

## **SHOPRITE HOLDINGS: UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

### **Key information**

- Trading profit up 19.2% to R3.907 billion.
- Turnover up 14.0% – from R62.519 billion to R71.297 billion.
- Diluted headline earnings per share up 15.5% to 460.0 cents (2015: 398.2 cents).
- Dividend per share declared 180 cents, an increase of 15.4% over the 156 cents of the corresponding period.

### **Pieter Engelbrecht, chief executive:**

Shoprite produced an excellent set of results for the six months to December 2016, which included a successful festive trading period. Total turnover grew 14% from R62.519 billion to R71.297 billion while trading profit was 19.2% higher at R3.907 billion. Group results were boosted by a very strong performance by our Non-RSA operations which grew turnover by 32.3% to R12.877 billion. At constant currencies this represents growth of 51.7%.

The rise in trading profit above turnover growth was the result of increased marketing activity, strict cost control across the spectrum, improved planning involving all the various disciplines in the business, and the Group's ability to achieve ongoing supply line efficiencies. These factors combined enabled the Group to increase the trading margin from 5.2% to 5.5% while continuing to provide the best value at highly competitive prices.

The widespread drought and its impact on agricultural production, coupled with the high replacement cost of basic food imports, caused internal inflation to increase from 2.7% a year ago to 7.4%, the highest level in several years. To assist price sensitive consumers and support low prices with value we continued to subsidise those basic foods most affected by price escalations.

To sustain growth both within South Africa and beyond its borders, the Group opened a net 147 new stores during the past 12 months and at the end of the reporting period was trading from 2 653 outlets. This enabled it to create, to our immense satisfaction, 7 144 additional jobs bringing its total staff complement to more than 143 000.

20 February 2017

### **Enquiries:**

Shoprite Holdings Limited Tel: 021 980 4000

Pieter Engelbrecht, chief executive

Marius Bosman, chief financial officer

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## **OPERATING ENVIRONMENT**

The Group proved highly resilient in the weakened economic environment which impacted especially lower-income South Africans throughout the review period. The drought caused material price escalations especially in the case of basic commodities while fuel price increases and other cost-of-living expenses put further pressure on disposable income. The drought also affected several of the Group's markets in Africa such as Zambia, where it effectively countered increased competition from other, mainly South African retailers. A positive is that the summer rainfall areas have experienced some good early rains and it does appear to have eased the severe conditions somewhat. Other African markets such as Angola and Nigeria on which the Group has a particular focus, proved buoyant despite the oil-price collapse and a consequent lack of foreign currency.

## **COMMENTS ON THE RESULTS**

### **Statement of Comprehensive Income**

#### ***Total turnover***

Total turnover for the Shoprite Group increased by 14.0% for the six months to December 2016 – from R62.52 billion to R71.30 billion. Growth on a like-for-like basis was 8.6%. Supermarkets RSA reported turnover growth of 10.7% and, on a like-for-like basis, of 7.4% while Supermarkets Non-RSA recorded sales growth of 32.3% and a like-for-like growth of 14.2%. At constant currency rates Supermarkets Non-RSA sales increased by 51.7%.

#### ***Expenses***

Total expenses increased by 12.6% which was lower than the sales growth of 14.0%. Depreciation and amortisation as well as the increase in the cost of operating leases grew at a slower rate than turnover, mainly because of fewer new stores being opened. However, the spend on the refurbishment of existing stores and on information technology is continuing. During the 12 months a net 51 supermarkets, 24 furniture stores and 50 LiquorShop outlets were opened.

Escalations in expenses such as security, electricity and other energy costs were beyond the control of the Group. They were nevertheless monitored as carefully as possible.

#### ***Trading margin***

The trading margin increased from 5.24% to 5.48%. This margin reflects the effects of real growth in turnover as well as of investment in new stores and in the supply-chain infrastructure. During this six 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. See note 9 in this announcement for more detail.

#### ***Exchange rate losses***

The Group recorded an exchange rate loss of R188 million against a profit of R11 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.

#### ***Finance cost and interest received***

Net interest expense, when compared to the corresponding period, decreased due to an improvement in cash flow from an improvement in net working capital. For the convertible bonds issued, IFRS requires that interest be calculated at a rate that approximates a market-related vanilla bond rate. For the six months under review this amounted to a calculated interest expense of R202 million compared to the actual interest paid of R143 million.

### **Statement of Financial Position**

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

The increase is due to the investment in a net 133 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 R770 million during this six 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 cut-off. Capital expenditure for the six months was on par with that of the corresponding six months.

**Inventory**

The increase in inventory is due to the provisioning of the net 133 new corporate outlets as well as the increased capacity created in some of the distribution centres. Management is also actively pursuing reducing inefficient stock holding at branch level and the increase of 9.4%, much lower than turnover growth, shows some progress is being made.

**Trade and other payables**

Trade and other payables show a decrease of 2.6% on the previous year when the calendar month also closed before the accounting month-end date, with the result that creditors were paid before cut-off. This small reduction goes hand in hand with inventory that increased less than the growth in turnover.

