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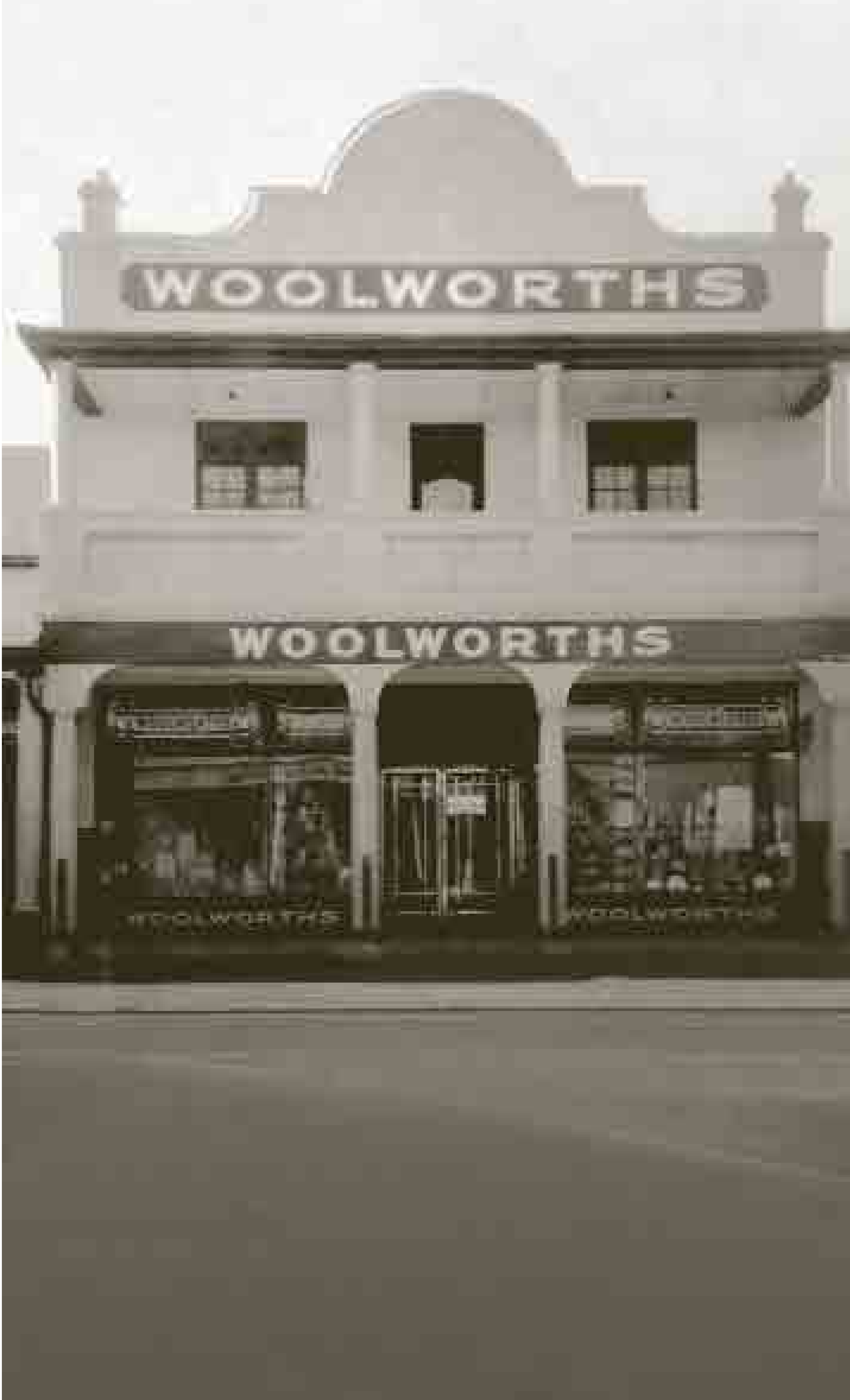
annual
report

WOOLWORTHS HOLDINGS LIMITED

WHL

overview

contents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Woolworths milestones

75th anniversary

30 October 2006

30 October 1931	First Woolworths store opens in the old Royal Hotel in Plein Street, Cape Town
20 October 1947	Marks & Spencer and Woolworths announce a co-operation agreement – Woolworths embarks on ongoing journey of "Quality"
1 May 1963	Woolworths introduces a pension scheme for all black employees
March 1974	Woolworths puts "Sell by" dates on all perishable foods
June 1978	Woolworths foods goes exclusively private label
1 June 1981	Woolworths: the first retail company to introduce maternity leave
May 1989	Woolworths introduces South Africa to machine washable knitwear
10 May 1993	Woolworths launches the Store Card
September 2000	First new micro convenience store is opened in Johannesburg
March 2002	No Woolies food will contain MSG or tartrazine – our good food journey begins
June 2004	Woolworths sells its first organic clothing range – our good clothing journey begins
August 2006	Baby food goes fresh and natural

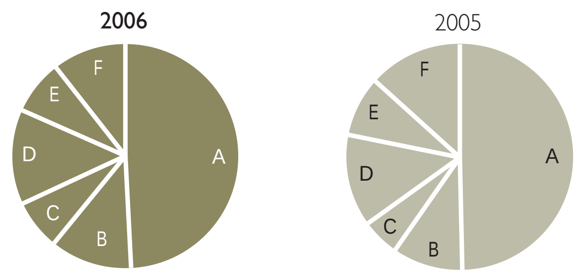
financial highlights

for the year ended 30 June 2006

		2006 52 weeks	2005* 52 weeks	change %
group summary				
Operating results				
Revenue	Rm	**15 143.0**	12 988.9	16.6
Turnover	Rm	**14 208.0**	12 220.7	16.3
Profit before tax	Rm	**1 246.4**	1 078.6	15.6
Attributable earnings	Rm	**835.6**	776.9	7.6
Headline earnings	Rm	**835.0**	759.0	10.0
Headline earnings per share	cents	**105.0**	89.4	17.4
Distribution per share declared for the financial year	cents	**63.0**	54.0	16.7
Distribution cover	times EPS	**1.7**	1.7	
Cash inflow from trading	Rm	**1 072.5**	996.5	7.6
Operating margin	%	**9.8**	9.5	3.2
Return on equity	%	**34.8**	31.2	11.5
Financial position				
Ordinary shareholders' equity	Rm	**2 606.3**	2 184.7	19.3
Market capitalisation	Rm	**12 112.0**	8 959.0	35.2
Total assets	Rm	**8 768.3**	7 139.1	22.8
Net asset book value per share	cents	**326.9**	277.5	17.8
Debt ratio	%	**39.2**	36.4	7.7

*2005 comparatives restated for IFRS

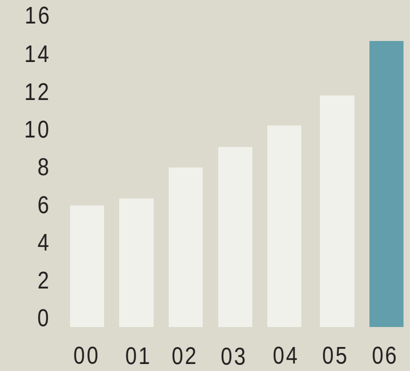
value added statement



	2006 Rm		2005 Rm	
Value added	**15 143.0**		12 988.9	
Less: Cost of sales	**(9 340.4)**		(8 027.1)	
Cost of services and other operating expenses	**(2 344.6)**		(2 018.2)	
	3 458.0		2 943.6	
Distribution of wealth:		**%**		%
A To employees as salaries, wages and other benefits	**1 699.6**	**49.1**	1 460.0	49.6
B To government as income tax (including deferred tax)	**409.0**	**11.8**	299.5	10.2
C To lenders as finance costs	**243.9**	**7.1**	152.7	5.2
D To shareholders	**474.2**	**13.7**	384.2	13.1
E Depreciation	**269.9**	**7.8**	254.5	8.6
F Earnings retained	**361.4**	**10.5**	392.7	13.3
	3 458.0	**100.0**	2 943.6	100.0

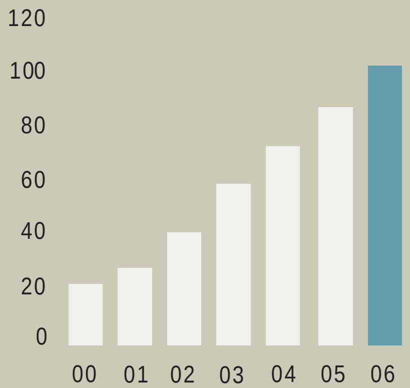
turnover

R billion



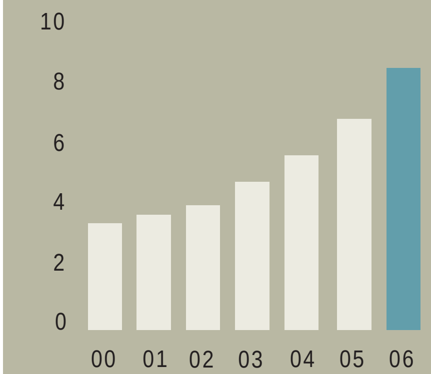
headline earnings per share

cents per share



total assets

R billion



WHL

WOOLWORTHS HOLDINGS LIMITED

Woolworths Holdings Limited is an investment holding company operating mainly through the following subsidiaries, Woolworths (Proprietary) Limited, Woolworths Financial Services (Proprietary) Limited and Country Road Limited.

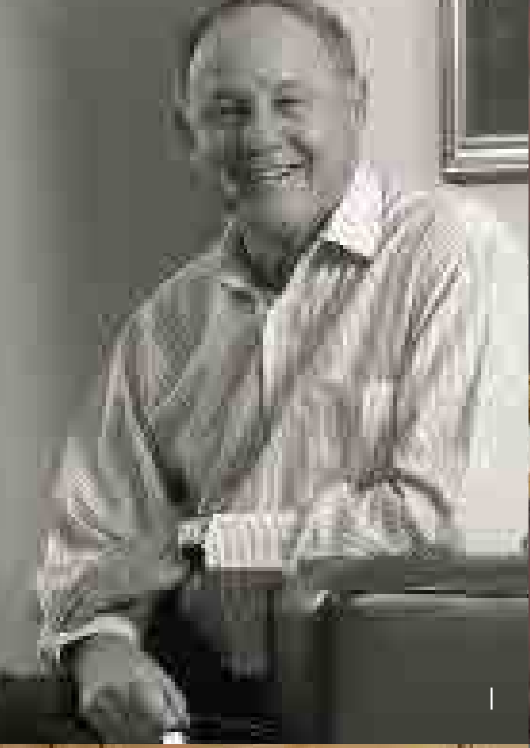
Woolworths (Proprietary) Limited is a retail chain of stores offering a selected range of clothing, homeware and food under its own brand name in South Africa, Africa and the Middle East.

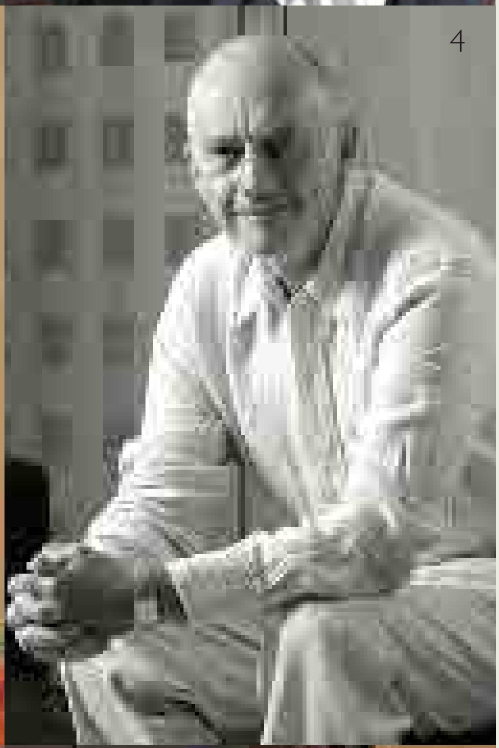
Woolworths Financial Services (Proprietary) Limited offers a variety of financial services products to the Woolworths customers.

Country Road Limited offers apparel and homeware in its own retail stores and a major department store and is listed on the Australian Stock Exchange. Country Road Limited operates in Australia, New Zealand and South East Asia.

WOOLWORTHS

COUNTRY ROAD





woolworths holdings limited

directorate

1. Buddy Hawton (69) FCIS
Chairman (Independent)
Current directorships include: Liberty Group, Liberty Holdings, Nampak, Royale Resorts Holdings (Chairman), Standard Bank Group, Stanlib, Sun Hotels International, Sun International (Chairman) and The Standard Bank of South Africa.

Buddy has extensive experience as both an executive and non-executive director. Previous directorships include Altron, City Lodge Hotels, Rennies Group, Safmarine and Rennies Holdings (Chairman), South African Marine Corporation (Chairman) and he was the executive chairman of Sun International. He joined the board as non-executive Chairman in 2002.

2. Simon Susman (56)
Chief executive officer
Current directorships include: Consumer Goods Council of South Africa, Country Road Limited and membership of the board of the Intercontinental Group of Departmental Stores.

Simon joined Woolworths in 1982 after working at a clothing and food retailer, Marks and Spencer p.l.c. in London. At Woolworths he led the retail operations, food and clothing groups and was appointed to the board in 1995. He became the Chief executive officer in 2000.

3. Mair Barnes (61) (British) BA (Hons)
Independent non-executive director
Current directorships include: Gant Company AB.

Mair has international retail experience and was the managing director of Woolworths p.l.c and the Chairman of an international optical retailing group, operating across Europe. Her past non-executive directorships include Scottish Power p.l.c, Abbey National p.l.c and George Wimpey p.l.c amongst others. She joined the board as a non-executive director in 2000.

4. Nigel Colne (66) (British)
Independent non-executive director
Appointed 1997
Current directorships include: The Chairmanship of Town Centre Restaurants and a trustee of The David Shepherd Wildlife Foundation.

Nigel has international experience in clothing and food retailing, and was a director of Marks and Spencer p.l.c from 1982 to 1997. He also acquired financial services experience as a non-executive director at Halifax Building Society and Halifax p.l.c. His other past non-executive directorships include Pizza Express p.l.c. and Stylo p.l.c. Nigel became a non-executive director in 1994.

5. Brian Frost (62) B Com, AMP (Harvard)
Independent non-executive director
Current directorships include: Bowler Metcalf

Brian joined Woolworths in 1981 and was appointed as a director in 1986. He was responsible for certain business areas, including food, franchise and store operations prior to being appointed joint managing director in 1996. He became a non-executive director in 2000.

6. Richard Inskip (44) B Com
Executive director
Chairman of Wooltru Healthcare Fund.

Richard became part of the Woolworths information technology team in 1991 following his experience in the software and retail industries. He was appointed to the board in 2001 and his current portfolio includes responsibility for information technology, strategy, supply chain and financial services.

7. Mike Leeming (62) B Com, M Com, FCMA, FIBSA, AMP (Harvard)
Independent non-executive director
Current directorships include: AECI, Allied Electronics Corporation, Glenrand MIB and Imperial Holdings.

Mike was previously the Chief operating officer at Nedcor and has an indepth knowledge of financial services as well as manufacturing. He joined the board in 2004.

8. Chris Nissen (48) BA Hons, MA
Independent non-executive director
Current directorships include: Boschendal (Chairman), Randgold and Exploration, Sea Harvest Corporation (Chairman), Standard Bank Group, Tiger Brands and Umoya Fishing (Chief Executive).

Chris has been extensively involved in the development and upliftment of communities both as a Minister in the Presbyterian church and subsequently as a member of the African National Congress party. Furthermore, he has managerial experience in a number of businesses, and as a non-executive director has proactively led empowerment and transformation at a number of listed companies.

9. Norman Thomson (55) B Com CA (SA)
Executive director
Current directorships include: Country Road Limited.

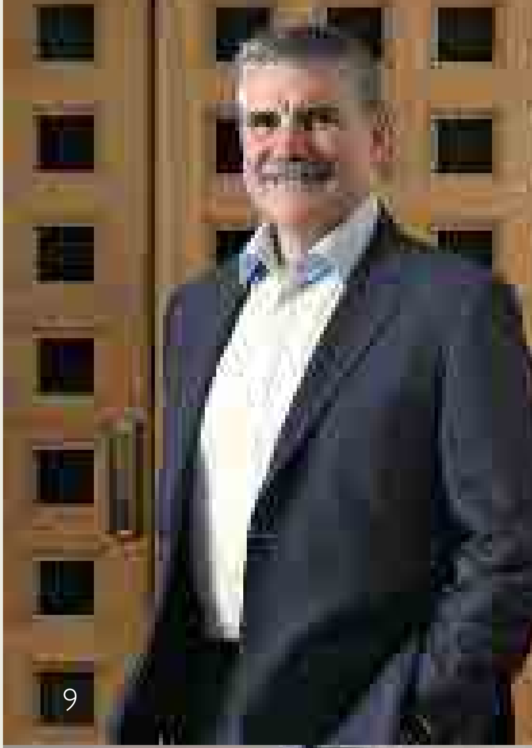
Norman joined Woolworths in1991 in a logistics capacity and introduced our integrated supply chain management. He was appointed to the board in 2001 and was responsible for corporate stores, franchise and distribution. He became finance director in 2002.

10. Sindi Zilwa (39) B Compt (Hons), CA (SA)
Independent non-executive director
Current directorships include: Discovery Holdings, Eskom, Mawarune Women's Investments, Nkonki Consulting, Primedia, Sikhona Financial Advisors, Strate Limited and is a member of the Government Pension Advisory committee.

Sindi became the second black woman chartered accountant in South Africa in 1990 and has previously served on the boards of Telkom and Wiphold amongst other companies. She joined the board as a non-executive director in 2002.

11. Cherrie Lowe (51) FCIS
Head: corporate governance and Group secretary

Cherrie joined Woolworths in 1997 as Company secretary just before the re-listing of the group on the JSE. She is responsible for all aspects of corporate governance, risk and audit, legal and corporate affairs, and is a member of the executive team.



chairman's letter

Dear Shareholder

Whilst consumer confidence in South Africa during the period remained strong with food sales reflecting this confidence, we did see a slowing of sales growth in clothing in the latter half of the year with the rand weakening slightly and interest rates rising. During the period the retail sector has seen good overall growth.

our achievements

Woolworths has again achieved a solid performance with headline earnings per share up 17.4% to 105 cents per share, up 22.9% prior to the non-comparable STC payment.

Return on equity grew to 34.8%, from 31.2% in the previous year.

The food business had an excellent performance, growing turnover by 22.5% and increasing market share to 8.5%. Our clothing business reported good volume growth reflecting the early signs of a turnaround in this business. We still expect to do better as we enter the third year of our plan to turn the clothing business.

Woolworths financial services showed good growth of over 22% across all our books – store card, credit card and personal loans – and customer numbers grew at a similar rate. The net bad debt experience on the combined books increased in the period from 2.4% to 2.9% of advances. Return on equity for financial services improved to 11.7%.

The franchise division continues to perform well with the entrepreneurial spirit of the local franchisees clearly evident in the good growth in wholesale sales.

Country Road reported an 8.2% uplift in retail sales, a good result in a competitive Australian market.

challenges

Woolworths reputation for great quality and value remains intact across our business and the focus on innovation, both in food and clothing, is delivering a high level of newness to our customers.

We continue to address the challenges facing our clothing business and remain confident that the greater focus on design and technology, as well as an improved sourcing strategy, will deliver higher returns in this segment of our business.

We are concerned that the implementation of quotas on goods from China will impact our sourcing strategy and negatively affect our earnings.

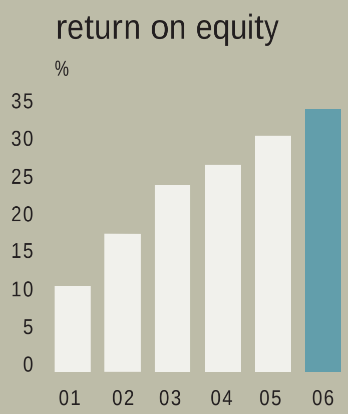
Bad debt in our financial services business rose during the year under review. With inflation beginning to rise, and related interest rate increases, we expect consumers to start to feel the effects of this tightening credit environment and we need to manage our books accordingly with robust collection processes and ongoing management of credit-granting strategies.

The strategies for Country Road have been implemented and now need entrenching to consolidate the upward trend in turnover and start to deliver improved profits.

focus for 2007

We are starting to see a slow down in consumer spending which will affect the retail sector. While we expect this to have some effect on our like-for-like growth, we remain committed to delivering good growth across the business and our store roll-out programme will help to counter some of the expected slow down.

In meeting the needs of the changing consumer profile in South Africa, our store development programme includes stores convenient to the newly emerged consumers. We are planning to open two clothing, home and food stores in Soweto this year as well as putting new stores into other key emerging communities, which will meet the needs of an increasing number of black customers for a local Woolworths.



Operationally, we should see the final implementation of our systems renewal and start to see the benefits in the business. In March 2007, we should take occupation of the new distribution centre in Midrand, Gauteng – significantly improving our logistics capacity and delivering real efficiencies in our supply chain.

To assist us to attract and retain top talent, we intend to revise the terms of the executive incentive share scheme. It is our intention to convene a general meeting on 15 November 2006 immediately following the annual general meeting to obtain shareholder approval for the proposed amendments.

transformation

We are committed to transforming Woolworths at all levels and have taken a broad based approach to empowerment, covering all aspects of the Department of Trade and Industry's draft scorecard. In some areas, such as corporate social investment we are already able to attract a high score due to our significant food and clothing donations as well as our community involvement initiatives.

We are finalising our plans for a broad based share scheme for employees, the majority of whom are black. This scheme will be presented to shareholders for approval at a general meeting to be held in this financial year.

In other areas, such as employment equity, we still need to improve our performance. Employment equity remains embedded in the key performance indicators across the business.

governance

Transformation is part of the broader Woolworths sustainability strategy. The benchmarking we are currently doing in transformation has been completed across the rest of our key sustainability indicators for the business and we have a very clear sense of both the key challenges and our targets for improving our sustainable business practices in every aspect of our business strategy. These are embedded in our own Woolworths Sustainability Index which provides a long-term framework for the direction and management of sustainability across the business.

This entrenched commitment to sustainability is reflected in our positioning as the number one company in the medium impact category of the JSE's SRI index – we were delighted to be recognised for our ongoing endeavours in this area.

We continue to be committed to the highest levels of corporate governance and ensuring that the values and ethical behaviour within the business reflects this commitment.

congratulations and thanks

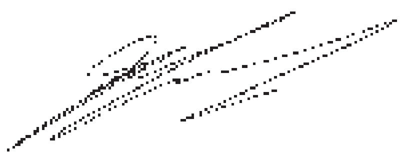
It was with enormous pleasure that I was able to welcome Peter Bacon to the board of Woolworths. I personally have worked with Peter for some time and I know that his experience will add significant value to Woolworths business.

Zyda Rylands has also joined the Woolworths Holdings board. This is a celebration for our business as Zyda becomes the first black woman executive member of this board - a clear indication of our commitment to developing, recognising and rewarding talent.

Richard Butt will be retiring at the end of 2006. We thank him for his valuable contribution to the business over the past 17 years and wish him every success in his retirement, although I am sure we will continue to call on his expertise. Andrew Jennings, currently President and Chief operating officer of Saks Fifth Avenue in New York has been appointed Group managing director: retail for Woolworths. We look forward to welcoming Andrew to the executive team in December 2006.

We've had a long year of challenges as we juggle the demands of change and growth in the business. I'd like to thank my colleagues on the board for their dedication and inspiration during this year and commend the management and staff of Woolworths for delivering good results amidst this significant change.

Woolworths will celebrate its 75th birthday this year and I am looking forward to a year of continued growth and the delivery of some exciting retail initiatives that will add value to the Woolworths brand.



D A Hawton

chief executive officer's report

overview

Woolworths has delivered yet another year of solid performance, continuing our commitment to give shareholders sustainable annuity income growth. Operating profit for the group increased by 21.0% to R1.5bn and operating margin improved from 9.5% to 9.8%.

This has arguably been the year of biggest change within the group for some time. Our systems architecture is being fundamentally renewed and peak implementation began during this financial year. We have overhauled our clothing buying processes and at the same time delivered the largest number of new stores in our 75 year history. Given the quantum of this change and its impact on our daily operations, we were particularly pleased to deliver a good set of results.

The South African consumer economy has remained healthy but the signs of a slow down in the growth curve we indicated last year, have been realised. This has been more evident in the fashion clothing sector where growth of formal retail has slowed markedly against last year. In this sector inflation has been low, driven by ongoing international improvements in manufacturing productivity.

The impact of the proposed quotas to be introduced shortly on Chinese imports has yet to be fully assessed. These quotas will undoubtedly be inflationary and are likely to lead to malpractice through the value chain. The real issue of bringing productive work practices and fresh investment to the South African clothing industry has not been addressed by this extra protection over and above the existing 40% tariff barrier. We welcome the Department of Trade and Industry's decision to delay the implementation of the quotas and will be engaging with them to find a best solution which supports our passion to source locally but to remain competitive for our customers in doing so.

Growth in the food sector has continued strongly. This has been aided by inflation creeping in on the back of firmer maize oil prices.

Interest rate rises and the ongoing higher levels of consumer debt have given rise to an increase in the level of bad debt in the country.

In Australia, consumer spending growth has also softened on the back of interest rate rises and house price declines. Despite this, this market too has a resilient feel about it and we expect expenditure to continue growing but at a similarly slower pace.

woolworths

The degree of change during this year has been significant. The period saw the first heavy implementation of our five-year R500m systems renewal. The year ahead will be similarly pressured. Thereafter we will be able to focus on extracting real benefit from a far simpler operating environment.

The year saw strong underlying growth. Volumes of product sold were up 15% and our financial services books grew by 22.3% to R4.5bn. Bad debts were, however, higher than projected and together with at times, lack of core availability and extra store opening expenses, did impact profit growth.

During the year we undertook a full strategic review of Woolworths potential leading up to 2010. We have a powerful brand with enormous appeal in a growing aspirational market. The opportunity to grow the business as a consequence is therefore considerable.

Our ethos of providing the best taste, accessible to all, will remain the driver of our product development strategies.

We will continue to drive the cross-shop within our business – tempting more of our food customers to buy clothing through our W Collections and through the introduction of international beauty brands. At the same time we will tempt our clothing customers to buy our food through more convenient real estate, sharper pricing and an extended main shop. This objective will be aided by the expanding use of our financial services products.

The challenge of good retailers as always lies more in the ability to execute good strategies than in the creation of a constant flow of fresh strategies. We are gearing our business accordingly.

sustainable strategies

During the year Woolworths was proud to be recognised on a number of fronts for the work it does in building a sustainable South Africa. We continue to give more than R150m of product away annually to those less fortunate. The R16.3m our loyalty program has donated to the MySchool project is now helping hundreds of schools around South Africa. We are proud of our association with Food and Trees for Africa which does such sterling work in educating school children on the simple benefits of producing and consuming their own fresh produce.

We are pioneers in organic and bio-friendly farming techniques and now sell more organic-content product in clothing than we do food.

We believe, as responsible retailers, not only that our own impact in the greater environment needs to be sustainable, but so does that of our supplier base and supply chain. This spreads far wider and we are encouraging these businesses to develop their own sustainable strategies. We are convinced this makes good commercial sense and is deeply in tune with our customers' sense of the world today.

Sustainability is an integral part of our business. In order to report more fully to stakeholders on our commitment and strength within this arena, we have separated our sustainability report from our annual report.

product

clothing

The year in review is the second of our three year turnaround programme for this business. We have boosted our design and technical capacities, have re-engineered price points, particularly in key areas such as childrenswear and lingerie, have strengthened our W and upper tier collections and have restructured our sourcing. Like-for-like volume growth on negative inflation remained strong at 8.2%, despite shortages of core product during winter, which were caused by a combination of over-cautious buying combined with bedding down changes.

New systems, structures and in key cases, new people have not meant new positioning in the market. The ethos that Woolworths clothing represents – quality, value and innovation, readily available for our customers – has been strongly re-enforced throughout this change process. Woolies is at its best when its core product is up to date, bought in volumes that drive highly competitive prices. Our fashion ranges then add a layer of delight onto this strong base.

We are confident that these strategies are on track and look forward to our performance relative to the market improving steadily.

home

Our home business has shown good growth for the year. Prices have been lower than in the previous year, driving 22.8% volume growth. Our ranges at both ends of the spectrum, from opening price points to our W Collection offers, have been well received. The two new lifestyle stores which offer a powerful range of home products, anchored by food sections, have opened up a new format for us. We are currently working on three more of these and expect that the market has potential for up to ten of this flagship format. Our home business is patronised by both our food and clothing customers and is seen to be a highly aspirational part of our offer.

beauty

Much of the effort this year has been in setting up the launch of a full Beauty World in October 2006. Our private label offer has been fundamentally re-engineered and we will, for the first time, introduce a strong range of those powerful international beauty brands that match our brand principles.

Our customers have been clamouring for this offer for some time. Research too, has shown that customers make special journeys to our competitors to purchase these products as they did before we introduced food brands some years ago. We believe that this launch will have a major impact on our market and will further underpin our clothing growth.

food

Our food business continues to power ahead of the market, delivering retail sales growth of 22.5%. It is now in revenue terms, considerably larger than our clothing business. We foresee ongoing growth for some years to come as we expand the main shop opportunity and populate the rapidly expanding residential areas throughout South Africa with our convenience stores.

The success of this business too, rests on constant innovation and a passion for quality and value. As our suppliers and our own infrastructure derive leverage from our considerable volume growth, so are we able to narrow the price differential between ourselves and our key competitors, reinforcing this virtuous circle of quality, volume and value.

We will continue the aggressive rollout of our convenience stores and are constantly surprised at the appeal that our brand has in middle income markets – historically our clothing only customers, who are now increasingly happy to purchase our food.

financial services

Our financial services business grew profit before interest and tax by 15.5% (23.8% on a comparable basis) during the year, despite the uplift in bad debt. This uplift was caused by teething problems during a systems upgrade and the general underlying tightening of the credit environment.

Our three books, store card, personal loans and visa continue to grow well. We now have a total of 1.7 million accounts operating in this division (17.2% higher than last year).

We have seen particularly rapid growth in our personal loan book and our relatively new visa book. Our loyalty programmes of MySchool and the Woolies World of Difference have now become key in building our growing customer database.

selling

The year saw the largest expansion of new stores that Woolworths has yet undertaken. We added 22 new food stores and 13 new clothing stores.

We have been driving better service, primarily around shortening our till queues where our volume growth has been putting real pressure.

Through our selling team employment proposition (STEP programme), we have boosted our investment directly in our people in stores. We are putting in place clearer career paths, which will offer real growth opportunities to every member of the Woolworths family – our passionate committed retailers. It is they who make the real difference in building lifetime relationships with our customers.

Our franchise stores continue to grow sales strongly in the capable hands of our passionate franchisees. This is now a sizeable business and, in the light of this growth, we are reviewing our processes for managing this business.

operations

information technology (IT)

Our IT teams are now deep in the process of delivering the large suite of new management systems that we have been developing for the past three years. By the end of next year, Woolworths will be a simpler, more streamlined workplace, and we are already beginning to see real improvements in simplicity and stock management both in food and clothing.

logistics

We have seen an exciting year in our logistics division. We have expanded our distribution centres in Cape Town and Durban in anticipation of growth and commenced construction of our new super distribution centre in Midrand, Gauteng. This R400m project will replace our existing City Deep facility and bring together a number of separate warehouses dotted throughout that region. It has been designed from ground up to be strongly environmentally sensitive.

Operationally, our logistics team delivered a seamless year and despite the ongoing capital expenditure, managed to reduce its cost to sales yet again.

people

Woolies is most fortunate in having such a passionate team of retailers throughout our business. To provide added support to them, we have restructured our human resource team to drive better operational service delivery, to build our management processes and strengthen our ability to recruit and develop real talent.

We are delighted to have been able to lure a talented retailer, Andrew Jennings, from Saks Fifth Avenue Enterprises in New York where he was the President and Chief operating officer. We have always wanted to further integrate the selling and buying side of our business and we have taken this opportunity to do so by appointing Andrew as Group managing director for Woolworths retail.

Andrew will take responsibility for all product areas (clothing, home, beauty, food and product technology) and marketing, taking over from Richard Butt who will be retiring at the end of this year. Andrew will also be responsible for the selling side of Woolworths, working closely with Kevin Stanford, Director of selling, to bring our customers a better and more integrated experience in our stores.

I'd like to take this opportunity to thank Richard Butt for his immeasurable contribution to our business. Richard's impeccable sense of style and strong vision has firmly entrenched our food and clothing business in South Africa. We wish him a happy and relaxing retirement and hope that we will still be able to call upon his expertise in the years to come.

Uppermost in our minds is our ongoing drive to improve our employment equity, particularly in management and senior management, and for the fifth year in a row have increased that proportion which now sits at 40% and rising.

