

**ANNUAL  
FINANCIAL  
STATEMENTS  
2022**

**ENTER**





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**DOWNLOADS**  
Annual Financial Statements available as an interactive print-friendly PDF online at [www.shopriteholdings.co.za/](http://www.shopriteholdings.co.za/)



The annual financial statements for the year ended 3 July 2022 have been audited by PricewaterhouseCoopers Incorporated, in compliance with the applicable requirements of the South African Companies Act, 71 of 2008. The preparation of the audited annual financial statements was supervised by the Chief Financial Officer (CFO), Mr A de Bruyn, CA(SA).

### Currency of the annual financial statements

The annual financial statements are expressed in South Africa rand. The approximate rand cost of a unit of the following currencies at year-end was as follows (based on Reuters, with the exception of the DRC franc and the Nigeria naira, which were sourced from Citibank):

	2022	2021		2022	2021		2022	2021
United States dollar	16.372	14.486	DRC franc	0.008	0.007	Mozambique metical	0.254	0.223
Pound sterling	19.861	19.940	Ghana cedi	1.997	2.443	Nigeria naira	0.039	0.035
Euro	17.126	17.156	Kenya shilling	0.139	0.134	Uganda shilling	0.004	0.004
Angola kwanza	0.038	0.022	Madagascar ariary	0.004	0.004	Zambia kwacha	0.972	0.638
Botswana pula	1.325	1.330	Malawi kwacha	0.016	0.018			





## Statement of Directors' responsibility

The Board of Directors (the Board) is responsible for the preparation, integrity and fair presentation of the annual financial statements of the Company and Group in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

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

The Board has the responsibility to oversee that internal controls are in place to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Board is satisfied that the Company and Group have adequate resources to continue trading as a going concern in the foreseeable future.

The Board confirms that the Company is in compliance with the provisions of the Companies Act or relevant laws of establishment, specifically relating to its incorporation and operates in compliance with its Memorandum of Incorporation (MOI).

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Company's separate and Group's consolidated annual financial statements, and their report is presented on pages 10 to 15. 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 Board believes that all representations made to the independent auditors during their audit are valid and appropriate.

### APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Company's separate and Group's consolidated annual financial statements of Shoprite Holdings Ltd and its subsidiaries were approved by the Board on 30 September 2022 and signed on its behalf by:

**WE Lucas-Bull**  
Chairman

**PC Engelbrecht**  
Chief Executive Officer

## Statement of Chief Executive Officer and Chief Financial Officer responsibility

Each of the Directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 18 to 134, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as Executive Directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving Directors.

**PC Engelbrecht**  
Chief Executive Officer

30 September 2022

**A de Bruyn**  
Chief Financial Officer

## Certificate of the Company Secretary

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008 (as amended) I, PG du Preez, in my capacity as Company Secretary, confirm that for the year ended 3 July 2022, 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

30 September 2022



## Directors’ report

### Nature of Business

Shoprite Holdings Ltd (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. Cash income is derived mainly from dividends and interest. The consolidated annual financial statements of Shoprite Holdings and its subsidiaries also incorporate the equity accounted attributable income of associates and joint ventures.

### Shoprite Holdings comprises of the following main subsidiaries

#### SHOPRITE CHECKERS (PTY) LTD

**Supermarkets:** Serves a broad customer base through our Shoprite, Checkers, Checkers Hyper, Usave and other store formats.  
**Supply Chain Management:** Supplies the Group’s outlets in South Africa and 10 countries outside of South Africa.  
**Franchise:** The OK Franchise division’s stores offer a wide range of perishable and non-perishable food items through supermarket/ convenience outlets primarily under the OK brand. Wholesale franchise partners trade under the Megasave brand and retail buying partners under the Sentra brand. Add-on retail liquor outlets operate mainly under the OK Liquor brand.

**Freshmark:** Freshmark is the Group’s fruit and vegetable procurement and distribution division and supplies fresh produce to the Group’s retail outlets.

**Liquor Stores:** Trading under the Shoprite LiquorShop and Checkers LiquorShop brands respectively, the liquor stores 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 and House & Home outlets in South Africa, Botswana, Namibia, Eswatini, Lesotho, Zambia, Mozambique and Angola.

**Pharmacies and wholesale distribution:** Medirite’s in-store and stand-alone pharmacies offer consumers easy access to affordable healthcare and healthcare professionals through in-store dispensaries with outlets throughout South Africa. 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 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

Conducts the Group’s treasury function and financing of credit sales to third parties.

#### COMPUTICKET (PTY) LTD

Offers theatre, concert, festival, sport, bus and flight tickets as well as accommodation and virtual vouchers through a network of outlets located across South Africa and Zambia, as well as a call centre and the Computicket website.

#### SHOPRITE INTERNATIONAL LTD

Incorporated in the Republic of Mauritius, Shoprite International Ltd is the holding company for the majority of the Group’s retail and property investments located outside of the common monetary area.

#### SHOPRITE DTMC (PTY) LTD

Registered as a domestic treasury management company with the South African Reserve Bank with the US dollar as functional currency.

#### OTHER GROUP SUBSIDIARIES

The interests of Shoprite Holdings in other subsidiaries are set out in Annexure A to the annual financial statements.

### Financial Review

The Group’s diluted headline earnings per share amounted to 1 049.4 cents for the year (2021: 973.2 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the consolidated statement of comprehensive income with reference to the operating segment information. The financial position of Shoprite Holdings and its subsidiaries are recorded in the consolidated statement of financial position. Further details are furnished in the notes to the consolidated annual financial statements on pages 22 to 111. The Group’s net asset value per share as at 3 July 2022 was 4 697 cents (2021: 3 845 cents).

### Distribution to shareholders

#### ORDINARY DIVIDENDS

An interim cash dividend (no. 146) of 233 cents per share was paid on 11 April 2022. A final dividend (no. 147) of 367 cents per share, is payable on 3 October 2022, bringing the total dividend for the year to 600 cents (2021: 544 cents) per ordinary share.

#### Stated capital

During the period under review the authorised share capital remained unchanged as follows:

- 1 300 000 000 ordinary shares having no par value; and
- 720 000 000 deferred shares.

#### Going concern

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

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

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

#### Borrowings

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

The Group’s overall level of debt increased from R5.3 billion to R5.5 billion during the financial year under review.

### Special resolutions

At the Annual General Meeting of Shoprite Holdings held on 15 November 2021, shareholders approved the following special resolutions:

- **Special resolutions number 1 and 2:** Remuneration payable to Non-executive Directors;
- **Special resolution number 3:** Financial assistance to subsidiaries, related and inter-related entities; and
- **Special resolution number 4:** General authority to repurchase shares.

During the reporting period the following special resolutions were passed by main Group subsidiaries:

#### SHOPRITE CHECKERS (PTY) LTD

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

#### SHOPRITE INVESTMENTS LTD

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

### Directors and secretary

In terms of the MOI, no less than one third of the Non-executive Directors shall retire by rotation at each Annual General Meeting. Dr ATM Mokgokong, Messrs JF Basson and JA Rock will retire as directors, in terms of Article 33.5.1 of the MOI of the Company at the Annual General Meeting and are not available for re-election. Mr B Harisunker will retire as Executive Director of Shoprite Holdings Ltd on the same day.

Ms MLD Marole, Messrs GW Dempster and PD Norman retire as directors in terms of Article 33.4 of the MOI of the Company at the Annual General Meeting. They 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

	Total 2021	Direct beneficial	Indirect beneficial	Total 2022	Encumbered 2022
Non-executive Directors					
WE Lucas-Bull	—	—	—	—	—
JF Basson	1 000	1 000	—	1 000	—
P Cooper*	n/a	—	—	—	—
L de Beer	—	—	—	—	—
NN Gobodo	—	—	—	—	—
AM le Roux**	20 110	n/a	—	n/a	—
ATM Mokgokong	—	—	—	—	—
MLD Marole***	n/a	—	—	—	—
PD Norman***	n/a	—	—	—	—
GW Dempster****	n/a	—	—	—	—
JA Rock	8 300	8 300	—	8 300	—
CH Wiese	63 110 920	—	63 110 920	63 110 920	60 000 000
EA Wilton*	n/a	—	—	—	—
JD Wiese*****	14 674	—	17 874	17 874	—

\* Appointed 11 August 2021

\*\* Retired on 15 November 2021

\*\*\* Appointed on 4 March 2022

\*\*\*\* Appointed on 15 November 2021

\*\*\*\*\* Alternate Director to Dr CH Wiese

	Total 2021	Direct beneficial	Indirect beneficial	Total 2022	Encumbered 2022
Executive Directors					
PC Engelbrecht	888 694	638 604	200 000	838 604	18 000
A de Bruyn	83 296	128 972	3 990	132 962	—
B Harisunker	437 379	437 189	—	437 189	—





Directors’ and Alternate Directors’ interests in ordinary shares continued

The following changes occurred in the shareholdings of Directors in ordinary shares between the financial year-end and the date of this report.

Executive Directors	Total 2022	Sale	ESP award	Total at date of this report	Encumbered at date of this report
PC Engelbrecht	838 604	(61 065)	109 249	886 788	18 000
A de Bruyn	132 962	(14 042)	41 359	160 279	—

Non-executive Director’s interest in non-convertible, non-participating, no par value deferred shares

	Total 2021	Total 2022
CH Wiese through Thibault Square Financial Services (Pty) Ltd	305 621 601	305 621 601

In terms of the transaction agreement concluded between the Company, Thibault Square Financial Services (Pty) Ltd and Titan Premier Investments (Pty) Ltd on 18 April 2019, the voting rights attached to 40 652 489 deferred shares held by Thibault Square Financial Services (Pty) Ltd will remain restricted whilst all the required approvals are obtained to enable the acquisition of these deferred shares as required in the MOI of the Company.

Corporate governance

Statements of the Board’s application of the codes of good corporate governance will be set out in the Corporate Governance Report in the Integrated Report.

Board committees

The reports of the various board committees will be included in the forthcoming Corporate Governance Report in the Integrated Report.

Auditors

Subject to shareholder approval at the Annual General Meeting, 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 these annual financial statements, there have been no material changes in the affairs or financial position of Shoprite Holdings and its subsidiaries from 3 July 2022 to the date of this report.

Holding company

Shoprite Holdings has no holding company. An analysis of the main shareholders appears in Annexure B to the annual financial statements.

Litigation statement

Save for the disclosures as stated in note 36 of the annual financial statements, 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 12 months, a material effect on the Group’s financial position.

Audit and Risk Committee report

Introduction

The Shoprite Holdings Ltd’s Group Audit and Risk Committee (the Committee) is pleased to present its report for the financial year ended 3 July 2022.

The Committee is established as a statutory board committee in terms of section 94(2) of the Companies Act, 71 of 2008 (the Companies Act), as amended. It oversees financial reporting, audit and assurance, risk and information and technology (IT) governance matters for the Group.

The Committee discharged its responsibilities as mandated by the Board of Shoprite Holdings Ltd (the Board) in its terms of reference, which are informed by the Companies Act, the King IV Report on Corporate Governance for South Africa (King IV) and the JSE Limited Listings Requirements. The Committee’s terms of reference, which are available at [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za), has been approved by the Board and is reviewed annually. During the 2022 financial year, the Committee adopted a formal work plan to support the fulfilment of its responsibilities.

The purpose of this report is to detail how the Committee met its obligations, statutory and otherwise, as set out in its terms of reference, during the year under review.

COMMITTEE COMPOSITION AND ATTENDANCE

The Committee consisted of seven independent Non-executive Directors for the year under review, and is chaired by Linda de Beer.

The Committee meetings held during the year and the attendance of these meetings are recorded below:

Member and appointment date	20 August 2021	31 August 2021 (special)	8 November 2021	14 February 2022 (special)	21 February 2022	9 May 2022
Linda de Beer (Chairman) 11 May 2021	✓	✓	✓	✓	✓	✓
Johan Basson 18 August 2014	✓	✓	✓	✓	✓	✓
Graham Dempster 4 March 2022						✓
Nonkululeko Gobodo 11 May 2021	✓	✓	✓	✓	✓	✓
Alice le Roux* 30 November 2018	✓	✓	✓			
Paul Norman 4 March 2022						✓
Joseph Rock 18 August 2014	✓	✓	✓	✓	✓	✓
Eileen Wilton 2 September 2021			✓	✓	✓	✓

\* Retired as member of the Board on 15 November 2021.

The Nomination Committee is satisfied that members of the Committee meet the requirements to serve as members of an audit committee and have the requisite knowledge, experience and expertise to carry out their duties.

The Chief Financial Officer, Chief Internal Audit Executive (currently in an acting capacity), Group Risk and Group Regulatory Compliance Officer as well as the external auditors attend the Committee meetings by invitation. Any Director is entitled to attend meetings of the Committee. The Company Secretary acts as secretary to the Committee meetings. Other senior managers responsible for finance and IT attend meetings, as required.

The Chairman of the Committee reports to the Board on committee activities and the matters discussed at each meeting.

COMMITTEE ASSESSMENT

An independent evaluation of the Board and its committees was conducted. The performance of the Committee and its members was assessed as part thereof and found to be aligned with its responsibilities. In addition, members were positively assessed against the independence requirements of King IV and the Companies Act, which encourage independent judgement and an effective balance of power within the Committee.

COMMITTEE RESPONSIBILITIES

- The Committee’s oversight responsibilities, delegated to it by the Board include:
- The integrity of financial reporting and matters related to it;
  - External audit quality and independence;
  - Oversight over the Internal Audit function as it reviews, assesses and reports on the internal control environment in the Group;
  - Governance of IT; and
  - The adequacy of corporate governance practices within the Group.

The Committee is satisfied that it executed its responsibilities in compliance with its terms of reference for the year under review.

Committee focus areas in 2022

- The following were the Committee’s focus areas during the year under review:
- Overseeing audit firm rotation – following a tender process where Ernst & Young Inc. (EY) was appointed to take over the audit from PricewaterhouseCoopers Inc. (PwC) from the 2024 financial year onwards.
  - Enhancing the role and risk-based approach of Internal Audit with greater focus on leveraging the Group’s combined assurance arrangements.
  - Maturing the Committee’s risk governance responsibilities by aligning enterprise risk from the top-down with matters of key concern to the executives and with the Group’s strategy.
  - Enhancing the Committee’s IT governance activities to ensure a broader focus beyond IT risk into other areas of information, technology and innovation.
  - Streamlining the Committee’s own processes and meeting packs for greater alignment with governance best practice, and focused information for oversight and decision-making.
  - Considering the alignment of capital allocation principles with balance sheet management, and the return on assets and equity.



### Financial reporting and going concern

During the financial year, the Committee reviewed the Group's interim and annual financial statements, which included the review of significant accounting policies, key accounting matters, areas of significant judgement, material assumptions and estimates adopted by management.

The Committee was satisfied with all of these sets of financial statements and recommended them, with specific reference to the going concern assumption, to the Board for approval.

Similarly, the Committee considered the solvency and liquidity tests supporting financial assistance to other companies in the Group and the declaration of dividends, before recommending these to the Board for approval.

The Committee considered the following aspects with regard to the key audit matters reported by the external auditors:

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

At year-end, specific consideration is given to all technical accounting matters in respect of accounting policy choices, assumptions and judgements. To this end the Committee carefully considered the assumptions and judgements made by management in respect of the valuation of property as well as right-of-use assets, especially in instances where impairment indicators existed, impairments were made, and prior impairments were reversed.

The same oversight is applied at Company level in respect of the valuation of investments in subsidiaries and amounts receivable from subsidiaries.

#### IFRS 16: LEASES (IFRS 16)

Accounting for leases in terms of IFRS 16 comprise a material portion of the Group's technical accounting matters, assumptions and judgements. Initially, with the adoption of IFRS 16, careful attention was given to ensure that policy choices, principles and judgements were adequately and appropriately embedded to ensure faithful implementation of the standard. Now, on an annual basis, the Committee focuses on key changes to the external environment as well as changes made in respect of assumptions, including discount rates, and estimations in respect of key features of the leases.

#### RECOGNITION OF SUPPLIER REBATES

Supplier discounts, albeit material in volume and quantum, is a class of transactions well established in the core accounting of the retail business. The Committee receives feedback from management and, where appropriate the various lines of defence, as to the controls in place to ensure that these calculations are accurate in terms of supplier contracts and accounting practices.

### External audit

The Committee evaluated the performance and independence of the external auditor, PwC, as well as the engagement partner, Jacques de Villiers. The Independent Regulatory Board for Auditors' inspection findings at a firm and partner level, as well as other relevant information were considered in support of this.

The independence of the external auditor is further governed by a non-audit service policy, adopted in the current year, which disallows certain services and implements an approval framework and maximum levels for permissible non-audit services.

In consultation with the Group's executive management, the Committee agreed to the terms of the PwC audit engagement letter, audit plan and budgeted audit fees for the 2022 financial year. Audit fees and non-audit services are disclosed in note 29 of the annual financial statements.

There is a direct line of communication between the Chairman of the Committee and external audit. In addition, private sessions are held between the Committee and external audit, without management being present.

The Committee has requested and obtained from the auditors all decision letters, findings and related reports as required in terms of paragraph 22.15(h) of the JSE Limited Listings Requirements.

As noted previously, the Committee finalised the process of audit firm rotation and EY will take over as the Group's external auditor from 2024 onward. Several of the Group's companies outside of South Africa will still be audited by PwC.

#### 2022 INTEGRATED REPORT

The Committee reviewed the 2022 Integrated Report to satisfy itself as to its integrity and balance and to ensure it is reflective of the collective mind of the Board, in accordance with the International Integrated Reporting Framework.

#### COMBINED ASSURANCE

The Committee is responsible for overseeing combined assurance and ensuring a combined assurance model is applied to provide a co-ordinated approach to all assurance activities in the Group. The combined assurance framework established co-ordinated assurance activities between the lines of assurance across the organisation, including compliance and risk management. There was an ongoing focus on increased collaboration and reducing duplication of activities. The Committee was satisfied with the arrangements in place for combined assurance in the Group. This is an ongoing area of focus to ensure greater effectiveness and efficiency.

#### INTERNAL AUDIT AND INTERNAL FINANCIAL CONTROLS

The Committee is responsible for overseeing the assessment of the adequacy and effectiveness of internal control systems, including internal financial controls, and for considering the significant findings of any internal investigations into control weaknesses, fraud or misconduct, and management's responses to them.

As noted previously, the Internal Audit function is under reconstruction with the aim of ensuring greater synergies between the various assurance functions and services and ultimately better utilising combined assurance. This process is also envisaged to future-fit the Internal Audit team with skills and tools that will serve the assurance needs of the Group.

The Committee, through various management and assurance processes obtained confirmation that the effectiveness of systems of internal control and risk management are being maintained and that there were no material breakdowns in the functioning of the internal financial control systems during the year.

