WHL

WOOLWORTHS HOLDINGS LIMITED

Preliminary Audited Group Results for the 53 weeks ended 30 June 2019 and Cash Dividend Declaration

COMMENTARY

Challenging economic and trading conditions in both South Africa and Australia continued to weigh on Group results. In South Africa, a steady improvement in the Woolworths Fashion business was experienced throughout the second half of the year. In Australia, David Jones experienced peak disruption from the refurbishment of the company's flagship Sydney store, impacting their sales by approximately 3.0% in the second half of the year.

An impairment charge of A$437.4 million (net of deferred tax) was recognised at 30 June 2019, reducing the valuation of David Jones to approximately A$965.0 million. A strategic review of the David Jones store portfolio also identified stores with onerous leases, resulting in an additional provision of A$22.4 million. The impairment reflects the economic headwinds and the accelerating structural changes affecting the Australian retail sector as well as the performance of the business, which has fallen short of expectations. The WHL Board believes that the valuation of David Jones is realistic and reflective of its prospects. The Board is focused on the turnaround of David Jones and is ensuring that the business effects the necessary actions.

Our statutory financial results are prepared on a 53-week basis. However, to facilitate comparison against the prior year, this commentary refers to a pro forma 52-week period, and excludes the impact of IFRS 15.

Woolworths SA ('WSA')

Sales for the year increased by 5.8%, buoyed by an acceleration in the second half of 8.0%, with stronger performances in the second half from both the Fashion and Food businesses. Our online business grew by 28.7%, contributing 1.0% to total sales.

Woolworths Fashion, Beauty and Home ('FBH')

Sales increased by 1.5% for the year (comparable store sales up 1.0%), with second half sales up 5.5%, as a result of the focus on core ranges and basics, backed by improved availability. Price movement for the year for Fashion was 2.5%. Net retail space declined by 0.1%, with the focus on productivity and operating efficiencies in existing space.

Gross profit margin increased by 0.9% to 47.6%, as a result of lower markdowns. Expenses grew by 5.1%, while store costs increased by 3.5%. Operating profit declined by 1.1% to R1 688 million, with an operating margin of 12.1%, with operating profit increasing in the second half by 15.7%.

Woolworths Food

Sales increased by 7.7% for the year (comparable store sales 5.4% up), with second half growth of 9.0%, driven by further investment in price, innovation and convenience, resulting in strong volume growth. Price movement was 1.8% and net space grew by 2.0%.

Gross profit margin was 0.1% lower than the prior period as a result of the price investment. Expenses grew by 7.5% and operating profit increased by 5.4% to R2 283 million, with an operating margin of 7.2%.

Woolworths Financial Services

The Woolworths Financial Services book reflected positive year-on-year growth of 7.4%. The impairment rate for the 12 months ended 30 June 2019 was 3.7% under IFRS 9 (4.6% adjusted under IAS 39). The Group implemented IFRS 9 with effect from the beginning of the 2019 financial year.

David Jones

Turnover and concession sales declined by 0.8% for the year, with comparable store sales 0.1% lower. The Elizabeth Street store refurbishment is on track to be completed by the end of the third quarter of the 2020 financial year. Net retail space grew by 0.4% with the opening of two new stores. Space reduction to improve the productivity of the existing store portfolio is a priority.

Following the recent re-platforming of our online business, we have seen significant growth in online sales of 46.8%, now contributing 7.7% to total sales.

Gross profit margin was 1.1% lower than the prior period as a result of higher markdowns and an increased focus on clearance. Store costs increased by 1.9%, while other operating costs were 6.6% lower as a result of various cost savings initiatives. Operating profit declined to A$37.0 million with an operating margin of 1.7%.

The Elizabeth Street store's fashion and beauty floors will be completed ahead of the Christmas trading period, with the below-ground food and home floors opening in March 2020.

Country Road Group

Sales for the year grew by 0.5% (comparable store sales 0.6% lower), with sales growth slowing in the second half in line with the market. Online sales in Australasia grew by 12.9%, representing 20.3% of sales. Net retail space reduced by 2.9% with further space reduction a priority as the contribution from online sales increases.

Gross profit margin improved by 0.6% to 63.4% due to higher full-priced sales and improved sourcing. Expenses grew by 2.3% and operating profit decreased by 2.9% to A$100.0 million, resulting in an operating margin of 9.3%.

Group earnings

Headline earnings per share ('HEPS') and adjusted diluted HEPS, both of which exclude the impairment of David Jones assets, decreased by 4.6% and 2.1% respectively, on a comparable 52-week basis. Earnings per share, which includes the impairment, was -126.0 cents for the 52-week comparable period.