**Borrowings**

The convertible bonds that are redeemable on 3 April 2017 are now reflected under current liabilities.

**NUMBER OF OUTLETS DECEMBER 2016**

	12 MONTHS				CONFIRMED NEW STORES TO JUNE 2018
	DEC 2015	OPENED	CLOSED	DEC 2016	
<b>SUPERMARKETS</b>	<b>1 151</b>	<b>72</b>	<b>21</b>	<b>1 202</b>	<b>123</b>
SHOPRITE	566	39	4	601	81
CHECKERS	201	6	2	205	23
CHECKERS HYPER	36	1	0	37	0
USAVE	348	26	15	359	19
<b>LIQUORSHOP</b>	<b>318</b>	<b>50</b>	<b>0</b>	<b>368</b>	<b>18</b>
<b>HUNGRY LION</b>	<b>186</b>	<b>14</b>	<b>6</b>	<b>194</b>	<b>20</b>
<b>FURNITURE</b>	<b>488</b>	<b>32</b>	<b>8</b>	<b>512</b>	<b>17</b>
OK FURNITURE	435	32	8	459	15
HOUSE & HOME	53	0	0	53	2
<b>OK FRANCHISE</b>	<b>363</b>	<b>40</b>	<b>26</b>	<b>377</b>	<b>16</b>
<b>TOTAL STORES</b>	<b>2 506</b>	<b>208</b>	<b>61</b>	<b>2 653</b>	<b>194</b>
<b>COUNTRIES OUTSIDE RSA</b>	<b>14</b>			<b>14</b>	
<b>TOTAL STORES OUTSIDE RSA</b>	<b>368</b>	<b>56</b>	<b>7</b>	<b>417</b>	<b>66</b>

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 a more than creditable performance, growing sales by 10.7% from R45.960 billion to R50.894 billion. This generated a trading profit of R2.992 billion compared to R2.665 billion in the corresponding period, an increase of 12.3%.

Trading through 1 336 outlets and generating almost 80% of the Group's total supermarket sales, the division is supported by an extensive and increasingly sophisticated supply-line infrastructure that ensures on-shelf availability. In fact, the in-stock levels in stores are the highest ever, the result of extensive, integrated planning by the different disciplines in the business.

As a result of the slowdown in the economy and the pressure on disposable income, customers across the spectrum increasingly searched for better value. To satisfy their needs, the Group sourced products across the globe that offer such value at affordable prices. It also extended its range of private label brands extensively to assist price sensitive consumers.

During the review period the Group greatly intensified its customer-centric focus in every aspect of its business to serve the needs of customers better. In response, the Group's market share increased to 31.7% from 31.2%.

Its supermarkets offer customers an extensive range of ancillary services such as LiquorShop, Money Market, MediRite and Computicket, entrenching them as one-stop destination stores. LiquorShop, the country's fastest-growing retail liquor chain at a store opening rate of one per week, increased turnover 26.3% through 355 outlets of which 29 were opened in the six months to December.

The flagship Shoprite brand with its focus on middle and lower-income consumers was fully exposed to the effects of a strained economy. An extensive range of highly successful promotional activities, especially during a buoyant festive season, effectively countered this negative environment. It also continued to subsidise basic food prices to assist the most economically vulnerable. Shoprite, which opened a net 17 new stores during the last 12 months, grew turnover by 8.8% to R25.899 billion, notwithstanding an environment in which internal inflation for the Group averaged 7.4%, the highest rate in years.

Checkers continued its uninterrupted growth of the past few years further entrenching its appeal to higher-income consumers. It increased sales by 11.1% to R19.346 billion across its 235 stores. Growth on existing business was a satisfactory 7.4%. The chain continued its drive to grow sales of fresh and convenience foods with an expanded and enhanced offering four-fold over the festive season.

The small-format Usave chain with its limited offering produced total turnover growth of 13.1% – the highest of the various formats. It did so through its 294 stores in South Africa, while also recording excellent growth on existing business. Management continues to enforce strict disciplines to ensure the chain does not stray from its primary positioning of offering the lowest possible prices on a restricted product range.

### **Supermarkets Non-RSA**

Supermarkets Non-RSA, which trades in 14 countries in the rest of Africa and Indian Ocean islands, produced excellent results for the six months with Angola and Nigeria the top performers. The 221 supermarkets and 13 LiquorShops generated turnover that grew 32.3% from R9.735 billion to R12.877 billion. During the twelve months a net 22 new supermarkets opened with another 11 to follow in the second half of the year.

Despite the chronic shortage of foreign currency in especially the oil-producing countries such as Angola and Nigeria, the Group enjoyed a significant competitive advantage in that it could fund its stock requirements from its external balance sheet, unlike many other traders in the region. Product availability saw consumers flock to its stores, resulting in a constant currency sales increase of 155.4% in Angola and 60.1% in Nigeria. During the reporting period the customer base of the Group's 29 supermarkets in Angola grew by 70% and that of Nigeria's 23 outlets by 56.3%.

Management is aware that such high growth levels may not be sustainable in the longer term. However, it is confident that the majority of the new customers, having become acquainted with the stores' price positioning and product quality and availability, should be retained when market conditions improve.

