectly held				
Universal Product Networks (RF) Proprietary Limited	L	1	100	100
Virtual Market Place (RF) Proprietary Limited[2]	R	1	100	100
Longmarket Apparel Proprietary Limited	R	4	100	100
Woolworths Developments (RF) Proprietary Limited	P	1	100	100
Woolworths (Lesotho) Proprietary Limited	R	12	100	100
Woolworths (Namibia) Proprietary Limited	R	2	100	100
Woolworths (Eswatini) Proprietary Limited	R	16	100	100
Woolworths Holding (Mauritius) Limited	H	7	100	100
Woolworths (Mauritius) Limited[3]	R	7	100	100
Woolies (Zambia) Limited[3]	R	8	100	100
W-Stores Company Tanzania Limited[3]	R	9	51	51
W-Stores Company Uganda Limited[3]	R	10	95	95
Woolworths Mozambique, Limitada[3]	R	11	100	100
Woolworths (Kenya) Proprietary Limited[3]	R	13	100	100
Woolworths (Botswana) Proprietary Limited[3]	R	15	100	100
W-Stores (Ghana) Proprietary Limited[3]	R	17	100	100
Woolworths Rwanda Limited[3]	R	18	100	100
Woolworths International (Australia) Proprietary Limited	H	4	100	100
Country Road Group Proprietary Limited	H	4	100	100
Country Road Clothing Proprietary Limited	R	4	100	100
Country Road Clothing (N.Z.) Limited	R	5	100	100
Country Road Ventures Proprietary Limited	R	4	100	100
Country Road Ventures (SA) Proprietary Limited	R	5	100	100
Country Road International Proprietary Limited	H	4	100	100
Country Road (Hong Kong) Limited	R	6	100	100
CRG Logistics Proprietary Limited	L	4	100	100
Cicero Clothing Proprietary Limited	R	4	100	100
Politix (NZ) Limited	R	5	100	100
Witchery Australia Holdings Proprietary Limited	H	4	100	100
Witchery Holdings Proprietary Limited	H	4	100	100
Witchery Fashions Proprietary Limited	R	4	100	100
Witchery Fashions (NZ) Limited	R	5	100	100
Witchery Singapore Pte Limited	R	14	100	100
Witchery Fashions (SA) Proprietary Limited	R	1	100	100
Mimco Proprietary Limited	R	4	100	100
Mimco Design Singapore Pte Limited	R	14	100	100
Mimco (NZ) Limited	R	5	100	100
Vela Investments Proprietary Limited[4]	H	4	100	100
David Jones Proprietary Limited	R	4	100	100
Ahern's Holdings Proprietary Limited	H	4	100	100
Ahern's (Suburban) Proprietary Limited	D	4	100	100
Atkin Proprietary Limited	H	4	100	100
David Jones Finance Proprietary Limited	F	4	100	100
299-307 Bourke Street Proprietary Limited	P	4	100	100
Helland Close Proprietary Limited	R	4	100	100
David Jones Credit Proprietary Limited	D	4	100	100
John Martin Retailers Proprietary Limited	D	4	100	100
David Jones Financial Services Limited	F	4	100	100
David Jones Insurance Proprietary Limited	F	4	100	100
David Jones (NZ) Proprietary Limited	R	5	100	100
David Jones Properties (South Australia) Proprietary Limited	P	4	100	100

ANNEXURE 1 (CONTINUED)

INTEREST IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

			Company 2020 % holding	Company 2019 % holding
David Jones (Adelaide) Proprietary Limited	D	4	100	100
Buckley & Nunn Proprietary Limited	P	4	100	100
David Jones Properties (Victoria) Proprietary Limited	P	4	100	100
David Jones Properties (Queensland) Proprietary Limited	P	4	100	100
Speertill Proprietary Limited	R	4	100	100
David Jones Properties Proprietary Limited	P	4	100	100
David Jones Employee Share Plan Proprietary Limited	H	4	100	100
David Jones Share Plans Proprietary Limited	H	4	100	100
Interest in joint ventures				
Woolworths Financial Services Proprietary Limited	F	1	50% – 1 share	50% – 1 share
Nedglen Property Developments Proprietary Limited	P	1	30	30