Outlook

In South Africa, consumer spending is expected to remain constrained. However, we expect Food to continue to trade ahead of the market and for FBH to continue its turnaround.

In Australia, we believe the retail market will continue to be tough with heavy discounting and promotional activity.

We remain committed to delivering our strategies and invest in initiatives that drive growth and efficiencies, while focusing on reducing costs, improving cash flows and strengthening the balance sheet.

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

CHANGES TO THE BOARD OF DIRECTORS

As previously announced on the Stock Exchange News Service ('SENS'), the following changes to the Board of Directors were effected during the year under review:

- Ms Sizakele Mzimela – resigned from the Board on 5 November 2018.
- Mr Hubert Brody – appointed as Deputy Chairman on 12 November 2018.
- Messrs Simon Susman (Chairman) and Tom Boardman (Lead Independent Director) – will step down from the Board with effect from the conclusion of the 2019 WHL Annual General Meeting.
- It is anticipated that Mr Brody will be appointed as Chairman of the Board and Ms Zarina Bassa as the Lead Independent Director with effect from the conclusion of the 2019 WHL Annual General Meeting.
- Mrs Gail Kelly and Mr Patrick Allaway – resigned from the Board on 8 February 2019.
- Mr David Kneale and Ms Thembisa Skweyiya – appointed to the Board as Non-executive Directors on 11 March 2019.
- Ms Belinda Earl – appointed to the Board as a Non-executive Director on 1 July 2019.
- Mr Christopher Colfer – appointed to the Board as a Non-executive Director on 1 July 2019. He will also serve on the Group's Australian subsidiaries' boards and committees and chair certain of the committees.
- Mr Clive Thomson – appointed to the Board as a Non-executive Director on 19 August 2019. He will also chair the Woolworths South Africa's Audit Review Panel and the Audit Committees of David Jones and Country Road Group.
- Mr Susman will become Honorary Life President upon conclusion of the 2019 WHL Annual General Meeting, following his stepping down as a director.

The Board expresses its appreciation to the directors who have left the Board and welcomes all new directors. The Board previously reported that it has commenced the process of recruiting a successor for the Group Chief Executive Officer, Ian Moir. The process is extensive and the Board is satisfied with its progress. In addition, the Board has requested the Group Chief Executive Officer to spend significantly more time in Australia, overseeing the David Jones turnaround in the capacity of Acting Chief Executive Officer of David Jones. Accordingly, Ian will now be primarily based in Australia. His Group responsibilities will continue.

SN Susman
Chairman
Cape Town, 28 August 2019

I Moir
Group Chief Executive Officer

DIVIDEND DECLARATION

As announced on SENS on 20 February 2019, the Group's interim and final dividends will be based on a cover ratio of 1.45 times headline earnings of the combined Woolworths South Africa ('WSA') business segments (FBH, Food and Woolworths Financial Services), whilst no dividend will be paid from the Australian businesses during this period.

Notice is hereby given that the Board of Directors has declared a final gross cash dividend per ordinary share ('dividend') of 98.5 cents (78.8 cents net of dividend withholding tax) for the 53 weeks ended 30 June 2019, a 24.5% decrease on the prior year's 130.5 cents per share. This brings the total dividend for the year to 190.5 cents, a 20.3% decrease on the prior year's total dividend of 239.0 cents per share. The dividend has been declared from reserves and therefore does not constitute a distribution of 'contributed tax capital' as defined in the Income Tax Act, 58 of 1962. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 1 048 466 077 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 17 September 2019
Shares commence trading 'ex' dividend	Wednesday, 18 September 2019
Record date	Friday, 20 September 2019
Payment date	Monday, 23 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2019 and Friday, 20 September 2019, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited or updated on Monday, 23 September 2019. Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

