

Woolworths Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1929/001986/06
Share code: WHL
Bond code: WHLI
Share ISIN: ZAE000063863
Bond ISIN: ZAG000147133
('the Group', 'the Company' or 'WHL')

PRELIMINARY AUDITED GROUP RESULTS FOR THE 52 WEEKS ENDED 24 JUNE 2018,
CASH DIVIDEND DECLARATION AND CHANGES TO THE BOARD OF DIRECTORS

HIGHLIGHTS

Turnover and concession sales: +1.6% to R75.2 billion
Adjusted diluted headline earnings per share: -12.8% to 364.1 cps
Headline earnings per share: -17.7% to 346.3 cps
Earnings per share: -165.2% to -369.5 cps
Total dividend per share: -23.6% to 239.0 cps
Return on equity*: 18.0% from 20.8%

*DJ asset impairment added back

COMMENTARY

2018 has been a difficult year. Significant costs and disruption from transformation initiatives in David Jones and poor performance in our fashion business in South Africa have led to a result for the Group that is disappointing. This was exacerbated by challenging economic and trading conditions in both markets.

A reassessment of the carrying value of the David Jones assets resulted in the recognition of an impairment charge of A\$712.5 million (R6 927 million) processed in the first half of the financial year.

Group sales for the 52 weeks ended 24 June 2018 increased by 1.6% compared to the prior year (and by 2.9% in constant currency).

Woolworths Fashion, Beauty and Home

Sales declined by 1.5% for the year and comparable store sales were 4.1% lower. Price movement was 0.8%. Our womenswear modern range failed to resonate with our core customer. Gross profit margin was impacted by higher markdowns and promotional activity, and declined by 1.2% to 46.7%.

Costs were well controlled, with comparable store costs of 2.7% and total store cost growth of 6.4%, with 2.5% new space added. Other operating costs were flat on the prior year. Despite good cost control, operating profit declined by 21.3%, to R1 706 million.

Woolworths Food

Our Food business continued to outperform the market, with sales growth of 8.4% and comparable store sales growth of 4.8% on price movement of 3.2%.

Store costs increased by 9.5%, with comparable store cost growth of 5.0%. Net new space grew by 3.5%. Other operating costs were 2.1% up on last year. Operating profit increased by 9.6% to R2 167 million.

Woolworths Financial Services

Woolworths Financial Services also had a good year, with the average debtors book growing by 4.6%. The impairment rate for the 12 months ended 30 June 2018 reduced by 1.1% to 5.2%, and operating profit was grew by 11.9%.

David Jones

The business experienced significant change during the year, including the implementation of new merchandise and finance systems, the re-platforming of its online systems, the launch of the new food initiative, and the move of its head office from Sydney to Melbourne.

After a difficult first half, sales increased by 2.2% and by 2.7% in comparable stores in the second half. Full year sales were 0.9% lower (and 0.4% lower in comparable stores).

Expenses increased by 8.8% as a result of the investment in food and other strategic initiatives. Comparable store costs were well controlled at 1.5%, but operating profit declined by 49.6% to A\$64 million.

Net retail space grew by 0.1%, with 4.2% new space offset by 4.1% of space reductions and closures. The sales disruption from the refurbishment of the Elizabeth Street store in Sydney will continue for approximately another 18 months.

Country Road Group (CRG)

Country Road Group had a mixed year. Strong performances from Witchery, Mimco and Politix were offset by a weaker Country Road womenswear performance, resulting in comparable store sales, which exclude Politix (acquired in November 2016), declining by 1.8%. Including Politix, sales increased by 1.7% for the year. Net retail space grew by 2.5%.

Gross profit margin improved by 2.5% to 62.8% from higher full-priced sales and reduced promotions.

Store and operating costs increased by 6.1%, mainly as a result of Politix, with comparable store costs increasing by 1.9%. Operating profit increased by 5.1% to A\$103 million.

Group earnings

Headline earnings per share (HEPS) and adjusted diluted HEPS, both of which exclude the A\$712.5 million impairment of David Jones assets recognised in the first half of the year, decreased by 17.7% and 12.8% respectively. Earnings per share, which includes the impairment, decreased by 165.2%.

