

**TWENTY**

SEVEN MILLION CUSTOMERS SERVED  
BY OVER ONE HUNDRED AND  
THIRTY THOUSAND STAFF  
IN TWO THOUSAND ONE HUNDRED  
AND ELEVEN STORES FOR THE  
YEAR ENDED JUNE TWENTY

**FIFTEEN**

**Integrated Report**



**Shoprite Holdings Ltd** is an investment holding company whose combined subsidiaries constitute the largest fast moving consumer goods (FMCG) retail operation on the African continent.

Its various chains operate a total of 1 751 corporate stores in 15 countries, all integrated electronically into a central database and replenishment system. The Group's primary business is food retailing to consumers of all income levels, and there are outlets from Cape Town to Accra and on some Indian Ocean islands. Its goal is to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices. At the same time the Group is inextricably linked to Africa, contributing to the nurturing of stable economies and the social upliftment of its people.

**Shoprite Holdings Ltd comprises the following brands:**

**SHOPRITE**

**U** SHOPRITE  
**save**

better and better  
**Checkers**

**CheckersHyper**

**OK**  
FRANCHISE DIVISION

**OH**  
Furniture  
NO PROBLEM

**OH**  
Furniture  
MORE FOR YOU

**House  
& Home**  
Making Your House a Home

**LiquorShop**

**LiquorShop**

**OUR ONGOING  
GROWTH**  
IS A KEY AND CONSISTENT  
EMPLOYMENT GENERATOR.  
IN THE PAST YEAR WE  
CREATED JOBS  
FOR 9 842 MORE  
PEOPLE, BRINGING OUR  
TOTAL STAFF COMPLEMENT  
TO ALMOST 133 000.

WEZI GJANA  
CASHIER  
checkers

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Money Market

Money Market

Computicket  
the ticket you can't resist

Freshmark

TRANSOPHARM

MEDI+RITE  
PHARMACY

HUNGRY LION  
KING TIGER CHICKEN

CFS  
Checkers Food Services

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**The scope of the Integrated Report is equal to that of the summary consolidated financial statements. This Integrated Report is for the Shoprite Group, incorporating Shoprite Holdings Ltd and all its subsidiaries for the year ended June 2015.**

## SUBSIDIARIES OF SHOPRITE HOLDINGS LTD

**100%**

**Shoprite  
Checkers (Pty) Ltd**

**Has operations in:**  
South Africa | Namibia  
Swaziland | Lesotho | Mauritius

**100%**

**Medirite  
(Pty) Ltd**

**Has operations in:**  
South Africa  
Angola  
Swaziland

**100%**

**Computicket  
(Pty) Ltd**

**Has operations in:**  
South Africa  
Botswana  
Mozambique  
Namibia  
Zambia

**100%**

**Shoprite  
International Ltd**

**Has operations in:**  
Zambia | Mozambique | Botswana  
Madagascar | Uganda | Angola  
Ghana | Nigeria | Malawi  
Democratic Republic of Congo

**100%**

**Shoprite Insurance  
Company Ltd**

**100%**

**Shoprite  
Investments Ltd**



## Distribution of Operations

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

**TOTAL**  
**1751**  
**CORPORATE**  
**STORES**



	Shoprite	Checkers	Checkers Hyper	Usave	OK Furniture	OK Power Express	House & Home	OK Furniture Dreams	Hungry Lion	Shoprite LiquorShop	Checkers LiquorShop	Shoprite MediRite	Checkers MediRite	OK Franchise
South Africa	419	191	33	272	326	30	49	12	125	163	120	54	92	321
Angola	15			12	5				8			7		
Botswana	6	1		5	8	1	1		8					
DRC	1													
Ghana	5			1										
Lesotho	5			6	6	1			2	1				
Madagascar	8													
Malawi	4			3										
Mauritius	3													
Mozambique	8			3	6									
Namibia	20	5		25	14		2		16	8	1			39
Nigeria	12													
Swaziland	9			5	5	1			1			3		
Uganda	2													
Zambia	24			1	4				16					
Outside SA	122	6		61	48	3	3		51	9	1	10		39
Total	541	197	33	333	374	33	52	12	176	172	121	64	92	360

## ECONOMIC OVERVIEW

	Angola	Botswana	DRC	Ghana	Lesotho	Madagascar	Malawi	Mauritius
Gross domestic product, constant prices (% change)	4.222	4.942	9.093	4.160	2.172	2.973	5.700	3.244
Inflation, average consumer prices (% change)	7.296	3.926	1.000	15.486	3.860	6.080	23.785	2.965
Population (millions)	24.383	2.104	79.301	26.216	1.911	23.572	17.604	1.259

























	Mozambique	Namibia	Nigeria	South Africa	Swaziland	Uganda	Zambia
Gross domestic product, constant prices (% change)	7.373	5.300	6.310	1.525	1.707	4.898	5.418
Inflation, average consumer prices (% change)	2.287	5.348	8.057	6.067	5.789	4.668	7.944
Population (millions)	26.491	2.191	173.938	54.002	1.106	38.040	15.021

Source: International Monetary Fund, World Economic Outlook Database, April 2015






















































# The Group

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Brand	Summary	Target market	Store numbers		
	<p>Shoprite is the original business of the Group and remains the flagship brand, serving the mass middle market. It's the brand with the most stores in RSA as well as the brand used to spearhead growth into Africa. The brand's core focus is to provide the lowest possible prices on a range of groceries and household items. Specific emphasis is placed on basic commodities, which is critical to the core target market.</p>	LSM 4 – 7	RSA:	Non-RSA:	Total:
					
			419	122	541
	<p>Usave is a no-frills discounter focusing on lower income consumers. This smaller format, limited range store is also an ideal vehicle for the Group's expansion into Africa and allows far greater penetration into previously underserved areas within South Africa.</p>	LSM 1 – 5	RSA:	Non-RSA:	Total:
					
			272	61	333
	<p>Checkers focuses on time-pressed, higher income consumers and differentiates on its specialty ranges of meats, cheeses, wines and coffee. Its full range of groceries and household general merchandise items are all promised at the consistently good value for which the Group is famous. The stores across South Africa, Namibia and in Botswana are located in shopping malls and other premises conveniently accessible to more affluent residential areas.</p>	LSM 8 – 10	RSA:	Non-RSA:	Total:
					
			191	6	197
	<p>Checkers Hyper offers the same specialty food selections and great value as Checkers, but within large-format stores that encourage bulk rather than convenience shopping. The general merchandise ranges are far wider in Hyper stores, focusing on categories like small appliances, pet accessories, garden and pool care, outdoor gear, home improvement, homeware, baby products, toys and stationery. Checkers Hyper stores operate in South Africa only and are found in areas with high population densities.</p>	LSM 8 – 10	RSA:	Non-RSA:	Total:
					
			33	0	33
	<p>The OK Furniture chain, with its wide geographic spread of stores, strives to offer a wide range of furniture, electrical appliances and home entertainment products at the lowest prices with impeccable service, at discounted prices, for cash or on credit. It sells quality cheaply, not cheap quality.</p>	LSM 5 – 7	RSA:	Non-RSA:	Total:
					
			326	48	374
	<p>A chain of small-format stores located mainly in high-density areas, selling a carefully selected range of white goods and home entertainment products in addition to bedding and carpeting, for cash or competitive credit options.</p>	LSM 5 – 7	RSA:	Non-RSA:	Total:
					
			30	3	33



Brand	Summary	Target market	Store numbers									
	House & Home offers its consumers a quality shopping experience with a large selection of affordable, exclusive and well-known ranges of furniture, appliances, home entertainment products and floor coverings.	LSM 7 – 10	<table><tr><th>RSA:</th><th>Non-RSA:</th><th>Total:</th></tr><tr><td></td><td></td><td></td></tr><tr><td>49</td><td>3</td><td>52</td></tr></table>	RSA:	Non-RSA:	Total:				49	3	52
RSA:	Non-RSA:	Total:										
												
49	3	52										
	MediRite is on its way to becoming the most convenient pharmacy for millions of South African grocery shoppers. MediRite pharmacies inside Shoprite and Checkers stores meet the growing need for easily accessible and affordable healthcare for all our customers. Many of our pharmacies are located in supermarkets serving previously disadvantaged areas where there are few medical practitioners.	Same as Shoprite and Checkers	<table><tr><th>RSA:</th><th>Non-RSA:</th><th>Total:</th></tr><tr><td></td><td></td><td></td></tr><tr><td>146</td><td>10</td><td>156</td></tr></table>	RSA:	Non-RSA:	Total:				146	10	156
RSA:	Non-RSA:	Total:										
												
146	10	156										
	LiquorShop offers a convenient shopping experience to Shoprite and Checkers customers. LiquorShop primarily targets Shoprite and Checkers customers, however the location of the outlets have a separate entrance to that of the supermarket and is therefore inviting to passing trade as well. It offers a full assortment of wine, beer and spirits at affordable prices.	Same as Shoprite and Checkers	<table><tr><th>RSA:</th><th>Non-RSA:</th><th>Total:</th></tr><tr><td></td><td></td><td></td></tr><tr><td>283</td><td>10</td><td>293</td></tr></table>	RSA:	Non-RSA:	Total:				283	10	293
RSA:	Non-RSA:	Total:										
												
283	10	293										
	Transpharm Pharmaceutical Wholesalers distributes a wide range of pharmaceutical products and surgical equipment to our MediRite pharmacies as well as other pharmacies, hospitals, clinics, dispensing doctors and veterinary surgeons across South Africa. The Shoprite Group is expanding this dynamic company to improve its existing national distribution network.	Targets pharmacies, vets, clinics, hospitals and dispensing doctors.										
	The OK Franchise Division (OKFD) enabled the Group to gain a foothold in a diverse range of mostly smaller, convenience-oriented markets situated in rural towns, suburbs and neighbourhoods. The stores offer a wide range of fresh and non-perishable food items, as well as non-foods. The OKFD encompasses six super-market and convenience outlet formats under the OK and Friendly brands, a wholesaler (Megasave) and two add-on liquor outlets (Enjoy OK Liquor Store, Friendly Liquormarket). The OK brand is only awarded to outlets that meet specific requirements.	The various store formats, with their different identities and facilities, cater to the needs of the community in which they are located.	<table><tr><th>RSA:</th><th>Non-RSA:</th><th>Total:</th></tr><tr><td></td><td></td><td></td></tr><tr><td>321</td><td>39</td><td>360</td></tr></table>	RSA:	Non-RSA:	Total:				321	39	360
RSA:	Non-RSA:	Total:										
												
321	39	360										
	Hungry Lion operates in seven countries throughout Africa. Their mission is to SHARE MORE by delivering great chicken with MORE flavour, MORE taste and MORE value. They take pride in sharing with the people of Africa MORE of what they want. Their goal is to grow the brand through applying first world standards, ensuring great quality and service at affordable prices. This is achieved with the consistent and efficient delivery of the Hungry Lion brand promise, which is to always provide MORE to their customers.	LSM 4 – 7	<table><tr><th>RSA:</th><th>Non-RSA:</th><th>Total:</th></tr><tr><td></td><td></td><td></td></tr><tr><td>125</td><td>51</td><td>176</td></tr></table>	RSA:	Non-RSA:	Total:				125	51	176
RSA:	Non-RSA:	Total:										
												
125	51	176										

# Financial Highlights

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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	% increase	June 2015 Rm	June 2014 Rm
Sale of merchandise	11.2	113 694	102 204
Trading profit	10.7	6 328	5 714
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	8.9	8 065	7 406
Profit before income tax	9.4	5 982	5 467
Headline earnings	10.7	4 133	3 733

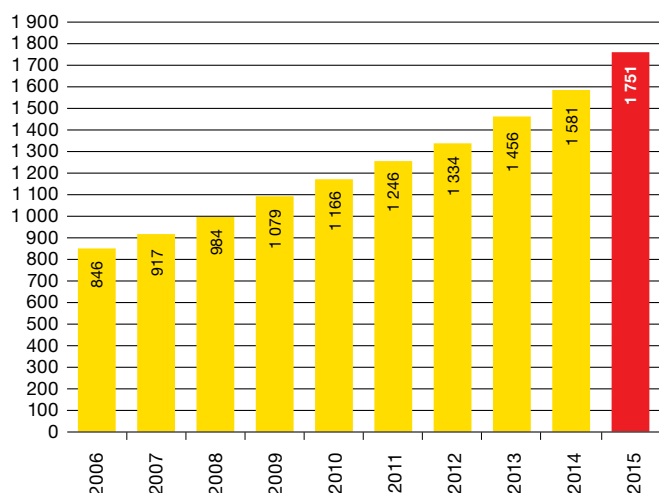
## PERFORMANCE MEASURES

Headline earnings per share (cents)	10.8	772.9	697.6
Dividends per share declared (cents)	10.3	386.0	350.0
Dividend cover (times)		2.0	2.0
Trading margin (%)		5.6	5.6
Return on average shareholders' equity (%)		18.0	18.1

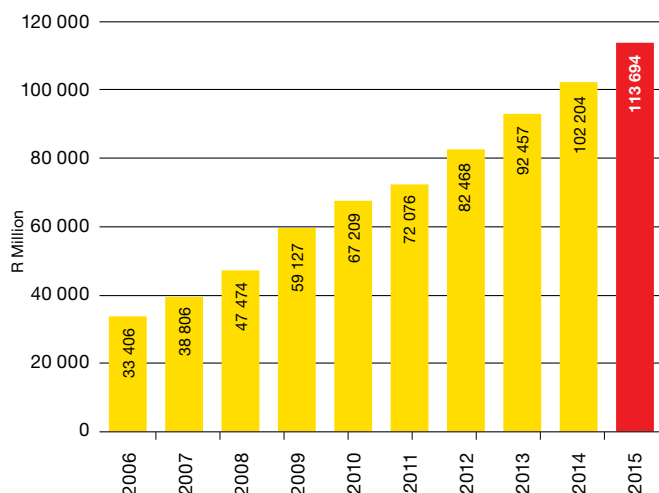
## DEFINITIONS

Return of average shareholders' equity: Headline earnings, expressed as a percentage of the average of capital and reserves and interest-bearing borrowings at the beginning and the end of the financial year.

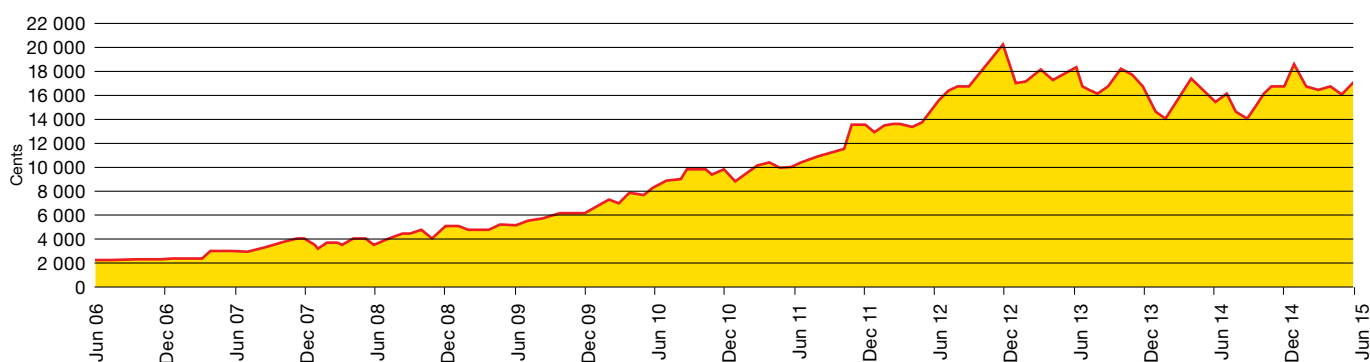
## NUMBER OF CORPORATE STORES



## SALES



## SHOPRITE HOLDINGS LTD SHARE PRICE





# 9 842

## NEW JOBS CREATED IN 2015



FOOD WORTH  
R92.4 MILLION  
DONATED

## 1 407 889

TRAINING HOURS  
INVESTED IN  
EMPLOYEES



132 942  
PEOPLE  
EMPLOYED

## 134 NEW

CORPORATE  
STORES BY  
JUNE 2016

SOUTH AFRICAN  
NATIONAL  
FOOD INFLATION

## 6.8%

## GROUP TURNOVER GREW 11.2%

## 250<sup>+</sup>

BURSARIES  
ALLOCATED

SHOPRITE CHECKERS  
INTERNAL  
FOOD INFLATION

## 4.6%

## 23 285 324



# Board of Directors

Shoprite Holdings Ltd

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## EXECUTIVE DIRECTORS



**DR JW BASSON (69)**  
BCom CTA CA(SA) DCom (hc)  
Chief Executive Officer

- Joined Pep Stores Ltd as financial manager in 1971.
- Appointed as Chief Executive Officer of Shoprite Holdings in 1979.
- Managing director of Shoprite Checkers (Pty) Ltd.



**MR BR WEYERS (63)**  
General Manager: Product Development

- Joined the Shoprite Group in 1980.
- Appointed as director of Shoprite Holdings in 1997.
- Director of Shoprite Checkers (Pty) Ltd.
- Serves on the Social and Ethics Committee.



**MR CG GOOSEN (62)**  
BCom Hons CA(SA)  
Deputy Managing Director

- Joined the Pepkor Group as financial manager in 1983.
- Served as financial director of Shoprite Holdings from 1993 to 2014.
- Director of Shoprite Checkers (Pty) Ltd.



**MR JAL BASSON (39)**  
BAcc  
General Manager: Hungry Lion

- Appointed as Shoprite Holdings alternate director in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.



**MR M BOSMAN (58)**  
BAcc Hons CA(SA)  
Chief Financial Officer

- Appointed as Shoprite Holdings financial director in 2014.
- Served as executive alternate director of Shoprite Holdings from 2005 to 2014.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.
- Serves on the Social and Ethics Committee.



**MR PC ENGELBRECHT (46)**  
BCompt Hons CA(SA)  
Chief Operating Officer

- Appointed as Shoprite Holdings alternate director and as Chief Operating Officer of Shoprite Checkers (Pty) Ltd in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.



**MR B HARISUNKER (63)**  
Divisional Manager

- Joined Checkers in 1969.
- Appointed to the board of Shoprite Holdings in 2002.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries. Responsible for the Group's retail operations in Mauritius, Madagascar and Mozambique and international sourcing.



**DR CH WIESE (73)**  
BA LLB DCom (hc)

- Appointed as Chairman of Shoprite Holdings in 1991.
- Chairs the Nomination Committee.
- Serves on the Remuneration Committee.
- Chairperson of Pepkor Holdings (Pty) Ltd, Tradehold Ltd and Invicta Holdings Ltd.
- Serves as a non-executive director on the boards of Brait SE Ltd, Steinhoff International Holdings Ltd and Pallinghurst Resources Ltd.



**MR AE KARP (56)**  
General Manager: Furniture Division

- Joined OK Bazaars during 1990.
- Appointed to the board of Shoprite Holdings in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.



**MR EL NEL (66)**  
BCom CTA CA(SA)  
General Manager: Retail Investments

- Joined the Shoprite group in 1997.
- Appointed to the board of Shoprite Holdings in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.

## NON-EXECUTIVE DIRECTOR



## INDEPENDENT NON-EXECUTIVE DIRECTORS

**MR JG RADEMEYER (66)**

BCom CTA CA(SA)

- Appointed as a director of Shoprite Holdings in 2002.
- Lead Independent director and Chairperson of the Audit and Risk Committee.

**MR JA LOUW (71)**

BSc Hons B(B&amp;A) Hons

- Appointed as a director of Shoprite Holdings in 1991.
- Chairs the Social and Ethics, and Remuneration Committees.
- Serves on the Audit and Risk, and Nomination Committees.
- Holds directorships in various private companies.

**MR JF BASSON (63)**

BCom (Cum Laude) CTA CA(SA)

- Appointed as a director of Shoprite Holdings in 2014.
- Member of the Audit and Risk Committee.
- Previously partner of PricewaterhouseCoopers.
- Chairman of the Audit and Risk Committee of Cape Consumers (Pty) Ltd.
- Member of the board of Cape Consumers (Pty) Ltd.

**DR ATM MOKGOKONG (58)**

MB ChB DCom (hc)

- Appointed as a director of Shoprite Holdings in 2012.
- Serves on the Nominations Committee.
- Executive Chairperson of Community Investment Holdings (Pty) Ltd and non-executive Chairperson of Rebosis Property Fund Ltd and Jasco Electronics Ltd.
- Non-executive Director of Adcock Ingram, Afrocentric Investment Corporation Ltd and Medscheme Ltd.
- Holds directorships in various other public/private companies.

**MR JJ FOUCHÉ (67)**

BCom LLB

- Re-appointed as director of Shoprite Holdings in 2012.
- Member of the Audit and Risk Committee.

**MR JA ROCK (45)**

BA Hons MA ACA AMP (Insead)

- Appointed as a director of Shoprite Holdings in 2012.
- Member of the Audit and Risk Committee.
- Qualified chartered accountant.
- Previously Group Executive at SARS.
- Currently General Manager at Exxaro Services.
- Director of Ferroland Grondtrust (Pty) Ltd

**MR EC KIESWETTER (56)**

BEd (Science Education)

MCom (cum laude) (SA and International Tax) Executive MBA (Strategy and Business Transformation) (UK)

MEd (Science Education – Cognitive Development)

NHD (Electrical Eng), PG Dip Ed (Mathematics and Engineering)

- Appointed as a director of Shoprite Holdings in 2010.
- Serves on the Nomination and Remuneration Committees.
- Group Chief Executive of Alexander Forbes Group Holdings Limited and holds various directorships within Alexander Forbes group subsidiaries.
- Previously Deputy Commissioner at SARS and member of National Treasury Tax Revenue Committee.
- Chancellor of the Da Vinci Institute, a private University in South Africa.

## ALTERNATE NON-EXECUTIVE DIRECTOR

**ADV JD WIESE (34)**

BA MIEM (Italy) LLB

- Appointed as alternate director of Shoprite Holdings in 2005.
- Serves on the boards of various listed companies.
- Advocate of the High Court of South Africa.







CH Wiese

## SOUTH AFRICA AND THE GLOBAL ECONOMIC ENVIRONMENT

Worldwide the economies of most countries, ours included, have remained under pressure in the past year, struggling to shake off the complex after-effects of the financial crisis of 2008/2009. The drop in demand from China for commodities has exacerbated conditions and severely impacted emerging economies, with South Africa proving particularly vulnerable.

While many of our problems in South Africa are the result of global developments, there are others that are the result of the way our

economy is managed. Growth has slowed to below 2% and Government is doing little to make the country an attractive place to do business in. There are clear signs that South Africa is losing its appeal as an investment destination for overseas investors who may be asking themselves: Why invest in a country with a struggling economy where you are not made to feel welcome while the same if not greater opportunities are available elsewhere?

The statistics are indeed disturbing: The country now ranks 56th amongst 144 countries in the World Economic Forum's global competitiveness report of 2015, having slipped six places in the last three years. In Africa the tiny island of Mauritius ranks above us. The country also slipped six places – to 43rd out of 189 economies – in the World Bank's Ease of Doing Business report.

If this presents a rather bleak picture let's look for a moment on the bright side. It is my contention that many of these stumbling blocks in the economy can be removed with relative ease. The business community has on numerous occasions offered to help Government in doing so. The National Development Plan needs to be implemented with urgency and determination and in doing so, Government and the private sector need to work in unison. We are not in competition with one another, but need to form a united front to face the competitive challenges presented by the markets in which we operate.

If we look at the problems that beset the economy, we also have to admit that many seem to be self-inflicted. You need look no further than the recent onerous visa requirements that have wreaked havoc on the tourism industry, one of the country's few successful growth industries.





Tourist arrivals fell 10.6% in the 12 months to April 2015, the first drop in numbers since 2009, with the biggest decline recorded in the number of visitors from China and India, ironically both members of the BRICS partnership.

Instead of immediately rescinding these requirements when their impact became clear, Government, after months of inaction, appointed a commission to look into the matter in August.

In my view South Africa's membership of BRICS, together with Brazil, Russia, India and China, offers an important channel through which to grow our economy. The five states recently took a major step with a view to their joint future when they established the New Development Bank (NDB), initially referred to as the BRICS Development Bank. The new organisation, with development capital of \$100 billion, is considered an alternative to the World Bank and the International Monetary Fund and was created to help fund, inter alia, infrastructural projects undertaken by its members.

The five countries constitute a powerful economic bloc. With a combined population of more than 3 billion, they account for more than 25% of global GDP. In fact, in 2014, most of the world's economic growth was generated by India and China despite the fact that the economy of the latter was already showing signs of slowing down. The potential for increased trade among the five participants is obviously substantial, with China already South Africa's biggest trading partner.

## THE GROUP IN AFRICA

As a Group we are a firm believer in the enormous potential of sub-Saharan Africa – it has vast tracts of arable land, more than sufficient water, great deposits of minerals and other commodities and a population of more than 900 million (South Africa's excluded). Together these natural assets offer immense opportunities for investment and development.

It would obviously be naïve to imagine that this potential exists in equal measure throughout the vast area of sub-Saharan Africa which is home to more than forty countries. Some of them are more advanced than others, some blessed with greater natural resources than their neighbours. Where initially we tested a number of markets to determine their potential, in time we concentrated our attention and energies on those in which we believed we could establish a sufficient number of stores to provide the economies of scale needed to justify establishing distribution centres and the additional infrastructure to service the stores efficiently. We have achieved that situation in Zambia, where we opened our first store 20 years ago and we are moving towards achieving the same situation in Angola and Nigeria.

The benefits of our own distribution network from which we can control the flow of product to stores and ensure their on-shelf availability are obvious, given the lack of a proper transport and other infrastructure in most countries in sub-Saharan Africa.

Although the lack of a proper transport infrastructure – not only roads but harbours as well – places a major constraint on doing business in Africa, by far the biggest restriction is the lack of a reliable and constant electricity supply. A recent report by the World Bank pointed



“We created a network of advanced distribution centres to which manufacturers deliver their products and from where we distribute to our stores according to their requirements. Ours is the responsibility for getting the right product to our stores at the right time.”

out that all the countries in sub-Saharan Africa together generate about the same amount of electricity as Spain with 45 million people. As in South Africa we therefore have to provide our own power supply to ensure we are able to continue trading at all times.

Many trade barriers remain between the individual countries that make up sub-Saharan Africa with high duties charged for moving goods across borders so that less than 20% of sub-Saharan trade is between countries in the region. This situation is expected to change dramatically with the recent formalising of an historic free-trade pact between 26 countries on the continent at the summit of the African Union in Johannesburg.

Through this pact a common market is being created spanning half the continent. The agreement, the culmination of five years of negotiations and which has been described as the creation of a “borderless economy”, will integrate three existing trading blocs and greatly ease the movement of goods in an area with a combined GDP of \$1 trillion.

Commentators believe the agreement, to be known as the Tripartite Free Trade Area (TFTA) could have an enormous impact on the growth of African economies and that it “will move the whole continent forward” in the words of a report in the Mail & Guardian.

Many of the existing trade barriers between countries will disappear and greatly facilitate doing business on the continent. Not only will it speed up the movement of goods but it will also promote a far higher level of development and prosperity to create new and exciting opportunities for us. South Africa, as the African Headquarters of the BRICS New Development Bank, could play a valuable role in fostering the growth of the new free-trade zone.

As a company we intend to accelerate our expansion into Africa whatever the drawbacks at present.