### RISK GOVERNANCE

The Board is ultimately responsible for ensuring Group management maintains an effective risk governance and management process. The Committee assisted the Board in the discharge of its duties relating to risk and provides an independent and objective view of information presented by management in this regard.

To this end the Committee oversees the Group's risk framework, policies and processes. This included setting risk appetite limits, consideration of risk identification and mitigation activities, including with respect to emerging risks and risk reporting.

#### COMPLIANCE GOVERNANCE AND ETHICS

The Board is responsible for overseeing the Group's compliance with relevant legislation, rules, codes and standards applicable to the business across its various jurisdictions. The Board has delegated responsibility for overseeing the implementation of an effective governance, risk, legal and compliance framework and processes to the Committee.

The Group's compliance framework and processes are updated annually, when legislative changes occur, or when otherwise necessary.

The Social and Ethics Committee (SEC) is responsible for oversight over various related social and ethics matters. The Committee considered reports on these matters from management to the SEC to gain an understanding of fraud and other related matters that might impact the accuracy of financial reporting and the effectiveness of internal controls.

#### IT GOVERNANCE

The Committee assisted the Board in discharging its responsibilities relating to oversight of IT governance. During the year under review, the Committee dedicated a substantial amount of time to reviewing the Group's IT governance arrangements and reports. It monitored execution and progress of technology strategies with specific focus on key risk and mitigation. Cyber security risk is a key focus area in this regard.

### Annual confirmations and assessments

As part of its annual obligations, the Committee assessed and is satisfied of the following:

- The skills and experience of the CFO, Anton de Bruyn, as well as the finance function;
- The appropriateness of financial reporting procedures and whether these procedures in all Group companies allowed for effective preparation of the Group's annual financial statements;
- The adequacy and effectiveness of internal controls, with specific reference to internal financial controls;
- Audit quality and auditor independence; and
- Compliance with all related matters in terms of the JSE Limited Listings Requirements and the JSE's 2021 Proactive Monitoring Report.

### Future focus areas

As the Committee, which comprise a number of recently appointed members, commenced a path in 2022 to enhance and focus its oversight responsibilities, as explained before, the Committee will continue to focus on the areas identified during 2022.



Linda de Beer  
Chairman



# Independent auditor's report

To the shareholders of Shoprite Holdings Ltd

## Report on the audit of the consolidated and separate financial statements

### OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Shoprite Holdings Ltd (the Company) and its subsidiaries (together the Group) as at 3 July 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Shoprite Holdings Ltd's consolidated and separate financial statements as set out on pages 18 to 132 comprise:

- The consolidated and separate statements of financial position as at 3 July 2022;
- The consolidated and separate statements of comprehensive income for the year then ended;
- The consolidated and separate statements of changes in equity for the year then ended;
- The consolidated and separate statements of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

## OUR AUDIT APPROACH Overview



### Overall Group materiality

R414 000 000, which represents 5% of consolidated profit before income tax

### Group audit scope

A combination of audits, reviews and specified audit procedures were performed for components that were considered to be financially significant and components scoped in based on indicators such as their contribution to consolidated revenue and consolidated profit before income tax. Analytical procedures were performed over the remaining insignificant components.

### Key audit matters

- Impairment of non-financial assets;
- Recognition of supplier rebates;
- IFRS 16: Leases; and
- Investment in subsidiaries and amounts receivable from subsidiaries.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

### Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R414 000 000
How we determined it	5% of consolidated profit before income tax
Rationale for the materiality benchmark applied	We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

### HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of the financial significance of the components as well as the sufficiency of work planned to be performed over material financial statement line items. We identified only one financially significant component based on its contribution to the consolidated profit before income tax in the Group, namely the Supermarkets division of Shoprite Checkers (Pty) Ltd. We also included a number of other components (that included components with operations outside South Africa) in the scope of our Group audit, based on indicators such as their contribution to consolidated revenue and consolidated profit before income tax. We performed analytical procedures over the remaining insignificant components.

For the financially significant component we performed a full scope audit and for the in scope components we performed a combination of full scope audits, reviews and audits of balances. This, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us sufficient appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team and by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Detailed Group audit instructions were communicated to all components in scope and the Group engagement team has been involved in determining the component team audit approach. Throughout the audit, various planning, execution and completion calls and discussions were held with the teams of the components.



Independent auditor's report continued

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of non-financial assets</b> <b>This key audit matter relates to the consolidated financial statements.</b> Refer to note 1.1.1.2(b) (Assumptions and estimates – Impairment of assets), note 1.10 (Impairment of non-financial assets), note 3 (Property, plant and equipment), note 5 (Right-of-use assets) and note 7 (Impairment of non-financial assets) to the consolidated financial statements.</p> <p>We considered the impairment of non-financial assets to be a matter of most significance to our audit because of the judgement applied by management in determining the impairment charge.</p> <p>The following conditions resulted in impairments during the year:</p> <ul style="list-style-type: none"><li>• Weakening in the general economic conditions in which some of the Group's stores operate; and</li><li>• A reduction in the future expected sales of merchandise in certain stores that own the assets.</li></ul> <p>As a result of the above mentioned conditions, property, plant and equipment was impaired by R122 million in the current year. This was partially offset by a reversal of impairment of R76 million related to buildings. Furthermore, right-of-use assets were impaired by R131 million in the current year, which related to buildings and land leases. There was also a reversal of impairment of R43 million related to building leases.</p> <p>The Group considers each store to be a separate cash generating unit (CGU) for purposes of its impairment assessment, and has calculated the recoverable amount of each CGU to be the higher of its value-in-use and its fair value less costs of disposal.</p> <p>Value-in-use is based on discounted future cash flow forecasts, requiring management to make judgements on certain key inputs, including expected trading profit growth rates, risk-adjusted pre-tax discount rates and long-term growth rates.</p>	<p>Our audit addressed this key audit matter as follows:</p> <p>We obtained management's impairment assessments which included a list of loss-making stores, and approved budgets per store which formed the basis of our audit work.</p> <p>With regard to management's value-in-use calculations, our audit procedures included an assessment of the reasonableness of management's discounted cash flow models, discount rates and long-term growth rates by performing the following procedures:</p> <ul style="list-style-type: none"><li>• We tested the mathematical accuracy of management's calculations;</li><li>• We assessed the completeness of the stores included in management's assessment by considering whether all stores which generated revenue were included in the assessment;</li><li>• Evaluated the appropriateness and completeness of information included in the impairment models based on our cumulative knowledge of the business, driven by our assessment of trading plans, together with our wider retail industry knowledge;</li><li>• We assessed the reasonableness of management's cash flow models by agreeing prior year forecasts to actual results; and</li><li>• We utilised our valuation expertise in order to test the reasonability of the discount rates, long-term growth rates and trading profit growth rates with reference to industry reports and historic performance.</li></ul> <p>Based on the results of our procedures, we accepted the assumptions used by management in the impairment models.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>IFRS 16: Leases</b> <b>This key audit matter relates to the consolidated financial statements.</b> The disclosures required by the standard for these balances are contained in note 1.1.1.1(e) (Judgements – Lease term), note 1.1.1.1(f) (Judgements – Discount rate used to calculate the lease liability), note 1.11 (Leases), note 5 (Right-of-use assets) and note 18 (Lease liabilities) to the consolidated financial statements.</p> <p>The Group leases various land, buildings, machinery, equipment and vehicles. Leases are recognised as a lease liability and a corresponding right-of-use (ROU) asset at the date of commencement of the lease agreement in terms of IFRS 16: Leases (IFRS 16).</p> <p>On initial recognition, the ROU asset and lease liability is measured at the present value of the future lease payments discounted over the lease term using the Group's relevant incremental borrowing rate. The lease term may include future lease periods for which the Group has extension options which it is reasonably certain to exercise.</p> <p>We considered this matter to be of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"><li>• The degree of judgement and estimation applied by management in determining the lease term and discount rate (incremental borrowing rate) used to determine the ROU asset and lease liability. The lease term may include future lease periods for which the Group has extension options which it is reasonably certain to exercise;</li><li>• The magnitude of the right-of-use asset and lease liability due to the high volume of leases; and</li><li>• The potential risk of the lease data used in the calculation being incomplete or inaccurate.</li></ul>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• Conducted an implementation and application review to ensure that the SAP RE-FX module (a Flexible Real Estate Management module which allows the Group to centrally manage its lease contracts within SAP) was appropriately configured to handle applicable IFRS 16 business scenarios. We tested the validity and accuracy of active valuation rules in RE-FX which is used to determine how SAP calculates the value of the lease liability and corresponding ROU asset;</li><li>• Access management controls were reviewed to confirm users had the required access rights to create and modify contracts, as well as create and modify configurations relating to lease contracts;</li><li>• Making use of our valuation expertise, we assessed the discount rates used to calculate the lease obligation. This included independently sourcing base rates for each currency and lease origination date, usually linked to inter-bank or sovereign bond rates, and adding a historically adjusted credit spread specific to the Group. Additional adjustments were made to cater for lease term, as well as the requirement for a collateralised incremental borrowing rate in IFRS 16;</li><li>• For a sample of new leases and modifications we verified the accuracy of the underlying lease data by agreeing it to original contract or other underlying information, and checked the integrity and arithmetical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment;</li><li>• Tested the completeness of the lease data by comparing rental payments made during the period to the lease data underpinning the IFRS 16 model;</li><li>• Evaluated the lease terms for reasonability, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculation; and</li><li>• We assessed the completeness and accuracy of disclosures with reference to the requirements of IFRS 16 Leases.</li></ul> <p>Based on the results of procedures performed, leases were treated in accordance with the requirements of IFRS 16 and disclosures were found to be accurate and complete.</p>
<p><b>Recognition of supplier rebates</b> <b>This key audit matter relates to the consolidated financial statements.</b> Refer to note 1.1.1.2(a) (Assumptions and estimates – Rebates from suppliers) and note 1.21 (Rebates from suppliers) to the consolidated financial statements.</p> <p>The Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. As such, the Group reduces cost of sales as a result of amounts receivable from suppliers.</p> <p>We considered the recognition of supplier rebates to be a matter of most significance to the audit due to the magnitude of supplier rebates and, the potential risk that rebates may be materially misstated due to the varying terms with the suppliers and judgements made relating to the level of fulfilment of the Group's obligations under the supplier agreements.</p>	<p>Making use of our information technology expertise, we obtained an understanding of the systems used to calculate supplier rebates, as well as controls implemented to ensure the accuracy of supplier rebates recognised. In the current financial year, certain long term conditional contracts were transitioned from trade terms onto SAP conditional contract system.</p> <p>Rebates are allocated to inventory on hand at year-end based on inventory turn and the split between foods and non-foods. We have tested the appropriateness of management's assumptions in capitalising the rebates back to stock.</p> <p>We tested a sample of the inputs used in calculating the supplier rebates by performing, among other, the following procedures for a sample of rebates:</p> <ul style="list-style-type: none"><li>• We obtained the supplier contracts and agreed key terms such as discounts, allowances and fulfilment levels per the contracts to management's rebate schedules;</li><li>• We agreed the monetary values of the purchases made and allowances per management's calculation to underlying schedules and documentation. We also obtained supplier confirmations for a sample of purchase values; and</li><li>• We independently recalculated the supplier rebate for the year and compared this to the accounting records of the Group. No material differences were noted.</li></ul>



Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Investment in subsidiaries and amounts receivable from subsidiaries</b> <b>This key audit matter relates to the separate financial statements.</b> Refer to note 1.2 (Investments in subsidiaries), note 1.3 (Investments in associates) and Annexure A (Interests in subsidiaries) to the separate financial statements.</p> <p>Investments in subsidiaries and amounts receivable from subsidiaries, comprises 86.8% of the total assets in the separate statement of financial position of the Company.</p> <p>The carrying amounts of the Company's investments in subsidiaries are measured at cost, less impairment losses. Management performs an annual impairment test on the recoverability of the carrying amounts of investments where impairment indicators exist as required by International Accounting Standard (IAS) 36: Impairment of Assets. The identification of impairment indicators is subjective in nature due to judgements required in respect of the future performance of the subsidiaries.</p> <p>IFRS 9: Financial Instruments requires entities to recognise expected credit losses (ECL) for all financial assets held at amortised cost, including amounts receivable from subsidiaries.</p> <p>Due to the magnitude in the context of the parent company separate financial statements and the potential risk of impairment due to certain subsidiary companies recording an impairment on non-financial assets, we considered the measurement of investments in and amounts receivable from subsidiaries to be a matter of most significance to our audit of the separate financial statements of the Company.</p>	<p>We obtained management's calculation of the investments recoverable amount and performed the following procedures:</p> <ul style="list-style-type: none"><li>• We obtained an understanding of the approach followed by management in identifying whether any impairment indicators existed at year-end;</li><li>• We assessed the reasonableness of management's cash flow models by agreeing prior year forecasts to actual results. No material differences were noted;</li><li>• We utilised our valuation expertise in order to test the reasonability of the discount rates, long-term growth rates and sales growth rates with reference to industry reports and historic performance. We found the assumptions to be in a reasonable range;</li><li>• We recalculated the impairment of the investment to the recoverable amount and noted no material variance; and</li><li>• We reviewed the disclosures regarding the impairment losses in the financial statements and noted no material differences.</li></ul> <p>We assessed the reasonability of the ECL on loans made to subsidiaries by evaluating whether the borrower has highly liquid assets to repay the outstanding loan if repayment was demanded at the reporting date. We found that where the borrowers have highly liquid assets to repay the outstanding loan if the loan was demanded at the reporting date, the probability of default would be close to 0%. This is consistent with management's assessment.</p>

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Shoprite Holdings Ltd Annual Financial Statements 2022", which includes the Directors' Report, the Audit and Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Shoprite Holdings Ltd Integrated Report 2022", "Shoprite Holdings Ltd Sustainability Report 2022", "2022 B-BBEE Compliance Report and Certificate", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR  
THE CONSOLIDATED AND SEPARATE FINANCIAL  
STATEMENTS

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

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF  
THE CONSOLIDATED AND SEPARATE FINANCIAL  
STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**  
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Shoprite Holdings Ltd for 40 years.

*PricewaterhouseCoopers Inc*

**PricewaterhouseCoopers Inc.**  
Director: JR de Villiers  
Registered Auditor

Cape Town, South Africa

30 September 2022

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.





# GROUP ANNUAL FINANCIAL STATEMENTS

Usave, Riebeeck West, Western Cape.

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## Consolidated statement of financial position

Shoprite Holdings Ltd and its subsidiaries as at 3 July 2022

	Notes	2022 Rm	2021 Rm
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>		51 782	45 009
Property, plant and equipment	3	16 816	14 374
Right-of-use assets	5	23 725	20 520
Intangible assets	6	3 561	3 010
Equity accounted investments	8	2 240	2 025
Investment in insurance cell captive arrangements	9	131	69
Government bonds and bills	10	1 051	972
Loans receivable	11	1 510	1 619
Deferred income tax assets	12	2 520	2 214
Trade and other receivables	13	228	206
<b>CURRENT ASSETS</b>		39 673	32 057
Inventories	14	21 879	18 396
Trade and other receivables	13	4 988	3 921
Current income tax assets		769	358
Investment in insurance cell captive arrangements	9	157	95
Government bonds and bills	10	286	522
Loans receivable	11	509	283
Restricted cash		300	—
Cash and cash equivalents		10 665	7 950
		39 553	31 525
Assets classified as held for sale	4	120	532
<b>Total assets</b>		91 455	77 066
<b>Equity</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Stated capital	15	7 516	7 516
Treasury shares	15	(2 583)	(1 455)
Reserves	17	20 551	15 016
		25 484	21 077
<b>NON-CONTROLLING INTEREST</b>		143	127
<b>Total equity</b>		25 627	21 204
<b>Liabilities</b>			
<b>NON-CURRENT LIABILITIES</b>		33 340	27 577
Lease liabilities	18	28 458	24 801
Borrowings	19	4 500	2 280
Deferred income tax liabilities	12	8	8
Provisions	20	374	488
<b>CURRENT LIABILITIES</b>		32 488	28 285
Trade and other payables	21	21 477	19 649
Contract liabilities	22	991	873
Lease liabilities	18	3 165	2 921
Borrowings	19	1 012	2 999
Current income tax liabilities		661	416
Provisions	20	184	78
Bank overdrafts		4 998	1 221
		32 488	28 157
Liabilities directly associated with assets classified as held for sale	32	—	128
<b>Total liabilities</b>		65 828	55 862
<b>Total equity and liabilities</b>		91 455	77 066

## Consolidated statement of comprehensive income

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	Notes	52 weeks 2022 Rm	53 weeks 2021 Rm
Revenue	23	187 740	171 188
Sale of merchandise	23	184 078	168 030
Cost of sales		(139 017)	(126 817)
<b>GROSS PROFIT</b>		45 061	41 213
Other operating income	23	3 118	2 616
Interest revenue	23	544	542
Depreciation and amortisation	24	(5 406)	(5 336)
Employee benefits	25	(14 788)	(13 553)
Credit impairment losses	40.4.1	(173)	(222)
Other operating expenses	27	(17 326)	(14 928)
<b>TRADING PROFIT</b>		11 030	10 332
Exchange rate losses		(260)	(27)
Profit on lease modifications and terminations		66	187
Items of a capital nature <sup>1</sup>	28	(29)	(828)
<b>OPERATING PROFIT</b>	29	10 807	9 664
Interest received from bank account balances		270	268
Finance costs	30	(2 999)	(3 095)
Share of profit of equity accounted investments	8	208	120
<b>PROFIT BEFORE INCOME TAX</b>		8 286	6 957
Income tax expense	31	(2 556)	(2 241)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		5 730	4 716
Profit from discontinued operations (attributable to owners of the parent)	32	10	143
<b>PROFIT FOR THE YEAR</b>		5 740	4 859
<b>OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX</b>		2 879	(766)
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment medical benefit obligations		2	6
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation differences from continuing operations	17	2 805	(1 214)
Foreign currency translation differences from discontinued operations	17	(8)	154
Release of foreign currency translation reserve on disposal of discontinued operations	17	18	447
Profit/(loss) on effective net investment hedge, net of income tax	17	62	(159)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		8 619	4 093
<b>PROFIT ATTRIBUTABLE TO:</b>		5 740	4 859
Owners of the parent		5 711	4 841
Non-controlling interest		29	18
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		8 619	4 093
Owners of the parent		8 590	4 075
Non-controlling interest		29	18
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT ARISES FROM:</b>		8 590	4 075
Continuing operations		8 570	3 331
Discontinued operations		20	744
<b>EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE PARENT:</b>			
Basic earnings per share from continuing operations (cents)	33	1 046.5	851.6
Diluted earnings per share from continuing operations (cents)	33	1 039.7	848.2
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT:</b>			
Basic earnings per share (cents)	33	1 048.3	877.5
Diluted earnings per share (cents)	33	1 041.5	874.0

<sup>1</sup> Refer to note 1.1.2(b) for an explanation of what constitutes items of a capital nature.