## **Furniture**

The furniture division grew total sales by 10%. This was mainly due to the strong performance of its 75 stores outside South Africa which increased sales by 38.6% during the reporting period. Once again, the star performer was Angola. In South Africa, where the division operates 437 outlets under various brands, the difficult trading conditions saw sales grow 3.4%, well below budget. Of the division's several chains, the dominant OK Furniture continued to do well, increasing turnover by 17.0% while the more upmarket House & Home delivered negative growth.

## **Other Operating Segments**

**OK Franchise:** The ongoing restructuring of this division, aimed at improving service delivery to members and enhancing the image of the OK brand among consumers, has produced excellent results, with turnover increasing by 13.7% and growth on existing business by 13.0%. The division now has 377 members in South Africa and Namibia, having gained 27 in the six months to December. The decision to enable members to open standalone liquor stores saw the number of outlets rise from ten a year ago to 47. Its management infrastructure is being extended to enhance support for members, whose purchases from Group distribution centres grew by 36% over the six-month period. While increasing the frequency of deliveries to members, the division will also be extending its offering in the second half of the year to include perishables and frozen products.

**MediRite:** The division comprises two business units – the retail pharmacy chain MediRite and Transpharm, a wholesaler of medical products. Hampered by, amongst others, government imposed exit price restrictions, the division as a whole still operates at a loss. MediRite trades from 161 pharmacies of which 12 are in Angola and three in Swaziland, with plans afoot to expand to Mozambique. Transpharm, which supplies to MediRite as well as a number of external customers, returned a profit for the six months.

**Computicket:** The operations of Computicket continue to be constrained by lack of disposable consumer income as well as the relative weakness of the rand which places visits by major international artists beyond the reach of local impresarios. The entertainment calendar for the balance of the year looks much healthier, though. However, its travel division continues to do well despite the adverse trading environment.

## **GROUP PROSPECTS AND OUTLOOK**

Although a slightly higher growth rate is predicted for 2017, it will in our view have at most a minimal effect on the financial wellbeing of the members of our primary target market. The high levels of unemployment are bound to persist with continued consumer indebtedness and shrinking disposable income. However, we have repeatedly shown we are able to function profitably in such an environment. We continued to enjoy excellent consumer support at the start of the second half of the year and we are confident this will continue for the rest of this reporting period.

## **RETIREMENT OF DR WHITEY BASSON AS CEO**

Dr Whitey Basson, who headed Shoprite from 1979, retired as CEO at the end of the reporting period. During those 37 years he, with the support of an experienced management team, transformed a small eight-store chain into the biggest food retailer on the African continent, in so doing, deservedly, becoming a legendary business name. Dr Basson, who is continuing his association with the Group in the role of vice chairman, 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. He and his management team will continue to build on and expand the business philosophy and principles that have enabled Shoprite to perform well even under the most trying conditions.

## **DIVIDEND NO 136**

The board has declared an interim dividend of 180 cents (2015: 156 cents) per ordinary share, payable to shareholders on Monday, 20 March 2017. The dividend has been declared out of income reserves. The last day to trade cum dividend will be Tuesday, 14 March 2017. As from Wednesday, 15 March 2017, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 17 March 2017. Share certificates may not be dematerialised or rematerialised between Wednesday, 15 March 2017, and Friday, 17 March 2017, both days inclusive.

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

1. The local Dividends Tax rate is 15%.
2. The net local dividend amount is 153 cents per share for shareholders liable to pay Dividends Tax and 180 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 574 453 281 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, except as set out below. 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 2016 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.

## **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 in line with the guidance provided by the newly issued IFRS 15: Revenue From Contracts With Customers. The change in accounting policy allows for symmetry in the accounting treatment of rebates by suppliers and customers, i.e. if the supplier is treating the rebate as a reduction of revenue, the Group as the customer should account for rebates as a reduction in the purchase price of inventory, which will result in a reduction of cost of sales when inventory is sold. The Group previously reflected these rebates net of advertising expenses as part of other operating income. Further, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, this results in information that is more relevant to the financial position and performance of the Group. The change in accounting policy will be effective for the year ending June 2017 and will be applied retrospectively. This has therefore resulted in a restatement of the comparative June 2016 and December 2015 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 (deputy managing director), M Bosman, B Harisunker, EL Nel, BR Weyers

### ***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***

JD Wiese, JAL Basson

### ***Company secretary***

PG du Preez

### ***Registered office***

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### ***Transfer secretaries***

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Namibia: Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia

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### ***Sponsors***

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### ***Auditors***

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	%	Unaudited 6 months ended Dec '16 Rm	Unaudited and restated 6 months ended Dec '15 Rm <sup>+</sup>	Audited and restated for the year ended Jun '16 Rm <sup>+</sup>
	change	%	Rm	Rm <sup>+</sup>	Rm <sup>+</sup>
Sale of merchandise		14.0	71 297	62 519	130 028
Cost of sales		13.8	(54 591)	(47 987)	(99 372)
<b>GROSS PROFIT</b>		15.0	<b>16 706</b>	14 532	30 656
Other operating income		1.6	1 207	1 188	2 444
Depreciation and amortisation		11.1	(1 077)	(969)	(2 025)
Operating leases		8.9	(1 876)	(1 722)	(3 486)
Employee benefits		14.7	(5 262)	(4 587)	(9 499)
Other operating expenses		12.2	(5 791)	(5 163)	(10 809)
<b>TRADING PROFIT</b>		19.2	<b>3 907</b>	3 279	7 281
Exchange rate (losses)/gains			(188)	11	(46)
Items of a capital nature			(57)	56	(11)
<b>OPERATING PROFIT</b>		9.4	<b>3 662</b>	3 346	7 224
Interest received		30.8	102	78	174
Finance costs		(0.9)	(232)	(234)	(498)
Share of loss of associates and joint ventures			(23)	(5)	(52)
<b>PROFIT BEFORE INCOME TAX</b>		10.2	<b>3 509</b>	3 185	6 848
Income tax expense		8.5	(1 068)	(984)	(1 998)
<b>PROFIT FOR THE PERIOD</b>		10.9	<b>2 441</b>	2 201	4 850
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>			<b>(724)</b>	702	(579)
Items that will not be reclassified to profit or loss					
Re-measurements of post-employment medical benefit obligations			—	—	1
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation differences			(657)	729	(680)
Share of foreign currency translation differences of associates and joint ventures			(60)	(27)	76
For the period			(60)	19	122
Reclassified to profit for the period			—	(46)	(46)
(Losses)/gains on effective cash flow hedge			(7)	—	24
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			<b>1 717</b>	2 903	4 271
<b>PROFIT ATTRIBUTABLE TO:</b>			<b>2 441</b>	2 201	4 850
Owners of the parent			2 438	2 198	4 844
Non-controlling interest			3	3	6
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			<b>1 717</b>	2 903	4 271
Owners of the parent			1 714	2 900	4 265
Non-controlling interest			3	3	6
Basic earnings per share (cents)	5	10.6	455.0	411.5	906.0
Diluted earnings per share (cents)	5	10.6	452.6	409.4	901.3
Basic headline earnings per share (cents)	5	15.6	462.5	400.2	905.0
Diluted headline earnings per share (cents)	5	15.5	460.0	398.2	900.3

<sup>+</sup> The audited June 2016 and unaudited December 2015 figures have been restated for the change in accounting policy. These restatements have not been subject to an audit. Refer to note 9.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited Dec '16 Rm	Unaudited and restated Dec '15 Rm <sup>†</sup>	Audited and restated Jun '16 Rm <sup>†</sup>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		17 553	16 958	16 908
Investment in associates and joint ventures		30	20	95
Held-to-maturity investments	3	750	—	—
Loans and receivables		651	675	599
Deferred income tax assets		737	643	698
Intangible assets		2 152	1 727	1 857
Fixed escalation operating lease accruals		26	9	28
<b>CURRENT ASSETS</b>				
Inventories		18 481	16 892	15 055
Trade and other receivables		6 070	5 976	5 544
Derivative financial instruments		12	8	—
Current income tax assets		113	16	146
Loans and receivables		347	80	270
Cash and cash equivalents		7 586	8 254	6 784
Assets held for sale		15	17	17
<b>TOTAL ASSETS</b>		<b>54 523</b>	<b>51 275</b>	<b>48 001</b>
<b>EQUITY</b>				
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Share capital	1	652	650	650
Share premium		4 295	4 029	4 029
Treasury shares	1	(799)	(767)	(760)
Reserves		17 326	16 560	17 155
		21 474	20 472	21 074
<b>NON-CONTROLLING INTEREST</b>		<b>58</b>	<b>62</b>	<b>65</b>
<b>TOTAL EQUITY</b>		<b>21 532</b>	<b>20 534</b>	<b>21 139</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	2	—	4 375	102
Deferred income tax liabilities		141	174	128
Provisions		283	305	267
Fixed escalation operating lease accruals		1 061	900	995
<b>CURRENT LIABILITIES</b>				
Trade and other payables		22 407	22 996	16 590
Borrowings	2	6 632	636	5 022
Derivative financial instruments		44	2	32
Current income tax liabilities		708	1 070	574
Provisions		163	183	187
Bank overdrafts		1 552	100	2 965
<b>TOTAL LIABILITIES</b>		<b>32 991</b>	<b>30 741</b>	<b>26 862</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54 523</b>	<b>51 275</b>	<b>48 001</b>