CA Reddiar
Group Company Secretary
Cape Town, 28 August 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	53 weeks to 30 Jun 2019 Rm	Restated* 52 weeks to 24 Jun 2018 Rm	% change
Revenue		75 179	70 572	6.5
Turnover and concession sales		79 816	75 232	6.1
Concession sales		(6 713)	(6 640)	1.1
Turnover		73 103	68 592	6.6
Cost of sales		45 139	41 700	8.2
Gross profit		27 964	26 892	4.0
Other revenue		2 000	1 909	4.8
Expenses		24 843	23 542	5.5
Store costs		17 735	16 960	4.6
Other operating costs		7 108	6 582	8.0
Operating profit		5 121	5 259	(2.6)
Impairment of David Jones assets	3	6 153	6 927	(11.2)
Investment income		76	71	7.0
Finance costs		1 139	1 124	1.3
Loss before earnings from joint ventures		(2 095)	(2 721)	23.0
Earnings from joint ventures		295	287	2.8
Loss before tax		(1 800)	(2 434)	26.0
Tax (credit)/expense		(716)	1 115	>(100)
Loss for the year		(1 084)	(3 549)	69.5
Other comprehensive income:				
Amounts that may be reclassified to profit or loss				
Fair value adjustments on financial instruments, after tax		(64)	182	
Exchange differences on translation of foreign subsidiaries		(97)	263	
Amounts that may not be reclassified to profit or loss				
Post-retirement medical benefit liability: actuarial gain, after tax		15	1	
Other comprehensive income for the year		(146)	446	
Total comprehensive loss for the year		(1 230)	(3 103)	
Loss attributable to:		(1 084)	(3 549)	
Shareholders of the parent		(1 086)	(3 550)	
Non-controlling interests		2	1	
Total comprehensive loss attributable to:		(1 230)	(3 103)	
Shareholders of the parent		(1 232)	(3 104)	
Non-controlling interests		2	1	
Reconciliation of headline earnings				
Basic loss attributable to shareholders of the parent		(1 086)	(3 550)	69.4
Net loss on disposal of property, plant and equipment and intangible assets		25	42	
Impairment of property, plant and equipment and intangible assets		6 190	6 954	
Tax impact of adjustments		(1 846)	(119)	
Headline earnings		3 283	3 327	(1.3)
Relocation costs (net of grants received) and store exit costs		187	126	
Net onerous leases raised		196	147	
Unrealised foreign exchange losses/(gains)		8	(6)	
Tax impact of adjustments		(115)	(75)	
Adjusted headline earnings	9	3 559	3 519	1.1
Loss per share (cents)	2	(113.4)	(369.5)	69.3
Headline earnings per share (cents)		342.9	346.3	(1.0)
Adjusted headline earnings per share (cents)		371.7	366.3	1.5
Diluted loss per share (cents)*	2	(113.4)	(369.5)	69.3
Diluted headline earnings per share (cents)		340.1	344.2	(1.2)
Adjusted diluted headline earnings per share (cents)		368.7	364.1	1.3
Number of shares in issue (millions)		957.0	960.6	(0.4)
Weighted average number of shares in issue (millions)		957.5	960.8	(0.3)

* Comparative information has been restated to correct the dilutive earnings per share line, which erroneously included the impact of anti-dilutive potential ordinary shares in the prior year. Due to the restatement, the dilutive earnings per share has changed from a loss per share of 367.3 cents to a loss per share of 369.5 cents. The restatement has 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 30 Jun 2019 Rm	At 24 Jun 2018 Rm
ASSETS			
Non-current assets		24 032	28 650
Property, plant and equipment	3	14 295	13 959
Intangible assets	3	7 283	13 410
Investment in joint ventures		810	978
Fair value lease adjustment		52	59
Other loans		56	56
Derivative financial instruments	7	14	18
Deferred tax		1 522	170
Current assets		11 897	11 497
Inventories		8 325	7 542
Trade and other receivables		1 410	1 487
Derivative financial instruments	7	171	174
Tax		78	271
Cash and cash equivalents		1 913	2 023
TOTAL ASSETS		35 929	40 147
EQUITY AND LIABILITIES			
TOTAL EQUITY		9 443	13 126
Equity attributable to shareholders of the parent		9 428	13 113
Non-controlling interests		15	13
Non-current liabilities		15 850	15 076
Interest-bearing borrowings		13 259	11 711
Operating lease accrual and fair value lease adjustment		1 651	1 906
Post-retirement medical benefit liability		369	404
Provisions		436	297
Derivative financial instruments	7	72	-
Deferred tax		63	758
Current liabilities		10 636	11 945
Trade and other payables		8 289	8 728
Provisions		922	752
Operating lease accrual and fair value lease adjustment		110	115
Derivative financial instruments	7	106	77
Tax		75	124
Overdrafts and interest-bearing borrowings		1 134	2 149
TOTAL LIABILITIES		26 486	27 021
TOTAL EQUITY AND LIABILITIES		35 929	40 147
Net asset book value per share (cents)		985	1 365
GROUP ANALYSIS			
Total assets		35 929	40 147
Woolworths*		13 479	13 198
David Jones		14 479	18 804
Country Road Group		7 080	7 130
Woolworths Financial Services		801	969
Treasury		90	46
Inventories		8 325	7 542
Woolworths*		4 235	3 610
David Jones		2 890	2 747
Country Road Group		1 200	1 185
Total liabilities		26 486	27 021
Woolworths*		5 621	6 143
David Jones		4 600	5 474
Country Road Group		1 737	1 573
Treasury		14 528	13 831
Approved capital commitments		2 997	3 839
Woolworths*		1 424	1 811
David Jones		1 262	1 648
Country Road Group		311	380