## Consolidated statement of changes in equity

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

Rm	Notes	Total equity	Non-controlling interest	Attributable to owners of the parent				
				Total	Stated capital	Treasury shares	Other reserves	Retained earnings
<b>BALANCE AT 28 JUNE 2020</b>		19 994	143	19 851	7 516	(806)	(7 907)	21 048
Total comprehensive income		4 093	18	4 075	—	—	(772)	4 847
Profit for the year		4 859	18	4 841				4 841
Recognised in other comprehensive loss								
Re-measurements of post-employment medical benefit obligations		8		8				8
Income tax effect of re-measurements of post-employment medical benefit obligations		(2)		(2)				(2)
Foreign currency translation differences	17	(1 155)		(1 155)			(1 155)	
Income tax effect of foreign currency translation differences	17	95		95			95	
Release of foreign currency translation reserve on disposal of discontinued operations	17	447		447			447	
Loss on effective net investment hedge	17	(207)		(207)			(207)	
Income tax effect of loss on effective net investment hedge	17	48		48			48	
Share-based payments – value of employee services	17	153		153			153	
Modification of cash bonus arrangement transferred from provisions	20	17		17			17	
Purchase of treasury shares	15	(733)		(733)		(733)		
Treasury shares disposed	15	9		9		10		(1)
Realisation of share-based payment reserve	17	—		—		74	(74)	
Acquisition of non-controlling interest		4	(21)	25				25
Dividends distributed to shareholders		(2 333)	(13)	(2 320)				(2 320)
<b>BALANCE AT 4 JULY 2021</b>		21 204	127	21 077	7 516	(1 455)	(8 583)	23 599
Total comprehensive income		8 619	29	8 590	—	—	2 877	5 713
Profit for the year		5 740	29	5 711				5 711
Recognised in other comprehensive income								
Re-measurements of post-employment medical benefit obligations		2		2				2
Foreign currency translation differences	17	2 797		2 797			2 797	
Release of foreign currency translation reserve on disposal of discontinued operations	17	18		18			18	
Profit on effective net investment hedge	17	137		137			137	
Income tax effect of profit on effective net investment hedge	17	(75)		(75)			(75)	
Share-based payments – value of employee services	17	213		213			213	
Modification of cash bonus arrangement transferred from provisions	20	12		12			12	
Purchase of treasury shares	15	(1 255)		(1 255)		(1 255)		
Treasury shares disposed	15	65		65		45		20
Realisation of share-based payment reserve	17	—		—		82	(82)	
Dividends distributed to shareholders		(3 231)	(13)	(3 218)				(3 218)
<b>BALANCE AT 3 JULY 2022</b>		25 627	143	25 484	7 516	(2 583)	(5 563)	26 114

## Consolidated statement of cash flows

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

Notes	52 weeks 2022 Rm	53 weeks 2021 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	6 686	7 983
Operating profit <sup>2</sup>	10 821	9 886
Less: investment income and interest revenue earned	(688)	(543)
Non-cash items	6 633	7 018
35.1		
Changes in working capital	(1 761)	(237)
35.2		
Cash generated from operations	15 005	16 124
Settlement of cash-settled share-based payments	(196)	—
16.1		
Interest received	794	800
Interest paid	(3 034)	(3 157)
Dividends received	313	61
35.3		
Dividends paid	(3 228)	(2 330)
35.4		
Income tax paid	(2 968)	(3 515)
<b>CASH FLOWS UTILISED BY INVESTING ACTIVITIES</b>	(4 061)	(653)
Investment in trademarks to expand operations	(250)	—
Investment in property, plant and equipment and other intangible assets to expand operations	(3 222)	(2 030)
Investment in property, plant and equipment and other intangible assets to maintain operations	(1 909)	(1 188)
Landlord contributions received	5	—
Payment for investment in insurance cell captive arrangements	(41)	(86)
Investment in assets classified as held for sale	—	(1)
Proceeds on disposal of property, plant and equipment <sup>3</sup>	333	1 507
Cash inflows as a result of the disposal of discontinued operations	23	352
Proceeds on disposal of assets classified as held for sale	75	255
Proceeds from insurance recovery for property, plant and equipment relating to social unrest	564	—
42		
Payments for government bonds and bills	(38)	(2 779)
Proceeds from government bonds and bills	639	3 373
Loans receivable advanced	(302)	(245)
Loans receivable repaid	261	199
Investment in joint venture	(175)	—
Acquisition of operations	(24)	(10)
<b>CASH FLOWS UTILISED BY FINANCING ACTIVITIES</b>	(4 016)	(9 743)
Repayment of lease liability obligations	(2 961)	(3 156)
Purchase of treasury shares	(1 255)	(733)
Proceeds from treasury shares disposed	65	9
Repayment of borrowings	(3 421)	(7 142)
Borrowings raised	3 556	1 279
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	(1 391)	(2 413)
Cash and cash equivalents at the beginning of the year	6 729	10 019
Effect of exchange rate movements on cash and cash equivalents	629	(877)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	5 967	6 729
Consisting of:		
Restricted cash	300	—
40.4.1(e)		
Cash and cash equivalents	10 665	7 950
Bank overdrafts	(4 998)	(1 221)
	5 967	6 729

<sup>2</sup> Operating profit includes an insurance claim received for inventory of R966 million relating to the social unrest. Refer to note 42.

<sup>3</sup> Proceeds on disposal of property, plant and equipment includes R1.2 billion relating to a sale and leaseback arrangement of distribution centres in the previous financial year. Refer to note 18.



# Notes to the consolidated annual financial statements

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

## 1 Accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and are consistent with those applied in the previous year, except where the Group has applied new accounting policies or adopted new accounting standards effective for year-ends starting on or after 1 January 2021.

A joint venture agreement with RTT Group (Pty) Ltd was entered into during the financial year. Refer to note 1.1.1.1(b) for the judgement applied in determining if the entity should be classified as a joint venture.

The Shoprite Employee Trust was established and funded by the Group on a non-vesting, evergreen basis during the year for the benefit of its beneficiaries. Eligible employees qualify as beneficiaries of the Shoprite Employee Trust when they meet the qualifying criteria. The Shoprite Employee Trust has 40 million units available for allocation to eligible employees who qualify as beneficiaries. A dividend declaration and payment by Shoprite Holdings Ltd to its ordinary shareholders triggers the entitled beneficiaries of the Shoprite Employee Trust to receive a distribution of an equal amount as the Shoprite Holdings Ltd dividend per share declared, in respect of each unit allocated to them. Such distributions to beneficiaries of the Shoprite Employee Trust are recognised in terms of IAS 19: Employee Benefits and included in the statement of comprehensive income as employee benefits (refer to note 1.17.5). Judgement applied in the Group's determination to consolidate the Shoprite Employee Trust are disclosed in note 1.1.1.1(c).

During the financial year, the Group was impacted by social unrest in South Africa. Refer to notes 1.1.1.1(n) and 1.1.1.1(o) regarding the significant judgement applied in respect of the recognition and classification of insurance claims receivable and note 42 for details regarding this event.

The Group entered into a finance sublease agreement during the financial year. Refer to note 1.11.2 for the accounting policy of leases where the Group is the lessor.

The Group's consolidated financial statements were authorised for issue by the Board of Directors on 30 September 2022. Other than the facts presented in the annual financial statements, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 3 July 2022 that have an impact on the financial results or disclosures in these annual financial statements.

### 1.1 BASIS OF PREPARATION

The Group reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly, the results for the financial year under review are for a 52-week period, ended 3 July 2022, compared to 53 weeks in the previous financial year.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Limited Listings Requirements and the requirements of the South African Companies Act, 71 of 2008. The financial statements are prepared under the historical cost convention adjusted for the effects of inflation, where entities operate in hyperinflationary economies, and for the revaluation of certain financial instruments to fair value. The financial statements are prepared on a going concern basis.

The Angolan economy had been considered to be hyperinflationary up to 30 June 2019. For the 52 weeks ended 3 July 2022, the Angolan economy was assessed not to be hyperinflationary. Although no further hyperinflationary adjustments were required for the current and comparative reporting period, the statement of financial position at the reporting date still includes cumulative hyperinflation adjustments as a result of the application of IAS 29: Financial Reporting in Hyperinflationary Economies up to 30 June 2019. These cumulative hyperinflation adjustments, included in property, plant and equipment and right-of-use assets, are written off to the statement of comprehensive income, together with the related deferred income tax effect, in accordance with the Group's accounting policies for the respective items.

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

##### 1.1.1.1 Judgements

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

a) **Investment in associate:** In the previous year, the Group entered into a sale and leaseback transaction on three of its distribution centres. This transaction resulted in a 20-year lease in respect of these properties and a 49.9% shareholding in a company called Retail Logistics Fund (RF) (Pty) Ltd. Significant judgement is required in determining whether or not the Group controls Retail Logistics Fund (RF) (Pty) Ltd. Management determined that control of Retail Logistics Fund (RF) (Pty) Ltd vests in its Board of Directors. Equites Property Fund Ltd has a 50.1% shareholding in Retail Logistics Fund (RF) (Pty) Ltd and may appoint the majority of Directors to the Board of Retail Logistics Fund (RF) (Pty) Ltd. Furthermore, the majority stake substantive rights inferred includes the ability to appoint key management personnel, the ability to enter into significant transactions and the ability to dominate the nomination of members to the Board of Retail Logistics Fund (RF) (Pty) Ltd.

The founding and operational agreements of Retail Logistics Fund (RF) (Pty) Ltd notes that the Group has been granted a number of protective rights and the scope of the activities of Retail Logistics Fund (RF) (Pty) Ltd have been partially restricted. Equites Property Fund Ltd has substantive rights to direct these relevant activities of Retail Logistics Fund (RF) (Pty) Ltd.

Based on the assessment done by management it was concluded that Equites Property Fund Ltd controls Retail Logistics Fund (RF) (Pty) Ltd and that the Group exercises significant influence over Retail Logistics Fund (RF) (Pty) Ltd.

## 1 Accounting policies continued

### 1.1 BASIS OF PREPARATION CONTINUED

#### 1.1.1 Use of judgements, assumptions and estimates continued

##### 1.1.1.1 Judgements continued

b) **Investment in joint venture:** The Group entered into an agreement with RTT Group (Pty) Ltd, the delivery partner for Checkers Sixty60. In terms of this agreement, the RTT Group (Pty) Ltd's on-demand business was transferred into a new company, Pingo Delivery (Pty) Ltd in which Shoprite Checkers (Pty) Ltd has a 50% shareholding. Significant judgement is required in determining whether or not the Group controls Pingo Delivery (Pty) Ltd. Management determined that control of Pingo Delivery (Pty) Ltd vests in its Board of Directors. The Board- and sub-committee compositions are equally represented by Shoprite Checkers (Pty) Ltd and RTT Group (Pty) Ltd. These committees will make decisions about the relevant activities and the appointment of key management personnel of Pingo Delivery (Pty) Ltd.

The founding and operational agreements of Pingo Delivery (Pty) Ltd note that the Group has been granted a number of protective rights and the scope of Pingo Delivery (Pty) Ltd's activities have been partially restricted. The Group and RTT Group (Pty) Ltd together have substantive rights to direct the relevant activities of Pingo Delivery (Pty) Ltd.

Further judgement was applied in considering whether this agreement with RTT Group (Pty) Ltd is a joint venture or joint operation. According to projections, Pingo Delivery (Pty) Ltd will not provide substantially all of its services solely to the Group.

Based on the assessment done by management, it was concluded that Shoprite Checkers (Pty) Ltd and RTT Group (Pty) Ltd jointly control Pingo Delivery (Pty) Ltd and should be accounted for as a joint venture.

c) **Investment in Shoprite Employee Trust:** The Group established the Shoprite Employee Trust on a non-vesting, evergreen basis during the year. Significant judgement is required in determining whether or not the Group controls Shoprite Employee Trust. As its founder, Shoprite Checkers (Pty) Ltd funded Shoprite Employee Trust primarily on a notional basis upon formation of the trust. Aimed at retention and motivation of the Group's employees in an appropriate manner and ensuring that they benefit from the growth and continued success of the Group, the objective of the scheme implemented by Shoprite Employee Trust is to provide eligible employees with distributions whenever a dividend is declared by Shoprite Holdings Ltd to its ordinary shareholders. Such distributions to eligible employees are funded by dividends received from Shoprite Checkers (Pty) Ltd.

Based on the assessment done by management, it was concluded that the Group controls Shoprite Employee Trust in accordance with IFRS 10: Consolidated Financial Statements, and that the appropriate accounting treatment for this entity is for the Group to consolidate its results.

d) **Classification of cash and bank balances:** Local currency cash and short-term deposits held in Angola and Nigeria are subject to onerous local exchange control regulations, which provide restrictions on exporting capital from the country, other than through normal dividends. In order to determine how restricted funds should be classified in the statement of cash flows, it should be considered whether the restricted funds meet the definition of cash and cash equivalents or whether the funds are restricted in a manner such that the definition is not met. Significant judgement is required in this assessment. Management assessed the economic substance of the restrictions in each case by taking into consideration the facts and circumstances of the specific restrictions and how management intends to use the deposits. It was concluded that restricted funds that are available for use in the short-term in Angola (2021: Angola and Nigeria), albeit with some restrictions over their use, still qualify to be classified as cash and cash equivalents. During the financial year management reassessed the classification of the bank balances in Nigeria and determined that due to a shortage of physical currency the Group is unable to utilise the funds in Nigeria to meet short-term cash commitments. Consequently, the short-term deposits held in Nigeria are classified as restricted cash in the statement of financial position.

e) **Lease term:** In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of distribution centres and retail stores, the following factors are normally the most relevant:

- The Group considers extension options only for stores with a trading history of three full years or more. The number of extension options included in the initial measurement of the lease liability will depend on the return on investment of the leased property.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including the costs and business disruption required to replace the leased asset.

Most extension options in rental contracts for offices and the commercial vehicle fleet have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an extension option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. Extension options are generally exercised six to 12 months before the end of the lease term. When the lease term is adjusted as a result of exercising an extension option not included in the initial measurement of the lease liability, the lease liability is reassessed and adjusted against the right-of-use asset. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances that is within the control of the lessee occurs and affects this assessment.

f) **Discount rate used to calculate the lease liability:** Incremental borrowing rates used to calculate lease liabilities at inception of the lease are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; an adjustment for the term of the lease; and an entity-specific adjustment where the entity risk profile is different to that of the Group.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

1 Accounting policies continued

1.1 BASIS OF PREPARATION CONTINUED

1.1.1 Use of judgements, assumptions and estimates continued

1.1.1.1 Judgements continued

- g) **Determination of whether a sale and leaseback transaction qualifies as a sale:** A sale and leaseback is a transaction in which the owner of an asset sells the asset and leases it back from the buyer. The IFRS 16: Leases (IFRS 16) treatment of a sale and leaseback transaction hinges on whether the transaction is considered to be a sale or not. Where the Group acts as a seller-lessee in this transaction, it must determine if the transaction qualifies as a sale for which revenue is recognised, or whether the transaction is a collateralised borrowing.

The assessment of whether the transaction is a sale depends on whether it satisfies the requirements of IFRS 15: Revenue from Contracts with Customers (IFRS 15), in which the buyer-lessor obtains control of the asset. Judgement is thus required in analysing whether the transaction constitutes a transfer of control sale in terms of IFRS 15.

In terms of IFRS 15, a performance obligation is satisfied by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. In determining whether control has transferred to the buyer-lessor, management considers all qualitative facts and prepares a quantitative assessment considering the proportion of the fair value retained.

- h) **Classification of non-current assets to be sold within 12 months after the reporting date:** At the end of the 2020 financial year the Group held a portfolio of distribution centres and associated undeveloped land which was sold during the previous year and subsequently leased back from the buyer-lessor (subject to certain conditions). In terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Management applied their judgement and concluded that the carrying amount of the distribution centres would be recovered principally through continuing use rather than through a sale as the Group retained a large percentage of the fair value of the underlying assets. The property portfolio was therefore still classified as non-current assets and included within property, plant and equipment at the previous reporting date.
- i) **Segment reporting:** IFRS 8 requires an entity to identify its operating segments. Once an entity has done that, it is required to determine its reportable segments. Reportable segments may comprise single operating segments or an aggregation of operating segments. Aggregation of one or more operating segments into a single reportable segment is permitted where certain conditions are met; the principle conditions being that the operating segments should have similar economic characteristics and the operating segments are similar in respect of the products and services offered, nature of production processes, type or class of customers, distribution methods, and regulatory environment.

The Group's management has assessed the above mentioned aggregation criteria in respect of its identified retail operating segments and believe that it has been satisfied as they have similar average gross margins and similar expected growth rates; therefore it has elected to aggregate the segments as disclosed in note 2.

- j) **Determination of cash-generating units:** The Group has determined each store as a separate cash-generating unit for impairment testing.
- k) **Use of exchange rates:** All foreign currency translations and foreign currency transactions are translated using the official exchange rate in line with the requirements of IFRS and foreign exchange regulations in individual countries.
- l) **Hyperinflation:** The Group exercises judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries and associates is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account to assess whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

- The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement in determining when a restatement of the financial statements of a Group entity becomes necessary.

The economy of Angola was reassessed and found to no longer be hyperinflationary. The hyperinflation accounting was ceased for the current and comparative year and the cumulative hyperinflation adjustments up to 30 June 2019 will unwind over time. The Group will continue to monitor the hyperinflationary nature of Angola.

The general price indices, as published by the National Institute of Statistics of Angola, were used in adjusting the historic cost local currency results and financial positions of the Group's Angolan subsidiaries up to 30 June 2019. As at 3 July 2022, the cumulative three-year inflation rate was 88.9% (2021: 79.7%).

- m) **Agent versus principal assessment of drop-shipments:** The IFRS 15 principles dictate that revenue is recognised as and when the control over goods and services is transferred to customers. OK Franchise members may order goods for direct delivery in terms of a drop-shipment arrangement with suppliers, which are pre-approved by the Group, at prices negotiated between the Group and the suppliers. The Group has assessed its drop-shipment sales and concluded that the fact that Group has a contractual relationship with the suppliers, negotiates prices on behalf of its members and pays the swell allowance for quality issues to the member, indicates that it is acting as principal in these arrangements. The Group's drop-shipment sales will therefore continue to be recognised on a gross basis having satisfied the requirements of principal accounting under IFRS 15.

1 Accounting policies continued

1.1 BASIS OF PREPARATION CONTINUED

1.1.1 Use of judgements, assumptions and estimates continued

1.1.1.1 Judgements continued

- n) **Insurance claims receivable:** Significant judgement is required in assessing the virtual certainty of the recoverability of insurance claims receivable resulting from the social unrest in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Although the Group is adequately insured for loss of assets and business interruption, this assessment was supported by the insurer's validation of the progress in the claims assessment process, the payments received to date, market confidence provided regarding their commitment and financial ability to settle outstanding claims.
- o) **Inventory write-offs and related insurance claim:** The inventory written-off due to the social unrest as well as the related insurance claims have been recorded within cost of sales. The Group has determined that this presentation in the statement of comprehensive income best reflects the substance of the transaction and is consistent with the guidance in IAS 1: Presentation of Financial Statements.

