SHOPRITE HOLDINGS LTD

(Reg. No. 1936/007721/06)
(ISIN: ZAE 000012084)
(JSE Share code: SHP)
(NSX Share code: SRH)
(LuSE Share code: SHOPRITE)
("the Group")

# SHOPRITE HOLDINGS: RESULTS FOR THE 12 MONTHS TO JUNE 2015

Key information
– Turnover increased 11.2% – from R102.204 billion to R113.694 billion.
– Trading profit was up 10.7% to R6.328 billion.
– Headline earnings per share rose 10.8% to 772.9 cents (2014: 697.6 cents).
– Nearly ten thousand new jobs created during the year.
– A net 170 new corporate stores opened.

**Whitey Basson, chief executive, commented:**
We believe we have produced a more than creditable performance in the 2015 financial year by increasing sales under trying market conditions by 11.2%. Sales growth improved from the previous year despite opening fewer new supermarkets. Our performance enabled us to grow our market share of food retail in South Africa for the ninth consecutive year, while research also shows that 72% of all South African adults now shop at the Group's stores. According to Nielsen our competitors combined showed sales growth of 8.6%.

Trading profit was 10.7% higher at R6.328 billion. Despite many external cost factors such as electricity and fuel, relentless cost control in all areas of the business and greater efficiencies in our supply chain enabled us to achieve a healthy trading margin of 5.57%, compared to 5.59% the previous year. Internal food inflation decreased slightly from the year before to 4.6% for the year, well below the official food inflation figure of 6.8%.

Further higher expense growths that the Group experienced out of necessity were security costs due to high levels of crime, which now amounts to more than R1 billion – or close to 1% of turnover, because of the high number of robberies and theft experienced at store level. It also costs us almost R2 billion – or close to 2% of turnover – for normal electricity costs and to ensure a constant power supply to continue doing business during periods of erratic load shedding.

Our growth sustained job creation, with the addition of 9 842 new jobs during the year to bring our total staff complement to 132 942 of whom 114 984 are employed within South Africa and 17 958 outside its borders.

17 August 2015

**Enquiries:**
Shoprite Holdings Limited Tel: (021) 980 4000
Whitey Basson, Chief Executive
Carel Goosen, Deputy Managing Director
Adele Gouws, Group PR and Communications Manager

## OPERATING ENVIRONMENT

The economy's lack of momentum was exacerbated during the year by the worldwide weakening demand for commodities which forms the bulk of South Africa's export income. Unemployment among the economically active population continued to hover around 25% and above, with various industries such as mining and telecoms cutting jobs. In this environment consumer confidence dropped to its lowest level in more than 14 years as consumers found themselves under increasing pressure, which was increasingly evident in the second half of the year.

Against this background the Group continued to show its resilience and generated a turnover of R113.69 billion, a growth of 11.2% on the previous year.

## COMMENTS ON THE RESULTS

### Statement of Comprehensive Income

#### *Total turnover*

The Group added R11.49 billion to total turnover for the year, an increase of 11.2% to R113.69 billion. Turnover growth in non-RSA countries was negatively affected by the drop in oil prices (Angola and Nigeria) and their currencies depreciating against the US Dollar. The loss of the sizeable store in Palanca, Angola destroyed in a fire also impacted turnover. This store will reopen in the beginning of 2016. At the same time the general state of the economy in RSA placed a damper on consumer spending. Despite these challenges, Supermarkets RSA reported improved sales growth of 10.5% (2014: 8.7%) as cost conscious consumers flocked to the Group's stores. Supermarkets Non-RSA reported an increase of 13.5% at current exchange rates and 15.5% at constant rates (a slight improvement on the previous reporting period).

#### *Expenses*

Depreciation and amortisation, as well as the increase in the cost of operating leases grew at a faster rate than turnover. This was mainly due to the Group's continued investment in new and refurbished stores and information technology. During the 12 months a net 58 supermarkets and 103 furniture stores were opened. The Group continues its roll-out of new stores, albeit at a more cautious pace, to enable it to derive the maximum long-term benefit from the expected eventual improvement in the economy. Expense growth in existing supermarkets was limited to 4.2%, highlighting the effect of new stores on total expense growth.

