



**LOW PRICE LEADERSHIP  
FOR TOMORROW'S CUSTOMER**

# Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

## Contents

Statement of Responsibility by the Board of Directors . . . . .	1
Certificate of the Company Secretary . . . . .	1
Directors' Report . . . . .	2
Audit and Risk Committee Report . . . . .	5
Currency of the Annual Financial Statements . . . . .	7
Independent Auditor's Report on the Consolidated and Separate Financial Statements . . . . .	7
Value-added Statement . . . . .	8
Statement of Financial Position . . . . .	9
Statement of Comprehensive Income . . . . .	10
Statement of Changes in Equity . . . . .	11
Statement of Cash Flows . . . . .	12
Notes to the Annual Financial Statements . . . . .	13
Accounting Policies . . . . .	13
Operating Segment Information . . . . .	24
Notes . . . . .	25
Annexure A – Interests in Subsidiaries . . . . .	75
Annexure B – Shareholder Analysis . . . . .	76

The annual financial statements for the year ended June 2014 have been audited by PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act, 2008. The preparation of the audited annual financial statements was supervised by Mr M Bosman, CA(SA).



# Statement of Responsibility by the Board of Directors

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

1

The directors are responsible for the preparation and fair presentation of the annual financial statements of the Company and Group, comprising the directors' report, the audit and risk committee report, the statements of financial position as at June 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

The directors are satisfied that the information contained in the annual financial statements fairly represents the financial position at year-end and the financial performance and cash flows of the Company and Group.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to

fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors believe that the Company and Group have adequate resources to continue trading as a going concern in the foreseeable future. The annual financial statements support the viability of the Company and the Group.

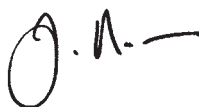
The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Company's separate and Group's consolidated annual financial statements, and their report is presented on page 7. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

## Approval of the Annual Financial Statements

The Company's separate and Group's consolidated annual financial statements of Shoprite Holdings Ltd and its subsidiaries, as identified in the first paragraph, were approved by the board of directors on 18 August 2014 and signed on its behalf by:



CH Wiese  
Chairman



JW Basson  
Chief Executive Officer

## Certificate of the Company Secretary

In terms of section 88(2)(e) of the Companies Act no 71 of 2008 (as amended) I, PG du Preez, in my capacity as Company Secretary, confirm that for the year ended June 2014, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



PG du Preez  
Company Secretary

18 August 2014

# Directors' Report

Shoprite Holdings Ltd and its Subsidiaries

2

## NATURE OF BUSINESS

Shoprite Holdings Limited ("Shoprite Holdings") is an investment holding company listed on the Johannesburg Stock Exchange Limited ("JSE") in the "food retailers & wholesalers" sector. Secondary listings are also maintained on the Namibian and Zambian Stock Exchanges.

## SHOPRITE HOLDINGS COMPRISES OF THE FOLLOWING MAIN SUBSIDIARIES:

### Shoprite Checkers (Pty) Ltd:

**Supermarkets:** Serves a broad customer base through our Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave store formats.

**Supply Chain Management:** Supplies the Group's outlets in South Africa and 14 Non-RSA countries. The Group prides itself in running a state-of-the-art distribution operation and became the first South African retailer to receive the ISO 9002 accreditation for import and export handling.

**Fast Foods:** The Hungry Lion chain now boasts modern, well-designed stores with an inescapable focus on fried chicken and operates outlets within South Africa, Botswana, Zambia, Lesotho, Swaziland, Namibia, Angola and the Democratic Republic of Congo.

**Franchise:** The OK Franchise Division's stores offer a wide range of perishable and non-perishable food items and liquor. The franchise division encompasses six (6) supermarket/convenience outlet brands namely OK Foods, OK Grocer, OK Minimark, OK Value, Friendly Grocer and 7-Eleven, a wholesaler Megasave as well as three (3) add-on liquor outlets under the OK Enjoy, Friendly Liquormarket and 7-Eleven Liquormarket brands.

**Freshmark:** Freshmark is the Group's fruit and vegetable procurement and distribution arm and supplies fresh produce to the Group's retail outlets. As one of the largest buyers of fresh produce in South Africa, Freshmark also imports fruit and vegetables to ensure a wide variety and continuity of traditionally seasonal fresh produce.

**Liquor Stores:** Trading under the Shoprite and Checkers LiquorShop brands respectively, the liquor shops have extended the Group's offering by providing a selection of wines, beers and a wide range of premium spirits to its customers.

**Meat Markets:** The Group's meat market division is the largest retailer of fresh meat on the African continent. Customers are served through in-store butcheries that employ qualified butchers and technicians.

**Money Markets:** The Money Markets offer a comprehensive range of financial services and products to the Group's customers through dedicated in-store service counters.

**Furniture:** The Furniture division offers furniture, electrical appliances and home entertainment products to customers for cash or credit through its OK Furniture, OK Power Express and House and Home outlets in South Africa, Botswana, Namibia, Swaziland, Lesotho, Zambia, Mozambique and Angola.

**Pharmacies and wholesale distribution:** MediRite's in-store pharmacies offer consumers easy access to affordable healthcare and healthcare professionals. These in-store dispensaries currently operate throughout South Africa and also in Angola and Swaziland. The Group's pharmaceutical wholesaler, Transpharm, sells and distributes a wide range of pharmaceutical products and surgical equipment to hospitals and clinics, dispensing doctors, veterinary surgeons and private and corporate pharmacies.

**Properties:** This division is tasked with the responsibility to expand the Group's supermarket portfolio through the identification and leasing of new supermarket premises or developing new shopping centres to accommodate one of the supermarket formats. New retail developments and the redevelopment of existing properties are supervised through every stage of the planning-, design- and construction process.

### Shoprite Investments Ltd:

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

### Computicket (Pty) Ltd:

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

### Shoprite International Ltd:

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

### Shoprite Insurance Company Ltd:

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

### Other Group Subsidiaries:

The interests of Shoprite Holdings in other subsidiaries are set out on page 75 of the Annual Financial Statements.

## FINANCIAL REVIEW

The Group's headline earnings per share amounts to 697.6 cents for the year (2013: 675.4 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 10 with reference to the operating segment information on page 24. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 9. Further details are furnished in the notes to the annual financial statements on page 25 to 74. The Group's net asset value per share as at 30 June 2014 was 3 218 cents (2013: 2 837 cents).

## DISTRIBUTION TO SHAREHOLDERS

### Preference dividends

During the reporting period Shoprite Holdings paid a total of R126 000 in dividends to the holders of its four (4) classes of preference shares.

### Ordinary dividends

An interim cash dividend (no. 130) of 132 cents per share was paid on 24 March 2014. A final dividend (no. 131) of 218 cents per share, is payable on 15 September 2014, bringing the total dividend for the year to 350 cents (2013: 338 cents) per ordinary share.

## SHARE CAPITAL

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

On 30 June 2014, the Company issued an additional 2 292 500 (two million two hundred and ninety two thousand five hundred) ordinary shares in the share capital of Shoprite Holdings to settle Awards made by the Remuneration Committee in terms of the rules of the Shoprite Holdings Executive Share Plan (ESP) which was approved by shareholders on 29 October 2012. The issued share capital now totals 572 871 960 ordinary shares of 113.4 cents each.



## GOING CONCERN

The annual financial statements of the Group were prepared on a going concern basis.

The Board has performed a formal review of the Group's results and its ability to continue trading as a going concern in the foreseeable future.

The directors of Shoprite Holdings confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

## BORROWINGS

Shoprite Holdings has unlimited borrowing powers in terms of its Memorandum of Incorporation (MOI).

The Group's overall level of debt increased from R4.152 billion to R4.684 billion during the financial year under review.

## SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 28 October 2013, shareholders approved the following special resolutions:

- **Special resolution number 1** – Remuneration payable to non-executive directors;
- **Special resolution number 2** – Financial assistance to subsidiaries, related and inter-related entities;
- **Special resolution number 3** – Financial assistance for subscription of securities; and
- **Special resolution number 4** – General approval to repurchase shares.

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

### Shoprite Checkers (Pty) Ltd

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

## DIRECTORS AND SECRETARY

The directors' names and details are furnished on pages 8 to 9 and the company secretary's name, business and postal address on page 111 of the Integrated Report.

On 18 August 2014, the Board appointed Mr M Bosman as the Financial Director of Shoprite Holdings. Mr CG Goosen remains the Deputy Managing Director.

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

Dr ATM Mokgokong, Messrs JJ Fouché, JG Rademeyer and JA Rock retire as directors, in terms of Clause 33.5.1 of the MOI of the Company, at the annual general meeting. All these directors have offered themselves for re-election as directors of Shoprite Holdings.

On 18 August 2014, Mr JF Basson was appointed as a Non-Executive Director of the Company. In terms of Clause 13.2 of the MOI Mr Basson retires at the annual general meeting on 27 October 2014, but being eligible, offers himself for re-election.

The Board supports the re-election of these directors.

## DIRECTORS' AND ALTERNATE DIRECTORS' INTERESTS IN ORDINARY SHARES

### Non-executive directors

	Direct beneficial	Indirect beneficial	Total 2014	Total 2013
CH Wiese	—	87 699 198	87 699 198	85 627 398
JJ Fouché	472 171	—	472 171	472 171
JF Basson	—	1 000	1 000	1 000
EC Kieswetter	2 953	—	2 953	1 850
JA Louw	—	50 000	50 000	50 000
ATM Mokgokong	—	—	—	—
JG Rademeyer	—	10 000	10 000	10 000
JA Rock	—	—	—	—
JD Wiese	—	14 074	14 074	14 074

### Executive directors

	Direct beneficial	Indirect beneficial	Total 2014	Total 2013
JW Basson	—	10 174 122	10 174 122	9 994 122
CG Goosen	3 000	1 203 202	1 206 202	1 206 202
B Harisunker	407 379	—	407 379	407 379
AE Karp	207 269	—	207 269	147 269
EL Nel	—	148 727	148 727	148 727
BR Weyers	404 594	—	404 594	404 594
JAL Basson	43 070	86 131	129 201	89 201
M Bosman	115 000	60 000	175 000	125 000
PC Engelbrecht	210 000	201 039	411 039	330 000

During the reporting period, the following executive directors and alternate directors accepted forfeitable share Awards in terms of the ESP, which are included in the totals reflected above:

	Total 2014
AE Karp	60 000
JAL Basson	40 000
M Bosman	50 000
PC Engelbrecht	80 000

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

	Total 2014	Total 2013
CH Wiese	290 625 071	290 625 071



# Directors' Report (continued)

Shoprite Holdings Ltd and its Subsidiaries

4

## CORPORATE GOVERNANCE

Statements of the Board's application of the codes of good corporate governance are set out in the corporate governance report, which forms part of this directors' report and the remuneration report on pages 32 to 39 of the Integrated Report.

## BOARD COMMITTEES

The reports of the various board committees are included in the corporate governance report on pages 26 to 29 of the Integrated Report.

## AUDITORS

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

## EVENTS AFTER THE REPORTING DATE

At the end of July 2014, a fire at the Group's Palanca retail outlet and distribution centre situated in Angola, resulted in the destruction of a substantial portion of the development. Trading from the premises has ceased and a disaster recovery plan was implemented. A temporary site has been secured for the distribution of dry goods and perishables and the supply chain to other stores in Angola is in place. It is too early to estimate the full financial impact which is in the process of being assessed. The Group is however insured and it is foreseen that the potential loss to the Group as a consequence of this incident will not be material.

Other than the facts in the Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2014 to the date of the Integrated Report.

## HOLDING COMPANY

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 76 of the Annual Financial Statements.

## LITIGATION STATEMENT

The dispute between the Group and SAB Miller Plc related to closing date accounts of OK Bazaars is still in the process of being determined through arbitration.

The investigation initiated during June 2009 by the Competition Commission of South Africa ("the Competition Commission") into the alleged anti-competitive conduct of various food retailers which includes the Group's main trading subsidiary, Shoprite Checkers (Pty) Ltd, was concluded. The relevant Notice of Non-Referral was issued by the Competition Commission on 24 January 2014.

The referral by the Competition Commission of the complaint of alleged abuse of dominance against Computicket (Pty) Ltd must still be heard by the Competition Tribunal.

The claim instituted in the High Court of Lagos by AIC Limited during April 2010 against the Group's main trading subsidiary, Shoprite Checkers (Pty) Ltd, and its Nigerian subsidiary, Retail Supermarkets Nigeria Ltd, on the basis of alleged breach of contract is still in the trial phase.

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





# Audit and Risk Committee Report

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

5

## INTRODUCTION

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

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

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

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

## AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

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

Audit Committee meetings are held at least four (4) times a year as required by the charter. During the period under review, the committee met five (5) times. A special Audit Committee meeting was held on 16 August 2013 to approve the 2013 annual financial statements of the Company.

The attendance of the committee members is recorded below:

	12.08.2013	16.08.2013 (Special)	01.11.2013	21.02.2014	16.05.2014
<b>NON-EXECUTIVE DIRECTORS</b>					
JG RADEMEYER	●	●	●	●	●
JF BASSON*	n/a	n/a	n/a	n/a	n/a
JA LOUW	●	●	●	●	○
JJ FOUCHÉ	○	○	●	●	●
JA ROCK*	n/a	n/a	n/a	n/a	n/a

\*Appointed with effect from 18 August 2014.

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

The Audit Committee agendas provide for meetings between the members and internal and external auditors. During the period under review the Audit Committee had one (1) meeting with the external auditor where executive management was not present.

## Audit Committee evaluation

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

## ROLES AND RESPONSIBILITIES

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

## External auditor appointment and independence

The Audit Committee annually assesses the independence of the external auditor, PricewaterhouseCoopers (PwC). At the committee's meeting on 11 August 2014, PwC were required to confirm that they:

- are not precluded from re-appointment due to any impediment as listed in section 90(2)(b) of the Companies Act;
- are in compliance with section 91(5) of the Companies Act, by comparison with the membership of the firm at the time of its re-appointment in 2013, more than one half of the members remain in 2014; and
- remain independent as required by section 94(7) of the Companies Act and the relevant provision in the JSE Listings Requirements.

In consultation with the Group's executive management, the Audit Committee agreed to the terms of the PwC engagement letter, audit plan and budgeted audit fees in respect of the 2014 financial year.

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

Based on the above assessment, the committee re-nominates PwC as independent external auditor for the 2014/15 financial year and Mr A Wentzel as the designated partner to perform the functions of external auditor, until the 2015 annual general meeting of Shoprite Holdings. Shareholders will therefore be requested to re-elect PwC as independent external auditor for the 2014/15 financial year at the annual general meeting on 27 October 2014.

## Financial statements and accounting practices

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

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

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

## Internal controls

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

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

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

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



# Audit and Risk Committee Report (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

6

## Integrated and sustainability reporting

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

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

## Going concern

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

## Governance of risk

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

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

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

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

The Audit Committee is satisfied that, during the course of the 2013/14 financial year, executive management was aware of and addressed the material risks affecting their respective business units and the Group as a whole.

## Internal audit

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

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

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

During the reporting period the Audit Committee:

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

## Governance of information technology (IT)

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

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

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

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

As required by JSE Listing Requirement 3.84(h), the Audit Committee, through a formal process, has satisfied itself that the financial director, Mr CG Goosen, has the appropriate expertise and experience to act in this capacity. Mr Goosen is a chartered accountant and was appointed as financial director of the Group in 1993.

On 18 August 2014, the board approved the appointment of Mr M Bosman as financial director of Shoprite Holdings. Mr Bosman is a chartered accountant and holds the qualifications BAcc Hons CA(SA) and has been an alternate director to Mr Goosen since 2005. The Audit Committee supports the appointment of Mr Bosman in this capacity.

