

UNAUDITED RESULTS FOR THE 26 WEEKS ENDED 31 DECEMBER 2017

Key information

- Diluted headline earnings per share of 525.2 cents, up 14.2%
- Trading profit increased by 5% to R4.104 billion
- Turnover increased by 6.3% to R75.823 billion
- Dividend per share of 205 cents declared, an increase of 13.9% over the 180 cents of the corresponding period.

Pieter Engelbrecht, chief executive:

Shoprite produced an industry-leading performance in the 26 weeks to 31 December 2017. Total turnover grew 6.3% from R71.297 billion to R75.823 billion on the back of 3.9% growth in volume of products sold and 3.6% growth in number of customers. Trading profit was 5% higher at R4.104 billion. This was a satisfactory performance given that Shoprite RSA internal inflation dropped seven percentage points to just 0.4% compared to the previous year.

Group results were boosted by a strong performance in our core South African supermarket operations, which grew turnover by 7.8%. Turnover of Supermarkets Non-RSA operations, however, declined 0.4%, measured against an exceptional prior year increase of 32.3%. At constant currencies, Supermarkets Non-RSA turnover grew 1.9%.

The performance by the South African operations, boosted by the continued success of Checkers' sharpened focus on high income group customers, helped offset the effect of a challenging year for Non-RSA operations. The Group advanced market share in RSA by 0.44 percentage points, which is testimony to its resilience in less favourable periods.

This is an inversion of the trend in the previous year and validates the strength of our strategy which not only includes geographical diversification, but also the extraction of value across all operations and brands.

Despite negligible price inflation, turnover and trading profit improved and the Group achieved a healthy trading margin of 5.41%.

While the corresponding period saw internal inflation in RSA increase from 2.7% to 7.4%, the current interim period saw internal inflation drop sharply to just 0.4%, with deflation recorded across a range of products and now affecting more than 5 000 products.

To sustain long term growth both in South Africa and beyond its borders, the Group opened a net 158 new stores during the past 12 months and at the end of December was trading from 2 811 outlets, adding 4 254 additional jobs in the reporting period, to bring the total staff complement to more than 148 000.

26 February 2018

Enquiries:

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OPERATING ENVIRONMENT

The Group was once again able to demonstrate its resilience to economic headwinds and its ability to withstand challenges across its Non-RSA operations.

South Africa has been in an almost no-growth situation for most of 2017, unemployment stood at 26.7% in the fourth quarter of 2017, consumer confidence was at low levels and our customers have been under unprecedented financial pressure. The Group experienced deflation in most product ranges. Non-RSA operations continued to be challenged by harsh trading environments, forex shortages, low commodity prices and political instability.

COMMENTS ON THE RESULTS

Statement of Comprehensive Income

Total turnover

Total turnover for the Shoprite Group increased by 6.3% for the 26 weeks to 31 December 2017 – from R71.30 billion to R75.82 billion while growth on a like-for-like basis was 2.0%. The growth this year must be seen in the context of the very strong growth of 14% in the corresponding 26 weeks of last year. Supermarkets RSA reported turnover growth of 7.8% and, on a like-for-like basis, 3.5% while Supermarkets Non-RSA reported a decline in sales of 0.4% with a like-for-like decline of 6.4%. At constant currency rates Supermarkets Non-RSA sales increased by 1.9%.

Expenses

Total expenses increased by 9.3%. Depreciation and amortisation as well as the increase in the cost of operating leases grew at a higher rate than turnover, mainly because of new stores being opened. Depreciation and amortisation is also affected by the new SAP ERP system having been implemented. During the 12 months a net 74 supermarkets and 56 LiquorShop outlets were opened, while a net 21 unprofitable furniture stores were closed, improving the profitability of the Furniture division.

Escalations in expenses such as security, electricity and other energy costs were beyond the control of the Group due to electricity tariff increases being set by NERSA, while Private Security Industry Regulatory Authority (PSiRA) agreed on wage increases in the security sector. These expenses were nevertheless monitored as carefully as possible.

Trading margin

The trading margin decreased marginally from 5.48% to 5.41%. This margin reflects the investment in new stores and in the supply-chain infrastructure, with Cilmor in Cape Town coming on stream. The reduced margin is mainly due to the slowdown in turnover in Non-RSA.

Exchange rate gains

The Group recorded an exchange rate gain of R4 million against a loss of R188 million in the corresponding period. The loss in the previous year was partly due to the devaluation of certain Non-RSA currencies against the US\$ and the strengthening of the rand during the period under review with the resultant effect on short-term loan balances. During the reporting 26 weeks the Group obtained more offshore funding to support the Non-RSA operations with the result that short-term intergroup loans were reduced and with it the forex risk in South Africa.

Finance cost and interest received

Net interest expense, when compared to the corresponding period, decreased due to the convertible bonds that were converted during the second half of last year. This reduction was offset by additional funding required for the expansion in Non-RSA.

Statement of Financial Position

Property, plant and equipment and intangible assets

The increase is due to the investment in 171 new corporate outlets which included more own stores built, vacant land purchased for strategic purposes, investment in information technology to support inventory management, completion of the Cilmor distribution centre as well as normal asset replacements.