Escalations in expenses such as security, electricity and other energy costs as well as card commissions paid (with the introduction of many hybrid cards that attract higher fees), were beyond the control of the Group. They were nevertheless monitored as carefully as possible. As a result of SARB's intervention, card commissions started to reduce from April 2015, although the Group is of the opinion that interchange fees remain too high.

#### *Trading margin*

The trading margin remained relatively in line with the prior year at 5.57% (2014: 5.59%) and reflects the effects of improved real growth in turnover as well as of investment in new stores and in the Group's supply chain infrastructure.

#### *Exchange rate losses*

The Group recorded an exchange rate loss of R132 million as against a loss of R9 million in the corresponding period. This was mainly due to the devaluation of the Angolan, Nigerian and Mozambican currencies against the US Dollar during the period under review with the resultant effect on short-term loan balances.

#### *Finance cost and interest received*

Net interest paid, when compared to the corresponding period, reduced slightly with capital and information technology expenditure almost on par with the previous year. For the convertible bonds issued, IFRS requires that interest be calculated at a rate that approximates a market related vanilla bond rate. For the 12 months under review this amounted to a calculated interest expense of R436 million compared to the actual interest paid of R306 million.

#### *Earnings per share*

Diluted headline earnings per share increased by 10.2% – from 697.6 cents to 769.1 cents.

## Statement of Financial Position

***Property, plant and equipment and intangible assets***

The increase is due to the investment in a net 170 new corporate stores, vacant land purchased for strategic purposes, investment in information technology to support inventory management, distribution centre developments as well as normal asset replacements.

***Cash and cash equivalents and bank overdrafts***

The decrease in cash at the reporting date resulted from the capital expenditure of about R4.6 billion during the past 12 months.

***Inventory***

The increase in inventory is due to the provisioning of the net 170 new corporate stores as well as the increased capacity created in distribution centres. Management is also actively pursuing reductions of inefficient stock holding at branch level and the increase of 10.9%, lower than turnover growth, indicates progress is being made.

## Number of outlets June 2015

| | YEAR TO DATE (12 MONTHS) | | | | CONFIRMED NEW STORES TO JUNE 2016 |
|---|---|---|---|---|---|
| | JUNE 2014 | OPENED | CLOSED | JUNE 2015 | |
| SUPERMARKETS | **1 046** | **72** | **14** | **1 104** | **96** |
| – SHOPRITE | 509 | 36 | 4 | 541 | 57 |
| – CHECKERS | 185 | 13 | 1 | 197 | 7 |
| – CHECKERS HYPER | 31 | 2 | 0 | 33 | 4 |
| – USAVE | 321 | 21 | 9 | 333 | 28 |
| | | | | | |
| HUNGRY LION | **167** | **20** | **11** | **176** | **15** |
| | | | | | |
| FURNITURE | **368** | **105** | **2** | **471** | **23** |
| – OK FURNITURE | 320 | 101 | 2 | 419 | 22 |
| – HOUSE & HOME | 48 | 4 | 0 | 52 | 1 |
| | | | | | |
| OK FRANCHISE | **367** | **28** | **35** | **360** | **10** |
| | | | | | |
| TOTAL STORES | **1 948** | **225** | **62** | **2 111** | **144** |
| | | | | | |
| COUNTRIES OUTSIDE RSA | **14** | | | **14** | |
| TOTAL STORES OUTSIDE RSA | **295** | **46** | **8** | **333** | **58** |

## OPERATIONAL REVIEW

The Group produced strong results in the 12 months to June when seen in the context of the demanding conditions that existed in the market place, both in South Africa and in the countries in which the Group operates on the continent. A consistent performer among the smaller business units was LiquorShop, which now has 293 outlets and grew turnover 37.6% and like-for-like sales by 15.3%. A rejuvenated franchise division is revitalising the OK brand and is not only extending its geographic reach in South Africa but is also strengthening its presence in urban areas. In the almost 25 years since venturing north of South Africa's borders for the first time into Zambia, the Group has established itself in 14 countries outside South Africa where it is growing its presence on a daily basis.