Outlook

In South Africa, the change in political leadership has yet to translate into economic growth. Despite the initial improved consumer confidence experienced in the second half of the year, discretionary spending continued to be under pressure from unemployment and higher costs of living.

In Woolworths Fashion, Beauty and Home, we have made a number of changes to structure, process and product offering to effect improvement in our womenswear ranges.

In David Jones, the head office move to Melbourne is complete, as are the significant systems implementations that began last year. We now look forward to optimising those systems, focusing on trading the business and improving the customer experience.

We have now also reduced our cost base by A\$25 million across Australia, largely through a restructure that took place in June.

Trading for the first seven weeks of the new financial year has shown positive signs. In Australia, David Jones and CRG sales are 3.7% and 2.1% up on last year respectively, while in South Africa, Food sales are up 7.6%. Sales in Woolworths Fashion, Beauty and Home are down 1.7%, but mainly due to a relatively smaller winter sale.

Any reference to future financial performance included in this statement has not been reviewed and 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 JSE Stock Exchange News Service, the following changes to the Board of Directors were effected during the year under review:

- Peter Bacon - retired from the Board on 28 November 2017;
- John Dixon - resigned from the Board on 21 May 2018;
- Stuart Rose - resigned from the Board on 28 May 2018; and
- Sizakele Mzimela - appointed to the Board on 1 July 2018.

The Board expresses its gratitude to the Directors that have left the Board and welcomes the appointment of Ms Mzimela.

SN Susman	I Moir
Chairman	Group Chief Executive Officer

Cape Town, 22 August 2018

DIVIDEND DECLARATION

Notice is hereby given that the Board of Directors has declared a final gross cash dividend per ordinary share (dividend) of 130.5 cents (104.4 cents net of dividend withholding tax) for the 52 weeks ended 24 June 2018, a 27.5% decrease on the prior year's final dividend of 180.0 cents per share. This brings the total dividend for the year to 239.0 cents, a 23.6% decrease on the prior year's total dividend of 313.0 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 1 048 313 728 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 11 September 2018
Shares commence trading 'ex' dividend	Wednesday, 12 September 2018
Record date	Friday, 14 September 2018
Payment date	Monday, 17 September 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 September 2018 and Friday, 14 September 2018, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited or updated on Monday, 17 September 2018. 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, 22 August 2018

GROUP STATEMENT OF COMPREHENSIVE INCOME

		52 weeks to 24 Jun 2018	Restated* 52 weeks to 25 Jun 2017	% change
	Notes	Rm	Rm	
Revenue		70 572	69 230	1.9
Turnover and concession sales		75 232	74 052	1.6
Concession sales		(6 640)	(6 862)	(3.2)
Turnover		68 592	67 190	2.1
Cost of sales		41 700	40 518	2.9
Gross profit		26 892	26 672	0.8
Other revenue		1 909	1 944	(1.8)
Expenses		23 542	22 410	5.1
Store costs		16 960	16 233	4.5
Other operating costs		6 582	6 177	6.6
Operating profit		5 259	6 206	(15.3)
Impairment of David Jones assets	3	6 927	-	
Profit on sale of property in Sydney, net of impairment		-	1 420	
Profit on sale of property		-	1 762	
Impairment due to sale of property		-	342	
Investment income		71	96	(26.0)
Finance costs		1 124	1 256	(10.5)
(Loss)/profit before earnings from joint ventures		(2 721)	6 466	>(100)
Earnings from joint ventures		287	260	10.4
(Loss)/profit before tax		(2 434)	6 726	>(100)
Tax		1 115	1 278	(12.8)
(Loss)/profit for the year		(3 549)	5 448	>(100)
Other comprehensive income:				
Amounts that may be reclassified to profit or loss				
Fair value adjustments on financial instruments, after tax		182	(123)	
Exchange differences on translation of foreign subsidiaries		263	(3 087)	
Amounts that may not be reclassified to profit or loss				
Post-retirement medical benefit liability: actuarial gain, after tax		1	15	
Other comprehensive income for the year		446	(3 195)	
Total comprehensive (loss)/income for the year		(3 103)	2 253	
(Loss)/profit attributable to:		(3 549)	5 448	
Shareholders of the parent		(3 550)	5 446	
Non-controlling interests		1	2	
Total comprehensive (loss)/income attributable to:		(3 103)	2 253	
Shareholders of the parent		(3 104)	2 251	
Non-controlling interests		1	2	
Reconciliation of headline earnings				
Basic (loss)/earnings attributable to shareholders of the parent		(3 550)	5 446	>(100)
Net loss/(profit) on disposal of property, plant and equipment and intangible assets		42	(1 752)	
Impairment of property, plant and equipment and intangible assets		6 954	382	
Tax impact of adjustments		(119)	(31)	
Headline earnings		3 327	4 045	(17.8)
Relocation and restructure costs, net of grants received		126	173	
Onerous leases		147	-	
Transaction and swap close-out costs		-	53	
Unrealised foreign exchange gains		(6)	(11)	
Tax impact of adjustments		(75)	(60)	
Tax base adjustments on David Jones assets at acquisition		-	(164)	
Adjusted headline earnings	9	3 519	4 036	(12.8)
(Loss)/earnings per share (cents)	2	(369.5)	566.7	>(100)
Headline earnings per share (cents)		346.3	420.9	(17.7)
Adjusted headline earnings per share (cents)		366.3	420.0	(12.8)
Diluted (loss)/earnings per share (cents)	2	(367.3)	563.7	>(100)
Diluted headline earnings per share (cents)		344.2	418.7	(17.8)
Adjusted diluted headline earnings per share (cents)		364.1	417.7	(12.8)