Cash and cash equivalents and bank overdrafts

The decrease in cash at the reporting date resulted from (1) Buy-back and cancellation of ordinary shares of R1.75 billion; (2) Purchase of additional US\$ Index Linked Angolan Government bonds to the value of R1 billion during the 26 weeks. This was done as a hedge against a possible devaluation of the Angolan kwanza; (3) Capital expenditure for the six months was about 13% higher than that of the corresponding six months.

Inventory

The increase in inventory is due to the provisioning of the net 121 new corporate outlets as well as the increased capacity created by the new Cilmor food distribution centre in the Western Cape. Although fully stocked, this centre did not operate at full capacity at the end of December, which partly accounts for the increase in inventory.

The Group also made a strategic decision to allow Shoprite to participate alongside Checkers in the highly successful Black Friday promotion in November 2017 with the result that Checkers were slightly overstocked in certain lines. However, those lines were all incorporated in the Heyday promotion in February.

Trade and other payables

Trade and other payables show an increase of 5.9% on the previous year. This increase goes hand in hand with the inventory increase.

Borrowings

The convertible bonds were converted in April 2017, but additional financing was arranged to fund the expansion in Non-RSA. The Group is investigating various medium to longer term funding options to support future developments.

Pro forma information

Certain financial information presented in these 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. The pro forma information has neither been reviewed nor been reported on by the Group's external auditors.

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.

% Change on prior period 26 weeks	Reported Currency	Constant Currency
Angola kwanza	(13.1)	(9.5)
Nigeria naira	5.1	9.3
Zambia kwacha	4.4	4.5
Mozambique metical	32.3	13.2
Total Supermarkets Non-RSA	(0.4)	1.9

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 growth percentages in sale of merchandise for the 26 weeks to 31 December 2017	Reported %	Like-for-like %
Total	6.3	2.0
Supermarkets RSA	7.8	3.5
Supermarkets Non-RSA	(0.4)	(6.4)

NUMBER OF OUTLETS 31 DECEMBER 2017

	12 MONTHS				CONFIRMED NEW STORES TO JUNE 2019
	DEC 2016	OPENED	CLOSED	DEC 2017	
SUPERMARKETS	1 202	84	10	1 276	99
SHOPRITE	602	31	4	629	65
CHECKERS	204	15	1	218	15
CHECKERS HYPER	37	0	0	37	0
USAVE	359	38	5	392	19
LIQUORSHOP	368	57	1	424	12
HUNGRY LION	194	14	2	206	8
FURNITURE	512	16	37	491	10
OK FURNITURE	459	14	36	437	10
HOUSE & HOME	53	2	1	54	0
OK FRANCHISE	377	61	24	414	8
TOTAL STORES	2 653	232	74	2 811	137
COUNTRIES OUTSIDE RSA	14	0	0	14	
TOTAL STORES OUTSIDE RSA	417	52	9	460	45

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

OPERATIONAL REVIEW

Supermarkets RSA

The Group's core business, the South African supermarket operation, produced an exceptional performance, growing sales by 7.8%, and generating an increased trading profit of R3.342 billion, R350 million higher than the R2.992 billion in the corresponding period.

This growth was well ahead of competitors, reflecting continued gains in market share.

Trading through 1 451 outlets and generating 81% of the Group's total supermarket sales, the division continues to lead the industry with its extensive and increasingly sophisticated supply-line infrastructure that ensures on-shelf availability. Integrated planning and strict cost disciplines continue to enhance the Group's ability to operate successfully despite limited price increases and the strain on increasingly financially-stretched customers.

The Group continues to provide value at affordable prices for these customers through its extensive global sourcing capabilities. Private label brands, which assist price sensitive consumers, increased their contribution by 1.2 percentage points to make up 15.4% of sales.

During the review period the Group intensified its customer-centric focus in every aspect of its business to serve the needs of customers better. This was particularly evident at Checkers, which grew sales by 9.6% and gained market share on the back of significant improvements in service, enhancements to its fresh products and convenience food offerings and upgraded store design.

The flagship Shoprite brand, with its focus on middle and lower-income consumers, remained fully exposed to the effects of a strained economy, and sales increased by a creditable 6.2% under the circumstances. Down-trading in certain categories reflect the fact that customers are stretched to their limit, and Shoprite has responded with the provision of affordable options including R5 meals and a bigger choice of private label products.

The small-format Usave chain, which offers the lowest possible prices on a restricted product range, performed exceptionally well with turnover growth of 8.5% reflecting 38 new store openings and the success of its value offering to its customers.

The Group has made its first significant investment into a digital transformation programme and continues to explore technology-related opportunities. Following a successful pilot partnership with Uber Eats in Cape Town, the Group is planning to extend its offering to Johannesburg and Durban.

Supermarkets Non-RSA

Supermarkets Non-RSA, which trades in 14 countries in the rest of Africa and Indian Ocean islands, produced disappointing results for the period under review.