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

GROUP STATEMENT OF CASH FLOWS

	Notes	53 weeks to 30 Jun 2019 Rm	52 weeks to 24 Jun 2018 Rm
Cash flow from operating activities			
Cash inflow from trading		7 325	7 371
Working capital movements		(991)	(305)
Cash generated by operating activities		6 334	7 066
Investment income received		76	71
Finance costs paid		(1 127)	(1 117)
Tax paid		(1 114)	(1 037)
Cash generated by operations		4 169	4 983
Dividends received from joint ventures		245	325
Dividends paid to ordinary shareholders		(2 145)	(2 782)
Net cash inflow from operating activities		2 269	2 526
Cash flow from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(2 285)	(1 664)
Investment in property, plant and equipment and intangible assets to expand operations		(429)	(1 004)
Proceeds on disposal of property, plant and equipment and intangible assets		–	79
Other loans repaid/(advanced)		4	(12)
Net cash outflow from investing activities		(2 710)	(2 601)
Cash flow from financing activities			
Settlement of share-based payments through share purchase	5	(218)	(122)
Share purchase costs		–	(1)
Finance lease payments		(14)	(12)
Borrowings raised		5 839	3 306
Borrowings repaid		(6 000)	(3 000)
Net cash (outflow)/inflow from financing activities		(393)	171
(Decrease)/increase in cash and cash equivalents		(834)	96
Net cash and cash equivalents at the beginning of the year		1 878	1 761
Effect of foreign exchange rate changes		(2)	21
Net cash and cash equivalents at the end of the year		1 042	1 878
GROUP ANALYSIS			
Cash generated by operating activities		6 334	7 066
Woolworths		4 410	5 249
David Jones		394	414
Country Road Group		1 530	1 403

GROUP STATEMENT OF CHANGES IN EQUITY

	Shareholders of the parent Rm	Non-controlling interests Rm	Total 53 weeks to 30 Jun 2019 Rm	Shareholders of the parent Rm	Non-controlling interests Rm	Total 52 weeks to 24 Jun 2018 Rm
Shareholders' interest at the beginning of the year	13 113	13	13 126	19 038	28	19 066
Effect of IFRS 9 and IFRS 15 adoption (refer to note 6.1)	(223)	–	(223)	–	–	–
Shareholders' interest at the beginning of the year (restated)	12 890	13	12 903	19 038	28	19 066
Movements for the year:						
Loss for the year	(1 086)	2	(1 084)	(3 550)	1	(3 549)
Other comprehensive income:	(146)	–	(146)	446	–	446
Total comprehensive loss for the year	(1 232)	2	(1 230)	(3 104)	1	(3 103)
Share-based payments	141	–	141	68	–	68
Net (acquisition)/disposal of Treasury shares	(226)	–	(226)	(123)	–	(123)
Dividends to ordinary shareholders	(2 145)		(2 145)	(2 781)	(1)	(2 782)
Transfer between reserves	–	–	–	15	(15)	–
Shareholders' interest at the end of the year	9 428	15	9 443	13 113	13	13 126
Dividend per ordinary share (cents)			190.5			239.0
Dividend cover (based on headline earnings)			1.80			1.45

SEGMENTAL ANALYSIS

	Notes	53 weeks to 30 Jun 2019 Rm	52 weeks to 24 Jun 2018 Rm	% change
REVENUE				
Turnover		73 103	68 592	6.6
Woolworths Fashion, Beauty and Home		14 180	13 687	3.6
Woolworths Food		32 206	29 332	9.8
Woolworths Logistics		492	429	14.7
David Jones		15 043	14 455	4.1
Country Road Group		11 182	10 689	4.6
Other revenue and investment income		2 076	1 980	4.8
Woolworths Fashion, Beauty and Home		17	18	(5.6)
Woolworths Food		137	130	5.4
David Jones		2 304	2 221	3.7
Country Road Group		90	81	11.1
Treasury		51	11	>100
Intragroup	12	(523)	(481)	8.7
Total Group		75 179	70 572	6.5
GROSS PROFIT				
Woolworths Fashion, Beauty and Home		6 744	6 390	5.5
Woolworths Food		7 980	7 343	8.7
David Jones		6 087	6 206	(1.9)
Country Road Group		6 905	6 712	2.9
Intragroup	12	248	241	2.9
Total Group		27 964	26 892	4.0
PROFIT/(LOSS) BEFORE TAX				
Woolworths Fashion, Beauty and Home		1 752	1 707	2.6
Woolworths Food		2 339	2 167	7.9
Woolworths Financial Services		295	286	3.1
David Jones		371	650	(42.9)
Country Road Group		1 105	1 032	7.1
Treasury		(1 093)	(1 062)	2.9
Total Group – adjusted		4 769	4 780	(0.2)
Adjustments		(6 569)	(7 214)	
Impairment of David Jones assets		(6 153)	(6 927)	
Relocation costs (net of grants received) and store exit costs		(212)	(146)	
Net onerous leases raised		(196)	(147)	
Unrealised foreign exchange (losses)/gains		(8)	6	
Total Group – unadjusted		(1 800)	(2 434)	26.0
Woolworths Fashion, Beauty and Home		1 745	1 712	1.9
Woolworths Food		2 338	2 168	7.8
Woolworths Financial Services		295	286	3.1
David Jones		(6 095)	(6 527)	6.6
Country Road Group		1 017	991	2.6
Treasury		(1 100)	(1 064)	3.4