Nature of business

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

Country of incorporation

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

Notes

1. The Woolworths Holdings Share Trust, The Woolworths Trust (Charitable Trust) and the Woolworths Trust are included as subsidiaries based on the interpretation guidance of IFRS 10: Consolidated Financial Statements.
2. Virtual Market Place (RF) Proprietary Limited is a virtual community development company that creates partnerships between businesses and supporters for the benefit of broad-based educational institutions.
3. Woolworths (Mauritius) Limited; Woolies (Zambia) Limited; W-Stores Company Tanzania Limited; W-Stores Company Uganda Limited; Woolworths Mozambique, Limitada; Woolworths (Kenya) Proprietary Limited; Woolworths (Botswana) Proprietary Limited; W-Stores (Ghana) Proprietary Limited and Woolworths Rwanda Limited are subsidiaries of Woolworths Holding (Mauritius) Limited.
4. Vela Investments Proprietary Limited is a subsidiary of Osiris Holdings Proprietary Limited.

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

	2020 Rm	2019 Rm
Profits	2 406	3 709
Losses	(1 511)	(5 370)
	895	(1 661)

PRO FORMA FINANCIAL INFORMATION

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

– In note 1: for the 52 weeks to 28 June 2020, turnover and concession sales have been reported against the prior year reported 53 weeks to 30 June 2019 and on a like-on-like comparison to the financial information for the pro forma 52 weeks to 23 June 2019. These are important for understanding underlying business performance and are described as 'Non-IFRS financial information'.

– In notes 2.1, 2.3 and 2.4: the financial information as at and for the 52 weeks ended 28 June 2020 has been presented as if the new accounting standard, IFRS 16, had not been applied and IAS 17 was still in effect. This has been done to provide a like-on-like comparison to the prior year pro forma Group statement of profit or loss for the 52 weeks to 23 June 2020, certain line items of the Group statement of financial position as at 30 June 2019 and certain line items of the Group statement of cash flows for the year then ended (respectively, the 'Non-IFRS financial information'). Refer to note 7 for further details on the new accounting standards.

– In note 2.2: for the 52 weeks to 28 June 2020, as if the new accounting standard, IFRS 16, had not been applied to provide a like-on-like comparison to the financial information for the group statements of profit or loss for the 53 weeks ended 30 June 2019 as well as the pro forma Group Statement of profit or loss for the 52 weeks ended 23 June 2019. Further adjustments, as detailed in supplementary notes 5 and 7, have been made (respectively, the 'Non-IFRS financial information').

– In note 3.1: for the 52 weeks to 28 June 2020, Turnover and concession sales as well as Segmental contribution before interest and tax have been shown on a constant currency basis.

– In note 3.2: for the 52 weeks to 28 June 2020, certain Group statement of financial position items have been shown on a constant currency basis.

The Non-IFRS financial information and constant currency information (collectively the 'pro forma financial information') is presented in accordance with the JSE Listing Requirements which requires that pro forma financial information be compiled in terms of the JSE Listing Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by the IRBA.

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

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

1 TURNOVER AND CONCESSION SALES

	52 weeks to 28 Jun 2020 (1) Rm	53 weeks to 30 Jun 2019 (1) Rm	Pro forma 52 weeks to 23 Jun 2019 (2) Rm	% change	Pro forma prior year % change
Turnover	72 208	73 103	71 757	(1.2)	0.6
Concession sales	6 054	6 713	6 578	(9.8)	(8.0)
Turnover and concession sales	78 262	79 816	78 335	(1.9)	(0.1)

Notes:

1. The '52 weeks to 28 Jun 2020' and '53 weeks to 30 June 2019' Turnover financial information has been extracted, without adjustment, from the Group Statement of comprehensive income for the 52 weeks to 28 Jun 2020 and Restated 53 weeks to 30 Jun 2019, as presented in the Summary of the Audited Group Results for the 52 weeks ended 28 June 2020. The Concession sales information has been extracted from the Group's accounting records.
2. The 'Pro forma 52-weeks to 23 Jun 2019' financial information has been extracted, without adjustment, from the reported Preliminary Audited Group Results for the 53 weeks ended 30 June 2019 and Cash Dividend Declaration and is provided to facilitate comparison against the 52-week current year reporting period.