We are currently finalising our plans for a broad based share scheme for our people. Our people are the true builders of our brand and we believe that they should share in our business's ability to generate wealth as fully empowered shareholders. This scheme will be presented to shareholders for approval at a general meeting to be held in this financial year.

country road

Country Road has had an exciting year, also filled with change. The company has concluded negotiations with a major departmental store chain to move to a concession operating model. The retail business meanwhile continued to show strong growth as the combination of better design and re-engineered price architecture boosted the appeal of the brand.

Wholesale sales did suffer during this period of intense negotiation. We are particularly pleased with the final outcome of these deliberations. They give the company full control of its brand, not just in 46 retail stores, but in a further 39 outlets. This will further simplify the operations within the business and will enable the growth already showing in retail to spread far wider.

summary

This financial year has seen enormous change to the group. In the longer term the South African and Australian economies should continue to grow well and confidently. Our aspirational brands are particularly well placed to cater for this growth. We believe now on all fronts that the business is ever more capable of continuing growth.

The difference we offer our customers rests as always in our people and our suppliers. We are fortunate to have such strength in each and look forward to building our brands sustainably into the future.

In 2006 Woolworths celebrates its 75th birthday and this is a good time to reflect on our heritage and use the lessons and values from the past to take this powerful brand into the future.

S N Susman

finance report

Financial highlights for the year included an improvement in operating margin from 9.5% to 9.8% and growth in headline earnings per share (HEPS) of 17.4% to 105 cents per share. Return on equity increased from 31.2% to 34.8%, enhanced by the full year effect of last year's R1bn share repurchase.

Group sales for the 52 weeks to June 2006 increased by 16.3% compared to the same period last year. Comparable store sales growth was 9.9%. Clothing and home sales in the Woolworths retail chain grew by 12.4% in total and 8.2% in comparable stores with an average deflation rate of approximately 1% over the period. Food sales grew by 22.5% in total and by 11.9% in comparable stores with an average inflation rate of approximately 4.2%. Expansion in stores resulted in an increase of 6.4% in trading space in clothing and home, and 14.4% in food.

Country Road retail sales were 8.2% higher in Australian dollar terms with comparable store growth of 7.3%. Overall sales decreased by 1.7% in Australian dollar terms as a result of the decline in wholesale sales resulting from the planned change of its wholesale business to a concession arrangement.

HEPS growth was impacted by the non-comparable STC charge on dividends declared during the year. HEPS growth before the non-comparable STC was 22.9% with adjusted HEPS of 109.9 cents per share. HEPS dilution of 2 cents per share arises from share options granted in terms of employee incentive schemes.

	2006	2005	% increase
HEPS (cents per share)	105.0	89.4	17.4
Comparable HEPS pre-STC (cents per share)	109.9	89.4	22.9
Diluted HEPS (cents per share)	103.0	87.3	18.0
Total shareholder return	36.9%	52.0%	

In addition to the STC charge of R39.4m, 2006 earnings include non-comparable finance costs of R37.1m after-tax due to the share repurchase in March 2005.

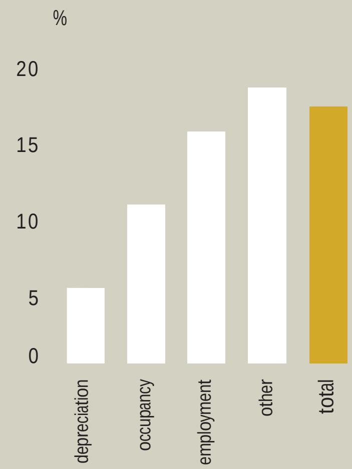
The group's gross margin has been maintained at 34.3% while expenses have come under pressure with higher than planned levels of bad debt and other non-comparable provisions including employee restructuring and incentive provisions. The growth in employment costs is attributable to an increase in full-time equivalent employees to support the new store roll-out, salary increases and an increase in the share based payment expense from R10.4m to R18.0m arising from share options granted to employees. IFRS 2 which governs the accounting for share based payments is only effective for options granted after 7 November 2002 and requires expensing over the 5 year vesting period. This charge is therefore expected to become more comparable from the 2008 financial year onward. Included in other operating costs is the financial services bad debt charge-off of R145.2m (2005: R106.0m) and an increase in the impairment provision for the financial services assets of R71.3m (2005: R 65.7m).

The group's effective tax rate has risen to 32.8% due to the reoccurrence of STC paid during the year on dividend distributions. In the previous financial year distributions to shareholders were made from share premium which did not give rise to STC. The effective tax rate excluding STC is 29.7% (2005: 27.8%).

The contribution of the food offering continues to grow ahead of clothing and home, and whilst the latter remains the dominant contributor to group profit, the more defensive, non-cyclical nature of the former will be an increasingly significant component. Similarly, our financial services business provides a significant annuity counter to the impact of higher interest rates with a conservative and well managed appetite for credit risk.

The performance and required returns of the group are managed on a segmental basis in accordance with each segment's business model. Notable highlights in the segmental performance are the increase in Woolworths retail operating profit of 24.5%, which exceeds revenue growth by 6.8%, and the enhancement of the financial services return on equity to 11.7% which has been assisted by the share repurchase.

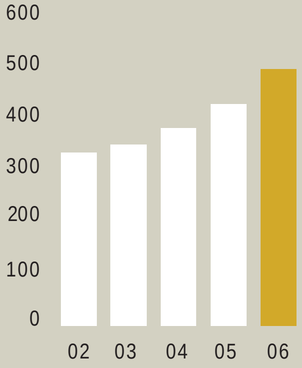
expense growth



sales volumes

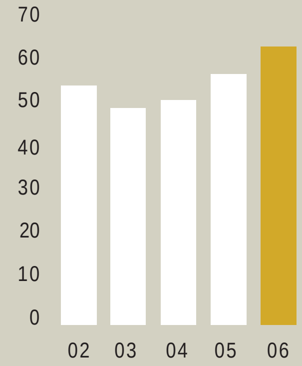
food

millions of units



clothing and home

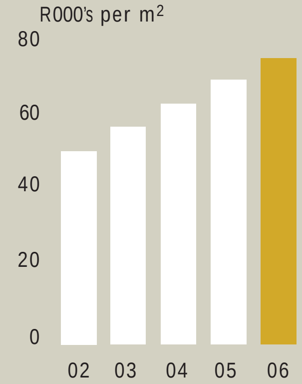
millions of units



sales density

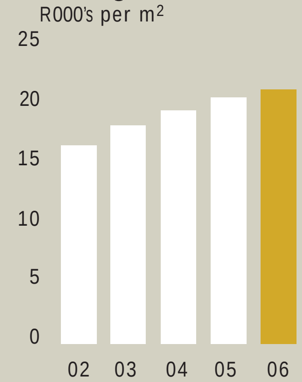
food

R000's per m^2



clothing and home

R000's per m^2



Key segmental performance statistics are included in the table below.

	Group		Retail				Financial services	
			Woolworths		Country Road			
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm
Revenue	**15 143.0**	12 988.9	**13 286.9**	11 288.4	**993.6**	995.1	**941.4**	773.9
Operating profit	**1 490.3**	1 231.3	**1 069.2**	858.7	**19.0**	24.4	**402.1**	348.2
Finance costs	**243.9**	152.7	**-**	-	**4.1**	3.7	**239.7**	149.0
Profit before tax	**1 246.4**	1 078.6	**1 069.2**	858.7	**14.9**	20.7	**162.4**	199.2
Return on equity	**34.8%**	31.2%	**58.6%**	71.4%	**6.2%**	10.3%	**11.7%**	9.5%

woolworths retail

Woolworths retail sales grew 17.7% to R13.2bn, with a 22.5% increase in foods sales to R6.9bn and a 12.4% growth in clothing, home and beauty sales to R6.0bn. Food turnover is now 52% of Woolworths retail sales. The continued high growth in food sales has been driven by comparable store sales of 11.9% and new space sales of 10.6%. With price movement averaging 4.2%, volume growth was strong at 18.3% for the year.

Clothing, home and beauty sales grew strongly in comparable stores recording an increase of 8.2% and 12.4% overall.

Sales trading densities for food and clothing and home are at an all-time high. Investment in new footage is directed towards growth in food retail space whereas sales growth in the clothing and home is expected to be driven by improved sales densities on existing space.

Woolworths retail gross margin has been maintained in the current year at 32.8% despite the lower margin food sales growth outstripping that of clothing and home. Whilst we foresee that gross margin may be diluted marginally in the future with the increasingly dominant food contribution, both businesses generate sustainable value for shareholders in their own right.

Expenses have been well controlled, increasing by 16.0% on turnover growth of 17.7%. Variable staff and occupancy costs grew in line with the increase in sales but were below the volume growth, displaying improved store productivity. The significant investment in capital projects in recent years will result in an increase in the depreciation charge in future years as projects come on-stream.

country road

Country Road's performance has been solid with net profit after tax of A$3.3m (2005: A$3.2m). The shift away from wholesale sales has had a beneficial impact on gross margin, partially offset by a strategic decision to reduce price points. The net impact on gross margins was an increase of 1.5% to 53.7%. Pricing strategies were successful in driving volumes up 27% for the year. The 1% increase in expenses demonstrates the continued focus by management on controlling overheads.

financial services

Despite the low interest rate environment, a tougher credit environment led to an increase in the bad debt experience from a combined book value of 2.4% of book in the 2005 year to 2.9% before the cost of recoveries and 3.2% to 3.6% respectively after the cost of recoveries. The increased trend in delinquencies has been in line with other retail credit books in the South African environment and we are confident that the quality of the books and the credit management and collection methodologies will ensure that bad debt is contained within our target levels.

The Woolworths in-store card, personal loan and credit card books now stand at R4.5bn, up 22.3% from R3.6bn at June 2005. Interest income increased by 20.4%, driven by the growth of the book sizes, whilst interest yields remained largely in line with the previous year. External non-interest income grew strongly by 37.4% and continues to be a key focus area for growing an annuity income stream for the business. Operating expenses in financial services remained well controlled, increasing slightly to 8.1% of the book from 7.8% in the previous year. Operating profit before financing costs increased 15.5%.

The key performance statistics of the financial services segment are:

	June 2006	June 2005
Store card sales as a % of total sales	**32.1%**	33.7%
Interest yield on gross books	**18.9%**	18.6%
Weighted average usury rate	**20.0%**	20.3%
Average cost of funds	**7.7%**	7.8%
Total gross books	**4 667.6**	3 785.4
Total provisions	**(212.6)**	(141.3)
Net book	**4 455.0**	3 644.1
Provision as a % of book		
Woolworths store card	**4.4%**	3.9%
Personal loans	**4.3%**	2.5%
Visa card	**5.5%**	5.0%
Total all books	**4.5%**	3.7%

The provision for bad debts is determined using statistical models based on historical experience, modified for recent changes in economic circumstances.

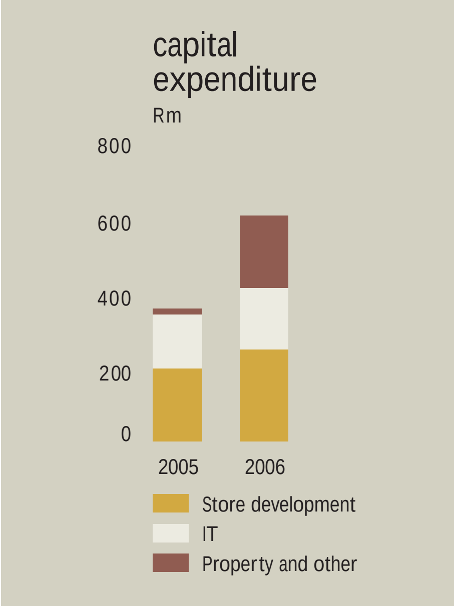
balance sheet

Total assets grew by 22.8% as a result of the strong growth in financial services assets, investment in property, plant and equipment and increased cash and inventory holdings. Net asset book value per share rose by 17.8% to 326.9 cents per share.

The store expansion and building of the new Gauteng distribution centre gave rise to the increase in property, plant and equipment. An additional investment property, adjacent to the Cape distribution centre in Montague Gardens, was purchased during the year.

Investment in accounts receivable increased 5% to R815.8m whilst accounts payable, which includes trade payables of R878.6m (2005: R761.3m) increased in line with merchandise purchases.

The increase in cash balances relates mainly to the securitisation structure and cash holdings in subsidiaries, which despite being offset in the local group cash management system, may not be offset against short term borrowings for accounting purposes.



cash flow and capital expenditure

Cash generated by operating activities prior to investment in financial services assets increased 62% reflecting better working capital management and an improved quality of earnings.

Our R637.9m (2005: R385.9m) investment in capital expenditure provides us with a sustainable platform for future growth. Our new distribution centre in Midrand, Gauteng is due to be operational in March 2007 and the implementation of our systems renewal programme is currently being rolled out. 35 new stores were opened during the year and a further 57 are planned for the next 12 months. These investment focus areas will continue to utilise the majority of capital spend in the year ahead.

financial risk management

Financial risks related to funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk are managed by the treasury committee which meets on a regular basis. The funding requirements of the financial services and retail segments are assessed independently in line with their business models in order to optimise the respective funding structures. Our funding strategy, which attempts to balance the operational and systemic risks with desired returns, is to operate an ungeared retail business and to gear the financial services assets with 70% to 80% debt funding.

Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining substantial short-term unsecured banking facilities. Unutilised banking facilities totalled R1.7bn at June 2006 (2005: R2.8bn).

Financial services assets and interest bearing borrowings carry interest rate risk. As part of the process of managing the group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates. A R950m interest rate collar was entered into in March 2006, providing a 3-month Jibar cap at 8.46%.

It is the group's policy to cover all foreign currency exposures arising from the acquisition of goods and services with forward exchange contracts.

In February 2007 we anticipate completing a further securitised bond issuance as the first tranche of our initial issuance matures.

Our dividend policy remains at a cover of 1.7 times earnings per share.

accounting standards

This year is our first reporting period under International Financial Reporting Standards (IFRS). The impact on our results is set out in further detail in note 34 on page 89 of the annual financial statements. The key changes made to our reporting arose from:

- IAS 39 Financial Instruments: Recognition and Measurement – The requirement that a loss event be incurred prior to recognition of the impairment of a financial asset resulted in a reduction in the impairment provision. Provisioning is a key area of management judgment in preparation of the annual financial statements and we have a rigorous process to ensure the adequacy and appropriateness thereof.
- IAS 16 Property, Plant and Equipment – The annual review of residual values and useful lives gave rise to the reversal of accumulated depreciation, mostly on the property portfolio, where assets may be appreciating in value. It remains our policy not to revalue assets above original cost. In addition we have elected to separate, for disclosure purposes, investment properties not occupied by group companies.
- IFRS 2 Share Based Payments – As previously disclosed, shares and share options issued under our incentive schemes meet the definition of share based payments. The value of the options granted has been expensed over the vesting period.

Of the three standards in issue but not yet in effect which have an impact on Woolworths, we have early adopted IAS 1 – Amendment on Capital Disclosure, and provided a note on the impacts of IFRS 7 – Financial Instrument Disclosures, and IAS 39 - Amendment on Financial Guarantee Contracts.

group review

Year Number of weeks	5 year compound annual growth rate	2006 52	2005* 52	2004 52	2003 52	2002 53	2001 52	2000 52
group income statements (Rm)								
Revenue	16.3%	**15 143.0**	12 988.9	11 281.7	10 094.8	8 825.6	7 120.6	6 693.1
Turnover		**14 208.0**	12 220.7	10 648.8	9 500.3	8 421.4	6 778.8	6 399.4
Cost of sales		**(9 340.4)**	(8 027.1)	(6 932.2)	(6 077.2)	(5 323.9)	(4 293.2)	(4 009.2)
Gross profit		**4 867.6**	4 193.6	3 716.6	3 423.1	3 097.5	2 485.6	2 390.2
Other revenue		**935.0**	768.2	632.9	594.5	404.2	341.8	293.7
Expenses		**(4 312.3)**	(3 730.5)	(3 332.3)	(3 176.0)	(2 866.6)	(2 403.6)	(2 304.0)
Operating profit	28.6%	**1 490.3**	1 231.3	1 017.2	841.6	635.1	423.8	379.9
Finance costs		**(243.9)**	(152.7)	(108.7)	(87.4)	(44.5)	(36.1)	(47.7)
Profit before exceptional items		**1 246.4**	1 078.6	908.5	754.2	590.6	387.7	332.2
Exceptional items		**-**	-	(10.1)	(23.7)	(41.5)	-	(42.6)
Profit before tax		**1 246.4**	1 078.6	898.4	730.5	549.1	387.7	289.6
Tax		**(409.0)**	(299.5)	(257.4)	(213.5)	(188.6)	(133.4)	(98.8)
Profit for the period from continuing operations	26.9%	**837.4**	779.1	641.0	517.0	360.5	254.3	190.8
Profit from continuing operations attributable to:								
Minority shareholders		**1.8**	2.2	0.7	0.8	1.7	(1.4)	1.8
Ordinary shareholders		**835.6**	776.9	640.3	516.2	358.8	255.7	189.0
Profit/(loss) from discontinued operations, net of minority shareholders' interest		**-**	-	-	1.3	(135.5)	(16.5)	-
group cash flow statements (Rm)								
Cash inflow from trading	22.3%	**1 072.5**	996.5	794.4	681.0	581.7	392.3	356.2
Working capital movements		**177.4**	(228.4)	(7.5)	104.4	(61.9)	59.4	43.9
Cash applied to financial services assets		**(882.2)**	(722.0)	(709.8)	(461.6)	(385.9)	(316.9)	(201.8)
Cash generated by operating activities		**367.7**	46.1	77.1	323.8	133.9	134.8	198.3
Net interest received		**517.5**	488.1	435.1	432.1	310.3	257.8	219.7
Tax paid		**(475.4)**	(314.6)	(331.5)	(191.7)	(284.5)	(97.5)	(94.9)
Cash generated by operations		**409.8**	219.6	180.7	564.2	159.7	295.1	323.1
Distributions to shareholders		**(474.2)**	(384.2)	(271.7)	(201.3)	(145.8)	(103.4)	(62.8)
Net cash (outflow) / inflow from operating activities		**(64.4)**	(164.6)	(91.0)	362.9	13.9	191.7	260.3
Net cash outflow from investing activities		**(600.3)**	(312.6)	(393.2)	(322.2)	(219.3)	(190.1)	(290.2)
Net cash inflow / (outflow) from financing activities		**11.0**	1 442.8	54.5	(195.6)	(93.4)	16.6	9.6
(Decrease) / increase in cash and cash equivalents		**(653.7)**	965.6	(429.7)	(154.9)	(298.8)	18.2	(20.3)
Cash and cash equivalents at beginning of year		**23.3**	(949.9)	(514.7)	(362.0)	(64.0)	(101.3)	(81.9)
Cash arising on acquisition of subsidiary		**-**	-	-	10.2	0.2	-	-
Effect of foreign exchange rates		**7.0**	7.6	(5.5)	(8.0)	0.9	19.1	0.9
Cash and cash equivalents at end of year		**(623.4)**	23.3	(949.9)	(514.7)	(361.7)	(64.0)	(101.3)
group balance sheets (Rm)								
Non-current assets		**2 490.6**	2 002.0	1 873.9	1 664.9	1 626.0	1 534.9	1 493.1
Current assets		**6 277.7**	5 137.1	3 992.3	3 235.3	2 528.6	2 272.2	2 036.7
Total assets		**8 768.3**	7 139.1	5 866.2	4 900.2	4 154.6	3 807.1	3 529.8
Ordinary shareholders' interest		**2 606.3**	2 184.7	2 581.3	2 169.4	2 139.3	2 062.2	1 878.0
Minority shareholders' interest		**27.9**	26.2	20.7	20.8	24.6	31.1	32.3
Non-current liabilities		**2 801.0**	3 061.5	725.2	634.2	603.8	588.9	559.9
Current liabilities		**3 333.1**	1 866.7	2 539.0	2 075.8	1 386.9	1 124.9	1 059.6
Total equity and liabilities		**8 768.3**	7 139.1	5 866.2	4 900.2	4 154.6	3 807.1	3 529.8

* 2005 comparatives restated for IFRS

** All comparatives restated for reclassification of settlement discounts

Year	2006	2005*	2004	2003	2002	2001	2000
Number of Weeks	52	52	52	52	53	52	52
returns							
Return on ordinary shareholders' equity (%)	**34.8**	31.2	27.4	24.7	18.3	12.3	10.7
Return on assets (%)	**18.9**	19.3	19.6	19.3	16.9	12.5	12.2
margins							
Gross margin (%)	**34.3**	34.3	34.9	36.0	36.8	36.7	37.4
Operating margin (%)	**9.8**	9.5	9.0	8.3	7.2	6.0	5.7
solvency and liquidity							
Debt ratio (%)	**39.2**	36.4	19.4	14.9	11.6	4.9	9.8
Current ratio (times)	**1.9**	2.8	1.6	1.6	1.8	2.0	1.9
Total liabilities to ordinary shareholders' equity (%)	**235.4**	225.6	126.5	124.9	93.1	83.1	86.2
key debtor statistics (000's)							
Number of active Woolworths card customer accounts	**1 393**	1 217	1 125	1 046	1 020	979	893
Net Woolworths card book (Rm)	**2 971.2**	2 590.8	2 148.2	1 669.3	1 348.7	1 148.5	982.3
Number of active Woolworths customer personal loan accounts	**169**	147	127	107	88	67	43
Net Woolworths customer personal loan book (Rm)							
– current portion	**640.9**	539.8	415.6	273.1	201.5	171.6	74.4
– non-current portion	**249.2**	203.9	162.5	182.3	180.2	115.6	67.2
Number of active Visa card customer accounts	**129**	79	50	34	20	-	-
Net Visa card book (Rm)	**593.7**	309.6	178.7	105.9	-	-	-
Gross interest received on Woolworths card, personal loans and Visa card (Rm)	**748.4**	602.2	527.8	510.7	341.7	283.8	252.4
Interest rate at year end							
– balance above R10 000 – %	**17**	17	18	26	23	22	22
– balance below R10 000 – %	**20**	20	21	29	26	25	25
ordinary share performance (cents per share)							
Earnings	**105.1**	91.5	74.3	59.4	39.6	28.3	21.5
Headline earnings	**105.0**	89.4	75.5	61.1	42.4	28.7	21.9
Distributions declared for the financial year	**63.0**	54.0	38.5	29.0	20.0	15.0	14.0
Net asset book value	**326.9**	277.5	297.3	254.3	240.5	227.1	210.9
Share price: highest	**1 779**	1 181	771	618	483	396	499
lowest	**1 003**	721	568	397	342	275	262
average	**1 391**	966	695	489	393	328	387
closing	**1 370**	1 025	710	574	439	355	290
Indexed closing share price (June 2000 = 100)	**472**	353	245	198	151	122	100
JSE indexed : retail (June 2000 = 100)	**279**	244	152	103	80	71	100
all shares (June 2000 = 100)	**266**	183	133	108	138	120	100
Market capitalisation at 30 June – Rm	**12 112**	8 959	6 750	5 370	4 051	3 224	2 583
Number of shares in issue – millions**	**797.2**	787.2	868.3	853.1	889.7	908.2	890.6
Number of shares traded – millions	**596.2**	502.4	363.1	401.2	307.8	311.4	260.7
Percentage of shares traded (%)	**67.4**	57.5	38.2	42.9	33.4	34.3	29.3
Value of shares traded – Rm	**8 291.1**	4 892	2 525	1 963	1 212	1 023	1 009
Price earnings ratio	**13.6**	12.0	9.2	9.1	10.1	11.1	11.6
Distribution yield (%)	**4.6**	5.3	5.4	5.1	4.6	4.2	4.8

* 2005 comparatives restated for IFRS

** Net of treasury shares held by subsidiary, E-Com Investments 16 (Proprietary) Limited.

Year Number of weeks	5 year compound annual growth rate	2006 52	2005* 52	2004 52	2003 52	2002 53	2001 52	2000 52
divisional analysis (Rm)								
Revenue (Rm)								
Woolworths	17.6%	**14 149.4**	11 993.8	10 333.1	9 012.9	7 700.7	6 295.2	5 609.3
Country Road	3.8%	**993.6**	995.1	948.6	1 081.9	1 124.9	825.4	1 083.8
	16.3%	**15 143.0**	12 988.9	11 281.7	10 094.8	8 825.6	7 120.6	6 693.1
Turnover (Rm)								
Woolworths								
- Clothing and home	13.0%	**6 012.2**	5 349.5	4 792.2	4 280.4	3 834.1	3 258.9	3 060.9
- Foods	22.0%	**6 941.5**	5 666.0	4 747.1	3 980.8	3 302.1	2 566.0	2 206.5
- Logistics and other	16.0%	**273.6**	223.1	176.1	168.8	165.8	130.5	48.8
Country Road	3.6%	**980.7**	982.1	933.4	1 070.3	1 119.4	823.4	1 083.2
	16.0%	**14 208.0**	12 220.7	10 648.8	9 500.3	8 421.4	6 778.8	6 399.4
Profit / (loss) before exceptional items and tax (Rm)								
Woolworths	25.1%	**1 231.5**	1 057.9	902.9	747.2	580.3	401.4	317.9
Country Road	-	**14.9**	20.7	5.6	7.0	10.3	(13.7)	14.3
		1 246.4	1078.6	908.5	754.2	590.6	387.7	332.2
Profit / (loss) attributable to ordinary shareholders (Rm)								
Woolworths	25.3%	**822.5**	758.4	634.3	508.8	349.2	266.8	176.2
Country Road	-	**13.1**	18.5	6.0	8.7	9.6	(11.1)	12.8
	26.7%	**835.6**	776.9	640.3	517.5	358.8	255.7	189.0
Net assets (Rm)								
Woolworths	5.5%	**2 401.4**	1 976.7	2 429.0	2 016.4	1 959.3	1 836.3	1 641.3
Country Road	(1.9%)	**204.9**	208.0	152.3	153.1	180.0	225.9	236.7
	4.8%	**2 606.3**	2 184.7	2 581.3	2 169.5	2 139.3	2 062.2	1 878.0
other statistical data								
Woolworths								
Gross margin (%)		**32.8**	32.7	31.5	32.3	33.1	32.8	32.1
Number of employees (full time equivalent)		**16 337**	14 243	13 791	12 208	11 483	10 429	9 418
Number of stores - owned		**173**	149	136	123	111	106	100
- franchised		**136**	125	119	103	82	66	58
Closing trading area (m^2) - owned		**326 200**	301 338	283 091	269 476	269 378	269 065	262 201
- franchised		**96 167**	88 307	86 563	80 297	65 002	51 118	40 555
Turnover ratios - turnover per employee		**809.7**	789.1	704.5	690.5	635.9	571.0	564.5
- turnover per m^2		**40.5**	37.3	34.3	31.4	27.2	22.1	20.3
Asset turn (times)		**2.0**	2.1	2.1	2.1	2.2	2.0	2.0
Inventory turn (times)		**20.8**	21.7	21.4	21.8	22.1	18.5	16.7
Profit before exceptional items and tax to turnover (%)		**9.3**	9.4	9.3	8.9	7.9	6.7	6.0
Country Road (in A$ terms)								
Gross margin (%)		**53.7**	52.2	53.3	52.2	50.0	52.0	51.6
Number of employees (full time equivalent)		**806**	868	868	870	894	885	1 040
Number of stores		**52**	47	46	41	44	44	67
Trading area (m^2)		**22 094**	23 539	23 439	22 400	23 560	23 960	34 559
Turnover ratios - turnover per employee		**254.5**	240.2	220.4	235.3	231.0	226.8	263.0
- turnover per m^2		**9.3**	8.9	8.2	9.1	8.8	7.7	7.9
Asset turn (times)		**2.4**	2.5	2.4	2.5	2.6	1.9	2.7
Inventory turn (times)		**8.6**	9.0	7.7	7.5	5.7	4.8	6.3
Profit / (loss) before tax to turnover (%)		**1.6**	1.5	1.3	1.2	0.1	(1.8)	1.2

* 2005 comparatives restated for IFRS

Year	2006	2005*	2004	2003	2002	2001	2000
Number of Weeks	52	52	52	52	53	52	52
foreign currency exchange rates							
US$ - average	**6.3695**	6.1751	6.8619	9.0326	10.0642	7.5868	6.9365
US$ - closing	**7.5000**	6.7370	6.3400	7.5250	10.4050	8.0378	6.8500
AU$ closing	**5.4407**	5.2029	4.4374	5.0094	5.8674	4.1587	4.1050
key information in US Dollars							
Revenue	**2 377.4**	2 103.4	1 644.1	1 117.6	876.9	938.6	964.9
Headline earnings per share (cents)	**16.5**	14.5	11.0	6.8	4.2	3.8	3.2
Net profit attributable to ordinary shareholders	**131.2**	125.8	93.3	57.3	22.2	31.5	27.2
Total assets	**1 169.1**	1 059.7	925.3	651.2	399.3	473.6	515.3
Market capitalisation	**1 614.9**	1 329.8	1 064.7	713.6	389.3	401.1	377.1

definitions

asset turn
Revenue divided by total assets less deferred tax.

current ratio
Current assets divided by current liabilities.

debt ratio
Interest bearing debt as a percentage of total assets.

gross margin
Gross margin divided by turnover.

operating margin
Operating profit as a percentage of revenue.

inventory turn
Turnover divided by average inventory at the beginning and end of the year.

return on equity
Headline earnings as a percentage of the average of ordinary shareholders' interest at the beginning and end of the year.

total liabilities to total shareholders' interest
Non-current liabilities, plus deferred tax and current liabilities as a percentage of total shareholders' interest.

return on assets
Operating profit as a percentage of the average of total assets less deferred tax liability at the beginning and end of the year.

corporate governance

commitment statement

The group subscribes to the highest level of corporate governance and is committed to the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for the benefit of our shareholders and other stakeholders. Our corporate governance department combines selected specialist disciplines to assist the directors and management in embedding governance principles and practices in every aspect of our business operations.

The company continually strives to enhance its governance practices by an ongoing review of current and emerging trends in corporate governance and by benchmarking our systems against local and international best practice. Application of the principles and compliance with the recommendations contained in the Code of Corporate Practices and Conduct as set out in the second King Report are included in this report.

The board is of the opinion that the group currently complies with all significant requirements in the Code of Corporate Practices and Conduct as set out in the second King Report and the Listings Requirements of the JSE Limited.

Governance goes significantly beyond compliance and the board is of the view that the implementation of governance practices has resulted in a more effective and sustainable business.

corporate governance

The following improvements in governance were made during the year:

- appointment of a head of stakeholder engagement who implemented a formal stakeholder engagement framework, and represented the group in engagements with government;
- appointment of a legal compliance officer whose focus was on ensuring regulatory compliance by our financial services business;
- revision of the insider trading and external auditor independence policies as well as implementation of effective monitoring processes to ensure compliance thereto;
- formal integration of risk management into the strategic and business planning process; and
- development of a Woolworths sustainability index.

The board is pleased that its commitment to effective governance has been recognised through the following:

- achieved first place in the medium impact category of the JSE Limited sustainability index;
- achieved "Excellent" category in Ernst & Young survey of annual reports of the top 100 companies (for the second successive year);
- recognised as top retailer in Deutsche Securities corporate governance survey; and
- rated as a finalist in the Deloitte good governance awards.

board of directors

board structure and responsibilities

The group has a unitary board structure with seven independent non-executive directors and three executive directors. The board provides strategic direction and leadership and focuses on enhancement of shareholder value and the long-term sustainability of the group.

The board has established a number of committees that assist it in fulfilling its stated objectives. The role of each committee and its responsibilities are set out in formal terms of reference, which are reviewed annually to ensure that they remain relevant.

The chairman of each of the committees is an independent non-executive or the chairman of the board who is also classified as an independent non-executive director.

board responsibilities

The primary responsibilities of the board are set out in terms of a board charter, and ensure:

- that the company has a clear strategic direction and as part of this process reviews the progress made by the executive management against pre-agreed plans and budgets;
- that provision is made for succession at senior levels and that the group has a strong and motivated pool of talent;
- that our people subscribe to the values, which have always been fundamental to our culture;
- there are appropriate policies and processes to ensure the integrity of the company's risk management and internal controls;
- compliance with all relevant laws, regulations, and accounting principles;
- that the company acts responsibly to all our stakeholders including customers, employees, suppliers, franchisees, shareholders, government and the communities;
- the delegation of responsibilities to its committees and the determination of the terms of reference for such committees; and
- evaluation of its committees.

There is a formal delegation of authority, which sets out the categories of business decisions, which require approval by the board and/or by one of its committees. Compliance with this delegation of authority is the responsibility of the board and is monitored by the Group secretary and the corporate governance department.

chairman and chief executive officer

No individual has unfettered powers of decision-making. The responsibilities of the Chairman and the Chief executive officer are clearly separate.

Buddy Hawton is an independent non-executive Chairman who is responsible for providing overall leadership of the board and ensuring that the board remains efficient and focused.

The Chief executive officer, Simon Susman, is responsible for formulating and recommending strategies and policies to the board, and ensuring their implementation once approved.