## SUSTAINABILITY

Ensuring the profitable continuation of our business is crucial to what we do and to how we plan for the future. This requires structuring the business to successfully withstand downswings in the economies where we operate and to benefit to the maximum when they recover. To ensure our continued existence we have built protective measures into the business, structured so as not to hamper growth.

To enable us to provide customers with a high level of product availability in our stores we created a network of advanced distribution centres to which manufacturers deliver their products and from where we distribute to our stores according to their requirements. Ours is the responsibility for getting the right product to our stores at the right time.

In the mature South African food retailing market we work hard to ensure our dominant position in both urban and rural environments through our range of brands and their diverse product offerings. We buy land in declared areas for development to ensure us of first-mover advantage.

Outside the borders of South Africa we concentrate our operations in countries such as Namibia, Angola, Zambia and Nigeria with economies strong and diverse enough to support a network of stores that will in time provide us with the economies of scale needed to drive profitability.

We are constantly adding to the range of customer services in our stores to enable them to complete all their shopping under one roof, whether it is for reserving seats for a theatre production or filling a medical prescription. We also act as agent for the payment of social grants to recipients among whom are many of our lifelong customers.

Through particularly our Shoprite chain, which serves almost 22 million shoppers in the middle to lower sectors of the market, we are intensely aware of the responsibility we have to our customers and to the community in general to provide basic food stuffs at the lowest possible prices.

We are committed to enterprise development to help small entrepreneurs establish themselves, in the process creating hundreds of small new growth points and the possibility of an income for many.

## ACKNOWLEDGMENT

We have come through many challenging years since Shoprite was established in 1979, and we have learnt many lessons in surviving well under difficult circumstances. Such times produce a special breed of men and women who are not intimidated by problems but who relish the opportunity to test their skills in solving them. We are grateful to have such individuals who serve on our board: people who provide us with a broad, balanced perspective and don't allow us to be distracted by side issues. Their collective experience and wisdom has helped us enormously in staying the course and charting up another successful year. Blending that wisdom with the energy, drive and perseverance of our management team has provided us with a winning combination under even the most trying conditions. However, all this would lead nowhere if it were not supported by the commitment of every staff member on a daily basis. To all of them go my grateful thanks.



**CH Wiese**  
Chairman

17 August 2015





JW Basson

As in the case of so many other countries, South Africa faced many challenges during the reporting period. This has been compounded by slowing demand from China in particular for commodities, negatively affecting many economies, including our own. Domestic growth is further hampered by the lack of a consistent supply of energy. Limited growth and the consequent high level of unemployment have put great pressure on the disposable income of all consumers, but lower-income consumers in particular.

Trading conditions in some of the countries in which we operate in sub-Saharan Africa offered considerable challenges during the year. However, we consider these conditions to be mostly of temporary nature. We do not think they will materially affect the long-term growth potential of Africa. The drop in the oil price has affected the GDP of oil-producing countries like Nigeria and Angola, but this does not seem to have significantly affected the disposable income of the average consumer. In fact, a recent study by the McKinsey Global Institute has found that with the strong growth in the size of the Nigerian middle class, the wholesale and retail trade combined was the biggest single driver of the country's economic growth.

Under these circumstances we believe we have produced a more than creditable performance in the 2015 financial year by increasing total sales under tough market conditions by 11.2%. This is despite opening fewer new supermarkets than in the previous year. We were able to grow market share, now at 32.1% – for the ninth consecutive year. The latest industry research shows that 72% of all South African adults shop at the Group's stores.

Our leading position in the food retailing market was acknowledged by consumers themselves when Shoprite was ranked as the top grocery retailer in both the Times Soutwest Retail Awards and in the Sunday Times Top Brands Survey.

Importantly, the growth in turnover did not come at the expense of profitability. The trading profit generated was 10.7% higher. We achieved this mainly in two ways: We diligently controlled our costs in all areas of the business and enhanced our end-to-end supply chain. As a result, we could maintain our trading margin at almost 5.6% which remains world-class. We also contained internal food inflation at just 4.6%, below the official food inflation figure of 6.8%, and obviously helping consumers, especially those at the lower-income end of the spectrum.

We are very proud that our ongoing growth is a key and consistent employment generator. During the past financial year we created jobs for 9 842 more people, bringing our total staff complement at the end of June 2015 to almost 133 000. About 115 000 of our staff are employed in South Africa and close to 18 000 outside its borders.

A concern for us is the growing cost of doing business in South Africa. During the past year we had to spend over R1 billion – or close to 1% of turnover – to safeguard our property and customers, exposed to the threat of frequent, often violent robberies and high levels of theft. It also cost us almost R2 billion or close to 2% of turnover for normal

electricity costs and to ensure a constant power supply to continue doing business during the periods of erratic load shedding.

As retailers, we absorb as much of these costs as we possibly can, but it is unavoidable that some of these will in time be borne by consumers.

## OPERATIONAL REVIEW

We believe the main reason why we could successfully weather the prevailing market conditions and produce the results we have was because we have been structuring our business for some time now, in a way that gives us greater control. This is especially true in the case of our extensive supply-line where we have invested billions to create a network of advanced distribution centres with their accompanying transport operations. These centres are supported by sophisticated information management systems.

Enlarging and further improving this network is an ongoing process. During the period under review we continued to extend and refine our supply-line infrastructure, working closely with suppliers. Additional space was added to our largest distribution node at Centurion in Gauteng, now bringing the built up area to 180 000m<sup>2</sup>, while construction is soon to start on new regional facilities of approximately 85 000m<sup>2</sup> in Cape Town.

This advanced supply-line infrastructure is important in keeping prices competitive while a major information technology upgrade under way will allow us to process point-of-sale information from the stores much more effectively, enabling us to further improve ranging and the on-shelf availability of products to further boost sales.

The extent and sophistication of our supply line not only assists us now in these difficult times but should provide us with exponentially greater benefits when higher economic growth returns.

All our divisions have reported pleasing growth during the reporting period. Even our latest venture, the small-scale Checkers Food Services which supplies hotels and restaurants, has quickly become profitable. It has been operating in the Western Cape until now but will soon be extending its services to the country's other main areas.

## Our core business

Our South African supermarket division generates just more than 83% of total trading profit and continues to dominate South African food retailing in terms of trading area, number of outlets and customer support.

As the South African population grows – the present rate is just over 1% a year – the local market continues to expand. Our store opening programme is aimed at accommodating this growth and where possible, we position new stores in areas not previously served by our supermarkets or in those showing strong population growth. In the 12 months to June, our three supermarket chains – Shoprite, Checkers and Usave – opened a net 38 new stores and now operate a total of 915 outlets in South Africa.

Despite opening fewer stores than in the previous year the division increased sales by 10.5% with higher growth achieved in the first half than in the second owing to a strong Christmas season but also given the effect of closing all our stores in December 2013 on the day of Mr Mandela's funeral.

Our supermarket brands to a large extent cover the full spectrum of South African consumers: Checkers, the higher and middle income groups, Shoprite, the middle to lower income consumers, while the no-frills Usave combines convenience of location with consistently low prices to attract the very price-sensitive shoppers.

The turnover of the Shoprite chain with its 419 stores accounts for just over half of the Group's total supermarket sales in South Africa and remains its flagship brand. With 22.4 million regular shoppers and a focus on the needs of lower to middle LSM consumers, it continues to invest substantially in subsidising basic food items – to the value of R27 million in the past financial year – to strengthen its relationship with its traditional target market and cement its positioning as the country's low-price leader.



## Chief Executive's Report (continued)

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In the case of the Checkers brand, we are continuously working on extending and refining product ranges, especially those offered in the destination departments such as wine and cheese. Freshness has become the key to much of what we do in the Checkers environment, not only in respect of fruit and vegetables but also in terms of our growing value added food ranges.

We have been working for several years now on upgrading the Checkers brand and increasing its appeal for higher-income shoppers. It was very affirming to note that a recent AMPS report showed that Checkers now features in the shopping repertoire of half of all LSM 10 consumers. It brings confirmation that we are succeeding in our repositioning of the brand.

The third brand, Usave, also managed to further increase its market share during the year. Usave with its small-format stores offers a limited range of basic foods at everyday low prices. The chain works extremely well in increasing the Group's market penetration as it operates successfully in areas too small to sustain a full supermarket. It is a format which we are also applying elsewhere in Africa.

Interpreting the customer data generated through our stores and applying to best advantage the market intelligence it affords us has become an important focus in our forward planning and considerable energy is being devoted to optimise its potential.

Within that context we continued to extend our expertise in the area of digital marketing, with the accent on mobile technology. The Group now has 3.3 million followers on social media, more than 1 million of them in Nigeria, given its high smartphone penetration.

E-commerce has become a powerful extension of the retail experience. In our case we need to adapt its potential for our target audiences. We remain convinced that the potential for online food

shopping in a large part of the market we serve is limited. It is a different matter in the case of general merchandise, such as the furniture division, for example, which does present opportunities to attract new custom.

We are very aware of the benefits brought by technology and ensure that we remain up to date on a daily basis. The key to a successful strategy, however, is to select the precise time to deploy new initiatives. In technology first-mover advantage often counts as a disadvantage.

### Complementary services

Over the years the appeal of our stores has been considerably enhanced by our decision to turn them into one-stop shopping venues, places where consumers can conduct a wide range of transactions, from food shopping to paying accounts, buying airtime, booking seats for a concert or a game, having a medical prescription filled by a qualified pharmacist, and even buying bus or flight tickets. Over the past financial year, more than 12 million people used our stores to transfer money to elsewhere in the country. The brand also acted as a pay point for social grants and more than R9.4 billion was paid out as part of our free service to customers.

Some of these services are available at pay points but mostly they are provided by a special Money Market department in each store while Computicket also operates from these kiosks as well as in a small number of standalone shops. These services are also increasingly being offered in our stores elsewhere in Africa.

Apart from a wholesale arm, Transpharm, our MediRite pharmacy chain operates a chain of 156 mainly in-store outlets. All but ten are in South Africa. Because of the geographic spread of our network of stores, we believe these in-store pharmacies are crucial in improving healthcare especially in rural areas. However, growth is being restricted





“This advanced supply-line infrastructure is important in keeping prices competitive while a major information technology upgrade under way will allow us to process point-of-sale information from the stores much more effectively, enabling us to further improve ranging and the on-shelf availability of products to further boost sales.”

by what we believe is an overregulation of the industry and many interferences, including price restrictions. These restrictions may in time lead to a reduction in standards and services to the detriment of the very consumer they are supposed to protect.

Our LiquorShop chain of which outlets are mostly located outside the entrances to our supermarkets, form part of the “one-stop shopping experience” we try to create for customers. It now runs almost 300 outlets. These LiquorShops do not compete with our in-store wine departments but offer consumers an extended range of products, including spirits, beers and “ready to drink” brands, bringing us new shoppers.

### Non-RSA expansion

Although the Group intends remaining a major force in food retailing in South Africa it is increasingly growing into sub-Saharan Africa where it continues to strengthen its presence in key economies such as Nigeria and Angola. The potential of the African market remains vast, and to a large extent untapped. We believe that after 25 years of operating outside South Africa’s borders we have acquired the knowledge, the experience and the skill to operate successfully in this arena.

We now own 189 supermarkets in 14 countries beyond South Africa, having opened a net 20 during the reporting period. We intend accelerating our expansion drive on the continent with 35 new stores planned for countries across sub-Saharan Africa by June 2016. This will be the highest number of new stores opened in Africa in any given year.

Our focus in the new year will be primarily on Angola and Nigeria. We are now trading from 27 supermarkets in Angola, having added six during the period under review. The strong turnover growth we are experiencing in our stores offers sufficient justification for the Group’s continued investment here.

Nigeria, the other focus area, increased turnover by 19.7%, with two supermarkets added to the existing ten. We will be adding a further eight in the new financial year to bring the total to 20. With its new government in place we have no doubt that the economy will continue to diversify and expand at a rapid rate.

Much work continues to be done to increase the procurement of fresh produce from local farmers while ensuring that the quality accords with the standards we set. Specialists in soil management, seed selection and harvesting technology are engaged to present workshops for developing farmers and undertake skills transfers in their specialist areas. More than 200 vegetable farmers have growing programs to supply to the Group’s stores. In Zambia, up to 80% of all vegetables sold in our stores are now produced by local farmers.

### OK Franchise Division

Our Franchise Division is a natural extension of our store operations as we can use the same infrastructure to service their needs and at a price advantage that our substantial buying power affords. The division operates under the old and respected OK brand which will replace

the various franchise brands currently in existence. Much work was undertaken during the year to revitalise the brand and achieve consistently high standards in all franchise stores to provide customers with an excellent shopping experience.

Whereas in the past the OK brand enjoyed the strongest exposure in the rural areas of South Africa’s northern provinces, it is now opening more and more franchise stores in urban areas across the country and entering shopping malls for the first time.

### Furniture Division

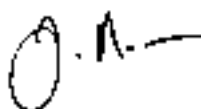
The Furniture Division acts as an important extension of the services offered to consumers. During the past year it operated under three brands – the dominant OK Furniture with its sub-brand OK Power Express, and the more up-market House & Home which after extensive restructuring is now starting to regain the support of its target market.

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

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

### ACKNOWLEDGMENT

It is said that good companies do well in difficult times and exceptionally well in good times. Judging by our results this year we believe we are a good company. But good companies comprise good people and we are fortunate in having those in abundance, people who put their shoulders to the proverbial wheel on a daily basis and do what is required of them, and more. I extend my heartfelt thanks to management and staff alike. To work with people of such calibre is humbling but also fills me with pride.



**JW “WHITEY” Basson**  
Chief executive

17 August 2015



# Five-year Financial Review

Shoprite Holdings Ltd and its Subsidiaries

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	June 2015 Rm	June 2014 Rm	June 2013 Rm	June 2012 Rm	June 2011 Rm
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Sale of merchandise	113 694	102 204	92 457	82 731	72 298
Trading profit	6 328	5 714	5 392	4 665	3 987
Exchange rate losses	(132)	(9)	(4)	(8)	—
Items of a capital nature	(13)	3	(31)	(94)	(79)
Operating profit	6 183	5 708	5 357	4 563	3 908
Interest received	216	225	259	142	95
Finance costs	(415)	(461)	(430)	(224)	(126)
Share of (loss)/profit of associates and joint ventures	(2)	(5)	5	—	—
Profit before income tax	5 982	5 467	5 191	4 481	3 877
Income tax	(1 848)	(1 727)	(1 576)	(1 439)	(1 347)
Profit for the year	4 134	3 740	3 615	3 042	2 530
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
Property, plant and equipment	15 374	13 576	11 652	9 669	8 169
Other investments	725	471	179	108	64
Deferred income tax assets	469	440	420	414	326
Intangible assets	1 458	1 225	1 041	894	719
Current assets	25 885	24 803	20 176	19 988	11 417
Fixed escalation operating lease accruals	9	18	12	11	9
<b>TOTAL ASSETS</b>	<b>43 920</b>	<b>40 533</b>	<b>33 480</b>	<b>31 084</b>	<b>20 704</b>
<b>EQUITY AND LIABILITIES</b>					
Capital and reserves	19 092	17 217	15 184	12 745	7 084
Non-controlling interest	68	66	68	63	59
Permanent capital	19 160	17 283	15 252	12 808	7 143
Borrowings	4 872	4 684	4 152	4 035	50
Other liabilities	19 888	18 566	14 076	14 241	13 511
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>43 920</b>	<b>40 533</b>	<b>33 480</b>	<b>31 084</b>	<b>20 704</b>
<b>STATISTICS PER ORDINARY SHARE AND FINANCIAL RATIOS</b>					
Net asset value per share	(cents) 3 570.9	3 218.1	2 837.4	2 381.6	1 399.8
Earnings per share	(cents) 771.2	697.0	672.3	590.0	495.9
Headline earnings per share	(cents) 772.9	697.6	675.4	607.0	507.6
Diluted headline earnings per share	(cents) 769.1	697.6	675.4	607.0	507.6
Dividend per share	(cents) 386.0	350.0	338.0	303.0	253.0
Dividend cover (based on headline earnings)	(times) 2.0	2.0	2.0	2.0	2.0
Trading margin	(%) 5.57	5.59	5.83	5.64	5.51
Headline earnings on average total permanent capital	(%) 22.7	22.9	25.8	31.2	39.2
Inventory turn	(times) 6.9	7.1	7.7	8.4	8.8
Borrowings: Total equity	(:1) 0.254	0.271	0.272	0.315	0.007
Net finance costs cover	(times) 40.53	31.38	39.83	70.60	156.24

## DEFINITIONS

**Trading margin:** Trading profit expressed as a percentage of sales.

**Inventory turn:** Cost of merchandise sold, divided by the average of inventories at the beginning and the end of the financial year.

**Headline earnings:** Profit before items of a capital nature, net of income tax.

**Net finance costs cover:** Earnings before interest, income tax, depreciation and amortisation (EBITDA) divided by net finance costs.



## STATEMENT OF COMPREHENSIVE INCOME

### Sale of merchandise

- Total turnover increased by 11.2% to R113.7 billion, a good performance seen in context of the state of the economy in Africa in general and the fall-out from the drop in the oil price during the financial year. Turnover growth during the second half of the year was more subdued when compared to the first half, mainly due to the drop in the oil price only having its real effect during the second half and, in addition, the Group opened less supermarkets than in the corresponding period of the previous year.
- The following table gives the relevant turnover per segment:

	Sales Growth %	June 2015 Rm	June 2014 Rm
Supermarkets RSA	10.5	84 945	76 881
Supermarkets Non-RSA	13.5	16 781	14 779
Furniture	13.0	4 516	3 996
Other Segments	13.8	7 452	6 548
Total Sales	11.2	113 694	102 204

- Supermarkets RSA reported a 10.5% growth in turnover to R84.9 billion. The average customer remained financially stressed, but Supermarkets RSA opened a net 38 stores and again had a number of highly successful promotions during the year which contributed to its turnover growth. The Group continues with its innovations in value added categories like cheese, wine and meat.
- Average internal food inflation decreased from 4.7% in 2014 to 4.6% in 2015 and has been reducing steadily to about 2.3% in June 2015. This in comparison to the official food inflation of 6.8% for the 2015 financial year and 4.3% in June, which indicates that not all increases were passed on to the customers.
- The rand maintained its relative weakness to the US dollar and most African currencies in which the Group trades. Supermarkets Non-RSA saw additional headwinds with the destruction of the Palanca store in Angola in July 2014 due to a fire and a material drop in oil prices which affected the economies of oil producing countries such as Angola and Nigeria, with the result that this segment reported a growth of 13.5%, contributing R16.8 billion to Group turnover after conversion to rand. In constant currencies the growth in turnover was 15.5%. Should the turnover from Palanca be excluded, then turnover growth would have been 17.8%. The Group opened a net 20 new supermarkets during the year outside of South Africa.
- Trading conditions for the furniture business also remained difficult, but it managed to increase turnover by 13% to R4.5 billion. This turnover growth was achieved notwithstanding the disruption caused by the demise of Ellerines when they sold goods under cost price in an effort to generate cash. The positive from this was that the Group managed to secure 54 sites previously occupied by Ellerines and opened stores on said sites. The strongest turnover growth was again reported by OK Furniture at 13.6%, which targets middle- to lower income consumers, while House & Home increased its turnover by 11.7%. Credit participation reduced slightly to 28.4%, but in the main assisted in the growth of finance income which grew by 13.8%, in line with turnover growth. The furniture division opened a net 49 new stores in addition to the 54 on ex-Ellerines sites, for a total of 103 during the year.

### Gross profit

Gross profit comprises primarily gross margin after markdowns and shrinkage. In line with IFRS (IAS 2: Inventory and IFRIC Circular 9/2006), the Group deducted settlement discounts and rebates received from the cost of inventory.

The Group continued to maintain its price competitiveness in the face of stiff competition, not only from existing players but also new

entrants to the market. The Group continued with its strategy of subsidising certain basic foodstuffs in an effort to ease the plight of customers battling with price increases on every front. Despite cutting the margins on basic foods, the Group maintained gross profit margins as a result of efficiencies in systems and logistics infrastructure, the latter now able to handle bigger volumes due to the new and extended distribution centres. This resulted in the gross profit margin remaining almost unchanged at 20.7% compared to 20.8% in the previous year. Gross profit increased by 10.6% to R23.5 billion, slightly lower than turnover growth. Shrinkage remains well under control, but crime (robberies, theft and burglaries) is increasing by the day, forcing the Group to increase its spend on security and loss control.

### Other operating income

Other operating income increased by 20.7% to R3.4 billion, mainly due to an increase in commissions received, premiums earned as well as advertising recoupments that increased with a similar percentage. A provision for the loss of profits for the Palanca store to be recovered from the insurers is included in this figure.

### Expenses

Cost management remains a high priority for the Group as trading margins are always under pressure due to the increased competition in food retailing.

- **Depreciation and amortisation:** The Group is continuing to increase its investment in information technology. It is also opening new stores while simultaneously implementing an on-going refurbishment programme for older stores. On average, stores are revamped every seven to eight years. In addition 197 new corporate stores were opened during the year with 27 closing down.
- **Operating leases:** 170 net new corporate stores were opened during the year and the increase in turnover also saw a commensurate increase in turnover rentals paid. Certain lease payments were reduced by head leases that were either not renewed or were renegotiated during the year.
- **Employee benefits:** The increase in staff costs of 10.2%, less than turnover growth, was mainly due to the resulting staff requirements of increased turnover as well as the number of new store openings. Productivity improvement continued with additional focus on improving and maintaining in-store service levels. Included in employee benefits are provisions for long-term incentives to retain staff.
- **Other operating expenses:** These costs, which increased by 12.7%, cover expenses such as electricity and water, repairs and maintenance, security and credit card commissions paid. The Group maintained its provision for reinstatement of leased buildings where it has an obligation to maintain the exterior of such buildings. The growth in other expenses was mainly due to the increases in electricity (tariff increases), commission paid (more customers making use of cards), repairs and maintenance (revamps and other normal expenses) and car running expenses (fuel and other costs) growing more than turnover growth. Some of the other expenses also outgrew turnover due to the number of new stores opened.

### Trading profit

Trading margins reduced slightly from 5.59% to 5.57%, due to a bigger increase in expenses because of the number of new stores opened.

### Foreign exchange differences

As stated in the accounting policies, the assets and liabilities of foreign subsidiaries are converted to rand at closing rates. These translation differences are recognised in equity in the foreign currency translation reserve (FCTR). In essence, most foreign exchange differences in the statement of comprehensive income are due to US dollar denominated short-term loans of operations outside South Africa and balances in US dollar held in offshore accounts.

During the year the rand remained weak and in addition we also saw

# Financial Report (continued)

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a devaluation of the Angola kwanza, the Nigeria naira and the Zambia kwacha affecting the short-term loans. The result was a currency loss of R132 million compared to a loss of R9.4 million in the previous financial year.

The table below gives the approximate rand cost of a unit of the following major currencies at year-end:

	2015	2014	2013
US dollar	12.126	10.617	9.959
Euro	13.581	14.478	13.017
Zambia kwacha	1.641	1.710	1.816
Angola kwanza	0.100	0.109	0.103
Mozambique metical	0.282	0.332	0.331
Nigeria naira	0.061	0.065	0.062

## Net interest paid

The Group utilised overnight call facilities for both short-term deposits and borrowings for the most part of the year. As in the past, the Group funded all capital projects utilising short-term borrowings and cash reserves.

Net interest paid decreased to R199 million for the year compared to a net payment of R236 million in the previous year. This is mainly due to less stores opened than the previous year.

In addition, the Group is faced with the requirements of IFRS 39 for the treatment of the interest on the convertible bonds. IFRS requires the debt component of the convertible bonds to be measured at amortised cost, using the effective interest method at the Internal Rate of Return. The interest expense calculated at the Internal Rate of Return of 10.09% amounted to R436 million for the year under review compared to the actual interest paid amounting to R306 million at the coupon rate of 6.5%.

## Income tax expense

The effective income tax rate is higher than the nominal income tax rate due to certain non-deductible expenses such as leasehold improvements as well as income tax losses in certain non-RSA countries that cannot be utilised for Group purposes. In a number of these countries a minimum tax was raised, contributing to the higher overall tax rate.

## Headline earnings per share

Headline earnings per share increased by 10.8% from 697.6 cents to 772.9 cents and result mainly from the increase in turnover due to the number of new stores opened. Diluted headline earnings per share increased by 10.2% from 697.6 cents to 769.1 cents. This dilution was due to the share incentive scheme implemented at the end of the previous year.

## STATEMENT OF FINANCIAL POSITION

### Non-current assets

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

During the year the Group spent R4.631 billion on property, plant and equipment and software compared to R3.921 billion in 2014. The Group is also continuing with its policy to purchase vacant land for strategic purposes and building retail premises when no developers can be found. During the year the Group spent R822 million on such land and buildings. The investment in refurbishments amounted to R354 million, while R1.928 billion was spent on new stores (excluding land and buildings), R796 million on information technology and the balance on normal replacements. The Group is continuing with the process of upgrading its merchandising, master data and central stock ledger systems. This will be continuing into the next financial year. Capital commitments of R1.595 billion have been made relating to improvements for the next financial year.

Intangible assets consist mainly of goodwill paid for acquisitions, trademarks acquired and software. Goodwill represents the premium

paid for certain businesses and is tested for impairment annually based on the value-in-use of these businesses, calculated by using cash flow projections.

Software represents the Group's investment in certain computer software that is used in its daily operations. The Group continued its investment in new SAP software. Software is amortised over its useful life of three to seven years.

Trademarks mainly represent the purchased Computicket, Transpharm and Seven Eleven/Friendly Grocer trademarks and is amortised over 20, 16 and 20 years respectively.

### Investment in associates and joint ventures

During the previous year the Group reclassified its investment in Hungry Lion, a jointly controlled fast food outlet, in terms of IFRS 11. In terms of IFRS 11 it is now mandatory to equity account, whereas it was previously proportionally consolidated.

### Deferred income tax assets

Deferred income tax is provided, using the liability method, for calculated income tax losses and temporary differences between the income tax bases of assets and liabilities, and their carrying values for financial reporting purposes. This asset developed primarily from provisions created for various purposes as well as the fixed escalation operating lease accrual.

### Current assets

#### Inventories

Inventories amounted to R13.69 billion, an increase of 10.9% on the previous year. The inventory turn, based on cost of merchandise sold, was 6.9 times (2014: 7.1 times). The increase in inventory resulted mainly from the following:

- The provisioning for a net 170 new corporate stores
- The extension to the DCs in Centurion, Brackenfell and KZN with more suppliers and products now flowing through these facilities.

#### Trade and other receivables

Trade and other receivables mainly represent instalment sale debtors, franchise debtors, buy-aid societies and rental debtors. Adequate allowance is made for potential bad debts and the outstanding debtor's book is reviewed regularly.

The allowance for impairment and unearned finance income in respect of instalment sale debtors amounted to 15.9% compared to 15.2% the previous year. This increase was to take cognisance of the general debt environment and to maintain the Group's conservative approach.

#### Cash and cash equivalents and bank overdrafts

Net cash and cash equivalents amounted to R7.1 billion at year-end, compared to R8.1 billion in 2014. This movement was mainly due to the capital expenditure, including land and buildings, of R4.6 billion.

### Non-current liabilities

#### 6.5% Convertible bonds

On 2 April 2012 Shoprite Investments Ltd issued 6.5% convertible bonds due April 2017 for a nominal amount of R4.5 billion. On 9 May 2012 a further issue in a nominal amount of R200 million was made to Shoprite Checkers (Pty) Ltd, to be utilised as part of an incentive scheme for its employees. This scheme was implemented during June 2014.

