SHOPRITE HOLDINGS LTD

TWENTY

SEVEN MILLION CUSTOMERS SERVED BY OVER ONE HUNDRED AND THIRTY THOUSAND STAFF IN TWO THOUSAND ONE HUNDRED AND ELEVEN STORES FOR THE YEAR ENDED JUNE TWENTY

FIFTEEN

Annual Financial Statements 2015

Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

Contents

The annual financial statements for the year ended June 2015 have been audited by PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act, 2008. The preparation of the audited annual financial statements was supervised by Mr M Bosman, CA(SA).

Statement of Responsibility by the Board of Directors

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

The directors are responsible for the preparation and fair presentation of the annual financial statements of the Company and Group, comprising the directors' report, the statements of financial position as at June 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

The directors are 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 directors are also responsible for such internal control as the directors determine is necessary 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 directors believe that the Company and Group have adequate resources to continue trading as a going concern in the foreseeable future. The annual financial statements support the viability of the Company and the Group.

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 page 6. 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 directors believe 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, as identified in the first paragraph, were approved by the board of directors on 17 August 2015 and signed on its behalf by:

CH Wiese
Chairman

JW Basson
Chief Executive 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 June 2015, 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

17 August 2015

NATURE OF BUSINESS

Shoprite Holdings Limited ("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 the Namibian and Zambian Stock Exchanges.

SHOPRITE HOLDINGS COMPRISES OF THE FOLLOWING MAIN SUBSIDIARIES:

Shoprite Checkers (Pty) Ltd:

Supermarkets: Serves a broad customer base through our Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave store formats.
Supply Chain Management: Supplies the Group's outlets in South Africa and 14 Non-RSA countries. The Group prides itself in running a state-of-the-art distribution operation.
Fast Foods: The Hungry Lion chain now boasts modern, well-designed stores with a focus on fried chicken and operates outlets within South Africa, Botswana, Zambia, Lesotho, Swaziland, Namibia and Angola.
Franchise: The OK Franchise Division's stores offer a wide range of perishable and non-perishable food items through supermarket/convenience outlets under the OK Foods, OK Grocer, OK Minimark, OK Value, OK Express, Friendly Grocer, and 7-Eleven brands. Wholesale franchise partners trade under the Megasave brand and the add-on retail liquor outlets under the OK Enjoy, OK Liquor and Friendly Liquormarket brands.
Freshmark: Freshmark is the Group's fruit and vegetable procurement and distribution arm and supplies fresh produce to the Group's retail outlets. As one of the largest buyers of fresh produce in South Africa, Freshmark also imports fruit and vegetables to ensure a wide variety and continuity of traditionally seasonal fresh produce.
Liquor Stores: Trading under the Shoprite LiquorShop and Checkers LiquorShop brands respectively, the liquor shops 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 butcheries 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, OK Furniture Dreams and House & Home outlets in South Africa, Botswana, Namibia, Swaziland, Lesotho, Zambia, Mozambique and Angola.
Pharmacies and wholesale distribution: MediRite's mainly in-store pharmacies offer consumers an easy access to affordable healthcare and healthcare professionals. These in-store dispensaries currently operate throughout South Africa and also in Angola and Swaziland. 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 with the responsibility 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 Investments Ltd

As a wholly owned subsidiary of Shoprite Holdings, Shoprite Investments conducts the Group's treasury function and financing of credit sales to third parties.

Computicket (Pty) Ltd

As a premier ticketing solution provider and one of the most recognised brand names, Computicket offers theatre, concert, festival, sport and cinema tickets along with bus tickets and gift vouchers through a network of outlets located across South Africa, Botswana, Mozambique, Namibia and Zambia, a call centre as well as the Computicket website. Computicket Travel also offers a variety of travel packages.

Shoprite International Ltd

Incorporated in the Republic of Mauritius, Shoprite International is the holding company for the majority of the Group's non-South African retail and property investments.

Shoprite Insurance Company Ltd

Provides first and third party short term insurance to the Group and its customers.

Other Group Subsidiaries

The interests of Shoprite Holdings in other subsidiaries are set out on page 69 of the Annual Financial Statements.

FINANCIAL REVIEW

The Group's diluted headline earnings per share amounts to 769.1 cents for the year (2014: 697.6 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 9 with reference to the operating segment information on page 23. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 8. Further details are furnished in the notes to the annual financial statements on page 24 to 68. The Group's net asset value per share as at 30 June 2015 was 3 571 cents (2014: 3 218 cents).

DISTRIBUTION TO SHAREHOLDERS

Preference dividends

During the reporting period Shoprite Holdings paid a total of R115 500 in dividends to the holders of the remaining classes of preference shares.

Ordinary dividends

An interim cash dividend (no. 132) of 143 cents per share was paid on 24 March 2015. A final dividend (no. 133) of 243 cents per share, is payable on 14 September 2015, bringing the total dividend for the year to 386 cents (2014: 350 cents) per ordinary share.

SHARE CAPITAL

The authorised share capital of Shoprite Holdings remained unchanged at 650 000 000 (six hundred and fifty million) ordinary shares of 113.4 cents (one hundred and thirteen point four cents) each.

No new ordinary shares were issued during the reporting period. Accordingly the issued share capital remains unchanged at 572 871 960 ordinary shares of 113.4 cents each.

On 1 December 2014, Shoprite Holdings redeemed the 6% cumulative preference shares at a price of R2.00 per preference share.

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.

The Group's overall level of debt increased from R4.684 billion to R4.872 billion during the financial year under review.

SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 27 October 2014, 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;
– **Special resolution number 3** – Financial assistance for subscription of securities;
– **Special resolution number 4** – General approval to repurchase shares;
– **Special resolution number 5** – Specific authority to issue deferred shares to Thibault Square Financial Services (Pty) Ltd; and
– **Special resolution number 6** – Approval of amendment to clause 9.3 of the Memorandum of Incorporation of the Company as proposed by the Board.

Special resolutions 7 – 9 were withdrawn prior to the annual general meeting.

During the reporting period the following special resolution was passed by a main Group subsidiary:

Shoprite Checkers (Pty) Ltd

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

DIRECTORS AND SECRETARY

The directors' names and details are furnished on pages 8 and 9 and the company secretary's name, business and postal address on page 74 of the Integrated Report.

In terms of the Memorandum of Incorporation of Shoprite Holdings ("the MOI"), no less than one third of the non-executive directors shall retire by rotation at each annual general meeting.

Dr CH Wiese, Messrs EC Kieswetter and JA Louw retire as directors, in terms of Article 33.5.1 of the MOI of the Company, at the annual general meeting. All these directors 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

Non-executive directors

	Direct beneficial	Indirect beneficial	Total 2015	Total 2014
CH Wiese	—	90 212 531	90 212 531	87 699 198
JJ Fouché	472 171	—	472 171	472 171
JF Basson	—	1 000	1 000	1 000
EC Kieswetter	4 304	—	4 304	2 953
JA Louw	—	50 000	50 000	50 000
ATM Mokgokong	—	—	—	—
JG Rademeyer	—	10 000	10 000	10 000
JA Rock	—	—	—	—
JD Wiese	—	14 074	14 074	14 074

Dr Wiese's indirect beneficial shareholding includes single stock future contracts that represent 2 510 000 Shoprite Holdings ordinary shares.

Executive directors

	Direct beneficial	Indirect beneficial	Total 2015	Total 2014
JW Basson	—	8 884 122	8 884 122	10 174 122
M Bosman	115 000	60 000	175 000	175 000
CG Goosen	3 000	1 174 202	1 177 202	1 206 202
B Harisunker	407 379	—	407 379	407 379
AE Karp	225 272	—	225 272	207 269
EL Nel	—	148 727	148 727	148 727
BR Weyers	404 594	—	404 594	404 594
JAL Basson	40 000	89 201	129 201	129 201
PC Engelbrecht	210 000	201 039	411 039	411 039

NON-EXECUTIVE DIRECTOR'S INTEREST IN NON-CONVERTIBLE, NON-PARTICIPATING, NO PAR VALUE DEFERRED SHARES

	Total 2015	Total 2014
CH Wiese	291 792 794	290 625 071

CORPORATE GOVERNANCE

Statements of the Board's application of the codes of good corporate governance are set out in the corporate governance report, on pages 28 to 31 of the Integrated Report.

BOARD COMMITTEES

The reports of the various board committees are included in the corporate governance section of the Integrated Report and on pages 4 and 5.

AUDITORS

PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 90(1) of the Companies Act.

EVENTS AFTER THE REPORTING DATE

Other than the facts in this Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2015 to the date of this report.

HOLDING COMPANY

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 70 of the annual financial statements.

LITIGATION STATEMENT

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

Audit and Risk Committee Report

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

4

INTRODUCTION

The Audit and Risk Committee ("the Audit Committee") is established as an independent statutory committee in terms of section 94(2) of the Companies Act 71 of 2008, as amended ("the Companies Act") and oversees audit and risk committee matters for all of the South African subsidiaries of Shoprite Holdings, as permitted by section 94(2)(a) of the Companies Act.

The main purpose of the Audit Committee is to assist the Board in monitoring the integrity of financial statements and overseeing the Integrated Report. It is also responsible to oversee the effectiveness of the Group's internal financial controls as well as the internal and external audit functions. The Companies Act furthermore requires the Audit Committee to perform specific responsibilities.

The Audit Committee's terms of reference is formalised in a charter which is reviewed annually.

During the period under review, the Audit Committee conducted its affairs in accordance with the charter and has discharged its responsibilities as required by the charter, the Companies Act and the material requirements of King III.

AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Audit Committee consists of five (5) independent non-executive directors elected by the shareholders of Shoprite Holdings on recommendation by the Board and is chaired by Mr JG Rademeyer.

Audit Committee meetings are held at least four (4) times a year as required by the charter. During the period under review, the Committee met five (5) times. In addition, a special Audit Committee meeting was held on 14 August 2015 to approve the 2014/15 annual financial statements of the Company.

The attendance of the Committee members is recorded below:

NON-EXECUTIVE DIRECTORS	11.08.2014	15.08.2014 (Special)	31.10.2014	20.02.2015	15.05.2015
JG RADEMEYER	●	●	●	●	●
JF BASSON	●	●	○	●	●
JA LOUW	●	●	●	●	○
JJ FOUCHÉ	●	●	●	●	●
JA ROCK*	n/a	○	●	●	●

*Appointed with effect from 18 August 2014.

The financial director, internal and external auditors attended the Audit Committee meetings by invitation. Other members of management attended as required.

The Audit Committee agendas provide for meetings between the members and internal and external auditors.

Audit Committee evaluation

As part of the annual evaluation, the performance of the Audit Committee and its members were assessed and found to be satisfactory. In addition, members were assessed in terms of the independence requirements of King III and the Companies Act. All members of the Audit Committee continue to meet the independence requirements.

ROLES AND RESPONSIBILITIES

During the period under review, the Audit Committee fulfilled the statutory duties as required by the Companies Act and recommended in King III, as well as various additional responsibilities assigned to it by the Board.

External auditor appointment and independence

The Audit Committee annually assesses the independence of the external auditor, PricewaterhouseCoopers (PwC). At the Committee's meeting on 11 August 2015, PwC were required to confirm that they:

– are not precluded from re-appointment due to any impediment as listed in section 90(2)(b) of the Companies Act;
– are in compliance with section 91(5) of the Companies Act, by comparison with the membership of the firm at the time of its re-appointment in 2014, more than one half of the members remain in 2015; and
– remain independent as required by section 94(7) of the Companies Act and the relevant provision in the JSE Listings Requirements.

In consultation with the Group's executive management, the Audit Committee agreed to the terms of the PwC engagement letter, audit plan and budgeted audit fees in respect of the 2015 financial year. The total fee payable to PwC during the reporting period amounted to R33.96 million of which R6.26 million was in respect of non-assurance services.

A formal framework governs the process through which PwC renders non-audit services to ensure that the audit independence is not impaired. The Audit Committee approved the terms of a master service agreement for the provision of non-audit services by PwC as well as the nature and extent of non-audit services that may be provided in terms of a pre-approval policy. Non-audit services rendered by PwC during the period under review comprised tax advisory and compliance services and other advisory services.

Based on the above assessment, the Committee re-nominates PwC as independent external auditor for the 2015/16 financial year and Mr A Wentzel as the designated partner to perform the functions of external auditor, until the 2016 annual general meeting of Shoprite Holdings. Shareholders will therefore be requested to re-elect PwC as independent external auditor for the 2015/16 financial year at the annual general meeting on 19 October 2015.

Financial statements and accounting practices

During the reporting period, the Audit Committee reviewed the interim and annual financial reports of the Group and recommended the acceptance and approval thereof to the Board.

During the review of the financial reports the Audit Committee considered:

– the accounting policies and financial statements, in order to ensure compliance with International Financial Reporting Standards and relevant requirements of the Companies Act and the JSE Listings Requirements; and
– the audit report issued by the external auditors.

Internal controls

The Group's systems of internal control are designed and implemented to support the identification, evaluation and management of risks affecting the Group. These include controls in respect of the financial reporting process but extend across all areas of operations.

During the reporting period an internal review was performed to assess the effectiveness of the Group's system of internal controls and risk management procedures. This assessment formed the basis for the Audit Committee's recommendation in this regard to the Board.

Management, internal and external auditors have agreed on a combined assurance model to enable these parties to report to the Audit Committee on the efficiency of the Group's internal financial controls. Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, assurance, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory audit and regular reports to the Audit Committee by the external and internal auditors.

During the period under review, the Audit Committee reviewed the reports on the design, implementation and effectiveness of the Group's systems of internal financial and risk controls. No material breakdowns in the internal and financial controls came to the attention of management of the Group that required reporting.

Integrated and sustainability reporting

In fulfilling its oversight responsibilities, the Audit Committee has reviewed the sustainability information that forms part of the Group's Integrated Report and has assessed its consistency with operational and other information known to the Audit Committee members, as well as its consistency with the Group's annual financial statements.

The Audit Committee is satisfied that the above is consistent with the Group's financial results. As such, the Audit Committee has recommended that the Group's Integrated Report be approved by the Board.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the Group. The Board's statement on the going concern status of the Group, as supported by the Audit Committee, is contained in the Directors' Report.

Governance of risk

Whilst the Board is ultimately responsible for the maintenance of an effective risk management process, the Committee assisted the Board in assessing the adequacy of the risk management process.

The risk forum (a management committee consisting of senior managers from all business units and chaired by the financial director) met four (4) times during the reporting period. During these meetings significant risks affecting the Group were considered and discussed to ensure that executive management is aware of the risks affecting the Group and their business units. Minutes of these meetings are submitted to the Audit Committee for consideration.

Each significant business unit within the Group has their own enterprise wide risk management (EWRM) plan which is updated regularly to ensure that risks affecting business units are current and that the necessary controls to mitigate these risks are in place.

The Group also has a top 20 risk document which details the material risks of the Group as well as the necessary controls to mitigate these risks. All business units are required to report on the risk control measures that they have implemented to address specific risks affecting their respective business units.

The Audit Committee is satisfied that, during the course of the 2014/15 financial year, executive management was aware of and addressed the material risks affecting their respective business units and the Group as a whole.

Internal audit

The Audit Committee is responsible to ensure that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its responsibilities effectively. Furthermore, it oversees co-operation between the internal and external auditors, and serves as a link between the Board and these functions.

Internal audit activities, all of which are risk based, are performed by a team of appropriately qualified and experienced employees who are led by the internal audit manager. The internal audit department is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all of the significant areas of the Group's operations. Internal audit's activities are measured against the Group's approved internal audit plan and the internal audit manager tables a progress report in this regard to the Audit Committee at each meeting.

The internal audit manager has direct access to the Audit Committee, primarily through the Chairman.

During the reporting period the Audit Committee:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit function and compliance with its charter;
- considered the reports of internal audit on the Group's systems of internal control;
- reviewed significant issues raised by the internal audit process and the adequacy of corrective actions taken in response to findings; and
- formed an opinion that adequate, objective internal audit standards and procedures exist within the Group and that the Group's internal audit department has complied with the required legal, regulatory and other responsibilities as stipulated in their charter during the period under review.

Governance of information technology (IT)

In executing the Board's mandate for IT governance, the Audit Committee successfully built on the foundations set in previous years under the direction of the General Manager IT.

During the financial year, the Audit Committee reviewed the implementation of all relevant IT governance mandates, policies, processes and control frameworks. Furthermore, the Audit Committee also provides assurance to the Board on all IT related matters, including significant IT investments, by engaging both internal and external assurance providers. This assurance forms part of the Group's combined assurance framework.