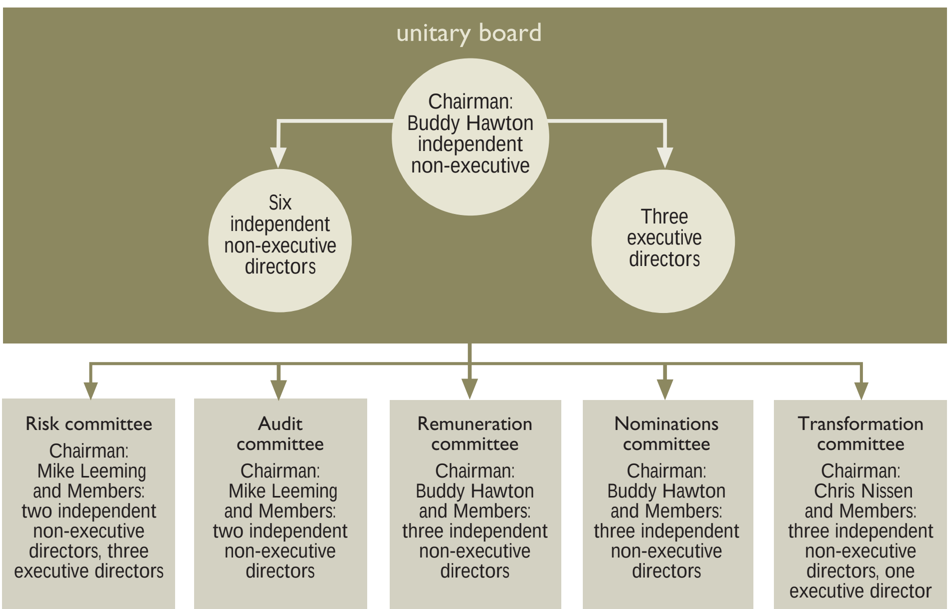
The Chairman, in conjunction with the nominations committee, assesses the performance of the Chief executive officer.

board effectiveness

The board through its nominations committee regularly reviews its size, required mix of skills, experience and other qualities. The board is comprised of local and international directors, who bring a blend of knowledge, skills, objectivity and a wide range of experience and commitment. A strong contingent of independent non-executive directors ensures that independent thought is brought to bear on the board decisions. The board structure and integrity of the individual directors ensures that no one individual or group dominates the decision-making process.

In the 2005 financial year the board underwent an independent formal evaluation process, the results of which have been incorporated into procedures adopted by the board. The next evaluation is scheduled for the 2007 financial year.

board structure



directors

An induction programme has been designed and is adjusted to meet the specific requirements of all new directors. The directors are provided with all the necessary documentation to familiarise them with issues affecting the board. In addition, they participate in an attachment programme with all the relevant executives, and undertake site visits to stores, suppliers and distribution centres to assist their understanding of the broad dynamics of the business. The Group secretary manages the formal induction programme. The board recognises that understanding the business is an ongoing process and as such, the Chairman of the board and the Group secretary ensure an appropriate quarterly programme is in place to update non-executive directors on key new business issues, initiatives and an update on operations and performance.

In compliance with the second King Report an independent director must not be a representative of a shareholder with the ability to control or materially influence management and/or the board; not have been employed by the company in an executive role in the last three years; not have been an advisor to the company other than in the capacity as a director of the company; not be a material supplier, customer or have a material contractual relationship with the company; and be free of any relationship that could be seen to materially interfere with the independence of that person. All seven of the independent directors comply with these requirements.

To uphold their independence and integrity, directors disclose all material interests on a regular basis and advise of any changes that may give rise to a potential conflict of interest and do not participate in any discussions and decisions on matters in which they may have a conflict of interest.

The non-executive directors have unrestricted access to all company information, records, documents and property. Non-executive directors have access to management and may meet separately with management without the attendance of executive directors.

Each quarter the non-executive directors meet together in a forum that does not include the executive directors or senior executives.

The directors may at the expense of the company seek professional advice on matters concerning the affairs of the group. A policy has been formulated which contains guidelines on this matter.

In accordance with the articles of association of the holding company, a third of the directors, are subject to retirement by rotation and re-election by shareholders each year. Directors who have held office for three years since their appointment or last election, are required to retire by rotation. The curriculum vitae of the directors standing for re-election are contained in the notice of the annual general meeting.

board meetings

The board meets at least four times a year. Additional meetings are held whenever deemed necessary. Further meetings were held in November, February and May and were devoted to strategic planning. In addition, regular teleconference meetings were held. Board meetings are scheduled well in advance and management ensures that board members are provided with all the relevant information and facts to enable the board to reach objective and well informed decisions. Board documentation is provided timeously to directors. The details of individual attendance at board and committee meetings are set out on page 31.

group secretary

The board is cognisant of the duties of the Group secretary and has created an environment in which the Group secretary is properly supported to fulfill those duties.

The Group secretary plays a significant role in the following:

- induction of new directors;
- tabling to the board, relevant information on regulatory and legislative changes;
- guidance to directors individually and collectively on their duties and responsibilities to the company;
- providing guidance and advice to the board on matters of ethics and good governance; and
- providing the communication link with investors, shareholders and with the company's share registrars.

The Group secretary acts as secretary for the committees of the board.

The directors have unlimited access to the advice and services of the Group secretary.

board committees

During the 2005 financial year members of the risk, audit, nominations and remuneration committees evaluated their effectiveness through a self-assessment process conducted by means of a questionnaire. The committees' composition and structure, procedures, terms of reference, effectiveness and leadership were analysed. The results of the analysis were used to further improve the effectiveness of the committees' functioning. Committee evaluations have been planned for the 2007 financial year.

The Chief executive officer attends all the committee meetings of which he is not a member by invitation. This demonstrates the commitment to corporate governance within the group.

The committees have unreserved access to company information, any resources required to fulfill their responsibilities and are able to obtain professional advice, at the expense of the group, where necessary.

risk committee

The risk committee consists of three executive directors and three non-executive directors including the chair Mike Leeming. The presence of the executive directors on this committee is deemed important in ensuring that effective risk management is in place and part of the day-to-day operation of the company.

The responsibilities of the committee are set out in its terms of reference which is reviewed and updated on an annual basis. The main responsibilities include:

- assisting the directors in fulfilling their responsibility of ensuring that there is an effective and embedded risk management process in place throughout the group;
- assessing whether there are appropriate processes/controls in place to manage the key risks down to an acceptable level, in line with the board's risk appetite;
- assessing if the risk management process will ensure that emerging risks are identified and managed;
- assessing whether all new business opportunities have been appropriately considered from a risk perspective;
- assessing if appropriate processes/controls are in place to ensure regulatory compliance; and
- reviewing the adequacy of the group's insurance portfolios.

Based on a review of management reports and appropriate discussion and enquiry by the members, the committee believes that it performed the functions set out in its terms of reference and continues to identify and prioritise the risks relevant to the business.

The committee met a total of four times during the year. The details of individual attendance at the risk committee meetings are set out on page 31.

The Chairman attends the meetings in February and August following the group's financial half year and year end.

risk management

The board recognises risk management as a key business tool, which is designed to:

- balance risk and reward within both existing and new businesses; and
- protect the group against uncertainties and hazards, which could prevent the achievement of business objectives.

The board is responsible for the risk management process and is assisted in its responsibilities by the risk committee. The day-to-day responsibility for risk management and the design and implementation of appropriate processes to manage the risks resides with management.

The risk management process is effective and adds value to the group by:

- improving the quality of business decisions, through a more formal identification and assessment of risk before new business ventures and/or projects are presented for approval; and
- contributing to an improvement in the processes and controls in place to manage the key risks.

The risk management process applied is designed to ensure that:

- all relevant risks are identified and appropriately evaluated, based on their impact if they were to occur and their likelihood of occurrence;
- risks and the required processes and controls to manage these risks are assessed in line with the board's risk appetite; and
- appropriate management information and monitoring processes are in place to manage the exposure to each of the key risks, so that where required appropriate corrective action can be taken.

The focus for the year was to integrate risk management with the strategic and business planning process. This has further embedded risk management into our established business disciplines, as has the definition and measurement of objective metrics, to assess our exposure to the key risks. During the year:

- each business unit updated their business risk profile during their strategic and business planning. The purpose was to identify key risks linked to the strategy and our business model and the required processes and controls to manage these risks over the next three years;
- the key inherent risks for the group were re-evaluated, based on the revised business unit profiles and a reassessment of the prior year key inherent risks; and
- the required management information and metrics to objectively assess our exposure to the key risks were clearly defined.

The key inherent risks and their status are reported to the risk committee on a quarterly basis. This report is complemented by risk reports on specific focus areas including, crisis management, business continuity planning, disaster recovery, food safety and quality, occupational health and safety, legal risk management and insurance.

management of our key risks

The revision of the key inherent risk profile for the group reflected the dynamic nature of risk management and the effectiveness of the process within the group. A number of the key risks from the prior year are now being managed in a more effective manner and as such no longer require monitoring by the board.

In the prior year a key risk was the implementation of the Retek merchandise management system. This implementation represented a significant investment and required a redesign of a number of key business processes. This implementation has had an impact on the business during the current year, but a number of financial benefits have already been realised, particularly with respect to more effective stock planning. The implementation is at an advanced stage and as such the risk to the business has reduced and we now need to leverage this investment to deliver the expected stock management benefits.

There are also a number of areas where the processes and controls have been enhanced to improve the management of our risks as set out below.

clothing product

The ongoing implementation of our design-led process throughout the clothing groups has enhanced our product offering and ensured a more consistent taste level. The improvement in our product offering has been supported by the use of innovative technology and effective sourcing. Given the progress made, the risk of having an inappropriate clothing offering has reduced but this is an area which requires ongoing attention.

key suppliers

Woolworths is essentially a private label business and as such there is a key dependency on our suppliers. This is an inherent risk but during the year we rationalised our supplier base and implemented more formal processes to assess the capacity of suppliers to meet our volume requirements, whilst ensuring our high quality standards are maintained.

business continuity planning

We have continued to improve the continuity plans in place to maintain service levels and ensure rapid recovery in the event of a disaster at any one of our operations. These plans are formalised, well communicated and are tested on a regular basis. Therefore, given the processes in place this is now regarded as a low risk.

food safety

Food safety is a critical area to ensure we protect our customers. To enhance our processes, we redesigned our product recall process during the year to ensure that any product which could cause serious harm to our customers is removed from our stores and destroyed timeously. This process was formally tested twice during the year and these tests were used to further refine the process.

Whilst management has improved the control environment to more effectively manage a number of the key risks, the environment in which we trade is dynamic. Therefore there are certain new risks which require focus, including:

- the proposed implementation of quotas on goods imported from China;
- compliance to the Credit Act; and
- armed robbery.

key risk profile

Our key risks have been set out below.

proposed implementation of quotas

The government is proposing the implementation of quotas on goods imported from China. This could have a significant impact on our abiliy to provide the right quality products at good value, dependent on the mechanism of implementation.

ensuring the correct product offering

Our aim is to nurture and build lifetime relationships with our customers and to achieve this we need the correct product offering. This means we need to continue to provide innovative, high quality products for our customers, which are competitively priced.

Within clothing, the implementation of the design-led process in womenswear contributed to good growth. This process is being implemented in the other clothing groups and has now resulted in an improvement in the clothing offering.

Our food product offering continues to provide real differentiation and there has been excellent growth.

credit risk

The value of the instore card, personal loans and credit card books has continued to grow. These assets support the ongoing growth in our retail business and create significant revenue for the group. However, there is a risk that customers may default on their payments with a consequential impact on the level of debt write-offs

delivery of the real estate plan

A key success factor in maintaining our growth, particularly in the food business, is selecting appropriate locations and formats for our stores. There is a risk that we are unable to source appropriate sites, which deliver the required rates of return and maintain our profitable growth.

The new stores continue to meet the required hurdle rates of return. However, it has been recognised that each new store opening requires close management involvement to ensure that the catalogue and product offering is correct.

attraction and retention of talent

In order to deliver our strategy and manage the key risks, it is important to attract and retain the right combination of technical and leadership skills. This is a challenge in a number of specialist areas including design and buying, property development, credit risk and store management.

During the year we recruited certain key talent within the clothing group with a focus on design, technology and stock management skills. This has assisted in the repositioning of our clothing offering.

There was an investment made to ensure that we could recruit and retain store management and this resulted in a significant decrease in the level of store management vacancies.

customer service

Our customers' expectations continue to increase and we are committed to understanding and meeting their expectations. Our customer service trial demonstrated that the key requirement is to ensure product availability throughout our trading period. In addition, the length of till queues requires attention to ensure that our customers enjoy their shopping experience.

compliance with the new Credit Act

The new Credit Act has been promulgated and we need to comply with the requirements from the effective date of 1 July 2007.

Compliance to the Credit Act will require enhancements to our current business process and system design.

armed robbery

We are concerned with the increasing level of armed robbery affecting retail stores. In the 2006 financial year there were fifteen armed robberies in our stores, compared to seven in the prior year. Whilst we were fortunate during the year that none of our employees or customers were seriously injured, the increase in armed robbery represents a real threat to safety.

Over and above the processes and controls in place to manage our key risks, the group has a comprehensive asset and liability insurance programme.

crime prevention and detection

A key priority is the implementation of effective processes to reduce the level of crime, which includes shrinkage, burglary, armed robbery, internal fraud, theft and corruption. Armed robbery has now been identified as a key risk given the increasing levels and the threat to employee and customer safety. Measures are in place to manage this as reported under our key risks.

With respect to fraud, theft and corruption we have continued to build on our progress and during the year we:

- extended the scope of our independent and confidential shrinkage hotline, to include fraud, theft and unethical practices;
- completed several investigations which resulted in disciplinary action and criminal charges being laid. This demonstrates our commitment and where required the results of the investigations are used to improve the control environment; and
- commenced the implementation of fraud risk assessments to identify our fraud risk and ensure appropriate controls are in place.

audit committee

The audit committee consists of three independent non-executive directors including Mike Leeming, who chairs the committee.

The terms of reference of the audit committee were reviewed and updated to ensure the committee is effective in its monitoring role.

The Chairman of the audit committee attends the annual general meeting.

The main responsibilities of the committee set out in the terms of reference include:

- assisting the directors in fulfilling their responsibilities for ensuring that there is an adequate and effective system of internal control in place and that the assurance providers are operating effectively;
- review of the accounting policies and practices and all proposed changes thereto;
- facilitating the credibility, objectivity and reliability of published financial reports and ensuring that financial statements comply with the International Financial Reporting Standards;
- providing an objective, independent forum for the resolution of significant accounting and reported related matters;
- approval of engagement of external auditors, for non audit services;
- supporting the overall effectiveness of corporate governance processes; and
- considering and making recommendations to the board on the following:
  - the appointment and retention of external auditors;
  - external audit fees;
  - interim and annual report financial disclosure;
  - effectiveness of liaison between assurance providers; and
  - effectiveness of internal audit.

Separate meetings are held with the external auditors to ensure that matters are considered without undue influence. In addition, the board has approved an external auditor independence policy, which provides guidelines where management wishes to engage the external auditors for non audit services. Compliance with this policy is monitored and reported to the committee on a quarterly basis.

There is a strong integration and co-ordination between the activities of the risk and audit committees and Mike Leeming and Nigel Colne are members of both committees to ensure the appropriate exchange of key ideas.

Based on a review of management and audit reports and appropriate discussion and enquiry by the members, the committee believes that it performed the functions set out in its terms of reference.

The committee met a total of four times during the year. The details of individual attendance at the audit committee meetings are set out on page 31.

The Chief executive officer, the Finance director, the external auditors, and the Head of risk and audit attend the meetings as invitees.

The Chairman attends the meetings in February and August following the group's financial half year and year end.

internal control

The board is accountable for the group's system of internal control and has delegated this responsibility to management. The system of internal control is designed to ensure that the significant risks are being appropriately managed and provide reasonable assurance that:

- business objectives will be achieved in normal and adverse trading conditions;
- operations are efficient and effective;
- management information is reliable;
- company assets and information are appropriately safeguarded; and
- there is compliance with applicable laws and regulations.

The board recognises the importance of the control environment in ensuring the effectiveness of internal controls. As such there is an ongoing focus to ensure that roles and responsibilities are clearly defined and that management are held accountable for compliance with the key processes and controls.

assurance providers

To assist management and the audit committee in forming their opinion on the adequacy and effectiveness of internal controls, there are a number of assurance processes in place. These assurance processes are outlined in more detail below.

control self-assessment

Within key business areas such as retail operations and logistics there are regular management control self-assessment processes in place. The purpose of these self-assessments is to ensure that there is compliance with the key internal controls, from both an operational and financial perspective. The results of the self-assessments are summarised in the monthly business unit scorecards and are reviewed by management.

internal audit

The objective of internal audit is to provide independent assurance that there are adequate and effective processes and controls in place to manage the significant risks down to an acceptable level.

In addition to providing this fundamental assurance, internal audit uses its risk and control knowledge to advise management on best practice processes and controls that can be implemented to improve the control environment in a meaningful and sustainable manner.

Internal audit remains a highly valuable and effective monitoring activity, which is utilised by both directors and management to ensure that appropriate and cost effective controls are in place and complied to.

The key elements that have contributed to the effectiveness of internal audit are:

- **risk based planning:** The audit plan is based on an independent assessment of the risks and is reviewed and approved by the audit committee in May of each year. However, whilst the plan is annual it is revised quarterly to take cognisance of any changes within the risk environment and these changes are approved by the committee;
- **people:** The audit team has a wealth of business and audit knowledge, which is leveraged by working within multi-disciplinary teams, to enhance the quality of the audit opinion and associated recommendations; and
- **reporting:** Key audit findings are reported to the audit committee each quarter in the red flag report. This report sets out the significant areas of concern in the control environment and defines the required controls which should be implemented. Progress in implementing the required controls to address these red flag items is audited quarterly and the results are reported to the committee until the item has been satisfactorily resolved. This enables the committee to ensure that prompt action has been taken to address the key areas of concern.

The board has recognised that to be truly effective internal audit needs to remain independent and objective. As such the Head of risk and audit reports functionally to the audit committee and administratively to the Head of corporate governance.

external audit

The joint external auditors, Ernst & Young and SAB&T Incorporated, are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company and the group.

To ensure there is no duplication of effort, external audit regularly liaise with internal audit to understand the scope of their work and the results of their audits. It should be noted that any control work performed by external audit is limited to the work necessary to support their audit opinion.

Management letters issued by the external auditors, which include any observations on internal controls, are provided to the Head of risk and audit and the audit committee.

external auditor independence policy

There is an external auditor independence policy which governs the services external audit can provide, to maintain their objectivity. The terms of this policy comply with the minimum requirements as set out in Auditing Profession Act, No.26 of 2005 and the requirements of the Code of Professional Conduct of the Independent Regulatory Board for Auditors, and in a number of cases is more restrictive.

other independent assurance

Where required, management will use specialist assurance providers to assess the adequacy and effectiveness of controls. This includes audits on product health, safety and hygiene at our stores and suppliers.

control opinion

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 are adequate and effective. Furthermore, no material losses, exposures or financial misstatements have been reported to the directors for the financial year.

This opinion recognises that the business is 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.

nominations committee

The purpose of the nominations committee is to assist the board in ensuring that appointments of directors and board committees are made in terms of formal and transparent procedures and to ensure that sufficient consideration is given to the succession of the Chairman, the Chief executive officer and senior management. The committee further assists the board in its determination and evaluation of the effectiveness of the board committees.

The nominations committee recommends, for re-election, directors who retire in terms of the company's articles of association.

The responsibilities of the committee are set out in its terms of reference and include:

- to regularly review the structure, size and composition of the board and its committees and to make recommendations to the board;
- to identify and nominate candidates for approval by the board and to fill board vacancies as and when they arise;
- to review succession plans for the Chairman, the Chief executive officer and senior management; and
- to review the performance of the Chief executive officer and senior management.

The terms of reference is reviewed and updated on an annual basis.

The nominations committee consists of four independent non-executive directors including the Chairman of the board who chairs this committee. The Chief executive officer attends the meetings by invitation. The People director of Woolworths (Proprietary) Limited attends the meetings when necessary.

The committee met a total of four times during the year. The details of individual attendance at the nomination committee meetings are set out on page 31.

Subsequent to the year end, Peter Bacon was appointed as an independent non-executive director and Zyda Rylands, the People director of Woolworths (Proprietary) Limited, was appointed as the first black female executive director.

transformation committee

The transformation committee assists the board in ensuring that strategic transformation polices and initiatives are developed and maintained.

The committee consists of five directors, including Chris Nissen the Chairman of the committee, and the Chief executive officer. During the year Brian Frost was appointed to this committee. The People director of Woolworths (Proprietary) Limited attends the meetings when necessary.

The responsibilities of the committee are set out in its terms of reference which is reviewed and updated on an annual basis. The main responsibilities include:

- consideration of transformation policies, practices and procedures both within the group and at our suppliers; and
- reviewing our progress in respect of economic empowerment.

The committee met a total of three times during the year. The details of individual attendance at the transformation committee meetings are set out on page 31.

remuneration committee

The remuneration committee operates in accordance with its terms of reference, which is reviewed on an annual basis.

The main responsibilities include:

- assisting the directors in fulfilling their responsibilities in establishing formal and transparent policies for people development and executive remuneration;
- determining specific remuneration packages for senior executives of the company, including but not limited to basic salary, performance based incentives, share incentives, severance packages, pensions and other benefits.

Membership comprises four non-executive directors, all of whom are independent. The Chairman of the board, Buddy Hawton, chairs the committee. The Chief executive officer attends meetings by invitation in order to advise on remuneration of senior executives.

Senior executives do not participate in any discussions or decisions related to their own remuneration. The senior executives are defined as the executive directors of Woolworths Holdings Limited and the executive directors of Woolworths (Proprietary) Limited, a major subsidiary.

The remuneration committee made use of the services of external consultants to advise them on executive remuneration and to provide advice on market data, remuneration trends, retention strategy and performance related pay.

The Chairman of the remuneration committee attends the annual general meeting.

The committee met a total of four times during the year. The details of individual attendance at meetings are set out on page 31.

remuneration strategy

Woolworths remuneration philosophy is designed to attract, develop and retain the passionate, committed and talented retailers who are required to effectively implement the overall Woolworths strategy and create value for our shareholders.

The remuneration strategy for senior executives is based on principles of performance and alignment with shareholders' interests. A significant portion of senior executives' total potential remuneration is performance related in order to drive the right behaviour to optimise company performance. Stretch targets are set annually in the context of future prospects of the group and the prevailing economic environment in which it operates.

senior executive remuneration

The senior executive total remuneration package consists of the following:

guaranteed total package including benefits

The guaranteed total package including benefits or cost to company of the senior executives is subject to annual review by the remuneration committee. The targeted pay position for guaranteed total package is aimed between the median and upper quartile when benchmarked against major South African retail and non-retail companies, and is adjusted according to individual responsibility and performance.

short-term incentive scheme

The short-term incentive scheme aims to focus the senior executives on the achievement of the short-term strategic, financial and operational components of the one-year plan. The incentive is payable on achieving certain pre-defined stretch targets, in line with our strategy, using an overall target to trigger the incentive pool and modifiers to determine payout. The scheme is designed to reward performance when targets are met, with higher rewards for exceptional performance.

In the current year, the overall target was set at a pre-defined level of profit before taxation and exceptional items (PBTAE). The modifiers used were headline earnings per share, return on equity, cost effective availability, market share, performance management and achievement of black economic empowerment targets.

During the current year the targeted PBTAE was achieved and the majority of the modifiers were attained.

A revised short-term incentive plan has been implemented for the 2007 financial year.

long-term incentives – share scheme

The share scheme is designed to align the behaviour of senior executives with the achievement of sustainable long-term financial goals and the interests of shareholders. Shares are considered an essential element of senior executive remuneration and comprise a material part of their remuneration. Grants are reviewed on an annual basis against our comparator group to ensure alignment with the market.

The number of shares that are granted each year depends on company performance against the pre-defined stretch targets. Grants are allocated at varying multiples of annual guaranteed total package. Grants are not awarded if minimum targets are not met.

The share scheme includes the following performance criteria and respective weightings:

Performance criteria	Weighting
Total Shareholder Return (TSR)	25%
Financial measures (HEPS growth and ROE%)	50%
Value added measures	25%

The criteria and weightings are reviewed on an annual basis.

TSR is measured relative to the performance of a comparator group of other retailers against a combination of the General Retailers Index and the Food and Drug Retailers Index. Targets set for growth in headline earnings per share and return on equity are also externally benchmarked against the above comparator group. On an annual basis the remuneration committee reviews the appropriateness of the comparator group.

The table on page 29 shows the share allocation awarded for performance achieved in the 2006 financial year. The Chief executive officer received a grant of shares equal to 140% of his annual guaranteed total package, while the other senior executives received a grant of shares equal to 100% their annual guaranteed total package.

A general meeting will be convened on 15 November 2006 immediately following the annual general meeting in order to table amendments to the Woolworths Holdings Share Trust for shareholder approval. The effect of the amendments will be to revise the terms of the executive share scheme.

Details relating to the share trust are set out in the directors' report on page 54.

The non-executive directors do not participate in short or long-term incentive schemes.

executive directors' service contracts

The executive directors have employment contracts which do not contain notice periods exceeding twelve months and do not provide for pre-determined termination compensation in excess of one years' salary and benefits.

directors' fees and emoluments

Fees for non-executive directors are recommended by the remuneration committee to the board prior to approval by our shareholders at the annual general meeting.

The 2006 fees for non-executive directors were approved at the 2005 annual general meeting. The proposed fees for 2007, which will be tabled for approval at the forthcoming annual general meeting, are set out below together with the fees approved for 2006;

	Proposed 2007	Approved 2006
Services as directors		
Fees:		
Chairman of the board	R500 000	R450 000
Director (SA)	R102 000	R95 000
Director (UK)	£30 000	£29 400
Audit Committee		
Chairman	R112 000	R100 000
Member	R62 500	R60 000
Risk Committee		
Chairman	R79 000	R74 000
Member	R39 500	R37 000
Remuneration Committee		
Chairman	R90 000	R84 000
Member	R45 000	R42 000
Transformation Committee		
Chairman	R79 000	R74 000
Member	R39 500	R37 000
Nominations Committee		
Member	R10 500	R10 000
* Sustainability Committee		
Chairman	R13 000	-
Member	R6 500	-

* Established as a formal committee on 22 August 2006.

directors' fees and emoluments (continued)

Emoluments paid to directors of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 2006 and comparatives for 2005 are set out below:

2006

Name	Notes	Fees R000's	Remuneration R000's	Retirement, medical and related benefits R000's	Performance bonus R000's	Other benefits (1) R000's	Interest free loan benefit (2) R000's	Total remuneration R000's
Executive directors								
Simon Susman	3	145	2 995	605	3 426	22	1 013	8 206
Richard Inskip	4	-	1 866	199	1 410	102	781	4 358
Norman Thomson	3	145	1 543	187	1 181	31	799	3 886
		290	6 404	991	6 017	155	2 593	16 450

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R000's	Risk committee member R000's	Nomination committee member R000's	Transformation committee member R000's	Other fees R000's	Total non-executive directors' fees R000's
Non-executive directors									
Buddy Hawton		450	-	84	-	10	37	12	593
Mair Barnes	5	338	-	42	-	10	-	-	390
Nigel Colne	5	338	60	42	37	10	-	1	488
Brian Frost	6	95	-	42	37	10	9	26	219
Mike Leeming		95	100	-	74	-	-	9	278
Chris Nissen	7	95	-	-	-	-	74	8	177
Sindi Zilwa		95	60	-	-	-	37	11	203
Nolitha Fakude (past director)	8	40	-	-	-	-	15	-	55
		1 546	220	210	148	40	172	67	2 403

Notes:
1 Other benefits includes discounts received on purchases made in our stores.
2 The interest free loan relates to the purchase of shares under the Woolworths Holdings Share Trust. The benefit for 2006 was calculated at 8% on the value of the outstanding loan.
3 Includes fees of A$30 000 payable by Country Road.
4 Other benefits include consultancy fees paid by Country Road.
5 Fees are paid in Sterling to British residents.
6 Includes payment of R18 000 in respect of the sustainability forum and Woolworths Trust.
7 Includes payment of R3 000 in respect of the sustainability forum.
8 Resigned on 25 November 2006.

2005

Name	Notes	Fees R000's	Remuneration R000's	Retirement, medical and related benefits R000's	Performance bonus R000's	Other benefits (1) R000's	Interest free loan benefit (2) R000's	Total remuneration R000's
Executive directors								
Simon Susman	3	139	2 767	567	0	18	562	4 053
Richard Inskip	4	-	1 695	180	0	98	503	2 476
Norman Thomson	3	139	1 433	183	0	28	432	2 215
		278	5 895	930	0	144	1 497	8 744

Name	Notes	Fees R000's	Audit committee member R000's	Remuneration committee member R000's	Risk committee member R000's	Transformation committee member R000's	Other fees R000's	Total non-executive directors' fees R000's
Non-executive directors								
Buddy Hawton		350	-	80	-	35	11	476
Mair Barnes	5	324	-	40	-	-	-	364
Nigel Colne	5	324	47	40	35	-	1	447
Nolitha Fakude (past director)		90	-	-	-	35	1	126
Brian Frost	6	90	-	40	35	-	18	183
Mike Leeming		90	73	-	70	-	7	240
Chris Nissan		90	-	-	-	70	5	165
Sindi Zilwa		90	40	-	-	35	9	174
		1 448	160	200	140	175	52	2 175

Notes:
1 Other benefits includes discounts received on purchases made in our stores.
2. The interest free loan relates to the purchase of shares under the Woolworths Holdings Share Trust. The benefit for 2005 was calculated at 8.5% on the value of the outstanding loan.
3. Includes fees of A$30 000 payable by Country Road.
4 Other benefits include consultancy fees paid by Country Road.
5. Fees are paid in Sterling to British residents.
6. Includes payment of R7 500 in respect of the sustainability forum and Woolworths Trust.

directors' interests in shares

Details of directors' interests in the shares of the company are disclosed in the directors' report. Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust, which are outstanding for the year ended June 2006 are set out below:

share purchase scheme — **June 2006**

		Shares at 30 June 2005		Shares awarded during or in respect of current year performance		Shares sold during the year			Shares at 30 June 2006	
Name	Offer Date	Number	Price	Number	Price	Number	Sale Price	Profit (R'000)	Number	Price
Simon Susman	May 1999	600 000	3.22						600 000	3.22
	May 2000	255 958	2.70						255 958	2.70
	December 2000	1 154 900	2.77						1 154 900	2.77
	June 2001	6 597 610	3.03						6 597 610	3.03
	August 2002	879 397	3.98						879 397	3.98
	August 2003	780 039	5.16						780 039	5.16
	December 2004	440 755	10.59						440 755	10.59
	August 2005			412 697	11.31				412 697	11.31
	September 2006 [3]			378 947	13.30				378 947	13.30
Total		10 708 659		791 644					11 500 303	
Richard Inskip	December 1998	113 667	2.60						113 667	2.60
	December 2000	585 290	2.77						585 290	2.77
	March 2001	500 000	2.82						500 000	2.82
	June 2001 [1]	350 000	3.03						350 000	3.03
	August 2002	376 884	3.98						376 884	3.98
	August 2003	314 922	5.16						314 922	5.16
	December 2004	274 788	10.59						274 788	10.59
	August 2005			165 782	11.31				165 782	11.31
	September 2006 [3]			155 263	13.30				155 263	13.30
Total		2 515 551		321 045					2 836 596	
Norman Thomson [2]	December 1998	46 667	2.60						46 667	2.60
	May 1999	166 667	3.22						166 667	3.22
	December 2000	236 800	2.77						236 800	2.77
	March 2001	607 086	2.82						607 086	2.82
	June 2001 [1]	1 120 297	3.03						1 120 297	3.03
	August 2002	329 774	3.98						329 774	3.98
	August 2003	290 698	5.16						290 698	5.16
	December 2004	152 597	10.59						152 597	10.59
	August 2005			142 882	11.31				142 882	11.31
	September 2006 [3]			130 075	13.30				130 075	13.30
Total		2 950 586		272 957					3 223 543	
Total		16 174 796		1 385 646					17 560 442	

Notes:

All offers vest over a 5 year period at 20% per annum except the 14 May 1999 offer which vests over 7 years.

The vesting over the 7 year period is as follows: 20% vests after year 2, 10% vests after year 3,4 and 5 respectively and 25% vests in years 6 and 7, respectively.

The shares granted in August 2006 relate to grants for the achievement of performance criteria for the year ended 30 June 2006.

[1] = The 1 June 2001 offer of shares were converted from deferred delivery to normal shares in this year.

[2] = In addition to the shares held through the share purchase scheme, Norman Thomson holds 2 620 shares in his own name. These shares are included in the shares disclosed in the directors' report.

[3] = These shares were issued in respect of performance for the year ended 30 June 2006. These shares are not included in the directors' interests in shares in the directors' report on page 54 as they were issued after 22 August 2006.

The loans used to purchase the shares must be repaid within ten years of the offer date.

