



ANNUAL FINANCIAL STATEMENTS 2023



ENTER

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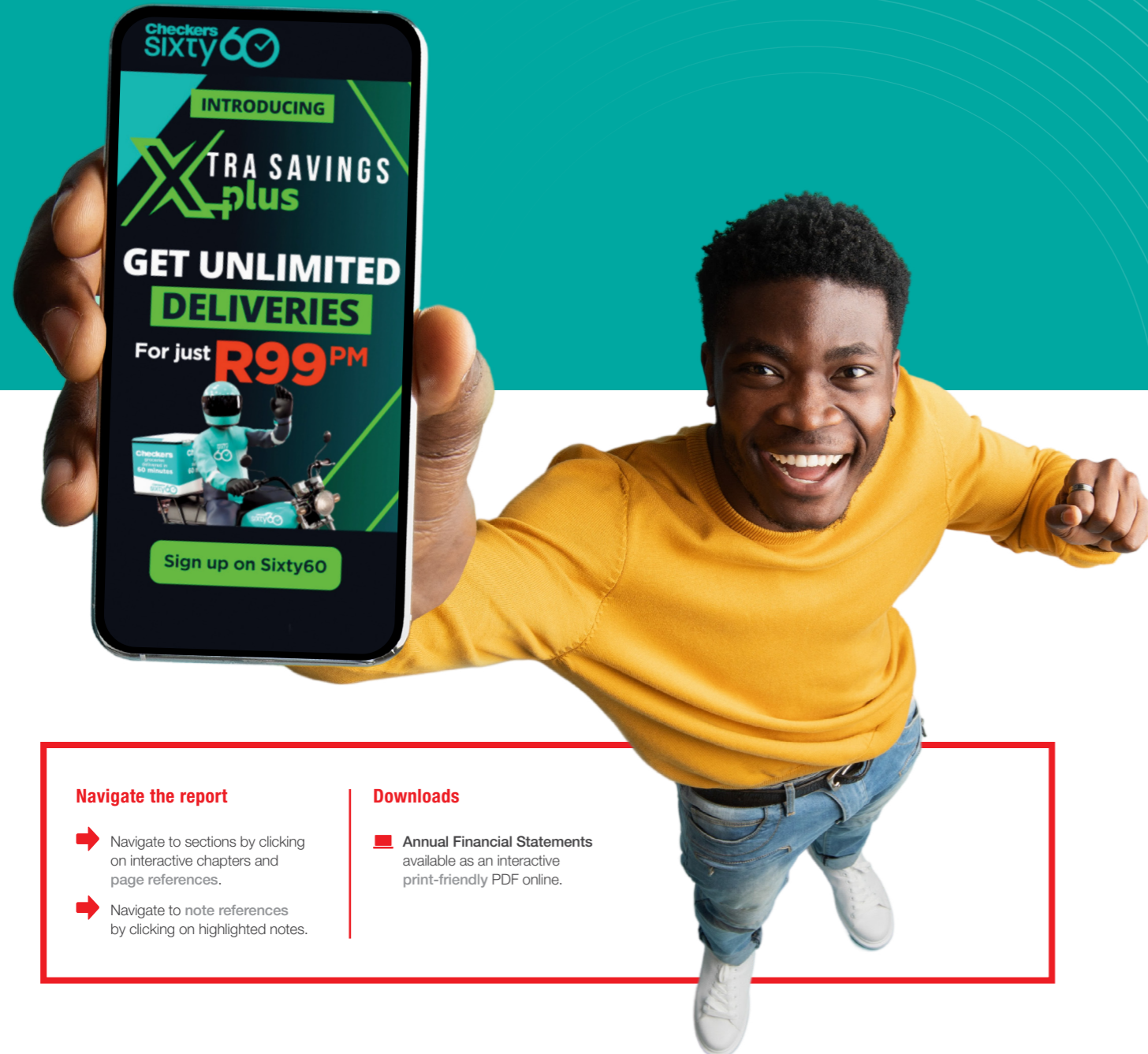
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The annual financial statements for the year ended 2 July 2023 have been audited by PricewaterhouseCoopers Incorporated, in compliance with the applicable requirements of the South African Companies Act, 71 of 2008. The preparation of the audited annual financial statements was supervised by the Chief Financial Officer (CFO), Mr A de Bruyn, CA(SA).

Currency of the annual financial statements

The annual financial statements are expressed in South Africa rand. The approximate rand cost of a unit of the following currencies at year-end was as follows (based on Reuters, with the exception of the DRC franc and the Nigeria naira, which were sourced from Citibank):

	2023	2022		2023	2022		2023	2022
United States dollar	18.744	16.372	DRC franc	0.008	0.008	Mozambique metical	0.291	0.254
Pound sterling	23.674	19.861	Ghana cedi	1.582	1.997	Nigeria naira	0.025	0.039
Euro	20.383	17.126	Kenya shilling	0.133	0.139	Uganda shilling	0.005	0.004
Angola kwanza	0.022	0.038	Madagascar ariary	0.004	0.004	Zambia kwacha	1.071	0.972
Botswana pula	1.396	1.325	Malawi kwacha	0.018	0.016			

Navigate the report

- ➔ Navigate to sections by clicking on interactive chapters and page references.
- ➔ Navigate to note references by clicking on highlighted notes.

Downloads

- ➔ Annual Financial Statements available as an interactive print-friendly PDF online.

Statement of Directors' responsibility

The Board of Directors (the Board) is responsible for the preparation, integrity and fair presentation of the annual financial statements of the Company and Group in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Limited Listings Requirements and the requirements of the South African Companies Act, 71 of 2008.

The Board is satisfied that the information contained in the annual financial statements fairly represents the financial position at year-end and the financial performance and cash flows of the Company and Group.

The Board has the responsibility to oversee that internal controls are in place to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Board is satisfied that the Company and Group have adequate resources to continue trading as a going concern in the foreseeable future.

The Board confirms that the Company is in compliance with the provisions of the Companies Act, applicable legislation and regulations and operates in compliance with its Memorandum of Incorporation (MOI).

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Company's separate and Group's consolidated annual financial statements, and their report is presented on pages 10 to 15. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The Board believes that all representations made to the independent auditors during their audit are valid and appropriate.

Approval of the annual financial statements

The Company's separate and Group's consolidated annual financial statements of Shoprite Holdings Ltd and its subsidiaries were approved by the Board on 29 September 2023 and signed on its behalf by:



WE Lucas-Bull
Chairman

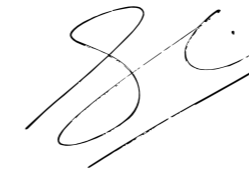


PC Engelbrecht
Chief Executive Officer

Statement of Chief Executive Officer and Chief Financial Officer responsibility

Each of the Directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 18 to 134, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as Executive Directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving Directors.



PC Engelbrecht
Chief Executive Officer

29 September 2023



A de Bruyn
Chief Financial Officer

Certificate of the Company Secretary

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008 (as amended) I, PG du Preez, in my capacity as Company Secretary, confirm that for the year ended 2 July 2023, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



PG du Preez
Company Secretary

29 September 2023



Directors' report

Nature of business

Shoprite Holdings Ltd (Shoprite Holdings) is an investment holding company listed on the Johannesburg Stock Exchange Limited (JSE) in the "food retailers & wholesalers" sector. Secondary listings are also maintained on A2X, Namibian and Zambian Stock Exchanges. Cash income is derived mainly from dividends and interest. The consolidated annual financial statements of Shoprite Holdings and its subsidiaries also incorporate the equity accounted attributable income of associates and joint ventures.

Shoprite Holdings comprises of the following main subsidiaries

Shoprite Checkers (Pty) Ltd

Supermarkets: Serves a broad customer base through our Shoprite, Checkers, Checkers Hyper, Usave and other store formats.

Supply Chain Management: Supplies the Group's outlets in South Africa and nine countries outside of South Africa.

Franchise: The OK Franchise division's stores offer a wide range of perishable and non-perishable food items through supermarket/convenience outlets primarily under the OK brand. Wholesale franchise partners trade under the Megasave brand and retail buying partners under the Sentra brand. Add-on retail liquor outlets operate mainly under the OK Liquor brand.

Freshmark: Freshmark is the Group's fruit and vegetable procurement and distribution division and supplies fresh produce to the Group's retail outlets.

Liquor Stores: Trading under the Shoprite LiquorShop and Checkers LiquorShop brands respectively, the liquor stores have extended the Group's offering by providing a selection of wines, beers and a wide range of premium spirits to its customers.

Meat Markets: The Group's customers are served through in-store butchereries that employ qualified butchers and technicians.

Money Markets: The Money Markets offer a comprehensive range of financial services and products to the Group's customers through dedicated in-store service counters.

Furniture: The Furniture division offers furniture, electrical appliances and home entertainment products to customers for cash or credit through its OK Furniture, OK Power Express and House & Home outlets in South Africa, Botswana, Namibia, Eswatini, Lesotho, Zambia, Mozambique and Angola.

Pharmacies and wholesale distribution: Medirite's in-store and stand-alone pharmacies offer consumers easy access to affordable healthcare and healthcare professionals through in-store dispensaries with outlets throughout South Africa. The Group's pharmaceutical wholesaler, Transpharm, sells and distributes pharmaceutical products and surgical equipment to hospitals and clinics, dispensing doctors, veterinary surgeons and private and corporate pharmacies.

Properties: This division is tasked to expand the Group's supermarket portfolio through the identification and leasing of new supermarket premises or developing new shopping centres to accommodate one of the supermarket formats. New retail developments and the redevelopment of existing properties are supervised through every stage of the planning-, design- and construction process.

Shoprite Financial Services Ltd (previously Shoprite Investments Ltd)

Conducts the Group's treasury function and financing of credit sales to third parties.

Shoprite International Ltd

Incorporated in the Republic of Mauritius, Shoprite International Ltd is the holding company for the majority of the Group's retail and property investments located outside of the common monetary area.

Shoprite DTMC (Pty) Ltd

Registered as a domestic treasury management company with the South African Reserve Bank with the US dollar as functional currency.

Other Group subsidiaries

The interests of Shoprite Holdings in other subsidiaries are set out in Annexure A to the annual financial statements.

Financial review

The Group's diluted headline earnings per share amounted to 1 088.9 cents for the year (2022: 1 049.4 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the consolidated statement of comprehensive income with reference to the operating segment information. The financial position of Shoprite Holdings and its subsidiaries are recorded in the consolidated statement of financial position. Further details are furnished in the notes to the consolidated annual financial statements on pages 22 to 111. The Group's net asset value per share as at 2 July 2023 was 4 812 cents (2022: 4 697 cents).

Distribution to shareholders

Ordinary dividends

An interim cash dividend (no. 148) of 248 cents per share was paid on 11 April 2023. A final dividend (no. 149) of 415 cents per share, is payable on 2 October 2023, bringing the total dividend for the year to 663 cents (2022: 600 cents) per ordinary share.

Stated capital

During the period under review the authorised share capital remained unchanged as follows:

- › 1 300 000 000 ordinary shares having no par value; and
- › 720 000 000 deferred shares.

Going concern

The annual financial statements of the Group were prepared on a going concern basis.

The Board has performed a formal review of the Group's results and its ability to continue trading as a going concern in the foreseeable future.

The Directors of Shoprite Holdings confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

Borrowings

Shoprite Holdings has unlimited borrowing powers in terms of its Memorandum of Incorporation (MOI).

The Group's overall level of debt increased from R5.5 billion to R6.4 billion during the financial year under review.

Special resolutions

At the Annual General Meeting of Shoprite Holdings held on 14 November 2022, shareholders approved the following special resolutions:

- › **Special resolution number 1:** Remuneration payable to Non-executive Directors;
- › **Special resolution number 2:** Financial assistance to subsidiaries, related and inter-related entities; and
- › **Special resolution number 3:** General authority to repurchase ordinary shares.

During the reporting period the following special resolutions were passed by main Group subsidiaries:

Shoprite Checkers (Pty) Ltd

- › **Special resolution number 1:** Financial assistance to subsidiaries, related and inter-related entities.

Shoprite Financial Services Ltd (previously Shoprite Investments Ltd)

- › **Special resolution number 1:** Financial assistance to subsidiaries, related and inter-related entities.

Shoprite International Ltd

- › **Special resolution number 1:** Financial assistance to subsidiaries, related and inter-related entities.

Directors and secretary

In terms of the MOI, no less than one third of the Non-executive Directors shall retire by rotation at each Annual General Meeting. Dr CH Wiese, Mmes WE Lucas-Bull, L de Beer and NN Gobodo will retire as directors, in terms of Article 33.5.1 of the MOI of the Company at the Annual General Meeting and have offered themselves for re-election.

Prof. H Mathebula and Mr SN Maseko retire as directors in terms of Article 33.4 of the MOI of the Company at the Annual General Meeting. They have offered themselves for re-election as Directors of Shoprite Holdings.

The Board supports the re-election of these Directors.

Directors' and Alternate Directors' interests in ordinary shares

	Total 2022	Direct beneficial	Indirect beneficial	Total 2023	Encumbered 2023
Non-executive Directors					
WE Lucas-Bull	—	—	—	—	—
P Cooper	—	—	—	—	—
L de Beer	—	—	—	—	—
NN Gobodo	—	—	—	—	—
MLD Marole	—	—	—	—	—
PD Norman	—	—	—	—	—
GW Dempster	—	—	—	—	—
CH Wiese	63 110 920	—	63 110 920	63 110 920	57 774 561
EA Wilton	—	—	—	—	—
JF Basson*	1 000	n/a	—	n/a	—
ATM Mokgokong*	—	n/a	—	n/a	—
JA Rock*	8 300	n/a	—	n/a	—
H Mathebula**	n/a	—	—	—	—
SN Maseko**	n/a	—	—	—	—
JD Wiese***	17 874	—	17 874	17 874	—

* Retired on 14 November 2022

** Appointed on 27 June 2023

*** Alternate Director to Dr CH Wiese

	Total 2022	Direct beneficial	Indirect beneficial	Total 2023	Encumbered 2023
Executive Directors					
PC Engelbrecht	838 604	601 708	200 000	801 708	—
A de Bruyn	132 962	139 800	20 479	160 279	—
B Harisunker****	437 189	—	—	n/a	n/a

**** Retired on 14 November 2022



Directors' report continued

Directors' and Alternate Directors' interests in ordinary shares continued

The following changes occurred in the shareholdings of Directors in ordinary shares between the financial year-end and the date of this report.

Executive Directors	Total 2023	Sale	ESP award	Total at date of this report	Encumbered at date of this report
PC Engelbrecht	801 708	(58 119)	62 251	805 840	—
A de Bruyn	160 279	(20 830)	25 669	165 118	—

Non-executive Director's interest in non-convertible, non-participating, no par value deferred shares

	Total 2022	Total 2023
CH Wiese through Thibault Square Financial Services (Pty) Ltd	305 621 601	305 621 601

In terms of the transaction agreement concluded between the Company, Thibault Square Financial Services (Pty) Ltd and Titan Premier Investments (Pty) Ltd on 18 April 2019, the voting rights attached to 40 652 489 deferred shares held by Thibault Square Financial Services (Pty) Ltd will remain restricted whilst all the required approvals are obtained to enable the redemption of these deferred shares as required in the MOI of the Company.

Corporate governance

Statements of the Board's application of the codes of good corporate governance will be set out in the forthcoming Integrated Report.

Board committees

The reports of the various board committees will be included in the forthcoming Integrated Report.

Auditors

Subject to shareholder approval at the Annual General Meeting, Ernst & Young Incorporated will be appointed as external auditors of the Group in accordance with Section 90(1) of the Companies Act.

Events after the reporting date

Other than the facts in these annual financial statements, there have been no material changes in the affairs or financial position of Shoprite Holdings and its subsidiaries from 2 July 2023 to the date of this report.

Holding company

Shoprite Holdings has no holding company. An analysis of the main shareholders appears in Annexure B to the annual financial statements.

Litigation statement

Save for the disclosures as stated in note 37 of the annual financial statements, the Directors 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 12 months, a material effect on the Group's financial position.

Audit and Risk Committee report

Introduction

The Shoprite Holdings Ltd's Group Audit and Risk Committee (the Committee) is pleased to present its report for the financial year ended 2 July 2023. The Committee is established as a statutory board committee in terms of section 94(2) of the Companies Act, 71 of 2008 (the Companies Act).

The Committee discharged its responsibilities as mandated by the Board of Shoprite Holdings Ltd (the Board) in its terms of reference, which are informed by the Companies Act, the King IV Report on Corporate Governance for South Africa (King IV) and the JSE Limited (JSE) Listings Requirements.

Committee composition, attendance and assessment

The Committee meetings held during the year and the attendance of these meetings are recorded below:

Member and appointment date	19 August 2022	31 August 2022 (Special)	8 November 2022	24 February 2023	16 May 2023
Linda de Beer (Chairman) 11 May 2021	✓	✓	✓	✓	✓
Graham Dempster 4 March 2022	✓	✓	✓	✓	✓
Nonkululeko Gobodo 11 May 2021	✓	✓	✓	✓	✓
Eileen Wilton 2 September 2021	✓	✓	✓	✓	✓
Paul Norman* 4 March 2022	✓	✓			
Johan Basson** 18 August 2014	✓	✓	✓		
Joseph Rock** 18 August 2014	✓	✓	✓		

* Redeployed from the Committee to the Social and Ethics Committee, effective 1 September 2022.

** Retired from the Board, effective 14 November 2022.

The Chief Financial Officer (CFO), Group Risk and Group Regulatory Compliance Officer and external auditors attend the Committee meetings by invitation. Any Director is entitled to participate in the meetings of the Committee. During the financial year the Chairman of the Board, Wendy Lucas-Bull attended all the Committee meetings. The Company Secretary acts as secretary to the Committee meetings. Other senior managers responsible for finance and information technology (IT) attend meetings, as required.

In line with the requirements of King IV, the performance of the committee is evaluated every two years. An independent performance evaluation was conducted during the 2022 financial year. The next evaluation will be conducted in the 2024 financial year.

All Committee members are independent Non-executive Directors, as required by the Companies Act.

Committee responsibilities

The Committee oversees the Group's financial reporting, audit and assurance functions, risk and information and technology governance matters.

This report details how the Committee met its obligations, statutory and otherwise, as set out in its terms of reference, during the year under review.

The Committee is satisfied that it executed its responsibilities in compliance with its terms of reference for the year under review.

Committee focus areas in 2023

The following were the Committee's focus areas during the year under review:

- The Committee made material strides in 2023 with a better understanding of the control environment, systems and processes regarding key financial systems and risks;
- Deep dives were undertaken into each of the six core enterprise risks. This will become part of our regular Committee oversight role from the 2024 financial year;
- Cyber security risk remained a focus area of the Committee in light of the current external cyber assessment and enhancement activities put in place by management to respond to areas identified for improvement. These included establishing an Information Security Management Steering Committee; and
- The Committee spent time on better understanding the key business systems, controls and business continuity plans.

Financial reporting and going concern

During the financial year, the Committee reviewed the Group's interim and annual financial statements, which included the review of significant accounting policies, key accounting matters, areas of significant judgement, material assumptions and estimates adopted by management.

The Committee recommended all these sets of financial statements to the Board for approval, with specific reference to the going concern assumption.

Similarly, the Committee considered the solvency and liquidity tests supporting distributions via dividends, as well as financial assistance to other companies in the Group, before recommending these to the Board for approval.



Audit and Risk Committee report continued

Key audit matters reported by the external auditors

The Committee considered the following aspects:

Impairment of non-financial assets

At year-end, the Committee carefully considers management's proposals in respect of assumptions and judgements applied in the determination of the recoverable amounts of non-financial assets and in considering the potential impairment in instances where impairment indicators are prevalent. Specific attention was given to the appropriateness of the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets.

An entity's right to use the underlying assets in terms of lease agreements are presented as right-of-use assets. The Group performs a review of all stores and considers each as a separate cash generating unit when assessing the need to impair underperforming stores.

Note 7 of the consolidated annual financial statements provides information in this regard.

IFRS 16: Leases (IFRS 16)

Accounting for leases in terms of IFRS 16 comprise a material portion of the Group's technical accounting matters, assumptions and judgements. A dedicated resource in the Group finance team is allocated to oversee the accuracy of accounting for leases. Principles and judgements are well embedded to ensure faithful implementation of the standard, in terms of the Group's accounting policies.

The Committee focuses on key changes to the external environment as well as changes made in respect of assumptions, including discount rates, exchange rates and estimations in respect of key features of the leases.

Recognition of supplier rebates

Supplier discounts, albeit material in volume and quantum, is a class of transactions well established in the core accounting of the retail business. During the past year, the Committee performed a deep dive into supplier rebates, to enhance its understanding of the practices thereof, the risk of misstatement and the controls in place to ensure that these are accurately calculated in line with supplier contracts and accounting practices.

Investment in subsidiaries and amounts receivable from subsidiaries

The Committee oversees the valuation of investments in subsidiaries and amounts receivable from subsidiaries as explained above for impairments of non-financial assets. Specific focus is placed on subsidiaries outside South Africa, where the valuations are subject to fluctuating exchange rates, which are significant in some instances.

The Committee considered whether consistent valuation methodologies were applied in these assessments. It was also important for the Committee to be comfortable that adequate consideration was afforded to economic constraints, difficult trading environments and constrained future growth expectations in determining future cash flows.

Refer to note 2 in the separate annual financial statements in this regard.

External audit

The Committee evaluated the performance and independence of the external auditor, PricewaterhouseCoopers Inc. (PwC), and the engagement partner, Jacques de Villiers. The Independent Regulatory Board for Auditors' inspection findings at a firm and partner level and other relevant information, as required by paragraph 22.15(h) of the JSE Listings Requirements, were considered in support of this.

The external auditor's independence is further governed by a non-audit service policy which disallows certain services and implements an approval framework and maximum levels for permissible non-audit services.

The Committee approved the terms of the PwC audit engagement letter, audit plan and budgeted audit fees for the 2023 financial year. Audit fees and non-audit services are disclosed in note 30 of the consolidated annual financial statements.

There is a direct line of communication between the Chairman of the Committee and the external auditor. In addition, private sessions are held between the Committee and external audit, without management being present.

Following the Committee's oversight in 2021 of a tender process for audit firm rotation, Ernst & Young Inc. (EY) was appointed to take over the audit from PwC from the 2024 financial year onwards. PwC will still audit several of the Group's companies outside South Africa.

2023 Integrated Report

The Committee is tasked with the detailed oversight function role of overseeing the preparation of this report and considered the content, preparation and assurance processes in respect of the integrity of the report. The other board committees also provided oversight of the content related to their respective mandates. The Committee recommended the 2023 Integrated Report for approval by the Board.

Combined assurance

The Committee oversees combined assurance and ensures a combined assurance model is applied to provide a co-ordinated approach to all assurance activities in the Group. The combined assurance framework established co-ordinated assurance activities between the lines of assurance across the organisation, including compliance and risk management. The Committee was satisfied with the arrangements for combined assurance in the Group. This is an ongoing area of focus, which is achieving greater effectiveness and efficiency.

Internal audit and internal financial controls

The Committee is responsible for overseeing the assessment of the adequacy and effectiveness of internal control systems, including internal financial controls, and for considering the significant findings of any internal investigations into control weaknesses, fraud or misconduct and management's responses to them.

The reconstruction of the Internal Audit function to ensure significant synergies between the various assurance functions and services to combined assurance, is progressing well. This process will future-fit the Internal Audit team with skills and tools that will serve the assurance needs of the Group.

The Committee, through various management and assurance processes, obtained confirmation that the effectiveness of systems of internal control and risk management are being maintained and that there were no material breakdowns in the functioning of the internal financial control systems during the year.

Risk and compliance governance and combined assurance

The Board has delegated the responsibility to oversee the implementation of an effective governance, risk, legal and compliance frameworks and processes to the Committee.

The Board is ultimately responsible for ensuring Group management maintains an effective risk governance and management process. The Committee assisted the Board in discharging its duties relating to governance of risk.

To this end, the Committee oversees the implementation of Group's risk framework, policies and processes. This included setting risk appetite limits and considering risk identification and mitigation activities, including emerging risks and risk reporting.

Ethics and compliance

The Group's compliance framework and procedures are updated annually when legislative changes occur or when otherwise necessary. The Social and Ethics Committee (SEC) oversees various related social and ethics matters. The Committee considered reports on these matters from management to the SEC to gain an understanding of fraud and related issues that might impact the accuracy of financial reporting and the effectiveness of internal controls.

IT governance

During the year under review, the Committee dedicated much time to reviewing the Group's IT governance arrangements and reports. It monitored the execution and progress of technology strategies, focusing on key risks and mitigation. Cyber security risk is a high priority for the Committee.

Annual confirmations and assessments

As part of its annual obligations, the Committee assessed and satisfied itself of the following:

- › The skills and experience of the CFO, Anton de Bruyn, as well as the finance function;
- › The appropriateness of financial reporting procedures and whether these procedures in all Group companies allowed for effective preparation of the Group's annual financial statements;
- › The adequacy and effectiveness of internal controls, with specific reference to internal financial controls over financial reporting;
- › External audit quality and auditor independence; and
- › Compliance with all related matters regarding the JSE Listings Requirements and the JSE's 2022 Proactive Monitoring Report.

Future focus areas

The Committee's focus for the 2024 financial year will include the ongoing enhancement of the role of Internal Audit and the optimisation of the Group's combined assurance.



Linda de Beer
Chairman



Independent auditor’s report

To the shareholders of Shoprite Holdings Ltd

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Shoprite Holdings Ltd (the Company) and its subsidiaries (together the Group) as at 2 July 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Shoprite Holdings Ltd’s consolidated and separate financial statements set out on pages 18 to 132 comprise:

- › The consolidated and separate statements of financial position as at 2 July 2023;
- › The consolidated and separate statements of comprehensive income for the year then ended;
- › The consolidated and separate statements of changes in equity for the year then ended;
- › The consolidated and separate statements of cash flows for the year then ended; and
- › The notes to the consolidated and separate annual financial statements, which include a summary of significant accounting policies.

Our audit approach

Overview

Overall Group materiality
R456 600 000, which represents 5% of consolidated profit before income tax

Group audit scope
A combination of audits, reviews and audits of balances were performed for components that were considered to be financially significant and components scoped in based on indicators such as their contribution to consolidated revenue and consolidated profit before income tax. Analytical procedures were performed over the remaining insignificant components.

Key audit matters

- › Impairment of non-financial assets;
- › IFRS 16: Leases;
- › Recognition of supplier rebates; and
- › Investment in subsidiaries and amounts receivable from subsidiaries.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R456 600 000
How we determined it	5% of consolidated profit before income tax
Rationale for the materiality benchmark applied	We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of the financial significance of the components as well as the sufficiency of work planned to be performed over material financial statement line items. We identified only one financially significant component based on its contribution to the consolidated profit before income tax in the Group, namely the Supermarkets division of Shoprite Checkers (Pty) Ltd. We also included a number of other components (that included components with operations outside South Africa) in the scope of our Group audit, based on indicators such as their contribution to consolidated revenue and consolidated profit before income tax. We performed analytical procedures over the remaining insignificant components.

For the financially significant component we performed a full scope audit and for the in scope components we performed a combination of full scope audits, reviews and audit of balances. This, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us sufficient appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team and by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Detailed Group audit instructions were communicated to all components in scope and the Group engagement team has been involved in determining the component team audit approach. Throughout the audit, various planning, execution and completion calls and discussions were held with the teams of the components.



Independent auditor's report continued

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of non-financial assets This key audit matter relates to the consolidated financial statements.</p> <p>Refer to the accounting policies note 1.1.1.2 (b) (Assumptions and estimates – Impairment of assets), accounting policies note 1.11 (Impairment of non-financial assets), note 3 (Property, plant and equipment), note 5 (Right-of-use assets) and note 7 (Impairment of non-financial assets) to the consolidated financial statements.</p> <p>We considered the impairment of non-financial assets to be a matter of most significance to our audit because of the judgement applied by management in determining the impairment charge.</p> <p>The following conditions resulted in significant impairments during the year:</p> <ul style="list-style-type: none"> › Weakening in the general economic conditions in which some of Group's stores operate; and › A significant reduction in the future expected sales of merchandise in certain subsidiaries that own the assets. <p>As a result of the above-mentioned conditions, property, plant and equipment was impaired by R96 million in the current year, relating mainly to leasehold improvements. Furthermore, right-of-use assets were impaired by R98 million in the current year, which related to land and buildings leases, and an impairment reversal of R23 million related to right-of-use assets was also processed in the current year.</p> <p>The Group considers each store to be a separate cash-generating unit (CGU) for purposes of its impairment assessment and has calculated the recoverable amount of each CGU to be the higher of its value-in-use and its fair value less costs of disposal.</p> <p>Value-in-use is based on discounted future cash flow forecasts, requiring management to make judgements on certain key inputs, including expected trading profit growth rates, risk-adjusted pre-tax discount rates and long-term growth rates.</p>	<p>Our audit addressed this key audit matter as follows: We obtained management's impairment assessments which included a list of loss-making stores, and approved budgets per store which formed the basis of our audit work.</p> <p>With regard to management's value-in-use calculations, our audit procedures included an assessment of the reasonableness of management's discounted cash flow models, discount rates and long-term growth rates by performing the following procedures:</p> <ul style="list-style-type: none"> › We tested the mathematical accuracy of management's calculations; › We assessed the completeness of the stores included in management's assessment by considering whether all stores which generated revenue were included in the assessment; › We evaluated the appropriateness and completeness of information included in the impairment models based on our cumulative knowledge of the business, driven by our assessment of trading plans, together with our wider retail industry knowledge; and › We utilised our valuation expertise in order to test the reasonability of the discount rates. We assessed the long-term growth rates and trading profit growth rates with reference to industry reports and historic performance. <p>Based on the results of our procedures, we accepted the assumptions used by management in the impairment models.</p>
<p>IFRS 16: Leases This key audit matter relates to the consolidated financial statements.</p> <p>The disclosures required by the standard for these balances are contained in the accounting policies note 1.1.1.1 (f) (Use of judgements – Lease term), note 1.1.1.1 (g) (Use of judgements, assumptions and estimates – Discount rate used to calculate the lease liability), accounting policies note 1.12 (Leases), note 5 (Right-of-use assets) and note 19 (Lease liabilities) to the consolidated financial statements.</p> <p>The Group leases various land, buildings, machinery, vehicles and equipment. Leases are recognised as a lease liability and a corresponding right-of-use (ROU) asset at the date of commencement of the lease agreement in terms of IFRS 16: Leases (IFRS 16).</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> › Conducted an application review to ensure that the SAP RE-FX module (a Flexible Real Estate Management module which allows the Group to centrally manage its lease contracts within SAP) was appropriately configured to handle applicable IFRS 16 business scenarios. We tested the validity and accuracy of active valuation rules in RE-FX which is used to determine how SAP calculates the value of the lease liability and corresponding ROU asset; › Access management controls were reviewed to confirm users had the required access rights to create and modify contracts, as well as create and modify configurations relating to lease contracts;

Key audit matter	How our audit addressed the key audit matter
<p>IFRS 16: Leases continued This key audit matter relates to the consolidated financial statements continued.</p> <p>On initial recognition, the ROU asset and lease liability is measured at the present value of the future lease payments discounted over the lease term using the Group's relevant incremental borrowing rate. The lease term may include future lease periods for which the Group has extension options which it is reasonably certain to exercise.</p> <p>We considered this matter to be of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> › The degree of judgement and estimation applied by management in determining the lease term and discount rate (incremental borrowing rate) used to determine the ROU asset and lease liability. The lease term may include future lease periods for which the Group has extension options which it is reasonably certain to exercise; › The magnitude of the ROU asset and lease liability due to the high volume of leases; and › The potential risk of the lease data used in the calculation being incomplete or inaccurate. 	<p>We performed the following audit procedures continued:</p> <ul style="list-style-type: none"> › Making use of our valuation expertise, for a sample of countries we assessed the discount rates used to calculate the lease obligation. This included independently sourcing base rates for each currency and lease origination date, usually linked to inter-bank or sovereign bond rates, and adding a historically adjusted credit spread specific to the Group. Additional adjustments were made to cater for lease term, as well as the requirement for a collateralised incremental borrowing rate in IFRS 16; › For a sample of new leases and modifications we verified the accuracy of the underlying lease data by agreeing it to the original contract or other underlying information; › Tested the completeness of the lease data by comparing rental payments made during the period to the lease data underpinning the IFRS 16 model; › Evaluated the lease terms for reasonability, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculation; and › Assessed the completeness and accuracy of disclosures with reference to the requirements of IFRS 16. <p>Based on the results of procedures performed, leases were treated in accordance with the requirements of IFRS 16 and disclosures were found to be accurate and complete.</p>
<p>Recognition of supplier rebates This key audit matter relates to the consolidated financial statements.</p> <p>Refer to the accounting policies note 1.1.1.2 (a) (Assumptions and estimates – Rebates from suppliers) and note 1.22 (Rebates from suppliers) to the consolidated financial statements.</p> <p>The Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. As such, the Group reduces cost of sales as a result of amounts receivable from suppliers.</p> <p>We considered the recognition of supplier rebates to be a matter of most significance to the audit due to the magnitude of supplier rebates and the potential risk that rebates may be materially misstated due to the varying terms with the suppliers and judgements made relating to the level of fulfilment of the Group's obligations under the supplier agreements.</p>	<p>Making use of our information technology expertise, we obtained an understanding of the systems used to calculate supplier rebates, as well as controls implemented to ensure the accuracy of supplier rebates recognised. Since the prior financial year, and continuing into the current financial year, certain long-term conditional contracts were transitioned from trade terms onto SAP conditional contract system.</p> <p>Rebates are allocated to inventory on hand at year-end based on inventory turn and the split between foods and non-foods. We have tested the appropriateness of management's assumptions in capitalising the rebates back to stock.</p> <p>We tested a sample of the inputs used in calculating the supplier rebates by performing, among other, the following procedures for a sample of rebates:</p> <ul style="list-style-type: none"> › We obtained the supplier contracts and agreed key terms such as discounts, allowances and fulfilment levels per the contracts to management's rebate schedules; › We agreed the monetary values of the purchases made and allowances per management's calculation to underlying schedules and documentation. We also obtained supplier confirmations for a sample of purchase values; and › We independently recalculated the supplier rebate for the year and compared this to the accounting records of the Group. No material differences were noted.



Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p>Investment in subsidiaries and amounts receivable from subsidiaries</p> <p>This key audit matter relates to the separate financial statements.</p> <p>Refer to the accounting policies note 1.2 (Investments in subsidiaries) and note 1.3 (Investments in associates), as well as note 2 (Interests in subsidiaries), note 3 (Investments in associates) and Annexure A (Interest in subsidiaries) to the separate financial statements.</p> <p>Investments in subsidiaries and amounts receivable from subsidiaries, comprises 81.7% of the total assets in the separate statement of financial position of the Company.</p> <p>The carrying amounts of the Company's investments in subsidiaries are measured at cost, less impairment losses. Management performs an annual impairment test on the recoverability of the carrying amounts of investments where impairment indicators exist as required by International Accounting Standard (IAS) 36: Impairment of Assets. The identification of impairment indicators is subjective in nature due to judgements required in respect of the future performance of the subsidiaries.</p> <p>IFRS 9: Financial Instruments requires entities to recognise expected credit losses (ECL) for all financial assets held at amortised cost, including amounts receivable from subsidiaries.</p> <p>Due to the magnitude in the context of the parent company separate financial statements and the potential risk of impairment due to certain subsidiary companies recording an impairment on non-financial assets, we considered the measurement of investments in and amounts receivable from subsidiaries to be a matter of most significance to our audit of the separate financial statements of the Company.</p>	<p>We obtained management's calculation of the investments recoverable amount and performed the following procedures:</p> <ul style="list-style-type: none"> › We obtained an understanding of the approach followed by management in identifying whether any impairment indicators existed at year-end; › We assessed the reasonableness of management's cash flow models by agreeing prior year forecasts to actual results. No material differences were noted; › We utilised our valuation expertise in order to test the reasonability of the discount rates. We assessed the long-term growth rates and trading profit growth rates with reference to industry reports and historic performance. We found the assumptions to be in a reasonable range; › We recalculated the impairment of the investment to the recoverable amount and noted no material variance; and › We reviewed the disclosures regarding the impairment losses in the financial statements and noted no material differences. <p>We assessed the reasonability of the ECL on loans made to subsidiaries by assessing whether the borrower has highly liquid assets to repay the outstanding loan if repayment was demanded at the reporting date. We found that where the borrowers have highly liquid assets to repay the outstanding loan if the loan was demanded at the reporting date, the probability of default would be close to 0%. This is consistent with management's assessment.</p>

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Shoprite Holdings Ltd Annual Financial Statements 2023", which includes the Directors' Report, the Audit and Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Shoprite Holdings Ltd Integrated Report 2023" and "Shoprite Holdings Ltd Sustainability Report 2023", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Shoprite Holdings Ltd for 41 years.