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

**JG Rademeyer**  
Chairman





# Currency of the Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

7

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

	2014	2013		2014	2013		2014	2013
USA dollar	10.617	9.959	Botswana pula	1.209	1.160	India rupee	0.177	0.166
Pound sterling	18.064	15.214	Uganda shilling	0.004	0.004	Ghana cedi	3.257	4.912
Euro	14.478	13.017	Malawi kwacha	0.027	0.030	Madagascar ariary	0.005	0.005
Zambia kwacha	1.710	1.816	Mauritius rupee	0.349	0.320	Nigeria naira	0.065	0.062
Mozambique metical	0.332	0.331	Angola kwanza	0.109	0.103	DRC franc	0.011	0.011

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

FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Shoprite Holdings Limited set out on pages 9 to 75, which comprise the statements of financial position as at 30 June 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

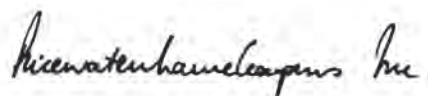
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Shoprite Holdings Limited as at 30 June 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



**PricewaterhouseCoopers Inc.**

Director: A. Wentzel

Registered Auditor

Cape Town

18 August 2014

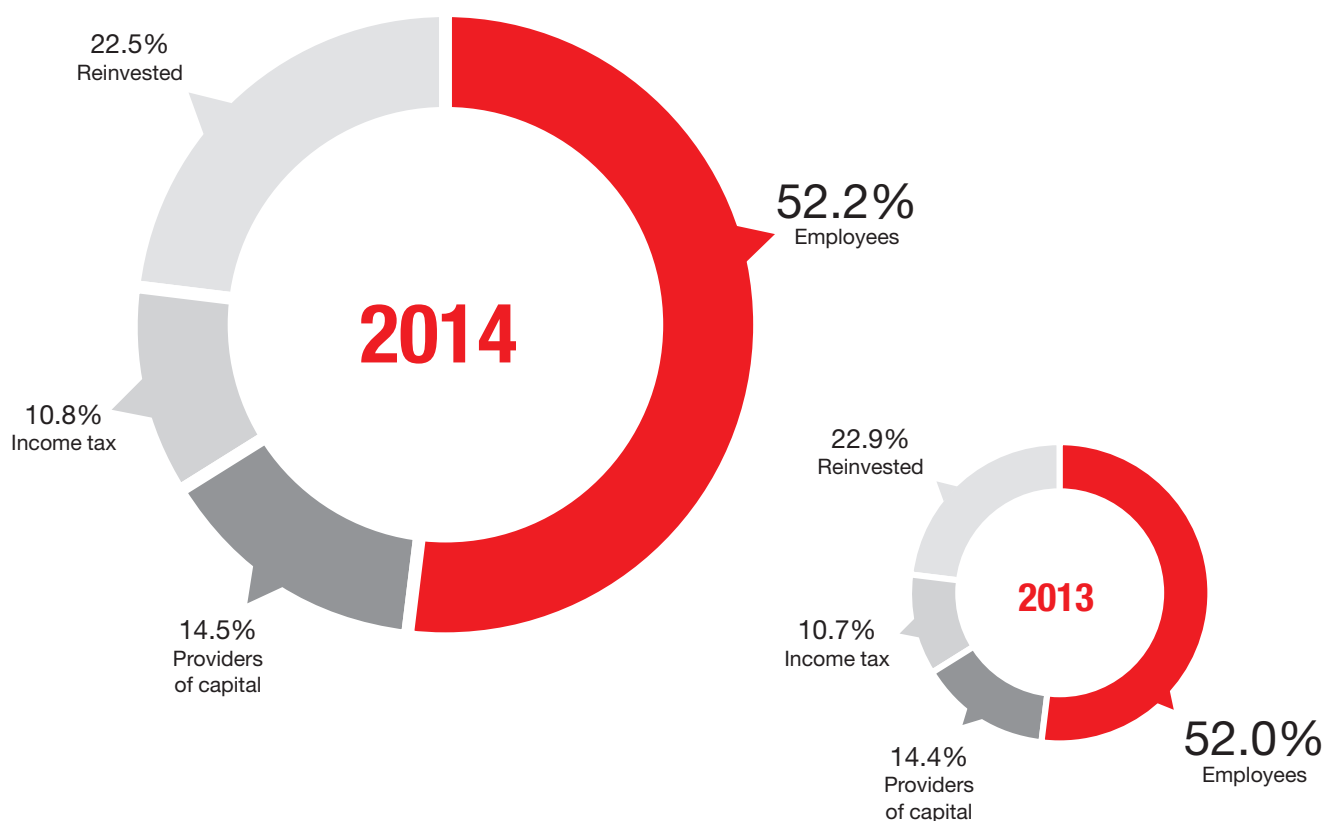


## Value-added Statement

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

8

	June 2014 Rm	%	Restated June 2013 Rm	%
Sale of merchandise	102 204		92 457	
Investment income	261		299	
Cost of goods and services	(86 444)		(78 049)	
<b>VALUE ADDED</b>	<b>16 021</b>	<b>100.0</b>	<b>14 707</b>	<b>100.0</b>
Employed as follows:				
<b>Employees</b>				
Salaries, wages and service benefits	8 373	52.2	7 629	52.0
<b>Providers of capital</b>				
Finance costs to providers of funds	2 318	14.5	2 126	14.4
Dividends to providers of share capital	461	2.9	430	2.9
	1 857	11.6	1 696	11.5
<b>Income tax</b>				
Income tax on profits made	1 727	10.8	1 576	10.7
<b>Reinvested</b>				
Reinvested in the Group to finance future expansion and growth	3 603	22.5	3 376	22.9
Depreciation and amortisation	1 730	10.8	1 475	10.0
Retained earnings	1 873	11.7	1 901	12.9
<b>EMPLOYMENT OF VALUE ADDED</b>	<b>16 021</b>	<b>100.0</b>	<b>14 707</b>	<b>100.0</b>



# Statement of Financial Position

Shoprite Holdings Ltd and its Subsidiaries as at June 2014

9

COMPANY				GROUP	
June 2013	June 2014		Notes	June 2014	Restated June 2013
Rm	Rm			Rm	Rm
		<b>ASSETS</b>			
		NON-CURRENT ASSETS			
—	—	Property, plant and equipment	3	13 576	11 652
2 368	3 052	Interests in subsidiaries	5	—	—
—	—	Investment in associates and joint ventures	6	155	169
—	—	Loans and receivables	7	316	10
1	1	Deferred income tax assets	8	440	420
—	—	Intangible assets	9	1 225	1 041
—	—	Fixed escalation operating lease accruals	10	18	12
2 369	3 053			15 730	13 304
		CURRENT ASSETS			
—	—	Inventories	11	12 344	10 310
40	18	Trade and other receivables	12	4 080	3 472
—	—	Derivative financial instruments	13	1	24
—	—	Current income tax assets		31	172
1 697	2 267	Interests in subsidiaries	5	—	—
—	—	Loans and receivables	7	26	19
2 405	1 877	Cash and cash equivalents		8 161	6 122
4 142	4 162			24 643	20 119
—	—	Assets held for sale	4	160	57
6 511	7 215	<b>TOTAL ASSETS</b>		40 533	33 480
		<b>EQUITY</b>			
		CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
647	650	Share capital	14	650	647
3 672	4 029	Share premium		4 029	3 672
—	—	Treasury shares	14	(680)	(320)
2 181	2 506	Reserves	15	13 218	11 185
6 500	7 185			17 217	15 184
—	—	NON-CONTROLLING INTEREST		66	68
6 500	7 185	<b>TOTAL EQUITY</b>		17 283	15 252
		<b>LIABILITIES</b>			
		NON-CURRENT LIABILITIES			
2	2	Borrowings	16	4 373	3 824
—	—	Deferred income tax liabilities	8	187	196
—	—	Provisions	17	277	251
—	—	Fixed escalation operating lease accruals	18	694	576
2	2			5 531	4 847
		CURRENT LIABILITIES			
2	3	Trade and other payables	19	16 332	12 725
—	—	Borrowings	16	311	328
2	19	Current income tax liabilities		870	181
—	—	Provisions	17	138	133
—	—	Bank overdrafts		61	8
5	6	Shareholders for dividends		7	6
9	28			17 719	13 381
11	30	<b>TOTAL LIABILITIES</b>		23 250	18 228
6 511	7 215	<b>TOTAL EQUITY AND LIABILITIES</b>		40 533	33 480



# Statement of Comprehensive Income

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

10

COMPANY			GROUP		
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm	
—	—	Sale of merchandise	102 204	92 457	
—	—	Cost of sales	(80 936)	(73 156)	
—	—	GROSS PROFIT	21 268	19 301	
2 495	2 258	Other operating income	2 840	2 607	20
—	—	Depreciation and amortisation	(1 525)	(1 336)	21
—	—	Operating leases	(2 596)	(2 213)	22
—	—	Employee benefits	(7 723)	(7 145)	23
(20)	(18)	Other operating expenses	(6 550)	(5 822)	25
2 475	2 240	TRADING PROFIT	5 714	5 392	
—	—	Exchange rate losses	(9)	(4)	
(20)	—	Items of a capital nature	3	(31)	26
2 455	2 240	OPERATING PROFIT	5 708	5 357	27
161	112	Interest received	225	259	
—	—	Finance costs	(461)	(430)	28
—	—	Share of (loss)/profit of associates and joint ventures	(5)	5	6
2 616	2 352	PROFIT BEFORE INCOME TAX	5 467	5 191	
(53)	(47)	Income tax expense	(1 727)	(1 576)	29
2 563	2 305	PROFIT FOR THE YEAR	3 740	3 615	
—	—	OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	129	538	
—	—	Items that will not be reclassified to profit or loss			
—	—	Re-measurements of post-employment benefit obligations	5	—	
—	—	Items that may subsequently be reclassified to profit or loss			
—	—	Foreign currency translation differences	123	514	15
—	—	Share of foreign currency translation differences of associates and joint ventures	1	24	15
2 563	2 305	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3 869	4 153	
2 563	2 305	PROFIT ATTRIBUTABLE TO:			
—	—	Owners of the parent	3 730	3 597	
2 563	2 305	Non-controlling interest	10	18	
2 563	2 305		3 740	3 615	
2 563	2 305	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
—	—	Owners of the parent	3 859	4 135	
2 563	2 305	Non-controlling interest	10	18	
2 563	2 305		3 869	4 153	
		Basic and diluted earnings per share (cents)	697.0	672.3	30



# Statement of Changes in Equity

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

11

		Attributable to owners of the parent								
Rm	Notes	Total equity	Non-controlling interest	Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	
GROUP										
BALANCE AT JUNE 2012		12 807	62	12 745	647	3 672	(320)	543	8 203	
Total comprehensive income		4 153	18	4 135	—	—	—	538	3 597	
Profit for the year		3 615	18	3 597					3 597	
Recognised in other comprehensive income										
Foreign currency translation differences		15	538	538				538		
Dividends distributed to shareholders		(1 708)	(12)	(1 696)					(1 696)	
BALANCE AT JUNE 2013		15 252	68	15 184	647	3 672	(320)	1 081	10 104	
Total comprehensive income		3 869	10	3 859	—	—	—	124	3 735	
Profit for the year		3 740	10	3 730					3 730	
Recognised in other comprehensive income										
Re-measurements of post-employment benefit obligations		6		6					6	
Income tax effect of re-measurements of post-employment benefit obligations		(1)		(1)					(1)	
Foreign currency translation differences		15	124	124				124		
Share-based payments – value of employee services		15	4	4				4		
Equity component of convertible bonds sold during the year		15	27	27				27		
Proceeds from ordinary shares issued		14	—	—	3	357	(360)			
Dividends distributed to shareholders			(1 869)	(12)	(1 857)				(1 857)	
BALANCE AT JUNE 2014			17 283	66	17 217	650	4 029	(680)	1 236	11 982
COMPANY										
BALANCE AT JUNE 2012			5 745	—	5 745	647	3 672	—	2	1 424
Total comprehensive income										
Profit for the year			2 563		2 563					2 563
Dividends distributed to shareholders			(1 808)		(1 808)					(1 808)
BALANCE AT JUNE 2013			6 500	—	6 500	647	3 672	—	2	2 179
Total comprehensive income										
Profit for the year			2 305		2 305					2 305
Proceeds from ordinary shares issued		14	360		360	3	357			
Dividends distributed to shareholders			(1 980)		(1 980)					(1 980)
BALANCE AT JUNE 2014			7 185	—	7 185	650	4 029	—	2	2 504





# Statement of Cash Flows

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

12

COMPANY		Notes	GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
723	366		5 720	1 121
2 455	2 240		5 708	5 357
(2 434)	(2 249)		(36)	(40)
20	—		1 859	1 568
—	—	32.1	(21)	(535)
(48)	23		1 078	(1 902)
(7)	14		8 588	4 448
181	153		252	285
—	—		(345)	(327)
2 414	2 208		30	14
(1 807)	(1 979)		(1 868)	(1 707)
(58)	(30)	32.3	(937)	(1 592)
(1 706)	(1 254)	32.4		
—	360	32.5	(4 165)	(3 009)
(983)	(528)	32.6	453	12
3 388	2 405		2 008	(1 876)
			6 114	7 901
—	—		(22)	89
2 405	1 877		8 100	6 114
2 405	1 877		8 161	6 122
—	—		(61)	(8)
2 405	1 877		8 100	6 114



# Notes to the Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

13

## 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and are consistent with those applied in the previous year, unless otherwise stated.

The Group's consolidated and Company's separate financial statements were authorised for issue by the board of directors on 18 August 2014. Other than the facts in the Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2014 that have an impact on the financial results or disclosures in these annual financial statements.

### 1.1 Basis of preparation

The Group reports on the retail calendar of trading weeks incorporating trade from Monday to Sunday each week. Accordingly the results for the financial year under review are for a 52 week period which is consistent with prior financial periods.

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

#### 1.1.1 Use of judgments, assumptions and estimates

##### 1.1.1.1 Judgments

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

- a) **Valuation of inventory:** Trading inventories are valued by use of the retail inventory method as an approximation of weighted average cost. Significant judgment is required in the application thereof, specifically as far as it relates to gross margin percentages, accrual rates for rebates and settlement discounts and shrinkage rates applied.
- b) **Segment reporting:** IFRS 8 requires an entity to identify its operating segments. Once an entity has done that, it is required to determine its reportable segments. Reportable segments may comprise single operating segments or an aggregation of operating segments. Aggregation of one or more operating segments into a single reportable segment is permitted where certain conditions are met, the principle conditions being that the operating segments should have similar economic characteristics and the operating segments are similar in respect of the products and services offered, nature of production processes, type or class of customers, distribution methods, and regulatory environment.

The Group's management has assessed the above mentioned aggregation criteria in respect of its identified retail operating segments and believe that it has been satisfied, therefore it has elected to aggregate these segments as allowed by IFRS 8.

##### 1.1.1.2 Assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. The most significant assumptions and estimates used in applying the Group's accounting policies relate to the following:

- a) **Impairment of assets:** The Group performs a review of loss-making stores and considers the need for the impairment of assets under these circumstances. This determination requires significant judgment. The Group evaluates amongst other things, the duration and extent of the losses, the near-term business outlook for the store, and the possible redeployment of the assets between stores. Refer to notes 3, 9 and 26.
- b) **Useful lives of assets:** In determining the depreciation and amortisation charge for property, plant and equipment and intangible assets, management applies judgment in estimating the useful lives and residual values of these different asset classes. Refer to notes 3, 9 and 21.
- c) **Income taxes:** The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide accrual for income taxes. The Group recognises liabilities for anticipated uncertain income tax positions based on estimates of potential additional taxes due. With regards to deferred income tax assets for unutilised income tax losses, judgment is also required to whether sufficient future taxable income will be available against which these losses can be utilised. Refer to notes 1.25 and 8.
- d) **Allowances for doubtful debts:** Trade receivables include instalment sale debtors and franchise debtors for which allowances for impairment are made in accordance with the accounting policy in note 1.13. These calculations involve the discounting of projected future cash flows and require the use of estimates. Details regarding the allowances are set out in note 12.
- e) **Employee benefit accruals and provisions:** Various assumptions are applied in determining the valuations of post-employment medical benefits, share based payment accruals and long term employee benefits as set out in notes 1.18, 1.20, 14, 17 and 36.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in a subsequent year relate to the following: income taxes; allowances for doubtful debts and employee benefit allowances.

All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

14

## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.1 Basis of preparation (continued)

#### 1.1.2 Use of adjusted measures

The measures listed below are presented as management believes it to be relevant to the understanding of the Group's financial performance. These measures are used for internal performance analysis and provide additional useful information on underlying trends to equity holders. These measures are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

- Trading profit on the face of the statement of comprehensive income, being the Group's operating results excluding foreign exchange rate differences and income or expenditure of a capital nature.
- Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all re-measurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 2/2013: Headline Earnings. The principal items that will be included under this measure are: gains and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets held for sale; impairments or reversal of impairments; any non-trading items such as gains and losses on disposal of investments, operations and subsidiaries.
- Interest received on the face of the statement of comprehensive income, being only interest received on call and operating bank account balances.

### 1.2 Consolidation

#### 1.2.1 Subsidiaries

Subsidiaries are entities (including structured entities) which are, directly or indirectly, controlled by the Group. Control is established where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The nature and effect of existing rights that give the Group the current ability to direct the relevant activities of the entity are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The acquisition method is used to account for business combinations. The consideration transferred is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration transferred is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

All intergroup transactions, balances and unrealised gains and losses on transactions between entities of the Group have been eliminated. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

#### 1.2.2 Joint arrangements

Joint arrangements are those arrangements over which the Group exercises joint control in terms of a contractual agreement. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The Group's investments in joint ventures are accounted for using the equity method and are initially recognised at cost.

The Group's share of post-acquisition profit or loss and its share of post-acquisition movements in other comprehensive income are recognised in the statement of comprehensive income and in other comprehensive income respectively, with a corresponding adjustment to the carrying amount of the investment, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. When necessary, accounting policies applied by joint ventures have been changed to ensure consistency with the policies adopted by the Group.

#### 1.2.3 Associates

Associates are those entities over which the Group exercises significant influence but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of another entity. The Group's investments in associates are accounted for using the equity method and are initially recognised at cost. Investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of post-acquisition profit or loss and its share of post-acquisition movements in other comprehensive income are recognised in the statement of comprehensive income and in other comprehensive income respectively, with a corresponding adjustment to the carrying amount of the investment, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When necessary, accounting policies applied by associates have been changed to ensure consistency with the policies adopted by the Group.

#### 1.2.4 Transactions with non-controlling interests

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



## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.3 Foreign currency translation

#### 1.3.1 Functional and presentation currency

All items in the financial statements of the Group's subsidiaries, joint arrangements and associates are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's consolidated financial statements are presented in South African rand, which is Shoprite Holdings Ltd's functional and the Group's presentation currency.

#### 1.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates for the relevant month. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognised in the statement of comprehensive income.