Sales across the 30 supermarkets in Angola were down 9.5% in local currency, against growth of 155.4% in the previous year. The decline primarily reflects last year's exceptional performance and a drop in internal inflation from 41.3% to -1.8%, panic buying that abated in a more competitive landscape.

Nigeria's turnover growth in local currency was 9.3%, but customer volumes were lower as inflation hit their disposable income while the Zambian operations are starting to show positive growth, with sales up 4.5% in local currency terms.

Expansion in Africa continues with a planned entry into Kenya before the end of 2018, where weakened competitor positions have opened a window of opportunity, to strengthen the Group's presence in East Africa.

Chronic shortage of foreign currency, particularly in the oil-producing countries such as Angola and Nigeria remains an issue, but the Group has a significant competitive advantage as it funds its stock requirements from its external balance sheet, unlike many other traders in the region.

Results in Non-RSA operations should be viewed against the prior year's exceptional sales performance and unprecedented increase in customers, as well as against management's prior-year caution that such high growth levels may not be sustainable.

Furniture

The ongoing refinement of the Furniture division continued to yield fruit, with the furniture division growing total sales by 10.7%, despite credit sales participation dropping by almost a third to only 15% of total sales. Trading profit grew 15.8% off a low base and this growth was assisted by the closure of 37 loss making stores.

The increase was assisted by the continued strong performance of its 81 stores outside South Africa which increased sales by 14.4% during the reporting period, with Angola continuing to do well.

In South Africa, where the division operates 410 outlets under various brands, sales grew 9.7%.

Other Operating Segments

The ongoing restructuring of the OK Franchise division, aimed at improving service delivery to members and enhancing the image of the OK brand among consumers, continues to yield positive results. Turnover increased by 8% and it continues to gain market share. The division now has 414 members in South Africa, Namibia and Swaziland as it gained a net 37 new members in the 12 months to 31 December 2017. As the Group continues to enhance support for members, which includes increasing delivery frequency to members, their purchases from Group distribution centres grew by 25.8% over the six-month period.

GROUP PROSPECTS AND OUTLOOK

The Group continues to face extremely testing trading conditions, with positive economic improvements across our operations still some way off and food inflation expected to remain low. The Group has, however, proven that notwithstanding such conditions, it continues to extract sales and profit growth ahead of its competitors.

There are tentative signs of renewed confidence in South Africa and some green shoots in several economies in which the Group operates which point to positive change in the medium term.

Consumers remain under pressure but have felt some respite with fuel price decreases, while the strong rand will have a positive effect on import prices. These factors point to the potential for improvements in sales and profitability.

Sales in the Non-RSA business will remain under pressure in the coming months, as currency weakness, low commodity prices and forex shortages continue to hamper economic growth in most territories. The Angolan currency devaluation will restrain Angolan sales results in rands.

The Group has entrenched its position as the continent's leading retailer and remains well positioned to capitalise on any change in conditions with its continued investment into its enviable store footprint, superior brands and its focus on its strategic growth drivers.

The Group expects to retain its market-leading growth and remains cautiously optimistic for a further improvement in performance in 2018.

DIVIDEND NO 138

The board has declared an interim dividend of 205 cents (2016: 180 cents) per ordinary share, payable to shareholders on Monday, 19 March 2018. The dividend has been declared out of income reserves. The last day to trade cum dividend will be Tuesday, 13 March 2018. As from Wednesday, 14 March 2018, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 16 March 2018. Share certificates may not be dematerialised or rematerialised between Wednesday, 14 March 2018, and Friday, 16 March 2018, 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 164 cents per share for shareholders liable to pay Dividends Tax and 205 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 591 338 502 ordinary shares.
4. Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.

BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements. The preparation of these results has been supervised by Mr M Bosman, CA(SA). There have been no material changes in the affairs or financial position of the Group and its subsidiaries from 31 December 2017 to the date of this report. The information contained in the interim report has neither been audited nor reviewed by the Group's external auditors.

DIRECTORATE AND ADMINISTRATION

Executive directors

PC Engelbrecht (CEO), M Bosman, B Harisunker, EL Nel

Non-executive directors

CH Wiese (chairman), CG Goosen

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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Auditors