PricewaterhouseCoopers Inc.
Director: JR de Villiers
Registered Auditor

Cape Town, South Africa

29 September 2023



Group annual financial statements

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Consolidated statement of financial position

Shoprite Holdings Ltd and its subsidiaries as at 2 July 2023

	Notes	2023 Rm	2022 Rm
Assets			
Non-current assets			
Property, plant and equipment	3	54 485	51 782
Right-of-use assets	5	16 601	16 816
Intangible assets	6	26 781	23 725
Equity accounted investments	8	4 225	3 561
Convertible loans	9	2 312	2 240
Investment in insurance cell captive arrangements	10	22	—
Government bonds and bills	11	128	131
Loans receivable	12	716	1 051
Deferred income tax assets	13	647	1 510
Trade and other receivables	14	2 875	2 520
		178	228
Current assets			
Inventories	15	47 871	39 673
Trade and other receivables	14	25 090	21 879
Current income tax assets		5 697	4 988
Investment in insurance cell captive arrangements	10	441	769
Government bonds and bills	11	289	157
Loans receivable	12	421	286
Restricted cash		1 346	509
Cash and cash equivalents		650	300
		12 548	10 665
		46 482	39 553
Assets classified as held for sale	4	1 389	120
Total assets		102 356	91 455
Equity			
Capital and reserves attributable to owners of the parent			
Stated capital	16	7 516	7 516
Treasury shares	16	(2 624)	(2 583)
Reserves	18	21 238	20 551
		26 130	25 484
Non-controlling interest		148	143
Total equity		26 278	25 627
Liabilities			
Non-current liabilities			
Lease liabilities	19	38 662	33 340
Borrowings	20	32 482	28 458
Deferred income tax liabilities	13	5 770	4 500
Provisions	21	10	8
		400	374
Current liabilities			
Trade and other payables	22	37 416	32 488
Contract liabilities	23	25 081	21 477
Lease liabilities	19	1 023	991
Borrowings	20	3 100	3 165
Current income tax liabilities		598	1 012
Provisions	21	786	661
Bank overdrafts		224	184
		6 604	4 998
Total liabilities		76 078	65 828
Total equity and liabilities		102 356	91 455

Consolidated statement of comprehensive income

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	Notes	52 weeks 2023 Rm	Restated* 52 weeks 2022 Rm
Revenue	24	219 530	187 528
Sale of merchandise	24	214 956	183 868
Cost of sales		(163 250)	(138 846)
Gross profit		51 706	45 022
Other operating income	24	3 909	3 116
Interest revenue	24	665	544
Share of profit of equity accounted investments	8	251	208
Depreciation and amortisation	25	(6 305)	(5 384)
Employee benefits	26	(17 027)	(14 767)
Credit impairment losses	41.4.1	(264)	(173)
Other operating expenses	28	(21 019)	(17 288)
Trading profit		11 916	11 278
Exchange rate gains/(losses)		384	(260)
Profit on lease modifications and terminations		60	66
Items of a capital nature ¹	29	(16)	(29)
Operating profit	30	12 344	11 055
Interest received from bank account balances		453	270
Finance costs	31	(3 665)	(2 993)
Profit before income tax		9 132	8 332
Income tax expense	32	(2 812)	(2 553)
Profit from continuing operations		6 320	5 779
Loss from discontinued operations (attributable to owners of the parent)	33	(419)	(39)
Profit for the year		5 901	5 740
Other comprehensive (loss)/income, net of income tax		(1 847)	2 879
Items that will not be reclassified to profit or loss		2	2
Re-measurements of post-employment medical benefit obligations			
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation differences from continuing operations	18	(1 719)	2 845
Foreign currency translation differences from discontinued operations	18	(9)	(48)
Release of foreign currency translation reserve on disposal of discontinued operations	18	—	18
(Loss)/profit on effective net investment hedge, net of income tax	18	(121)	62
Total comprehensive income for the year		4 054	8 619
Profit attributable to:		5 901	5 740
Owners of the parent		5 886	5 711
Non-controlling interest		15	29
Total comprehensive income attributable to:		4 054	8 619
Owners of the parent		4 039	8 590
Non-controlling interest		15	29
Total comprehensive income attributable to owners of the parent arises from:		4 039	8 590
Continuing operations		4 467	8 659
Discontinued operations		(428)	(69)
Earnings per share for profit from continuing operations attributable to owners of the parent:			
Basic earnings per share from continuing operations (cents)	34	1 161.4	1 055.5
Diluted earnings per share from continuing operations (cents)	34	1 154.6	1 048.6
Earnings per share for profit attributable to owners of the parent:			
Basic earnings per share (cents)	34	1 084.3	1 048.3
Diluted earnings per share (cents)	34	1 077.9	1 041.5

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations and the reclassification of the Group's share of profit of equity accounted investments. Refer to notes 43 and 44 for details of the adjustments recognised for each individual line item.

¹ Refer to note 1.1.2(b) for an explanation of what constitutes items of a capital nature.



Consolidated statement of changes in equity

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

Rm	Notes	Total equity	Non-controlling interest	Attributable to owners of the parent				
				Total	Stated capital	Treasury shares	Other reserves	Retained earnings
Balance at 4 July 2021		21 204	127	21 077	7 516	(1 455)	(8 583)	23 599
Total comprehensive income		8 619	29	8 590	—	—	2 877	5 713
Profit for the year		5 740	29	5 711				5 711
Recognised in other comprehensive income								
Re-measurements of post-employment medical benefit obligations		2		2				2
Foreign currency translation differences	18	2 797		2 797			2 797	
Release of foreign currency translation reserve on disposal of discontinued operations	18	18		18			18	
Profit on effective net investment hedge	18	137		137			137	
Income tax effect of profit on effective net investment hedge	18	(75)		(75)			(75)	
Share-based payments – value of employee services	18	213		213			213	
Modification of cash bonus arrangement transferred from provisions	21	12		12			12	
Purchase of treasury shares	16	(1 255)		(1 255)		(1 255)		
Treasury shares disposed	16	65		65		45		20
Realisation of share-based payment reserve	18	—		—		82	(82)	
Dividends distributed to shareholders		(3 231)	(13)	(3 218)				(3 218)
Balance at 3 July 2022		25 627	143	25 484	7 516	(2 583)	(5 563)	26 114
Total comprehensive income		4 054	15	4 039	—	—	(1 849)	5 888
Profit for the year		5 901	15	5 886				5 886
Recognised in other comprehensive income								
Re-measurements of post-employment medical benefit obligations		2		2				2
Foreign currency translation differences	18	(1 728)		(1 728)			(1 728)	
Loss on effective net investment hedge	18	(164)		(164)			(164)	
Income tax effect of loss on effective net investment hedge	18	43		43			43	
Share-based payments – value of employee services	18	229		229			229	
Modification of cash bonus arrangement transferred from provisions	21	11		11			11	
Purchase of treasury shares	16	(318)		(318)		(318)		
Treasury shares disposed	16	47		47		35		12
Realisation of share-based payment reserve	18	—		—		242	(226)	(16)
Dividends distributed to shareholders		(3 372)	(10)	(3 362)				(3 362)
Balance at 2 July 2023		26 278	148	26 130	7 516	(2 624)	(7 398)	28 636

Consolidated statement of cash flows

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

Notes	2023 Rm	Restated* 2022 Rm	
Cash flows from operating activities	9 831	6 686	
Operating profit ²	11 921	11 029	
Less: investment income and interest revenue earned	(744)	(688)	
Non-cash items	7 235	6 425	
Changes in working capital	(175)	(1 761)	
Cash generated from operations	18 237	15 005	
Settlement of cash-settled share-based payments	—	(196)	
Interest received	1 080	794	
Interest paid	(3 664)	(3 034)	
Dividends received	262	313	
Dividends paid	(3 370)	(3 228)	
Income tax paid	(2 714)	(2 968)	
	(6 229)	(4 061)	
Cash flows utilised by investing activities	(6 229)	(4 061)	
Investment in trademarks to expand operations	(20)	(250)	
Investment in property, plant and equipment and other intangible assets to expand operations	(4 594)	(3 222)	
Investment in property, plant and equipment and other intangible assets to maintain operations	(2 095)	(1 909)	
Landlord contributions received	—	5	
Payment for investment in insurance cell captive arrangements	—	(41)	
Investment in assets classified as held for sale	(46)	—	
Investment in convertible loans	(20)	—	
Proceeds on disposal of property, plant and equipment ³	1 045	333	
Cash inflows as a result of the disposal of discontinued operations	49	23	
Proceeds on disposal of assets classified as held for sale	331	75	
Proceeds from insurance recovery for property, plant and equipment relating to social unrest	7	564	
Payments for government bonds and bills	(679)	(38)	
Proceeds from government bonds and bills	664	639	
Loans receivable advanced	(177)	(302)	
Loans receivable repaid	257	261	
Increase in ring-fenced Angola tax guarantees	(292)	—	
Investment in associate	(13)	—	
Investment in joint venture	—	(175)	
Acquisition of select businesses from Massmart Holdings Ltd	(630)	—	
Acquisition of other operations	(16)	(24)	
	(2 855)	(4 016)	
Cash flows utilised by financing activities	(2 855)	(4 016)	
Repayment of lease liability obligations	(3 282)	(2 961)	
Purchase of treasury shares	(318)	(1 255)	
Proceeds from treasury shares disposed	47	65	
Repayment of borrowings	(1 467)	(3 421)	
Borrowings raised	2 165	3 556	
	747	(1 391)	
Net movement in cash and cash equivalents	747	(1 391)	
Cash and cash equivalents at the beginning of the year	5 967	6 729	
Effect of exchange rate movements on cash and cash equivalents	(412)	629	
Cash and cash equivalents at the end of the year	6 302	5 967	
Consisting of:			
Restricted cash	41.4.1(d)	358	300
Cash and cash equivalents	41.4.1(e)	12 548	10 665
Bank overdrafts		(6 604)	(4 998)
		6 302	5 967

* Restated for the reclassification of the Group's share of profit of equity accounted investments. Refer to note 44 for details of the adjustments recognised for each individual line item.

² Operating profit includes an insurance claim received for inventory of R2 million (2022: R966 million) relating to the social unrest. Refer to note 45.

³ Proceeds on disposal of property, plant and equipment includes R882 million relating to a sale and leaseback arrangement of distribution centres during the financial year. Refer to note 19.



Notes to the consolidated annual financial statements

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and are consistent with those applied in the previous year, except where the Group has applied new accounting policies or adopted new accounting standards effective for year-ends starting on or after 1 January 2022.

The Group's consolidated financial statements were authorised for issue by the Board of Directors on 29 September 2023. Other than the facts presented in the annual financial statements, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 2 July 2023 that have an impact on the financial results or disclosures in these annual financial statements.

1.1 Basis of preparation

The Group reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly, the results for the financial year under review are for a 52-week period, ended 2 July 2023, compared to 52 weeks in the previous financial year.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Limited Listings Requirements and the requirements of the South African Companies Act, 71 of 2008. The financial statements are prepared under the historical cost convention adjusted for the effects of inflation, where entities operate in hyperinflationary economies, and for the revaluation of certain financial instruments to fair value. The financial statements are prepared on a going concern basis.

The Angolan economy had been considered to be hyperinflationary up to 30 June 2019. For the 52 weeks ended 2 July 2023, the Angolan economy was assessed not to be hyperinflationary. Although no further hyperinflationary adjustments were required for the current and comparative reporting period, the statement of financial position at the reporting date still includes cumulative hyperinflation adjustments as a result of the application of IAS 29: Financial Reporting in Hyperinflationary Economies, up to 30 June 2019. These cumulative hyperinflation adjustments, included in property, plant and equipment and right-of-use assets, are written off to the statement of comprehensive income, together with the related deferred income tax effect, in accordance with the Group's accounting policies for the respective items.

1.1.1 Use of judgements, assumptions and estimates

1.1.1.1 Judgements

The preparation of the financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. The most significant judgements in applying the Group's accounting policies relate to the following:

- a) **Investment in associate:** The Group considers Retail Logistics Fund (RF) (Pty) Ltd to be a strategic partner and holds a 49.9% shareholding in the associate. Significant judgement is required in determining whether or not the Group controls Retail Logistics Fund (RF) (Pty) Ltd. Management determined that control of Retail Logistics Fund (RF) (Pty) Ltd vests in its Board of Directors. Equites Property Fund Ltd has a 50.1% shareholding in Retail Logistics Fund (RF) (Pty) Ltd and may appoint the majority of Directors to the Board of Retail Logistics Fund (RF) (Pty) Ltd. Furthermore, the majority stake substantive rights inferred includes the ability to appoint key management personnel, the ability to enter into significant transactions and the ability to dominate the nomination of members to the Board of Retail Logistics Fund (RF) (Pty) Ltd.

The founding and operational agreements of Retail Logistics Fund (RF) (Pty) Ltd notes that the Group has been granted a number of protective rights and the scope of the activities of Retail Logistics Fund (RF) (Pty) Ltd have been partially restricted. Equites Property Fund Ltd has substantive rights to direct these relevant activities of Retail Logistics Fund (RF) (Pty) Ltd.

Based on the assessment done by management it was concluded that Equites Property Fund Ltd controls Retail Logistics Fund (RF) (Pty) Ltd and that the Group exercises significant influence over Retail Logistics Fund (RF) (Pty) Ltd.

- b) **Date of acquisition of select Massmart Holdings Ltd businesses:** During the year the Group acquired select businesses from Massmart Holdings Ltd with suspensive conditions met. Significant judgement is required in determining the acquisition date on which the Group obtained control of the select businesses. The date of acquisition was determined to be the date on which the Group legally obtained ownership of the select businesses; assumed the risks and rewards associated with the acquisition and made payment of the initial purchase consideration.

Based on the assessment performed by management, it was concluded that the effective acquisition date is 9 January 2023.

1 Accounting policies continued

1.1 Basis of preparation continued

1.1.1 Use of judgements, assumptions and estimates continued

1.1.1.1 Judgements continued

- c) **Investment in joint venture:** In the prior year, the Group entered into an agreement with RTT Group (Pty) Ltd, the delivery partner for Checkers Sixty60. In terms of this agreement, the RTT Group (Pty) Ltd's on-demand business was transferred into a new company, Pingo Delivery (Pty) Ltd in which Shoprite Checkers (Pty) Ltd has a 50% shareholding. Significant judgement is required in determining whether the Group controls Pingo Delivery (Pty) Ltd. Management determined that control of Pingo Delivery (Pty) Ltd vests in its Board of Directors. The Board- and sub-committee compositions are equally represented by Shoprite Checkers (Pty) Ltd and RTT Group (Pty) Ltd. These committees make decisions about the relevant activities and the appointment of key management personnel of Pingo Delivery (Pty) Ltd.

The founding and operational agreements of Pingo Delivery (Pty) Ltd note that the Group has been granted a number of protective rights and the scope of Pingo Delivery (Pty) Ltd's activities have been partially restricted. The Group and RTT Group (Pty) Ltd together have substantive rights to direct the relevant activities of Pingo Delivery (Pty) Ltd.

Further judgement was applied in considering whether this agreement with RTT Group (Pty) Ltd is a joint venture or joint operation. According to projections, Pingo Delivery (Pty) Ltd will not provide substantially all of its services solely to the Group.

Based on the assessment done by management, it was concluded that Shoprite Checkers (Pty) Ltd and RTT Group (Pty) Ltd jointly control Pingo Delivery (Pty) Ltd and should be accounted for as a joint venture.

- d) **Investment in Shoprite Employee Trust:** The Group established the Shoprite Employee Trust on a non-vesting, evergreen basis during the prior year. Significant judgement is required in determining whether or not the Group controls Shoprite Employee Trust. As its founder, Shoprite Checkers (Pty) Ltd funded Shoprite Employee Trust primarily on a notional basis upon formation of the trust. Aimed at retention and motivation of the Group's employees in an appropriate manner and ensuring that they benefit from the growth and continued success of the Group, the objective of the scheme implemented by Shoprite Employee Trust is to provide eligible employees with distributions whenever a dividend is declared by Shoprite Holdings Ltd to its ordinary shareholders. Such distributions to eligible employees are funded by dividends received from Shoprite Checkers (Pty) Ltd.

Based on the assessment done by management, it was concluded that the Group controls Shoprite Employee Trust in accordance with IFRS 10: Consolidated Financial Statements, and that the appropriate accounting treatment for this entity is for the Group to consolidate its results.

- e) **Classification of cash and bank balances:** Local currency cash and short-term deposits held in Angola, Nigeria and Malawi (2022: Angola and Nigeria) are subject to onerous local exchange control regulations, which provide restrictions on exporting capital from the country, other than through normal dividends. In order to determine how restricted funds should be classified in the cash flow statement, it should be considered whether the restricted funds meet the definition of cash and cash equivalents or whether the funds are restricted in a manner such that the definition is not met. Significant judgement is required in this assessment. Management assessed the economic substance of the restrictions in each case by taking into consideration the facts and circumstances of the specific restrictions and how management intends to use the deposits. It was concluded that restricted funds that are available for use in the short-term in Angola and Malawi (2022: Angola), albeit with some restrictions over their use, still qualify to be classified as cash and cash equivalents. However, the deposit accounts in Angola which are held for objections to tax assessments are ring-fenced and cannot be utilised by the Group. These guaranteed amounts are classified as restricted cash on the statement of financial position. The funds do not form part of the statement of cash flows as the Group does not have access to these accounts. During the current and prior financial year, management reassessed the classification of the bank balances in Nigeria and determined that short-term deposits held in Nigeria should be classified as restricted cash in the statement of financial position. This is due to the Group not having significant short-term cash commitments to be settled in Nigeria naira and repatriation challenges. Consequently, the short-term deposits held in Nigeria are classified as restricted cash in the statement of financial position. The Nigeria short-term deposits form part of cash in the statement of cash flows as the Group has access to these accounts.

- f) **Lease term:** In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of distribution centres and retail stores, the following factors are normally the most relevant:

- › The Group considers extension options only for stores with a trading history of three full years or more. The number of extension options included in the initial measurement of the lease liability will depend on the return on investment of the leased property.
- › If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- › Otherwise, the Group considers other factors including the costs and business disruption required to replace the leased asset.

Most extension options in rental contracts for offices and the commercial vehicle fleet have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an extension option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. Extension options are generally exercised six to 12 months before the end of the lease term. When the lease term is adjusted as a result of exercising an extension option not included in the initial measurement of the lease liability, the lease liability is reassessed and adjusted against the right-of-use asset. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances that is within the control of the lessee occurs and affects this assessment.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.1 Basis of preparation continued

1.1.1 Use of judgements, assumptions and estimates continued

1.1.1.1 Judgements continued

- g) **Discount rate used to calculate the lease liability:** Incremental borrowing rates used to calculate lease liabilities at inception of the lease are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; an adjustment for the term of the lease; and an entity-specific adjustment where the entity risk profile is different to that of the Group.
- h) **Determination of whether a sale and leaseback transaction qualifies as a sale:** A sale and leaseback is a transaction in which the owner of an asset sells the asset and leases it back from the buyer. The IFRS 16: Leases (IFRS 16) treatment of a sale and leaseback transaction hinges on whether the transaction is considered to be a sale or not. Where the Group acts as a seller-lessee in this transaction, it must determine if the transaction qualifies as a sale for which revenue is recognised, or whether the transaction is a collateralised borrowing.

The assessment of whether the transaction is a sale depends on whether it satisfies the requirements of IFRS 15: Revenue from Contracts with Customers (IFRS 15), in which the buyer-lessor obtains control of the asset. Judgement is thus required in analysing whether the transaction constitutes a transfer of control sale in terms of IFRS 15.

In terms of IFRS 15, a performance obligation is satisfied by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. In determining whether control has transferred to the buyer-lessor, management considers all qualitative facts and prepares a quantitative assessment considering the proportion of the fair value retained.

- i) **Classification of non-current assets to be sold within 12 months after the reporting date:** During the financial year management applied judgement in determining whether a portfolio of distribution centres, associated undeveloped land and commercial properties should be classified as assets held for sale. The Group sold the portfolio of distribution centres and associated undeveloped land and subsequently leased it back from the buyer-lessor (subject to certain conditions). In terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Management applied their judgement and concluded that the carrying amount of the distribution centres would be recovered principally through continuing use rather than through a sale as the Group retained a large percentage of the fair value of the underlying assets. The portfolio of distribution centres and associated undeveloped land was therefore still classified as non-current assets and included within property, plant and equipment until the transaction was concluded. The commercial properties are classified as assets held for sale as their carrying amount will be recovered principally through a sale transaction.
- j) **Segment reporting:** IFRS 8: Operating Segments requires an entity to identify its operating segments and determine its reportable segments. Reportable segments may comprise single operating segments or an aggregation of operating segments. Aggregation of one or more operating segments into a single reportable segment is permitted where certain conditions are met; the principle conditions being that the operating segments should have similar economic characteristics and the operating segments are similar in respect of the products and services offered, nature of production processes, type or class of customers, distribution methods, and regulatory environment.

The Group's management has assessed the above mentioned aggregation criteria in respect of its identified retail operating segments and believe that it has been satisfied as they have similar average gross margins and similar expected growth rates; therefore it has elected to aggregate the segments as disclosed in note 2.

- k) **Determination of cash-generating units:** The Group has determined each store as a separate cash-generating unit for impairment testing.
- l) **Use of exchange rates:** All foreign currency translations and foreign currency transactions are translated using the official exchange rate in line with the requirements of IFRS and foreign exchange regulations in individual countries.

1 Accounting policies continued

1.1 Basis of preparation continued

1.1.1 Use of judgements, assumptions and estimates continued

1.1.1.1 Judgements continued

- m) **Hyperinflation:** The Group exercises judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries and associates is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account to assess whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

- › The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- › Prices are quoted in a relatively stable foreign currency;
- › Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- › Interest rates, wages and prices are linked to a price index; and
- › The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement in determining when a restatement of the financial statements of a Group entity becomes necessary.

The economy of Angola was reassessed and found to no longer be hyperinflationary. The hyperinflation accounting was ceased for the current and comparative year and the cumulative hyperinflation adjustments up to 30 June 2019 will unwind over time. The Group will continue to monitor the hyperinflationary nature of Angola.

The general price indices, as published by the National Institute of Statistics of Angola, were used in adjusting the historic cost local currency results and financial positions of the Group's Angolan subsidiaries up to 30 June 2019. As at 2 July 2023, the cumulative three-year inflation rate was 71.4% (2022: 88.9%).

- n) **Agent versus principal assessment of drop-shipments:** The IFRS 15 principles dictate that revenue is recognised as and when the control over goods and services is transferred to customers. OK Franchise members may order goods for direct delivery in terms of a drop-shipment arrangement with suppliers, which are pre-approved by the Group, at prices negotiated between the Group and the suppliers. The Group has assessed its drop-shipment sales and concluded that the fact that the Group has a contractual relationship with the suppliers, negotiates prices on behalf of its members and pays the swell allowance for quality issues to the member, indicates that it is acting as principal in these arrangements. The Group's drop-shipment sales will therefore continue to be recognised on a gross basis having satisfied the requirements of principal accounting under IFRS 15.
- o) **Insurance claims receivable:** Significant judgement was required in the comparative financial year in assessing the virtual certainty of the recoverability of insurance claims receivable resulting from the July 2021 social unrest in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Although the Group is adequately insured for loss of assets and business interruption, this assessment was supported by the insurer's validation of the progress in the claims assessment process, the payments received to date, market confidence provided regarding their commitment and financial ability to settle outstanding claims.
- p) **Inventory write-offs and related insurance claim:** The inventory written-off in the comparative financial year due to the July 2021 social unrest as well as the related insurance claims have been recorded within cost of sales. The Group has determined that this presentation in the statement of comprehensive income best reflects the substance of the transaction and is consistent with the guidance in IAS 1: Presentation of Financial Statements.

1.1.1.2 Assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. The most significant assumptions and estimates used in applying the Group's accounting policies relate to the following:

- a) **Rebates from suppliers:** Management is required to make estimates in determining the amount and timing of recognition of rebates for some transactions with suppliers. In determining the amount of volume-related allowances recognised in any period, management estimates the probability that the Group will meet contractual target volumes, based on historical and forecast performance. There is limited estimation involved in recognising income for promotional and other allowances.

Management assesses its performance against the obligations conditional on earning the rebate, with the rebate recognised either over time as the obligations are met, or at the point when all obligations are met, dependent on the contractual requirements. Rebates are recognised as a credit within cost of sales. Where the rebate earned relates to inventories which are held by the Group at period ends, the rebate is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories. Management views that the cost of inventories sold (which is inclusive of rebates) provides a consistent and complete measure of the statement of comprehensive income impact of the overall supplier relationships.

- b) **Impairment of assets:** The Group performs a review of trading stores and considers the need for the impairment of assets. This determination requires significant judgement. The Group evaluates amongst other things the near-term business outlook, the possible redeployment of assets between stores and the trading duration of the stores. Refer to note 7.
- c) **Useful lives of assets:** In determining the depreciation and amortisation charge for property, plant and equipment and intangible assets, management applies judgement in estimating the useful lives and residual values of these different asset classes. Refer to notes 3, 6 and 25.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.1 Basis of preparation continued

1.1.1 Use of judgements, assumptions and estimates continued

1.1.1.2 Assumptions and estimates continued

- d) **Income taxes:** The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide accrual for income taxes. The Group recognises liabilities for anticipated uncertain income tax positions based on estimates of potential additional taxes due. With regards to deferred income tax assets for unutilised income tax losses, judgement is also required to determine whether sufficient future taxable income will be available against which these losses can be utilised. Refer to notes 1.24 and 13.
- e) **Allowance for expected credit losses (ECL) on financial assets:** The Group assesses on a forward-looking basis the ECL associated for all debt instruments not held at fair value through profit or loss and the Group recognises an allowance for ECL for these financial assets. The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses its judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Group's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 41.4.1.
- f) **Employee benefit accruals and provisions:** Various assumptions are applied in determining the valuations of post-employment medical benefits, share-based payment accruals and long-term employee benefits as set out in notes 1.17, 1.18, 17 and 21.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in a subsequent year relate to the following: impairment of assets; income taxes; expected credit losses and employee benefit allowances.

All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying amount of assets and liabilities that are not readily apparent from other sources. 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 and any affected future periods.

1.1.2 Use of adjusted measures

The measures listed below are presented as management believes it to be relevant to the understanding of the Group's financial performance. These measures are used for internal performance analysis and provide additional useful information on underlying trends to equity holders. These measures are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

- a) Trading profit on the face of the statement of comprehensive income, being the Group's operating results excluding foreign exchange rate differences, profit or loss on lease modifications and terminations as well as income or expenditure of a capital nature.
- b) Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all re-measurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 1/2023: Headline Earnings. The principal items that will be included under this measure are: gains and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets classified as held for sale; impairments or reversal of impairments; any non-trading items such as gains and losses on disposal of investments, operations and subsidiaries.
- c) Interest received on the face of the statement of comprehensive income, being only interest received on call and operating bank account balances.

1.2 Consolidation and equity accounting

1.2.1 Subsidiaries

Subsidiaries are entities (including structured entities) which are, directly or indirectly, controlled by the Group. Control is established where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The nature and effect of existing rights that give the Group the current ability to direct the relevant activities of the entity are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The acquisition method is used to account for business combinations. The consideration transferred is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration transferred is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

All intergroup transactions, balances and unrealised gains and losses on transactions between entities of the Group have been eliminated. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

1 Accounting policies continued

1.2 Consolidation and equity accounting continued

1.2.2 Associates

Associates are those entities over which the Group exercises significant influence but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of another entity. The Group's investments in associates are accounted for using the equity method and are initially recognised at cost. Investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of post-acquisition profit or loss and its share of post-acquisition movements in other comprehensive income are recognised in the statement of comprehensive income and in other comprehensive income respectively, with a corresponding adjustment to the carrying amount of the investment, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When necessary, accounting policies applied by associates have been changed to ensure consistency with the policies adopted by the Group.

1.2.3 Joint arrangements

Joint arrangements are those arrangements over which the Group exercises joint control in terms of a contractual agreement. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The Group's investments in joint ventures are accounted for using the equity method and are initially recognised at cost.

The Group's share of post-acquisition profit or loss and its share of post-acquisition movements in other comprehensive income are recognised in the statement of comprehensive income and in other comprehensive income respectively, with a corresponding adjustment to the carrying amount of the investment, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. When necessary, accounting policies applied by joint ventures have been changed to ensure consistency with the policies adopted by the Group.

1.3 Cell captive insurance arrangements

The Group has entered into insurance cell arrangements with Old Mutual Life Insurance Company (Namibia) Ltd and Centriq Insurance Company Ltd, licensed insurance companies. The Group purchased shares in insurance cells within South Africa and Namibia. These "cells" issue contracts that transfer significant insurance risk. The risks and rewards associated with these contracts are transferred to the Group through a cell agreement.

The first-party cells are classified as financial assets held at fair value through profit or loss (FVPL) (refer to note 1.14) and the third-party cells as cell captive insurance contracts (refer to note 1.28).

The net investment is presented separately on the face of the statement of financial position.

1.4 Foreign currency translation

1.4.1 Functional and presentation currency

All items in the financial statements of the Group's subsidiaries, associates and joint arrangements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's consolidated financial statements are presented in South Africa rand, which is Shoprite Holdings Ltd's functional currency and the Group's presentation currency.

1.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates for the relevant month. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.4 Foreign currency translation continued

1.4.3 Foreign operations

The results and the financial position of Group subsidiaries, associates and joint arrangements (none of which are accounted for as entities which operate in hyperinflationary economies) that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income presented are translated at the average exchange rates for the period presented; and
- All resulting translation differences are recognised in other comprehensive income and presented as a separate component of equity in the foreign currency translation reserve (FCTR).

On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations are also taken to the FCTR. The Group's net investment in a foreign operation is equal to the equity investment plus all monetary items that are receivable from or payable to the foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

When a foreign operation is disposed of, abandoned or sold and the Group loses control, joint control or significant influence over the foreign operation, all related exchange rate differences recognised in other comprehensive income and accumulated in equity in the FCTR are reclassified from equity to the statement of comprehensive income as part of the profit or loss on the sale of the operation. On partial disposal of a foreign subsidiary, where a change occurs in the absolute ownership percentage held by the Group and control is not lost, a proportionate share of all related exchange rate differences recognised in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. On partial disposal of a foreign joint arrangement or associate, where a change occurs in the absolute ownership percentage held by the Group and joint control or significant influence is not lost, a proportionate share of all related exchange rate differences recognised in other comprehensive income are reclassified from equity to the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and are translated at the closing rate.

1.5 Hyperinflation

The economy of Angola was evaluated and determined to be hyperinflationary for financial years ended 1 July 2018 to 30 June 2019. During these financial years, the results, cash flows and financial position of the Group's subsidiaries in Angola have been expressed in terms of the measuring unit current at each reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29).

Upon reassessment of the Angolan economy during the Group's 2020 financial year, it was determined that it was no longer hyperinflationary. Accordingly, the Group ceased to apply IAS 29 from 1 July 2019. The financial statements of the Group's subsidiaries in Angola, expressed in the measuring unit current as at 30 June 2019, formed the basis for the historical cost approach applied in subsequent financial years.

1.6 Hedging activities: net investment hedging

In accordance with IFRS 9: Financial Instruments (IFRS 9), certain foreign currency denominated financial liabilities are designated as hedges of a net investment in a foreign operation. The Group uses non-derivative financial liabilities to reduce exposure to fluctuations in foreign currency exchange rates resulting from the Group's net investments in certain foreign operations.

The Group documents, at the inception of the hedging transaction, the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the FCTR in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The Group discontinues hedge accounting prospectively when a hedging instrument expires or is sold, when a hedge no longer meets the criteria for hedge accounting, or when the designation is revoked. Gains and losses accumulated in the FCTR at that time remains in equity and are reclassified to profit or loss when the foreign operation is partially disposed of or sold. Refer to note 1.4.3.

1 Accounting policies continued

1.7 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods, rental to others or administrative purposes and are expected to be used during more than one period. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the buildings, machinery, equipment and vehicles and is depreciated on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Land is not depreciated, as it has an unlimited useful life. Improvements to leasehold properties are shown at cost and written off over the shorter of the remaining period of the lease and the items' useful life.

Management determines the estimated useful lives, residual values and the related depreciation charges at acquisition and these are reviewed at each reporting date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Useful lives:	
Buildings	20 years
Machinery	5 to 10 years
Racking	15 years
Vehicles	5 to 10 years
Trolleys	3 to 5 years
Equipment	4 to 10 years
Safes	20 years
Computer equipment	3 to 5 years
Aircraft and its components	33 to 50 years

The cost of major refurbishments is capitalised as property, plant and equipment to the extent that it can be recovered from future use of the assets. The capitalised amounts are depreciated over the relevant write-off periods. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which these are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in the statement of comprehensive income.

1.8 Intangible assets

1.8.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or operation at the date of acquisition. Goodwill denominated in a foreign currency is translated at closing rates. Goodwill is tested for impairment at each reporting date and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment losses. It is not amortised, as it has an indefinite useful life. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Each of those CGUs represents the Group's investment in a trading unit or a group of trading units. Gains and losses on the disposal of an entity that has related goodwill include the carrying amount of the related goodwill. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.8 Intangible assets continued

1.8.2 Software, trademarks and customer relationships

Intangible assets are held by the Group for use in the supply of goods or administrative purposes and are expected to be used during more than one period. Acquired intangible assets are initially recognised at cost and intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets, other than goodwill and customer relationships which have an indefinite useful life, are subsequently measured at cost less accumulated amortisation and accumulated impairment. The cost of intangible assets includes all costs incurred to acquire the intangible assets and bring it into use and is amortised on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of intangible assets involved, taking into account the estimated useful life and residual values of the individual items.

Costs associated with implementing or maintaining intangible assets are recognised as an expense when incurred. Costs that are directly associated with the purchase and customisation of identifiable and unique intangible assets controlled by the Group, and that will probably generate future economic benefits beyond one year, are recognised as intangible assets. Direct costs include the intangible asset development employee costs and an appropriate portion of relevant overheads.

Management determines the estimated useful lives, residual values and the related amortisation charges at acquisition and these are reviewed at each reporting date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Useful lives:	
Software	1 to 10 years
Trademarks	16 to 20 years

An intangible asset's carrying amount is written down immediately to its recoverable amount if the intangible asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal or scrapping of intangible assets, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in the statement of comprehensive income.

1.9 Convertible loans

The Group has acquired an investment in a convertible loan during the financial year. The convertible loan is classified as financial assets held at FVPL (refer to note 1.14).

The investment is presented separately on the face of the statement of financial position.

1.10 Non-current assets classified as held for sale and discontinued operations

1.10.1 Non-current assets classified as held for sale

Non-current assets and/or disposal groups are classified as assets held for sale and are stated at the lower of the carrying amount and fair value less costs of disposal if their carrying amount will be recovered principally through a sale transaction rather than through continued use and this sale is considered highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Assets and liabilities of abandoned disposal groups are not classified as held for sale because the carrying amounts will not be recovered principally through a sale transaction.

1.10.2 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of, abandoned or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. An abandoned operation is classified as a discontinued operation when it has been closed. The results of discontinued operations are presented separately in the statement of comprehensive income.

1 Accounting policies continued

1.11 Impairment of non-financial assets

Goodwill and customer relationships, being the Group's only non-financial assets with an indefinite useful life, is not subject to depreciation and amortisation and is tested for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. The determination of whether an asset is impaired requires significant management judgement and the following factors, amongst others, will be considered: duration and extent to which the fair value of the assets is less than its cost; industry, geographical and sector performance; changes in regional economies; and operational and financing cash flows.

Where the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is impaired and the asset is written down to its recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less costs of disposal and the value-in-use. These calculations are prepared based on management's assumptions and estimates such as forecasted cash flows; management budgets; and industry, regional and geographical operational and financial outlooks. For the purpose of impairment testing, the assets are allocated to CGUs or a group of CGUs. CGUs are the lowest levels for which separately identifiable cash flows can be determined. The related impairment expense is charged to the statement of comprehensive income as expenditure of a capital nature.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset, other than goodwill and customer relationships, may no longer exist or may have decreased. If any such indication exists the Group will immediately recognise the reversal as income of a capital nature in the statement of comprehensive income. An impairment loss recognised for goodwill and customer relationships shall not be reversed in a subsequent period.

1.12 Leases

1.12.1 Where the Group is the lessee

a) Leasing activities and how they are accounted for

The Group leases various offices, distribution centres, retail stores, vehicles and equipment. Rental contracts are typically entered into for fixed periods, with extension options as follows:

- › **Properties:** five to 10 years, with extension options for a further 15 to 20 years.
- › **Commercial vehicle fleet:** one to 11 years, with an option to renew.
- › **Multifunctional printers:** three years, with no extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Non-lease components are expensed as they become due.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A right-of-use asset and a corresponding lease liability are recognised at the date at which the leased asset is available for use by the Group. They are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- › Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- › Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- › The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- › Lease payments to be made under reasonably certain extension options.

The Group's current rental portfolio does not include termination penalties. However, should these become relevant in the future, such payments will also be included in the initial measurement of the lease liability.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Group discounts lease payments for its commercial vehicle fleet using the interest rate implicit in the lease. All other lease payments are discounted using the incremental borrowing rate.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.12 Leases continued

1.12.1 Where the Group is the lessee continued

a) Leasing activities and how they are accounted for continued

To determine the incremental borrowing rate, the Group:

- › Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- › Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee, which does not have recent third-party financing; and
- › Makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method. Lease payments are allocated between principal and finance costs. Finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- › The amount of the initial measurement of the lease liability;
- › Any lease prepayments made at or before the commencement date, less any lease incentives received;
- › Any initial direct costs; and
- › Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis. In instances where the ownership transfers from the lessor to the lessee, the right-of-use assets are depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets (with a cost price below R75 000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In the prior year, the Group applied the IFRS 16 exemption which was extended to 30 June 2022. This exemption provided lessees with timely relief from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications. The optional exemption allows lessees to account for such rent concessions as if they were not lease modifications. Therefore, Covid-19-related rent concessions that reduce lease payments due on or before 3 July 2022 are recognised as income when rent payments become due. No further rent concessions were recognised as income for the current year (2022: R16 million).

b) Variable lease payments

Some property leases (2023: 52.0%; 2022: 51.4%) contain variable payment terms that are linked to sales generated from a store. Turnover rentals, where applicable, average 2.1% (2022: 2.0%) of turnover. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the Group with such variable lease contracts would increase total lease payments by approximately R49 million (2022: R38 million).

c) Extension and termination options

The lease term includes any non-cancellable periods and reasonably certain termination or extension option periods. Extension and termination options are included in a number of property and commercial vehicle fleet leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The average lease term of the Group's portfolio of qualifying leases are as follows:

	2023	2022
Distribution centres	9.4 years	8.0 years
Storage and warehousing	4.6 years	4.8 years
Other properties	8.5 years	8.4 years
Commercial vehicle fleet	5.0 years	5.0 years
Multifunctional printers	3.0 years	3.0 years

1 Accounting policies continued

1.12 Leases continued

1.12.2 Where the Group is the lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Group is an intermediate lessor, the sublease classification is assessed with reference to the head lease right-of-use asset.

