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")

# RESULTS FOR THE YEAR ENDED 2 JULY 2017

## Key information

The key information is for a 52-week period, compared to 53 weeks of the preceding financial year which have been restated for a change in accounting policy with respect to the treatment of advertising rebates. The comparative figures for the restated 52 weeks are given in brackets and are unaudited.

- Trading profit is up 11.6% (52 weeks: 15.7%) to R8 billion.
- Turnover increased 8.4% – from R130 billion to R141 billion (52 weeks: 10.6% from R127 billion).
- Diluted headline earnings per share rose 11.9% – from 900.3 cents to 1,007.4 cents (52 weeks: 16.1% from 867.6 cents).
- EBITDA increased by 6.8% – from R9.4 billion to R10 billion (52 weeks: 8.9% from R9.2 billion).
- Dividend per share declared 504 cents, an increase of 11.5% over the 452 cents of the corresponding period.

**Pieter Engelbrecht, chief executive:**
The Group achieved strong results in the 52 weeks until 2 July 2017 with turnover growth of 8.4% (52 weeks: 10.6%). The core South African supermarket operation, which represents 72% of total sales and 79% of trading profit, recorded sales growth of 8.0% (52 weeks: 10.5%) in a tough operating environment.

Most South Africans continue to prefer shopping at our supermarkets, which is evident from our gain in annual market share, which increased to 31.9%. We continue to offer people the lowest prices and to subsidise basic food items to assist price sensitive consumers. Internal food inflation averaged 5.9% compared to official food inflation of 10%. We have shielded customers from R1.8 billion of potential additional expenses, had our prices tracked inflation.

Supermarkets outside of South Africa in 14 countries in Africa and the Indian Ocean Islands continued to perform well, generating a 11.7% increase (52 weeks: 13.5%) in turnover. Turnover growth of 31.6% (52 weeks: 33.8%) at constant currencies remains strong, albeit at a lower rate than the previous year.

The Group continues to open new stores and was trading from a total 2 689 outlets in 15 countries at the end of the reporting period. The Group remains a significant job creator with 6 027 new positions filled over the past year. Our total staff complement rose to 143 802 employees, making our Group the largest South African employer in the private sector. The Group is also ahead of its annual target in terms of its 5-year employment equity plan.

We believe there is room for further growth as we continue to improve efficiencies and profitability both in South Africa and beyond the country's borders. We made progress on all our strategic priorities, which includes an increased focus on our upmarket fresh product offering, increasing private label participation as well as the strengthening of our franchise offer and footprint expansion.

Despite a constrained trading environment, the company is healthy and doing well across multiple brands and regions.

21 August 2017

**Enquiries**:
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## OPERATING ENVIRONMENT

South Africa experienced a technical recession in the second half of the reporting period, putting further pressure on the already price sensitive consumer. In this difficult trading environment, the Group remained resilient with growth in sales and market share. Our business on the rest of the continent was impacted by various factors, such as slowing economies, lower commodity prices and forex shortages. The weakening of most currencies against the rand (the Nigerian Naira for instance devalued 22.7% against the rand) also impacted turnover. Despite this the Non-RSA Supermarkets increased sales and grew its customer base by 8.3% (52 weeks: 10.3%), primarily driven by Angola and Nigeria.

## COMMENTS ON THE RESULTS

### Statement of Comprehensive Income

#### *Total turnover*

Total turnover for the Shoprite Group increased by 8.4% to R141 billion for the 52 weeks to 2 July 2017 (52 weeks: 10.6%). Growth on a like-for-like basis was 5.8% compared to 52 weeks of the preceding year. All the segments reported satisfactory growths in tough economic conditions. Supermarkets RSA grew by 8.0% (52 weeks: 10.5% with like-for-like growth at 6.9%). Turnover for the Supermarkets Non-RSA division is 11.7% higher (52 weeks: 13.5% with like-for-like growth at 1%) and growth in constant currencies at 31.6% (52 weeks: 33.8%) which accentuates the effect of devaluations of Non-RSA currencies against the rand.

#### *Gross profit*

Gross profit increased by a healthy 10.3% from R30.7 billion to R33.8 billion and is reflected at 23.99% of turnover (2016: 23.58%). This improvement was due to an even better contribution from the Group's distribution centers as well as more rebates generated by successful promotions. Shrinkage remains well under control. During this twelve months, the Group changed its accounting policy with respect to the treatment of advertising rebates with certain rebates relating to advertising now being deducted from the purchase price of goods. The effect on Group results was not material. See note 9 in this announcement for more detail.

#### *Expenses*

Depreciation and amortisation increased by 7.5%, lower than the previous year and mainly due to an increased number of smaller stores opened during the last number of years. Operating leases increased by 9.6%, mainly due to a net 109 new corporate outlets opened during the year. The higher growth in Employee benefits can be ascribed to the effect of higher inflation in the Non–RSA countries which, in turn, gave rise to higher wage increases. With increases in Electricity less pronounced this year, other operating expenses increased by 9.4%. Security costs are still showing double digit growth due to the Group having to spend more to protect customers and stores from the scourge of burglaries and armed robberies which are on the increase, especially during month-ends and grant pay-outs.

#### *Trading margin*

The trading margin increased from 5.60% to 5.76%. This margin reflects the effects of real growth in turnover as well as of investment in new stores and in the supply-chain infrastructure.

#### *Exchange rate losses*

The Group recorded an exchange rate loss of R236 million against a loss of R46 million in the corresponding period. This was partly due to the devaluation of certain Non-RSA currencies against the US$ and the rand during the period under review with the resultant effect on short-term loan balances. In addition, the rand also strengthened against the US$ with the result that a loss was also recorded on US$ balances held in South Africa as well as certain forward foreign exchange contracts. It remains Group policy to enter into forward exchange contracts on all imports due to rand volatility.

#### *Finance cost and interest received*

When compared to the corresponding period, net interest expense decreased due to the convertible bonds that converted during the year resulting in the last interest payment being forfeited.

#### *Earnings per share*

Diluted headline earnings per share increased by 11.9% from 900.3 cents to 1,007.4 cents and increased by 16.1% when the 53rd week in the previous year is excluded.

### Statement of Financial Position

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

The increase is due to the investment in a net 109 new corporate outlets, 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 purchase of US$ Index Linked Angolan Government bonds to the value of R1.4 billion during the 12 months. This was done as a hedge against a possible devaluation of the Angolan kwanza. In addition, the calendar month closed before the accounting month-end date, with the result that some creditors were paid before accounting cut-off. Capital expenditure for the year was higher than the corresponding 12 months due to the building of a new distribution centre in the Western Cape, South Africa.

### *Inventory*

The increase in inventory is due to the provisioning of the net 109 new corporate outlets as well as the increased capacity created in some of the distribution centres. Management is actively pursuing reducing inefficient stock holding at branch level and the roll out of new information systems in the new year is expected to assist in this.