A specific authority was granted at an extraordinary general meeting held on 28 June 2012 for the issue of a maximum of 30 million new ordinary shares of Shoprite Holdings upon conversion of the convertible bonds. The initial conversion price is R168.94 per ordinary share. On 28 May 2012 these convertible bonds were successfully listed on the JSE.





In terms of IFRS 39 the convertible bonds were classified as compound financial instruments and thus required a split between equity and liability components.

The liability component (bond) was recognised initially at the fair value of a similar bond that did not have an equity conversion option, in other words a vanilla bond. The rate used was a market related borrowing rate which would normally be a swap rate plus a credit margin. The equity component was 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 were allocated to the liability and equity components in proportion to their initial carrying amounts.

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

The movement in the closing value of the liability as well as the difference in interest calculated and paid is demonstrated below.

	June 2015 Rm	June 2014 Rm
Liability component at the beginning of the year	4 381	4 078
Sold i.t.o. share scheme during the year	—	187
Calculated interest expense	436	408
Interest paid (6.5%)	(306)	(292)
Liability component at the end of the year	4 511	4 381

## Current liabilities

### Provisions

Adequate provision is made for post-retirement medical benefits, reinstatements, onerous lease contracts, long-term employee benefits and all outstanding insurance claims. The Group has settled a major portion of the post-retirement medical liability in the past. The remaining liability relates mainly to pensioners and will be settled during the next financial years.

### HIRE PURCHASE SALES

The Group continued to supply credit facilities as part and parcel of its furniture business. The management and administration of this debtor's book is done in-house as the granting of credit is deemed an integral part of selling furniture.

### SHOPRITE INSURANCE

The Group operates its own short-term insurance company as part of the furniture business and as an insurance vehicle for its own assets. During the year under review net premiums earned relating to third parties amounted to R409 million compared to R370 million the previous year. Premiums for credit protection amounted to R276 million compared to R260 million in the previous year. As in the past, the Group accounts for premiums earned and extended guarantee fees over the life of the policy. In South Africa insurance premiums are invoiced and earned on a monthly basis.

At year-end the insurance company had a Capital Adequacy Requirement as per the Insurance Act of R166 million, with actual net statutory assets amounting to R498 million giving rise to a cover of 3.0 (2014: 2.8) before the declaration of dividends to the holding company.



The Shoprite Group's goal is to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices.



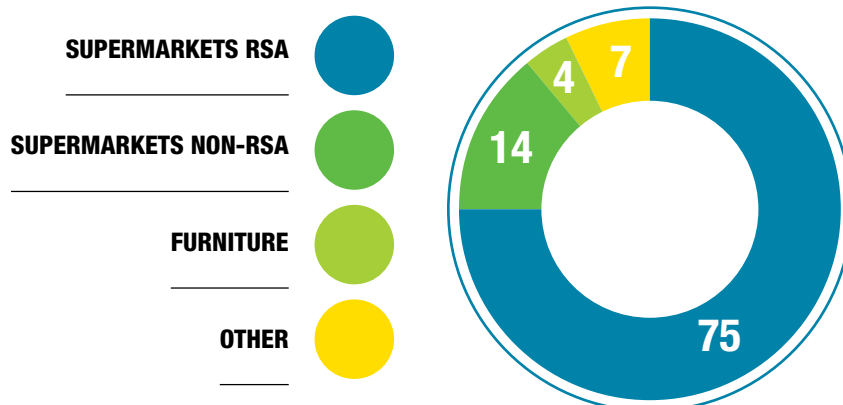
To achieve this goal, we have to build a long-term viable business, with a solid foundation based on commercial business principles. But we also feel strongly about contributing towards the communities within which we operate. We truly believe that we serve the communities of Africa when we provide food at the lowest prices. We also serve our communities by providing sustainable jobs for our employees and our suppliers.

For our Group to be sustainable, we have to:

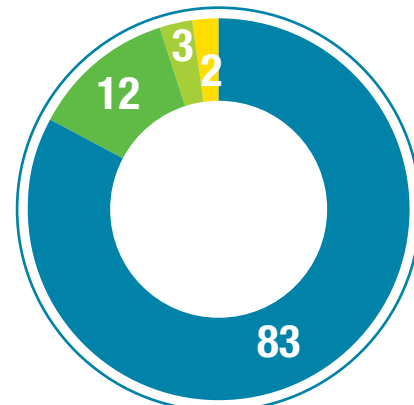
- Have a primary focus on the needs and expectations of our customers, providing them with affordable, safe food;
- Attract and retain thousands of employees who are enthusiastic and passionate about the Shoprite Group's business, performing within the same work culture and towards the same objectives;
- Consider the environmental impact of our operations and value chain, as it contributes to our product costs and will increasingly do so, and affects our reputation;
- Work with our suppliers to ensure sustainable supply, food safety and cost effectiveness; and
- Consider the impact of our Group on the communities and ways in which we can support and develop those communities as they represent our present and future customers, employees and suppliers.

In this section of our Integrated Report, we focus on the supermarket segment of the Shoprite Group as this represents 89% of sales and 95% of trading profit for the Group. In some instances, such as Broad-Based Black Economic Empowerment, information pertains only to the South African operations. Below we provide an analysis of sales and trading profit per segment to illustrate the relative size of each:

Percentage contribution to sales per segment



Percentage contribution to trading profit per segment



## 1 FOCUSING ON OUR CUSTOMERS

**We have a primary focus on the needs and expectations of our customers, providing them with affordable, safe food.**

### Affordability of products

In the recent advertising campaign of the Shoprite chain, we contemplated the impact of “lower prices” on ordinary people’s ability to put food on the table. Our Group serves consumers across all LSM brackets and we are mindful of the importance of lower prices and its impact on consumers’ food basket options. We all make a conscious effort to assist our customers hardest hit by cost-of-living increases by subsidising the price of basic food stuffs throughout the year.

We closely monitor our internal inflation against official national inflation in South Africa and we track this as a standard metric to ensure our efforts to keep prices as low as possible are being translated in overall

Stats SA  
Food Inflation **6.8%**

Shoprite  
Internal Food Inflation **4.6%**

Stats SA  
All Items Inflation (CPI) **5.1%**

Shoprite  
All Items Inflation **4.8%**



National food inflation not available in non-RSA countries.

containment of price increases. We pride ourselves on the long-term trend that confirms that our internal inflation is consistently lower than the official rate of national inflation.

This difference is the culmination of tenacious focus on optimal supply chain processes, operational efficiencies and cost savings throughout all divisions in our business. Below we compare the percentages for the 12 months ending 30 June 2015.

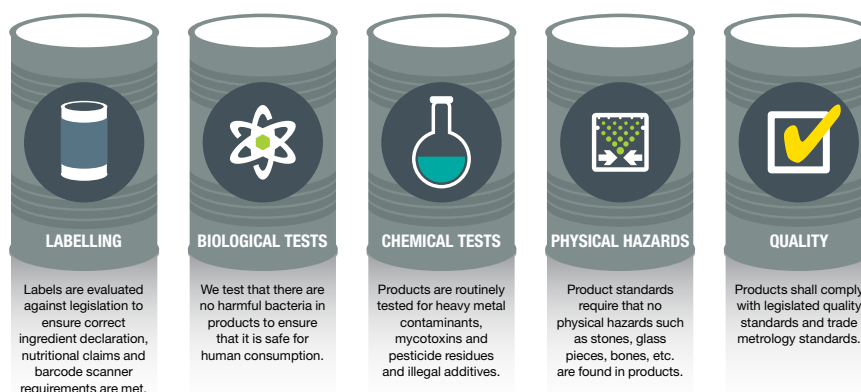
### Food safety

Our Group regards food safety as a priority. We have a great responsibility considering that the Group is the largest supermarket retailer on the African continent and has the largest customer base. In South Africa, 27 million people shop in our stores which is approximately 72.6% of all South African adults.

We have a comprehensive process to ensure the safety of food items in our stores. We provide clear food safety specifications and rules that communicate our expectations to our suppliers and monitor suppliers’ compliance to our food safety and quality standards. We continuously improve the food safety database to ensure that all food suppliers and their manufacturing sites are listed and that we have all food safety certificates and correct details. Due to the ongoing expiry and renewal of certificates, we monitor this database daily to ensure we have valid certificates for all suppliers. Our own distribution centres and stores are independently audited.

To streamline our processes, there is close collaboration between the buying and food safety departments, ensuring that food safety is considered throughout the procurement process. We also engage proactively with our suppliers to communicate feedback on potential regulatory changes, such as genetically modified organisms, to assist them in ensuring compliance.

**If we discover any hazardous or non-compliant product, we have a functional recall system in place to enable product withdrawals.**



**906**  
**FOOD LABELS**  
**APPROVED**  
**DURING 2015**

**64**  
**NEW SUPPLIER**  
**APPROVALS**  
**FOLLOWING**  
**SCRUTINY**  
**OF QUALITY**  
**AND SAFETY**  
**PROCEDURES**

Our food safety, regulatory and new product development departments ensure new products are developed that comply with food safety, quality and labelling standards.

On an ongoing basis we test products for quality, food safety and compliance with label regulations. Below we graphically illustrate the meticulous checks our technical departments oversee when individual items are tested to ensure that food is safe, correctly labelled and compliant with our quality standards.

## ② FOCUSING ON OUR EMPLOYEES

**Our objective is to attract and retain thousands of employees who are enthusiastic and passionate about the Shoprite business, performing within the same work culture and towards the same objectives.**

The Shoprite Group employs 132 942 individuals and the success of our business is a result of the collective effort of this massive staff force. Many of our stores are located in a third-world environment, yet we deliver a first-world shopping experience. To achieve this, we have developed a culture of excellence and institutional human resources processes that are robust and effective.

Our stores are in 15 different countries, with different languages and diverse cultures. We strive to create a workplace that is safe, respects diversity and proactively equip all employees with the necessary skills to confidently contribute to our business' success.

### Attraction and recruitment

In response to the drive to continuously improve our competitive positioning and sustain our growth objectives, we have embarked on a project to position our employer value proposition to ensure we attract and engage the loyalty of right-fit

people for the company. This resulted in an integrated employer value proposition for human resources – labelled BeMore.

The size of our Group means that our employees have multiple opportunities to do more with the Group by capitalising on their existing capabilities, learn more through our focused training programmes, with the aspiration to be more as an individual and an employee.

BeMore personifies the Shoprite Group philosophy, what we stand for, what we believe in. It embodies how we engage in our roles, how we interact with our internal and external stakeholders. It unifies all our brands under a collective and relevant purpose, inspires us to learn more, motivates us to do more, enabling us to be more.

As part of our initiatives to attract and recruit the right people, we engage with students and award bursaries to worthy candidates. As at June 2015, our Group has allocated a total of 250 bursaries and we are

continuing with the identification and allocation of bursaries valued at a further R6.8 million. The gender split amongst bursars still favours females, which is a positive contribution to our gender equality drive.

Our recruitment efforts attracted a number of awards for our human resources team.

We are proud to be voted number one employer of choice in the retail industry by current students and prospective bursary holders throughout South Africa.



In South Africa the Recruitment Department was awarded the bronze award in the category of best integrated graduate recruitment campaign for 2014/2015 by SAGEA (South African Graduate Employers Association).

Shoprite was also selected as "Exceptional Training Office" by the South African Institute of Chartered Accountants for the training of trainee accountants.

**Be more**

**with Shoprite Group**

**If you see yourself as not just your job title**

**If you're bigger than others give you credit for**

**If you're willing to tackle every opportunity**

**If you seek more challenges, more independence, more experience and more knowledge**

**If you refuse to play it small**

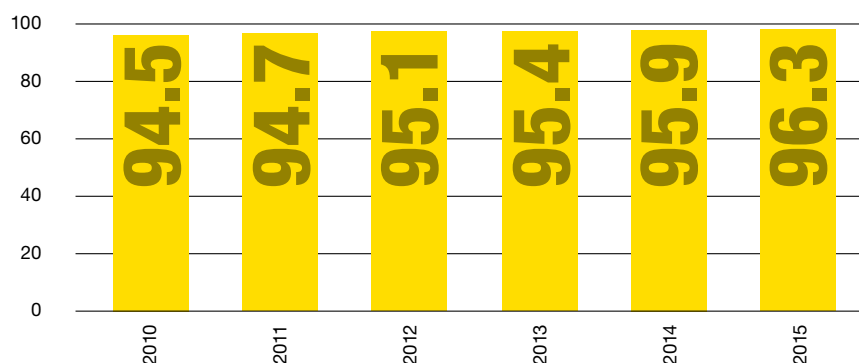
**Then Shoprite Group has all the opportunities you need to be more**

**And by rolling UP your sleeves and living your life to its fullest capacity you can now also do more for your family, your community and your country.**





### Percentage of total black representation – RSA only



### Employment equity

The Shoprite Group is committed to equality and non-discriminatory practices and embedding this in the core of our company values.

Our third 5-year RSA Employment Equity (EE) Plan ended on 30 June 2015 and the results reflect that we have made significant progress on our targets. We are proud of this and believe that it reflects the concerted effort and determination of our Group.

Our fourth 5-year plan was developed in consultation with the Group's national employment equity forum. The targets were unanimously accepted and the plan was implemented on 1 July 2015. The EE targets will be driven from Head Office and Divisional and Regional Personnel Managers will support the achievement of goals and are held accountable for actively supporting the plan and reaching the targets.

When reflecting on the black representation for our overall figures, there has been a marked increase each year and we end our third, five year EE plan (July 2010 – June 2015) on a positive note in support of our goal towards sustainable transformation.

### Skills development and training

The size of our Group and the number of employees that undergo training annually have presented us with the opportunity to create a world class training environment.

Our new e-Learning methodology assists us in the rapid roll out of induction-; product knowledge-; system-; compliance- and customer service related training. The implementation of e-Learning in our Supermarket store environment lead to a substantial increase in training interventions (45%) and beneficiaries (27%). It enables us to take learning to people as opposed to driving people to learning facilities and therefore creates massive savings through reduced travel and accommodation costs, less time out of production, and less facilitation and learner administration time. It facilitates a paperless environment that saves tremendous printing, courier and environmental costs.

Below we provide a graph that depicts the progress made in the current financial year.

One of the pillars in our training vision is "Bridging the Gap between School and Shoprite" and in this regard, on the 26th of January 2015 we saw the successful opening of our very first Retail Simulation Store. This store resembles a small format Shoprite store



**97 833**  
**BENEFICIARIES**

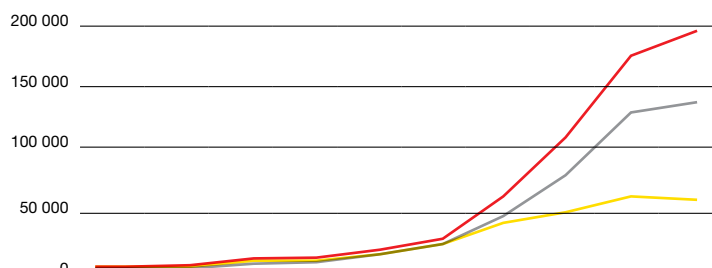
**175 986**  
**TRAINING DAYS**

**426 560**  
**INTERVENTIONS**

**1 407 889**  
**TRAINING HOURS**

with similar structures and off-line functionalities but in a learner-friendly environment. Learners will get exposure to retail operations and complete their practical in order to achieve the retail qualification being pursued. This also marks the Group's first Public Private Partnership with a Technical Vocational Education and Training (TVET) institution which is another one of the pillars of our training vision. We intend to roll out more of these simulators to other TVET colleges as well as a Higher Education and Training institution. Learners who have completed the new Retail Qualification will be excellent future employees for our store environment.

### Group training statistics (including e-Learning)



**132 942**

**EMPLOYEES**



**9 842**

**NEW JOBS CREATED**



**96.1%**

**BLACK REPRESENTATION**



## Shoprite Decade of the Deaf Project

As part of our drive to create access to employment and develop skills, we support eDeaf, an organisation that strives to empower potential employees from the deaf community through in-service training arrangements with organisations such as ours.

Working in a busy retail environment, serving mostly hearing customers, is a challenging task and we are proud to be associated with an initiative aimed to empower a disadvantaged part of society. To date, our Group has successfully trained 400 deaf employees.

We further extend the impact of our training capability through skills development on a philanthropic basis through a number of initiatives.

Photo: Dale Fourie / Kuier (Media24)

## Health and safety

Health and safety of our employees and customers is of utmost importance and within the Shoprite Group we have implemented systems and processes to reduce any health and safety related risks. This includes awareness campaigns and training programmes, committee meeting agendas and minutes, inspection checklists, incident capturing and line management reporting. Through our system we monitor all health and safety related activities and ensure that appropriate follow-up action is taken when needed.

All serious incidents are reported to the General Manager: Group Finance for immediate attention and action. Regular divisional inspections and spot-checks are conducted to ensure store-level adherence to company health and safety guidelines.

## Organised labour relations

Our integrity-based relationship with the leadership of various trade unions recognised by the Group as employee representatives, here in South Africa and many of the countries elsewhere on the African continent where the Group has operations, was sustained during the past year. The Group

also has a healthy relationship with representatives from the global union federation, Uni Global Union.

Interaction with trade unions in non-RSA operations primarily focused on the review of wages and conditions of employment and we can report that negotiations were in all instances followed by agreements and without any incidents of labour unrest.

The collective bargaining process for the South African operations also saw the parties reaching a three-year wage and benefit agreement. This is strategically very important as it will strengthen workplace stability and aid planning, budgeting and allocation of resources in general. The risk for labour unrest, which is currently very prevalent in South Africa, is also greatly reduced. This agreement is an indicator of the level of relationship maturity which exists between the Group's representatives and the trade union leadership. We are confident that this relationship will be sustained and support the customer service objectives of the Group.

## HIV and AIDS

HIV and AIDS remain one of the key challenges facing South Africa today. The

Shoprite Group HIV and AIDS programme is overseen by the HIV and AIDS Steering Committee. The committee, representing the Group, employees and labour, meets on a regular basis to review and administer the implementation of all the Group's HIV and AIDS interventions.

An Actuarial Impact Analysis was done which also incorporated the actual HIV testing results for the past four years resulting in an estimated 9.5% prevalence amongst Shoprite employees. Peer Educator training programme to train 2 100 Peer Educators was launched and will continue in the next financial year.

All employees and their immediate families are covered by the Post Exposure Prophylactics (PEP) Medication Programme in case of accidental exposure to the HIV virus. Face-to-face trauma counselling in the case of rape, assault and an armed robbery will be available in the next financial year. The Group's Voluntary Counselling and Testing (VCT) project, managed by Life Assist, continued with VCT in the review period and offered free VCT at branches. This project will also test for diabetes, cholesterol, high blood pressure and BMI in the next financial year.



### ③ FOCUSING ON THE ENVIRONMENTAL IMPACT OF OUR VALUE CHAIN

**We consider the environmental impact of our operations and value chain, as it contributes to costs and will increasingly do so, and affects our reputation.**

At Shoprite, our environmental emphasis is on our operational needs and factors that impact the current and future prices of our products. This often includes collaboration with our suppliers, as resilience in our supply chain will contribute to our long-term competitiveness.

#### Climate change

The Shoprite Group Social and Ethics Committee focuses, amongst other things, on the Group's strategy and performance in respect of the environment and climate change, health and public safety, and the impact of our activities, products and services. Under the oversight of this committee, we participate in the Carbon Disclosure Project and ensure that climate change risks and opportunities are appropriately managed throughout the Group.

Climate change poses financial, reputational and operational risks to our Group and supply chain. The financial impact will be mainly due to increased cost of fuel, electricity and the introduction of carbon tax. The security of supply of fresh produce and water is expected to be the most significant operational impact of climate change.

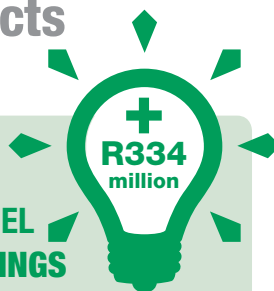
In response to the risks climate change pose to us, we invest in carefully selected projects after considering the technical and financial feasibility as well as maturity of technology.

Our major projects include:

- Implementing an enterprise refrigeration management system that will monitor, manage and optimise refrigeration cabinets and cold and freezer rooms in real-time;
- Installing photovoltaic panels on the roofs of 60 buildings through strategic partnerships;
- Centralising deliveries and returns at designated distribution centres, utilising routing and scheduling software to optimise routes and tracking systems promoting efficient driver behaviour; and
- Retrofitting over 750 000 lamps and 85 000 control systems across our stores with more energy efficient equivalent lamps and control gear.

Internally we have set an emissions reduction target working towards 2025 from a 2013 baseline.

**FOSSIL FUEL  
COST SAVINGS  
IDENTIFIED  
THROUGH PROJECTS  
UNDER INVESTIGATION  
OR IN IMPLEMENTATION**



#### Water

We are concerned about the security of water supply in South Africa. While water does not constitute a major cost to our business, it is critical for our continued operations. Without water supply, our butcheries, delis and bakeries cannot function, and without water for hygiene and sanitation, we cannot operate our stores.

In response, we are incorporating water storage facilities in our stores to serve in a bridging capacity in the event of poor water quality, inadequate water pressure or inadequate water supply.

#### Food waste

Our practice around food waste is to firstly reduce and avoid it as far as possible, and secondly find the most beneficial way of dealing with items that we cannot sell. It is our social responsibility to not waste food and find beneficial purposes for broken items, dented tins and items past "sell by", but before "used by" dates. One of the focus areas of our corporate social investment strategy is hunger relief and we ensure that all items that are safe for human consumption is donated through reputable partners such as FoodBank SA.

In order to avoid the cost associated with food waste we continuously evaluate and improve on our measures in place to prevent food waste. This is done through supplier relationships, food safety and quality checks throughout the supply chain and active demand management.

The issue of food waste requires a delicate balance between ensuring sufficient availability of fresh produce, deli and bakery

items versus oversupply that results in increased wastage. Changes in consumer preferences also impact food waste, such as favouring fresh milk over long-life milk.

#### Packaging

Packaging is essential in our business, as it enables stable transportation of food, enhances food safety, protection and hygiene, increases the shelf life of products, and improves customer experiences with visually attractive food. On the negative side, packaging increases the cost of a product and generates waste.

We work with our suppliers to reduce packaging as far as possible. This creates a cost saving, as well as reduction in virgin material used and ultimately avoiding post-consumer waste to landfill.

An example of such a project is our pasta packaging where we reduced the material from 50 to 40 micron, saving 157 tons of material used just for 2015. Due to the scale of our business, small changes often have a massive impact and we are systematically working through our products to identify and implement changes such as these.

We also focus on increasing the recycled content in packaging, increasing the recyclability thereof and simultaneously ensure that labelling will assist end consumers to identify recyclable status and assist recyclers to know chemical compounds of packaging for sorting purposes.

#### Waste

A large component of waste generated in our value chain is a direct result of product transportation requirements. We are constantly seeking opportunities to reduce waste through collaboration with our suppliers such as shelf-ready packaging and innovation in material used for transportation of products.

One of our flagship projects is the reclamation center at our Centurion distribution center. This facility provides the space and infrastructure needed to effectively manage waste. Here we do not only deal with waste generated through our own operations, but also with damaged products from approximately 250 suppliers. The aim is to reduce the amount of waste sent to landfill sites and thereby improve the environment for our customers. To increase the effectiveness of our recycling initiatives at this facility, we are installing industrial balers that will process cardboard, paper and plastic. Recycling effectively means that we change a waste removal cost into a revenue stream and we are consolidating waste for recycling at this facility.

The services of professional experts are used to guide our processes and procedures. Amongst others, this includes close consideration of construction waste during building operations and implementing recycling initiatives at centers owned by us.



## 4 FOCUSING ON OUR SUPPLIERS

### We work with our suppliers to ensure sustainable supply, food safety and cost effectiveness.

At Shoprite we maintain a fine balance between a hands-off approach towards suppliers, and collaborating for mutual benefit. We believe that our suppliers are experts in their fields, but continuous interaction and collaboration serve to both create cost savings and reduce risks.

An area where significant cost efficiencies are gained is transportation and logistics. Our supply chain division continuously engage with our suppliers to extract efficiencies and reduce mileage travelled within the value chain.

One division of our business where we have very close collaboration with our suppliers, is Freshmark. We buy local, have direct relationships with our farmers and we are regularly on their farms. We believe in long-term relationships that are characterised by open and honest communication which is essential to our success.

We also understand that the success of our suppliers directly impact the success of our business. The quality of produce, stability of supply and cost of production are dependent on how successful our suppliers are. For our mutual benefit, we have open and honest relationships with our growers and we proactively provide them with guidance and assistance where required.

#### An example of how we support our growers is a lettuce grower in Tarlton, South Africa.

Ivo Rugani used to grow open field lettuce. To diversify the risk of adverse weather conditions, he spread his operations over a 90 kilometre radius. However, in 2011 he had hail 8 times throughout his sites which placed him on the edge of financial difficulty.

With our support, he converted his farm to covered hydroponics, which significantly reduces his weather-related risks, reduces water requirements, reduces electricity demand, increases yield and makes him a farmer on the edge of world class technology.



## 5 FOCUSING ON OUR COMMUNITIES

### We consider the impact of our Group on our communities and ways in which we can support and develop those communities as they represent our present and future customers, employees and suppliers.

At Shoprite we believe that we are an integral part of the communities in which we operate. The members of these communities are our customers, employees and suppliers and their wellbeing has a direct relation to our success and long-term viability.

We believe that we serve communities by providing access to food at lower prices, especially in traditionally underserved communities. We are also in a position to provide other significant services to our communities, and we strategically choose to provide value added services for our consumers in these areas. An example of this is the fact that our stores continue to perform the pay-out of cash grants in South Africa at no charge to consumers. We have paid out grants to more than 52.6 million grant recipients since 2012 through our network of over 1 000 stores which spans the entire country. We have thus essentially distributed R28.9 billion in cash grants free of charge as a service to our valued customers and the country's most vulnerable citizens despite considerable cash handling and security related costs.

To further serve our communities we also invest in society and engage in philanthropic initiatives. Our Corporate Social Investment strategy focuses on hunger relief, women empowerment and skills development.

#### We Act to Alleviate Hunger

It is our social responsibility to use our size to assist with hunger relief in our communities. We do this through donating food swill from our operations to communities in need, providing meals through our fleet of soup trucks and assisting with disaster relief.





**TOTAL VALUE OF  
FOOD  
DONATED**

**R92.4  
MILLION**

#### Donating food swell

During the year, we have partnered with FoodBank SA and Stop Hunger Now SA who will serve as our partners in distributing food swell donations from our operations. There are significant synergies between our Group and these organisations which will increase our reach and reduce any wastage through time delays or administrative processes. Through these partnerships we will have more control and oversight over the end reach of our food donations due to their beneficiary identification and vetting processes. We will have less logistical requirements for food collections as these are consolidated, and using our combined capability, we can serve our communities better and increase our impact.

#### Providing meals

Shoprite has a proud history of providing meals through our mobile soup kitchens and our size enables us to have a real impact on communities. We have distributed over 23.2 million meals through our fleet of soup trucks since its inception.

Our vision is to enhance the impact of our soup trucks by using them to assist communities in establishing sustainable feeding schemes. Our model is to identify existing, but potentially unsustainable community soup kitchens / feeding schemes and then assist them to become sustainable. We will do this through the establishment of quality

food gardens, establishment of direct relationships between local Shoprite Group stores and the feeding schemes, and provision of skills development and training. During the process, our mobile soup kitchens will serve meals and once established, move on to the next community kitchen establishment. This process will enable us to best apply the full spectrum of our capabilities and skills for the long-term benefit of communities in need.