Finance leases

At the commencement date of a sublease agreement, the right-of-use asset of the head lease is derecognised, and the Group recognises a net investment in lease receivables. The net investment in lease receivables is measured as the present value of the lease payments to be received over the lease term, discounted using the interest rate implicit in the lease. If the interest rate implicit in the sublease cannot be readily determined, the discount rate for the head lease is used. Any difference between the right-of-use asset and net investment in lease receivables is recognised in profit or loss.

The lease liabilities of the head leases are accounted for in terms of note 1.12.1.

Net investment in lease receivables is subsequently measured at amortised cost using the effective interest rate method. Lease payments received are allocated between principal and finance income. Finance income is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

Net investment in lease receivables is assessed for impairment at each reporting date as financial assets in accordance with note 1.14.5.

Operating leases

Portions of owner-occupied properties and leased properties are leased or subleased out under operating leases. The owner-occupied properties are included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. Incentives received to enter into a lease agreement are released to the statement of comprehensive income as operating lease income over the lease term. All other rental income is recognised as it becomes due.

When an operating lease is terminated before the lease period has expired, any payment received from the lessee by way of penalty is recognised as income and any unamortised portion of the fixed escalation lease accrual is recognised in the statement of comprehensive income in the period in which termination takes place.

1.13 Sale and leaseback transactions

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. This accounting policy thus applies in instances where the Group, as the seller-lessee, has transferred control of the asset to the buyer-lessor in terms of an IFRS 15 sale.

As the Group is the lessee in the subsequent arrangement, a lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right-of-use asset is recognised at the proportion of the previous carrying amount of the asset relating to the right-of-use retained. The gain (or loss) that the seller-lessee recognises is limited to the proportion of the total gain (or loss) that relates to the rights transferred to the buyer-lessor. Any difference between the sale consideration and the fair value of the asset is either a prepayment of lease payments (if the purchase price is below market terms) or an additional financing (if the purchase price is above market terms). Any gain or loss that relates to the rights transferred to the buyer-lessor is recorded within items of a capital nature.

In other instances, where there is no transfer of control, the transaction amounts to a collateralised borrowing, which is covered by the existing accounting policies pertaining to financial liabilities as described in note 1.14.

1.14 Other financial instruments

1.14.1 Initial recognition and measurement

In addition to lease liabilities, financial instruments recognised on the statement of financial position include convertible loans, investments in insurance cell captive arrangements classified as financial assets held at FVPL, government bonds and bills, loans receivable, trade and other receivables, restricted cash, cash and cash equivalents, borrowings, trade and other payables and bank overdrafts.

These financial instruments are recognised at trade date when the Group becomes a party to the contractual provisions of the instrument. Trade and other receivables with no significant financing component are initially measured at transaction price. Other financial instruments not measured at FVPL are initially recognised at fair value including directly attributable transaction costs. Transaction costs of financial instruments carried at FVPL are expensed in profit or loss.

1.14.2 Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled, expires or when a substantial modification of the terms occurs.

1.14.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.14 Other financial instruments continued

1.14.4 Classification and subsequent measurement

Financial assets

The Group classifies financial assets according to the following categories:

- › Financial assets at amortised cost
- › Financial assets held at FVPL

Financial assets at amortised cost

The classification and subsequent measurement of debt investments depend on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, using the effective interest rate method, less allowance made for impairment of these assets.

Interest income from these financial assets is calculated by applying the effective interest rate to the gross carrying amount, except for:

- › Purchased or originated credit-impaired financial assets. For these financial assets the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; and
- › Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For these financial assets, the Group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Initiation fees, which are considered to be an integral part of the effective interest rate, are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale using the effective interest rate.

Any gain or loss arising on derecognition, modification or impairment is recognised directly in profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those financial assets changes.

The following debt investments are measured at amortised cost in terms of the Group's business model of holding these financial assets to collect solely payments of principal and interest:

- a) **Government bonds and bills:** These financial assets are non-derivative financial assets with fixed or determinable principal and interest payments and fixed maturities for which the Group intends to hold them to maturity to collect contractual cash flows. Government bonds and bills are included under non-current assets unless it matures within 12 months after the reporting date. Interest on government bonds and bills is recognised in the statement of comprehensive income as interest revenue.
- b) **Loans receivable:** Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. The Group holds the loans receivable with the objective to collect contractual cash flows and the contractual terms of the loans receivable are solely payments of principal and interest. These financial assets are included under current assets unless it matures later than 12 months after the reporting date. Interest on loans receivable is recognised in the statement of comprehensive income as interest revenue.
- c) **Trade and other receivables:** Trade receivables consist mainly of amounts receivable for the sale of merchandise to franchisees, medical aid schemes, pharmacies, doctors and buying aid societies. Furthermore, the Group has entered into various instalment sale agreements for household furniture. Other receivables consist of various operational debtors such as rental and municipal deposits refundable and insurance claims receivable. A finance sublease agreement was entered into during the previous financial year and included as a net investment in lease receivables. Trade and other receivables are held to collect contractual cash flows and the contractual terms of the trade and other receivables are solely payments of principal and interest. Interest on trade and other receivables is recognised in the statement of comprehensive income as interest revenue.
- d) **Restricted cash, cash and cash equivalents and bank overdrafts:** Cash comprises cash on hand and cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Interest on cash and cash equivalents is recognised in the statement of comprehensive income as interest received from bank account balances. Restricted cash and bank overdrafts are disclosed separately on the face of the statement of financial position.

Financial assets held at FVPL

The following financial assets are measured at FVPL as they do not meet the criteria for amortised cost or fair value through other comprehensive income:

- e) **Convertible loans:** Convertible loans are measured at FVPL on initial recognition. At the reporting date the fair value is determined based on income approach by using the level 3 hierarchy.
- f) **First-party insurance cell captive arrangements:** The first-party insurance cell captive arrangements are measured at FVPL on initial recognition. At the reporting date the fair value is determined based on the net asset value of the underlying cell captive arrangements.

1 Accounting policies continued

1.14 Other financial instruments continued

1.14.4 Classification and subsequent measurement continued

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, using the effective interest rate method. The effective interest rate amortisation is recognised in the statement of comprehensive income as finance costs.

Financial liabilities, other than lease liabilities, measured at amortised cost on the statement of financial position include borrowings, trade and other payables and bank overdrafts:

- g) **Borrowings:** Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to note 1.21 for the Group's accounting policy with regards to the capitalisation of borrowing costs.
- h) **Trade and other payables:** Trade and other payables mainly comprise trade payables for the purchase of merchandise for resale and are short-term in nature.

Non-convertible, non-participating, non-transferable no par value deferred shares, which are mandatorily acquirable on a specific date, are classified as other payables.

1.14.5 Impairment

The Group assesses on a forward-looking basis the ECL associated for all debt instruments not held at FVPL and the Group recognises an allowance for ECL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has the following types of financial assets measured at amortised cost that are subject to impairment under the ECL models:

Financial asset	ECL model applied for impairment
Government bonds and bills	General impairment approach
Loans receivable	General impairment approach
Instalment sale receivables	Simplified approach
Trade receivables	Provision matrix
Other receivables	General impairment approach
Net investment in lease receivables	Simplified approach
Restricted cash	General impairment approach
Cash and cash equivalents	General impairment approach

a) General impairment approach

The Group applies the general impairment approach to measure ECL for government bonds and bills, loans receivable, other receivables, restricted cash as well as cash and cash equivalents. The Group assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

In the event of a significant increase in credit risk since initial recognition, the Group recognises an allowance (or provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'.

The measurement of ECL under the general impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Group. The probability-weighted outcome incorporates the probability of default (PD), exposure at default (EAD), timing of when default is likely to occur and loss given default (LGD).

b) Simplified approach

For instalment sale and net investment in lease receivables with a significant financing component, the Group has elected to measure the impairment allowance at an amount equal to the lifetime ECL. This policy will be applied to all instalment sale and net investment in lease receivables.

The measurement of ECL under the simplified impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Group.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.14 Other financial instruments continued

1.14.5 Impairment continued

c) Provision matrix

For trade and other receivables without a significant financing component, the Group applies the simplified approach which recognises lifetime ECL. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to such trade and other receivables and the economic environment.

The Group recognises in profit or loss, as an impairment loss or reversal, the amount of ECL (or reversal) that is required to adjust the loss allowance at the end of the reporting period. When a receivable is uncollectible, it is written off against the allowance for impairment for that receivable. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

Note 41.4.1 provides more detail on how the Group determines a significant increase in credit risk and how the expected credit loss allowance is measured.

1.15 Inventories

Trading inventories are stated at the lower of cost, using the weighted average cost formula, and net realisable value. The cost of merchandise is the net of: invoice price of merchandise; insurance; freight; customs duties; an appropriate allocation of distribution costs between distribution centres and stores; trade discounts; advertising; and other rebates and settlement discounts. Net realisable value is the estimated selling price in the ordinary course of business.

1.16 Stated capital

Ordinary shares, including incremental costs directly attributable to the issue of new shares, are both classified as equity.

Where entities controlled by the Group purchase the Company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from capital and reserves attributable to owners of the parent as treasury shares until they are sold. Where such shares are subsequently sold, any consideration received is included in capital and reserves attributable to owners of the parent. Dividends received on treasury shares are eliminated on consolidation.

1.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. The Group has discounted provisions to their present value where the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the statement of comprehensive income.

1.17.1 Provision for outstanding insurance claims

The Group recognises a provision for the estimated direct cost of settling all outstanding claims at year-end, which includes a provision for cost of claims incurred but not yet reported (IBNR) at year-end as well as for the cost of claims reported but not yet settled at year-end. The IBNR provision is determined by using established claims patterns. Full provision is made for the cost of claims reported but not yet settled at year-end by using the best information available.

1.17.2 Long-term employee benefits

Long-term employee benefits are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation by the actuaries are charged against the statement of comprehensive income as employee benefits.

1.17.3 Reinstatement provision

Where it has a contractual obligation in respect of certain lease agreements, the Group provides the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition at the expiry of the lease.

The Group also provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in property, plant and equipment or right-of-use assets that are erected on leased land.

1 Accounting policies continued

1.18 Employee benefits

1.18.1 Pension obligations

The Group operates various pension schemes. The schemes are funded through payments to trustee-administered funds in accordance with the plan terms.

Provident fund

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans, in respect of services rendered in a particular period, are recognised as an expense in that period. Additional contributions are recognised as an expense in the period during which the associated services are rendered by employees.

1.18.2 Post-employment medical benefits

The Group provides for post-employment medical benefits, where they exist. The expected costs of these benefits are accrued over the period of employment based on past services and charged to the statement of comprehensive income as employee benefits. This post-employment medical benefit obligation is measured at present value by discounting the estimated future cash outflows. Valuations of this obligation are carried out annually by independent qualified actuaries using the projected unit credit method. Actuarial gains or losses are recognised immediately in equity as other comprehensive income. Settlement premiums, when incurred, are recognised immediately in the statement of comprehensive income as employee benefits.

1.18.3 Cash-settled share-based payments

The Group recognises a liability for cash-settled share-based payments calculated at the current fair value determined at each reporting date. The fair value is calculated using relevant pricing models. This amount is expensed through the statement of comprehensive income over the vesting periods.

1.18.4 Equity-settled share-based payments

The Group operates an equity-settled share-based compensation plan under which it receives services from employees as consideration for equity instruments of the Company. The beneficiaries under the scheme are Executive Directors and management. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense on a straight-line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve.

The total amount to be expensed is determined by reference to the fair value of the shares granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of shares granted that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Full share grants awarded may be settled by way of a purchase of shares in the market, use of treasury shares or issue of new shares. If new shares are issued to equity-settle full share grants, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Where shares are held or acquired by subsidiary companies for equity compensation plans, they are treated as treasury shares. Any gains or losses on vesting of such shares are recognised directly in equity.

The effect of all full share grants issued under the share-based compensation plan is taken into account when calculating diluted earnings and diluted headline earnings per share.

1.18.5 Bonus plans

The Group recognises a liability and an expense for bonuses, based on formulas that take into consideration the Group's trading profit after certain adjustments or the Company's dividend forecasts, depending on the qualifying criteria. The accrual for this liability is made where a contractual or constructive obligation exists.

An accrual for employees who qualify but have not been in service for the required period is recognised as a long-term employee benefit.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.19 Revenue from contracts with customers

Revenue from contracts with customers is recognised either over time or at a point in time, as or when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation. Revenue is measured at the fair value of the consideration received or receivable.

1.19.1 Sale of merchandise

The Group operates a chain of retail stores and, to a small degree, franchise stores selling products such as food, clothing, general merchandise, cosmetics, pharmaceuticals and liquor. It also sells products to franchisees under drop-shipment arrangements and operates furniture stores retailing products such as furniture, household appliances and home entertainment systems.

Revenue for the sale of merchandise from ordinary Group-operating activities, net of value added tax, rebates and discounts and after eliminating sales within the Group are recognised at a point in time, upon delivery of products and customer acceptance. The Group's Xtra Savings Rewards Programme offers immediate discount which is recognised as a reduction in revenue, since it does not create a separate performance obligation providing a material right to a future discount. Payment is usually received via cash, debit card or credit card. Related card transaction costs are recognised in the statement of comprehensive income as other expenses. When merchandise is sold under instalment sale agreements, the present value of the instalment sale payments is recognised as a receivable.

It is the Group's policy to sell goods with a right of return in terms of current consumer legislation. Such sales are cancelled where the right of return is exercised. A refund liability for the expected refunds to customers is recognised as an adjustment to revenue in trade and other payables. The accumulated experience of the Group's returns has been utilised to estimate such refund liability at the time of sale. Based on past experience it is estimated that goods returned in a saleable condition will be insignificant and therefore, the Group does not recognise an asset and a corresponding adjustment to cost of sales for its right to recover the product from the customer where the customer exercises his right of return. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

1.19.2 Lay-by sales

Proceeds from lay-by sales are initially recognised as contract liabilities, deferring the revenue. Revenues are recognised when the customer takes possession or forfeits the merchandise.

1.19.3 Gift vouchers and saving stamps

Proceeds from the sale of gift vouchers and saving stamps are initially recognised as contract liabilities, deferring the revenue. Revenues are recognised as sale of merchandise when the gift vouchers or saving stamps are redeemed.

Proceeds from the sale of gift vouchers and saving stamps give customers the right to receive goods or services in the future. However, customers occasionally do not exercise all of their contractual rights. The Group recognises the expected breakage amount in such contract liabilities as revenue, in proportion to the pattern of rights exercised by its customers. The accumulated experience of the Group's breakage history is utilised to estimate when it expects to be entitled to a breakage amount. The validity of this assumption and the estimated amount of breakage are reassessed at each reporting date.

1.19.4 Commissions received

The Group acts as a payment office for the services and products provided by a variety of third parties to the Group's customers. The agent's commissions received by the Group from the third parties for the payment office service are recognised as other operating income. Commissions relating to third-party products are recognised when the underlying third-party payments take place. Commissions relating to third-party services are recognised based on the stage of completion by reference to services performed to date as a percentage of the total services to be performed.

1.19.5 Franchise fees received

Franchise fees received comprise fees received from franchisees and are recognised as other operating income when the underlying sales, which give rise to the income, occur.

1.19.6 Marketing and media revenue

Revenue from marketing and media comprises revenue from various channels, including virtual, digital as well as in-store printed advertising, and is recognised as other operating income over the period of the campaign or promotion.

1.19.7 Delivery recoveries

Revenue from delivery recoveries is recognised as other operating income upon delivery of products to customers.

1.19.8 Financing components

Except when merchandise is sold under instalment sale agreements, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

1 Accounting policies continued

1.20 Other operating income

Other operating income is recognised as follows:

1.20.1 Effective interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for financial assets that have subsequently become credit-impaired (or "stage 3") for which interest revenue is calculated by applying the effective interest rate to their net carrying amount (i.e. gross carrying amount less impairment provision). The effective interest rate calculation does not consider ECL but includes initiation fees as they are integral to the effective interest rate.

1.20.2 Rental income

Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due. Refer to note 1.12.2.

1.20.3 Premium income

Premium income is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies inception during the period less amounts that are unearned at reporting date. Refer to note 1.28.2.

1.20.4 Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

1.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale, are capitalised to the cost of that qualifying asset. The Group considers a period longer than 12 months to be a substantial period of time.

General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure. Specific borrowing costs are capitalised according to the borrowing costs incurred on the specific borrowing, provided the borrowing facility is utilised specifically for the qualifying asset. All other borrowing costs incurred are recognised as an expense in the statement of comprehensive income and are accrued on a time basis by reference to the principal amounts outstanding and at the interest rate applicable.

1.22 Rebates from suppliers

Consistent with standard industry practice, the Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. Most of the income received from suppliers relates to adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product. Sometimes receipt of the income is conditional on the Group performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These include achieving agreed purchases or sales volume targets and providing promotional or marketing materials and activities or promotional product positioning.

Rebates from suppliers are recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories.

Amounts due relating to rebates from suppliers are recognised within trade and other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued rebates are recognised within accrued income when rebates earned have not been invoiced at the reporting date.

1.23 Cost of sales

Cost of sales primarily comprises the cost of goods sold and services provided, including an allocation of direct overhead expenses, net of supplier rebates, and costs incurred that are necessary to acquire and store goods. Cost of sales also includes: the cost to distribute goods to customers where delivery is invoiced; inbound freight costs; internal transfer costs between distribution centres and stores; warehousing costs and the cost of other shipping and handling activities; and any write-downs and reversals of write-downs to inventory. Cost of sales does not include delivery fees from the Group's Checkers Sixty60 on-demand business which is included in other operating expenses.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.24 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it will also be recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A change in tax rate from 28% to 27% was substantively enacted on 23 February 2022 for the reporting periods ending on or after 31 March 2023.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

Deferred income tax liabilities are recognised on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide accrual for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated uncertain income tax positions based on best informed estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

Up to 30 June 2019, the functional currency of subsidiaries in Angola was a currency of a hyperinflationary economy. Therefore, deferred income tax relating to these subsidiaries was recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts (refer to note 1.5).

1.25 Earnings per share

Earnings and headline earnings per share are calculated by dividing the net profit attributable to owners of the parent and headline earnings respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Full share grants have dilutive potential. The full share grants are assumed to have been converted into ordinary shares. It has no effect on net profit and therefore no adjustment is made to net profit for full share grants.

Headline earnings are calculated in accordance with Circular 1/2023 issued by SAICA as required by the JSE Limited Listings Requirements.

1.26 Government grants

Government grants, being assistance by government in the form of allowances and refunds for certain expenditure, are recognised at fair value when the Group complies with the conditions attached to the grants and the grants have been received. The grants are recognised, on a systematic basis, in the statement of comprehensive income as a deduction of the related expense over the periods necessary to match them with the related costs.

1.27 Dividends distributed to shareholders

Dividends are accounted for on the date they have been declared by the Company.

1 Accounting policies continued

1.28 Basis of accounting for underwriting activities

1.28.1 Classification of contracts

Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. The accounting policies of the Group are in accordance with the policies for recognition and measurement of short-term insurance contracts as outlined in SAICA Circular 2/2007 and IFRS 4: Insurance Contracts.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

An insurance risk is deemed significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. If significant additional benefits would be payable in scenarios that have commercial substance, the condition in the previous sentence may be met even if the insured event is extremely unlikely or even if the expected (i.e. probability-weighted) present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.

1.28.2 Recognition and measurement of contracts

a) Premiums arising from general insurance business

Gross written premiums comprise the premiums on insurance contracts entered into during the year. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums are accounted for as income when the risk related to the insurance policy incepts.

b) Income from cell captive contracts

The net profit or loss after tax is recognised in premiums earned and included in other operating income in the statement of comprehensive income. The net profit or loss after tax from insurance cell operations is the net insurance result of the investment in insurance contracts. The net result takes into account insurance premium revenue, insurance claims, salvage and recoveries, acquisition costs, reinsurance and taxes as accounted for by the insurance cell. The amounts are payable to the Group in terms of the contract subject to certain liquidity and solvency requirements of the insurance cell.

c) Unearned premium allowance

The allowance for unearned premiums comprises the proportion of gross premiums written which relate to the unexpired period at the reporting date and is estimated to be earned in the following or subsequent financial years. The unearned premium allowance is computed separately for each insurance contract on a basis appropriate to the Group's release from insured risk, using the 365th method.

d) Claims arising from insurance business

Claims incurred in respect of insurance contracts consist of claims and claims-handling expenses paid during the financial year together with the movement in the provision for incurred but not reported claims. Provisions for incurred but not reported claims comprise provisions for claims arising from insured events that occurred before the reporting date, but which had not been reported to the Group by that date.

e) Provision for outstanding claims

Provision is made for the estimated final cost of all claims that had not been settled by the reporting date, less amounts already paid. Liabilities for unpaid claims are estimated, using the input of assessments for individual cases reported to the Group and statistical analyses, to estimate the expected cost of more complex claims that may be affected by external factors. The Group does not discount its liabilities for unpaid claims.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

1 Accounting policies continued

1.29 Related parties

Individuals, as well as their close family members, or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled in a joint venture. Key management personnel are defined as all Directors of Shoprite Holdings Ltd and the prescribed officers of the main trading subsidiary (Shoprite Checkers (Pty) Ltd) of the Group.

1.30 Operating segment information

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision maker (this being the operational members of the Shoprite Checkers (Pty) Ltd Board of Directors), in order to allocate resources and assess performance and for which discrete financial information is available.

Operating segments, which display similar economic characteristics and have similar products, services, customers, methods of distribution and regulatory environments are aggregated for reporting purposes.

The Group has the following four reportable segments:

- Supermarkets RSA:** all retail operations under the Shoprite, Checkers, Checkers Hyper and Usave brands in South Africa, retailing products such as food, clothing, general merchandise, cosmetics and liquor.
- Supermarkets Non-RSA:** all retail operations under the Shoprite, Checkers and Usave brands outside of South Africa, retailing products such as food, clothing, general merchandise, cosmetics and liquor.
- Furniture:** all retail operations under the OK Furniture, OK Power Express and House & Home brands trading in RSA and Non-RSA, retailing products such as furniture, household appliances and home entertainment systems for cash or credit.
- Other operating segments:** all other operations not included in the above segments, trading in RSA and Non-RSA, including franchise operations and retail and wholesale of pharmaceutical products.

These segments were identified and grouped together using a combination of the products and services offered by the segments and the geographical areas in which they operate.

Information about the Group's discontinued segments is provided in note 33. The Group's operations in Nigeria, Kenya, Uganda, Madagascar and DRC are classified as discontinued operations.

The amounts reported to the chief operating decision maker excludes the impact of hyperinflation (refer to note 1.5) but are measured, in all other aspects, in a manner consistent with that in the statement of comprehensive income and statement of financial position.

The Group transacts with a wide spread of customers with no single customer exceeding 10% of the Group's revenue.

1.31 Standards, interpretations and amendments that are not yet effective as at 2 July 2023

The Group has considered the following new standards, interpretations and amendments to existing standards, which are relevant to the Group's operations and had been issued by the reporting date, but are not yet effective as at 2 July 2023:

Number	Title	Effective for the year ending
Amendments to IAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants	2025
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	2025
IFRS 17	Insurance Contracts	2024
Amendments to IAS 8	Definition of Accounting Estimates	2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	2024

1 Accounting policies continued

1.31 Standards, interpretations and amendments that are not yet effective as at 2 July 2023 continued

The Group has not early adopted any of the above. The application thereof in future financial periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows, except for the standard set out hereafter.

Title of standard	IFRS 17: Insurance Contracts
Nature of change	<p>IFRS 17 was issued as replacement for IFRS 4.</p> <p>IFRS 17 requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> › Discounted probability-weighted cash flows; › An explicit risk adjustment; and › A contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p> <p>As a result of adopting this standard, additional line items will be disclosed in the statement of comprehensive income, namely insurance revenue, insurance service expense and insurance finance income.</p> <p>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts.</p>
Impact	The Group, as the cell owner of the insurance cell captive arrangements, assessed that the implementation will result in greater disclosures within the Group, although the recognition and measurement of the adoption are not expected to be material.
Mandatory application date/Date of adoption by the Group	<p>IFRS 17 is mandatory for financial years commencing on or after 1 January 2023.</p> <p>The Group does not intend to adopt the standard before its effective date.</p>

1.32 New standards, interpretations and amendments effective for the year ended 2 July 2023

The following new standards, interpretations and amendments to existing standards are effective for the year ended 2 July 2023:

Number	Title
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IFRS 3	Business Combinations (Reference to the Conceptual Framework)
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract

The amendments listed above had no significant effect on the Group's operations.

1.33 Comparative figures

Where necessary, comparative figures have been restated following the classification of the Group's operations in DRC as discontinued operations and the reclassification of share of profit in equity accounted investments, with disclosure of the restatements detailed in notes 43 and 44.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

2 Operating segment information

2.1 Analysis per reportable segment

Continuing operations	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Total operating segments Rm	Hyperinflation effect Rm	Consolidated Rm
2023							
Sale of merchandise							
External	173 634	19 622	7 064	14 636	214 956	—	214 956
Inter-segment	5 057	36	—	30	5 123	—	5 123
	178 691	19 658	7 064	14 666	220 079	—	220 079
Trading profit	10 841	594	104	427	11 966	(50)	11 916
Interest revenue included in trading profit	70	192	320	83	665	—	665
Depreciation and amortisation	5 884	774	343	80	7 081	50	7 131
Impairments							
Property, plant and equipment	4	50	5	—	59	37	96
Right-of-use assets	40	17	15	—	72	3	75
Intangible assets	37	—	—	—	37	—	37
	81	67	20	—	168	40	208
Total assets ⁴	78 857	12 810	5 076	4 934	101 677	679	102 356
Restated* 2022							
Sale of merchandise							
External	147 368	16 857	6 723	12 920	183 868	—	183 868
Inter-segment	4 543	29	—	8	4 580	—	4 580
	151 911	16 886	6 723	12 928	188 448	—	188 448
Trading profit	10 263	479	211	363	11 316	(38)	11 278
Interest revenue included in trading profit	43	186	260	55	544	—	544
Depreciation and amortisation	5 040	677	307	68	6 092	38	6 130
Impairments							
Property, plant and equipment	1	56	2	—	59	(13)	46
Right-of-use assets	40	32	15	—	87	1	88
Intangible assets	12	—	—	—	12	—	12
	53	88	17	—	158	(12)	146
Total assets ⁴	67 211	13 809	4 619	4 294	89 933	1 266	91 199

Refer to note 33 for operating segment disclosures of discontinued operations.

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations and the reclassification of the Group's share of profit of equity accounted investments. Refer to notes 43 and 44 for details of the adjustments recognised for each individual line item.

⁴ Total assets of consolidated continuing operations, together with discontinued operations' total assets, equal total assets as presented in the statement of financial position. Discontinued operations had no total assets as at 2 July 2023 (2022: R256 million).

2 Operating segment information continued

2.2 Geographical analysis

Continuing operations	South Africa Rm	Outside South Africa Rm	Total operating segments Rm	Hyperinflation effect Rm	Consolidated Rm
2023					
Sale of merchandise – external	191 587	23 369	214 956	—	214 956
Non-current assets ^{5 and 6}	42 636	4 470	47 106	679	47 785
Restated* 2022					
Sale of merchandise – external	163 810	20 058	183 868	—	183 868
Non-current assets ^{5 and 6}	37 764	5 108	42 872	1 267	44 139

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

⁵ Non-current assets consist of property, plant and equipment, right-of-use assets, intangible assets and non-financial trade and other receivables.

⁶ Non-current assets of consolidated continuing operations, together with discontinued operations' non-current assets, equal non-current assets as presented in the statement of financial position. Discontinued operations had no non-current assets at 2 July 2023 (2022: R191 million).

3 Property, plant and equipment

3.1 Reconciliation of carrying amounts

	Land Rm	Buildings Rm	Machinery, equipment and vehicles ⁷ Rm	Leasehold improvements Rm	Total Rm
Carrying amount at 4 July 2021	1 130	3 558	8 099	1 587	14 374
Cost	1 130	4 133	17 329	2 945	25 537
Accumulated depreciation and impairment	—	(575)	(9 230)	(1 358)	(11 163)
Additions	—	253	3 703	370	4 326
Borrowing costs capitalised (note 3.2)	—	4	—	—	4
Transfer to assets classified as held for sale (note 4)	(5)	(2)	—	—	(7)
Transfer from assets classified as held for sale (note 4)	13	37	—	—	50
Acquisition of operations	—	—	3	—	3
Disposal	—	(102)	(366)	(135)	(603)
Proceeds on disposal	—	(8)	(89)	(146)	(243)
(Loss)/profit on disposal and scrapping	—	(94)	(277)	11	(360)
Depreciation	—	(82)	(2 121)	(126)	(2 329)
Impairment (note 7)	(3)	(21)	(61)	(37)	(122)
Reversal of impairment (note 7)	—	76	—	—	76
Foreign currency translation differences	44	143	182	675	1 044
Carrying amount at 3 July 2022	1 179	3 864	9 439	2 334	16 816
Cost	1 179	4 539	19 301	4 276	29 295
Accumulated depreciation and impairment	—	(675)	(9 862)	(1 942)	(12 479)
Additions	39	113	4 840	546	5 538
Reclassification	—	—	(38)	38	—
Transfer to assets classified as held for sale (note 4)	(244)	(1 129)	(5)	(42)	(1 420)
Acquisition of select businesses from Massmart Holdings Ltd (note 36.5)	—	—	207	115	322
Acquisition of other operations	—	—	2	—	2
Disposal	(113)	(428)	(231)	(217)	(989)
Proceeds on disposal	(154)	(490)	(76)	(229)	(949)
Profit/(loss) on disposal and scrapping	41	62	(155)	12	(40)
Depreciation	—	(83)	(2 463)	(209)	(2 755)
Impairment (note 7)	(4)	(8)	(27)	(57)	(96)
Foreign currency translation differences	(45)	(167)	(37)	(568)	(817)
Carrying amount at 2 July 2023	812	2 162	11 687	1 940	16 601
Cost	812	2 573	21 550	3 392	28 327
Accumulated depreciation and impairment	—	(411)	(9 863)	(1 452)	(11 726)

⁷ Includes aircraft with a carrying amount of R122 million (2022: R110 million) and vehicles with a carrying amount of R257 million (2022: R275 million).



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

3 Property, plant and equipment continued

3.2 Borrowing costs capitalised

No items of property, plant and equipment qualified for capitalisation of borrowing costs during the year under review. In the prior year borrowing cost was capitalised against qualifying items of property, plant and equipment at a weighted average borrowings rate of 5.7%.

3.3 Property, plant and equipment subject to an operating lease where the Group is the lessor

The reconciliation of carrying amounts of property, plant and equipment presented in note 3.1 includes the following relating to underlying assets that are subject to an operating lease:

	Land Rm	Buildings Rm	Leasehold improvements Rm	Total Rm
Carrying amount at 4 July 2021	222	861	303	1 386
Cost	222	965	486	1 673
Accumulated depreciation and impairment	—	(104)	(183)	(287)
Additions	—	76	6	82
Borrowing costs capitalised (note 3.2)	—	2	—	2
Transfer to assets classified as held for sale (note 4.2)	(3)	—	—	(3)
Transfer from assets held for sale (note 4.2)	—	1	1	2
Assets no longer subject to an operating lease	—	(1)	(85)	(86)
Assets previously not subject to an operating lease	16	185	—	201
Disposal	—	(1)	—	(1)
Depreciation	—	(19)	(10)	(29)
Impairment	—	(2)	(2)	(4)
Reversal of impairment	—	16	—	16
Foreign currency translation differences	1	19	77	97
Carrying amount at 3 July 2022	236	1 137	290	1 663
Cost	236	1 279	441	1 956
Accumulated depreciation and impairment	—	(142)	(151)	(293)
Additions	—	26	30	56
Transfer to assets classified as held for sale (note 4.2)	(83)	(386)	(12)	(481)
Assets no longer subject to an operating lease	(4)	(22)	(163)	(189)
Assets previously not subject to an operating lease	20	61	263	344
Depreciation	—	(19)	(13)	(32)
Impairment	—	(1)	(15)	(16)
Foreign currency translation differences	(2)	(17)	(69)	(88)
Carrying amount at 2 July 2023	167	779	311	1 257
Cost	167	882	545	1 594
Accumulated depreciation and impairment	—	(103)	(234)	(337)

3.4 Property, plant and equipment not yet in use

Included in the gross amounts of land and buildings is R65 million (2022: R108 million) that relates to cost capitalised for assets not yet available for use. This relates mainly to land and buildings (2022: buildings and leasehold properties) under construction. The gross amount of property, plant and equipment not yet in use was evaluated for impairment by the Directors at the reporting date.

Reconciliation of carrying amounts:	Land Rm	Buildings Rm	Total Rm
Carrying amount at 4 July 2021	27	99	126
Additions	—	151	151
Transfer to property, plant and equipment	(7)	(162)	(169)
Carrying amount at 3 July 2022	20	88	108
Additions	39	7	46
Transfer to property, plant and equipment	—	(89)	(89)
Carrying amount at 2 July 2023	59	6	65

4 Assets classified as held for sale

	2023 Rm	2022 Rm
Land and buildings	1 346	120
Leasehold improvements	43	—
	1 389	120

4.1 Reconciliation of carrying amount

	2023 Rm	2022 Rm
Carrying amount at the beginning of the year	120	532
Transfer from property, plant and equipment (note 3)	1 420	7
Transfer to property, plant and equipment (note 3)	—	(50)
Transfer to inventories	—	(43)
Transfer from trade and other receivables	—	5
Transfer from cash and cash equivalents	—	26
Disposal of discontinued operations	—	(272)
Derecognition of right-of-use assets	—	(56)
Disposal of land and buildings	(199)	(57)
Proceeds on disposal	(331)	(75)
Profit on disposal and scrapping	132	18
Additions	45	17
Foreign currency translation differences	3	11
Carrying amount at the end of the year	1 389	120

4.2 Transfer to/(from) assets classified as held for sale

It is the Group's policy to invest in fixed property only when appropriate rental space is not available. Certain land and buildings in the Supermarkets RSA and Supermarkets Non-RSA operating segments have been reclassified as assets classified as held for sale as the Group periodically re-evaluates its fixed property holdings in line with this policy. The Group is currently in the process of actively seeking buyers for these properties.

During the previous financial year certain properties were transferred back to property, plant and equipment. The sale of these properties were reconsidered. This decision to reclassify had no significant effect on the Group's results.

5 Right-of-use assets

5.1 Reconciliation of carrying amounts

	Land Rm	Buildings Rm	Machinery, equipment and vehicles Rm	Total Rm
Carrying amount at 4 July 2021	252	19 391	877	20 520
Additions and lease liability remeasurements	—	6 276	399	6 675
Transfer to net investment in lease receivable (note 14)	—	(324)	—	(324)
Derecognition	—	(119)	(16)	(135)
Depreciation	(7)	(3 037)	(323)	(3 367)
Impairment (note 7)	(2)	(129)	—	(131)
Reversal of impairment (note 7)	—	43	—	43
Landlord contributions	—	(5)	—	(5)
Foreign currency translation differences	118	331	—	449
Carrying amount at 3 July 2022	361	22 427	937	23 725
Additions and lease liability remeasurements	—	6 032	505	6 537
Acquisition of select businesses from Massmart Holdings Ltd (note 36.5)	—	784	—	784
Derecognition	—	(207)	(3)	(210)
Depreciation	(9)	(3 500)	(358)	(3 867)
Impairment (note 7)	(6)	(92)	—	(98)
Reversal of impairment (note 7)	—	23	—	23
Foreign currency translation differences	(111)	(1)	(1)	(113)
Carrying amount at 2 July 2023	235	25 466	1 080	26 781



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

6 Intangible assets

6.1 Reconciliation of carrying amounts

	Goodwill Rm	Software Rm	Trademarks Rm	Customer relationships Rm	Total Rm
Carrying amount at 4 July 2021	255	2 733	12	10	3 010
Gross amount	449	3 854	55	10	4 368
Accumulated amortisation and impairment	(194)	(1 121)	(43)	—	(1 358)
Acquisition of operations	21	—	—	—	21
Additions	—	224	250	—	474
Internally generated	—	581	—	—	581
Borrowing costs capitalised (note 6.3)	—	30	—	—	30
Loss on disposal and scrapping	—	(100)	—	—	(100)
Amortisation	—	(447)	(9)	—	(456)
Impairment (note 7)	—	(12)	—	—	(12)
Foreign currency translation differences	—	13	—	—	13
Carrying amount at 3 July 2022	276	3 022	253	10	3 561
Gross amount	470	4 385	305	10	5 170
Accumulated amortisation and impairment	(194)	(1 363)	(52)	—	(1 609)
Acquisition of operations	14	—	—	—	14
Additions	—	14	20	—	34
Internally generated	—	1 137	—	—	1 137
Borrowing costs capitalised (note 6.3)	—	52	—	—	52
Loss on disposal and scrapping	—	(18)	—	—	(18)
Amortisation	—	(504)	(16)	—	(520)
Impairment (note 7)	—	(37)	—	—	(37)
Foreign currency translation differences	—	2	—	—	2
Carrying amount at 2 July 2023	290	3 668	257	10	4 225
Gross amount	426	5 436	325	10	6 197
Accumulated amortisation and impairment	(136)	(1 768)	(68)	—	(1 972)

6.2 Goodwill

An analysis of goodwill per operating segment is presented in the following table:

	2023			2022		
	Gross amount Rm	Accumulated impairment Rm	Carrying amount Rm	Gross amount Rm	Accumulated impairment Rm	Carrying amount Rm
Supermarkets RSA	297	(68)	229	283	(68)	215
Supermarket stores	150	(12)	138	150	(12)	138
Liquor stores	71	—	71	57	—	57
Other	76	(56)	20	76	(56)	20
Supermarkets Non-RSA						
Supermarket stores	26	(8)	18	26	(8)	18
Other operating segments						
Computicket	103	(60)	43	161	(118)	43
Computicket	27	(13)	14	27	(13)	14
Transpharm	76	(47)	29	76	(47)	29
Metcash Seven Eleven	—	—	—	58	(58)	—
Total goodwill	426	(136)	290	470	(194)	276

The carrying amount of goodwill allocated to a CGU or group of units is not significant in comparison with the Group's total goodwill.