### *Trade and other payables*

Trade and other payables show an increase of 5% on the previous year when the calendar month closed before the accounting month-end date, with the result that creditors were paid before the cut-off. This increase goes hand in hand with inventory that also increased more than the growth in turnover.

### *Borrowings*

R4.59 billion of the convertible bonds were converted during the year and R108 million redeemed. 27 149 869 shares were issued in the conversion.

## Pro Forma Information

Certain financial information presented in these annual financial results constitutes pro forma financial information. The pro forma financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the Company.

### *Impact of the Group's pro forma constant currency disclosure*

The Group discloses unaudited constant currency information in order to indicate the Group's underlying Non-RSA businesses performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period turnover for entities reporting in currencies other than ZAR are converted from local currency actuals into ZAR at the prior year's actual average exchange rates on a country-by-country basis.

The table below sets out the percentage change in turnover, based on the actual results for the financial year, in reported currency and constant currency for the following major currencies. The total impact on Supermarkets Non-RSA is also reflected after consolidating all currencies in this segment.

| | **Reported Currency** | | **Constant Currency** | |
|---|---|---|---|---|
| | **% Change on prior period 53 weeks** | **% Change on prior period 52 weeks** | **% Change on prior period 53 weeks** | **% Change on prior period 52 weeks** |
| Angola kwanza | 47.4 | 49.2 | 78.6 | 80.9 |
| Nigeria naira | (8.2) | (7.0) | 48.2 | 50.2 |
| Zambia kwacha | (1.0) | 1.0 | (1.3) | 0.7 |
| Mozambique metical | (18.4) | (16.9) | 20.1 | 22.3 |
| Total Supermarkets Non-RSA | 11.7 | 13.5 | 31.6 | 33.8 |

### *Impact of the previous year's extra week on 2017 year-end financial reporting*

The Group reports on the retail calendar of trading weeks which results in the inclusion of a 53rd week approximately every six years, as pointed out in the Basis of Preparation.

The results for the financial year under review are for a 52-week period, ended 2 July 2017, compared to 53 weeks in the previous financial year. It is therefore useful and good governance to report pro forma information for a 52-week 2016 comparative period, so as to facilitate comparisons against the prior and current period results.

The unaudited pro forma 52-week information for the previous financial year has been prepared for illustrative purposes only, to indicate how such information compares to the actual audited results of the Group for the 52-week period ended 2 July 2017.

The estimated financial impact of the extra week in the prior period is shown below:

| | Change on prior period 53 weeks % | Change on prior period 52 weeks % | 52 weeks to 2 July 2017 Audited Rm | 53 weeks to 3 July 2016 Audited Rm | Extra week adjustment Rm | 52 weeks to 3 July 2016 Pro forma Rm |
|---|---|---|---|---|---|---|
| **Sale of merchandise** | | | | | | |
| Total | 8.4 | 10.6 | **141 000** | 130 028 | (2 591) | 127 437 |
| References were made to the following subtotals: | | | | | | |
| Supermarkets RSA | 8.0 | 10.5 | **101 734** | 94 167 | (2 073) | 92 094 |
| Checkers RSA | 8.5 | 10.8 | **38 594** | 35 557 | (711) | 34 846 |
| Shoprite RSA | 6.0 | 8.6 | **51 992** | 49 027 | (1 160) | 47 867 |
| Usave RSA | 7.8 | 10.4 | **5 919** | 5 489 | (128) | 5 361 |
| LiquorShop RSA | 20.4 | 22.7 | **4 838** | 4 018 | (75) | 3 943 |
| Supermarkets Non-RSA | 11.7 | 13.5 | **24 840** | 22 246 | (369) | 21 877 |
| Furniture | 4.3 | 6.2 | **5 432** | 5 207 | (93) | 5 113 |
| **Cost of sales** | 7.9 | 10.2 | **(107 174)** | (99 372) | 2 139 | (97 233) |
| **Gross profit** | 10.3 | 12.0 | **33 826** | 30 656 | (452) | 30 204 |
| Other income and expenses | 9.9 | 10.9 | **(25 699)** | (23 375) | 198 | (23 177) |
| **Trading profit** | | | | | | |
| Total | 11.6 | 15.7 | **8 127** | 7 281 | (254) | 7 027 |
| References were made to the following subtotals: | | | | | | |
| Supermarkets RSA | 10.2 | 14.1 | **6 424** | 5 828 | (197) | 5 631 |
| Supermarkets Non-RSA | 14.7 | 18.9 | **1 407** | 1 227 | (44) | 1 183 |
| **Profit before income tax** | 11.2 | 15.4 | **7 615** | 6 848 | (249) | 6 599 |
| Income tax expense | 9.1 | 13.2 | **(2 180)** | (1 998) | 72 | (1 926) |
| **Profit after tax** | 12.1 | 16.3 | **5 435** | 4 850 | (177) | 4 673 |
| EBITDA | 6.8 | 8.9 | **10 013** | 9 376 | | 9 194 |
| Diluted headline earnings per share (cents) | 11.9 | 16.1 | **1 007.4** | 900.3 | | 867.6 |

**Notes:**

1. The accounting policies adopted by the Group in the latest audited annual financial statements, which have been prepared in accordance with International Financial Reporting Standards, have been used in preparing the unaudited pro forma 52-week information.
2. The extra week adjustments were calculated with reference to:
   - Actual sales of merchandise (which have been extracted from the Group's accounting records) and cost of sales for the extra week from 29 June 2015 to 5 July 2015;
   - Other income and expenses based on an assessment of management information and
   - The effective tax rate applicable to the extra week period.
3. The calculation of diluted headline earnings per share for the pro forma 52-week period is based on the weighted number of shares for that period.
4. The extra week adjustments, in the opinion of the directors, fairly reflects the results for the one week period from 29 June 2015 to 5 July 2015.

### *Like-for-like comparisons*

Like-for-like sales is a measure of the growth in the Group's year-on-year sales, removing the impact of new store openings and closures in the current or previous reporting periods.

| **References were made to the following subtotals of sale of merchandise** | Change in like-for-like % | 52 weeks to 2 July 2017 Audited Rm | 52 weeks to 2 July 2017 Like-for-like Rm | 52 weeks to 3 July 2016 Pro forma Rm | 52 weeks to 3 July 2016 Like-for-like Rm |
|---|---|---|---|---|---|
| Total | 5.8 | **141 000** | **131 258** | 127 437 | 124 063 |
| Supermarkets RSA | 6.9 | **101 734** | **97 679** | 92 094 | 91 360 |
| Supermarkets Non-RSA | 1.0 | **24 840** | **21 732** | 21 877 | 21 521 |