1.1.1.2 Assumptions and estimates

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

- a) **Rebates from suppliers:** Management is required to make estimates in determining the amount and timing of recognition of rebates for some transactions with suppliers. In determining the amount of volume-related allowances recognised in any period, management estimates the probability that the Group will meet contractual target volumes, based on historical and forecast performance. There is limited estimation involved in recognising income for promotional and other allowances.
- Management assesses its performance against the obligations conditional on earning the rebate, with the rebate recognised either over time as the obligations are met, or at the point when all obligations are met, dependent on the contractual requirements. Rebates are recognised as a credit within cost of sales. Where the rebate earned relates to inventories which are held by the Group at period ends, the rebate is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories. Management views that the cost of inventories sold (which is inclusive of rebates) provides a consistent and complete measure of the statement of comprehensive income impact of the overall supplier relationships.
- b) **Impairment of assets:** The Group performs a review of loss-making stores and considers the need for the impairment of assets under these circumstances. This determination requires significant judgement. The Group evaluates amongst other things, the duration and extent of the losses, the near-term business outlook for the store, and the possible redeployment of the assets between stores. Refer to note 7.
- c) **Useful lives of assets:** In determining the depreciation and amortisation charge for property, plant and equipment and intangible assets, management applies judgement in estimating the useful lives and residual values of these different asset classes. Refer to notes 3, 6 and 24.
- d) **Income taxes:** The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide accrual for income taxes. The Group recognises liabilities for anticipated uncertain income tax positions based on estimates of potential additional taxes due. With regards to deferred income tax assets for unutilised income tax losses, judgement is also required to determine whether sufficient future taxable income will be available against which these losses can be utilised. Refer to notes 1.23 and 12.
- e) **Allowance for expected credit losses (ECL) on financial assets:** The Group assesses on a forward-looking basis the ECL associated for all debt instruments not held at fair value through profit or loss and the Group recognises an allowance for ECL for these financial assets. The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses its judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Group's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 40.4.1.
- f) **Employee benefit accruals and provisions:** Various assumptions are applied in determining the valuations of post-employment medical benefits, share-based payment accruals and long-term employee benefits as set out in notes 1.16, 1.17, 16 and 20.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in a subsequent year relate to the following: impairment of assets; income taxes; expected credit losses and employee benefit allowances.

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



1

Accounting policies continued

1.1 BASIS OF PREPARATION CONTINUED

1.1.2 Use of adjusted measures

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

- a) Trading profit on the face of the statement of comprehensive income, being the Group’s operating results excluding foreign exchange rate differences, profit or loss on lease modifications and terminations as well as income or expenditure of a capital nature.
- b) Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all re-measurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 1/2021: Headline Earnings. The principal items that will be included under this measure are: gains and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets classified as held for sale; impairments or reversal of impairments; any non-trading items such as gains and losses on disposal of investments, operations and subsidiaries.
- c) Interest received on the face of the statement of comprehensive income, being only interest received on call and operating bank account balances.

1.2 CONSOLIDATION AND EQUITY ACCOUNTING

1.2.1 Subsidiaries

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

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

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

1.2.2 Associates

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

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

1.2.3 Joint arrangements

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

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

1

Accounting policies continued

1.3 CELL CAPTIVE INSURANCE ARRANGEMENTS

The Group has entered into insurance cell arrangements with Old Mutual Life Insurance Company (Namibia) Ltd and Centriq Insurance Company Ltd, licensed insurance companies. The Group purchased shares in insurance cells within South Africa and Namibia. These “cells” issue contracts that transfer significant insurance risk. The risks and rewards associated with these contracts are transferred to the Group through a cell agreement.

The first-party cells are classified as financial assets held at fair value through profit or loss (FVPL) (refer to note 1.13) and the third-party cells as cell captive insurance contracts (refer to note 1.27).

The net investment is presented separately on the face of the statement of financial position.

1.4 FOREIGN CURRENCY TRANSLATION

1.4.1 Functional and presentation currency

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

1.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates for the relevant month. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1.4.3 Foreign operations

The results and the financial position of Group subsidiaries, associates and joint arrangements which are not accounted for as entities which operate in hyperinflationary economies and that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

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

The results and the financial position of Group entities which are accounted for as entities which operate in hyperinflationary economies and that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency of its immediate parent at the exchange rates ruling at the reporting date.

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

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

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





Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

1 Accounting policies continued

1.5 HYPERINFLATION

Up to 30 June 2019, the functional currency of subsidiaries in Angola was a currency of a hyperinflationary economy. The results and the financial position, including comparative amounts, of Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and the hyperinflation adjusted equity opening balances are recognised in other comprehensive income.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

Gains or losses on the net monetary position are recognised in profit or loss and included in trading profit.

All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of owners’ equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised in other comprehensive income. Restated retained earnings are derived from all other amounts in the restated statement of financial position.

At the end of the first period and in the subsequent periods, all components of owners’ equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

1.6 HEDGING ACTIVITIES: NET INVESTMENT HEDGING

In accordance with IFRS 9: Financial Instruments (IFRS 9), certain foreign currency denominated financial liabilities are designated as hedges of a net investment in a foreign operation. The Group uses non-derivative financial liabilities to reduce exposure to fluctuations in foreign currency exchange rates resulting from the Group’s net investments in certain foreign operations.

The Group documents, at the inception of the hedging transaction, the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the FCTR in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The Group discontinues hedge accounting prospectively when a hedging instrument expires or is sold, when a hedge no longer meets the criteria for hedge accounting, or when the designation is revoked. Gains and losses accumulated in the FCTR at that time remains in equity and are reclassified to profit or loss when the foreign operation is partially disposed of or sold. Refer to note 1.4.3.

1.7 PROPERTY, PLANT AND EQUIPMENT

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

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

Useful lives:	
Buildings	20 years
Machinery	5 to 10 years
Racking	15 years
Vehicles	5 to 10 years
Trolleys	3 to 5 years
Equipment	4 to 10 years
Safes	20 years
Computer equipment	3 to 5 years
Aircraft and its components	33 to 50 years

1 Accounting policies continued

1.7 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

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

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

1.8 INTANGIBLE ASSETS

1.8.1 Goodwill

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

1.8.2 Software, trademarks and customer relationships

Intangible assets are held by the Group for use in the supply of goods or administrative purposes and are expected to be used during more than one period. Acquired intangible assets are initially recognised at cost and intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets, other than goodwill, are subsequently measured at cost less accumulated amortisation and accumulated impairment. The cost of intangible assets includes all costs incurred to acquire the intangible assets and bring it into use and is amortised on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of intangible assets involved, taking into account the estimated useful life and residual values of the individual items.

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

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

Useful lives:	
Software	3 to 10 years
Trademarks	16 to 20 years
Customer relationships	10 years

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

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

1.9 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

1.9.1 Non-current assets classified as held for sale

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

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Assets and liabilities of abandoned disposal groups are not classified as held for sale because the carrying amounts will not be recovered principally through a sale transaction.

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

1 Accounting policies continued

1.9 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

1.9.2 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of, abandoned or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. An abandoned operation is classified as a discontinued operation when it has been closed. The results of discontinued operations are presented separately in the statement of comprehensive income.

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill, being the Group's only non-financial assets with an indefinite useful life, is not subject to depreciation and amortisation and is tested for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. The determination of whether an asset is impaired requires significant management judgement and the following factors, amongst others, will be considered: duration and extent to which the fair value of the assets is less than its cost; industry, geographical and sector performance; changes in regional economies; and operational and financing cash flows.

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

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

1.11 LEASES

1.11.1 Where the Group is the lessee

a) Leasing activities and how they are accounted for

The Group leases various offices, distribution centres, retail stores, vehicles and equipment. Rental contracts are typically entered into for fixed periods, with extension options as follows:

- **Properties:** five to 10 years, with extension options for a further 15 to 20 years.
- **Commercial vehicle fleet:** one to 11 years, with an option to renew.
- **Multifunctional printers:** three years, with no extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Non-lease components are expensed as they become due.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A right-of-use asset and a corresponding lease liability are recognised at the date at which the leased asset is available for use by the Group. They are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Lease payments to be made under reasonably certain extension options.

The Group's current rental portfolio does not include termination penalties. However, should these become relevant in the future, such payments will also be included in the initial measurement of the lease liability.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Group discounts lease payments for its commercial vehicle fleet using the interest rate implicit in the lease. All other lease payments are discounted using the incremental borrowing rate.

1 Accounting policies continued

1.11 LEASES CONTINUED

1.11.1 Where the Group is the lessee continued

a) Leasing activities and how they are accounted for continued

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee, which does not have recent third-party financing; and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method. Lease payments are allocated between principal and finance costs. Finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease prepayments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis. In instances where the ownership transfers from the lessor to the lessee, the right-of-use assets are depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets (with a cost price below R75 000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group applies the IFRS 16 exemption which has been extended to 30 June 2022 and provides lessees with timely relief from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications. The optional exemption allows lessees to account for such rent concessions as if they were not lease modifications. Therefore, Covid-19-related rent concessions that reduce lease payments due on or before 3 July 2022 are recognised as income when rent payments become due. During the pandemic, the Group recognised rent concessions of R16 million (2021: R9 million) as income up to the reporting date.

b) Variable lease payments

Some property leases (2022: 51.4%; 2021: 51.6%) contain variable payment terms that are linked to sales generated from a store. Turnover rentals, where applicable, average 2.0% (2021: 2.0%) of turnover. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the Group with such variable lease contracts would increase total lease payments by approximately R38 million (2021: R28 million).

c) Extension and termination options

The lease term includes any non-cancellable periods and reasonably certain termination or extension option periods. Extension and termination options are included in a number of property and commercial vehicle fleet leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The average lease term of the Group's portfolio of qualifying leases are as follows:

	2022	2021
Distribution centres	8.0 years	8.2 years
Storage and warehousing	4.8 years	4.5 years
Other properties	8.4 years	8.4 years
Commercial vehicle fleet	5.0 years	4.0 years
Multifunctional printers	3.0 years	3.3 years





Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

1 Accounting policies continued

1.11 LEASES CONTINUED

1.11.2 Where the Group is the lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Group is an intermediate lessor, the sublease classification is assessed with reference to the head lease right-of-use asset.

Finance leases

At the commencement date of a sublease agreement, the right-of-use asset of the head lease is derecognised, and the Group recognises a net investment in lease receivables. The net investment in lease receivables is measured as the present value of the lease payments to be received over the lease term, discounted using the interest rate implicit in the lease. If the interest rate implicit in the sublease cannot be readily determined, the discount rate for the head lease is used. Any difference between the right-of-use asset and net investment in lease receivables is recognised in profit or loss.

The lease liabilities of the head leases are accounted for in terms of note 1.11.1.

Net investment in lease receivables is subsequently measured at amortised cost using the effective interest rate method. Lease payments received are allocated between principal and finance income. Finance income is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

Net investment in lease receivables is assessed for impairment at each reporting date as financial assets in accordance with note 1.13.5.

Operating leases

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

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

1.12 SALE AND LEASEBACK TRANSACTIONS

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. This accounting policy thus applies in instances where the Group, as the seller-lessee, has transferred control of the asset to the buyer-lessor in terms of an IFRS 15 sale.

As the Group is the lessee in the subsequent arrangement, a lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right-of-use asset is recognised at the proportion of the previous carrying amount of the asset relating to the right-of-use retained. The gain (or loss) that the seller-lessee recognises is limited to the proportion of the total gain (or loss) that relates to the rights transferred to the buyer-lessor. Any difference between the sale consideration and the fair value of the asset is either a prepayment of lease payments (if the purchase price is below market terms) or an additional financing (if the purchase price is above market terms). Any gain or loss that relates to the rights transferred to the buyer-lessor is recorded within items of a capital nature.

In other instances, where there is no transfer of control, the transaction amounts to a collateralised borrowing, which is covered by the existing accounting policies pertaining to financial liabilities as described in note 1.13.

1.13 OTHER FINANCIAL INSTRUMENTS

1.13.1 Initial recognition and measurement

In addition to lease liabilities, financial instruments recognised on the statement of financial position include investments in insurance cell captive arrangements classified as financial assets held at FVPL, government bonds and bills, loans receivable, trade and other receivables, restricted cash, cash and cash equivalents, trade and other payables, borrowings and bank overdrafts.

These financial instruments are recognised at trade date when the Group becomes a party to the contractual provisions of the instrument. Initial recognition is measured at fair value including directly attributable transaction costs for financial instruments not measured at FVPL. Transaction costs of financial instruments carried at FVPL are expensed in profit or loss.

1.13.2 Derecognition

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

1.13.3 Offsetting

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

1 Accounting policies continued

1.13 OTHER FINANCIAL INSTRUMENTS CONTINUED

1.13.4 Classification and subsequent measurement

Financial assets

The Group classifies financial assets according to the following categories:

- Financial assets at amortised cost
- Financial assets held at FVPL

Financial assets at amortised cost

The classification and subsequent measurement of debt investments depend on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, using the effective interest rate method, less allowance made for impairment of these assets.

- Interest income from these financial assets is calculated by applying the effective interest rate to the gross carrying amount, except for:
- Purchased or originated credit-impaired financial assets. For these financial assets the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; and
  - Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For these financial assets, the Group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Initiation fees, which are considered to be an integral part of the effective interest rate, are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale using the effective interest rate.

Any gain or loss arising on derecognition, modification or impairment is recognised directly in profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those financial assets changes.

The following debt investments are measured at amortised cost in terms of the Group's business model of holding these financial assets to collect solely payments of principal and interest:

- a) **Government bonds and bills:** These financial assets are non-derivative financial assets with fixed or determinable principal and interest payments and fixed maturities for which the Group intends to hold them to maturity to collect contractual cash flows. Government bonds and bills are included under non-current assets unless it matures within 12 months after the reporting date. Interest on government bonds and bills is recognised in the statement of comprehensive income as interest revenue.
- b) **Loans receivable:** Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. The Group holds the loans receivable with the objective to collect contractual cash flows and the contractual terms of the loans receivable are solely payments of principal and interest. These financial assets are included under current assets unless it matures later than 12 months after the reporting date. Interest on loans receivable is recognised in the statement of comprehensive income as interest revenue.
- c) **Trade and other receivables:** Trade receivables consist mainly of amounts receivable for the sale of merchandise to franchisees, medical aid schemes, pharmacies, doctors and buying aid societies. Furthermore, the Group has entered into various instalment sale agreements for household furniture. Other receivables consist of various operational debtors such as rental and municipal deposits refundable and insurance claims receivable. A finance sublease agreement was entered into during the financial year and included as a net investment in lease receivables. Trade and other receivables are held to collect contractual cash flows and the contractual terms of the trade and other receivables are solely payments of principal and interest. Interest on trade and other receivables is recognised in the statement of comprehensive income as interest revenue.
- d) **Restricted cash, cash and cash equivalents and bank overdrafts:** Cash comprises cash on hand and cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Interest on cash and cash equivalents is recognised in the statement of comprehensive income as interest received from bank account balances. Restricted cash and bank overdrafts are disclosed separately on the face of the statement of financial position.

Financial assets held at FVPL

The first-party insurance cell captive arrangements are measured at FVPL as they do not meet the criteria for amortised cost or fair value through other comprehensive income. At the reporting date the fair value is determined based on the net asset value of the underlying cell captive arrangements.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, using the effective interest rate method. The effective interest rate amortisation is recognised in the statement of comprehensive income as finance costs.

Financial liabilities, other than lease liabilities, measured at amortised cost on the statement of financial position include borrowings, trade and other payables and bank overdrafts:

- e) **Borrowings:** Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to note 1.20 for the Group's accounting policy with regards to the capitalisation of borrowing costs.
- f) **Trade and other payables:** Trade and other payables mainly comprise trade payables for the purchase of merchandise for resale and are short-term in nature.

Non-convertible, non-participating, non-transferable no par value deferred shares, which are mandatorily acquirable on a specific date, are classified as other payables.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

1 Accounting policies continued

1.13 OTHER FINANCIAL INSTRUMENTS CONTINUED

1.13.5 Impairment

The Group assesses on a forward-looking basis the ECL associated for all debt instruments not held at FVPL and the Group recognises an allowance for ECL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has the following types of financial assets measured at amortised cost that are subject to impairment under the ECL models:

Financial asset	ECL model applied for impairment
Loans receivable	General impairment approach
Government bonds and bills	General impairment approach
Instalment sale receivables	Simplified approach
Trade receivables	Provision matrix
Other receivables	General impairment approach
Net investment in lease receivables	Simplified approach
Restricted cash	General impairment approach
Cash and cash equivalents	General impairment approach

a) General impairment approach

The Group applies the general impairment approach to measure ECL for loans receivable, government bonds and bills, other receivables, restricted cash as well as cash and cash equivalents. The Group assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

In the event of a significant increase in credit risk since initial recognition, the Group recognises an allowance (or provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'.

The measurement of ECL under the general impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Group. The probability-weighted outcome incorporates the probability of default (PD), exposure at default (EAD), timing of when default is likely to occur and loss given default (LGD).

b) Simplified approach

For instalment sale and net investment in lease receivables with a significant financing component, the Group has elected to measure the impairment allowance at an amount equal to the lifetime ECL. This policy will be applied to all instalment sale and net investment in lease receivables.

The measurement of ECL under the simplified impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Group.

c) Provision matrix

For trade and other receivables without a significant financing component, the Group applies the simplified approach which recognises lifetime ECL. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to such trade and other receivables and the economic environment.

The Group recognises in profit or loss, as an impairment loss or reversal, the amount of ECL (or reversal) that is required to adjust the loss allowance at the end of the reporting period. When a receivable is uncollectible, it is written off against the allowance for impairment for that receivable. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

Note 40.4.1 provides more detail on how the Group determines a significant increase in credit risk and how the expected credit loss allowance is measured.

1.14 INVENTORIES

Trading inventories are stated at the lower of cost, using the weighted average cost formula, and net realisable value. The cost of merchandise is the net of: invoice price of merchandise; insurance; freight; customs duties; an appropriate allocation of distribution costs between distribution centres and stores; trade discounts; advertising; and other rebates and settlement discounts. Net realisable value is the estimated selling price in the ordinary course of business.

1 Accounting policies continued

1.15 STATED CAPITAL

Ordinary shares, including incremental costs directly attributable to the issue of new shares, are both classified as equity.

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

1.16 PROVISIONS

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

1.16.1 Provision for outstanding insurance claims

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

1.16.2 Long-term employee benefits

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

1.16.3 Reinstatement provision

Where it has a contractual obligation in respect of certain lease agreements, the Group provides the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition at the expiry of the lease.