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

PRO FORMA FINANCIAL INFORMATION (CONTINUED)

2 EXCLUDING THE IMPACT OF IFRS 16

The tables below illustrate the pro forma Group Statement of profit or loss for the 52 weeks ended 28 June 2020, certain line items of both the pro forma Group statement of financial position and pro forma Group Statement of cash flows as at 28 June 2020 and for the year then ended, after taking into account the specific adjustments noted below.

2.1 PRO FORMA GROUP STATEMENT OF PROFIT OR LOSS

	52 weeks to 28 Jun 2020 (1) Rm	Adjustments (2) Rm	Pro forma under IAS 17 52 weeks to 28 Jun 2020 (3) Rm	Pro forma 52 weeks to 23 Jun 2019 (4) Rm	Pro forma under IAS 17 change on pro forma prior year change %
Turnover	72 208	–	72 208	71 757	0.6
Cost of sales	46 859	13	46 872	44 284	5.8
Gross profit	25 349	(13)	25 336	27 473	(7.8)
Other revenue	1 788	–	1 788	1 956	(8.6)
Expenses	22 411	1 620	24 031	24 495	(1.9)
Operating profit	4 726	(1 633)	3 093	4 934	(37.3)
Impairment of assets	799	(380)	419	6 153	
Investment income	62	–	62	75	(17.3)
Finance costs	2 688	(1 555)	1 133	1 119	1.3
Profit/(loss) before earnings from joint ventures	1 301	302	1 603	(2 263)	>100
Earnings from joint ventures	101	–	101	295	(65.8)
Profit/(loss) before tax	1 402	302	1 704	(1 968)	>100
Tax expense/(credit)	843	69	912	(764)	>100
Profit/(loss) for the year	559	233	792	(1 204)	>100
Basic earnings/(loss) attributable to shareholders of the parent	557	233	790	(1 206)	>100
Headline earnings adjustments, net of tax	589	(267)	322	4 369	
Headline earnings	1 146	(34)	1 112	3 163	(64.8)
Adjustments, net of tax	484	278	762	276	
Adjusted headline earnings	1 630	244	1 874	3 439	(45.5)
Earnings/(loss) per share (cents)	58.2		82.6	(126.0)	>100
Diluted earnings/(loss) per share (cents)	57.6		81.6	(126.0)	>100
Headline earnings per share (cents)	119.8		116.2	330.4	(64.8)
Diluted headline earnings per share (cents)	118.4		114.9	327.7	(64.9)
Adjusted headline earnings per share (cents)	170.3		195.8	359.2	(45.5)
Adjusted diluted headline earnings per share (cents)	168.4		193.6	356.3	(45.7)

2.2 EXCLUDING THE IMPACT OF IFRS 16 AND ADJUSTMENTS IN BOTH PERIODS

	52 weeks to 28 Jun 2020 (1) Rm	Adjustments (5) Rm	Pro forma 52 weeks to 28 Jun 2020 (6) Rm	Adjustments (7) Rm	Pro forma under IAS 17 52 weeks to 28 Jun 2020 (8) Rm	Pro forma 52 weeks to 23 Jun 2019 (4) Rm	Adjustments (9) Rm	Pro forma 52-weeks to 23 Jun 2019 after adjustments (10) Rm
Operating profit	4 726	(33)	4 693	(1 237)	3 456	4 934	416	5 350
Profit/(loss) before tax	1 402	766	2 168	318	2 486	(1 968)	6 569	4 601

Notes:

1. The '52 weeks to 28 Jun 2020' financial information has been extracted, without adjustment, from the Group Statement of comprehensive income for the 52 weeks to 28 Jun 2020, as presented in the Summary of the Audited Group Results for the 52 weeks ended 28 June 2020.
2. The adjustments are derived by excluding IFRS 16 adjustments and including IAS 17 adjustments. The adjustments made relate to the reversal of the depreciation of right-of-use assets of R2 602 million within cost of sales (R13 million) and expenses (R2 589 million), finance costs of R1 555 million relating to the amortisation of lease liabilities, foreign exchange losses of R32 million and a lease cancellation gain of R16 million. Occupancy costs of R4 049 million have been included to reflect the accounting for leases under IAS 17 had the standard still been in effect from 1 July 2019, with an adjustment for the unwinding of unfavourable leases for the amount of R178 million. Right-of-use assets impairment of R380 million has been reclassified to store costs as an onerous lease expense under IAS 17, adjusted within Headline earnings at R267 million, net of tax. An effective tax rate of 60.16%, all attributable to the appropriate segments, was used for the IFRS 16 results and an effective rate of 53.53% was used for the pre IFRS 16 results. All information has been extracted from the Group's accounting records.
3. The 'Pro forma under IAS 17 52 weeks to 28 Jun 2020' column reflects the pro forma financial information after adjusting for the items included in column 2.
4. The Group manages its retail operations on a 52-week retail calendar basis and, as a result, a 53rd week is required approximately every six years to realign the calendars. The 'Pro forma 52 weeks to 23 Jun 2019' financial information has been extracted, without adjustment, from the reported 2019 Group Annual Financial Statements and is provided to facilitate comparison against the 52-week current year reporting period. The 53rd week adjustments are calculated with reference to actual turnover and concession sales and cost of sales for the one-week period from 24 June to 30 June 2019, which have been extracted from the Group's accounting records for total and comparable sales, cost of sales, gross profit, expenses based on an assessment of management information, and an effective tax rate of 28.7%, all attributable to the appropriate segments. In the prior year, the Group's external auditors, Ernst & Young Inc., issued a Reporting Accountant's assurance report in terms of ISAE 3420: Assurance Engagements to Report of the Compilation of Pro forma Financial Information, on the Impact of the 53rd week, Turnover and concession sales excluding the Impact of IFRS 15 and the 53rd week, and the Constant currency information, a copy of which is available for inspection at the Company's registered office.
5. Operating profit adjustments comprise restructure and store exit costs reversed (R13 million), lease cancellation gain (R16 million) and unrealised foreign exchange gains (R4 million), which results in an adjusted operating profit. Profit/(loss) before tax adjustments include the aforementioned and an adjustment for the impairment of assets (R799 million), which results in an adjusted profit before tax under IFRS 16.
6. The 'Pro forma 52 week to 28 Jun 2020' column reflects the pro forma financial information after adjusting for the items included in column 5, which results in an adjusted operating profit and an adjusted profit before tax under IFRS 16.
7. Profit before tax adjustment comprises the R302 million profit before tax impact calculated in note 2 above, and excluding the IFRS 16 lease cancellation gain (R16 million). Operating profit adjustment includes the aforementioned R318 million and excluding finance costs of R1 555 million.
8. The 'Pro forma under IAS 17 52 weeks to 28 Jun 2020' column reflects the pro forma financial information after adjusting for the items included in column 7, which results in an adjusted operating profit and an adjusted profit before tax under IAS 17.
9. The adjustments for Operating profit and Profit/(loss) before tax comprise restructure and store exit costs raised (R212 million), net onerous leases raised (R196 million) and unrealised foreign exchange losses (R8 million). In addition, impairment of assets (R6 153 million) is an adjustment to Profit/(loss) before tax. The information has been extracted from the Group's accounting records.
10. The 'Pro forma 52-weeks to 23 Jun 2019 after adjustments' column reflects the pro forma financial information after adjusting for the items included in column 9, which results in an adjusted operating profit and an adjusted profit before tax.
11. The calculation of earnings per share, headline earnings per share and other share measures for the pro forma information is based on the weighted average number of shares in issue for the 52 weeks to 28 June 2020.