## NUMBER OF OUTLETS 2 JULY 2017

| | 12 MONTHS | | | | CONFIRMED NEW STORES |
|---|---|---|---|---|---|
| | 2016 | OPENED | CLOSED | 2017 | 2018 |
| **SUPERMARKETS** | **1 171** | **72** | **17** | **1 226** | **82** |
| SHOPRITE | 579 | 38 | 4 | 613 | 41 |
| CHECKERS | 201 | 10 | 2 | 209 | 14 |
| CHECKERS HYPER | 37 | 0 | 0 | 37 | 0 |
| USAVE | 354 | 24 | 11 | 367 | 27 |
| | | | | | |
| **LIQUORSHOP** | **337** | **54** | **1** | **390** | **32** |
| | | | | | |
| **HUNGRY LION** | **187** | **11** | **1** | **197** | **9** |
| | | | | | |
| **FURNITURE** | **497** | **23** | **32** | **488** | **19** |
| OK FURNITURE | 444 | 23 | 31 | 436 | 17 |
| HOUSE & HOME | 53 | 0 | 1 | 52 | 2 |
| | | | | | |
| **OK FRANCHISE** | **359** | **52** | **23** | **388** | **34** |
| | | | | | |
| **TOTAL STORES** | **2 551** | **212** | **74** | **2 689** | **176** |
| | | | | | |
| **COUNTRIES OUTSIDE RSA** | **14** | | | **14** | |
| **TOTAL STORES OUTSIDE RSA** | **386** | **55** | **4** | **437** | **43** |

These numbers exclude the MediRite pharmacies as they are located within stores.

## OPERATIONAL REVIEW

### Supermarkets RSA

The core South African supermarket operation again delivered a strong performance in a tough operating environment. It grew sales by 8.0% to R101.734 billion during the reporting period (52 weeks: 10.5%). In total the South African division boasts 31.9% market share, while almost all its brands gained market share and continues to grow.

Checkers, which includes the larger format Hyper stores, remains the star performer and grew sales by 8.5% (52 weeks: 10.8%) to R38.594 billion. The division now trades through 239 outlets.

In line with the trend towards more frequent and fresh shopping and wellness and healthier eating we have vastly improved our fresh, convenience and healthy eating ranges. Our fresh and convenience product offering has been doubled over the past year with great success. It resulted in increased spend by more affluent customers.

The Shoprite brand, with its focus on middle and lower-income consumers, continued to subsidise basic food prices to assist the most vulnerable. Notwithstanding its shopper base being the hardest hit, Shoprite grew sales by 6% (52 weeks: 8.6%) to R52 billion.

Usave, the Group's small-format hard discount chain, is positioned to offer the lowest possible prices on a limited assortment. It delivered a healthy sales growth of 7.8% (52 weeks: 10.4%).

The Group's LiquorShop brand is the country's fastest-growing retail liquor chain with a store opening rate of one per week. Its performance has been excellent, with an exceptional ROI and growth in sales of 20.4% (52 weeks: 22.7%) to R4.8 billion. Market share is now 18.2%, a 0.72 percentage point increase year-on-year.

Our supermarkets are supported by an extensive and sophisticated supply-line infrastructure that ensures on-shelf availability. With about 750 000 square metres of distribution space, we are the country's and continent's largest distributor.

## Supermarkets Non-RSA

Supermarkets Non-RSA, which trades in 14 countries in the rest of Africa and the Indian Ocean islands, again produced healthy results. The 308 outlets generated sales of R24.8 billion, 11.7% higher than the corresponding period (52 weeks: 13.5%). Angola and Nigeria continue to be the top performers, despite a shortage of foreign currency in these oil-producing countries. We have also seen a good recovery in Namibia this year.

In the first half of the year the Group had a substantial competitive advantage over many other traders in the region by funding its stock requirements from its external balance sheet. Operations came under pressure in the latter half of the year as sales slowed down, severely impacted by various factors such as the devaluation of most currencies against the rand.

Slowing economies, lower commodity prices and forex shortages also negatively impacted retail sales. Notwithstanding the trading difficulties, the customer base remains healthy, with the Group's supermarkets in Angola and Nigeria increasing customers by 35.7% (52 weeks: 37.7%) and 38.2% (52 weeks: 40.4%) respectively.

Angola delivered a strong performance and now accounts for the lion's share of Non-RSA sales. Our 30 supermarkets are well ahead of expectations. We opened one store in the financial year, with an additional two to be opened in the next 12 months. We have also purchased a distribution centre which will improve supply chain efficiencies and on-shelf availability.

Restrictions on key imported lines remained a challenge in Nigeria, but through a focused marketing drive on local products we managed to generate a 48.2% sales growth (52 weeks: 50.2%) in local currency. The region holds significant growth potential for the Group despite short term issues including the oil price, a devaluing currency and the ban on certain imports to stem the outflow of dollars. We have 23 stores in the country with a further two under construction.

## Furniture

The Furniture division performed well compared to its peers in a very tough environment, with more restrictive credit regulation and low consumer confidence putting pressure on sales. It grew turnover by 4.3% (52 weeks: 6.2%). A robust performance by the 77 stores outside South Africa supported this growth.

In South Africa, where the division trade under the OK Furniture, OK Power Express and House & Home brands, the year was characterised by heightened competition in a depressed durable goods market. OK Furniture, by far the biggest divisional brand, traded relatively well and grew sales by 10.4%. Plans are in place to reposition the House & Home brand, which continues to experience challenges. Outside South Africa our nine stores in Angola are trading particularly well and we plan to expand our operation in the country.

## Other Operating Segments

The **OK Franchise division** produced excellent results with sales up 10.1% and growth in market share. This is an important extension of our business as it gives us access to neighbourhoods and smaller, mostly rural communities where about 60% of the stores are currently located. A future focus will include the main-stream convenience market in metropoles. The division now trades largely under the OK Foods, OK MiniMark and OK Express brands, as well as a wholesale division, Megasave, which enables franchisees to benefit from the Group's buying power.

Members' purchases from Group distribution centres grew by 29% over the twelve months. While increasing the frequency of deliveries to members, the division extended its offering to include perishables and frozen products and showed better product availability for consumers. The division now has 388 members in South Africa and Namibia, while we continue to receive significant interest from potential franchisees across the continent.

The franchise division has a strong growth focus and continues its modernisation to improve service delivery and to enhance the image of the OK brand.

The **MediRite** division comprises two business units – the retail pharmacy chain MediRite and Transpharm, a wholesaler of medical products. While growth is hindered by, amongst others, government imposed exit price restrictions, the losses experienced at MediRite have been well contained and the progress of the division is positive. MediRite trades from a total 162 pharmacies and expanded its footprint in Angola, where we now have 13 pharmacies. Plans are also underway for expansion to Mozambique. Transpharm, which supplies to MediRite as well as a number of external customers, showed improved profitability.

**Computicket** is still hampered by consumers' lack of disposable income with customers cutting back on their discretionary spending. We are however cautiously confident about sales growth after branching out into new business by adding sports competition entries to the booking offer. The travel section continues to do well despite the adverse trading environment.

## GROUP PROSPECTS AND OUTLOOK

The Group is healthy and its business continues to perform well across multiple brands and countries. This diversification of brands and territories offers us many levers to pull to navigate the slower growth environment envisaged. In South Africa, high levels of unemployment are bound to persist with continued consumer indebtedness and shrinking disposable income, but we have proved our ability to operate profitably in such circumstances. Our international sales have also strengthened despite trading in challenging markets, driven by improvements across our offer. We expect the positive sales momentum to continue in South Africa and beyond the country's borders.