NOTES

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

Accounting policies applied in the preparation of these preliminary Group Annual Financial Statements are consistent with those applied in the preparation of the Group Annual Financial Statements for the 53-week period ended 30 June 2019, and are consistent with the prior year, except for the new standards adopted, as detailed in note 6. The preliminary Group Annual Financial Statements have been prepared on the going concern and historical cost bases, except where otherwise indicated. The presentation and functional currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

The preliminary Group Annual Financial Statements have been prepared under the supervision of the Group Finance Director, Reeza Isaacs CA(SA), and are the full responsibility of the directors.

2. EARNINGS PER SHARE

The difference between earnings per share and diluted earnings per share is due to the impact of unexercised options under the Group's share incentive schemes (refer to note 5).

3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group acquired property, plant and equipment at a fair value of R2 323 million (2018: R2 097 million) and intangible assets at a fair value of R409 million (2018: R564 million).

An impairment charge of R6 153 million (A$622.1 million) (A$437.4 million net of deferred tax) has been recognised at the period end, reducing the valuation of David Jones to approximately A$965.0 million. A strategic review of the David Jones store portfolio has also identified stores with onerous leases, resulting in an additional provision of A$22.4 million. The impairment reflects the economic headwinds and the accelerating structural changes affecting the Australian retail sector, as well as the performance of the business which has fallen short of expectations.

4. PROFIT BEFORE TAX

During the period, the Group received government grants, previously accrued for, from the State of Victoria, Australia, in respect of capital expenditure (2018: operating expenses and 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.

5. ISSUE AND PURCHASE OF SHARES

4 491 788 (2018: 2 300 294) ordinary shares totalling R243 million (2018: R137 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. 533 495 (2018: 266 700) ordinary shares totalling R25 million (2018: R15 million) were sold to the market in terms of the Group's Restricted Share Plan. 224 170 (2018: 444 714) ordinary shares totalling R17 million (2018: R35 million) previously purchased were allocated to employees in terms of the Group's Restricted Share Plan.

152 349 (2018: 465 934) ordinary shares totalling R8 million (2018: R24 million) were issued and allocated to employees in terms of the Group's other share incentive schemes.

6. ACCOUNTING POLICIES

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

NOTES (CONTINUED)

6. ACCOUNTING POLICIES (CONTINUED)

STANDARDS ISSUED AND EFFECTIVE

6.1 IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers

The Group adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers with effect from 25 June 2018, using the modified retrospective approach and by application of the practical methods permitted under the standard.

As a result, the cumulative effect of initial application of the standards is recognised as an adjustment to equity at the beginning of the current financial reporting period. Comparative information has not been restated, and continues to be reported in terms of the previous applicable standards, IAS 39 and IAS 18 respectively.

IFRS 9 adjustment

The carrying value of the Group's investment in the joint venture with ABSA Limited, Woolworths Financial Services, reduced by R217 million, with the corresponding debit taken to equity. The adjustment has had no impact on the prior period results and earnings per share measures.

IFRS 15 adjustment

The Group recognises revenue from the principal activities of retailing and associated activities, such as logistics services and concession sales commission. Management's assessment of applying the new standard on the Group's financial statements identified the following areas, for which a R6 million cumulative debit adjustment to equity has been processed:

- Right of return provision
- Gift card breakage

Excluding the abovementioned adjustments, there is no other material impact on the loss for the year from application of IFRS 9 and IFRS 15 for the Group.