The Group's IT governance framework is formalised in an IT governance charter and policies were formulated and implemented. The charter and policies outline the decision making rights and accountability framework for IT governance within the Group.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

As required by JSE Listing Requirement 3.84(h), the Audit Committee, through a formal process, has satisfied itself that the financial director, Mr M Bosman, has the appropriate expertise and experience to act in this capacity. Mr Bosman is a chartered accountant and was appointed as financial director of the Group in 2014.

The Audit Committee also considered a written report that records the manpower, roles and responsibilities, qualifications and experience of senior members of the Group finance department. Based on this assessment, the Audit Committee is satisfied that the Group finance function has the required expertise and adequacy of resources to perform the Group financial function.

JG Rademeyer
Chairman

Currency of the Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

The annual financial statements are expressed in South African rand. The approximate Rand cost of a unit of the following currencies at year-end was:

	2015	2014
US dollar	12.126	10.617
Pound sterling	19.091	18.064
Euro	13.581	14.478
Zambia kwacha	1.641	1.710
Mozambique metical	0.282	0.332
Botswana pula	1.236	1.209
Uganda shilling	0.004	0.004
Malawi kwacha	0.027	0.027
Mauritius rupee	0.344	0.349
Angola kwanza	0.100	0.109
India rupee	0.191	0.177
Ghana cedi	2.740	3.257
Madagascar ariary	0.004	0.005
Nigeria naira	0.061	0.065
DRC franc	0.013	0.011

Independent Auditor's Report to the Shareholders of Shoprite Holdings Limited

We have audited the consolidated and separate financial statements of Shoprite Holdings Limited set out on pages 8 to 69, which comprise the statements of financial position as at 30 June 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Limited as at 30 June 2015 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.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

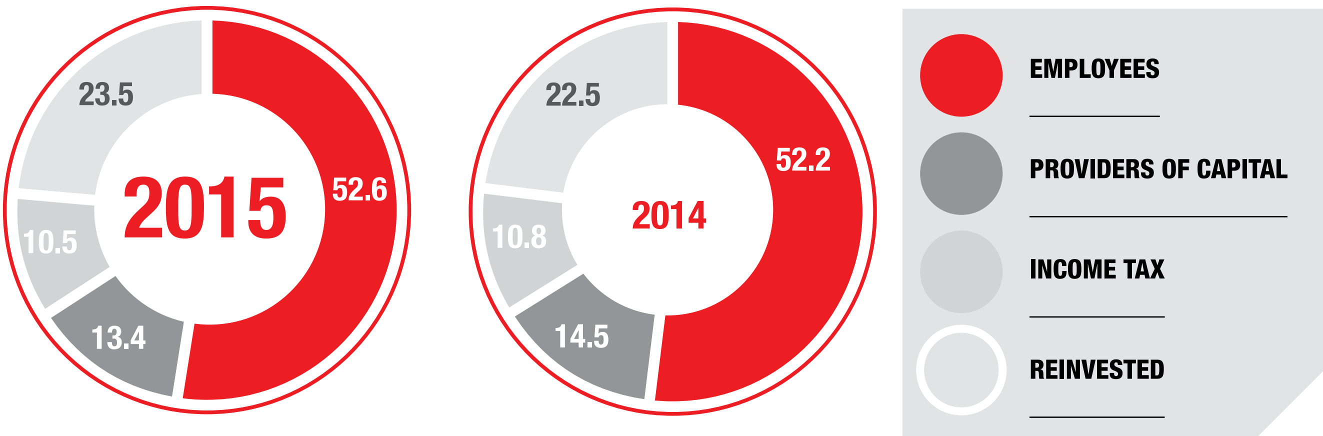
PricewaterhouseCoopers Inc.
Director: A. Wentzel
Registered Auditor
Cape Town

17 August 2015

Value-added Statement

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

	June 2015 Rm	%	June 2014 Rm	%
Sale of merchandise	113 694		102 204	
Investment income	315		261	
Cost of goods and services	(96 411)		(86 444)	
VALUE ADDED	17 598	100.0	16 021	100.0
Employed as follows:				
Employees				
Salaries, wages and service benefits	9 249	52.6	8 373	52.2
Providers of capital	2 355	13.4	2 318	14.5
Finance costs to providers of funds	415	2.4	461	2.9
Dividends to providers of share capital	1 940	11.0	1 857	11.6
Income tax				
Income tax on profits made	1 848	10.5	1 727	10.8
Reinvested				
Reinvested in the Group to finance future expansion and growth	4 146	23.5	3 603	22.5
Depreciation and amortisation	1 962	11.1	1 730	10.8
Retained earnings	2 184	12.4	1 873	11.7
EMPLOYMENT OF VALUE ADDED	17 598	100.0	16 021	100.0



Statement of Financial Position

Shoprite Holdings Ltd and its Subsidiaries as at June 2015

COMPANY June 2014 Rm	COMPANY June 2015 Rm		Notes	GROUP June 2015 Rm	GROUP June 2014 Rm
		ASSETS			
		NON-CURRENT ASSETS			
—	—	Property, plant and equipment	3	15 374	13 576
3 052	5 005	Interests in subsidiaries	5	—	—
—	6	Investment in associates and joint ventures	6	178	155
—	—	Loans and receivables	7	547	316
1	1	Deferred income tax assets	8	469	440
—	—	Intangible assets	9	1 458	1 225
—	—	Fixed escalation operating lease accruals	10	9	18
3 053	5 012			18 035	15 730
		CURRENT ASSETS			
—	—	Inventories	11	13 689	12 344
18	—	Trade and other receivables	12	5 019	4 080
—	—	Derivative financial instruments	13	—	1
—	7	Current income tax assets		44	31
2 267	2 603	Interests in subsidiaries	5	—	—
—	—	Loans and receivables	7	59	26
1 877	6	Cash and cash equivalents		7 061	8 161
4 162	2 616			25 872	24 643
—	—	Assets held for sale	4	13	160
7 215	7 628	**TOTAL ASSETS**		43 920	40 533
		EQUITY			
		CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
650	650	Share capital	14	650	650
4 029	4 029	Share premium		4 029	4 029
—	—	Treasury shares	14	(759)	(680)
2 506	2 938	Reserves	16	15 172	13 218
7 185	7 617			19 092	17 217
—	—	NON-CONTROLLING INTEREST		68	66
7 185	7 617	**TOTAL EQUITY**		19 160	17 283
		LIABILITIES			
		NON-CURRENT LIABILITIES			
2	2	Borrowings	17	4 305	4 373
—	—	Deferred income tax liabilities	8	188	187
—	—	Provisions	18	321	277
—	—	Fixed escalation operating lease accruals	19	846	694
2	2			5 660	5 531
		CURRENT LIABILITIES			
3	3	Trade and other payables	20	17 424	16 332
—	—	Borrowings	17	567	311
—	—	Derivative financial instruments	13	2	—
19	—	Current income tax liabilities		960	870
—	—	Provisions	18	136	138
—	—	Bank overdrafts		3	61
6	6	Shareholders for dividends		8	7
28	9			19 100	17 719
30	11	**TOTAL LIABILITIES**		24 760	23 250
7 215	7 628	**TOTAL EQUITY AND LIABILITIES**		43 920	40 533

Statement of Comprehensive Income

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

COMPANY June 2014 Rm	COMPANY June 2015 Rm		Notes	GROUP June 2015 Rm	GROUP June 2014 Rm
–	–	Sale of merchandise		113 694	102 204
–	–	Cost of sales		(90 180)	(80 936)
–	–	GROSS PROFIT		23 514	21 268
2 258	2 481	Other operating income	21	3 428	2 840
–	–	Depreciation and amortisation	22	(1 733)	(1 525)
–	–	Operating leases	23	(2 990)	(2 596)
–	–	Employee benefits	24	(8 507)	(7 723)
(18)	(14)	Other operating expenses	26	(7 384)	(6 550)
2 240	2 467	TRADING PROFIT		6 328	5 714
–	–	Exchange rate losses		(132)	(9)
–	–	Items of a capital nature	27	(13)	3
2 240	2 467	OPERATING PROFIT	28	6 183	5 708
112	57	Interest received		216	225
–	–	Finance costs	29	(415)	(461)
–	–	Share of loss of associates and joint ventures	6	(2)	(5)
2 352	2 524	PROFIT BEFORE INCOME TAX		5 982	5 467
(47)	(24)	Income tax expense	30	(1 848)	(1 727)
2 305	2 500	PROFIT FOR THE YEAR		4 134	3 740
–	–	OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		(387)	129
		Items that will not be reclassified to profit or loss			
–	–	Re-measurements of post-employment benefit obligations		1	5
		Items that may subsequently be reclassified to profit or loss			
–	–	Foreign currency translation differences	16	(413)	123
–	–	Share of foreign currency translation differences of associates and joint ventures	16	25	1
2 305	2 500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3 747	3 869
		PROFIT ATTRIBUTABLE TO:			
2 305	2 500	Owners of the parent		4 124	3 730
–	–	Non-controlling interest		10	10
2 305	2 500			4 134	3 740
		TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
2 305	2 500	Owners of the parent		3 737	3 859
–	–	Non-controlling interest		10	10
2 305	2 500			3 747	3 869
		Basic earnings per share (cents)	31	771.2	697.0
		Diluted earnings per share (cents)	31	767.4	697.0
		Basic headline earnings per share (cents)	31	772.9	697.6
		Diluted headline earnings per share (cents)	31	769.1	697.6

Statement of Changes in Equity

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

Rm	Notes	Total equity	Non-controlling interest	Attributable to owners of the parent: Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
GROUP									
BALANCE AT JUNE 2013		15 252	68	15 184	647	3 672	(320)	1 081	10 104
Total comprehensive income		3 869	10	3 859	—	—	—	124	3 735
Profit for the year		3 740	10	3 730					3 730
Recognised in other comprehensive income									
Re-measurements of post-employment benefit obligations		6		6					6
Income tax effect of re-measurements of post-employment benefit obligations		(1)		(1)					(1)
Foreign currency translation differences	16	124		124				124	
Share-based payments – value of employee services	16	4		4				4	
Equity component of convertible bonds sold during the year	16	27		27				27	
Proceeds from ordinary shares issued	14	—		—	3	357	(360)		
Dividends distributed to shareholders		(1 869)	(12)	(1 857)					(1 857)
BALANCE AT JUNE 2014		17 283	66	17 217	650	4 029	(680)	1 236	11 982
Total comprehensive income		3 747	10	3 737	—	—	—	(388)	4 125
Profit for the year		4 134	10	4 124					4 124
Recognised in other comprehensive income									
Re-measurements of post-employment benefit obligations		1		1					1
Foreign currency translation differences	16	(388)		(388)				(388)	
Share-based payments – value of employee services	16	131		131				131	
Modification of cash bonus arrangement transferred from provisions	18	26		26				26	
Shares repurchased	14	(79)		(79)			(79)		
Dividends distributed to shareholders		(1 948)	(8)	(1 940)					(1 940)
BALANCE AT JUNE 2015		19 160	68	19 092	650	4 029	(759)	1 005	14 167
COMPANY									
BALANCE AT JUNE 2013		6 500		6 500	647	3 672	—	2	2 179
Total comprehensive income									
Profit for the year		2 305		2 305					2 305
Proceeds from ordinary shares issued	14	360		360	3	357			
Dividends distributed to shareholders		(1 980)		(1 980)					(1 980)
BALANCE AT JUNE 2014		7 185		7 185	650	4 029	—	2	2 504
Total comprehensive income									
Profit for the year		2 500		2 500					2 500
Dividends distributed to shareholders		(2 068)		(2 068)					(2 068)
BALANCE AT JUNE 2015		7 617		7 617	650	4 029	—	2	2 936

Statement of Cash Flows

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

COMPANY June 2014 Rm	COMPANY June 2015 Rm		Notes	GROUP June 2015 Rm	GROUP June 2014 Rm
366	424	CASH FLOWS FROM OPERATING ACTIVITIES		3 756	5 720
2 240	2 467	Operating profit		6 183	5 708
(2 249)	(2 472)	Less: investment income		(99)	(36)
—	—	Non-cash items	34.1	2 912	1 859
—	—	Payments for cash settlement of share appreciation rights		(3)	(21)
23	18	Changes in working capital	34.2	(1 408)	1 078
14	13	Cash generated from operations		7 585	8 588
153	60	Interest received		294	252
—	—	Interest paid		(377)	(345)
2 208	2 469	Dividends received		21	30
(1 979)	(2 068)	Dividends paid	34.3	(1 947)	(1 868)
(30)	(50)	Income tax paid	34.4	(1 820)	(937)
(1 254)	(2 295)	CASH FLOWS UTILISED BY INVESTING ACTIVITIES	34.5	(4 670)	(4 165)
360	—	CASH FLOWS (UTILISED BY)/FROM FINANCING ACTIVITIES	34.6	(52)	453
(528)	(1 871)	NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(966)	2 008
2 405	1 877	Cash and cash equivalents at the beginning of the year		8 100	6 114
—	—	Effect of exchange rate movements on cash and cash equivalents		(76)	(22)
1 877	6	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		7 058	8 100
		Consisting of:			
1 877	6	Cash and cash equivalents	42.1	7 061	8 161
—	—	Bank overdrafts		(3)	(61)
1 877	6			7 058	8 100

FINANCIAL STATEMENTS

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, unless otherwise stated.

The Group's consolidated and Company's separate financial statements were authorised for issue by the board of directors on 17 August 2015. Other than the facts in the Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2015 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 incorporating trade from Monday to Sunday each week. Accordingly the results for the financial year under review are for a 52 week period which is consistent with prior financial periods.

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the South African Companies Act (Act No 71 of 2008) as amended. The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value. The financial statements are prepared on a going concern basis.

1.1.1 Use of judgments, assumptions and estimates

1.1.1.1 Judgments

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

a) Valuation of inventory: Trading inventories are valued by use of the retail inventory method as an approximation of weighted average cost. Significant judgment is required in the application thereof, specifically as far as it relates to gross margin percentages, accrual rates for rebates and settlement discounts and shrinkage rates applied.

b) Segment reporting: IFRS 8 requires an entity to identify its operating segments. Once an entity has done that, it is required to 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; therefore it has elected to aggregate these segments as allowed by IFRS 8.

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) Impairment of assets: The Group performs a review of loss-making stores and considers the need for the impairment of assets under these circumstances. This determination requires significant judgment. The Group evaluates amongst other things, the duration and extent of the losses, the near-term business outlook for the store, and the possible redeployment of the assets between stores. Refer to notes 3, 9 and 27.

b) Useful lives of assets: In determining the depreciation and amortisation charge for property, plant and equipment and intangible assets, management applies judgment in estimating the useful lives and residual values of these different asset classes. Refer to notes 3, 9 and 22.

c) Income taxes: The Group is subject to income taxes in numerous jurisdictions. Significant judgment 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, judgment is also required to whether sufficient future taxable income will be available against which these losses can be utilised. Refer to notes 1.26 and 8.

d) Allowances for doubtful debts: Trade receivables include instalment sale debtors and franchise debtors for which allowances for impairment are made in accordance with the accounting policy in note 1.14. These calculations involve the discounting of projected future cash flows and require the use of estimates. Details regarding the allowances are set out in note 12.

e) 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 1.19, 1.21, 15, 18 and 38.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in a subsequent year relate to the following: income taxes; allowances for doubtful debts 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 judgments about the carrying value 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. ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (continued)

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 and 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 2/2013: 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 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

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.

1.2.2 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.

1.2.3 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.

1.2.4 Transactions with non-controlling interests

The Group treats transactions, such as share purchases, with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Foreign currency translation

1.3.1 Functional and presentation currency

All items in the financial statements of the Group's subsidiaries, joint arrangements and associates 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 African rand, which is Shoprite Holdings Ltd's functional currency and the Group's presentation currency.

1.3.2 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 recognised in the statement of comprehensive income.

1.3.3 Foreign operations

The results and the financial position of all Group subsidiaries, joint arrangements and associates that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

a) 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;
b) Income and expenses for each statement of comprehensive income presented are translated at the average exchange rates for the period presented; and
c) 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 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.

1.4 Net investment hedging

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 transaction, the 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 foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income.

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 foreign currency translation reserve at that time remains in equity and are transferred to the statement of comprehensive income when the foreign operation is partially disposed of or sold. Refer to note 1.3.3.