The Group also provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in property, plant and equipment or right-of-use assets that are erected on leased land.

1.17 EMPLOYEE BENEFITS

1.17.1 Pension obligations

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

Provident fund

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

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

1.17.2 Post-employment medical benefits

The Group provides for post-employment medical benefits, where they exist. The expected costs of these benefits are accrued over the period of employment based on past services and charged to the statement of comprehensive income as employee benefits. This post-employment medical benefit obligation is measured at present value by discounting the estimated future cash outflows. Valuations of this obligation are carried out annually by independent qualified actuaries using the projected unit credit method. Actuarial gains or losses are recognised immediately in equity as other comprehensive income. Settlement premiums, when incurred, are recognised immediately in the statement of comprehensive income as employee benefits.

1.17.3 Cash-settled share-based payments

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





1 Accounting policies continued

1.17 EMPLOYEE BENEFITS CONTINUED

1.17.4 Equity-settled share-based payments

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

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

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

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

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

1.17.5 Bonus plans

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

An accrual for employees who qualify but have not been in service for the required period is recognised as a long-term employee benefit.

1.18 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised either over time or at a point in time, as or when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation. Revenue is measured at the fair value of the consideration received or receivable.

1.18.1 Sale of merchandise

The Group operates a chain of retail stores and, to a small degree, franchise stores selling products such as food, clothing, general merchandise, cosmetics, pharmaceuticals and liquor. It also sells products to franchisees under drop-shipment arrangements and operates furniture stores retailing products such as furniture, household appliances and home entertainment systems.

Revenue for the sale of merchandise from ordinary Group-operating activities, net of value added tax, rebates and discounts and after eliminating sales within the Group are recognised at a point in time, upon delivery of products and customer acceptance. The Group's Xtra Savings Rewards Programme offers immediate discount which is recognised as a reduction in revenue, since it does not create a separate performance obligation providing a material right to a future discount. Payment is usually received via cash, debit card or credit card. Related card transaction costs are recognised in the statement of comprehensive income as other expenses. When merchandise is sold under instalment sale agreements, the present value of the instalment sale payments is recognised as a receivable.

It is the Group's policy to sell goods with a right of return in terms of current consumer legislation. Such sales are cancelled where the right of return is exercised. A refund liability for the expected refunds to customers is recognised as an adjustment to revenue in trade and other payables. The accumulated experience of the Group's returns has been utilised to estimate such refund liability at the time of sale. Based on past experience it is estimated that goods returned in a saleable condition will be insignificant and therefore, the Group does not recognise an asset and a corresponding adjustment to cost of sales for its right to recover the product from the customer where the customer exercises his right of return. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

1.18.2 Layaway sales

Proceeds from layaway sales are initially recognised as contract liabilities, deferring the revenue. Revenues are recognised when the customer takes possession or forfeits the merchandise.

1.18.3 Gift vouchers and saving stamps

Proceeds from the sale of gift vouchers and saving stamps are initially recognised as contract liabilities, deferring the revenue. Revenues are recognised as sale of merchandise when the gift vouchers or saving stamps are redeemed.

Proceeds from the sale of gift vouchers and saving stamps give customers the right to receive goods or services in the future. However, customers occasionally do not exercise all of their contractual rights. The Group recognises the expected breakage amount in such contract liabilities as revenue, in proportion to the pattern of rights exercised by its customers. The accumulated experience of the Group's breakage history is utilised to estimate when it expects to be entitled to a breakage amount. The validity of this assumption and the estimated amount of breakage are reassessed at each reporting date.



1 Accounting policies continued

1.18 REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

1.18.4 Commissions received

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

1.18.5 Franchise fees received

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

1.18.6 Marketing revenue

Revenue from marketing is recognised as other operating income over the period of the campaign or promotion.

1.18.7 Delivery recoveries

Revenue from delivery recoveries is recognised as other operating income upon delivery of products to customers.

1.18.8 Financing components

Except when merchandise is sold under instalment sale agreements, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

1.19 OTHER OPERATING INCOME

Other operating income is recognised as follows:

1.19.1 Effective interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for financial assets that have subsequently become credit-impaired (or "stage 3") for which interest revenue is calculated by applying the effective interest rate to their net carrying amount (i.e. gross carrying amount less impairment provision). The effective interest rate calculation does not consider ECL but includes initiation fees as they are integral to the effective interest rate.

1.19.2 Rental income

Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due. Refer to note 1.11.2.

1.19.3 Premium income

Premium income is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies incepted during the period less amounts that are unearned at reporting date. Refer to note 1.27.2.

1.19.4 Dividend income

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

1.20 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale, are capitalised to the cost of that qualifying asset. The Group considers a period longer than 12 months to be a substantial period of time.

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

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

1 Accounting policies continued

1.21 REBATES FROM SUPPLIERS

Consistent with standard industry practice, the Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. Most of the income received from suppliers relates to adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product. Sometimes receipt of the income is conditional on the Group performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These include achieving agreed purchases or sales volume targets and providing promotional or marketing materials and activities or promotional product positioning.

Rebates from suppliers are recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories.

Amounts due relating to rebates from suppliers are recognised within trade and other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued rebates are recognised within accrued income when rebates earned have not been invoiced at the reporting date.

1.22 COST OF SALES

Cost of sales primarily comprises the cost of goods sold and services provided, including an allocation of direct overhead expenses, net of supplier rebates, and costs incurred that are necessary to acquire and store goods. Cost of sales also includes: the cost to distribute goods to customers where delivery is invoiced; inbound freight costs; internal transfer costs between distribution centres and stores; warehousing costs and the cost of other shipping and handling activities; and any write-downs and reversals of write-downs to inventory. Cost of sales does not include delivery fees from our Checkers Sixty60 on-demand business which is included in other operating expenses.

1.23 CURRENT AND DEFERRED INCOME TAX

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

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

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A change in tax rate from 28% to 27% was substantively enacted on 23 February 2022 for the reporting periods ending on or after 31 March 2023. The change has no impact on current tax liabilities arising before its effective date. The measurement of deferred tax assets and liabilities will however be affected for the current financial year-end.

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

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

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

Up to 30 June 2019, the functional currency of subsidiaries in Angola was a currency of a hyperinflationary economy. Therefore, deferred income tax relating to these subsidiaries was recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts (refer to note 1.5).

1 Accounting policies continued

1.24 EARNINGS PER SHARE

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

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Full share grants have dilutive potential. The full share grants are assumed to have been converted into ordinary shares. It has no effect on net profit and therefore no adjustment is made to net profit for full share grants.

Headline earnings are calculated in accordance with Circular 1/2021 issued by SAICA as required by the JSE Limited Listings Requirements.

1.25 GOVERNMENT GRANTS

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

1.26 DIVIDENDS DISTRIBUTED TO SHAREHOLDERS

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

1.27 BASIS OF ACCOUNTING FOR UNDERWRITING ACTIVITIES

1.27.1 Classification of contracts

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

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

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

1.27.2 Recognition and measurement of contracts

a) Premiums arising from general insurance business

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

b) Income from cell captive contracts

The net profit or loss after tax is recognised in premiums earned and included in other operating income in the statement of comprehensive income. The net profit or loss after tax from insurance cell operations is the net insurance result of the investment in insurance contracts. The net result takes into account insurance premium revenue, insurance claims, salvage and recoveries, acquisition costs, reinsurance and taxes as accounted for by the insurance cell. The amounts are payable to the Group in terms of the contract subject to certain liquidity and solvency requirements of the insurance cell.

c) Unearned premium allowance

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

d) Claims arising from insurance business

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

e) Provision for outstanding claims

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



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

1 Accounting policies continued

1.27 BASIS OF ACCOUNTING FOR UNDERWRITING ACTIVITIES CONTINUED

1.27.2 Recognition and measurement of contracts continued

f) Reinsurance

The Group entered into an excess of loss reinsurance policy that covers the risk of property damage and business interruptions. The insurance policy gives rise to continued insurance cover for which an asset is recognised. The asset is measured at amortised cost, similar to that of IFRS 9, and included within other receivables. Interest accrues on the asset at the contractual interest rate and is included in interest revenue in the statement of comprehensive income.

Premiums paid are capitalised to the asset and insurance claims made in respect of this policy are treated as a reduction of the asset.

The asset is assessed annually for impairment. The impairment allowance is measured in line with the IFRS 9 ECL model. Refer to the Group's accounting policy for ECL in terms of the general model as outlined in note 1.13.5(a).

g) Liabilities and related assets under liability adequacy test

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

1.28 RELATED PARTIES

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

1.29 OPERATING SEGMENT INFORMATION

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

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

The Group has the following four reportable segments:

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

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

Information about the Group's discontinued segments is provided in note 32. The Group's operations in Nigeria, Kenya, Uganda and Madagascar were classified as discontinued operations during the previous year.

The amounts reported to the chief operating decision maker excludes the impact of hyperinflation (refer to note 1.5) but are measured, in all other aspects, in a manner consistent with that in the statement of comprehensive income and statement of financial position.

The Group transacts with a wide spread of customers with no single customer exceeding 10% of the Group's revenue.

1 Accounting policies continued

1.30 STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE AS AT 3 JULY 2022

The Group has considered the following new standards, interpretations and amendments to existing standards, which are relevant to the Group's operations and had been issued by the reporting date, but are not yet effective as at 3 July 2022:

Number	Title	Effective for the year ending
<b>Amendments to IAS 1</b>	Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies	2024
<b>IFRS 17</b>	Insurance Contracts	2024
<b>Amendments to IAS 16</b>	Property, Plant and Equipment – Proceeds before Intended Use	2023
<b>Amendments to IFRS 3</b>	Business Combinations (Reference to the Conceptual Framework)	2023
<b>Amendments to IAS 37</b>	Onerous Contracts – Cost of Fulfilling a Contract	2023

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

Title of standard	IFRS 17: Insurance Contracts
<b>Nature of change</b>	<p>IFRS 17 was issued as replacement for IFRS 4.</p> <p>IFRS 17 requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"><li>• Discounted probability-weighted cash flows;</li><li>• An explicit risk adjustment; and</li><li>• A contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.</li></ul> <p>The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p> <p>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts.</p>
<b>Impact</b>	<p>The Group, as the cell owner of the insurance cell structures, assessed that the implementation will not have a material impact on the financial statements.</p>
<b>Mandatory application date/Date of adoption by the Group</b>	<p>IFRS 17 is mandatory for financial years commencing on or after 1 January 2023, subject to being adopted by the EU.</p> <p>At this stage, the Group does not intend to adopt the standard before its effective date.</p>

1.31 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FOR THE YEAR ENDED 3 JULY 2022

The following new standards, interpretations and amendments to existing standards are effective for the year ended 3 July 2022:

Number	Title
<b>IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</b>	Interest Rate Benchmark Reform Phase 2

The other interpretations and amendments listed above had no significant effect on the Group's operations.

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

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2.1

Operating segment information  
ANALYSIS PER REPORTABLE SEGMENT

Continuing operations	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Total operating segments Rm	Hyperinflation effect Rm	Consolidated Rm
2022							
Sale of merchandise							
External	147 368	17 067	6 723	12 920	184 078	—	184 078
Inter-segment	4 543	29	—	8	4 580	—	4 580
	151 911	17 096	6 723	12 928	188 658	—	188 658
Trading profit	10 055	439	211	363	11 068	(38)	11 030
Interest revenue included in trading profit	43	186	260	55	544	—	544
Depreciation and amortisation	5 040	699	307	68	6 114	38	6 152
Impairments							
Property, plant and equipment	1	56	2	—	59	(13)	46
Right-of-use assets	40	32	15	—	87	1	88
Intangible assets	12	—	—	—	12	—	12
	53	88	17	—	158	(12)	146
Total assets <sup>4</sup>	67 211	14 065	4 619	4 294	90 189	1 266	91 455
2021							
Sale of merchandise							
External	133 852	15 453	6 818	11 907	168 030	—	168 030
Inter-segment	4 397	30	—	49	4 476	—	4 476
	138 249	15 483	6 818	11 956	172 506	—	172 506
Trading profit	9 401	307	382	291	10 381	(49)	10 332
Interest revenue included in trading profit	44	186	264	48	542	—	542
Depreciation and amortisation	4 804	641	308	48	5 801	49	5 850
Impairments/(impairment reversals)							
Property, plant and equipment	69	412	5	—	486	374	860
Right-of-use assets	53	85	(43)	—	95	103	198
Intangible assets	3	—	—	27	30	—	30
	125	497	(38)	27	611	477	1 088
Total assets <sup>4</sup>	57 015	10 971	4 566	3 374	75 926	771	76 697

Refer to note 32 for operating segment disclosures of discontinued operations.

<sup>4</sup> Total assets of consolidated continuing operations, together with discontinued operations' total assets, equal total assets as presented in the statement of financial position. Discontinued operations' had no total assets as at 3 July 2022 (2021: R369 million).

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2.2

Operating segment information continued  
GEOGRAPHICAL ANALYSIS

Continuing operations	South Africa Rm	Outside South Africa Rm	Total operating segments Rm	Hyperinflation effect Rm	Consolidated Rm
2022					
Sale of merchandise – external	163 810	20 268	184 078	—	184 078
Non-current assets <sup>5</sup>	37 764	5 299	43 063	1 267	44 330
2021					
Sale of merchandise – external	149 500	18 530	168 030	—	168 030
Non-current assets <sup>5</sup>	33 204	4 135	37 339	771	38 110

<sup>5</sup> Non-current assets consist of property, plant and equipment, right-of-use assets, intangible assets and non-financial trade and other receivables.

3

3.1

Property, plant and equipment  
RECONCILIATION OF CARRYING AMOUNTS

	Land Rm	Buildings Rm	Machinery, equipment and vehicles <sup>6</sup> Rm	Leasehold improvements Rm	Total Rm
Carrying amount at 28 June 2020	1 404	5 429	8 794	2 638	18 265
Cost	1 404	6 000	18 401	3 677	29 482
Accumulated depreciation and impairment	—	(571)	(9 607)	(1 039)	(11 217)
Additions	4	273	2 311	120	2 708
Borrowing costs capitalised (note 3.2)	—	14	—	—	14
Transfer to assets classified as held for sale (note 4)	(32)	(29)	(82)	(58)	(201)
Transfer from assets classified as held for sale (note 4)	—	1	—	62	63
Acquisition of operations	—	—	2	—	2
Disposal	(225)	(1 770)	(392)	(35)	(2 422)
Proceeds on disposal	(269)	(1 889)	(274)	(38)	(2 470)
Profit/(loss) on disposal and scrapping	44	119	(118)	3	48
Depreciation	—	(79)	(2 082)	(99)	(2 260)
Impairment (note 7)	—	(150)	(180)	(533)	(863)
Foreign currency translation differences	(21)	(131)	(272)	(508)	(932)
Carrying amount at 4 July 2021	1 130	3 558	8 099	1 587	14 374
Cost	1 130	4 133	17 329	2 945	25 537
Accumulated depreciation and impairment	—	(575)	(9 230)	(1 358)	(11 163)
Additions	—	253	3 703	370	4 326
Borrowing costs capitalised (note 3.2)	—	4	—	—	4
Transfer to assets classified as held for sale (note 4)	(5)	(2)	—	—	(7)
Transfer from assets classified as held for sale (note 4)	13	37	—	—	50
Acquisition of operations	—	—	3	—	3
Disposal	—	(102)	(366)	(135)	(603)
Proceeds on disposal	—	(8)	(89)	(146)	(243)
(Loss)/profit on disposal and scrapping	—	(94)	(277)	11	(360)
Depreciation	—	(82)	(2 121)	(126)	(2 329)
Impairment (note 7)	(3)	(21)	(61)	(37)	(122)
Reversal of impairment (note 7)	—	76	—	—	76
Foreign currency translation differences	44	143	182	675	1 044
Carrying amount at 3 July 2022	1 179	3 864	9 439	2 334	16 816
Cost	1 179	4 539	19 301	4 276	29 295
Accumulated depreciation and impairment	—	(675)	(9 862)	(1 942)	(12 479)

<sup>6</sup> Includes aircraft with a carrying amount of R110 million (2021: R110 million) and vehicles with a carrying amount of R275 million (2021: R279 million).





## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

**3 Property, plant and equipment continued****3.2 BORROWING COSTS CAPITALISED**

Borrowing costs were capitalised against qualifying items of property, plant and equipment during the year under review. The weighted average borrowings rate was 5.7% (2021: 5.2%).

**3.3 PROPERTY, PLANT AND EQUIPMENT SUBJECT TO AN OPERATING LEASE WHERE THE GROUP IS THE LESSOR**

The reconciliation of carrying amounts of property, plant and equipment presented in note 3.1 includes the following relating to underlying assets that are subject to an operating lease:

	Land Rm	Buildings Rm	Leasehold improvements Rm	Total Rm
Carrying amount at 28 June 2020	238	1 140	391	1 769
Cost	238	1 254	464	1 956
Accumulated depreciation and impairment	—	(114)	(73)	(187)
Additions	—	31	11	42
Borrowing costs capitalised (note 3.2)	—	2	—	2
Transfer to assets classified as held for sale (note 4.2)	(11)	(10)	(18)	(39)
Assets no longer subject to an operating lease	(6)	(260)	(20)	(286)
Assets previously not subject to an operating lease	2	3	86	91
Disposal	—	(2)	(2)	(4)
Depreciation	—	(21)	(13)	(34)
Impairment	—	(13)	(71)	(84)
Foreign currency translation differences	(1)	(9)	(61)	(71)
Carrying amount at 4 July 2021	222	861	303	1 386
Cost	222	965	486	1 673
Accumulated depreciation and impairment	—	(104)	(183)	(287)
Additions	—	76	6	82
Borrowing costs capitalised (note 3.2)	—	2	—	2
Transfer to assets classified as held for sale (note 4.2)	(3)	—	—	(3)
Transfer from assets classified as held for sale (note 4.2)	—	1	1	2
Assets no longer subject to an operating lease	—	(1)	(85)	(86)
Assets previously not subject to an operating lease	16	185	—	201
Disposal	—	(1)	—	(1)
Depreciation	—	(19)	(10)	(29)
Impairment	—	(2)	(2)	(4)
Reversal of impairment	—	16	—	16
Foreign currency translation differences	1	19	77	97
Carrying amount at 3 July 2022	236	1 137	290	1 663
Cost	236	1 279	441	1 956
Accumulated depreciation and impairment	—	(142)	(151)	(293)

**3.4 PROPERTY, PLANT AND EQUIPMENT NOT YET IN USE**

Included in the gross amounts of land, buildings and leasehold improvements is R108 million (2021: R126 million) that relates to cost capitalised for assets not yet available for use. This relates mainly to buildings and leasehold properties under construction. The gross amount of property, plant and equipment not yet in use was evaluated for impairment by the Directors at the reporting date.