PRO FORMA FINANCIAL INFORMATION (CONTINUED)

2.3 PRO FORMA GROUP STATEMENT OF FINANCIAL POSITION

	At 28 Jun 2020 (1) Rm	Adjustments (2) Rm	Pro forma under IAS 17 2020 (3) Rm	At 30 Jun 2019 (4) Rm
Assets				
Property, plant and equipment	16 246	34	16 280	14 295
Intangible assets	8 228	–	8 228	7 283
Right-of-use assets	20 519	(20 519)	–	–
Investment in joint ventures	742	–	742	810
Inventories	8 054	–	8 054	8 325
Trade and other receivables and loans	2 244	170	2 414	1 518
Derivative financial instruments	283	–	283	185
Deferred tax and tax assets	3 216	(1 805)	1 411	1600
Cash and cash equivalents	5 534	–	5 534	1 913
Total assets	65 066	(22 120)	42 946	35 929
Equity and liabilities				
Shareholders' funds	6 510	4 280	10 790	9 443
Interest-bearing borrowings and overdrafts	17 120	38	17 158	14 393
Lease liabilities	28 599	(28 599)	–	–
Operating lease accrual and fair value lease adjustment	–	1 770	1 770	1 761
Other non-current liabilities	735	155	890	805
Derivative financial instruments	341	–	341	178
Deferred tax and tax liabilities	151	91	242	138
Trade and other payables and provisions	11 610	145	11 755	9 211
Total equity and liabilities	65 066	(22 120)	42 946	35 929
Net asset value per share (cents)	679	448	1 127	985

Notes:

1. The 'At 28 Jun 2020' financial information has been extracted, without adjustment, from the Group Statement of financial position at 28 Jun 2020, as presented in the Summary of the Audited Group Results for the 52 weeks ended 28 June 2020.
2. The adjustments are derived by excluding right-of-use assets of R20 519 million, lease liabilities of R28 599 million, reclassifying assets and liabilities held as finance leases under the previous IAS 17 from the right-of-use assets and lease liabilities to property, plant and equipment (R34 million) and interest bearing borrowing (R38 million). Trade and other receivables and loans have been adjusted by R170 million in respect of prepayments and fair value lease adjustments, with operating lease accrual and fair value lease adjustment of R1 770 million. Other non-current liabilities and trade and other payables and provisions have been adjusted by R155 million and R145 million for onerous leases respectively. The related deferred tax recognised under IFRS 16 have been adjusted, had IFRS 16 not been applied and had the Group reported under the previous IAS 17, all of which have been extracted from the Group's accounting records.
3. The 'Pro forma under IAS 17 2020' column reflects the pro forma financial information after adjusting for the items included in column 2.
4. The 'At 30 June 2019' financial information has been extracted, without adjustment, from the reported Preliminary Audited Group Results for the 53 weeks ended 30 June 2019 and Cash Dividend Declaration.

2.4 PRO FORMA GROUP STATEMENT OF CASH FLOWS ITEMS

	52 weeks to 28 Jun 2020 (1) Rm	Adjustments (2) Rm	Pro forma under IAS 17 52 weeks to 28 Jun 2020 (3) Rm	At 30 Jun 2019 (4) Rm
Net cash inflow from operating activities	6 311	(2 249)	4 062	2 269
Net cash (outflow)/inflow from financing activities	(1)	2 249	2 248	(393)

Notes:

1. The '52 weeks to 28 Jun 2020' financial information has been extracted, without adjustment, from the Group Statement of cash flows for the 52 weeks to 28 Jun 2020, as presented in the Summary of the Audited Group Results for the 52 weeks ended 28 June 2020.
2. The adjustment on cash outflow from financing activities are calculated by excluding Lease liabilities repaid of R2 263 million and deducting R14 million in payments for finance leases under IAS 17. The aforementioned adjustment is applied to operating activities.
3. The 'Pro forma under IAS 17 52 weeks to 28 Jun 2020' column reflects the pro forma financial information after adjusting for the items included in column 2.
4. The '53 weeks to 30 Jun 2019' financial information has been extracted, without adjustment, from the reported Preliminary Audited Group Results for the 53 weeks ended 30 June 2019 and Cash Dividend Declaration.