1.5 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 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 statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

1. ACCOUNTING POLICIES (CONTINUED)

1.5 Property, plant and equipment (continued)

Useful lives:

Buildings	20 years
Machinery	5 to 10 years
Vehicles	5 to 10 years
Trolleys	3 years
Equipment	5 to 10 years
Computer equipment	4 to 5 years
Aeroplane	15 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.

1.6 Financial instruments

The Group classifies its financial instruments in the following categories: loans and receivables, financial liabilities and derivatives at fair value through profit and loss. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates such designations when circumstances indicate that reclassification is permitted. The Group assesses at each statement of financial position date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

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 occur.

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.

1.7 Compound financial instruments

Compound financial instruments issued by the Group comprise of convertible bonds that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

1.8 Derivative financial instruments

The Group's derivatives, being forward foreign exchange rate contracts, categorised as fair value through profit or loss, are either assets or liabilities. A classification between current and non-current is made based on the remaining contractual maturity of the foreign exchange rate contracts over the following 12 months. Purchases and settlements of derivative financial instruments are initially recognised on the trade date at fair value. Derivative financial instruments are subsequently carried at fair value. Transaction costs are expensed as they are incurred. Realised and unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in the statement of comprehensive income as other income or other expenses in the period in which they arise. The fair value of forward foreign exchange rate contracts is determined using forward exchange rates at the statement of financial position date.

1.9 Loans and receivables

Loans and receivables 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, and purchases and sales are recognised at trade date at fair value, including transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method. These financial assets are included under current assets unless it matures later than 12 months after statement of financial position date.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate applicable to the relevant loans and receivables. The carrying amount will be reduced and the loss recognised in the statement of comprehensive income.

1. ACCOUNTING POLICIES (CONTINUED)

1.10 Investments in subsidiaries and associates

The Company's investments in the ordinary shares of its subsidiaries and 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.

1.11 Intangible assets

1.11.1 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 annually and whenever there is indication of impairment. Goodwill is carried at cost less accumulated impairment losses. 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.

1.11.2 Software

Software represents all costs incurred to acquire the assets and bring it into use. These costs are amortised over the estimated useful life of the relevant software, being between three and seven years, on a straight-line basis.

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

Software's useful lives are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

1.11.3 Trademarks

Acquired trademarks and licences are initially shown at historical cost and trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are subsequently measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, being 16 to 20 years.

The useful lives are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

1.11.4 Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of 10 years.

1.12 Non-current assets 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 cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continued use and this sale is considered highly probable.

1.13 Inventories

Trading inventories are stated at the lower of cost, using the weighted average cost formula, and net realisable value. The weighted average cost formula is determined by applying the retail inventory method. The cost of merchandise is the net of: invoice price of merchandise; insurance; freight; customs duties; an appropriate allocation of distribution costs; trade discounts; rebates and settlement discounts. The retail method approximates the weighted average cost and is determined by reducing the sales value of the inventory by the appropriate gross margin percentage. The percentage used takes into account inventory that has been marked down below original selling price. An average percentage per retail department is used. Net realisable value is the estimated selling price in the ordinary course of business.

1.14 Trade and other receivables

Trade and other receivables are recognised at trade date at fair value. Subsequent recognition is measured at amortised cost using the effective interest method, less allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate. Any resulting impairment losses are included in other expenses in the statement of comprehensive income. The impairment of instalment sale receivables is done on a collective basis due to the wide-spread customer base. When a receivable is uncollectible, it is written off against the allowance for impairment for receivables. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

1. ACCOUNTING POLICIES (CONTINUED)

1.15 Leases

1.15.1 Where the Group is the lessee

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Certain premises and other assets are leased. Payments made in respect of operating leases with a fixed escalation clause are charged to the statement of comprehensive income on a straight-line basis over the lease term. All other lease payments are expensed as they become due. Incentives paid to enter into a lease agreement are expensed in the statement of comprehensive income as operating lease expense over the lease term. Minimum rentals due after year-end are reflected under commitments.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense 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.

1.15.2 Where the Group is the lessor

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.

1.16 Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are carried at cost and, if denominated in foreign currencies, are translated at closing rates. 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. Bank overdrafts are disclosed separately on the face of the statement of financial position.

1.17 Share capital

Ordinary shares and non-convertible, non-participating deferred 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.

1.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method. 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 statement of financial position date.

Preference shares, which carry non-discretionary dividend obligations, are classified as non-current liabilities at amortised cost. Amortised cost is calculated using the effective interest yield method. The dividends on these preference shares are recognised in the statement of comprehensive income as finance costs.

1.19 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.

1.19.1 Onerous lease contracts

The Group recognises a provision for onerous lease contracts when the expected benefits, including subleasing income, to be derived from non-cancellable operating lease contracts are lower than the unavoidable costs of meeting the contract obligations. The unavoidable contracted costs are applied over the remaining periods of the relevant lease agreements. The notional interest charge relating to the unwinding of the provisions discounting is included in the statement of comprehensive income as finance costs.

1.19.2 Provision for outstanding insurance claims

The Group recognises a provision for the estimated direct cost of settling all outstanding claims at year-end. The provision for outstanding claims at year-end includes a provision for cost of claims incurred but not yet reported at year-end as well as for the cost of claims reported but not yet settled at year-end. The provision for cost of claims incurred but not yet reported (IBNR) at year-end 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. ACCOUNTING POLICIES (CONTINUED)

1.19 Provisions (continued)

1.19.3 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.

1.19.4 Reinstatement provision

Where it has a contractual obligation in respect of certain operating lease agreements, the Group provides for expected reinstatement costs to be incurred at the expiry of the lease.

1.20 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Financial guarantee contracts are recognised initially at fair value and subsequently at the higher of: the initially recognised fair value, less appropriate cumulative amortisation recognised on a straight-line basis over the estimated duration of the contract, or an amount that is the best estimate of the expenditure required to settle the present obligation at statement of financial position date. Intra-group financial guarantees are eliminated on consolidation.

When the financial guarantee contract is issued by the Company to a subsidiary, the fair value at initial recognition is capitalised as part of the investment in the relevant subsidiary.

1.21 Employee benefits

1.21.1 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.

1.21.2 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 using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The future cash outflows are estimated using amongst others the following assumptions: health-care cost inflation; discount rates; salary inflation; promotions and experience increases; expected mortality rates; expected retirement age; and continuation at retirement. Valuations of this obligation are carried out annually by independent qualified actuaries in respect of past-service liabilities 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.

1.21.3 Cash-settled share-based payments

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

1.21.4 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.21 Employee benefits (continued)

1.21.4 Equity-settled share-based payments (continued)

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.

1.21.5 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. The accrual for this liability is made where a contractual or constructive obligation exists.

1.22 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested for impairment at each statement of financial position date. 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 judgment and, amongst others, the following factors 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 value of an asset exceeds its estimated recoverable amount, the carrying value 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 cost to sell 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 cash-generating units (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 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 shall not be reversed in a subsequent period.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable 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. Sales are recognised upon delivery of products and customer acceptance. 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.

1.24 Other operating income

Other operating income is recognised as follows:

1.24.1 Finance income earned

When merchandise is sold under instalment sale agreements, the present value of the instalment sale payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income is recognised over the term of the instalment sale using the effective interest rate method, which reflects a constant periodic rate of return.

1.24.2 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 note 1.15.2.

1.24.3 Franchise fees received

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

1.24.4 Premium income

Premium income is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies incepted during the period less amounts that are unearned at statement of financial position date. Refer note 1.30.2.

1.24.5 Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the related asset.

1.24.6 Dividend income

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

1. ACCOUNTING POLICIES (CONTINUED)

1.24 Other operating income (continued)

1.24.7 Gift vouchers and savings stamps

Proceeds from the sale of gift vouchers and saving stamps are initially recognised in other payables, deferring the income. The income is recognised as cash sales of goods when the gift vouchers or savings stamps are redeemed.

1.24.8 Commission 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 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.

1.25 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.

1.26 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 statement of financial position 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 values 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 nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 judgment 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, joint arrangements and associates, 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 judgment 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.

1.27 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. Convertible debt and full share grants have dilutive potential. The convertible debt and full share grants are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense of the convertible debt less the tax effect. The full share grants have 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 2/2013 issued by the South African Institute of Chartered Accountants as required by the JSE Listings Requirements.

1.28 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. ACCOUNTING POLICIES (CONTINUED)

1.29 Dividends distributed to shareholders

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

1.30 Basis of accounting for underwriting activities

1.30.1 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.

1.30.2 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) 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.

c) 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 statement of financial position date, but which had not been reported to the Group by that date.

d) 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.

e) Reinsurance

The Group has evaluated its exposure to risk and determined that significant reinsurance protection is not required.

f) Liabilities and related assets under liability adequacy test

At each statement of financial position date, liability adequacy tests are performed on the Group's Insurance entities to ensure the adequacy of the contract liabilities net of related deferred acquisition cost (DAC) and any related assets (i.e. the value of business acquired assets (VOBA)). In performing these tests, current best estimates of future contractual cash flows and claims-handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC or VOBA and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

1.31 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. 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.

1.32 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

1. ACCOUNTING POLICIES (CONTINUED)

1.33 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 executive members of the Shoprite Holdings 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:

1. **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.
2. **Supermarkets Non-RSA:** all retail operations under the Shoprite, Checkers, Checkers Hyper, Usave and certain Hungry Lion brands outside of South Africa, retailing products such as food, clothing, general merchandise, cosmetics and liquor.
3. **Furniture:** all retail operations under the OK Furniture, OK Power Express, OK Furniture Dreams 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.
4. **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.

The amounts reported to the chief operating decision maker are measured in a manner consistent with that in the statement of comprehensive income and statement of financial position.

1.34 Standards, interpretations and amendments that are not yet effective at June 2015

The Group has considered the following new standards, and interpretations and amendments to existing standards, which are not yet effective as at June 2015:

Number	Title	Effective for year ending
IFRS 9	Financial Instruments	June 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	June 2017
Amendments to IFRS 11	Joint Arrangements	June 2017
IFRS 14	Regulatory Deferral Accounts	June 2017
IFRS 15	Revenue from Contracts with Customers	June 2019
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation	June 2017
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	June 2017
Amendment to IAS 27	Equity Method in Separate Financial Statements	June 2017
Various	Annual Improvements 2012 – 2014 cycle	June 2017

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 standards set out below for which the Group is still assessing the potential impact on the consolidated financial statements.

IFRS 9: Financial Instruments addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in *IAS 39 Financial Instruments: Recognition and Measurement* with a single model that has only two classification categories (amortised cost and fair value). IFRS 9 includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, without change, except for financial liabilities that are designated at fair value through profit or loss.

IFRS 15: Revenue from Contracts with Customers establishes a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.

1.35 Standards, interpretations and amendments effective at June 2015

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2015 had no significant effect on the Group's operations:

Number	Title
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendment to IAS 19	Employee Benefits
Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Various	Annual Improvements 2010 – 2012 cycle
Various	Annual Improvements 2011 – 2013 cycle
IFRIC 21	Levies

2 OPERATING SEGMENT INFORMATION

2.1 Analysis per reportable segment

	June 2015				
	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
Sale of merchandise					
External	84 945	16 781	4 516	7 452	113 694
Inter-segment	3 250	11	—	87	3 348
	88 195	16 792	4 516	7 539	117 042
Trading profit	5 268	741	205	114	6 328
Depreciation and amortisation	1 536	319	77	30	1 962
Total assets	28 056	9 726	4 019	2 119	43 920

	June 2014				
	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
Sale of merchandise					
External	76 881	14 779	3 996	6 548	102 204
Inter-segment	2 770	8	—	62	2 840
	79 651	14 787	3 996	6 610	105 044
Trading profit	4 751	673	196	94	5 714
Depreciation and amortisation	1 388	266	53	23	1 730
Total assets	27 203	7 720	3 740	1 870	40 533

2.2 Geographical analysis

	June 2015		
	South Africa Rm	Outside South Africa Rm	Consolidated Rm
Sale of merchandise – external	95 121	18 573	113 694
Non-current assets*	12 811	4 030	16 841

	June 2014		
	South Africa Rm	Outside South Africa Rm	Consolidated Rm
Sale of merchandise – external	85 877	16 327	102 204
Non-current assets*	11 242	3 577	14 819

*Non-current assets consist of property, plant and equipment, intangible assets and fixed escalation operating lease accruals.

FINANCIAL STATEMENTS

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Reconciliation of carrying values

GROUP Rm	Land	Buildings	Machinery, equipment and vehicles*	Leasehold improvements	Total
Carrying value at June 2013	1 109	3 362	6 157	1 024	11 652
Cost	1 109	3 664	10 396	1 362	16 531
Accumulated depreciation and impairment	—	(302)	(4 239)	(338)	(4 879)
Additions	41	516	2 572	543	3 672
Reclassification	(4)	(28)	(1)	33	—
Reclassification to software (note 9)	—	—	(70)	—	(70)
Transfer to assets held for sale (note 4)	(5)	(83)	—	(13)	(101)
Acquisition of operations (note 34.5.1)	—	—	10	—	10
Disposal	(46)	9	(83)	(18)	(138)
Proceeds on disposal	(46)	(4)	(55)	(20)	(125)
Profit/(loss) on disposal and scrapping	—	13	(28)	2	(13)
Depreciation	—	(53)	(1 438)	(77)	(1 568)
Impairment (note 3.3)	—	(14)	(10)	—	(24)
Reversal of impairment (note 3.3)	—	66	—	—	66
Exchange rate differences	5	33	13	26	77
Carrying value at June 2014	1 100	3 808	7 150	1 518	13 576
Cost	1 100	4 110	12 245	1 864	19 319
Accumulated depreciation and impairment	—	(302)	(5 095)	(346)	(5 743)
Additions	251	571	2 762	644	4 228
Borrowing costs capitalised (note 3.2)	—	15	1	28	44
Reclassification	(14)	(152)	1	165	—
Transfer to assets held for sale (note 4)	(29)	—	—	—	(29)
Transfer from assets held for sale (note 4)	—	50	—	—	50
Disposal	(12)	(309)	(151)	(8)	(480)
Proceeds on disposal	(3)	(5)	(54)	(9)	(71)
Profit/(loss) on disposal and scrapping	(9)	(304)	(97)	1	(409)
Depreciation	—	(57)	(1 643)	(54)	(1 754)
Impairment (note 3.3)	—	—	(8)	(3)	(11)
Reversal of impairment (note 3.3)	—	—	12	—	12
Exchange rate differences	(4)	(24)	(90)	(144)	(262)
Carrying value at June 2015	1 292	3 902	8 034	2 146	15 374
Cost	1 292	4 230	14 286	2 519	22 327
Accumulated depreciation and impairment	—	(328)	(6 252)	(373)	(6 953)

*Includes aircraft with a carrying value of R91 million (2014: R79 million).

3.2 Borrowing costs capitalised

Borrowing costs were capitalised against qualifying items of property, plant and equipment during the year under review. The weighted average borrowings rate was 9.85%.

3.3 Impairment/reversal of impairment of property, plant and equipment

The recoverable amount of all property, plant and equipment is determined based on the higher of value-in-use and fair value less cost to sell.

The impairment charge in the current financial year arose in the Supermarkets RSA and Supermarkets Non-RSA (2014: Supermarkets RSA and Supermarkets Non-RSA) operating segments. This impairment was the result of a significant reduction in the future expected sales of merchandise in certain subsidiaries that own the assets, due to a weakening in the general economic conditions in which these subsidiaries operate.

The reversal of impairment, in the current and previous financial year, was due to improvements in the economic environment in which subsidiaries, where assets were previously impaired, operate. The original impairment charge as well as the reversal is included in the statement of comprehensive income as items of a capital nature. This impairment originated in the Supermarkets RSA (2014: Supermarkets RSA) operating segment.

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		4 ASSETS HELD FOR SALE		
—	—	Carrying value	13	160

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 (2014: Supermarkets RSA and Supermarkets Non-RSA) operating segments, have been reclassified as assets 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 current 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.

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		4.1 Reconciliation of carrying value		
		Carrying value at the beginning of the year	160	57
		Transfer from property, plant and equipment (note 3)	29	101
		Transfer to property, plant and equipment (note 3)	(50)	—
		Disposal	(124)	—
		Proceeds on disposal	(163)	—
		Profit on disposal and scrapping	39	—
		Additions	—	2
		Exchange rate differences	(2)	—
—	—	Carrying value at the end of the year	13	160
		5 INTERESTS IN SUBSIDIARIES		
1 609	5 005	Investments in ordinary shares		
1 443	—	Investments in preference shares		
2 267	2 603	Amounts owing by subsidiaries		
5 319	7 608		—	—
		Analysis of total interests in subsidiaries		
3 052	5 005	Non-current		
2 267	2 603	Current		
5 319	7 608		—	—

Detail analysis of the Company's interests in subsidiaries are given in annexure A.