<sup>†</sup> The audited June 2016 and unaudited December 2015 figures have been restated for the change in accounting policy. These restatements have not been subject to an audit. Refer to note 9.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Total equity	Non-controlling interest	Attributable to owners of the parent					
			Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
UNAUDITED AND RESTATED 6 MONTHS ENDED DECEMBER 2015								
BALANCE AT 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	2 903	3	2 900	—	—	—	702	2 198
Profit for the period – AS RESTATED	2 201	3	2 198					2 198
AS PREVIOUSLY STATED	2 227	3	2 224					2 224
Effect of adjusted treatment of advertising rebates (note 9)	(26)		(26)					(26)
Recognised in other comprehensive income								
Foreign currency translation differences	702		702				702	
Modification of cash bonus arrangement transferred from provisions	7		7				7	
Share-based payments – value of employee services	72		72				72	
Purchase of treasury shares	(28)		(28)			(28)		
Treasury shares disposed	2		2			2		
Realisation of share-based payment reserve	—		—			18	(18)	
Dividends distributed to shareholders	(1 315)	(9)	(1 306)					(1 306)
BALANCE AT DECEMBER 2015	20 534	62	20 472	650	4 029	(767)	1 768	14 792
AUDITED AND RESTATED 12 MONTHS ENDED JUNE 2016								
BALANCE AT 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 period – 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)	
Modification of cash bonus arrangement transferred from provisions	7		7				7	
Share-based payments – value of employee services	140		140				140	
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 JUNE 2016	21 139	65	21 074	650	4 029	(760)	554	16 601

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

Rm	Total equity	Non-controlling interest	Attributable to owners of the parent					
			Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
UNAUDITED 6 MONTHS ENDED DECEMBER 2016								
BALANCE AT JUNE 2016	21 139	65	21 074	650	4 029	(760)	554	16 601
Total comprehensive income	1 717	3	1 714	—	—	—	(724)	2 438
Profit for the period	2 441	3	2 438					2 438
Recognised in other comprehensive income								
Foreign currency translation differences	(717)		(717)				(717)	
Losses on effective cash flow hedge	(10)		(10)				(10)	
Income tax effect of losses on effective cash flow hedge	3		3				3	
Modification of cash bonus arrangement transferred from provisions	6		6				6	
Share-based payments – value of employee services	69		69				69	
Purchase of treasury shares	(59)		(59)			(59)		
Treasury shares disposed	1		1			1		
Realisation of share-based payment reserve	—		—			19	(19)	
Ordinary shares issued on conversion of convertible bonds	268		268	2	266			
Equity component of convertible bonds converted during the period transferred to retained earnings	—		—				(20)	20
Dividends distributed to shareholders	(1 609)	(10)	(1 599)					(1 599)
BALANCE AT DECEMBER 2016	21 532	58	21 474	652	4 295	(799)	(134)	17 460

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited 6 months ended Dec '16 Rm	Unaudited and restated 6 months ended Dec '15 Rm <sup>+</sup>	Audited and restated for the year ended Jun '16 Rm <sup>+</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>4 221</b>	<b>3 336</b>	<b>1 443</b>
Operating profit		<b>3 662</b>	3 346	7 224
Less: investment income		<b>(83)</b>	(47)	(111)
Non-cash items	6.1	<b>1 602</b>	1 181	2 681
Changes in working capital	6.2	<b>1 651</b>	1 141	(3 334)
Cash generated from operations		<b>6 832</b>	5 621	6 460
Interest received		<b>170</b>	114	258
Interest paid		<b>(228)</b>	(197)	(426)
Dividends received		<b>15</b>	11	27
Dividends paid		<b>(1 607)</b>	(1 316)	(2 152)
Income tax paid		<b>(961)</b>	(897)	(2 724)
<b>CASH FLOWS UTILISED BY INVESTING ACTIVITIES</b>		<b>(3 477)</b>	<b>(2 461)</b>	<b>(4 733)</b>
Investment in property, plant and equipment and intangible assets to expand operations		<b>(2 011)</b>	(1 864)	(3 304)
Investment in property, plant and equipment and intangible assets to maintain operations		<b>(572)</b>	(700)	(1 448)
Proceeds on disposal of property, plant and equipment and intangible assets		<b>5</b>	55	85
Payments for held-to-maturity investments		<b>(770)</b>	—	—
Other investing activities		<b>(129)</b>	(149)	(263)
Proceeds on disposal of investment in associate		<b>—</b>	197	197
<b>CASH FLOWS FROM/(UTILISED BY) FINANCING ACTIVITIES</b>		<b>1 731</b>	<b>(20)</b>	<b>10</b>
Purchase of treasury shares		<b>(59)</b>	(28)	(28)
Proceeds from treasury shares disposed		<b>2</b>	3	9
Redemption of Shoprite Holdings Ltd preference share capital		<b>—</b>	—	(2)
Increase in borrowing from ABSA Bank Ltd		<b>1 399</b>	—	—
Increase in borrowing from Standard Chartered Bank (Mauritius) Ltd		<b>490</b>	—	216
Decrease in borrowing from Standard Bank de Angola, S.A.		<b>(115)</b>	—	(201)
Increase in other borrowings		<b>14</b>	5	16
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>2 475</b>	<b>855</b>	<b>(3 280)</b>
Cash and cash equivalents at the beginning of the period		<b>3 819</b>	7 058	7 058
Effect of exchange rate movements on cash and cash equivalents		<b>(260)</b>	241	41
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>6 034</b>	<b>8 154</b>	<b>3 819</b>
Consisting of:				
Cash and cash equivalents		<b>7 586</b>	8 254	6 784
Bank overdrafts		<b>(1 552)</b>	(100)	(2 965)
		<b>6 034</b>	<b>8 154</b>	<b>3 819</b>

<sup>+</sup> The audited June 2016 and unaudited December 2015 figures have been restated for the change in accounting policy. These restatements have not been subject to an audit. Refer to note 9.