Reconciliation of carrying amounts:	Land Rm	Buildings Rm	Leasehold improvements Rm	Total Rm
Carrying amount at 28 June 2020	239	131	56	426
Additions	21	236	8	265
Transfer to property, plant and equipment	(233)	(268)	(40)	(541)
Impairment	—	—	(9)	(9)
Foreign currency translation differences	—	—	(15)	(15)
Carrying amount at 4 July 2021	27	99	—	126
Additions	—	151	—	151
Transfer to property, plant and equipment	(7)	(162)	—	(169)
Carrying amount at 3 July 2022	20	88	—	108

**4 Assets classified as held for sale**

Land and buildings

Total assets of disposal groups held for sale (note 32)

**4.1 RECONCILIATION OF CARRYING AMOUNT**

Carrying amount at the beginning of the year  
Transfer from property, plant and equipment (note 3)  
Transfer to property, plant and equipment (note 3)  
Transfer from right-of-use assets (note 5)  
Transfer (to)/from inventories  
Transfer from trade and other receivables  
Transfer from cash and cash equivalents  
Disposal of discontinued operations  
Derecognition of right-of-use assets  
Disposal of land and buildings  
Proceeds on disposal  
Profit on disposal and scrapping  
Additions  
Foreign currency translation differences  
Carrying amount at the end of the year

	2022 Rm	2021 Rm
Land and buildings	120	218
Total assets of disposal groups held for sale (note 32)	—	314
	120	532
Carrying amount at the beginning of the year	532	2 056
Transfer from property, plant and equipment (note 3)	7	201
Transfer to property, plant and equipment (note 3)	(50)	(63)
Transfer from right-of-use assets (note 5)	—	80
Transfer (to)/from inventories	(43)	112
Transfer from trade and other receivables	5	—
Transfer from cash and cash equivalents	26	89
Disposal of discontinued operations	(272)	(1 249)
Derecognition of right-of-use assets	(56)	(237)
Disposal of land and buildings	(57)	(124)
Proceeds on disposal	(75)	(255)
Profit on disposal and scrapping	18	131
Additions	17	9
Foreign currency translation differences	11	(342)
Carrying amount at the end of the year	120	532

**4.2 TRANSFER TO/(FROM) ASSETS CLASSIFIED AS HELD FOR SALE**

It is the Group's policy to invest in fixed property only when appropriate rental space is not available. Certain land and buildings in the Supermarkets RSA and Supermarkets Non-RSA operating segments have been reclassified as assets classified as held for sale as the Group periodically re-evaluates its fixed property holdings in line with this policy. The Group is currently in the process of actively seeking buyers for these properties.

During the current and previous financial year certain properties were transferred back to property, plant and equipment. The sale of these properties were reconsidered. This decision to reclassify had no significant effect on the Group's results.

Furthermore, the Group's operations in Uganda and Madagascar were classified as discontinued operations in the previous year as the Group was actively engaging with potential buyers to dispose of these operations (refer to note 32). Accordingly, right-of-use assets, inventories and other assets associated with these disposal groups in the Supermarkets Non-RSA operating segment have been transferred to assets classified as held for sale.

**5 Right-of-use assets****5.1 RECONCILIATION OF CARRYING AMOUNTS**

	Land Rm	Buildings Rm	Machinery, equipment and vehicles Rm	Total Rm
Carrying amount at 28 June 2020	513	15 771	872	17 156
Additions	—	7 147	469	7 616
Transfer to assets classified as held for sale (note 4)	(6)	(74)	—	(80)
Derecognition	—	(156)	(172)	(328)
Depreciation	(9)	(2 948)	(292)	(3 249)
Impairment (note 7)	(138)	(59)	—	(197)
Foreign currency translation differences	(108)	(290)	—	(398)
Carrying amount at 4 July 2021	252	19 391	877	20 520
Additions	—	6 276	399	6 675
Transfer to net investment in lease receivable (note 13)	—	(324)	—	(324)
Derecognition	—	(119)	(16)	(135)
Depreciation	(7)	(3 037)	(323)	(3 367)
Impairment (note 7)	(2)	(129)	—	(131)
Reversal of impairment (note 7)	—	43	—	43
Landlord contributions	—	(5)	—	(5)
Foreign currency translation differences	118	331	—	449
Carrying amount at 3 July 2022	361	22 427	937	23 725



## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

**6**  
**6.1 Intangible assets**  
**RECONCILIATION OF CARRYING AMOUNTS**

	Goodwill Rm	Software Rm	Trademarks Rm	Customer relationships Rm	Total Rm
Carrying amount at 28 June 2020	272	2 665	18	—	2 955
Gross amount	437	3 643	71	54	4 205
Accumulated amortisation and impairment	(165)	(978)	(53)	(54)	(1 250)
Acquisition of operations	12	—	—	—	12
Additions	—	107	—	10	117
Internally generated	—	393	—	—	393
Borrowing costs capitalised (note 6.3)	—	4	—	—	4
Loss on disposal and scrapping	—	(37)	(1)	—	(38)
Amortisation	—	(378)	(4)	—	(382)
Impairment (note 7)	(29)	—	(1)	—	(30)
Foreign currency translation differences	—	(21)	—	—	(21)
Carrying amount at 4 July 2021	255	2 733	12	10	3 010
Gross amount	449	3 854	55	10	4 368
Accumulated amortisation and impairment	(194)	(1 121)	(43)	—	(1 358)
Acquisition of operations	21	—	—	—	21
Additions	—	224	250	—	474
Internally generated	—	581	—	—	581
Borrowing costs capitalised (note 6.3)	—	30	—	—	30
Loss on disposal and scrapping	—	(100)	—	—	(100)
Amortisation	—	(447)	(9)	—	(456)
Impairment (note 7)	—	(12)	—	—	(12)
Foreign currency translation differences	—	13	—	—	13
Carrying amount at 3 July 2022	276	3 022	253	10	3 561
Gross amount	470	4 385	305	10	5 170
Accumulated amortisation and impairment	(194)	(1 363)	(52)	—	(1 609)

**6.2 GOODWILL**

An analysis of goodwill per operating segment is presented in the following table:

	2022			2021		
	Gross amount Rm	Accumulated impairment Rm	Carrying amount Rm	Gross amount Rm	Accumulated impairment Rm	Carrying amount Rm
Supermarkets RSA	283	(68)	215	262	(68)	194
Supermarket stores	150	(12)	138	148	(12)	136
Liquor stores	57	—	57	38	—	38
Other	76	(56)	20	76	(56)	20
Supermarkets Non-RSA	26	(8)	18	26	(8)	18
Supermarket stores	26	(8)	18	26	(8)	18
Other operating segments	161	(118)	43	161	(118)	43
Computicket	27	(13)	14	27	(13)	14
Transpharm	76	(47)	29	76	(47)	29
Metcash Seven Eleven	58	(58)	—	58	(58)	—
Total goodwill	470	(194)	276	449	(194)	255

The carrying amount of goodwill allocated to a CGU or group of units is not significant in comparison with the Group's total goodwill.

**6**  
**6.3 Intangible assets continued**  
**BORROWING COSTS CAPITALISED**

Borrowing costs were capitalised against qualifying items of software during the year under review. The weighted average borrowings rate was 5.7% (2021: 5.2%).

**6.4 SOFTWARE NOT YET IN USE**

Included in the gross amount of software is R682 million (2021: R417 million) that relates to cost capitalised for software not yet available for use. The Group is committed to investing in the development of alternative revenue streams through its retail media business. The majority of the spend relates to the implementation of our digital commerce platform and enhancement of our data analytics capabilities, which will support our retail media business, as well as data lead future strategy. The gross amount of software not yet in use was evaluated for impairment by the Directors at the reporting date.

**7**  
**7.1 Impairment of non-financial assets**  
**IMPAIRMENTS RECOGNISED/(REVERSED)**

	Property, plant and equipment Rm	Right-of-use assets Rm	Goodwill Rm	Other intangible assets Rm	Total Rm
<b>2022</b>					
Supermarkets RSA	1	40	—	12	53
Supermarkets Non-RSA	56	32	—	—	88
Furniture	2	15	—	—	17
Total operating segments	59	87	—	12	158
Hyperinflation effect	(13)	1	—	—	(12)
Consolidated continuing operations	46	88	—	12	146
<b>2021</b>					
Supermarkets RSA	69	53	3	—	125
Supermarkets Non-RSA	412	85	—	—	497
Furniture	5	(43)	—	—	(38)
Other operating segments	—	—	26	1	27
Total operating segments	486	95	29	1	611
Hyperinflation effect	374	103	—	—	477
Consolidated continuing operations	860	198	29	1	1 088
Discontinued operations	3	(13)	—	—	(10)

The impairment charges resulted from a reduction in the cash flow projections of certain stores, the bulk of which is due to the challenging trading environment in key markets where the Group trades. In addition to the aforementioned, the higher commodity prices experienced in the commodity dependent regions also contributed in decreasing the impairment charges.

**7.2 IMPAIRMENT METHODOLOGY****Cash-generating units**

The Group treats each store as a separate CGU for impairment testing of property, plant and equipment, right-of-use assets and intangible assets, other than goodwill. Goodwill is allocated to the Group's CGUs, or a group of CGUs, to which the goodwill relates.

The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal. The recoverable amount of a CGU or group of CGUs, to which goodwill has been allocated, is determined based on value-in-use calculations.

Central corporate assets such as home office, regional offices and distribution centres, together with their associated costs are allocated to CGUs with reference to sales.

Each CGU is assessed at the reporting date to determine if any indicators of impairment have been identified. Impairment indicators include loss-making stores and stores performing below budget.



7

7.2

Impairment of non-financial assets continued

IMPAIRMENT METHODOLOGY CONTINUED

**Value-in-use**

The cash flow projections used in value-in-use calculations are based on financial budgets, approved by management, covering five-year planning periods. Cash flow projections are derived from an analysis of historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives, the results of which are reviewed by management. Cash flows beyond these planning periods are extrapolated into the future over the useful life of the CGU, using a steady long-term growth rate which is derived from inflation forecasts by recognised bodies and does not exceed the long-term average growth rate for the industry and country in which the CGUs operate.

In determining the value-in-use of each CGU, projected cash flows are discounted using the entity-specific pre-tax discount rate which includes an adjustment for risks, specific to the country in which a CGU operates.

**Fair value less costs of disposal**

In determining the fair value less costs of disposal of affected land and buildings (level 3 within the fair value hierarchy), cash flow projections based on projected net market-related rentals covering the next planning period were used.

7.3

KEY ASSUMPTIONS AND SENSITIVITY ANALYSES

The key assumptions in the value-in-use calculations are the expected trading profit growth rates, long-term growth rates and the risk-adjusted pre-tax discount rates. The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of capital, lease liabilities and borrowings, to which specific market-related premium adjustments are made for each country.

For fair value less costs of disposal calculations of land and buildings, the key assumption is the market capitalisation rate used.

The following table sets out the key assumptions applied in determining the recoverable amount of each CGU, summarised by geographical region:

	Discount rate		Trading profit growth rate		Long-term growth rate		Market capitalisation rate	
	2022	2021	2022	2021	2022	2021	2022	2021
	%	%	%	%	%	%	%	%
South Africa	12.0	12.3	6.1	3.1	6.1	3.1	7.5 – 9.0	7.5 – 9.0
Angola	24.3	24.8	15.4	11.2	15.4	11.2	19.0	19.0
Botswana	6.3	6.0	9.1	4.2	6.3	4.2	—	—
Mozambique	16.9	21.2	13.3	5.6	13.3	5.6	19.0	19.0
Zambia	19.3	29.9	12.8	11.6	12.8	11.6	13.0	10.0
Other countries outside South Africa	8.7 – 25.2	10.3 – 18.3	7.7 – 12.1	4.3 – 12.2	7.7 – 12.1	4.3 – 12.3	10.0 – 13.0	10.0

The forecast trading profit growth rates, risk-adjusted pre-tax discount rates and long-term growth rates for CGUs and groups of CGUs to which goodwill has been allocated are as follows:

	Trading profit growth rate		Discount rate		Long-term growth rate	
	2022	2021	2022	2021	2022	2021
	%	%	%	%	%	%
Supermarket operations	2.9 – 5.0	3.9 – 4.8	10.5 – 12.0	10.2 – 12.3	6.1 – 6.6	3.1 – 4.8
Other operations	5.8	1.0	12.0	12.3	6.1	3.1

Management has performed sensitivity analyses on the key assumptions in the impairment model using reasonable possible changes in these key assumptions based on recent market movements including discount rates, sales growth, long-term growth rates and gross profit margin:

- An increase of one percentage point in the discount rates for each geographical region would increase the impairment by R144 million (2021: R39 million). The possible increase mainly relates to Angola (2022: R112 million; 2021: R22 million), Botswana (2022: R17 million; 2021: R7 million) and Zambia (2022: N/A; 2021: R4 million).
- A decrease of one percentage point in the long-term growth rate would increase the impairment by R107 million (2021: R24 million). The possible increase mainly relates to Angola (2022: R95 million; 2021: R11 million), Botswana (2022: R3 million; 2021: R6 million) and South Africa (2022: R5 million; 2021: R3 million).

8

Equity accounted investments

Associates (note 8.1)  
Joint ventures (note 8.2)

8.1

ASSOCIATES

Carrying amount at the beginning of the year  
Investment in ordinary shares acquired  
Share of total comprehensive income  
Dividends received from associates  
Impairment  
Carrying amount at the end of the year

The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. These are private companies and no quoted market prices are available for their shares.

	% Owned by the Group		2022 Rm	2021 Rm
	2022	2021		
Retail Logistics Fund (RF) (Pty) Ltd (note 8.1.1)	49.9%	49.9%	2 036	1 980
Resilient Africa (Pty) Ltd (note 8.1.2)	39.1%	39.1%	—	—
Resilient Africa Managers (Pty) Ltd	39.1%	39.1%	—	—
LBB Foods (Pty) Ltd	41.0%	41.0%	12	11
Red Baron Agri (Pty) Ltd	41.0%	41.0%	11	10
Zulzi On Demand (Pty) Ltd	26.0%	26.0%	—	24
			2 059	2 025

There are no contingent liabilities relating to the Group's interests in associates.

The Directors consider Retail Logistics Fund (RF) (Pty) Ltd and Resilient Africa (Pty) Ltd to be material associates to the Group's consolidated financial statements. Retail Logistics Fund (RF) (Pty) Ltd is incorporated in South Africa and is involved in the investment and letting of commercial properties in South Africa. Retail Logistics Fund (RF) (Pty) Ltd is considered to be a strategic partner as it leases three distribution centres to the Group. Resilient Africa (Pty) Ltd is incorporated in South Africa and is involved in the investment and letting of properties in Nigeria. The Group's investment in Retail Logistics Fund (RF) (Pty) Ltd and Resilient Africa (Pty) Ltd is measured using the equity method.

All other associates are not material to the Group's consolidated financial statements and therefore no summary financial information is presented for these associates.



## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

**8 Equity accounted investments continued**  
**8.1 ASSOCIATES CONTINUED**  
**8.1.1 Summary financial information of Retail Logistics Fund (RF) (Pty) Ltd**

**Statement of financial position**

	2022 Rm	2021 Rm
Total assets	4 380	4 272
Non-current assets	3 469	3 317
Current assets	911	955
Total liabilities		
Current liabilities	5	10
Net assets	4 375	4 262
Attributable to other owners of Retail Logistics Fund (RF) (Pty) Ltd	2 192	2 135
Attributable to the Shoprite Holdings Ltd Group	2 183	2 127

**Statement of comprehensive income**

Revenue	517	297
Profit for the year	404	255
Attributable to other owners of Retail Logistics Fund (RF) (Pty) Ltd	203	128
Attributable to the Shoprite Holdings Ltd Group	201	127
Total comprehensive income for the year	404	255
Attributable to other owners of Retail Logistics Fund (RF) (Pty) Ltd	203	128
Attributable to the Shoprite Holdings Ltd Group	201	127

The information disclosed reflects the amounts presented in the consolidated management accounts of Retail Logistics Fund (RF) (Pty) Ltd and not the Group's share of those amounts. The information has been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

## Reconciliation to carrying amount:

Net assets attributable to the Group at the beginning of the year	1 980	—
Investment in ordinary shares acquired	—	1 897
Profit for the year attributable to the Group	201	127
Dividends received by the Group	(145)	(44)
Carrying amount at the end of the year	2 036	1 980

**8 Equity accounted investments continued**  
**8.1 ASSOCIATES CONTINUED**  
**8.1.2 Summary financial information of Resilient Africa (Pty) Ltd**

**Statement of financial position**

Total assets	2 160	1 934
Non-current assets	2 098	1 871
Current assets	62	63
Total liabilities	2 267	2 107
Non-current liabilities	2 208	2 059
Current liabilities	59	48
Net liabilities	(107)	(173)
Attributable to other owners of Resilient Africa (Pty) Ltd	(155)	(186)
Attributable to the Shoprite Holdings Ltd Group	(100)	(119)
Non-controlling interest	148	132

**Statement of comprehensive income**

Revenue	166	143
Loss for the year	(16)	(179)
Attributable to other owners of Resilient Africa (Pty) Ltd	(9)	(108)
Attributable to the Shoprite Holdings Ltd Group	(6)	(70)
Non-controlling interest	(1)	(1)
Other comprehensive income/(loss) for the year	82	(131)
Attributable to other owners of Resilient Africa (Pty) Ltd	40	(64)
Attributable to the Shoprite Holdings Ltd Group	25	(41)
Non-controlling interest	17	(26)
Total comprehensive income/(loss) for the year	66	(310)
Attributable to other owners of Resilient Africa (Pty) Ltd	31	(172)
Attributable to the Shoprite Holdings Ltd Group	19	(111)
Non-controlling interest	16	(27)

The information disclosed reflects the amounts presented in the consolidated management accounts of Resilient Africa (Pty) Ltd and not the Group's share of those amounts. The information has been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

## Reconciliation to carrying amount:

Net liabilities attributable to the Group at the beginning of the year	(147)	(36)
Loss for the year attributable to the Group	(6)	(70)
Other comprehensive income/(loss) for the year attributable to the Group	25	(41)
Net liabilities attributable to the Group at the end of the year	(128)	(147)
Unrecognised share of losses at the end of the year	112	106
Unrecognised share of other comprehensive loss at the end of the year	16	41
Carrying amount at the end of the year	—	—

## Unrecognised share of losses:

Unrecognised share of losses at the beginning of the year	106	36
Unrecognised share of losses for the year	6	70
Unrecognised share of losses at the end of the year	112	106

## Unrecognised share of other comprehensive loss:

Unrecognised share of other comprehensive loss at the beginning of the year	41	—
Unrecognised share of other comprehensive loss for the year	—	41
Decrease in unrecognised share of other comprehensive loss for the year	(25)	—
Unrecognised share of other comprehensive loss at the end of the year	16	41





## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

## 8 Equity accounted investments continued

### 8.2 JOINT VENTURES

Carrying amount at the beginning of the year  
Investment in ordinary shares acquired  
Share of total comprehensive income  
Carrying amount at the end of the year

The Group acquired a 50% interest in Pingo Delivery (Pty) Ltd during the financial year. The share capital of Pingo Delivery (Pty) Ltd consist solely of ordinary shares, which are held directly by the Group. There are no quoted market prices available for the private company's shares.