Investments in preference shares at June 2014 consisted of convertible and redeemable, both under certain conditions, non-cumulative preference shares. These preference shares were converted to ordinary shares during the year under review.

Amounts owing by subsidiaries of the Company are unsecured and payable on demand. Amounts owing by Shoprite Investments Ltd earn interest at a rate equal to the rate obtained from the investment of surplus funds of the Company which averaged at a rate of 6.35% (2014: 5.45%) during the year under review. All other amounts owing by subsidiaries are interest-free.

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		6 INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
—	6	Investment in associates (note 6.1)	177	149
—	—	Investment in joint ventures (note 6.2)	1	6
—	6		178	155
		6.1 Investment in associates		
—	—	Carrying value at the beginning of the year	149	131
—	6	Investment in ordinary shares acquired	6	—
—	—	Share of total comprehensive income	24	7
—	—	Share of post-acquisition profits	1	7
—	—	Share of other comprehensive income	23	—
—	—	Exchange rate differences	(2)	11
—	6	Carrying value at the end of the year	177	149

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 its shares.

	% Owned by the Group June 2015	% Owned by the Group June 2014
Winhold Ltd	49%	49%
Resilient Africa (Pty) Ltd*	39%	33%
Resilient Africa Managers (Pty) Ltd*	39%	33%

*These investments are owned directly by the Company.

The Group is committed to provide a shareholder loan to Resilient Africa (Pty) Ltd to a maximum of R597.6 million.

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

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		6.2 Investment in joint ventures		
		Carrying value at the beginning of the year	6	38
		Share of total comprehensive income	(1)	(11)
		Share of post-acquisition losses	(3)	(12)
		Share of other comprehensive income	2	1
		Dividends received from joint ventures	—	(21)
		Exchange rate differences	(4)	—
—	—	Carrying value at the end of the year	1	6

The joint ventures 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 its shares.

	% Owned by the Group June 2015	% Owned by the Group June 2014
Hungry Lion Fast Foods (Pty) Ltd	50%	50%
Hungry Lion (Mauritius) Ltd	50%	50%

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

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		7 LOANS AND RECEIVABLES		
		Amounts owing by associate (note 7.1)	295	76
		Amounts owing by employees (note 7.2)	228	224
		Amounts owing by franchisees (note 7.3)	82	41
		Other	1	1
–	–		606	342
		Analysis of total loans and receivables		
		Non-current	547	316
		Current	59	26
–	–		606	342
–	–	**7.1 Amounts owing by associate**	295	76
		The amount owing by Resilient Africa (Pty) Ltd earns interest at an average rate of 6.6% p.a. and is repayable on demand, subject to certain conditions. The loan is denominated in ZAR and no allowance for impairment has been made. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value. The Group does not hold any collateral as security.		
–	–	**7.2 Amounts owing by employees**	228	224
		The amounts owing by employees earn interest at an average rate of 6.5% p.a. and are repayable on 30 June 2017. Accrued interests are payable bi-annually on 3 April and 3 October. The loans are denominated in ZAR and no allowance for impairment has been made. These loans were granted on commercial terms with full recourse. The maximum exposure to credit risk at the reporting date is the carrying value. Shoprite Investments Ltd 6.5% convertible bonds to the value of R210 million (2014: R224 million) are held as collateral for these loans.		
		The fair value of amounts owing by employees amounted to R216.0 million (2014: R208.7 million) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 9.3% (2014: 9.0%) and is within level 2 of the fair value hierarchy.		

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		7 LOANS AND RECEIVABLES (CONTINUED)		
		7.3 Amounts owing by franchisees		
		Gross amount	88	43
		Accumulated impairment	(6)	(2)
—	—		82	41
		The weighted average variable interest rate (linked to the South African prime rate) on these amounts was 9.7% (2014: 9.0%) p.a. and the amounts are repayable between one and five years. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually impaired. The credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R120 million (2014: R44 million) are held as collateral for these amounts.		
		Reconciliation of accumulated impairment		
		Balance at the beginning of the year	2	3
		Allowance for impairment for the year	4	—
		Unused amounts reversed	—	(1)
—	—	Balance at the end of the year	6	2
		The allowance for impairment relates to the following amounts owing by franchisees:		
		Receivable in the next year	3	2
		Receivable between 1 and 3 years	5	3
		Receivable between 3 and 5 years	4	—
—	—		12	5
		Amounts owing by franchisees relate to a wide-spread number of franchisees which are individually insignificant.		
		The individually impaired amounts owing by franchisees relate to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R3.6 million (2014: R0.3 million) was accrued on these balances during the year under review. All balances that were past due were considered for impairment.		
		8 DEFERRED INCOME TAX		
1	1	Deferred income tax assets (note 8.1)	469	440
—	—	Deferred income tax liabilities (note 8.2)	(188)	(187)
1	1	Net deferred income tax assets	281	253
		The movement in the net deferred income tax assets is as follows:		
1	1	Carrying value at the beginning of the year	253	224
—	—	Charge to profit for the year	49	40
—	—	Provisions and accruals	63	144
—	—	Allowances on property, plant and equipment	(31)	(66)
—	—	Fixed escalation operating lease accruals	48	34
—	—	Allowances on intangible assets	(51)	(46)
—	—	Unrealised exchange rate differences	43	21
—	—	Tax losses	(14)	(46)
—	—	Tax rate change	(9)	(1)
—	—	Charged to other comprehensive income	—	(1)
—	—	Charged to equity	—	(10)
—	—	Exchange rate differences	(21)	—
1	1	Carrying value at the end of the year	281	253

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		8 DEFERRED INCOME TAX (CONTINUED)		
		8.1 Deferred income tax assets		
1	1	Provisions and accruals	686	666
—	—	Allowances on property, plant and equipment	(456)	(389)
—	—	Fixed escalation operating lease accruals	255	215
—	—	Allowances on intangible assets	(111)	(99)
—	—	Unrealised exchange rate differences	95	44
—	—	Tax losses	—	3
1	1		469	440
—	—	Net taxable temporary differences to be settled after more than 12 months	(537)	(431)
1	1	Net deductible temporary differences to be recovered within 12 months	1 006	871
1	1		469	440
		8.2 Deferred income tax liabilities		
		Provisions and accruals	146	125
		Allowances on property, plant and equipment	67	106
		Fixed escalation operating lease accruals	(2)	(2)
		Allowances on intangible assets	—	4
		Unrealised exchange rate differences	—	(22)
		Tax losses	(23)	(24)
—	—		188	187
		Net taxable temporary differences to be settled after more than 12 months	136	260
		Net taxable/(deductible) temporary differences to be settled/(recovered) within 12 months	52	(73)
—	—		188	187
		8.3 Net calculated income tax losses and net deductible temporary differences		
		Calculated income tax losses and net deductible temporary differences at year-end	2 642	2 204
		Applied in the provision for deferred income tax	(1 026)	(907)
—	—		1 616	1 297
		The utilisation of the income tax relief on net calculated income tax losses, to the value of R407 million (2014: R383 million), 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		
		30 June 2015	—	4
		30 June 2016	5	6
		30 June 2017	27	25
		30 June 2018	9	6
		30 June 2019	3	4
		30 June 2020	10	1
		30 June 2021	1	—
—	—		55	46
—	—	Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created	117	97

FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS

9.1 Reconciliation of carrying values

GROUP Rm	Goodwill	Software	Trademarks	Customer relationships	Total
Carrying value at June 2013	236	725	44	36	1 041
Gross amount	385	1 008	194	54	1 641
Accumulated amortisation and impairment losses	(149)	(283)	(150)	(18)	(600)
Acquisition of operations (note 34.5.1)	51	—	—	—	51
Additions	—	60	—	—	60
Internally generated	—	177	—	—	177
Reclassification from property, plant and equipment (note 3)	—	70	—	—	70
Proceeds on disposal	—	(1)	—	—	(1)
Amortisation	—	(152)	(4)	(6)	(162)
Impairment of goodwill (note 9.4)	(12)	—	—	—	(12)
Exchange rate differences	1	—	—	—	1
Carrying value at June 2014	276	879	40	30	1 225
Gross amount	440	1 300	194	54	1 988
Accumulated amortisation and impairment losses	(164)	(421)	(154)	(24)	(763)
Acquisition of operations (note 34.5.1)	2	—	—	—	2
Additions	—	232	—	—	232
Internally generated	—	171	—	—	171
Borrowing costs capitalised (note 9.2)	—	48	—	—	48
Amortisation	—	(198)	(4)	(6)	(208)
Impairment of goodwill (note 9.4)	(12)	—	—	—	(12)
Exchange rate differences	(1)	1	—	—	—
Carrying value at June 2015	265	1 133	36	24	1 458
Gross amount	429	1 751	194	54	2 428
Accumulated amortisation and impairment losses	(164)	(618)	(158)	(30)	(970)

9.2 Borrowing costs capitalised

Borrowing costs were capitalised against qualifying items of software during the year under review. The weighted average borrowings rate was 9.85%.

9.3 Software not yet in use

Included in the gross amount of software is R189 million (2014: R177 million) that relates to cost capitalised for software not yet in use. This relates mainly to the development and implementation of SAP merchandising software. The gross amount of software not yet in use was evaluated for impairment by the directors at the statement of financial position date.

9 INTANGIBLE ASSETS (CONTINUED)

9.4 Impairment of goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five-year planning periods. Cash flows beyond these planning periods are extrapolated using an estimated growth rate of 5.0% (2014: 5.0%). This does not exceed the long term average growth rate for the business in which the CGUs operate. The following represent significant assumptions on which management based cash flow projections.

	June 2015 %	June 2014 %
Supermarket operations		
Operating margin*	6.0	5.9
Growth rate**	5.0	5.0
Pre-tax discount rate***	10.6	10.5
Other operations	%	%
Operating margin*	2.7	3.3
Growth rate**	5.0	5.0
Pre-tax discount rate***	10.6	10.5

* Forecasted operating margin, based on budgets, relating to the specific CGUs to which goodwill is allocated. This rate does not apply to the Group as a whole.

** Weighted average sales growth rate

*** Pre-tax discount rate applied to the cash flow projections

These key assumptions are used for the analysis of each CGU within the geographical segment. Management determines budgeted sales growth rates and gross profit margins based on past performance and its expectations of the retail market within the relevant country or area.

The impairment charge in the current financial year arose in CGUs in the Supermarkets RSA and Supermarkets Non-RSA (2014: Supermarkets RSA) operating segments. This impairment was the result of a significant reduction in the future expected sales of merchandise due to a weakening in the general economic conditions in which these CGUs operate.

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		10 FIXED ESCALATION OPERATING LEASE ACCRUALS		
		Operating lease receipts straight-lined	10	20
		Less: current (included under trade and other receivables: note 12)	(1)	(2)
—	—		9	18
		11 INVENTORIES		
—	—	Trading goods	13 689	12 344
		12 TRADE AND OTHER RECEIVABLES		
		Instalment sales		
		Gross amount (note 12.1)	1 851	1 666
		Accumulated impairment (note 12.2)	(219)	(193)
		Unearned finance income	(75)	(60)
—	—		1 557	1 413
—	—	Trade receivables (note 12.3)	1 604	1 498
17	—	Other receivables (note 12.4)	1 106	465
1	—	Prepayments and taxes receivable	587	566
—	—	Fixed escalation operating lease accruals (note 10)	1	2
—	—	Amounts owing by joint ventures (note 12.5)	164	136
18	—		5 019	4 080

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		12 TRADE AND OTHER RECEIVABLES (CONTINUED)		
		12.1 Instalment sales		
		The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between 1 and 2 years and the weighted average interest rate on these receivables is 21.6% (2014: 20.5%) p.a. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Instalment sales comprise a wide-spread client base and external credit checks are made to ensure that all instalment sale clients have an appropriate credit history. Furniture items, including appliances and electronic products are held as collateral for all instalment sale agreements.		
		Instalment sale receivables		
		Future minimum instalment payments receivable under non-cancellable instalment sale agreements		
		Not later than 1 year	1 166	974
		Later than 1 year not later than 2 years	685	692
–	–		1 851	1 666
		12.2 Accumulated impairment		
		Reconciliation of accumulated impairment		
		Balance at the beginning of the year	193	153
		Allowance for impairment for the year	102	124
		Receivables written off during the year as uncollectible	(95)	(79)
		Penalty interest accrued	21	1
		Exchange rate differences	(2)	–
		Unused amounts reversed	–	(6)
–	–	Balance at the end of the year	219	193
		The accumulated impairment relates to actual arrears, individual repayments that are past due, and the age analysis below reflects the period that these amounts are overdue.		
		30 days	43	38
		60 days	28	24
		90 days	21	18
		120 days	16	14
		150 days	13	11
		180 days	11	9
		+ 180 days	69	52
–	–		201	166
		The accumulated impairment is calculated with reference to actual default history of the Group's instalment sale receivables on a collective basis and is in line with industry norms. On this basis the provision of R219 million (2014: R193 million) was calculated taking into account the actual arrears of R201 million (2014: R166 million) and an amount of R597 million (2014: R495 million) which represents the maximum exposure if all debtors included in actual arrears continued to default. It was assessed that a portion of the receivables is expected to be recovered. All amounts that have not been impaired are fully performing and have no overdue instalments. Based on this the credit quality of these amounts is considered to be satisfactory.		

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		12 TRADE AND OTHER RECEIVABLES (CONTINUED)		
		12.3 Trade receivables		
		Gross amount	1 754	1 630
		Accumulated impairment	(150)	(132)
–	–		1 604	1 498

Trade receivables consist mainly of sale of merchandise to franchisees and buying aid societies. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually assessed for impairment. 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 R1,224 million (2014: R817 million) are held as collateral for these amounts. Long standing trading relationships exist with the buying aid societies and the Group reviews the credit history, based on its own records as well as information from an external credit bureau, of these societies on a cyclical basis. Based on this the Group considers the credit quality of all fully performing amounts as satisfactory.

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		Reconciliation of accumulated impairment		
		Balance at the beginning of the year	132	155
		Allowance for impairment for the year	38	18
		Receivables written off during the year as uncollectible	(11)	(8)
		Exchange rate differences	2	2
		Unused amounts reversed	(11)	(35)
–	–	Balance at the end of the year	150	132

The provision for impairment relates to trade receivables of R176 million (2014: R166 million) receivable within the next 12 months.

These individually impaired amounts relate mostly to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R1.4 million (2014: R1.4 million) was accrued on these balances during the year under review.

Trade receivables of R120 million (2014: R122 million) that were past due for more than 30 days of statement date were not impaired. These amounts relate to a number of debtors for whom there is no recent history of default.

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		12 TRADE AND OTHER RECEIVABLES (CONTINUED)		
17	–	**12.4 Other receivables**	1 106	465
		Other receivables consist of various operational debtors such as rental and municipal deposits refundable. The current year balance includes an insurance claim receivable in respect of the fire at the Shoprite store and distribution centre in Palanca, Angola (refer note 33). The amounts are mainly denominated in ZAR, other than the Palanca insurance claim which is denominated in Angola kwanza. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. The age analysis of these amounts are reviewed on a monthly basis and credit worthiness 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.		
–	–	**12.5 Amounts owing by joint ventures**	164	136
		These amounts owing are unsecured, payable on demand and earn interest at an average of 5.7% (2014: 4.9%) p.a. The maximum exposure to credit risk at the reporting date is the carrying value and the Group does not hold any collateral as security. The amounts are mainly denominated in ZAR and no allowance for impairment has been made.		
		13 DERIVATIVE FINANCIAL INSTRUMENTS		
		Forward foreign exchange rate contracts (note 42.1.1)		
–	–	Current liabilities	2	–
–	–	Current assets	–	1
		As at June 2015 the settlement dates on open forward contracts ranged between one and three (2014: one and two) months. The local currency amounts to be received and contractual exchange rates of the Group's outstanding contracts were:		
		US dollar rand equivalent at rates averaging R1 = \$0.0816 (2014: R1 = \$0.0940)		
		Outflow	(482)	(323)
		Inflow	476	322
		Euro rand equivalent at rates averaging R1 = €0.0731 (2014: R1 = €0.0684)		
		Outflow	(162)	(62)
		Inflow	161	62

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm

14 SHARE CAPITAL AND TREASURY SHARES

14.1 Ordinary share capital

June 2014 Rm	June 2015 Rm		June 2015 Rm	June 2014 Rm
		Authorised:		
		650 000 000 (2014: 650 000 000) ordinary shares of 113.4 cents each		
		Issued:		
650	650	572 871 960 (2014: 572 871 960) ordinary shares of 113.4 cents each	650	650

Reconciliation of movement in number of ordinary shares issued:

	Number of shares June 2015	June 2014
Balance at the beginning of the year	572 871 960	570 579 460
Shares issued during the year	—	2 292 500
Balance at the end of the year	572 871 960	572 871 960

Details of the shareholder spread and major shareholders are disclosed in Annexure B (unaudited).