## CONDENSED OPERATING SEGMENT INFORMATION

### ANALYSIS PER REPORTABLE SEGMENT

	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
<b>Unaudited December 2016</b>					
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
Depreciation and amortisation*	921	227	50	22	1 220
Total assets	33 145	14 129	4 505	2 744	54 523

	<b>Unaudited and restated December 2015<sup>+</sup></b>				
Sale of merchandise	47 826	9 743	2 692	4 154	64 415
External	45 960	9 735	2 692	4 132	62 519
Inter-segment	1 866	8	—	22	1 896
Trading profit	2 665	459	98	57	3 279
Depreciation and amortisation*	849	187	43	19	1 098
Total assets	30 634	13 034	4 756	2 851	51 275

	<b>Audited and restated June 2016<sup>+</sup></b>				
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
Depreciation and amortisation*	1 737	413	96	42	2 288
Total assets	29 985	11 489	3 965	2 562	48 001

<sup>+</sup> The audited June 2016 and unaudited December 2015 figures have been restated for the change in accounting policy. These restatements have not been subject to an audit. Refer to note 9.

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

### GEOGRAPHICAL ANALYSIS

	South Africa Rm	Outside South Africa Rm	Consolidated Rm
<b>Unaudited December 2016</b>			
Sale of merchandise – external	57 081	14 216	71 297
Non-current assets**	15 233	4 498	19 731
<b>Unaudited December 2015</b>			
Sale of merchandise – external	51 717	10 802	62 519
Non-current assets**	13 619	5 075	18 694
<b>Audited June 2016</b>			
Sale of merchandise – external	105 603	24 425	130 028
Non-current assets**	14 193	4 600	18 793

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

## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 6 MONTHS ENDED DECEMBER 2016

	<b>Unaudited 6 months ended Dec '16 Rm</b>	Unaudited 6 months ended Dec '15 Rm	Audited for the year ended Jun '16 Rm
<b>1 SHARE CAPITAL AND TREASURY SHARES</b>			
<b>1.1 Ordinary share capital</b>			
Authorised: 650 000 000 (Dec '15: 650 000 000; Jun '16: 650 000 000) ordinary shares of 113.4 cents each			
Issued: 574 453 281 (Dec '15: 572 871 960; Jun '16: 572 871 960) ordinary shares of 113.4 cents each	<b>651</b>	650	650

Reconciliation of movement in number of ordinary shares issued:

	Number of shares		
	Dec '16	Dec '15	Jun '16
Balance at the beginning of the period	<b>572 871 960</b>	572 871 960	572 871 960
Shares issued during the period	<b>1 581 321</b>	—	—
Balance at the end of the period	<b>574 453 281</b>	572 871 960	572 871 960

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		
	Dec '16	Dec '15	Jun '16
Issued ordinary share capital	<b>574 453 281</b>	572 871 960	572 871 960
Treasury shares (note 1.3)	<b>(38 418 322)</b>	(38 289 473)	(38 246 183)
	<b>536 034 959</b>	534 582 487	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.

<b>Unaudited 6 months ended Dec '16 Rm</b>	Unaudited 6 months ended Dec '15 Rm	Audited for the year ended Jun '16 Rm
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## 1.2 Deferred share capital

Authorised:

360 000 000 (Dec '15: 360 000 000; Jun '16: 360 000 000)  
non-convertible, non-participating no par value deferred shares

Issued:

292 598 241 (Dec '15: 291 792 794; Jun '16: 291 792 794)  
non-convertible, non-participating no par value deferred shares

—                      —                      —

Reconciliation of movement in number of deferred shares issued:

	Number of shares		
	Dec '16	Dec '15	Jun '16
Balance at the beginning of the period	<b>291 792 794</b>	291 792 794	291 792 794
Shares issued during the period	<b>805 447</b>	—	—
Balance at the end of the period	<b>292 598 241</b>	291 792 794	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.

<b>651</b>	650	650
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**SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 6 MONTHS ENDED DECEMBER 2016 (CONTINUED)**

	<b>Unaudited 6 months ended Dec '16 Rm</b>	Unaudited 6 months ended Dec '15 Rm	Audited for the year ended Jun '16 Rm
<b>1 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)</b>			
<b>1.3 Treasury shares</b>			
38 418 322 (Dec '15: 38 289 473; Jun '16: 38 246 183) ordinary shares	<b>799</b>	767	760

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

	<b>Number of shares</b>		
	<b>Dec '16</b>	Dec '15	Jun '16
Balance at the beginning of the period	<b>38 246 183</b>	38 221 703	38 221 703
Shares purchased during the period	<b>300 439</b>	194 330	194 916
Shares utilised for settlement of equity-settled share-based payment arrangements	<b>(115 285)</b>	(111 065)	(112 933)
Shares disposed during the period	<b>(13 015)</b>	(15 495)	(57 503)
Balance at the end of the period	<b>38 418 322</b>	38 289 473	38 246 183
Consisting of:			
Shares owned by Shoprite Checkers (Pty) Ltd	<b>35 438 823</b>	35 456 572	35 436 572
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements	<b>2 979 499</b>	2 832 901	2 809 611
	<b>38 418 322</b>	38 289 473	38 246 183