Number of shares in issue (millions)	960.6	961.7	(0.1)
Weighted average number of shares in issue (millions)	960.8	961.0	-

* Comparative information has been restated for the change in classification of trunking revenue within the Woolworths Logistics segment, as it was established that gross rebates received from suppliers should have been presented as part of Cost of sales and not Turnover. Consequently, R221 million previously reported under Turnover and concession sales has been reclassified to Cost of sales. The reclassification has had no impact on the prior year statement of financial position, statement of changes in equity, statement of cash flows, nor on earnings per share and other share measures.

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	At 24 Jun 2018 Rm	At 25 Jun 2017 Rm
ASSETS			
Non-current assets		28 650	34 706
Property, plant and equipment	3	13 959	13 846
Intangible assets	3	13 410	19 595
Investment in joint ventures		978	1 015
Fair value lease adjustment		59	65
Other loans		56	42
Derivative financial instruments	7	18	3
Deferred tax		170	140
Current assets		11 497	10 287
Inventories		7 542	6 990
Trade and other receivables		1 487	1 218
Derivative financial instruments	7	174	40
Tax		271	252
Cash and cash equivalents		2 023	1 787
TOTAL ASSETS		40 147	44 993
EQUITY AND LIABILITIES			
TOTAL EQUITY			
Equity attributable to shareholders of the parent		13 126	19 066
Non-controlling interests		13 113	19 038
		13	28
Non-current liabilities		15 076	15 336
Interest-bearing borrowings		11 711	12 137
Operating lease accrual and fair value lease adjustment		1 906	1 980
Post-retirement medical benefit liability		404	386
Provisions		297	156
Derivative financial instruments	7	-	19
Deferred tax		758	658
Current liabilities		11 945	10 591
Trade and other payables		8 728	8 262
Provisions		752	825
Operating lease accrual and fair value lease adjustment		115	114
Derivative financial instruments	7	77	176
Tax		124	26
Overdrafts and interest-bearing borrowings		2 149	1 188
TOTAL LIABILITIES		27 021	25 927
TOTAL EQUITY AND LIABILITIES		40 147	44 993
Net asset book value per share (cents)		1 365	1 980
GROUP ANALYSIS			
Total assets		40 147	44 993
Woolworths*		13 198	12 680
David Jones		18 804	24 217
Country Road Group		7 130	7 044
Woolworths Financial Services		969	1 007
Treasury		46	45
Inventories		7 542	6 990
Woolworths*		3 610	3 550
David Jones		2 747	2 191
Country Road Group		1 185	1 249