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited 26 weeks ended % 31 Dec '17	Unaudited 26 weeks ended 1 Jan '17	Audited 52 weeks ended 2 Jul '17
	Notes	change Rm	Rm	Rm
Sale of merchandise		6.3	75 823	71 297
Cost of sales		5.8	(57 772)	(54 591)
GROSS PROFIT		8.1	18 051	16 706
Other operating income		12.7	1 360	1 207
Depreciation and amortisation		11.0	(1 195)	(1 077)
Operating leases		13.0	(2 119)	(1 876)
Employee benefits		5.9	(5 574)	(5 262)
Other operating expenses		10.8	(6 419)	(5 791)
TRADING PROFIT		5.0	4 104	3 907
Exchange rate gains/(losses)			4	(188)
Items of a capital nature			(34)	(57)
OPERATING PROFIT		11.3	4 074	3 662
Interest received		18.6	121	102
Finance costs		(18.5)	(189)	(232)
Share of profit/(loss) of equity accounted investments			8	(23)
PROFIT BEFORE INCOME TAX		14.4	4 014	3 509
Income tax expense		2.4	(1 094)	(1 068)
PROFIT FOR THE PERIOD		19.6	2 920	2 441
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			(554)	(724)
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment medical benefit obligations			—	—
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences			(539)	(657)
Share of foreign currency translation differences of equity accounted investments			(4)	(60)
Gains/(losses) on effective cash flow hedge			(11)	(7)
For the period			3	(7)
Reclassified to profit for the period			(14)	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			2 366	1 717
PROFIT ATTRIBUTABLE TO:			2 920	2 441
Owners of the parent			2 912	2 438
Non-controlling interest			8	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			2 366	1 717
Owners of the parent			2 358	1 714
Non-controlling interest			8	3
Basic earnings per share (cents)	6	14.6	521.3	455.0
Diluted earnings per share (cents)	6	15.1	520.9	452.6
Basic headline earnings per share (cents)	6	13.6	525.6	462.5
Diluted headline earnings per share (cents)	6	14.2	525.2	460.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 31 Dec '17 Rm	Unaudited and restated 1 Jan '17 Rm	Audited 2 Jul '17 Rm
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		19 359	17 553	18 407
Equity accounted investments		31	30	27
Held-to-maturity investments	1	1 320	750	1 311
Loans and receivables	2	1 233	651	1 110
Deferred income tax assets		831	737	859
Intangible assets		2 599	2 152	2 355
Trade and other receivables*		562	515	503
CURRENT ASSETS				
Inventories		21 765	18 481	17 794
Trade and other receivables*		5 545	5 581	5 105
Derivative financial instruments		—	12	1
Current income tax assets		148	113	154
Held-to-maturity investments	1	1 281	—	—
Loans and receivables	2	146	347	211
Cash and cash equivalents		8 466	7 586	7 767
Assets held for sale		34	15	119
TOTAL ASSETS		63 320	54 523	55 723
EQUITY				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT				
Share capital	3	671	652	681
Share premium		6 845	4 295	8 585
Treasury shares	3	(562)	(799)	(446)
Reserves		19 375	17 326	18 838
		26 329	21 474	27 658
NON-CONTROLLING INTEREST		87	58	91
TOTAL EQUITY		26 416	21 532	27 749
LIABILITIES				
NON-CURRENT LIABILITIES				
Borrowings	4	1 241	—	—
Deferred income tax liabilities		110	141	96
Provisions		258	283	232
Fixed escalation operating lease accruals		1 192	1 061	1 164
CURRENT LIABILITIES				
Trade and other payables		23 733	22 407	17 414
Borrowings	4	4 451	6 632	3 274
Derivative financial instruments		2	44	—
Current income tax liabilities		359	708	582
Provisions		152	163	154
Bank overdrafts		5 406	1 552	5 058
TOTAL LIABILITIES		36 904	32 991	27 974
TOTAL EQUITY AND LIABILITIES		63 320	54 523	55 723

* The unaudited 1 January 2017 figures have been restated for the reclassification of prepaid land leases from current to non-current assets. These restatements have not been subject to an audit. Refer to note 10.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Attributable to owners of the parent						
	Total controlling equity	Non-controlling interest	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
UNAUDITED 26 WEEKS ENDED 1 JANUARY 2017							
BALANCE AT 3 JULY 2016	21 139	65	650	4 029	(760)	554	16 601
Total comprehensive income	1 717	3	—	—	—	(724)	2 438
Profit for the period	2 441	3	2 438				2 438
Recognised in other comprehensive income	(717)					(717)	
Foreign currency translation differences	(10)					(10)	
Losses on effective cash flow hedge	3					3	
Income tax effect of losses on effective cash flow hedge							
Share-based payments – value of employee services							
Modification of cash bonus arrangement transferred from provisions	69						69
Purchase of treasury shares	(59)				(59)		6
Treasury shares disposed	1				1		
Realisation of share-based payment reserve	—				19		(19)
Ordinary shares issued on conversion of convertible bonds	268		2	266			
Equity component of convertible bonds converted during the period transferred to retained earnings	—						(20)
Dividends distributed to shareholders	(1 609)	(10)					(1 599)
BALANCE AT 1 JANUARY 2017	21 532	58	652	4 295	(799)	(134)	17 460
AUDITED 52 WEEKS ENDED 2 JULY 2017							
BALANCE AT 3 JULY 2016	21 139	65	650	4 029	(760)	554	16 601
Total comprehensive income	4 502	7	4 495	—	—	(936)	5 431
Profit for the period	5 435	7	5 428				5 428
Recognised in other comprehensive income	4						4
Re-measurements of post-employment medical benefit obligations	(1)						(1)
Income tax effect of re-measurements of post-employment medical benefit obligations	(925)						(925)
Foreign currency translation differences	(15)						(15)
Losses on effective cash flow hedge	4						4
Income tax effect of losses on effective cash flow hedge							