	<b>Unaudited 6 months ended Dec '16 Rm</b>	Unaudited 6 months ended Dec '15 Rm	Audited for the year ended Jun '16 Rm
<b>2 BORROWINGS</b>			
Consisting of:			
Shoprite Holdings Ltd preference share capital	—	2	—
Convertible bonds (note 2.1)	<b>4 446</b>	4 582	4 655
ABSA Bank Ltd (note 2.2)	<b>1 364</b>	—	—
Standard Chartered Bank (Mauritius) Ltd (note 2.3)	<b>682</b>	—	222
Standard Bank de Angola, S.A.	—	312	121
First National Bank of Namibia Ltd	<b>112</b>	96	105
Other borrowings	<b>28</b>	19	21
	<b>6 632</b>	5 011	5 124

### 2.1 Convertible bonds

The Group has issued 6.5% convertible bonds for a principal amount of R4.7 billion (Dec '15: R4.7 billion; Jun '16: R4.7 billion). The bonds mature on 3 April 2017 at their nominal value of R4.7 billion (Dec '15: R4.7 billion; Jun '16: R4.7 billion) or can be converted into shares at the holders' option at the maturity date at the rate of 5 919.26 shares per R1 million. The Group holds, subject to conditions, rights on early redemption. The values of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond at initial recognition. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves, net of income taxes.

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

Liability component at the beginning of the period	<b>4 655</b>	4 511	4 511
Ordinary shares issued on conversion of convertible bonds	<b>(268)</b>	—	—
Interest expense	<b>202</b>	223	449
Interest paid	<b>(143)</b>	(152)	(305)
Liability component at the end of the period	<b>4 446</b>	4 582	4 655

### 2.2 ABSA Bank Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 1.2% p.a.

### 2.3 Standard Chartered Bank (Mauritius) Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.39% (Dec '15: N/A; Jun '16: 2.65%) p.a.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 6 MONTHS ENDED DECEMBER 2016 (CONTINUED)

	<b>Unaudited 6 months ended Dec '16 Rm</b>	Unaudited 6 months ended Dec '15 Rm	Audited for the year ended Jun '16 Rm
<b>3 HELD-TO-MATURITY INVESTMENTS</b>			
AOA, USD Index Linked, Angola Government Bonds	<b>750</b>	—	—

The AOA, USD Index Linked, Angola Government Bonds earn interest at an average rate of 7.0% p.a. and are repayable within 24 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.

### 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of Angola Government Bonds included in held-to-maturity investments amounted to R750.0 million (Dec '15: N/A; Jun '16: 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% (Dec '15: N/A; Jun '16: 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 R220.8 million (Dec '15: R217.2 million; Jun '16: R217.0 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% (Dec '15: 9.8%; Jun '16: 10.5%) and is within level 2 of the fair value hierarchy.

The fair value of the liability component of the convertible bonds included in borrowings amounted to R4.5 billion (Dec '15: R4.6 billion; Jun '16: R4.7 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.8% (Dec '15: 9.4%; Jun '16: 9.5%) 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.

	<b>Unaudited 6 months ended Dec '16 Rm</b>	Unaudited and restated 6 months ended Dec '15 Rm <sup>+</sup>	Audited and restated for the year ended Jun '16 Rm <sup>+</sup>
<b>5 EARNINGS PER SHARE</b>			
Profit attributable to owners of the parent	2 438	2 198	4 844
Re-measurements	57	(55)	13
Profit on disposal and scrapping of property	—	—	(1)
Loss on disposal and scrapping of plant and equipment and intangible assets	26	15	59
Reversal of impairment of property, plant and equipment	—	—	(16)
Impairment of intangible assets	32	—	66
Insurance claims receivable	—	—	(25)
Profit on disposal of investment in associate	—	(71)	(71)
Profit on other investing activities	(1)	—	(1)
Re-measurements included in equity-accounted loss of associates and joint ventures	—	1	2
Income tax effect on re-measurements	(17)	(5)	(19)
<b>Headline earnings</b>	<b>2 478</b>	<b>2 138</b>	<b>4 838</b>
Number of ordinary shares	<b>'000</b>		
– In issue	536 035	534 582	534 626
– Weighted average	535 753	534 664	534 636
– Weighted average adjusted for dilution	538 585	537 428	537 423
Reconciliation of weighted average number of ordinary shares in issue during the period:			
Weighted average number of ordinary shares	535 753	534 664	534 636
Adjustments for dilutive potential of full share grants	2 832	2 764	2 787
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>538 585</b>	<b>537 428</b>	<b>537 423</b>
Earnings per share	<b>Cents</b>		
– Basic earnings	455.0	411.5	906.0
– Diluted earnings	452.6	409.4	901.3
– Basic headline earnings	462.5	400.2	905.0
– Diluted headline earnings	460.0	398.2	900.3