## RETIREMENT OF CEO AND BOARD MEMBERS

In the past year Dr Whitey Basson, who headed Shoprite since 1979, retired as CEO, but continues his association with the Shoprite Group in the role of vice chairman. Dr Basson has been succeeded by Mr Pieter Engelbrecht who, for most of his 20 years with the Group, has worked in close association with Dr Basson. Two esteemed board members, Messrs Brian Weyers and Aubrey Karp, who joined the Group in 1980 and 1990 respectively, also retired during the year. Mr Weyers served as a director of Shoprite Holdings since 1997 and Mr Karp was appointed to the board in 2005.

## DIVIDEND NO 137

The board has declared a final dividend of 324 cents (2016: 296 cents) per ordinary share, payable to shareholders on Monday, 11 September 2017. The dividend has been declared out of income reserves. This brings the total dividend for the year to 504 cents (2016: 452 cents) per ordinary share. The last day to trade cum dividend will be Tuesday, 5 September 2017. As from Wednesday, 6 September 2017, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 8 September 2017. Share certificates may not be dematerialised or rematerialised between Wednesday, 6 September 2017, and Friday, 8 September 2017, both days inclusive.

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

1. The local dividend tax rate is 20%.
2. The net local dividend amount is 259.20 cents per share for shareholders liable to pay Dividends Tax and 324 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 600 021 829 ordinary shares.
4. Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.

## BASIS OF PREPARATION

The Group reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly, the results for the financial year under review are for a 52-week period, ended 2 July 2017, compared to 53 weeks in the previous financial year.

These summarised consolidated financial results 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 summarised consolidated financial results 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, except as set out below. Various new and revised accounting standards became effective during the year, but their implementation had no significant impact on the results of either the current or the previous year.

The preparation of these summarised consolidated financial results for the year ended 2 July 2017 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 summarised consolidated financial results were derived. Copies of the auditor's reports on both the consolidated annual financial statements and the summarised consolidated financial results are available for inspection at the Company's registered office. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the registered office of the Company. The consolidated annual financial statements, together with the integrated annual report, will be available on www.shopriteholdings.co.za on 30 September 2017.

## Held-to-maturity investments

During the reporting period, the Group acquired AOA, USD Index Linked, Angola Government Bonds which are classified as held-to-maturity investments. The Group classifies investments as held-to-maturity if they are non-derivative financial assets with fixed or determinable payments and fixed maturities and the Group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method. These financial assets are included under non-current assets unless it matures within 12 months after statement of financial position date. Interest on held-to-maturity financial assets is recognised in the statement of comprehensive income as part of other operating income.

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

## Change in accounting policy

During the reporting period, the Group changed its accounting policy with respect to the treatment of advertising rebates. The Group previously reflected these rebates net of advertising expenses as part of other operating income. The change in accounting policy is effective for the year ended 2 July 2017 and has been applied retrospectively. This has therefore resulted in a restatement of the comparative 2016 figures on the statement of financial position and statement of comprehensive income. Refer to note 9 for further information and a summary of the effect of this change in accounting policy.

## DIRECTORATE AND ADMINISTRATION

### *Executive directors*
PC Engelbrecht (CEO), CG Goosen, M Bosman, B Harisunker, EL Nel

### *Non-executive directors*
CH Wiese (chairman), JW Basson (vice chairman)

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

### *Alternate non-executive directors*
JAL Basson
JD Wiese

### *Company secretary*
PG du Preez

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### *Transfer secretaries*
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## SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | % change | Audited 52 weeks 2017 Rm | Restated Audited 53 weeks 2016 Rm+ |
|---|---|---|---|---|
| Sale of merchandise | | 8.4 | **141 000** | 130 028 |
| Cost of sales | | 7.9 | **(107 174)** | (99 372) |
| GROSS PROFIT | | 10.3 | **33 826** | 30 656 |
| Other operating income | | 7.0 | **2 615** | 2 444 |
| Depreciation and amortisation | | 7.5 | **(2 176)** | (2 025) |
| Operating leases | | 9.6 | **(3 819)** | (3 486) |
| Employee benefits | | 10.5 | **(10 498)** | (9 499) |
| Other operating expenses | | 9.4 | **(11 821)** | (10 809) |
| TRADING PROFIT | | 11.6 | **8 127** | 7 281 |
| Exchange rate losses | | | **(236)** | (46) |
| Items of a capital nature | | | **(166)** | (11) |
| OPERATING PROFIT | | 6.9 | **7 725** | 7 224 |
| Interest received | | 29.9 | **226** | 174 |
| Finance costs | | (31.7) | **(340)** | (498) |
| Share of profit/(loss) of equity accounted investments | | | **4** | (52) |
| PROFIT BEFORE INCOME TAX | | 11.2 | **7 615** | 6 848 |
| Income tax expense | | 9.1 | **(2 180)** | (1 998) |
| PROFIT FOR THE YEAR | | 12.1 | **5 435** | 4 850 |
| | | | | |
| OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX | | | **(933)** | (579) |
| Items that will not be reclassified to profit or loss | | | | |
| Re-measurements of post-employment medical benefit obligations | | | **3** | 1 |
| Items that may subsequently be reclassified to profit or loss | | | | |
| Foreign currency translation differences | | | **(822)** | (680) |
| Share of foreign currency translation differences of equity accounted investments | | | **(103)** | 76 |
| For the period | | | **(103)** | 122 |
| Reclassified to profit for the period | | | **–** | (46) |
| (Losses)/gains on effective cash flow hedge | | | **(11)** | 24 |
| | | | | |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | | **4 502** | 4 271 |
| | | | | |
| PROFIT ATTRIBUTABLE TO: | | | **5 435** | 4 850 |
| Owners of the parent | | | **5 428** | 4 844 |
| Non-controlling interest | | | **7** | 6 |
| | | | | |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | **4 502** | 4 271 |
| Owners of the parent | | | **4 495** | 4 265 |
| Non-controlling interest | | | **7** | 6 |
| | | | | |
| Basic earnings per share (cents) | 5 | 10.3 | **999.8** | 906.0 |
| Diluted earnings per share (cents) | 5 | 9.3 | **984.8** | 901.3 |
| Basic headline earnings per share (cents) | 5 | 13.1 | **1 023.2** | 905.0 |
| Diluted headline earnings per share (cents) | 5 | 11.9 | **1 007.4** | 900.3 |

+ The 2016 figures have been restated for the change in accounting policy. Refer to note 9 for more detail.

## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | Audited 2017 Rm | Restated Audited 2016 Rm+ | Restated Audited 2015 Rm+ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| NON-CURRENT ASSETS | | **24 572** | 20 633 | 18 586 |
| Property, plant and equipment | | **18 407** | 16 908 | 15 374 |
| Equity accounted investments | | **27** | 95 | 178 |
| Held-to-maturity investments | 1 | **1 311** | — | — |
| Loans and receivables | | **1 110** | 599 | 547 |
| Deferred income tax assets | | **859** | 698 | 569 |
| Intangible assets | | **2 355** | 1 857 | 1 458 |
| Trade and other receivables | | **503** | 476 | 460 |
| CURRENT ASSETS | | **31 032** | 27 351 | 25 053 |
| Inventories | | **17 794** | 15 055 | 13 321 |
| Trade and other receivables | | **5 105** | 5 096 | 4 568 |
| Derivative financial instruments | | **1** | — | — |
| Current income tax assets | | **154** | 146 | 44 |
| Loans and receivables | | **211** | 270 | 59 |
| Cash and cash equivalents | | **7 767** | 6 784 | 7 061 |
| Assets held for sale | | **119** | 17 | 13 |
| **TOTAL ASSETS** | | **55 723** | 48 001 | 43 652 |
| **EQUITY** | | | | |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT | | | | |
| Share capital | 2 | **681** | 650 | 650 |
| Share premium | | **8 585** | 4 029 | 4 029 |
| Treasury shares | 2 | **(446)** | (760) | (759) |
| Reserves | | **18 838** | 17 155 | 14 905 |
| | | **27 658** | 21 074 | 18 825 |
| NON-CONTROLLING INTEREST | | **91** | 65 | 68 |
| **TOTAL EQUITY** | | **27 749** | 21 139 | 18 893 |
| **LIABILITIES** | | | | |
| NON-CURRENT LIABILITIES | | **1 492** | 1 492 | 5 659 |
| Borrowings | 3 | **—** | 102 | 4 305 |
| Deferred income tax liabilities | | **96** | 128 | 187 |
| Provisions | | **232** | 267 | 321 |
| Fixed escalation operating lease accruals | | **1 164** | 995 | 846 |
| CURRENT LIABILITIES | | **26 482** | 25 370 | 19 100 |
| Trade and other payables | | **17 414** | 16 590 | 17 432 |
| Borrowings | 3 | **3 274** | 5 022 | 567 |
| Derivative financial instruments | | **—** | 32 | 2 |
| Current income tax liabilities | | **582** | 574 | 960 |
| Provisions | | **154** | 187 | 136 |
| Bank overdrafts | | **5 058** | 2 965 | 3 |
| **TOTAL LIABILITIES** | | **27 974** | 26 862 | 24 759 |
| **TOTAL EQUITY AND LIABILITIES** | | **55 723** | 48 001 | 43 652 |

+ The 2015 and 2016 figures have been restated for the change in accounting policy. Refer to note 9 for more detail.

## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rm | Total equity | Non-controlling interest | Total | Share capital | Share premium | Treasury shares | Other reserves | Retained earnings |
| BALANCE AT 28 JUNE 2015 | | | | | | | | |
| AS PREVIOUSLY STATED | 19 160 | 68 | 19 092 | 650 | 4 029 | (759) | 1 005 | 14 167 |
| Effect of adjusted treatment of advertising rebates (note 9) | (267) | | (267) | | | | | (267) |
| AS RESTATED | 18 893 | 68 | 18 825 | 650 | 4 029 | (759) | 1 005 | 13 900 |
| Total comprehensive income | 4 271 | 6 | 4 265 | — | — | — | (580) | 4 845 |
| Profit for the year – AS RESTATED | 4 850 | 6 | 4 844 | | | | | 4 844 |
| AS PREVIOUSLY STATED | 4 847 | 6 | 4 841 | | | | | 4 841 |
| Effect of adjusted treatment of advertising rebates (note 9) | 3 | — | 3 | | | | | 3 |
| Recognised in other comprehensive income | | | | | | | | |
| Re-measurements of post-employment medical benefit obligations | 1 | | 1 | | | | | 1 |
| Foreign currency translation differences | (604) | | (604) | | | | (604) | |
| Gains on effective cash flow hedge | 33 | | 33 | | | | 33 | |
| Income tax effect of gains on effective cash flow hedge | (9) | | (9) | | | | (9) | |
| Share-based payments – value of employee services | 140 | | 140 | | | | 140 | |
| Modification of cash bonus arrangement transferred from provisions | 7 | | 7 | | | | 7 | |
| Purchase of treasury shares | (28) | | (28) | | | (28) | | |
| Treasury shares disposed | 9 | | 9 | | | 9 | | |
| Realisation of share-based payment reserve | — | | — | | | 18 | (18) | |
| Dividends distributed to shareholders | (2 153) | (9) | (2 144) | | | | | (2 144) |
| BALANCE AT 3 JULY 2016 | 21 139 | 65 | 21 074 | 650 | 4 029 | (760) | 554 | 16 601 |

## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | | | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|---|
| Rm | Total equity | Non-controlling interest | Total | Share capital | Share premium | Treasury shares | Other reserves | Retained earnings |
| Total comprehensive income | 4 502 | 7 | 4 495 | – | – | – | (936) | 5 431 |
| Profit for the year | 5 435 | 7 | 5 428 | | | | | 5 428 |
| Recognised in other comprehensive income | | | | | | | | |
| Re-measurements of post-employment medical benefit obligations | 4 | | 4 | | | | | 4 |
| Income tax effect of re-measurements of post-employment medical benefit obligations | (1) | | (1) | | | | | (1) |
| Foreign currency translation differences | (925) | | (925) | | | | (925) | |
| Losses on effective cash flow hedge | (15) | | (15) | | | | (15) | |
| Income tax effect of losses on effective cash flow hedge | 4 | | 4 | | | | 4 | |
| Share-based payments – value of employee services | 139 | | 139 | | | | 139 | |
| Modification of cash bonus arrangement transferred from provisions | 6 | | 6 | | | | 6 | |
| Purchase of treasury shares | (59) | | (59) | | | (59) | | |
| Treasury shares disposed | 2 | | 2 | | | 2 | | |
| Realisation of share-based payment reserve | – | | – | | | 371 | (371) | |
| Ordinary shares issued on conversion of convertible bonds | 4 587 | | 4 587 | 31 | 4 556 | | | |
| Equity component of convertible bonds converted during the period transferred to retained earnings | – | | – | | | | (361) | 361 |
| Non-controlling interest on acquisition of subsidiary | 2 | 2 | – | | | | | |
| Non-controlling interest on disposal of subsidiary | 27 | 27 | – | | | | | |
| Dividends distributed to shareholders | (2 596) | (10) | (2 586) | | | | | (2 586) |
| BALANCE AT 2 JULY 2017 | 27 749 | 91 | 27 658 | 681 | 8 585 | (446) | (969) | 19 807 |

## SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Audited year ended 2017 Rm | Restated Audited year ended 2016 Rm+ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | **3 339** | 1 443 |
| Operating profit | | **7 725** | 7 224 |
| Less: investment income | | **(189)** | (111) |
| Non-cash items | 6.1 | **3 089** | 2 681 |
| Changes in working capital | 6.2 | **(2 278)** | (3 334) |
| Cash generated from operations | | **8 347** | 6 460 |
| Interest received | | **399** | 258 |
| Interest paid | | **(416)** | (426) |
| Dividends received | | **16** | 27 |
| Dividends paid | | **(2 595)** | (2 152) |
| Income tax paid | | **(2 412)** | (2 724) |
| | | | |
| CASH FLOWS UTILISED BY INVESTING ACTIVITIES | | **(6 985)** | (4 733) |
| Investment in property, plant and equipment and intangible assets to expand operations | | **(3 836)** | (3 304) |
| Investment in property, plant and equipment and intangible assets to maintain operations | | **(1 331)** | (1 448) |
| Proceeds on disposal of property, plant and equipment and intangible assets | | **40** | 85 |
| Payments for held-to-maturity investments | | **(1 370)** | — |
| Amounts paid to Resilient Africa (Pty) Ltd | | **(612)** | (208) |
| Amounts received from Resilient Africa (Pty) Ltd | | **136** | — |
| Other investing activities | | **(2)** | (55) |
| Proceeds on disposal of investment in associate | | **—** | 197 |
| Cash outflow on disposal of investment in subsidiary | | **(9)** | — |
| Acquisition of subsidiary | | **(1)** | — |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | **2 826** | 10 |
| Purchase of treasury shares | | **(59)** | (28) |
| Proceeds from treasury shares disposed | | **4** | 9 |
| Redemption of Shoprite Holdings Ltd preference share capital | | **—** | (2) |
| Convertible bonds settled at maturity date | | **(108)** | — |
| Increase in borrowing from ABSA Bank Ltd | | **1 361** | — |
| Increase in borrowing from Barclays Bank Mauritius Ltd | | **1 224** | — |
| Increase in borrowing from Standard Chartered Bank (Mauritius) Ltd | | **476** | 216 |
| Repayment of borrowing from Standard Bank de Angola, S.A. | | **(111)** | (201) |
| Increase in other borrowings | | **39** | 16 |
| | | | |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | **(820)** | (3 280) |
| Cash and cash equivalents at the beginning of the year | | **3 819** | 7 058 |
| Effect of exchange rate movements on cash and cash equivalents | | **(290)** | 41 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | **2 709** | 3 819 |
| | | | |
| Consisting of: | | | |
| Cash and cash equivalents | | **7 767** | 6 784 |
| Bank overdrafts | | **(5 058)** | (2 965) |
| | | **2 709** | 3 819 |

+ The 2016 figures have been restated for the change in accounting policy. Refer to note 9 for more detail.

## SUMMARISED OPERATING SEGMENT INFORMATION

### ANALYSIS PER REPORTABLE SEGMENT

| | Audited 2017 | | | | |
|---|---|---|---|---|---|
| | Supermarkets RSA Rm | Supermarkets Non-RSA Rm | Furniture Rm | Other operating segments Rm | Consolidated Rm |
| Sale of merchandise | **107 001** | **24 867** | **5 432** | **9 000** | **146 300** |
| External | **101 734** | **24 840** | **5 432** | **8 994** | **141 000** |
| Inter-segment | **5 267** | **27** | **—** | **6** | **5 300** |
| Trading profit | **6 424** | **1 407** | **123** | **173** | **8 127** |
| Interest income included in trading profit | **70** | **78** | **314** | **36** | **498** |
| Depreciation and amortisation* | **1 884** | **421** | **108** | **44** | **2 457** |
| Total assets | **32 535** | **16 407** | **4 180** | **2 601** | **55 723** |

| | Restated Audited 2016+ | | | | |
|---|---|---|---|---|---|
| | Supermarkets RSA Rm | Supermarkets Non-RSA Rm | Furniture Rm | Other operating segments Rm | Consolidated Rm |
| Sale of merchandise | 98 103 | 22 263 | 5 207 | 8 436 | 134 009 |
| External | 94 167 | 22 246 | 5 207 | 8 408 | 130 028 |
| Inter-segment | 3 936 | 17 | — | 28 | 3 981 |
| Trading profit | 5 828 | 1 227 | 91 | 135 | 7 281 |
| Interest income included in trading profit | 62 | 5 | 316 | 28 | 411 |
| Depreciation and amortisation* | 1 737 | 413 | 96 | 42 | 2 288 |
| Total assets | 29 985 | 11 489 | 3 965 | 2 562 | 48 001 |

### GEOGRAPHICAL ANALYSIS

| | Audited 2017 | | |
|---|---|---|---|
| | South Africa Rm | Outside South Africa Rm | Consolidated Rm |
| Sale of merchandise – external | **113 660** | **27 340** | **141 000** |
| Non-current assets** | **16 101** | **5 164** | **21 265** |

| | Restated Audited 2016++ | | |
|---|---|---|---|
| | South Africa Rm | Outside South Africa Rm | Consolidated Rm |
| Sale of merchandise – external | 105 603 | 24 425 | 130 028 |
| Non-current assets** | 14 274 | 4 967 | 19 241 |

+ The 2016 figures have been restated for the change in accounting policy. Refer to note 9 for more detail.

++ The 2016 figures have been restated for the reclassification of prepaid land leases from current to non-current assets. Refer to note 10 for more detail.

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

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

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

| | | Audited 2017 Rm | Audited 2016 Rm |
|---|---|---|---|
| **1** | **HELD-TO-MATURITY INVESTMENTS** | | |
| | AOA, USD Index Linked, Angola Government Bonds | **1 311** | – |

The AOA, USD Index Linked, Angola Government Bonds earn interest at an average rate of 7.0% p.a. and are repayable within 36 months. Accrued interest is payable bi-annually. These bonds are denominated in Angola kwanza and no allowance for impairment has been made. The maximum exposure to credit risk at the reporting date is the carrying value. The Group does not hold any collateral as security.

### 2 SHARE CAPITAL AND TREASURY SHARES

#### 2.1 Ordinary share capital

| | Audited 2017 Rm | Audited 2016 Rm |
|---|---|---|
| Authorised: | | |
| 650 000 000 (2016: 650 000 000) ordinary shares of 113.4 cents each | | |
| Issued: | | |
| 600 021 829 (2016: 572 871 960) ordinary shares of 113.4 cents each | **681** | 650 |

Reconciliation of movement in number of ordinary shares issued:

| | Number of shares 2017 | Number of shares 2016 |
|---|---|---|
| Balance at the beginning of the year | **572 871 960** | 572 871 960 |
| Shares issued during the year | **27 149 869** | – |
| Balance at the end of the year | **600 021 829** | 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 2017 | Number of shares 2016 |
|---|---|---|
| Issued ordinary share capital | **600 021 829** | 572 871 960 |
| Treasury shares (note 2.3) | **(36 166 544)** | (38 246 183) |
| | **563 855 285** | 534 625 777 |

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.