6 Intangible assets continued

6.3 Borrowing costs capitalised

Borrowing costs were capitalised against qualifying items of software during the year under review. The weighted average borrowings rate was 8.7% (2022: 5.7%).

6.4 Software not yet in use

Included in the gross amount of software is R1.3 billion (2022: R682 million) that relates to cost capitalised for software not yet available for use. The Group is committed to investing in the development of alternative revenue streams through its retail media business. The majority of the spend relates to the implementation of our digital commerce platform and enhancement of our data analytics capabilities, which will support our retail media business, as well as data lead future strategy. The gross amount of software not yet in use was evaluated for impairment by the Directors at the reporting date.

7 Impairment of non-financial assets

7.1 Impairments recognised/(reversed)

	Property, plant and equipment Rm	Right-of-use assets Rm	Other intangible assets Rm	Total Rm
2023				
Supermarkets RSA	4	40	37	81
Supermarkets Non-RSA	50	17	—	67
Furniture	5	15	—	20
Total operating segments	59	72	37	168
Hyperinflation effect	37	3	—	40
Consolidated continuing operations	96	75	37	208
2022				
Supermarkets RSA	1	40	12	53
Supermarkets Non-RSA	56	32	—	88
Furniture	2	15	—	17
Total operating segments	59	87	12	158
Hyperinflation effect	(13)	1	—	(12)
Consolidated continuing operations	46	88	12	146

The impairment charges resulted from a reduction in the cash flow projections of certain stores, the bulk of which is due to the challenging trading environment in key markets where the Group trades. In addition to the aforementioned, the higher commodity prices experienced in the commodity dependent regions also contributed to the impairment charges.

7.2 Impairment methodology

Cash-generating units

The Group treats each store as a separate CGU for impairment testing of property, plant and equipment, right-of-use assets and intangible assets, other than goodwill. Goodwill is allocated to the Group's CGUs, or a group of CGUs, to which the goodwill relates.

The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal. The recoverable amount of a CGU or group of CGUs, to which goodwill has been allocated, is determined based on value-in-use calculations.

Central corporate assets such as home office, regional offices and distribution centres, together with their associated income and costs are allocated to CGUs with reference to sales.

Each CGU is assessed at the reporting date to determine if any indicators of impairment have been identified.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

7 Impairment of non-financial assets continued

7.2 Impairment methodology continued

Value-in-use

The cash flow projections used in value-in-use calculations are based on financial budgets, approved by management, covering five-year planning periods. Cash flow projections are derived from an analysis of historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives, the results of which are reviewed by management. Cash flows beyond these planning periods are extrapolated into the future over the useful life of the CGU, using a steady long-term growth rate which is derived from inflation forecasts by recognised bodies and does not exceed the long-term average growth rate for the industry and country in which the CGUs operate.

In determining the value-in-use of each CGU, projected cash flows are discounted using the entity-specific pre-tax discount rate which includes an adjustment for risks, specific to the country in which a CGU operates.

Fair value less costs of disposal

In determining the fair value less costs of disposal of affected land and buildings (level 3 within the fair value hierarchy), cash flow projections based on projected net market-related rentals covering the next planning period were used.

7.3 Key assumptions and sensitivity analyses

The key assumptions in the value-in-use calculations are the expected trading profit growth rates, long-term growth rates and the risk-adjusted pre-tax discount rates. The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of capital, lease liabilities and borrowings, to which specific market-related premium adjustments are made for each country.

For fair value less costs of disposal calculations of land and buildings, the key assumption is the market capitalisation rate used.

The following table sets out the key assumptions applied in determining the recoverable amount of each CGU, summarised by geographical region:

	Discount rate		Trading profit growth rate		Long-term growth rate		Market capitalisation rate	
	2023	2022	2023	2022	2023	2022	2023	2022
	%	%	%	%	%	%	%	%
South Africa	12.3	12.0	6.2	6.1	6.2	6.1	8.0 – 11.0	7.5 – 9.0
Angola	28.7	24.3	14.3	15.4	14.3	15.4	19.0	19.0
Botswana	10.7	6.3	9.0	9.1	9.0	6.3	—	—
Mozambique	23.7	16.9	14.1	13.3	14.1	13.3	19.0	19.0
Namibia	13.3	8.7	7.7	7.7	7.7	7.7	11.0	10.0
Zambia	24.2	19.3	12.5	12.8	12.5	12.8	13.0	13.0

The forecast trading profit growth rates, risk-adjusted pre-tax discount rates and long-term growth rates for CGUs and groups of CGUs to which goodwill has been allocated are as follows:

	Trading profit growth rate		Discount rate		Long-term growth rate	
	2023	2022	2023	2022	2023	2022
	%	%	%	%	%	%
Supermarket operations	4.7 – 7.3	2.9 – 5.0	12.3 – 18.8	10.5 – 12.0	6.2 – 7.3	6.1 – 6.6
Other operations	6.1	5.8	12.3	12.0	6.2	6.1

Management has performed sensitivity analyses on the key assumptions in the impairment model using reasonable possible changes in these key assumptions based on recent market movements including discount rates, sales growth, long-term growth rates and gross profit margin:

- › An increase of one percentage point in the discount rates for each geographical region would increase the impairment by R57 million (2022: R144 million). The possible increase mainly relates to Angola (2023: R25 million; 2022: R112 million), Botswana (2023: R1 million; 2022: R17 million) and South Africa (2023: R26 million; 2022: R9 million).
- › A decrease of one percentage point in the long-term growth rate would increase the impairment by R44 million (2022: R107 million). The possible increase mainly relates to Angola (2023: R16 million; 2022: R95 million) and South Africa (2023: R24 million; 2022: R5 million).

8 Equity accounted investments

Associates (note 8.1)
Joint ventures (note 8.2)

	2023 Rm	2022 Rm
Associates (note 8.1)	2 123	2 059
Joint ventures (note 8.2)	189	181
	2 312	2 240

8.1 Associates

Carrying amount at the beginning of the year
Investment in ordinary shares acquired
Share of post-acquisition profits
Dividends received from associates
Impairment
Carrying amount at the end of the year

Carrying amount at the beginning of the year	2 059	2 025
Investment in ordinary shares acquired	13	—
Share of post-acquisition profits	208	202
Dividends received from associates	(157)	(145)
Impairment	—	(23)
Carrying amount at the end of the year	2 123	2 059

The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. These are private companies and no quoted market prices are available for their shares.

	% Owned by the Group		2023 Rm	2022 Rm
	2023	2022		
Retail Logistics Fund (RF) (Pty) Ltd (note 8.1.1)	49.9%	49.9%	2 089	2 036
Resilient Africa (Pty) Ltd (note 8.1.2)	39.1%	39.1%	—	—
Resilient Africa Managers (Pty) Ltd	39.1%	39.1%	—	—
LBB Foods (Pty) Ltd	41.0%	41.0%	12	12
Red Baron Agri (Pty) Ltd	41.0%	41.0%	9	11
Trans Africa IT Solutions (Pty) Ltd	49.0%	—	13	—
Zulzi On Demand (Pty) Ltd	26.0%	26.0%	—	—
			2 123	2 059

There are no contingent liabilities relating to the Group's interests in associates.

The Directors consider Retail Logistics Fund (RF) (Pty) Ltd and Resilient Africa (Pty) Ltd to be material associates to the Group's consolidated financial statements. Retail Logistics Fund (RF) (Pty) Ltd is incorporated in South Africa and is involved in the investment and letting of commercial properties in South Africa. Retail Logistics Fund (RF) (Pty) Ltd is considered to be a strategic partner as it leases five (2022: three) distribution centres to the Group. Resilient Africa (Pty) Ltd is incorporated in South Africa and is involved in the investment and letting of properties in Nigeria. The Group's investment in Retail Logistics Fund (RF) (Pty) Ltd and Resilient Africa (Pty) Ltd is measured using the equity method.

All other associates are not material to the Group's consolidated financial statements and therefore no summary financial information is presented for these associates.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
8 Equity accounted investments continued		
8.1 Associates continued		
8.1.1 Summary financial information of Retail Logistics Fund (RF) (Pty) Ltd		
Statement of financial position		
Total assets	4 824	4 380
Non-current assets	4 744	3 469
Current assets	80	911
Total liabilities	343	5
Non-current liabilities	199	—
Current liabilities	144	5
Net assets	4 481	4 375
Attributable to other owners of Retail Logistics Fund (RF) (Pty) Ltd	2 245	2 192
Attributable to the Shoprite Holdings Ltd Group	2 236	2 183
Statement of comprehensive income		
Revenue	536	517
Profit for the year	419	404
Attributable to other owners of Retail Logistics Fund (RF) (Pty) Ltd	210	203
Attributable to the Shoprite Holdings Ltd Group	209	201
Total comprehensive income for the year	419	404
Attributable to other owners of Retail Logistics Fund (RF) (Pty) Ltd	210	203
Attributable to the Shoprite Holdings Ltd Group	209	201
The information disclosed reflects the amounts presented in the consolidated management accounts of Retail Logistics Fund (RF) (Pty) Ltd and not the Group's share of those amounts. The information has been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.		
Reconciliation to carrying amount:		
Net assets attributable to the Group at the beginning of the year	2 036	1 980
Profit for the year attributable to the Group	209	201
Dividends received by the Group	(156)	(145)
Carrying amount at the end of the year	2 089	2 036

	2023 Rm	2022 Rm
8 Equity accounted investments continued		
8.1 Associates continued		
8.1.2 Summary financial information of Resilient Africa (Pty) Ltd		
Statement of financial position		
Total assets	1 204	2 160
Non-current assets	1 154	2 098
Current assets	50	62
Total liabilities	2 501	2 267
Non-current liabilities	2 426	2 208
Current liabilities	75	59
Net liabilities	(1 297)	(107)
Attributable to other owners of Resilient Africa (Pty) Ltd	(905)	(155)
Attributable to the Shoprite Holdings Ltd Group	(580)	(100)
Non-controlling interest	188	148
Statement of comprehensive income		
Revenue	208	166
Loss for the year	(1 280)	(16)
Attributable to other owners of Resilient Africa (Pty) Ltd	(774)	(9)
Attributable to the Shoprite Holdings Ltd Group	(496)	(6)
Non-controlling interest	(10)	(1)
Other comprehensive income for the year	90	82
Attributable to other owners of Resilient Africa (Pty) Ltd	24	40
Attributable to the Shoprite Holdings Ltd Group	16	25
Non-controlling interest	50	17
Total comprehensive (loss)/income for the year	(1 190)	66
Attributable to other owners of Resilient Africa (Pty) Ltd	(750)	31
Attributable to the Shoprite Holdings Ltd Group	(480)	19
Non-controlling interest	40	16
The information disclosed reflects the amounts presented in the consolidated management accounts of Resilient Africa (Pty) Ltd and not the Group's share of those amounts. The information has been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.		
Reconciliation to carrying amount:		
Net liabilities attributable to the Group at the beginning of the year	(128)	(147)
Loss for the year attributable to the Group	(496)	(6)
Other comprehensive income for the year attributable to the Group	16	25
Net liabilities attributable to the Group at the end of the year	(608)	(128)
Unrecognised share of losses at the end of the year	608	112
Unrecognised share of other comprehensive loss at the end of the year	—	16
Carrying amount at the end of the year	—	—
Unrecognised share of losses:		
Unrecognised share of losses at the beginning of the year	112	106
Unrecognised share of losses for the year	496	6
Unrecognised share of losses at the end of the year	608	112
Unrecognised share of other comprehensive loss:		
Unrecognised share of other comprehensive loss at the beginning of the year	16	41
Decrease in unrecognised share of other comprehensive loss for the year	(16)	(25)
Unrecognised share of other comprehensive loss at the end of the year	—	16


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
8 Equity accounted investments continued		
8.2 Joint ventures		
Carrying amount at the beginning of the year	181	—
Investment in ordinary shares acquired	—	175
Share of post-acquisition profits	43	6
Dividends received from joint ventures	(35)	—
Carrying amount at the end of the year	189	181
<p>The Group acquired a 50% interest in Pingo Delivery (Pty) Ltd during the prior financial year. The share capital of Pingo Delivery (Pty) Ltd consist solely of ordinary shares, which are held directly by the Group. There are no quoted market prices available for the private company's shares.</p> <p>There are no contingent liabilities relating to the Group's interests in Pingo Delivery (Pty) Ltd.</p>		
Summary financial information of Pingo Delivery (Pty) Ltd		
Statement of financial position		
Non-current assets	381	357
Current assets	89	70
Cash and cash equivalents	58	32
Other current assets	31	38
Total assets	470	427
Total liabilities		
Current liabilities	92	65
Financial liabilities (excluding trade payables)	13	4
Other current liabilities	79	61
Net assets	378	362
Attributable to other owners of Pingo Delivery (Pty) Ltd	189	181
Attributable to the Shoprite Holdings Ltd Group	189	181
Statement of comprehensive income		
Revenue	994	130
Gross profit	267	35
Depreciation and amortisation	(30)	(3)
Other operating expenses	(121)	(14)
Interest received from bank account balances	3	—
Profit before income tax	119	18
Income tax expense	(34)	(5)
Profit for the year	85	13
Other comprehensive income for the year	—	—
Total comprehensive income for the year	85	13
Attributable to other owners of Pingo Delivery (Pty) Ltd	42	7
Attributable to the Shoprite Holdings Ltd Group	43	6
<p>The information disclosed reflects the amounts presented in the consolidated management accounts of Pingo Delivery (Pty) Ltd and not the Group's share of those amounts. The information has been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.</p>		
9 Convertible loans		
Omnisient (RF) (Pty) Ltd		
Recognised at fair value through profit or loss at initial recognition	22	—
Reconciliation of carrying amount:		
Carrying amount at the beginning of the year	—	—
Investment in convertible loan acquired	20	—
Interest income	2	—
Carrying amount at the end of the year	22	—

The amount is denominated in South Africa rand, earns interest at a weighted average variable interest rate (linked to the South African prime rate) of 13.6% p.a. and is convertible into shares within 14 months from the reporting date. The Group has the choice to demand repayment of the outstanding capital amount along with accrued interest after the maturity date.

	2023 Rm	2022 Rm
10 Investment in insurance cell captive arrangements		
Third-party cell captive contracts (note 10.1)	197	107
First-party cell captive contracts (note 10.2)	220	181
	417	288
<p>Analysis of investment in insurance cell captive arrangements:</p>		
Non-current	128	131
Current	289	157
	417	288
10.1 Third-party cell captive contracts		
<p>The investments listed below relates to third-party insurance cells and have share capital consisting of variable rate preference shares and share premium, which are held by the Group.</p>		
	% Owned by the Group	
	2023	2022
Old Mutual Life Insurance Company (Namibia) Ltd	100%	100%
Centriq Insurance Company Ltd	100%	100%
	24	18
	173	89
	197	107
Summary financial information		
Statement of financial position		
Total assets		
Current assets	514	526
Total liabilities	317	419
Non-current liabilities	38	33
Current liabilities	279	386
Net assets attributable to the Shoprite Holdings Ltd Group	197	107
Statement of comprehensive income		
Net premium income	259	171
Claims paid	(31)	(18)
Income tax expense	(50)	(21)
Profit for the year attributable to the Shoprite Holdings Ltd Group	116	82
<p>The information disclosed reflects the amounts presented in the consolidated management accounts of Old Mutual Life Insurance Company (Namibia) Ltd and Centriq Insurance Company Ltd.</p>		
Reconciliation to carrying amount:		
Net assets attributable to the Shoprite Holdings Ltd Group at the beginning of the year	107	32
Investment in preference shares acquired	—	41
Fair value adjustment	116	58
Dividends received by the Group	(26)	(24)
Net assets attributable to the Shoprite Holdings Ltd Group at the end of the year	197	107
10.2 First-party cell captive contracts		
Reconciliation to carrying amount:		
Carrying amount at the beginning of the year	181	132
Fair value adjustment (included in premiums and other insurance income earned)	39	49
Carrying amount at the end of the year	220	181


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
11 Government bonds and bills		
AOA, USD Index Linked, Angola Government Bonds (note 11.1)	637	739
AOA, Angola Government Bonds (note 11.2)	338	598
Angola Treasury Bills (note 11.3)	162	—
	1 137	1 337
Analysis of total government bonds and bills:		
Non-current	716	1 051
Current	421	286
	1 137	1 337
Reconciliation of movement in government bonds and bills:		
Carrying amount at the beginning of the year	1 337	1 494
Increase in loss allowance recognised in profit or loss during the year	(4)	(1)
Unused loss allowance reversed	14	36
Additional investments	679	38
Investments matured and sold	(664)	(639)
Interest income (note 24.4)	153	159
Interest received	(153)	(179)
Exchange rate differences	521	(302)
Foreign currency translation differences	(746)	731
Carrying amount at the end of the year	1 137	1 337
11.1 AOA, USD Index Linked, Angola Government Bonds	637	739
Gross amount	655	776
Provision for impairment	(18)	(37)
The AOA, USD Index Linked, Angola Government Bonds are to be settled in Angola kwanza, earn interest at an average rate of 6.1% (2022: 6.5%) p.a. and mature after two to 21 months from the reporting date. Accrued interest is payable bi-annually.		
11.2 AOA, Angola Government Bonds	338	598
Gross amount	355	632
Provision for impairment	(17)	(34)
The AOA, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 16.5% (2022: 16.4%) p.a. and mature after eight to 13 months from the reporting date. Accrued interest is payable bi-annually.		
11.3 Angola Treasury Bills	162	—
Gross amount	163	—
Provision for impairment	(1)	—
The Angola Treasury Bills are denominated in Angola kwanza, earn interest at an average rate of 12.4% (2022: 16.1%) p.a. and mature after three months from the reporting date. Accrued interest is payable at maturity.		

	2023 Rm	2022 Rm
12 Loans receivable		
Amounts receivable from associate (note 12.1)	1 035	1 001
Amounts receivable from franchisees (note 12.2)	500	612
Amounts receivable from Circle Mall Mauritius Ltd (note 12.3)	257	224
Amounts receivable from Kin Oasis Investments Ltd (note 12.4)	157	145
Other	44	37
	1 993	2 019
Analysis of total loans receivable:		
Non-current	647	1 510
Current	1 346	509
	1 993	2 019
12.1 Amounts receivable from associate		
Shareholder loan receivable from Resilient Africa (Pty) Ltd (note 12.1.1)	190	263
Other amounts receivable from Resilient Africa (Pty) Ltd (note 12.1.2)	845	738
	1 035	1 001
The Group is committed to provide a shareholder loan to Resilient Africa (Pty) Ltd to a maximum capital amount of R333 million (2022: R333 million) of which Resilient Africa (Pty) Ltd has drawn down R328 million (2022: R328 million).		
12.1.1 Shareholder loan receivable from Resilient Africa (Pty) Ltd	190	263
Gross amount	598	560
Provision for impairment	(408)	(297)
The shareholder loan is denominated in South Africa rand, earns interest at an average rate of 6.6% (2022: 6.6%) p.a. and is repayable on demand, subject to certain conditions.		
12.1.2 Other amounts receivable from Resilient Africa (Pty) Ltd	845	738
Gross amount	845	738
Provision for impairment	—	—
The other loan is denominated in US dollar, earns interest at an average rate of 3.0% (2022: 3.0%) p.a. and is repayable after nine months from the reporting date, subject to certain conditions.		
12.2 Amounts receivable from franchisees	500	612
Gross amount	542	661
Provision for impairment	(42)	(49)
The amounts are mainly denominated in South Africa rand, earn interest at a weighted average variable interest rate (linked to the South African prime rate) of 12.2% (2022: 8.8%) p.a. and are repayable between one and five years from the reporting date.		
12.3 Amounts receivable from Circle Mall Mauritius Ltd	257	224
Gross amount	272	232
Provision for impairment	(15)	(8)
The amount owing by Circle Mall Mauritius Ltd is denominated in US dollar, earns interest at an average rate of 2.8% (2022: no interest) p.a. and is repayable on demand, subject to certain conditions. Since October 2022 interest was due on the amount receivable after the fire damage at the mall in October 2020 was restored.		
12.4 Amounts receivable from Kin Oasis Investments Ltd	157	145
Gross amount	179	164
Provision for impairment	(22)	(19)
The amount owing by Kin Oasis Investments Ltd is denominated in US dollar, earns interest at an average rate of 3.0% (2022: 3.0%) p.a. and is repayable six years from the reporting date following renegotiations during the year.		


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
13 Deferred income tax		
Deferred income tax assets (note 13.1)	2 875	2 520
Deferred income tax liabilities (note 13.2)	(10)	(8)
Net deferred income tax assets	2 865	2 512
The movement in the net deferred income tax assets is as follows:		
Carrying amount at the beginning of the year	2 512	2 206
Charge to profit for the year	324	263
Provisions and accruals	127	80
Allowances on property, plant and equipment	(41)	(34)
Leases	254	70
Allowances on intangible assets	58	(3)
Unrealised exchange rate differences	(45)	75
Deferred employee costs	(20)	239
Tax losses	(9)	(70)
Tax rate change	—	(94)
Charged to other comprehensive income	43	(75)
Foreign currency translation differences	(14)	118
Carrying amount at the end of the year	2 865	2 512
13.1 Deferred income tax assets		
Provisions and accruals	1 559	1 424
Allowances on property, plant and equipment	(791)	(738)
Leases	2 306	2 063
Allowances on intangible assets	(382)	(441)
Investment in associates	(269)	(269)
Unrealised exchange rate differences	89	92
Deferred employee costs	219	239
Tax losses	144	150
	2 875	2 520
Net deductible temporary differences to be recovered after more than 12 months	416	83
Net deductible temporary differences to be recovered within 12 months	2 459	2 437
	2 875	2 520
13.2 Deferred income tax liabilities		
Provisions and accruals	1	—
Allowances on property, plant and equipment	7	6
Unrealised exchange rate differences	2	2
	10	8
Net taxable temporary differences to be settled after more than 12 months	9	7
Net taxable temporary differences to be settled within 12 months	1	1
	10	8

13 Deferred income tax continued
13.3 Net calculated income tax losses and net deductible temporary differences

	2023 Rm	2022 Rm
Calculated income tax losses and net deductible temporary differences at year-end	18 127	15 340
Applied in the provision for deferred income tax	(10 748)	(9 142)
	7 379	6 198

The utilisation of the income tax relief on net calculated income tax losses, to the value of R1.8 billion (2022: R1.3 billion), is dependent on sufficient future taxable income in the companies concerned. The income tax relief is calculated at current income tax rates and translated at closing rates.

The carry forward of all gross calculated income tax losses is indefinite, except for certain African countries, as set out below:

Expiry date of income tax relief	2023 Rm	2022 Rm
2023 Financial year-end	—	197
2024 Financial year-end	31	16
2025 Financial year-end	25	20
2026 Financial year-end	536	119
2027 Financial year-end	101	147
2028 Financial year-end	102	5
2029 Financial year-end	4	—
2030 Financial year-end	59	—
	858	504

Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created

	2023 Rm	2022 Rm
	415	363

14 Trade and other receivables

	2023 Rm	2022 Rm
Trade receivables from contracts with customers (note 14.1)	2 571	2 142
Instalment sale receivables from contracts with customers (note 14.2)	1 195	1 055
Other receivables (note 14.3)	1 168	1 200
Net investment in lease receivables (note 14.4)	312	326
Prepayments and indirect taxes receivable	589	450
Fixed escalation operating lease accruals	40	43
	5 875	5 216

Analysis of trade and other receivables:

	2023 Rm	2022 Rm
Non-current	178	228
Current	5 697	4 988
	5 875	5 216

14.1 Trade receivables from contracts with customers

	2023 Rm	2022 Rm
Gross amount	2 701	2 306
Provision for impairment (note 41.4.1(c))	(130)	(164)

Analysis of total trade receivables:

	2023 Rm	2022 Rm
Receivables from franchisees	1 602	1 425
Gross amount	1 609	1 443
Provision for impairment (note 41.4.1(c))	(7)	(18)

Receivables from medical aid schemes, pharmacies and doctors

	2023 Rm	2022 Rm
Gross amount	463	411
Provision for impairment (note 41.4.1(c))	(47)	(46)

Buying aid societies and other receivables

	2023 Rm	2022 Rm
Gross amount	629	452
Provision for impairment (note 41.4.1(c))	(76)	(100)

Trade receivables from contracts with customers consist mainly of amounts receivable for the sale of merchandise to franchisees, medical aid schemes, pharmacies, doctors and buying aid societies. These amounts are mainly denominated in South Africa rand.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
14 Trade and other receivables continued		
14.2 Instalment sale receivables from contracts with customers	1 195	1 055
Gross amount	2 002	1 907
Provision for impairment (note 41.4.1(c))	(807)	(852)
The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between six and 36 months and the weighted average interest rate on these receivables is 22.4% (2022: 19.3%) p.a. These amounts are mainly denominated in South Africa rand.		
Instalment sale receivables expected to be recovered		
– Not later than one year	804	654
– Later than one year	391	401
	1 195	1 055
These amounts are reflected as current as they form part of the normal operating cycle.		
14.3 Other receivables	1 168	1 200
Gross amount	1 346	1 390
Provision for impairment (note 41.4.1(c))	(178)	(190)
Other receivables consist of various operational debtors such as municipal deposits refundable, insurance claims receivable and staff debtors and bursaries. The amounts are mainly denominated in South Africa rand.		
14.4 Net investment in lease receivables		
14.4.1 Reconciliation of net investment in the lease receivables:		
Balance at the beginning of the year	326	–
New leases and lease liability remeasurements	5	10
Transfer from right-of-use assets (note 5)	–	324
Lease receipts	(45)	(20)
Principal lease receipts	(20)	(8)
Interest received	(25)	(12)
Finance income	25	10
Foreign currency translation differences	1	2
Balance at the end of the year	312	326
14.4.2 Maturity analysis		
The undiscounted contractual lease payments to be received are as follows:		
– Not later than one year	41	21
– Later than one year, not later than two years	47	20
– Later than two years, not later than three years	49	26
– Later than three years, not later than four years	53	26
– Later than four years, not later than five years	51	34
– Later than five years	194	202
Total undiscounted lease receivables	435	329
Unearned finance income	(123)	(3)
Net investment in lease receivables	312	326
15 Inventories		
Trading goods	25 090	21 879

16 Stated capital and treasury shares
16.1 Stated capital

2023 Rm	2022 Rm
7 516	7 516

Authorised:
1 300 000 000 (2022: 1 300 000 000) no par value ordinary shares

Issued:
591 338 502 (2022: 591 338 502) no par value ordinary shares

Details of the beneficial shareholders holding 5.0% or more of the total issued shares are disclosed in Annexure B.

Treasury shares held by Shoprite Checkers (Pty) Ltd are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:

Number of shares

	2023	2022
Issued ordinary share capital	591 338 502	591 338 502
Treasury shares (note 16.2)	(48 275 448)	(48 825 455)
	543 063 054	542 513 047

The unissued ordinary shares are under the control of the Directors who may issue them on such terms and conditions as they deem fit until the Company's next Annual General Meeting.

All shares are fully paid up.

Details of special resolutions passed by the Company and its subsidiaries during the reporting period are provided in the Directors' report.

16.2 Treasury shares

48 275 448 (2022: 48 825 455) ordinary shares

2 624	2 583
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Reconciliation of movement in number of treasury shares for the Group:

Number of shares

	2023	2022
Balance at the beginning of the year	48 825 455	43 164 607
Shares purchased during the year under the authorised share buy-back programme ⁸	–	5 068 456
Shares purchased during the year for equity-settled share-based payments ⁹	1 394 275	1 382 109
Shares disposed during the year	(209 869)	(319 794)
Shares utilised for settlement of equity-settled share-based payment arrangements	(1 734 413)	(469 923)
Balance at the end of the year	48 275 448	48 825 455
Consisting of:		
Shares owned by Shoprite Checkers (Pty) Ltd	43 858 001	43 858 001
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements (refer to note 17.2)	4 417 447	4 967 454
	48 275 448	48 825 455

⁸ There were no shares purchased under the authorised share buy-back programme during the year (2022: average price per share R196.69).

⁹ The average market price of the shares purchased for equity-settled share-based payments was R226.23 (2022: R183.39) per share.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

17 Share-based compensation plans

17.1 Cash-settled share-based payments

The Group granted cash-settled share-based payments to Non-executive Director, Dr CH Wiese, via a management company during the 2004 financial year. The rights to cash-settled share-based payments entitled the participant to receive cash payments based on the difference between the share price at the date of the exercise of the rights and the strike price which relates to the share price at the date of the grant. Dr Wiese exercised his rights to cash-settled share-based payments based on 1 000 000 shares on 6 December 2021 at a market price of R202.04 per share. The total intrinsic value at the exercise date amounted to R196 million.

Refer to note 26.1 for the expense recognised in the statement of comprehensive income as employee benefits.

Reconciliation of movement in rights to cash-settled share-based payments granted by the Group:

	Strike price per share		Number of shares on which rights are based	
	2023	2022	2023	2022
Balance at the beginning of the year	—	R6.50	—	1 000 000
Exercised during the year	—	R6.50	—	(1 000 000)
Balance at the end of the year	—	—	—	—

17.2 Equity-settled share-based payments

The Group offers long-term incentives in the form of rights to ordinary shares of Shoprite Holdings Ltd through participation in the Shoprite Holdings Ltd Executive Share Plan (ESP) (previously virtual option bonus plan) and the deferred short-term incentive plan (previously long-term incentive bonus plan).

Shares granted in terms of the ESP and deferred short-term incentive plan, as well as the previous virtual option bonus and long-term incentive bonus plans, meet the definition of equity-settled share-based payments. The rights to the shares granted entitle the participants to receive Shoprite Holdings Ltd ordinary shares on vesting at an exercise price of nil. The shares are acquired in the market at the grant date and are held as treasury shares until they are vested. The Company's main trading subsidiary, Shoprite Checkers (Pty) Ltd, purchased 1 394 275 (2022: 1 382 109) Shoprite Holdings Ltd ordinary shares in relation to shares granted during the year. The ownership of these shares vests with Shoprite Checkers (Pty) Ltd until vesting conditions are met by the participants. The participants are entitled to the dividends and voting rights in relation to the shares granted during the vesting period. The vesting conditions are set out in this note.

Refer to note 26.1 for the expense recognised in the statement of comprehensive income as employee benefits. The reconciliation of amounts recorded in the share-based payment reserve is presented in note 18.1.1.

ESP

Employees that participate in the ESP may be eligible for performance shares, retention shares and/or co-investment shares. These shares vest three years from the grant date if the vesting conditions (subject to certain special circumstances) are met. If the employee does not fulfil the vesting conditions, other than in certain limited circumstances, the award will lapse and the employee will lose all rights in respect of the ESP shares.

ESP performance shares: Performance conditions, as determined by the Remuneration Committee, are attached to these shares. Vesting is dependent on the achievement of the performance criteria by the vesting date and the employee meeting the service requirement of remaining employed by the Group throughout the vesting period.

ESP co-investment shares: There are no performance conditions attached to these shares. Vesting is dependent on the employee meeting the service requirement of remaining employed by the Group throughout the vesting period. As an additional vesting condition, the employee is required to acquire and hold Shoprite Holdings Ltd ordinary shares, without any encumbrance, for the entire vesting period.

ESP retention shares: There are no performance conditions attached to these shares. Vesting is only dependent on the employee meeting the service requirement of remaining employed by the Group throughout the vesting period.

17 Share-based compensation plans continued

17.2 Equity-settled share-based payments continued

Deferred short-term incentive plan

Under the Group's deferred short-term incentive plan, employees may be eligible for shares, based on the achievement of short-term incentive criteria for the reporting period. The rights are granted at the end of September of the following financial year. There are no performance conditions attached to these shares. Vesting is only dependent on the employee meeting the service requirement of remaining employed by the Group throughout the vesting period. These shares vest three years from the grant date if the vesting conditions (subject to certain special circumstances) are met. If the employee does not fulfil the vesting conditions, other than in certain limited circumstances, the award will lapse and the employee will lose all rights in respect of these shares.

At the grant date, employees may elect to settle their unvested benefits earned in respect of the previous year in shares. The Group therefore grants shares to management in the form of forfeitable retention share awards, resulting in a modification of a cash bonus arrangement to a share-based payment arrangement, as a portion of incentive bonuses previously allocated to management in terms of the deferred short-term incentive plan is converted to shares in Shoprite Holdings Ltd. The Group recognises a modification of a cash bonus arrangement in respect of these deferred short-term incentives and transfers the liability as at the modification date from provisions to the share-based payment reserve within equity. The vesting conditions and vesting periods are not affected by this modification.

Virtual option bonus and long-term incentive bonus plans

The virtual option bonus and long-term incentive bonus plans have been replaced by the ESP and deferred short-term incentive plan respectively during the year ended 28 June 2020. The previous virtual option bonus and long-term incentive bonus plans operated in the same manner as the new deferred short-term incentive plan, with the exception of different vesting periods as determined under the virtual option bonus and long-term incentive bonus plans. These shares vest in equal thirds over a three-, four- and five-year period from the grant date, if vesting conditions (subject to certain special circumstances) are met. If the employee does not fulfil the vesting conditions, other than in certain limited circumstances, the award will lapse and the employee will lose all rights in respect of these shares.

17.2.1 ESP performance shares

Reconciliation of movement in number of performance shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2023	2022	2023	2022
Balance at the beginning of the year	R145.39	R132.13	2 003 419	1 657 558
Shares granted during the year	R220.88	R179.16	679 255	581 635
Shares vested during the year	R118.92	R127.78	(776 242)	(63 149)
Shares forfeited during the year	R167.16	R138.26	(78 156)	(172 625)
Balance at the end of the year	R183.75	R145.39	1 828 276	2 003 419
Vesting dates of performance shares outstanding at the end of the year:				
5 September 2022	—	R115.50	—	718 280
11 September 2023	R149.27	R149.27	656 820	733 441
10 September 2024	R179.16	R179.16	499 849	551 698
23 September 2025	R220.88	—	671 607	—
	R183.75	R145.39	1 828 276	2 003 419

The market price of performance shares vested during the year was R221.96 (2022: R218.86) per share.

The fair value of performance shares awarded in terms of the ESP during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R220.88 per share. The following assumptions were used in calculating the fair value:

	2023
Total number of performance shares awarded	679 255
Grant date	23 September 2022
Vesting date	23 September 2025
Share price on grant date	R220.88
Exercise price	R0.00
Forfeiture rate	5.0%


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

17 Share-based compensation plans continued

17.2 Equity-settled share-based payments continued

17.2.2 ESP co-investment shares

Reconciliation of movement in number of co-investment shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2023	2022	2023	2022
Balance at the beginning of the year	R145.33	R130.90	479 700	383 769
Shares granted during the year	R220.88	R179.16	147 430	146 814
Shares vested during the year	R119.35	R125.66	(195 001)	(13 837)
Shares forfeited during the year	R167.01	R137.26	(18 309)	(37 046)
Balance at the end of the year	R183.53	R145.33	413 820	479 700
Vesting dates of co-investment shares outstanding at the end of the year:				
5 September 2022	—	R115.50	—	180 187
11 September 2023	R149.27	R149.27	141 591	159 128
10 September 2024	R179.16	R179.16	127 420	140 385
23 September 2025	R220.88	—	144 809	—
	R183.53	R145.33	413 820	479 700

The market price of co-investment shares vested during the year was R221.94 (2022: R216.20) per share.

The fair value of co-investment shares awarded in terms of the ESP during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R220.88 per share.

The following assumptions were used in calculating the fair value:

	2023
Total number of co-investment shares awarded	147 430
Grant date	23 September 2022
Vesting date	23 September 2025
Share price on grant date	R220.88
Exercise price	R0.00
Forfeiture rate	5.0%

17.2.3 ESP retention shares

Reconciliation of movement in number of retention shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2023	2022	2023	2022
Balance at the beginning of the year	R150.65	R132.08	784 916	549 320
Shares granted during the year	R220.88	R179.16	288 928	324 366
Shares vested during the year	R119.93	R129.78	(259 875)	(22 306)
Shares forfeited during the year	R180.99	R143.37	(51 426)	(66 464)
Balance at the end of the year	R185.68	R150.65	762 543	784 916
Vesting dates of retention shares outstanding at the end of the year:				
5 September 2022	—	R115.50	—	238 142
11 September 2023	R149.27	R149.27	215 201	241 574
10 September 2024	R179.16	R179.16	273 972	305 200
23 September 2025	R220.88	—	273 370	—
	R185.68	R150.65	762 543	784 916

The market price of retention shares vested during the year was R221.86 (2022: R219.63) per share.

17 Share-based compensation plans continued

17.2 Equity-settled share-based payments continued

17.2.3 ESP retention shares continued

The fair value of retention shares awarded in terms of the ESP during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R220.88 per share. The following assumptions were used in calculating the fair value:

	2023
Total number of retention shares awarded	288 928
Grant date	23 September 2022
Vesting date	23 September 2025
Share price on grant date	R220.88
Exercise price	R0.00
Forfeiture rate	5.0%

17.2.4 Shares awarded under the deferred short-term incentive, virtual option bonus and long-term incentive bonus plans

Reconciliation of movement in number of shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2023	2022	2023	2022
Balance at the beginning of the year	R153.66	R154.33	1 699 419	1 784 415
Shares granted during the year	R232.24	R185.00	278 662	329 294
Shares vested during the year	R160.67	R184.64	(503 295)	(370 631)
Shares forfeited during the year	R163.54	R154.70	(61 978)	(43 659)
Balance at the end of the year	R166.22	R153.66	1 412 808	1 699 419
Vesting dates of shares outstanding under the deferred short-term incentive, virtual option bonus and long-term incentive bonus plans at the end of the year:				
30 September 2022	—	R161.53	—	455 546
30 September 2023	R151.55	R151.55	650 228	708 279
30 September 2024	R163.97	R163.97	496 446	535 594
30 September 2025	R232.24	—	266 134	—
	R166.22	R153.66	1 412 808	1 699 419

The market price of share grants vested during the year was R220.48 (2022: R187.43) per share.