#### 1.3.3 Foreign operations

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income presented are translated at the average exchange rates for the period presented; and
- All resulting translation differences are recognised in other comprehensive income and presented as a separate component of equity in the foreign currency translation reserve (FCTR).

On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations are also taken to the FCTR. The Group's net investment in a foreign operation is equal to the equity investment plus all monetary items that are receivable from or payable to the foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

When a foreign operation is disposed of or sold and the Group loses control, joint control or significant influence over the foreign operation, all related exchange rate differences recognised in other comprehensive income and accumulated in equity in the FCTR are reclassified from equity to the statement of comprehensive income as part of the profit or loss on the sale of the operation. On partial disposal of a foreign subsidiary, where a change occurs in the absolute ownership percentage held by the Group and control is not lost, a proportionate share of all related exchange rate differences recognised in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. On partial disposal of a foreign joint arrangement or associate, where a change occurs in the absolute ownership percentage held by the Group and joint control or significant influence is not lost, a proportionate share of all related exchange rate differences recognised in other comprehensive income are reclassified from equity to the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and are translated at the closing rate.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods, rental to others or administrative purposes and are expected to be used during more than one period. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the buildings, machinery, equipment and vehicles and is depreciated on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Land is not depreciated, as it has an unlimited useful life. Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease and the items' useful life.

Management determines the estimated useful lives, residual values and the related depreciation charges at acquisition and these are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

#### Useful lives:

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

The cost of major refurbishments is capitalised as property, plant and equipment to the extent that it can be recovered from future use of the assets. The capitalised amounts are depreciated over the relevant write-off periods. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which these are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in the statement of comprehensive income.



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

16

## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.5 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled, expires or when a substantial modification of the terms occur.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 1.6 Compound financial instruments

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

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

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

### 1.7 Derivative financial instruments

The Group's derivatives, being forward foreign exchange rate contracts, categorised as at fair value through profit or loss, are either assets or liabilities. A classification between current and non-current is made based on the remaining contractual maturity of the foreign exchange rate contracts over the following 12 months. Purchases and settlements of derivative financial instruments are initially recognised on the trade date at fair value. Derivative financial instruments are subsequently carried at fair value. Transaction costs are expensed as it is incurred. Realised and unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in the statement of comprehensive income as other income or other expenses in the period in which they arise. The fair value of forward foreign exchange rate contracts is determined using forward exchange rates at the statement of financial position date. The Group does not apply hedge accounting.

### 1.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable, and purchases and sales are recognised at trade date at fair value, including transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. These financial assets are included under current assets unless it matures later than 12 months after statement of financial position date.

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

### 1.9 Investments in subsidiaries and associates

The Company's investments in the ordinary shares of its subsidiaries and associates are carried at cost less impairment losses and, if denominated in foreign currencies, are translated at historical rates. Purchases and sales of these investments are recognised on the trade date at cost, including transaction costs.

### 1.10 Intangible assets

#### 1.10.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or operation at the date of acquisition. Goodwill denominated in a foreign currency is translated at closing rates. Goodwill is tested for impairment annually and whenever there is indication of impairment. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Each of those CGUs represents the Group's investment in a trading unit or a group of trading units. Gains and losses on the disposal of an entity that has related goodwill include the carrying amount of the related goodwill. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.





## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.10 Intangible assets (continued)

#### 1.10.2 Software

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

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

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

#### 1.10.3 Trademarks

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

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

#### 1.10.4 Customer relationships

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

### 1.11 Non-current assets held for sale

Non-current assets and/or disposal groups are classified as assets held for sale and are stated at the lower of the carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continued use and this sale is considered highly probable.

### 1.12 Inventories

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

### 1.13 Trade and other receivables

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

### 1.14 Leases

#### 1.14.1 Where the Group is the lessee

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense and any unamortised portion of the fixed escalation lease accrual is recognised in the statement of comprehensive income in the period in which termination takes place.



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

18

## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.14 Leases (continued)

#### 1.14.2 Where the Group is the lessor

Portions of owner-occupied properties and leased properties are leased or subleased out under operating leases. The owner-occupied properties are included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. Incentives received to enter into a lease agreement are released to the statement of comprehensive income as operating lease income over the lease term. All other rental income is recognised as it becomes due.

When an operating lease is terminated before the lease period has expired, any payment received from the lessee by way of penalty is recognised as income and any unamortised portion of the fixed escalation lease accrual is recognised in the statement of comprehensive income in the period in which termination takes place.

### 1.15 Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are carried at cost and, if denominated in foreign currencies, are translated at closing rates. Cash comprises cash on hand and cash at banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Bank overdrafts are disclosed separately on the face of the statement of financial position.

### 1.16 Share capital

Ordinary shares and non-convertible, non-participating deferred shares, including incremental costs directly attributable to the issue of new shares, are both classified as equity.

Where entities controlled by the Group purchase the Company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from capital and reserves attributable to equity holders as treasury shares until they are sold. Where such shares are subsequently sold, any consideration received is included in capital and reserves attributable to equity holders. Dividends received on treasury shares are eliminated on consolidation.

### 1.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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

### 1.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. The Group has discounted provisions to their present value where the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the statement of comprehensive income.

#### 1.18.1 Onerous lease contracts

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

#### 1.18.2 Provision for outstanding insurance claims

The Group recognises a provision for the estimated direct cost of settling all outstanding claims at year-end. The provision for outstanding claims at year-end includes a provision for cost of claims incurred but not yet reported at year-end as well as for the cost of claims reported but not yet settled at year-end. The provision for cost of claims incurred but not yet reported (IBNR) at year-end is determined by using established claims patterns. Full provision is made for the cost of claims reported but not yet settled at year-end by using the best information available.

#### 1.18.3 Long term employee benefits

Long term employee benefits are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation by the actuaries are charged against the statement of comprehensive income as employee benefits.

#### 1.18.4 Reinstatement provision

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



## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.19 Trade and other payables

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

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

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

### 1.20 Employee benefits

#### 1.20.1 Pension obligations

The Group operates various pension schemes. The schemes are funded through payments to trustee-administered funds in accordance with the plan terms.

##### Provident fund

A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans in respect of services rendered in a particular period are recognised as an expense in that period. Additional contributions are recognised as an expense in the period during which the associated services are rendered by employees.

#### 1.20.2 Post-employment medical benefits

The Group provides for post-employment medical benefits, where they exist. The expected costs of these benefits are accrued over the period of employment based on past services and charged to the statement of comprehensive income as employee benefits. This post-employment medical benefit obligation is measured at present value by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The future cash outflows are estimated using amongst others the following assumptions: health-care cost inflation; discount rates; salary inflation, promotions and experience increases; expected mortality rates; expected retirement age; and continuation at retirement. Valuations of this obligation are carried out annually by independent qualified actuaries in respect of past-service liabilities using the projected unit credit method. Actuarial gains or losses are recognised immediately in equity as other comprehensive income. Settlement premiums, when it occurs, are recognised immediately in the statement of comprehensive income as employee benefits.

#### 1.20.3 Cash-settled share-based payments

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

#### 1.20.4 Equity-settled share-based payments

The Group operates an equity-settled share-based compensation plan under which it receives services from employees as consideration for equity instruments of the Company. The beneficiaries under the scheme are executive directors and management. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense on a straight-line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve.

The total amount to be expensed is determined by reference to the fair value of the shares granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of shares granted that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Full share grants awarded may be settled by way of a purchase of shares in the market, use of treasury shares or issue of new shares. If new shares are issued to equity-settle full share grants, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Where shares are held or acquired by subsidiary companies for equity compensation plans, they are treated as treasury shares. Any gains or losses on vesting of such shares are recognised directly in equity.

The effect of all full share grants issued under the share-based compensation plan is taken into account when calculating diluted earnings and diluted headline earnings per share.

#### 1.20.5 Bonus plans

The Group recognises a liability and an expense for bonuses, based on formulas that take into consideration the Group's trading profit after certain adjustments. The accrual for this liability is made where a contractual or constructive obligation exists.



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

20

## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.21 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested for impairment at each statement of financial position date. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. The determination of whether an asset is impaired requires significant management judgment and, amongst others, the following factors will be considered: duration and extent to which the fair value of the assets is less than its cost; industry, geographical and sector performance; changes in regional economies and operational and financing cash flows.

Where the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is impaired and the asset is written down to its recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. These calculations are prepared based on management's assumptions and estimates such as forecasted cash flows; management budgets and industry, regional and geographical operational and financial outlooks. For the purpose of impairment testing the assets are allocated to cash-generating units (CGUs) or a group of CGUs. CGUs are the lowest levels for which separately identifiable cash flows can be determined. The related impairment expense is charged to the statement of comprehensive income as expenditure of a capital nature.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists the Group will immediately recognise the reversal as income of a capital nature in the statement of comprehensive income. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

### 1.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of merchandise from ordinary Group-operating activities, net of value added tax, rebates and discounts and after eliminating sales within the Group. Sales are recognised upon delivery of products and customer acceptance. Payment is usually received via cash, debit card or credit card. Related card transaction costs are recognised in the statement of comprehensive income as other expenses. When merchandise is sold under instalment sale agreements, the present value of the instalment sale payments is recognised as a receivable.

### 1.23 Other operating income

Other operating income is recognised as follows:

#### 1.23.1 Finance income earned

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

#### 1.23.2 Rental income

Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due. Refer note 1.14.2.

#### 1.23.3 Franchise fees received

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

#### 1.23.4 Premium income

Premium income is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies inception during the period less amounts that are unearned at statement of financial position date. Refer note 1.29.2.

#### 1.23.5 Interest income

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

#### 1.23.6 Dividend income

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

#### 1.23.7 Gift vouchers and savings stamps

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

#### 1.23.8 Commission received

The Group acts as a payment office for the services and products provided by a variety of third parties to the Group's customers. The agent's commissions received by the Group from the third parties for the payment office service are recognised as other income. Commissions relating to third-party products are recognised when the underlying third-party payments take place. Commissions relating to third-party services are recognised based on the stage of completion by reference to services performed to date as a percentage of the total services to be performed.



## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.24 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale, are capitalised to the cost of that qualifying asset. The Group considers a period longer than twelve months to be a substantial period of time.

General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure. Specific borrowing costs are capitalised according to the borrowing costs incurred on the specific borrowing provided the borrowing facility is utilised specifically for the qualifying asset. All other borrowing costs incurred are recognised as an expense in the statement of comprehensive income and are accrued on a time basis by reference to the principal amounts outstanding and at the interest rate applicable.

### 1.25 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it will also be recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income.

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Management applies judgment to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

Deferred income tax liabilities are recognised on taxable temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is subject to taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide accrual for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated uncertain income tax positions based on best informed estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

### 1.26 Earnings per share

Earnings and headline earnings per share are calculated by dividing the net profit attributable to owners of the parent and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Convertible debt has dilutive potential. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect.

### 1.27 Government grants

Government grants, being assistance by government in the form of allowances and refunds for certain expenditure, are recognised at fair value when the Group complies with the conditions attached to the grants and the grants have been received. The grants are recognised, on a systematic basis, in the statement of comprehensive income as a deduction of the related expense over the periods necessary to match them with the related costs.

### 1.28 Dividends distributed to shareholders

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

### 1.29 Basis of accounting for underwriting activities

#### 1.29.1 Classification of contracts

Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. The accounting policies of the Group are in accordance with the policies for recognition and measurement of short term insurance contracts as outlined in SAICA Circular 2/2007 and IFRS 4: Insurance Contracts.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

An insurance risk is deemed significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. If significant additional benefits would be payable in scenarios that have commercial substance, the condition in the previous sentence may be met even if the insured event is extremely unlikely or even if the expected (i.e. probability weighted) present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.





# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

22

## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.29 Basis of accounting for underwriting activities (continued)

#### 1.29.2 Recognition and measurement of contracts

##### a) Premiums arising from general insurance business

Gross written premiums comprise the premiums on insurance contracts entered into during the year. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums are accounted for as income when the risk related to the insurance policy incepts.

##### b) Unearned premium allowance

The allowance for unearned premiums comprises the proportion of gross premiums written which relate to the unexpired period at the reporting date and is estimated to be earned in the following or subsequent financial years. The unearned premium allowance is computed separately for each insurance contract on a basis appropriate to the Group's release from insured risk, using the 365<sup>th</sup> method.

##### c) Claims arising from insurance business

Claims incurred in respect of insurance contracts consist of claims and claims-handling expenses paid during the financial year together with the movement in the provision for incurred but not reported claims. Provisions for incurred but not reported claims comprise provisions for claims arising from insured events that incurred before the statement of financial position date, but which had not been reported to the Group by that date.

##### d) Provision for outstanding claims

Provision is made for the estimated final cost of all claims that had not been settled by the reporting date, less amounts already paid. Liabilities for unpaid claims are estimated, using the input of assessments for individual cases reported to the Group and statistical analyses, to estimate the expected cost of more complex claims that may be affected by external factors. The Group does not discount its liabilities for unpaid claims.

##### e) Reinsurance

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

##### f) Liabilities and related assets under liability adequacy test

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

### 1.30 Related parties

Individuals, as well as their close family members, or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled. Key management personnel are defined as all directors of Shoprite Holdings Ltd and the prescribed officers of the main trading subsidiary (Shoprite Checkers (Pty) Ltd) of the Group.

### 1.31 Operating segment information

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision maker (this being the executive members of the Shoprite Holdings Ltd board of directors), in order to allocate resources and assess performance and for which discrete financial information is available.

Operating segments, which display similar economic characteristics and have similar products, services, customers, methods of distribution and regulatory environments are aggregated for reporting purposes.

The Group has the following four reportable segments:

1. **Supermarkets RSA** – all retail operations under the Shoprite, Checkers, Checkers Hyper and Usave brands in South Africa, retailing products such as food, clothing, general merchandise, cosmetics and liquor.
2. **Supermarkets Non-RSA** – all retail operations under the Shoprite, Checkers, Checkers Hyper, Usave and certain Hungry Lion brands outside of South Africa, retailing products such as food, clothing, general merchandise, cosmetics and liquor.
3. **Furniture** – all retail operations under the OK Furniture, OK Power Express and House & Home brands trading in RSA and Non-RSA, retailing products such as furniture, household appliances and home entertainment systems for cash or credit.
4. **Other operating segments** – all other operations not included in the above segments, trading in RSA and Non-RSA, including franchise operations and retail and wholesale of pharmaceutical products.

These segments were identified and grouped together using a combination of the products and services offered by the segments and the geographical areas in which they operate.

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



## 1. ACCOUNTING POLICIES (CONTINUED)

### 1.32 Standards, interpretations and amendments that are not yet effective at June 2014

The Group has considered the following new standards, and interpretations and amendments to existing standards, which are not yet effective as at June 2014:

Number	Title	Effective for year ending
IFRS 9	Financial Instruments	June 2018
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	June 2015
Amendments to IFRS 11	Joint Arrangements	June 2017
IFRS 14	Regulatory Deferral Accounts	June 2017
IFRS 15	Revenue from Contracts with Customers	June 2018
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation	June 2017
Amendment to IAS 19	Employee Benefits	June 2015
Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities	June 2015
Amendment to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	June 2015
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	June 2015
Various	Annual Improvements 2010 – 2012 cycle	June 2015
Various	Annual Improvements 2011 – 2013 cycle	June 2015
IFRIC 21	Leases	June 2015

The Group has not early adopted any of the above and the application thereof in future financial periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows.

### 1.33 Standards, interpretations and amendments effective at June 2014

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2014 had no significant effect on the Group's operations:

Number	Title
Amendments to IFRS 1	First-time Adoption on Government Loans
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 19	Employee Benefits
Revised IAS 27	Separate Financial Statements
Revised IAS 28	Investments in Associates and Joint Ventures
Various	Improvements to IFRSs 2011
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2014 had no significant effect on the Group's operations, but required adjustments to disclosures:

**The amendments to IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities** requires increased disclosures that focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

**IFRS 10: Consolidated Financial Statements** establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Group has revised its accounting policies on the consolidation of subsidiaries and concluded that the adoption of IFRS 10 did not result in any material change in the consolidation of the Group.

**IFRS 11: Joint Arrangements** eliminates the previous policy choice of proportionate consolidation for jointly controlled entities. Equity accounting becomes mandatory for participants in joint ventures. Previously, the Group proportionately consolidated all joint ventures which entailed that it included its share of the assets, liabilities, income and expenses of jointly controlled entities on a line-by-line basis in its financial statements. Under the equity method, the investment in joint ventures is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and movements in other comprehensive income of joint ventures after the date of acquisition. The Group's share of the profit or loss of joint ventures is recognised as a single line item in profit or loss under the equity method. The change from proportionate consolidation to equity accounting resulted in a change in individual asset, liability, income, expense and cash flow line items with no impact on equity or profit attributable to owners of the parent. The impact of the application of IFRS 11 on the Group's results is disclosed in note 43.

**IFRS 12: Disclosure of Interests in Other Entities** requires increased disclosures that help financial statement readers to evaluate the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

**IFRS 13: Fair Value Measurement** aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 was adopted and applied prospectively and it was assessed that the adoption did not result in any material impact on the financial results of the Group.

**Revised IAS 28: Investments in Associates and Joint Ventures** now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

### 1.34 Comparative figures

When necessary, comparative figures have been restated for the application of IFRS 11, with disclosure of the restatement detailed in note 43.

# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

24

## 2. OPERATING SEGMENT INFORMATION

### 2.1 Analysis per reportable segment

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

	Restated June 2013				
	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
Sale of merchandise					
External	70 707	11 657	3 562	6 531	92 457
Inter-segment	2 121	6	—	39	2 166
	72 828	11 663	3 562	6 570	94 623
Trading profit	4 513	600	131	148	5 392
Depreciation and amortisation	1 204	201	49	21	1 475
Total assets	22 292	6 327	3 021	1 840	33 480

### 2.2 Geographical analysis

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

	Restated June 2013		
	South Africa Rm	Outside South Africa Rm	Consolidated Rm
Sale of merchandise – external	79 575	12 882	92 457
Non-current assets*	9 916	2 789	12 705

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



### 3. PROPERTY, PLANT AND EQUIPMENT

#### 3.1 Reconciliation of carrying values

##### GROUP

Rm	Land	Buildings	Machinery, equipment and vehicles*	Leasehold improvements	Total
Carrying value at June 2012	1 065	2 697	5 076	784	9 622
Cost	1 065	2 903	8 915	1 081	13 964
Accumulated depreciation and impairment	—	(206)	(3 839)	(297)	(4 342)
Additions	16	601	2 232	191	3 040
Reclassification	—	(13)	9	4	—
Transfer from assets held for sale (note 4)	14	155	—	—	169
Acquisition of operations (note 32.5.1)	—	—	14	—	14
Disposal	(8)	(104)	(68)	(3)	(183)
Proceeds on disposal	(8)	(112)	(34)	(3)	(157)
Profit/(loss) on disposal and scrapping	—	8	(34)	—	(26)
Depreciation	—	(44)	(1 215)	(74)	(1 333)
Impairment (note 3.2)	—	(47)	(3)	—	(50)
Reversal of impairment (note 3.2)	—	7	—	12	19
Exchange rate differences	22	110	112	110	354
Carrying value at June 2013	1 109	3 362	6 157	1 024	11 652
Cost	1 109	3 664	10 396	1 362	16 531
Accumulated depreciation and impairment	—	(302)	(4 239)	(338)	(4 879)
Additions	41	516	2 572	543	3 672
Reclassification	(4)	(28)	(1)	33	—
Reclassification to software (note 9.2)	—	—	(70)	—	(70)
Transfer to assets held for sale (note 4)	(5)	(83)	—	(13)	(101)
Acquisition of operations (note 32.5.1)	—	—	10	—	10
Disposal	(46)	9	(83)	(18)	(138)
Proceeds on disposal	(46)	(4)	(55)	(20)	(125)
Profit/(loss) on disposal and scrapping	—	13	(28)	2	(13)
Depreciation	—	(53)	(1 438)	(77)	(1 568)
Impairment (note 3.2)	—	(14)	(10)	—	(24)
Reversal of impairment (note 3.2)	—	66	—	—	66
Exchange rate differences	5	33	13	26	77
Carrying value at June 2014	1 100	3 808	7 150	1 518	13 576
Cost	1 100	4 110	12 245	1 864	19 319
Accumulated depreciation and impairment	—	(302)	(5 095)	(346)	(5 743)

\*Includes aircraft with a carrying value of R79 million (2013: R88 million).



## Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

COMPANY

June 2013	June 2014
Rm	Rm

GROUP

	Restated
June	June
2014	2013
Rm	Rm

### 3.2 Impairment/reversal of impairment of property, plant and equipment

The recoverable amount of all property, plant and equipment is determined based on the higher of value-in-use and fair value less cost to sell. The assumptions and estimates used by management in determining the recoverable amount of assets, for which there is a significant impairment or reversal of impairment, is detailed below.

In determining the fair value less cost to sell of affected land and buildings, cash flow projections based on projected net market-related rentals covering the next planning period were used. An average pre-tax market capitalisation rate of 9.47% (2013: 9.81%) was used.

The fair value less cost to sell of affected assets, other than land and buildings, was based on management's best estimates taking into account recent selling prices obtained for similar assets in the Group, adjusting these values for the condition of the relevant assets.

The impairment charge in the current financial year arose in the Supermarkets RSA and Supermarkets Non-RSA (2013: Supermarkets RSA and Supermarkets Non-RSA) operating segments. This impairment was the result of a significant reduction in the future expected sales of merchandise in certain subsidiaries that own the assets, due to a weakening in the general economic conditions in which these subsidiaries operate.

The reversal of impairment, in the current and previous financial year, was due to improvements in the economic environment in which subsidiaries, where assets were previously impaired, operate. The original impairment charge as well as the reversal is included in the statement of comprehensive income as items of a capital nature. This impairment originated in the Supermarkets RSA (2013: Supermarkets Non-RSA) operating segment.



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
—	—	<b>4. ASSETS HELD FOR SALE</b>		
		Carrying value	160	57
		<p>It is the Group's policy to invest in fixed property only when appropriate rental space is not available. Certain land and buildings in the Supermarkets RSA and Supermarkets Non-RSA (2013: Supermarkets RSA) operating segments, have been reclassified as assets held for sale as the Group periodically re-evaluates its fixed property holdings in line with this policy. The Group is currently in the process of actively seeking buyers for these properties.</p> <p>During the previous financial year certain properties were transferred back to property, plant and equipment. The sale of these properties were reconsidered as it was no longer economically viable. This decision to reclassify had no significant effect on the Group's results.</p>		
		<b>4.1 Reconciliation of carrying value</b>		
		Carrying value at the beginning of the year	57	392
		Transfer from property, plant and equipment (note 3)	101	—
		Transfer to property, plant and equipment (note 3)	—	(169)
		Disposal	—	(170)
		Proceeds on disposal	—	(212)
		Profit on disposal and scrapping	—	42
		Additions	2	4
—	—	Carrying value at the end of the year	160	57
		<b>5. INTERESTS IN SUBSIDIARIES</b>		
925	1 609	Investments in ordinary shares		
1 443	1 443	Investments in preference shares		
1 697	2 267	Amounts owing by subsidiaries		
4 065	5 319		—	—
		Analysis of total interests in subsidiaries		
2 368	3 052	Non-current		
1 697	2 267	Current		
4 065	5 319		—	—
		Detail analysis of the Company's interests in subsidiaries are given in annexure A.		
		Investments in preference shares consist of convertible and redeemable, both under certain conditions, non-cumulative preference shares.		
		Amounts owing by subsidiaries of the Company are unsecured and payable on demand. Amounts owing by Shoprite Investments Ltd earn interest at a rate equal to the rate obtained from the investment of surplus funds of the Company which averaged at a rate of 5.45% (2013: 5.17%) during the year under review. All other amounts owing by subsidiaries are interest-free.		

# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

28

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>6. INVESTMENT IN ASSOCIATES AND JOINT VENTURES</b>		
—	—	Investment in associates (note 6.1)	149	131
—	—	Investment in joint ventures (note 6.2)	6	38
—	—		155	169
		<b>6.1 Investment in associates</b>		
—	—	Carrying value at the beginning of the year	131	104
—	—	Share of post-acquisition profits	7	5
—	—	Exchange rate differences	11	22
—	—	Carrying value at the end of the year	149	131
		The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. These are private companies and no quoted market prices are available for its shares.		
			% Owned by the Group	
			June 2014	June 2013
		Winhold Ltd	49%	49%
		Resilient Africa (Pty) Ltd*	33%	0%
		Resilient Africa Managers (Pty) Ltd*	33%	0%
		*These investments are owned directly by the Company.		
		The Group is committed to provide a shareholder loan to Resilient Africa (Pty) Ltd to a maximum of R641 million.		
		There are no contingent liabilities relating to the Group's interests in associates.		
		<b>6.2 Investment in joint ventures</b>		
		Carrying value at the beginning of the year	38	35
		Share of total comprehensive income	(11)	3
		Share of post-acquisition loss	(12)	—
		Share of other comprehensive income	1	3
		Dividends received from joint ventures	(21)	—
—	—	Carrying value at the end of the year	6	38
		The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. These are private companies and no quoted market prices are available for its shares.		
			% Owned by the Group	
			June 2014	June 2013
		Hungry Lion Fast Foods (Pty) Ltd	50%	50%
		Hungry Lion (Mauritius) Ltd	50%	50%
		There are no contingent liabilities relating to the Group's interests in joint ventures.		



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>7. LOANS AND RECEIVABLES</b>		
		Amounts owing by associate (note 7.1)	76	—
		Amounts owing by employees (note 7.2)	224	—
		Amounts owing by franchisees (note 7.3)	41	28
		Other	1	1
—	—		342	29
		Analysis of total loans and receivables		
		Non-current	316	10
		Current	26	19
—	—		342	29
—	—	<b>7.1 Amounts owing by associate</b>	76	—
		The amount owing by Resilient Africa (Pty) Ltd earns interest at an average rate of 6.6% p.a. and is repayable on demand, subject to certain conditions. The amount is denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value.		
—	—	<b>7.2 Amounts owing by employees</b>	224	—
		The amount owing by employees earns interest at an average rate of 6.5% p.a. and is repayable on 30 June 2017. Accrued interest is payable bi-annually on 3 April and 3 October. The amount is denominated in ZAR. These loans were granted on commercial terms with full recourse. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value. Shoprite Investments Ltd 6.5% convertible bonds to the value of R224 million are held as collateral for these amounts.		

# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

30

COMPANY		GROUP	
June 2013 Rm	June 2014 Rm	June 2014 Rm	Restated June 2013 Rm
<b>7. LOANS AND RECEIVABLES (CONTINUED)</b>			
<b>7.3 Amounts owing by franchisees</b>			
		43	31
		(2)	(3)
—	—	41	28
<p>The weighted average variable interest rate (linked to the South African prime rate) on these amounts was 9.0% (2013: 7.4%) p.a. and the amounts are repayable between one and five years. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually impaired. The credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R44 million (2013: R25 million) are held as collateral for these amounts.</p>			
Reconciliation of accumulated impairment			
		3	11
		(1)	(8)
—	—	2	3
The allowance for impairment relates to the following amounts owing by franchisees:			
		2	2
		3	4
—	—	5	6
<p>Amounts owing by franchisees relate to a wide-spread number of franchisees which are individually insignificant.</p> <p>The individually impaired amounts owing by franchisees relate to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R0.3 million (2013: R0.2 million) was accrued on these balances during the year under review. All balances that were past due were considered for impairment.</p>			



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>8. DEFERRED INCOME TAX</b>		
1	1	Deferred income tax assets (note 8.1)	440	420
—	—	Deferred income tax liabilities (note 8.2)	(187)	(196)
1	1	Net deferred income tax assets	253	224
		The movement in the net deferred income tax assets is as follows:		
1	1	Carrying value at the beginning of the year	224	260
—	—	Charge to profit for the year	40	(45)
—	—	Provisions and accruals	144	7
—	—	Allowances on property, plant and equipment	(66)	(95)
—	—	Fixed escalation operating lease accruals	34	25
—	—	Allowances on intangible assets	(46)	(1)
—	—	Share-based payment accrual	—	(4)
—	—	Unrealised exchange rate differences	21	4
—	—	Tax losses	(46)	20
—	—	Tax rate change	(1)	(1)
—	—	Charged to other comprehensive income	(1)	—
—	—	Charged to equity	(10)	—
—	—	Exchange rate differences	—	9
1	1	Carrying value at the end of the year	253	224
		<b>8.1 Deferred income tax assets</b>		
1	1	Provisions and accruals	666	589
—	—	Allowances on property, plant and equipment	(389)	(356)
—	—	Fixed escalation operating lease accruals	215	183
—	—	Allowances on intangible assets	(99)	(68)
—	—	Unrealised exchange rate differences	44	27
—	—	Tax losses	3	45
1	1		440	420
—	—	Net taxable temporary differences to be settled after more than 12 months	(431)	(351)
1	1	Net deductible temporary differences to be recovered within 12 months	871	771
1	1		440	420
		<b>8.2 Deferred income tax liabilities</b>		
—	—	Provisions and accruals	125	143
—	—	Allowances on property, plant and equipment	106	98
—	—	Fixed escalation operating lease accruals	(2)	(1)
—	—	Allowances on intangible assets	4	—
—	—	Unrealised exchange rate differences	(22)	(17)
—	—	Tax losses	(24)	(27)
—	—		187	196
—	—	Net taxable temporary differences to be settled after more than 12 months	260	203
—	—	Net deductible temporary differences to be recovered within 12 months	(73)	(7)
—	—		187	196



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

32

COMPANY			GROUP	
June 2013	June 2014		June 2014	Restated June 2013
Rm	Rm		Rm	Rm
		<b>8. DEFERRED INCOME TAX (CONTINUED)</b>		
		<b>8.3 Net calculated income tax losses and net deductible temporary differences</b>		
		Calculated income tax losses and net deductible temporary differences at year-end	2 204	1 864
		Applied in the provision for deferred income tax	(907)	(1 059)
—	—		1 297	805
		The utilisation of the income tax relief on net calculated income tax losses, to the value of R383 million (2013: R276 million), is dependent on sufficient future taxable income in the companies concerned. The income tax relief is calculated at current income tax rates and translated at closing rates.		
		The carry forward of all gross calculated income tax losses is indefinite, except for certain African countries, as set out below:		
		Expiry date of income tax relief		
		30 June 2014	—	9
		30 June 2015	4	9
		30 June 2016	6	7
		30 June 2017	25	20
		30 June 2018	6	7
		30 June 2019	4	1
		30 June 2020	1	—
—	—		46	53
		Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created	97	90
—	—			
		<b>9. INTANGIBLE ASSETS</b>		
		Goodwill (note 9.1)	276	236
		Software (note 9.2)	879	725
		Trademarks (note 9.3)	40	44
		Customer relationships (note 9.4)	30	36
—	—		1 225	1 041
		<b>9.1 Goodwill</b>		
—	—	Carrying value at the beginning of the year	236	192
		Gross amount	385	322
		Impairment losses	(149)	(130)
		Acquisition of operations (note 32.5.1)	51	57
		Impairment (note 9.1.1)	(12)	(14)
		Exchange rate differences	1	1
—	—	Carrying value at the end of the year	276	236
		Gross amount	440	385
		Impairment losses	(164)	(149)





## COMPANY

## GROUP

June  
2013  
Rm

June  
2014  
Rm

June  
2014  
Rm

Restated  
June  
2013  
Rm

## 9. INTANGIBLE ASSETS (CONTINUED)

## 9.1 Goodwill (continued)

## 9.1.1 Impairment of goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five-year planning periods. Cash flows beyond these planning periods are extrapolated using an estimated growth rate of 5.0% (2013: 6.0%). This does not exceed the long term average growth rate for the business in which the CGUs operate. The following represent significant assumptions on which management based cash flow projections.

	June 2014 %	June 2013 %
<b>Supermarket operations</b>		
Operating margin*	5.9	5.2
Growth rate**	5.0	6.0
Pre-tax discount rate***	10.5	10.5
<b>Other operations</b>		
Operating margin*	3.3	3.2
Growth rate**	5.0	6.0
Pre-tax discount rate***	10.5	7.6

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

\*\* Weighted average sales growth rate

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

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

The impairment charge in the current financial year arose in CGUs in the Supermarkets RSA (2013: Supermarkets RSA and Other) operating segments. This impairment was the result of a significant reduction in the future expected sales due to a weakening in the general economic conditions in which these CGUs operate.