Gains on sale of shares in previous year

Name	Offer Date	Number	Price	Number	Sale Price	Profit (R'000)
Simon Susman	December 1998	70 000	2.60	70 000	10.46	550
	May 2000	647 468	2.70	647 468	10.46	5 024
						5 574
Richard Inskip	December 1998	63 667	2.60	63 667	10.46	500
	December 2000	81 609	2.77	81 609	10.46	628
						1 128
Norman Thomson	December 1998	70 000	2.60	70 000	10.46	550
	December 2000	59 200	2.77	59 200	10.46	455
	March 2001	59 580	2.82	59 580	10.50	458
						1 463

directors' interests in shares (continued)

As at 30 June 2006, the following proceeds and profit would have been earned on the disposal of the shares allocated, but not yet vested. This profit would have been forgone if the directors had resigned, and as such forms part of our retention strategy.

	Proceeds on disposal (R'000)	Profit on disposal (R'000)
Simon Susman	21 716	9 499
Richard Inskip	9 937	4 159
Norman Thomson	7 827	3 493

Share option scheme **June 2006**

		Share options at 30 June 2005		Share options granted during the year		Share options exercised/ transferred during the year			Share options at 30 June 2006	
Name	Offer Date	Number	Price	Number	Price	Number	Exercise price	Profit (R000's)	Number	Price
Richard Inskip	May 1999	300 000	3.22			29 624	15.61	367	270 376	3.22
	June 2001	270 376	3.03			270 376	15.61	3 401	-	-
Total		570 376				300 000		3 768	270 376	

Notes:

1. There is no IFRS expense recognisable in respect of these options, as all options were offered prior to October 2001.
   The 14 May 1999 offer vested over a 7 year period as follows: 20% vested after year 2, 10% vested after year 3,4 and 5 respectively and 25% vested in years 6 and 7 respectively.
   The June 2001 offer vested over a 5 year period at 20% per annum.
   The options must be exercised within 10 years of the offer date.

corporate governance policies

In addition to the delegation of authority, the company has appropriate policies, which are designed to drive and embed effective corporate governance processes, including:

- insider trading;
- price sensitive information;
- independent professional advice for directors;
- external auditor independence; and
- fraud, theft and corruption.

The insider trading and price sensitive information policies are discussed in more detail below.

insider trading and price sensitive information

During the year the insider trading policy was revised, to include additional restrictions on directors' trading in shares of listed suppliers, where the group accounts for more than 10% of that supplier's turnover. Trading in these shares needs approval and trading must not occur in the suppliers' closed period.

In terms of the insider trading policy, the Group secretary regularly disseminates written notice to all directors and senior management throughout the group, highlighting the provisions of the Securities Services Act and JSE Limited requirements and informing them that dealing in Woolworths shares during certain restricted periods, may not be undertaken.

No director or any employee who participates in the share scheme may trade in Woolworths shares during embargo periods determined by the board. These include a period of two months prior to the publication of interim financial results and annual financial results of the group. In line with the Listing Requirements of the JSE Limited, procedures have been put in place to ensure that no director of the company trades in the company's shares without the prior requisite written approval having been obtained.

A report detailing the dealings in securities by the directors, the directors of subsidiaries and the Group secretary is tabled at each board meeting, and is disclosed in accordance with the Listings Requirements of the JSE Limited.

The above is complemented by the price sensitive information policy, which governs trading in shares by any employee and/or director with unpublished price sensitive information. Projects and/or initiatives, which are price sensitive, are registered with the Group secretary and employees and/or directors involved in these projects are required to sign confidentiality agreements and are restricted from trading in shares.

ethical and moral behaviour

The group is committed to the highest levels of professionalism and organisational integrity in its business dealings with stakeholders. Our code of ethics sets out the standards that we expect to attain when dealing with all customers, suppliers, franchise partners, employees, competitors, community and our shareholders. In addition, the code contains guidelines with respect to gifts, travel and entertainment as well as a code of conduct for our business partners.

We are currently reviewing our vision and values. This will include a revision of our code of ethics and during next year the revised values and code of ethics will be communicated to our stakeholders.

investor relations

It is the policy of the group to pursue dialogue with all shareholders, where practicable. The board believes in communicating to investors the group's strategies and financial performance in a timely, relevant and balanced manner and places emphasis on objective, honest, relevant and balanced communication to investors.

There is regular dialogue with institutional investors who, along with the sell-side analysts, are invited to briefings by the group immediately after the announcement of the interim and final results. These presentations are published on the Woolworths Holdings Limited web site. Care is exercised to ensure that any price sensitive information is released to all shareholders at the same time in accordance with the Listings Requirements of the JSE Limited.

The group encourages shareholders to attend annual general meetings. This forum accords shareholders the opportunity to ask questions and seek clarification from the board on matters affecting the group in particular and shareholders in general.

country road

Country Road has established codes and procedures to govern the conduct of its activities and people in accordance with the Australian Stock Exchange Corporate Governance Council's Best Practice Recommendations and the local statutory requirements. Country Road operates its own audit and remuneration committees in which directors of Woolworths Holdings Limited are represented, the details of which are contained in that group's financial statements.

A code of conduct sets out the principles and standards to be met and emphasises that all officers and employees are expected to act in accordance with the law and the highest standards of propriety.

sponsor

The corporate sponsor is Rand Merchant Bank (a division of FirstRand Bank Limited), appointed in compliance with the Listings Requirements of the JSE Limited.

schedule of attendance at meetings

attendance at board meetings

Director	Aug 2005	Nov 2005 Strategy	Nov 2005 Board	Feb 2006 Strategy	Feb 2006 Board	May 2006 Strategy	May 2006 Board
Buddy Hawton[C N]	✓	✓	✓	✓	✓	✓	✓
Simon Susman[CEO]	✓	✓	✓	✓	✓	✓	✓
Mair Barnes[N]	✓	✓	✓	✓	✓	✓	✓
Nigel Colne[N]	✓	✓	✓	✓	✓	✓	✓
Nolitha Fakude[R]	✓	✓	✓	-	-	-	-
Brian Frost[N]	✓	✓	✓	✓	✓	✓	✓
Richard Inskip[E]	✓	✓	✓	✓	✓	✓	✓
Mike Leeming[N]	✓	✓	✓	✓	✓	✓	✓
Chris Nissen[N]	✓	✓	✓	A	A	✓	✓
Norman Thomson[E]	✓	✓	✓	✓	✓	✓	✓
Sindi Zilwa[N]	✓	✓	✓	✓	✓	✓	✓

C = Chairman
CEO = Chief executive officer
N = independent non-executive director
E = executive director
R = resigned on 25 November 2005
A = absent with apologies tendered

attendance at the risk committee meetings

Director	Aug 2005	Nov 2005	Feb 2006	May 2006
Mike Leeming[C N]	✓	✓	✓	✓
Simon Susman[CEO]	✓	✓	✓	✓
Nigel Colne[N]	✓	✓	✓	✓
Brian Frost[N]	✓	✓	✓	✓
Richard Inskip[E]	✓	✓	✓	✓
Kevin Stanford	✓	✓	✓	✓
Norman Thomson[E]	✓	✓	✓	✓

C = Chairman
CEO = Chief executive officer
N = independent non-executive director
E = executive director

attendance at the audit committee meetings

Director	Aug 2005	Nov 2005	Feb 2006	May 2006
Mike Leeming[C N]	✓	✓	✓	✓
Nigel Colne[N]	✓	✓	✓	✓
Sindi Zilwa[N]	✓	✓	✓	✓

C = Chairman
N = independent non-executive director

attendance at the nomination committee meetings

Director	Aug 2005	Nov 2005	Feb 2006	May 2006
Buddy Hawton[C N]	✓	✓	✓	✓
Mair Barnes[N]	✓	✓	✓	✓
Nigel Colne[N]	✓	✓	✓	✓
Brian Frost[N]	✓	✓	✓	✓

C = Chairman
N = independent non-executive director

attendance at the transformation committee meetings

Director	Aug 2005	Nov 2005	May 2006
Chris Nissen[C N]	✓	✓	✓
Buddy Hawton[CB N]	✓	✓	✓
Simon Susman[CEO]	✓	✓	✓
Brian Frost[AP N]	-	-	✓
Nolitha Fakude[R]	✓	✓	-
Sindi Zilwa[N]	✓	✓	A

C = Chairman
CB = Chairman of board
CEO = Chief executive officer
N = independent non-executive director
R = resigned on 25 November 2005
AP = appointed to the committee with effect from 15 May 2006.
A = absent with apologies

attendance at the remuneration committee meetings

Director	Aug 2005	Nov 2005	Feb 2006	May 2006
Buddy Hawton[C N]	✓	✓	✓	✓
Mair Barnes[N]	✓	✓	✓	✓
Nigel Colne[N]	✓	✓	✓	✓
Brian Frost[N]	✓	✓	✓	✓

C = Chairman
N = independent non-executive director


to grow them

we aspire to be
the most **trusted** and
respected modern
South African retail brand

Simon Susman (56)
Chief executive officer

Zyda Rylands (41)
Director: people

Cherrie Lowe (51)
Head: corporate governance and group secretary

Richard Inskip (44)
Director: operations and financial services

woolworths retail

directorate

Norman Thomson (55)
Director: finance

Kevin Stanford (47)
Director: selling

Richard Butt (55)
Director: product

our customers

Woolworths core customer is discerning, loyal and increasingly vocal – making sure that their local retailer hears their concerns and provides the right product and service to meet their needs, consistently.

Our strategy continues to focus on attracting and retaining more of these loyal customers with high disposable income, whilst remaining accessible to the aspirational customers with lower disposable incomes but who are increasingly looking to us to give them the quality and value that they deserve.

Encouraging the committed Woolworths food shopper to buy clothing, and the clothing shopper to shop Woolworths food, and all of them to use Woolworths financial services products, remains key to maximising the customer opportunity gap.

Woolworths MySchool programme continues to make a difference in the community through the donation of a percentage of customers' MySchool spend to schools throughout South Africa.

Feedback from our customers tells us that they are concerned about the environment and minimising the environmental impact of all products continues to be a key focus for the business and a critical success factor in all new product development.

2007 focus

Customers expect to find the right product in the right place at the right time and this product availability remains a challenge. Significant focus is being placed on the quality of planning and cataloguing across the business. Medium and small stores, in particular, have been impacted and an improvement in this area represents a good opportunity to grow sales.

The recently passed National Credit Act and the proposed Consumer Protection Bill provide the base guidelines for the business' direct relationship with customers.

clothing and home

Turnover in Woolworths clothing and home grew by 12.4% (8.2% in comparable stores) with deflation of 1.0%. Market share remained stable at 15.6%.

The focus for 2006 has been on implementing a more consistent taste level across the business through the introduction of a design-led clothing business. Woolworths buyers buy according to a definitive design brief thus ensuring a consistent level of taste across the business.

Linking the role of design with technology has helped to deliver greater product innovation. Great strides have been made in technology, enabling Woolworths to drive innovation and newness to our customers whilst still delivering a quality product. A more strategic sourcing model has helped us significantly re-engineer our value proposition. The proposed quotas on goods and fabric could have a major impact on these values.

There has been a focus on value in Woolworths with special attention given to more competitive opening price points, ensuring that customers receive the best value whilst never needing to compromise on quality. This is evidenced by continued strong volume growth over the past year.

Part of the sourcing strategy has involved identifying centres of excellence offshore to enable us to meet customers' demands for great quality and innovation at good value. Although this will continue to be a key aspect of the strategy, Woolworths recognises and supports the local South African supply base who continue to be strategically important - driving improved response times, better availability and greater flexibility.

In line with this commitment, we have been working closely with partners in the local clothing industry, including manufacturers, local and national government and other retailers, to develop a more competitive and sustainable local clothing and textile industry. In addition, Woolworths has focused on developing appropriate BEE supplier partnerships in both clothing and food, working towards more sustainable local businesses.

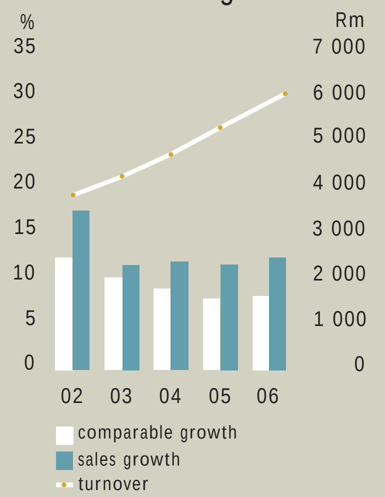
2007 focus

In 2007 Woolworths will continue on the journey towards a revitalised clothing business, providing our customer with the building blocks of the wardrobe and home for which Woolworths is respected. We believe that we have laid the platform for consistent growth across all product areas.

In home the focus is to build on the platform that has been laid in 2006, improving the taste level and delivering this more consistently across the ranges.

We are very excited about the launch of our new beauty offering in October 2006. This will include a re-launched private label offering, with significant innovation, which has been developed on the principles of good beauty and a natural platform. We will also introduce selected brands that offer innovation and customer appeal and are consistent with the Woolworths brand principles.

clothing and home turnover and growth



womenswear

Womenswear focus has been on maintaining and increasing Woolworths market share by:

- updating Woolworths classic merchandise with particularly good successes in casual wear;
- reinvigorating W-Collection – a key pillar in the total Woolworths offering which encourages food shoppers to shop Woolworths clothing; and
- providing availability of core wardrobe items.

lingerie

The key focus for lingerie has been to re-establish the supply base to enable Woolworths to drive innovation back into this category. This innovation is not only focused on significant newness but on fabric, colour and comfort, a driving factor as evidenced by the success of the seam-free lingerie range.

Availability in lingerie was a challenge earlier in the year but this was rectified in winter and the related market share loss is beginning to be reversed with increased availability in core product.

menswear

Menswear continued to lose market share during the year but has just started to see the impact of Woolworths clothing strategy – driving a design-led business, with a more consistent taste level across all the ranges – which is finding positive support from our customers. Strategic sourcing and a focus on technology processes are also providing customers with enhanced quality and value.

Formalwear continues to perform well and this year has seen the setting of the foundation for the re-launched W-Collection, which we see as a considerable opportunity to further entrench Woolworths clothing with our food customer.

childrenswear

The key focus in childrenswear has been to keep pace with growth in the market. It has been encouraging to see an increase in market share in the latter months of the year.

The cornerstones of this success have been:

- improved value with no sacrifice in quality;
- ability to sell big volumes of the most wanted value items; and
- particular success in toddlerwear which has seen large volume growth.

footwear

Ladies' and children's footwear have again performed well, continuing to show good growth. Woolworths men's footwear has been appreciably improved with the range now meeting a taste level that appeals to customers, which is translating into good growth in terms of market share.

Significant rationalisation of Woolworths ranges has led to improved availability across the board. In children's footwear, the focus has been on safety and comfort and this has been delivered through Woolworths Walkmates range.

accessories

Good levels of growth have been maintained in this fast moving and growing market. A key learning is that this product needs to be continually re-invented, providing a high level of newness to the customer.

home

The focus for the year has been to dominate key categories of the homeware business including bathroom, sheeting, crockery and vases. A W-Collection range was introduced and has been well received. This, combined with good availability and lower prices across the product spectrum has resulted in good volume growth.

cellular and technology

Woolworths continues to offer customers a range of cellular product across 95 stores nationwide. Sales in this category grew at 20% in the past year. Woolworths recently launched Virgin cellular, becoming the first and largest Virgin retail channel and the only retailer to sell all 4 service providers, offering customers a complete choice of cellular service provider.

financial services

Woolworths financial services business continues to be an integral component of the overall business strategy, cementing our relationship with our customers and delivering good returns to the business.

The financial services business is anchored in four core product lines: store card, credit card, personal loans and non-interest revenue, for example, card insurance. All products performed well during the year although bad debt across the books increased.

This increase in bad debt can be attributed in part to the tightening credit environment and partly to a strategic move towards a more aggressive customer acquisition and credit-granting strategy, specifically for the store card. Further, an upgrade of our IT systems impacted on our level of bad debt. Despite a more aggressive acquisition strategy, Woolworths rejection rate continues to be higher than most of the industry with just under 50% of customer credit applications rejected.

The launch of the Woolworths loyalty programme during the year reinforced the "one card for all" strategy. This focuses on acquiring new customers to the Woolworths financial services brand and offering customers a broader range of services through a single card: the financial services product, loyalty and a related reward component, and a community contribution through the MySchool programme. The Woolworths Difference loyalty card was introduced during the year, giving us the means to communicate directly with our customers even if they don't necessarily want a Woolworths financial services credit product.

Woolworths card

Woolworths card book continues to grow with more than 120 000 new customers (14.5% year:year growth) and a 15.4% growth in the book. This card continues to account for about a third of all Woolworths retail sales. A new interest calculation was introduced during the year, effectively reducing the credit period and delivering a better yield, bringing Woolworths into line with other major financial institutions. Although net bad debt including recoveries increased to 2.8%, it is still well within acceptable norms.

personal loans

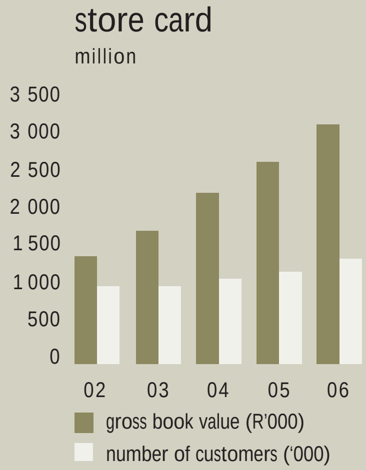
The personal loan book grew solidly at 21.7% with 15% more customers than last year and net bad debt including recoveries up slightly to 2% from 1.6% in 2005.

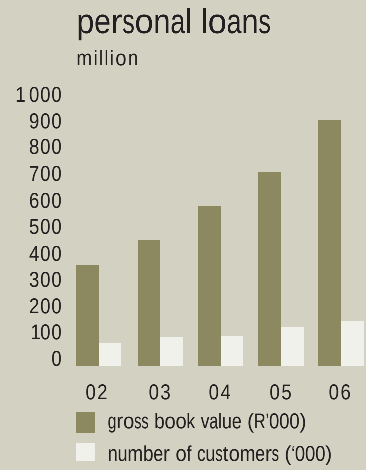
Woolworths Visa card

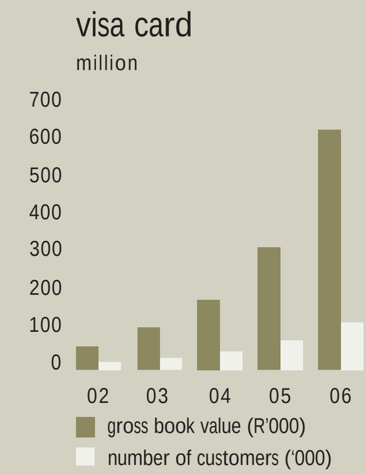
More customers adopted the Woolworths Visa card as their preferred form of credit with a 63% increase in active accounts and book growth of 95%. Net bad debt including recoveries increased to 5.1% from 4.6% in 2005.

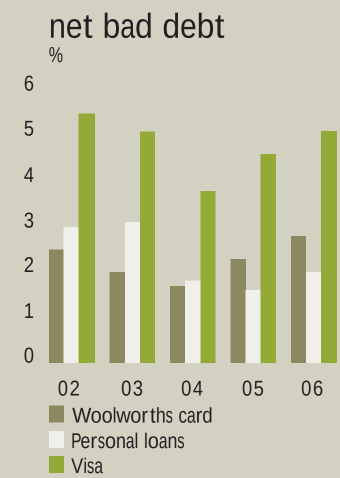
2007 focus

Continued growth across all product groups is expected alongside an ongoing growth of non-interest revenue products. We expect a rising interest rate environment and, as a result, customers may find debt management more difficult and the focus for the year ahead will be rigorous management of our books and related collections.

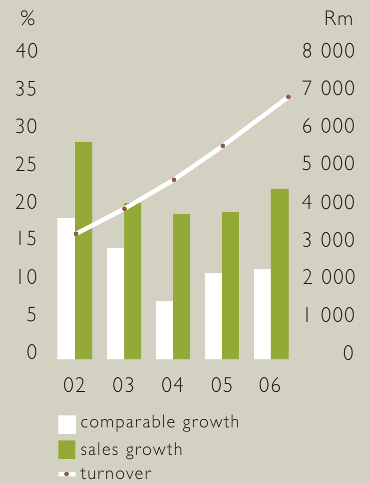








food
turnover and growth



food

The food business continued to experience strong growth during the year under review. Market share at the close of the year reached an all time high of 8.5% (2005: 8%).

growth

Food sales were up 22.5% on the previous year (2005: 19.4%) with growth in comparable stores of nearly 12%. The strong like-for-like growth demonstrates that we are consistently gaining ground in building an improved main shop experience for our customers and that our convenience food stand-alone format continues to satisfy customers' shopping needs. Additional growth was achieved through an aggressive roll-out of our convenience stores.

Food inflation remained relatively low during the year, averaging 4.2% (2005: 3%).

the good food journey

Woolworths continues to focus on offering customers healthy, natural and superior food products. Despite operating in an ever-more competitive environment, this focus on good food, innovation, quality and convenience has paid dividends.

Whilst the fresh produce business remains the Woolworths stronghold and is the greatest contributor to turnover, the extended grocery offering and limited selection of branded products has contributed to the strong growth and to meeting customers' main shop needs.

During the year focus was placed on analysing the customer basket from core to luxury and assessing the gaps – new ranges and products were launched to fill these gaps. The year saw an expansion in our product ranges, focussing on themes such as traditional, authentic, handmade or homemade and steam cuisine, all with delicious, simple, healthy ingredients. The good food journey continued, encompassing our ever expanding organics offering, our first-to-market "Flavourburst" and "Discovery" ranges in fresh fruit and vegetables and the considerable innovation and advancement introduced in dairy.

2007 focus

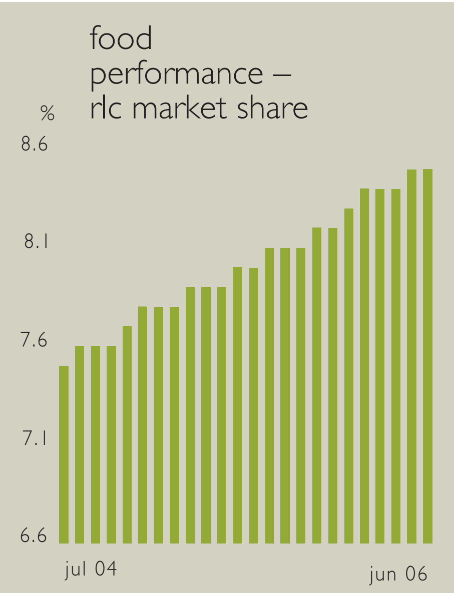
To continually and significantly shift Woolworths market share and further strengthen our core value proposition, the predominant focus of the food business will be to provide a superior quality, innovative product with availability levels our customers can trust.

With Woolworths limited assortment formula, absolute availability remains our biggest challenge in growing this business and considerable focus has been directed on improving the quality of our planning and cataloguing.

Value, both in terms of product differentiation and price, remains a key issue and the ongoing repositioning of real and perceived value and price perceptions is ongoing.

As we grow our business, the importance of the calibre and strength of our supplier base is increasing – building capacity is fundamental in supporting our aggressive growth targets whilst continually striving to improve our quality standards. Woolworths suppliers are integral and vital partners on this journey to consistently deliver the healthiest, most delicious food to South Africans.

Woolworths technologists work with suppliers to encourage them to use the most up-to-date sustainable farming and production methods. Complementing this, we have significantly bolstered the calibre of our food procurement team with a focus on technology, food innovation and improved planning skills, which will continue.



selling

2006 was earmarked as a year of growth for Woolworths. An aggressive store roll-out programme was put in place to respond to customers' demands for a more convenient shopping experience and to bring Woolworths closer to new markets as our customer base broadens.

During the year 14.4% more food footage was added, offering a more convenient shop to more of our food customers, whilst 6.4% more clothing and home footage was added, introducing the Woolworths brand to new markets. The compact format of Woolworths Food stores is proving a key advantage and this, together with the customer focused full-line store design, has generated additional sales in the new locations.

New format Home & Food stores were opened in two locations, Willowbridge (Cape Town) and Design Quarter (Gauteng), and these new and unique trading formats, successfully combining home, food and a restaurant experience under the Woolworths brand have been well received by customers. Further locations for this store format are now under investigation.

2007 focus

The store roll-out programme continues with a focus on convenience – new Woolworths food convenience stores in suburbs closer to customers' homes and continued momentum behind the roll-out of the Engen Food Stop convenience format. A modest modernisation programme will be continued into 2007 with some spend allocated to the extension of certain key stores which currently overtrade.

Full-line stores will be opened in select regional malls, bringing the brand to customers who have previously had to travel to experience Woolworths – the first full line store in Soweto opens in Jabulani late in 2006 with a further flagship store in Maponya Mall in 2007. We are excited by the opportunities of this new market.

Woolworths trading space	June 2005 m²	June 2006 m²	% change 2005–2006	Projected June 2007 m²
Total Footage	389 645	422 367	8.4	448 136
clothing and home	302 259	321 602	6.4	333 925
food	84 849	97 065	14.4	110 511
coffee	2 537	3 700	45.8	3 700
Number of stores	274	309	12.8	366
corporate	149	173	16.1	207
■ full line	84	93	10.7	100
■ clothing and home	5	6	20.0	6
■ food	60	74	23.3	101
franchise - SA	74	84	13.5	107
franchise – international	51	52	2.0	52

managing our stores

Strong footage growth over the year presented significant challenges around ensuring a pipeline of talented retailers to take up the new positions created by the quantum of new store openings. Attracting, developing and retaining this talent will continue to be the major focus this year and Woolworths current accredited learnerships, in both management and sales advisors, are being strongly supported to develop this pipeline.

Woolworths remains committed to improving the levels of customer service and trialled different service approaches during the year. Assisted self selection will remain the basis of Woolworths service delivery – ensuring that a sales consultant is on hand when a customer needs assistance, and making it easy for customers to find what it is they are looking for. This service ethos will be supported by a focus throughout the business on effective product availability on the sales floor.

In all Woolworths retail operations, in line with our sustainability focus, energy usage is carefully monitored and targets are set annually in an attempt to drive down energy usage in stores. Health and safety continues to be a key concern for both customers and employees and the policy and processes are regularly reviewed and updated to ensure continual improvement and compliance with current legislation.

2007 focus

More than 13 000 people are employed on the selling side of Woolworths and 2007 will see a focus on the development of a compelling employment proposition ensuring greater stability in the team.

Customer satisfaction remains key to building sustainable selling formats and service will remain a focus next year with a special emphasis on ensuring that we improve our check-out experience for our customers with more tills available and more staff deployed.

As Woolworths continues to expand retail footage, building design principles will include consideration of customer and employee well-being, as well as issues such as energy efficiency, water, waste and biodiversity management, local sourcing of equipment and materials and noise management.

franchise stores

Woolworths local franchise sales have continued to perform well above the market in both clothing and home, and food. This growth has been driven by continued attention to product availability and the catalogue across all stores. Great strides have been made with the appointment of BEE franchisees who now represent 34% of our franchisees (14% in 2006).

We will continue the expansion of the South African franchise stores in appropriate locations and formats.

Sales in our Africa and Middle East franchises have improved over the last 12 months with double digit growth being achieved in all countries.

2007 focus

An ongoing focus on attracting successful BEE franchisees to the Woolworths brand in appropriate geographies and profitable store formats will help to build successful black-owned business and supports South African entrepreneurs.

Woolworths will continue to grow the local franchise business profitably.

supply chain

Woolworths supply chain operates a centralised distribution model covering all inbound logistics, the central distribution centres and our transport operations, as well as deliveries to stores. This centralised model is the core platform for supporting Woolworths ongoing growth.

Woolworths centralised distribution model provides clear competitive advantage – simplifying distribution for suppliers (a single drop or pick up), simplifying deliveries to stores (again a single drop), lowering the cost to operate and improving our control of the key aspects of logistics, for example, the cold chain, ultimately ensuring that our product quality is of a consistently high standard. The model enables Woolworths supply chain to deliver and sustain cost-effective availability of a wider product range in different store types across broad geographic locations (for example, full-line stores, food stand-alones and Engen Food Stop convenience stores).

Last year, we reported that our focus for 2006 would be the investment in additional capacity to cope with the growth. We have invested more than R500m in capacity building for the future, including the construction of the new, consolidated distribution facility in Midrand, Gauteng. This project started in June 2005 and is on track for completion in February 2007, and is a state of the art multi-functional facility which will consolidate five distribution facilities in Gauteng and enable management, labour and transport synergies.

The development has been consistently reviewed against world-wide best-practice to minimise the environmental impact of both the development and related logistics operations. (Note: further detail on this can be found in the separate Sustainability report.)

Woolworths supply chain volumes

	2004	2005	% change	2006	% change
Food Total distribution units in foods including franchise (millions)	38.2	44.1	15.4	54.2	22.9
Clothing and home Total distribution units in clothing and home (millions)	4.2	4.7	11.9	5.4	14.9

The distribution centre is the largest of the capacity building initiatives in the supply chain introduced to enable us cope with our rapid growth, and was complemented by an addition of 10 700m^2 to the Cape Town and Durban's distribution facilities which came on line during the year.

The total distribution units handled through Woolworths distribution centres grew rapidly for the second successive year and resources in all distribution centres were expanded to cope with this growth.

Supply chain management have focused on the end-to-end optimisation of the cost to supply and this focus is delivering results. Good productivity gains in labour and transport enabled Woolworths to reduce the distribution cost per unit in food despite the 33% increase in the cost of fuel in the past year.

As Woolworths growth strategy demands the roll-out of new trading formats, new sourcing locations and new product types, so the supply chain and logistics operations are continually reviewed in order to provide the necessary support.

The most significant operational challenge of the year was the 55 day national strike experienced by the Woolworths distribution team over the peak trade period in December. Service levels were maintained throughout the strike and customers' needs were fully met during this critical trading period.

2007 focus

The focus areas for the year ahead will be to bring on line the Midrand distribution centre in early 2007, to enable an effective and efficient import capability for all product types, and to lead an integrated project to improve availability across all product types and store locations. Environmental efficiencies and a focus on the social aspects of this new work environment remain key drivers of this programme.

Planning has commenced for investment to increase capacity in Cape Town and Durban.

information technology

The operations systems team effectively managed another year of an aggressive roll-out programme of system renewal and simplification, and are well into implementation of the fifth year of change – change which has affected every aspect of the organisation. Capital investment in systems renewal will exceed R500m by the completion of the current programme at the end of the 2007 year.

Change has been a key feature of the information technology transformation programme and the most critical aspect of this programme has been the management of change in the organisation as employees are introduced to new processes, technology and systems and, in many instances, are required to develop new skills. Overall, excellent progress has been made with relatively little disruption to everyday operations – there has been good acceptance and implementation of the changes throughout the business.

Business benefits from the renewal of systems in the past year included improved forecasting in both food and clothing, an improved infrastructure to support the business information technology requirements into the future and the introduction of new technologies which enable us to provide an improved service to our customers. In line with this focus, the call centre support technology has been improved, new technology has been introduced to support the loyalty offering and a new and improved point-of-sale system has had an impact on customers' check-out process.

2007 focus

This year will see the final roll-out of Woolworths systems' replacement programme with a key focus on minimising potential operational disruptions. With the roll-out complete, the focus will shift to maximising operational efficiencies and returns out of the renewed systems architecture, with special attention to providing management information which helps to address customer-facing issues such as availability.

people

Growth and change have been key themes in Woolworths over the past twelve months – both of which have a fundamental impact on our people and our ability to meet the capacity and resource needs of the business. Supporting the business strategy by putting the right people in the right jobs, and retaining talented, passionate and committed retailers in the business, remains core to Woolworths people strategy.

In support of this core purpose key people strategies were identified as focus areas for the business during 2006.

- Building a high performance team by:
  - building inspirational leadership that creates the right culture to turn strategy into action;
  - driving an integrated set of business disciplines;
  - driving consistent and transparent processes and practices.
- Developing talented, committed and passionate retailers by:
  - attracting, retaining and developing diverse talent;
  - ensuring that structures are designed to deliver business strategy, ensuring accountability at all levels;
  - building alignment of pay and incentive systems; and
  - creating a culture where people can perform at their best.

In the past year, we continued our review of the organisational structures in order to align these structures to strategy and improve the way we work as a single streamlined business. We envisaged that this structure would create a platform for talent development and drive improved business disciplines. We are starting to see the positive effects of the organisational structure review through clearer job profiles and greater understanding of roles and accountabilities.

2007 focus

We expect the biggest challenge in the year ahead to remain the management of growth – providing the right level of talent to meet customers' needs as the business continues to grow. Accordingly, the focus will be talent development and retention with priority given to increasing the diversity of the Woolworths team at all levels. Supporting the drive to attract and retain talent, the business will continue to focus on shifting the employment framework and culture to a modern, more energising and brand-aligned culture that continues to encourage, motivate and reward high performance.

BEE and transformation

Woolworths remains committed to responsible and sustainable growth in South Africa and continues to focus on a broad based approach to empowerment covering all aspects of the Department of Trade and Industry (dti) scorecard.