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 June 2015	June 2014
Issued ordinary share capital	572 871 960	572 871 960
Treasury shares (note 14.3)	(38 221 703)	(37 729 072)
	534 650 257	535 142 888

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. Full details are provided in the notice to shareholders contained in the Integrated Report.

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		14 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)		
		14.2 Deferred share capital		
		Authorised:		
		360 000 000 (2014: 360 000 000) non-convertible, non-participating no par value deferred shares		
		Issued:		
–	–	291 792 794 (2014: 290 625 071) non-convertible, non-participating no par value deferred shares	–	–
		Reconciliation of movement in number of deferred shares issued:		

	Number of shares June 2015	Number of shares June 2014
Balance at the beginning of the year	290 625 071	290 625 071
Shares issued during the year	1 167 723	–
Balance at the end of the year	291 792 794	290 625 071

The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd.

All shares are fully paid up and carry the same voting rights as the ordinary shares.

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
650	650		650	650
		14.3 Treasury shares		
–	–	38 221 703 (2014: 37 729 072) ordinary shares	759	680

Reconciliation of movement in number of treasury shares for the Group:

	Number of shares June 2015	Number of shares June 2014
Balance at the beginning of the year	37 729 072	35 436 572
Shares purchased during the year	492 631	2 292 500
Balance at the end of the year	38 221 703	37 729 072
Consisting of:		
Shares owned by Shoprite Checkers (Pty) Ltd	35 450 975	35 436 572
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements (refer to note 15.2)	2 770 728	2 292 500
	38 221 703	37 729 072

FINANCIAL STATEMENTS

15 SHARE-BASED COMPENSATION PLANS

15.1 Cash-settled share-based payments

The Group has granted cash-settled share-based payments to directors and management. The rights to cash-settled share-based payments entitle the participants 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. The number of shares on which the rights are based as well as the strike prices and the exercise and expiry dates are set out below. The Group has recognised the liability in respect of the cash-settled share-based payments and included it in payables (refer note 20).

Refer note 24.1 for the expense recognised in the statement of comprehensive income as employee benefits.

	Weighted average strike price per share		Number of shares on which rights are based	
Movements in rights to cash-settled share-based payments	June 2015	June 2014	June 2015	June 2014
Balance at the beginning of the year	R8.73	R14.59	1 041 667	1 216 668
Exercised during the year	R62.35	R49.47	(41 667)	(175 001)
Balance at the end of the year	R6.50	R8.73	1 000 000	1 041 667
Rights to cash-settled share-based payments outstanding at year-end are unconditional on the following dates or immediately in the case of a deceased estate:				
9 October 2014	–	R62.35	–	41 667
Currently exercisable	R6.50	R6.50	1 000 000	1 000 000
	R6.50	R8.73	1 000 000	1 041 667

Cash-settled share-based payments issued to directors				Number of shares on which rights are based	
Director	Expiry date	Exercise date	Strike price per share	June 2015	June 2014
CH Wiese*	5 Sep 2022	Currently exercisable	R6.50	1 000 000	1 000 000

*The right to the cash-settled share-based payments have been granted via a management company.

15.2 Equity-settled share-based payments

15.2.1 Executive share plan

The Group operates an executive share plan. In terms of the executive share plan, the Group has granted shares to directors and management in the form of forfeitable retention share awards and forfeitable co-investment share awards. The rights to the shares granted entitle the participants to receive Shoprite Holdings Ltd ordinary shares at a grant price of R156.96 per share. Full share grants awarded in terms of the executive share plan are conditional on the employee completing three years' service and co-investment share awards are further subject to the participant investing in the Group's convertible bonds and retaining their investment for the entire vesting period. The full share grants may be forfeited if participants fail to meet the vesting conditions. The terms and conditions of the schemes under the executive share plan are set out in the Remuneration Report contained in the Integrated Report.

Shares granted in terms of the executive share plan meet the definition of an equity-settled share-based payment. The Group has recognised a share-based payment reserve in respect of these equity-settled share-based payments and has included it within equity.

In terms of the executive share plan, the Company issued 2 292 500 new shares to the value of R360 million to its main trading subsidiary, Shoprite Checkers (Pty) Ltd, in the previous year for the benefit of the participants. The ownership of these shares vests with Shoprite Checkers (Pty) Ltd until vesting conditions are met by the participants. The participants will be entitled to the dividends and voting rights on the shares from the grant date. All grants issued will vest on 15 June 2017 if vesting conditions are met by participants.

Refer note 24.1 for the expense recognised in the statement of comprehensive income as employee benefits.

15 SHARE-BASED COMPENSATION PLANS (CONTINUED)

15.2 Equity-settled share-based payments (continued)

15.2.1 Executive share plan (continued)

Movements in the number of full share grants awarded in terms of the executive share plan	Weighted average price per share on date of the grant June 2015	June 2014	Number of shares June 2015	June 2014
Balance at the beginning of the year	R156.96	—	2 292 500	—
Shares granted during the year	—	R156.96	—	2 292 500
Shares forfeited during the year	R156.96	—	(10 000)	—
Balance at the end of the year	R156.96	R156.96	2 282 500	2 292 500

Rights to full share grants awarded to participants in terms of the executive share plan outstanding at year-end are unconditional on 15 June 2017 or immediately in the case of a deceased estate.

Full share grants held by executive directors in terms of the executive share plan Director	Grant date	Share price on date of the grant	Number of shares June 2015	June 2014
JAL Basson	15 June 2014	R156.96	40 000	40 000
M Bosman	15 June 2014	R156.96	50 000	50 000
PC Engelbrecht	15 June 2014	R156.96	80 000	80 000
AE Karp	15 June 2014	R156.96	60 000	60 000

15.2.2 Incentive bonus share allocation scheme

The Group offers other long term incentives through participation in the virtual option plan and a deferred bonus plan. The terms and conditions of these plans are set out in the Remuneration Report contained in the Integrated Report. A portion of incentive bonuses previously allocated to management in terms of the virtual option and deferred bonus plans has been converted to shares in Shoprite Holdings Ltd. As a result, the Group has granted shares to management in the form of forfeitable retention share awards. The rights to the shares granted entitle the participants to receive Shoprite Holdings Ltd ordinary shares at a grant price of R160.76 per share. These full share grants vest on the same dates as determined under the virtual option and deferred bonus plans, being in equal thirds over a three, four and five year period. Full share grants awarded under the incentive bonus share allocation scheme can be forfeited prior to vesting in the event of the participant terminating employment (apart from death and disability).

Shares granted in terms of the incentive bonus share allocation scheme meet the definition of an equity-settled share-based payment. The Group has recognised a modification of a cash bonus arrangement in respect of these long term incentives and transferred the liability as at the modification date from provisions to the share-based payment reserve within equity. (Refer to note 18.)

The Company's main trading subsidiary, Shoprite Checkers (Pty) Ltd, purchased 492 631 Shoprite Holdings Ltd shares in the market for the benefit of the participants in the incentive bonus share allocation scheme. The ownership of these shares vests with Shoprite Checkers (Pty) Ltd until vesting conditions are met by the participants. The participants will be entitled to the dividends and voting rights on the shares from the grant date. The vesting dates range between 30 September 2015 and 30 September 2019 and are set out on the next page.

Refer note 24.1 for the expense recognised in the statement of comprehensive income as employee benefits.

15 SHARE-BASED COMPENSATION PLANS (CONTINUED)

15.2 Equity-settled share-based payments (continued)

15.2.2 Incentive bonus share allocation scheme (continued)

The fair value of full share grants awarded in terms of the incentive bonus share allocation scheme during the year was based on the weighted average market price of a Shoprite Holdings Ltd share achieved when Shoprite Checkers (Pty) Ltd purchased these shares in the market and determined at R160.76 per share. The following assumptions were used in calculating the fair value:

	June 2015
Total number of full share grants awarded	492 631
Grant date	31 October 2014
Vesting date	30 September 2015 — 2019
Weighted average share price of shares purchased	R160.76
Exercise price	R0.00
Forfeiture rate	5.0%

	Weighted average price per share on date of the grant		Number of shares	
Movements in the number of full share grants awarded in terms of the incentive bonus share allocation scheme	June 2015	June 2014	June 2015	June 2014
Balance at the beginning of the year	—	—	—	—
Shares granted during the year	R160.76	—	492 631	—
Shares forfeited during the year	R160.76	—	(4 403)	—
Balance at the end of the year	R160.76	—	488 228	—
Rights to full share grants awarded to participants in terms of the incentive bonus share allocation scheme outstanding at year-end are unconditional on the following dates or immediately in the case of a deceased estate:				
30 September 2015	R160.76	—	111 127	—
30 September 2016	R160.76	—	117 445	—
30 September 2017	R160.76	—	130 703	—
30 September 2018	R160.76	—	84 563	—
30 September 2019	R160.76	—	44 390	—
	R160.76	—	488 228	—

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		16 RESERVES		
2 504	2 936	Retained earnings	14 167	11 982
2	2	Other reserves (note 16.1)	1 005	1 236
2 506	2 938		15 172	13 218
		16.1 Other reserves		
2	2	Capital redemption reserve	2	2
—	—	Share-based payments reserve	161	4
—	—	Equity component of convertible bonds	361	361
—	—	Foreign currency translation reserve	481	869
2	2		1 005	1 236

Reconciliation of carrying values of other reserves

GROUP Rm	Share-based payments reserve	Equity component of convertible bonds	Foreign currency translation reserve	Other
Balance at June 2013	—	334	745	2
Share-based payments – value of employee services	4			
Equity component of convertible bonds sold during the year		27		
Equity component of convertible bonds on 15 June 2014		37		
Deferred income tax on equity component of convertible bonds		(10)		
Foreign currency translation differences			124	
Group			123	
Associates and joint ventures			1	
Balance at June 2014	4	361	869	2
Share-based payments – value of employee services	131			
Modification of cash bonus arrangement transferred from provisions	26			
Foreign currency translation differences			(388)	
Group			(413)	
Associates and joint ventures			25	
Balance at June 2015	161	361	481	2

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		17 BORROWINGS		
		Consisting of:		
2	2	Shoprite Holdings Ltd preference share capital (note 17.1)	2	2
–	–	Convertible bonds (note 17.2)	4 511	4 381
–	–	Standard Bank de Angola, S.A. (note 17.3)	249	218
–	–	First National Bank of Namibia Ltd (note 17.4)	97	83
–	–	Other borrowings (note 17.5)	13	–
2	2		4 872	4 684
		Analysis of total borrowings		
2	2	Non-current	4 305	4 373
–	–	Current	567	311
2	2		4 872	4 684

17.1 Shoprite Holdings Ltd preference share capital

Authorised:

0 (2014: 175 000) 6% non-convertible cumulative preference shares of R2 each

325 000 (2014: 325 000) 5% non-convertible cumulative preference shares of R2 each

225 000 (2014: 225 000) second 5% non-convertible cumulative preference shares of R2 each

1 000 000 (2014: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		Issued:		
–	–	0 (2014: 175 000) 6% non-convertible cumulative preference shares of R2 each	–	–
1	1	325 000 (2014: 325 000) 5% non-convertible cumulative preference shares of R2 each	1	1
–	–	225 000 (2014: 225 000) second 5% non-convertible cumulative preference shares of R2 each	–	–
1	1	500 000 (2014: 500 000) third 5% non-convertible cumulative preference shares of R2 each	1	1
2	2		2	2

Reconciliation of movement in number of 6% non-convertible cumulative preference shares issued:

	Number of shares June 2015	June 2014
Balance at the beginning of the year	175 000	175 000
Shares converted to 6% non-convertible cumulative redeemable preference shares	(175 000)	–
Balance at the end of the year	–	175 000

The Company converted its 6% non-convertible cumulative preference shares to 6% non-convertible cumulative redeemable preference shares and redeemed all the shares in this class at R2 per share during the year under review.

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		17 BORROWINGS (CONTINUED)		
		17.2 Convertible bonds		
		The Group has issued 6.5% convertible bonds for a principal amount of R4.7 billion (2014: R4.7 billion). The bonds mature on 3 April 2017 at their nominal value of R4.7 billion (2014: R4.7 billion) or can be converted into shares at the holders' option at the maturity date at the rate of 5 919.26 shares per R1 million. The Group holds, subject to conditions, rights on early redemption. The values of the liability component and the equity conversion component were determined at issuance of the bonds.		
		The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond at initial recognition. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves, net of income taxes.		
		The convertible bonds recognised in the statement of financial position is calculated as follows:		
		Liability component at the beginning of the year	4 381	4 078
		Liability component on initial recognition of convertible bonds at 15 June 2014	–	187
		Face value of convertible bonds sold on 15 June 2014	–	224
		Equity component (note 16.1)	–	(37)
		Interest expense (note 29)	436	408
		Interest paid	(306)	(292)
–	–	Liability component at the end of the year	4 511	4 381
		The fair value of the liability component of the convertible bonds amounted to R4.6 billion (2014: R4.5 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.5% (2014: 8.9%) and are within level 2 of the fair value hierarchy.		
–	–	**17.3 Standard Bank de Angola, S.A.** This loan is denominated in US dollar, unsecured, payable after 18 months and bears interest at an average of 9.86% (2014: 10.20%) p.a.	249	218
–	–	**17.4 First National Bank of Namibia Ltd** This loan is denominated in ZAR, unsecured, will be repaid within the next 24 months in equal instalments and bears interest at an average of 8.76% (2014: 8.75%) p.a.	97	83
–	–	**17.5 Other borrowings** This loan is payable to a minority shareholder of a subsidiary of the Group, denominated in ZAR, unsecured, payable on demand and bears interest at an average of 5.82% p.a.	13	–

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		18 PROVISIONS		
		Provision for post-employment medical benefits (note 38.2)	35	35
		Provision for onerous lease contracts	93	51
		Provision for outstanding claims	4	6
		Provision for long term employee benefits	163	192
		Reinstatement provision	162	131
–	–		457	415

Reconciliation of carrying values

GROUP Rm	Post-employment medical benefits	Onerous lease contracts	Outstanding claims	Long term employee benefits	Reinstatement provision	Total
Balance at June 2013	40	40	2	162	140	384
Additional provisions	–	24	4	176	4	208
Unused amounts reversed	–	(7)	–	(5)	(1)	(13)
Re-measurements recognised directly in other comprehensive income	(6)	–	–	–	–	(6)
Utilised during the year	(2)	(8)	–	(150)	(12)	(172)
Accretion of discount	3	2	–	9	–	14
Balance at June 2014	35	51	6	192	131	415
Additional provisions	–	55	–	38	38	131
Unused amounts reversed	–	(6)	(2)	(4)	–	(12)
Re-measurements recognised directly in other comprehensive income	(1)	–	–	–	–	(1)
Utilised during the year	(2)	(9)	–	(49)	(5)	(65)
Accretion of discount	3	3	–	12	–	18
Modification of cash bonus arrangement transferred to share-based payments reserve	–	–	–	(26)	–	(26)
Exchange rate differences	–	(1)	–	–	(2)	(3)
Balance at June 2015	35	93	4	163	162	457
Analysis of total provisions						
2014						
Non-current	35	45	3	140	54	277
Current	–	6	3	52	77	138
	35	51	6	192	131	415
2015						
Non-current	35	79	4	154	49	321
Current	–	14	–	9	113	136
	35	93	4	163	162	457
Discount rates used						
2014	9%	11%	N/A	9%	11%	
2015	9%	11%	N/A	9%	11%	