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Rm	Attributable to owners of the parent							
	Total equity	Non- controlling interest	Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
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
UNAUDITED 26 WEEKS ENDED 31 DECEMBER 2017	27 749	91	27 658	681	8 585	(446)	(969)	19 807
BALANCE AT 2 JULY 2017	2 366	8	2 358	–	–	–	(554)	2 912
Total comprehensive income	2 920	8	2 912					2 912
Profit for the period	(543)		(543)					(543)
Recognised in other comprehensive income	(15)		(15)					(15)
Foreign currency translation differences	4		4					4
Gains on effective cash flow hedge								
Income tax effect of gains on effective cash flow hedge								
Cash flow hedging reserve transferred to receivables	(3)		(3)					(3)
Income tax effect of cash flow hedging reserve transferred to receivables	1		1					1
Share-based payments – value of employee services	23		23					23
Modification of cash bonus arrangement transferred from provisions	9		9					9
Buy-back and cancellation of ordinary shares	(1 750)		(1 750)	(10)	(1 740)			
Purchase of treasury shares	(140)		(140)			(140)		
Treasury shares disposed	2		2			2		
Realisation of share-based payment reserve	–		–			22	(22)	
Transfer from capital redemption reserve	–		–				(2)	2
Dividends distributed to shareholders	(1 841)	(12)	(1 829)					(1 829)
BALANCE AT 31 DECEMBER 2017	26 416	87	26 329	671	6 845	(562)	(1 517)	20 892

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		3 978	4 221	3 339
Less: investment income		(160)	(83)	(189)
Non-cash items	7.1	1 556	1 602	3 089
Changes in working capital	7.2	1 591	1 651	(2 278)
Cash generated from operations		7 061	6 832	8 347
Interest received		256	170	399
Interest paid		(245)	(228)	(416)
Dividends received		25	15	16
Dividends paid		(1 839)	(1 607)	(2 595)
Income tax paid		(1 280)	(961)	(2 412)
CASH FLOWS UTILISED BY INVESTING ACTIVITIES				
Investment in property, plant and equipment and intangible assets to expand operations		(2 093)	(2 011)	(3 836)
Investment in property, plant and equipment and intangible assets to maintain operations		(841)	(572)	(1 331)
Proceeds on disposal of property, plant and equipment and intangible assets		56	5	40
Proceeds on disposal of assets held for sale		120	—	—
Payments for AOA, USD Index Linked, Angola Government Bonds		(1 010)	(770)	(1 370)
Payments for Angola Treasury Bills		(458)	—	—
Amounts paid to Resilient Africa (Pty) Ltd		(1)	(59)	(612)
Amounts received from Resilient Africa (Pty) Ltd		9	—	136
Amounts paid to RMB Westport Osapa		(191)	—	—
Amounts repaid by employees		102	—	123
Other investing activities		(20)	(70)	(125)
Cash outflow on disposal of investment in subsidiary		—	—	(9)
Acquisition of subsidiary		—	—	(1)
CASH FLOWS FROM FINANCING ACTIVITIES				
Purchase of treasury shares		(140)	(59)	(59)
Proceeds from treasury shares disposed		2	2	4
Buy-back and cancellation of ordinary shares		(1 750)	—	—
Convertible bonds settled at maturity date	4	—	—	(108)
(Repayment of)/increase in borrowing from ABSA Bank Ltd	4	(1 344)	1 399	1 361
(Repayment of)/increase in borrowing from Barclays Bank Mauritius Ltd	4	(579)	—	1 224
Increase in borrowing from Standard Chartered Bank (Mauritius) Ltd	4	672	490	476
Repayment of borrowing from Standard Bank de Angola, S.A.	4	—	(115)	(111)
Increase in borrowing from Standard Finance (Isle of Man) Ltd	4	4 031	—	—
Increase in other borrowings	4	2	14	39
NET MOVEMENT IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at the beginning of the period		2 709	3 819	3 819
Effect of exchange rate movements on cash and cash equivalents		(194)	(260)	(290)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3 060	6 034	2 709
Consisting of:				
Cash and cash equivalents		8 466	7 586	7 767
Bank overdrafts		(5 406)	(1 552)	(5 058)
		3 060	6 034	2 709

CONDENSED OPERATING SEGMENT INFORMATION

ANALYSIS PER REPORTABLE SEGMENT

	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
Unaudited 31 December 2017					
Sale of merchandise	57 448	12 857	3 279	4 873	78 457
External	54 848	12 824	3 279	4 872	75 823
Inter-segment	2 600	33	—	1	2 634
Trading profit	3 342	553	110	99	4 104
Interest income included in trading profit	26	94	146	15	281
Depreciation and amortisation*	1 047	239	52	21	1 359
Total assets	37 214	18 592	4 394	3 120	63 320
Unaudited 1 January 2017					
Sale of merchandise	53 648	12 889	2 961	4 570	74 068
External	50 894	12 877	2 961	4 565	71 297
Inter-segment	2 754	12	—	5	2 771
Trading profit	2 992	746	95	74	3 907
Interest income included in trading profit	37	21	157	14	229
Depreciation and amortisation*	921	227	50	22	1 220
Total assets	33 145	14 129	4 505	2 744	54 523
Audited 2 July 2017					
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