During the period under review we continued to extend and further refine our supply-line infrastructure using cutting-edge technology to drive efficiencies, working closely with suppliers in doing so. Further extensions were effected to our main distribution centre at Centurion, now bringing the total built up area to 180 000m², while construction is soon to start on a new 85 000m² facility in Cape Town. Our superior supply chain enables us to keep price increases substantially below national food price inflation. It not only assists us greatly in performing well during difficult times but is expected to provide us with exponentially greater benefits when the economy improves.

We have also completed a major phase in our IT upgrade which focuses particularly on demand management by processing point-of-sale information much more efficiently and enabling us to improve ranging and on-shelf availability in our stores for further growth and profitability improvements.

### Supermarkets RSA

The Group's core supermarket division continues to dominate South African food retailing in terms of trading area, number of outlets and customer support. Despite opening fewer stores than in the previous year (a net new 38 against 76 in 2014), the division increased sales by 10.5% from R76.881 billion to R84.945 billion to produce a trading profit of R5.268 billion (2014: R4.751 billion). Growth was higher in the first half of the year owing to a strong Christmas season and stores being closed in December 2013 for Mr Mandela's funeral. In-store complementary services attracted millions of shoppers. During the year more than 18 million people used our stores both in South Africa and elsewhere in Africa to transfer money to friends and family.

The turnover of the Shoprite brand with 419 stores accounts for just over half of the Group's total supermarket sales in South Africa. With 22.4 million regular shoppers it continues to focus on the needs of lower to middle LSM consumers and for this reason invests substantially in subsidising basic food items to strengthen its positioning as the country's low price leader. It grew turnover by 8.5%, an improvement on the 7.5% achieved in 2014, despite opening half the number of new stores than the previous year.

The 191 Checkers supermarkets and 33 Checkers Hyper outlets recorded sales growth of 10.9%. Further market share gains were achieved for the brand which continues to win consumers in the more affluent consumer segment whilst retaining its value for money philosophy.

Usave, with its small-format stores, increased market share despite of sales growth slowing to 11.5%, having added only a net nine outlets during the reported period. Its new-store programme is to be accelerated substantially in the new financial year. It holds itself by the basic business model of offering a limited range of basic foods at permanently discounted prices which has proven to be a winning formula amongst consumers.

### Supermarkets Non-RSA

The Group now owns 189 supermarkets beyond the borders of South Africa, having opened a net 20 during the reporting period. Sales increased in rand terms by 13.5% and, in constant currencies, by 15.5%. Growth in rand terms was affected by the weakening of a number of African currencies against the rand.

The drop in commodity prices affected the economies of several of the countries in which the Group operates. The aftermath of the Ebola epidemic in West Africa as well as lower oil revenues and resultant forex shortages in certain countries were other destabilising factors.

During the year there was a strong focus on growing the Group's presence in Angola where it now trades from 27 supermarkets, having added a net six new supermarkets during the period under review and where good turnover growth is justification for the Group's investment. Nigeria, another strategic focus area, increased turnover by 19.7%, having added two supermarkets to the existing ten. Growth in that country will be accelerated by a further eight supermarkets opening for business in the new financial year, to bring the total to 20.

The Group intends continuing its strong expansion drive in Africa with 35 new stores planned for countries across sub-Saharan Africa by June 2016.

## Furniture

In a stressed environment for durable goods the Group's furniture division increased turnover for the year to June by 13% and trading profit by 4.6%. The strongest performance was again delivered by the dominant OK Furniture chain. After restructuring, the more up-market House & Home has increased turnover satisfactorily.