The fair value of shares awarded under the deferred short-term incentive, virtual option bonus and long-term incentive bonus plans during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R232.24 per share. The following assumptions were used in calculating the fair value:

	2023
Total number of full share grants awarded	278 662
Grant date	1 November 2022
Vesting date	30 September 2025
Share price on grant date	R232.24
Exercise price	R0.00
Forfeiture rate	6.0%


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

17 Share-based compensation plans continued
17.2 Equity-settled share-based payments continued
17.2.5 Share awards held by Executive Directors

Award granted	Grant date	Award grant price	Vesting date	Number of shares			
				At the beginning of the year	Granted during the year	Vested during the year	At the end of the year
2023							
PC Engelbrecht							
ESP performance shares	05/09/2019	R0.00	05/09/2022	97 846	—	(97 846)	—
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	21 859	—	(21 859)	—
ESP retention shares	05/09/2019	R0.00	05/09/2022	13 047	—	(13 047)	—
ESP performance shares	11/09/2020	R0.00	11/09/2023	94 757	—	—	94 757
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	18 956	—	—	18 956
ESP retention shares	11/09/2020	R0.00	11/09/2023	12 635	—	—	12 635
ESP performance shares	10/09/2021	R0.00	10/09/2024	80 894	—	—	80 894
ESP co-investment shares	10/09/2021	R0.00	10/09/2024	16 179	—	—	16 179
ESP retention shares	10/09/2021	R0.00	10/09/2024	10 786	—	—	10 786
ESP performance shares	23/09/2022	R0.00	23/09/2025	—	92 862	—	92 862
ESP co-investment shares	23/09/2022	R0.00	23/09/2025	—	16 387	—	16 387
Total				366 959	109 249	(132 752)	343 456
A de Bruyn							
Virtual option bonus shares	30/10/2018	R0.00	30/09/2022	2 290	—	(2 290)	—
Virtual option bonus shares	30/10/2018	R0.00	30/09/2023	2 291	—	—	2 291
Virtual option bonus shares	30/10/2019	R0.00	30/09/2022	4 662	—	(4 662)	—
Virtual option bonus shares	30/10/2019	R0.00	30/09/2023	4 662	—	—	4 662
Virtual option bonus shares	30/10/2019	R0.00	30/09/2024	4 666	—	—	4 666
ESP performance shares	05/09/2019	R0.00	05/09/2022	16 225	—	(16 225)	—
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	3 880	—	(3 880)	—
ESP retention shares	05/09/2019	R0.00	05/09/2022	3 474	—	(3 474)	—
ESP performance shares	11/09/2020	R0.00	11/09/2023	21 121	—	—	21 121
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	4 526	—	—	4 526
ESP retention shares	11/09/2020	R0.00	11/09/2023	4 526	—	—	4 526
ESP performance shares	10/09/2021	R0.00	10/09/2024	27 476	—	—	27 476
ESP co-investment shares	10/09/2021	R0.00	10/09/2024	5 888	—	—	5 888
ESP retention shares	10/09/2021	R0.00	10/09/2024	5 888	—	—	5 888
ESP performance shares	23/09/2022	R0.00	23/09/2025	—	35 155	—	35 155
ESP co-investment shares	23/09/2022	R0.00	23/09/2025	—	6 204	—	6 204
Total				111 575	41 359	(30 531)	122 403

17 Share-based compensation plans continued
17.2 Equity-settled share-based payments continued
17.2.5 Share awards held by Executive Directors continued

Award granted	Grant date	Award grant price	Vesting date	Number of shares			
				At the beginning of the year	Granted during the year	Vested during the year	At the end of the year
2022							
PC Engelbrecht							
ESP performance shares	05/09/2019	R0.00	05/09/2022	97 846	—	—	97 846
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	21 859	—	—	21 859
ESP retention shares	05/09/2019	R0.00	05/09/2022	13 047	—	—	13 047
ESP performance shares	11/09/2020	R0.00	11/09/2023	94 757	—	—	94 757
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	18 956	—	—	18 956
ESP retention shares	11/09/2020	R0.00	11/09/2023	12 635	—	—	12 635
ESP performance shares	10/09/2021	R0.00	10/09/2024	—	80 894	—	80 894
ESP co-investment shares	10/09/2021	R0.00	10/09/2024	—	16 179	—	16 179
ESP retention shares	10/09/2021	R0.00	10/09/2024	—	10 786	—	10 786
Total				259 100	107 859	—	366 959
A de Bruyn							
Virtual option bonus shares	30/10/2018	R0.00	30/09/2021	2 290	—	(2 290)	—
Virtual option bonus shares	30/10/2018	R0.00	30/09/2022	2 290	—	—	2 290
Virtual option bonus shares	30/10/2018	R0.00	30/09/2023	2 291	—	—	2 291
Virtual option bonus shares	30/10/2019	R0.00	30/09/2022	4 662	—	—	4 662
Virtual option bonus shares	30/10/2019	R0.00	30/09/2023	4 662	—	—	4 662
Virtual option bonus shares	30/10/2019	R0.00	30/09/2024	4 666	—	—	4 666
ESP performance shares	05/09/2019	R0.00	05/09/2022	16 225	—	—	16 225
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	3 880	—	—	3 880
ESP retention shares	05/09/2019	R0.00	05/09/2022	3 474	—	—	3 474
ESP performance shares	11/09/2020	R0.00	11/09/2023	21 121	—	—	21 121
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	4 526	—	—	4 526
ESP retention shares	11/09/2020	R0.00	11/09/2023	4 526	—	—	4 526
ESP performance shares	10/09/2021	R0.00	10/09/2024	—	27 476	—	27 476
ESP co-investment shares	10/09/2021	R0.00	10/09/2024	—	5 888	—	5 888
ESP retention shares	10/09/2021	R0.00	10/09/2024	—	5 888	—	5 888
Total				74 613	39 252	(2 290)	111 575


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
18 Reserves		
Retained earnings	28 636	26 114
Other reserves (note 18.1)	(7 398)	(5 563)
	21 238	20 551
18.1 Other reserves		
Share-based payments reserve (note 18.1.1)	456	442
Foreign currency translation reserve (note 18.1.2)	(7 854)	(6 005)
	(7 398)	(5 563)
18.1.1 Share-based payments reserve		
Reconciliation of carrying amount:		
Carrying amount at the beginning of the year	442	299
Share-based payments – value of employee services	229	213
Modification of cash bonus arrangement transferred from provisions	11	12
Realisation of share-based payment reserve	(226)	(82)
Carrying amount at the end of the year	456	442
18.1.2 Foreign currency translation reserve		
Reconciliation of carrying amount:		
Carrying amount at the beginning of the year	(6 005)	(8 882)
Foreign currency translation differences, net of income tax	(1 728)	2 815
Group	(1 728)	2 797
Release on disposal of investment in foreign operations	–	18
(Loss)/gain on effective net investment hedge, net of income tax	(121)	62
(Loss)/gain on effective net investment hedge	(164)	137
Income tax effect of effective net investment hedge	43	(75)
Carrying amount at the end of the year	(7 854)	(6 005)
19 Lease liabilities		
Reconciliation of carrying amounts:		
Balance at the beginning of the year	31 623	27 722
New leases and remeasurements	6 621	6 662
Acquisition of select businesses from Massmart Holdings Ltd (note 36.5)	784	–
Lease terminations	(205)	(201)
Transfer to other financial payables	(84)	–
Lease payments	(6 354)	(5 592)
Principal lease liability payments	(3 282)	(2 949)
Interest paid	(3 072)	(2 643)
Interest accruals	3 073	2 646
Exchange rate differences	164	(137)
Foreign currency translation differences	(40)	523
Balance at the end of the year	35 582	31 623
Analysis of total lease liabilities:		
Non-current	32 482	28 458
Current	3 100	3 165
	35 582	31 623

19 Lease liabilities continued

The Group's leasing activities and how they are accounted for are disclosed in note 1.12.1.

Material concentrations of currency risk within the Group's lease liabilities are presented in note 41.4.2(a). Refer to note 41.4.3 for a maturity analysis of contractual undiscounted future lease payments, including renewal options reasonably assured.

The Group is exposed to the following potential future undiscounted cash outflows which are not included in the measurement of lease liabilities:

Extension and termination options not reasonably assured	131 144	115 330
Leases not yet commenced to which the Group is committed ¹⁰	12 294	4 270

¹⁰ The increase relating to leases not yet commenced to which the Group is committed is due to rental agreements signed by the Group for the supply chain expansion.

Right-of-use assets recognised in the statement of financial position in relation to the Group's lease liabilities are disclosed in note 5.

The statement of comprehensive income includes the following amounts relating to leases:

Depreciation charge of right-of-use assets (note 25)	3 859	3 351
Impairment charge of right-of-use assets (included in items of a capital nature, note 29)	75	88
Interest expense (included in finance costs, note 31)	3 070	2 640
Expense relating to short-term leases (included in other operating expenses, note 28)	333	332
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses, note 28)	4	3
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses, note 28)	450	397

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

Total cash outflows for leases amounted to R7.1 billion (2022: R6.3 billion) during the reporting period.

Sale and leaseback transactions:

Sale and leaseback transactions relating to the Group's property, plant and equipment may become more prevalent as and when the opportunity arises. The Group secured long-term financing during the reporting period by entering into a sale and leaseback transaction on two of its distribution centres, namely the Canelands and Wells Estate distribution centres to Retail Logistics Fund (RF) (Pty) Ltd. The sale of the Canelands and Wells Estate distribution centres generated cash inflows of R716 million and R166 million as well as a profit R51 million per distribution centre.

The impact of the Group's sale and leaseback transactions as well as its key terms and conditions are disclosed below:

Cash proceeds received	882	–
Carrying amount at disposal date	(684)	–
Right-of-use asset recognised	357	–
Lease liability recognised	(453)	–
Profit on sale and leaseback transactions	102	–

Interest rate implicit to the leases

13.7% – 14.2%

Average lease term (years)

20

The age and the minimum estimated useful life of the distribution centres were used to determine a fair lease period and rental based on market values.

Payments not included in the measurement of the lease liabilities relating to the distribution centres include any operational costs, security and insurance costs, administration and maintenance costs, rates and taxes and any other municipal costs for water, electricity, sewerage and refuse. Only the rental portion, directly related to the market value of the properties, is included in the measurement of the lease liabilities. Normal maintenance charges are also not included to ensure that only the rental portion, directly related to the cost price, is included in the measurement of the lease liabilities.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
20 Borrowings		
Consisting of:		
ABSA Bank Ltd (note 20.2)	2 487	1 540
FirstRand Bank Ltd (note 20.3)	1 502	1 501
Standard Bank Ltd (note 20.4)	2 006	2 004
Standard Chartered Bank (Mauritius) Ltd (note 20.5)	99	165
Stanbic Bank Botswana Ltd (note 20.6)	274	302
	6 368	5 512
Analysis of total borrowings:		
Non-current	5 770	4 500
Current	598	1 012
	6 368	5 512
20.1 Reconciliation of movement in liabilities arising from financing activities:		
Carrying amount at the beginning of the year	5 512	5 279
Cash inflows	2 165	3 556
Cash outflows	(1 412)	(3 421)
Foreign currency translation differences	103	98
Carrying amount at the end of the year	6 368	5 512
20.2 ABSA Bank Ltd		
South Africa rand denominated borrowings amount to R2.0 billion (2022: R1.0 billion) at the reporting date. This loan is unsecured, payable after 24 months from the reporting date and bears interest at an average rate of 7.9% (2022: 5.6%) p.a.		
US dollar denominated borrowings amount to R441 million (2022: R539 million) at the reporting date. This loan is unsecured, payable after one to eight months from the reporting date and bears interest at an average rate of 5.8% (2022: 1.9%) p.a.		
20.3 FirstRand Bank Ltd		
This loan is denominated in South Africa rand and unsecured, payable after 21 months from the reporting date and bears interest at an average rate of 7.9% (2022: 5.6%) p.a.		
20.4 Standard Bank Ltd		
This loan is denominated in South Africa rand, unsecured, payable after 18 months from the reporting date and bears interest at an average rate of 7.7% (2022: 5.3%) p.a.		
20.5 Standard Chartered Bank (Mauritius) Ltd		
This loan is denominated in US dollar, unsecured and payable after one month from the reporting date and bears interest at an average rate of 5.9% (2022: 3.0%) p.a.		
20.6 Stanbic Bank Botswana Ltd		
This loan is denominated in Botswana pula, unsecured, payable after 32 months from the reporting date and bears interest at an average rate of 7.4% (2022: 5.9%) p.a.		
21 Provisions		
Provision for post-employment medical benefits	16	18
Provision for long-term employee benefits	410	360
Reinstatement provision	198	180
	624	558

21 Provisions continued

	Post-employment medical benefits Rm	Outstanding claims Rm	Long-term employee benefits Rm	Reinstatement provision Rm	Total Rm
Reconciliation of carrying amounts:					
Balance at 4 July 2021	20	3	392	151	566
Additional provisions	—	—	74	32	106
Additions against right-of-use assets	—	—	—	13	13
Unused amounts reversed	—	(3)	(6)	(14)	(23)
Re-measurements recognised directly in other comprehensive income	(2)	—	—	—	(2)
Utilised during the year	(2)	—	(91)	(9)	(102)
Accretion of discount	2	—	—	4	6
Modification of cash bonus arrangement transferred to share-based payments reserve	—	—	(12)	—	(12)
Foreign currency translation differences	—	—	3	3	6
Balance at 3 July 2022	18	—	360	180	558
Additional provisions	—	—	137	16	153
Additions against right-of-use assets	—	—	—	17	17
Unused amounts reversed	—	—	(3)	(2)	(5)
Re-measurements recognised directly in other comprehensive income	(2)	—	—	—	(2)
Utilised during the year	(2)	—	(71)	(19)	(92)
Accretion of discount	2	—	—	7	9
Modification of cash bonus arrangement transferred to share-based payments reserve	—	—	(11)	—	(11)
Foreign currency translation differences	—	—	(2)	(1)	(3)
Balance at 2 July 2023	16	—	410	198	624
Analysis of total provisions:					
2022					
Non-current	16	—	216	142	374
Current	2	—	144	38	184
	18	—	360	180	558
2023					
Non-current	14	—	229	157	400
Current	2	—	181	41	224
	16	—	410	198	624
Discount rates used					
2022	11.0%	N/A	8.5%	12.0%	
2023	12.8%	N/A	9.4%	12.3%	


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
22 Trade and other payables		
Trade payables	16 924	14 204
Other payables and accruals (note 22.1)	4 636	4 223
Deposits and third-party payments liability	642	528
Employee benefit accruals	2 307	2 005
Indirect taxes payable	508	462
Refund liability	64	55
	25 081	21 477
22.1 Deferred shares		
Authorised: 720 000 000 (2022: 720 000 000) non-convertible, non-participating, non-transferable no par value deferred shares		
Issued: 305 621 601 (2022: 305 621 601) non-convertible, non-participating, non-transferable no par value deferred shares	—	—
The deferred share liability of R0.3 million (2022: R0.3 million) is included in other payables at the reporting date.		
All shares are fully paid up.		
In terms of the transaction agreement concluded between the Company, Thibault Square Financial Services (Pty) Ltd and Titan Premier Investments (Pty) Ltd on 18 April 2019, the voting rights attached to 40 652 489 deferred shares held by Thibault Square Financial Services (Pty) Ltd will remain restricted whilst all the required approvals are obtained to enable the acquisition of these deferred shares as required in the Memorandum of Incorporation (MOI) of the Company. All other deferred shares carry the same voting rights as the ordinary shares.		
The deferred shares are not convertible into shares of any other class, are not entitled to participate in any profits of the Company and no dividends may be declared or paid in respect of these shares. The holder of these shares is entitled to be present at any meeting of the Company and is entitled on a poll to one vote in respect of every share held.		
The Company shall proportionally acquire deferred shares in relation to the extent to which the shareholder disposes of his interest in ordinary shares in the Company. The Company shall acquire all issued deferred shares, should the shareholder's interest in ordinary shares become less than 10%. These shares are not listed on any stock exchange.		
Subject to certain limitations, the unissued deferred share capital is under the control of the Directors, who may issue it under predetermined circumstances as set out in the MOI of Shoprite Holdings Ltd.		
22.2 Analysis of allowance for unearned premiums		
Balance at the beginning of the year	—	98
Change in allowance for unearned premiums	—	32
Premiums written during the year	—	61
Amortisation charged to income	—	(29)
Transfer to third-party cell captive arrangements	—	(130)
Balance at the end of the year	—	—

	2023 Rm	2022 Rm
23 Contract liabilities		
Gift vouchers, saving stamps and lay-by sales	1 023	991
Reconciliation of contract liabilities:		
Balance at the beginning of the year	991	873
Prepayments received during the year	4 298	3 844
Revenue recognised upon redemption	(4 217)	(3 682)
Prepayments included in opening balance	(997)	(844)
Prepayments received during the year	(3 220)	(2 838)
Revenue recognised upon expiry date	(18)	(25)
Breakage amount recognised as revenue during the year	(30)	(21)
Transfer to liabilities directly associated with assets classified as held for sale (note 33)	—	(2)
Foreign currency translation differences	(1)	4
Balance at the end of the year	1 023	991
		Restated*
24 Revenue		
Revenue from contracts with customers	217 908	186 186
Sale of merchandise (note 24.1)	214 956	183 868
Commissions received (note 24.2)	1 141	987
Franchise fees received	166	146
Marketing and media	383	185
Delivery recoveries	627	421
Other revenue	635	579
Operating lease income (note 24.3)	468	437
Premiums and other insurance income earned	137	160
Other income ¹¹	273	57
Dividends received from unlisted share investments	79	144
Interest revenue (note 24.4)	665	544
	219 530	187 528
Consisting of:		
Sale of merchandise	214 956	183 868
Other operating income	3 909	3 116
Interest revenue	665	544
	219 530	187 528

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

¹¹ Includes insurance claims due to the social unrest. Refer to note 45 for the impact on each individual line item.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	Restated* 2022 Rm
24 Revenue continued		
24.1 Sale of merchandise has been disaggregated as follows:		
Supermarkets RSA	173 634	147 368
Shoprite and Usave	90 036	77 874
Checkers and Checkers Hyper ¹²	69 306	58 718
LiquorShop ¹³	13 932	10 648
Other ¹⁴	360	128
Supermarkets Non-RSA	19 622	16 857
Shoprite and Usave	18 095	15 512
Checkers and Checkers Hyper	1 312	1 172
LiquorShop	205	164
Other	10	9
Furniture	7 064	6 723
RSA	5 343	5 302
Non-RSA	1 721	1 421
Other operating segments	14 636	12 920
Drop-shipment sales to franchisees	7 602	6 771
Other sales	7 034	6 149
Consolidated sale of merchandise	214 956	183 868
* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.		
¹² Checkers and Checkers Hyper includes sale of merchandise through the Checkers Sixty60 application which is less than 5% of the Group's consolidated sale of merchandise.		
¹³ LiquorShop includes sale of merchandise through LiquorShop Online which is less than 5% of the Group's consolidated sale of merchandise.		
¹⁴ Other includes sale of merchandise through Petshop Online which is less than 5% of the Group's consolidated sale of merchandise.		
24.2 Commissions received		
Commission on Computicket ticket sales	162	136
Commission on money transfers	245	172
Commission on third-party account and insurance payments	167	170
Commission on third-party products	235	229
Other commissions received	332	280
	1 141	987
24.3 Operating lease income		
The Group has entered into various operating lease agreements as the lessor of property.		
Leases on properties are contracted for periods of between one and 20 years (2022: one and 20 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 6.3% (2022: 6.5%) p.a.		
24.4 Interest revenue		
Finance income earned from instalment sale receivables	343	264
Interest received from government bonds and bills	153	159
Interest received from associates	62	56
Interest received other	107	65
	665	544

25 Depreciation and amortisation

	2023 Rm	Restated* 2022 Rm
Property, plant and equipment	2 752	2 323
Right-of-use assets	3 859	3 351
Intangible assets	520	456
	7 131	6 130
Disclosed as cost of sales	(826)	(746)
	6 305	5 384

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

26 Employee benefits

	2023 Rm	Restated* 2022 Rm
Wages, salaries and other staff benefits	17 684	15 262
Share-based payment arrangements (note 26.1)	229	260
Post-employment medical benefits	2	2
Retirement benefit contributions (note 40)	728	641
	18 643	16 165
Disclosed as cost of sales	(1 616)	(1 398)
	17 027	14 767

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

26.1 Share-based payment arrangements

	2023 Rm	Restated* 2022 Rm
Cash-settled share-based payments (note 17.1)	—	46
Equity-settled share-based payments (note 17.2)	229	214
	229	260

26.2 Learnership allowances

The Group has, during the year under review, received certain learnership allowances.

Sector Educational Training Authorities (SETA) grants

In terms of the SETA grant in South Africa, the Group can recoup Skills Development Levies (SDLs) to the extent that training, as prescribed by SETA, is provided to its employees. The resulting reduction in SDLs is set out below. The net amount is taxed at 27% (2022: 28%).

	2023 Rm	Restated* 2022 Rm
Mandatory grants received	27	25
Discretionary grants received	11	22
	38	47

26.3 Employment tax incentive (ETI)

The Group has, during the year under review, received an ETI allowance.

Employment tax incentive rebates

In terms of the Employment Tax Incentive Act of 2013, the Group can recoup rebates for hiring young work seekers in South Africa. The ETI rebate allowance promulgation was extended and will apply up until 28 February 2029. The resulting reduction in employee benefit expenses is set out below.

	2023 Rm	Restated* 2022 Rm
Employment tax incentive	310	411

In terms of the Disaster Management Tax Relief Bill 2020, relief was granted to employers in the form of a change in criteria for qualifying employees from 1 August 2021 to 30 November 2021. This resulted in an increase in the incentive amount received by employers for the applicable months of the prior reporting period.

27 Directors' remuneration

	2023 Rm	Restated* 2022 Rm
Executive Directors	81	70
Non-executive Directors	12	20
	93	90



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

27 Directors' remuneration continued

The only prescribed officers of the Group are listed below.

For details of cash and equity-settled share-based payment instruments issued to Directors refer to note 17.

R'000	Remuneration	Short-term performance bonus	Long-term incentive bonus ¹⁵	Retirement and medical benefits	Other benefits	Total
2023						
Executive Directors and alternates						
PC Engelbrecht	17 700	16 982	22 924	496	556	58 658
A de Bruyn	6 607	5 197	8 679	394	295	21 172
B Harisunker (retired 14/11/2022)	744	—	—	—	66	810
	25 051	22 179	31 603	890	917	80 640
2022						
Executive Directors and alternates						
PC Engelbrecht	16 671	16 068	14 916	470	301	48 426
A de Bruyn	5 988	4 808	5 512	403	274	16 985
B Harisunker (retired 14/11/2022)	2 976	1 241	—	—	544	4 761
	25 635	22 117	20 428	873	1 119	70 172

R'000	2023			2022						
	Board fees paid	Committee fees paid	Total	Board fees paid for 2021 and the preceding year	Committee fees paid for 2021 and the preceding year	Total fees paid for 2021 and the preceding year	Board fees paid for 2022	Committee fees paid for 2022	Total fees paid for 2022	Total
Non-executive Directors¹⁶										
WE Lucas-Bull	3 561	—	3 561	3 810	—	3 810	2 642	—	2 642	6 452
P Cooper (appointed 11/08/2021)	518	506	1 024	139	22	161	384	251	635	796
L de Beer	518	574	1 092	277	146	423	384	422	806	1 229
GW Dempster (appointed 15/11/2021)	518	365	883	—	—	—	384	134	518	518
NN Gobodo	772	556	1 328	277	151	428	384	347	731	1 159
MLD Marole (appointed 04/03/2022)	518	129	647	—	—	—	192	47	239	239
PD Norman (appointed 04/03/2022)	518	286	804	—	—	—	192	134	326	326
CH Wiese ¹⁷	518	555	1 073	554	257	811	384	407	791	1 602
EA Wilton (appointed 11/08/2021)	518	353	871	121	50	171	365	246	611	782
JF Basson (retired 14/11/2022)	167	117	284	554	401	955	384	268	652	1 607
AM le Roux (retired 15/11/2021)	—	—	—	554	343	897	—	—	—	897
ATM Mokgokong (retired 14/11/2022)	288	165	453	957	510	1 467	663	380	1 043	2 510
JA Rock (retired 14/11/2022)	167	165	332	482	432	914	334	331	665	1 579
	8 581	3 771	12 352	7 725	2 312	10 037	6 692	2 967	9 659	19 696

¹⁵ Long-term incentive bonuses include the grant date fair value of shares granted in terms of the ESP without spreading the expense over the vesting period. Refer to note 17.2 for further details.

¹⁶ Non-executive Directors' remuneration reflects approved fees paid during the current year, excluding VAT to the extent that VAT is apportioned to the taxable supplies of the Company (2022: including VAT as no VAT apportionment was allowed). The fees recognised in the prior financial year pertain to meetings held in that year and the preceding year. These fees were paid in the 2022 financial year, as both years' fees were approved during the November 2021 Annual General Meeting and subsequently paid in the prior year.

¹⁷ Paid to Titan Financial Services (Pty) Ltd.

28 Other operating expenses

	2023 Rm	Restated* 2022 Rm
Advertising	3 724	3 234
Cleaning	1 124	1 077
Commission paid	1 428	1 126
Delivery expenses	1 028	628
Electricity and water	5 144	3 762
Fees for professional services	823	786
Motor vehicle expenses	1 718	1 357
Lease expenses (note 19)	787	732
Repairs and maintenance	2 480	2 108
Security services	2 179	1 937
Other expenses	3 301	2 766
	23 736	19 513
Disclosed as cost of sales	(2 717)	(2 225)
	21 019	17 288

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

29 Items of a capital nature

	2023 Rm	Restated* 2022 Rm
Profit/(loss) on disposal and scrapping of property (note 3) ¹⁸	1	(94)
Profit on disposal of assets classified as held for sale (note 4)	132	18
Profit on sale and leaseback transaction (note 19)	102	—
Loss on disposal and scrapping of plant and equipment and intangible assets (note 3 and note 6) ¹⁸	(127)	(366)
Impairment of property, plant and equipment (note 3)	(96)	(46)
Impairment of right-of-use assets (note 5)	(75)	(88)
Impairment of intangible assets (note 6)	(37)	(12)
Impairment of investment in associate (note 8)	—	(23)
Insurance claims receivable ¹⁸	82	582
Profit on other investing activities	2	—
	(16)	(29)

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

¹⁸ Comparative figures include amounts relating to the social unrest. Refer to note 45 for the impact on each individual line item.

30 Operating profit

Determined after taking into account the following:

	2023 Rm	Restated* 2022 Rm
Auditors' remuneration	69	58
Audit services	57	50
Audit-related assurance services	1	2
Tax advisory and compliance services	7	5
Other non-audit services	4	1
Fair value gains on financial instruments	154	107
Policyholder claims and benefits paid	—	3
Claims paid	—	6
Movement in accumulated outstanding claims (note 21)	—	(3)

31 Finance costs

	2023 Rm	Restated* 2022 Rm
Lease liabilities finance charges	3 070	2 640
Borrowings and other finance charges	647	387
	3 717	3 027
Borrowing costs capitalised	(52)	(34)
	3 665	2 993

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	Restated* 2022 Rm
32 Income tax expense		
32.1 Classification		
South African income tax	2 463	2 267
Foreign income tax	349	286
	2 812	2 553
* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.		
32.2 Consisting of:		
Current income tax	3 018	2 832
Prior year income tax	11	(75)
Withholding income tax	107	59
	3 136	2 816
Deferred income tax	(324)	(263)
	2 812	2 553
	%	%
32.3 Reconciliation of the effective tax rate		
South African current income tax at 27% (2022: 28%) ¹⁹	27.0	28.0
Net adjustments	3.8	2.6
Dividend income	(0.3)	(0.5)
Tax rate change	—	1.3
Exempt income ²⁰	(2.6)	(7.3)
Non-deductible expenses ²¹	1.8	1.6
Income tax allowances	(0.1)	(0.1)
Deferred income tax asset previously not recognised	0.2	0.3
Prior year income tax	0.1	(0.9)
Effect of foreign income tax rates	0.3	0.7
Withholding income tax	1.2	0.7
Deferred income tax asset not recognised ²²	3.2	6.8
Effective tax rate	30.8	30.6

19 The applicable tax rate for the Group changed from 28% in the previous financial year to 27% in the current financial year due to a change enacted by para 4(a) of Schedule 1 to Act No. 19 of 2022: Rates and Monetary Amounts and Amendment of Revenue Laws Act.

20 The majority of exempt income relates to interest and real estate income, which is ring-fenced from corporate income tax in certain countries, as well as employment tax incentives, contribution to the employee share trust and fair value adjustments on the Group's insurance cell captive arrangements.

21 Non-deductible expenses mainly comprise unrealised forex on long-term loans, impairment of investments and loans, expenses incurred on exempt income, amortisations of refurbishments, corporate social investment donations. In the prior year non-deductible expenses mainly comprise amortisations in refurbishments, professional fees, corporate social investment donations and bad debt written off.

22 Deferred income tax assets not recognised mainly relates to countries which have assessed losses, where it is not considered probable that taxable profit will be available in the future against which the unused tax losses can be utilised.

33 Discontinued operations

The Group's discontinued operations are detailed in this note.

Retail Supermarkets Nigeria Ltd

In December 2020 the sale agreement to sell the majority stake of the Group's Nigeria subsidiary, Retail Supermarkets Nigeria Ltd, was concluded with conditions precedent met in May 2021. After the finalisation of the closing date accounts in the prior year, an additional profit was recognised on disposal of this subsidiary. Furthermore, included in the statement of comprehensive income are exchange rate losses and net finance income which relates to a bank account denominated in Nigeria naira which holds the proceeds from the sale of this subsidiary.

Shoprite Checkers Kenya Ltd

The Group decided to exit the Kenya market and the last store was closed at the end of January 2021. Consequently the results of Shoprite Checkers Kenya Ltd have been classified as discontinued operations in the statement of comprehensive income.

33 Discontinued operations continued

Shoprite Checkers Uganda Ltd

The agreement to sell the properties, in-store assets and leases of the Group's Uganda subsidiary, Shoprite Checkers Uganda Ltd was concluded with conditions precedent met during the prior year.

Shoprite Madagascar S.A.

The sale agreement to sell the entire shareholding of the Group's Madagascar subsidiary, Shoprite Madagascar S.A. was concluded on 31 January 2022 with conditions precedent already being met.

Shoprite RDC SARL

The Group decided to exit the DRC market and the last store was closed at the end of December 2022. Consequently the results of Shoprite RDC SARL have been classified as discontinued operations in the statement of comprehensive income.

33.1 Financial performance and cash flow information

	Retail Supermarkets Nigeria Ltd Rm	Shoprite Checkers Kenya Ltd Rm	Shoprite Checkers Uganda Ltd Rm	Shoprite Madagascar S.A. Rm	Shoprite RDC SARL Rm	Total Rm
2023						
(Loss)/profit from discontinued operations						
Sale of merchandise	—	—	—	—	94	94
Gross profit	—	—	—	—	7	7
Other operating income	25	—	—	3	—	28
Depreciation and amortisation	—	—	—	—	(11)	(11)
Employee benefits reversals/(expenses)	—	—	1	—	(20)	(19)
Other operating (expenses)/reversals	(6)	—	7	—	(26)	(25)
Trading profit/(loss)	19	—	8	3	(50)	(20)
Exchange rate losses	(272)	—	(1)	—	(31)	(304)
Loss on lease modifications and terminations	—	—	—	—	(65)	(65)
Items of a capital nature	—	—	—	—	(34)	(34)
Operating (loss)/profit	(253)	—	7	3	(180)	(423)
Net finance income/(costs)	9	—	—	—	(3)	6
(Loss)/profit before income tax	(244)	—	7	3	(183)	(417)
Income tax	—	—	—	—	(2)	(2)
(Loss)/profit after income tax	(244)	—	7	3	(185)	(419)
Other comprehensive loss from discontinued operations						
Foreign currency translation differences from discontinued operations for the year	—	(1)	(1)	—	(7)	(9)
Cumulative foreign currency translation gains/(losses) recognised in other comprehensive income	—	18	(57)	—	(73)	(112)
Net cash inflows/(outflows) attributable to discontinued operations						
Operating activities	—	—	19	—	(29)	(10)
Investing activities	49	—	—	10	—	59
Financing activities	—	—	—	—	(5)	(5)
Net increase/(decrease) in cash generated by discontinued operations	49	—	19	10	(34)	44


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

33 Discontinued operations continued
33.1 Financial performance and cash flow information continued

	Retail Supermarkets Nigeria Ltd Rm	Shoprite Checkers Kenya Ltd Rm	Shoprite Checkers Uganda Ltd Rm	Shoprite Madagascar S.A. Rm	Shoprite RDC SARL Rm	Total Rm
2022						
Profit/(loss) from discontinued operations						
Sale of merchandise	—	—	63	296	210	569
Gross (loss)/profit	—	—	(9)	56	39	86
Other operating income	5	10	8	1	2	26
Depreciation and amortisation	—	—	—	—	(22)	(22)
Employee benefits	—	—	(6)	(14)	(21)	(41)
Other operating expenses	(8)	(3)	(36)	(24)	(38)	(109)
Trading (loss)/profit	(3)	7	(43)	19	(40)	(60)
Exchange rate (losses)/gains	(14)	—	(1)	1	—	(14)
Profit/(loss) on lease modifications and terminations	—	—	46	(1)	—	45
Items of a capital nature	—	—	17	—	—	17
Operating (loss)/profit	(17)	7	19	19	(40)	(12)
Net finance income/(costs)	5	—	(2)	(2)	(6)	(5)
(Loss)/profit before income tax	(12)	7	17	17	(46)	(17)
Income tax expense	—	—	(4)	(1)	(3)	(8)
(Loss)/profit after income tax	(12)	7	13	16	(49)	(25)
Profit/(loss) on disposal of discontinued operations after income tax (note 33.2)	33	—	—	(47)	—	(14)
Profit/(loss) from discontinued operations	21	7	13	(31)	(49)	(39)
Other comprehensive (loss)/income from discontinued operations						
Foreign currency translation differences from discontinued operations for the year	—	(4)	(6)	2	(40)	(48)
Cumulative foreign currency translation gains/(losses) recognised in other comprehensive income	—	19	(56)	—	(65)	(102)
Net cash inflows/(outflows) attributable to discontinued operations						
Operating activities	—	12	3	(24)	(17)	(26)
Investing activities	44	—	90	31	(1)	164
Financing activities	—	—	(4)	(8)	(21)	(33)
Net increase/(decrease) in cash generated by discontinued operations	44	12	89	(1)	(39)	105

33 Discontinued operations continued
33.2 Details of the disposal of discontinued operations

	Retail Supermarkets Nigeria Ltd Rm	Shoprite Checkers Kenya Ltd Rm	Shoprite Checkers Uganda Ltd Rm	Shoprite Madagascar S.A. Rm	Shoprite RDC SARL Rm	Total Rm
2023						
Cash received from outstanding debtor from sale of discontinued operations in prior year	49	—	—	—	—	49
Cash inflows as a result of the disposal of discontinued operations	49	—	—	—	—	49
2022						
Consideration received or receivable						
Cash received	—	—	—	5	—	5
Proceeds receivable in four equal instalments	33	—	—	—	—	33
Total disposal consideration	33	—	—	5	—	38
Carrying amount of net assets disposed	—	—	—	(34)	—	(34)
Profit/(loss) on disposal before reclassification of foreign currency translation reserve and income tax	33	—	—	(29)	—	4
Reclassification of foreign currency translation reserve	—	—	—	(18)	—	(18)
Income tax expense on profit/(loss) on disposal of discontinued operations	—	—	—	—	—	—
Profit/(loss) on disposal of discontinued operations after income tax	33	—	—	(47)	—	(14)
Details of the disposal of properties, in-store assets and inventory included in items of a capital nature						
Consideration received or receivable						
Cash received	—	—	90	—	—	90
Proceeds receivable in one final payment	—	—	38	—	—	38
Total disposal consideration	—	—	128	—	—	128
Carrying amount of net assets disposed	—	—	(133)	—	—	(133)
Loss on disposal of properties, in-store assets and inventory	—	—	(5)	—	—	(5)
The carrying amounts of assets and liabilities at the disposal date were as follows:						
Property, plant and equipment	—	—	110	37	—	147
Right-of-use assets	—	—	—	28	—	28
Inventories	—	—	23	43	—	66
Trade and other receivables	—	—	—	5	—	5
Cash and cash equivalents	—	—	—	26	—	26
Total assets	—	—	133	139	—	272
Lease liabilities	—	—	—	26	—	26
Borrowings	—	—	—	31	—	31
Provisions	—	—	—	1	—	1
Trade and other payables	—	—	—	45	—	45
Contract liabilities	—	—	—	2	—	2
Total liabilities	—	—	—	105	—	105
Net assets at disposal date	—	—	133	34	—	167
Net inflow of cash on disposal of discontinued operations comprise of the following:						
Cash proceeds on disposal	—	—	—	5	—	5
Cash and cash equivalents disposed	—	—	—	(26)	—	(26)
Cash received from outstanding debtor from sale of discontinued operations in prior year	44	—	—	—	—	44
Cash inflow/(outflow) on disposal of discontinued operations	44	—	—	(21)	—	23



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

34 Earnings/(loss) per share

	Gross Rm	Income tax effect Rm	Net Rm
2023			
Net profit attributable to owners of the parent			5 886
Loss from discontinued operations			419
Earnings from continuing operations			6 305
Profit on disposal and scrapping of property (note 3)	(1)	—	(1)
Profit on disposal of assets classified as held for sale (note 4)	(132)	29	(103)
Profit on sale and leaseback transaction (note 19)	(102)	20	(82)
Loss on disposal and scrapping of plant and equipment and intangible assets (note 3 and note 6)	127	(30)	97
Impairment of property, plant and equipment (note 3)	96	(5)	91
Impairment of right-of-use assets (note 5)	75	(16)	59
Impairment of intangible assets (note 6)	37	(10)	27
Insurance claims receivable	(82)	21	(61)
Profit on other investing activities	(2)	—	(2)
Headline earnings from continuing operations	16	9	6 330
Loss from discontinued operations			(419)
Items of a capital nature from discontinued operations	34	—	34
Headline earnings	50	9	5 945

Restated* 2022

Net profit attributable to owners of the parent			5 711
Loss from discontinued operations			39
Earnings from continuing operations			5 750
Loss on disposal and scrapping of property (note 3) ²³	94	(26)	68
Profit on disposal of assets classified as held for sale (note 4)	(18)	5	(13)
Loss on disposal and scrapping of plant and equipment and intangible assets (note 3 and note 6) ²³	366	(102)	264
Impairment of property, plant and equipment (note 3)	46	(4)	42
Impairment of right-of-use assets (note 5)	88	(15)	73
Impairment of intangible assets (note 6)	12	(3)	9
Impairment of investment in associate	23	—	23
Insurance claims receivable ²³	(582)	163	(419)
Headline earnings from continuing operations	29	18	5 797
Loss from discontinued operations			(39)
Income of a capital nature from discontinued operations	(3)	—	(3)
Headline earnings	26	18	5 755

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

²³ Includes amounts relating to the social unrest. Refer to note 45 for the impact on each individual line item.