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

CONDENSED OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL ANALYSIS

	South Africa Rm	Outside South Africa Rm	Consolidated Rm
Unaudited 31 December 2017			
Sale of merchandise – external	61 494	14 329	75 823
Non-current assets**	17 245	5 275	22 520
Unaudited and restated 1 January 2017			
Sale of merchandise – external	57 081	14 216	71 297
Non-current assets**	15 313	4 907	20 220
Audited 2 July 2017			
Sale of merchandise – external	113 660	27 340	141 000
Non-current assets**	16 101	5 164	21 265

** Non-current assets consist of property, plant and equipment, intangible assets and non-financial trade and other receivables. The unaudited 1 January 2017 figures have been restated for the reclassification of prepaid land leases from current to non-current assets. These restatements have not been subject to an audit. Refer to note 10.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 31 DECEMBER 2017

	Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
1 HELD-TO-MATURITY INVESTMENTS			
AOA, USD Index Linked, Angola Government Bonds (note 1.1)	2 178	750	1 311
Angola Treasury Bills (note 1.2)	423	—	—
	2 601	750	1 311
Analysis of total held-to-maturity investments:			
Non-current	1 320	750	1 311
Current	1 281	—	—
	2 601	750	1 311
1.1 AOA, USD Index Linked, Angola Government Bonds			
The AOA, USD Index Linked, Angola Government Bonds earn interest at an average rate of 7.0% (1 Jan '17: 7.0%; 2 Jul '17: 7.0%) p.a. and are repayable between 5 and 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.			
1.2 Angola Treasury Bills			
The Angola Treasury Bills earn interest at an average rate of 15.7% (1 Jan '17: N/A; 2 Jul '17: N/A) p.a. and are repayable within 3 months. Accrued interest is payable at maturity. 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 LOANS AND RECEIVABLES			
Amounts owing by associate (note 2.1)	917	562	953
Amounts owing by employees	—	225	102
Amounts owing by franchisees	286	210	266
Amounts owing by RMB Westport Osapa (note 2.2)	176	—	—
Other	—	1	—
	1 379	998	1 321
Analysis of total loans and receivables:			
Non-current	1 233	651	1 110
Current	146	347	211
	1 379	998	1 321

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 31 DECEMBER 2017 (CONTINUED)

Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
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2 LOANS AND RECEIVABLES (CONTINUED)

2.1 Amounts owing by associate

The ZAR denominated shareholder loan of R359 million (1 Jan '17: R562 million; 2 Jul '17: R367 million) owing by Resilient Africa (Pty) Ltd earns interest at an average rate of 6.6% (1 Jan '17: 6.6%; 2 Jul '17: 6.6%) p.a. and is repayable on demand, subject to certain conditions. An impairment allowance of R60 million (1 Jan '17: Nil; 2 Jul '17: R26 million) was recognised for the shareholder loan. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value. The Group does not hold any collateral as security for this amount.

The US dollar denominated amount of R558 million (1 Jan '17: N/A; 2 Jul '17: R586 million) owing by Resilient Africa (Pty) Ltd earns interest at an average rate of 3.0% (1 Jan '17: N/A; 2 Jul '17: 3.0%) p.a. and is repayable after seven years, subject to certain conditions. No allowance for impairment has been made. The maximum exposure to credit risk at the reporting date is the carrying value. Share pledges and cession agreements are held in the underlying subsidiaries of Resilient Africa (Pty) Ltd as collateral for this amount.

2.2 Amounts owing by RMB Westport Osapa

The amount owing by RMB Westport Osapa is denominated in US dollar, earns interest at an average rate of 3.0% (1 Jan '17: N/A; 2 Jul '17: N/A) p.a. and is repayable after five years, subject to certain conditions. No allowance for impairment has been made. The maximum exposure to credit risk at the reporting date is the carrying value. RMB Westport Osapa's holding company provided a guarantee and indemnity for 50% of the loan amount which is in turn secured by a pledge of 100% of the shareholding in RMB Westport Osapa to the Group.

3 SHARE CAPITAL AND TREASURY SHARES

3.1 Ordinary share capital

Authorised:

650 000 000 (1 Jan '17: 650 000 000; 2 Jul '17: 650 000 000)
ordinary shares of 113.4 cents each

Issued:

591 338 502 (1 Jan '17: 574 453 281; 2 Jul '17: 600 021 829)
ordinary shares of 113.4 cents each

671	652	681
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Reconciliation of movement in number of ordinary shares issued:

	Number of shares		
	31 Dec '17	1 Jan '17	2 Jul '17
Balance at the beginning of the period	600 021 829	572 871 960	572 871 960
Shares issued during the period	—	1 581 321	27 149 869
Buy-back and cancellation of ordinary shares	(8 683 327)	—	—
Balance at the end of the period	591 338 502	574 453 281	600 021 829

Unaudited	Unaudited	Audited
26 weeks	26 weeks	52 weeks
ended	ended	ended
31 Dec '17	1 Jan '17	2 Jul '17
Rm	Rm	Rm

3 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

3.1 Ordinary share capital (continued)

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		
	31 Dec '17	1 Jan '17	2 Jul '17
Issued ordinary share capital	591 338 502	574 453 281	600 021 829
Treasury shares (note 3.3)	(36 706 184)	(38 418 322)	(36 166 544)
	554 632 318	536 034 959	563 855 285

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.