The division's growth in sales was assisted by an aggressive store opening programme which saw 103 net new outlets added to the existing portfolio. It now operates 471 stores of which 417 are in South Africa and 54 in seven countries beyond its borders. The expansion was boosted by establishing new stores in space previously occupied by 54 stores of the now defunct Ellerines chain after successful negotiations with the landlords of those premises. The division was able to acquire qualified personnel, also at management level, from elsewhere in the industry to run the many new outlets.

After growing store numbers by almost 30% of which more than half only came on stream in April of this year, management's focus is on bedding down all the new outlets before embarking on a new round of store openings of which a further 23 have been finalised.

The bulk of the division's sales remain cash based. In a market with high consumer debt levels, the division continues to follow a prudent credit policy, also in the light of the recent amendments to the National Credit Act.

## Other Operating Segments

**OK Franchise:** Much work was done during the year to revitalise the OK brand and achieve a high level of standards throughout its 360 franchise stores to provide customers with a consistent shopping experience. New branding and distribution initiatives supported total turnover growth of 15.8%. Whereas in the past the OK brand enjoyed the strongest exposure in the rural areas of South Africa's northern provinces, it is now opening more and more franchise stores in urban areas across the country including looking to open OK franchise outlets in shopping malls in the future.

**MediRite:** The Group's pharmaceutical division consists of two components: a chain of 156 MediRite pharmacies, of which 146 are in South Africa and 10 in neighbouring countries, and a wholesale arm trading as Transpharm, which supplies to MediRite pharmacies and a number of external customers. Sales for the year in the MediRite Group increased by 9.7% and the number of prescriptions executed, by 14.8% to 5.5 million.

**Computicket:** The live entertainment industry in South Africa continues to struggle due to the weakness of the rand which makes the appearance of major international artists prohibitively expensive. Airline ticket sales on the other hand have shown substantial growth, especially for flights within Africa. The brand has now expanded its presence to eight countries outside South Africa.

## GROUP PROSPECTS AND OUTLOOK

The new financial year will have its challenges in South Africa given the lack of macro-economic stimulus. Management does therefore not foresee improved trading conditions for the immediate future, but we are confident that we have put the structures in place and have the relevant experience and expertise to overcome this, as we have done for the last few years. Our brands are well positioned to capitalise on increasingly cost-conscious consumers and our investment in the economies north of South Africa's borders will continue unabated.

## DIVIDEND NO 133

The board has declared a final dividend of 243 cents (2014: 218 cents) per ordinary share, payable to shareholders on Monday, 14 September 2015. The dividend has been declared out of income reserves. This brings the total dividend for the year to 386 cents (2014: 350 cents) per ordinary share. The last day to trade cum dividend will be Friday, 4 September 2015. As from Monday, 7 September 2015, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 11 September 2015. Share certificates may not be dematerialised or rematerialised between Monday, 7 September 2015, and Friday, 11 September 2015, both days inclusive.

In terms of the Dividends Tax, the following additional information is disclosed:

1. The local dividend tax rate is 15%.
2. The net local dividend amount is 206.55 cents per share for shareholders liable to pay Dividends Tax and 243 cents per share for shareholders exempt from paying Dividends Tax.
3. The issued ordinary share capital of Shoprite Holdings Ltd as at the date of this declaration is 572 871 960 ordinary shares.
4. Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.

## BASIS OF PREPARATION

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

The preparation of these summary consolidated financial statements for the year ended 30 June 2015 have been supervised by Mr M Bosman, CA(SA), and have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these summary consolidated financial statements were derived. A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the consolidated annual financial statements are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the registered office of the Company.