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

34

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>9. INTANGIBLE ASSETS (CONTINUED)</b>		
		<b>9.2 Software</b>		
—	—	Carrying value at the beginning of the year	725	616
		Gross amount	1 008	782
		Accumulated amortisation and impairment losses	(283)	(166)
		Additions	60	40
		Internally generated	177	202
		Reclassification from property, plant and equipment (note 3)	70	—
		Proceeds on disposal	(1)	—
		Amortisation	(152)	(133)
—	—	Carrying value at the end of the year	879	725
		Gross amount	1 300	1 008
		Accumulated amortisation and impairment losses	(421)	(283)
		Included in the gross amount of software is R177 million (2013: R186 million) that relates to cost capitalised for software not yet in use. This relates mainly to the implementation of SAP merchandising software. The gross amount of software not yet in use was evaluated for impairment by the directors at the statement of financial position date.		
		<b>9.3 Trademarks</b>		
—	—	Carrying value at the beginning of the year	44	48
		Gross amount	194	194
		Accumulated amortisation	(150)	(146)
		Amortisation	(4)	(4)
—	—	Carrying value at the end of the year	40	44
		Gross amount	194	194
		Accumulated amortisation	(154)	(150)
		<b>9.4 Customer relationships</b>		
—	—	Carrying value at the beginning of the year	36	41
		Gross amount	54	54
		Accumulated amortisation	(18)	(13)
		Amortisation	(6)	(5)
—	—	Carrying value at the end of the year	30	36
		Gross amount	54	54
		Accumulated amortisation	(24)	(18)
		<b>10. FIXED ESCALATION OPERATING LEASE ACCRUALS</b>		
		Operating lease receipts straight-lined	20	12
		Less: current (included under trade and other receivables: note 12)	(2)	—
—	—		18	12
		<b>11. INVENTORIES</b>		
—	—	Trading goods	12 344	10 310



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>12. TRADE AND OTHER RECEIVABLES</b>		
		Instalment sales		
		Gross amount (note 12.1)	1 666	1 453
		Accumulated impairment (note 12.2)	(193)	(153)
		Unearned finance income	(60)	(43)
—	—		1 413	1 257
—	—	Trade receivables (note 12.3)	1 498	1 316
40	17	Other receivables (note 12.4)	465	459
—	1	Prepayments and taxes receivable	566	343
—	—	Fixed escalation operating lease accruals (note 10)	2	—
—	—	Amounts owing by joint ventures (note 12.5)	136	97
40	18		4 080	3 472
		<b>12.1 Instalment sales</b>		
		The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between 1 and 2 years and the weighted average interest rate on these receivables is 20.5% (2013: 21.0%) p.a. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Instalment sales comprise a wide-spread client base and external credit checks are made to ensure that all instalment sale clients have an appropriate credit history. Furniture items, including appliances and electronic products are held as collateral for all instalment sale agreements.		
		Instalment sale receivables		
		Future minimum instalment payments receivable under non-cancellable instalment sale agreements		
		Not later than 1 year	974	953
		Later than 1 year not later than 2 years	692	500
—	—		1 666	1 453
		<b>12.2 Accumulated impairment</b>		
		Reconciliation of accumulated impairment		
		Balance at the beginning of the year	153	136
		Allowance for impairment for the year	124	73
		Receivables written off during the year as uncollectible	(79)	(68)
		Penalty interest accrued	1	13
		Exchange rate differences	—	2
		Unused amounts reversed	(6)	(3)
—	—	Balance at the end of the year	193	153
		The accumulated impairment relates to actual arrears, individual repayments that are past due, and the age analysis below reflects the period that these amounts are overdue.		
		30 days	38	29
		60 days	24	18
		90 days	18	13
		120 days	14	10
		150 days	11	8
		180 days	9	7
		+ 180 days	52	39
—	—		166	124



## Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

36

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>12. TRADE AND OTHER RECEIVABLES (CONTINUED)</b>		
		<b>12.2 Accumulated impairment (continued)</b>		
		The accumulated impairment is calculated with reference to actual default history of the Group's instalment sale receivables on a collective basis and is in line with industry norms. On this basis the provision of R193 million (2013: R153 million) was calculated taking into account the actual arrears of R166 million (2013: R124 million) and an amount of R495 million (2013: R378 million) which represents the maximum exposure if all debtors included in actual arrears continued to default. It was assessed that a portion of the receivables is expected to be recovered. All amounts that have not been impaired are fully performing and have no overdue instalments. Based on this the credit quality of these amounts is considered to be satisfactory.		
		<b>12.3 Trade receivables</b>		
		Gross amount	1 630	1 471
		Accumulated impairment	(132)	(155)
—	—		1 498	1 316
		Trade receivables consist mainly of sale of merchandise to franchisees and buying aid societies. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually assessed for impairment. Franchisees comprise a wide-spread client base and the credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R817 million (2013: R553 million) are held as collateral for these amounts. Long standing trading relationships exist with the buying aid societies and the Group reviews the credit history, based on its own records as well as information from an external credit bureau, of these societies on a cyclical basis. Based on this the Group considers the credit quality of all fully performing amounts as satisfactory.		
		Reconciliation of accumulated impairment		
		Balance at the beginning of the year	155	110
		Allowance for impairment for the year	18	50
		Receivables written off during the year as uncollectible	(8)	(9)
		Exchange rate differences	2	5
		Unused amounts reversed	(35)	(1)
—	—	Balance at the end of the year	132	155



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>12. TRADE AND OTHER RECEIVABLES (CONTINUED)</b> <b>12.3 Trade receivables (continued)</b> The provision for impairment relates to trade receivables of R166 million (2013: R225 million) receivable within the next 12 months.  These individually impaired amounts relate mostly to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R1.4 million (2013: R1.6 million) was accrued on these balances during the year under review.  Trade receivables of R122 million (2013: R61 million) that were past due for more than 30 days of statement date were not impaired. These amounts relate to a number of debtors for whom there is no recent history of default.		
40	17	<b>12.4 Other receivables</b> Other receivables consist of various operational debtors such as rental and municipal deposits refundable. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. The age analysis of these amounts are reviewed on a monthly basis and no allowance for impairment has been made. If the credit risk of any individual receivables is deemed to be material the credit history of the relevant client will be verified with an external credit bureau. No security is held for these balances.	465	459
—	—	<b>12.5 Amounts owing by joint ventures</b> These amounts owing are unsecured, payable on demand and earn interest at an average of 4.9% (2013: 4.3%) p.a. The maximum exposure to credit risk at the reporting date is the carrying value and the Group does not hold any collateral as security. The amounts are mainly denominated in ZAR and are not impaired.	136	97
		<b>13. DERIVATIVE FINANCIAL INSTRUMENTS</b> Forward foreign exchange rate contracts (note 40.1.1) Current assets	1	24
		As at June 2014 the settlement dates on open forward contracts ranged between one and two (2013: one and three) months. The local currency amounts to be received and contractual exchange rates of the Group's outstanding contracts were: USA dollar rand equivalent at rates averaging R1 = \$0.0940 (2013: R1 = \$0.1028) Outflow (323) (492) Inflow 322 504 Euro rand equivalent at rates averaging R1 = €0.0684 (2013: R1 = €0.0772) Outflow (62) (59) Inflow 62 59		



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

38

## COMPANY

June  
2013  
Rm

June  
2014  
Rm

## GROUP

June  
2014  
Rm

Restated  
June  
2013  
Rm

### 14. SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES

#### 14.1 Ordinary share capital

Authorised:

650 000 000 (2013: 650 000 000) ordinary shares of 113.4 cents each

Issued:

572 871 960 (2013: 570 579 460) ordinary shares of 113.4 cents each

Reconciliation of movement in number of ordinary shares issued:

	Number of shares	
	June 2014	June 2013
Balance at the beginning of the year	570 579 460	570 579 460
Shares issued during the year	2 292 500	—
Balance at the end of the year	572 871 960	570 579 460

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

Treasury shares held by Shoprite Checkers (Pty) Ltd are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:

	Number of shares	
	June 2014	June 2013
Issued ordinary share capital	572 871 960	570 579 460
Treasury shares (note 14.3)	(37 729 072)	(35 436 572)
	535 142 888	535 142 888

The unissued ordinary shares are under the control of the directors who may issue them on such terms and conditions as they deem fit until the Company's next annual general meeting.

All shares are fully paid up.

Details of special resolutions passed by the Company and its subsidiaries during the reporting period are provided in the directors' report. Full details are provided in the notice to shareholders contained in the Integrated Report.

647

650

650

647





COMPANY		GROUP	
June 2013 Rm	June 2014 Rm	June 2014 Rm	Restated June 2013 Rm



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

40

## 14. SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (CONTINUED)

### 14.4 Share-based compensation plans

#### 14.4.1 Cash-settled share-based payments

The Group has granted cash-settled share-based payments to directors and management. The rights to cash-settled share-based payments entitle the participants to receive cash payments based on the difference between the share price at the date of the exercise of the rights and the strike price which relates to the share price at the date of the grant. The number of shares on which the rights are based as well as the strike prices and the exercise and expiry dates are set out below. The Group has recognised the liability in respect of the cash-settled share-based payments and included it in payables (refer note 19).

Refer note 23.1 for the expense recognised in the statement of comprehensive income as employee benefits.

	Weighted average strike price per share		Number of shares on which rights are based	
	June 2014	June 2013	June 2014	June 2013
Movements in rights to cash-settled share-based payments:				
Balance at the beginning of the year	R14.59	R28.02	1 216 668	5 208 334
Exercised during the year	R49.47	R32.11	(175 001)	(3 991 666)
Balance at the end of the year	R8.73	R14.59	1 041 667	1 216 668
Rights to cash-settled share-based payments on June 2014 are unconditional on the following dates or immediately in the case of a deceased estate:				
10 Oct 2013	—	R45.45	—	133 334
9 Oct 2013	—	R62.35	—	41 667
9 Oct 2014	R62.35	R62.35	41 667	41 667
CH Wiese: refer below	R6.50	R6.50	1 000 000	1 000 000
	R8.73	R14.59	1 041 667	1 216 668

Cash-settled share-based payments issued to directors:			Number of shares on which rights are based			Strike price per share
Director	Expiry date	Exercise date	At June 2013	Exercised during the year	At June 2014	
CH Wiese*	5 Sep 2022	Currently exercisable	1 000 000	—	1 000 000	R6.50
AE Karp	10 Oct 2013	10 Oct 2013**	133 334	(133 334)	—	R45.45

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

\*\* The market price of share appreciation rights exercised on 10 October 2013 was R169.14 per share.



## 14. SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (CONTINUED)

### 14.4 Share-based compensation plans (continued)

#### 14.4.2 Equity-settled share-based payments

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

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

Refer note 23.1 for the expense recognised in the statement of comprehensive income as employee benefits.

The fair value of full share grants awarded during the year was based on the market price of a Shoprite Holdings Ltd share as quoted on the JSE on the date of the grant and determined at R156.96 per share. The following assumptions were used in calculating the fair value:

	June 2014
Total number of full share grants	2 292 500
Grant date	15 June 2014
Vesting date	15 June 2017
Share price on grant date	R156.96
Exercise price	R0.00
Forfeiture rate	10.0%

The number of full share grants awarded are set out below. The Group has recognised the share-based payment reserve in respect of the equity-settled share-based payments and has included it within equity.

	Weighted average price per share on date of the grant		Number of shares	
	June 2014	June 2013	June 2014	June 2013
Movements in the number of full share grants awarded to participants:				
Balance at the beginning of the year	R0.00	—	—	—
Shares granted during the year	R156.96	—	2 292 500	—
Balance at the end of the year	R156.96	—	2 292 500	—

Rights to full share grants are unconditional on 15 June 2017 or immediately in the case of a deceased estate.

Full share grants held by executive directors in terms of the executive share plan:

Director	Grant date	Number of shares			Share price on date of the grant
		At June 2013	Shares granted during the year	At June 2014	
JAL Basson	15 June 2014	—	40 000	40 000	R156.96
M Bosman	15 June 2014	—	50 000	50 000	R156.96
PC Engelbrecht	15 June 2014	—	80 000	80 000	R156.96
AE Karp	15 June 2014	—	60 000	60 000	R156.96



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

42

COMPANY			GROUP	
June 2013	June 2014		June 2014	Restated June 2013
Rm	Rm		Rm	Rm
<b>15. RESERVES</b>				
2 179	2 504	Retained earnings	11 982	10 104
2	2	Other reserves (note 15.1)	1 236	1 081
2 181	2 506		13 218	11 185
<b>15.1 Other reserves</b>				
2	2	Capital redemption reserve	2	2
—	—	Share-based payments reserve	4	—
—	—	Equity component of convertible bonds	361	334
—	—	Foreign currency translation reserve	869	745
2	2		1 236	1 081

## Reconciliation of carrying values of other reserves

Rm	Share-based payments reserve	Equity component of convertible bonds	Foreign currency translation reserve	Other
Balance at June 2012	—	334	207	2
Foreign currency translation differences			538	
Group			514	
Associates and joint ventures			24	
Balance at June 2013	—	334	745	2
Share-based payments – value of employee services	4			
Equity component of convertible bonds sold during the year		27		
Equity component of convertible bonds on 15 June 2014		37		
Deferred income tax on equity component of convertible bonds		(10)		
Foreign currency translation differences			124	
Group			123	
Associates and joint ventures			1	
Balance at June 2014	4	361	869	2



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>16. BORROWINGS</b>		
		Consisting of:		
2	2	Shoprite Holdings Ltd preference share capital (note 16.1)	2	2
—	—	Shoprite International Ltd preference share capital (note 16.2)	—	—
—	—	Convertible bonds (note 16.3)	4 381	4 078
—	—	Standard Bank de Angola, S.A. (note 16.4)	218	—
—	—	First National Bank of Namibia Ltd (note 16.5)	83	72
2	2		4 684	4 152
		Analysis of total borrowings		
2	2	Non-current	4 373	3 824
—	—	Current	311	328
2	2		4 684	4 152
		<b>16.1 Shoprite Holdings Ltd preference share capital</b>		
		Authorised:		
		175 000 (2013: 175 000) 6% non-convertible cumulative preference shares of R2 each		
		325 000 (2013: 325 000) 5% non-convertible cumulative preference shares of R2 each		
		225 000 (2013: 225 000) second 5% non-convertible cumulative preference shares of R2 each		
		1 000 000 (2013: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each		
		Issued:		
—	—	175 000 (2013: 175 000) 6% non-convertible cumulative preference shares of R2 each	—	—
1	1	325 000 (2013: 325 000) 5% non-convertible cumulative preference shares of R2 each	1	1
—	—	225 000 (2013: 225 000) second 5% non-convertible cumulative preference shares of R2 each	—	—
1	1	500 000 (2013: 500 000) third 5% non-convertible cumulative preference shares of R2 each	1	1
2	2		2	2
		<b>16.2 Shoprite International Ltd preference share capital</b>		
		0 (2013: 20) "Malawi" redeemable under certain conditions, preference shares of USD1.82 each	—	4
		0 (2013: 2) "Angola" redeemable under certain conditions, preference shares of USD1.82 each	—	—
		Accumulated losses recognised	—	(4)
—	—		—	—

# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

44

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>16. BORROWINGS (CONTINUED)</b>		
		<b>16.3 Convertible bonds</b>		
		The Group has issued 6.5% convertible bonds for a principal amount of R4.7 billion (2013: R4.5 billion). The bonds mature on 3 April 2017 at their nominal value of R4.7 billion (2013: R4.5 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:		
		Face value of convertible bonds at the beginning of the year*	4 548	4 445
		Equity component*	(470)	(470)
—	—	Liability component at the beginning of the year	4 078	3 975
		Face value of convertible bonds sold on 15 June 2014	224	—
		Equity component (note 15.1)	(37)	—
		Liability component on initial recognition of convertible bonds at 15 June 2014	187	—
		Interest expense (note 28)	408	396
		Interest paid	(292)	(293)
—	—	Liability component at the end of the year	4 381	4 078
		*The transaction costs have been allocated to the equity and liability components based on their relative day one values.		
		The fair value of the liability component of the convertible bonds amounted to R4.5 billion (2013: R4.3 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.9% (2013: 8.6%) and are within level 2 of the fair value hierarchy.		
—	—	<b>16.4 Standard Bank de Angola, S.A.</b>	218	—
		This loan is unsecured, payable after 18 months and bears interest at an average of 10.20% p.a.		
—	—	<b>16.5 First National Bank of Namibia Ltd</b>	83	72
		This loan is unsecured, payable after 18 months and bears interest at an average of 8.75% (2013: 8.42%) p.a.		





## COMPANY

## GROUP

June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>17. PROVISIONS</b>		
		Provision for post-employment medical benefits (note 36.2)	35	40
		Provision for onerous lease contracts	51	40
		Provision for outstanding claims	6	2
		Provision for long term employee benefits	192	162
		Reinstatement provision	131	140
—	—		415	384

## Reconciliation of carrying values

Rm	Post- employment medical benefits	Onerous lease contracts	Outstanding claims	Long term employee benefits	Reinstatement provision	Total
Balance at June 2012	33	43	2	257	140	475
Additional provisions	6	26	—	34	10	76
Unused amounts reversed	—	(18)	—	(8)	—	(26)
Utilised during the year	(2)	(14)	—	(123)	(10)	(149)
Accretion of discount	3	3	—	—	—	6
Exchange rate differences	—	—	—	2	—	2
Balance at June 2013	40	40	2	162	140	384
Additional provisions	—	24	4	176	4	208
Unused amounts reversed	—	(7)	—	(5)	(1)	(13)
Re-measurements recognised directly in other comprehensive income	(6)	—	—	—	—	(6)
Utilised during the year	(2)	(8)	—	(150)	(12)	(172)
Accretion of discount	3	2	—	9	—	14
Balance at June 2014	35	51	6	192	131	415

## Analysis of total provisions

## 2013

Non-current	40	28	—	116	67	251
Current	—	12	2	46	73	133
	40	40	2	162	140	384

## 2014

Non-current	35	45	3	140	54	277
Current	—	6	3	52	77	138
	35	51	6	192	131	415

## Discount rates used

2013	8%	8%	N/A	7%	8%
2014	9%	11%	N/A	9%	11%



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

46

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>18. FIXED ESCALATION OPERATING LEASE ACCRUALS</b>		
		Operating lease payments straight-lined (refer note 22)	774	656
		Less: current (included under trade and other payables: note 19)	(80)	(80)
—	—		694	576
		<b>19. TRADE AND OTHER PAYABLES</b>		
—	—	Trade payables	11 133	8 134
2	3	Other payables and accruals	3 529	3 043
—	—	Employee benefit accruals	929	780
—	—	Indirect taxes payable	270	253
—	—	Insurance contract allowances		
—	—	– Unearned premiums (note 19.1)	228	200
—	—	Amounts owing to joint ventures (note 19.2)	28	42
—	—	Fixed escalation operating lease accruals (note 18)	80	80
—	—	Cash-settled share-based payment accrual (note 14.4.1)	135	193
2	3		16 332	12 725
		<b>19.1 Allowance for unearned premiums</b>		
		An analysis of the allowance for unearned premiums is set out below:		
		Balance at the beginning of the year	200	178
		Premiums written during the year (note 20.3)	398	355
		Amortisation charged to income (note 20.3)	(370)	(333)
—	—	Balance at the end of the year	228	200
—	—	<b>19.2 Amounts owing to joint ventures</b>	28	42
		These loans are unsecured, payable on demand and bear interest at an average of 4.9% (2013: 4.5%) p.a.		