Our understanding has deepened in the past year and we ended the year with a far greater awareness of broad based empowerment across the business. Woolworths awaits the release of the final BEE codes by the dti and, in the interim, continues to drive key aspects of this broad-based approach throughout the organisation. (Note: more detail of Woolworths current position vis-à-vis a broad-based scorecard can be found in the separate Sustainability report).

Woolworths core focus for the delivery of BEE and transformation for the year under review was to:

- finalise a proposal for a broad based share scheme for employees, the majority of whom are black;
- continue to create awareness and educate the Woolworths community, including leadership, on broad-based transformation;
- put structures in place and integrate with existing structures for better implementation of BEE across the business;
- continue to drive towards a more diverse workforce with a specific focus on the recruitment and retention of key black talent; and
- review the BEE scorecard and identify the key challenges for Woolworths.

Against these objectives, certain key milestones were achieved, most notably that transformation, specifically BEE, was embraced as a business sustainability imperative and integrated into the Woolworths sustainability index development process.

The work done during the year in reviewing the scorecard components and understanding each business unit's current status and targets has been invaluable in both setting clear objectives for the delivery of broad based BEE as well as further entrenching transformation in the operational plans of each unit.

employment equity and diversity

Woolworths is committed to building a diverse workforce by balancing gender and colour in recruitment and development practices and increasingly introducing people with disabilities into the workplace. Black representation at management levels has increased by 1.7% during the past year with female representation at management levels increasing by 2%.

Woolworths remains fully compliant with all the administrative and procedural obligations of the Employment Equity Act.

People with disabilities represent approximately 0.5% of our workforce and Woolworths actively considers the selection of appropriately skilled people with disabilities. We are committed to integrating people with disabilities into the workforce, and ongoing education and training is seen as a critical part of this journey.

focus 2007

Business units have now accepted responsibility for driving the delivery of BEE against their agreed targets and will make business decisions better informed by BEE requirements. The dti's broad based BEE scorecard provides a legislated framework and guide for tracking BEE progress and this will be used as a management tool for quarterly measurement and reporting.

We will continue to work on the hearts and minds of people through very audience specific workshops on BEE, which form an important element of Woolworths BEE strategy given the nature of BEE and its legacy.

Equally important is the retention of black talent at management levels of Woolworths, which continues to be a challenge for Woolworths and needs further emphasis in the year ahead.

organisational development

Our latest organisational development survey has indicated a substantial shift towards our strategy of being a modern retailer. In addition, our continued work on clarifying and communicating our values and new ways of working will deliver our desired culture.

leadership framework

Woolworths has implemented a leadership framework, which provides us with a tool to interpret what our employees know, are able to do and how they behave at all levels. It provides ten unique, business-critical, organisation-specific retail and leadership competencies. This framework is used to identify future leaders and their individual development needs, helping us to retain and develop our talent.

Occupational Levels	Designated							Non-designated	Total
	Male			Female				Male	
	A	C	I	A	C	I	W	W	
Top Management					1			5	6
Senior Management	5	7	11	1	4	3	38	92	161
Professionals and middle management	39	118	35	43	126	34	278	251	924
Skilled technical and junior management	256	310	85	252	401	81	248	242	1 875
Semi-skilled	2 409	1 134	158	5 181	2 852	321	330	175	12 560
Total Permanent employees	2 709	1 569	289	5 477	3 384	439	894	765	15 526

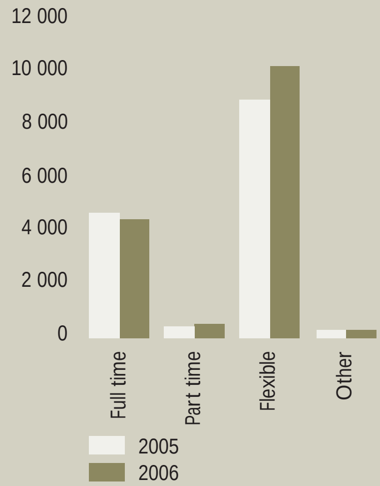
workplace profile

At 30 June 2006, Woolworths employed 15 526 people, a growth of 9% in overall employee numbers reflecting the growth in the business over the past year. We are confident that our employee profile is appropriately split between flexible, part-time and full-time employees, meeting our needs for flexibility as well as providing our people with secure employment and development opportunities.

Woolworths flexible employees in general worked an average of 35 hours per week for the year. People turnover in this category is 32%, which is higher than we would like and we are currently reviewing our employment value proposition with a key focus on meaningful employment and career plans.

employee profile by category

No of employees



employee benefits

Beyond compliance with statutory benefits, Woolworths remains committed to offering a superior employment experience. Current benefits include:

- legal compliance with all statutory benefits, for example, annual leave, sick leave, maternity leave and family responsibility leave;
- additional benefits offered to all our employees include: retirement funding, funeral cover, discounts on merchandise bought, paid maternity leave, additional annual leave, and educational assistance;
- ensuring access to transport to everyone who works either early or late shifts; and
- access to a confidential Voluntary Counselling and Testing (VCT) services and HIV/AIDS disease management programme that includes Anti-Retroviral Therapy (ART).

Note: More information on all benefits and Woolworths HIV/AIDS strategy is available in the Woolworths Sustainability report.

employee relations

Woolworths continues to support the view that a direct relationship with employees is preferred. Employees have a right to union representation but we do not have a recognition agreement in place with any union with the exception of Woolworths logistics division, where employees are represented by SACCAWU. This represents about 4% of our total workforce. During the year Woolworths experienced a strike in this division which lasted for 55 days.

Woolworths is committed to enhancing employees' understanding and engagement with the business through improving the communication process. "Woolies Way" workshops engage staff throughout the selling environment in key business initiatives. In addition to these ongoing workshops, regular internal communication takes place using different channels including internal publications, television broadcasts, e-mails notifications, notice board communication and dedicated roadshows for specific business initiatives.

Improved communication has been identified as a key focus for the business and employee surveys will be conducted to evaluate the effectiveness of the engagement process, ensuring that the majority of our people are receiving the right message at the right time, providing an enabling environment for the delivery of the business strategy.

Woolworths employee relations principles have been determined to promote and entrench fairness, equity and consistency from the beginning to the end of the employment relationship. This includes enhancing the quality of the employment relationship through promoting wellness, capacity building and proactively managing risks within the relationship.

development of our people

Integrated performance management is now integral to our employment practices and was measured as a key performance indicator across the business this year. 98% of employees participated in this process. We are committed to this practice and believe that this is the key in building a high performance organisation.

Ongoing management of talent remains a key priority for Woolworths. Regular talent audits are done and appropriate retention and development plans initiated. Woolworths learning strategy aims to provide a pipeline of retail and leadership talent at all levels, with ready-now knowledge and skills to develop and execute business strategy. In support of this, we are fully accredited by the Wholesale and Retail Seta as a learning provider and registered 246 employees on learnership programmes during the year.

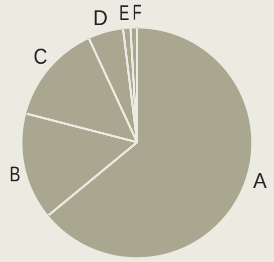
In addition, we continue to run our Retail academy which helps to grow high potential middle managers into leadership roles – 20 employees registered on the programme in the year under review. The programme provides learning in a broad range of retail leadership skills. Individuals wishing to attend the academy undergo a rigorous selection process and, upon successful completion, graduates receive a Post Graduate Diploma in Management Practice from the University of Cape Town.

We offer a further 212 internal learning interventions to support the development of our people with approximately 86% of all training undertaken by our black employees. 1% of direct staff costs were spent on learning in 2006 compared to 1.4% in the previous year and, on average, each person in Woolworths spent 1.3 days on training for the skills year ended 31 March 2006 against a plan of 1.8 days. The reduction in training spend and training days per employee was as a result of the organisational structure review.

The training days have been spent as follows:

- 64% on job related learning;
- 15% on management and leadership development;
- 14% on learnerships; and
- 7% on customer service, environmental, health, safety and security learning.

Number of training days attended 2005 - 2006



A – Job related training
B – Leadership and management
C – Learnerships
D – Ohasa
E – Customer service
F – Adult basic education and training

skills levy

In the last skills year, April 2005 to March 2006, Woolworths paid a skills levy of R9.9m (2005: R8.8m). We recovered our maximum available rebate from the Wholesale and Retail Seta.

Area	Learnerships offered to	Outputs
Product	Trainee buyers, planners and technologists in clothing and home	Technical, functional and management skills in clothing and home
	Trainee buyers, planners and technologists in food	Technical, functional and management skills in food
Selling	Trainee management (accredited with Seta)	Technical and functional skills
	Management in training (accredited with Seta)	Technical and functional skills for managers with work experience

remuneration

Recognising the need to continually re-evaluate the business employment proposition, especially in the stores environment as trading hours are lengthened to meet customers' needs for convenience, Woolworths has embarked upon a review of the selling team's employment proposition. A revitalised employment proposition for the large majority of our employees will support the business' focus on attracting and retaining top retail talent.

Over and above ad hoc focused reviews, Woolworths pay and benefits strategy is continuously evaluated to ensure that Woolworths remains at the forefront of market related remuneration for all employees. In support of the development of a high performance culture, Woolworths employee remuneration is performance-based.

Currently our employees own approximately 3.3% of our issued share capital. 251 employees participate in Woolworths Holdings Share Trust. 422 of our employees participated in an incentive scheme in the year under review.

In meeting our objective of attracting and retaining high performing retailers, we understand the value of recognition, through monetary and non-monetary awards. Formal recognition practice is centred on the quarterly Woolworths Difference awards. Annually, the truly extraordinary people are selected from the people who have received Difference awards across the year and they are nominated for a CEO Difference award.

(Further detail regarding remuneration can be found in the remuneration committee report on pages 26 to 30).

country road

Country Road's retail business performed well with sales increasing by 8.2% on last year. Prices continued to decline (by between10% and 15%) and apparel unit-sales increased by 27% (2005: 30% increase), confirmation that our strategy of providing significantly improved value is working.

Wholesale sales declined significantly during the year (28% down on last year) and particularly in the second half. This was driven principally by the decision to move to a concession agreement with Myer and to reduce wholesale stock holdings. The concession agreement will give the business full price and range responsibility with complete control over the customer proposition.

Overall sales declined by 1.7% on the previous year. Margins, however, improved considerably and despite the significant reduction in wholesale sales, profitability increased. Net profit after tax for the year was A$3.3m and excluding one-off benefits included in last year's result, profit improved by A$1.6m.

Ranges were more fashionable and better balanced and prices were reduced providing even better value to our customers. Stock availability was improved through shortened lead times and increased replenishment on performing key lines. More stores were opened (Darwin, Penrith, Parramatta and Queenstown) and, most importantly, the balance of wholesale/retail mix moved to predominantly retail.

In summary, this year saw strong performance of Country Road's retail business and the first step towards exiting wholesale, positioning us to be a strong, dynamic and profitable retail-only business.

2007 focus

In the year ahead, Country Road will:

- open 39 Country Road concession outlets in Myer and bring to an end all wholesale operations;
- open four new stand-alone Country Road retail stores in addition to the concession outlets;
- continue the drive to provide better value to customers and seek to further increase this competitiveness; and
- further shorten lead times and drive more cost effective and efficient distribution of product.

annual financial statements

contents

report of the group secretary

In my capacity as Group secretary, I hereby confirm, in terms of the Companies Act, (61 of 1973), as amended, that for the year ended 30 June 2006, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

CL Lowe
Group secretary

approval of the annual financial statements

The financial statements were approved by the board of directors on 22 August 2006 and signed on its behalf by:

DA Hawton
Chairman

SN Susman
Chief executive officer

report of the independent auditors to the members of woolworths holdings limited

We have audited the annual financial statements of Woolworths Holding Limited set out on pages 53 to 92 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 30 June 2006 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the South African Companies Act (61 of 1973), as amended.

Ernst + Young

Ernst & Young
Registered Auditors
Chartered Accountants (SA)

SAB&T Inc.

SAB & T Inc
Registered Auditors
Chartered Accountants (SA)

Cape Town
22 August 2006

directors' report

nature of business

Woolworths Holdings Limited is an investment holding company listed on the JSE Limited operating mainly through the following subsidiaries, Woolworths (Proprietary) Limited, Woolworths Financial Services (Proprietary) Limited and Country Road Limited. Woolworths (Proprietary) Limited is a retail chain of stores offering a selected range of clothing, homeware and food under its own brand name. Woolworths has 309 corporate and franchise stores throughout South Africa, Africa and the Middle East. Woolworths Financial Services offers a variety of financial products to the Woolworths customers. Country Road Limited offers apparel and homeware in its own retail stores, a major department store and is listed on the Australian Stock Exchange. Country Road has 52 stores and operates in Australia, New Zealand and South East Asia.

The nature of the business of the subsidiaries held directly and indirectly is set out on page 92.

review of financial results and activities

Reviews of the financial results and the activities of the group are contained in the statement of the Chairman, the report of the Chief executive officer, the Finance director's report, reviews of operations and the annual financial statements.

share capital

The authorised share capital of the company remained unchanged during the year.

changes to issued share capital

The following ordinary shares were issued during the year under review:

	2006	2005
Shares in issue at the beginning of the year	874 075 014	950 714 967
Share purchase scheme	14 539 120	14 817 091
Shares repurchased and cancelled	(4 523 045)	(91 457 044)
Shares in issue at the end of the year	884 091 089	874 075 014

Details of the authorised and issued share capital are included in the notes to the financial statements on pages 77 to 79 of the report.

repurchase of shares

In terms of the articles of association and the general authority granted by the shareholders on 2 November 2005, the company and its subsidiaries were authorised until the next annual general meeting to repurchase the issued share capital of the company, provided that the aggregate of such repurchases should not exceed 20% of any class of the issued share capital in any one financial year, and subject to the requirements of the Companies Act, (61 of 1973), as amended. During the year 4 523 045 shares were repurchased on the open market. These shares were subsequently cancelled.

treasury shares

There are 86 871 694 treasury shares held by E-Com Investments 16 (Proprietary) Limited, a subsidiary of the company.

directorate and group secretary

The composition of the board and the details of the directors and the Group secretary in office at the date of this report are reflected on pages 4 and 5.

new appointments

Subsequent to the year end Peter Bacon was appointed as a non-executive director and Zyda Rylands, the People director of Woolworths (Proprietary) Limited, was appointed as an executive director with effect from 22 August 2006.

In accordance with the articles of association of the company, one third of the board is required to retire by rotation at each annual general meeting. Retiring directors are those who have been appointed between annual general meetings and those who have been in office the longest since their last re-election.

In terms of the articles of association of the company, Peter Bacon and Zyda Rylands who are required to retire at the annual general meeting following their appointment and being eligible offer themselves for re-election. Mair Barnes and Brian Frost are due to retire by rotation at the next annual general meeting and being eligible offer themselves for re-election.

Abridged curricula vitae of the directors seeking re-election are contained in the notice of the annual general meeting.

Directors seeking re-election do not have service contracts with the company with notice periods in excess of one year.

resignation

Nolitha Fakude resigned from the board with effect from 25 November 2005.

directors' interests in shares

As at the date of this report, the directors held directly and indirectly, interests in the company's ordinary issued share capital as reflected in the table below:

	2006				2005			
	Beneficial		Non-beneficial		Beneficial		Non-beneficial	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Executive directors								
Simon Susman	15	11 121 356	-	17 200	15	10 708 659	-	-
Richard Inskip	-	2 681 333	-	-	-	2 165 551	-	-
Zyda Rylands	888 714	-	-	-	n/a	n/a	n/a	n/a
Norman Thomson	2 620	3 093 468	-	-	1 226 785	606 124	-	-
Non-executive directors								
Buddy Hawton	-	-	-	-	-	-	-	-
Peter Bacon	-	-	-	-	n/a	n/a	n/a	n/a
Mair Barnes	-	-	-	-	-	-	-	-
Nigel Colne	-	-	-	-	-	-	-	3 633
Brian Frost	-	260 000	-	-	-	382 270	-	-
Mike Leeming	-	10 000	-	-	-	-	-	-
Chris Nissen	-	-	-	-	-	-	-	-
Sindi Zilwa	-	-	-	-	-	-	-	-
	891 349	17 166 157	-	17 200	1 226 800	13 862 604	-	3 633

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

Transactions defined as related party transactions in terms of the international financial reporting standards between the company or its subsidiaries and the directors or their associates are disclosed on page 71 of the report.

The emoluments of directors of the company are set out on pages 28 and 29.

woolworths holdings share trust ("the trust")

Woolworths Holdings Limited operates share option and share purchase schemes under the Trust. The schemes are intended as incentives to employees to promote the continued growth of the company and to align their interests to those of the shareholders. The Trust deed provides that scheme shares and options may not exceed 15% of the company's issued share capital.

Participation is open to employees at the discretion of the directors and in accordance with established guidelines. The remuneration committee approves issues of shares which are an exception to the guidelines. In terms of the current rules of the schemes, the offer shares and options are releasable to beneficiaries on the basis of 20% becoming available on the first anniversary of the date of the offer and 20% each year thereafter. Shares have been granted to participants at the weighted average value per share determined over five trading days immediately preceding the offer date. Shares are not granted in closed periods. Information on options and shares granted to executive directors under the Trust is given in the remuneration report on pages 29 and 30 of the report.

share options

In terms of the trust deed, employees have been granted a total of 30 849 431 (2005: 38 005 008) share options ranging from R2.60 to R16.56 (2005: R2.60 to R10.64), which are exercisable between July 2006 and May 2016.

share purchases

Shares held by the Trust on behalf of beneficiaries totalled 29 294 842 (2005: 26 538 683). In previous years this figure included shares to be delivered and paid for in a subsequent year. Delivery and payment of 3 096 412 shares was taken in the current year (2005: 1 769 841).

The number of shares and options available for utilisation by the Trust as at 30 June 2006 was as follows:

	2006	2005
Number of shares and options available for utilisation		
Balance at the beginning of the year	53 691 762	41 764 726
Shares and options acquired from employees	4 809 211	4 751 316
Offers made to employees during the year	(7 690 250)	(7 620 848)
Additional shares granted to the Trust as approved by the shareholders	-	26 292 561
Decrease in share capital due to the share repurchase	(678 457)	(13 718 557)
Increase in issued share capital	2 180 868	2 222 564
Balance at the end of the year	52 313 134	53 691 762

distribution to shareholders

On 16 February 2006 an interim dividend of 24 cents per share was declared and paid to shareholders on 13 March 2006 (2005: cash distribution from share premium of 18.5 cents per share). A final dividend of 39 cents per share in respect of the year ended 30 June 2006 was declared payable on 18 September 2006 (2005: cash distribution from share premium of 20 cents per share and a dividend of 15.5 cents).

directors' responsibility for annual financial statements

The directors are responsible for preparing the annual financial statements and other information presented in the 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 30 June 2006.

The external auditors are responsible for carrying out an independent examination of the annual financial statements in accordance with International Standards on Auditing in the manner required by the South African Companies Act, (61 of 1973), as amended, and for reporting their findings thereon. The auditors' report is set out on page 52 of these financial statements.

The annual financial statements set out on pages 53 to 92 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.

going concern

The directors have reviewed the group's budget and cash flow forecast for the year to 30 June 2007. On the basis of this review, and in the 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 financial statements.

borrowing powers

In terms of the articles of association, the borrowing powers of the company are unlimited, however all borrowings by the group are subject to board approval as required by the board delegation of authority. The details of borrowings appear in note 22 on page 80 to the annual financial statements.

subsidiary companies

An annexure containing full particulars of the subsidiary companies appears on page 92 of the annual financial statements.

events subsequent to balance sheet date

No event material to the understanding of this report has occurred between the end of the financial period and the date of this report.

special resolutions

The following special resolution was passed during the course of the year.

Woolworths Holdings Limited	
Effective date	**Summary of resolution**
2 November 2005	Renewed the general authority authorising the company and its subsidiaries to purchase shares in the issued share capital of the company.

No special resolutions were passed by the subsidiaries of the company during the course of the year.

income statements

for the year ended 30 June

	Note	Group 2006 Rm	Group Restated 2005 Rm	Company 2006 Rm	Company Restated 2005 Rm
Revenue	2	**15 143.0**	12 988.9	**43.2**	803.4
Turnover	2	**14 208.0**	12 220.7	**-**	-
Cost of sales		**9 340.4**	8 027.1	**-**	-
Gross profit		**4 867.6**	4 193.6	**-**	-
Other revenue	2	**935.0**	768.2	**43.2**	803.4
Expenses		**4 312.3**	3 730.5	**0.2**	(0.7)
Depreciation	9	**269.9**	254.5	**-**	-
Occupancy cost		**679.1**	609.8	**-**	-
Employment cost		**1 699.6**	1 460.0	**-**	-
Other operating cost		**1 663.7**	1 406.2	**0.2**	(0.7)
Operating profit		**1 490.3**	1 231.3	**43.0**	804.1
Finance costs		**243.9**	152.7	**-**	-
Profit before exceptional items	3	**1 246.4**	1 078.6	**43.0**	804.1
Exceptional items	4	**-**	-	**3.5**	33.1
Profit before tax		**1 246.4**	1 078.6	**46.5**	837.2
Tax	5	**409.0**	299.5	**42.2**	(2.0)
Profit for the year		**837.4**	779.1	**4.3**	839.2
Attributable to:					
Minority shareholders		**1.8**	2.2	**-**	-
Ordinary shareholders		**835.6**	776.9	**4.3**	839.2
Headline earnings – cents per share	6	**105.0**	89.4		
Diluted headline earnings – cents per share	6	**103.0**	87.3		
Earnings – cents per share	6	**105.1**	91.5		
Diluted earnings – cents per share	6	**103.1**	89.4		
Distributions declared for the financial year – cents per share	31				
Total		**63.0**	54.0	**63.0**	54.0
Interim		**24.0**	18.5	**24.0**	18.5
Final		**39.0**	35.5	**39.0**	35.5

balance sheets

as at 30 June

		Group		Company	
			Restated		Restated
		2006	2005	2006	2005
	Note	Rm	Rm	Rm	Rm
assets					
Non-current assets		**2 490.6**	2 002.0	**336.4**	660.8
Property, plant and equipment	9	**1 597.7**	1 304.0	**-**	-
Investment properties	10	**109.0**	72.2	**-**	-
Interest in subsidiaries	11	**-**	-	**303.5**	624.4
Investments	12	**-**	2.6	**-**	-
Loans to customers	18	**249.2**	203.9	**-**	-
Participation in export partnerships	13	**71.6**	79.3	**32.9**	36.4
Other loans	14	**184.2**	146.9	**-**	-
Goodwill	15	**23.0**	-	**-**	-
Deferred tax	16	**255.9**	193.1	**-**	-
Current assets		**6 277.7**	5 137.1	**13.1**	202.0
Inventories	17	**841.4**	683.0	**-**	-
Woolworths card debtors	18	**2 971.2**	2 590.8	**-**	-
Credit card receivables	18	**593.7**	309.6	**-**	-
Accounts receivable	18	**815.8**	777.0	**12.4**	21.0
Loans to customers	18	**640.9**	539.8	**-**	-
Tax		**4.5**	11.4	**0.7**	7.6
Cash	32.5	**410.2**	225.5	**-**	173.4
Total assets		**8 768.3**	7 139.1	**349.5**	862.8
equity and liabilities					
Capital and reserves – ordinary shareholders' interest		**2 606.3**	2 184.7	**306.8**	817.4
Share capital	19	**1.1**	1.1	**1.3**	1.3
Share premium	20	**10.1**	175.5	**10.1**	175.5
Treasury shares held		**(891.1)**	(908.5)	**-**	-
Non-distributable reserves		**164.6**	164.3	**-**	-
Distributable reserves	21	**3 321.6**	2 752.3	**295.4**	640.6
Minority shareholders' interest		**27.9**	26.2	**-**	-
Total shareholders' interest		**2 634.2**	2 210.9	**306.8**	817.4
Non-current liabilities		**2 801.0**	3 061.5	**39.4**	43.2
Interest bearing borrowings	22	**2 100.0**	2 400.0	**-**	-
Operating lease accrual	23	**420.2**	390.1	**-**	-
Post-retirement medical aid liability	24	**202.7**	181.3	**-**	-
Deferred tax	16	**78.1**	90.1	**39.4**	43.2
Current liabilities		**3 333.1**	1 866.7	**3.3**	2.2
Trade and other payables	23	**1 604.1**	1 301.9	**1.7**	2.2
Provisions	25	**131.0**	117.5	**-**	-
Tax		**264.4**	245.1	**-**	-
Overdrafts and short-term interest bearing borrowings	22 & 32.5	**1 333.6**	202.2	**1.6**	-
Total equity and liabilities		**8 768.3**	7 139.1	**349.5**	862.8

cash flow statements

for the year ended 30 June

	Note	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Cash flow from operating activities					
Cash inflow / (outflow) from trading	32.1	**1 072.5**	996.5	**1.5**	(3.0)
Working capital movements	32.2	**177.4**	(228.4)	**(0.5)**	2.1
Cash applied to financial services assets		**(882.2)**	(722.0)	**-**	-
Cash generated / (utilised) by operating activities		**367.7**	46.1	**1.0**	(0.9)
Interest received		**762.1**	638.0	**8.4**	2.8
Finance costs paid		**(244.6)**	(149.9)	**-**	-
Tax paid	32.3	**(475.4)**	(314.6)	**(39.1)**	(7.9)
Cash generated / (utilised) by operations		**409.8**	219.6	**(29.7)**	(6.0)
Dividends received		**-**	-	**34.3**	800.0
Distributions to shareholders	32.4	**(474.2)**	(384.2)	**(525.9)**	(420.4)
Net cash (outflow) / inflow from operating activities		**(64.4)**	(164.6)	**(521.3)**	373.6
Cash flow from investing activities					
Investment in property, plant and equipment to maintain operations		**(380.6)**	(240.2)	**-**	-
Investment in property, plant and equipment to expand operations		**(220.5)**	(145.7)	**-**	-
Acquisition of investment property		**(36.8)**	-	**-**	-
Proceeds on disposal of property, plant and equipment		**49.7**	38.6	**-**	-
Proceeds on disposal of investment in unit trust		**-**	22.0	**-**	-
Repayment of loans by subsidiaries		**-**	-	**322.8**	706.9
Investment in business operations	32.6	**(23.0)**	-	**-**	-
Participation in export partnerships		**48.3**	15.7	**12.5**	4.8
Loans and advances to employees and share scheme participants		**(37.4)**	(3.0)	**-**	-
Net cash (outflow) / inflow from investing activities		**(600.3)**	(312.6)	**335.3**	711.7
Cash flow from financing activities					
Shares issued		**72.7**	63.2	**72.7**	63.2
Repurchase of shares		**(61.7)**	(1 002.0)	**(61.7)**	(956.7)
Notes issued		**-**	1 900.0	**-**	-
Non-current borrowings raised		**-**	500.0	**-**	-
Capital restructuring costs		**-**	(18.4)	**-**	(18.4)
Net cash inflow / (outflow) from financing activities		**11.0**	1 442.8	**11.0**	(911.9)
(Decrease) / increase in cash and cash equivalents		**(653.7)**	965.6	**(175.0)**	173.4
Cash and cash equivalents at the beginning of the year		**23.3**	(949.9)	**173.4**	-
Effect of foreign exchange rate changes		**7.0**	7.6	**-**	-
Cash and cash equivalents at the end of the year	32.5	**(623.4)**	23.3	**(1.6)**	173.4

statement of changes in shareholders' interest

for the year ended 30 June

Group	Note	Share capital Rm	Share premium Rm	Treasury shares Rm	Non-distributable reserve – Foreign currency translation reserve Rm	Distributable reserves: Share based payment reserve Rm	Distributable reserves: Financial instrument revaluation reserve Rm	Distributable reserves: Retained profit Rm	Total ordinary shareholders' interest Rm	Minority shareholders' interest Rm	Total Rm
Shareholders' interest at the beginning of the year –1 July 2004		1.2	627.3	(345.0)	101.9	-	(12.8)	2 208.7	2 581.3	20.7	2 602.0
IFRS adjustments	34	-	-	-	24.5	-	-	81.6	106.1	-	106.1
Restated opening balances		1.2	627.3	(345.0)	126.4	-	(12.8)	2 290.3	2 687.4	20.7	2 708.1
Profit attributable to shareholders		-	-	-	-	-	-	776.9	776.9	2.2	779.1
Distributions to shareholders	31	-	(420.4)	36.2	-	-	-	-	(384.2)	-	(384.2)
Movement in unrealised gain / (loss) on hedging instruments		-	-	-	-	-	16.5	-	16.5	(0.3)	16.2
Realisation of gain on available-for-sale investment		-	-	-	-	-	(3.2)	-	(3.2)	-	(3.2)
Share based payments		-	-	-	-	10.4	-	-	10.4	-	10.4
Issue of shares	19 & 20	-	63.2	-	-	-	-	-	63.2	-	63.2
Repurchase of shares	19 & 20	(0.1)	(94.6)	(599.7)	-	-	-	(307.6)	(1 002.0)	-	(1 002.0)
Cost of capital restructuring		-	-	-	-	-	-	(18.4)	(18.4)	-	(18.4)
Exchange differences on translation of foreign subsidiaries		-	-	-	37.9	-	-	-	37.9	3.6	41.5
Deferred tax recognised directly in equity		-	-	-	-	-	0.2	-	0.2	-	0.2
Shareholders' interest at the end of the year – June 2005		1.1	175.5	(908.5)	164.3	10.4	0.7	2 741.2	2 184.7	26.2	2 210.9
Profit attributable to shareholders		-	-	-	-	-	-	835.6	835.6	1.8	837.4
Distributions to shareholders	31	-	(176.4)	17.4	-	-	-	(315.2)	(474.2)	-	(474.2)
Movement in unrealised gain / loss on hedging instruments		-	-	-	-	-	44.6	-	44.6	0.5	45.1
Deferred tax recognised directly in equity		-	-	-	-	-	(12.9)	-	(12.9)	-	(12.9)
Share based payments		-	-	-	-	18.0	-	-	18.0	-	18.0
Issue of shares	19 & 20	-	72.7	-	-	-	-	-	72.7	-	72.7
Repurchase of shares	19 & 20	-	(61.7)	-	-	-	-	-	(61.7)	-	(61.7)
Acquisition of former investment		-	-	-	-	-	-	(0.8)	(0.8)	-	(0.8)
Exchange differences on translation of foreign subsidiaries		-	-	-	0.3	-	-	-	0.3	(0.6)	(0.3)
Shareholders' interest at the end of the year – June 2006		1.1	10.1	(891.1)	164.6	28.4	32.4	3 260.8	2 606.3	27.9	2 634.2

Company	Note	Share capital Rm	Share premium Rm	Treasury shares Rm	Non-distributable reserve – Foreign currency translation reserve Rm	Distributable reserves: Share based payment reserve Rm	Distributable reserves: Financial instrument revaluation reserve Rm	Distributable reserves: Retained profit Rm	Total ordinary shareholders' interest Rm	Minority shareholders' interest Rm	Total Rm
Shareholders' interest at the beginning of the year - July 2004		1.4	627.3	-	(15.1)	-	-	696.9	1 310.5	-	1 310.5
IFRS adjustments	34	-	-	-	15.1	-	-	(15.1)	-	-	-
Restated opening balances		1.4	627.3	-	-	-	-	681.8	1 310.5	-	1 310.5
Profit attributable to shareholders		-	-	-	-	-	-	839.2	839.2	-	839.2
Distributions to shareholders	31	-	(420.4)	-	-	-	-	-	(420.4)	-	(420.4)
Issue of shares	19 & 20	-	63.2	-	-	-	-	-	63.2	-	63.2
Repurchase of shares	19 & 20	(0.1)	(94.6)	-	-	-	-	(862.0)	(956.7)	-	(956.7)
Cost of capital restructuring		-	-	-	-	-	-	(18.4)	(18.4)	-	(18.4)
Shareholders' interest at the end of the year - June 2005		1.3	175.5	-	-	-	-	640.6	817.4	-	817.4
Profit attributable to shareholders		-	-	-	-	-	-	4.3	4.3	-	4.3
Distributions to shareholders	31	-	(176.4)	-	-	-	-	(349.5)	(525.9)	-	(525.9)
Issue of shares	19 & 20	-	72.7	-	-	-	-	-	72.7	-	72.7
Repurchase of shares	19 & 20	-	(61.7)	-	-	-	-	-	(61.7)	-	(61.7)
Shareholders' interest at the end of the year - June 2006		1.3	10.1	-	-	-	-	295.4	306.8	-	306.8

1 significant accounting policies

The consolidated annual financial statements of Woolworths Holdings Limited ("the company") for the year ended 30 June 2006 comprise the company and its subsidiaries (together referred to as "the group").

statement of compliance

The consolidated 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). These are the group's first IFRS compliant consolidated annual financial statements and IFRS 1 First Time Adoption of International Financial Reporting Standards has been applied.

Reconciliations and descriptions of the transition from South African Statements of Generally Accepted Accounting Practice to IFRS are provided in note 34. Comparatives have been restated to reflect these adjustments.

basis of preparation

The annual financial statements are prepared on the historical cost basis, except where otherwise indicated. The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 July 2004 for the purposes of transition to IFRS. The accounting policies have been consistently applied by group entities.