There are no contingent liabilities relating to the Group's interests in Pingo Delivery (Pty) Ltd.

#### 8.2.1 Summary financial information of Pingo Delivery (Pty) Ltd

##### Statement of financial position

	2022 Rm	2021 Rm
Non-current assets	357	—
Current assets	70	—
Cash and cash equivalents	32	—
Other current assets	38	—
Total assets	427	—

Total liabilities  
Current liabilities  
Financial liabilities (excluding trade payables)  
Other current liabilities

	65	—
	4	—
	61	—

Net assets  
Attributable to other owners of Pingo Delivery (Pty) Ltd  
Attributable to the Shoprite Holdings Ltd Group

	362	—
	181	—
	181	—

##### Statement of comprehensive income

Revenue	130	—
Gross profit	35	—
Depreciation and amortisation	(3)	—
Other operating expenses	(14)	—
Profit before income tax	18	—
Income tax expense	(5)	—
Profit for the year	13	—
Other comprehensive income for the year	—	—
Total comprehensive income for the year	13	—
Attributable to other owners of Pingo Delivery (Pty) Ltd	7	—
Attributable to the Shoprite Holdings Ltd Group	6	—

The information disclosed reflects the amounts presented in the consolidated management accounts of Pingo Delivery (Pty) Ltd and not the Group's share of those amounts. The information has been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

## 9 Investment in insurance cell captive arrangements

Third-party cell captive contracts (note 9.1)  
First-party cell captive contracts (note 9.2)

	2022 Rm	2021 Rm
	107	32
	181	132
	288	164

Analysis of investment in insurance cell captive arrangements:

Non-current	131	69
Current	157	95
	288	164

### 9.1 THIRD-PARTY CELL CAPTIVE CONTRACTS

The investments listed below relate to third-party insurance cells and have share capital consisting of variable rate preference shares and share premium, which are held by the Group.

	% Owned by the Group		2022 Rm	2021 Rm
	2022	2021		
Old Mutual Life Insurance Company (Namibia) Ltd	100%	100%	18	19
Centriq Insurance Company Ltd	100%	100%	89	13
			107	32

#### Summary financial information

##### Statement of financial position

Total assets	526	235
Non-current assets	—	6
Current assets	526	229
Total liabilities	419	203
Non-current liabilities	33	31
Current liabilities	386	172

Net assets attributable to the Shoprite Holdings Ltd Group

	107	32
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##### Statement of comprehensive income

Net premium income  
Claims paid  
Income tax expense  
Profit for the year attributable to the Shoprite Holdings Ltd Group

	171	192
	(18)	(20)
	(21)	(6)
	82	20

The information disclosed reflects the amounts presented in the consolidated management accounts of Old Mutual Life Insurance Company (Namibia) Ltd and Centriq Insurance Company Ltd.

Reconciliation to carrying amount:

Net assets attributable to the Shoprite Holdings Ltd Group at the beginning of the year	32	—
Investment in preference shares acquired	41	61
Fair value adjustment	58	(13)
Dividends received by the Group	(24)	(16)
Net assets attributable to the Shoprite Holdings Ltd Group at the end of the year	107	32

### 9.2 FIRST-PARTY CELL CAPTIVE CONTRACTS

Reconciliation to carrying amount:

Carrying amount at the beginning of the year	132	—
Investment in preference shares acquired	—	25
Fair value adjustment (included in premiums and other insurance income earned)	49	107
Carrying amount at the end of the year	181	132

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>10 Government bonds and bills</b>		
AOA, USD Index Linked, Angola Government Bonds (note 10.1)	739	876
AOA, Angola Government Bonds (note 10.2)	598	560
Angola Treasury Bills (note 10.3)	—	58
	1 337	1 494
Analysis of total government bonds and bills:		
Non-current	1 051	972
Current	286	522
	1 337	1 494
Reconciliation of movement in government bonds and bills:		
Carrying amount at the beginning of the year	1 494	2 502
Increase in loss allowance recognised in profit or loss during the year	(1)	(76)
Unused loss allowance reversed	36	59
Additional investments	38	2 779
Investments matured and sold	(639)	(3 373)
Interest income (note 23.4)	159	162
Interest received	(179)	(185)
Exchange rate differences	(302)	208
Foreign currency translation differences	731	(582)
Carrying amount at the end of the year	1 337	1 494
<b>10.1 AOA, USD INDEX LINKED, ANGOLA GOVERNMENT BONDS</b>	739	876
Gross amount	776	912
Provision for impairment	(37)	(36)
The AOA, USD Index Linked, Angola Government Bonds are to be settled in Angola kwanza, earn interest at an average rate of 6.5% (2021: 6.9%) p.a. and mature after three to 36 months from the reporting date. Accrued interest is payable bi-annually.		
<b>10.2 AOA, ANGOLA GOVERNMENT BONDS</b>	598	560
Gross amount	632	589
Provision for impairment	(34)	(29)
The AOA, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 16.4% (2021: 15.6%) p.a. and mature after five to 25 months from the reporting date. Accrued interest is payable bi-annually.		
<b>10.3 ANGOLA TREASURY BILLS</b>	—	58
Gross amount	—	62
Provision for impairment	—	(4)
The Angola Treasury Bills were denominated in Angola kwanza, earned interest at an average rate of 16.1% (2021: 17.0%) p.a. and matured during the current year. Accrued interest was payable at maturity.		

	2022 Rm	2021 Rm
<b>11 Loans receivable</b>		
Amounts receivable from associate (note 11.1)	1 001	995
Amounts receivable from franchisees (note 11.2)	612	578
Amounts receivable from Circle Mall Mauritius Ltd (note 11.3)	224	200
Amounts receivable from Kin Oasis Investments Ltd (note 11.4)	145	129
Other	37	—
	2 019	1 902
Analysis of total loans receivable:		
Non-current	1 510	1 619
Current	509	283
	2 019	1 902
<b>11.1 AMOUNTS RECEIVABLE FROM ASSOCIATE</b>		
Shareholder loan receivable from Resilient Africa (Pty) Ltd (note 11.1.1)	263	342
Other amounts receivable from Resilient Africa (Pty) Ltd (note 11.1.2)	738	653
	1 001	995
The Group is committed to provide a shareholder loan to Resilient Africa (Pty) Ltd to a maximum capital amount of R333 million (2021: R333 million) of which Resilient Africa (Pty) Ltd has drawn down R328 million (2021: R328 million).		
<b>11.1.1 Shareholder loan receivable from Resilient Africa (Pty) Ltd</b>	263	342
Gross amount	560	528
Provision for impairment	(297)	(186)
The shareholder loan is denominated in South Africa rand, earns interest at an average rate of 6.6% (2021: 6.6%) p.a. and is repayable on demand, subject to certain conditions.		
<b>11.1.2 Other amounts receivable from Resilient Africa (Pty) Ltd</b>	738	653
Gross amount	738	653
Provision for impairment	—	—
The other loan is denominated in US dollar, earns interest at an average rate of 3.0% (2021: 3.0%) p.a. and is repayable after two years from the reporting date, subject to certain conditions.		
<b>11.2 AMOUNTS RECEIVABLE FROM FRANCHISEES</b>	612	578
Gross amount	661	643
Provision for impairment	(49)	(65)
The amounts are mainly denominated in South Africa rand, earn interest at a weighted average variable interest rate (linked to the South African prime rate) of 8.8% (2021: 8.0%) p.a. and are repayable between one and five years from the reporting date.		
<b>11.3 AMOUNTS RECEIVABLE FROM CIRCLE MALL MAURITIUS LTD</b>	224	200
Gross amount	232	206
Provision for impairment	(8)	(6)
The amount owing by Circle Mall Mauritius Ltd is denominated in US dollar, earns no interest (2021: average rate of 3.0%) p.a. and is repayable after one month from the reporting date, subject to certain conditions. The average interest rate has been calculated until October 2020 due to a fire at the mall and the Group not being entitled to receive interest as per contract terms.		
<b>11.4 AMOUNTS RECEIVABLE FROM KIN OASIS INVESTMENTS LTD</b>	145	129
Gross amount	164	146
Provision for impairment	(19)	(17)
The amount owing by Kin Oasis Investments Ltd is denominated in US dollar, earns interest at an average rate of 3.0% (2021: 3.0%) p.a. and is repayable after three years from the reporting date, subject to certain conditions.		





## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>12 Deferred income tax</b>		
Deferred income tax assets (note 12.1)	2 520	2 214
Deferred income tax liabilities (note 12.2)	(8)	(8)
Net deferred income tax assets	2 512	2 206
The movement in the net deferred income tax assets is as follows:		
Carrying amount at the beginning of the year	2 206	1 360
Charge to profit for the year	263	331
Provisions and accruals	80	51
Allowances on property, plant and equipment	(34)	577
Fixed escalation operating lease accruals	—	1
Leases	70	232
Allowances on intangible assets	(3)	(126)
Investment in associates	—	(279)
Unrealised exchange rate differences	75	75
Deferred employee costs	239	—
Tax losses	(70)	(204)
Tax rate change	(94)	4
Charged to other comprehensive income	(75)	141
Foreign currency translation differences	118	374
Carrying amount at the end of the year	2 512	2 206
<b>12.1 DEFERRED INCOME TAX ASSETS</b>		
Provisions and accruals	1 424	1 383
Allowances on property, plant and equipment	(738)	(715)
Leases	2 063	2 021
Allowances on intangible assets	(441)	(454)
Investment in associates	(269)	(279)
Unrealised exchange rate differences	92	58
Deferred employee costs	239	—
Tax losses	150	200
	2 520	2 214
Net deductible temporary differences to be recovered after more than 12 months	83	61
Net deductible temporary differences to be recovered within 12 months	2 437	2 153
	2 520	2 214
<b>12.2 DEFERRED INCOME TAX LIABILITIES</b>		
Provisions and accruals	—	1
Allowances on property, plant and equipment	6	7
Unrealised exchange rate differences	2	—
	8	8
Net taxable temporary differences to be settled after more than 12 months	7	9
Net taxable/(deductible) temporary differences to be settled/(recovered) within 12 months	1	(1)
	8	8

## 12 Deferred income tax continued

### 12.3 NET CALCULATED INCOME TAX LOSSES AND NET DEDUCTIBLE TEMPORARY DIFFERENCES

Calculated income tax losses and net deductible temporary differences at year-end  
Applied in the provision for deferred income tax

The utilisation of the income tax relief on net calculated income tax losses, to the value of R1.3 billion (2021: R1.2 billion), is dependent on sufficient future taxable income in the companies concerned. The income tax relief is calculated at current income tax rates and translated at closing rates.

The carry forward of all gross calculated income tax losses is indefinite, except for certain African countries, as set out below:

Expiry date of income tax relief  
2022 Financial year-end  
2023 Financial year-end  
2024 Financial year-end  
2025 Financial year-end  
2026 Financial year-end  
2027 Financial year-end  
2028 Financial year-end

Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created

## 13 Trade and other receivables

Trade receivables from contracts with customers (note 13.1)  
Instalment sale receivables from contracts with customers (note 13.2)  
Other receivables (note 13.3)  
Net investment in lease receivables (note 13.4)  
Prepayments and indirect taxes receivable  
Fixed escalation operating lease accruals

Analysis of trade and other receivables:  
Non-current  
Current

### 13.1 TRADE RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

Gross amount  
Provision for impairment (note 40.4.1(c))

Analysis of total trade receivables:  
Receivables from franchisees  
Gross amount  
Provision for impairment (note 40.4.1(c))

Receivables from medical aid schemes, pharmacies and doctors  
Gross amount  
Provision for impairment (note 40.4.1(c))

Buying aid societies and other receivables  
Gross amount  
Provision for impairment (note 40.4.1(c))

Trade receivables from contracts with customers consist mainly of amounts receivable for the sale of merchandise to franchisees, medical aid schemes, pharmacies, doctors and buying aid societies. These amounts are mainly denominated in South Africa rand.

	2022 Rm	2021 Rm
Calculated income tax losses and net deductible temporary differences at year-end	15 340	12 116
Applied in the provision for deferred income tax	(9 142)	(7 982)
	6 198	4 134
Expiry date of income tax relief		
2022 Financial year-end	—	3
2023 Financial year-end	197	130
2024 Financial year-end	16	28
2025 Financial year-end	20	58
2026 Financial year-end	119	161
2027 Financial year-end	147	4
2028 Financial year-end	5	—
	504	384
Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created	363	310
Trade receivables from contracts with customers (note 13.1)	2 142	1 999
Instalment sale receivables from contracts with customers (note 13.2)	1 055	901
Other receivables (note 13.3)	1 200	813
Net investment in lease receivables (note 13.4)	326	—
Prepayments and indirect taxes receivable	450	367
Fixed escalation operating lease accruals	43	47
	5 216	4 127
Analysis of trade and other receivables:		
Non-current	228	206
Current	4 988	3 921
	5 216	4 127
TRADE RECEIVABLES FROM CONTRACTS WITH CUSTOMERS		
Gross amount	2 142	1 999
Provision for impairment (note 40.4.1(c))	(164)	(203)
	1 978	1 796
Analysis of total trade receivables:		
Receivables from franchisees	1 425	1 417
Gross amount	1 443	1 449
Provision for impairment (note 40.4.1(c))	(18)	(32)
	1 425	1 417
Receivables from medical aid schemes, pharmacies and doctors	365	305
Gross amount	411	349
Provision for impairment (note 40.4.1(c))	(46)	(44)
	365	305
Buying aid societies and other receivables	352	277
Gross amount	452	404
Provision for impairment (note 40.4.1(c))	(100)	(127)
	352	277



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>13 Trade and other receivables continued</b>		
<b>13.2 INSTALMENT SALE RECEIVABLES FROM CONTRACTS WITH CUSTOMERS</b>	1 055	901
Gross amount	1 907	1 666
Provision for impairment (note 40.4.1(c))	(852)	(765)
The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between one and three years and the weighted average interest rate on these receivables is 19.3% (2021: 19.5%) p.a. These amounts are mainly denominated in South Africa rand.		
Instalment sale receivables expected to be recovered		
– Not later than one year	654	583
– Later than one year	401	318
	1 055	901
These amounts are reflected as current as they form part of the normal operating cycle.		
<b>13.3 OTHER RECEIVABLES</b>	1 200	813
Gross amount	1 390	1 041
Provision for impairment (note 40.4.1(c))	(190)	(228)
Other receivables consist of various operational debtors such as municipal deposits refundable, insurance claims receivable and staff debtors and bursaries. The amounts are mainly denominated in South Africa rand.		
<b>13.4 NET INVESTMENT IN LEASE RECEIVABLES</b>		
<b>13.4.1 Reconciliation of net investment in the lease receivables:</b>		
Balance at the beginning of the year	—	—
New leases	10	—
Transfer from right-of-use assets (note 5)	324	—
Lease receipts	(20)	—
Principal lease receipts	(8)	—
Interest received	(12)	—
Finance income	10	—
Foreign currency translation differences	2	—
Balance at the end of the year	326	—
<b>13.4.2 Maturity analysis</b>		
The undiscounted contractual lease payments to be received are as follows:		
– Not later than one year	21	—
– Later than one year, not later than two years	20	—
– Later than two years, not later than three years	26	—
– Later than three years, not later than four years	26	—
– Later than four years, not later than five years	34	—
– Later than five years	202	—
Total undiscounted lease receivables	329	—
Unearned finance income	(3)	—
Net investment in lease receivables	326	—

	2022 Rm	2021 Rm
<b>14 Inventories</b>		
Trading goods	21 879	18 396
<b>15 Stated capital and treasury shares</b>		
<b>15.1 STATED CAPITAL</b>	7 516	7 516
Authorised: 1 300 000 000 (2021: 1 300 000 000) no par value ordinary shares		
Issued: 591 338 502 (2021: 591 338 502) no par value ordinary shares		
Details of the beneficial shareholders holding 5.0% or more of the total issued shares are disclosed in Annexure B.		
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	
	2022	2021
Issued ordinary share capital	591 338 502	591 338 502
Treasury shares (note 15.2)	(48 825 455)	(43 164 607)
	542 513 047	548 173 895
The unissued ordinary shares are under the control of the Directors who may issue them on such terms and conditions as they deem fit until the Company's next Annual General Meeting.		
All shares are fully paid up.		
Details of special resolutions passed by the Company and its subsidiaries during the reporting period are provided in the Directors' report.		
<b>15.2 TREASURY SHARES</b>		
48 825 455 (2021: 43 164 607) ordinary shares	2 583	1 455
Reconciliation of movement in number of treasury shares for the Group:		
	Number of shares	
	2022	2021
Balance at the beginning of the year	43 164 607	38 632 000
Shares purchased during the year under the authorised share buy-back programme <sup>7</sup>	5 068 456	3 352 973
Shares purchased during the year for equity-settled share-based payments <sup>8</sup>	1 382 109	1 635 742
Shares disposed during the year	(319 794)	(66 235)
Shares utilised for settlement of equity-settled share-based payment arrangements	(469 923)	(389 873)
Balance at the end of the year	48 825 455	43 164 607
Consisting of:		
Shares owned by Shoprite Checkers (Pty) Ltd	43 858 001	38 789 545
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements (refer to note 16.2)	4 967 454	4 375 062
	48 825 455	43 164 607

<sup>7</sup> The average market price of the shares purchased under the authorised share buy-back programme was R196.69 (2021: R153.05) per share.  
<sup>8</sup> The average market price of the shares purchased for equity-settled share-based payments was R183.39 (2021: R131.95) per share.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

16 Share-based compensation plans  
16.1 CASH-SETTLED SHARE-BASED PAYMENTS

The Group granted cash-settled share-based payments to Non-executive Director, Dr CH Wiese, via a management company during the 2004 financial year. The rights to cash-settled share-based payments entitle the participant to receive cash payments based on the difference between the share price at the date of the exercise of the rights and the strike price which relates to the share price at the date of the grant. The Group has recognised the liability in respect of the cash-settled share-based payments and included it in payables (refer to note 21).

Refer to note 25.1 for the expense recognised in the statement of comprehensive income as employee benefits.

Reconciliation of movement in rights to cash-settled share-based payments granted by the Group:

	Strike price per share		Number of shares on which rights are based	
	2022	2021	2022	2021
Balance at the beginning of the year	R6.50	R6.50	1 000 000	1 000 000
Exercised during the year	R6.50	R6.50	(1 000 000)	—
Balance at the end of the year	—	R6.50	—	1 000 000

Rights to cash-settled share-based payments outstanding at the previous year-end were currently exercisable and had an expiry date of 5 September 2022. Dr Wiese exercised his rights to cash-settled share-based payments based on 1 000 000 shares on 6 December 2021 at a market price of R202.04 per share. The total intrinsic value at the exercise date amounted to R196 million.