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
<b>20. OTHER OPERATING INCOME</b>				
—	—	Finance income earned	260	228
2 434	2 249	Investment income (note 20.1)	36	40
—	—	Franchise fees received	51	51
—	—	Operating lease income (note 20.2)	300	280
—	—	Commissions received	635	575
—	—	Premiums earned (note 20.3)	370	333
61	9	Other income (note 20.4)	1 188	1 100
2 495	2 258		2 840	2 607
<b>20.1 Investment income</b>				
20	41	Interest received from subsidiaries	—	—
—	—	Interest received from joint ventures	4	2
—	—	Interest received other	23	24
2 414	2 208	Dividends – subsidiaries	—	—
—	—	– unlisted investments	9	14
2 434	2 249		36	40
<b>20.2 Operating lease income</b>				
The Group has entered into various operating lease agreements as the lessor of property.				
Leases on properties are contracted for periods of between 1 and 10 years (2013: 1 and 9 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 7.4% (2013: 7.0%) p.a.				
<b>20.3 Premiums earned</b>				
		Premiums written	398	355
		Change in allowance for unearned premiums	(28)	(22)
—	—		370	333
<b>20.4 Other income</b>				
Included in other income for the previous year is R53.4 million that the Company received as a capital distribution from The Shoprite Holdings Ltd Share Incentive Trust.				
<b>21. DEPRECIATION AND AMORTISATION</b>				
		Property, plant and equipment	1 568	1 333
		Intangible assets	162	142
			1 730	1 475
		Disclosed as cost of sales	(205)	(139)
—	—		1 525	1 336



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

48

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>22. OPERATING LEASES</b>		
		The Group has entered into various operating lease agreements on property, plant and equipment.		
		Leases on properties are contracted for periods of between 5 and 10 years (2013: 5 and 10 years) with renewal options averaging a further 4 to 15 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1.87% (2013: 1.87%) of turnover. Rental escalations vary, but average at a rate of 6.70% (2013: 6.64%) p.a.		
		Operating lease payments – property	2 589	2 164
		Operating lease payments – equipment	112	93
			2 701	2 257
		Disclosed as cost of sales	(105)	(44)
–	–		2 596	2 213
		Consisting of:		
		Minimum lease payments	2 444	2 054
		Contingent lease payments	257	203
–	–		2 701	2 257
		<b>23. EMPLOYEE BENEFITS</b>		
		Wages and salaries	7 945	7 145
		Share-based payment arrangements (note 23.1)	(25)	79
		Post-employment medical benefits (note 36.2)	3	9
		Retirement benefit contributions (note 36.1)	450	396
			8 373	7 629
		Disclosed as cost of sales	(650)	(484)
–	–		7 723	7 145
		<b>23.1 Share-based payment arrangements</b>		
		Cash-settled share-based payments (note 14.4.1)	(29)	79
		Equity-settled share-based payments (note 14.4.2)	4	–
–	–		(25)	79
		<b>23.2 Learnership allowances</b>		
		The Group has, during the year under review, received certain learnership allowances.		
		<b>Sector Educational Training Authorities (SETA) grants</b>		
		In terms of the SETA grant in South Africa the Group can recoup Skills Development Levies (SDLs) to the extent that training, as prescribed by SETA, is provided to its employees. The resulting reduction in SDLs is set out below. The net amount is taxed at 28% (2013: 28%).		
		Mandatory grants received	12	28
		Discretionary grants received	13	15
–	–		25	43



## COMPANY

## GROUP

June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
<b>24. DIRECTORS' REMUNERATION</b>				
117	101	Executive directors		
2	2	Non-executive directors		
119	103		—	—
(117)	(101)	Less: paid by subsidiaries and joint ventures		
2	2		—	—
<p>The only prescribed officers of the Group are the Shoprite Holdings Ltd directors and alternate directors, as listed below.</p> <p>For details of equity and cash-settled share-based payment instruments issued to directors refer note 14.4.</p> <p>Refer note 42 for details of amounts owing by directors at the end of the reporting period.</p>				

R'000	June 2014					June 2013					
	Remu- neration	Perfor- mance bonus	Retire- ment and medical benefits	Other benefits	Total	Remu- neration	Perfor- mance bonus	Retire- ment and medical benefits	Cash retention payment*	Other benefits	Total
<b>Executive directors and alternates</b>											
JW Basson	49 656	—	50	266	49 972	49 656	—	43	—	302	50 001
JAL Basson	1 484	255	254	173	2 166	1 383	288	236	1 164	166	3 237
M Bosman	1 959	1 568	458	178	4 163	1 866	1 481	436	3 259	175	7 217
PC Engelbrecht	3 262	2 066	603	214	6 145	3 015	1 933	557	6 983	200	12 688
CG Goosen	3 849	2 868	1 001	175	7 893	3 635	2 721	877	8 845	217	16 295
B Harisunker	2 399	1 308	811	245	4 763	2 260	1 205	759	3 259	208	7 691
AE Karp	3 595	2 966	745	248	7 554	3 395	530	697	—	461	5 083
EL Nel	2 780	1 941	—	192	4 913	2 251	1 656	396	3 724	173	8 200
BR Weyers	1 842	1 354	525	162	3 883	1 747	1 286	460	2 793	206	6 492
	70 826	14 326	4 447	1 853	91 452	69 208	11 100	4 461	30 027	2 108	116 904

R'000	June 2014		June 2013	
	Fees	Total	Fees	Total
<b>Non-executive directors</b>				
JJ Fouché	146	146	144	144
EC Kieswetter	214	214	188	188
JA Louw	419	419	366	366
JF Malherbe (retired 28/10/2013)	80	80	236	236
ATM Mokgokong (appointed 06/08/2012)	146	146	124	124
JG Rademeyer	379	379	351	351
JA Rock	146	146	135	135
CH Wiese**	399	399	390	390
	1 929	1 929	1 934	1 934

\* Refer to the remuneration report contained in the 2013 Integrated Report for details of cash retention payments.

\*\* Paid to Chaircorp (Pty) Ltd in its capacity as employer.



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

50

COMPANY			GROUP	
June 2013	June 2014		June 2014	Restated June 2013
Rm	Rm		Rm	Rm
		<b>25. OTHER OPERATING EXPENSES</b>		
—	—	Electricity and water	1 735	1 505
13	11	Fees for professional services	330	270
—	—	Repairs and maintenance	1 083	944
—	—	Security services	941	813
7	7	Other expenses	3 129	2 695
20	18		7 218	6 227
—	—	Disclosed as cost of sales	(668)	(405)
20	18		6 550	5 822
		<b>26. ITEMS OF A CAPITAL NATURE</b>		
—	—	Profit on disposal of property (note 3)	13	8
—	—	Profit on disposal of assets held for sale (note 4)	—	42
—	—	Loss on disposal and scrapping of plant and equipment (note 3)	(26)	(34)
—	—	Insurance claims paid	(1)	—
—	—	Reversal of impairment/(impairment) of property, plant and equipment (note 3)	42	(31)
—	—	Impairment of goodwill (note 9.1)	(12)	(14)
(3)	—	Amount owed by subsidiary written off	—	—
(17)	—	Impairment of interests in subsidiaries	—	—
—	—	Loss on other investing activities	(13)	(2)
(20)	—		3	(31)
		<b>27. OPERATING PROFIT</b>		
		Determined after taking into account the following:		
		Fair value (losses)/gains on financial instruments	(23)	24
		Policyholder claims and benefits paid	37	28
		– claims paid	33	28
		– movement in accumulated unpaid claims (note 17)	4	—
		<b>28. FINANCE COSTS</b>		
—	—	Interest on convertible bonds	408	396
—	—	Interest paid	45	32
—	—	Interest paid to joint ventures	3	2
—	—	Preference dividends	5	—
—	—		461	430





COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
<b>29. INCOME TAX EXPENSE</b>				
<b>29.1 Classification</b>				
53	47	South African income tax	1 522	1 328
—	—	Foreign income tax	205	248
53	47		1 727	1 576
<b>29.2 Consisting of:</b>				
54	48	Current income tax	1 728	1 482
(1)	(1)	Prior year income tax	13	25
—	—	Withholding income tax	26	24
53	47		1 767	1 531
—	—	Deferred income tax	(40)	45
53	47		1 727	1 576
<b>29.3 Reconciliation of income tax</b>				
732	659	South African current income tax at 28% (2013: 28%)	1 531	1 453
(679)	(612)	Net adjustments	196	123
(676)	(618)	Dividend income	(6)	(5)
(2)	7	Other exempt income and non-deductible expenses	(24)	38
—	—	Income tax allowances	(4)	(12)
—	—	Deferred income tax asset previously not recognised	(5)	(18)
(1)	(1)	Prior year income tax	13	25
—	—	Effect of foreign income tax rates	62	26
—	—	Withholding income tax	26	24
—	—	Deferred income tax asset not recognised	134	45
53	47	Income tax	1 727	1 576
2.0%	2.0%	Effective tax rate	31.6%	30.4%

# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

52

## 30. EARNINGS PER SHARE

Rm	2014		
	Gross	Income tax effect	Net
Profit attributable to owners of the parent			3 730
Profit on disposal of property (note 3)	(13)	2	(11)
Loss on disposal and scrapping of plant and equipment (note 3)	26	(7)	19
Reversal of impairment of property, plant and equipment (note 3)	(42)	12	(30)
Impairment of goodwill (note 9.1)	12	—	12
Insurance claims paid	1	—	1
Loss on other investing activities	13	(3)	10
Re-measurements included in equity-accounted profit of associates and joint ventures	2	—	2
Headline earnings	(1)	4	3 733

Rm	2013		
	Gross	Income tax effect	Net
Profit attributable to owners of the parent			3 597
Profit on disposal of property (note 3)	(8)	1	(7)
Profit on disposal of assets held for sale (note 4)	(42)	8	(34)
Loss on disposal and scrapping of plant and equipment (note 3)	34	(12)	22
Impairment of property, plant and equipment (note 3)	31	(8)	23
Impairment of goodwill (note 9.1)	14	(4)	10
Loss on other investing activities	2	—	2
Re-measurements included in equity-accounted profit of associates and joint ventures	1	—	1
Headline earnings	32	(15)	3 614

	June 2014	June 2013
	Millions	Millions
Number of ordinary shares		
– In issue	535	535
– Weighted average	535	535
Earnings per share	Cents	Cents
– Basic and diluted earnings	697.0	672.3
– Basic and diluted headline earnings	697.6	675.4

Diluted earnings per share is unchanged from basic earnings per share, as the inclusion of the dilutive potential ordinary shares would increase earnings per share and is therefore not dilutive. Convertible debt outstanding at the reporting date (refer note 16.3), which were anti-dilutive in the current year, could potentially have a dilutive impact in the future. Full share grants outstanding at the reporting date will have a dilutive impact in the future.



COMPANY			GROUP	
June 2013 Cents	June 2014 Cents		June 2014 Cents	Restated June 2013 Cents
<b>31. DIVIDENDS PER SHARE</b>				
<b>31.1 Dividends per share paid</b>				
194.0	215.0	No 129 paid 16 September 2013 (2013: No 127 paid 17 September 2012)	215.0	194.0
123.0	132.0	No 130 paid 24 March 2014 (2013: No 128 paid 18 March 2013)	132.0	123.0
317.0	347.0		347.0	317.0
<b>31.2 Dividends per share declared</b>				
215.0	218.0	No 131 payable 15 September 2014 (2013: No 129 paid 16 September 2013)	218.0	215.0
Rm	Rm		Rm	Rm
<b>32. CASH FLOW INFORMATION</b>				
<b>32.1 Non-cash items</b>				
—	—	Depreciation of property, plant and equipment	1 568	1 333
—	—	Amortisation of intangible assets	162	142
—	—	Net fair value gains/(losses) on financial instruments	23	(24)
—	—	Exchange rate losses	9	4
—	—	Profit on disposal of property	(13)	(8)
—	—	Profit on disposal of assets held for sale	—	(42)
—	—	Loss on disposal and scrapping of plant and equipment	26	34
—	—	(Reversal of impairment)/impairment of property, plant and equipment	(42)	31
—	—	Impairment of goodwill	12	14
3	—	Amount owed by subsidiary written off	—	—
17	—	Impairment of interests in subsidiaries	—	—
—	—	Movement in provisions	37	(93)
—	—	Movement in cash-settled share-based payment accrual	(37)	98
—	—	Movement in share-based payment reserve	4	—
—	—	Movement in fixed escalation operating lease accruals	110	79
20	—		1 859	1 568
<b>32.2 Changes in working capital</b>				
—	—	Inventories	(1 994)	(1 442)
(26)	22	Trade and other receivables	(586)	(506)
(22)	1	Trade and other payables	3 658	46
(48)	23		1 078	(1 902)
<b>32.3 Dividends paid</b>				
(4)	(5)	Shareholders for dividends at the beginning of the year	(6)	(5)
(1 808)	(1 980)	Dividends distributed to equity holders	(1 857)	(1 696)
—	—	Dividends distributed to non-controlling interest	(12)	(12)
5	6	Shareholders for dividends at the end of the year	7	6
(1 807)	(1 979)		(1 868)	(1 707)
<b>32.4 Income tax paid</b>				
(7)	(2)	Payable at the beginning of the year	(9)	(70)
(53)	(47)	Per statement of comprehensive income	(1 767)	(1 531)
2	19	Payable at the end of the year	839	9
(58)	(30)		(937)	(1 592)



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

54

COMPANY			GROUP	
June 2013	June 2014		June 2014	Restated June 2013
Rm	Rm		Rm	Rm
<b>32. CASH FLOW INFORMATION (CONTINUED)</b>				
<b>32.5 Cash flows utilised by investing activities</b>				
—	—	Investment in property, plant and equipment and intangible assets to expand operations	(2 917)	(2 583)
—	—	Investment in property, plant and equipment and intangible assets to maintain operations	(992)	(699)
—	—	Investment in assets held for sale	(2)	(4)
—	—	Proceeds on disposal of property, plant and equipment and intangible assets	126	157
—	—	Proceeds on disposal of assets held for sale	—	212
(80)	(684)	Other investing activities	(313)	(9)
(20 224)	(22 722)	Amounts paid to subsidiaries	—	—
18 598	22 152	Amounts received from subsidiaries	—	—
—	—	Acquisition of operations (note 32.5.1)	(67)	(83)
(1 706)	(1 254)		(4 165)	(3 009)
<b>32.5.1 Acquisition of operations</b>				
The Group acquired retail business operations in South Africa on 9 July 2013 and 5 May 2014. As a result of these acquisitions, the Group is expected to expand its retail business operations in South Africa.				
The Group acquired retail business operations in South Africa during the previous year on 13 September 2012, 16 November 2012, 15 December 2012, 1 February 2013 and 19 February 2013. The Group also acquired retail business operations in Swaziland on 16 July 2012. As a result of these acquisitions, the Group is expected to expand its retail business operations in South Africa and Swaziland.				
These acquisitions had no significant impact on the Group's results.				
The goodwill arising from these acquisitions are attributable to acquired customer base and economies of scale expected from combining the operations of the Group and the acquired business operations. None of the goodwill recognised is expected to be deductible for income tax purposes.				
The assets and liabilities arising from these acquisitions were as follows:				
		Property, plant and equipment (note 3)	10	14
		Inventories (note 11)	6	12
			16	26
		Goodwill (note 9.1)	51	57
—	—	Purchase consideration	67	83
<b>32.6 Cash flows from financing activities</b>				
—	360	Proceeds from ordinary shares issued	—	—
—	—	Proceeds from convertible bonds sold	224	—
—	—	Increase in borrowing from Standard Bank de Angola, S.A.	218	—
—	—	Increase in borrowing from First National Bank of Namibia Ltd	11	12
—	360		453	12



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>33. CONTINGENT LIABILITIES</b>		
		Amounts arising in the ordinary course of business relating to property and other transactions from which it is anticipated that no material liabilities will arise.	235	126
		Shoprite Holdings Ltd and its main trading subsidiary, Shoprite Checkers (Pty) Ltd, have irrevocably and unconditionally guaranteed all amounts payable by the issuer, Shoprite Investments Ltd, in respect of convertible bonds (refer note 16.3).		
		<b>34. COMMITMENTS</b>		
		<b>34.1 Capital commitments</b>		
		Contracted for property, plant and equipment	2 439	1 705
		Contracted for intangible assets	38	32
		Authorised by directors, but not contracted for	2 532	2 390
—	—	Total capital commitments	5 009	4 127
—	—	Capital commitments for the 12 months after accounting date	5 009	4 127
		Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
		<b>34.2 Operating lease commitments</b>		
		Future minimum lease payments under non-cancellable operating leases:		
		– Not later than one year	1 991	1 858
		– Later than one year not later than five years	6 744	5 809
		– Later than five years	4 517	3 364
			13 252	11 031
		Less: fixed escalation operating lease accruals (note 18)	(774)	(656)
—	—		12 478	10 375
		<b>34.3 Operating lease receivables</b>		
		Future minimum lease payments receivable under non-cancellable operating leases:		
		– Not later than one year	241	209
		– Later than one year not later than five years	334	332
		– Later than five years	40	35
			615	576
		Less: fixed escalation operating lease accruals (note 10)	(20)	(12)
—	—		595	564
		<b>35. BORROWING POWERS</b>		
		In terms of the Memorandum of Incorporation of the Company the borrowing powers of Shoprite Holdings Ltd are unlimited.		



## Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

## FINANCIAL STATEMENTS



COMPANY		GROUP	
June 2013 Rm	June 2014 Rm	June 2014 Rm	Restated June 2013 Rm
<b>36. POST-EMPLOYMENT BENEFITS (CONTINUED)</b>			
<b>36.2 Medical benefits (continued)</b>			
<b>36.2.2 The principal actuarial assumptions used for accounting purposes are as follows:</b>			
Health-care cost inflation		11.0%	10.3%
Discount rate		9.3%	8.0%
Consumer price index inflation		7.0%	6.3%
Continuation at retirement		100.0%	100.0%
Expected retirement age		63 years	63 years
The assumed rates of mortality are as follows:			
During employment:		SA85-90 ultimate table (2013: SA85-90 ultimate table)	
Post-employment:		PA(90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006 (2013: PA(90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006)	
<b>36.2.3 The sensitivity of the post-employment medical benefit liability to changes in the significant actuarial assumptions is as follows:</b>			
Increase in the post-employment medical benefit liability resulting from a 1% increase in the assumed health-care cost inflation		5	6
Decrease in the post-employment medical benefit liability resulting from a 1% decrease in the assumed health-care cost inflation		4	5
The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the post-employment medical benefit liability to significant actuarial assumptions, the same method has been applied as when calculating the post-employment medical benefit liability recognised within the statement of financial position.			
The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.			



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

58

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Rm	Restated June 2013		
<b>Financial assets as per statement of financial position</b>			
Loans and receivables	29		29
Instalment sales	1 257		1 257
Trade receivables	1 316		1 316
Other receivables excluding prepayments and taxes receivable	459		459
Amounts owing by joint ventures	97		97
Derivative financial instruments		24	24
Cash and cash equivalents	6 122		6 122
	9 280	24	9 304

## COMPANY

Rm	June 2014		
<b>Financial assets as per statement of financial position</b>			
Amounts owing by subsidiaries	2 267		2 267
Other receivables excluding prepayments and taxes receivable	17		17
Cash and cash equivalents	1 877		1 877
	4 161	—	4 161

Rm	June 2013		
<b>Financial assets as per statement of financial position</b>			
Amounts owing by subsidiaries	1 697		1 697
Other receivables excluding prepayments and taxes receivable	40		40
Cash and cash equivalents	2 405		2 405
	4 142	—	4 142

The nominal value less estimated credit adjustments of trade and other receivables are assumed to approximate their fair values.

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



## 37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities	Total
<b>GROUP</b>		
Rm	June 2014	
<b>Financial liabilities as per statement of financial position</b>		
Borrowings	4 684	4 684
Reinstatement provision	131	131
Trade payables	11 133	11 133
Other payables and accruals excluding taxes payable and employee benefit accruals	3 529	3 529
Amounts owing to joint ventures	28	28
Bank overdrafts	61	61
Shareholders for dividends	7	7
	19 573	19 573
Rm	Restated June 2013	
<b>Financial liabilities as per statement of financial position</b>		
Borrowings	4 152	4 152
Reinstatement provision	140	140
Trade payables	8 134	8 134
Other payables and accruals excluding taxes payable and employee benefit accruals	3 043	3 043
Amounts owing to joint ventures	42	42
Bank overdrafts	8	8
Shareholders for dividends	6	6
	15 525	15 525
<b>COMPANY</b>		
Rm	June 2014	
<b>Financial liabilities as per statement of financial position</b>		
Borrowings	2	2
Other payables and accruals excluding taxes payable and employee benefit accruals	3	3
Shareholders for dividends	6	6
	11	11
Rm	June 2013	
<b>Financial liabilities as per statement of financial position</b>		
Borrowings	2	2
Other payables and accruals excluding taxes payable and employee benefit accruals	2	2
Shareholders for dividends	5	5
	9	9

The nominal value less estimated credit adjustments of trade and other payables are assumed to approximate their fair values.

The fair value of the liability component of the convertible bonds included in borrowings amounted to R4.5 billion (2013: R4.3 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.9% (2013: 8.6%) and are within level 2 of the fair value hierarchy.

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



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

60

## 38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 38.1 Financial assets

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

GROUP	Trade receivables	Derivative financial assets	Cash and cash equivalents	Total
Rm	June 2014			
Gross amounts of recognised financial assets	3 253	2	8 370	11 625
Gross amounts of recognised financial liabilities set off in the statement of financial position	(1 755)	(1)	(209)	(1 965)
Net amounts of financial assets presented in the statement of financial position	1 498	1	8 161	9 660
Related amounts not set off in the statement of financial position*				
Financial instruments	(45)	—	—	(45)
Net amounts	1 453	1	8 161	9 615
Rm	June 2013			
Gross amounts of recognised financial assets	2 795	27	7 198	10 020
Gross amounts of recognised financial liabilities set off in the statement of financial position	(1 479)	(3)	(1 076)	(2 558)
Net amounts of financial assets presented in the statement of financial position	1 316	24	6 122	7 462
Related amounts not set off in the statement of financial position*				
Financial instruments	(41)	—	—	(41)
Net amounts	1 275	24	6 122	7 421

### 38.2 Financial liabilities

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

GROUP	Trade payables	Derivative financial liabilities	Bank overdrafts	Total
Rm	June 2014			
Gross amounts of recognised financial liabilities	12 888	1	270	13 159
Gross amounts of recognised financial assets set off in the statement of financial position	(1 755)	(1)	(209)	(1 965)
Net amounts of financial liabilities presented in the statement of financial position	11 133	—	61	11 194
Related amounts not set off in the statement of financial position*				
Financial instruments	(45)	—	—	(45)
Net amounts	11 088	—	61	11 149
Rm	June 2013			
Gross amounts of recognised financial liabilities	9 613	3	1 084	10 700
Gross amounts of recognised financial assets set off in the statement of financial position	(1 479)	(3)	(1 076)	(2 558)
Net amounts of financial liabilities presented in the statement of financial position	8 134	—	8	8 142
Related amounts not set off in the statement of financial position*				
Financial instruments	(41)	—	—	(41)
Net amounts	8 093	—	8	8 101

\*For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when the counterparty fails to timeously comply with its obligations.



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>39. FAIR VALUE DISCLOSURES</b> <p>All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:</p> <p>Level 1 – Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.</p> <p>Level 2 – Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).</p> <p>Level 3 – Measurements are done by reference to inputs that are not based on observable market data.</p> <p>The Group's derivatives – being forward foreign exchange rate contracts – are measured at fair value and classified at level 2.</p> <p>There were no transfers between levels 1 and 2 during the year.</p>		
		<b>40. FINANCIAL RISK MANAGEMENT</b> <b>40.1 Financial risk factors</b> <p>The Group's activities expose it to a variety of financial risks, including the effects of changes in debt, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange rate contracts as economic hedges, to hedge certain exposures.</p> <p>Risk management is carried out by a central treasury department under policies approved by the board of directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.</p>		



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

62

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
<b>40. FINANCIAL RISK MANAGEMENT (CONTINUED)</b>				
<b>40.1 Financial risk factors (continued)</b>				
<b>40.1.1 Market risk</b>				
<b>a) Currency risk</b>				
<p>The Group operates internationally and is exposed to currency risk arising from various currency exposures. The treasury department hedges the Group's net position in each foreign currency by using call deposits in foreign currencies and derivative financial instruments in the form of forward foreign exchange rate contracts for all cumulative foreign commitments of three months or more. Forward foreign exchange rate contracts are not used for speculative purpose. These instruments are not designated as hedging instruments for purposes of accounting.</p> <p>Currency exposure arising from the net monetary assets in individual countries, held in currencies other than the functional currency of the Group, are managed primarily through converting cash and cash equivalents not required for operational cash flows to USA dollar. The USA dollar is the preferred currency due to its history of stability, liquidity and availability in most markets.</p> <p>Material concentrations of currency risk exists within the Group's cash and cash equivalents. The net cash and cash equivalents are denominated in the following currencies:</p>				
2 405	1 877	South Africa rand	6 661	5 067
—	—	USA dollar	374	261
—	—	Zambia kwacha	156	83
—	—	Malawi kwacha	9	23
—	—	Angola kwanza	157	123
—	—	Botswana pula	42	60
—	—	Mauritius rupee	17	10
—	—	Nigeria naira	60	65
—	—	Namibia dollar	297	119
—	—	Swaziland emalangeni	46	105
—	—	Lesotho maloti	83	91
—	—	Mozambique metical	127	56
—	—	Other currencies	71	51
2 405	1 877		8 100	6 114



COMPANY		GROUP	
June 2013 Rm	June 2014 Rm	June 2014 Rm	Restated June 2013 Rm
<b>40. FINANCIAL RISK MANAGEMENT (CONTINUED)</b> <b>40.1 Financial risk factors (continued)</b> <b>40.1.1 Market risk (continued)</b> <b>a) Currency risk (continued)</b> <p>The Group does not have significant foreign creditors as most inventory imports are prepaid.</p> <p>Where material concentrations of currency risk exists within the Group a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual currencies strengthened or weakened against the ZAR and the USD. At 30 June 2014 the total possible increase in Group post-tax profit, calculated for all estimated currency movements, was R13 million with the ZAR/USD exchange rate (with an expected 2.7% decline) contributing R11 million to this number. At 30 June 2013 the total possible decrease in Group post-tax profit, calculated for all estimated currency movements, was R36 million with the AON/USD exchange rate (with an expected 3.4% decline) contributing R22 million to this number. These changes had no material effect on the Group's equity.</p> <p>The amounts were calculated with reference to the financial instruments, exposed to currency risk at the reporting date and does not reflect the Group's exposure throughout the reporting period as these balances may vary significantly due to the self funding nature of the Group's required working capital and cyclical nature of cash received from sale of merchandise and payment to trade and other payables. The possible currency movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.</p> <p>The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. Although not subject to market risk, the following page reflects significant concentrations of net monetary assets/ (liabilities), including short term surplus funds, in currencies other than the reporting currency as at 30 June, subject to translation risk.</p>			

# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

64

COMPANY		GROUP	
June 2013 Rm	June 2014 Rm	June 2014 Rm	Restated June 2013 Rm
<b>40. FINANCIAL RISK MANAGEMENT (CONTINUED)</b>			
<b>40.1 Financial risk factors (continued)</b>			
<b>40.1.1 Market risk (continued)</b>			
<b>a) Currency risk (continued)</b>			
<b>Foreign currency</b>			
		29	(10)
		78	119
		10	(13)
		(1)	—
		11	(1)
		(7)	(10)
		(1)	—
		—	1
		(19)	(21)
		(19)	(5)
		(31)	(18)
		78	75
		(254)	(127)
		(1)	(15)
		(12)	(14)
		274	61
		(256)	(230)
<b>b) Cash flow and fair value interest rate risk</b>			
<p>The Group's interest rate risk arises mainly from daily call accounts and bank overdrafts. These carry interest at rates fixed on a daily basis and expose the Group to cash flow interest rate risk. The Group analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing refinancing/reinvesting and/or renewal/cancellation of existing positions and alternative financing/investing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash/borrowings that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 5.5% (2013: 5.1%).</p> <p>The interest rate on individual instalment sale receivables (refer note 12) is fixed and expose the Group to fair value interest rate risk which is mitigated by charging appropriate margins and the fact that the maximum term of these contracts are 24 months.</p> <p>For exposure to interest rate risk on other monetary items refer to the following:</p> <ul style="list-style-type: none"> <li>– Loans and receivables: note 7</li> <li>– Amounts owing by joint ventures: note 12</li> <li>– Borrowings: note 16</li> <li>– Amounts owing to joint ventures: note 19</li> </ul>			







# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

66

COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>40. FINANCIAL RISK MANAGEMENT (CONTINUED)</b>		
		<b>40.1 Financial risk factors (continued)</b>		
		<b>40.1.2 Credit risk (continued)</b>		
		Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the Group has no other significant concentration of credit risk. Accounts receivable comprise a wide-spread client base and the Group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. These policies include reviewing the Group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed. The Group also obtains security from its franchisees.		
		The Company has guaranteed various revolving credit facilities of R12.8 billion (2013: R11.3 billion) and convertible bonds of R5.6 billion (2013: R5.9 billion) in Shoprite Investments Ltd. The guarantees have also been disclosed as part of the Company's liquidity risk on the following pages. Financial guarantees are kept to an operational minimum and reassessed regularly. The maximum potential exposure to credit risk under financial guarantee contracts amounts to R18.4 billion (2013: R17.2 billion).		
		For exposure to credit risk on other monetary items refer to the following:		
		– Loans and receivables: note 7		
		– Trade and other receivables: note 12		
		– Trade and other payables: note 19		
		The table below shows the cash invested at the statement of financial position date at financial institutions grouped per Moody's short term credit rating of the financial institutions.		
		<b>Rating</b>		
2 405	1 877	P-1	7 196	4 967
—	—	P-2	15	151
—	—	No rating available	240	187
—	—	Cash on hand and in transit	710	817
2 405	1 877	Total cash and cash equivalents	8 161	6 122



## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 40.1 Financial risk factors (continued)

#### 40.1.3 Liquidity risk

The risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2014: R6.2 billion; 2013: R5.7 billion) and unlimited borrowing powers. All unutilised facilities are controlled by the Group's treasury department in accordance with a treasury mandate as approved by the board of directors.

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay and include both interest and principal cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

GROUP	Book value	Total	Not later than one year	Between one and two years	Between two and five years
Rm	June 2014				
<b>Non-derivative financial liabilities</b>					
Borrowings*	4 684	5 610	305	305	5 000
Reinstatement provision	131	131	131		
Trade payables	11 133	11 133	11 133		
Other payables and accruals excluding taxes payable and employee benefit accruals	3 529	3 529	3 529		
Amounts owing to joint ventures	28	28	28		
Bank overdrafts	61	61	61		
Shareholders for dividends	7	7	7		
Financial guarantees	—	12 786	12 786		
	19 573	33 285	27 980	305	5 000
Rm	Restated June 2013				
<b>Non-derivative financial liabilities</b>					
Borrowings*	4 152	5 672	293	293	5 086
Reinstatement provision	140	140	140		
Trade payables	8 134	8 134	8 134		
Other payables and accruals excluding taxes payable and employee benefit accruals	3 043	3 043	3 043		
Amounts owing to joint ventures	42	42	42		
Bank overdrafts	8	8	8		
Shareholders for dividends	6	6	6		
Financial guarantees	—	11 340	11 340		
	15 525	28 385	23 006	293	5 086

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



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

68

## 40. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 40.1 Financial risk factors (continued)

#### 40.1.3 Liquidity risk (continued)

COMPANY	Book value	Total	Not later than one year	Between one and two years	Between two and five years
Rm	June 2014				
<b>Non-derivative financial liabilities</b>					
Borrowings	2	2	2		
Other payables and accruals excluding taxes payable and employee benefit accruals	3	3	3		
Shareholders for dividends	6	6	6		
Financial guarantees	—	18 404	13 092	306	5 006
	11	18 415	13 103	306	5 006
Rm	June 2013				
<b>Non-derivative financial liabilities</b>					
Borrowings	2	2	2		
Other payables and accruals excluding taxes payable and employee benefit accruals	2	2	2		
Shareholders for dividends	5	5	5		
Financial guarantees	—	17 264	11 646	306	5 312
	9	17 273	11 655	306	5 312

### 40.2 Insurance risk

The Group underwrites insurance products with the following terms and conditions:

- Credit protection which covers the risk of the customer being unable to settle the terms of the credit agreement as a result of death, disability or qualifying retrenchment.
- All risk cover which covers the repair or replacement of the product due to accidental loss or damage within the terms and the conditions of the policy, and extended guarantees which covers the repair or replacement of faulty products as an extension of the suppliers' guarantees.

The risk under any one insurance contract is the possibility that an insured event occurs as well as the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and unpredictable.

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

Within the insurance process, concentration risk may arise where a particular event or series of events could impact heavily on the Group's resources. The Group has not formally monitored the concentration risk; however, it has mitigated against concentration risk by structuring event limits in every policy to ensure that the probability of underwriting loss is minimised. Therefore the Group does not consider its concentration risk to be high.

## 41. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is considered to be equity as shown in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The gearing ratio is calculated as interest-bearing borrowings divided by equity and was 27.10% (2013: 27.22%) on the statement of financial position date.

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



## 42. RELATED-PARTY INFORMATION

Related-party relationships exist between the Company, subsidiaries, directors, as well as their close family members, and key management of the Company.

During the year under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intergroup transactions have been eliminated in the annual financial statements on consolidation.

Shoprite Investments Ltd has issued 6.5% senior unsecured guaranteed convertible bonds for a principal amount of R4.7 billion (2013: R4.5 billion). The bonds mature on 3 April 2017 at their nominal value of R4.7 billion (2013: R4.5 billion) or can be converted into ordinary shares of Shoprite Holdings Ltd. Shoprite Holdings Ltd and Shoprite Checkers (Pty) Ltd have irrevocably and unconditionally given its guarantee to the Trustee for the benefit of the bondholders for all amounts payable by the issuer in respect of the convertible bonds (refer note 16.3).

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

Non-executive director, CH Wiese, is an employee of Chaircorp (Pty) Ltd, a management company that renders advisory services to Shoprite Checkers (Pty) Ltd in return for an annual fee. An amount of R10.7 million (2013: R8.7 million) was paid to Chaircorp (Pty) Ltd for advisory services to Shoprite Checkers (Pty) Ltd.