3 CONSTANT CURRENCY INFORMATION

3.1 GROUP STATEMENT OF COMPREHENSIVE INCOME ITEMS

	52 weeks to 28 Jun 2020 Rm	Pro forma 52 weeks to 23 Jun 2019 (3) Rm	% change
Turnover and concession sales[1]	77 479	78 335	(1.1)
Segmental contribution before interest and tax[2]	3 569	5 659	(36.9)

Notes:

1. Turnover and concession sales constant currency information has been presented to illustrate the impact of changes in the Group's major foreign currency, the Australian dollar. In determining the constant currency turnover and concession sales growth rate, turnover and concession sales denominated in Australian dollars for the current year have been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior year. The aggregated monthly average Australian dollar exchange rate is R10.43/A$ for the current year and R10.15/A$ for the prior year.
2. Segmental contribution before interest and tax constant currency information has been presented to illustrate the impact of changes in the Group's major foreign currency, the Australian dollar. In determining the constant currency segmental contribution before interest and tax growth rate, segmental contribution before interest and tax denominated in Australian dollars for the current year have been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior year. The aggregated monthly average Australian dollar exchange rate is R10.29/A$ for the current year and R10.15/A$ for the prior year.
3. The 'Pro forma 52-weeks to 23 Jun 2019' financial information has been extracted, without adjustment, from the reported Preliminary Audited Group Results for the 53 weeks ended 30 June 2019 and Cash Dividend Declaration and is provided to facilitate comparison against the 52-week current year reporting period.

PRO FORMA FINANCIAL INFORMATION (CONTINUED)

3.2 GROUP STATEMENT OF FINANCIAL POSITION ITEMS AS AT 28 JUNE 2020

	At 28 Jun 2020 (1) Rm	At 30 Jun 2019 (2) Rm	% change
Assets			
Property, plant and equipment	14 242	14 295	(0.4)
Intangible assets	7 383	7 283	1.4
Right-of-use assets	18 024	–	–
Investment in joint ventures	742	810	(8.4)
Inventories	7 384	8 325	(11.3)
Trade and other receivables and loans	2 037	1 518	34.2
Derivative financial instruments	263	185	42.2
Deferred tax and tax assets	2 775	1 600	73.4
Cash and cash equivalents	4 871	1 913	>100
Total assets	57 721	35 929	60.7
Equity and liabilities			
Shareholders' funds	5 193	9 443	(45.0)
Interest-bearing borrowings and overdrafts	15 749	14 393	9.4
Lease liabilities	25 018	–	–
Operating lease accrual and fair value lease adjustment	–	1 761	(100.0)
Other non-current liabilities	696	805	(13.5)
Derivative financial instruments	333	178	87.1
Deferred tax and tax liabilities	129	138	(6.5)
Trade and other payables and provisions	10 603	9 211	15.1
Total equity and liabilities	57 721	35 929	60.7

Notes:

1. The Group Statement of financial position items are at 28 June 2020 and the constant currency information has been determined by application of the closing Australian dollar exchange rate for the prior year to the current year Group statement of financial position items. The closing Australian dollar exchange rate is R11.83/A$ for the current year and R9.89/A$ for the prior year.
2. The 'At 30 Jun 2019' financial information has been extracted, without adjustment, from the reported Preliminary Audited Group Results for the 53 weeks ended 30 June 2019 and Cash Dividend Declaration.

The Group's external auditors, Ernst & Young Inc., have issued a Reporting Accountant's assurance report on the pro forma financial information as at and for the year ended 28 June 2020 in terms of ISAE 3420: Assurance Engagements to Report of the Compilation of Pro forma Financial Information, a copy of which is available for inspection at the Company's registered office.

Studio.W, Summer 2020

NON-IFRS MEASURES

	2020 Rm	2019 Rm	% change
ADJUSTED HEADLINE EARNINGS			
Headline earnings	1 146	3 283	(65.1)
Adjustments	484	276	
Restructure and store exit costs (reversed)/raised	(13)	187	
Lease cancellation gain	(16)	–	
Net onerous leases raised	–	196	
Unrealised foreign exchange (gains)/losses	(4)	8	
Deferred tax on assessed losses not recognised	506	–	
Tax impact of adjustments	11	(115)	
Adjusted headline earnings	1 630	3 559	(54.2)

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

SHAREHOLDER CALENDAR

2020

June Financial year-end – 28 June
July Trading update
September Annual results and publication of 2020 Integrated Annual Report, and posting of Notice of Annual General Meeting
November Annual General Meeting and trading update

2021

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

ADMINISTRATION

WOOLWORTHS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1929/001986/06
LEI: 37890095421E07184E97
Share code: WHL
Share ISIN: ZAE000063863
Bond code: WHL01
Bond Company code: WHLI
Tax reference number: 9300/149/71/4

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Email: Governance@woolworths.co.za

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WEBSITE
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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
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(A division of FirstRand Bank Limited)
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PO Box 786273
Sandton 2146, South Africa

TRANSFER SECRETARIES
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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.