3.2 Deferred share capital

Authorised:

360 000 000 (1 Jan '17: 360 000 000; 2 Jul '17: 360 000 000)
non-convertible, non-participating no par value deferred shares

Issued:

305 621 601 (1 Jan '17: 292 598 241; 2 Jul '17: 305 621 601)
non-convertible, non-participating no par value deferred shares

— — —

Reconciliation of movement in number of deferred shares issued:

	Number of shares		
	31 Dec '17	1 Jan '17	2 Jul '17
Balance at the beginning of the period	305 621 601	291 792 794	291 792 794
Shares issued during the period	—	805 447	13 828 807
Balance at the end of the period	305 621 601	292 598 241	305 621 601

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.

671 652 681

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 31 DECEMBER 2017 (CONTINUED)

	Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
3 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)			
3.3 Treasury shares			
36 706 184 (1 Jan '17: 38 418 322; 2 Jul '17: 36 166 544) ordinary shares	562	799	446

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

	Number of shares		
	31 Dec '17	1 Jan '17	2 Jul '17
Balance at the beginning of the period	36 166 544	38 246 183	38 246 183
Shares purchased during the period	678 621	300 439	300 439
Shares disposed during the period	(9 590)	(13 015)	(19 259)
Shares utilised for settlement of equity-settled share-based payment arrangements	(129 391)	(115 285)	(2 360 819)
Balance at the end of the period	36 706 184	38 418 322	36 166 544

Consisting of:

Shares owned by Shoprite Checkers (Pty) Ltd	35 436 572	35 438 823	35 436 572
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements	1 269 612	2 979 499	729 972
	36 706 184	38 418 322	36 166 544

	Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
4 BORROWINGS			
Consisting of:			
Convertible bonds	—	4 446	—
ABSA Bank Ltd (note 4.1)	—	1 364	1 304
Barclays Bank Mauritius Ltd (note 4.2)	582	—	1 173
Standard Chartered Bank (Mauritius) Ltd (note 4.3)	1 241	682	652
Standard Finance (Isle of Man) Ltd (note 4.4)	3 722	—	—
First National Bank of Namibia Ltd	136	112	134
The Standard Bank of South Africa Ltd	11	—	11
Other borrowings	—	28	—
	5 692	6 632	3 274
Analysis of total borrowings:			
Non-current	1 241	—	—
Current	4 451	6 632	3 274
	5 692	6 632	3 274
Reconciliation of movement in liabilities arising from financing activities:			
Carrying value at the beginning of the period	3 274	5 124	5 124
Cash inflows	4 705	1 903	3 100
Cash outflows	(1 923)	(115)	(219)
Acquisitions	—	—	11
Disposals	—	—	(31)
Foreign exchange movements	(364)	(71)	(164)
Ordinary shares issued on conversion of convertible bonds	—	(268)	(4 587)
Other non-cash movements	—	59	40
Carrying value at the end of the period	5 692	6 632	3 274
4.1 ABSA Bank Ltd			
This loan was denominated in US dollar, unsecured, repaid during the period and carried interest at an average of 1.6% (1 Jan '17: 1.2%; 2 Jul '17: 1.8%) p.a.			
4.2 Barclays Bank Mauritius Ltd			
This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.2% (1 Jan '17: N/A; 2 Jul '17: 2.2%) p.a.			
4.3 Standard Chartered Bank (Mauritius) Ltd			
This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.0% (1 Jan '17: 2.4%; 2 Jul '17: 2.5%) p.a.			
4.4 Standard Finance (Isle of Man) Ltd			
This loan is denominated in US dollar and unsecured. R1.24 billion is payable after 36 months and bears interest at an average of 3.5% (1 Jan '17: N/A; 2 Jul '17: N/A) p.a. The remaining balance is payable within 12 months and bears interest at an average of 2.3% (1 Jan '17: N/A; 2 Jul '17: N/A) p.a.			

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 31 DECEMBER 2017 (CONTINUED)

5 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of AOA, USD Index Linked, Angola Government Bonds included in held-to-maturity investments amounted to R2.2 billion (1 Jan '17: R750.0 million; 2 Jul '17: R1.3 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the market related borrowings rate of 7.0% (1 Jan '17: 7.0%; 2 Jul '17: 7.0%) and is within level 2 of the fair value hierarchy.

The fair value of US dollar denominated amounts owing by Resilient Africa (Pty) Ltd included in loans and receivables amounted to R558 million (1 Jan '17: N/A; 2 Jul '17: R586 million) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the market related borrowings rate of 3.0% (1 Jan '17: N/A; 2 Jul '17: 3.0%) and is within level 2 of the fair value hierarchy.

The fair value of amounts owing by employees included in loans and receivables at 1 January 2017 amounted to R221 million (2 Jul '17: R102 million). The fair value was calculated using cash flows discounted at a rate based on the market related borrowings rate of 10.5% (2 Jul '17: 10.5%) and was within level 2 of the fair value hierarchy.