| | Audited 2017 Rm | Audited 2016 Rm |
|---|---|---|
| **2.2 Deferred share capital** | | |
| Authorised: | | |
| 360 000 000 (2016: 360 000 000) non-convertible, non-participating no par value deferred shares | | |
| Issued: | | |
| 305 621 601 (2016: 291 792 794) non-convertible, non-participating no par value deferred shares | **–** | – |

Reconciliation of movement in number of deferred shares issued:

| | Number of shares | |
|---|---|---|
| | **2017** | **2016** |
| Balance at the beginning of the year | **291 792 794** | 291 792 794 |
| Shares issued during the year | **13 828 807** | – |
| Balance at the end of the year | **305 621 601** | 291 792 794 |

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 2017 Rm | Audited 2016 Rm |
|---|---|---|
| | **681** | 650 |
| **2.3 Treasury shares** | | |
| 36 166 544 (2016: 38 246 183) ordinary shares | **446** | 760 |

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

| | Number of shares | |
|---|---|---|
| | **2017** | **2016** |
| Balance at the beginning of the year | **38 246 183** | 38 221 703 |
| Shares purchased during the year | **300 439** | 194 916 |
| Shares disposed during the year | **(19 259)** | (57 503) |
| Shares utilised for settlement of equity-settled share-based payment arrangements | **(2 360 819)** | (112 933) |
| Balance at the end of the year | **36 166 544** | 38 246 183 |
| Consisting of: | | |
| Shares owned by Shoprite Checkers (Pty) Ltd | **35 436 572** | 35 436 572 |
| Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements | **729 972** | 2 809 611 |
| | **36 166 544** | 38 246 183 |

| | | Audited 2017 Rm | Audited 2016 Rm |
|---|---|---|---|
| **3** | **BORROWINGS** | | |
| | Consisting of: | | |
| | Convertible bonds (note 3.1) | **—** | 4 655 |
| | ABSA Bank Ltd (note 3.2) | **1 304** | — |
| | Barclays Bank Mauritius Ltd (note 3.3) | **1 173** | — |
| | Standard Chartered Bank (Mauritius) Ltd (note 3.4) | **652** | 222 |
| | Standard Bank de Angola, S.A. | **—** | 121 |
| | First National Bank of Namibia Ltd | **134** | 105 |
| | The Standard Bank of South Africa Ltd | **11** | — |
| | Other borrowings | **—** | 21 |
| | | **3 274** | 5 124 |

**3.1 Convertible bonds**

The Group has issued 6.5% convertible bonds for a principal amount of R4.7 billion (2016: R4.7 billion). The bonds matured on 3 April 2017 at their nominal value. Bondholders had the option to convert their convertible bonds at the maturity date at the rate of 5 919.26 shares per R1 million. 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, was initially included in shareholders' equity in other reserves, net of income taxes, and transferred to retained earnings upon conversion and redemption.

The convertible bonds recognised in the statement of financial position is calculated as follows:

| | Audited 2017 Rm | Audited 2016 Rm |
|---|---|---|
| Liability component at the beginning of the year | **4 655** | 4 511 |
| Ordinary shares issued on conversion of convertible bonds | **(4 587)** | — |
| Convertible bonds settled at maturity date | **(108)** | — |
| Interest expense | **187** | 449 |
| Interest paid | **(147)** | (305) |
| Liability component at the end of the year | **—** | 4 655 |

**3.2 ABSA Bank Ltd**

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 1.82% (2016: N/A) p.a.

**3.3 Barclays Bank Mauritius Ltd**

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.16% (2016: N/A) p.a.

**3.4 Standard Chartered Bank (Mauritius) Ltd**

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.47% (2016: 2.65%) p.a.

## 4 FAIR VALUE DISCLOSURES

The fair value of Angola Government Bonds included in held-to-maturity investments amounted to R1.3 billion (2016: N/A) 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 7.0% (2016: N/A) and is within level 2 of the fair value hierarchy.

The fair value of USD denominated amounts owing by Resilient Africa (Pty) Ltd included in loans and receivables amounted to R586 million (2016: N/A) 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 3.0% (2016: N/A) and is within level 2 of the fair value hierarchy.

The fair value of amounts owing by employees included in loans and receivables amounted to R102 million (2016: R217 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 10.5% (2016: 10.5%) and is within level 2 of the fair value hierarchy.

The fair value of the liability component of the convertible bonds amounted to R4.7 billion at the previous statement of financial position date. The fair value was calculated using cash flows discounted at a rate based on the borrowings rate of 9.5% and was within level 2 of the fair value hierarchy.

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

| | Audited 2017 Rm | Restated Audited 2016 Rm+ |
|---|---|---|
| **5 EARNINGS PER SHARE** | | |
| Profit attributable to owners of the parent | **5 428** | 4 844 |
| Re-measurements | **167** | 13 |
| Profit on disposal and scrapping of property | **—** | (1) |
| Loss on disposal and scrapping of plant and equipment and intangible assets | **79** | 59 |
| Impairment/(reversal of impairment) of property, plant and equipment | **19** | (16) |
| Impairment of intangible assets | **70** | 66 |
| Insurance claims receivable | **(5)** | (25) |
| Profit on disposal of investment in associate | **—** | (71) |
| Loss/(profit) on other investing activities | **3** | (1) |
| Re-measurements included in share of profit/loss of equity-accounted investments | **1** | 2 |
| Income tax effect on re-measurements | **(41)** | (19) |
| Headline earnings | **5 554** | 4 838 |
| Number of ordinary shares | **'000** | |
| – In issue | **563 855** | 534 626 |
| – Weighted average | **542 927** | 534 636 |
| – Weighted average adjusted for dilution | **564 814** | 537 423 |
| Reconciliation of weighted average number of ordinary shares in issue during the year: | | |
| Weighted average number of ordinary shares | **542 927** | 534 636 |
| Adjustments for dilutive potential of full share grants and convertible bonds | **21 887** | 2 787 |
| Weighted average number of ordinary shares for diluted earnings per share | **564 814** | 537 423 |
| Earnings per share | **Cents** | |
| – Basic earnings | **999.8** | 906.0 |
| – Diluted earnings | **984.8** | 901.3 |
| – Basic headline earnings | **1 023.2** | 905.0 |
| – Diluted headline earnings | **1 007.4** | 900.3 |

+ The 2016 figures have been restated for the change in accounting policy. Refer to note 9 for more detail.

# SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

| | | Audited 2017 Rm | Restated Audited 2016 Rm+ |
|---|---|---|---|
| **6** | **CASH FLOW INFORMATION** | | |
| **6.1** | **Non-cash items** | | |
| | Depreciation of property, plant and equipment | **2 146** | 1 993 |
| | Amortisation of intangible assets | **311** | 295 |
| | Net fair value (gains)/losses on financial instruments | **(33)** | 30 |
| | Exchange rate losses | **236** | 46 |
| | Profit on disposal and scrapping of property | **–** | (1) |
| | Loss on disposal and scrapping of plant and equipment and intangible assets | **79** | 59 |
| | Impairment/(reversal of impairment) of property, plant and equipment | **19** | (16) |
| | Impairment of intangible assets | **70** | 66 |
| | Profit on disposal of investment in associate | **–** | (71) |
| | Movement in provisions | **(52)** | 5 |
| | Movement in cash-settled share-based payment accrual | **11** | (10) |
| | Movement in share-based payment reserve | **139** | 140 |
| | Movement in fixed escalation operating lease accruals | **163** | 145 |
| | | **3 089** | 2 681 |
| **6.2** | **Changes in working capital** | | |
| | Inventories | **(3 237)** | (1 998) |
| | Trade and other receivables | **(164)** | (588) |
| | Trade and other payables | **1 123** | (748) |
| | | **(2 278)** | (3 334) |

+ The 2016 figures have been restated for the change in accounting policy. Refer to note 9 for more detail.

**7 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. Related party transactions also include key management personnel compensation, loans to directors and loans to associates and joint ventures. For further information, refer to the audited annual financial statements.

In terms of an employment agreement, Dr Basson is entitled to put all Shoprite Holdings Ltd shares directly or indirectly held by him against the Company whilst still in the employment of the Company. The specific repurchase will be subject to the provisions of the Memorandum of Incorporation of the Company, the Companies Act, No. 71 of 2008 (as amended) and the JSE Limited Listings Requirements, where applicable. Dr Basson formally notified the Company of the exercising of the put option on 2 May 2017 whereby a specific repurchase of 8 683 327 Shoprite Holdings Ltd shares was proposed at R211.01 per share. Subsequently the purchase price of each Put Option share was reduced to R201.07, being the 30-day VWAP of the ordinary shares up to and including 2 May 2017. The general shareholders meeting, where shareholders are required to approve this transaction, will be held on 5 September 2017.

| | | Audited 2017 Rm | Restated Audited 2016 Rm+ |
|---|---|---|---|
| **8** | **SUPPLEMENTARY INFORMATION** | | |
| | Contracted capital commitments | **1 807** | 1 682 |
| | Contingent liabilities | **85** | 146 |
| | Net asset value per share (cents) | **4 905** | 3 942 |

+ The 2016 figures have been restated for the change in accounting policy. Refer to note 9 for more detail.

## 9 CHANGE IN ACCOUNTING POLICY

During the year, the Group changed its accounting policy with respect to the treatment of advertising rebates. Although nothing has changed in "IAS 2 Inventories", "IFRS 15: Revenue from contracts with customers" has provided a principle that can be applied when determining which rebates should be deducted in determining the costs of purchase in accordance with paragraph 11 of IAS 2. IFRS 15 provides more clarity on how the supplier should treat the payment of rebates to its customers: "An entity shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity."

The Group has changed its policy in applying IAS 2 paragraph 11 and now considers whether the good/service provided to the supplier in exchange for the advertising rebates is distinct from the purchase of the goods/services from the supplier. The Group's advertising rebates result from the process of negotiating the best product price with the supplier and therefore the Group does not provide distinct goods or services to its suppliers in exchange for the rebates.

The Group previously classified these rebates net of advertising expenses with its other operating income in the statement of comprehensive income. It was concluded that the Group's inventory accounting policy should be changed as a result of the additional guidance provided by IFRS 15 with regards to the accounting treatment of rebates. Further, in accordance with "IAS 8: Accounting policies, changes in accounting estimates and errors", it results in information that is more relevant to the financial position and performance.

The change in accounting policy is effective for the year ended 2 July 2017 and has been applied retrospectively. This has therefore resulted in a restatement of the comparative 2016 and 2015 figures on the statement of financial position. The aggregate effect of the changes in accounting policy on the annual financial statements for these periods are as follows:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Previously reported Rm | Effect of change Rm | Restated Rm | Previously reported Rm | Effect of change Rm | Restated Rm |
| **9.1 Impact on statement of financial position** | | | | | | |
| Deferred income tax assets | 599 | 99 | 698 | 469 | 100 | 569 |
| Inventories | 15 420 | (365) | 15 055 | 13 689 | (368) | 13 321 |
| TOTAL ASSETS | 48 267 | (266) | 48 001 | 43 920 | (268) | 43 652 |
| Reserves | 17 419 | (264) | 17 155 | 15 172 | (267) | 14 905 |
| Deferred income tax liabilities | 130 | (2) | 128 | 188 | (1) | 187 |
| TOTAL EQUITY AND LIABILITIES | 48 267 | (266) | 48 001 | 43 920 | (268) | 43 652 |

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

| | | 2016 | | |
|---|---|---|---|---|
| | | Previously reported Rm | Effect of change Rm | Restated Rm |
| **9** | **CHANGE IN ACCOUNTING POLICY (CONTINUED)** | | | |
| **9.2** | **Impact on statement of comprehensive income** | | | |
| | Cost of sales | (102 792) | 3 420 | (99 372) |
| | GROSS PROFIT | 27 236 | 3 420 | 30 656 |
| | Other operating income | 3 711 | (1 267) | 2 444 |
| | Other operating expenses | (8 659) | (2 150) | (10 809) |
| | TRADING PROFIT | 7 278 | 3 | 7 281 |
| | PROFIT FOR THE YEAR | 4 847 | 3 | 4 850 |
| | TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 4 268 | 3 | 4 271 |
| | Basic earnings per share (cents) | 905.4 | 0.6 | 906.0 |
| | Diluted earnings per share (cents) | 900.7 | 0.6 | 901.3 |
| | Basic headline earnings per share (cents) | 904.4 | 0.6 | 905.0 |
| | Diluted headline earnings per share (cents) | 899.7 | 0.6 | 900.3 |

| | | 2016 | | |
|---|---|---|---|---|
| | | Previously reported Rm | Effect of change Rm | Restated Rm |
| **9.3** | **Impact on statement of cash flows** | | | |
| | Operating profit | 7 221 | 3 | 7 224 |
| | Changes in working capital | (3 331) | (3) | (3 334) |
| | NET MOVEMENT IN CASH AND CASH EQUIVALENTS | (3 280) | — | (3 280) |

**10 RECLASSIFICATION OF DISCLOSURE ITEMS**

Certain reclassifications of statement of financial position items in the current year resulted in changes to the relevant comparative information to ensure accurate comparability with the current year information. The affected line items are detailed below.

Reclassification of fixed escalation operating lease accruals to trade and other receivables and reclassification of prepaid land leases from current trade and other receivables to non-current. These reclassifications ensured that all operating lease receivables are classified together and that current and non-current trade and other receivables are reflected appropriately.

| | 2016 Rm | 2015 Rm |
|---|---|---|
| Decrease in fixed escalation operating lease accruals | 28 | 9 |
| Increase in trade and other receivables | 476 | 460 |
| Increase in non-current assets | 448 | 451 |
| Decrease in trade and other receivables | 448 | 451 |
| Decrease in current assets | 448 | 451 |
| TOTAL ASSETS | — | — |