ANNUAL REPORT

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

BLACK-SCHOLES MODEL

A valuation equation model that assumes the price of the underlying asset changes continuously through to the option's expiration date by a statistical process known as geometric Brownian motion.

BINOMIAL OPTION PRICING MODEL

A valuation equation model that assumes the price of the underlying asset changes through a series of discrete upward or downward movements.

BUSINESS SEGMENT

An operating segment of an entity that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

CASH FLOW HEDGE

A hedge of the exposure to variability in cash flows that:

1. is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
2. could affect profit or loss.

CASH-GENERATING UNIT

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

COMPANY

Woolworths Holdings Limited – a legally incorporated business entity registered in terms of the Companies Act of South Africa.

CONSOLIDATED FINANCIAL STATEMENTS

The financial results of the Group presented as those of a single economic entity.

CONTINGENT LIABILITY

1. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of an entity.
2. A present obligation that arises from past events but is not recognised because:
   - 2.1 it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   - 2.2 the amount of the obligation cannot be measured with sufficient reliability.

CONTROL

Control exists when an investor can show:

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

CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

CURRENCY RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

DEFERRED BONUS PLAN

The deferred bonus plan allows eligible employees to acquire Woolworths Holdings Limited shares at the ruling market price out of a portion of their declared short-term performance bonus. A matching award of Woolworths' shares will be made to the participant after a period of three years, on condition that the participant remains in the employ of the employer company and retains the bonus shares over the period.

DEFINED-BENEFIT PLAN

Post-employment benefit plan other than a defined-contribution plan.

DEFINED-CONTRIBUTION PLAN

Post-employment benefit plan under which an entity pays fixed contributions into a separate fund, and in respect of which the entity will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEFERRED TAX ASSET

The amount of income tax recoverable in future periods in respect of:

1. deductible temporary differences;
2. the carry forward of unused tax losses; and
3. the carry forward of unused tax credits.

DEFERRED TAX LIABILITY

The amount of income tax payable in future periods in respect of taxable temporary differences.

DERIVATIVE

A financial instrument or other contract with all three of the following characteristics:

1. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract (sometimes called the 'underlying');
2. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
3. it is settled at a future date.

DILUTION

A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

DISPOSAL GROUP

A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTION

A share-based payment transaction in which the entity:

1. receives goods or services as consideration for its own equity instruments (including shares or share options); or
2. receives goods or services, but has no obligation to settle the transaction with the supplier.

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL ASSETS

Any asset that exhibits one or more of the following characteristics:

1. cash;
2. an equity instrument of another entity;
3. a contractual right:
   - 3.1 to receive cash or another financial asset from another entity; or
   - 3.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity;
4. a contract that will or may be settled in the entity's own equity instruments, and is:
   - 4.1 a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
   - 4.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

FINANCIAL LIABILITY

Any liability that exhibits one or more of the following characteristics:

1. a contractual obligation:
   - 1.1 to deliver cash or another financial asset to another entity; or
   - 1.2 to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity;
2. a contract that will or may be settled in the entity's own equity instruments and is:
   - 2.1 a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
   - 2.2 a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

FINANCIAL ASSET OR FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that meets either of the following conditions:

1. it is classified as held-for-trading. A financial asset or financial liability is classified as held-for-trading if it:
   - 1.1 is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   - 1.2 forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   - 1.3 is a financial guarantee contract or a designated and effective hedging instrument;
2. upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted or when doing so results in more relevant information, because either:
   - 2.1 it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
   - 2.2 a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

GLOSSARY OF FINANCIAL TERMS (CONTINUED)

FIRM COMMITMENT

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

FORECAST TRANSACTION

An uncommitted but anticipated future transaction.