By order of the board

**CH Wiese**
*Chairman*

**JW BASSON**
*Chief Executive*

Cape Town
17 August 2015

## Summary Consolidated Statement of Comprehensive Income

| | Notes | % change | **Audited year ended June '15 Rm** | Audited year ended June '14 Rm |
|---|---|---|---|---|
| Sale of merchandise | | 11.2 | **113 694** | 102 204 |
| Cost of sales | | 11.4 | **(90 180)** | (80 936) |
| GROSS PROFIT | | 10.6 | **23 514** | 21 268 |
| Other operating income | | 20.7 | **3 428** | 2 840 |
| Depreciation and amortisation | | 13.6 | **(1 733)** | (1 525) |
| Operating leases | | 15.2 | **(2 990)** | (2 596) |
| Employee benefits | | 10.2 | **(8 507)** | (7 723) |
| Other operating expenses | | 12.7 | **(7 384)** | (6 550) |
| TRADING PROFIT | | 10.7 | **6 328** | 5 714 |
| Exchange rate losses | | | **(132)** | (9) |
| Items of a capital nature | | | **(13)** | 3 |
| OPERATING PROFIT | | 8.3 | **6 183** | 5 708 |
| Interest received | | (4.0) | **216** | 225 |
| Finance costs | | (10.0) | **(415)** | (461) |
| Share of loss of associates and joint ventures | | (60.0) | **(2)** | (5) |
| PROFIT BEFORE INCOME TAX | | 9.4 | **5 982** | 5 467 |
| Income tax expense | | 7.0 | **(1 848)** | (1 727) |
| PROFIT FOR THE YEAR | | 10.5 | **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 | | | **(413)** | 123 |
| Share of foreign currency translation differences of associates and joint ventures | | | **25** | 1 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | | **3 747** | 3 869 |
| PROFIT ATTRIBUTABLE TO: | | | **4 134** | 3 740 |
| Owners of the parent | | | **4 124** | 3 730 |
| Non-controlling interest | | | **10** | 10 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | **3 747** | 3 869 |
| Owners of the parent | | | **3 737** | 3 859 |
| Non-controlling interest | | | **10** | 10 |
| Basic earnings per share (cents) | 4 | 10.6 | **771.2** | 697.0 |
| Diluted earnings per share (cents) | 4 | 10.1 | **767.4** | 697.0 |
| Basic headline earnings per share (cents) | 4 | 10.8 | **772.9** | 697.6 |
| Diluted headline earnings per share (cents) | 4 | 10.2 | **769.1** | 697.6 |

## Summary Consolidated Statement of Financial Position

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

## Summary Consolidated Statement of Changes in Equity

| Rm | Total equity | Non-controlling interest | Total | Share capital | Share premium | Treasury shares | Other reserves | Retained earnings |
|---|---|---|---|---|---|---|---|---|
| | | | Attributable to owners of the parent | | | | | |
| 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 | 124 | | 124 | | | | 124 | |
| Share-based payments – value of employee services | 4 | | 4 | | | | 4 | |
| Equity component of convertible bonds sold during the year | 27 | | 27 | | | | 27 | |
| Proceeds from ordinary shares issued | — | | — | 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 | **(388)** | | **(388)** | | | | **(388)** | |
| Share-based payments – value of employee services | **131** | | **131** | | | | **131** | |
| Modification of cash bonus arrangement transferred from provisions | **26** | | **26** | | | | **26** | |
| Shares repurchased | **(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** |

## Summary Consolidated Statement of Cash Flows

| | Notes | **Audited year ended June '15 Rm** | Audited year ended June '14 Rm |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | **3 756** | 5 720 |
| Operating profit | | **6 183** | 5 708 |
| Less: investment income | | **(99)** | (36) |
| Non-cash items | 5.1 | **2 912** | 1 859 |
| Payments for cash settlement of share appreciation rights | | **(3)** | (21) |
| Changes in working capital | 5.2 | **(1 408)** | 1 078 |
| Cash generated from operations | | **7 585** | 8 588 |
| Interest received | | **294** | 252 |
| Interest paid | | **(377)** | (345) |
| Dividends received | | **21** | 30 |
| Dividends paid | | **(1 947)** | (1 868) |
| Income tax paid | | **(1 820)** | (937) |
| CASH FLOWS UTILISED BY INVESTING ACTIVITIES | 5.3 | **(4 670)** | (4 165) |
| CASH FLOWS (UTILISED BY)/FROM FINANCING ACTIVITIES | 5.4 | **(52)** | 453 |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | **(966)** | 2 008 |
| 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) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | **7 058** | 8 100 |
| | | | |
| Consisting of: | | | |
| Cash and cash equivalents | | **7 061** | 8 161 |
| Bank overdrafts | | **(3)** | (61) |
| | | **7 058** | 8 100 |