	2023 '000	2022 '000
Number of ordinary shares		
– In issue	543 063	542 513
– Weighted average	542 882	544 910
– Weighted average adjusted for dilution	546 082	548 503
Reconciliation of weighted average number of ordinary shares in issue during the year:		
Weighted average number of ordinary shares	542 882	544 910
Adjustments for dilutive potential of full share grants	3 200	3 593
Weighted average number of ordinary shares for diluted earnings per share	546 082	548 503

34 Earnings/(loss) per share continued

Earnings/(loss) per share (cents)	2023			Restated* 2022		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
– Basic earnings	1 161.4	(77.1)	1 084.3	1 055.5	(7.2)	1 048.3
– Diluted earnings	1 154.6	(76.7)	1 077.9	1 048.6	(7.1)	1 041.5
– Headline earnings	1 166.2	(70.9)	1 095.3	1 063.9	(7.6)	1 056.3
– Diluted headline earnings	1 159.4	(70.5)	1 088.9	1 056.9	(7.5)	1 049.4

* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.

35 Dividends per share

35.1 Dividends per share paid

No. 147 paid 3 October 2022 (2022: No. 145 paid 4 October 2021)
No. 148 paid 11 April 2023 (2022: No. 146 paid 11 April 2022)

35.2 Dividends per share declared

No. 149 payable 2 October 2023 (2022: No. 147 paid 3 October 2022)

36 Cash flow information

36.1 Non-cash items

	Rm	Restated* Rm
Depreciation of property, plant and equipment	2 755	2 329
Depreciation of right-of-use assets	3 867	3 367
Amortisation of intangible assets	520	456
Share of profit of equity accounted investments	(251)	(208)
Credit impairment losses on loans receivable and government bonds and bills	143	85
Net fair value gains on financial instruments	(154)	(107)
Exchange rate (gains)/losses	(80)	274
Loss/(profit) on lease modifications and terminations	5	(111)
(Profit)/loss on disposal and scrapping of property	(1)	94
Profit on disposal of assets classified as held for sale	(132)	(18)
Profit on sale and leaseback transaction	(102)	—
Loss on disposal and scrapping of plant and equipment and intangible assets	161	366
Insurance recovery for property, plant and equipment relating to social unrest	—	(571)
Impairment of property, plant and equipment	96	46
Impairment of right-of-use assets	75	88
Impairment of intangible assets	37	12
Impairment of investment in associate	—	23
Loss on disposal of discontinued operations	—	47
Movement in provisions	65	(12)
Movement in cash-settled share-based payment accrual	—	47
Movement in share-based payment reserve	229	213
Movement in fixed escalation operating lease accruals	2	5
	7 235	6 425

* Restated for the reclassification of the Group's share of profit of equity accounted investments. Refer to note 44 for details of the adjustments recognised for each individual line item.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	Restated* 2022 Rm
36 Cash flow information continued		
36.2 Changes in working capital		
Inventories	(3 059)	(2 827)
Trade and other receivables	(687)	(665)
Trade and other payables	3 538	1 615
Contract liabilities	33	116
	(175)	(1 761)
36.3 Dividends paid		
Shareholders for dividends at the beginning of the year	(14)	(11)
Dividends distributed to equity holders	(3 362)	(3 218)
Dividends distributed to non-controlling interest	(10)	(13)
Shareholders for dividends at the end of the year	16	14
	(3 370)	(3 228)
36.4 Income tax paid		
Prepaid/(payable) at the beginning of the year	108	(58)
Per statement of comprehensive income	(3 136)	(2 816)
Income tax expense from discontinued operations	(2)	(8)
Foreign currency translation differences	(29)	22
Payable/(prepaid) at the end of the year	345	(108)
	(2 714)	(2 968)
* Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 43 for details of the adjustments recognised for each individual line item.		
36.5 Acquisition of select businesses from Massmart Holdings Ltd		
The Group acquired select businesses from Massmart Holdings Ltd with an effective date of 9 January 2023. As a result of this acquisition, the Group is expected to expand its retail business operations in South Africa. The transaction led to the Group acquiring one meat plant and 94 stores which have been rebranded as 51 Shoprite, 42 Shoprite LiquorShop and one Usave. At the reporting date two Shoprite LiquorShops remained closed, awaiting for the liquor licence transfer. Furthermore, the acquisition contributed R2.4 billion to sale of merchandise and included 4 480 staff members joining the Group (who would be eligible to receive the Shoprite Employee Trust distributions subject to certain qualifying criteria).		
This acquisition had no significant impact on the Group's results.		
The assets and liabilities arising from this acquisition were as follows:		
Property, plant and equipment (note 3)	322	—
Right-of-use assets (note 5)	784	—
Inventories	367	—
Lease liabilities (note 19)	(784)	—
Trade and other payables (note 22)	(27)	—
Fair value of net assets acquired	662	—
Purchase consideration consisting of:		
Total purchase consideration	662	—
Purchase consideration payable	(32)	—
Purchase consideration paid on acquisition	630	—

All other acquisitions of operations are not material to the Group's consolidated financial statements and therefore no summary financial information is presented for these operations.

	2023 Rm	2022 Rm
37 Contingent assets and liabilities		
Contingent assets (note 37.1)	—	367
Contingent liabilities (note 37.2)	1 970	1 008
37.1 Contingent assets		
Contingent assets relate to insurance claims receivable resulting from the social unrest which have not been recorded in the previous year due to its recoverability having been assessed not to be virtually certain at that reporting date. Refer to note 45.		
37.2 Contingent liabilities		
37.2.1	Amounts arising in the ordinary course of business relating to property transactions, uncertain tax positions and other transactions from which it is anticipated that no material liabilities will arise.	
The increase in contingent liabilities from the previous year is primarily a result of additional tax assessments received from certain tax authorities where the Group traded. Management has assessed the merits of each of these cases in close collaboration with the Group's external advisors and remain confident that these assessments leading to additional payments have been adequately provided for. Where these payments are considered not probable, these are disclosed as contingent liabilities.		
37.2.2	In 2011, AIC Ltd (the Claimant), a company registered in the Federal Republic of Nigeria issued a summons against Shoprite Checkers (Pty) Ltd and Retail Supermarkets Nigeria Ltd in the Federal High Court of Nigeria for breach of a joint venture agreement (the JV Agreement) allegedly concluded during 1998. In its judgement, on 30 November 2017, damages in the sum of US\$10 million plus interest at a rate of 10% per annum effective from the date of judgement until final liquidation of the entire sum were awarded. An appeal against the judgement was heard by the Court of Appeal which, in its judgement dated 21 May 2020, allowed the appeal by Retail Supermarkets Nigeria Ltd but dismissed the appeal by Shoprite Checkers (Pty) Ltd. Based on legal advice, a Notice of Appeal has been filed against the judgement to the Supreme Court of Appeal.	
The Group considers it to be probable that the judgement will be in its favour, based on legal advice, and has therefore not recognised a provision in relation to this claim.		
38 Commitments		
38.1 Capital commitments		
Contracted for property, plant and equipment	2 031	1 805
Contracted for intangible assets	62	50
Authorised by Directors, but not contracted for	6 717	4 251
Total capital commitments	8 810	6 106
Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
38.2 Operating lease receivables		
Future minimum lease payments receivable under non-cancellable operating leases:		
– Not later than one year	337	342
– Later than one year, not later than two years	232	237
– Later than two years, not later than three years	141	131
– Later than three years, not later than four years	86	73
– Later than four years, not later than five years	31	33
– Later than five years	43	18
	870	834
Less: fixed escalation operating lease accruals	(40)	(43)
	830	791



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

	2023 Rm	2022 Rm
39 Borrowing powers		
In terms of the Memorandum of Incorporation of the Company, the borrowing powers of Shoprite Holdings Ltd are unlimited.		
40 Post-employment benefits		
Group companies provide post-employment benefits in accordance with the local conditions and practices in the countries in which they operate.		
The Group provides retirement benefits to 78.4% (2022: 79.5%) of employees and 5.7% (2022: 6.6%) of the employees belong to national retirement plans. The monthly contributions are charged to the statement of comprehensive income.		
All company funds are defined contribution funds. All South African funds are subject to the Pension Fund Act of 1956.		
During the year under review contributions to retirement funding have been calculated as:	728	641

41 Risk management and financial instrument disclosure

The Board is accountable for the process of risk management, establishing appropriate risk and control policies, and communicating these throughout the Group. The Group's risk management policies are designed to identify risks faced by the Group and establish appropriate controls and limits to mitigate the risk to acceptable levels. The Audit and Risk Committee oversees how management monitors compliance with these risk and control policies.

This note discloses information about the Group's capital risk management and exposure to risks from its use of financial instruments. It also discloses information about the Group's exposure to insurance risk and how it is mitigated.

41.1 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is considered to be equity as shown in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The gearing ratio is calculated as interest-bearing borrowings and lease liabilities divided by equity and was 159.6% (2022: 144.9%) at the reporting date.

The Group is currently maintaining a 1.75 times dividend cover based on diluted headline earnings per share from continuing operations.

41.2 Fair value of financial instruments

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

- Level 1:** Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2:** Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).
- Level 3:** Measurements are done by reference to inputs that are not based on observable market data.

The Group's investment in convertible loans (note 9) and Centriq Insurance Company Ltd first-party cell captive insurance arrangements (note 10.2) are measured at fair value and classified at level 3. The fair value is based on the net asset value at the statement of financial position date. There were no transfers between levels 1 and 2 during the year.

All other financial instruments held by the Group are measured at amortised cost. The fair value of these financial instruments is calculated using cash flows discounted at a rate based on the market related borrowings rate as indicated.

The following tables reflect the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy, at the reporting date. It does not include inputs used to determine the fair value of financial assets and financial liabilities not measured at fair value of financial instruments classified at level 3 where the carrying amount approximates fair value due to the short-term nature of these current receivables. Fair value disclosures are not presented for lease liabilities, as this is not a requirement in terms of IFRS 7: Financial Instruments: Disclosures.

41 Risk management and financial instrument disclosure continued

41.2 Fair value of financial instruments continued

Notes	Carrying amount				Fair value			
	Financial assets at amortised cost Rm	Financial assets at fair value through profit or loss Rm	Financial liabilities at amortised cost Rm	Total Rm	Level 2 Rm	Level 3 Rm	Total Rm	Borrowing rate used
2023								
	Financial assets measured at fair value							
	Convertible loans							
9	—	22	—	22	—	22	22	
	First-party cell captive contracts							
10.2	—	220	—	220	—	220	220	
	—	242	—	242	—	242	242	
	Financial assets not measured at fair value							
	Government bonds and bills							
	1 137	—	—	1 137	1 180	—	1 180	
	AOA, USD Index Linked, Angola Government Bonds							
11.1	637	—	—	637	637	—	637	4.8%
	AOA, Angola Government Bonds							
11.2	338	—	—	338	380	—	380	12.1%
	Angola Treasury Bills							
11.3	162	—	—	162	163	—	163	11.5%
	Loans receivable							
	Shareholder loan receivable from Resilient Africa (Pty) Ltd							
12.1.1	190	—	—	190	—	176	176	7.5%
	Other amounts receivable from Resilient Africa (Pty) Ltd							
12.1.2	845	—	—	845	—	833	833	8.0%
	Amounts receivable from franchisees							
12.2	500	—	—	500	—	500	500	11.7%
	Amounts receivable from Circle Mall Mauritius Ltd							
12.3	257	—	—	257	—	257	257	8.0%
	Amounts receivable from Kin Oasis Investments Ltd							
12.4	157	—	—	157	—	158	158	7.4%
	Other							
	44	—	—	44	—	44	44	
	Instalment sale receivables ²⁴							
	1 195	—	—	1 195	—	1 195	1 195	
	Trade receivables from contracts with customers ²⁴							
	2 571	—	—	2 571	—	2 571	2 571	
	Other receivables excluding prepayments and taxes receivable ²⁴							
	1 168	—	—	1 168	—	1 168	1 168	
	Net investment in lease receivables ²⁴							
	312	—	—	312	—	312	312	
	Restricted cash ²⁴							
	650	—	—	650	—	650	650	
	Cash and cash equivalents ²⁴							
	12 548	—	—	12 548	—	12 548	12 548	
	21 574	242	—	21 816	1 180	20 654	21 834	
	Financial liabilities not measured at fair value							
	Borrowings							
	ABSA Bank Ltd							
20.2	—	—	2 046	2 046	2 429	—	2 429	9.5%
	South Africa rand							
20.2	—	—	441	441	438	—	438	7.0%
	US dollar							
20.3	—	—	1 502	1 502	1 752	—	1 752	9.5%
	FirstRand Bank Ltd							
20.4	—	—	2 006	2 006	2 297	—	2 297	9.6%
	Standard Bank Ltd							
20.5	—	—	99	99	99	—	99	7.5%
	Standard Chartered Bank (Mauritius) Ltd							
20.6	—	—	274	274	267	—	267	8.5%
	Stanbic Bank Botswana Ltd							
	Trade payables ²⁵							
	—	—	16 737	16 737	—	16 737	16 737	
	Other payables and accruals excluding taxes payable and employee benefit accruals ²⁵							
	—	—	4 636	4 636	—	4 636	4 636	
	Deposits and third-party payments liability ²⁵							
	—	—	642	642	—	642	642	
	Refund liability ²⁵							
	—	—	64	64	—	64	64	
	Bank overdrafts ²⁵							
	—	—	6 604	6 604	—	6 604	6 604	
	Total financial liabilities excluding lease liabilities							
	—	—	35 051	35 051	7 282	28 683	35 965	
	Lease liabilities							
19	—	—	35 582	35 582	—	—	—	
	Total financial liabilities							
	—	—	70 633	70 633	—	—	—	

²⁴ The maximum exposure to credit risk at the reporting date is the carrying amount which approximates fair value due to the short-term nature of these current receivables.

²⁵ The carrying amount approximates fair value due to the short-term nature of these current payables.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.2 Fair value of financial instruments continued

Notes	Carrying amount				Fair value			
	Financial assets at amortised cost Rm	Financial assets at fair value through profit or loss Rm	Financial liabilities at amortised cost Rm	Total Rm	Level 2 Rm	Level 3 Rm	Total Rm	Borrowing rate used
2022								
Financial asset measured at fair value								
First-party cell captive contracts	10.2	—	181	—	181	181		
Financial assets not measured at fair value								
Government bonds and bills		1 337	—	—	1 337	1 254	—	1 254
AOA, USD Index Linked, Angola Government Bonds	11.1	739	—	—	739	593	—	593
AOA, Angola Government Bonds	11.2	598	—	—	598	661	—	661
Loans receivable ²⁶		2 019	—	—	2 019	—	2 009	2 009
Shareholder loan receivable from Resilient Africa (Pty) Ltd	12.1.1	263	—	—	263	—	252	252
Other amounts receivable from Resilient Africa (Pty) Ltd	12.1.2	738	—	—	738	—	716	716
Amounts receivable from franchisees	12.2	612	—	—	612	—	661	661
Amounts receivable from Circle Mall Mauritius Ltd	12.3	224	—	—	224	—	205	205
Amounts receivable from Kin Oasis Investments Ltd	12.4	145	—	—	145	—	138	138
Other		37	—	—	37	—	37	37
Instalment sale receivables ²⁷		1 055	—	—	1 055	—	1 055	1 055
Trade receivables from contracts with customers ²⁷		2 142	—	—	2 142	—	2 142	2 142
Other receivables excluding prepayments and taxes receivable ²⁷		1 200	—	—	1 200	—	1 200	1 200
Net investment in lease receivables ²⁷		326	—	—	326	—	326	326
Restricted cash ²⁷		300	—	—	300	—	300	300
Cash and cash equivalents ²⁷		10 665	—	—	10 665	—	10 665	10 665
Total financial assets		19 044	181	—	19 225	1 254	17 878	19 132
Financial liabilities not measured at fair value								
Borrowings		—	—	5 512	5 512	6 569	—	6 569
ABSA Bank Ltd								
South Africa rand	20.2	—	—	1 001	1 001	1 267	—	1 267
US dollar	20.2	—	—	539	539	534	—	534
FirstRand Bank Ltd	20.3	—	—	1 501	1 501	1 862	—	1 862
Standard Bank Ltd	20.4	—	—	2 004	2 004	2 440	—	2 440
Standard Chartered Bank (Mauritius) Ltd	20.5	—	—	165	165	165	—	165
Stanbic Bank Botswana Ltd	20.6	—	—	302	302	301	—	301
Trade payables ²⁸		—	—	14 204	14 204	—	14 204	14 204
Other payables and accruals excluding taxes payable and employee benefit accruals ²⁸		—	—	4 223	4 223	—	4 223	4 223
Deposits and third-party payments liability ²⁸		—	—	528	528	—	528	528
Refund liability ²⁸		—	—	55	55	—	55	55
Bank overdrafts ²⁸		—	—	4 998	4 998	—	4 998	4 998
Total financial liabilities excluding lease liabilities		—	—	29 520	29 520	6 569	24 008	30 577
Lease liabilities	19	—	—	31 623	31 623	—	—	—
Total financial liabilities		—	—	61 143	61 143	—	—	—

28 The carrying amount approximates fair value due to the short-term nature of these current payables.

41 Risk management and financial instrument disclosure continued

41.3 Offsetting of financial assets and liabilities

The table below reflects those financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

	Financial assets			Financial liabilities		
	Trade receivables Rm	Cash and cash equivalents Rm	Total assets Rm	Trade payables Rm	Bank overdrafts Rm	Total liabilities Rm
2023						
Gross amounts of recognised financial assets/(liabilities)	3 508	13 297	16 805	(17 674)	(7 353)	(25 027)
Gross amounts of recognised financial assets/(liabilities) offset in the statement of financial position	(937)	(749)	(1 686)	937	749	1 686
Net amounts of financial assets/(liabilities) presented in the statement of financial position	2 571	12 548	15 119	(16 737)	(6 604)	(23 341)
Related amounts not offset in the statement of financial position ²⁹						
Financial instruments	(105)	—	(105)	105	—	105
Net amounts	2 466	12 548	15 014	(16 632)	(6 604)	(23 236)
2022						
Gross amounts of recognised financial assets/(liabilities)	3 656	11 389	15 045	(15 718)	(5 722)	(21 440)
Gross amounts of recognised financial assets/(liabilities) offset in the statement of financial position	(1 514)	(724)	(2 238)	1 514	724	2 238
Net amounts of financial assets/(liabilities) presented in the statement of financial position	2 142	10 665	12 807	(14 204)	(4 998)	(19 202)
Related amounts not offset in the statement of financial position ²⁹						
Financial instruments	(97)	—	(97)	97	—	97
Net amounts	2 045	10 665	12 710	(14 107)	(4 998)	(19 105)

29 For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when the counterparty fails to timeously comply with its obligations.

41.4 Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange rate contracts and price swap contracts as economic hedges, to hedge certain exposures. Where all relevant criteria are met, hedge accounting is applied, using non-derivative financial instruments, to remove the accounting mismatch between the hedging instrument and the hedged item.

Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk

Credit risk is managed on a Group basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Potential concentration of credit risk consists primarily of convertible loans, investment in insurance cell captive arrangements, government bonds and bills, loans receivable, trade and other receivables, restricted cash as well as cash and cash equivalents.

The following impairment losses, including reversals of impairment losses, in relation to financial assets are presented as credit impairment losses in the statement of comprehensive income:

	2023 Rm	2022 Rm
Instalment sale receivables from contracts with customers (note 14.2)	138	120
Trade receivables from contracts with customers (note 14.1)	(5)	6
Government bonds and bills (note 11)	(10)	(35)
Loans receivable (note 12)	153	120
Other receivables (note 14.3)	(12)	(38)
Net impairment losses on financial assets	264	173

Of the previously mentioned impairment losses, R133 million (2022: R126 million) relate to receivables arising from contracts with customers.

The Group's financial assets measured at amortised cost are subject to impairment under the ECL model. The inputs, assumptions and estimation techniques used in measuring ECL are explained below.

Measurement of ECL in terms of the general model for impairment

ECL are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk (SICR) has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the probability of default (PD) and exposure at default (EAD).

- › The PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- › The EAD is based on the amounts the Group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD).
- › The Group calculates loss given default (LGD) as discounted EAD.

These three components are multiplied together. This effectively calculates the ECL which is then discounted back to the reporting date, using the original effective interest rate, and aggregated. ECL is a probability-weighted outcome.

The 12-month and lifetime EADs are determined based on the PD, which varies by type of financial asset.

SICR in terms of the general model for impairment

The Group considers financial assets subject to assessment for ECL in terms of the general model for impairment, to have experienced a SICR since the time of initial recognition, when one or more of the following quantitative, qualitative or backstop criteria have been met. The SICR assessment happens on a bi-annual basis per financial asset class, at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

Quantitative criteria

Where the counterparty has not met its minimum contractual obligations for at least one month.

Qualitative criteria

The Group considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- › Internal and external credit ratings;
- › Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- › Changes in general economic and/or market conditions;
- › Changes in the amount of financial support available to the counterparty;
- › Expected or potential breaches of covenants; and
- › Expected delay in payment.

A backstop is applied if the borrower is more than 30 days past due on its contractual payments.

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

Measurement of ECL in terms of the simplified model

The Group has elected to apply the simplified model and measures the impairment allowance at an amount equal to lifetime ECL. This policy has been applied to all instalment sale and net investment in lease receivables. Lifetime ECL are assessed by determining cash flows on a probability-weighted basis and discounting these at the effective interest rate including initiation fees.

The probability-weighted cash flows are calculated using the following:

- › Transition matrix and conditional probabilities; and
- › Payment performance for each payment state.

Measurement of ECL in terms of the provision matrix

For short-term trade receivables, e.g. trade receivables without a significant financing component, the determination of forward-looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses. The Group has elected to apply the provision matrix for trade receivables without a significant financing component and measures the impairment allowance at an amount equal to lifetime ECL. Lifetime ECL are assessed by applying the relevant loss rates to the trade receivable balances outstanding (i.e. a trade receivable age analysis). Due to the diversity of the Group's customer base, the Group used appropriate groupings if the historical credit loss experience showed significantly different loss patterns for different customer segments.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default when the counterparty fails to make contractual payments within 90 days of when they fall due. This is fully aligned with the definition of credit-impaired assets.

With regard to credit-impaired accounts, interest income is recognised by applying the effective interest rate to the amortised cost, i.e. gross carrying amount less impairment provision, resulting in lower interest revenue.

The criteria for credit-impaired accounts (i.e. when the account moves to stage 3 as a result of loss events that have occurred after initial recognition) are as follows:

Receivables arising from contracts with customers:

- › *In duplum* (the National Credit Act section providing that all charges ceases to accrue once the sum of the charges equals the amount of capital outstanding at the time);
- › Debt counselling accounts (as governed by the National Credit Act);
- › Non-performing accounts; and
- › As a backstop, accounts not included in the above categories, where no payment has been received over the last three consecutive months.

Government bonds and bills and loans receivable:

- › Significant financial difficulty of the counterparty;
- › Where a counterparty has not met their minimum contractual obligations; and
- › The disappearance of an active market for that financial asset because of financial difficulties.

Other receivables:

Where a counterparty has not met their minimum contractual obligations for three consecutive months.

Curing

A credit-impaired account will cure when the customer does not meet the criteria for being a credit-impaired account. For a customer to cure, a significant improvement in the customer's payment behaviour is required. Curing occurs in the following instances:

Government bonds and bills:

When the outlook on the Angolan economy, according to major rating agencies, improves from negative to being stable or positive. This typically happens when the external credit rating improves from initial recognition or the previous reporting period from a rating below BBB- to a rating between AAA and BBB-.

Loans receivable:

Where no payment has been received in the last three consecutive months, it will cure once in receipt of a contractual repayment. If a loan receivable was determined to be credit-impaired, based on the significant difficulty of the counterparty, it will cure once there is clear evidence of financial stability from the counterparty.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

Curing continued

Instalment sale receivables:

- › Where no payment has been received in the last three consecutive months, it will cure once in receipt of a monthly instalment.
- › Accounts in debt counselling will cure when the customer is no longer in debt counselling in terms of the requirements of the National Credit Act.
- › Non-performing accounts will only cure when their lifetime payment rating improves to the extent that the customer has paid 55% or more of the amounts due over the contract period. Generally, this will require a significant improvement in the customer's payment behaviour.

Trade receivables:

- › *In duplum* accounts will cure when they no longer meet the requirements of the National Credit Act for being defined as an *in duplum* account.
- › Where no payment has been received in the last three consecutive months, it will cure once in receipt of a payment.

Other receivables:

Where no payment has been received in the last three consecutive months, it will cure once in receipt of a payment.

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. This is usually the case when the Group's in-house collection department and external collection companies which supplement the Group's collection activities are unable to recover outstanding balances. Where instalment sale receivables have been written off, the Group may continue to attempt to recover the outstanding amount due.

a) Government bonds and bills (note 11)

The Group invests in Angola government bonds and treasury bills as part of its hedging strategy against a future foreign exchange devaluation in Angola. The majority of the government bonds are linked to the US dollar, which provides a natural hedge against US dollar short-term intergroup loans payable by the Group's subsidiaries in Angola, while the remaining government bonds and bills provide high returns.

None of the government bonds and bills are past due. The Group does not hold any collateral as security.

The table below reflects the maximum exposure to credit risk on government bonds and bills at the reporting date.

Internal credit rating category	Basis for recognition of ECL allowance	Financial instrument class	2023				2022			
			ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
Under-performing (stage 2)	Lifetime ECL	AOA, USD Index Linked, Angola Government Bonds	2.7%	655	(18)	637	4.8%	776	(37)	739
		AOA, Angola Government Bonds	4.8%	355	(17)	338	5.4%	632	(34)	598
		Angola Treasury Bills	0.6%	163	(1)	162	0.0%	—	—	—
Total government bonds and bills			1 173	(36)	1 137		1 408	(71)	1 337	

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

a) Government bonds and bills (note 11) continued

Internal credit rating categories are defined as follows with reference to external credit ratings published by Moody's for Angola:

- › **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows based on external credit ratings ranging between AAA and A+.
- › **Underperforming (stage 2):** Investments for which there is a SICR. External credit ratings deteriorated from being internally classified as performing to between A and BBB-.
- › **Non-performing (stage 3):** Interest and/or principal repayments are 90 days past due.

Reconciliation of loss allowance for government bonds and bills:

	Underperforming (stage 2)	
	2023 Rm	2022 Rm
Balance at the beginning of the year	71	69
New financial assets originated or purchased during the year	4	1
Unused amounts reversed	(14)	(36)
Foreign currency translation differences	(25)	37
Balance at the end of the year	36	71

Specific assumptions and judgements applied in the calculation of ECL of government bonds and bills in terms of the general model for impairment are detailed below.

The PD represents the likelihood of the Angola Government defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. The underlying PD (including their term structure) used to construct the estimates of PD are sourced from Moody's publications of historical default ratings for sovereign debt and no adjustments are made to these historical PD.

It is assumed that Angola will have a through-the-cycle (TTC) performance and therefore the Group made no macroeconomic adjustment to the ECL allowance for government bonds and bills. A flat LGD assumption of 40% was applied across all bonds and time periods. This is in line with historical statistics that are available from Moody's publications for comparable instruments. The PD curves are built on the credit ratings published by Moody's for Angola.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

b) Loans receivable (note 12)

The Group provides financing to trading partners, such as franchisees and certain landlords in countries outside South Africa to enable the Group to secure strategic sites as anchor tenant. Collateral held by the Group as security for these loans receivable is disclosed below.

The Group does not hold any collateral as security for the South Africa rand denominated shareholder loan receivable from Resilient Africa (Pty) Ltd (refer to note 12.1.1). The Group manages its credit risk by holding share pledges and cession agreements in the underlying subsidiaries of Resilient Africa (Pty) Ltd as collateral for the US dollar denominated loan receivable (refer to note 12.1.2).

Circle Mall Mauritius Ltd's holding company provided a guarantee and indemnity for 50% of the loan amount which is in turn secured by a pledge of 100% of the shareholding in Circle Mall Mauritius Ltd to the Group (refer to note 12.3).

Kin Oasis Investments Ltd's holding company, Kinosis Investments Ltd, provided a guarantee and indemnity for 100% of all present and future payment obligations and liabilities which is in turn secured by a pledge of 60% of the shareholding in Kin Oasis Investments Ltd to the Group (refer to note 12.4).

Amounts receivable from franchisees relate to a wide-spread number of franchisees which are individually insignificant. The credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R695 million (2022: R742 million) are held as collateral for these amounts. Amounts are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis.

The table below reflects the maximum exposure to credit risk on loans receivable at the reporting date.

Internal credit rating category	Basis for recognition of ECL allowance	Financial instrument class	2023				2022			
			ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
Performing (stage 1)	12-month ECL	Amounts receivable from franchisees	1.8%	281	(5)	276	0.0%	148	—	148
		Amounts receivable from Circle Mall Mauritius Ltd	5.5%	272	(15)	257	3.4%	232	(8)	224
		Amounts receivable from Kin Oasis Investments Ltd	12.3%	179	(22)	157	11.6%	164	(19)	145
		Other	0.0%	44	—	44	0.0%	37	—	37
Under-performing (stage 2)	Lifetime ECL	Shareholder loan receivable from Resilient Africa (Pty) Ltd	68.2%	598	(408)	190	53.0%	560	(297)	263
		Other amounts receivable from Resilient Africa (Pty) Ltd	0.0%	845	—	845	0.0%	738	—	738
		Amounts receivable from franchisees	6.0%	83	(5)	78	0.0%	66	—	66
Non-performing (stage 3)	Lifetime ECL	Amounts receivable from franchisees	18.0%	178	(32)	146	11.0%	447	(49)	398
Total loans receivable				2 480	(487)	1 993		2 392	(373)	2 019

Internal credit rating categories are defined as follows:

- › **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
- › **Underperforming (stage 2):** Loans for which there is a SICR. A SICR is presumed if interest and/or principal repayments are 30 days past due.
- › **Non-performing (stage 3):** Interest and/or principal repayments are 90 days past due.

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

b) Loans receivable (note 12) continued

Reconciliation of loss allowance for loans receivable:

	2023				2022			
	Performing (stage 1) Rm	Under-performing (stage 2) Rm	Non-performing (stage 3) Rm	Total loans receivable Rm	Performing (stage 1) Rm	Under-performing (stage 2) Rm	Non-performing (stage 3) Rm	Total loans receivable Rm
Balance at the beginning of the year	27	297	49	373	23	186	65	274
New financial assets originated or purchased during the year	—	—	37	37	—	—	8	8
Individual financial assets transferred to underperforming (lifetime ECL)	—	5	(5)	—	—	—	—	—
Individual financial assets transferred to performing (12-month ECL)	5	—	(5)	—	—	—	—	—
Changes in risk parameters ³⁰	5	111	—	116	1	111	—	112
Amounts written off during the year as uncollectible	—	—	(44)	(44)	—	—	(24)	(24)
Foreign currency translation differences	5	—	—	5	3	—	—	3
Balance at the end of the year	42	413	32	487	27	297	49	373

³⁰ The increase in loss allowance is due to an increase in the PD used to calculate the 12-month and lifetime ECL for the performing and under-performing loans receivable.

Specific assumptions and judgements applied in the calculation of ECL of loans receivable in terms of the general model for impairment are detailed below.

The PD represents the likelihood of the counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. Default, Transition, and Recovery: 2022 Annual Global Corporate Default and Rating Transition Study (1981 – 2022) (%) as published on 25 April 2023 by Standard and Poor's for corporate exposures are used as input to these calculations. The rating is then adjusted to represent the appropriate risk appetite for a specific instrument.

The Group has performed historical analyses and identified certain macroeconomic variables correlating with credit losses. Macroeconomic variables used for financial assets at amortised cost include G7 real GDP growth, total unemployment rate (both formal and informal), prime overdraft rate, US\$/ZAR exchange rate and inflation rate.

c) Trade and other receivables

Instalment sale receivables from contracts with customers (note 14.2)

Instalment sale receivables comprise a wide-spread client base and external credit checks are made to ensure that all instalment sale clients have an appropriate credit history.

The Group's instalment sale receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. These receivables contain a significant financing component with terms of business varying from six to 36 months. The Group has developed advanced credit-granting systems to properly assess the creditworthiness of its customers.

Credit granting:

The credit underwriting process flows through the following stages:

- i) **Credit scoring:** This involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. In assessing applications for credit, strict affordability criteria are applied together with in-house developed scorecards based on credit bureau data. Industry-wide fraud detection tools are used to identify potentially fraudulent applications. The Group deals with its new customers and existing customers differently when credit scoring takes place.

Customer acquisition takes into account the risk level, repurchase propensity and profitability of new customers. Behaviour scorecards are used to determine credit extension to customers in good standing, to drive repurchase rates and repeat loans, and reduce average bad debt. These scorecards are regularly reviewed and upgraded to ensure the Group's credit policy remains in line with an acceptable level of risk for repeat business.

- ii) **Assessing client affordability:** This process involves collecting information regarding the customer's income levels, expenses and current debt obligations. The Group has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table. The following factors are then taken into consideration to conclude on the affordability of each customer:
 - › Assessing existing financial means and prospects;
 - › Assessing existing financial obligations;
 - › Assessing debt repayment history; and
 - › Ignoring credit agreements that will be substituted.

The total cost of credit is disclosed to the consumer.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

c) Trade and other receivables continued

Instalment sale receivables from contracts with customers (note 14.2) continued

iii) **Determining the credit limit for the customer:** The customer's risk score determined by the scorecard together with the expense assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the Group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit-granting system. The Group monitors any variances from the level of risk that has been adopted and adjusts the credit-granting process on a regular basis.

The Group manages its risk effectively by assessing the customer's ability to service the proposed monthly instalment.

Contractual arrears:

Contractual arrears are calculated by reference to the actual arrears in terms of the original signed agreement. The key aspect of the arrear calculation is the Group's policy not to reschedule arrears nor to amend the terms of the original contract.

From the onset of the agreement, contractual arrears are calculated by comparing payments made life to date with the originally calculated instalments due life to date, causing a customer who is paying less than the required contracted instalment to immediately fall into arrears. Once the customer exceeds the term of the agreement by paying less than the required contracted instalments, the full balance owing will be in arrears. The Group does not consider arrears the leading indicator, but rather payment ratings for the reasons mentioned above.

The tables below reflect the maximum exposure to credit risk on instalment sale receivables as well as the ECL allowance and contractual arrears per customer grouping at the reporting date. Customer groupings are determined as follows:

- › **Satisfactory paid:** Customers who have paid 70% or more of amounts due over the contract period.
- › **Slow payers:** Customers who have paid 55% to 69% of amounts due over the contract period.
- › **Non-performing accounts:** Customers who have paid less than 55% of amounts due over the contract period.

Analysis of instalment sale receivables at 2 July 2023

Customer grouping	Total number of customers	Gross carrying amount Rm	ECL allowance Rm	ECL allowance %	Total arrears Rm	Number of instalments in arrears		
						1 instalment Rm	2 instalments Rm	>2 instalments Rm
Satisfactory paid	145 546 54.9%	886 44.3%	181 22.4%	20.4%	63	29	17	17
Slow payers	35 147 13.3%	311 15.5%	118 14.6%	37.9%	70	15	17	38
Non-performing accounts	84 498 31.9%	805 40.2%	508 62.9%	63.1%	325	20	19	286
Total instalment sale receivables	265 191	2 002	807	40.3%	458	64	53	341

Analysis of credit-impaired instalment sale receivables at 2 July 2023 included in the table above

Credit-impaired categories	Non-performing accounts Rm	In duplum		Debt counselling		No payment in 3 consecutive months		Total Rm
		Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	
Gross carrying amount	805	11	69	37	34	21	45	1 022
ECL allowance	(508)	(3)	(31)	(7)	(17)	(6)	(9)	(581)
Amortised cost	297	8	38	30	17	15	36	441

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

c) Trade and other receivables continued

Instalment sale receivables from contracts with customers (note 14.2) continued

Analysis of instalment sale receivables at 3 July 2022

Customer grouping	Total number of customers	Gross carrying amount Rm	ECL allowance Rm	ECL allowance %	Total arrears Rm	Number of instalments in arrears		
						1 instalment Rm	2 instalments Rm	>2 instalments Rm
Satisfactory paid	94 408 38.4%	824 43.2%	193 22.7%	23.4%	59	26	15	18
Slow payers	31 314 12.7%	274 14.4%	135 15.8%	49.3%	71	14	14	43
Non-performing accounts	120 258 48.9%	809 42.4%	524 61.5%	64.8%	373	15	17	341
Total instalment sale receivables	245 980	1 907	852	44.7%	503	55	46	402

Analysis of credit-impaired instalment sale receivables at 3 July 2022 included in the table above

Credit-impaired categories	Non-performing accounts Rm	In duplum		Debt counselling		No payment in 3 consecutive months		Total Rm
		Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	
Gross carrying amount	809	10	90	9	13	14	30	975
ECL allowance	(524)	(3)	(40)	(2)	(7)	(4)	(7)	(587)
Amortised cost	285	7	50	7	6	10	23	388

Reconciliation of loss allowance for instalment sale receivables:

	2023			2022		
	Accounts not credit-impaired Rm	Credit-impaired accounts Rm	Total instalment sale receivables Rm	Accounts not credit-impaired Rm	Credit-impaired accounts Rm	Total instalment sale receivables Rm
Balance at the beginning of the year	265	587	852	229	536	765
New financial assets originated or purchased during the year	151	60	211	140	64	204
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(174)	174	—	(148)	148	—
Amounts recovered during the year	—	(4)	(4)	—	(115)	(115)
Changes in risk parameters	(25)	(44)	(69)	34	(3)	31
Amounts written off during the year as uncollectible	—	(204)	(204)	—	(63)	(63)
Foreign currency translation differences	9	12	21	10	20	30
Balance at the end of the year	226	581	807	265	587	852


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

c) Trade and other receivables continued

Instalment sale receivables from contracts with customers (note 14.2) continued

Specific assumptions and judgements applied in the calculation of ECL of instalment sale receivables in terms of the simplified approach for impairment are detailed below.