Set out below are the amounts by which each financial statement line item is affected as at the year-end 30 June 2019, as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have any impact on other comprehensive income, or the Group's operating, investing and financing cash flows, nor any material impact on earnings per share measures. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

GROUP STATEMENT OF PROFIT OR LOSS

	Amounts prepared under		
	IFRS 15 53 weeks to 30 Jun 2019 Rm	Previous IFRS 53 weeks to 30 Jun 2019 Rm	Increase/ (decrease) Rm
Revenue	75 179	75 002	177
Turnover and concession sales	79 816	79 655	161
Concession sales	(6 713)	(6 713)	–
Turnover	73 103	72 942	161
Cost of sales	45 139	44 775	364
Gross profit	27 964	28 167	(203)
Other revenue	2 000	1 984	16
Expenses	24 843	25 029	(186)
Store costs	17 735	17 943	(208)
Other operating costs	7 108	7 086	22
Operating profit	5 121	5 122	(1)
Impairment of David Jones assets	6 153	6 153	–
Investment income	76	76	–
Finance costs	1 139	1 139	–
Loss before earnings from joint ventures	(2 095)	(2 094)	(1)
Earnings from joint ventures	295	295	–
Loss before tax	(1 800)	(1 799)	(1)
Tax (credit)/expense	(716)	(716)	–
Loss for the year	(1 084)	(1 083)	(1)

Revenue of the Group comprises:

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

Turnover and concession sales on the Statement of Comprehensive Income 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.

STANDARDS ISSUED, NOT YET AND EFFECTIVE

6.2 IFRS 16: Leases

The Group will adopt IFRS 16 from 1 July 2019, and has undertaken an assessment of the financial impact of the new standard. IFRS 16, which replaces IAS 17, requires most leases to be recognised in the statement of financial position, with the current distinction between operating and finance leases removed.

Due to the significant number of leases, the application of the standard is expected to have a material impact on the Group's financial statements, which will result in changes to the statement of financial position, whereby a right-of-use asset and lease liability will be recognised. Changes to the statement of comprehensive income will result in the current operating lease costs being replaced by an amortisation of the right-of-use asset and associated finance costs.

The standard will further impact a number of statutory and performance measures, such as operating profit, operating profit margin, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), EBITDA margin, earnings per share, return on assets, net debt, net debt to EBITDA ratio, debt to equity ratio, and cash generated from operations, and will require normalisation of performance measures and covenants.

The Group will apply the modified retrospective approach, which does not require a restatement of comparative information, with effect from 1 July 2019. The Group expects the application of the standard to have the following financial impact:

- Total assets are expected to increase by between 75% and 85%;
- Total liabilities are expected to increase by between 115% and 125%;
- Finance costs are expected to increase by between 125% and 135%; and
- Depreciation and amortisation are expected to increase by between 120% and 130%.

The ranges provided are dependant on the ZAR/A$ exchange rates.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of trade and other receivables, trade and other payables and borrowings approximate their fair values.

In terms of IFRS 13: Fair Value Measurement, the Group's borrowings are measured at amortised cost and its derivative financial instruments at fair value. These are determined to be Level 2 under the fair value hierarchy. Derivatives are valued using valuation techniques with market observable inputs, with derivatives being mainly in respect of interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation technique 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.

8. PRO FORMA FINANCIAL INFORMATION

The impact of the 53rd week, turnover and concession sales excluding the impact of IFRS 15 and the 53rd week and constant currency information presented in these preliminary Group Annual Financial Statements constitute pro forma financial information.

8.1 IMPACT OF 53RD WEEK

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. Pro forma 52-week financial information is provided to facilitate comparison against the 52-week comparative reporting period.

NOTES (CONTINUED)