## Summary Operating Segment Information

### ANALYSIS PER REPORTABLE SEGMENT

| | **Audited June 2015** | | | | |
|---|---|---|---|---|---|
| | **Supermarkets RSA** | **Supermarkets Non-RSA** | **Furniture** | **Other operating segments** | **Consolidated** |
| | **Rm** | **Rm** | **Rm** | **Rm** | **Rm** |
| Sale of merchandise | **88 195** | **16 792** | **4 516** | **7 539** | **117 042** |
| External | **84 945** | **16 781** | **4 516** | **7 452** | **113 694** |
| Inter-segment | **3 250** | **11** | **—** | **87** | **3 348** |
| 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** |

| | Audited June 2014 | | | | |
|---|---|---|---|---|---|
| | Supermarkets RSA | Supermarkets Non-RSA | Furniture | Other operating segments | Consolidated |
| | Rm | Rm | Rm | Rm | Rm |
| Sale of merchandise | 79 651 | 14 787 | 3 996 | 6 610 | 105 044 |
| External | 76 881 | 14 779 | 3 996 | 6 548 | 102 204 |
| Inter-segment | 2 770 | 8 | — | 62 | 2 840 |
| 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 |

### GEOGRAPHICAL ANALYSIS

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

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

* Represent gross depreciation and amortisation before appropriate allocations of distribution cost.

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

# Selected Explanatory Notes to the Summary Consolidated Financial Statements

| | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|
| **1 SHARE CAPITAL AND TREASURY SHARES** | | |
| **1.1 Ordinary share capital** | | |
| Authorised: | | |
| 650 000 000 (2014: 650 000 000) ordinary shares of 113.4 cents each | | |
| Issued: | | |
| 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 '15** | June '14 |
| 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 the Shareholder Analysis contained in the Integrated Report.

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 '15** | June '14 |
| Issued ordinary share capital | **572 871 960** | 572 871 960 |
| Treasury shares (note 1.3) | **(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.

# Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

| | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|
| **1 SHARE CAPITAL AND TREASURY SHARES (continued)** | | |
| **1.2 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 '15** | June '14 |
| 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.

| | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|
| | **650** | 650 |
| **1.3 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 '15** | June '14 |
| 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 | **2 770 728** | 2 292 500 |
| | **38 221 703** | 37 729 072 |

| | | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|---|
| **2** | **BORROWINGS** | | |
| | Consisting of: | | |
| | Shoprite Holdings Ltd preference share capital | **2** | 2 |
| | Convertible bonds (note 2.1) | **4 511** | 4 381 |
| | Standard Bank de Angola, S.A. | **249** | 218 |
| | First National Bank of Namibia Ltd | **97** | 83 |
| | Other borrowings | **13** | — |
| | | **4 872** | 4 684 |

**2.1 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:

| | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|
| 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 | **—** | (37) |
| Interest expense | **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 is within level 2 of the fair value hierarchy.

**3 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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 and liabilities approximate the fair values thereof.

## Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

| | | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|---|
| 4 | **EARNINGS PER SHARE** | | |
| | Profit attributable to owners of the parent | **4 124** | 3 730 |
| | Re-measurements | **15** | (1) |
| | 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 |
| | Insurance claims (receivable)/paid | **(367)** | 1 |
| | (Profit)/loss on other investing activities | **(1)** | 13 |
| | Re-measurements included in equity-accounted loss of associates and joint ventures | **2** | 2 |
| | Income tax effect on re-measurements | **(6)** | 4 |
| | Headline earnings | **4 133** | 3 733 |
| | Number of ordinary shares | **'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** | |
| | – 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 |

## Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

| | | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|---|
| **5** | **CASH FLOW INFORMATION** | | |
| **5.1** | **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 |
| **5.2** | **Changes in working capital** | | |
| | Inventories | **(1 483)** | (1 994) |
| | Trade and other receivables | **(1 048)** | (586) |
| | Trade and other payables | **1 123** | 3 658 |
| | | **(1 408)** | 1 078 |
| **5.3** | **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) |
| | Investment in associates | **(6)** | — |
| | Acquisition of operations | **(3)** | (67) |
| | | **(4 670)** | (4 165) |
| **5.4** | **Cash flows (utilised by)/from financing activities** | | |
| | Shares repurchased | **(79)** | — |
| | 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** | — |
| | | **(52)** | 453 |

## Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

| | | Audited June '15 Rm | Audited June '14 Rm |
|---|---|---|---|
| 6 | **RELATED-PARTY INFORMATION** | | |
| | 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 are similar to those in the prior year and have been eliminated in the annual financial statements on consolidation. For further information, refer to the audited annual financial statements. | | |
| 7 | **SUPPLEMENTARY INFORMATION** | | |
| | Contracted capital commitments | **1 595** | 2 477 |
| | Contingent liabilities | **13** | 235 |
| | Net asset value per share (cents) | **3 571** | 3 218 |

## DIRECTORATE AND ADMINISTRATION

***Executive directors***
JW Basson (chief executive), CG Goosen (deputy managing director), M Bosman, B Harisunker, AE Karp, EL Nel, BR Weyers

***Executive alternate directors***
JAL Basson, PC Engelbrecht

***Non-executive director***
CH Wiese (chairman)

***Independent non-executive directors***
JF Basson, JJ Fouché, EC Kieswetter, JA Louw, ATM Mokgokong, JG Rademeyer, JA Rock

***Non-executive alternate director***
JD Wiese

***Company secretary***
PG du Preez

***Registered office***
Cnr William Dabs and Old Paarl Roads, Brackenfell, 7560, South Africa.
PO Box 215, Brackenfell, 7561, South Africa
Telephone: +27 (0)21 980 4000, facsimile: +27 (0)21 980 4050
Website: www.shopriteholdings.co.za

***Transfer secretaries***
South Africa: Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107, South Africa
Telephone: +27 (0)11 370 5000, Facsimile: +27 (0)11 688 5238, E-mail: Web.Queries@Computershare.co.za, Website: www.computershare.com

Namibia: Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, Telephone: +264 (0)61 227 647, E-mail: ts@nsx.com.na

Zambia: ShareTrack Zambia, Spectrum House, Stand 10 Jesmondine, Great East Road, Lusaka, Zambia, PO Box 37283, Lusaka, Zambia, Telephone: +260 (0)211 374 791 – 374 794, Facsimile: +260 (0)211 374 781, E-mail: sharetrack@scs.co.zm, Website: www.sharetrackzambia.com

**Sponsors**
South Africa: Nedbank CIB, PO Box 1144, Johannesburg, 2000, South Africa
Telephone: +27 (0)11 295 8525, Facsimile: +27 (0)11 294 8525, E-mail: doristh@nedbank.co.za, Website: www.nedbank.co.za.

Namibia: Old Mutual Investment Group (Namibia) (Pty) Ltd, PO Box 25549, Windhoek, Namibia
Telephone: +264 (0)61 299 3264, Facsimile: +264 (0)61 299 3528, E-mail: MGeises2@oldmutual.com

Zambia: Pangaea Securities Ltd, Farmers House at Central Park, 3rd Floor, Cairo Road, Lusaka, Zambia
PO Box 30163, Lusaka 10101, Zambia, Telephone: +260 (0)211 220 707 / 238 709/10,
Facsimile: +260 (0)211 220 925, E-mail: info@pangaea.co.zm, Website: www.pangaea.co.zm

***Auditors***
PricewaterhouseCoopers Incorporated, PO Box 2799, Cape Town, 8000, South Africa,
Telephone: +27 (0)21 529 2000, Facsimile: +27 (0)21 529 3300, Website: www.pwc.co.za