The key changes impacting the group as a result of the conversion to IFRS arise from the following standards and details thereof are provided in note 34:

– IFRS 2 Share Based Payment;
– IAS 16 (revised) Property, Plant and Equipment;
– IAS 19 (revised) Employee Benefits;
– IAS 21 (revised) The Effects of Changes in Foreign Exchange Rates; and
– IAS 39 (revised) Financial Instruments – Recognition and Measurement.

IFRS 1 requires full retrospective application of the standards with the exception of certain optional and mandatory exemptions. The exemptions applicable to the group as noted below have been elected:

– All cumulative actuarial gains and losses which were previously deferred under AC 116 Employee Benefits under the 'corridor'; approach, have been recognised at the date of transition to IFRS;
– IFRS 3 Business Combinations has not been applied retrospectively to business combinations prior to 1 July 2004; and
– IFRS 2 Share Based Payment has only been applied to equity instruments which were issued after 7 November 2002 and vest from 1 July 2004 onward.

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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both.

Significant estimates and judgements made relate to the provision for impairment of financial assets (refer note 18), the allowance for net realisable value of inventory (refer note 17), residual values, useful lives and depreciation methods of property, plant and equipment (refer note 9), estimating the fair values of share options (refer note 19 and the share based payment accounting policy) and asset impairment tests (refer impairment accounting policy) and provisions for employee benefits.

basis of consolidation

The group annual financial statements consolidate the financial statements of the company and all subsidiaries. A subsidiary is an enterprise over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities. 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 Virtual Market Place (Proprietary) Limited and the Woolworths Holdings Share Trust have financial years ending 30 June and are consolidated to that date. The results of subsidiaries with year ends differing from that of the group are compiled for a twelve month period ending 30 June and consolidated to that date.

All intragroup balances, transactions, income and expenses and profit and losses resulting from intragroup transactions are eliminated in full.

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

foreign currency translations

The consolidated and company annual financial statements are presented in South African rand, the group presentation currency and both the presentation and functional currency of the company. Functional currency is the currency of the primary economic activity of the company and presentation currency is the currency in which the financial statements are presented.

Foreign currency transactions are recorded at the exchange rates ruling on the transaction dates. Monetary assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the balance sheet date, gains and losses thereon are recognised in the income statement.

Foreign operations are translated from their functional currency into South African rand at the rates of exchange ruling at the balance sheet date in respect of balance sheet items and at an average rate per month in respect of income statement items. Gains and losses on the translation of foreign operations are taken directly to non-distributable reserves.

Translation gains and losses arising on loans which form part of the net investment in the foreign operation are reported in the income statement in the company extending the loan. In the consolidated financial statements they are carried in equity until realised, when they are recognised in the income statement.

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 asset to the location and condition necessary for it 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. Development costs are capitalised when the technical feasibility of the asset has been demonstrated and the intention to complete and utilise the asset is confirmed.

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. The property portfolio is valued internally on an annual basis and every three years by independent valuers. Furniture, fittings, motor vehicles, computers and computer software are shown at original 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 is reliably measurable.

An asset is depreciated from when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is derecognised or the date classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. 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 were already of the age and in the condition expected at the end of its useful life. Whilst residual value exceeds 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.

Useful lives per asset category are:

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
Computer software	5 to 10 years
Computers	3 to 7 years
Motor vehicles	5 years

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

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

goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arises on the acquisition of subsidiaries, associates, joint ventures and business operations and represents the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. The cost of the business combination 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; and any costs directly attributable to the business combination.

At the acquisition date, goodwill acquired in a business combination is recognised as an asset and initially measured at its cost. The acquisition date is the date on which the group effectively obtains control of the acquiree.

After initial recognition goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and tested for impairment annually using a discounted cash flow methodology. An impairment loss on goodwill is not reversed.

investment properties

Investment properties are land and buildings which are held either to earn rental income or for capital appreciation or both. Investment properties are initially recognised at cost, including transaction costs, when it is probable that future economic benefits associated with the investment property will flow to the group and the cost of the investment property can be measured reliably.
The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction development is complete.

Investment properties are accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property, plant and equipment.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in other operating costs in the year of retirement or disposal. Transfers are made from or to investment properties when there is a change in use of the property.

taxes

current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and laws used to compute the amount are those enacted or substantively enacted by the balance sheet 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 on the liability basis on the temporary differences at the balance sheet date between the carrying values, for financial reporting purposes, and tax bases of assets and liabilities.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will allow the deferred tax asset to be utilised, unless the deferred tax asset arises 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. Deferred tax assets are reviewed at each balance sheet 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 all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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 balance sheet date.

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

Current and deferred tax is credited or charged directly to equity if it relates to items credited or charged directly to equity.

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.

secondary tax on companies (“STC”)

STC, including STC arising on the repurchase by the company of its own equity instruments, is accounted for as part of the tax charge in the income statement and not as a deduction directly from equity, in the same period as the related dividend.

current assets and liabilities

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

inventories

Merchandise, raw materials and consumables are initially recognised at cost. The cost of merchandise is determined using the retail inventory method which reduces the sales value of inventory by the appropriate gross margin. The cost of raw materials and consumables is determined on the weighted average cost formula.

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

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

leases

Finance leases are leases whereby substantially all the risks and rewards of ownership are passed onto the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset or lease period, with a corresponding liability raised on the balance sheet. Related finance costs are charged to income using the effective interest rate method over the period of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease expenses and income are recognised in the income statement on a straight line basis over the lease term. Contingent rental escalations, such as those relating to turnover, are expensed in the year in which the escalation is determined.

retirement benefits

Current contributions to defined contribution retirement plans are charged to income as incurred.

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 income as services are rendered by employees. The present value of future medical aid subsidies for past and current service is actuarially determined in accordance with IAS 19 Employee Benefits. 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. Actuarial gains and losses are recognised as income or an expense when the cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the greater of the defined obligation and the fair value of the plan assets. The gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan. Any curtailment benefits or settlement amounts are recognised against income as incurred.

share based payment transactions

Shares and share options granted to employees in terms of the share incentive scheme, meet the definition of share based payment transactions.

The equity settled share option programme allows group employees to acquire shares of the company. The fair value of share options granted is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and expensed over the period over which the employees become unconditionally entitled to the share options. The fair value of the share options granted is measured using a binomial model, taking into account the terms and conditions under which the options were granted. Where shares are granted at a discount to the ruling market price, the intrinsic value is expensed over the vesting period of the grant. Changes in estimates of the number of shares or share options that will ultimately vest are included in the charge for the year. No subsequent adjustments are made after the vesting date.

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.

impairment

The carrying amount of the group's assets, other than inventories (see accounting policy note for inventories), goodwill (see accounting policy note for goodwill) and deferred tax assets (see accounting policy note for deferred tax), are reviewed at each balance sheet date for any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the higher of the asset's fair value less costs to sell 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 of the time value of money and the risks specific to the asset. 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.

The recoverable amount of the group's investments in loans and receivables is calculated as the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Financial assets are subject to impairment when there is objective evidence that a loss event has impacted the estimated future cash flows to be received from that asset.

Impairment losses are recognised in the income statement where the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

If available-for-sale assets are identified as impaired, the difference between cost and current fair value less previously recognised impairment loss is transferred from equity to the income statement.

Impairment losses in respect of loans and receivables carried at amortised cost and available-for-sale assets are reversed if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised. Impairment losses for property, plant and equipment are reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

financial instruments

recognition

Financial assets and financial liabilities are initially recognised on the balance sheet when the group becomes party to the contractual provisions of the instrument.

The trade date method of accounting has been adopted for 'regular way' purchases or sales of financial assets. The trade date is the date that an enterprise commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned.

derecognition

financial assets

A financial asset is derecognised where the rights to receive cash from the asset have 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 to a third party under a pass-through arrangement, or 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.

financial liabilities

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.

measurement

Financial instruments 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.

For the purposes of measurement after initial recognition, financial assets are classified into the four categories being, at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale.

loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost, using the effective interest method, less accumulated impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

participation in export partnerships

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

financial services assets
Financial services assets comprise loans to customers, Woolworths in-store card and credit card receivables.

other loans
Other loans comprise housing and other employee loans.

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

cash and cash equivalents
Cash and cash equivalents comprise cash at bank, overdrafts and interest bearing money market borrowings. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

available-for-sale financial assets
Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in one of the other three categories.
After initial recognition, available-for-sale assets are measured at fair value with gains and losses recognised in equity until the asset is derecognised or determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments traded in an active market is determined with reference to quoted market bid prices at close of business on the balance sheet 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 substantially similar instruments, discounted cash flow analysis and option pricing models.

The group has classified the following financial assets as available-for-sale:

investments
Investments, not held for trading, are classified as available-for-sale and are carried at fair value.

derivative instruments
The group uses derivative financial instruments, being foreign exchange contracts and interest rate swaps and options, to hedge its risks associated with foreign currency and interest rate fluctuations respectively. It is the group's policy not to trade in derivative financial instruments for speculative purposes. Details of the group's financial risk management objectives are set out in notes 28 and 29.

The fair value of forward exchange contracts is calculated by reference to forward exchange rates for contracts with similar maturity profiles at year end. The fair value of interest rate swap and option contracts is determined by reference to market values for similar instruments at year end.

Derivative instruments not designated as hedging instruments or subsequently not expected to be effective hedges are marked to market and the resulting gain or loss is recognised in the income statement in the period in which it arises.
For hedging instruments that qualify as cash flow hedges, the gain or loss on marking the instrument to market is carried in equity until such time as the transaction is entered into, at which point the amount carried in equity is reversed to the cost of the transaction.

financial liabilities
Financial liabilities consist of term borrowings, trade and other payables, accruals and derivatives held for hedging. Financial liabilities are recognised at amortised cost, being original debt value less principal payments and amortisations, except for derivatives which are measured at fair value.
Finance costs are expensed in the income statement in the period in which they are incurred using the effective interest rate method.

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

treasury shares
Shares in Woolworths Holdings Limited held by wholly-owned group companies are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average numbers of shares and the cost price of the shares is deducted from group equity. Distributions received on treasury shares are eliminated on consolidation. No gains or losses are recognised in the group income statement on the purchase, sale, issue or cancellation of treasury shares.

revenue recognition

Revenue of the group comprises:

– Turnover: net merchandise sales, sales to franchisees and logistics services; and
– Other revenue: interest, royalties, dividends, rentals, and franchise and other commissions.

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

Revenue is recognised on the following bases:

– sale of merchandise is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the merchandise, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the group;
– logistics services relates to the transport of goods on behalf of third parties and is recognised when the service has been provided;
– interest income is recognised as interest accrues using the effective interest method;
– 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;
– commissions are recognised on an accrual basis in accordance with the substance of the relevant agreement when the sale which gives rise to the commission has occurred; and
– rental income for fixed escalation leases is recognised on a straight-line basis where the lease has a fixed escalation clause. Contingent rentals are recognised in the year in which they arise.

Revenue is measured at the fair value of the consideration received or receivable excluding value added tax.

finance costs

No finance costs associated with the development of property, plant and equipment are capitalised.

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 product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably. The extent of capitalisation is limited to the amount which, when taken together with further related costs, is likely to be recovered from future economic benefits.

exceptional items

Exceptional items are significant items, of an unusual nature, identified by management as warranting separate disclosure.

segmental information

The primary segments of the group have been identified by nature of business, being retail and financial services. The retail segment is further subdivided by chain being Woolworths and Country Road. Each segment has its own revenues, profits, assets and liabilities. Support charges are allocated between the retail and financial services segments on a usage basis.

Segmental results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis.

The secondary segments are based on the location of customers and assets.

The accounting policies are consistently applied in determining the segmental information.

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 year. Headline earnings per share is calculated in accordance with Circular 7/2002 issued by the South African Institute of Chartered Accountants.

distributions to shareholders

Distributions are recorded in the period in which the distribution is declared and charged directly to equity.

IFRS and interpretations not yet effective

The group has early adopted the following IFRS amendment that has been issued but is not yet effective:

– IAS 1 Amendment - Capital Disclosures (effective 1 January 2007)

The group has not applied the following IFRS, IFRIC interpretations and amendments that have been issued but are not yet effective and currently have no impact on the financial statements*:

- IFRIC 4 Determining whether an Arrangement Contains a Lease (effective 1 January 2006)
  This interpretation addresses how to determine whether an arrangement is, or contains, a lease as defined in IAS 17 when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.
- IFRIC 8 Scope of IFRS 2 (effective 1 May 2006)
  The interpretation addresses whether IFRS 2 applies to transactions in which the entity cannot identify specifically some or all of the goods or services received and concludes that unidentifiable goods or services must be measured as the difference between the fair value of the share based payment and the fair value of any identifiable goods or services received or to be received.
- IFRIC 9 Reassessment of Embedded Derivatives (effective 1 June 2006)
  The interpretation addresses the issue of whether IAS 39 requires a reassessment to be made of whether any embedded derivatives contained in a contract are required to be separated from the host contract throughout the life of the contract. The interpretation concludes that subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.
- AC 503 Accounting for Black Economic Empowerment (BEE) Transactions (effective 1 May 2006)
  This interpretation addresses the accounting treatment of costs incurred in acquiring BEE credentials and concludes that where it is not acquired in a business combination it should be expensed. When the BEE credentials are acquired as part of a business combination, it forms part of goodwill.
- IAS 19 Amendment – Employee Benefits and Actuarial Gains and Losses, Group Plans and Disclosures (effective 1 January 2006)
  The amendment allows actuarial gains and losses to be recognised directly in equity.
- IAS 39 Amendment – The Fair Value Option (effective 1 January 2006).
  The amendment allows financial assets to be designated unconditionally upon initial recognition as being held at fair value through profit and loss.

The group has not applied the following IFRS, IFRIC interpretations and amendments that have been issued but are not yet effective*:

- IAS 39 Amendment – Financial Guarantee Contracts (effective 1 January 2006)
  The amendment requires guarantee contracts not designated as insurance contracts to be accounted for in accordance with IAS 39, measured initially at fair value and subsequently in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 18 Revenue; and
- IFRS 7 Financial Instruments: Disclosure (effective 1 January 2007)
  Application of the standard will result in additional disclosure of qualitative and quantitative information in respect of the risks arising from financial instruments to which the group is exposed.

* Effective for annual periods beginning on or after the stated date.

	Group		Company	
	2006 Rm	Restated 2005 Rm	**2006 Rm**	Restated 2005 Rm
2 revenue				
Turnover	**14 208.0**	12 220.7	**-**	-
Clothing and home	**6 992.9**	6 331.6	**-**	-
Food	**6 941.5**	5 666.0	**-**	-
Logistics services and other	**273.6**	223.1	**-**	-
Other revenue	**935.0**	768.2	**43.2**	803.4
Interest	**763.6**	641.7	**8.9**	3.4
Royalties, franchise and other commissions	**141.9**	97.7	**-**	-
Rentals	**29.5**	28.8	**-**	-
Dividends received	**-**	-	**34.3**	800.0
	15 143.0	12 988.9	**43.2**	803.4

	Group 2006 Rm	Group Restated 2005 Rm	Company 2006 Rm	Company Restated 2005 Rm
3 profit before exceptional items includes:				
3.1 operating lease expenses				
Land and buildings - rentals	**508.1**	423.8	**-**	-
Land and buildings - operating lease accrual (note 23)	**27.2**	32.1		
Plant and equipment	**2.3**	1.9	**-**	-
Provision for onerous lease commitments	**0.1**	9.5	**-**	-
3.2 auditors' remuneration				
Audit fee	**5.7**	5.7	**1.5**	1.3
current year	**5.1**	4.9	**1.5**	1.3
prior year under provision	**0.6**	0.8	**-**	-
Tax advisory and other services	**1.6**	0.9	**-**	-
3.3 net foreign exchange (profit) / loss	**(1.0)**	(4.0)	**(1.7)**	13.9
3.4 other expenses				
Technical and consulting service fees	**74.3**	74.1	**-**	-
Impairment of participation in export partnerships	**-**	6.1	**-**	2.1
(Profit) / loss on sale of property, plant and equipment	**(0.2)**	0.5	**-**	-
3.5 other income				
Reversal of provision for impairment of property	**-**	(15.5)	**-**	-
Profit on sale of investment in unit trust	**-**	(9.3)	**-**	-

4. exceptional items

Company	(Profit) / loss before tax Rm	Tax Rm	Minority interest Rm	Attributable (profit) / loss Rm
2006				
Reversal of impairment of investment in:				
Woolworths International Holdings Limited	**(3.5)**	**-**	**-**	**(3.5)**
	(3.5)	**-**	**-**	**(3.5)**
2005				
Reversal of impairment of investment in:				
Woolworths International Holdings Limited	(52.2)	-	-	(52.2)
Impairment of investment in:				
i'Sentials (Proprietary) Limited	19.1	-	-	19.1
	(33.1)	-	-	(33.1)

The provision for impairment against the company's investment in Woolworths International Holdings Limited, the intermediate holding company of its Australian subsidiary Country Road Limited, has been reduced by R3.5m (2005: R52.2m). The provision is based on an assessment of fair value based on the underlying net assets and the exchange rates prevailing at the year end.

	Group 2006 Rm	Group Restated 2005 Rm	Company 2006 Rm	Company Restated 2005 Rm
5 tax				
Current year				
South Africa				
Normal tax	**424.1**	415.8	**4.5**	22.0
Deferred tax (note 16)	**(69.8)**	(125.7)	**(3.8)**	(23.5)
– current year charge	**(69.8)**	(125.5)	**(3.8)**	(21.3)
– change in income tax rate	**-**	(0.2)	**-**	(2.2)
STC	**45.9**	3.0	**39.4**	-
Foreign tax	**0.4**	0.2	**-**	-
	400.6	293.3	**40.1**	(1.5)
Prior year				
South Africa				
Normal tax	**31.2**	0.7	**2.1**	(0.5)
Deferred tax (note 16)	**(22.8)**	5.5	**-**	-
	409.0	299.5	**42.2**	(2.0)
	%	%	**%**	%
The rate of tax on profit is reconciled as follows :				
Standard rate	**29.0**	29.0	**29.0**	29.0
Tax losses in subsidiaries not provided	**0.1**	0.3	**-**	-
Disallowable expenditure	**0.8**	0.6	**-**	0.1
Exempt income	**(0.2)**	(1.2)	**(25.7)**	(28.1)
Impact on deferred tax of change in SA Normal tax rate	-	-	**-**	(0.3)
Other	**(0.5)**	(1.1)	**0.3**	0.2
Prior years	**0.5**	0.2	**4.6**	-
STC	**3.1**	-	**84.7**	-
Effective rate before exceptional items	**32.8**	27.8	**92.9**	0.9
Exceptional items	**-**	-	**(2.1)**	(1.1)
Effective tax rate	**32.8**	27.8	**90.8**	(0.2)

6 earnings per share

The calculation of earnings per share is based on attributable profit of R835.6m (2005: R776.9m) and a weighted average of 795 330 120 (2005: 849 408 902) ordinary shares in issue, after eliminating shares held as treasury shares.

4 523 045 shares were repurchased in June 2006 but this had a negligible effect on the weighted average number of shares in issue due to the timing of the repurchase.

The calculation of headline earnings per share is as follows:

	Profit before tax Rm	Tax Rm	Minority shareholders' interest Rm	Attributable profit Rm	Headline earnings per share Cents per share	Earnings per share Cents per share
Group						
2006						
Per the financial statements	**1 246.4**	**(409.0)**	**(1.8)**	**835.6**	**105.1**	**105.1**
Adjustments:						
Profit on disposal of property, plant and equipment	**(0.2)**	**(0.4)**	**-**	**(0.6)**	**(0.1)**	
Headline earnings	**1 246.2**	**(409.4)**	**(1.8)**	**835.0**	**105.0**	
Diluted earnings per share					**103.0**	**103.1**

6 earnings per share (continued)

	Profit before tax Rm	Tax Rm	Minority shareholders' interest Rm	Attributable profit Rm	Headline earnings per share Cents per share	Earnings per share Cents per share
2005						
Per the restated financial statements	1 078.6	(299.5)	(2.2)	776.9	91.5	91.5
Adjustments:						
Reversal of provision for impairment of property	(15.5)	-	-	(15.5)	(1.8)	
Profit on disposal of investment in unit trust	(9.3)	1.4	-	(7.9)	(0.9)	
Loss on disposal of property, plant and equipment	0.5	0.4	-	0.9	0.1	
Provision for impairment of plant and equipment	0.5	-	-	0.5	-	
Foreign exchange loss realised on repayment of loan by subsidiary	4.1	-	-	4.1	0.5	
Headline earnings	1 058.9	(297.7)	(2.2)	759.0	89.4	
Diluted earnings per share					87.3	89.4

Diluted earnings per share

The calculation of diluted earnings per share and diluted headline earnings per share is based on attributable profit as above and a weighted average of 810 597 301 (2005: 871 598 360) ordinary shares in issue, after eliminating shares held as treasury shares.

The dilution arises from the in-the-money share options outstanding in respect of the share incentive scheme which will be issued to employees at a value lower than the weighted average traded price during the past financial year. The dilution impact is calculated based on the exercise price of outstanding options and the IFRS 2 value in respect of those options. The calculation assumes that the dilutive options were in issue with effect from the beginning of the year.

7 directors' emoluments

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

	Group 2006 Rm	Group 2005 Rm
Executive directors		
Fees	**0.3**	0.3
Remuneration	**6.4**	5.9
Retirement, medical, accident and death benefits	**1.0**	0.9
Performance bonus	**6.0**	-
Other benefits	**0.2**	0.1
Interest free loan benefit	**2.6**	1.5
	16.5	8.7
Non-executive directors		
Fees	**2.4**	2.2
	2.4	2.2
	18.9	10.9

Details of the directors' emoluments are provided in the corporate governance report on page 28.

8 related party transactions

Related parties

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

Intragroup related party transactions and outstanding balances are eliminated in preparation of the consolidated financial statements of the group.

Holding company

The nature of transactions between the holding company and subsidiaries comprise dividends received and interest earned on loans. The holding company provides sureties for the banking facilities and lease obligations of certain subsidiaries. The banking facilities at year end are disclosed in note 28.4 to the annual financial statements.

Subsidiaries

Details of interests in subsidiaries and loans owing to / by subsidiaries are disclosed in note 11 and Annexure 1.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors, executive and non-executive, of Woolworths Holdings Limited and Woolworths (Proprietary) Limited. Key management personnel has been defined as the board of directors of the holding company and the major operating subsidiary Woolworths (Proprietary) Limited, and the Chief executive officer of Country Road Limited.

The definition of related parties includes close family members of key management personnel. The group has not engaged in transactions with close family members of key management personnel during the financial year.

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
Key management compensation				
Short-term employee benefits	**31.4**	17.6	**18.3**	10.3
Woolworths Holdings Limited directors	**18.3**	10.3	**18.3**	10.3
Other key management personnel	**13.1**	7.3	**-**	-
Post-employment benefits	**1.2**	1.0	**0.6**	0.5
Woolworths Holdings Limited directors	**0.6**	0.5	**0.6**	0.5
Other key management personnel	**0.6**	0.5	**-**	-
IFRS 2 value of share based payments expensed	**1.2**	1.0	**-**	-
	33.8	19.6	**18.9**	10.8

Short-term employee benefits comprise salaries, directors fees and bonuses payable within twelve months of the end of the period.

Post-employment benefits comprise both the employee and the company's contributions to the group's retirement and healthcare funds.

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Share purchase scheme loans and investments				
Loans and investments at the beginning of the year	**73.5**	62.2	**59.3**	52.9
Loans granted during the year	**19.9**	15.1	**9.1**	9.2
Loans repaid during the year	**(2.9)**	(3.8)	**(1.0)**	(2.8)
Loans and investments at the end of the year	**90.5**	73.5	**67.4**	59.3

Details of the terms and conditions relating to these loans are disclosed in note 14.

No bad or doubtful debts have been recognised in respect of loans granted to key management personnel (2005: nil).

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Woolworths card and Woolworths Visa credit card accounts				
Balance outstanding at the beginning of the year	**0.1**	0.1	**0.1**	-
Annual spend	**1.0**	0.8	**0.7**	0.7
Annual repayments	**(0.9)**	(0.8)	**(0.7)**	(0.6)
Balance outstanding at the end of the year	**0.2**	0.1	**0.1**	0.1

Purchases made by key management personnel are at standard discount rates granted to all employees of the company.

Interest is charged on outstanding balances on the same terms and conditions applicable to all other card holders.

Post-employment benefit plan

Details of the Wooltru Group Retirement Fund, the Wooltru Healthcare Fund and funds for the benefit of Country Road employees are disclosed in note 24 to the annual financial statements.

9 property, plant and equipment

Group

2005	Land and buildings Rm	Leasehold improvements Rm	Furniture, fittings equipment, and motor vehicles Rm	Computers and computer software Rm	Total Rm
Balance at 1 July 2004					
Cost	311.2	88.9	1 092.2	690.5	2 182.8
IFRS adjustments to cost	(56.7)	-	-	-	(56.7)
Accumulated depreciation	43.6	-	629.5	317.3	990.4
IFRS adjustments to accumulated depreciation	(43.6)	-	(12.2)	-	(55.8)
Net book value	254.5	88.9	474.9	373.2	1 191.5
Current year movements					
Additions	9.7	11.7	276.9	98.5	396.8
Disposals / scrappings – cost	(8.6)	(3.7)	(108.6)	(5.0)	(125.9)
Disposals / scrappings – accumulated depreciation	-	2.2	69.8	4.1	76.1
Depreciation	-	(5.9)	(150.0)	(98.6)	(254.5)
Impairment provision	-	-	(0.5)	-	(0.5)
Foreign exchange rate differences – cost	-	5.9	13.0	9.6	28.5
Foreign exchange rate differences – accumulated depreciation	-	0.4	(5.6)	(2.8)	(8.0)
Balance at June 2005	255.6	99.5	569.9	379.0	1 304.0
Made up as follows :					
Cost	255.6	102.8	1 273.5	793.6	2 425.5
Accumulated depreciation	-	3.3	703.6	414.6	1 121.5
Net book value at June 2005	255.6	99.5	569.9	379.0	1 304.0
2006					
Current year movements					
Additions	**197.9**	**24.2**	**231.1**	**154.2**	**607.4**
Disposals / scrappings – cost	**(5.3)**	**(0.6)**	**(69.9)**	**(7.4)**	**(83.2)**
Disposals / scrappings – accumulated depreciation	**-**	**0.3**	**33.4**	**-**	**33.7**
Depreciation	**-**	**(6.8)**	**(151.0)**	**(112.1)**	**(269.9)**
Foreign exchange rate differences – cost	**-**	**3.6**	**4.4**	**3.6**	**11.6**
Foreign exchange rate differences – accumulated depreciation	**-**	**(1.2)**	**(1.9)**	**(2.8)**	**(5.9)**
Balance at June 2006	**448.2**	**119.0**	**616.0**	**414.5**	**1 597.7**
Made up as follows :					
Cost	**448.2**	**130.0**	**1 439.1**	**944.0**	**2 961.3**
Accumulated depreciation	**-**	**11.0**	**823.1**	**529.5**	**1 363.6**
Net book value at June 2006	**448.2**	**119.0**	**616.0**	**414.5**	**1 597.7**

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

At 30 June 2006 retail stores were valued by internal valuers at R167.0m (2005: R223.5m) compared to a carrying value of R109.0m (2005: R157.0m).

The prior year valuations include properties which were transferred to investment properties. At 30 June 2006 the distribution centres were valued by the internal valuers at R550.1m (2005: R147.0m) compared to a carrying value of R188.0m (2005: R58.8m).

The current year value includes a distribution centre developed during the year of R275.0m. The corporate owner-occupied properties have a current value of R109.0m (2005: R104.6m) compared to a carrying value of R73.1m (2005: 63.1m).

Land and buildings are valued externally every 3 years and annually by internal valuers.

A register of land and buildings, containing the information required by paragraph 22 (3) of Schedule 4 of the Companies Act (61 of 1973) as amended, is available for inspection at the registered office of the company. A copy will be posted, upon request, by the Group secretary.

10 investment properties

	Group 2006 Rm	Restated 2005 Rm
Balance at the beginning of the year		
Cost	**72.2**	56.7
Current year movements		
Additions	**36.8**	-
Reversal of impairment provision	**-**	15.5
Balance at the end of the year	**109.0**	72.2

At 30 June 2006 investment properties were valued by internal valuers at R116.7m.

11 interest in subsidiaries

	Company 2006 Rm	2005 Rm
Shares	**269.5**	266.0
Cost	**401.3**	401.3
Provision for impairment	**(131.8)**	(135.3)
Amounts owing (to) / by subsidiaries		
Woolworths (Proprietary) Limited	**(342.4)**	(33.7)
Country Road Limited	**38.1**	36.4
E-Com Investments 16 (Proprietary) Limited	**338.3**	355.7
i'Sentials (Proprietary) Limited	-	-
Cost	**27.1**	27.1
Provision for impairment	**(27.1)**	(27.1)
Total net interest	**303.5**	624.4

Interest in subsidiaries is stated at cost less provision for impairment.

Interest on the Australian dollar denominated loan to Country Road Limited is calculated based on the Australian Bank Bills rate and is payable quarterly in arrears. The loan has been subordinated. No capital repayments have been made during the year (2005: A$3m of the original A$10m loan advanced was repaid). Interest received on the loan to Country Road for the current year amounted to R2.2m (2005: R2.6m).

The loans to and from the other subsidiaries are unsecured, interest free and have no fixed terms of repayment. Due to the unpredictability of cash flows the fair values cannot be determined.

Refer to Annexure 1 for details.

12 investments

	Group 2006 Rm	2005 Rm
Unlisted		
Virtual Market Place (Proprietary) Limited	**-**	2.6
	-	2.6

During the year the group's holding of the issued share capital of Virtual Market Place (Proprietary) Limited was increased to 100%. Refer to note 32.6 for details. The investment has been consolidated from 1 April 2006 when it became a subsidiary of the group.

13 participation in export partnerships

	Group		Company	
	2006	2005	**2006**	2005
	Rm	Rm	**Rm**	Rm
	71.6	79.3	**32.9**	36.4

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

Participation in export partnerships is measured at amortised cost using the effective interest rate method. Amortised cost is the company's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability. Any impairment to the participation in export partnerships would result in a corresponding reduction in the related deferred tax liability and thus there would be no impact on the cash flow statement and the net profit of the group.

Due to the terms and conditions attaching to the participation in export partnerships it is not practicable within constraints of timeliness or cost to determine their fair values.

14 other loans

Housing and other employee loans	**43.1**	48.0
Share purchase scheme participant loans and investments	**140.1**	97.2
Other loans	**1.0**	1.7
	184.2	146.9

Loans to the directors in respect of their indirect holdings in the share purchase scheme bear interest at market rates and are secured by shares in Woolworths Holdings Limited. Loans to directors and other employees participating directly in the share purchase scheme are interest free and are secured by shares in Woolworths Holdings Limited. The loans will be repaid when participants take delivery of vested shares, over a period not exceeding ten years.

Housing and other employee loans bear interest at varying discounts to market rates. Housing loans are required to be repaid on termination of employment.

Due to the unpredictability of cash flows the fair value cannot be determined.

15 goodwill

Goodwill arising on acquisition of Virtual Market Place (Proprietary) Limited	**12.8**	-
Repurchase of franchise business	**10.2**	-
	23.0	-

16 deferred tax

	Group		Company	
		Restated		Restated
	2006	2005	**2006**	2005
	Rm	Rm	**Rm**	Rm
Balance at the beginning of the year	**(103.0)**	17.4	**43.2**	66.7
Amount credited to the income statement	**(92.6)**	(120.2)	**(3.8)**	(23.5)
Property, plant and equipment	**(6.7)**	2.6	**-**	-
Prepayments	**(7.3)**	2.2	**-**	-
Working capital and other provisions	**(64.1)**	(23.8)	**-**	-
Export partnerships	**(8.6)**	(95.9)	**(3.8)**	(24.8)
Post-retirement medical aid liability	**(6.0)**	(5.2)	**-**	-
STC*	**(6.7)**	(3.2)	**-**	-
Other*	**6.8**	3.1	**-**	1.3
Amounts recognised directly in equity				
Foreign currency translation reserve adjustment	**4.9**	-	**-**	-
Financial instrument revaluation reserve adjustment	**12.9**	(0.2)	**-**	-
Balance at the end of the year	**(177.8)**	(103.0)	**39.4**	43.2
Deferred tax liability	**78.1**	90.1	**39.4**	43.2
Deferred tax asset	**(255.9)**	(193.1)	**-**	-
Net deferred tax (asset) / liability	**(177.8)**	(103.0)	**39.4**	43.2
Comprising:				
Property, plant and equipment	**48.7**	55.4	**-**	-
Prepayments	**11.6**	18.9	**-**	-
Working capital and other provisions	**(263.1)**	(199.0)	**-**	-
Export partnerships	**78.1**	86.7	**34.2**	38.0
Post-retirement medical aid liability	**(58.6)**	(52.6)	**-**	-
STC*	**(9.9)**	(3.2)	**-**	-
Other*	**15.4**	(9.2)	**5.2**	5.2
	(177.8)	(103.0)	**39.4**	43.2

* STC has been reclassified from 'other' in the prior year to be disclosed separately.