Probability-weighted cash flows:

The expected credit loss is a probability-weighted estimate and represents the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows the Group expects to receive, discounted at the original effective interest rate including initiation fees.

The probability-weighted cash flows are calculated using the debtor book population's payment behaviour in combination with a transition matrix. The transition matrix and payment performance for each payment state has been developed utilising customer payment history. The transition matrix predicts the population's payment behaviour and probability of the account being in a particular payment state and transitioning into future payment states. The key states in the transitional matrix are the customer's lifetime payment rating, age of the account and contractual term. The lifetime payment rating measures the customer's actual payments received over the lifetime of the account relative to the contractual instalments due.

For modelling purposes, cash flows are forecast on an individual customer level and aggregated over all the customer's sub-accounts until the account is settled or written off. For each contractual term, lifetime payment rating and age, the transitional matrix maps the probability of an account transitioning into future lifetime payment ratings for the remaining months on book.

The payment performance for each payment state is calculated using the actual payment history for each payment rating over the last five years to ensure the recency of the impairment model as required by IFRS 9.

Economic overlay:

An economic overlay has been developed by performing a regression analysis between key economic variables with reference to the payment yields over a ten-year period (2022: five-year period for non-performing category). The model considers a number of macroeconomic variables including gross domestic product (GDP), consumer price index and prime overdraft rate. The unemployment rate was also considered as a variable during the previous financial year.

The Group makes use of a cash flow model adjusted for coverage percentages unique to each country and each state. The process of determining adjusted coverage percentages involved applying an adjustment to the PDs. The scalar was based on country-specific GDP forecasts.

The GDP forecasts used for South Africa are listed below. The IMF GDP forecasts were used for the other African countries.

Scenario	Calendar year		
	2023	2024	2025
Upside	0.8%	2.0%	2.5%
Base	0.3%	1.6%	1.8%
Downside	(1.5%)	1.0%	0.5%

Upside, base and downside scenarios using the economic variables above are determined and a weighted average scenario is prepared. This is compared to the base position and an appropriate adjustment is made to the whole trade receivables book.

The three scenarios project the future impact of the economic variables on the impairment provision. Management has assigned a probability of 0.0% (2022: 6.0%) to the upside scenario, 20.0% (2022: 77.0%) to the base scenario and 80.0% (2022: 17.0%) to the downside scenario for the 12-month forecast for South Africa.

Impact of forward-looking information on ECL:	South Africa			
	2023		2022	
	Rm	% change	Rm	% change
Probability-weighted impact of all three scenarios	507		426	
100% upside scenario	470	(7.3)	407	(4.4)
100% base scenario	480	(5.3)	413	(3.2)
100% downside scenario	511	0.9	494	15.9

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

c) Trade and other receivables continued

Trade receivables from contracts with customers (note 14.1)

Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the Group has no other significant concentration of credit risk.

The Group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. Franchisees comprise a wide-spread client base and the credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R1.5 billion (2022: R1.3 billion) are held as collateral for these amounts. Long standing trading relationships exist with the buying aid societies and the Group reviews the credit history of these societies, based on its own records as well as information from an external credit bureau, on a cyclical basis. Based on this, the Group considers the credit quality of all fully performing amounts as satisfactory.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime ECL. The ECL on trade receivables are estimated using a provision matrix. The behavioural matrix looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the contracts. The behavioural matrix is based on historically observed data and is assumed to be the same across all assets within a portfolio and credit band. This is supported by historical analysis. The following table details the risk profile of trade receivables at the reporting date, based on the Group's provision matrix.

	Current Rm	Trade receivables – days past due				Total Rm
		31 – 60 days past due Rm	61 – 90 days past due Rm	91 – 120 days past due Rm	More than 120 days past due Rm	
As at 2 July 2023						
Gross carrying amount	2 036	337	90	45	193	2 701
Lifetime ECL	(16)	(7)	(3)	(1)	(103)	(130)
Net carrying amount	2 020	330	87	44	90	2 571
Expected credit loss rate	0.8%	2.1%	3.3%	2.2%	53.4%	4.8%
As at 3 July 2022						
Gross carrying amount	1 703	324	76	34	169	2 306
Lifetime ECL	(40)	(3)	(7)	(20)	(94)	(164)
Net carrying amount	1 663	321	69	14	75	2 142
Expected credit loss rate	2.3%	0.9%	9.2%	58.8%	55.6%	7.1%



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

c) Trade and other receivables continued

Trade receivables from contracts with customers (note 14.1) continued

Reconciliation of loss allowance for trade receivables:

	Accounts not credit-impaired		Credit-impaired accounts				Total trade receivables Rm
	Buying aid societies and other receivables Rm	Total trade receivables not credit-impaired Rm	Receivables from franchisees Rm	Receivables from medical aid schemes, pharmacies and doctors Rm	Buying aid societies and other receivables Rm	Total credit-impaired trade receivables Rm	
2023							
Balance at the beginning of the year	59	59	18	46	41	105	164
New financial assets originated or purchased during the year	13	13	4	3	10	17	30
Amounts recovered during the year	(15)	(15)	—	—	—	—	(15)
Changes in risk parameters	—	—	—	—	(10)	(10)	(10)
Amounts written off during the year as uncollectible	(3)	(3)	(15)	(2)	(7)	(24)	(27)
Unused amounts reversed	—	—	—	—	(10)	(10)	(10)
Foreign currency translation differences	—	—	—	—	(2)	(2)	(2)
Balance at the end of the year	54	54	7	47	22	76	130
2022							
Balance at the beginning of the year	81	81	32	44	46	122	203
New financial assets originated or purchased during the year	36	36	10	6	19	35	71
Amounts recovered during the year	(55)	(55)	—	(4)	—	(4)	(59)
Amounts written off during the year as uncollectible	(3)	(3)	(24)	—	(24)	(48)	(51)
Unused amounts reversed	—	—	—	—	(6)	(6)	(6)
Foreign currency translation differences	—	—	—	—	6	6	6
Balance at the end of the year	59	59	18	46	41	105	164

Assumptions and judgements applied in the calculation of ECL of trade receivables in terms of the simplified approach for measuring impairment are detailed below.

To measure ECL, trade receivables have been grouped by shared credit risk characteristics by considering the different revenue streams within each operating segment such as franchise, retail and wholesale of pharmaceutical products, furniture, travel packages and ticket sales through Computicket as well as by geographical location and days past due.

ECL are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

For receivables from franchisees, the expected loss ratios are based on the payment profiles of sales during the last 36 months before each reporting period. The expected loss ratios of other trade receivables are based on the payment profiles of sales during the last 12 months before each reporting period.

The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information and the ECL. The Group has performed historical analyses and identified certain macroeconomic variables correlating with credit losses.

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

c) Trade and other receivables continued

Trade receivables from contracts with customers (note 14.1) continued

Macroeconomic variables used for financial assets at amortised cost include G7 real GDP growth, total unemployment rate (both formal and informal), prime overdraft rate, US\$/ZAR exchange rate and inflation rates. The selected macroeconomic variables are appropriate drivers of default rates.

Due to the relative short-term nature of the book and constantly evolving credit criteria being applied, the impact of extrapolating the forward-looking information against credit variables was not material. It will, however, continue to be monitored and will be reassessed at each reporting date.

Other receivables (note 14.3)

Other receivables consist of various operational debtors such as municipal deposits refundable, insurance claims receivable and staff debtors and bursaries. The age analysis of these amounts are reviewed on a monthly basis and creditworthiness assessed. If the credit risk of any individual receivable is deemed to be material, the credit history of the relevant client will be verified with an external credit bureau. No security is held for these balances.

The table below reflects the maximum exposure to credit risk on other receivables at the reporting date.

Internal credit rating category	Basis for recognition of ECL allowance	Financial instrument class	2023				2022			
			ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
Performing (stage 1)	12-month ECL	Insurance claims receivable	0.0%	109	—	109	8.5%	106	(9)	97
		Staff debtors and bursaries	3.8%	79	(3)	76	4.9%	82	(4)	78
		Various other receivables	2.5%	930	(23)	907	5.7%	1 005	(57)	948
Under-performing (stage 2)	Lifetime ECL	Staff debtors and bursaries	0.0%	2	—	2	0.0%	1	—	1
Non-performing (stage 3)	Lifetime ECL	Staff debtors and bursaries	100.0%	31	(31)	—	100.0%	26	(26)	—
		Various other receivables	62.1%	195	(121)	74	55.3%	170	(94)	76
Total other receivables				1 346	(178)	1 168		1 390	(190)	1 200

Internal credit rating categories are defined as follows:

- › **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
- › **Underperforming (stage 2):** Receivables for which there is a SICR. A SICR is presumed if interest and/or principal repayments are 30 days past due.
- › **Non-performing (stage 3):** Interest and/or principal repayments are 90 days past due.

Reconciliation of loss allowance for other receivables:

	2023			2022		
	Performing (stage 1) Rm	Non-performing (stage 3) Rm	Total other receivables Rm	Performing (stage 1) Rm	Non-performing (stage 3) Rm	Total other receivables Rm
Balance at the beginning of the year	70	120	190	43	185	228
New financial assets originated or purchased during the year	—	32	32	—	—	—
Amounts recovered during the year	—	—	—	—	(5)	(5)
Changes in risk parameters ³¹	(44)	—	(44)	27	(60)	(33)
Balance at the end of the year	26	152	178	70	120	190

³¹ The decrease in the loss allowances is due to an decrease in the PD used to calculate the 12-month ECL for certain performing other receivables.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

c) Trade and other receivables continued

Other receivables (note 14.3) continued

Specific assumptions and judgements applied in the calculation of ECL of other receivables in terms of the general model for impairment are detailed below.

To measure ECL, other receivables have been grouped by shared credit risk characteristics and days past due. Other receivables include significant amounts of insurance claims receivable and staff debtors and bursaries. The remaining balance comprises of various other receivables which are individually insignificant.

The PD represents the likelihood of the counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. The rating is then adjusted to represent the appropriate risk appetite for a specific instrument.

Macroeconomic variables used for financial assets at amortised cost include G7 real GDP growth, total unemployment rate (both formal and informal), prime overdraft rate, US\$/ZAR exchange rate and inflation rates. The selected macroeconomic variables are appropriate drivers of default rates.

Due to the relative short-term nature of other receivables and constantly evolving credit criteria being applied, the impact of extrapolating the forward-looking information against credit variables was not material. It will, however, continue to be monitored and will be reassessed at each reporting date.

d) Restricted cash

The Group classified the funds received from the sale of its Nigeria subsidiary, Retail Supermarkets Nigeria Ltd, and receipts in terms of the related administration agreement as restricted cash deposits. This is due to the Group not having significant short-term cash commitments to be settled in Nigeria naira and repatriation challenges. These cash balances will remain restricted until US dollar becomes available in the Nigerian market. Furthermore, ring-fenced guarantees reserved in Angola on behalf of the Angola General Tax Administration for objections to tax assessments was classified as restricted cash during the financial year. These restricted cash balances held by the Group are not available for general use by the holding company or other subsidiaries in the Group.

The Group applies the general model to measure the loss allowance for restricted cash. All the restricted cash were determined to be in stage 1 as the counterparties have low risk of default and a strong capacity to meet contractual cash flows. There was no SICR of the Group's restricted cash. ECL were therefore limited to 12-month expected losses.

	2023 Rm	2022 Rm
Analysis of total restricted cash:		
Ring-fenced Angola tax guarantees	292	—
Short-term deposits in Nigeria	373	300
Gross restricted cash	665	300
Provision for impairment	(15)	—
Carrying amount included in statement of financial position	650	300
Reconciliation of restricted cash included in statement of cash flows:		
Carrying amount included in statement of financial position	650	300
Less ring-fenced Angola tax guarantees not available for use by the Group	(292)	—
Restricted cash included in statement of cash flows	358	300

e) Cash and cash equivalents

The Group uses subsidiaries of rated South African and/or international financial institutions as its bankers. However, due to the Group's international operational requirements it is forced to transact with financial institutions in certain countries where independent internationally accredited credit ratings are not available. In these instances the Group's exposure to credit risk at each of these financial institutions are evaluated by management on a case by case basis. Cash balances deposited with these financial institutions are kept to an operational minimum and are transferred, subject to exchange control regulations and available suitable foreign currency, to financial institutions with acceptable credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

ECL of cash and cash equivalents are calculated in terms of the general model for impairment. All cash and cash equivalents were determined to be in stage 1 as the counterparties have low risk of default and a strong capacity to meet contractual cash flows. There was no SICR of the Group's cash and cash equivalents. ECL were therefore limited to 12-month expected losses and the identified impairment loss was immaterial.

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.1 Credit risk continued

e) Cash and cash equivalents continued

The table below shows the cash invested at the reporting date at financial institutions grouped per Moody's short-term credit rating of the financial institutions.

	National scale	Global scale	2023 Rm	2022 Rm
Standard Chartered Bank		P-1	833	1 214
Citibank		P-1	178	26
Standard Bank	P-1	NP	6 065	5 274
ABSA	P-1	NP	1 791	1 468
Nedbank	P-1	NP	1 633	796
FirstRand	P-1	NP	662	549
Other banks			276	225
Cash on hand and in transit			1 110	1 113
Total cash and cash equivalents			12 548	10 665

Local currency cash and short-term deposits of R575 million (2022: R1.2 billion) are held in Angola and Malawi (2022: Angola) and are subject to onerous local exchange control regulations. These local exchange control regulations impose restrictions on exporting capital from the country, other than through normal dividends. These restricted cash balances held by the respective subsidiaries are not available for general use by the holding company or other subsidiaries in the Group.

41.4.2 Market risk
a) Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures. The treasury department hedges the Group's net position in each foreign currency by using call deposits in foreign currencies and derivative financial instruments in the form of forward foreign exchange rate contracts for all cumulative foreign commitments of three months or more. Forward foreign exchange rate contracts are not used for speculative purposes. These instruments are not designated as hedging instruments for purposes of accounting.

Currency exposure arising from the net monetary assets in individual countries, held in currencies other than the functional currency of the Group, are managed primarily through converting cash and cash equivalents not required for operational cash flows to US dollar, subject to exchange control regulations. The US dollar is the preferred currency due to its history of stability, liquidity and availability in most markets.

Short-term loans between subsidiaries of the Group expose the Group to currency risk resulting from fluctuations in local currency exchange rates to the US dollar (2023: R1.1 billion liability; 2022: R790 million liability) and South Africa rand (2023: R503 million liability; 2022: R358 million liability). This US dollar currency risk is mitigated by the investment in AOA, USD Index Linked, Angola Government Bonds (2023: R637 million asset; 2022: R739 million asset) (refer to note 11.1) which serves as a natural hedge against the Group's currency risk on short-term US dollar loans between Group subsidiaries.

Material concentrations of currency risk also exist within the Group's lease liabilities and net cash and cash equivalents (including restricted cash) as follows:

Foreign currency	Lease liabilities		Net cash and cash equivalents	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
South Africa rand	—	—	133	29
United States dollar	1 652	1 635	1 004	366
Nigeria naira	—	—	344	300
Euro	—	—	4	49
Other currencies	—	—	3	1
	1 652	1 635	1 488	745

The Group does not have significant foreign creditors as most inventory imports are prepaid.


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.2 Market risk continued

a) Currency risk continued

Hedge of net investment in foreign operation

The Group hedges a designated portion of its US dollar net assets in Shoprite International Ltd for foreign currency exposure arising between the US dollar and South Africa rand as part of the Group's risk management objectives. Shoprite International Ltd has a US dollar functional currency. Shoprite Holdings Ltd's net investment in Shoprite International Ltd is therefore exposed to fluctuations in the US\$/ZAR spot exchange rate. Shoprite International Ltd uses these dollars in order to fund the operations in the various countries outside of South Africa, which also have liabilities denominated in US dollar. As a result of this exposure, the Group designates external lease liabilities denominated in US dollar as hedging instruments. Foreign exchange movements on translation of these hedging instruments are recognised in other comprehensive income and accumulated in the FCTR within shareholders' equity for the duration of the hedging relationship, offsetting the exchange rate differences recognised in other comprehensive income, arising on translation of the designated US dollar net assets of Shoprite International Ltd to South Africa rand. The cumulative foreign exchange movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control, joint control or significant influence due to the disposal or abandonment of Shoprite International Ltd. The hedging relationship is reset on a monthly basis, whereby the designated portion of the net investment is adjusted to equal the value of the hedging instruments.

Hedge effectiveness is determined at the inception of the hedging relationship and through periodic prospective effectiveness assessments, by comparing the changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the net assets designated in Shoprite International Ltd. Hedge ineffectiveness could arise due to a decrease in the net investment in a foreign operation to a level below that of the designated lease liabilities. No hedge ineffectiveness was recognised in the statement of comprehensive income.

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

	2023 US\$m	2022 US\$m
Nominal amount of US dollar denominated lease liabilities (non-current liabilities)	88	78
Nominal amount of US dollar denominated lease liabilities (current liabilities)	—	22
	Rm	Rm
Carrying amount of US dollar denominated lease liabilities (non-current liabilities)	1 652	1 268
Carrying amount of US dollar denominated lease liabilities (current liabilities)	—	367
Total carrying amount of US dollar denominated lease liabilities	1 652	1 635
Change in carrying amount of designated lease liabilities as a result of foreign currency (losses)/gains	(164)	137
Change in value of hedged item used to determine hedge effectiveness	164	(137)
Hedge ratio	100%	100%
Reconciliation of amounts accumulated in the FCTR relating to hedges of net investments in foreign operations:		
Balance at the beginning of the year	(407)	(469)
Change in carrying amount of hedging instruments as a result of foreign currency (losses)/gains recognised in other comprehensive income, net of income tax (note 18.1.2)	(121)	62
Balance at the end of the year	(528)	(407)

Sensitivity analysis of material concentrations of currency risk

Where material concentrations of currency risk exist within the Group, a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual currencies strengthened or weakened against the South Africa rand and the US dollar. At 2 July 2023, the total possible decrease in Group post-tax profit, calculated for all estimated currency movements, was R123 million with the Zambia kwacha exchange rate to the US dollar and South Africa rand (with an expected decline of 11.2% against the US dollar and 18.1% against the South Africa rand) contributing R56 million and R12 million respectively to this number. At 3 July 2022, the total possible decrease in Group post-tax profit, calculated for all estimated currency movements, was R60 million with the Zambia kwacha exchange rate to the US dollar and South Africa rand (with an expected decline of 4.5% against the US dollar and 10.6% against the South Africa rand) contributing R22 million and R6 million respectively to this number. These changes had no material effect on the Group's equity.

The amounts were calculated with reference to the financial instruments, exposed to currency risk at the reporting date and does not reflect the Group's exposure throughout the reporting period, as these balances may vary significantly due to the self-funding nature of the Group's required working capital and cyclical nature of cash received from the sale of merchandise and payments to trade and other payables. The possible currency movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. Although not subject to market risk, the following constituted significant concentrations of net monetary assets/(liabilities), including short-term surplus funds, in currencies other than the reporting currency as at the reporting date, subject to translation risk.

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.2 Market risk continued

a) Currency risk continued

Hedge of net investment in foreign operation continued

Sensitivity analysis of material concentrations of currency risk continued

Foreign currency	2023 Rm	2022 Rm
Angola kwanza	700	1 176
Botswana pula	(682)	(715)
United States dollar	2 032	2 154

b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises mainly from daily call accounts, bank overdrafts and borrowings. The Group does not account for any fixed rate financial assets or liabilities at fair value through profit and loss and therefore a change in interest rates at the reporting date would not affect profit or loss. Fixed rate financial instruments include government bonds and bills (refer to note 11), loans receivable (refer to note 12) and instalment sale receivables (refer to note 14.2).

Daily call accounts and bank overdrafts carry interest at rates fixed on a daily basis and expose the Group to cash flow interest rate risk. The Group analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing refinancing/reinvesting and/or renewal/cancellation of existing positions and alternative financing/investing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash/borrowings that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 7.4% (2022: 4.6%).

As part of the process of managing floating rate interest-bearing debt, the interest rate characteristics of borrowings (refer to note 20) are positioned according to the expected movements in interest rates. Interest rate profiles are analysed by the changes in borrowing levels and the interest rates applicable to the facilities available to the Group. The Chief Financial Officer has the mandate to approve the use of fixed interest debt and interest rate swaps as circumstances dictate. No interest rate swaps were entered into during the current year.

Exposure to interest rate risk on other monetary items consists of amounts receivable from franchisees (note 12.2).

Sensitivity analysis of material concentrations of interest rate risk

Where material concentrations of interest rate risk exists within the Group, a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual interest rates the Group's financial instruments are subject to strengthened or weakened. At 2 July 2023, the total possible decrease in Group post-tax profit, calculated for all estimated interest rate movements, was R65 million. The estimated increase of 25 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R31 million. At 3 July 2022, the total possible decrease in Group post-tax profit, calculated for all estimated interest rate movements, was R61 million. The estimated increase of 175 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R52 million. These changes had no material effect on the Group's equity.

The amounts were calculated with reference to the financial instruments exposed to interest rate risk at the reporting date and does not reflect the Group's exposure throughout the reporting period, as these balances may vary significantly due to the self-funding nature of the Group's required working capital and cyclical nature of cash received from the sale of merchandise and payments to trade and other payables. The possible interest rate movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

41.4.3 Liquidity risk

The risk of illiquidity is managed by using cash flow forecasts, maintaining adequate unutilised banking facilities (2023: R4.8 billion; 2022: R6.5 billion) and unlimited borrowing powers. All unutilised facilities are controlled by the Group's treasury department in accordance with a treasury mandate as approved by the Board of Directors.

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants, calculated on the basis that IAS 17: Leases is still applied:

- › The leverage ratio (net debt to earnings before interest, income tax, depreciation and amortisation (EBITDA)) must not exceed 2.75 times;
- › The net finance costs cover ratio (EBITDA divided by net finance costs) must be a minimum of 3.5 times; and
- › The finance costs cover ratio (EBITDA divided by finance costs) must be a minimum of 3.5 times.

The Group has complied with these covenants throughout the reporting period. As at the reporting date, these ratios measured as follows:

	2023 times	2022 times
– Leverage	0.05	(0.02)
– Net finance costs cover	60.60	91.27
– Finance costs cover	14.46	21.72



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

41 Risk management and financial instrument disclosure continued

41.4 Financial risk management continued

41.4.3 Liquidity risk continued

The following table analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period, at the reporting date, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay and include both interest and principal cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Non-derivative financial liabilities	Book value Rm	Total Rm	Not later than one year Rm	Between one and two years Rm	Between two and five years Rm	Between five and ten years Rm	After ten years Rm
2023							
Lease liabilities ³²	35 582	58 250	6 061	6 017	16 247	19 213	10 712
Borrowings	6 368	7 366	1 111	3 921	2 334	—	—
Trade payables	16 737	16 737	16 737	—	—	—	—
Other payables and accruals excluding taxes payable and employee benefit accruals	4 636	4 636	4 636	—	—	—	—
Deposits and third-party payments liability	642	642	642	—	—	—	—
Refund liability	64	64	64	—	—	—	—
Bank overdrafts	6 604	6 604	6 604	—	—	—	—
Financial commitment	—	5	5	—	—	—	—
	70 633	94 304	35 860	9 938	18 581	19 213	10 712
2022							
Lease liabilities ³²	31 623	51 319	5 772	5 011	13 505	16 064	10 967
Borrowings	5 512	6 593	1 362	321	4 910	—	—
Trade payables	14 204	14 204	14 204	—	—	—	—
Other payables and accruals excluding taxes payable and employee benefit accruals	4 223	4 223	4 223	—	—	—	—
Deposits and third-party payments liability	528	528	528	—	—	—	—
Refund liability	55	55	55	—	—	—	—
Bank overdrafts	4 998	4 998	4 998	—	—	—	—
Financial commitment	—	541	541	—	—	—	—
	61 143	82 461	31 683	5 332	18 415	16 064	10 967

³² The maturity analysis of contractual undiscounted future lease payments include renewal options reasonably assured.

41.5 Insurance risk

The Group provides insurance products through its investment in insurance cell captive arrangements with the following terms and conditions:

- › Credit protection which covers the risk of the customer being unable to settle the terms of the Credit agreement as a result of death, disability or qualifying retrenchment.
- › All risk cover, which covers the repair or replacement of the product due to accidental loss or damage within the terms and conditions of the policy, and extended guarantees which covers the repair or replacement of faulty products as an extension of the suppliers' guarantees.

The Group is exposed to insurance risk through its investment in insurance cell captive arrangements. The insurance risk relates to the risk that there will be insufficient capital available to honour the claims made by the policyholders in the insurance cell captive arrangements.

The risk under any one insurance contract is the possibility that an insured event occurs as well as the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and unpredictable.

Within the insurance process, concentration risk may arise where a particular event or series of events could impact heavily on the Group's resources. The Group has not formally monitored the concentration risk; however, it has mitigated against concentration risk by structuring event limits in every policy to ensure that the probability is minimised. Therefore, the Group does not consider its concentration risk to be high.

42 Related party information

Related party relationships exist between the Company, subsidiaries, Directors, as well as their close family members, and key management of the Company.

During the year under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intergroup transactions have been eliminated in the consolidated annual financial statements on consolidation.

Details of the remuneration of Directors and share-based payment instruments issued to Directors, are disclosed in notes 17 and 27.

Details of the Directors' interests in ordinary and non-convertible, non-participating, non-transferable no par value deferred shares of the Company are provided in the Directors' report.

Key management personnel compensation	2023 Rm	2022 Rm
Short-term employee benefits	136	133
Post-employment benefits	4	4
Long-term incentive bonuses including share-based payments	57	42
Directors' fees	12	20
	209	199
During the year, key management have purchased goods at the Group's usual prices less a 15% discount. Discount ranging from 5% to 15% is available to all qualifying permanent full-time and flexi-time employees.		
During the financial year under review, in the ordinary course of business, certain companies in the Group entered into transactions with certain entities in which Director CH Wiese, or his close family members, have a significant influence. These transactions are insignificant in terms of the Group's total operations for the year.		
These transactions and related balances were as follows:		
Purchase of merchandise ³³	484	17
Rent paid ³⁴	60	50
Year-end balances owed by the Group ³³	235	—
³³ The increase in purchase of merchandise and year-end balances owed by the Group during the year relate to Premier Group Ltd becoming a related party owing to an increase in indirect ownership by Dr Wiese during March 2023.		
³⁴ Rent paid of R50 million omitted from the prior year is now presented in this note.		
The Group has a 39.1% interest in Resilient Africa (Pty) Ltd and Resilient Africa Managers (Pty) Ltd (refer to note 8).		
The following transactions took place between the Resilient Africa associates and the Group during the year under review:		
Interest received by the Group	62	56
The year-end balances relating to loans receivable from Resilient Africa (Pty) Ltd are disclosed in note 12.1.		
The Group has a 49.9% interest in Retail Logistics Fund (RF) (Pty) Ltd (refer to note 8).		
The following transactions took place between Retail Logistics Fund (RF) (Pty) Ltd and the Group during the year under review:		
Rent paid to associate ³⁵	278	233
Year-end balances owed by the Group	6	14
³⁵ An amount previously reported as rent paid to associate of R433 million is now reflected as R233 million.		
The Group entered into a sale and leaseback transaction on two of its distribution centres with Retail Logistics Fund (RF) (Pty) Ltd during the financial year. Refer to note 19.		
The Group has an interest in LBB Foods (Pty) Ltd (41.0%), Red Baron Agri (Pty) Ltd (41.0%), Trans Africa IT Solutions (Pty) Ltd (49.0%) and Zulzi On Demand (Pty) Ltd (26.0%) (refer to note 8).		



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

42 Related party information continued

	2023 Rm	2022 Rm
The following transactions took place between associates LBB Foods (Pty) Ltd, Red Baron Agri (Pty) Ltd, Trans Africa IT Solutions (Pty) Ltd, Zulzi On Demand (Pty) Ltd and the Group during the year under review:		
Purchase of merchandise	92	72
Services rendered by the associates	72	61
Year-end balances owed by the Group	1	3
The Group has a 50% interest in Pingo Delivery (Pty) Ltd (refer to note 8).		
The following transactions took place between Pingo Delivery (Pty) Ltd and the Group during the year under review:		
Delivery fees paid to joint venture	962	124

43 Comparative figures

Discontinued operations

Following the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (refer to note 33), comparative statement of comprehensive income figures have been restated. The adjustments recognised for each individual line item affected in the Group's consolidated statement of comprehensive income for the 52 weeks ended 3 July 2022 are detailed below.

	Previously reported 52 weeks 2022 Rm	Discontinued operations restatement 52 weeks 2022 Rm	Restated 52 weeks 2022 Rm
Sale of merchandise	184 078	(210)	183 868
Cost of sales	(139 017)	171	(138 846)
Gross profit	45 061	(39)	45 022
Other operating income	3 118	(2)	3 116
Interest revenue	544	—	544
Share of profit of equity accounted investments*	208	—	208
Depreciation and amortisation	(5 406)	22	(5 384)
Employee benefits	(14 788)	21	(14 767)
Credit impairment losses	(173)	—	(173)
Other operating expenses	(17 326)	38	(17 288)
Trading profit	11 238	40	11 278
Exchange rate losses	(260)	—	(260)
Profit on lease modifications and terminations	66	—	66
Items of a capital nature	(29)	—	(29)
Operating profit	11 015	40	11 055
Interest received from bank balances	270	—	270
Finance costs	(2 999)	6	(2 993)
Profit before income tax	8 286	46	8 332
Income tax expense	(2 556)	3	(2 553)
Profit from continuing operations	5 730	49	5 779
Profit/(loss) from discontinued operations (attributable to owners of the parent)	10	(49)	(39)
Profit for the year	5 740	—	5 740
Other comprehensive income, net of income tax	2 879	—	2 879
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment medical benefit obligations	2	—	2
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation differences from continuing operations	2 805	40	2 845
Foreign currency translation differences from discontinued operations	(8)	(40)	(48)
Release of foreign currency translation reserve on disposal of discontinued operations	18	—	18
Profit on effective net investment hedge, net of income tax	62	—	62
Total comprehensive income for the year	8 619	—	8 619

* Restated for the reclassification of the Group's share of profit of equity accounted investments. Refer to note 44 for details of the adjustments recognised for each individual line item.

43 Comparative figures continued

Discontinued operations continued

	Previously reported 52 weeks 2022 Rm	Discontinued operations restatement 52 weeks 2022 Rm	Restated 52 weeks 2022 Rm
Profit attributable to:			
Owners of the parent	5 711	—	5 711
Non-controlling interest	29	—	29
Total comprehensive income attributable to:	8 619	—	8 619
Owners of the parent	8 590	—	8 590
Non-controlling interest	29	—	29
Total comprehensive income attributable to owners of the parent arises from:	8 590	—	8 590
Continuing operations	8 570	89	8 659
Discontinued operations	20	(89)	(69)
Earnings per share for profit from continuing operations attributable to owners of the parent:			
Basic earnings per share from continuing operations (cents)	1 046.5	9.0	1 055.5
Diluted earnings per share from continuing operations (cents)	1 039.7	8.9	1 048.6
Headline earnings per share from continuing operations (cents)	1 055.0	8.9	1 063.9
Diluted headline earnings per share from continuing operations (cents)	1 048.1	8.8	1 056.9
Earnings per share for profit attributable to owners of the parent:			
Basic earnings per share (cents)	1 048.3	—	1 048.3
Diluted earnings per share (cents)	1 041.5	—	1 041.5
Headline earnings per share (cents)	1 056.3	—	1 056.3
Diluted headline earnings per share (cents)	1 049.4	—	1 049.4

44 Reclassification of disclosure items

Certain reclassifications of statement of comprehensive income items and statement of cash flows in the current year resulted in changes to the relevant comparative information to ensure accurate comparability with the current year information. The affected line items are detailed below.

The Group's share of profit of equity accounted investments, previously included in profit before income tax, was reclassified during the year under review and is now presented within trading profit. This reclassification ensures that the Group's share of profit of equity accounted investments, forming an integral part of the Group's operations, is presented as part of trading profit on the statement of comprehensive income.

	52 weeks 2022 Rm
Statement of comprehensive income	
Increase in trading and operating profit	208
Profit for the period	—
Statement of cash flows	
Increase in operating profit	208
Decrease in non-cash items	(208)
Cash flows from operating activities	—


Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 2 July 2023

45 South Africa's social unrest

At the beginning of July 2021, the South African provinces of KwaZulu-Natal and Gauteng experienced extreme social unrest, manifesting in wide scale looting and destruction of infrastructure. The Group's Durban based KwaZulu-Natal fresh foods distribution centre was partially looted and the Pietermaritzburg Furniture distribution centre incurred fire damage. As a result of this direct impact, the Group took precautionary measures which included the closing of a considerable number of stores operating in the KwaZulu-Natal province and in its central Gauteng region during that same week. All of these stores that were closed on a precautionary basis have since re-opened, as has the Durban based distribution centre. This event resulted in 231 stores being impacted of which 177 have been classified as looted and 54 as having fire damage. At the reporting date, 171 (2022: 166) of the 177 looted stores and 39 (2022: 28) of the 54 fire damaged stores, have since re-opened. The decision was made that 13 stores will not be re-opened. The final settlement was received during the year, which resulted in the Group having received a total amount of R1.8 billion (2022: R1.6 billion) from Sasria and the Group riot wrap insurance policy. Refer to note 37 relating to the contingent assets in the prior year.

The analysis below details the loss of assets impact on the carrying amounts in the Group's statement of financial position and results of cash flows for the current and prior year. This excludes the impact of additional expenses incurred to become operational in the stores and to safeguard our assets.

	Loss incurred Rm	Insurance recoveries Rm	Nett impact Rm
2022			
Inventory write-downs (included in cost of sales)	(968)	968	—
Cash on hand write-offs (included in cost of sales)	(19)	12	(7)
Property write-downs (included in items of a capital nature)	(100)	100	—
Equipment, fixtures and fittings written off (included in items of a capital nature)	(162)	471	309
Insurance claim relating to loss of profits (included in other operating income)	—	22	22
Insurance claim relating to loss of rental (included in other operating income)	—	23	23
Total impact on statement of comprehensive income (operating profit)	(1 249)	1 596	347
Proceeds received from insurance claims		(1 584)	
Property, plant and equipment		(564)	
Inventory		(966)	
Cash on hand		(12)	
Loss of profits		(21)	
Loss of rental		(21)	
Outstanding insurance claims included in trade and other receivables		12	
2023			
Insurance claim relating to loss of profits (included in other operating income)	—	244	244
Total impact on statement of comprehensive income (operating profit)	—	244	244
Proceeds received from insurance claims		(256)	
Property, plant and equipment		(7)	
Inventory		(2)	
Loss of profits		(245)	
Loss of rental		(2)	
Outstanding insurance claims included in trade and other receivables		—	

46 Events after the reporting date
46.1 Sale and leaseback of Sun Valley Mall

The Group signed an agreement during December 2022 with Heriot REIT Ltd to sell and lease back the Sun Valley Mall. Competition Commission approval was received during July 2023 and the Group is waiting on the transfer to be registered at the deeds office.

47 Going concern

The Board of Directors evaluated the going concern assumption as at 2 July 2023, taking into account the current financial position and their best estimate of the cash flow forecasts and considered it to be appropriate in the presentation of these consolidated annual financial statements.

The Board has reviewed the cash flow forecast for the next 12 months and is of the opinion that the Group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied with the Group's ability to continue as a going concern for the foreseeable future.

Financial covenants:

As at the reporting date, the Group had unutilised banking facilities of R4.8 billion and is well within the financial covenants with its various financiers. Refer to note 41.4.3.



Company annual financial statements

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Separate statement of financial position

Shoprite Holdings Ltd as at 2 July 2023

	Notes	2023 Rm	2022 Rm
Assets			
Non-current assets			
Investments in subsidiaries	2	10 814	12 669
Deferred income tax assets	4	10 813	12 667
		1	2
Current assets			
Trade and other receivables	5	2 513	3 476
Current income tax assets		14	1
Amounts receivable from subsidiaries	2	4	—
Cash and cash equivalents		71	1 351
		2 424	2 124
Total assets			
		13 327	16 145
Equity			
Capital and reserves attributable to owners of the parent			
Stated capital	6	7 516	7 516
Retained earnings		5 781	8 589
Total equity			
		13 297	16 105
Liabilities			
Current liabilities			
Trade and other payables	7	30	40
Current income tax liabilities		30	18
		—	22
Total liabilities			
		30	40
Total equity and liabilities			
		13 327	16 145

Separate statement of comprehensive income

Shoprite Holdings Ltd for the year ended 2 July 2023

	Notes	52 weeks 2023 Rm	52 weeks 2022 Rm
Dividend income from unlisted share investments		2 696	5 585
Interest received from subsidiaries		8	44
Guarantee fees		5	46
Other revenue		2	2
Revenue			
		2 711	5 677
Expenses	9	(58)	(54)
Impairment losses	10	(1 834)	—
Profit before interest received from bank account balances			
Interest received from bank account balances		819	5 623
Profit before income tax			
Income tax expense	11	56	32
		875	5 655
Profit for the year			
		(46)	(60)
		829	5 595
Total comprehensive income for the year			
		829	5 595



Separate statement of changes in equity

Shoprite Holdings Ltd for the year ended 2 July 2023

Rm	Total equity	Stated capital	Retained earnings
Balance at 4 July 2021	13 975	7 516	6 459
Total comprehensive income			
Profit for the year	5 595	—	5 595
Dividends distributed to shareholders	(3 465)	—	(3 465)
Balance at 3 July 2022	16 105	7 516	8 589
Total comprehensive income			
Profit for the year	829	—	829
Dividends distributed to shareholders	(3 637)	—	(3 637)
Balance at 2 July 2023	13 297	7 516	5 781

Separate statement of cash flows

Shoprite Holdings Ltd for the year ended 2 July 2023

	Notes	2023 Rm	2022 Rm
Cash flows (utilised by)/from operating activities		(1 135)	2 098
Profit before interest received from bank account balances		819	5 623
Less: investment income and interest revenue earned		(2 704)	(5 629)
Non-cash items	13.1	1 834	—
Changes in working capital	13.2	90	4
Cash generated from/(utilised by) operations		39	(2)
Interest received		44	31
Dividends received		2 496	5 585
Dividends paid	13.3	(3 642)	(3 461)
Income tax paid	13.4	(72)	(55)
Cash flows from investing activities		1 435	4
Amounts paid to subsidiaries		(2 114)	(5 649)
Amounts received from subsidiaries		3 549	5 653
Net movement in cash and cash equivalents		300	2 102
Cash and cash equivalents at the beginning of the year		2 124	22
Cash and cash equivalents at the end of the year	15.3.1(b)	2 424	2 124



Notes to the separate annual financial statements

Shoprite Holdings Ltd for the year ended 2 July 2023

1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those applied in the previous year, except where the Company has applied new accounting policies or adopted new accounting standards effective for year-ends starting on or after 1 January 2022.