8. PRO FORMA FINANCIAL INFORMATION (CONTINUED)

8.1 IMPACT OF 53RD WEEK (CONTINUED)

GROUP INCOME STATEMENT EXCLUDING THE 53RD WEEK

	53 weeks to 30 Jun 2019 Rm	53rd week adjust -ments Rm	52 weeks to 23 Jun 2019 Pro forma Rm	Change on prior period 53 weeks %	Change on prior period 52 weeks %	Restated 52 weeks to 24 Jun 2018 Rm
Turnover and concession sales	79 816	(1 481)	78 335	6.1	4.1	75 232
Concession sales	(6 713)	135	(6 578)	1.1	(0.9)	(6 640)
Turnover	73 103	(1 346)	71 757	6.6	4.6	68 592
Cost of sales	45 139	(855)	44 284	8.2	6.2	41 700
Gross profit	27 964	(491)	27 473	4.0	2.2	26 892
Other revenue	2 000	(44)	1 956	4.8	2.5	1 909
Expenses	24 843	(348)	24 495	5.5	4.0	23 542
Store costs	17 735	(238)	17 497	4.6	3.2	16 960
Other operating costs	7 108	(110)	6 998	8.0	6.3	6 582
Operating profit	5 121	(187)	4 934	(2.6)	(6.2)	5 259
Impairment of David Jones assets	6 153	–	6 153	(11.2)	(11.2)	6 927
Investment income	76	(1)	75	7.0	5.6	71
Finance costs	1 139	(20)	1 119	1.3	(0.4)	1 124
Loss before earnings from joint ventures	(2 095)	(168)	(2 263)	23.0	16.8	(2 721)
Earnings from joint ventures	295	–	295	2.8	2.8	287
Loss before tax	(1 800)	(168)	(1 968)	26.0	19.1	(2 434)
Tax (credit)/expense	(716)	(48)	(764)	>(100)	>(100)	1 115
Loss for the year	(1 084)	(120)	(1 204)	69.5	66.1	(3 549)
Loss attributable to:	(1 084)	(120)	(1 204)			(3 549)
Shareholders of the parent	(1 086)	(120)	(1 206)			(3 550)
Non-controlling interests	2	–	2			1
Reconciliation of headline earnings						
Basic loss attributable to shareholders of the parent	(1 086)	(120)	(1 206)	69.4	66.0	(3 550)
Headline earnings adjustments, net of tax	4 369	–	4 369			6 877
Headline earnings	3 283	(120)	3 163	(1.3)	(4.9)	3 327
Adjustments, net of tax	276	–	276			192
Adjusted headline earnings	3 559	(120)	3 439	1.1	(2.3)	3 519
Loss per share (cents)	(113.4)		(126.0)	69.3	65.9	(369.5)
Headline earnings per share (cents)	342.9		330.4	(1.0)	(4.6)	346.3
Adjusted headline earnings per share (cents)	371.7		359.2	1.5	(1.9)	366.3
Diluted loss per share (cents)	(113.4)		(126.0)	69.3	65.9	(369.5)
Diluted headline earnings per share (cents)	340.1		327.7	(1.2)	(4.8)	344.2
Adjusted diluted headline earnings per share (cents)	368.7		356.3	1.3	(2.1)	364.1

8.2 TURNOVER AND CONCESSION SALES EXCLUDING THE IMPACT OF IFRS 15 AND THE 53RD WEEK

	53 weeks to 30 Jun 2019 Rm	IFRS 15 adjust-ments Rm	53 weeks to 30 Jun 2019 Pro forma Rm	53rd week adjust-ments Rm	52 weeks to 23 Jun 2019 Pro forma Rm	Change on prior period 53 weeks %	Change on prior period 52 weeks %	52 weeks to 24 Jun 2018 Rm
Turnover and concession sales								
Group	79 816	161	79 655	(1 481)	78 174	5.9	3.9	75 232
Group (constant currency)	79 243	157	79 086	(1 472)	77 614	5.1	3.2	75 232
Woolworths Fashion, Beauty and Home	14 180	9	14 171	(272)	13 899	3.5	1.5	13 687
Woolworths Food	32 966	19	32 947	(624)	32 323	9.8	7.7	30 019
David Jones (A$)	2 245	11	2 234	(41)	2 193	1.0	(0.8)	2 212
Country Road Group (A$)	1 101	2	1 099	(20)	1 079	2.3	0.5	1 074
Comparable sales								
Woolworths Fashion, Beauty and Home					11 995		1.0	11 871
Woolworths Food					28 875		5.4	27 406
David Jones (A$)					1 646		(0.1)	1 648
Country Road Group (A$)					954		(0.6)	960

8.3 CONSTANT CURRENCY INFORMATION

	2019 Rm	2018 Rm	Change %
STATEMENT OF COMPREHENSIVE INCOME ITEMS (52 WEEKS AND EXCLUDING IFRS 15)			
Segmental profit	5 631	5 852	(3.8)
Adjusted profit before tax	4 578	4 780	(4.2)
STATEMENT OF FINANCIAL POSITION ITEMS AS AT 30 JUNE 2019			
Total assets	36 155	40 147	(9.9)
Property, plant and equipment	14 402	13 959	3.2
Intangible assets	7 328	13 410	(45.4)
Investment in joint ventures	810	978	(17.2)
Inventories	8 367	7 542	10.9
Trade and other receivables and loans	1 527	1 602	(4.7)
Derivative financial instruments	185	192	(3.6)
Deferred tax and tax assets	1 615	441	>100
Cash and cash equivalents	1 921	2 023	(5.0)
Total equity and liabilities	36 155	40 147	(9.9)
Shareholders' funds	9 552	13 126	(27.2)
Interest-bearing borrowings overdrafts	14 444	13 860	4.2
Operating lease accrual and fair value lease adjustment	1 776	2 021	(12.1)
Other non-current liabilities	809	701	15.4
Derivative financial instruments	178	77	>100
Deferred tax and tax liabilities	140	882	(84.1)
Trade and other payables and provisions	9 256	9 480	(2.4)