#### Disaster relief

Over the last few decades Shoprite has supported many natural flood and fire disaster victims with the supply of goods. Our commitment is to engage in activities in South Africa and Africa to support natural, informal settlement and flood disaster relief efforts.

We have developed a Shoprite Disaster Relief Response Programme that will improve disaster response through immediate provision of food, water, blankets, toiletries, etc. to relief teams. We will work in conjunction with relief organisations such as the SA Red Cross Society to increase our response time and assist our communities in need.

An example of our activities during the year is when we reached out to some of the more than 200 000 people that have been displaced by flash flooding in Malawi since heavy rains started in the middle of January 2015. Supplier sponsored products, including maize meal, sunflower oil, water treatment solutions and sanitary products were distributed.

#### We Act to Empower Women

Our business is supported by women customers, women employees and women suppliers.

We believe that the development and support of women serves as a significant contribution to stable economies and we continuously engage with women through various initiatives.

One of our initiatives to support woman entrepreneurship is through our women suppliers. This effectively enables them to start up businesses and bring their products to market through our footprint. Depending on the success of their products these entrepreneurs get the opportunity to grow their business.

We also provide these entrepreneurs with assistance along the way to contribute to their long-term sustainability and success.



#### This is a case study of one of these entrepreneurs who lives in Athlone, Cape Town:

Gadija Smith started as a young girl helping her aunt bake biscuits. After having twins, she decided to supplement the family income by selling cakes and biscuits door to door. She then contacted a few Shoprite stores to see if they would be interested in selling her products, and started selling to Shoprite in 2006. She now supplies 30 Shoprite / Checkers stores and employs 23 people.

"I am very thankful to provide the Shoprite Group with quality products and this has given me the opportunity to send my children to University. Shoprite Group has allowed me to be an independent woman in the business world and gave me the opportunity to grow my business and provide me with free courses.

Guiding and teaching me all the way. Thank you to the staff and management for giving me inspiration and feedback when I was feeling down. The business growth has given me enough capital to buy a small factory and continue to grow."

**23 285 324**  
meals served by our soup trucks since inception



Good corporate governance is an integral part of the sustainability of Shoprite Holdings and its subsidiaries ("the Group"). The board of directors ("the Board") of Shoprite Holdings Limited ("Shoprite Holdings" or "the Company") promotes and supports high standards of corporate governance, integrity and ethics that will contribute towards the on-going sustainability, facilitate long-term shareholder value and enhance the benefits that all other stakeholders derive from the Group's continued success.

In an environment of increasing regulation, it is the Group's objective to maintain a balance between the governance expectations of investors and other stakeholders, and the expectation to deliver increasing financial returns.

The Board is ultimately responsible for ensuring that governance standards are met and is assisted in this regard by senior management who aims to instil a culture of compliance and good governance throughout the Group. To achieve this, the Group continues to enhance and align its governance structures, policies and procedures to support its operating environment and strategy.

The Board endorses the King Report on Governance for South Africa 2009 ("King III") which prescribes sound governance, best practice principles of accountability, integrity, fairness and transparency. The directors confirm that Shoprite Holdings applied the principles as set out in the latest King Code, with explanations where practical and appropriate. This report sets out the key governance principles adopted by the directors in governing the Company. The full King III narrative statement can be found on the Company's website at [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za). The Company has furthermore complied with all the corporate governance provisions in the JSE Listings Requirements during the reporting period.

## THE BOARD OF DIRECTORS

The Board currently consists of eight (8) non-executive directors and seven (7) executive directors. The directors are diverse in their academic qualifications, industry knowledge and experience. This diversity enables directors to provide the Board with relevant judgement to work effectively when conducting and determining the business affairs of the Company.

Non-executive directors are required to dedicate sufficient time to the affairs of the Board and may serve on other boards provided that they continue demonstrating that such other directorships have not, or will not, impede the discharge of their duties to the Shoprite Holdings board, but rather add value by bringing a broader dimension to board deliberations. The Board is satisfied that the chairman and each of the non-executive directors, in their respective roles, comply with this requirement.

The Board is collectively responsible to the shareholders of Shoprite Holdings for the long-term success of the Group and for its overall strategic direction, values and governance. It provides the leadership necessary for the Group to meet its business objectives within the framework of its internal controls, whilst also discharging the Group's obligations to its shareholders.

## Governance framework

The Board is the custodian of corporate governance and is structured to perform this function effectively. A number of committees have been established to assist the Board in its oversight function.

1. The Audit and Risk Committee assists the Board in monitoring the integrity of the Group's financial statements and oversees integrated reporting. It also assesses the effectiveness of internal financial controls as well as the external and internal audit functions. In addition, it ensures that the Group has implemented an effective risk management process that identifies and monitors the management of the Group's key risks.
2. The Social and Ethics Committee performs the social and ethics functions required by the Companies Act 2008, as amended.
3. The Nominations Committee assists with the appointments of directors and, guided by the company secretary, ensures a transparent process to determine Board and committee composition.

4. The Remuneration Committee ensures the adoption of remuneration policies that retain and attract talent, are aligned to the Group's strategy, are market related and drives performance in the short and long-term.
5. The Group's executive management are responsible for the day-to-day management of the various business operations.
6. The governance department, comprising of legal, compliance and the company secretary, provides support and guidance to the committees.
7. Assurance providers provide a level of assurance on integrated reporting, including the annual financial statements and the B-BBEE scorecard.

## Board responsibilities

The detailed responsibilities of the Board are set out in a formal board charter which forms the basis of their responsibilities and duties. This charter sets out the powers of the Board and provides a clear division of responsibilities and the accountability of board members, both collectively and individually and was reviewed during the reporting period.

The general powers of the directors are set out in the Company's Memorandum of Incorporation.

The Board's principle responsibilities include:

- providing effective leadership based on an ethical foundation;
- addressing all aspects that are of strategic importance to the Group;
- ultimate responsibility for the strategic direction of the Group;
- ensuring that the Group's strategy will result in sustainable outcomes;
- risk management and IT governance;
- monitoring compliance with laws, regulations and codes of good practice; and
- ensuring that the Group is and is seen to be a responsible corporate citizen.

The Board is of the opinion that it has adhered to the terms of reference as detailed in the board charter for the financial year under review.

## Meetings of the Board

The Board meets at least four (4) times per year or more often should circumstances require. The attendance of directors at board meetings during the reporting period are recorded below.

	18.08.2014	03.11.2014	23.02.2015	18.05.2015
<b>NON-EXECUTIVE DIRECTORS</b>				
CH WIESE	●	●	●	●
JF BASSON*	●	●	●	●
JJ FOUCHE	●	●	●	●
EC KIESWETTER	●	○	●	○
JA LOUW	●	●	●	○
ATM MOKGOKONG	●	●	●	●
JG RADEMEYER	●	●	●	●
JA ROCK	●	●	●	○
<b>EXECUTIVE DIRECTORS</b>				
JW BASSON	●	●	●	○
M BOSMAN*	●	●	●	●
CG GOOSEN	●	●	●	●
B HARISUNKER	●	●	●	●
AE KARP	●	●	●	○
EL NEL	●	●	●	●
BR WEYERS	●	●	●	●

\* Appointed with effect from 18 August 2014



## Chairman and Chief Executive Officer

The roles and duties of the non-executive chairman and the chief executive officer are separated and clearly defined.

Dr CH Wiese is the non-executive chairman who provides guidance and leadership to the Board and also ensures that the Board functions effectively, focussed and as a unit.

The Chairman's role includes:

- encouraging debate and constructive criticism;
- setting agendas for board meetings in conjunction with the chief executive officer and the company secretary;
- leading the Board's and individual director performance assessments;
- facilitating the relationship between the Board and the chief executive officer; and
- ensuring that adequate time is allocated for discussion on strategic issues.

The chief executive officer, Dr JW Basson, reports to the Board and is responsible for the day-to-day business of the Group as well as the formulation and implementation of strategies once approved by the Board. He is assisted in this regard by members of executive and senior management that heads the various divisions and departments within the Group.

## Lead independent director

Due to the fact that the chairman is a material shareholder in Shoprite Holdings, he is not considered to be independent. Mr JG Rademeyer is the lead independent director. The function of the lead independent director is to provide leadership and advice to the Board when the chairman has a conflict of interest without detracting from or undermining the authority of the chairman.

## Non-executive directors

The Board consists of eight (8) non-executive directors of which seven (7) are independent as defined in the King III Code. Dr CH Wiese is not independent in view of his material shareholding in Shoprite Holdings.

The full particulars of the directors of Shoprite Holdings are set out on pages 8 to 9 of this report.

The Board is satisfied that its current members possess the required collective skills and experience to carry out its responsibilities of achieving the Group's objectives and to create value to shareholders over the long-term.

## Board appointment

The Board regularly reviews its composition as well as the composition of board committees, which are aligned with applicable legislation and regulations. In making an appointment, the Board takes cognisance of the knowledge, skills, and experience of a potential candidate, as well as any other attributes considered necessary for the role.

The appointment of directors is a matter for the Board as a whole. The Board is assisted by the Nominations Committee who considers the suitability of potential directors and makes recommendations to the Board in this regard.

Directors are not appointed for a fixed term. In terms of the Memorandum of Incorporation ("MOI") of Shoprite Holdings, all directors retire by rotation at least once every three (3) years, but can make themselves available for re-election by shareholders. If eligible, available and recommended for re-election by the Nominations Committee, their names are submitted for re-election by shareholders at the annual general meeting.

The appointment of new directors is subject to confirmation by shareholders at the first annual general meeting after their appointment.

## Induction of directors and on-going updates

A comprehensive induction programme has been developed for new directors to ensure that they are briefed and have the required

understanding of their fiduciary and statutory duties, the Group's structure, operations and policies to enable them to fulfil their duties and responsibilities as directors. The company secretary is responsible for the administration of the Group's induction programme.

New directors are also provided with details of applicable legislation and regulations, Shoprite Holdings' MOI, relevant mandates as well as documents setting out their duties and responsibilities as directors. Directors are invited to briefing sessions or are provided with written summaries to keep them abreast of pending new legislation.

## Conflicts of interests and directors' personal financial interests

The Group's policy in this regard is applicable to all directors and employees. Directors are required to declare their personal financial interests and those of related persons in contracts with the Group annually. A list in this regard, is tabled annually and the register in which such interests are recorded, is available for inspection at each annual general meeting of Shoprite Holdings.

## Board effectiveness and evaluation

The annual evaluation of the Board was performed during July 2015. Directors were required to complete a questionnaire compiled by the company secretary in conjunction with the chairman. This evaluation covered the size and composition of the Board, directors' induction and development effectiveness, board meetings, relationship between the Board and management, skills needed by the Board and its committees as well as stakeholder relations.

The Board is provided with the results of the board effectiveness evaluation. The overall outcome of the 2014/15 evaluations were that:

- the composition of the Board is sound and has a good mix of skills and experience;
- the agendas of the Board and the attention thereto include appropriate matters for review, monitoring and approval;
- the frequency of board meetings are sufficient to enable the Board to fulfil its responsibilities;
- the Board's review, approval, monitoring and oversight include both strategic matters and current operating performance and results;
- the Board has the appropriate committees to assist it and the committees have a clear terms of reference, appropriate leadership and composition and reported appropriately to the Board on their deliberations and decisions;
- board authority and leadership was separate from the executive leadership and authority; and
- the Chairman's leadership and contribution and the company secretary's role and contribution were considered to be effective.

## COMPANY SECRETARY

Mr PG du Preez is the company secretary of Shoprite Holdings. He is not a director of Shoprite Holdings, although he serves as a director on the boards of various Group subsidiaries. This relationship does not affect his arm's length relationship with the Shoprite Holdings Board.

The company secretary is appointed and removed by the Board and acts as a central source of information and advice to the Board and within the Group on matters of ethics and good corporate governance. Independent advisory services are retained by the company secretary at the request of the Board or board committees.

All directors have unlimited access to the advice and services of the company secretary who is supported by the legal department. The company secretary is responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the listings requirements of the JSE Limited. The company secretary also provides a communication link with investors and liaises with the Group's transfer secretaries and sponsors on relevant matters. As required by King III, the company secretary also acts as secretary to the various sub-committees of the Board and attends all meetings of the Board and the committees. The company secretary is also the compliance



# Corporate Governance Report (continued)

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officer and ensures that the Group complies with all the required legislation and regulations applicable to its various business activities.

As required by the JSE Listings Requirements, a detailed assessment was conducted by the Board to satisfy itself of the competence, qualifications and experience of the company secretary. Refer to principle 2.21 of the Group's King III compliance register for further details.

The Board confirms that the company secretary maintains an arm's length relationship with the Board and the directors, taking into account that the company secretary is not a director of the Company and is not related to any of the directors.

## SHARE DEALINGS BY DIRECTORS AND SENIOR PERSONNEL

The Group has implemented a policy relating to share dealings by directors and senior personnel who, by virtue of their positions, have comprehensive knowledge of the Group's affairs. This policy imposes closed periods to prohibit dealing in Shoprite Holdings securities before the announcement of the interim and year-end financial results or during any other period that is considered to be price-sensitive. The company secretary disseminates written notices to all directors and senior personnel throughout the Group. This is in compliance with the market abuse provisions of the Financial Markets Act 19 of 2012 and the JSE Listings Requirements in respect of dealings by directors.

Dealings in Shoprite Holdings securities by directors and alternate directors of Shoprite Holdings and its main trading subsidiary are disclosed as required by the JSE Listings Requirements. The Board has also implemented a formal approval framework which governs the approvals required by these directors prior to their dealings in Shoprite Holdings securities.

During the period under review the Group complied with all Listings Requirements and disclosure requirements prescribed by the JSE.

## ACCOUNTABILITY

### Audit and Risk Committee

A description of the responsibilities and work undertaken by the Audit and Risk Committee during this year is included in the report by the chairman of the committee on page 46. His report also deals with the Group's internal controls, governance of risk as well as the internal audit function.

### Group auditors

At the annual general meeting of Shoprite Holdings held on 27 October 2014, the appointment of PricewaterhouseCoopers Inc as the external auditors of the Group until the 2015 annual general meeting was approved by shareholders. Further details on the external auditors are contained in the report of the chairman of the Audit and Risk Committee.

### Corporate ethics

The Group is committed to achieving high standards of ethical behaviour. All staff is expected to comply with the Group's code of ethics at all times. All new staff members are required to read, acknowledge and agree to adhere to the code of ethics as part of their induction.

The Tip-Offs anonymous hotline is independently managed by a third party service provider. Employees are encouraged to report any unethical behaviour identified, anonymously and confidentially. Although this hotline allows employees to make anonymous reports and guarantees the protection of their identity in accordance with the provisions of the Protected Disclosure Act, 2000, the Group prefers to create an open reporting environment through the various line managers. All cases are investigated by the Group Risk Manager in conjunction with internal audit and the Group legal department where required. During the 2015 financial year a total of 117 incidents of suspected unethical behaviour within the Group were reported of which

28 resulted in disciplinary action, dismissals, resignations and/or criminal charges being laid against such employees.

During the period under review the Group's code of conduct was reviewed by the Social and Ethics Committee and amended in line with best practices in this regard. The code of conduct sets out the standard expected from employees when dealing with customers, fellow employees, suppliers, competitors and other stakeholders. All employees are required to adhere to the code of conduct.

No material breaches of the Group's code of conduct were reported during the 2014/15 financial year.

## Legislative and regulatory compliance

The Shoprite Group encompasses operations in 15 countries, 14 outside of South Africa located on the African continent and the Indian Ocean Islands. In keeping up with its vision and strategy, the Group subscribes to and applies all the significant principles contained in the Code of Corporate Practices and Conduct by King III.

In the Non-RSA jurisdiction where the Group operates, governance developments are monitored on an on-going basis to ensure that local regulatory requirements are complied with. The Board monitors the compliance by means of committee reports, which include information on any significant interaction with key stakeholders, including regulators.

The Group's compliance function resorts under the company secretary and monitors and assesses the impact of legislation on the business. External specialists have been engaged to assist and advise the Group in this regard.

During the reporting period, the compliance function focussed on the following areas to support the directors, chief executive officer, management and employees to fulfil their compliance responsibilities:

### Identification and implementation of changes in regulatory requirements

The Group operates in a dynamic and continuously evolving regulatory and supervisory environment. A regulatory universe is compiled annually for the Group with the assistance of a specialist service provider that identifies and reviews all current, proposed and impending legislation and the potential impact on the Group's various business units. Response to such legislation is addressed through the most efficient and effective channel. Compliance resources and programs are introduced by utilising a risk based approach where after on-going compliance is monitored and tested through various means. Compliance reports are presented to the Audit and Risk Committee.

### Regulatory frameworks

Frameworks are updated on a regular basis whilst controls are monitored continuously using a risk based approach. Any non-compliance is reported using the governance processes.

### General guidance and support to business

Management and business operations are assisted with the implementation of appropriate controls to comply with relevant regulatory obligations. Incidents of non-compliance are also managed.

### Compliance monitoring

Compliance risks were monitored and tracked by regulators, management, internal audit and group compliance. Management monitors compliance as part of the day-to-day operations. Group compliance utilises a risk-based methodology for monitoring.

Legal compliance reports are presented to the Audit and Risk and Social and Ethics Committees on a regular basis.

The Group's tax management framework, approved by the Board, is aligned with the Group's business strategy and risk management objectives. It seeks to achieve tax efficiency across the Group, in compliance with the applicable laws in all jurisdictions in which it operates.





Pending legislation or legislation recently enacted that may have a potentially material impact on the Group includes:

- Protection of Personal Information Act;
- Labour and Employment legislation; and
- Various regulations relating to food and product safety.

Shoprite Holdings fully understands the role and responsibilities of the sponsor, Nedbank CIB, as stipulated in the JSE Listings Requirements. It is the opinion of Shoprite Holdings that Nedbank CIB has discharged its responsibilities in this regard with due care during the period under review.

No significant financial penalties or regulatory censure were imposed on the Group or any of its subsidiaries during the financial year to 30 June 2015.

## INVESTOR AND STAKEHOLDER RELATIONS

The Group's relevance to the markets and societies in which it operates, depends on meaningful engagement with all stakeholders. Its stakeholder management approach involves the optimal application of resources to build and maintain good relationships with stakeholders. This assists the Group to understand the expectations of its stakeholders, minimise reputational risk and form strong partnerships which ultimately underpins the sustainability of the Group.

The Group appreciates the importance of dissemination of accurate information to all its stakeholders. Financial and non-financial information is disseminated timeously and accurately to all stakeholders.

Regular, pertinent communication with shareholders assists the

Group to improve shareholder relationships. The chief executive officer, deputy managing- and financial director are designated investor spokespersons and meet with fund managers and analysts on a regular basis. Investor activities include the presentation of interim and annual results, participation in investor conferences and the issuing of regular operational updates. A corporate website also communicates all the latest financial and non-financial data to all stakeholders. Shareholders are also encouraged to attend the annual general meeting of Shoprite Holdings which provides an opportunity for shareholders to raise pertinent questions and to interact with directors. Committee chairpersons also attend the annual general meetings to respond to shareholders' questions.

The Board is not aware of any material requests made by any stakeholder under the Promotion of Access to Information Act during the reporting period that were either complied with or denied.

## COMPETITIVE CONDUCT

The Group operates in the retail sector which is a highly competitive industry. It is therefore highly protective of all its intellectual property and know-how. Interaction with other retailers is generally restricted to forums in which co-operation at industry level is required for purposes of making representation to Government. The Group is a member of the Consumer Goods Council of South Africa.

## POLITICAL PARTY SUPPORT

Whilst the Group supports the democracy in South Africa, it does not make financial donations to individual political parties.



# Nominations Committee Report

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The Nominations Committee consists of three (3) non-executive directors of which two (2) are independent.

The following directors served on the Nominations Committee during the financial year to 30 June 2015:

Dr CH Wiese: Non-executive Chairman;

Mr JA Louw: Independent non-executive director; and

Mr EC Kieswetter: Independent non-executive director.

The Nominations Committee had two (2) meetings during the period under review. Details of attendance at the meetings are set out below:

DIRECTOR	18.08.2014	19.06.2015
CH WIESE	●	●
JA LOUW	●	●
EC KIESWETTER	●	●

The Nominations Committee is responsible for:

- making recommendations to the Board on non-executive and executive director appointments as well as the Board's composition as a whole;
- reviewing and making recommendations on the Board's structure, size and balance between executive and non-executive directors;
- overseeing the formal induction programme for new directors;
- ensuring the development of succession plans for the Board, CEO and senior management; and
- assessing the effectiveness of the Board and its committees.

During the reporting period the Nominations Committee:

- reviewed the composition of the Board and board committees;
- recommended the appointment of Mr JA Rock as member of the Audit and Risk Committee;
- reviewed the retirement by rotation of the non-executive directors;
- reviewed and approved its formal terms of reference; and
- complied with its terms of reference.

As required by the Memorandum of Incorporation of Shoprite Holdings Ltd, at least one-third of the non-executive directors will retire by rotation at the forthcoming annual general meeting. Dr CH Wiese, Messrs EC Kieswetter and JA Louw will retire in terms of this provision but have offered themselves for re-election.

The Nominations Committee annually reviews the independence of non-executive directors that retire, based on whether the director:

- was employed in an executive capacity within the Group in the previous three (3) years;
- served on the Board for a period of longer than nine (9) years. In this instance the Nominations Committee considers if the director's independence, judgement and contribution to the Board deliberations could be compromised, or appear to be compromised, by this length of services;
- is a representative of a major shareholder;
- is independent in character and judgement and whether there are any circumstances which may or is likely to affect the director's judgement; and
- is a shareholder in Shoprite Holdings Ltd and that his shareholding represents a material part of the director's personal wealth.

Having considered the circumstances of the non-executive directors, the Nominations Committee is of the view that Messrs EC Kieswetter and JA Louw can be considered as independent.

**CH Wiese**  
*Chairman*



The Social and Ethics Committee (“the Committee”) is constituted as a statutory committee of the Board under section 72(4) of the Companies Act (read together with Regulation 43 of the Companies Regulations). The Committee additionally fulfils the role of a Group committee and therefore no other Shoprite Holdings subsidiaries have established social and ethics committees.

A formal term of reference has been adopted and guides the Committee to perform its oversight role to ensure that the Group conducts its business in an ethical and properly governed manner and to develop or review policies, governance structures and existing practices which guide the Group’s approach to new and emerging challenges. This charter was reviewed during the period under review.

The Committee is responsible for:

- monitoring activities with regard to legislation, other legal requirements and codes of best practice;
- drawing relevant social and ethics matters to the attention of the Board; and
- reporting to shareholders at the annual general meeting.

The Committee focuses in particular on the Group’s strategy and performance in respect of:

- social and economic development;
- the promotion of equality and the prevention of unfair discrimination;
- the Group’s ethics and the prevention of fraud, bribery and corrupt practices;
- the deterrence of human rights violations;
- the contribution to the development of communities in which the Group’s activities are predominantly conducted;
- consumer relationships which includes advertising, public relations and compliance to consumer protection laws;
- the environment, health and public safety, and the impact of activities and products and services; and
- labour and employment.

The following members served on the Committee during the 2014/15 financial year:

Mr JA Louw: Independent non-executive director and chairman;  
Mr BR Weyers: Executive director;  
Mr M Bosman: Financial director;  
Mr JAL Basson: Alternate director; and  
Mr C Burger: General Manager Human Resources.

The Committee meets at least twice a year. Other attendees include subject-matter experts on each of the areas falling within the mandate of the Committee. The details of attendance of members during the reporting period are set out below:

MEMBER	08.08.2014	19.02.2015
JA LOUW	●	●
BR WEYERS	●	●
M BOSMAN	●	●
JAL BASSON	●	n/a
C BURGER	●	●

Mr JAL Basson resigned as member of the Committee with effect from 11 August 2014.

The Committee received and considered the following reports by management during the period under review:

- the Group’s compliance with the principles of the UN Global Compact Principles and the OECD Guidelines;
- skills and other development programmes aimed at the educational development of employees;
- corporate social investment programmes, including details of charitable giving;
- employment equity plans for the Group;
- labour practices and policies;
- compliance with the Group’s code of conduct and ethics management and performance;
- performance in respect of Black Economic Empowerment as measured against the Department of Trade and Industry generic Broad Based Black Economic Empowerment scorecard;
- confirmation that the Group adheres to South African legislation aligned to compliance with the International Labour Protocol on decent work and working conditions;
- anti-corruption trends, legislation and information; and
- environmental, health and safety performance.

No substantive non-compliance with legislation and regulations relevant to the areas within the Committee’s mandate has been brought to its attention during the period under review. The Committee also has no reason to believe that any such non-compliance has occurred.

**JA Louw**  
*Chairman*

# Remuneration Report

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The board ("Board") of Shoprite Holdings Limited ("Shoprite Holdings" or "the Group") and the remuneration committee ("the Remuneration Committee") herewith present the remuneration report for the 2015 financial year. It sets out information applicable to the Group's remuneration policy and in particular executive remuneration, encompassing both the fixed and variable elements of the remunerative package, as well as fees paid to non-executive directors.

In line with the Group's business strategy 197 new corporate stores were opened during the year under review, this created in excess of 9 000 new jobs. In a continent where the unemployment rate is one of the biggest hurdles for economic growth, job creation remains top of our people agenda. Despite continuing economic challenges, the Group continued to increase its market share during the year under review. The total turnover increased by 11.2% from last year, with the Group's 189 supermarkets outside of South African borders increasing turnover by 13.5% compared to last year.

During the year under review the Group exercised restraint with regard to executive remuneration. The guaranteed pay increases to executives followed best practice in that it reflects an inflationary adjustment. The Group made no proposal for the awarding of share awards in terms of the Executive Share Plan for the 2015 financial year. The reason for this is that the current levels of long-term incentives to executives and key talent below executive levels are considered sufficient to provide alignment and retention.

The Group's remuneration policy aims to incentivise and retain key employees responsible for driving the Group's business strategy of growth. However, the policy's principles are based on shareholder value creation over the long-term.

The key areas of reporting this year are:

- Part 1 of the report which contains the Group Remuneration Policy and Part 2 illustrates the implementation of the Remuneration Policy;
- Details regarding remuneration to employees below board level, specifically with regard to increased earning potentials for the Virtual Option Plan and the Deferred Bonus Plan; and
- Flexibility provided to employees to receive settlement of their Virtual Option Plan and Deferred Bonus Plan in Group restricted shares, therefore providing employees with an opportunity to share in share price increases which provides a natural alignment with shareholders.

The last two remuneration enhancements are reported on in detail later in this report.

As was the case last year, the Remuneration Committee engaged the services of external reward consultants to review disclosure in this report in line with best practice governance standards. We continue to keep abreast of governance regulations and will pay specific attention to the remuneration governance requirements in King IV, once this code is released.

The Group continues to follow its strategy of growth and increasing its market share which inevitably results in job creation on the greater African continent. We are positive that the Group remuneration policy supports this business strategy.

**JA Louw**  
Chairman

## GOVERNANCE FRAMEWORK AND REMUNERATION COMMITTEE

### Mandate

In line with the best practice set out in King III, the Group's Remuneration Committee is appointed by the Board and has delegated authority, in accordance with its terms of reference, to review and make decisions regarding the Group's remuneration policies and implementation thereof. During the reporting period the terms of reference were reviewed for compliance with King III governance standards and legislation. No changes were made to the mandate and it was approved by the Board.