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		19 FIXED ESCALATION OPERATING LEASE ACCRUALS		
		Operating lease payments straight-lined (refer note 23)	935	774
		Less: current (included under trade and other payables: note 20)	(89)	(80)
–	–		846	694
		20 TRADE AND OTHER PAYABLES		
–	–	Trade payables	11 834	11 133
3	3	Other payables and accruals	3 728	3 529
–	–	Employee benefit accruals	1 033	929
–	–	Indirect taxes payable	308	270
		Insurance contract allowances		
–	–	– Unearned premiums (note 20.1)	236	228
–	–	Amounts owing to joint ventures (note 20.2)	4	28
–	–	Fixed escalation operating lease accruals (note 19)	89	80
–	–	Cash-settled share-based payment accrual (note 15.1)	192	135
3	3		17 424	16 332
		20.1 Allowance for unearned premiums		
		An analysis of the allowance for unearned premiums is set out below:		
		Balance at the beginning of the year	228	200
		Premiums written during the year (note 21.3)	417	398
		Amortisation charged to income (note 21.3)	(409)	(370)
–	–	Balance at the end of the year	236	228
–	–	**20.2 Amounts owing to joint ventures**	4	28
		These loans are unsecured, payable on demand and bear interest at an average of 3.9% (2014: 4.9%) p.a.		
		21 OTHER OPERATING INCOME		
–	–	Finance income earned	296	260
2 249	2 472	Investment income (note 21.1)	99	36
–	–	Franchise fees received	58	51
–	–	Operating lease income (note 21.2)	335	300
–	–	Commissions received	695	635
–	–	Premiums earned (note 21.3)	409	370
9	9	Other income	1 536	1 188
2 258	2 481		3 428	2 840
		21.1 Investment income		
41	3	Interest received from subsidiaries	–	–
–	–	Interest received from joint ventures	9	4
–	–	Interest received from associates	14	–
–	–	Interest received other	55	23
2 208	2 469	Dividends – subsidiaries	–	–
–	–	Dividends – unlisted investments	21	9
2 249	2 472		99	36

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		21 OTHER OPERATING INCOME (CONTINUED)		
		21.2 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 1 and 10 years (2014: 1 and 10 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 7.6% (2014: 7.4%) p.a.		
		21.3 Premiums earned		
		Premiums written	417	398
		Change in allowance for unearned premiums	(8)	(28)
–	–		409	370
		22 DEPRECIATION AND AMORTISATION		
		Property, plant and equipment	1 754	1 568
		Intangible assets	208	162
			1 962	1 730
		Disclosed as cost of sales	(229)	(205)
–	–		1 733	1 525
		23 OPERATING LEASES		
		The Group has entered into various operating lease agreements on property, plant and equipment.		
		Leases on properties are contracted for periods of between 5 and 10 years (2014: 5 and 10 years) with renewal options averaging a further 3 to 15 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1.88% (2014: 1.87%) of turnover. Rental escalations vary, but average at a rate of 6.68% (2014: 6.70%) p.a.		
		Operating lease payments – property	3 129	2 589
		Operating lease payments – equipment	149	112
			3 278	2 701
		Disclosed as cost of sales	(288)	(105)
–	–		2 990	2 596
		Consisting of:		
		Minimum lease payments	2 973	2 444
		Contingent lease payments	305	257
–	–		3 278	2 701

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		24 EMPLOYEE BENEFITS		
		Wages and salaries	8 616	7 945
		Share-based payment arrangements (note 24.1)	144	(25)
		Post-employment medical benefits (note 38.2)	3	3
		Retirement benefit contributions (note 38.1)	486	450
			9 249	8 373
		Disclosed as cost of sales	(742)	(650)
–	–		8 507	7 723
		24.1 Share-based payment arrangements		
		Cash-settled share-based payments (note 15.1)	13	(29)
		Equity-settled share-based payments (note 15.2)	131	4
–	–		144	(25)
		24.2 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 28% (2014: 28%).		
		Mandatory grants received	13	12
		Discretionary grants received	15	13
–	–		28	25
		25 DIRECTORS' REMUNERATION		
91	103	Executive directors		
2	3	Non-executive directors		
93	106		–	–
(91)	(103)	Less: paid by subsidiaries and joint ventures		
2	3		–	–

The only prescribed officers of the Group are the Shoprite Holdings Ltd directors and alternate directors, as listed on the next page.

For details of equity and cash-settled share-based payment instruments issued to directors refer note 15.

Refer note 44 for details of amounts owing by directors at the end of the reporting period.

FINANCIAL STATEMENTS

25 DIRECTORS' REMUNERATION (CONTINUED)

R'000	June 2015 Remu-neration	June 2015 Perfor-mance bonus	June 2015 Retire-ment and medical benefits	June 2015 Cash retention payment*	June 2015 Other benefits	June 2015 Total	June 2014 Remu-neration	June 2014 Perfor-mance bonus	June 2014 Retire-ment and medical benefits	June 2014 Other benefits	June 2014 Total
Executive directors and alternates											
JW Basson	49 656	—	54	—	382	50 092	49 656	—	50	266	49 972
JAL Basson	1 715	1 525	293	—	215	3 748	1 484	255	254	173	2 166
M Bosman	2 177	1 774	498	—	174	4 623	1 959	1 568	458	178	4 163
PC Engelbrecht	3 746	2 402	690	—	241	7 079	3 262	2 066	603	214	6 145
CG Goosen	2 977	2 205	760	—	111	6 053	3 849	2 868	1 001	175	7 893
B Harisunker	3 146	1 321	421	—	253	5 141	2 399	1 308	811	245	4 763
AE Karp	3 840	1 593	800	10 000	228	16 461	3 595	2 966	745	248	7 554
EL Nel	3 008	1 983	—	—	198	5 189	2 780	1 941	—	192	4 913
BR Weyers	2 321	1 471	585	—	160	4 537	1 842	1 354	525	162	3 883
	72 586	14 274	4 101	10 000	1 962	102 923	70 826	14 326	4 447	1 853	91 452

R'000	June 2015 Fees	June 2015 Total	June 2014 Fees	June 2014 Total
Non-executive directors				
JF Basson (appointed 18/8/2014)	213	213	—	—
JJ Fouché	301	301	146	146
EC Kieswetter	257	257	214	214
JA Louw	477	477	419	419
JF Malherbe (retired 28/10/2013)	—	—	80	80
ATM Mokgokong	183	183	146	146
JG Rademeyer	429	429	379	379
JA Rock	263	263	146	146
CH Wiese**	430	430	399	399
	2 553	2 553	1 929	1 929

* Refer to the Remuneration Report contained in the Integrated Report for details of cash retention payments.
** Paid to Chaircorp (Pty) Ltd in its capacity as employer.

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		26 OTHER OPERATING EXPENSES		
—	—	Electricity and water	2 056	1 735
11	4	Fees for professional services	351	330
—	—	Repairs and maintenance	1 226	1 083
—	—	Security services	1 093	941
7	10	Other expenses	3 385	3 129
18	14		8 111	7 218
—	—	Disclosed as cost of sales	(727)	(668)
18	14		7 384	6 550

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		27 ITEMS OF A CAPITAL NATURE		
		(Loss)/profit on disposal and scrapping of property (note 3)	(313)	13
		Profit on disposal of assets held for sale (note 4)	39	–
		Loss on disposal and scrapping of plant and equipment (note 3)	(96)	(26)
		Reversal of impairment of property, plant and equipment (note 3)	1	42
		Impairment of goodwill (note 9)	(12)	(12)
		Insurance claims receivable/(paid)	367	(1)
		Profit/(loss) on other investing activities	1	(13)
–	–		(13)	3
		28 OPERATING PROFIT		
		Determined after taking into account the following:		
		Fair value losses on financial instruments	3	23
		Policyholder claims and benefits paid	43	37
		– claims paid	45	33
		– movement in accumulated outstanding claims (note 18)	(2)	4
		29 FINANCE COSTS		
–	–	Interest on convertible bonds	436	408
–	–	Interest paid	69	45
–	–	Interest paid to joint ventures	2	3
–	–	Preference dividends	–	5
–	–	Borrowing costs capitalised	(92)	–
–	–		415	461
		30 INCOME TAX EXPENSE		
		30.1 Classification		
47	24	South African income tax	1 647	1 522
–	–	Foreign income tax	201	205
47	24		1 848	1 727
		30.2 Consisting of:		
48	25	Current income tax	1 893	1 728
(1)	(1)	Prior year income tax	(13)	13
–	–	Withholding income tax	17	26
47	24		1 897	1 767
–	–	Deferred income tax	(49)	(40)
47	24		1 848	1 727
		30.3 Reconciliation of income tax		
659	707	South African current income tax at 28% (2014: 28%)	1 675	1 531
(612)	(683)	Net adjustments	173	196
(618)	(691)	Dividend income	(7)	(6)
7	9	Other exempt income and non-deductible expenses	(29)	(24)
–	–	Income tax allowances	(5)	(4)
–	–	Deferred income tax asset previously not recognised	(6)	(5)
(1)	(1)	Prior year income tax	(13)	13
–	–	Effect of foreign income tax rates	69	62
–	–	Withholding income tax	17	26
–	–	Deferred income tax asset not recognised	147	134
47	24	Income tax	1 848	1 727
2.0%	1.0%	Effective tax rate	30.9%	31.6%

FINANCIAL STATEMENTS

31 EARNINGS PER SHARE

Rm	2015 Gross	2015 Income tax effect	2015 Net
Profit attributable to owners of the parent			4 124
Loss on disposal and scrapping of property (note 3)	313	(94)	219
Profit on disposal of assets held for sale (note 4)	(39)	8	(31)
Loss on disposal and scrapping of plant and equipment (note 3)	96	(28)	68
Reversal of impairment of property, plant and equipment (note 3)	(1)	2	1
Impairment of goodwill (note 9)	12	—	12
Insurance claims receivable	(367)	107	(260)
Profit on other investing activities	(1)	—	(1)
Re-measurements included in equity-accounted loss of associates and joint ventures	2	(1)	1
Headline earnings	15	(6)	4 133

Rm	2014 Gross	2014 Income tax effect	2014 Net
Profit attributable to owners of the parent			3 730
Profit on disposal of property (note 3)	(13)	2	(11)
Loss on disposal and scrapping of plant and equipment (note 3)	26	(7)	19
Reversal of impairment of property, plant and equipment (note 3)	(42)	12	(30)
Impairment of goodwill (note 9)	12	—	12
Insurance claims paid	1	—	1
Loss on other investing activities	13	(3)	10
Re-measurements included in equity-accounted loss of associates and joint ventures	2	—	2
Headline earnings	(1)	4	3 733

Number of ordinary shares	June 2015 '000	June 2014 '000
– In issue	534 650	535 143
– Weighted average	534 816	535 143
– Weighted average adjusted for dilution	537 432	535 149
Reconciliation of weighted average number of ordinary shares in issue during the year:		
Weighted average number of ordinary shares	534 816	535 143
Adjustments for dilutive potential of full share grants	2 616	6
Weighted average number of ordinary shares for diluted earnings per share	537 432	535 149

Earnings per share	Cents	Cents
– Basic earnings	771.2	697.0
– Diluted earnings	767.4	697.0
– Basic headline earnings	772.9	697.6
– Diluted headline earnings	769.1	697.6

COMPANY June 2014 Cents	COMPANY June 2015 Cents		GROUP June 2015 Cents	GROUP June 2014 Cents
		32 DIVIDENDS PER SHARE		
		32.1 Dividends per share paid		
215.0	218.0	No 131 paid 15 September 2014 (2014: No 129 paid 16 September 2013)	218.0	215.0
132.0	143.0	No 132 paid 23 March 2015 (2014: No 130 paid 24 March 2014)	143.0	132.0
347.0	361.0		361.0	347.0
		32.2 Dividends per share declared		
218.0	243.0	No 133 payable 14 September 2015 (2014: No 131 paid 15 September 2014)	243.0	218.0

Rm	Rm		Rm	Rm
		33 EXCEPTIONAL ITEMS		
		Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate.		
		The amounts detailed below are included in the statement of comprehensive income during the current year and presented as exceptional items.		
		Inventory write-downs (included in cost of sales)	171	–
		Property write-downs (included in items of a capital nature)	314	–
		Equipment, fixtures and fittings written off (included in items of a capital nature)	46	–
–	–		531	–

These exceptional items resulted from a fire at the Shoprite store and distribution centre in Palanca (Angola) which led to the destruction of a substantial portion of the site at the end of July 2014. The Group is insured and it is estimated that the potential loss will not be material. The gross insurance claim receivable in respect of inventory, property, fixtures and fittings destroyed amounts to R480 million at year-end, is included in other receivables (note 12) and differs from the current year expense due to reporting currency translations.

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		34 CASH FLOW INFORMATION		
		34.1 Non-cash items		
–	–	Depreciation of property, plant and equipment	1 754	1 568
–	–	Amortisation of intangible assets	208	162
–	–	Net fair value losses on financial instruments	3	23
–	–	Exchange rate losses	132	9
–	–	Loss/(profit) on disposal and scrapping of property	313	(13)
–	–	Profit on disposal of assets held for sale	(39)	–
–	–	Loss on disposal and scrapping of plant and equipment	96	26
–	–	Reversal of impairment of property, plant and equipment	(1)	(42)
–	–	Impairment of goodwill	12	12
–	–	Movement in provisions	72	37
–	–	Movement in cash-settled share-based payment accrual	60	(37)
–	–	Movement in share-based payment reserve	131	4
–	–	Movement in fixed escalation operating lease accruals	171	110
–	–		2 912	1 859

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		34 CASH FLOW INFORMATION (CONTINUED)		
		34.2 Changes in working capital		
—	—	Inventories	(1 483)	(1 994)
22	18	Trade and other receivables	(1 048)	(586)
1	—	Trade and other payables	1 123	3 658
23	18		(1 408)	1 078
		34.3 Dividends paid		
(5)	(6)	Shareholders for dividends at the beginning of the year	(7)	(6)
(1 980)	(2 068)	Dividends distributed to equity holders	(1 940)	(1 857)
—	—	Dividends distributed to non-controlling interest	(8)	(12)
6	6	Shareholders for dividends at the end of the year	8	7
(1 979)	(2 068)		(1 947)	(1 868)
		34.4 Income tax paid		
(2)	(19)	Payable at the beginning of the year	(839)	(9)
(47)	(24)	Per statement of comprehensive income	(1 897)	(1 767)
19	(7)	Payable/(prepaid) at the end of the year	916	839
(30)	(50)		(1 820)	(937)
		34.5 Cash flows utilised by investing activities		
—	—	Investment in property, plant and equipment and intangible assets to expand operations	(3 630)	(2 917)
—	—	Investment in property, plant and equipment and intangible assets to maintain operations	(1 001)	(992)
—	—	Investment in assets held for sale	—	(2)
—	—	Proceeds on disposal of property, plant and equipment and intangible assets	71	126
—	—	Proceeds on disposal of assets held for sale	163	—
	—	Other investing activities	(264)	(313)
(22 722)	(8 810)	Amounts paid to subsidiaries	—	—
22 152	8 474	Amounts received from subsidiaries	—	—
(684)	(1 953)	Investment in subsidiaries	—	—
—	(6)	Investment in associates	(6)	—
—	—	Acquisition of operations (note 34.5.1)	(3)	(67)
(1 254)	(2 295)		(4 670)	(4 165)

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		34 CASH FLOW INFORMATION (CONTINUED)		
		34.5 Cash flows utilised by investing activities (continued)		
		34.5.1 Acquisition of operations		
		The Group acquired retail business operations in South Africa on 15 July 2014 and 22 December 2014. As a result of these acquisitions, the Group is expected to expand its retail business operations in South Africa.		
		The Group acquired retail business operations in South Africa during the previous year on 9 July 2013 and 5 May 2014. As a result of these acquisitions, the Group is expected to expand its retail business operations in South Africa.		
		These acquisitions had no significant impact on the Group's results.		
		The goodwill arising from these acquisitions are attributable to acquired customer base and economies of scale expected from combining the operations of the Group and the acquired business operations. None of the goodwill recognised is expected to be deductible for income tax purposes.		
		The assets and liabilities arising from these acquisitions were as follows:		
		Property, plant and equipment (note 3)	—	10
		Inventories (note 11)	1	6
			1	16
		Goodwill (note 9.1)	2	51
—	—	Purchase consideration	3	67
		34.6 Cash flows (utilised by)/from financing activities		
—	—	Shares repurchased	(79)	—
360	—	Proceeds from ordinary shares issued	—	—
—	—	Proceeds from convertible bonds sold	—	224
—	—	Increase in borrowing from Standard Bank de Angola, S.A.	—	218
—	—	Increase in borrowing from First National Bank of Namibia Ltd	14	11
—	—	Increase in other borrowings	13	—
360	—		(52)	453
		35 CONTINGENT LIABILITIES		
		Amounts arising in the ordinary course of business relating to property and other transactions from which it is anticipated that no material liabilities will arise.	13	235
		Shoprite Holdings Ltd and its main trading subsidiary, Shoprite Checkers (Pty) Ltd, have irrevocably and unconditionally guaranteed all amounts payable by the issuer, Shoprite Investments Ltd, in respect of convertible bonds (refer note 17.2).		