The fair value of amounts owing by RMB Westport Osapa included in loans and receivables amounted to R176 million (1 Jan '17: N/A; 2 Jul '17: N/A) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the market related borrowings rate of 3.0% (1 Jan '17: N/A; 2 Jul '17: N/A) and is within level 2 of the fair value hierarchy.

The fair value of the liability component of the convertible bonds included in borrowings at 1 January 2017 amounted to R4.5 billion. The fair value was calculated using cash flows discounted at a rate based on the market related borrowings rate of 7.8% and was within level 2 of the fair value hierarchy.

The fair value of the non-current amount owed to Standard Finance (Isle of Man) Ltd included in borrowings amounted to R1.24 billion (1 Jan '17: N/A; 2 Jul '17: N/A) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the market related borrowings rate of 3.5% (1 Jan '17: N/A; 2 Jul '17: N/A) 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.

	Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
6 EARNINGS PER SHARE			
Profit attributable to owners of the parent	2 912	2 438	5 428
Re-measurements	34	57	167
Profit on disposal of assets held for sale	(20)	—	—
Loss on disposal and scrapping of plant and equipment and intangible assets	36	26	79
Impairment of property, plant and equipment	—	—	19
Impairment of intangible assets	40	32	70
Insurance claims receivable	—	—	(5)
(Profit)/loss on other investing activities	(22)	(1)	3
Re-measurements included in share of profit/loss of equity-accounted investments	—	—	1
Income tax effect on re-measurements	(10)	(17)	(41)
Headline earnings	2 936	2 478	5 554
Profit attributable to owners of the parent:			
Used in calculating basic earnings per share	2 912	2 438	5 428
Add: Interest savings on convertible bonds	—	—	135
Used in calculating diluted earnings per share	2 912	2 438	5 563
Headline earnings	2 936	2 478	5 554
Add: Interest savings on convertible bonds	—	—	135
Used in calculating diluted headline earnings per share	2 936	2 478	5 689
Number of ordinary shares (net of treasury shares)	'000		
– In issue	554 632	536 035	563 855
– Weighted average	558 602	535 753	542 927
– Weighted average adjusted for dilution	559 011	538 585	564 814
Reconciliation of weighted average number of ordinary shares in issue during the period:			
Weighted average number of ordinary shares	558 602	535 753	542 927
Adjustments for dilutive potential of full share grants and convertible bonds	409	2 832	21 887
Weighted average number of ordinary shares for diluted earnings per share	559 011	538 585	564 814
Earnings per share	Cents		
– Basic earnings	521.3	455.0	999.8
– Diluted earnings	520.9	452.6	984.8
– Basic headline earnings	525.6	462.5	1 023.2
– Diluted headline earnings	525.2	460.0	1 007.4

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 31 DECEMBER 2017 (CONTINUED)

	Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
7 CASH FLOW INFORMATION			
7.1 Non-cash items			
Depreciation of property, plant and equipment	1 192	1 065	2 146
Amortisation of intangible assets	167	155	311
Net fair value losses/(gains) on financial instruments	3	—	(33)
Exchange rate (gains)/losses	(4)	188	236
Profit on disposal of assets held for sale	(20)	—	—
Loss on disposal and scrapping of plant and equipment and intangible assets	36	26	79
Impairment of property, plant and equipment	—	—	19
Impairment of intangible assets	40	32	70
Movement in provisions	34	5	(52)
Movement in cash-settled share-based payment accrual	22	(17)	11
Movement in share-based payment reserve	23	69	139
Movement in fixed escalation operating lease accruals	63	79	163
	1 556	1 602	3 089
7.2 Changes in working capital			
Inventories	(4 244)	(3 802)	(3 237)
Trade and other receivables	(584)	(641)	(164)
Trade and other payables	6 419	6 094	1 123
	1 591	1 651	(2 278)

8 RELATED-PARTY INFORMATION

During the period 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 condensed interim financial statements on consolidation.

In terms of an employment agreement, Dr Basson was 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 was 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. This transaction was approved by shareholders at an extraordinary general meeting held on 5 September 2017, where after the shares were repurchased by the Company and cancelled with effect from 15 September 2017.

	Unaudited 26 weeks ended 31 Dec '17 Rm	Unaudited 26 weeks ended 1 Jan '17 Rm	Audited 52 weeks ended 2 Jul '17 Rm
9 SUPPLEMENTARY INFORMATION			
Contracted capital commitments	1 291	1 933	1 807
Contingent liabilities	175	107	85
Net asset value per share (cents)	4 747	4 006	4 905

10 RECLASSIFICATION OF DISCLOSURE ITEMS

Certain reclassifications of statement of financial position items at the previous year-end resulted in changes to the relevant 1 January 2017 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.

Decrease in fixed escalation operating lease accruals	26	—
Increase in trade and other receivables	515	—
Increase in non-current assets	489	—
Decrease in trade and other receivables	489	—
Decrease in current assets	489	—
TOTAL ASSETS	—	—