Total liabilities	27 021	25 927
Woolworths*	6 143	5 893
David Jones	5 474	6 703
Country Road Group	1 573	1 586
Treasury	13 831	11 745
Approved capital commitments	3 839	4 697
Woolworths*	1 811	2 035
David Jones	1 648	2 157
Country Road Group	380	505

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

GROUP STATEMENT OF CASH FLOWS

	52 weeks to 24 Jun 2018	52 weeks to 25 Jun 2017
	Rm	Rm
Cash flow from operating activities		
Cash inflow from trading	7 371	8 177
Working capital movements	(305)	(615)
Cash generated by operating activities	7 066	7 562
Investment income received	71	96
Finance costs paid	(1 117)	(1 216)
Tax paid	(1 037)	(1 701)
Cash generated by operations	4 983	4 741
Dividends received from joint ventures	325	223
Dividends paid to ordinary shareholders	(2 782)	(3 015)
Net cash inflow from operating activities	2 526	1 949
Cash flow from investing activities		
Investment in property, plant and equipment and intangible assets to maintain operations	(1 664)	(1 439)
Investment in property, plant and equipment and intangible assets to expand operations	(1 004)	(1 126)
Proceeds on disposal of property, plant and equipment and intangible assets	79	13
Proceeds on disposal of property in Sydney	-	3 677
Acquisition of subsidiary, net of cash acquired	-	(711)
Loans (advanced)/repaid	(12)	8
Net cash (outflow)/inflow from investing activities	(2 601)	422
Cash flow from financing activities		
Settlement of share-based payments through share purchase	5 (122)	(39)
Share purchase costs	(1)	(2)
Finance lease payments	(12)	(14)
Borrowings raised	3 306	1 900
Borrowings repaid	(3 000)	(3 852)
Net cash inflow/(outflow) from financing activities	171	(2 007)
Increase in cash and cash equivalents	96	364
Net cash and cash equivalents at the beginning of the year	1 761	1 497
Effect of foreign exchange rate changes	21	(100)
Net cash and cash equivalents at the end of the year	1 878	1 761

GROUP ANALYSIS

Cash generated by operating activities	7 066	7 562
Woolworths	5 249	5 050
David Jones	414	1 075
Country Road Group	1 403	1 437

GROUP STATEMENT OF CHANGES IN EQUITY

Share-	Non-	Total 52 weeks	Share-	Non-	Total 52 weeks
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	Notes	holders of the parent Rm	controlling interests Rm	to 24 Jun 2018 Rm	holders of the parent Rm	controlling interests Rm	to 25 Jun 2017 Rm
Shareholders' interest at the beginning of the year		19 038	28	19 066	19 826	27	19 853
Movements for the year:							
(Loss)/profit for the year		(3 550)	1	(3 549)	5 446	2	5 448
Other comprehensive income		446	-	446	(3 195)	-	(3 195)
Total comprehensive (loss)/income for the year		(3 104)	1	(3 103)	2 251	2	2 253
Share-based payments, including issues, settlements and costs		(55)	-	(55)	(25)	-	(25)
Transfer between reserves		15	(15)	-	-	-	-
Dividends to ordinary shareholders		(2 781)	(1)	(2 782)	(3 014)	(1)	(3 015)
Shareholders' interest at the end of the year		13 113	13	13 126	19 038	28	19 066
Dividend per ordinary share (cents)				239.0			313.0
Dividend cover (based on headline earnings)				1.45			1.34