### Composition, mandate and attendance

The Remuneration Committee members during the year under review were:

- Mr JA Louw (Chairman)
- Dr CH Wiese; and
- Mr EC Kieswetter

All the members of the Remuneration Committee are non-executive directors and the chairman, Mr JA Louw as well as Mr EC Kieswetter, are both independent non-executive directors as defined by King III. The Committee had one (1) meeting during the reporting period. The composition of the Committee and meeting attendance are set out in the table below.

**Table 1: Remuneration Committee composition and meeting attendance**

Director	Status	19 June 2015
JA Louw	Independent non-executive director	●
EC Kieswetter	Independent non-executive director	●
CH Wiese	Non-executive director	●

The head of human resources of the Group reports to the Board on a quarterly basis, which report includes progress on retirement fund benefits/administration, talent management, training, and development and employee well-being.

The Remuneration Committee's input and resolutions on executive remuneration proposals is sought on an ongoing basis during the year. The chief executive officer, deputy managing director, chief operating officer and head of human resources attend meetings, by invitation, to assist the Remuneration Committee with the execution of its mandate. The company secretary also attends the meetings. No executive or senior executive is present at meetings of the Remuneration Committee when his/her own remuneration is discussed or considered.

The chairman of the Remuneration Committee, or in his absence, another member of the Remuneration Committee, is required to attend the annual general meeting to answer questions on remuneration.

The Group subscribes to a salary survey database to benchmark guaranteed pay and short-term incentives, against the retail industry and the general South African market.





The terms of reference as set out in the mandate of the Remuneration Committee include:

- Assisting the Board in establishing a remuneration policy for directors and senior executives that will promote the achievement of strategic objectives and encourage individual performance;
- Ensuring that the mix of fixed and variable pay meet the Group's needs and strategic objectives;
- Reviewing short and long-term incentive schemes to ensure continued contribution to shareholder value;
- Determining any on-target and stretch performance criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executives, which plays a pivotal role in determining their remuneration;
- Considering recommendations from management (based on external benchmarks and independent non-executive directors' fees surveys) on the remuneration of the chairman and non-executive directors, whose remuneration is subject to shareholder approval;
- Reviewing the outcomes of the remuneration policy post-implementation to determine if the objectives were achieved;
- Reviewing and approving the remuneration policy as contained in the Remuneration Report, which in turn forms part of the Group's Integrated Report;
- Overseeing the preparation of the Remuneration Report (as contained in the Group's Integrated Report) to ensure that it is clear, concise and transparent;
- Ensuring that the Remuneration Report is put to a non-binding advisory vote by shareholders and engaging with shareholders and other stakeholders on the Group's remuneration philosophy;
- Ensuring that consideration is given to executive succession planning in the Group; and
- Ensuring compliance with applicable laws and codes applicable to executive remuneration.

#### Activities of the Remuneration Committee for the 2015 financial year

During the 2015 financial year, the Remuneration Committee reviewed components of the Group's remuneration policy and how this links to the Group's strategic objectives. The following were the key activities for the past year:

- Approval of the salary increases of the Group's management and senior management on the following terms: Management (general mandate of 6.9%) and Senior Management (general mandate of 7.7%);
- Reviewing and approving increase mandates for management level employees for other countries (apart from South Africa) on a per country basis; and
- Reviewing proposed increases for non-executive directors' fees. Such increases will be tabled for approval by the shareholders at the annual general meeting on 19 October 2015.

## PART 1 – REMUNERATION POLICY

### Remuneration philosophy

The remuneration policy is aligned to the Group's approach of rewarding directors and senior executives fairly and competitively, structuring their reward package in a manner commensurate with each executive's capabilities, skills, responsibilities and level of performance. It is based on the following underlying principles:

- Awarding remuneration that is fair and just;
- Retaining the services of key talent and critical skills necessary to realise the Group's strategic objectives over the long-term;
- Attracting the key talent and skills required by the Group;
- Ensuring that remuneration structures are consistent with the Group's long-term value creation for shareholders;
- Remuneration that is sustainable in the long-term and does not encourage excessive risk taking by key decision makers;
- Key performance areas for executives which support an integrated approach, taking into account financial metrics, sustainability, risk management, governance and other strategic objectives; and
- Recognising and encouraging exceptional performance, both on an individual level as well as on a Group level.

It is the Group's objective to provide a level of remuneration that will attract, develop, retain and motivate its employees to execute its strategy in a highly competitive retail environment.

The Group's remuneration policy encourages sustainable performance and stimuli for employee motivation and retention. The executive remuneration policy is underpinned by the principle of creating and sustaining a strong link between reward and performance, placing a significant portion of the remuneration "at risk" measured at Group, operational/business unit and individual performance level. The "at risk" or variable pay includes short-term incentive bonuses and long-term incentives which align the interests of executives and shareholders. It should be noted that although long-term incentives are a key component of the Group's remuneration policy, it is not policy to make awards in terms of the Executive Share Plan ("ESP") on an annual basis.

### Benchmarking and position in the market

To ensure that the Group remains competitive within the markets in which it operates, annual benchmarking exercises of its remunerative packages in comparison to the retail industry and the general South African market are performed. Executive positions are also periodically evaluated. Generally, guaranteed pay in the Group is placed at the median of the retail sector remuneration scale. For the retention of exceptional and/or scarce skills a premium may be paid on the remuneration package of these employees resulting in their guaranteed pay level exceeding the median.

Due to the size of the Group, its multiple brands and its large footprint on the African continent, executive guaranteed pay, together with on-target short-term incentive bonuses are benchmarked at the upper quartile values of the South African market (across industries and not retail exclusively). The Group believes that its remuneration policy plays an essential role in realising its business strategy; therefore, it should be highly competitive in the challenging markets in which the Group operates.



## Remuneration Report (continued)

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### Components of remuneration

The different components of remuneration, their objectives and their link to the business strategy as well as proposed changes to the remuneration policy are summarised below.

**Table 2: Summary of components of remuneration**

Component	Nature	Objective	Link to business strategy	Policy	Changes during 2015
Total Guaranteed Pay (TGP)	Fixed	TGP must reflect scope and nature of role, job content, performance and experience; and include basic employee benefits.	TGP ensures competitive-ness and rewards individuals fairly based on similar positions in the market. Benefits recognise employees' need for a holistic TGP package which includes retirement benefits and insured benefits.	TGP generally positioned at the median; exceptions are made where necessary to retain key and critical skills. The Group contributes between 7.5% – 15% towards retirement benefits. TGP includes risk and insurance benefits.	No changes.
Variable Pay [short-term incentive bonus ("STI"), virtual option plan ("VOP"), deferred bonus plan ("DBP") and executive share plan ("ESP")].	Variable	<p><b>STI:</b> Rewards and motivates the achievement of Group and operational performance over a 12 month period.</p> <p><b>VOP:</b> Incentive and retention plan for employees not part of the ESP and benefits realised are based on growth in the Group's trading profit.</p> <p><b>DBP:</b> Employees defer a portion of their bonuses for up to 5 years.</p> <p><b>ESP:</b> Aligning interests of executives with shareholders by encouraging executives to acquire and hold Shoprite Holdings shares. This could consist of co-investment shares (based on an investment made by senior employees) or performance based shares (subject to Group performance) or retention based shares which only has a continued employment condition for vesting.</p>	<p><b>STI:</b> Rewards employees for contributing to growth in sustainable short-term trading profit.</p> <p><b>VOP:</b> Creates shareholder value and increases trading profit.</p> <p><b>DBP:</b> Retention mechanism.</p> <p><b>ESP:</b> Aligns behaviour of senior employees with shareholders' interests through direct shareholding of Shoprite Holdings shares.</p>	<p><b>STI:</b> Depends on trading profit. Bonus pool accrual is capped at 150%. If actual profit falls below 70% of Group trading profit target, a modest bonus may be paid.</p> <p><b>VOP:</b> Participants receive a notional capital amount based on the growth in the Group's trading profit; tranche vesting in equal amounts in years 3, 4 and 5.</p> <p><b>DBP:</b> Same conditions as STI, with deferral of bonuses and tranche vesting in years 3, 4 and 5. A condition of continued employment applies for vesting.</p> <p><b>ESP:</b> Uses performance shares, retention shares and co-investment shares (on condition the underlying investment is retained for the period pending vesting), with vesting on all occasions subject to continued employment with the Group. Vesting conditions are agreed in the participant's individual award letter.</p>	<p>For employees participating in the DBP and VOP, these benefits can now be settled in restricted shares should the employee elect this option. Restricted retention shares awarded in terms of the ESP will be used for this purpose.</p> <p>The intention of this change is to provide greater alignment of middle and junior management with shareholders' interests and will encourage employees (lower than executive level) to also hold shares in Shoprite Holdings.</p>



## TOTAL GUARANTEED PACKAGE

The Group offers its employees a total guaranteed package structure which includes all fixed pay components summarised above, namely:

- Guaranteed pay; and
- Benefits.

The Remuneration Committee conducts an annual review of the Group's guaranteed packages.

### Increases

Annual increases are awarded based on employees' total guaranteed package value. Annual increases in the total guaranteed packages are determined with reference to:

- the scope and nature of an employee's role;
- market benchmarks;
- personal performance and competence;
- affordability;
- company performance and specifically sales growth; and
- projected consumer price index figures.

Proposed increases to guaranteed packages are reviewed by the chief executive officer of the Group and his recommendations are included in a formal proposal to the Remuneration Committee for approval. The annual increase in guaranteed packages for executives is reviewed and approved by the Remuneration Committee in terms of their mandate.

Collective bargaining agreements typically exclude performance based increases and uniform increases are normally granted which are based on the specific agreements reached between the Group and the bargaining units for pre-determined periods of time.

### CEO arrangement

Globally the retail environment is challenging and fast paced. Recently in South Africa it has become a trend for retailers to recruit their CEOs from multinational retailers outside of South Africa. Hence, it is evident that the war for talent in this space is not confined to the African continent.

It is common market knowledge that both locally and internationally the Group has outperformed its peer companies over the last ten years in terms of growth and shareholder return. This strong growth was the foundation for the Group's expansion into Africa, with Shoprite Holdings being the largest retailer on the African continent for some years. Such growth is spearheaded by strong leadership.

The Remuneration Committee and the Board therefore entered into an agreement with the Group's CEO which provides him with a total guaranteed pay package. Annual increases are based on the greater of the:

- Group's HEPS growth for the past financial year;
- Rand/US dollar exchange rate for the past 12 months; or
- Consumer price index growth in South Africa.

This arrangement is in place until his employment contract terminates which can be effected by giving twelve (12) months written notice.

Some of the factors considered by the Board with the CEO arrangement were:

- **No variable pay component in recent years** – The CEO did not receive short-term incentive payments nor did he receive benefits from any long-term incentive for the past five (5) financial years. Therefore, where comparative CEO's may have some leveraged components (especially outperformance share plans, rendering very large value upon vesting) the Group's CEO did not benefit from such plans for the past five (5) financial years.
- **Alignment with shareholders through direct shareholding** – The CEO currently has 1.55% shareholding in the Group through Bassgro (Pty) Ltd. Therefore a substantial part of the CEO's personal wealth is invested in Shoprite Holdings which serves to align his interests directly with those of shareholders.

## VARIABLE REMUNERATION

### Short-term incentive bonus plan

The annual short-term incentive plan is designed to recognise the achievement of a combination of Group and operational/business unit objectives.

Executives and management participate in the short-term incentive scheme which operates over a 12 month period (i.e. financial year). This is a self-funding scheme as the bonus pool is determined based on a trading profit target. The value of the on target bonus earning potential (i.e. bonus pool) for the plan is included in the annual budget and is provided for in the financial statements.

The quantum of the bonus pool is determined at Group level, but is moderated by the financial performance of each operational/business unit within the Group. Therefore, on Group level, where between 70% and 100% of trading profit target is achieved and the operational/business unit achieves the same or a larger percentage of its trading profit budget, the operational/business units' bonus pool will be the actual percentage of trading profit budget achieved. However, where the operational/business unit performance does not match or exceed Group performance, participants may earn a portion of their on-target bonus based on the bespoke performance criteria applicable to each operational/business unit pre-determined at the beginning of the financial year. This ensures that each participant is measured against his specific area of responsibility. Various weightings are also included in the criteria to encourage participants to maximise their role and functionality, and the criteria may include:

- market share growth;
- sales;
- controllable expenses;
- debtors' management;
- shrinkage;
- strategic transformation targets (B-BBEE);
- cost savings; and
- stock days, etc.

Due to the diversified nature of the Group, nineteen (19) operational/business units exist. Employees from all of these operational/business units participate in the short-term incentive bonus plan. Employees falling under branch management have a choice to receive their bonus on a quarterly basis, in which case the bespoke performance criteria is measured against the quarterly results. If the election is to receive the bonus at the end of the fourth quarter, the results over all four quarters are considered. In the event that an annual bonus would exceed the sum of the four quarterly bonuses, the annual bonus will be paid to the employee, and vice versa.

No incentive bonus will be payable if none of the bespoke performance criteria are met.

The plan also makes provision for stretch targets above the trading profit target. Where more than 70% of target is achieved on a Group level and this performance is matched or exceeded on an operational/business unit level, participants can earn up to 150% of their on-target incentive. However, where the current year trading profit does not exceed the previous year trading profit, the bonus pool is limited to 100% of the trading profit target.

The annual bonus pool is therefore capped at 150% of trading profit target in instances of financial outperformance.

Executive directors who have line of sight in terms of operational/business units have exposure to both Group performance and operational/business unit performance for determination of their bonuses. Whereas executive directors with line of sight to Group performance (like the Financial Director, Chief Operating Officer, Marketing Director and the Deputy Managing Director) will have exposure to Group performance for determination of their bonuses.

On an individual executive level the earning potential as a percentage of guaranteed remuneration is expressed in table 3.

# Remuneration Report (continued)

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**Table 3: Short-term incentive bonus earning potential as % of guaranteed remuneration**

Position	Target as % of guaranteed remuneration in 2015	Stretch as % of guaranteed remuneration in 2015
Financial Director	62%	93%
Executive Directors (on average)	56%	83%

The CEO does not participate in the short-term incentive bonus plan, due to the special CEO remuneration arrangement referred to earlier in this report.

## Long-term incentive plans

Currently long-term incentives are offered through participation in the ESP, the virtual option plan and a deferred bonus plan.

The salient features of the current long-term incentives are set out below:

### Executive share plan

Based on best practice locally and globally, the ESP was designed and approved at the 2012 Annual General Meeting by shareholders. This plan provides for considerable shareholder alignment as executives hold equity in the Group, subject to the meeting of performance hurdles and continued employment with the Group. The plan also provides executives with an opportunity to invest in the Group (with their own funds) and based on such investment they may receive matching co-investment shares.

The main characteristics of the instruments which can be awarded in terms of the ESP are set out below.

	Co-investment shares	Retention shares	Performance shares
Nature of instrument	<p>Forfeitable, restricted shares allocated based on the value of the investment made by the participant in Shoprite Holdings shares or convertible bonds issued by the Group.</p> <p>The co-investment shares have dividend and voting rights from date of award, however they can be forfeited by the employee in the event that the vesting conditions are not met.</p>	<p>Forfeitable, restricted shares which have dividend and voting rights from date of award. However, these shares can be forfeited by the employee in the event that the vesting conditions are not met.</p> <p>Only used in ad-hoc circumstances where the Remuneration Committee recognises a need for retaining key employees required to deliver the Group's business strategy.</p>	<p>Forfeitable, restricted shares allocated which are subject to pre-determined performance hurdles for vesting.</p>
Vesting and Performance Conditions	<p>Vesting after a pre-determined period and subject to continued employment. In addition, the underlying investment in Shoprite Holdings shares or convertible bonds issued by the Group should be held for the entire vesting period for the co-investment shares to vest.</p>	<p>Vesting after a pre-determined period and subject to continued employment for vesting.</p>	<p>The financial performance hurdles are set based on the Group's business strategy and the performance or value creation it seeks to create. The performance period could be three (3) years, but is determined in terms of the award letter. Performance shares are also subject to continued employment for the vesting period. The percentage of performance shares which vest is based on the extent to which the performance hurdles are met.</p>

## Retention

The Group recognises that key strategic talent, required to deliver the Group's business strategy, should be retained.

Therefore, the Remuneration Committee has the discretion to make retention payments to and/or impose a paid restraint of trade upon key talent which it deems necessary to retain in order to realise its business strategy. In exercising this discretion, the Remuneration Committee members must satisfy themselves that such payments are fair and reasonable and are disclosed to shareholders as required by remuneration governance principles.

A single cash retention payment was made to an executive in the year under review. The cash retention payment is linked to a restraint of trade until 30 June 2016.

In addition, executives who hold unvested co-investment and retention shares in terms of the ESP are subject to a restraint of trade for two (2) years post the vesting date. These are contractual restraint of trade agreements and not paid restraints.





All these shares are forfeitable prior to vesting should participants terminate employment with the Group, in addition any performance shares will be forfeited if the Group does not achieve the pre-determined performance conditions set.

However, in line with King III, for “no-fault leavers” i.e. death, retirement and disability some pro-rata vesting may be allowed upon early termination of employment.

No ESP awards were made to executive directors during the year under review.

#### Virtual option plan

The virtual option plan is aimed at providing employees who do not participate in other executive share plans, for example middle management and other key employees and scarce skilled employees, with an incentive to advance the interests of the Group over the long-term.

The strategic intent of the plan includes the retention of key employees, providing employees with an opportunity to earn variable remuneration, based on performance, to create alignment with shareholders' interests.

In terms of this plan, a notional capital amount is allocated to participants. Subject to certain conditions, a bonus is determined each year by multiplying the capital amount allocated with the percentage growth in the trading profit of the Group on a year to year basis (i.e. the calculation is based on the percentage growth in trading profit between the current financial year and the previous financial year). The bonus determined in terms of this plan vests equally over a three (3), four (4) and five (5) year period, at which time the employee becomes entitled to the benefit.

#### Deferred bonus plan

In terms of the deferred bonus plan, participants are measured on the same criteria which are applicable for the short-term incentive bonus plan. The bonus determined as such, however, is deferred and is paid in equal amounts after year three (3), four (4) and five (5). Deferred bonuses can be forfeited prior to payment in the event of the participant terminating employment with the Group (apart from death and disability).

The deferred bonus plan therefore serves as a retention mechanism.

#### Changes to the VOP and DBP during the year under review

The Group values succession planning which entails development and retention of management below executive level. In addition the Group strives to provide employees with choices relating to remuneration. In light of these principles, the following two changes were made to the VOP and DBP during the year under review:

Design change	Details
<p><b>Choice regarding settlement mechanism</b></p> <p>Employees were provided with the choice to settle their unvested VOP and DBP benefits in restricted shares, governed by the ESP rules.</p> <p>Settlement of the VOP and DBP benefits in restricted shares provide employees with an opportunity to own Shoprite Holding shares which fosters a culture of ownership and alignment with shareholders. It further entitles employees to the dividend and voting rights on the restricted shares for the duration of the vesting period.</p> <p>Restricted shares will be forfeited should the employee terminate employment prior to the vesting dates.</p> <p>In the event of employees not electing to settle their VOP and DBP benefits in restricted shares, their benefits will be paid in cash on the vesting date.</p>	<p>Approximately a quarter of employees elected to receive settlement of their VOP and DBP benefits in restricted shares.</p> <p>The Group and Remuneration Committee view the enhancement to the VOP and DBP as well as the take-up by employees of restricted shares in a very positive light.</p>
<p><b>Increase in earning potential</b></p> <p><b>VOP</b></p> <p>The individual earning potential was increased from 75% of on target STI to 100% of on target STI.</p> <p><b>DBP</b></p> <p>The individual earning potential was increased from 50% of on target STI to 75% of on target STI.</p> <p>For both VOP and DBP, the increases followed a three (3) year phased approach and were completed in the 2015 financial year.</p>	<p>The Remuneration Committee considered market best practice for middle management long-term incentives which informed their decision making.</p>

# Remuneration Report (continued)

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## Dilution and share plan limits approved

In terms of the ESP rules an overall limit of approximately 3% (three percent) of the issued shares of Shoprite Holdings has been imposed when shares are allocated and issued in terms of the plan. An individual limit of approximately 0.5% (half a percent) has been imposed.

However, if shares are purchased in the open market for settlement of allocations in terms of the ESP, the limits will not be impacted.

In 2014 0.4% (zero point four per cent) of the total issued share capital comprised a fresh issue in terms of the ESP for awards to executives (made in the 2014 financial year). This fresh issue comprised 2 292 500 shares of the 15 000 000 shares approved by shareholders as overall limit for the ESP. No further fresh issue of shares were made in the 2015 financial year for purposes of the ESP. Also, no executives received ESP awards during the 2015 financial year.

Generally, the VOP and DBP are cash settled, therefore settlement creates no dilution. The restricted shares required for purposes of settling the VOP and DBP benefits (where employees choose this manner of settlement as explained earlier in this report) were purchased by the Group in the open market. This market purchase of shares did not result in dilution and therefore did not impact the overall approved limit for the ESP.

## CONTRACTS OF EMPLOYMENT

Executive directors and executives of the Group do not have fixed term or bespoke executive contracts, but are employed in terms of the Group's standard contract of employment. The notice period for termination of service is one (1) calendar month, except for the CEO who has a notice period of twelve (12) months. Normal retirement age ranges between 60 and 65 years, unless requested by the Board to extend this term. Executive directors and executives also do not have exceptional benefits associated with the termination of services.

Certain executives are subject to a restraint of trade for two (2) years post the ESP vesting date (i.e. 2 years post 15 June 2017) as they were recognised as instrumental in carrying out the Group's business strategy. However, these restraint of trade agreements are not paid restraints, but contractual restraints.

Mr E Nel who has reached retirement age was re-appointed for a fixed term of one (1) year from 1 July 2014. This agreement can be terminated on 30 days written notice and is renewable on an annual basis.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

### Independent non-executive directors

Independent, non-executive directors do not have any employment contracts and do not receive any benefits associated with permanent employment.

The Board, on recommendation by management, have decided that independent non-executive directors should not be remunerated by means of a base fee and attendance fee in respect of their Board and committee obligations. This is as non-executive directors are required to prepare for all meetings and feedback and inputs are required by the Board, albeit the meeting is not actually attended by the non-executive director. The fee structure is therefore based on a retainer basis, which is also more comparable for benchmarking in the market against other companies' non-executive directors fees.

The fee structure is reviewed annually and benchmarks for non-executive fees for companies of similar size and comparable industries are considered in setting the proposed non-executive fees.

Prior to payment the fee structure is subject to approval by shareholders at the annual general meeting of Shoprite Holdings. Therefore, all non-executive directors' fees are only paid after the annual general meeting for the preceding twelve (12) months.

Travelling and accommodation expenses actually incurred by directors to attend meetings are paid by the Group.

The proposed fee structure for the period 30 October 2014 to 1 November 2015 is as follows:

**Table 4: Proposed non-executive directors' fees**

### BOARD

Chairman of the Board	R340 000
Lead Independent Director	R210 000
Non-Executive Director	R200 000

### AUDIT AND RISK COMMITTEE

Chairman	R239 500
Member	R120 000

### REMUNERATION COMMITTEE

Chairman	R62 000
Member	R37 500

### NOMINATION COMMITTEE

Chairman	R62 000
Member	R37 500

### SOCIAL AND ETHICS COMMITTEE

Chairman	R81 000
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The proposed remuneration will be tabled for approval by shareholders in accordance with the Companies Act 71 of 2008 ("the Companies Act") and King III at the Group's annual general meeting to be held on 19 October 2015.

### Non-independent non-executive directors

Shoprite Holdings has one (1) non-independent non-executive director, Dr CH Wiese. The emoluments paid by the Group to Dr Wiese are paid to Chaircorp (Pty) Ltd, a management company of which Dr Wiese is an employee.

### Fees paid to non-executive directors

The 2014 non-executive directors' fees (approved at the 27 October 2014 annual general meeting) and paid after the annual general meeting were as follows:

**Table 5: Fees paid to non-executive directors in 2014**

### BOARD

Chairman of the Board	R317 200
Lead Independent Director	R165 000
Non-Executive Director	R150 000

### AUDIT AND RISK COMMITTEE

Chairman	R224 300
Member	R112 000

### REMUNERATION COMMITTEE

Chairman	R58 100
Member	R34 800

### NOMINATION COMMITTEE

Chairman	R58 100
Member	R34 800

### SOCIAL AND ETHICS COMMITTEE

Chairman	R75 500
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## PART 2 – IMPLEMENTATION OF REMUNERATION POLICY

### Remuneration paid to executive and alternate directors

The Group views its executive and alternate directors as prescribed officers as defined in terms of the Companies Act.

**Table 6: Total remuneration for the financial year ending June 2015**

The single figure remuneration for the year under review for executive directors and alternative directors is disclosed in tabular format below:

Executive directors and alternates R'000	June 2015						June 2014					
	Remuneration	Performance bonus	Retirement and medical benefits	Cash retention payment	Other benefits	Total	Remuneration	Performance bonus	Retirement and medical benefits	Other benefits	Long term incentives vesting in year under review	Total
JW Basson	49 656	—	54	—	382	50 092	49 656	—	50	266	—	49 972
JAL Basson	1 715	1 525	293	—	215	3 748	1 484	255	254	173	—	2 166
M Bosman	2 177	1 774	498	—	174	4 623	1 959	1 568	458	178	—	4 163
PC Engelbrecht	3 746	2 402	690	—	241	7 079	3 262	2 066	603	214	—	6 145
CG Goosen	2 977	2 205	760	—	111	6 053	3 849	2 868	1 001	175	—	7 893
B Harisunker	3 146	1 321	421	—	253	5 141	2 399	1 308	811	245	—	4 763
AE Karp	3 840	1 593	800	10 000	228	16 461	3 595	2 966	745	248	16 492	24 046
EL Nel	3 008	1 983	—	—	198	5 189	2 780	1 941	—	192	—	4 913
BR Weyers	2 321	1 471	585	—	160	4 537	1 842	1 354	525	162	—	3 883
	72 586	14 274	4 101	10 000	1 962	102 923	70 826	14 326	4 447	1 853	16 492	107 944



# Summary Consolidated Financial Statements

Shoprite Holdings Ltd and its Subsidiaries as at June 2015

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The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended June 2015. The annual financial statements of the Group for the year ended June 2015 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 of the Group was supervised by Mr M Bosman, CA(SA). A copy of the full audited annual financial statements is available on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) or may be requested from the company secretary ([cosec@shoprite.co.za](mailto:cosec@shoprite.co.za), tel +27 (0) 21 980 4284) at PO Box 215, Brackenfell, 7561, South Africa.





# Statement of Responsibility by the Board of Directors

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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The summary consolidated financial statements are the responsibility of the directors of Shoprite Holdings Ltd. The audited annual financial statements of the Group for the year ended June 2015, from which these summary consolidated financial statements have been derived, were prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

The directors are responsible for the preparation and fair presentation of the summary consolidated financial statements and are satisfied that the systems and internal financial controls implemented by management are effective and that these summary consolidated financial statements are a true and accurate extract from the audited annual financial statements of the Group.

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.