Details of the remuneration of directors, and equity and cash-settled share-based payment instruments issued to directors, are disclosed in notes 14 and 24.

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

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

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

	Number of convertible bonds		Loans and receivables	
	June 2014	June 2013	June 2014 Rm	June 2013 Rm
Directors and key management				
JAL Basson	440	—	5	—
M Bosman	560	—	6	—
PC Engelbrecht	890	—	10	—
AE Karp	670	—	8	—
Other key management personnel	14 460	—	166	—
	17 020	—	195	—



## Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014



COMPANY			GROUP	
June 2013 Rm	June 2014 Rm		June 2014 Rm	Restated June 2013 Rm
		<b>42. RELATED-PARTY INFORMATION (CONTINUED)</b>		
		The Company has written off an amount of R3.4 million owed by Shoprite Checkers Properties Ltd during the previous year.		
		The Company paid dividends of R123 million (2013: R111 million) to Shoprite Checkers (Pty) Ltd during the year under review.		
		The Company received the following from its subsidiaries:		
		Annual administration fee received from Shoprite Checkers (Pty) Ltd		
1	2	Dividends received from Shoprite Checkers (Pty) Ltd		
2 188	2 118	Dividends received from Shoprite Insurance Company Ltd		
225	90	Guarantee fee received from Shoprite International Ltd		
6	6	Interest received from Shoprite Investments Ltd		
20	41			
		<b>43. IMPACT OF THE APPLICATION OF IFRS 11</b>		
		In terms of IFRS 11: Joint Arrangements, the Group ceased proportionate consolidation of its investment in joint ventures and now accounts for this investment using the equity method in accordance with IAS 28: Investments in Associates and Joint Ventures. (Refer to note 1.33)		
		The Group has applied the change in accounting policy in accordance with the transitional provisions of IFRS 11 from the beginning of the earliest period presented (1 July 2012). The Group recognised its investment in joint ventures as at 1 July 2012 as the aggregate of the carrying amounts of the assets and liabilities that were previously proportionately consolidated. This is the deemed cost of the Group's investment in its joint ventures at initial recognition for purposes of applying equity accounting. A breakdown of the assets and liabilities that have been aggregated into the single line investment balance as at 1 July 2012 is presented below.		
		Non-current assets		49
		Current assets		31
		Non-current liabilities		(4)
		Current liabilities		(41)
		Single line investment balance as at 1 July 2012		35





# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

72

## 43. IMPACT OF THE APPLICATION OF IFRS 11 (CONTINUED)

As per the requirements of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the relevant comparative information has been restated. The effect of the restatement on the statement of financial position at the beginning of the preceding period is not considered material and in line with IAS 1: Presentation of Financial Statements, no statement of financial position as at 1 July 2012 has been presented. The effect of the restatement is reflected below.

	June 2013		
	Previously reported	Effect of transition to IFRS 11	Restated
	Rm	Rm	Rm
<b>GROUP</b>			
<b>43.1 Statement of comprehensive income</b>			
Sale of merchandise	92 747	(290)	92 457
Cost of sales	(73 316)	160	(73 156)
GROSS PROFIT	19 431	(130)	19 301
Other operating income	2 608	(1)	2 607
Depreciation and amortisation	(1 351)	15	(1 336)
Operating leases	(2 234)	21	(2 213)
Employee benefits	(7 195)	50	(7 145)
Other operating expenses	(5 865)	43	(5 822)
TRADING PROFIT	5 394	(2)	5 392
Exchange rate losses	(4)	—	(4)
Items of a capital nature	(31)	—	(31)
OPERATING PROFIT	5 359	(2)	5 357
Interest received	259	—	259
Finance costs	(429)	(1)	(430)
Share of profit of associates and joint ventures	5	—	5
PROFIT BEFORE INCOME TAX	5 194	(3)	5 191
Income tax expense	(1 579)	3	(1 576)
PROFIT FOR THE YEAR	3 615	—	3 615
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	538	—	538
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation differences	516	(2)	514
Share of foreign currency translation differences of associates and joint ventures	22	2	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4 153	—	4 153



## 43. IMPACT OF THE APPLICATION OF IFRS 11 (CONTINUED)

	June 2013		
	Previously reported	Effect of transition to IFRS 11	Restated
	Rm	Rm	Rm
<b>GROUP</b>			
<b>43.2 Statement of financial position</b>			
NON-CURRENT ASSETS	13 330	(26)	13 304
Property, plant and equipment	11 714	(62)	11 652
Investment in associates and joint ventures	130	39	169
Loans and receivables	10	—	10
Deferred income tax assets	425	(5)	420
Intangible assets	1 039	2	1 041
Fixed escalation operating lease accruals	12	—	12
CURRENT ASSETS	20 102	17	20 119
Inventories	10 317	(7)	10 310
Trade and other receivables	3 428	44	3 472
Derivative financial instruments	24	—	24
Current income tax assets	175	(3)	172
Loans and receivables	19	—	19
Cash and cash equivalents	6 139	(17)	6 122
Assets held for sale	57	—	57
TOTAL ASSETS	33 489	(9)	33 480
TOTAL EQUITY	15 252	—	15 252
NON-CURRENT LIABILITIES	4 851	(4)	4 847
Borrowings	3 823	1	3 824
Deferred income tax liabilities	197	(1)	196
Provisions	254	(3)	251
Fixed escalation operating lease accruals	577	(1)	576
CURRENT LIABILITIES	13 386	(5)	13 381
Trade and other payables	12 723	2	12 725
Borrowings	328	—	328
Current income tax liabilities	187	(6)	181
Provisions	134	(1)	133
Bank overdrafts	8	—	8
Shareholders for dividends	6	—	6
TOTAL LIABILITIES	18 237	(9)	18 228
TOTAL EQUITY AND LIABILITIES	33 489	(9)	33 480



# Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

74

## 43. IMPACT OF THE APPLICATION OF IFRS 11 (CONTINUED)

GROUP	June 2013		
	Previously reported Rm	Effect of transition to IFRS 11 Rm	Restated Rm
<b>43.3 Statement of cash flows</b>			
CASH FLOWS FROM OPERATING ACTIVITIES	1 146	(25)	1 121
Operating profit	5 359	(2)	5 357
Less: investment income	(39)	(1)	(40)
Non-cash items	1 585	(17)	1 568
Payments for cash settlement of share appreciation rights	(535)	—	(535)
Changes in working capital	(1 893)	(9)	(1 902)
Cash generated from operations	4 477	(29)	4 448
Interest received	283	2	285
Interest paid	(327)	—	(327)
Dividends received	14	—	14
Dividends paid	(1 707)	—	(1 707)
Income tax paid	(1 594)	2	(1 592)
CASH FLOWS UTILISED BY INVESTING ACTIVITIES	(3 039)	30	(3 009)
CASH FLOWS FROM FINANCING ACTIVITIES	13	(1)	12
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(1 880)	4	(1 876)
Cash and cash equivalents at the beginning of the year	7 917	(16)	7 901
Effect of exchange rate movements on cash and cash equivalents	94	(5)	89
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6 131	(17)	6 114
Consisting of:			
Cash and cash equivalents	6 139	(17)	6 122
Bank overdrafts	(8)	—	(8)
	6 131	(17)	6 114



## Annexure A – Interests in Subsidiaries

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2014

75

	Country of incorporation and place of business	Issued ordinary and preference share capital and premium Rm	Percentage shares held by Group %	Investment in shares		Amount owing by	
				June 2014 Rm	June 2013 Rm	June 2014 Rm	June 2013 Rm
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	3	100	—	—	—	—
Shoprite Checkers (Pty) Ltd	South Africa	1 129	100	174	174	2 261	386
Shoprite Investments Ltd	South Africa	100	100	100	100	—	1 305
Shoprite International Ltd	Mauritius	2 758	100	2 758	2 074	6	6
Shoprite Insurance Company Ltd	South Africa	20	100	20	20	—	—
Shoprite Checkers Properties Ltd	South Africa	26	100	—	—	—	—
				3 052	2 368	2 267	1 697

### INDIRECT SUBSIDIARIES

Africa Supermarkets Ltd	Zambia*	—	100
Checkers Chatsworth Ltd**	South Africa	2	48
Computicket (Pty) Ltd	South Africa	69	100
Megasave Trading (Pvt) Ltd	India*	118	100
Mercado Fresco de Angola Lda	Angola*	137	100
Medirite (Pty) Ltd	South Africa	—	100
OK Bazaars (Lesotho) (Pty) Ltd**	Lesotho*	—	50
OK Bazaars (Namibia) Ltd	Namibia*	1	100
OK Bazaars (Swaziland) (Pty) Ltd	Swaziland*	—	100
OK Bazaars (Venda) Ltd**	South Africa	2	50
Propco Mozambique Lda	Mozambique*	45	100
Retail Holdings Botswana (Pty) Ltd	Botswana*	109	100
Retail Supermarkets Nigeria Ltd	Nigeria*	80	100
Royal Retail (Pty) Ltd**	South Africa	—	75
Sentra Namibia Ltd	Namibia*	6	100
Shophold (Mauritius) Ltd	Mauritius*	189	100
Shoprite Angola Imobiliaria Lda	Angola*	39	100
Shoprite Checkers Uganda Ltd	Uganda*	148	100
Shoprite Egypt for Internal Trade SAE	Egypt*	42	100
Shoprite Ghana (Pty) Ltd	Ghana*	31	100
Shoprite Lesotho (Pty) Ltd	Lesotho*	—	100
Shoprite Madagascar S.A.	Madagascar*	145	100
Shoprite (Mauritius) Ltd	Mauritius*	133	100
Shoprite Namibia (Pty) Ltd	Namibia*	—	100
Shoprite RDC SPRL	DRC*	82	100
Shoprite Supermercados Lda	Angola*	—	100
Shoprite Trading Ltd	Malawi*	26	100

\* Investments in subsidiaries outside South Africa are converted at historical exchange rates.

\*\* Non-controlling interests in respect of these subsidiaries are not material.

### Significant restrictions

Cash and short term deposits of R307 million (2013: R172 million) are held in Angola and are subject to onerous local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

### NOTE:

General information in respect of subsidiaries is set out in respect of only those subsidiaries of which the financial position or results are material for a proper appreciation of the affairs of the Group. A full list of subsidiaries is available on request.



## Annexure B – Shareholder Analysis

Shoprite Holdings Ltd and its Subsidiaries as at June 2014

76

SHAREHOLDER SPREAD	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	16 347	78.98	4 599 277	0.80
1 001 – 10 000 shares	3 490	16.86	10 549 228	1.84
10 001 – 100 000 shares	630	3.04	19 782 663	3.45
100 001 – 1 000 000 shares	157	0.76	48 767 792	8.51
Over 1 000 000 shares	75	0.36	489 173 000	85.40
Totals	20 699	100.00	572 871 960	100.00

DISTRIBUTION OF SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
Banks	198	0.96	269 343 955	47.02
Brokers	49	0.24	6 032 225	1.05
Close Corporations	189	0.91	918 287	0.16
Endowment Funds	102	0.49	764 482	0.13
Government	2	0.01	71 518	0.01
Individuals	15 881	76.72	18 526 221	3.23
Insurance Companies	94	0.45	5 546 919	0.97
Investment Companies	19	0.09	1 630 092	0.28
Medical Aid Schemes	13	0.06	67 644	0.01
Mutual Funds	238	1.15	27 432 734	4.80
Other Corporations	115	0.56	139 430	0.02
Private Companies	428	2.07	75 018 516	13.10
Public Companies	18	0.09	666 624	0.12
Retirement Funds	160	0.77	84 177 443	14.69
Treasury Shares	1	0.01	37 729 072	6.59
Trusts	3 192	15.42	44 806 798	7.82
Totals	20 699	100.00	572 871 960	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS	No of Shareholdings	%	No of Shares	%
<b>Non-Public Shareholders</b>	<b>62</b>	<b>0.31</b>	<b>139 011 901</b>	<b>24.27</b>
Directors of the Company*	61	0.30	101 512 929	17.72
Treasury Shares**	1	0.01	37 498 972	6.55
<b>Public Shareholders</b>	<b>20 637</b>	<b>99.69</b>	<b>433 860 059</b>	<b>75.73</b>
Totals	20 699	100.00	572 871 960	100.00

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

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

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	No of Shares	%
Wiese, CH	87 699 198	15.31
Government Employees Pension Fund	67 166 760	11.72
Capital Group	42 105 783	7.35
Shoprite Checkers (Pty) Ltd	35 436 572	6.19
Lazard	21 606 694	3.77
JPMorgan	16 135 587	2.82
T. Rowe Price	14 624 365	2.55
BlackRock	13 830 592	2.41
Government of Singapore Investment Corporation	13 523 185	2.36
Vanguard	11 863 168	2.07
Basson, JW	10 174 122	1.78
First State Investments	8 012 578	1.40
Le Roux, JF	7 434 585	1.30
Namibian Government Institutions Pension Fund	6 464 491	1.13
Fidelity	5 942 276	1.04
Totals	362 019 956	63.19

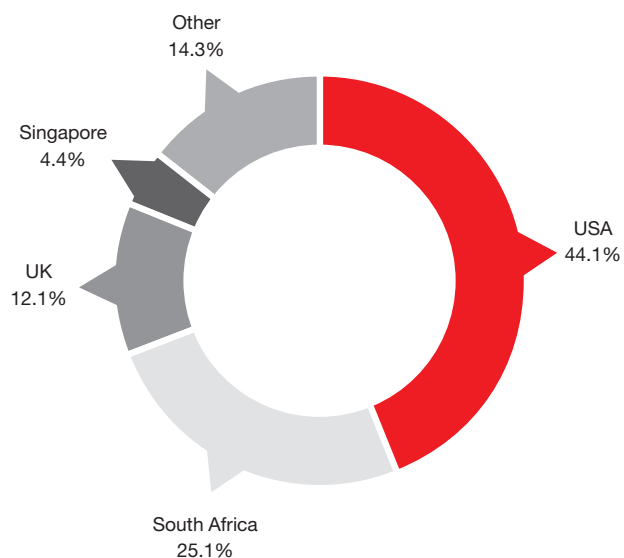


# Shareholders

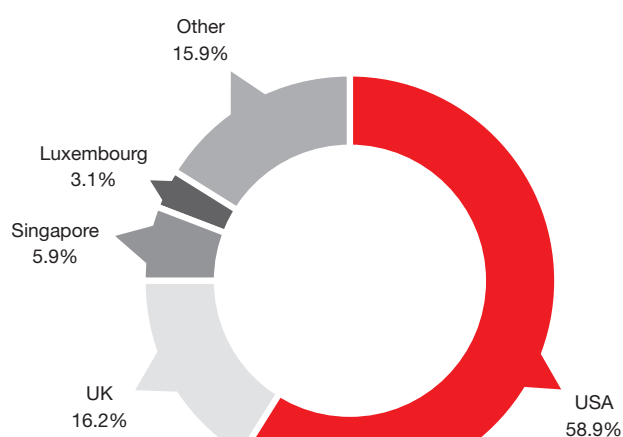
Country Classification

77

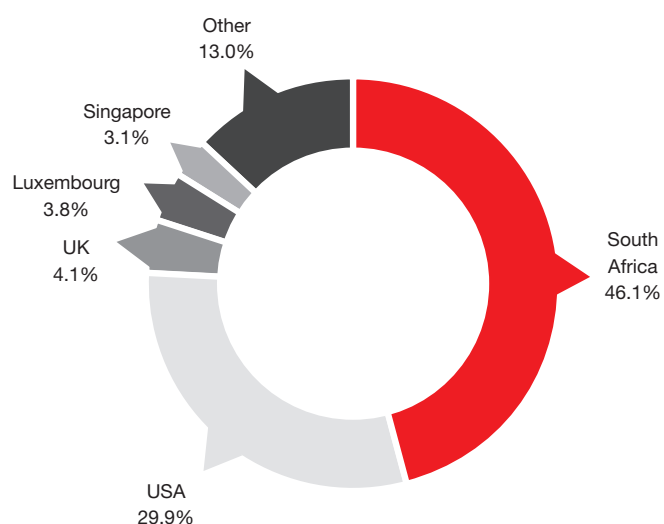
## FUND MANAGERS



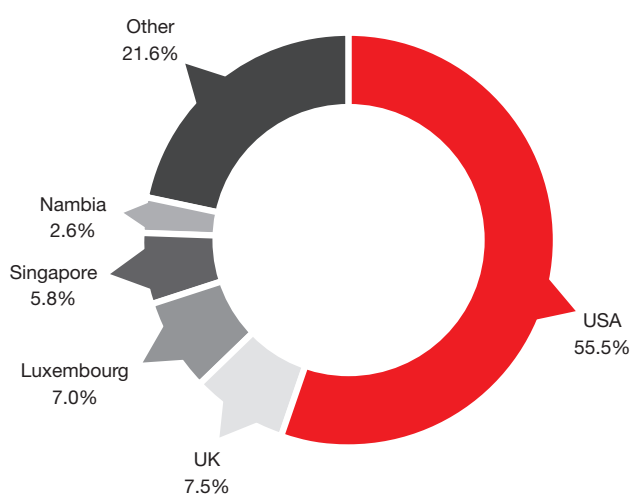
## FOREIGN FUND MANAGERS



## BENEFICIAL SHAREHOLDERS



## FOREIGN BENEFICIAL SHAREHOLDERS



FINANCIAL  
STATEMENTS