Deferred tax has been calculated at the standard corporate tax rate at the reporting date as management expect to recover the carrying values of assets and settle the carrying value of liabilities through use. The deferred tax asset relating to STC credits is calculated at the STC rate.

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

Losses available for set-off against future taxable income for which a deferred tax asset has not been raised	**12.2**	17.2

17 inventories

Merchandise	**832.0**	720.8
Provision for impairment	**(10.8)**	(50.9)
Consumables	**2.7**	0.3
Raw materials	**17.5**	12.8
	841.4	683.0
Inventories carried at net realisable value included above	**105.2**	63.3
Extent to which merchandise sold below cost during the year	**51.6**	63.9

18 receivables

R2 323.6m of Woolworths card debtors receivables eligible for securitisation were sold to Account On Us (Proprietary) Limited in February 2005 and eligible receivables continue to be sold to Account On Us (Proprietary) Limited on a daily basis. The securitised Woolworths card debtors remain disclosed on the group balance sheet as Woolworths has retained the significant risks and rewards of ownership.

At the balance sheet date Woolworths card debtors amounting to R2 377.9m (2005: R2 415.8m) are owned by Account On Us (Proprietary) Limited as security for the notes in issue under the asset backed note programme – refer note 22.

	Group		Company	
		Restated		Restated
	2006	2005	**2006**	2005
	Rm	Rm	**Rm**	Rm
Woolworths card debtors	**3 109.2**	2 696.2		
Provision for impairment	**(138.0)**	(105.4)		
	2 971.2	2 590.8		
Credit card receivables	**628.5**	326.0		
Provision for impairment	**(34.8)**	(16.4)		
	593.7	309.6		
Loans to customers – non-current	**260.4**	209.1		
Loans to customers – current	**669.5**	554.1		
Provision for impairment	**(39.8)**	(19.5)		
	890.1	743.7		
Accounts receivable	**675.5**	590.1	**0.6**	0.6
Provision for impairment	**(15.7)**	(30.3)	**-**	-
Current portion of participation in export partnerships	**42.4**	81.4	**11.8**	20.4
Fair value of the securitisation total return swap and interest rate collar (refer notes 23 & 28.2)	**113.6**	135.8	**-**	-
	815.8	777.0	**12.4**	21.0

Financial services assets (Woolworths card debtors, credit card receivables and loans to customers) have revolving credit terms. Loans to customers have a maximum repayment period of 3 years.

Woolworths card debtors and loans to customers attract interest rates as determined by the gazetted usury rate. Interest rates on credit card receivables are market-related. During the current year the financial services assets earned interest of R748.4m (2005: R602.2m).

The provision for impairment of the financial services assets is determined using statistical provisioning models based on historical experience modified for recent changes in economic circumstances to determine the probability that receivables will not be recoverable. The key assumptions are net charge-off rates of:

	%	%
Woolworths card debtors	**4.4**	3.9
Credit card receivables	**5.5**	5.0
Loans to customers	**4.3**	2.5

The carrying values of financial services assets are considered to approximate fair value. Fair value is considered in the impairment review process.

Accounts receivable are interest free and have payment terms ranging from 7 days to 60 days.

19 ordinary share capital

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Authorised				
1 500 000 000 (2005: 1 500 000 000) ordinary shares of 0.15 cents each	**2.3**	2.3	**2.3**	2.3
Issued				
797 219 395 (2005 : 787 203 320) ordinary shares of 0.15 cents each (Company: 884 091 089 (2005: 874 075 014) ordinary shares of 0.15 cents each)	**1.1**	1.1	**1.3**	1.3
Reconciliation of value of shares in issue:				
Opening balance	**1.1**	1.2	**1.3**	1.4
14 539 120 (2005: 14 817 091) shares issued	**-**	-	**-**	-
4 523 045 (2005: 91 457 044) shares repurchased and cancelled	**-**	-	**-**	(0.1)
Nil (2005: 86 871 694) shares repurchased by subsidiary, E-Com Investments 16 (Proprietary) Limited	**-**	(0.1)	**-**	-
	1.1	1.1	**1.3**	1.3
Reconciliation of number of shares in issue:				
Opening balance	**787 203 320**	868 299 247	**874 075 014**	950 714 967
Shares issued	**14 539 120**	14 817 091	**14 539 120**	14 817 091
Shares repurchased and cancelled	**(4 523 045)**	(9 041 324)	**(4 523 045)**	(91 457 044)
Shares repurchased by subsidiary, E-Com Investments 16 (Proprietary) Limited	**-**	(86 871 694)	**-**	-
	797 219 395	787 203 320	**884 091 089**	874 075 014

Share incentive schemes

The group operates a share purchase scheme as well as a share option scheme, details of which are given in the directors' report on page 54.

	Number of shares	
Shares held by participants		
Balance at the beginning of the year	**26 538 683**	31 418 564
Issued	**7 622 843**	2 750 509
Sold	**(4 762 779)**	(7 171 593)
Shares released from the scheme	**(103 905)**	(458 797)
Balance at the end of the year	**29 294 842**	26 538 683
Market value at 30 June (rands)	**401 339 335**	272 021 501
Percentage of shares vested at 30 June	**70%**	56%
Weighted average issue price (rands)	**6.41**	9.09
Weighted average market price per share traded (rands)	**12.43**	10.40
Options granted to participants		
Balance at the beginning of the year	**38 005 008**	45 406 400
Granted	**5 263 315**	4 903 874
Exercised	**(8 951 616)**	(10 656 378)
Forfeited	**(3 467 276)**	(1 648 888)
Balance at the end of the year	**30 849 431**	38 005 008
Percentage of options vested at the end of the year	**47%**	37%
Weighted average price of options exercised (rands)	**3.53**	3.21
Weighted average market price per share traded (rands)	**13.63**	9.66

19 ordinary share capital (continued)

	Number of share options outstanding 2006	2005	Exercise price	Fair value at grant date*
Period of offer				
8 December 1998 to 8 December 2008	**2 212 906**	3 493 245	2.60	-
1 January 1999 to 1 January 2009	**47 892**	126 738	2.84	-
2 February 1999 to 2 February 2009	**17 500**	30 000	2.90	-
2 February 1999 to 1 May 2009	**168 088**	435 596	3.06	-
3 March 1999 to 3 March 2009	**4 337**	24 591	4.09	-
14 May 1999 to 14 May 2009	**2 340 513**	3 386 722	3.22	-
27 May 1999 to 27 May 2009	**77 284**	122 140	4.53	-
23 July 1999 to 23 July 2009	**522 096**	670 116	3.80	-
29 September 1999 to 29 September 2009	**316 828**	560 241	3.77	-
21 December 1999 to 21 December 2009	**410 558**	848 534	3.84	-
10 March 2000 to 10 March 2010	**38 253**	56 381	3.51	-
25 April 2000 to 25 April 2010	**61 376**	118 245	3.21	-
25 May 2000 to 1 August 2010	**610 793**	857 909	2.70	-
30 June 2000 to 30 June 2010	**231 778**	326 946	3.00	-
27 October 2000 to 1 January 2011	**1 921 204**	3 837 108	2.77	-
1 February 2001 to 1 March 2011	**305 154**	929 535	2.82	-
1 April 2001 to 1 June 2011	**822 168**	1 595 194	3.03	-
1 July 2001 to 1 September 2011	**1 178 022**	1 735 064	3.33	-
1 October 2001 to 1 December 2011	**445 599**	539 481	3.59	-
1 January 2002 to 1 January 2012	**426 550**	554 005	3.46	-
1 February 2002 to 1 April 2012	**470 109**	650 425	3.43	-
26 February 2002 to 26 February 2012	**805 517**	1 195 881	3.78	-
1 June 2002 to 1 June 2012	**40 745**	151 781	3.95	-
14 June 2002 to 14 June 2012	**2 958 852**	4 088 748	3.98	-
1 December 2002 to 1 December 2012	**39 048**	58 572	4.38	2.20
1 January 2003 to 1 January 2013	**421 510**	508 313	4.42	2.14
1 February 2003 to 1 February 2013	**163 285**	163 285	4.49	1.84
1 March 2003 to 1 May 2013	**488 189**	488 189	4.62	1.96
1 June 2003 to 1 June 2013	**186 734**	300 991	4.69	2.16
12 August 2003 to 22 August 2013	**1 983 079**	2 519 980	5.16	2.88
2 September 2003 to 2 September 2013	**30 380**	30 380	5.53	2.65
22 September 2003 to 22 September 2013	**336 449**	480 857	5.76	2.31
1 October 2003 to 1 November 2013	**224 886**	429 688	6.10	2.26
1 January 2004 to 1 January 2014	**56 414**	85 514	6.43	2.69
1 January 2004 to 1 January 2014	**231 303**	245 218	7.28	2.93
1 February 2004 to 1 February 2014	**159 310**	159 310	7.25	2.67
1 March 2004 to 1 March 2014	**226 064**	226 064	6.84	2.46
1 April 2004 to 1 April 2014	**55 326**	62 376	7.33	2.63
3 May 2004 to 3 May 2014	**135 734**	226 222	7.22	2.61
1 June 2004 to 1 June 2014	**127 130**	176 218	7.13	2.71
1 December 2004 to 1 December 2014	**2 571 679**	3 265 244	10.59	3.55
29 March 2005 to 29 March 2015	**1 016 683**	1 136 683	10.18	3.44
4 April 2005 to 4 April 2015	**61 913**	77 391	9.99	3.22
1 May 2005 to 1 May 2015	**717 246**	967 246	9.73	3.15
1 June 2005 to 1 June 2015	**62 641**	62 641	10.64	3.14
1 July 2005 to 1 July 2015	**871 791**	-	10.33	3.30
1 August 2005 to 1 August 2015	**199 600**	-	11.58	3.73
24 August 2005 to 24 August 2015	**1 800 573**	-	11.31	3.66
1 September 2005 to 1 September 2015	**318 013**	-	11.64	3.67
1 October 2005 to 1 October 2015	**154 171**	-	12.71	4.22
1 November 2005 to 1 November 2015	**965 301**	-	12.45	4.11
3 January 2006 to 3 January 2016	**308 601**	-	14.11	4.43
1 March 2006 to 1 March 2016	**147 549**	-	15.81	4.89
1 April 2006 to 1 April 2016	**138 722**	-	16.33	5.16
1 May 2006 to 1 May 2016	**215 985**	-	16.56	5.27
	30 849 431	38 005 008		

* Fair value of options prior to IFRS 2 effective date of 7 November 2002 has not been determined

19 ordinary share capital (continued)

	Group	
	2006 Rm	2005 Rm
Share based payments		
Shares	**1.3**	1.3
Share options	**16.7**	9.1
	18.0	10.4

Shares and share options granted in terms of the executive incentive scheme meet the definition of share based payments. The terms and conditions of the schemes are detailed in the remuneration report of the corporate governance report.
The options vest in tranches of 20% per annum and expire after 10 years. The options were valued using a binomial model and assuming an option life of 10 years. Other valuation assumptions include volatility set at historic trend levels, a dividend yield of 5% and a risk free interest rate based on the zero-coupon yield of SA government bonds with a term consistent with the option life.

Shares granted in terms of the executive incentive scheme were granted at a discount to market value up to 1 January 2004.
These shares also meet the definition of share based payments and were valued at intrinsic value. The shares vest in tranches of 20% per annum.

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 the remuneration report on pages 29 and 30.

20 share premium

	Group		Company	
		Restated		Restated
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
Balance at the beginning of the year	**175.5**	627.3	**175.5**	627.3
Share issues in terms of the share incentive scheme	**72.7**	63.2	**72.7**	63.2
Share premium distributed	**(176.4)**	(420.4)	**(176.4)**	(420.4)
Shares repurchased and cancelled	**(61.7)**	(94.6)	**(61.7)**	(94.6)
Balance at the end of the year	**10.1**	175.5	**10.1**	175.5

21 distributable reserves

	Group 2006 Rm	Group 2005 Rm	Company 2006 Rm	Company 2005 Rm
Share based payment reserve	**28.4**	10.4		
Financial instrument revaluation reserve				
Interest rate and foreign exchange derivative instruments	**32.4**	0.7		
Retained profit				
Company	**295.4**	640.6	**295.4**	640.6
Arising on consolidation of subsidiaries	**2 965.4**	2 100.6	**-**	-
	3 260.8	2 741.2	**295.4**	640.6
	3 321.6	2 752.3	**295.4**	640.6

22 interest bearing borrowings

	Group 2006 Rm	Restated 2005 Rm
Non-current - secured		
Floating rate notes in issue – listed on the Bond Exchange of South Africa	**1 600.0**	1 900.0
2 year notes maturing on 25 February 2007 – 3 month Jibar plus 0.33% (transferred to current borrowings)	**-**	300.0
3 year notes maturing on 25 February 2008 – 3 month Jibar plus 0.35%	**400.0**	400.0
4 year notes maturing on 25 February 2009 – 3 month Jibar plus 0.36%	**550.0**	550.0
5 year notes maturing on 25 February 2010 – 3 month Jibar plus 0.38%	**650.0**	650.0
Non-current - unsecured		
Floating rate loan bearing interest at prime less 3.5%, maturing on 6 December 2007	**500.0**	500.0
	2 100.0	2 400.0
Current - unsecured		
Floating rate notes in issue – listed on the Bond Exchange of South Africa		
2 year notes maturing on 25 February 2007 – 3 month Jibar plus 0.33%	**300.0**	-
Call loans – floating interest rates varying between 7.10% and 7.60% (2005: 6.65% – 7.15%)	**1 033.6**	194.7
Overdraft - floating interest rate (2005: 10.5%)	**-**	7.5
	1 333.6	202.2

The notes issued are asset-backed with security provided to investors under the note programme agreement – refer note 18. Sureties for all other borrowings are provided by Woolworths Holdings Limited. The treasury committee is responsible for monitoring ongoing compliance with the group's financial covenants.

Interest bearing borrowings bear interest at variable, market determined rates and thus carrying value approximates fair value.

23 other liabilities

	2006 Rm	2005 Rm
Non-current		
Net operating lease accrual		
Operating lease accrual	**426.1**	394.5
Operating lease prepayment	**(5.9)**	(4.4)
	420.2	390.1
Current		
Trade payables	**878.6**	761.3
Other payables	**599.3**	372.3
Operating lease accrual	**23.5**	27.2
Fair value of securitisation total return swap (refer notes 18 & 28.2)	**102.7**	141.1
	1 604.1	1 301.9

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

The carrying value of trade and other payables approximate fair value.

24 retirement benefit information

Woolworths permanent employees under the age of 60 are contributory members of the Wooltru Group Retirement Fund. Certain employees, in addition to belonging to the Wooltru 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. Actuarial valuations are carried out every year for the Wooltru Group Retirement Fund, and every three years for the other funds. The latest valuations of the Wooltru Group Retirement Fund as at 28 February 2006 and the other funds as at 31 December 2005, confirmed that the funds were in a sound financial position.

Country Road Limited provides superannuation benefits for various categories of employees in Australia. All funds 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 and contributions under awards are legally enforceable.

Total group contributions are charged to income as incurred and amounted to R111.8m (2005: R90.4m).

Woolworths subsidises a portion of the medical aid contributions of retired employees. The company 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 8.5% (2005: 10%), and medical inflation of 6.5% (2005: 8.0%) per annum. The discount rate used to value the liability at 30 June 2006 is 8.5% (2005: 10%) per annum.

At 30 June 2006, the accrued liability amounted to R202.2m (2005: R195.0m) in respect of those current and retired members of staff who participate in the Wooltru Healthcare Fund, the company's in-house medical aid scheme. At that date, Woolworths had funded R12.5m (2005: R15.4m) of the liability by means of a long-term insurance policy held with Momentum Ability.

Employees who joined the healthcare fund after 1 November 2000 are not entitled to receive post-retirement healthcare benefits.

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

	Group	
		Restated
	2006 Rm	2005 Rm
Funding liability	**202.2**	195.0
Fair value of assets	**(12.5)**	(15.4)
Funding deficit	**189.7**	179.6
Unrecognised actuarial gain	**13.0**	1.7
Net obligation	**202.7**	181.3
Reconciliation:		
Net obligation at the beginning of the year	**181.3**	158.5
Net movement charged to employment cost in the income statement	**22.6**	23.9
Current service cost	**7.7**	7.3
Interest on obligation	**15.9**	17.9
Expected return on assets	**(1.0)**	(1.3)
Contribution paid	**(1.2)**	(1.1)
Net obligation at the end of the year	**202.7**	181.3
Funding liability at the beginning of the year	**195.0**	174.2
Interest cost	**15.9**	17.9
Current service cost	**7.5**	7.3
Contributions	**(7.3)**	(6.5)
Actuarial (gain) / loss	**(8.9)**	2.1
Funding liability at the end of the year	**202.2**	195.0
Fair value of plan assets at the beginning of the year	**15.4**	15.7
Expected returns	**0.1**	1.3
Contributions	**(6.2)**	(5.5)
Actuarial gain	**3.2**	3.9
	12.5	15.4

24 retirement benefit information (continued)

	Group 2006 Rm	Restated 2005 Rm
Actual return on plan assets		
Expected return on plan assets	**1.0**	1.3
Actuarial gain on plan assets	**3.2**	3.9
Actual return on plan assets	**4.2**	5.2

	2006	2005	2004	2003	2002
Funding liability	**202.2**	195.0	174.2	155.2	136.4
Fair value of assets	**(12.5)**	(15.4)	(15.7)	(17.5)	(18.0)
Funding deficit	**189.7**	179.6	158.5	137.7	118.4
Actuarial (gain) / loss on funding liability	**(8.9)**	2.1	1.8	(3.9)	9.4
Actuarial gain / (loss) on plan assets	**3.2**	3.9	1.4	(2.7)	2.3

A one percentage point increase or decrease in the assumed medical inflation rate of 6.5% would have the following effect:

Medical inflation assumption	5.5% 1% decrease	7.5% 1% increase
Service cost for the year ended June 2006	6.0	9.4
Interest cost for the year ended June 2006	13.6	18.8
Accrued liability at June 2006	174.7	236.0

25 provisions

	Group					
					2006	2005
	Leave pay Rm	Restructuring Rm	Provision for onerous lease commitments Rm	Other Rm	Total Rm	Total Rm
Balance at the beginning of the year	**73.2**	**3.0**	**32.4**	**8.9**	**117.5**	113.6
Raised	**37.4**	**-**	**6.8**	**-**	**44.2**	30.9
Released	**(0.5)**	**-**	**(6.7)**	**(2.2)**	**(9.4)**	(12.2)
Utilised	**(18.6)**	**(1.3)**	**-**	**(1.4)**	**(21.3)**	(14.8)
Balance at the end of the year	**91.5**	**1.7**	**32.5**	**5.3**	**131.0**	117.5

Other provisions consist primarily of Australian long service entitlements.

The current leave pay provision will unwind as employees use up their leave entitlement. The provision for onerous lease commitments reverses as the lease term runs down or the economics of the lease improve. The restructuring provision is expected to be utilised during the next financial year as the relevant business restructuring occurs.

26 capital commitments

	Group 2006 Rm	2005 Rm
Commitments in respect of capital expenditure approved by the directors but not accrued at the balance sheet date		
Contracted for	**239.3**	47.6
Not contracted for	**180.3**	595.6
	419.6	643.2

This expenditure for property, plant and equipment will be financed by cash generated from the group's activities and from available borrowing facilities.

27 contingent liabilities

Company

The company provides sureties for the banking facilities (refer note 28.4) and lease obligations of certain subsidiaries. In the opinion of the directors, the possibility of loss arising therefrom is remote.

28 financial risk management

Exposure to credit, interest rate and currency risk arises in the normal course of the group's business. A treasury committee meets on a regular basis to update treasury policies and objectives, analyse currency and interest rate exposures and management strategies against revised economic forecasts. Credit risk is managed by the credit risk committee.

28.1 foreign currency management

It is the group's policy to cover all foreign currency exposures arising from the acquisition of goods and services with forward exchange contracts.

Forward exchange contracts at 30 June are summarised below. These amounts represent the net rand equivalent of the group commitments to purchase and sell foreign currencies.

Foreign currency against rand :	Group			
	2006		2005	
	Rand equivalent Rm	**Average rate R**	Rand equivalent Rm	Average rate R
Exports – sell contracts				
US Dollar	**-**	**-**	1.5	6.03
Imports – purchase contracts				
US Dollar	**288.8**	**6.86**	236.3	6.60
British Pound	**80.1**	**12.55**	90.5	12.69
Euro	**6.2**	**8.63**	8.8	8.65
New Zealand Dollar	**1.8**	**4.20**	-	-
Norwegian Kroner	**0.6**	**0.93**	-	-
Hong Kong Dollar	**0.8**	**1.17**	-	-
Canadian Dollar	**0.3**	**5.53**	0.5	5.51
Swiss Franc	**-**	**-**	0.8	5.48
Australian Dollar	**-**	**-**	0.9	5.22
Danish Krone	**-**	**-**	0.8	1.10

	Rand equivalent	
	2006 Rm	2005 Rm
Foreign exchange derivatives maturity analysis		
Less than 1 year	**322.9**	277.6
1 year to 5 years	**55.7**	62.5
Investment in foreign subsidiaries		
The group has unhedged net assets / (liabilities) in foreign subsidiaries of		
US Dollar	**45.6**	44.5
Euro	**(30.5)**	(28.2)
Australian Dollar	**4.7**	1.6

28.2 interest rate management

Financial services assets and interest bearing borrowings carry interest rate risk. As part of the process of managing the group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

28 financial risk management (continued)

The interest rate pricing profile at 30 June is summarised as follows :

	Group			
	2006		2005	
		Effective interest rate		Effective interest rate
	Rm	%	Rm	%
Local interest bearing borrowings				
Floating rate	**3 433.6**	**7.5%**	2 602.2	7.2%
% of total borrowings	**100%**		100%	

There are no foreign interest bearing borrowings.

The structure of the asset backed note programme requires that the basis risk be swapped out of the special purpose vehicle, Account On Us (Proprietary) Limited. Account On Us (Proprietary) Limited has entered into a total return swap with the Standard Bank of South Africa Limited, whereby revenue earned on the receivables owned by Account On Us (Proprietary) Limited is swapped for a Jibar related return. Woolworths (Proprietary) Limited has entered into a back-to-back swap with the Standard Bank of South Africa Limited. The fair values of the swaps are reflected on the balance sheet (refer notes 18 & 23).

During the current financial year the interest rate exposure on the notes maturing in February 2008 and February 2009, totalling R950m, was hedged using interest rate collars. The fair value of the derivatives at balance sheet date is included in note 18.

	2006			2005		
	Nominal Rm	floor rate %	cap rate %	Nominal Rm	floor rate %	cap rate %
Interest rate derivatives maturity analysis						
Less than 1 year	**-**	**-**	**-**	-	-	-
More than 1 year	**950.0**	**6.83**	**8.46**	-	-	-

28.3 credit risk management

Potential concentrations of credit risk consist principally of short-term cash investments and trade, card and customer loan debtors. The group only deposits short-term cash surpluses with major banks of high quality credit standing.

Woolworths card, customer loan debtors and credit card receivables comprise a large, widespread customer base and ongoing credit evaluations are performed. The granting of credit is controlled by entering application information into a statistical scoring model, and the assumptions therein are reviewed and updated on an ongoing basis. As at 30 June 2006, it is considered that there are no significant concentrations of credit risk that have not been adequately provided for in the annual financial statements.

Trencor Limited has materially warranted certain important cash flow aspects of the group's participation in export partnerships.

28.4 liquidity management

The group has minimised its liquidity risk as shown by its substantial undrawn banking facilities.

	Group	
	2006 Rm	2005 Rm
Banking facilities:		
Total banking facilities	**2 734.1**	2 931.6
Less: drawn down portion	**(1 018.1)**	(157.7)
Total undrawn banking facilities	**1 716.0**	2 773.9

Borrowing capacity

In terms of the company's articles of association, there is no limit on the group's authority to raise interest bearing debt.

Country Road Limited

The credit standby facilities of Country Road Limited are secured by a registered mortgage debenture over its assets as disclosed in the segmental information in note 35.

28.5 fair value of financial instruments

The carrying values of financial instruments measured at fair value have been determined using available market information and appropriate valuation methodologies. Fair value information for other financial instruments not carried at fair value is provided in the respective notes to these financial statements.

29 management of capital

The group considers share capital, share premium and interest bearing debt as capital. Management has made progress in meeting the following objectives:

- to provide an adequate return to shareholders;
- to appropiately gear the financial services business;
- to maintain a finance cost cover of at least 3 times operating profit;
- to safeguard Woolworths' ability to continue as a going concern; and
- to be flexible and take advantage of opportunities that are expected to provide an adequate return to shareholders.

The group is subject to triggers set by the agencies rating the securitisation structure. The triggers are based on the performance of the securitised debtors book and the corporate rating of Woolworths Holdings Limited. Performance against these triggers is monitored on an ongoing basis and there has been no breach of these triggers in the current year.

The group takes cognisance of certain rating agency ratios that evaluate the ability of the capital to absorb losses as evidenced by the corporate rating.

30 comparative figures

Comparative figures have been restated as a result of the adoption of IFRS (refer to note 34) and SAICA Circular 9/2006 regarding inventories and cost of sales. In accordance with the recommendation by SAICA regarding the treatment of settlement discounts, the valuation of inventories and measurement of cost of sales have been adjusted by the settlement discounts received from suppliers in respect of merchandise purchases, with retrospective effect.

The change in classification of settlement discounts had no impact on profit and the following classification effects:

	Group	
	2006 Rm	2005 Rm
Increase in operating costs	**212.7**	180.5
Decrease in cost of merchandise	**212.7**	180.5
Increase in gross profit %	**1.5%**	1.5%

31 distributions to shareholders

	Group		Company	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
Distribution no. 14 of 25.5 cents per share was declared on 18 August 2004 and paid on 13 September 2004	**-**	242.8	**-**	242.8
Less: Distribution received on treasury shares	**-**	(21.0)	**-**	-
Distribution no. 15 of 18.5 cents per share was declared on 17 February 2005 and paid on 14 March 2005	**-**	177.6	**-**	177.6
Less: Distribution received on treasury shares	**-**	(15.2)	**-**	-
Distribution no. 16 of 35.5 cents per share was declared on 24 August 2005 and paid on 19 September 2005	**313.2**	-	**313.2**	-
Less: Distribution received on treasury shares	**(30.8)**	-	**-**	-
Distribution no. 17 of 24.0 cents per share was declared on 16 February 2006 and paid on 13 March 2006	**212.7**	-	**212.7**	-
Less: Distribution received on treasury shares	**(20.9)**	-	**-**	-
Total net distributions paid	**474.2**	384.2	**525.9**	420.4

Distribution no. 18 of 39.0 cents per share was declared on 22 August 2006.

32 cash flow information

	Group 2006 Rm	Group Restated 2005 Rm	Company 2006 Rm	Company Restated 2005 Rm
32.1 cash flow from trading				
Profit before exceptional items	**1 246.4**	1 078.6	**43.0**	804.1
Depreciation	**269.9**	254.5	**-**	-
Finance costs paid	**243.9**	152.7	**-**	-
Interest received	**(763.6)**	(641.7)	**(8.9)**	(3.4)
(Profit) / loss on sale of property, plant and equipment	**(0.2)**	0.5	**-**	-
Profit on disposal of unit trust investment	**-**	(9.3)	**-**	-
Movement in working capital and other provisions	**32.6**	100.2	**-**	-
Net reversal of provision for impairment of property, plant and equipment	**-**	(15.0)	**-**	-
Provision for impairment of participation in export partnership	**-**	6.1	**-**	2.1
Post-retirement medical aid provision	**21.4**	22.8	**-**	-
Share-based payments	**18.0**	10.4	**-**	-
Operating lease accrual	**6.3**	29.9	**-**	-
Unrealised foreign exchange (profits) / losses	**(2.2)**	6.8	**1.7**	(5.8)
Distribution received	**-**	-	**(34.3)**	(800.0)
Net inflow / (outflow) from trading	**1 072.5**	996.5	**1.5**	(3.0)
32.2 working capital movements				
Inventories	**(111.1)**	(134.8)	**-**	-
Accounts receivable	**(34.6)**	(98.5)	**-**	-
Accounts payable	**323.1**	4.9	**(0.5)**	2.1
Net inflow / (outflow)	**177.4**	(228.4)	**(0.5)**	2.1
32.3 tax paid				
Normal and foreign tax				
Amounts (owing) / receivable at the beginning of the year	**(233.7)**	(128.6)	**7.6**	21.2
Amounts charged to income statement	**(455.7)**	(416.7)	**(6.6)**	(21.5)
Amounts owing / (receivable) at the end of the year	**259.9**	233.7	**(0.7)**	(7.6)
Cash amounts (paid) / received	**(429.5)**	(311.6)	**0.3**	(7.9)
Secondary tax on companies				
Amounts charged to income statement and paid	**(45.9)**	(3.0)	**(39.4)**	-
Total tax paid	**(475.4)**	(314.6)	**(39.1)**	(7.9)
32.4 distributions to shareholders				
Amounts charged to statement of changes in shareholders' interest and paid	**(474.2)**	(384.2)	**(525.9)**	(420.4)
32.5 cash and cash equivalents				
Cash				
Interest earning				
Local – at interest rates of 5.75% (2005: 5.25%)	**306.5**	144.9	**-**	173.4
Foreign – at interest rates of 2.5% to 5.6% (2005: 0.5% to 5.4%)	**103.7**	80.6	**-**	-
	410.2	225.5	**-**	173.4
Overdrafts and short-term interest bearing borrowings*	**(1 033.6)**	(202.2)	**(1.6)**	-
Cash and cash equivalents	**(623.4)**	23.3	**(1.6)**	173.4

* Excluding current floating rate notes

32 cash flow information (continued)

32.6 investments in business operations

On 1 April 2006 the group acquired 74% of the issued share capital of Virtual Market Place (Proprietary) Limited for R12.8m. The group's shareholding was increased to 100%. The company creates partnerships between businesses and supporters for the benefit of broad based educational institutions. In the 3 months to 30 June 2006 the subsidiary contributed a profit of R0.6m to the consolidated profit for the period of R837.4m.

	Group 2006 Rm
Details of the net assets acquired and goodwill are as follows:	
Purchase consideration	
Cash paid and payable	12.8
Less: Fair value of net assets acquired	(1.3)
Goodwill	11.5
Goodwill on original investment acquisition	1.3
Total goodwill	12.8

	Recognised values Rm
Virtual Market Place (Proprietary) Limited net assets at date of acquisition	
Plant and equipment	0.4
Accounts receivable	6.5
Cash and cash equivalents	0.2
Trade and other payables	(5.4)
Net identifiable assets and liabilities	1.7
74% acquired	1.3
Goodwill	11.5
Total consideration	12.8
Less: investment made in prior period	(2.6)
Net cash outflow	10.2

On 27 March 2006 the group acquired a franchised operation for R13.0m. In the 3 months to 30 June 2006 the acquired operations contributed a profit of R2.1m to the consolidated operating profit for the period of R837.4m.

	Rm
Details of the net assets acquired and goodwill are as follows:	
Purchase consideration	
Cash paid and payable	13.0
Less: Fair value of net assets acquired	(2.8)
Goodwill	10.2

	Recognised values Rm
Net assets at date of acquisition:	
Plant and equipment	2.8
Goodwill	10.2
Total consideration	13.0
Cash acquired	-
Net cash outflow	13.0

33 operating leases

	Group 2006 Rm	Group 2005 Rm
The group has entered into various operating lease agreements on premises. Leased premises are contracted for remaining periods of between 1 and 17 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.		
33.1 operating lease commitments		
Land and buildings		
Next year	**543.4**	495.2
2007/8 to 2010/11	**2 448.1**	2 133.0
Thereafter	**2 205.0**	3 196.3
33.2 future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as principal lessor at 30 June		
Land and buildings		
Next year	**21.4**	17.7
2007/8 to 2010/11	**70.6**	55.6
Thereafter	**8.5**	7.1
33.3 future minimum sub-lease payments expected to be received from franchisees and other tenants under non-cancellable operating leases as sub-lessor at 30 June		
Land and buildings		
Next year	**10.1**	10.2
2007/8 to 2010/11	**40.4**	30.3
Thereafter	**2.6**	13.6

The operating lease accrual of R443.7m (2005: R417.3m) represents the extent to which the above future rental expenses and income have already been recognised in the income statement – refer note 23.

34 IFRS adoption

These are the group's first consolidated annual financial statements prepared in accordance with IFRS.
The accounting policies set out in note 1 have been applied for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of the opening IFRS balance sheet at 1 July 2004, the group's date of transition, except where IFRS 1 First Time Adoption of International Financial Reporting Standards either requires or allows exemptions from full retrospective application.