	A$m	A$m	
David Jones adjusted operating profit (52 weeks and excluding IFRS 15)	37	64	(42.2)
Country Road Group adjusted operating profit (52 weeks and excluding IFRS 15)	100	103	(2.9)

NOTES (CONTINUED)

8. PRO FORMA FINANCIAL INFORMATION (CONTINUED)

Notes:

1. The accounting policies adopted by the Group in the latest Annual Financial Statements, which have been prepared in accordance with IFRS, have been used in preparing the pro forma financial information. The 53 weeks to 30 June 2019 information has been extracted from the Group Annual Financial Statements on which an opinion has been issued by Ernst & Young Inc.
2. 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.
3. The calculation of earnings per share, headline earnings per share and other share measures for the pro forma 52-week period is based on the weighted average number of shares in issue for the pro forma 52-week period.
4. Turnover and concession sales excluding the impact of IFRS 15 is derived by excluding IFRS 15 adjustments to Turnover and concession sales for the 53-week and pro forma 52-week periods (refer to the IFRS 15 reconciliation in note 6.1).
5. Constant currency information has been presented to illustrate the impact of changes in the Group's major foreign currency, the Australian dollar. In determining the constant currency information, amounts denoted in Australian dollars for the current financial reporting period have been adjusted by application of the aggregated monthly average Australian dollar exchange rate for the prior comparable period of R9.97/A$. The statement of financial position items are as at 30 June 2019 and the constant currency information has been determined by applying the closing rate applicable for the prior comparable period of R9.95/A$.
6. The pro forma financial information, which is the responsibility of the Group's directors, has been presented for illustrative purposes only and is consistent with the prior reporting period. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information.
7. Accordingly, because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.
8. The Group's external auditors, Ernst & Young Inc., have 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.

9. NON-IFRS MEASURES

	2019 Rm	2018 Rm	Change %
ADJUSTED HEADLINE EARNINGS			
Headline earnings	3 283	3 327	(1.3)
Adjustments	276	192	
Relocation costs (net of grants received) and store exit costs	187	126	
Net onerous lease raised	196	147	
Unrealised foreign exchange losses/(gains)	8	(6)	
Tax impact of adjustments	(115)	(75)	
Adjusted headline earnings	3 559	3 519	1.1

Adjusted headline earnings is arrived at, after excluding from headline earnings, costs of a non-recurring nature.

10. CONTINGENT LIABILITIES

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

11. BORROWING FACILITIES

Unutilised banking and debt facilities amount to R8 647 million (2018: R10 716 million) as follows:

	2019 Rm	2018 Rm
Committed	8 147	10 216
Uncommitted	500	500
Total	8 647	10 716

Notes to the value of R3.82 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.

12. RELATED-PARTY TRANSACTIONS

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

13. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

14. APPROVAL OF PRELIMINARY GROUP ANNUAL FINANCIAL STATEMENTS

The preliminary Group Annual Financial Statements were approved by the Board of Directors on 28 August 2019.

15. AUDIT OPINION

These preliminary Group Annual Financial Statements have been extracted from the audited Group Annual Financial Statements, but is not in itself audited. The Annual Financial Statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited Annual Financial Statements and the auditor's report thereon are available for inspection at the Company's registered office. The directors take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying Annual Financial Statements.

However, the auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report, together with the accompanying financial information from the Company's registered office.

DIRECTORATE AND STATUTORY INFORMATION

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

EXECUTIVE DIRECTORS
Ian Moir (Group Chief Executive Officer) (Australian), Reeza Isaacs (Group Finance Director), Sam Ngumeni, Zyda Rylands

GROUP COMPANY SECRETARY
Chantel Reddiar

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WHL

BOND CODE
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REGISTRATION NUMBER
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TAX NUMBER
9300/149/71/4

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

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

HIGHLIGHTS

	52:52 weeks	53:52 weeks
Turnover and concession sales*	+3.9% to R78.2 billion	+5.9% to R79.7 billion
Adjusted profit before tax	-3.7% to R4.6 billion	-0.2% to R4.8 billion
Headline earnings per share	-4.6% to 330.4 cps	-1.0% to 342.9 cps
Adjusted diluted headline earnings per share	-2.1% to 356.3 cps	+1.3% to 368.7 cps
Loss per share	-126.0cps from -369.5 cps	-113.4cps from -369.5 cps
Total dividend per share	-20.3% to 190.5 cps	
Return on equity**	17.5% from 18.0%	

* Excludes impact of IFRS 15
** David Jones asset impairment added back

WOOLWORTHS DAVID JONES COUNTRY ROAD GROUP