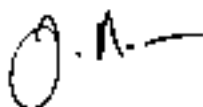
The Group's external auditor, PricewaterhouseCoopers Incorporated, audited the summary consolidated financial statements, and their report is presented on page 48. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, 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 SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements of the Shoprite Holdings Ltd Group were approved by the board of directors on 17 August 2015 and signed on its behalf by:



**CH Wiese**  
Chairman



**JW Basson**  
Chief Executive Officer

## Certificate of the Company Secretary

In terms of section 88(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 2015, 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

17 August 2015

# Directors' Report

Shoprite Holdings Ltd and its Subsidiaries

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## 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.

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

**Franchise:** The OK Franchise Division's stores offer a wide range of perishable and non-perishable food items through supermarket/convenience outlets under the OK Foods, OK Grocer, OK Minimark, OK Value, OK Express, Friendly Grocer, and 7-Eleven brands.

Wholesale franchise partners trade under the Megasave brand and the add-on retail liquor outlets under the OK Enjoy, OK Liquor and Friendly 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 LiquorShop 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 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, OK Furniture Dreams and House & Home outlets in South Africa, Botswana, Namibia, Swaziland, Lesotho, Zambia, Mozambique and Angola.

**Pharmacies and wholesale distribution:** MediRite's mainly in-store pharmacies offer consumers an 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 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, Mozambique, 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 59 of the Integrated Report.

## FINANCIAL REVIEW

The Group's diluted headline earnings per share amounts to 769.1 cents for the year (2014: 697.6 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 51 with reference to the operating segment information on page 54. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 50. Further details are furnished in the notes to the summary consolidated financial statements on page 54 to 58. The Group's net asset value per share as at 30 June 2015 was 3 571 cents (2014: 3 218 cents).

## DISTRIBUTION TO SHAREHOLDERS

### Preference dividends

During the reporting period Shoprite Holdings paid a total of R115 500 in dividends to the holders of the remaining classes of preference shares.

### Ordinary dividends

An interim cash dividend (no. 132) of 143 cents per share was paid on 24 March 2015. A final dividend (no. 133) of 243 cents per share, is payable on 14 September 2015, bringing the total dividend for the year to 386 cents (2014: 350 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.

No new ordinary shares were issued during the reporting period.

Accordingly the issued share capital remains unchanged at 572 871 960 ordinary shares of 113.4 cents each.

On 1 December 2014, Shoprite Holdings redeemed the 6% cumulative preference shares at a price of R2.00 per preference share.

## 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.

The Group's overall level of debt increased from R4.684 billion to R4.872 billion during the financial year under review.

## SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 27 October 2014, 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;
- **Special resolution number 4** – General approval to repurchase shares;
- **Special resolution number 5** – Specific authority to issue deferred shares to Thibault Square Financial Services (Pty) Ltd; and
- **Special resolution number 6** – Approval of amendment to clause 9.3 of the Memorandum of Incorporation of the Company as proposed by the Board.

Special resolutions 7 – 9 were withdrawn prior to the annual general meeting.

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 and 9 and the company secretary's name, business and postal address on page 74 of the Integrated Report.

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 CH Wiese, Messrs EC Kieswetter and JA Louw retire as directors, in terms of Article 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.

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 2015	Total 2014
CH Wiese	—	90 212 531	90 212 531	87 699 198
JJ Fouché	472 171	—	472 171	472 171
JF Basson	—	1 000	1 000	1 000
EC Kieswetter	4 304	—	4 304	2 953
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

Dr Wiese's indirect beneficial shareholding includes single stock future contracts that represent 2 510 000 Shoprite Holdings ordinary shares.

### Executive directors

	Direct beneficial	Indirect beneficial	Total 2015	Total 2014
JW Basson	—	8 884 122	8 884 122	10 174 122
M Bosman	115 000	60 000	175 000	175 000
CG Goosen	3 000	1 174 202	1 177 202	1 206 202
B Harisunker	407 379	—	407 379	407 379
AE Karp	225 272	—	225 272	207 269
EL Nel	—	148 727	148 727	148 727
BR Weyers	404 594	—	404 594	404 594
JAL Basson	40 000	89 201	129 201	129 201
PC Engelbrecht	210 000	201 039	411 039	411 039

No changes have occurred in the shareholdings of the directors from 30 June 2015 to the date of this report.

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

	Total 2015	Total 2014
CH Wiese	291 792 794	290 625 071

## CORPORATE GOVERNANCE

Statements of the Board's application of the codes of good corporate governance are set out in the corporate governance report, on pages 28 to 31.

## BOARD COMMITTEES

The reports of the various board committees are included in the corporate governance section of the Integrated Report and on pages 46 and 47.

## AUDITORS

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

## EVENTS AFTER THE REPORTING DATE

Other than the facts in this Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2015 to the date of this report.

## HOLDING COMPANY

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 60 of this report.

## LITIGATION STATEMENT

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 2015

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## 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. In addition, a special Audit Committee meeting was held on 14 August 2015 to approve the 2014/15 annual financial statements of the Company.

The attendance of the Committee members is recorded below:

	11.08.2014	15.08.2014 (Special)	31.10.2014	20.02.2015	15.05.2015
<b>NON-EXECUTIVE DIRECTORS</b>					
JG RADEMEYER	●	●	●	●	●
JF BASSON	●	●	○	●	●
JA LOUW	●	●	●	●	○
JJ FOUCHÉ	●	●	●	●	●
JA ROCK*	n/a	○	●	●	●

\*Appointed with effect from 18 August 2014.

The financial director, 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.

## 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 2015, 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 2014, more than one half of the members remain in 2015; 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 2015 financial year. The total fee payable to PwC during the reporting period amounted to R33.96 million of which R6.26 million was in respect of non-assurance services.

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 2015/16 financial year and Mr A Wentzel as the designated partner to perform the functions of external auditor, until the 2016 annual general meeting of Shoprite Holdings. Shareholders will therefore be requested to re-elect PwC as independent external auditor for the 2015/16 financial year at the annual general meeting on 19 October 2015.

## 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 reporting period 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.

### 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 and chaired by the financial director) 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 2014/15 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 to ensure 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 co-operation 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 M Bosman, has the appropriate expertise and experience to act in this capacity. Mr Bosman is a chartered accountant and was appointed as financial director of the Group in 2014.

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 Summary Consolidated Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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

	2015	2014		2015	2014		2015	2014
US dollar	12.126	10.617	Botswana pula	1.236	1.209	India rupee	0.191	0.177
Pound sterling	19.091	18.064	Uganda shilling	0.004	0.004	Ghana cedi	2.740	3.257
Euro	13.581	14.478	Malawi kwacha	0.027	0.027	Madagascar ariary	0.004	0.005
Zambia kwacha	1.641	1.710	Mauritius rupee	0.344	0.349	Nigeria naira	0.061	0.065
Mozambique metical	0.282	0.332	Angola kwanza	0.100	0.109	DRC franc	0.013	0.011

## Independent Auditor's Report on the Summary Consolidated Financial Statements to the Shareholders of Shoprite Holdings Limited

The summary consolidated financial statements of Shoprite Holdings Limited, set out on pages 50 to 59 of the Integrated Report, which comprise the summary consolidated statement of financial position as at 30 June 2015 and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Shoprite Holdings Limited for the year ended 30 June 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 17 August 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Shoprite Holdings Limited.

### DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated 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 the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

### OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Shoprite Holdings Limited for the year ended 30 June 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 17 August 2015 states that as part of our audit of the consolidated financial statements for the year ended 30 June 2015, 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 financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

*Anton Wentzel*

**PricewaterhouseCoopers Inc.**

Director: Anton Wentzel  
Registered Auditor  
Cape Town

17 August 2015

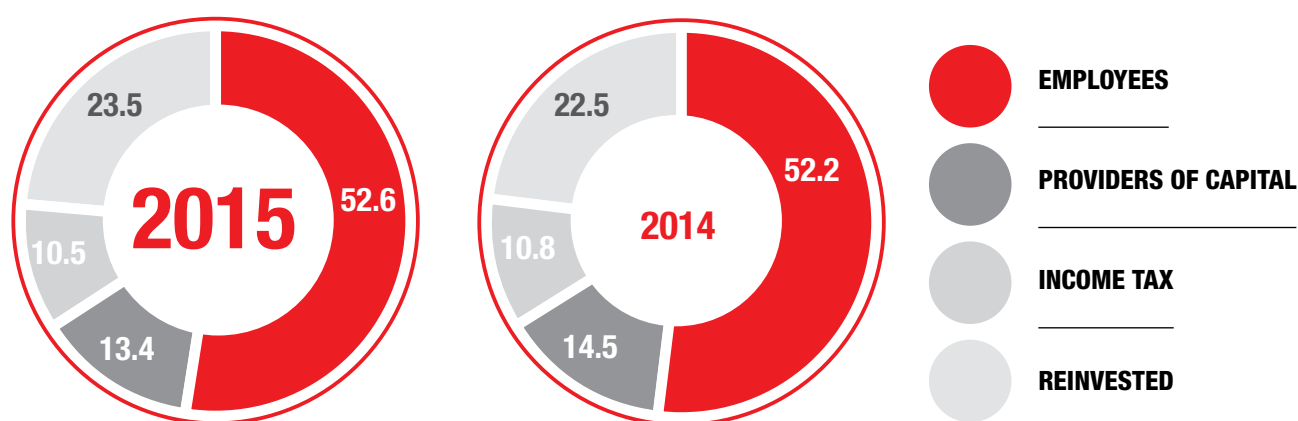


# Value-added Statement

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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	June 2015 Rm	%	June 2014 Rm	%
Sale of merchandise	113 694		102 204	
Investment income	315		261	
Cost of goods and services	(96 411)		(86 444)	
<b>VALUE ADDED</b>	<b>17 598</b>	<b>100.0</b>	<b>16 021</b>	<b>100.0</b>
Employed as follows:				
<b>Employees</b>				
Salaries, wages and service benefits	9 249	52.6	8 373	52.2
<b>Providers of capital</b>				
Finance costs to providers of funds	2 355	13.4	2 318	14.5
Dividends to providers of share capital	415	2.4	461	2.9
	1 940	11.0	1 857	11.6
<b>Income tax</b>				
Income tax on profits made	1 848	10.5	1 727	10.8
<b>Reinvested</b>				
Reinvested in the Group to finance future expansion and growth	4 146	23.5	3 603	22.5
Depreciation and amortisation	1 962	11.1	1 730	10.8
Retained earnings	2 184	12.4	1 873	11.7
<b>EMPLOYMENT OF VALUE ADDED</b>	<b>17 598</b>	<b>100.0</b>	<b>16 021</b>	<b>100.0</b>



# Summary Consolidated Statement of Financial Position

Shoprite Holdings Ltd and its Subsidiaries as at June 2015

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	Notes	June 2015 Rm	June 2014 Rm
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		15 374	13 576
Investment in associates and joint ventures		178	155
Loans and receivables		547	316
Deferred income tax assets		469	440
Intangible assets		1 458	1 225
Fixed escalation operating lease accruals		9	18
		18 035	15 730
<b>CURRENT ASSETS</b>			
Inventories		13 689	12 344
Trade and other receivables		5 019	4 080
Derivative financial instruments		—	1
Current income tax assets		44	31
Loans and receivables		59	26
Cash and cash equivalents		7 061	8 161
		25 872	24 643
Assets held for sale		13	160
<b>TOTAL ASSETS</b>		43 920	40 533
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Share capital	3	650	650
Share premium		4 029	4 029
Treasury shares	3	(759)	(680)
Reserves		15 172	13 218
		19 092	17 217
<b>NON-CONTROLLING INTEREST</b>		68	66
<b>TOTAL EQUITY</b>		19 160	17 283
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	4	4 305	4 373
Deferred income tax liabilities		188	187
Provisions		321	277
Fixed escalation operating lease accruals		846	694
		5 660	5 531
<b>CURRENT LIABILITIES</b>			
Trade and other payables		17 424	16 332
Borrowings	4	567	311
Derivative financial instruments		2	—
Current income tax liabilities		960	870
Provisions		136	138
Bank overdrafts		3	61
Shareholders for dividends		8	7
		19 100	17 719
<b>TOTAL LIABILITIES</b>		24 760	23 250
<b>TOTAL EQUITY AND LIABILITIES</b>		43 920	40 533





# Summary Consolidated Statement of Comprehensive Income

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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	Notes	% change	June 2015 Rm	June 2014 Rm
Sale of merchandise		11.2	113 694	102 204
Cost of sales		11.4	(90 180)	(80 936)
GROSS PROFIT		10.6	23 514	21 268
Other operating income		20.7	3 428	2 840
Depreciation and amortisation		13.6	(1 733)	(1 525)
Operating leases		15.2	(2 990)	(2 596)
Employee benefits		10.2	(8 507)	(7 723)
Other operating expenses		12.7	(7 384)	(6 550)
TRADING PROFIT		10.7	6 328	5 714
Exchange rate losses			(132)	(9)
Items of a capital nature			(13)	3
OPERATING PROFIT		8.3	6 183	5 708
Interest received		(4.0)	216	225
Finance costs		(10.0)	(415)	(461)
Share of loss of associates and joint ventures		(60.0)	(2)	(5)
PROFIT BEFORE INCOME TAX		9.4	5 982	5 467
Income tax expense		7.0	(1 848)	(1 727)
PROFIT FOR THE YEAR		10.5	4 134	3 740
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			(387)	129
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment benefit obligations			1	5
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences			(413)	123
Share of foreign currency translation differences of associates and joint ventures			25	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			3 747	3 869
PROFIT ATTRIBUTABLE TO:				
Owners of the parent			4 124	3 730
Non-controlling interest			10	10
			4 134	3 740
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent			3 737	3 859
Non-controlling interest			10	10
			3 747	3 869
Basic earnings per share (cents)	6	10.6	771.2	697.0
Diluted earnings per share (cents)	6	10.1	767.4	697.0
Basic headline earnings per share (cents)	6	10.8	772.9	697.6
Diluted headline earnings per share (cents)	6	10.2	769.1	697.6

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# Summary Consolidated Statement of Changes in Equity

Shoptite Holdings Ltd and its Subsidiaries for the year ended June 2015

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Rm	Total equity	Non-controlling interest	Attributable to owners of the parent					
			Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
BALANCE AT JUNE 2013	15 252	68	15 184	647	3 672	(320)	1 081	10 104
Total comprehensive income	3 869	10	3 859	—	—	—	124	3 735
Profit for the year	3 740	10	3 730					3 730
Recognised in other comprehensive income								
Re-measurements of post-employment benefit obligations	6		6					6
Income tax effect of re-measurements of post-employment benefit obligations	(1)		(1)					(1)
Foreign currency translation differences	124		124				124	
Share-based payments – value of employee services	4		4				4	
Equity component of convertible bonds sold during the year	27		27				27	
Proceeds from ordinary shares issued	—		—	3	357	(360)		
Dividends distributed to shareholders	(1 869)	(12)	(1 857)					(1 857)
BALANCE AT JUNE 2014	17 283	66	17 217	650	4 029	(680)	1 236	11 982
Total comprehensive income	3 747	10	3 737	—	—	—	(388)	4 125
Profit for the year	4 134	10	4 124					4 124
Recognised in other comprehensive income								
Re-measurements of post-employment benefit obligations	1		1					1
Foreign currency translation differences	(388)		(388)				(388)	
Share-based payments – value of employee services	131		131				131	
Modification of cash bonus arrangement transferred from provisions	26		26				26	
Shares repurchased	(79)		(79)			(79)		
Dividends distributed to shareholders	(1 948)	(8)	(1 940)					(1 940)
BALANCE AT JUNE 2015	19 160	68	19 092	650	4 029	(759)	1 005	14 167



# Summary Consolidated Statement of Cash Flows

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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	Notes	June 2015 Rm	June 2014 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>3 756</b>	<b>5 720</b>
Operating profit		6 183	5 708
Less: investment income		(99)	(36)
Non-cash items	8.1	2 912	1 859
Payments for cash settlement of share appreciation rights		(3)	(21)
Changes in working capital	8.2	(1 408)	1 078
Cash generated from operations		7 585	8 588
Interest received		294	252
Interest paid		(377)	(345)
Dividends received		21	30
Dividends paid		(1 947)	(1 868)
Income tax paid		(1 820)	(937)
<b>CASH FLOWS UTILISED BY INVESTING ACTIVITIES</b>	8.3	<b>(4 670)</b>	<b>(4 165)</b>
<b>CASH FLOWS (UTILISED BY)/FROM FINANCING ACTIVITIES</b>	8.4	<b>(52)</b>	<b>453</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>(966)</b>	<b>2 008</b>
Cash and cash equivalents at the beginning of the year		8 100	6 114
Effect of exchange rate movements on cash and cash equivalents		(76)	(22)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>7 058</b>	<b>8 100</b>
Consisting of:			
Cash and cash equivalents		7 061	8 161
Bank overdrafts		(3)	(61)
		<b>7 058</b>	<b>8 100</b>

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# Selected Explanatory Notes to the Summary Consolidated Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

## 2 OPERATING SEGMENT INFORMATION

### 2.1 Analysis per reportable segment

	June 2015				
	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
Sale of merchandise					
External	84 945	16 781	4 516	7 452	113 694
Inter-segment	3 250	11	—	87	3 348
	88 195	16 792	4 516	7 539	117 042
Trading profit	5 268	741	205	114	6 328
Depreciation and amortisation*	1 536	319	77	30	1 962
Total assets	28 056	9 726	4 019	2 119	43 920

	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

### 2.2 Geographical analysis

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

	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

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

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



### 3 SHARE CAPITAL AND TREASURY SHARES

#### 3.1 Ordinary share capital

Authorised:

650 000 000 (2014: 650 000 000) ordinary shares of 113.4 cents each

Issued:

572 871 960 (2014: 572 871 960) ordinary shares of 113.4 cents each

Reconciliation of movement in number of ordinary shares issued:

	Number of shares	
	June 2015	June 2014
Balance at the beginning of the year	572 871 960	570 579 460
Shares issued during the year	—	2 292 500
Balance at the end of the year	572 871 960	572 871 960

Details of the shareholder spread and major shareholders are disclosed in the Shareholder Analysis contained in the Integrated Report.

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

	Number of shares	
	June 2015	June 2014
Issued ordinary share capital	572 871 960	572 871 960
Treasury shares (note 3.3)	(38 221 703)	(37 729 072)
	534 650 257	535 142 888

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

All shares are fully paid up.

#### 3.2 Deferred share capital

Authorised:

360 000 000 (2014: 360 000 000) non-convertible, non-participating no par value deferred shares

Issued:

291 792 794 (2014: 290 625 071) non-convertible, non-participating no par value deferred shares

Reconciliation of movement in number of deferred shares issued:

	Number of shares	
	June 2015	June 2014
Balance at the beginning of the year	290 625 071	290 625 071
Shares issued during the year	1 167 723	—
Balance at the end of the year	291 792 794	290 625 071

The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd.

All shares are fully paid up and carry the same voting rights as the ordinary shares.

June  
2015  
Rm

June  
2014  
Rm

650

650





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

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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## 3.3 Treasury shares

38 221 703 (2014: 37 729 072) ordinary shares

June  
2015  
Rm

June  
2014  
Rm

759

680

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

	Number of shares	
	June 2015	June 2014
Balance at the beginning of the year	37 729 072	35 436 572
Shares purchased during the year	492 631	2 292 500
Balance at the end of the year	38 221 703	37 729 072
Consisting of:		
Shares owned by Shoprite Checkers (Pty) Ltd	35 450 975	35 436 572
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements	2 770 728	2 292 500
	38 221 703	37 729 072

## 4 BORROWINGS

Consisting of:

Shoprite Holdings Ltd preference share capital	2	2
Convertible bonds (note 4.1)	4 511	4 381
Standard Bank de Angola, S.A.	249	218
First National Bank of Namibia Ltd	97	83
Other borrowings	13	—
	4 872	4 684

## 4.1 Convertible bonds

The Group has issued 6.5% convertible bonds for a principal amount of R4.7 billion (2014: R4.7 billion). The bonds mature on 3 April 2017 at their nominal value of R4.7 billion (2014: R4.7 billion) or can be converted into shares at the holders' option at the maturity date at the rate of 5 919.26 shares per R1 million. The Group holds, subject to conditions, rights on early redemption. The values of the liability component and the equity conversion component were determined at issuance of the bonds.

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

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

Liability component at the beginning of the year	4 381	4 078
Liability component on initial recognition of convertible bonds at 15 June 2014	—	187
Face value of convertible bonds sold on 15 June 2014	—	224
Equity component	—	(37)
Interest expense	436	408
Interest paid	(306)	(292)
Liability component at the end of the year	4 511	4 381

The fair value of the liability component of the convertible bonds amounted to R4.6 billion (2014: R4.5 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.5% (2014: 8.9%) and is within level 2 of the fair value hierarchy.



	June 2015 Rm	June 2014 Rm
<b>5 FAIR VALUE OF FINANCIAL INSTRUMENTS</b>		
The fair value of amounts owing by employees included in loans and receivables amounted to R216.0 million (2014: R208.7 million) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 9.3% (2014: 9.0%) and is within level 2 of the fair value hierarchy.		
The book value of all other financial assets and liabilities approximate the fair values thereof.		
<b>6 EARNINGS PER SHARE</b>		
Profit attributable to owners of the parent	4 124	3 730
Re-measurements	15	(1)
Loss/(profit) on disposal and scrapping of property	313	(13)
Profit on disposal of assets held for sale	(39)	—
Loss on disposal and scrapping of plant and equipment	96	26
Reversal of impairment of property, plant and equipment	(1)	(42)
Impairment of goodwill	12	12
Insurance claims (receivable)/paid	(367)	1
(Profit)/loss on other investing activities	(1)	13
Re-measurements included in equity-accounted loss of associates and joint ventures	2	2
Income tax effect on re-measurements	(6)	4
Headline earnings	4 133	3 733
Number of ordinary shares	'000	
– In issue	534 650	535 143
– Weighted average	534 816	535 143
– Weighted average adjusted for dilution	537 432	535 149
Reconciliation of weighted average number of ordinary shares in issue during the year:		
Weighted average number of ordinary shares	534 816	535 143
Adjustments for dilutive potential of full share grants	2 616	6
Weighted average number of ordinary shares for diluted earnings per share	537 432	535 149
Earnings per share	Cents	
– Basic earnings	771.2	697.0
– Diluted earnings	767.4	697.0
– Basic headline earnings	772.9	697.6
– Diluted headline earnings	769.1	697.6
<b>7 DIVIDENDS PER SHARE</b>		
Cents		
<b>7.1 Dividends per share paid</b>		
No 131 paid 15 September 2014 (2014: No 129 paid 16 September 2013)	218.0	215.0
No 132 paid 23 March 2015 (2014: No 130 paid 24 March 2014)	143.0	132.0
	361.0	347.0
<b>7.2 Dividends per share declared</b>		
No 133 payable 14 September 2015 (2014: No 131 paid 15 September 2014)	243.0	218.0



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

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## 8 CASH FLOW INFORMATION

### 8.1 Non-cash items

	June 2015 Rm	June 2014 Rm
Depreciation of property, plant and equipment	1 754	1 568
Amortisation of intangible assets	208	162
Net fair value losses on financial instruments	3	23
Exchange rate losses	132	9
Loss/(profit) on disposal and scrapping of property	313	(13)
Profit on disposal of assets held for sale	(39)	—
Loss on disposal and scrapping of plant and equipment	96	26
Reversal of impairment of property, plant and equipment	(1)	(42)
Impairment of goodwill	12	12
Movement in provisions	72	37
Movement in cash-settled share-based payment accrual	60	(37)
Movement in share-based payment reserve	131	4
Movement in fixed escalation operating lease accruals	171	110
	2 912	1 859

### 8.2 Changes in working capital

Inventories	(1 483)	(1 994)
Trade and other receivables	(1 048)	(586)
Trade and other payables	1 123	3 658
	(1 408)	1 078

### 8.3 Cash flows utilised by investing activities

Investment in property, plant and equipment and intangible assets to expand operations	(3 630)	(2 917)
Investment in property, plant and equipment and intangible assets to maintain operations	(1 001)	(992)
Investment in assets held for sale	—	(2)
Proceeds on disposal of property, plant and equipment and intangible assets	71	126
Proceeds on disposal of assets held for sale	163	—
Other investing activities	(264)	(313)
Investment in associates	(6)	—
Acquisition of operations	(3)	(67)
	(4 670)	(4 165)

### 8.4 Cash flows (utilised by)/from financing activities

Shares repurchased	(79)	—
Proceeds from convertible bonds sold	—	224
Increase in borrowing from Standard Bank de Angola, S.A.	—	218
Increase in borrowing from First National Bank of Namibia Ltd	14	11
Increase in other borrowings	13	—
	(52)	453

## 9 RELATED-PARTY INFORMATION

During the year under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intergroup transactions are similar to those in the prior year and have been eliminated in the annual financial statements on consolidation. For further information, refer to the audited annual financial statements.

## 10 SUPPLEMENTARY INFORMATION

Contracted capital commitments	1 595	2 477
Contingent liabilities	13	235
Net asset value per share (cents)	3 571	3 218



## Annexure A – Interests in Subsidiaries

Shoprite Holdings Ltd and its Subsidiaries as at June 2015

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	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 2015 Rm	June 2014 Rm	June 2015 Rm	June 2014 Rm
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	3	100	—	—	—	—
Shoprite Checkers (Pty) Ltd	South Africa	1 129	100	174	174	2 600	2 261
Shoprite Investments Ltd	South Africa	100	100	100	100	—	—
Shoprite International Ltd	Mauritius	4 711	100	4 711	2 758	3	6
Shoprite Insurance Company Ltd	South Africa	20	100	20	20	—	—
Shoprite Checkers Properties Ltd	South Africa	26	100	—	—	—	—
				5 005	3 052	2 603	2 267
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*	—	100				
Medirite (Pty) Ltd	South Africa	500	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*	7	100				
Retail Holdings Botswana (Pty) Ltd	Botswana*	165	100				
Retail Supermarkets Nigeria Ltd	Nigeria*	240	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*	—	100				
Shoprite Checkers Uganda Ltd	Uganda*	148	100				
Shoprite Egypt for Internal Trade SAE	Egypt*	42	100				
Shoprite Ghana (Pty) Ltd	Ghana*	54	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*	100	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 R240 million (2014: R307 million) are held in Angola and Nigeria (2014: 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.