The Company's separate financial statements were authorised for issue by the Board of Directors on 29 September 2023. Other than the facts in the annual financial statements, there have been no material changes in the affairs or financial position of the Company from 2 July 2023 that have an impact on the financial results or disclosures in these annual financial statements.

1.1 Basis of preparation

The Company reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly, the results for the financial year under review are for a 52-week period, ended 2 July 2023, compared to 52 weeks in the previous financial year.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Limited Listings Requirements and the requirements of the South African Companies Act, 71 of 2008. The financial statements are prepared under the historical cost convention. The financial statements are prepared on a going concern basis.

1.1.1 Use of judgements, assumptions and estimates

1.1.1.1 Judgements

The preparation of the financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the Company's accounting policies.

1.1.1.2 Assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. The most significant assumptions and estimates used in applying the Company's accounting policies relate to the following:

a) **Allowance for expected credit losses (ECL) on financial assets:** The Company assesses on a forward-looking basis the ECL associated for all debt instruments not held at fair value through profit or loss (FVPL) and the Company recognises an allowance for ECL for these financial assets. The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses its judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Company's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 15.3.1.

All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying amount of assets and liabilities that are not readily apparent from other sources. 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 and any affected future periods.

1.2 Investments in subsidiaries

Subsidiaries are entities (including structured entities) which are, directly or indirectly, controlled by the Company. Control is established where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The nature and effect of existing rights that give the Company the current ability to direct the relevant activities of the entity are considered when assessing whether the Company controls another entity.

The Company's investments in the ordinary shares of its subsidiaries are carried at cost less impairment losses and, if denominated in foreign currencies, are translated at historical rates. Purchases and sales of these investments are recognised on the trade date at cost, including transaction costs.

1.3 Investments in associates

Associates are those entities over which the Company exercises significant influence but not control. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting rights of another entity.

The Company's investments in the ordinary shares of its associates are carried at cost less impairment losses and, if denominated in foreign currencies, are translated at historical rates. Purchases and sales of these investments are recognised on the trade date at cost, including transaction costs.

1 Accounting policies continued

1.4 Other financial instruments

1.4.1 Initial recognition and measurement

Financial instruments recognised on the statement of financial position include trade and other receivables, amounts receivable from subsidiaries, cash and cash equivalents and trade and other payables.

These financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is measured at fair value including directly attributable transaction costs for financial instruments not measured at FVPL. Transaction costs of financial instruments carried at FVPL are expensed in profit or loss.

1.4.2 Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled, expires or when a substantial modification of the terms occurs.

1.4.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.4.4 Classification and subsequent measurement

Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost.

The classification and subsequent measurement of debt investments depend on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, using the effective interest rate method, less allowance made for impairment of these assets.

Interest income from these financial assets is calculated by applying the effective interest rate to the gross carrying amount, except for:

- › Purchased or originated credit-impaired financial assets. For these financial assets the Company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; and
- › Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For these financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Any gain or loss arising on derecognition, modification or impairment is recognised directly in profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those financial assets changes.

The following debt investments are measured at amortised cost in terms of the Company's business model of holding these financial assets to collect solely payments of principal and interest:

- a) **Trade and other receivables:** Trade and other receivables consist mainly of interest accrued.
- b) **Amounts receivable from subsidiaries:** Amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a subsidiary with no intention of trading the receivable. The Company holds the amounts receivable with the objective to collect contractual cash flows and the contractual terms of the amounts receivable are solely payments of principal and interest. These financial assets are included under current assets unless it matures later than 12 months after the reporting date. Interest on amounts receivable is recognised in the statement of comprehensive income as part of interest received from subsidiaries.
- c) **Cash and cash equivalents:** Cash comprises cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Interest on cash and cash equivalents is recognised in the statement of comprehensive income as interest received from bank account balances.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities measured at amortised cost on the statement of financial position include trade and other payables.

- d) **Trade and other payables:** Trade and other payables mainly comprise of other payables and accruals and are short-term in nature.

Non-convertible, non-participating, non-transferable no par value deferred shares, which are mandatorily acquirable on a specific date, are classified as other payables.



Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 2 July 2023

1 Accounting policies continued

1.4 Other financial instruments continued

1.4.4 Classification and subsequent measurement continued

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under IFRS 9: Financial Instruments; and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third-party for assuming the obligations.

1.4.5 Impairment

The Company assesses on a forward-looking basis the ECL associated for all debt instruments not held at FVPL and the Company recognises an allowance for ECL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk (SICR).

The Company has the following types of financial assets measured at amortised cost that are subject to impairment under the general impairment approach:

- › Other receivables
- › Amounts receivable from subsidiaries
- › Cash and cash equivalents

General impairment approach

The Company applies the general impairment approach to measure ECL for other receivables, amounts receivable from subsidiaries and cash and cash equivalents. The Company assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

In the event of a SICR since initial recognition, the Company recognises an allowance (or provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a SICR are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'.

The measurement of ECL under the general impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Company. The probability-weighted outcome incorporates the probability of default (PD), exposure at default (EAD), timing of when default is likely to occur and loss given default (LGD).

The Company recognises in profit or loss, as an impairment loss or reversal, the amount of ECL (or reversal) that is required to adjust the loss allowance at the end of the reporting period. When a receivable is uncollectible, it is written off against the allowance for impairment for that receivable. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

Note 15.3.1 provides more detail on how the Company determines a SICR and how the expected credit loss allowance is measured.

1.5 Stated capital

Ordinary shares, including incremental costs directly attributable to the issue of new shares, are both classified as equity.

1.6 Revenue

Revenue is recognised as follows:

1.6.1 Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

1.6.2 Effective interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for financial assets that have subsequently become credit-impaired (or "stage 3") for which interest revenue is calculated by applying the effective interest rate to their net carrying amount (i.e. gross carrying amount less impairment provision). The effective interest rate calculation does not consider ECL but includes initiation fees as they are integral to the effective interest rate.

1.6.3 Guarantee fees

Guarantee fees are recognised over the period of the financial guarantee contract at a percentage of the amount guaranteed.

1 Accounting policies continued

1.7 Current and deferred income tax

The income tax expense for the period comprises current income tax. Income tax is recognised in the statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A change in tax rate from 28% to 27% was substantively enacted on 23 February 2022 for the reporting periods ending on or after 31 March 2023.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

Deferred income tax liabilities are recognised on taxable temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

1.8 Dividends distributed to shareholders

Dividends are accounted for on the date they have been declared by the Company.

1.9 Related parties

Individuals, as well as their close family members, or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled in a joint venture. Key management personnel are defined as all Directors of Shoprite Holdings Ltd.

1.10 Standards, interpretations and amendments that are not yet effective as at 2 July 2023

The Company has considered the following new standards, interpretations and amendments to existing standards, which are relevant to the Company's operations and had been issued by the reporting date, but are not yet effective as at 2 July 2023:

Number	Title	Effective for year ending
Amendments to IAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants	2025
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	2024

The Company has not early adopted any of the above. The application thereof in future financial periods is not expected to have a significant impact on the Company's reported results, financial position and cash flows.

1.11 New standards, interpretations and amendments effective for the year ended 2 July 2023

The following amendments to existing standards are effective for the year ended 2 July 2023:

Number	Title
Amendments to IFRS 3	Business Combinations (Reference to the Conceptual Framework)



Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 2 July 2023

	2023 Rm	2022 Rm
2 Interests in subsidiaries		
Investments in subsidiaries (note 2.1)	10 813	12 667
Amounts receivable from subsidiaries (note 2.2)	71	1 351
	10 884	14 018
Analysis of total interests in subsidiaries:		
Non-current	10 813	12 667
Current	71	1 351
	10 884	14 018
Details of interests in subsidiaries are disclosed in Annexure A.		
2.1 Investments in subsidiaries		
Cost	17 793	17 812
Accumulated impairment	(6 980)	(5 145)
	10 813	12 667
Reconciliation of investment in subsidiaries:		
Balance at the beginning of the year	12 667	12 167
(Decrease)/increase in investments in subsidiaries ¹	(20)	500
Impairment of investments in subsidiaries	(1 834)	—
Balance at the end of the year	10 813	12 667

¹ The current year decrease in investment is due to the deregistration of a subsidiary. The prior year increase in investment in Shoprite International Ltd was paid for by a subsidiary company, namely Shoprite Checkers (Pty) Ltd.

During the current financial year the Company's investment in Shoprite International Ltd was assessed and deemed to be impaired. The recoverable amount of R9.1 billion was determined by reference to the investment's fair value less costs of disposal (level 3 within the fair value hierarchy). The impairment was due to constrained future growth expectations in the countries where Shoprite International Ltd's subsidiaries trade. Furthermore, the majority of the countries' local currencies depreciated against the US dollar from the end of the prior financial year to the end of the current financial year, decreasing the US dollar value of the denominated subsidiary.

Impairment methodology

The Company considers its investment in subsidiaries for impairment at each reporting date. The investments' carrying amounts are written down to its recoverable amounts if the investments' carrying amounts are greater than its estimated recoverable amounts. Shoprite International Ltd is the holding company of the majority of the Group's retail and property investments outside of South Africa. Shoprite International Ltd's investment in each country is seen as a separate cash-generating unit (CGU).

The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal.

Each CGU is assessed at the reporting date to determine if any indicators of impairment have been identified.

Value-in-use

The cash flow projections used in value-in-use calculations are based on financial budgets, approved by management, covering five-year planning periods. Cash flow projections are derived from an analysis of historic performance and knowledge of the current market, together with the Company's views on the future achievable growth and the impact of committed initiatives, the results of which are reviewed by management. Cash flows beyond these planning periods are extrapolated into the future over the useful life of the CGU, using a steady long-term growth rate which is derived from inflation and GDP growth forecasts by recognised bodies and does not exceed the long-term average growth rate for the industry and country in which the CGUs operate.

In determining the value-in-use of each CGU, projected cash flows are discounted using the entity-specific pre-tax discount rate which includes an adjustment for risks, specific to the country in which a CGU operates. The value of properties is determined by using the capitalisation rate per country.

Fair value less costs of disposal

In determining the fair value less costs of disposal, the net asset value along with fair value excess of land and buildings of the CGU is considered.

2 Interests in subsidiaries continued

2.1 Investments in subsidiaries continued

Key assumptions

The key assumptions in the value-in-use calculations are the expected trading profit growth rate (2022: sales growth rates), long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the country's weighted average cost of capital. The rates are calculated by taking into account the cost of equity and borrowings, excluding the cost of leasing, to which specific market-related premium adjustments are made for each country.

For fair value less costs of disposal calculations of land and buildings, the key assumption is the market capitalisation rate used.

The following table sets out the key assumptions applied in determining the recoverable amount of each CGU, summarised by geographical region:

	Discount rate		Trading profit growth rate		Sales growth rate		Long-term growth rate		Market capitalisation rate	
	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Angola	29.3	25.4	14.3	15.4	14.3	15.4	19.0	19.0	19.0	19.0
Botswana	11.4	7.3	9.0	9.1	9.0	7.3	—	—	—	—
Ghana	42.5	22.7	19.7	14.2	19.7	14.2	32.0	32.0	32.0	32.0
Malawi	39.8	25.2	16.2	12.1	16.2	12.1	13.0	13.0	13.0	13.0
Mozambique	29.0	24.0	14.1	13.3	14.1	13.3	19.0	19.0	19.0	19.0

2.2 Amounts receivable from subsidiaries

Amounts receivable from subsidiaries of the Company are unsecured and payable on demand. Amounts owing by Shoprite Financial Services Ltd (previously Shoprite Investments Ltd) earns interest at an average rate of 7.5% (2022: 4.6%). All other amounts owing by subsidiaries are interest-free.

Amounts receivable from subsidiaries of the Company are considered to have low credit risk where they have a low risk of default and the subsidiary has a strong capacity to meet its contractual cash flow obligations in the near term. The majority of amounts receivable from subsidiaries is receivable from the Company's main trading subsidiary, Shoprite Checkers (Pty) Ltd, and Shoprite Financial Services Ltd which are both in good financial standing.

The maximum exposure to credit risk at the reporting date is the carrying amount. None of the amounts receivable from subsidiaries are either past due or impaired.

	2023 Rm	2022 Rm
3 Investments in associates		
The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Company. These are private companies and no quoted market prices are available for its shares.		
	% Owned by the Company	
	2023	2022
Resilient Africa (Pty) Ltd	39.1%	39.1%
Resilient Africa Managers (Pty) Ltd	39.1%	39.1%
	—	—
There are no contingent liabilities relating to the Company's interests in associates.		
4 Deferred income tax assets		
Provisions and accruals	1	2
Net deductible temporary differences to be recovered within 12 months	1	2
5 Trade and other receivables		
Interest accrued	12	1
Indirect taxes receivable	2	—
	14	1


Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 2 July 2023

	2023 Rm	2022 Rm
6 Stated capital		
Stated capital	7 516	7 516
Authorised: 1 300 000 000 (2022: 1 300 000 000) no par value ordinary shares		
Issued: 591 338 502 (2022: 591 338 502) no par value ordinary shares		
Details of the beneficial shareholders holding 5.0% or more of the total issued shares are disclosed in Annexure B.		
The unissued ordinary shares are under the control of the Directors who may issue them on such terms and conditions as they deem fit until the Company's next Annual General Meeting.		
All shares are fully paid up.		
Details of special resolutions passed by the Company during the reporting period are provided in the Directors' report.		
7 Trade and other payables		
Other payables and accruals	30	18
7.1 Deferred shares		
Authorised: 720 000 000 (2022: 720 000 000) non-convertible, non-participating, non-transferable no par value deferred shares		
Issued: 305 621 601 (2022: 305 621 601) non-convertible, non-participating, non-transferable no par value deferred shares	–	–
The deferred share liability of R0.3 million (2022: R0.3 million) is included in other payables at the reporting date.		
All shares are fully paid up.		
In terms of the transaction agreement concluded between the Company, Thibault Square Financial Services (Pty) Ltd and Titan Premier Investments (Pty) Ltd on 18 April 2019, the voting rights attached to 40 652 489 deferred shares held by Thibault Square Financial Services (Pty) Ltd will remain restricted whilst all the required approvals are obtained to enable the acquisition of these deferred shares as required in the Memorandum of Incorporation (MOI) of the Company. All other deferred shares carry the same voting rights as the ordinary shares.		
The deferred shares are not convertible into shares of any other class, are not entitled to participate in any profits of the Company and no dividends may be declared or paid in respect of these shares. The holder of these shares is entitled to be present at any meeting of the Company and is entitled on a poll to one vote in respect of every share held.		
The Company shall proportionally acquire deferred shares in relation to the extent to which the shareholder disposes of his interest in ordinary shares in the Company. The Company shall acquire all issued deferred shares, should the shareholder's interest in ordinary shares become less than 10%. These shares are not listed on any stock exchange.		
Subject to certain limitations, the unissued deferred share capital is under the control of the Directors, who may issue it under predetermined circumstances as set out in the MOI of Shoprite Holdings Ltd.		

	2023 Rm	2022 Rm
8 Directors' remuneration		
Executive Directors	81	70
Non-executive Directors	12	20
	93	90
Less: paid by subsidiaries	(81)	(70)
	12	20
Refer to notes 17 and 27 of the consolidated annual financial statements for details of share-based payment instruments issued to Directors' and Directors' remuneration.		
9 Expenses		
Fees for professional services	36	28
Other expenses	22	26
	58	54
10 Impairment losses		
Impairment of investments in subsidiaries (note 2.1)	1 834	–
11 Income tax expense		
11.1 Consisting of:		
Current income tax	46	60
	%	%
11.2 Reconciliation of the effective tax rate		
South African current income tax at 27% (2022: 28%)	27.0	28.0
Net adjustments	(21.5)	(26.9)
Dividend income	(83.2)	(27.6)
Non-deductible expenses ²	61.7	0.7
Effective tax rate	5.5	1.1
² Non-deductible expenses mainly comprise of legal and professional fees as well as the current year impairment of subsidiary investments.		
	cents	cents
12 Dividends per share		
12.1 Dividends per share paid		
No. 147 paid 3 October 2022 (2022: No. 145 paid 4 October 2021)	367.0	353.0
No. 148 paid 11 April 2023 (2022: No. 146 paid 11 April 2022)	248.0	233.0
	615.0	586.0
12.2 Dividends per share declared		
No. 149 payable 2 October 2023 (2022: No. 147 paid 3 October 2022)	415.0	367.0


Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 2 July 2023

	2023 Rm	2022 Rm
13 Cash flow information		
13.1 Non-cash items		
Impairment of investments in subsidiaries	1 834	—
13.2 Changes in working capital		
Trade and other payables	90	4
13.3 Dividends paid		
Shareholders for dividends at the beginning of the year	(18)	(14)
Dividends distributed to equity holders	(3 637)	(3 465)
Shareholders for dividends at the end of the year	13	18
	(3 642)	(3 461)
13.4 Income tax paid		
Payable at the beginning of the year	(22)	(17)
Per statement of comprehensive income	(46)	(60)
(Receivable)/payable at the end of the year	(4)	22
	(72)	(55)

14 Borrowing powers

In terms of the Memorandum of Incorporation of the Company the borrowing powers of Shoprite Holdings Ltd are unlimited.

15 Risk management and financial instrument disclosure

The Board is accountable for the process of risk management, establishing appropriate risk and control policies, and communicating these throughout the Company. The Company follows the Shoprite Holdings Ltd Group's risk management policies which are designed to identify risks faced by the Group and establish appropriate controls and limits to mitigate the risk to acceptable levels. The Audit and Risk Committee of the Group oversees how management monitors compliance with these risk and control policies.

This note discloses information about the Company's capital risk management and exposure to risks from its use of financial instruments.

15.1 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is considered to be equity as shown in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

15.2 Fair value of financial instruments

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

- Level 1:** Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2:** Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).
- Level 3:** Measurements are done by reference to inputs that are not based on observable market data.

All financial instruments held by the Company are measured at amortised cost.

The book value of all financial assets and liabilities approximate the fair values thereof.

15 Risk management and financial instrument disclosure continued

15.3 Financial risk management

The Company's activities expose it to a variety of financial risks which include the effects of changes on debt and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investing excess liquidity.

15.3.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Potential concentration of credit risk consists primarily of amounts receivable from subsidiaries, cash and cash equivalents as well as financial guarantee contracts.

The Company's financial assets measured at amortised cost are subject to impairment under the ECL model. The inputs, assumptions and estimation techniques used in measuring ECL are explained below.

Measurement of ECL in terms of the general model for impairment

ECL are measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the probability of default (PD) and exposure at default (EAD).

- › The PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- › The EAD is based on the amounts the Company expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD).
- › The Company calculates loss given default (LGD) as discounted EAD.

These three components are multiplied together. This effectively calculates the ECL which is then discounted back to the reporting date, using the original effective interest rate, and aggregated. ECL is a probability-weighted outcome.

The 12-month and lifetime EADs are determined based on the PD, which varies by type of financial asset.

SICR in terms of the general model for impairment

The Company considers financial assets subject to assessment for ECL in terms of the general model for impairment to have experienced a SICR since the time of initial recognition when one or more of the following quantitative, qualitative or backstop criteria have been met. The SICR assessment happens on a bi-annual basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

Quantitative criteria

Where the counterparty has not met its minimum contractual obligations for at least one month.

Qualitative criteria

The Company considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- › Internal and external credit ratings;
- › Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- › Changes in general economic and/or market conditions;
- › Changes in the amount of financial support available to the counterparty;
- › Expected or potential breaches of covenants; and
- › Expected delay in payment.


Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 2 July 2023

15 Risk management and financial instrument disclosure continued

15.3 Financial risk management continued

15.3.1 Credit risk continued

a) Amounts receivable from subsidiaries

The following table reflects the maximum exposure to credit risk on amounts receivable from subsidiaries at the reporting date:

Internal credit rating category	Basis of reconciliation of ECL allowance	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
2023					
Stage 1	12-month ECL	0.0%	71	—	71
2022					
Stage 1	12-month ECL	0.0%	1 351	—	1 351

Internal credit rating categories are determined as follows:

- › **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
- › **Underperforming (stage 2):** Receivables for which there is a SICR. A SICR is presumed if interest and/or principle repayments are 30 days past due.
- › **Non-performing (stage 3):** Interest and/or principal repayments are 90 days past due.

b) Cash and cash equivalents

The Company uses rated South African financial institutions as its bankers and has policies that limit the amount of credit exposure to any one financial institution.

ECL of cash and cash equivalents are calculated in terms of the general model for impairment. All cash and cash equivalents were determined to be in stage 1 as the counterparties have low risk of default and a strong capacity to meet contractual cash flows. There was no SICR of the Company's cash and cash equivalents. ECL were therefore limited to 12-month expected losses and the identified impairment loss was immaterial.

The table below shows the cash invested at the reporting date at financial institutions grouped per Moody's short-term credit rating of the financial institutions.

	National scale	Global scale	2023 Rm	2022 Rm
Standard Bank	P-1	NP	2 424	2 124

c) Financial guarantee contracts

The Company has guaranteed various revolving credit facilities of R24.0 billion (2022: R25.0 billion) in favour of its subsidiaries.

The fair value of these guarantees is estimated at R46 million (2022: R52 million) at the reporting date. The guarantees have also been disclosed as part of the liquidity risk hereafter. Financial guarantees are kept to an operational minimum and reassessed regularly. The maximum potential exposure to credit risk under financial guarantee contracts amounts to R24.0 billion (2022: R25.0 billion).

15 Risk management and financial instrument disclosure continued

15.3 Financial risk management continued

15.3.2 Market risk
Cash flow and fair value interest rate risk

The Company's interest rate risk arises mainly from daily call accounts. The Company does not account for any fixed rate financial assets or liabilities at FVPL and therefore a change in interest rates at the reporting date would not affect profit or loss.

Daily call accounts and bank overdrafts carry interest at rates fixed on a daily basis and expose the Company to cash flow interest rate risk. The Company analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing, reinvesting and/or renewal/cancellation of existing positions and alternative investing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 7.4% (2022: 4.6%).

15.3.3 Liquidity risk

The risk of illiquidity is managed by using cash flow forecasts and unlimited borrowing powers. The unlimited borrowing powers are controlled by the Company's treasury department in accordance with a treasury mandate as approved by the Board of Directors.

The following table analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Company can be required to pay and include both interest and principal cash flows. All the balances are due within 12 months and equal their carrying balances as the impact of discounting is not significant.

Non-derivative financial liabilities	Book value Rm	Not later than one year Rm
2023		
Other payables and accruals excluding taxes payable and employee benefit accruals	30	30
Financial guarantees	—	23 974
	30	24 004
2022		
Other payables and accruals excluding taxes payable and employee benefit accruals	18	18
Financial guarantees	—	24 974
	18	24 992

16 Related party information

Related party relationships exist between the Company, subsidiaries, Directors, as well as their close family members, and key management of the Company.

Details of the remuneration of Directors are disclosed in note 8.

Details of the Directors' interests in ordinary and non-convertible, non-participating, non-transferable no par value deferred shares of the Company are provided in the Directors' report.

Details of the Company's interests in subsidiaries are provided in note 2 and Annexure A.

The Company paid dividends of R275 million (2022: R247 million) to Shoprite Checkers (Pty) Ltd during the year under review.

	2023 Rm	2022 Rm
The Company received the following from its subsidiaries:		
Annual administration fee received from Shoprite Checkers (Pty) Ltd	2	2
Dividends received from Shoprite Checkers (Pty) Ltd	2 496	5 325
Dividends received from Shoprite Insurance Company Ltd	—	260
Dividends received from Rogel Wholesalers (Pty) Ltd	200	—
Guarantee fee received from Shoprite International Ltd	3	37
Guarantee fee received from Retail Holdings Botswana (Pty) Ltd	2	9
Interest received from Shoprite Financial Services Ltd	8	44



Annexures

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Annexure B – Shareholder analysis	133





Annexure A – Interests in subsidiaries

Shoprite Holdings Ltd as at 2 July 2023

Country of incorporation and place of business	Issued ordinary and preference share capital and premium	Percentage shares held by Group	Investment in shares		Amount owing by		
			2023	2022	2023	2022	
			Rm	Rm	Rm	Rm	
Direct subsidiaries							
Shoprite Checkers (Pty) Ltd	South Africa	2 017	100	174	174	66	332
Shoprite DTMC (Pty) Ltd	South Africa*	1 187	100	1 187	1 187	—	—
Shoprite Financial Services Ltd (previously Shoprite Investments Ltd)	South Africa	400	100	400	400	—	970
Shoprite International Ltd	Mauritius*	16 030	100	9 051	10 886	3	40
Shoprite Insurance Company Ltd	South Africa	1	100	1	20	—	—
				10 813	12 667	69	1 342
Indirect subsidiaries							
Africa Supermarkets Ltd	Zambia*	657	100				
Checkers (Chatsworth) Ltd**	South Africa	2	48				
Computicket (Pty) Ltd	South Africa	69	100				
Mercado Fresco de Angola, Lda	Angola*	801	100				
OK Bazaars (Lesotho) (Pty) Ltd**	Lesotho*	—	50				
OK Bazaars (Namibia) Ltd	Namibia*	1	100				
OK Bazaars (Swaziland) (Pty) Ltd	Eswatini*	—	100				
OK Bazaars (Venda) Ltd**	South Africa	2	50				
Rainmaker Services (Pty) Ltd	South Africa	1 256	100				
Retail Holdings Botswana (Pty) Ltd	Botswana*	370	100			2	9
Shoprite Angola Imobiliária, Lda	Angola*	1 971	100				
Shoprite Ghana (Pty) Ltd	Ghana*	108	100				
Shoprite Lesotho (Pty) Ltd	Lesotho*	—	100				
Shoprite Mozambique, Lda	Mozambique*	149	100				
Shoprite Namibia (Pty) Ltd	Namibia*	470	100				
Shoprite Supermarkets (Pty) Ltd	South Africa	646	100				
Shoprite Supermercados, Lda	Angola*	1 262	100				
Shoprite Trading Ltd	Malawi*	190	100				
				10 813	12 667	71	1 351

* Investments in subsidiaries with functional currencies other than South Africa rand are converted at historical exchange rates.

** Non-controlling interests in respect of these subsidiaries are not material.

Note:

General information in respect of subsidiaries is set out in respect of only those subsidiaries of which the financial position or results are material for a proper appreciation of the affairs of the Group. A full list of subsidiaries is available on request.

Annexure B – Shareholder analysis

Shoprite Holdings Ltd as at 2 July 2023

Shareholder spread	No. of shareholdings	%	No. of shares	%
1 – 1 000 shares	44 677	85.82	8 937 608	1.52
1 001 – 10 000 shares	5 796	11.13	16 052 696	2.71
10 001 – 100 000 shares	1 167	2.24	38 080 632	6.44
100 001 – 1 000 000 shares	351	0.67	97 595 251	16.50
Over 1 000 001 shares	72	0.14	430 672 315	72.83
Totals	52 063	100.00	591 338 502	100.00

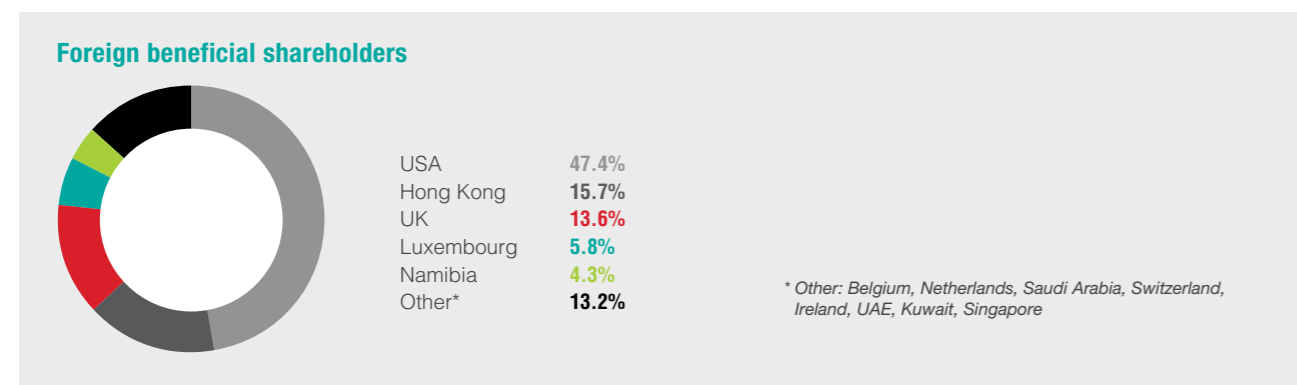
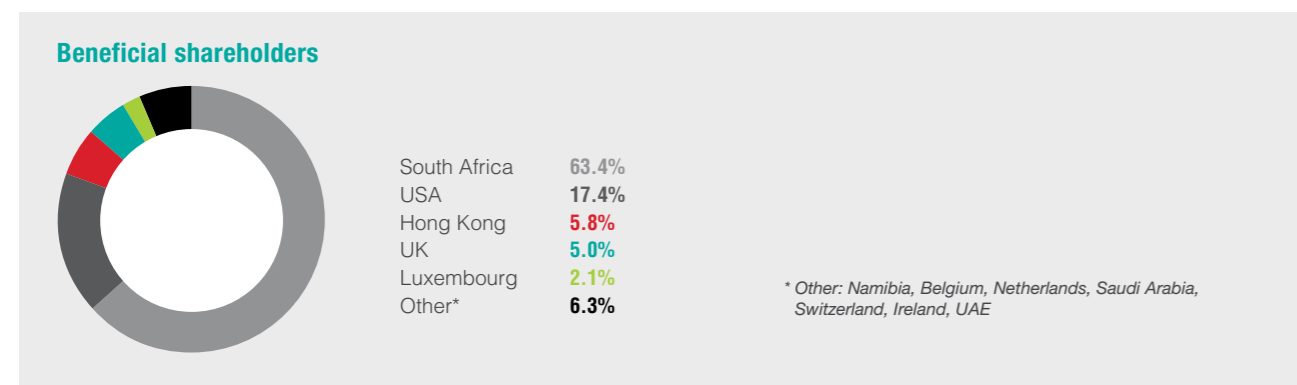
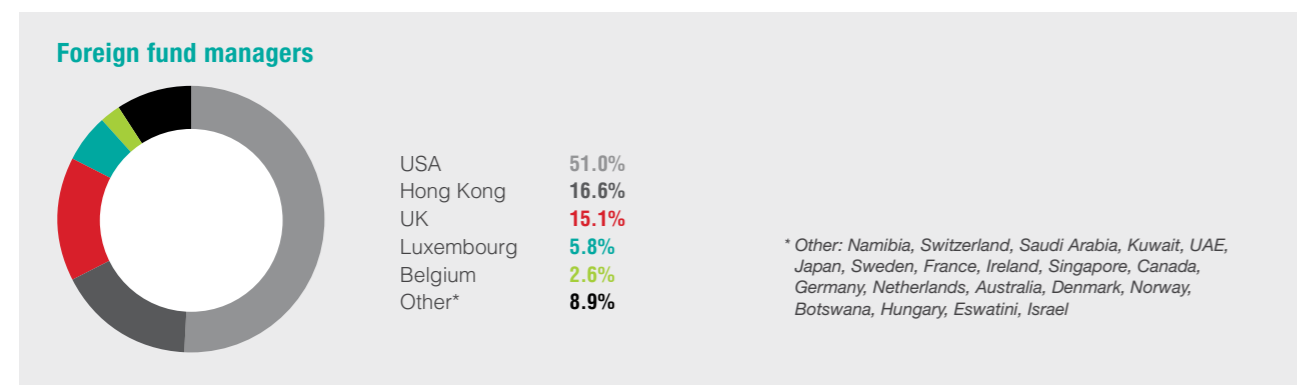
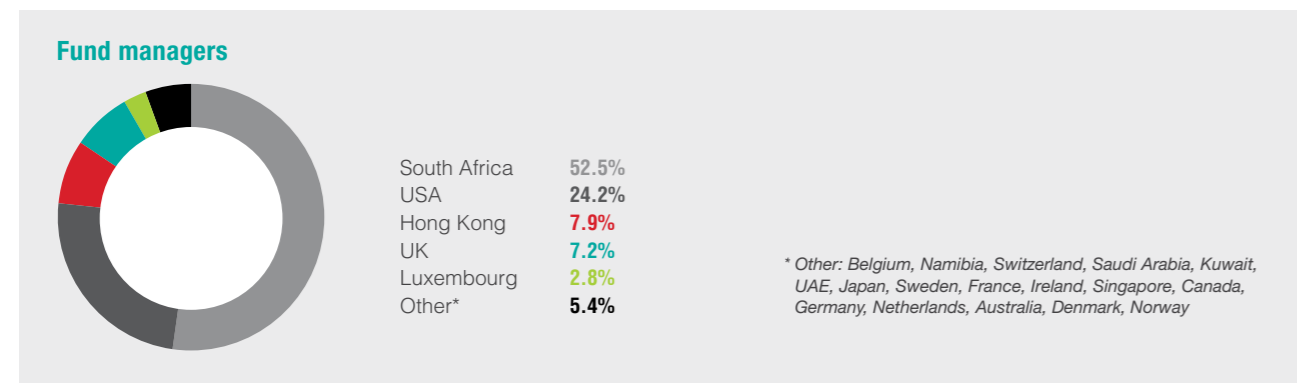
Distribution of shareholders	No. of shareholdings	%	No. of shares	%
Banks/brokers	251	0.48	177 600 506	30.04
Close corporations	264	0.51	1 074 818	0.18
Endowment funds	315	0.61	2 543 263	0.43
Individuals	42 602	81.83	29 283 100	4.95
Insurance companies	286	0.55	16 783 401	2.84
Investment companies	12	0.02	788 101	0.13
Medical schemes	50	0.10	1 444 169	0.24
Mutual funds	672	1.29	86 394 183	14.61
Other corporations	308	0.59	208 473	0.04
Private companies	1 242	2.39	71 634 182	12.11
Public companies	13	0.02	163 509	0.03
Retirement funds	862	1.66	141 673 665	23.96
Sovereign wealth funds	13	0.02	5 983 087	1.01
Treasury shares	7	0.01	43 858 001	7.42
Trusts	5 166	9.92	11 906 044	2.01
Totals	52 063	100.00	591 338 502	100.00

Public/non-public shareholders	No. of shareholdings	%	No. of shares	%
Non-public shareholders	27	0.05	185 998 806	31.46
Directors of the Company	19	0.04	64 090 781	10.84
Shares held for benefit of participants to equity-settled share-based payments arrangements	1	0.00	4 417 447	0.75
Strategic holding more than 10%	1	0.00	73 632 577	12.45
Treasury shares	6	0.01	43 858 001	7.42
Public shareholders	52 036	99.95	405 339 696	68.54
Totals	52 063	100.00	591 338 502	100.00

Beneficial shareholders holding 1% or more	No. of shares	%
Government Employees Pension Fund	94 205 214	15.93
CH Wiese	63 110 920	10.67
Shoprite Checkers (Pty) Ltd	43 858 001	7.42
GIC Private Ltd	32 770 657	5.54
Vanguard	19 522 874	3.30
Old Mutual	16 822 244	2.84
BlackRock	13 550 264	2.29
Government Pension Fund – Norway	9 825 832	1.66
Fidelity	9 719 397	1.64
JF le Roux	8 771 737	1.48
Schroders	8 407 525	1.42
Sanlam	8 247 253	1.39
Namibian Government Institutions Pension Fund	6 874 518	1.16
JPMorgan	6 866 141	1.16
Alexforbes	6 566 449	1.11
Absa	6 454 140	1.09
People's Bank of China	6 426 654	1.09
Ninety One	6 125 832	1.04
Totals	368 125 652	62.23



Shareholders' country classification



Administration

Registration number
1936/007721/06

Registered office
Cnr William Dabbs Street and Old Paarl Road, Brackenfell, 7560, South Africa
PO Box 215, Brackenfell, 7561, South Africa
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Website: www.shopriteholdings.co.za

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PG du Preez
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Transfer secretaries
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E-mail: web.queries@computershare.co.za
Website: www.computershare.com

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E-mail: info@pangaea.co.zm
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Website: www.pwc.com/za

Bankers

- > Absa Bank Ltd
- > Citibank N.A.
- > FirstRand Ltd
- > Investec Bank Ltd
- > Nedbank Ltd
- > The Standard Bank of South Africa Ltd

Shareholders' diary

June > Financial year-end	August > Reviewed results	October > Payment of final ordinary dividend > Publishing of Integrated Report	November > Annual General Meeting	December > End of financial half-year	March > Interim results	April > Payment of interim ordinary dividend
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Please consult our website www.shopriteholdings.co.za for the latest published diary dates.



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