SEGMENTAL ANALYSIS

	Notes	52 weeks to 24 Jun 2018 Rm	Restated 52 weeks to 25 Jun 2017 Rm	% change
REVENUE				
Turnover		68 592	67 190	2.1
Woolworths Fashion, Beauty and Home		13 687	13 894	(1.5)
Woolworths Food		29 332	27 075	8.3
Woolworths Logistics		429	376	14.1
David Jones		14 455	15 030	(3.8)
Country Road Group		10 689	10 815	(1.2)
Other revenue and investment income		1 980	2 040	(2.9)
Woolworths Fashion, Beauty and Home		18	19	(5.3)
Woolworths Food		130	124	4.8
David Jones		2 221	2 139	3.8
Country Road Group		81	52	55.8
Treasury		11	69	(84.1)
Intragroup	11	(481)	(363)	32.5
Total Group		70 572	69 230	1.9
GROSS PROFIT				
Woolworths Fashion, Beauty and Home		6 390	6 650	(3.9)
Woolworths Food		7 343	6 794	8.1
David Jones		6 206	6 506	(4.6)
Country Road Group		6 712	6 520	2.9
Intragroup	11	241	202	19.3
Total Group		26 892	26 672	0.8
ADJUSTED (LOSS)/PROFIT BEFORE TAX				
Woolworths Fashion, Beauty and Home		1 707	2 168	(21.3)
Woolworths Food		2 167	1 977	9.6
Woolworths Financial Services		286	259	10.4
David Jones		650	1 279	(49.2)
Country Road Group		1 032	958	7.7
Treasury		(1 062)	(1 096)	(3.1)
Total Group-adjusted		4 780	5 545	(13.8)

Adjustments		(7 214)	1 181	
Impairment of David Jones assets	3	(6 927)	-	
Relocation and restructure costs, net of grants received		(146)	(173)	
Onerous leases		(147)	-	
Transaction and swap close-out costs		-	(77)	
Unrealised foreign exchange gains		6	11	
Profit on sale of property in Sydney		-	1 762	
Impairment due to sale of property		-	(342)	
Total Group - unadjusted		(2 434)	6 726	>(100)
Woolworths Fashion, Beauty and Home		1 712	2 177	(21.4)
Woolworths Food		2 168	1 979	9.6
Woolworths Financial Services		286	259	10.4
David Jones		(6 527)	2 502	>(100)
Country Road Group		991	939	5.5
Treasury		(1 064)	(1 130)	(5.8)

NOTES

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The preliminary Group Annual Financial Statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB), IAS 34: Interim Financial Reporting, 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.

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 52-week period ended 24 June 2018, and are consistent with the prior year. 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 097 million (2017: R1 962 million) and intangible assets at a fair value of R564 million (2017: R1 382 million).

As a result of the cyclical downturn and structural changes that have impacted performance across the Australian retail sector, and the impact of poor or delayed execution in certain key initiatives within David Jones, the carrying value of property, plant and equipment and intangible assets within David Jones was reassessed during the year. Consequently, an impairment charge of R6 927 million (A\$712.5 million) relating to goodwill and other assets was recognised.

4. PROFIT BEFORE TAX

During the period, the Group received government grants from the State of Victoria, Australia, in respect of 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

2 300 294 (2017: 489 382) ordinary shares totalling R137 million (2017: R39 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. 266 700 (2017: 27 186) ordinary shares totalling R15 million (2017: R2 million) were sold to the market in terms of the Group's Restricted Share Plan. 444 714 (2017: 250 042) ordinary shares totalling R35 million (2017: R18 million) were purchased and allocated to employees in terms of the Group's Restricted Share Plan.

465 934 (2017: 1 820 950) ordinary shares totalling R24 million (2017: R138 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 year, has resulted in minor changes to accounting policies and disclosure, none of which have a material impact on the financial position or performance of the Group.

STANDARDS ISSUED, NOT YET EFFECTIVE

The Group has undertaken initial assessments of the financial impact of IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases, and have identified the following, which will impact on the Group's financial results in the periods that these standards are adopted:

IFRS 9: The standard is effective for financial periods beginning on or after 1 January 2018. The measurement of provisions against receivables will be revised to comply with the expected credit loss method. Accordingly, a reduction of between 13% and 17% of the carrying value of the Group's investment in the joint venture with ABSA Limited, Woolworths Financial Services, is expected. Excluding this, the Group does not consider the potential impact of application of the standard to be material.

IFRS 15: The standard is effective for financial periods beginning on or after 1 January 2018. The Group recognises revenue from the principal activities of retailing and associated activities, such as logistics services and concession sales commission.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Rights of return: IFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation. The requirements of IFRS 15 are not expected to result in a change in the provisioning for refunds, nor is the right of return asset expected to exceed 0.2% of sales, and is therefore not considered material;
- Gift card breakage: IFRS 15 requires the Group to estimate the value of gift cards that would expire and recognise this amount as revenue. The Group currently does not recognise revenue for future gift card breakage. The value of expected gift card breakage is not expected to exceed 0.1% of sales, and is therefore not considered material;
- Customer loyalty programmes: The standard specifies that, when the Group grants a customer the option to acquire additional goods or services in terms of customer loyalty programmes, and that option is a separate performance obligation, the Group should defer the recognition of revenue relating to the option until the performance obligations are fulfilled. Management has estimated that the impact on revenue is not expected to exceed 0.1% of sales, and is therefore not considered material.