FUNCTIONAL CURRENCY

The currency of the primary economic environment in which the entity operates.

GEOGRAPHICAL SEGMENT

An operating segment of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

GOOD BUSINESS JOURNEY

The Woolworths Good Business Journey (GBJ) is a comprehensive plan announced in April 2007, incorporating a series of challenging targets and commitments centred on four key priorities – accelerating transformation, driving social development, enhancing Woolworths' environmental focus and addressing climate change.

GRANT DATE

The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date, the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided that specified vesting conditions, if any, are met. If that agreement is subject to an approval process, the grant date is the date when that approval is obtained.

GROUP

The Group comprises Woolworths Holdings Limited and all its subsidiaries, joint ventures and associates.

HEDGING INSTRUMENT

A designated derivative or, for a hedge of the risk of changes in foreign currency exchange rates only, a designated non-derivative financial asset or non-derivative financial liability, whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

HEDGED ITEM

An asset, liability, firm commitment or highly probable forecast transaction that exposes the entity to risk of changes in fair value or future cash flows, and is designated as being hedged.

HEDGE EFFECTIVENESS

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

HELD-FOR-TRADING FINANCIAL INSTRUMENT

Refer to financial asset or financial liability at fair value through profit or loss.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

INTEREST RATE RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

INTRINSIC VALUE

The difference between the fair value of the shares to which the counterparty has the right (conditional or unconditional) to subscribe for, or which it has the right to receive, and the price (if any) that the counterparty is (or will be) required to pay for those shares.

JOINT ARRANGEMENT

An arrangement of which two or more parties have joint control.

JOINT CONTROL

The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

JOINT OPERATION

An arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

JOINT VENTURE

An arrangement in which the parties with joint control have rights to the net assets of the arrangement.

LIQUIDITY RISK

The risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities.

LOANS AND RECEIVABLES

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

1. those that the entity intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the entity, upon initial recognition, designates as at fair value through profit or loss; or
2. those that the entity, upon initial recognition, designates as available-for-sale; or
3. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, and which shall be classified as available-for-sale.

LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan provides eligible employees with the opportunity to acquire Woolworths Holdings Limited shares by way of conditional awards of shares, subject to the fulfilment of predetermined performance conditions covering a three-year period.

MONETARY ITEMS

Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

MONTE CARLO SIMULATION METHOD

A method that is used to evaluate the probabilities of different gains or losses being realised over a future period. It is based on the generation of multiple trials to determine the expected value of a random variable.

NON-CONTROLLING INTEREST

The equity in a subsidiary not attributable, directly or indirectly, to a parent.

ONEROUS CONTRACT

A contract in which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received under it.

OPERATING LEASE ACCRUAL

Represents the difference between the cash flow impact and the amount charged to the Statement of Comprehensive Income in respect of operating leases.

PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

PRESENT VALUE

A current estimate of the present discounted value of the future net cash flows in the normal course of business.

REASONABLY POSSIBLE CHANGE IN RISK VARIABLE

Reasonably possible change in risk variable refers to the most likely change in the risk variable during the next annual period, which is judged relative to the economic environment in which the entity operates, and does not include 'worst-case' scenarios.

RELATED PARTY

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

REPORTING DATE

The last day of the financial period.

RESTRICTED SHARE PLAN

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

SEGMENT ASSETS

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

SEGMENT EXPENSE

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

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

SEGMENT RESULT

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

SEGMENT REVENUE

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

Segment revenue does not include:

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

GLOSSARY OF FINANCIAL TERMS (CONTINUED)

SHARE APPRECIATION RIGHTS SCHEME

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

SHARE-BASED PAYMENT TRANSACTION

1. A transaction in which the entity:

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

   1.2 incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.

2. An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:

   2.1 cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity; or

   2.2 equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.

SHARE OPTION

A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specific period of time.

SUBSIDIARY

An entity that is controlled by another entity.

TREASURY SHARES

An entity's own equity instruments, held by the entity or other members of the consolidated group.

VEST

To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, or other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.

Woolworths, Summer 2020