# Shareholder Analysis

Shoprite Holdings Ltd and its Subsidiaries as at June 2015

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## SHAREHOLDER SPREAD

	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	22 005	76.91	6 771 248	1.18
1 001 – 10 000 shares	5 474	19.13	15 313 293	2.67
10 001 – 100 000 shares	841	2.94	26 185 762	4.57
100 001 – 1 000 000 shares	221	0.77	70 841 421	12.37
Over 1 000 000 shares	69	0.24	453 760 236	79.21
<b>Totals</b>	<b>28 610</b>	<b>100.00</b>	<b>572 871 960</b>	<b>100.00</b>

## DISTRIBUTION OF SHAREHOLDERS

	No of Shareholdings	%	No of Shares	%
Banks	200	0.70	239 988 012	41.89
Brokers	50	0.17	7 436 004	1.30
Close Corporations	234	0.82	986 725	0.17
Endowment Funds	172	0.60	1 267 879	0.22
Government	4	0.01	66 590	0.01
Individuals	21 340	74.59	21 527 140	3.76
Insurance Companies	143	0.50	7 792 977	1.36
Investment Companies	21	0.07	4 039 480	0.71
Medical Aid Schemes	31	0.11	267 433	0.05
Mutual Funds	398	1.39	32 388 084	5.65
Other Corporations	185	0.65	178 666	0.03
Private Companies	604	2.11	71 933 631	12.56
Public Companies	22	0.08	947 488	0.17
Retirement Funds	372	1.30	96 461 168	16.84
Treasury Shares	3	0.01	38 221 703	6.67
Trusts	4 831	16.89	49 368 980	8.62
<b>Totals</b>	<b>28 610</b>	<b>100.00</b>	<b>572 871 960</b>	<b>100.00</b>

## PUBLIC/NON-PUBLIC SHAREHOLDERS

	No of Shareholdings	%	No of Shares	%
<b>Non-Public Shareholders</b>	<b>59</b>	<b>0.21</b>	<b>138 208 319</b>	<b>24.13</b>
Directors of the Company*	56	0.20	100 216 616	17.49
Treasury Shares**	3	0.01	37 991 703	6.63
<b>Public Shareholders</b>	<b>28 551</b>	<b>99.79</b>	<b>434 663 641</b>	<b>75.87</b>
<b>Totals</b>	<b>28 610</b>	<b>100.00</b>	<b>572 871 960</b>	<b>100.00</b>

\* 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	87 702 531	15.31
Government Employees Pension Fund	70 210 146	12.26
Capital Group	18 935 125	3.31
Shoprite Checkers (Pty) Ltd	38 221 703	6.67
Lazard	23 342 049	4.07
T. Rowe Price	15 938 918	2.78
Government of Singapore Investment Corporation	12 941 206	2.26
BlackRock	12 930 395	2.26
Vanguard	12 927 432	2.26
JPMorgan	9 636 072	1.68
Namibian Government Institutions Pension Fund	9 418 917	1.64
Basson, JW	8 884 122	1.55
Le Roux, JF	7 060 585	1.23
Government Pension Fund – Norway	6 909 647	1.21
Wells Fargo	5 958 848	1.04
<b>Totals</b>	<b>341 017 696</b>	<b>59.53</b>

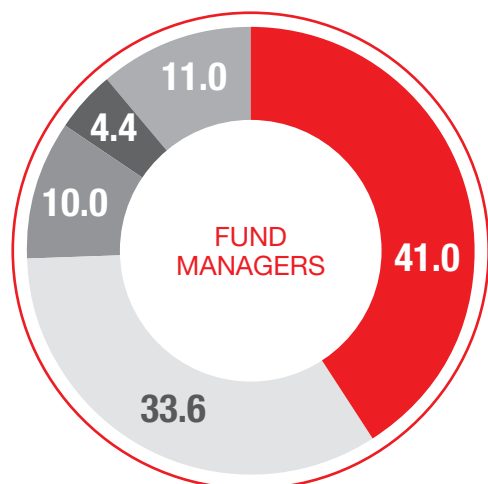




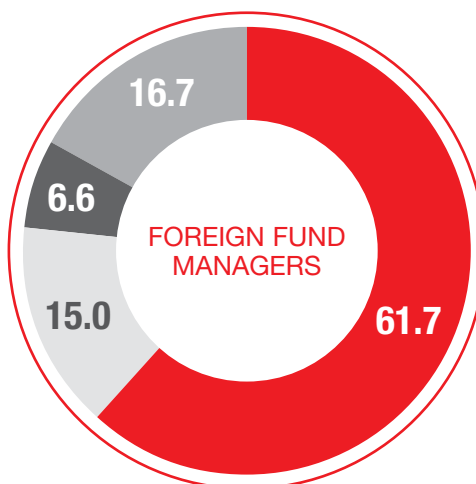
# Shareholders

Country Classification

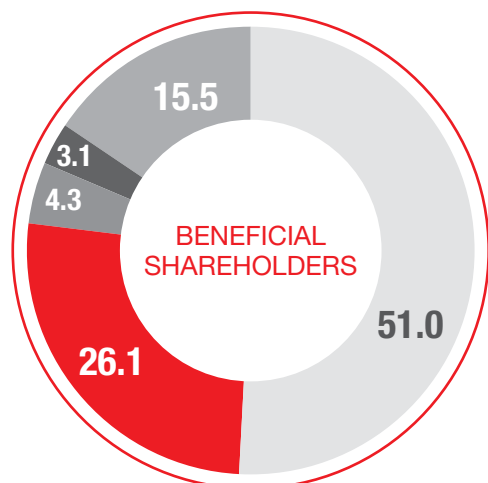
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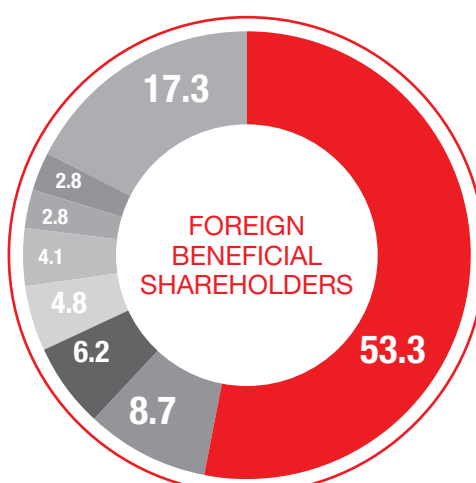
- 41.0% USA
- 33.6% SOUTH AFRICA
- 10.0% UK
- 4.4% SINGAPORE
- 11.0% OTHER



- 61.7% USA
- 15.0% UK
- 6.6% SINGAPORE
- 16.7% OTHER



- 26.1% USA
- 51.0% SOUTH AFRICA
- 4.3% UK
- 3.1% SINGAPORE
- 15.5% OTHER



- 53.3% USA
- 8.7% UK
- 6.2% SINGAPORE
- 4.8% LUXEMBOURG
- 4.1% NAMIBIA
- 2.8% NORWAY
- 2.8% AUSTRALIA
- 17.3% OTHER

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# Notice to Shareholders: Annual General Meeting (AGM)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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## 1. NOTICE OF MEETING

Notice is hereby given that the AGM of Shoprite Holdings will be held at the Company's registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 19 October 2015 at 09:30 (South African time).

## 2. WHO MAY ATTEND AND VOTE?

- 2.1 If you hold dematerialised shares which are registered in your name or if you are the registered holder of certificated shares:
  - you may attend the AGM in person;
  - alternatively, you may appoint a proxy to represent you at the AGM and to attend, participate in, and speak and vote at the AGM in your place by completing the attached form of proxy in accordance with the instructions it contains and returning it to the company secretary or transfer secretaries at their addresses set out below to be received not later than 09:15 (SA time) on Friday 16 October 2015. A proxy need not be a shareholder of the Company.
- 2.2 If you are a beneficial shareholder, but not a registered shareholder as at the record date and:
  - wish to attend the AGM, you must obtain the necessary letter of representation from your CSDP or broker to represent the registered shareholder; or
  - do not wish to attend the AGM, but would like your vote to be recorded at the AGM, you should contact your CSDP or broker and furnish them with your voting instructions; and
  - you must not complete the attached form of proxy.
- 2.3 The record date for purposes of determining which shareholders are entitled to receive this notice is determined in terms of section 59(1)(a) of the Companies Act, no 71 of 2008 ("the Companies Act") being 11 September 2015.
- 2.4 The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for purposes of being entitled to attend and vote at this meeting is determined in terms of section 59(1)(b) of the Companies Act being Friday, 9 October 2015 ("Voting Record Date").
- 2.5 In terms of section 63(1) of the Companies Act, any person attending or participating in the AGM must present reasonably satisfactory identification and the chairperson of the meeting must be reasonably satisfied that the right of any person to participate and vote has been reasonably verified. Suitable forms of identification will include a valid identification document, driver's license or passport.
- 2.6 Should any shareholder, or a representative proxy from a shareholder, wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details on how the shareholder or its representative wish to participate) to the transfer secretaries or Company secretary at their addresses listed below, to be received by them at least seven (7) business days before the AGM, to enable the transfer secretaries to arrange for the shareholder or its representative or proxy, to provide reasonably satisfactory identification to the transfer secretaries for purposes of section 63(1) of the Companies Act and to enable the transfer secretaries to provide details on how to access the AGM by way of electronic participation. Please note that shareholders who wish to participate in the AGM by way of electronic participation must appoint a proxy to exercise his voting rights in terms of paragraph 2.1 above or furnish his CSDP or broker with voting instructions in terms of paragraph 2.2 above.
- 2.7 Votes at the AGM on all resolutions will be conducted by way of

a poll and not on a show of hands. Every shareholder present in person or represented by proxy shall have one (1) vote for every share held in the Company.

- 2.8 If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

## 3. DEFINED TERMS RELEVANT TO PARAGRAPHS 6.18 TO 6.20 BELOW

Terms used in paragraphs 6.18 to 6.20 below (and in Special Resolutions 5 to 7 hereunder) that are defined in the Circular to Shareholders annexed hereto as Annexure A ("Circular") will in paragraphs 6.18 to 6.20 (and in Special Resolutions 5 to 7 hereunder) unless the context dictates otherwise, have the meaning assigned thereto in the Circular.

## 4. INTEGRATED REPORT

A copy of the Company's Integrated Report for the year ended 30 June 2015 and the reports of the directors and independent auditors are delivered herewith.

## 5. PURPOSE OF MEETING

The purpose of this meeting is to:

- present the audited financial statements for the year ended 30 June 2015, the report of the directors and the report of the auditors thereon;
- present the reports of the audit and risk as well as the social and ethics committees;
- consider any matters raised by shareholders; and
- consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

6. The following resolutions will be considered at the meeting, and, if deemed fit, passed with or without modification:

### 6.1 Ordinary resolution number 1: Annual financial statements

"Resolved that the annual financial statements of the Company and the Group for the year ended 30 June 2015, including the reports of the directors and independent auditors be and are hereby approved."

For ordinary resolution number 1 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

### 6.2 Ordinary resolution number 2: Re-appointment of auditors

"Resolved that PricewaterhouseCoopers Inc. (PwC) be re-elected as independent registered auditors of the Company for the period until the next annual general meeting of the Company (noting that Mr A Wentzel is the individual registered auditor of PwC who will undertake the audit in respect of the financial year ending 30 June 2016) as recommended by the Company's Audit and Risk Committee."

For ordinary resolution number 2 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.



### 6.3 Ordinary resolution number 3: Re-election of Dr CH Wiese

"Resolved that Dr CH Wiese, who is required to retire as director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed as director with immediate effect."

Age: 73

First Appointed: 1991

Educational qualifications: BA LLB Doctorate Commerce (Honoris Causa)

Other directorship: Chairperson of Pepkor Holdings (Pty) Ltd, Invicta Holdings Ltd and Tradehold Ltd and serves on the boards of Brait SE Ltd, Pallinghurst Resources Ltd and Steinhoff International Holdings Ltd.

For ordinary resolution number 3 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

### 6.4 Ordinary resolution number 4: Re-election of Mr EC Kieswetter

"Resolved that Mr EC Kieswetter, who is required to retire as a director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed as director with immediate effect."

Age: 56

First Appointed: 2010

Educational qualifications: NHD (Electrical Eng), PG Dip Ed (Mathematics and Engineering) B.Ed. (Science Education), M Com (cum laude) (SA and International Tax) Executive MBA (Strategy and Business Transformation) (UK), MEd (Science Education)

Other directorships: Alexander Forbes Group Holdings Ltd and several of its group subsidiaries.

For ordinary resolution number 4 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

### 6.5 Ordinary resolution number 5: Re-election of Mr JA Louw

"Resolved that Mr JA Louw, who is required to retire as director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed as director with immediate effect."

Age: 71

First appointed: 1991

First appointed to Audit Committee: 2011

Educational qualifications: BSc Hons B(B&A) Hons

Other directorships: Mr Louw serves as a director on the board of various private companies.

For ordinary resolution number 5 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

### 6.6 Ordinary resolution number 6: Appointment of Mr JF Basson as chairperson and member of the Shoprite Holdings Audit and Risk Committee

"It is resolved that Mr JF Basson be elected as Chairperson and member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

Age: 63

First Appointed: 2014

Educational qualifications: B Com (Cum Laude) CTA CA(SA)

Other directorships: Cape Consumers (Pty) Ltd

For ordinary resolution number 6 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

### 6.7 Ordinary resolution number 7: Appointment of Mr JA Louw as member of the Shoprite Holdings Audit and Risk Committee

"Subject to his re-election as a director, it is resolved that Mr JA Louw be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

Age: 71

First appointed to Audit Committee: 2011

Educational qualifications: BSc Hons B(B&A) Hons

Other directorships: Mr Louw serves as a director on the board of various private companies.

For ordinary resolution number 7 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

### 6.8 Ordinary resolution number 8: Appointment of Mr JJ Fouché as member of the Shoprite Holdings Audit and Risk Committee

"It is resolved that Mr JJ Fouché be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

Age: 67

First Appointed to Audit Committee: 2013

Educational qualifications: BCom LLB

Other directorships: None

For ordinary resolution number 8 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

### 6.9 Ordinary resolution number 9: Appointment of Mr JA Rock as member of the Shoprite Holdings Audit and Risk Committee

"It is resolved that Mr JA Rock be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

Age: 45

First Appointed: 2012

Educational qualifications: BA(Hons) MA ACA AMP (Insead)

Other directorships: Ferroland Grondtrust (Pty) Ltd

For ordinary resolution number 9 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.



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## 6.10 Ordinary resolution number 10: General authority over unissued ordinary Shares

"Resolved that 28.6 million (approximately 5% of the issued ordinary share capital that includes treasury shares) of the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company until the next annual general meeting and that the directors of the Company be and are hereby authorised and empowered to, without first offering those shares to shareholders pro rata to their shareholding, allot, issue and otherwise dispose of such ordinary shares to a person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act, the Memorandum of Incorporation ("MOI") of the Company and JSE Listings Requirements, when applicable, and any other exchange on which the shares of the Company may be quoted or listed from time to time."

For ordinary resolution number 10 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

## 6.11 Ordinary resolution number 11: General authority to issue shares for cash

"Resolved that the directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorised, but unissued shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the Companies Act, the MOI of the Company, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted from time to time, when applicable, subject to the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees, but may be made to such "public shareholders" and in such quantities that the directors in their discretion may deem fit;
- the number of ordinary shares issued for cash shall not in the aggregate in any 1 (one) financial year, exceed 5% (five percent) of the Company's issued ordinary shares, being 26 732 513 ordinary shares (excluding 38 221 703 treasury shares). The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of this notice of AGM, less any ordinary shares issued in terms of this authority by the Company during the current financial year;
- in the event of a sub-division or consolidation of issued ordinary shares during the period of this authority, the authority will be adjusted accordingly to represent the same allocation ratio;
- this authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- a paid press announcement will be published giving full details, at the time of any issue representing on a cumulative basis within one (1) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue in terms of this authority;
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30

(thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company."

For ordinary resolution number 11 to be approved by shareholders it must in terms of the JSE Listings Requirements be supported by more than 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

## 6.12 Ordinary resolution number 12: General authority to directors and/or company secretary

"Resolved that any one of the directors of Shoprite Holdings or the company secretary be and are hereby authorised to do all things, perform all acts and to sign and execute all documentation necessary to implement the ordinary and special resolutions adopted at the AGM."

For ordinary resolution number 12 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

## 6.13 Resolution number 13: Non-binding advisory vote on the remuneration policy of Shoprite Holdings

"Resolved that, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and members of board committees for their services as directors) as set out in the Remuneration report in the Integrated Report on pages 34 to 41 is endorsed."

For resolution number 13 to be approved by shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

## 6.14 Special resolution number 1: Remuneration payable to non-executive directors

"Resolved in terms of section 66(9) of the Companies Act, that the annual remuneration of the non-executive directors for the twelve months from 1 November 2014 – 31 October 2015 be approved as follows:

### SHOPRITE HOLDINGS BOARD AND COMMITTEE FEES

	2014/2015	2013/2014
<b>BOARD</b>		
Chairman of the Board	R340 000	R317 200
Lead Independent Director	R210 000	R165 000
Non-Executive Director	R200 000	R150 000
<b>AUDIT AND RISK COMMITTEE</b>		
Chairman	R239 500	R224 000
Member	R120 000	R112 000
<b>REMUNERATION COMMITTEE</b>		
Chairman	R62 000	R58 100
Member	R37 500	R34 800
<b>NOMINATION COMMITTEE</b>		
Chairman	R62 000	R58 100
Member	R37 500	R34 800
<b>SOCIAL AND ETHICS COMMITTEE</b>		
Chairman	R81 000	R75 500



For special resolution number 1 to be approved by shareholders it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

#### Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to grant the Company the authority to pay remuneration to its non-executive directors for their services as directors for the period ending on 31 October 2015.

### 6.15 Special resolution number 2: Financial assistance to subsidiaries, related and inter-related entities

Resolved in terms of section 45(3)(a)(ii) of the Companies Act, subject to compliance with the requirements of the Company's MOI and the JSE Listings Requirements as presently constituted and amended from time to time as a general approval, that the board of the Company be authorised during a period of two (2) years from the date of this special resolution to authorise the Company to provide direct or indirect financial assistance to a director or prescribed officer of the Company or of a related or inter-related company, or to a related or inter-related company or corporation, ("any related or inter-related company or corporation" has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company) to the Company or to a member of such a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, in one or more of the following forms:

- loan to,
- guarantee of any obligation of,
- suretyship in respect of any obligation of,
- indemnity undertakings in respect of obligations of,
- the securing (in any form) of any debt or obligations of, or
- payments to or for the benefit of,

such a person or company or corporation, director, prescribed officer or member which the board of the Company may deem fit on the terms and conditions and for amounts that the board of the Company may determine on terms and conditions and for amounts that the board of the Company may determine.

For special resolution number 2 to be approved by shareholders it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

#### Reason for and effect of special resolution number 2

This special resolution will grant the Company's directors the authority to authorise financial assistance in any of the forms described in the resolution to a director or prescribed officer of the Company (to be utilised as part of an incentive scheme, where applicable) or of a related or inter-related company, or to a related or inter-related company or corporation, ("any related or inter-related company or corporation" has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company) to the Company or to a member of such a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member as contemplated in section 45 of the Companies Act.

#### Notice to the shareholders of the Company in terms of section 45(5) of the Companies Act, of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance:

- By the time that this notice of AGM is delivered to shareholders, the Board would have adopted a written board resolution ("the Section 45 Board Resolution") authorising the Company to provide at any time during the period of two (2) years from the date the above special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the Company;
- The Section 45 Board Resolution will only be subject to and only effective to the extent that special resolution number 2 is adopted by shareholders and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act and that the terms under which the financial assistance will be given are fair and reasonable to the Company as required in section 45(3)(b)(ii) of the Companies Act; and
- The Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company.

### 6.16 Special resolution number 3: Financial assistance for subscription of securities

"Resolved that the Company be and is hereby authorised, as a general authority contemplated in section 44(3)(a)(ii) of the Companies Act to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise of the kind referred to in section 44 of the Companies Act to any employee of the Company or of a subsidiary of the Company or of a related or inter-related company ("related or inter-related company" has herein the same meaning as in section 44 of the Companies Act) to the Company, for the purpose of, or in connection with, the subscription of any shares or other securities to be issued by the Company or for the purchase of any shares or other securities of the Company or for the purchase of any convertible bonds issued by Shoprite Investments Limited or for the subscription of those bonds by such employees, on the terms and conditions that the Board of the Company may deem fit."

For special resolution number 3 to be approved by shareholders it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

#### Reason for and effect of special resolution number 3

The Shoprite Holdings Executive Share Plan ("the Plan") approved by shareholders on 29 October 2012 provides selected senior executives of the Group ("Participants") with the opportunity of receiving Shoprite Holdings securities through the awarding of forfeitable shares. Forfeitable share awards comprise three (3) types of instruments, namely Co-investment Shares, Performance Shares and Retention Shares.

Participants may for instance in terms of the Plan rules be required to purchase Shoprite Holdings shares or 6.5% convertible bonds issued by Shoprite Investments Limited from Shoprite Checkers (Pty) Ltd and Co-investment Shares are then awarded to them based on the value of Participant's investment in this regard. A Participant's investment in the bonds will be financed by utilising his own funds or by way of a loan from the Company





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or the subsidiary employer. Loans could also be made in terms of the Plan to provide financial assistance in respect of the acquisition of shares in terms of the Plan. Loans to Participants are interpreted as financial assistance for the subscription of or purchase of securities in terms of section 44 of the Companies Act. Financial assistance by the Company (should it be granted) may fall within the exemption in section 44(3)(a)(i) of the Companies Act which will mean that the Company may provide that financial assistance without the approval of a special resolution. However to ensure that the Board is properly authorised to provide such financial assistance in cases where that exemption does not apply, this special resolution is required.

This special resolution will grant the Company the authority to provide financial assistance as contemplated by section 44 of the Companies Act.

## 6.17 Special resolution number 4: General approval to repurchase shares

"Resolved that, the Company and/or any subsidiary of the Company be and are hereby authorised by way of a general approval to acquire the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the the Companies Act, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system without any prior understanding or arrangement between the Company and the counterparty, or other manner approved by the JSE;
- this general authority shall be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five (5) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the number of ordinary shares acquired in the aggregate in any one (1) financial year do not exceed 5% (five percent) of the number of the Company's issued ordinary shares on the date that this special resolution is adopted;
- prior to entering the market to repurchase the Company's securities, a board resolution to authorise the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, and stating that the Board has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period;

- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company only appoints one agent to effect any repurchase(s) on its behalf."

For special resolution number 4 to be approved by shareholders it must be supported by at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at this meeting.

## Statement by the Board of Directors

The directors of the Company have no specific intention to effect the resolution, but will continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to repurchase its own shares.

After having considered the effect of the repurchase of ordinary shares pursuant to this general authority, the directors of the Company in terms of the relevant provisions of the Companies Act and the JSE Listings Requirements confirm that they will not undertake such purchase unless:

- the Company and the Group are in a position to repay their debt in the ordinary course of business for the 12 (twelve) month period after the date of the notice of the AGM;
- the assets of the Company and the Group, being fairly valued in accordance with the accounting policies used in the latest annual financial statements are, after the repurchase, in excess of the liabilities of the Company and the Group for the 12 (twelve) month period after the date of the notice of the AGM;
- the ordinary capital and reserves of the Company and the Group are adequate for the 12 (twelve) month period after the date of the notice of the AGM;
- the available working capital is adequate to continue the operations of the Company and the Group for a period of 12 (twelve) months after the date of the notice of the AGM.

## Reason for and effect of special resolution number 4

The JSE Listing Requirements 5.72(c) and 5.76 require that the Company or any subsidiary of the Company may only repurchase or purchase securities issued by the Company if approved by its shareholders by way of a special resolution. The existing general authority granted by the shareholders of the Company at the previous AGM on 27 October 2014, is due to expire, unless renewed.

The directors are of the opinion that it would be in the best interest of the Company to extend such general authority.

The proposed general authority would enable the Company or any subsidiary of the Company to repurchase up to a maximum of 28,643,598 (twenty eight million six hundred and forty three thousand five hundred and ninety eight) ordinary shares of the Company, representing 5% (five percent) of the issued ordinary share capital of Company as at 30 June 2015.

The reason for the passing of special resolution number 4 is to authorise the Company and/or its subsidiaries by way of a general authority from shareholders to repurchase ordinary shares issued by the Company.

Once adopted this special resolution will permit the Company or any of its subsidiaries, to repurchase such ordinary shares in terms of the Companies Act, its MOI and the JSE Listings Requirements.



### Disclosures in terms of section 11.26 of the JSE listings requirements

The JSE Listings Requirements require the following disclosures in respect of special resolution number 4, some of which are disclosed in the Integrated Report of which this notice forms part:

- Major shareholders of the Company ..... page 60
- Share capital of Company ..... pages 55 to 56

### Material change

Other than the facts and developments as referred to on page 45 of the Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

### Directors' responsibility statement

The directors, whose names are given on pages 8 to 9 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made.

## 6.18 Special resolution number 5 ("Special Resolution number 5"): Approval of the scheme of arrangement relating to Shoprite Holdings 5% cumulative preference shares, (ISIN number ZAE000006680) ("SHP2 preference shares") in terms of section 115(2) of the Companies Act

"It is resolved as a special resolution that subject to fulfilment of the SHP2 Scheme Conditions Precedent set out in paragraph [9.1] of the Circular to Shareholders ("the Circular") dated 16 September 2015 (and annexed hereto as Annexure A) the scheme of arrangement (defined as Scheme SHP2 in the Circular) in terms of section 114 of the Companies Act, recorded in the Circular, and proposed by the Board between the Company and all the holders of all the issued SHP2 Preference Shares which are recorded in the Register as such at the close of business on the relevant Scheme Record Date in terms of which, if implemented, the Company will acquire 100% of the SHP2 Preference Shares in exchange for the Scheme Consideration per SHP2 Preference Share, be and is hereby approved in terms of section 115(2)(a) of the Companies Act and that the Company and its Board may implement Scheme SHP2 on fulfilment or waiver, as the case may be, of all the SHP2 Scheme Conditions Precedent."

For Special Resolution number 5 to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on Special Resolution number 5.

### Reason for and effect of Special Resolution number 5

The reason for Special Resolution number 5 is to obtain the required Shareholder approval for the Company to implement the scheme of arrangement (defined as Scheme SHP2 in the Circular) relating to the SHP2 Preference Shares. Scheme SHP2 will only be effective and implemented by the board of directors of the Company after the SHP2 Scheme Conditions Precedent have either been fulfilled or waived (in the manner provided for in the Circular), as the case may be. Shareholders are referred to the Circular which sets out in detail the terms and other provisions of Scheme SHP2.

This Special Resolution number 5 will authorise the Company and the Board after the SHP2 Schemes Conditions Precedent have either been fulfilled or waived (in the manner provided for in

the Circular), as the case may be, to implement Scheme SHP2 and acquire 100% of the SHP2 Preference Shares for a cash consideration of R2.10 per SHP2 Preference Share.

### INDEPENDENT EXPERT REPORT

Shareholders are referred to the report of the Independent Expert that forms part of the Circular annexed hereto and which is prepared in accordance with section 114(3) of the Companies Act.

Having considered the terms and conditions of Scheme SHP2 and based upon and subject to the terms and conditions set out in the report of the Independent Expert, the Independent Expert is of the opinion that the terms and conditions of Scheme SHP2 (as part of the Acquisition defined in the report), are fair to Preference Shareholders and to the other Shareholders.

### APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

The holder of any voting rights in the Company is in terms of section 115(8) of the Companies Act, entitled to seek relief in terms of section 164 of the Companies Act if that person:

- notified the Company in advance of his intention to oppose Special Resolution number 5 above; and
- was present at the AGM and voted against Special Resolution number 5.

In terms of sections 164(3) of the Companies Act, at any time before the Special Resolution number 5 above is voted on, a Shareholder ("Dissenting Shareholder") may give the Company a written notice objecting to Special Resolution number 5 above and which notice must be delivered to the Company at its registered address located at cnr Old Paarl and William Dabs Roads, Brackenfell, Western Cape for the attention of the company secretary PG du Preez.

Within 10 business days after the Company has adopted Special Resolution number 5 the Company must send a notice that Special Resolution number 5 has been adopted to each Shareholder who:

- gave the Company a written notice of objection in terms of section 164(3) of the Companies Act; and
- has neither:
  - i. withdrawn that notice; or
  - ii. voted in support of the resolution.

A Shareholder may demand that the Company pay that Shareholder the fair value for all of the Shares of the Company held by that person if the Shareholder:

- i. sent the Company a notice of objection in terms of section 164(3) of the Companies Act; and
- ii. the Company has adopted Special Resolution number 5; and
- iii. the Shareholder:
  - voted against Special Resolution number 5; and
  - has complied with all of the procedural requirements of section 164 of the Companies Act.