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		36 COMMITMENTS		
		36.1 Capital commitments		
		Contracted for property, plant and equipment	1 297	2 439
		Contracted for intangible assets	298	38
		Authorised by directors, but not contracted for	2 062	2 532
–	–	Total capital commitments	3 657	5 009
–	–	Capital commitments for the 12 months after accounting date	3 657	5 009
		Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
		36.2 Operating lease commitments		
		Future minimum lease payments under non-cancellable operating leases:		
		– Not later than one year	2 387	1 991
		– Later than one year not later than five years	8 126	6 744
		– Later than five years	6 827	4 517
			17 340	13 252
		Less: fixed escalation operating lease accruals (note 19)	(935)	(774)
–	–		16 405	12 478
		36.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases:		
		– Not later than one year	259	241
		– Later than one year not later than five years	380	334
		– Later than five years	34	40
			673	615
		Less: fixed escalation operating lease accruals (note 10)	(10)	(20)
–	–		663	595
		37 BORROWING POWERS		
		In terms of the Memorandum of Incorporation of the Company the borrowing powers of Shoprite Holdings Ltd are unlimited.		

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		38 POST-EMPLOYMENT BENEFITS		
		38.1 Retirement funds		
		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 54.3% (2014: 65.5%) of employees and 5.5% (2014: 5.2%) 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:	486	450
		38.2 Medical benefits		
		The Group operates unfunded post-employment medical benefit schemes in South-Africa. Full provision for post-employment medical benefits, where they exist, are made with reference to actuarial valuations in respect of past services liabilities. The liability relates mainly to pensioners and will be settled during the next financial years.		
		38.2.1 The movement in the liability recognised in the statement of financial position (note 18) was as follows:		
		Balance at the beginning of the year	35	40
		Total expense charged to profit for the year (note 24)	3	3
		Interest cost	3	3
		Total re-measurements recognised directly in other comprehensive income during the year	(1)	(6)
		Net actuarial gains from changes in demographic assumptions	(3)	(4)
		Net actuarial losses/(gains) from changes in financial assumptions	2	(2)
		Benefits paid	(2)	(2)
–	–	Balance at the end of the year	35	35

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm
		38 POST-EMPLOYMENT BENEFITS (CONTINUED)		
		38.2 Medical benefits (continued)		
		38.2.2 The principal actuarial assumptions used for accounting purposes are as follows:		
		Health-care cost inflation	11.5%	11.0%
		Discount rate	9.3%	9.3%
		Consumer price index inflation	7.5%	7.0%
		Continuation at retirement	100.0%	100.0%
		Expected retirement age	63 years	63 years
		The assumed rates of mortality are as follows:		
		During employment: SA85-90 (Light) ultimate table (2014: SA85-90 (Light) ultimate table)		
		Post-employment: PA(90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006 (2014: PA(90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006)		
		38.2.3 The sensitivity of the post-employment medical benefit liability to changes in the significant actuarial assumptions is as follows:		
		Increase in the post-employment medical benefit liability resulting from a 1% increase in the assumed health-care cost inflation	5	5
		Decrease in the post-employment medical benefit liability resulting from a 1% decrease in the assumed health-care cost inflation	4	4
		The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the post-employment medical benefit liability to significant actuarial assumptions, the same method has been applied as when calculating the post-employment medical benefit liability recognised within the statement of financial position.		
		The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.		

39 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

Rm	Loans and receivables	Assets at fair value through profit and loss	Total
	June 2015		
Financial assets as per statement of financial position			
Loans and receivables	606		606
Instalment sales	1 557		1 557
Trade receivables	1 604		1 604
Other receivables excluding prepayments and taxes receivable	1 106		1 106
Amounts owing by joint ventures	164		164
Cash and cash equivalents	7 061		7 061
	12 098	–	12 098

Rm	Loans and receivables	Assets at fair value through profit and loss	Total
	June 2014		
Financial assets as per statement of financial position			
Loans and receivables	342		342
Instalment sales	1 413		1 413
Trade receivables	1 498		1 498
Other receivables excluding prepayments and taxes receivable	465		465
Amounts owing by joint ventures	136		136
Derivative financial instruments		1	1
Cash and cash equivalents	8 161		8 161
	12 015	1	12 016

COMPANY

Rm	Loans and receivables	Assets at fair value through profit and loss	Total
	June 2015		
Financial assets as per statement of financial position			
Amounts owing by subsidiaries	2 603		2 603
Cash and cash equivalents	6		6
	2 609	–	2 609

Rm	Loans and receivables	Assets at fair value through profit and loss	Total
	June 2014		
Financial assets as per statement of financial position			
Amounts owing by subsidiaries	2 267		2 267
Other receivables excluding prepayments and taxes receivable	17		17
Cash and cash equivalents	1 877		1 877
	4 161	–	4 161

The nominal value less estimated credit adjustments of trade and other receivables are assumed to approximate their fair values. The fair value is based on discounted cash flows and is within level 3 of the fair value hierarchy.

The fair value of amounts owing by employees included in loans and receivables amounted to R216.0 million (2014: R208.7 million) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 9.3% (2014: 9.0%) and is within level 2 of the fair value hierarchy.

The book value of all other financial assets approximate the fair values thereof.

39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

GROUP

Rm	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Total
		June 2015	
Financial liabilities as per statement of financial position			
Borrowings	4 872		4 872
Reinstatement provision	162		162
Trade payables	11 834		11 834
Other payables and accruals excluding taxes payable and employee benefit accruals	3 728		3 728
Amounts owing to joint ventures	4		4
Derivative financial instruments		2	2
Bank overdrafts	3		3
Shareholders for dividends	8		8
	20 611	2	20 613

Rm	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Total
		June 2014	
Financial liabilities as per statement of financial position			
Borrowings	4 684		4 684
Reinstatement provision	131		131
Trade payables	11 133		11 133
Other payables and accruals excluding taxes payable and employee benefit accruals	3 529		3 529
Amounts owing to joint ventures	28		28
Bank overdrafts	61		61
Shareholders for dividends	7		7
	19 573	–	19 573

COMPANY

Rm	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Total
		June 2015	
Financial liabilities as per statement of financial position			
Borrowings	2		2
Other payables and accruals excluding taxes payable and employee benefit accruals	3		3
Shareholders for dividends	6		6
	11	–	11

Rm	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Total
		June 2014	
Financial liabilities as per statement of financial position			
Borrowings	2		2
Other payables and accruals excluding taxes payable and employee benefit accruals	3		3
Shareholders for dividends	6		6
	11	–	11

The nominal value less estimated credit adjustments of trade and other payables are assumed to approximate their fair values. The fair value is based on discounted cash flows and is within level 3 of the fair value hierarchy.

The fair value of the liability component of the convertible bonds included in borrowings amounted to R4.6 billion (2014: R4.5 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.5% (2014: 8.9%) and is within level 2 of the fair value hierarchy.

The book value of all other financial liabilities approximate the fair values thereof.

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

40.1 Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

GROUP	Trade receivables	Derivative financial assets	Cash and cash equivalents	Total
Rm		**June 2015**		
Gross amounts of recognised financial assets	3 617	2	8 679	12 298
Gross amounts of recognised financial liabilities set off in the statement of financial position	(2 013)	(2)	(1 618)	(3 633)
Net amounts of financial assets presented in the statement of financial position	1 604	–	7 061	8 665
Related amounts not set off in the statement of financial position*				
Financial instruments	(71)	–	–	(71)
Net amounts	1 533	–	7 061	8 594
Rm		**June 2014**		
Gross amounts of recognised financial assets	3 253	2	8 370	11 625
Gross amounts of recognised financial liabilities set off in the statement of financial position	(1 755)	(1)	(209)	(1 965)
Net amounts of financial assets presented in the statement of financial position	1 498	1	8 161	9 660
Related amounts not set off in the statement of financial position*				
Financial instruments	(45)	–	–	(45)
Net amounts	1 453	1	8 161	9 615

40.2 Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

GROUP	Trade payables	Derivative financial liabilities	Bank overdrafts	Total
Rm		**June 2015**		
Gross amounts of recognised financial liabilities	13 847	4	1 621	15 472
Gross amounts of recognised financial assets set off in the statement of financial position	(2 013)	(2)	(1 618)	(3 633)
Net amounts of financial liabilities presented in the statement of financial position	11 834	2	3	11 839
Related amounts not set off in the statement of financial position*				
Financial instruments	(71)	–	–	(71)
Net amounts	11 763	2	3	11 768
Rm		**June 2014**		
Gross amounts of recognised financial liabilities	12 888	1	270	13 159
Gross amounts of recognised financial assets set off in the statement of financial position	(1 755)	(1)	(209)	(1 965)
Net amounts of financial liabilities presented in the statement of financial position	11 133	–	61	11 194
Related amounts not set off in the statement of financial position*				
Financial instruments	(45)	–	–	(45)
Net amounts	11 088	–	61	11 149

*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.

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm

41 FAIR VALUE DISCLOSURES

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 derivatives – being forward foreign exchange rate contracts – are measured at fair value and classified at level 2.

There were no transfers between levels 1 and 2 during the year.

42 FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

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 as economic hedges, to hedge certain exposures.

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.

FINANCIAL STATEMENTS

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Financial risk factors (continued)

42.1.1 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 purpose. 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.

Material concentrations of currency risk exists within the Group's cash and cash equivalents. The net cash and cash equivalents are denominated in the following currencies:

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
1 877	6	South Africa rand	4 953	6 661
–	–	US dollar	898	374
–	–	Zambia kwacha	271	156
–	–	Malawi kwacha	13	9
–	–	Angola kwanza	190	157
–	–	Botswana pula	59	42
–	–	Mauritius rupee	28	17
–	–	Nigeria naira	49	60
–	–	Namibia dollar	109	297
–	–	Swaziland emalangeni	96	46
–	–	Lesotho maloti	151	83
–	–	Mozambique metical	170	127
–	–	Other currencies	71	71
1 877	6		7 058	8 100

COMPANY June 2014 Rm	June 2015 Rm		GROUP June 2015 Rm	June 2014 Rm

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Financial risk factors (continued)

42.1.1 Market risk (continued)

a) Currency risk (continued)

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

Where material concentrations of currency 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 currencies strengthened or weakened against the ZAR and the USD. At 30 June 2015 the total possible increase in Group post-tax profit, calculated for all estimated currency movements, was R152 million with the AON/USD exchange rate (with an expected 10.5% decline) contributing R125 million to this number. At 30 June 2014 the total possible increase in Group post-tax profit, calculated for all estimated currency movements, was R13 million with the ZAR/USD exchange rate (with an expected 2.7% decline) contributing R11 million 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 sale of merchandise and payment 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 30 June, subject to translation risk.

Company June 2014 Rm	Company June 2015 Rm		Group June 2015 Rm	Group June 2014 Rm
		Foreign currency		
		Angola kwanza	696	29
		Botswana pula	88	78
		DRC franc	24	10
		Egypt pound	(1)	(1)
		Euro	(86)	11
		Ghana cedi	2	(7)
		Pound sterling	(1)	(1)
		Madagascar ariary	(5)	(19)
		Malawi kwacha	4	(19)
		Mauritius rupee	41	(31)
		Mozambique metical	195	78
		Nigeria naira	(208)	(254)
		Tanzania shilling	1	(1)
		Uganda shilling	(3)	(12)
		US dollar	582	274
		Zambia kwacha	(160)	(256)

FINANCIAL STATEMENTS

COMPANY			GROUP	
June 2014 Rm	June 2015 Rm		June 2015 Rm	June 2014 Rm

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Financial risk factors (continued)

42.1.1 Market risk (continued)

a) Currency risk (continued)

Net investment hedge

The Group's US dollar denominated borrowing amounting to R249 million (US$ 20 million) is designated as a hedge of a proportion of the net investment in the Group's US dollar denominated subsidiary. The fair value of the borrowing at the statement of financial position date approximates its book value (refer to note 17.3). The foreign exchange loss of R41.6 million on translation of the borrowing at the reporting date is recognised in other comprehensive income. No ineffectiveness was recognised in the statement of comprehensive income.

b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises mainly from daily call accounts and bank overdrafts. These 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 6.2% (2014: 5.5%).

The interest rate on individual instalment sale receivables (refer note 12) is fixed and expose the Group to fair value interest rate risk which is mitigated by charging appropriate margins and the fact that the maximum term of these contracts are 24 months.

For exposure to interest rate risk on other monetary items refer to the following:

– Loans and receivables: note 7
– Amounts owing by joint ventures: note 12
– Borrowings: note 17
– Amounts owing to joint ventures: note 20

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 30 June 2015 the total possible decrease in Group post-tax profit, calculated for all estimated interest rate movements, was R9 million. The estimated increase of 75 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R8 million. At 30 June 2014 the total possible increase in Group post-tax profit, calculated for all estimated interest rate movements, was R27 million. The estimated increase of 75 basis points in the South African prime rate would have resulted in a possible increase in Group post-tax profit of R28 million. These changes had no material effect on the Group's equity.

FINANCIAL STATEMENTS

COMPANY			GROUP	
June 2014 Rm	June 2015 Rm		June 2015 Rm	June 2014 Rm

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Financial risk factors (continued)

42.1.1 Market risk (continued)

b) Cash flow and fair value interest rate risk (continued)

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 sale of merchandise and payment 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.

42.1.2 Credit risk

Credit risk is managed on a group basis. Potential concentration of credit risk consists primarily of cash and cash equivalents, trade and other receivables, financial guarantees and investments.

Funds are only invested with South African financial institutions with a minimum Moody's short term credit rating of P-2 and a minimum Moody's long term rating of Baa2. For financial institutions registered outside South Africa the required minimum Moody's short term and long term credit ratings are P-1 and Aa3 respectively. 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.

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. Accounts receivable comprise a wide-spread client base and 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. These policies include reviewing the Group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed. The Group also obtains security from its franchisees.

The Company has guaranteed various revolving credit facilities of R12.2 billion (2014: R12.8 billion) and convertible bonds of R5.3 billion (2014: R5.6 billion) in Shoprite Investments Ltd. The guarantees have also been disclosed as part of the Company's liquidity risk on the next page. Financial guarantees are kept to an operational minimum and reassessed regularly. The maximum potential exposure to credit risk under financial guarantee contracts amounts to R17.5 billion (2014: R18.4 billion).

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Financial risk factors (continued)

42.1.2 Credit risk (continued)

For exposure to credit risk on other monetary items refer to the following:
– Loans and receivables: note 7
– Trade and other receivables: note 12
– Trade and other payables: note 20

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

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		Rating		
1 877	6	P-1	6 252	7 196
—	—	P-2	26	15
—	—	No rating available	417	240
—	—	Cash on hand and in transit	366	710
1 877	6	Total cash and cash equivalents	7 061	8 161

42.1.3 Liquidity risk

The risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2015: R5.9 billion; 2014: R6.2 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.

The Group's derivative financial instruments that will be settled on a gross basis are detailed in note 13. The amounts disclosed are the contractual undiscounted cash flows. All balances are due within 12 months and equal their carrying values, as the impact of discounting is not significant.