Excluding these areas, the Group does not consider other potential impacts of application of the standard to be material.

IFRS 16: The standard is effective for financial periods beginning on or after 1 January 2019. The standard is expected to have a material impact due to the significant number of leases, and 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 also impact a number of statutory measures such as operating profit and cash generated from operations, and will require normalisation of performance measures and covenants. The Group continues to assess the impact on its Annual Financial Statements in respect of the application of IFRS 16, including understanding the practical application of the principles of the standard. It is therefore not practical to provide a reasonable estimate of the financial effect until this review is complete.

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. 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.

9. PRO FORMA FINANCIAL INFORMATION

Adjusted headline earnings and constant currency information presented in these preliminary Group Annual Financial Statements constitute pro forma financial information.

	2018	2017	%
	Rm	Rm	change
9.1 Adjusted headline earnings			
Headline earnings	3 327	4 045	(17.8)
Adjustments	192	(9)	
Relocation and restructure costs, net of grants received	126	173	
Onerous leases	147	-	
Transaction and swap close-out costs	-	53	
Unrealised foreign exchange gains	(6)	(11)	
Tax impact of adjustments	(75)	(60)	
Tax base adjustments on David Jones assets at acquisition	-	(164)	
Adjusted headline earnings	3 519	4 036	(12.8)
9.2 Constant currency information			
Turnover and concession sales	76 168	74 052	2.9

Notes

- 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.
- Adjusted headline earnings is arrived at, after excluding from headline earnings, costs of a non-recurring nature.
- 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 R10.25/A\$.
- 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.
- Accordingly, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.
- The Group's external auditors, EY, have issued a Reporting Accountant's assurance report in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information, on the pro forma financial information contained in this announcement, a copy of which is available at the Company's registered office.

10. BORROWING FACILITIES

Unutilised banking and debt facilities amount to R10 716 million (2017: R11 833 million) as follows:

	2018	2017
	Rm	Rm
Committed	10 216	11 033
Uncommitted	500	800
Total	10 716	11 833

Notes to the value of R2.5 billion were issued under the Domestic Medium Term Note (DMTN) programme, which is a further source of funding to the Group. The DMTN programme was approved by the JSE on 17 March 2017 and is guaranteed by Woolworths Proprietary Limited. It will be used to raise debt on an ongoing basis.

11. RELATED-PARTY TRANSACTIONS

The Group entered into related-party transactions, the substance of which is disclosed in the Group's 2018 Annual Financial Statements. Intragroup adjustments relate to the sale of concession goods between segments and supply chain distribution adjustments.

12. 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.

13. APPROVAL OF PRELIMINARY GROUP ANNUAL FINANCIAL STATEMENTS

The preliminary Group Annual Financial Statements were approved by the Board of Directors on 22 August 2018.

14. AUDIT OPINION

These preliminary Group Annual Financial Statements have not been audited but have been extracted from the audited Group Annual Financial Statements, upon which EY have issued an unqualified audit opinion. 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), Patrick Allaway (Australian),
Zarina Bassa, Tom Boardman (Lead Independent Director),
Hubert Brody, Andrew Higginson (British),
Gail Kelly (Australian), Nombulelo Moholi,
Sizakele Mzimela

EXECUTIVE DIRECTORS

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

GROUP COMPANY SECRETARY

Chantel Reddiar

SHARE CODE

WHL

BOND CODE

WHLI

SHARE ISIN

ZAE000063863

BOND ISIN

ZAG000147133

REGISTERED ADDRESS

Woolworths House, 93 Longmarket Street
Cape Town, 8001
PO Box 680, Cape Town, 8000

REGISTRATION NUMBER

1929/001986/06

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