In preparing the opening IFRS balance sheet, the group has adjusted amounts previously reported in financial statements prepared in accordance with previous South African Statements of Generally Accepted Accounting Practice (SA GAAP).
An explanation of how the transition from previous SA GAAP to IFRS has affected the group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

IFRS impact on reported balance sheets

	Note	Group Effect on assets Rm	Group Effect on liabilities Rm	Group Effect on equity Rm	Company Effect on assets Rm	Company Effect on liabilities Rm	Company Effect on equity Rm
Transition date 1 July 2004							
Property, plant and equipment	34.1	**52.1**	**-**	**52.1**	-	-	-
Impairment of financial services assets	34.2	**52.0**	**-**	**52.0**	-	-	-
Employee benefits	34.3	**2.1**	**7.3**	**(5.2)**	-	-	-
Foreign currency translations	34.4	**7.2**	**-**	**7.2**	-	-	-
		113.4	**7.3**	**106.1**	-	-	-

34 IFRS adoption (continued)

	Note	Group Effect on assets Rm	Group Effect on liabilities Rm	Group Effect on equity Rm	Company Effect on assets Rm	Company Effect on liabilities Rm	Company Effect on equity Rm
Year ended June 2005 - cumulative							
Property, plant and equipment	34.1	**57.9**	**-**	**57.9**	-	-	-
Impairment of financial services assets	34.2	**33.9**	**-**	**33.9**	-	-	-
Employee benefits	34.3	**2.1**	**7.3**	**(5.2)**	-	-	-
Foreign currency translations	34.4	**7.9**	**-**	**7.9**	-	-	-
		101.8	**7.3**	**94.5**	-	-	-

IFRS impact on reported results	Note	Group SA GAAP June 2005 Rm	Group IFRS adjustments Rm	Group IFRS* June 2005 Rm	Company SA GAAP June 2005 Rm	Company IFRS adjustments Rm	Company IFRS June 2005 Rm
Turnover		**12 220.7**	**-**	**12 220.7**	-	-	-
Cost of sales		**8 207.6**	**-**	**8 207.6**	-	-	-
Gross profit		**4 013.1**	**-**	**4 013.1**	-	-	-
Other revenue		**768.2**	**-**	**768.2**	803.4	-	803.4
Expenses		**3 517.1**	**32.9**	**3 550.0**	9.2	(9.9)	(0.7)
Depreciation	34.1	**262.1**	**(7.6)**	**254.5**	-	-	-
Occupancy cost		**609.8**	**-**	**609.8**	-	-	-
Employment cost	34.5	**1 449.6**	**10.4**	**1 460.0**	-	-	-
Other operating cost	34.2 & 34.4	**1 195.6**	**30.1**	**1 225.7**	9.2	(9.9)	(0.7)
Finance costs		**152.7**	**-**	**152.7**	-	-	-
Profit before tax		**1 111.5**	**(32.9)**	**1 078.6**	794.2	9.9	804.1
Exceptional items		**-**	**-**	**-**	33.1	-	33.1
Tax		**307.7**	**(8.2)**	**299.5**	(2.0)	-	(2.0)
Profit after tax		**803.8**	**(24.7)**	**779.1**	829.3	9.9	839.2

* The restated numbers are prior to reclassification of settlement discounts

Notes to conversion tables

34.1 IFRS requires that the useful lives and residual values of assets be reviewed annually. This requirement has resulted in a lower depreciation charge and a reversal of accumulated depreciation.

34.2 Under IFRS requirements financial assets are subject to impairment only when there is objective evidence that a loss event has impacted the estimated future cash flows to be received from that asset.

34.3 Actuarial gains and losses were previously deferred and only recognised as income and expense when the cumulative gain or loss exceeded 10% of the greater of the fair value of plan assets and the defined obligation. Previously unrecognised actuarial losses of R7.3m relating to the post-retirement medical aid liability have been included in the liability at the transition date.

34.4 The group previously recognised gains and losses on the translation of foreign operations which were classified as integrated foreign operations in the income statement in accordance with SA GAAP. Under IFRS the gains and losses on the translation of the balance sheet items of foreign operations are taken directly to non-distributable reserves. The change in translation method for foreign subsidiaries has resulted in a reclassification of foreign exchange losses between retained profits and the foreign currency translation reserve, both of which form part of equity.

34.5 Share based payments are expensed from 1 July 2004 onward.

35 segmental information

35.1 primary segmentation based on nature of business and retail chain

	Group									
	2006					Restated 2005				
	Total	Intragroup	Retail		Financial services	Total	Intragroup	Retail		Financial services
			Woolworths	Country Road				Woolworths	Country Road	
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Operating results										
Revenue	15 143.0	(78.9)	13 286.9	993.6	941.4	12 988.9	(68.5)	11 288.4	995.1	773.9
Turnover	14 208.0	-	13 213.8	980.7	13.5	12 220.7	-	11 227.0	982.1	11.6
Cost of sales	9 340.4	-	8 885.8	454.6	-	8 027.1	-	7 558.4	468.7	-
Gross profit	4 867.6	-	4 328.0	526.1	13.5	4 193.6	-	3 668.6	513.4	11.6
Other revenue	935.0	(78.9)	73.1	12.9	927.9	768.2	(68.5)	61.4	13.0	762.3
Expenses	4 312.3	(78.9)	3 331.9	520.0	539.3	3 730.5	(68.5)	2 871.3	502.0	425.7
Segmental operating profit	1 490.3	-	1 069.2	19.0	402.1	1 231.3	-	858.7	24.4	348.2
Return on equity	34.8%	-	58.6%	6.2%	11.7%	31.2%	-	71.7%	10.3%	9.5%
Balance sheets										
Property, plant and equipment, investment properties, investments and loans	1 985.5	(38.1)	1 849.0	152.3	22.3	1 605.0	(36.4)	1 484.1	143.2	14.1
Inventories	841.4	-	707.9	133.5	-	683.0	-	563.0	120.0	-
Financial services assets	4 455.0	-	-	-	4 455.0	3 644.1	-	-	-	3 644.1
Accounts receivable	815.8	-	614.5	35.6	165.7	777.0	-	528.9	58.9	189.2
Cash	410.2	-	332.2	78.0	-	225.5	-	163.5	62.0	-
Segment assets	8 507.9	(38.1)	3 503.6	399.4	4 643.0	6 934.6	(36.4)	2 739.5	384.1	3 847.4
Tax and deferred tax assets	260.4					204.5				
Total assets	8 768.3					7 139.1				
Depreciation	269.9	-	229.0	34.8	6.1	262.1	-	224.2	31.3	6.6
Capital expenditure – gross additions	637.9	-	596.0	38.1	3.8	385.9	-	338.3	41.8	5.8
Capital commitments	419.5	-	366.2	53.3	-	643.2	-	598.2	45.0	-
Debt ratio	39.2%	-	-	9.5%	73.9%	36.4%	-	-	9.5%	67.6%
Shareholding			100.0%	87.9%	100.0%			100.0%	87.9%	100.0%

35.2 secondary segmentation based on geographic location of customers and assets

	Group									
	2006					Restated 2005				
	Total	Intragroup	Retail		Financial services	Total	Intragroup	Retail		Financial services
			Woolworths	Country Road				Woolworths	Country Road	
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue										
South Africa	**13 919.2**	**(78.9)**	**13 056.7**	**-**	**941.4**	11 789.7	(68.5)	11 084.3	-	773.9
Rest of Africa	**167.2**	**-**	**167.2**	**-**	**-**	146.3	-	146.3	-	-
Middle East	**62.5**	**-**	**62.5**	**-**	**-**	57.3	-	57.3	-	-
Australasia	**994.1**	**-**	**0.5**	**993.6**	**-**	995.6	-	0.5	995.1	-
	15 143.0	**(78.9)**	**13 286.9**	**993.6**	**941.4**	12 988.9	(68.5)	11 288.4	995.1	773.9
Turnover – based on location of end user / customers										
South Africa	**12 998.1**	**-**	**12 984.6**	**-**	**13.5**	11 035.3	-	11 023.7	-	11.6
Rest of Africa	**166.9**	**-**	**166.9**	**-**	**-**	146.1	-	146.1	-	-
Middle East	**62.3**	**-**	**62.3**	**-**	**-**	57.2	-	57.2	-	-
Australasia	**980.7**	**-**	**-**	**980.7**	**-**	982.1	-	-	982.1	-
	14 208.0	**-**	**13 213.8**	**980.7**	**13.5**	12 220.7	-	11 227.0	982.1	11.6
Total assets – based on location of assets										
South Africa	**8 108.5**	**(38.1)**	**3 503.6**	**-**	**4 643.0**	6 492.4	(36.4)	2 681.4	-	3 847.4
Australasia	**399.4**	**-**	**-**	**399.4**	**-**	442.2	-	58.1	384.1	-
		(38.1)	**3 503.6**	**399.4**	**4 643.0**		(36.4)	2 739.5	384.1	3 847.4
Tax and deferred tax assets	**260.4**					204.5				
Total assets	**8 768.3**					7 139.1				
Capital expenditure – based on location of assets										
South Africa	**599.8**	**-**	**596.0**	**-**	**3.8**	344.1	-	338.3	-	5.8
Australasia	**38.1**	**-**	**-**	**38.1**	**-**	41.8	-	-	41.8	-
	637.9	**-**	**596.0**	**38.1**	**3.8**	385.9	-	338.3	41.8	5.8

annexure 1

			Company			
			2006		2005	
			Carrying value of shares Rm	% Holding	Carrying value of shares Rm	% Holding
Interest in subsidiaries						
Directly held			**269.5**		266.0	
Woolworths (Proprietary) Limited	R	1	**-**	**100.0**	-	100.0
Woolworths Finance (Proprietary) Limited	F	1	**-**	**100.0**	-	100.0
Woolworths Developments (Proprietary) Limited	P	1	**-**	**100.0**	-	100.0
Woolworths Computer Services (Proprietary) Limited	D	1	**-**	**100.0**	-	100.0
Woolworths International Holdings Limited	H	5	**269.5**	**100.0**	266.0	100.0
E-Com Investments 16 (Proprietary) Limited	H	1	**-**	**100.0**	-	100.0
i'Sentials (Proprietary) Limited	R	1	**-**	**100.0**	-	100.0
Woolworths Holdings Share Trust*	R	1	**-**	**-**	-	-
Indirectly held						
Woolworths International (SA) (Proprietary) Limited	I	1		**100.0**		100.0
Woolworths (Namibia) (Proprietary) Limited	D	2		**100.0**		100.0
Woolworths Pharmaceuticals (Proprietary) Limited	D	1		**100.0**		100.0
Woolworths (Claremont) Properties Shareblock (Proprietary) Limited	D	1		**100.0**		100.0
Woolworths (Lesotho) (Proprietary) Limited	D	3		**100.0**		100.0
Woolworths (Swaziland) (Proprietary) Limited	D	4		**100.0**		100.0
Nationwide Recovery Services (Proprietary) Limited	D	1		**100.0**		100.0
Highway Holdings N.V.	H	6		**100.0**		100.0
Woolworths International Limited	I	5		**100.0**		100.0
Woolworths International (Australia) Proprietary Limited	H	7		**100.0**		100.0
Woolworths Worldwide Limited	H	5		**100.0**		100.0
Woolworths Trust***	H	5		**-**		-
WSM Operations Holding Company Limited	D	5		**100.0**		100.0
Country Road Limited	R	7		**87.9**		87.9
Country Road Clothing Proprietary Limited	R	7		**87.9**		87.9
Country Road Clothing (N.Z.) Limited	R	8		**87.9**		87.9
Country Road Properties Proprietary Limited	P	7		**87.9**		87.9
Country Road Australia Limited	R	5		**87.9**		87.9
Country Road International Proprietary Limited	F	7		**87.9**		87.9
Country Road (Hong Kong) Limited	R	9		**87.9**		87.9
Universal Product Networks (Proprietary) Limited	L	1		**100.0**		100.0
Woolworths Financial Services (Proprietary) Limited	F	1		**100.0**		100.0
inthebag (Proprietary) Limited	R	1		**100.0**		100.0
Upfront Investments 132 (Proprietary) Limited	F	1		**100.0**		100.0
Account On Us (Proprietary) Limited*	F	1		**-**		-
Virtual Market Place (Proprietary) Limited**	R	1		**100.0**		26.0
			269.5		266.0	
Amounts owing by/(to) subsidiaries						
Woolworths (Proprietary) Limited			**(342.4)**		(33.7)	
Country Road Limited			**38.1**		36.4	
E-Com Investments 16 (Proprietary) Limited			**338.3**		355.7	
Total interest			**303.5**		624.4	

Nature of business: R: Retailing; P: Property development/holding; F: Financial Services; I: Import/export; D: Dormant; L: Logistics; H: Holding

Country of incorporation: 1: South Africa; 2: Namibia; 3: Lesotho; 4: Swaziland; 5: Guernsey; 6: Belgium; 7: Australia; 8: New Zealand; 9: Hong Kong

* The Woolworths Holdings Share Trust and Account On Us (Proprietary) Limited are included as subsidiaries based on the interpretation guidance SIC 12. The legal ownership of Account On Us (Proprietary) Limited is independent of the Woolworths Holdings Limited group and the assets of the company are preferred to noteholders.

** Virtual Market Place (Proprietary) Limited is a virtual community development company that creates partnerships between businesses and supporters for the benefit of broad based educational institutions. The company primarily promotes the 'My School' programme at Woolworths retail outlets.

*** The Woolworths Trust is an intermediate holding entity for the group's investment in Country Road Limited. Woolworths Holdings Limited is a beneficiary of the trust.

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

	2006 Rm	Restated 2005 Rm
Profits	**929.1**	1 374.1
Losses	**(45.7)**	(12.9)
	883.4	1 361.2

shareholders' information

contents

analysis of shareholders

shareholder spread

Pursuant to the Listings Requirements of JSE Limited and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 June 2006 was as follows:

Shareholders spread	No. of shareholders	% of total	No. of shares	% of total
1 - 1 000 shares	4 348	44.56	1 502 484	0.17
1 001 - 10 000 shares	3 684	37.75	13 978 045	1.58
10 001 - 100 000 shares	1 207	12.37	37 892 837	4.29
100 001 - 1 000 000 shares	401	4.11	127 504 563	14.42
1 000 001 shares and over	118	1.21	703 213 160	79.54
	9 758	100.00	884 091 089	100.00

Public and non-public	No. of holders	% of total	No. of shares	% of issued capital
Public shareholders	9 748	99.90	749 867 047	84.82
Non-public shareholders				
Directors and associates of the company holdings	8	0.08	18 057 506	2.04
E-Com Investments 16 (Proprietary) Limited	1	0.01	86 871 694	9.83
Share Trust	1	0.01	29 294 842	3.31
	9 758	100.00	884 091 089	100.00

major shareholders

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 3% of any class of the issued share capital at 30 June 2006.

Directly beneficial shareholders	Shares held	% of total
Public Investment Commissioner	142 384 084	16.11
E-Com Investments 16 (Proprietary) Limited	86 871 694	9.83
Liberty Life Association of Africa	44 170 609	5.00
Investment Solutions	43 468 938	4.92
Old Mutual Group	38 578 757	4.36
	355 474 082	40.22

Indirectly beneficial shareholders	Shares held	% of total
Coronation Fund Managers	204 795 808	23.17
Old Mutual Asset Managers	104 434 466	11.81
Stanlib Limited	85 063 671	9.62
RMB Asset Management	52 985 426	5.99
Sanlam Investment Managers	52 806 977	5.97
Allan Gray Investment Council	37 493 586	4.24
Woolworths Holdings Share Trust	29 294 842	3.31
	566 874 776	64.11

To the best of the directors' knowledge, the percentage of the company's shares held by non-South African shareholders at 30 June 2006 was 9.32%.

classification of registered shareholders

Category	No. of shareholders	Shares held	% of total
Banks	153	68 176 760	7.71
Close Corporations	113	484 455	0.06
Endowment Funds	96	6 522 580	0.74
Individuals	7 244	29 647 043	3.35
Insurance Companies	54	63 059 130	7.13
Investment Companies	53	101 950 083	11.53
Medical Aid Schemes	16	2 321 052	0.26
Mutual Funds	217	163 851 530	18.53
Nominees and Trusts	1 141	19 614 019	2.22
Other Corporations	100	1 392 526	0.16
Pension Funds	328	302 324 881	34.20
Private Companies	225	94 330 993	10.67
Public Companies	17	1 121 195	0.13
Share Trust	1	29 294 842	3.31
Total	9 758	884 091 089	100.00

shareholders' calender

Financial year end		June
Reporting:	Annual report	September
	Annual general meeting	November
	Interim report	February
	Annual results	August
Dividend declared:	Interim	February
	Final	August
Dividend payable:	Interim	March
	Final	September

chairman's letter to shareholders

Dear Shareholder

The annual general meeting of Woolworths Holdings Limited will be held at 09h00 in the Auditorium, 1st floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on 15 November 2006. This letter explains the business to be conducted at the meeting.

The annual report for the year ended 30 June 2006 is available on the website at www.woolworthsholdings.co.za.

explanatory notes on resolutions

Resolution 1: Ordinary resolution – Consideration of the annual financial statements

Receive and consider for adoption the annual financial statements and group annual financial statements for the financial year ended 30 June 2006 – this is ordinary business and there are no special items to bring to the attention of the shareholders.

Resolutions 2.1 to 2.14: Ordinary resolutions – Increase to the remuneration for the non-executive directors

Approve the non-executive directors' fees for the financial year commencing 1 July 2006.

Resolutions 3.1 to 3.4: Ordinary resolutions – Re-election of directors

Election of directors – in terms of the articles of association, one third of the directors retire each year. The directors who retire are directors appointed since the last annual general meeting and directors who are due to retire by rotation. In line with this requirement Peter Bacon and Zyda Rylands, who were appointed on 22 August 2006, and Mair Barnes and Brian Frost, retire and being eligible offer themselves for re-election.

A brief curriculum vitae of each director seeking re-election may be found in the notice of the annual general meeting on page 97.

Resolution 4: Ordinary resolution – General authority to make payments to shareholders

Authorise the company as a general authority to make payments to its shareholders from time to time in terms of Section 90 of the Companies Act, (61 of 1973), as amended, and in terms of the Listing Requirements of the JSE Limited.

Resolution 5: Special resolution – General authority to repurchase shares

Renew the general authority granted by shareholders at the last annual general meeting and allowing the company to repurchase the company's shares during the course of the year.

Resolution 6: Ordinary resolution – Authority to sign all documents required

Authorise directors to implement ordinary resolution number 4 and special resolution number 5.

Additional information required by the Listings Requirements of the JSE Limited applying to ordinary resolution number 4 and special resolution number 5.

statement of directors

As at the date of this report, the company's directors undertake that, having considered the effect of cash payments and the purchase of the maximum number of shares (as contemplated in ordinary resolution number 4 and special resolution number 5) that for a period of twelve months from the date of the notice of the annual general meeting:

a) the company and the group will be able to repay their debts in the ordinary course of business;

b) the consolidated assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, will be in excess of their consolidated liabilities;

c) the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes; and

d) the available working capital will be adequate to continue the operations of the company and the group.

The company's sponsor has confirmed the adequacy of the company's working capital for the purposes of undertaking a general payment to shareholders and/or a repurchase of shares in writing to the JSE Limited.

Section 11.26 of the JSE Listings Requirements requires the following disclosures, which are provided elsewhere in the annual report as set out below:

- Directors and management: pages 4 and 5
- Major shareholders of the company: page 94
- Directors' interests in shares: page 54
- Share capital of the company: page 77 to 79.

litigation statement

In terms of Section 11.26 of the JSE Listings Requirements, the directors, whose names are given on pages 4 and 5 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the group's financial position.

Director's responsibility statement

The directors, whose names are given on pages 4 and 5 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the abovementioned resolutions and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the abovementioned resolutions contain all information required by law and the Listings Requirements.

material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and the date of this notice.

attendance at annual general meeting

I encourage you to attend and vote your shares at the annual general meeting. If you are unable to attend, I urge you to complete the proxy form in accordance with the instructions and return it to the address indicated.

A proxy form is enclosed for use by shareholders holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a Central Securities Depositary Participant (CSDP) or broker and who have selected "own name" registration. Such proxy form, duly completed, should be forwarded to reach the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2017) at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time at which the annual general meeting will be held.

general meeting

It is our intention to convene a general meeting on 15 November 2006 immediately following the annual general meeting, in order to table amendments to the Woolworths Holdings Share Trust for shareholder approval. The effect of the amendments will be to revise the terms of the executive incentive share scheme. The notice for this general meeting will be sent to shareholders in due course.

I look forward to welcoming you at our general meetings.

Buddy Hawton
Chairman
30 September 2006

notice of annual general meeting

Notice is hereby given that the 2006 annual general meeting of shareholders of the company will be held at 09h00 in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on 15 November 2006 for the following purposes:

1. **Ordinary resolution number 1 - Consideration of the annual financial statements**

   To receive and consider, for confirmation, the annual financial statements and group annual financial statements for the year ended 30 June 2006.

2. **Ordinary resolution number 2 - Increase to the remuneration for the non-executive directors**

   To approve the remuneration to be paid to non-executive directors for the year commencing 1 July 2006, details of which are as follows:

   2.1 Chairman of the company – R500 000

   2.2 United Kingdom based director – £30 000

   2.3 South African based director – R102 000

   2.4 Chairman of the audit committee – R112 000

   2.5 Member of audit committee – R62 500

   2.6 Chairman of remuneration committee – R90 000

   2.7 Member of the remuneration committee – R45 000

   2.8 Chairman of the risk committee – R79 000

   2.9 Member of the risk committee – R39 500

   2.10 Chairman of the transformation committee – R79 000

   2.11 Member of the transformation committee – R39 500

   2.12 Member of the nominations committee – R10 500

   2.13 Chairman of sustainability committee – R13 000

   2.14 Member of sustainability committee – R6 500

3. **Ordinary resolution number 3 - Re-election of directors**

   To elect directors in place of those retiring in accordance with the provisions of the company's articles of association.

   Mr Peter Bacon, Ms Mair Barnes, Mr Brian Frost and Ms Zyda Rylands retire in accordance with the articles of association. All retiring directors offer themselves for re-election.

   3.1 To elect Peter Bacon who retires in accordance with the articles of association and being eligible, offers himself for re-election.

   Brief curriculum vitae

   Age: 60

   Educational qualifications: Fellow of the Hotel and Catering Management Association

   Current directorships: Sun International Casinos (UK) Limited (Chairman), Regal Tours and Cruises (Proprietary) Limited and National Sea Rescue Institute.

   Peter worked for Sun International for 33 years before retiring in June 2006. He was the Chief executive for the past 13 years with responsibility for Sun International's Southern African operations. Peter was appointed to the board of Woolworths in August 2006.

   3.2 To elect Mair Barnes who retires in accordance with the articles of association and being eligible, offers herself for re-election.

   Brief curriculum vitae

   Age: 61

   Educational qualifications: BA (Hons)

   Current directorships include: Gant Company AB

   Mair has international retail experience and was the managing director of Woolworths p.l.c and the Chairman of an international optical retailing group, operating across Europe. Her past non-executive directorships include Scottish Power p.l.c, Abbey National p.l.c and George Wimpey p.l.c amongst others. She joined the board as a non-executive director in 2000.

   3.3 To elect Brian Frost who retires in accordance with the articles of association and being eligible, offers himself for re-election.

   Brief curriculum vitae

   Age: 62

   Educational qualifications: BCom (Hons), Advanced Management Programme (Harvard)

   Current directorships include: Bowler Metcalf

   Brian joined Woolworths in 1981 and was appointed as a director in 1986. He was responsible for certain business areas, including food, franchise and store operations prior to being appointed joint managing director in 1996. He became a non-executive director in 2000.

   3.4 To elect Zyda Rylands who retires in accordance with the articles of association and being eligible, offers herself for re-election.

   Brief curriculum vitae

   Age: 41

   Educational qualifications: CA (SA).

   Current directorships: Woolworths (Proprietary) Limited, ilitye Financial Services (Proprietary) Limited, Open Society Foundation of South Africa and Nguye Investments (Proprietary) Limited.

   Zyda became the People director of Woolworths (Proprietary) Limited in 2005, after being involved in our finance and selling teams since 1996. Given her significant contribution to the group, she was appointed to the board in August 2006.

4. **Ordinary resolution number 4 – General authority to make payments to shareholders**

   Resolved as an ordinary resolution that the company be and is hereby granted a general authority authorising the directors of the company to make payments to its shareholders from time to time in terms of Section 90 of the Companies Act, (61 of 1973), as amended ("the Companies Act"), and in terms of the Listings Requirements of the JSE Limited ("JSE") in such amount and in such form as the directors may in their discretion from time to time determine, provided that:

   4.1 such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

   4.2 such payment may not, in the aggregate, exceed 20% (twenty percent) of the company's issued share capital, including reserves, but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation of an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year; and

4.3 such payments shall be made pro rata to all shareholders.

The directors of the company may utilise this authority in terms of ordinary resolution number 4 in order to make payments to shareholders if and when deemed appropriate.

Announcements will be published on SENS and in the press setting out the financial effects of the general payment prior to such payment being effected and complying with Schedule 24 of the JSE Listings Requirements.

5. Special resolution number 5 – General authority to repurchase shares

Resolved as a special resolution that the company be and is hereby granted a general authority authorising the acquisition by the company of shares issued by the company, on such terms and conditions as the directors may deem fit, and in terms of Sections 85 and 89 of the Companies Act, the company's articles of association and the JSE Listings Requirements; provided that:

i. such acquisitions shall be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party, reported trades being prohibited;

ii. such general authority shall be valid only until the next annual general meeting of the company or the expiry of a period of 15 months from the date of this resolution, whichever occurs first;

iii. such acquisitions may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the shares on the JSE for the five business days immediately preceding the date on which the transaction for the acquisition is effected;

iv. when the company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of shares in issue at the time that general authority from shareholders is granted) of the relevant class of shares, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, a press announcement must be made giving the details required in terms of the Listings Requirements of the JSE in respect of such acquisitions;

v. no repurchases of shares shall be effected during a prohibited period as contemplated in the Listings Requirements of the JSE;

vi. after such repurchase, the company will still comply with the JSE Listings Requirements concerning shareholder spread requirements;

vii. the company only appoints one agent to effect any repurchase(s) on its behalf;

viii. the aggregate of such acquisitions may not, in any one financial year, exceed 20% (twenty percent) of the company's issued share capital of that class in any one financial year; and

ix. the aggregate of such acquisitions held by subsidiaries of the company may not exceed 10% (ten percent) of the company's issued share capital at any one time.

The directors may utilise this authority in terms of special resolution number 5 to repurchase shares issued by the company if and when deemed appropriate.

The reason for and effect of the above resolution:

The reason for and effect of ordinary resolution number 4, if passed, and becoming effective, is to provide a general authority in terms of section 90 of the Companies Act and the JSE Listings Requirements, to allow the company to make cash payments to shareholders if and when deemed appropriate by the board.

The reason for and effect of special resolution number 5, if passed, and becoming effective, is to provide a general approval in terms of Sections 85 and 89 of the Companies Act and the JSE Listings Requirements for the acquisition by the company of shares issued by the company.

6. Ordinary resolution number 6 – Authority to sign all documents required

Resolved as an ordinary resolution that the directors be and they are hereby authorised and empowered to do all such things and sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to approvals granted in terms of ordinary resolution number 4 and special resolution number 5 to be proposed at the annual general meeting at which this resolution will be proposed.

voting

Any member who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant (CSDP) and who has selected "own name" registration, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a member) as a proxy or proxies, to attend, speak and vote at the annual general meeting in such member's stead. A proxy form is enclosed for use by members holding certificated ordinary shares in the company or by members holding dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Such proxy form, duly completed, must be forwarded to reach the transfer secretaries of the company, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or be posted to them at PO Box 61051, Marshalltown, 2107 at least 48 hours (excluding Saturdays, Sundays and public holidays) before the time fixed for the annual general meeting.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Any member who holds dematerialised ordinary shares in the company and has not selected "own name" registration, should contact his/her CSDP or broker in the manner and time stipulated in their agreement:

– to furnish him/her with such member's voting instruction; and
– in the event that such member wishes to attend the annual general meeting, to obtain the necessary authority to do so.

By order of the board of directors

CL Lowe
Group secretary
Cape Town
30 September 2006

form of proxy

WOOLWORTHS HOLDINGS LIMITED (Incorporated in the Republic of South Africa)
Registration number: 1929/001986/06 Share Code: WHL ISIN ZAE000063863 ("Woolworths" or "the company")

WOOLWORTHS HOLDINGS LIMITED

For use only by shareholders of certificated ordinary shares in the company and holders of dematerialised ordinary shares in the company held through a Central Securities Depository Participant (CSDP) who have selected "own name" registration, at the 2006 annual general meeting of the company to be held on Wednesday, 15 November 2006 at 09h00.

If you are a shareholder entitled to attend and vote at the abovementioned annual general meeting you can appoint a proxy to attend, vote and speak in your stead. A proxy need not be a shareholder of the company.

If you are a shareholder and have dematerialised your share certificates through a CSDP (and have not selected own name registration in the sub-register maintained by a CSDP), do not complete this form of proxy but instruct your CSDP to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, provide your CSDP with your voting instructions in terms of your custody agreement entered into with them.

I/We ____

(full names in block letters)

of (address) ____

being a holder/s of ____________________ordinary shares in the company, hereby appoint (see note 1)

1. ____

of ____(or failing him/her)

2. ____

of ____(or failing him/her)

3. the Chairman of the company or failing him the Chairman of the annual general meeting as my/our proxy to attend, speak, and on a poll to vote or abstain from voting on my/our behalf, as indicated below, at the annual general meeting to be held in the Auditorium, 1st Floor, Woolworths House, 93 Longmarket Street, Cape Town, 8001, on Wednesday, 15 November 2006 at 09h00 or at any adjournment thereof.

	Number of votes (one per share)		
	In favour	Against	Abstain
1. Ordinary resolution to receive and adopt the financial statements for the year ended 30 June 2006 together with the reports of the directors and auditors thereon.			
2. Ordinary resolution to approve the remuneration to be paid to non-executive directors for the year commencing 1 July 2006:			
2.1 Chairman of the company – R500 000			
2.2 United Kingdom based director – £30 000			
2.3 South African based director – R102 000			
2.4 Chairman of the audit committee – R112 000			
2.5 Member of audit committee – R 62 500			
2.6 Chairman of remuneration committee – R90 000			
2.7 Member of the remuneration committee – R45 000			
2.8 Chairman of the risk committee – R79 000			
2.9 Member of the risk committee – R39 500			
2.10 Chairman of the transformation committee – R79 000			
2.11 Member of the transformation committee – R39 500			
2.12 Member of the nominations committee – R10 500			
2.13 Chairman of the sustainability committee – R13 000			
2.14 Member of the sustainability committee – R6 500			
3. Ordinary resolution to elect directors in place of those retiring in accordance with the provisions of the company's articles of association:			
3.1 re-elect Peter Bacon as a director of the company.			
3.2 re-elect Mair Barnes as a director of the company.			
3.3 re-elect Brian Frost as a director of the company.			
3.4 re-elect Zyda Rylands as a director of the company.			
4. Ordinary resolution to approve a general authority in terms of which the company is authorised to effect payments in terms of section 90 of the Companies Act, (61 of 1973), as amended.			
5. Special resolution to approve general authority authorising the company to acquire shares issued by the company.			
6. Ordinary resolution to authorise the directors to implement ordinary resolution number 4 and special resolution number 5.			

Signed at ______________________ this ________ day of ______________________ 2006

Signature ____

instructions for signing and lodging this proxy

1. A shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.
2. A shareholder may therefore insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting the words "the Chairman of the company, or failing him the Chairman of the annual general meeting". The person whose name appears first on the proxy form and who is present at the annual general meeting, will be entitled to act as proxy to the exclusion of those whose names follow.
3 A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box. Failure to comply with the above will be deemed to authorise the Chairman of the company or failing him the Chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of resolutions at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he deems fit, in respect of the shareholder's total holding.
4. The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. In case of joint holders, the vote of the most senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names appear on the company's register of shareholders in respect of the joint holding.
6. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the Chairman of the annual general meeting.
8. Any alternation or correction to this form of proxy must be initialled by the signatory/ies, other than the deletion of signatories.
9. Forms of proxy must be lodged with or posted to the company, c/o Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09h00 on Monday 13 November 2006.

administration

group secretary:

Cherrie Lowe

registered office:

Woolworths House
93 Longmarket Street
Cape Town
8001

Postal Address:
PO BOX 680
Cape Town
8000

Telephone: (+27 21) 407 9111
Customer information: www.woolworths.co.za
Investor relations: www.woolworthsholdings.co.za

joint auditors:

Ernst & Young and SAB & T Inc.

bankers:

The Standard Bank of South Africa Limited

transfer secretaries:

Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg
2001

Postal Address:
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Marshalltown
2107

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depository for global depository receipts:

The Bank of New York
Shareholder Relations Department
Church Street Station

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US
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E-mail: jpaltrowitz@bankofny.com

company registration number:

1929/001986/06

country of incorporation:

South Africa