A demand by a Shareholder for the fair value for all of the Shares of the Company held by that person will only result in an offer by Shoprite to pay such fair value if all the SHP2 Scheme Conditions Precedent set out in paragraph 9.1 of the Circular are fulfilled and Scheme SHP2 being implemented and becoming effective.

The statement in respect of section 164 is not a complete repetition of section 164 of the Companies Act. Shareholders are accordingly referred to **Annexure 1** hereto on which the whole of section 164 of the Companies Act has been printed and which sets out all the requirements that a shareholder must comply with to claim in terms of section 164.

Shareholders are also referred to section 115 of the Companies Act which is annexed hereto as **Annexure 2**.



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Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to the follow factors:

- the report of the Independent Expert annexed to the Circular (see conclusion above);
- that the court is empowered to grant a cost order in favour of or against a dissenting Shareholder that acts in terms of section 164 of the Companies Act, as may be applicable; and
- it should be noted that Scheme SHP2 is amongst others subject to the condition precedent that no Shareholder, has by reason of the adoption of Special Resolution number 5 above and/or Special Resolution number 1 in the Notice of the SHP2 Preference Shareholder General Meeting (or for any other reason) within the period provided for in section 164(7)(a) of the Companies Act, and in terms of section 164(5) of the Companies Act made a demand to the Company that the Company pay the Shareholder the fair value for all of the Shares in the Company held by that Shareholder or in the event that such a demand or demands were made, that those demands were not made by Shareholders who in aggregate hold more than 1 000 Shares in the Company or if such a demand or demands were made by Shareholders (“Dissenting Shareholders”) who in aggregate hold more than 1 000 Shares in the Company that one or more of those Dissenting Shareholders have withdrawn their demands to such an extent that after such withdrawal, those remaining Dissenting Shareholders (being the Dissenting Shareholders who have not withdrawn their demands to be paid the fair value for all of the Shares in the Company held by them) are Shareholders who in aggregate hold no more than 1 000 Shares in the Company.

6.19 Special resolution number 6 (“Special Resolution number 6”): Approval of the scheme of arrangement relating to Shoprite Holdings second 5% cumulative preference shares, ISIN number ZAE000006698 (“SHP3 preference shares”) in terms of section 115(2) of the Companies Act “It is resolved as a special resolution that subject to fulfilment of the SHP3 Scheme Conditions Precedent set out in paragraph 9.2 of the Circular to Shareholders (“the Circular”) dated 16 September 2015 (and annexed hereto as Annexure “A”) the scheme of arrangement (defined as Scheme SHP3 in the Circular) in terms of section 114 of the Companies Act, recorded in the Circular and proposed by the Board between the Company and all the holders of all the issued SHP3 Preference Shares which are recorded in the Register as such at the close of business on the relevant Scheme Record Date in terms of which, if implemented, the Company will acquire 100% of the SHP3 Preference Shares in exchange for the Scheme Consideration per SHP3 Preference Share, be and is hereby approved in terms of section 115(2)(a) of the Companies Act and that the Company and its Board may implement Scheme SHP3 on fulfilment or waiver, as the case may be, of all the SHP3 Scheme Conditions Precedent.

For Special Resolution number 6 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on Special Resolution number 6.

## Reason for and effect of Special Resolution number 6

The reason for Special Resolution number 6 is to obtain the required Shareholder approval for the Company to implement the scheme of arrangement (defined as Scheme SHP3 in the Circular) relating to the SHP3 Preference Shares. Scheme SHP3 will only be effective and implemented by the Board after the SHP3 Scheme Conditions Precedent have either been fulfilled or waived (in the manner provided for in the Circular), as the case may be. Shareholders are referred to the Circular which sets out in detail the terms and other provisions of Scheme SHP3.

This Special Resolution number 6 will authorise the Company and the Board after the SHP3 Scheme Conditions Precedent have either been fulfilled or waived (in the manner provided for in the Circular), as the case may be, to implement Scheme SHP3 and acquire 100% of the SHP3 Preference Shares for a cash consideration of R2.10 per SHP3 Preference Share.

## INDEPENDENT EXPERT REPORT

Shareholders are referred to the report of the Independent Expert that forms part of the Circular annexed hereto and which is prepared in accordance with section 114(3) of the Companies Act.

Having considered the terms and conditions of Scheme SHP3 and based upon and subject to the terms and conditions set out in the report of the Independent Expert, the Independent Expert is of the opinion that the terms and conditions of Scheme SHP3 (as part of the Acquisition defined in the report), are fair to Preference Shareholders and to the other Shareholders.

## APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

The holder of any voting rights in the Company is in terms of section 115(8) of the Companies Act, entitled to seek relief in terms of section 164 of the Companies Act if that person:

- notified the Company in advance of his intention to oppose Special Resolution number 6 above; and
- was present at the AGM and voted against Special Resolution number 6.

In terms of sections 164(3) of the Companies Act, at any time before the Special Resolution number 6 above is voted on, a Shareholder (“Dissenting Shareholder”) may give the Company a written notice objecting to Special Resolution number 6 above and which notice must be delivered to the Company at its registered address located at cnr Old Paarl and William Dabs Roads, Brackenfell, Western Cape for the attention of the company secretary PG du Preez.

Within 10 business days after the Company has adopted Special Resolution number 6 the Company must send a notice that Special Resolution number 6 has been adopted to each Shareholder who:

- gave the Company a written notice of objection in terms of section 164(3) of the Companies Act; and
- has neither:
  - i. withdrawn that notice; or
  - ii. voted in support of the resolution.

A Shareholder may demand that the Company pay that Shareholder the fair value for all of the Shares of the Company held by that person if the Shareholder:

- sent the Company a notice of objection in terms of section 164(3) of the Companies Act; and
- the Company has adopted Special Resolution number 6; and
- the Shareholder:
  - voted against Special Resolution number 6; and
  - has complied with all of the procedural requirements of section 164 of the Companies Act.



A demand by a Shareholder for the fair value for all of the Shares of the Company held by that person will only result in an offer by Shoprite to pay such fair value if all the SHP3 Scheme Conditions Precedent set out in paragraph 9.2 of the Circular are fulfilled and Scheme SHP3 being implemented and becoming effective.

The statement in respect of section 164 is not a complete repetition of section 164 of the Companies Act. Shareholders are accordingly referred to **Annexure 1** hereto on which the whole of section 164 of the Companies Act has been printed and which sets out all the requirements that a shareholder must comply with to claim in terms of section 164.

Shareholders are also referred to section 115 of the Companies Act which is annexed hereto as **Annexure 2**.

Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to the following factors:

- the report of the Independent Expert annexed to the Circular (see conclusion above);
- that the court is empowered to grant a cost order in favour of or against a dissenting Shareholder that acts in terms of section 164 of the Companies Act, as may be applicable; and
- it should be noted that Scheme SHP3 is amongst others subject to the condition precedent that no Shareholder, that has complied with the provisions of section 164(5) of the Companies Act, has by reason of the adoption of Special Resolution number 6 above and/or Special Resolution number 1 in the Notice of the SHP3 Preference Shareholder General Meeting (or for any other reason) within the period provided for in section 164(7)(a) of the Companies Act, and in terms of section 164 (5) of the Companies Act made a demand to the Company that the Company pay the Shareholder the fair value for all of the Shares in the Company held by that Shareholder or in the event that such a demand or demands were made, that those demands were not made by Shareholders who in aggregate hold more than 1 000 Shares in the Company or if such a demand or demands were made by Shareholders (“Dissenting Shareholders”) who in aggregate hold more than 1 000 Shares in the Company that one or more of those Dissenting Shareholders withdrew their demands to such an extent that after such withdrawal, those remaining Dissenting Shareholders (being the Dissenting Shareholders who have not withdrawn their demands to be paid the fair value for all of the Shares in the Company held by them) are Shareholders who in aggregate hold no more than 1 000 Shares in the Company.

**6.20 Special resolution number 7 (“Special Resolution number 7”):** Approval of the scheme of arrangement relating to Shoprite Holdings third 5% cumulative preference shares, ISIN number ZAE000006706 (“SHP4 preference shares”) in terms of section 115(2) of the Companies Act “It is resolved as a special resolution that subject to fulfilment of the SHP4 Scheme Conditions Precedent set out in paragraph 9.3 of the Circular to Shareholders (“the Circular”) dated 16 September 2015 (and annexed hereto as Annexure “A”) the scheme of arrangement (defined as Scheme SHP4 in the Circular) in terms of section 114 of the Companies Act, recorded in the Circular and proposed by the Board between the Company and all the holders of all the issued SHP4 Preference Shares which are recorded in the Register as such at the close of business on the relevant Scheme Record Date in terms of which, if implemented, the Company will acquire 100% of the SHP4 Preference Shares in exchange for the Scheme Consideration per SHP4 Preference Share, be and is hereby approved in terms of section 115(2)(a) of the Companies Act and that the Company and its board of directors may implement Scheme SHP4 on fulfilment or waiver, as the case may be, of all the SHP4 Scheme Conditions Precedent.

For Special Resolution number 7 to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on Special Resolution number 7.

### Reason for and effect of Special Resolution number 7

The reason for Special Resolution number 7 is to obtain the required Shareholder approval for the Company to implement the scheme of arrangement (defined as Scheme SHP4 in the Circular) relating to the SHP4 Preference Shares. Scheme SHP4 will only be effective and implemented by the Board after the SHP4 Scheme Conditions Precedent have either been fulfilled or waived (in the manner provided for in the Circular), as the case may be. Shareholders are referred to the Circular which sets out in detail the terms and provisions of Scheme SHP4.

This Special Resolution number 7 will authorise the Company and the Board after the SHP4 Scheme Conditions Precedent have either been fulfilled or waived (in the manner provided for in the Circular), as the case may be, to implement Scheme SHP4 and acquire 100% of the SHP4 Preference Shares for a cash consideration of R2.10 per SHP4 Preference Share.

### INDEPENDENT EXPERT REPORT

Shareholders are referred to the report of the Independent Expert that forms part of the Circular annexed hereto and which is prepared in accordance with section 114(3) of the Companies Act.

Having considered the terms and conditions of Scheme SHP4 and based upon and subject to the terms and conditions set out in the report of the Independent Expert, the Independent Expert is of the opinion that the terms and conditions of Scheme SHP4 (as part of the Acquisition defined in the report) based on quantitative considerations, are fair to Preference Shareholders and to the other Shareholders.

### APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

The holder of any voting rights in the Company is in terms of section 115(8) of the Companies Act, entitled to seek relief in terms of section 164 of the Companies Act if that person-

- notified the Company in advance of his intention to oppose Special Resolution number 7 above; and
- was present at the AGM and voted against Special Resolution number 7.

In terms of sections 164(3) of the Companies Act, at any time before the Special Resolution number 5 above is voted on, a Shareholder (“Dissenting Shareholder”) may give the Company a written notice objecting to Special Resolution number 7 above and which notice must be delivered to the Company at its registered address located at cnr Old Paarl and William Dabs Roads, Brackenfell, Western Cape for the attention of the company secretary PG du Preez.

Within 10 business days after the Company has adopted Special Resolution number 7 the Company must send a notice that Special Resolution number 7 has been adopted to each Shareholder who-

- gave the Company a written notice of objection in terms of section 164(3) of the Companies Act; and
- has neither:
  - i. withdrawn that notice; or
  - ii. voted in support of the resolution.



# Notice to Shareholders: Annual General Meeting (AGM) (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2015

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BUSINESS OVERVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR INFORMATION

A Shareholder may demand that the Company pay that Shareholder the fair value for all of the Shares of the Company held by that person if the Shareholder:

- i. sent the Company a notice of objection; and
- ii. the Company has adopted Special Resolution number 7; and
- iii. the Shareholder:
  - voted against Special Resolution number 7; and
  - has complied with all of the procedural requirements of section 164 of the Companies Act.

A demand by a Shareholder for the fair value for all of the Shares of the Company held by that person will only result in an offer by Shoprite to pay such fair value if all the SHP4 Schemes Conditions Precedent set out in paragraph 9.3 of the Circular are fulfilled and Scheme SHP4 being implemented and becoming effective.

The statement in respect of section 164 is not a complete repetition of section 164 of the Companies Act. Shareholders are accordingly referred to **Annexure 1** hereto on which the whole of section 164 of the Companies Act has been printed and which sets out all the requirements that a shareholder must comply with to claim in terms of section 164.

Shareholders are also referred to section 115 of the Companies Act which is annexed hereto as **Annexure 2**.

Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to the following factors:

- the report of the Independent Expert annexed to the Circular (see conclusion above).
- that the court is empowered to grant a cost order in favour of or against a dissenting Shareholder that acts in terms of section 164 of the Companies Act, as may be applicable.
- it should be noted that Scheme SHP4 is amongst others subject to the condition precedent that no Shareholder, has by reason of the adoption of Special Resolution number 7 above and/or Special Resolution number 1 in the Notice of the SHP4 Preference Shareholder General Meeting (or for any other reason) within the period provided for in section 164(7)(a) of the Companies Act, and in terms of section 164(5) of the Companies Act made a demand to the Company that the Company pay the Shareholder the fair value for all of the Shares in the Company

held by that Shareholder or in the event that such a demand or demands were made, that those demands were not made by Shareholders who in aggregate hold more than 1 000 Shares in the Company or if such a demand or demands were made by Shareholders ("Dissenting Shareholders") who in aggregate hold more than 1 000 Shares in the Company that one or more of those Dissenting Shareholders have withdrawn their demands to such an extent that after such withdrawal, those remaining Dissenting Shareholders (being the Dissenting Shareholders who have not withdrawn their demands to be paid the fair value for all of the Shares in the Company held by them) are Shareholders who in aggregate hold no more than 1 000 Shares in the Company.

## 7. TRANSACTION OF OTHER BUSINESS

For Shoprite Holdings Limited



**PG du Preez**

*Company secretary*  
16 September 2015

### **The company secretary**

Cnr William Dabs and Old Paarl Roads  
PO Box 215, Brackenfell, 7560 South Africa  
Facsimile: +27 (0) 21 980 4468  
E-mail Address: cosec@shoprite.co.za

### **South african transfer secretaries**

Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107  
Facsimile: +27 (0) 11 688 5238





## DISSENTING SHAREHOLDERS APPRAISAL RIGHTS

1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
2. If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
  - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114,

that notice must include a statement informing shareholders of their rights under this section.
3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
4. Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
  - (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
5. A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
  - (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
6. The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
  - (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
  - (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
  - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
  - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
10. If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
11. Within five business days after the later of:
  - (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
12. Every offer made under subsection (11):
  - (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
13. If a shareholder accepts an offer made under subsection (12):
  - (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
  - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
  - (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

## Annexure 1 – Section 164 of the Companies Act of 2008, as amended (continued)

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15. On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court:
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (iii) in its discretion may:
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
    - (v) must make an order requiring:
      - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
      - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- 15A. At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
  - (b) the company must comply with the requirements of subsection 13(b).
16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
17. If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
  - (b) the court may make an order that:
    - (i) is just and equitable, having regard to the financial circumstances of the company; and
    - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
18. If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
19. For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
- (a) the provisions of that section; or
  - (b) the application by the company of the solvency and liquidity test set out in section 4.
20. Except to the extent:
- (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case,
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.



## 115. REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN PART.

1. Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
  - (a) the disposal, amalgamation or merger, or scheme of arrangement:
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter, and the Takeover Regulations, apply to a company that proposes to:
    - (i) dispose of all or the greater part of its assets or undertaking;
    - (ii) amalgamate or merge with another company; or
    - (iii) implement a scheme of arrangement,
 the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).  
 [Para. (b) substituted by s. 71(a) of Act No. 3 of 2011.]
2. A proposed transaction contemplated in subsection (1) must be approved:
  - (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and  
 [Para. (a) substituted by s. 71(b) of Act No. 3 of 2011.]
  - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if:
    - (i) the holding company is a company or an external company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and  
 [Sub-para. (iii) substituted by s. 71(c) of Act No. 3 of 2011.]
  - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
3. Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
  - (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or  
 [Para. (a) substituted by s. 71(d) of Act No. 3 of 2011.]
  - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).  
 [Para. (b) substituted by s. 71(d) of Act No. 3 of 2011.]
4. For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
  - (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
  - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.  
 [Sub-s. (4) substituted by s. 71(e) of Act No. 3 of 2011.]
- 4A. In subsection (4), "act in concert" has the meaning set out in section 117(1)(b).  
 [Sub-s. (4A) inserted by s. 71(f) of Act No. 3 of 2011.]
5. If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
  - (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or  
 [Para. (a) substituted by s. 71(g) of Act No. 3 of 2011.]
  - (b) treat the resolution as a nullity.
6. On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
  - (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
7. On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
  - (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
8. The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
  - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that special resolution.
9. If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
  - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

# Administration

Shoprite Holdings Ltd

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## REGISTRATION NUMBER

1936/007721/06

## REGISTERED OFFICE

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

## COMPANY SECRETARY

Mr PG du Preez  
Physical address: Cnr William Dabs and Old Paarl Roads  
Brackenfell, 7560, South Africa  
Postal address: PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4284  
Facsimile: +27 (0)21 980 4468  
E-mail: cosec@shoprite.co.za

## TRANSFER SECRETARIES

### South Africa

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

### Namibia

Transfer Secretaries (Pty) Ltd  
PO Box 2401, Windhoek, Namibia  
Telephone: +264 (0)61 227 647  
Facsimile: +264 (0)61 248 531  
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### Zambia

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Telephone: +260 (0)211 374 791 – 374 794  
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E-mail: sharetrack@scs.co.zm  
Website: www.sharetrackzambia.com

## SPONSORS

### South Africa

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PO Box 1144, Johannesburg, 2000, South Africa  
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E-mail: doristh@nedbank.co.za  
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### Namibia

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PO Box 25549, Windhoek, Namibia  
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E-mail: info@pangaea.co.zm  
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## AUDITORS

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Facsimile: +27 (0)21 529 3300  
Website: www.pwc.co.za

## BANKERS

ABSA Bank Ltd  
Citibank N.A.  
First National Bank Ltd  
HSBC Ltd  
Investec Bank Ltd  
Nedbank Ltd  
Old Mutual Specialised Finance (Pty) Ltd  
The Standard Bank of South Africa Ltd  
Standard Chartered Bank PLC

## Shareholders' Diary

June	August	September	October	December	February	March
Financial year-end	Reviewed results	Publishing of Integrated Report  Payment of preference dividend  Payment of final ordinary dividend	Annual General Meeting	End of financial half-year	Interim results	Payment of preference dividend  Payment of interim ordinary dividend



# Form of Proxy

Shoprite Holdings Ltd

Shoprite Holdings Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 1936/007721/06)  
JSE share code: SHP  
NSX share code: SRH  
LUSE share code: SHOPRITE  
ISIN: ZAE000012084  
("Shoprite Holdings" or "the Company")

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For use only by:

- certificated ordinary shareholders
- dematerialised ordinary shareholders with "own name" registrations

At the annual general meeting of shareholders of Shoprite Holdings to be held at Cnr William Dabs and Old Paarl Roads, Brackenfell at 09:30 on Monday, 19 October 2015 and any adjournment thereof ("the AGM").

Dematerialised shareholders holding shares other than with "own name" registration, must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the necessary letter of representation to attend the AGM in person.

If you do not wish to attend the AGM, provide your CSDP or broker with your voting instruction in terms of your custody agreement.

I/We ..... (name/s in block letters) of .....

being a shareholder/shareholders of Shoprite Holdings and holding ordinary shares in the Company, hereby appoint

- ..... of .....or, failing him/her,
- ..... of .....or, failing him/her,
- the chairman of the annual general meeting, as my/our proxy to attend speak and vote on my/our behalf at the AGM of the shareholders of the Company to be held at 09:30 on Monday, 19 October 2015 at Brackenfell, and at any adjournment thereof:

	Number of shares*		
	In favour of	Against	Abstain
<b>Ordinary resolution number 1:</b> Approval of annual financial statements			
<b>Ordinary resolution number 2:</b> Re-appointment of auditors			
<b>Ordinary resolution number 3:</b> Re-election of Dr CH Wiese			
<b>Ordinary resolution number 4:</b> Re-election of Mr EC Kieswetter			
<b>Ordinary resolution number 5:</b> Re-election of Mr JA Louw			
<b>Ordinary resolution number 6:</b> Appointment of Mr JF Basson as chairperson and member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 7:</b> Appointment of Mr JA Louw as Member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 8:</b> Appointment of Mr JJ Fouché as Member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 9:</b> Appointment of Mr JA Rock as Member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 10:</b> General authority over unissued ordinary shares			
<b>Ordinary resolution number 11:</b> General authority to issue shares for cash			
<b>Ordinary resolution number 12:</b> General authority to directors and/or company secretary			
<b>Resolution number 13:</b> Non-binding advisory vote on the remuneration policy of Shoprite Holdings			
<b>Special resolution number 1:</b> Remuneration payable to non-executive directors			
<b>Special resolution number 2:</b> Financial assistance to subsidiaries, related and inter-related entities			
<b>Special resolution number 3:</b> Financial assistance for subscription of securities			
<b>Special resolution number 4:</b> General approval to repurchase shares			
<b>Special resolution number 5:</b> Approval of the scheme of arrangement relating to Shoprite Holdings 5% cumulative preference shares, (ISIN Number ZAE000006680) ("SHP2 preference shares") in terms of section 115(2) of the Companies Act			
<b>Special resolution number 6:</b> Approval of the scheme of arrangement relating to Shoprite Holdings second 5% cumulative preference shares, (ISIN Number ZAE000006698) ("SHP3 preference shares") in terms of section 115(2) of the Companies Act			
<b>Special resolution number 7:</b> Approval of the scheme of arrangement relating to Shoprite Holdings third 5% cumulative preference shares, (ISIN Number ZAE000006706) ("SHP4 preference shares") in terms of section 115(2) of the Companies Act			

\*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) ..... on (date) ..... 2015

Shareholder's signature

Please read the notes and instructions overleaf.





# Form of Proxy (continued)

Shoprite Holdings Ltd

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BUSINESS OVERVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR INFORMATION

## NOTES TO FORM OF PROXY

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registration.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote in place of that shareholder at the annual general meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided or to mark the relevant box(es). If a box is marked without inserting a number of votes it is deemed that the proxy may exercise all the votes of the shareholder. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting to vote in favour of the ordinary and special resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of the shareholder's total holding.
6. Summary of rights established by section 58 of the Companies Act, 21 of 2008

At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:

- participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
- give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
  - one year after the date on which it was signed; or
  - any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).

Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

- a shareholder of that company may appoint two or more persons concurrently (please note that the Memorandum of Incorporation of the Company prohibits such an appointment) as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (please note that the Memorandum of Incorporation of the Company prohibits such an appointment);
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy and provided that right is granted in the Proxy Instrument and the delegation takes place by way of a further Proxy Instrument; and
- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy, and to the company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

- the date stated in the revocation instrument, if any; or
- the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:

- the shareholder; or
- the proxy or proxies, if the shareholder has:
  - directed the company to do so, in writing; and
  - paid any reasonable fee charged by the company for doing so.

A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:

- the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
- the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
  - bear a reasonably prominent summary of the rights established by this section;
  - contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
  - provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
- the company must not require that the proxy appointment be made irrevocable; and
- the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the chairman of the annual general meeting.
8. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
12. Where there are joint holders of any shares:
  - any one holder may sign this form of proxy;
  - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. The proxy may not delegate any of the rights or powers granted to it.



# Electronic Receipt of Communication and Notices

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**PLEASE MAKE YOUR SELECTION ON THE REVERSE OF THIS LETTER**

30 June 2015

Dear Shareholder

## ELECTRONIC COMMUNICATIONS – WHAT THIS MEANS FOR YOU

In terms of the Companies Act, 2008, as amended, and the JSE Listings Requirements, you may elect to receive shareholder communications and notices from Shoprite Holdings electronically.

For a number of years Shoprite Holdings has recognised the benefits of electronic communications with shareholders. We encourage you to play your part in reducing the environmental impact of the Company mailing significant quantities of printed materials to shareholders by electing to be notified by email when your shareholder communications are available to access directly online.

Many shareholders have opted to receive electronic communications. By making the choice to "go green" you will also reduce your exposure to the variances of the postal service by receiving your shareholder information in a more timely, secure and cost effective manner.

## WHAT ARE YOUR OPTIONS?

### OPTION 1



**Receive email notification** when shareholder communications become available online. By providing your email address you will no longer receive paper copies of the Integrated Report or any other shareholder communications that are available electronically. Instead you will receive an email advising you when and how to access documents online.

### OPTION 2



**Continue receiving a printed copy of the Integrated Report.** All other shareholder communications are available online on the company's website at [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za).



**If you take no action** within 28 days of the receipt of this letter, you will be deemed to have agreed that you will view shareholder information and other documents online at the time of their publication on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) without direct notification from the company. A printed copy of the Integrated Report will not be sent to you; you will be sent a copy of the Notice of Annual General Meeting (together with a voting form which you can use to vote your shares at the AGM).

To select your preferred communication option, please complete the document on the reverse of this letter.

If you have any questions about this letter please contact Computershare at [ecomms@computershare.co.za](mailto:ecomms@computershare.co.za)

Yours sincerely

**PG du Preez**  
Company Secretary



# Electronic Receipt of Communication and Notices (continued)

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## CHOOSE YOUR COMMUNICATIONS OPTION HERE

- OPTION 1**    @    **Receive email notification** when your shareholder communications become available online. The email will contain details of the dividend rate and Annual General Meeting, where applicable.
- 
- OPTION 2**    ✉    **Continue receiving a printed copy of the Integrated Report.** All other shareholder communications are available online on the company's website at [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za).
- ✕    **If you take no action** within 28 days of the receipt of this letter, you will be deemed to have agreed that you will view shareholder information and other documents online at the time of their publication on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) without direct notification from the company.

Please fully complete the information required below, select your option and return the form in the enclosed reply paid envelope or by fax to +27 11 688 5248.

### Details of Shareholder

Name: .....

Identity No.: .....

Reference No: .....

#### **OPTION 1** selected:

provide your e-mail address: .....

#### **OPTION 2** selected:

provide your postal address: .....

.....

..... Postal Code: .....

The signatures of all joint holders, executors or administrators are required:

Signature (1)

Signature (2)

Signature (3)

Signature (4)

### Notes:

1. The Company reserves the right to continue to send any future communications to shareholders in paper form, irrespective of any election or choice that you make, whenever the Company considers it necessary or desirable to do so. Further, if the Company is required to restrict the sending of any documents or information to any shareholder due to local laws of the jurisdiction in which you are resident or located and as a result we are not permitted to use electronic means to communicate with shareholders, the Company will send you paper copies of the documents or shareholder information, in accordance with your preferences.
2. The Company's Integrated Report and Annual General Meeting documents will be available for viewing approximately one month before the date scheduled for the AGM each year.
3. Shareholders should note that, with electronic communication, the Company's obligations will be satisfied when the Company has posted the notification to the address on the register of shareholders. The Company cannot be held responsible for any failure in transmission beyond its control.
4. Your election and contact details will stand until you tell us otherwise. You can change your election by writing to Computershare Investor Services Pty Ltd, Box 61051, Marshalltown, 2107, South Africa, Fax Number: +27 11 688 5248, E-mail: [ecomms@computershare.co.za](mailto:ecomms@computershare.co.za)