The table on the next page analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

FINANCIAL STATEMENTS

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
42.1 Financial risk factors (continued)
42.1.3 Liquidity risk (continued)

GROUP	Book value	Total	Not later than one year	Between one and two years	Between two and five years
Rm			June 2015		
Non-derivative financial liabilities					
Borrowings*	4 872	5 666	666	5 000	
Reinstatement provision	162	162	162		
Trade payables	11 834	11 834	11 834		
Other payables and accruals excluding taxes payable and employee benefit accruals	3 728	3 728	3 728		
Amounts owing to joint ventures	4	4	4		
Bank overdrafts	3	3	3		
Shareholders for dividends	8	8	8		
Financial guarantees	—	12 170	12 170		
	20 611	33 575	28 575	5 000	—
Rm			June 2014		
Non-derivative financial liabilities					
Borrowings*	4 684	5 610	305	305	5 000
Reinstatement provision	131	131	131		
Trade payables	11 133	11 133	11 133		
Other payables and accruals excluding taxes payable and employee benefit accruals	3 529	3 529	3 529		
Amounts owing to joint ventures	28	28	28		
Bank overdrafts	61	61	61		
Shareholders for dividends	7	7	7		
Financial guarantees	—	12 786	12 786		
	19 573	33 285	27 980	305	5 000

* Liquidity risk resulting from the settlement of the 6.5% convertible bonds is considered to be acceptable as these bonds are expected to be converted into ordinary shares and will most likely not lead to cash outflows. However, as conversion is at the option of the holders, the table above reflects the contractual cash flows the Group would have to pay if all the bonds were not converted.

COMPANY	Book value	Total	Not later than one year	Between one and two years	Between two and five years
Rm			June 2015		
Non-derivative financial liabilities					
Borrowings	2	2	2		
Other payables and accruals excluding taxes payable and employee benefit accruals	3	3	3		
Shareholders for dividends	6	6	6		
Financial guarantees	—	17 482	12 476	5 006	
	11	17 493	12 487	5 006	—
Rm			June 2014		
Non-derivative financial liabilities					
Borrowings	2	2	2		
Other payables and accruals excluding taxes payable and employee benefit accruals	3	3	3		
Shareholders for dividends	6	6	6		
Financial guarantees	—	18 404	13 092	306	5 006
	11	18 415	13 103	306	5 006

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Insurance risk

The Group underwrites insurance products 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 the conditions of the policy, and extended guarantees which covers the repair or replacement of faulty products as an extension of the suppliers' guarantees.

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.

Underwriting risk is the risk that the Group's actual exposure to short term risks in respect of policy-holding benefits will exceed prudent estimates. Where appropriate, the above risks are managed by senior management and directors.

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 of underwriting loss is minimised. Therefore the Group does not consider its concentration risk to be high.

43 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 divided by equity and was 25.43% (2014: 27.10%) on the statement of financial position date.

The Group is currently maintaining a two times dividend cover based on headline earnings per share.

44 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 annual financial statements on consolidation.

Shoprite Investments Ltd has issued 6.5% senior unsecured guaranteed convertible bonds for a principal amount of R4.7 billion (2014: R4.7 billion). The bonds mature on 3 April 2017 at their nominal value of R4.7 billion (2014: R4.7 billion) or can be converted into ordinary shares of Shoprite Holdings Ltd. Shoprite Holdings Ltd and Shoprite Checkers (Pty) Ltd have irrevocably and unconditionally given its guarantee to the Trustee for the benefit of the bondholders for all amounts payable by the issuer in respect of the convertible bonds (refer note 17.2).

Non-executive director, CH Wiese, is a director and indirect beneficial shareholder of Titan Share Dealers (Pty) Ltd, which holds an option to purchase R1.7 billion in nominal amount of convertible bonds issued by Shoprite Investments Ltd from Rand Merchant Bank, a division of FirstRand Bank Ltd. The option strike price is the principal amount plus any accrued interest outstanding for the period. The option is exercisable at any time until maturity of the convertible bonds in April 2017.

Non-executive director, CH Wiese, is an employee of Chaircorp (Pty) Ltd, a management company that renders advisory services to Shoprite Checkers (Pty) Ltd in return for an annual fee. An amount of R9.0 million (2014: R10.7 million) was paid to Chaircorp (Pty) Ltd for advisory services to Shoprite Checkers (Pty) Ltd.

Details of the remuneration of directors, and equity- and cash-settled share-based payment instruments issued to directors, are disclosed in notes 15 and 25.

Details of the directors' interests in ordinary and non-convertible, non-participating, no par value deferred shares of the Company are provided in the directors' report.

Directors and key management participants to the executive share plan purchased Shoprite Investments Ltd convertible bonds from Shoprite Checkers (Pty) Ltd during the previous year and received financing for their investments from Shoprite Investments Ltd. These transactions were concluded at market-related prices. The terms and conditions of the schemes under the executive share plan are set out in the Remuneration Report contained in the Integrated Report. The repayment terms of amounts owing to Shoprite Investments Ltd are disclosed in note 7.2.

The number of Shoprite Investments Ltd 6.5% convertible bonds held by directors and key management and the year-end balances relating to amounts owing by directors and key management at the end of the reporting period in terms of the executive share plan are set out below:

	Number of convertible bonds		Loans and receivables	
Directors and key management	June 2015	June 2014	June 2015 Rm	June 2014 Rm
JAL Basson	440	440	5	5
M Bosman	560	560	7	6
PC Engelbrecht	890	890	10	10
AE Karp	670	670	8	8
Other key management personnel	14 460	14 460	169	166
	17 020	17 020	199	195
Key management personnel compensation				
Short term employee benefits			217	194
Post-employment benefits			16	15
Share-based payments			3	21
Directors' fees			3	2
			239	232

FINANCIAL STATEMENTS

COMPANY June 2014 Rm	COMPANY June 2015 Rm		GROUP June 2015 Rm	GROUP June 2014 Rm
		44 RELATED-PARTY INFORMATION (CONTINUED)		
		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 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 directors JW Basson, CH Wiese, EL Nel and JA Louw, or their direct family members, have a significant influence. These transactions were concluded at what management believe to be market-related prices and are insignificant in terms of the Group's total operations for the year.		
		These transactions and related balances were as follows:		
		Sale of merchandise	25	21
		Purchase of merchandise	483	335
		Services rendered by the Group	1	—
		Utilisation of services	13	14
		Year-end balances owed to the Group	4	—
		Year-end balances owed by the Group	18	8
		The Group has a 50% interest in the Hungry Lion joint venture (refer note 6.2). The other 50% is indirectly held by alternate director JAL Basson.		
		The following transactions took place between the Hungry Lion joint venture and the Group during the year under review:		
		Administration fees paid to the Group	7	6
		Rent paid to the Group	2	2
		Interest paid to the Group	9	4
		Interest paid to the joint venture	2	3
		Dividends paid to the Group	—	21
		The year-end balances relating to the transactions with the joint venture are disclosed in notes 12 and 20.		
		Details of the Company's interests in subsidiaries are provided in note 5 and annexure A.		
		The Company paid dividends of R128 million (2014: R123 million) to Shoprite Checkers (Pty) Ltd during the year under review.		
		The Company received the following from its subsidiaries:		
2	2	Annual administration fee received from Shoprite Checkers (Pty) Ltd		
2 118	2 269	Dividends received from Shoprite Checkers (Pty) Ltd		
90	200	Dividends received from Shoprite Insurance Company Ltd		
6	3	Guarantee fee received from Shoprite International Ltd		
41	3	Interest received from Shoprite Investments Ltd		

FINANCIAL STATEMENTS

Annexure A – Interests in Subsidiaries

Shoprite Holdings Ltd and its Subsidiaries as at June 2015

	Country of incorporation and place of business	Issued ordinary and preference share capital and premium Rm	Percentage shares held by Group %	Investment in shares		Amount owing by	
				June 2015 Rm	June 2014 Rm	June 2015 Rm	June 2014 Rm
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	3	100	—	—	—	—
Shoprite Checkers (Pty) Ltd	South Africa	1 129	100	174	174	2 600	2 261
Shoprite Investments Ltd	South Africa	100	100	100	100	—	—
Shoprite International Ltd	Mauritius	4 711	100	4 711	2 758	3	6
Shoprite Insurance Company Ltd	South Africa	20	100	20	20	—	—
Shoprite Checkers Properties Ltd	South Africa	26	100	—	—	—	—
				5 005	3 052	2 603	2 267
INDIRECT SUBSIDIARIES							
Africa Supermarkets Ltd	Zambia*	—	100				
Checkers Chatsworth Ltd**	South Africa	2	48				
Computicket (Pty) Ltd	South Africa	69	100				
Megasave Trading (Pvt) Ltd	India*	118	100				
Mercado Fresco de Angola Lda	Angola*	—	100				
Medirite (Pty) Ltd	South Africa	500	100				
OK Bazaars (Lesotho) (Pty) Ltd**	Lesotho*	—	50				
OK Bazaars (Namibia) Ltd	Namibia*	1	100				
OK Bazaars (Swaziland) (Pty) Ltd	Swaziland*	—	100				
OK Bazaars (Venda) Ltd**	South Africa	2	50				
Propco Mozambique Lda	Mozambique*	7	100				
Retail Holdings Botswana (Pty) Ltd	Botswana*	165	100				
Retail Supermarkets Nigeria Ltd	Nigeria*	240	100				
Royal Retail (Pty) Ltd**	South Africa	—	75				
Sentra Namibia Ltd	Namibia*	6	100				
Shophold (Mauritius) Ltd	Mauritius*	189	100				
Shoprite Angola Imobiliaria Lda	Angola*	—	100				
Shoprite Checkers Uganda Ltd	Uganda*	148	100				
Shoprite Egypt for Internal Trade SAE	Egypt*	42	100				
Shoprite Ghana (Pty) Ltd	Ghana*	54	100				
Shoprite Lesotho (Pty) Ltd	Lesotho*	—	100				
Shoprite Madagascar S.A.	Madagascar*	145	100				
Shoprite (Mauritius) Ltd	Mauritius*	133	100				
Shoprite Namibia (Pty) Ltd	Namibia*	—	100				
Shoprite RDC SPRL	DRC*	82	100				
Shoprite Supermercados Lda	Angola*	—	100				
Shoprite Trading Ltd	Malawi*	100	100				

* Investments in subsidiaries outside South Africa are converted at historical exchange rates.
** Non-controlling interests in respect of these subsidiaries are not material.

Significant restrictions

Cash and short-term deposits of R240 million (2014: R307 million) are held in Angola and Nigeria (2014: Angola) and are subject to onerous local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

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.

SHAREHOLDER SPREAD	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	22 005	76.91	6 771 248	1.18
1 001 – 10 000 shares	5 474	19.13	15 313 293	2.67
10 001 – 100 000 shares	841	2.94	26 185 762	4.57
100 001 – 1000 000 shares	221	0.77	70 841 421	12.37
Over 1 000 000 shares	69	0.24	453 760 236	79.21
Totals	28 610	100.00	572 871 960	100.00

DISTRIBUTION OF SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Banks	200	0.70	239 988 012	41.89
Brokers	50	0.17	7 436 004	1.30
Close Corporations	234	0.82	986 725	0.17
Endowment Funds	172	0.60	1 267 879	0.22
Government	4	0.01	66 590	0.01
Individuals	21 340	74.59	21 527 140	3.76
Insurance Companies	143	0.50	7 792 977	1.36
Investment Companies	21	0.07	4 039 480	0.71
Medical Aid Schemes	31	0.11	267 433	0.05
Mutual Funds	398	1.39	32 388 084	5.65
Other Corporations	185	0.65	178 666	0.03
Private Companies	604	2.11	71 933 631	12.56
Public Companies	22	0.08	947 488	0.17
Retirement Funds	372	1.30	96 461 168	16.84
Treasury Shares	3	0.01	38 221 703	6.67
Trusts	4 831	16.89	49 368 980	8.62
Totals	28 610	100.00	572 871 960	100.00

PUBLIC/NON–PUBLIC SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Non-Public Shareholders	**59**	**0.21**	**138 208 319**	**24.13**
Directors of the Company*	56	0.20	100 216 616	17.49
Treasury Shares**	3	0.01	37 991 703	6.63
Public Shareholders	**28 551**	**99.79**	**434 663 641**	**75.87**
Totals	28 610	100.00	572 871 960	100.00

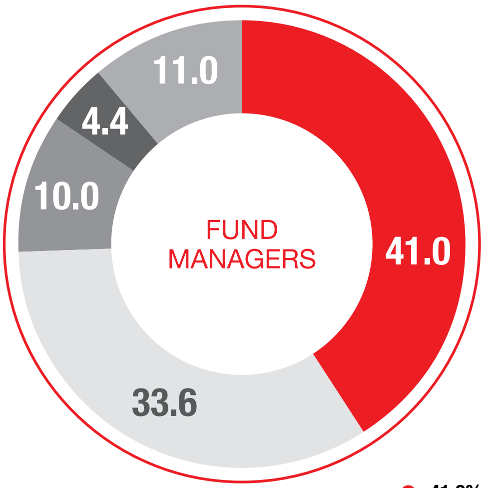
* Includes shares held by directors in Shoprite Holdings Ltd Executive Share Plan.

** Excludes shares held by directors in Shoprite Holdings Ltd Executive Share Plan.

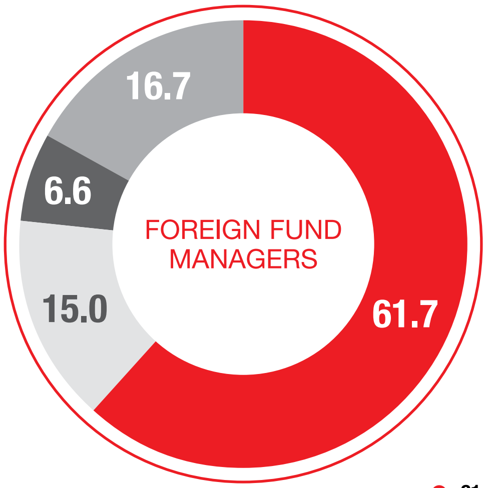
BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	No of Shares	%
Wiese, CH	87 702 531	15.31
Government Employees Pension Fund	70 210 146	12.26
Capital Group	18 935 125	3.31
Shoprite Checkers (Pty) Ltd	38 221 703	6.67
Lazard	23 342 049	4.07
T. Rowe Price	15 938 918	2.78
Government of Singapore Investment Corporation	12 941 206	2.26
BlackRock	12 930 395	2.26
Vanguard	12 927 432	2.26
JPMorgan	9 636 072	1.68
Namibian Government Institutions Pension Fund	9 418 917	1.64
Basson, JW	8 884 122	1.55
Le Roux, JF	7 060 585	1.23
Government Pension Fund – Norway	6 909 647	1.21
Wells Fargo	5 958 848	1.04
Totals	341 017 696	59.53

Shareholders

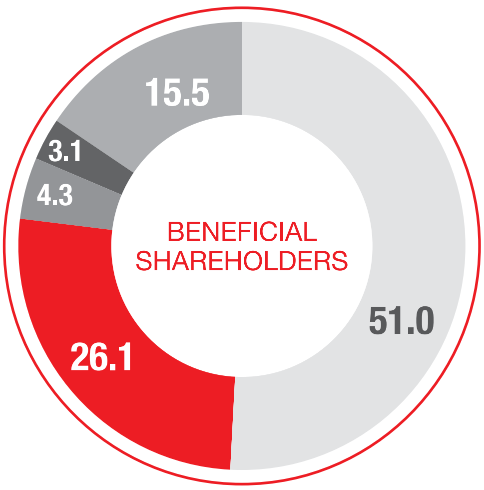
Country Classification



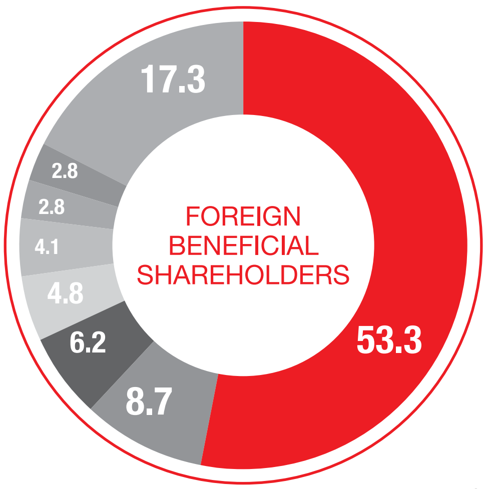
- 41.0% USA
- 33.6% SOUTH AFRICA
- 10.0% UK
- 4.4% SINGAPORE
- 11.0% OTHER



- 61.7% USA
- 15.0% UK
- 6.6% SINGAPORE
- 16.7% OTHER



- 26.1% USA
- 51.0% SOUTH AFRICA
- 4.3% UK
- 3.1% SINGAPORE
- 15.5% OTHER



- 53.3% USA
- 8.7% UK
- 6.2% SINGAPORE
- 4.8% LUXEMBOURG
- 4.1% NAMIBIA
- 2.8% NORWAY
- 2.8% AUSTRALIA
- 17.3% OTHER

SHOPRITE HOLDINGS LTD

Design and layout: Fresh Identity