<sup>+</sup> The audited June 2016 and unaudited December 2015 figures have been restated for the change in accounting policy. These restatements have not been subject to an audit. Refer to note 9.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 6 MONTHS ENDED DECEMBER 2016 (CONTINUED)**

	<b>Unaudited 6 months ended Dec '16 Rm</b>	Unaudited and restated 6 months ended Dec '15 Rm <sup>+</sup>	Audited and restated for the year ended Jun '16 Rm <sup>+</sup>
<b>6 CASH FLOW INFORMATION</b>			
<b>6.1 Non-cash items</b>			
Depreciation of property, plant and equipment	<b>1 065</b>	955	1 993
Amortisation of intangible assets	<b>155</b>	143	295
Net fair value (gains)/losses on financial instruments	—	(7)	30
Exchange rate losses/(gains)	<b>188</b>	(11)	46
Profit on disposal and scrapping of property	—	—	(1)
Loss on disposal and scrapping of plant and equipment and intangible assets	<b>26</b>	15	59
Reversal of impairment of property, plant and equipment	—	—	(16)
Impairment of intangible assets	<b>32</b>	—	66
Profit on disposal of investment in associate	—	(71)	(71)
Movement in provisions	<b>5</b>	29	5
Movement in cash-settled share-based payment accrual	<b>(17)</b>	(23)	(10)
Movement in share-based payment reserve	<b>69</b>	72	140
Movement in fixed escalation operating lease accruals	<b>79</b>	79	145
	<b>1 602</b>	1 181	2 681
<b>6.2 Changes in working capital</b>			
Inventories	<b>(3 802)</b>	(3 405)	(1 998)
Trade and other receivables	<b>(641)</b>	(799)	(588)
Trade and other payables	<b>6 094</b>	5 345	(748)
	<b>1 651</b>	1 141	(3 334)

<sup>+</sup> The audited June 2016 and unaudited December 2015 figures have been restated for the change in accounting policy. These restatements have not been subject to an audit. Refer to note 9.

	Unaudited and restated 6 months ended Dec '15 Rm <sup>+</sup>	Audited and restated for the year ended Jun '16 Rm <sup>+</sup>
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## 7 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.

## 8 SUPPLEMENTARY INFORMATION

Contracted capital commitments	1 933	1 252	1 682
Contingent liabilities	107	35	146
Net asset value per share (cents)	4 006	3 830	3 942

<sup>+</sup> The audited June 2016 and unaudited December 2015 figures have been restated for the change in accounting policy. These restatements have not been subject to an audit. Refer to note 9.

## 9 CHANGE IN ACCOUNTING POLICY

During the reporting period, the Group changed its accounting policy with respect to the treatment of advertising rebates. "IFRS 15: Revenue from contracts with customers" 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 (as described in paragraphs 26 to 30) that the customer transfers to the entity." (IFRS 15 par 70).

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. It is our view that the rebates paid by our suppliers would therefore be treated as a reduction of the suppliers' revenue in terms of IFRS 15. We believe that there should be symmetry in the accounting treatment of rebates by suppliers and customers. Therefore if the supplier is treating the rebate as a reduction of revenue, the Group, as the customer, should account for rebates as a reduction in the purchase price of inventory, which will result in a reduction of cost of sales when inventory is sold.

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 our 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.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 6 MONTHS ENDED DECEMBER 2016 (CONTINUED)

### 9 CHANGE IN ACCOUNTING POLICY (CONTINUED)

The change in accounting policy will be effective for the year ending June 2017 and will be 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 and interim results for these periods are as follows:

Increase/(decrease)	Unaudited 6 months ended Dec '15 Rm	Unaudited for the year ended Jun '16 Rm
<b>9.1 Impact on statement of comprehensive income</b>		
Sale of merchandise	—	—
Cost of sales	(1 578)	(3 420)
<b>GROSS PROFIT</b>	<b>1 578</b>	<b>3 420</b>
Other operating income	(385)	(1 267)
Other operating expenses	1 228	2 150
<b>TRADING PROFIT</b>	<b>(35)</b>	<b>3</b>
Income tax expense	(9)	—
<b>PROFIT FOR THE PERIOD</b>	<b>(26)</b>	<b>3</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(26)</b>	<b>3</b>
Basic earnings per share (cents)	(4.8)	0.6
Diluted earnings per share (cents)	(4.8)	0.6
Basic headline earnings per share (cents)	(4.8)	0.6
Diluted headline earnings per share (cents)	(4.8)	0.6
<b>9.2 Impact on statement of financial position</b>		
Deferred income tax assets	108	99
Inventories	(403)	(365)
<b>TOTAL ASSETS</b>	<b>(295)</b>	<b>(266)</b>
Reserves	(293)	(264)
Deferred income tax liabilities	(2)	(2)
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(295)</b>	<b>(266)</b>
<b>9.3 Impact on statement of cash flows</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>—</b>	<b>—</b>
Operating profit	(35)	3
Changes in working capital	35	(3)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	<b>—</b>	<b>—</b>