16.2 EQUITY-SETTLED SHARE-BASED PAYMENTS

The Group offers long-term incentives in the form of rights to ordinary shares of Shoprite Holdings Ltd through participation in the Shoprite Holdings Ltd Executive Share Plan (ESP) (previously virtual option bonus plan) and the deferred short-term incentive plan (previously long-term incentive bonus plan).

Shares granted in terms of the new ESP and deferred short-term incentive plan, as well as the previous virtual option bonus and long-term incentive bonus plans, meet the definition of equity-settled share-based payments. The rights to the shares granted entitle the participants to receive Shoprite Holdings Ltd ordinary shares on vesting at an exercise price of nil. The shares are acquired in the market at the grant date and are held as treasury shares until they are vested. The Company's main trading subsidiary, Shoprite Checkers (Pty) Ltd, purchased 1 382 109 (2021: 1 635 742) Shoprite Holdings Ltd ordinary shares in relation to shares granted during the year. The ownership of these shares vests with Shoprite Checkers (Pty) Ltd until vesting conditions are met by the participants. The participants are entitled to the dividends and voting rights in relation to the shares granted during the vesting period. The vesting conditions for each plan are set out below.

Refer to note 25.1 for the expense recognised in the statement of comprehensive income as employee benefits. The reconciliation of amounts recorded in the share-based payments reserve is presented in note 17.1.1.

ESP

Employees that participate in the ESP may be eligible for performance shares, retention shares and/or co-investment shares. These shares vest three years from the grant date if the vesting conditions (subject to certain special circumstances) are met. If the employee does not fulfil the vesting conditions, other than in certain limited circumstances, the award will lapse and the employee will lose all rights in respect of the ESP shares.

**ESP performance shares:** Performance conditions, as determined by the Remuneration Committee, are attached to these shares. Vesting is dependent on the achievement of the performance criteria by the vesting date and the employee meeting the service requirement of remaining employed by the Group throughout the vesting period.

**ESP co-investment shares:** There are no performance conditions attached to these shares. Vesting is dependent on the employee meeting the service requirement of remaining employed by the Group throughout the vesting period. As an additional vesting condition, the employee is required to acquire and hold Shoprite Holdings Ltd ordinary shares, without any encumbrance, for the entire vesting period.

**ESP retention shares:** There are no performance conditions attached to these shares. Vesting is only dependent on the employee meeting the service requirement of remaining employed by the Group throughout the vesting period.

16 Share-based compensation plans continued  
16.2 EQUITY-SETTLED SHARE-BASED PAYMENTS CONTINUED

Deferred short-term incentive plan

Under the Group's deferred short-term incentive plan, employees may be eligible for shares, based on the achievement of short-term incentive criteria for the reporting period. The rights are granted at the end of September of the following financial year. There are no performance conditions attached to these shares. Vesting is only dependent on the employee meeting the service requirement of remaining employed by the Group throughout the vesting period. These shares vest three years from the grant date if the vesting conditions (subject to certain special circumstances) are met. If the employee does not fulfil the vesting conditions, other than in certain limited circumstances, the award will lapse and the employee will lose all rights in respect of these shares.

At the grant date, employees may elect to settle their unvested benefits earned in respect of the previous year in shares. The Group therefore grants shares to management in the form of forfeitable retention share awards, resulting in a modification of a cash bonus arrangement to a share-based payment arrangement, as a portion of incentive bonuses previously allocated to management in terms of the deferred short-term incentive plan is converted to shares in Shoprite Holdings Ltd. The Group recognises a modification of a cash bonus arrangement in respect of these deferred short-term incentives and transfers the liability as at the modification date from provisions to the share-based payments reserve within equity. The vesting conditions and vesting periods are not affected by this modification.

Virtual option bonus and long-term incentive bonus plans

The virtual option bonus and long-term incentive bonus plans have been replaced by the ESP and deferred short-term incentive plan respectively during the year ended 28 June 2020. The previous virtual option bonus and long-term incentive bonus plans operated in the same manner as the new deferred short-term incentive plan, with the exception of different vesting periods as determined under the virtual option bonus and long-term incentive bonus plans. These shares vest in equal thirds over a three-, four- and five-year period from the grant date, if vesting conditions (subject to certain special circumstances) are met. If the employee does not fulfil the vesting conditions, other than in certain limited circumstances, the award will lapse and the employee will lose all rights in respect of these shares.

16.2.1 ESP performance shares

Reconciliation of movement in number of performance shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2022	2021	2022	2021
Balance at the beginning of the year	R132.13	R115.50	1 657 558	855 088
Shares granted during the year	R179.16	R149.27	581 635	825 906
Shares vested during the year	R127.78	R129.52	(63 149)	(2 397)
Shares forfeited during the year	R138.26	R129.25	(172 625)	(21 039)
Balance at the end of the year	R145.39	R132.13	2 003 419	1 657 558
Vesting dates of performance shares outstanding at the end of the year:				
5 September 2022	R115.50	R115.50	718 280	841 216
11 September 2023	R149.27	R149.27	733 441	816 342
10 September 2024	R179.16	—	551 698	—
	R145.39	R132.13	2 003 419	1 657 558

The market price of performance shares vested during the year was R218.86 (2021: R155.66) per share.

The fair value of performance shares awarded in terms of the ESP during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R179.16 per share. The following assumptions were used in calculating the fair value:

	2022
Total number of performance shares awarded	581 635
Grant date	10 September 2021
Vesting date	10 September 2024
Share price on grant date	R179.16
Exercise price	R0.00
Forfeiture rate	5.0%



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

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16.2

16.2.2

Share-based compensation plans continued  
EQUITY-SETTLED SHARE-BASED PAYMENTS CONTINUED  
ESP co-investment shares

Reconciliation of movement in number of co-investment shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2022	2021	2022	2021
Balance at the beginning of the year	R130.90	R115.50	383 769	211 304
Shares granted during the year	R179.16	R149.27	146 814	176 674
Shares vested during the year	R125.66	R128.40	(13 837)	(1 717)
Shares forfeited during the year	R137.26	R128.69	(37 046)	(2 492)
Balance at the end of the year	R145.33	R130.90	479 700	383 769
Vesting dates of co-investment shares outstanding at the end of the year:				
5 September 2022	R115.50	R115.50	180 187	208 724
11 September 2023	R149.27	R149.27	159 128	175 045
10 September 2024	R179.16	—	140 385	—
	R145.33	R130.90	479 700	383 769

The market price of co-investment shares vested during the year was R216.20 (2021: R152.25) per share.

The fair value of co-investment shares awarded in terms of the ESP during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R179.16 per share. The following assumptions were used in calculating the fair value:

	2022
Total number of co-investment shares awarded	146 814
Grant date	10 September 2021
Vesting date	10 September 2024
Share price on grant date	R179.16
Exercise price	R0.00
Forfeiture rate	5.0%

16.2.3

ESP retention shares

Reconciliation of movement in number of retention shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2022	2021	2022	2021
Balance at the beginning of the year	R132.08	R115.50	549 320	285 391
Shares granted during the year	R179.16	R149.27	324 366	273 722
Shares vested during the year	R129.78	R129.35	(22 306)	(2 667)
Shares forfeited during the year	R143.37	R129.26	(66 464)	(7 126)
Balance at the end of the year	R150.65	R132.08	784 916	549 320
Vesting dates of retention shares outstanding at the end of the year:				
5 September 2022	R115.50	R115.50	238 142	279 596
11 September 2023	R149.27	R149.27	241 574	269 724
10 September 2024	R179.16	—	305 200	—
	R150.65	R132.08	784 916	549 320

The market price of retention shares vested during the year was R219.63 (2021: R151.96) per share.

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16.2

16.2.3

Share-based compensation plans continued  
EQUITY-SETTLED SHARE-BASED PAYMENTS CONTINUED  
ESP retention shares continued

The fair value of retention shares awarded in terms of the ESP during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R179.16 per share. The following assumptions were used in calculating the fair value:

	2022
Total number of retention shares awarded	324 366
Grant date	10 September 2021
Vesting date	10 September 2024
Share price on grant date	R179.16
Exercise price	R0.00
Forfeiture rate	5.0%

16.2.4

Shares awarded under the deferred short-term incentive, virtual option bonus and long-term incentive bonus plans

Reconciliation of movement in number of shares granted by the Group:

	Weighted average price per share on date of the grant		Number of shares	
	2022	2021	2022	2021
Balance at the beginning of the year	R154.33	R166.97	1 784 415	1 843 645
Shares granted during the year	R185.00	R128.66	329 294	359 440
Shares vested during the year	R184.64	R190.21	(370 631)	(383 092)
Shares forfeited during the year	R154.70	R163.74	(43 659)	(35 578)
Balance at the end of the year	R153.66	R154.33	1 699 419	1 784 415
Vesting dates of shares outstanding under the deferred short-term incentive, virtual option bonus and long-term incentive bonus plans at the end of the year:				
30 September 2021	—	R189.24	—	331 612
30 September 2022	R161.53	R161.52	455 546	479 601
30 September 2023	R151.55	R140.85	708 279	748 392
30 September 2024	R163.97	R132.39	535 594	224 810
	R153.66	R154.33	1 699 419	1 784 415

The market price of share grants vested during the year was R187.43 (2021: R137.49) per share.

The fair value of shares awarded under the deferred short-term incentive, virtual option bonus and long-term incentive bonus plans during the year was based on the closing share price of a Shoprite Holdings Ltd ordinary share as quoted on the JSE on the date of the grant and determined at R185.00 per share. The following assumptions were used in calculating the fair value:

	2022
Total number of full share grants awarded	329 294
Grant date	26 October 2021
Vesting date	30 October 2024
Share price on grant date	R185.00
Exercise price	R0.00
Forfeiture rate	6.0%





## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

**16 Share-based compensation plans continued**  
**16.2 EQUITY-SETTLED SHARE-BASED PAYMENTS CONTINUED**  
**16.2.5 Share awards held by Executive Directors**

				Number of shares			
				2022			
Award granted	Grant date	Award grant price	Vesting date	At the beginning of the year	Granted during the year	Vested during the year	At the end of the year
PC Engelbrecht							
ESP performance shares	05/09/2019	R0.00	05/09/2022	97 846	—	—	97 846
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	21 859	—	—	21 859
ESP retention shares	05/09/2019	R0.00	05/09/2022	13 047	—	—	13 047
ESP performance shares	11/09/2020	R0.00	11/09/2023	94 757	—	—	94 757
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	18 956	—	—	18 956
ESP retention shares	11/09/2020	R0.00	11/09/2023	12 635	—	—	12 635
ESP performance shares	10/09/2021	R0.00	10/09/2024	—	80 894	—	80 894
ESP co-investment shares	10/09/2021	R0.00	10/09/2024	—	16 179	—	16 179
ESP retention shares	10/09/2021	R0.00	10/09/2024	—	10 786	—	10 786
Total				259 100	107 859	—	366 959
A de Bruyn							
Virtual option bonus shares	30/10/2018	R0.00	30/09/2021	2 290	—	(2 290)	—
Virtual option bonus shares	30/10/2018	R0.00	30/09/2022	2 290	—	—	2 290
Virtual option bonus shares	30/10/2018	R0.00	30/09/2023	2 291	—	—	2 291
Virtual option bonus shares	30/10/2019	R0.00	30/09/2022	4 662	—	—	4 662
Virtual option bonus shares	30/10/2019	R0.00	30/09/2023	4 662	—	—	4 662
Virtual option bonus shares	30/10/2019	R0.00	30/09/2024	4 666	—	—	4 666
ESP performance shares	05/09/2019	R0.00	05/09/2022	16 225	—	—	16 225
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	3 880	—	—	3 880
ESP retention shares	05/09/2019	R0.00	05/09/2022	3 474	—	—	3 474
ESP performance shares	11/09/2020	R0.00	11/09/2023	21 121	—	—	21 121
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	4 526	—	—	4 526
ESP retention shares	11/09/2020	R0.00	11/09/2023	4 526	—	—	4 526
ESP performance shares	10/09/2021	R0.00	10/09/2024	—	27 476	—	27 476
ESP co-investment shares	10/09/2021	R0.00	10/09/2024	—	5 888	—	5 888
ESP retention shares	10/09/2021	R0.00	10/09/2024	—	5 888	—	5 888
Total				74 613	39 252	(2 290)	111 575

**2021**

<b>PC Engelbrecht</b>							
Virtual option bonus shares	24/10/2017	R0.00	30/09/2020	16 963	—	(16 963)	—
ESP performance shares	05/09/2019	R0.00	05/09/2022	97 846	—	—	97 846
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	21 859	—	—	21 859
ESP retention shares	05/09/2019	R0.00	05/09/2022	13 047	—	—	13 047
ESP performance shares	11/09/2020	R0.00	11/09/2023	—	94 757	—	94 757
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	—	18 956	—	18 956
ESP retention shares	11/09/2020	R0.00	11/09/2023	—	12 635	—	12 635
Total				149 715	126 348	(16 963)	259 100

<b>A de Bruyn</b>							
Virtual option bonus shares	24/10/2017	R0.00	30/09/2020	2 329	—	(2 329)	—
Virtual option bonus shares	30/10/2018	R0.00	30/09/2021	2 290	—	—	2 290
Virtual option bonus shares	30/10/2018	R0.00	30/09/2022	2 290	—	—	2 290
Virtual option bonus shares	30/10/2018	R0.00	30/09/2023	2 291	—	—	2 291
Virtual option bonus shares	30/10/2019	R0.00	30/09/2022	4 662	—	—	4 662
Virtual option bonus shares	30/10/2019	R0.00	30/09/2023	4 662	—	—	4 662
Virtual option bonus shares	30/10/2019	R0.00	30/09/2024	4 666	—	—	4 666
ESP performance shares	05/09/2019	R0.00	05/09/2022	16 225	—	—	16 225
ESP co-investment shares	05/09/2019	R0.00	05/09/2022	3 880	—	—	3 880
ESP retention shares	05/09/2019	R0.00	05/09/2022	3 474	—	—	3 474
ESP performance shares	11/09/2020	R0.00	11/09/2023	—	21 121	—	21 121
ESP co-investment shares	11/09/2020	R0.00	11/09/2023	—	4 526	—	4 526
ESP retention shares	11/09/2020	R0.00	11/09/2023	—	4 526	—	4 526
Total				46 769	30 173	(2 329)	74 613

**17 Reserves**

Retained earnings  
Other reserves (note 17.1)

**17.1 OTHER RESERVES**

Share-based payments reserve (note 17.1.1)  
Foreign currency translation reserve (note 17.1.2)

**17.1.1 Share-based payments reserve**

Reconciliation of carrying amount:  
Carrying amount at the beginning of the year  
Share-based payments – value of employee services  
Modification of cash bonus arrangement transferred from provisions  
Realisation of share-based payments reserve  
Carrying amount at the end of the year

**17.1.2 Foreign currency translation reserve**

Reconciliation of carrying amount:  
Carrying amount at the beginning of the year  
Foreign currency translation differences, net of income tax  
Group  
Income tax effect of foreign currency translation differences  
Release on disposal of discontinued operations  
Profit/(loss) on effective net investment hedge, net of income tax  
Profit/(loss) on effective net investment hedge  
Income tax effect of effective net investment hedge

Carrying amount at the end of the year

	2022 Rm	2021 Rm
Retained earnings	26 114	23 599
Other reserves (note 17.1)	(5 563)	(8 583)
	20 551	15 016
Share-based payments reserve (note 17.1.1)	442	299
Foreign currency translation reserve (note 17.1.2)	(6 005)	(8 882)
	(5 563)	(8 583)
Reconciliation of carrying amount:		
Carrying amount at the beginning of the year	299	203
Share-based payments – value of employee services	213	153
Modification of cash bonus arrangement transferred from provisions	12	17
Realisation of share-based payments reserve	(82)	(74)
Carrying amount at the end of the year	442	299
Reconciliation of carrying amount:		
Carrying amount at the beginning of the year	(8 882)	(8 110)
Foreign currency translation differences, net of income tax	2 815	(613)
Group	2 797	(1 155)
Income tax effect of foreign currency translation differences	—	95
Release on disposal of discontinued operations	18	447
Profit/(loss) on effective net investment hedge, net of income tax	62	(159)
Profit/(loss) on effective net investment hedge	137	(207)
Income tax effect of effective net investment hedge	(75)	48
Carrying amount at the end of the year	(6 005)	(8 882)

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>18 Lease liabilities</b>		
Reconciliation of carrying amounts:		
Balance at the beginning of the year	27 722	23 271
New leases and remeasurements	6 662	8 534
Lease terminations	(201)	(590)
Lease payments	(5 592)	(5 432)
Principal lease liability payments	(2 949)	(2 951)
Interest paid	(2 643)	(2 481)
Interest accrual	2 646	2 481
Exchange rate differences	(137)	149
Transfer to liabilities directly associated with assets classified as held for sale (note 32)	—	(134)
Foreign currency translation differences	523	(557)
Balance at the end of the year	31 623	27 722
Analysis of total lease liabilities:		
Non-current	28 458	24 801
Current	3 165	2 921
	31 623	27 722
The Group's leasing activities and how they are accounted for are disclosed in note 1.11.1.		
Material concentrations of currency risk within the Group's lease liabilities are presented in note 40.4.2(a). Refer to note 40.4.3 for a maturity analysis of contractual undiscounted future lease payments, including renewal options reasonably assured.		
The Group is exposed to the following potential future undiscounted cash outflows which are not included in the measurement of lease liabilities:		
Extension and termination options not reasonably assured	115 330	68 744
Leases not yet commenced to which the Group is committed	4 270	2 935
Right-of-use assets recognised in the statement of financial position in relation to the Group's lease liabilities are disclosed in note 5.		
The statement of comprehensive income includes the following amounts relating to leases:		
Depreciation charge of right-of-use assets (note 24)	3 367	3 232
Impairment charge of right-of-use assets (included in items of a capital nature, note 28)	88	198
Interest expense (included in finance costs, note 30)	2 646	2 471
Expense relating to short-term leases (included in other operating expenses, note 27)	336	311
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses, note 27)	3	—
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses, note 27)	397	371
Total cash outflows for leases amounted to R6.3 billion (2021: R6.1 billion) during the reporting period.		
<b>Sale and leaseback transactions:</b>		
Sale and leaseback transactions relating to the Group's property, plant and equipment may become more prevalent as and when the opportunity arises. The Group secured long-term financing during the previous reporting period by entering into a sale and leaseback transaction on three of its distribution centres, namely the Brackenfell, Centurion and Whitey Basson distribution centres. The sale of the Whitey Basson distribution centre generated cash inflows of R1.2 billion and R12 million profit. The Brackenfell and Centurion distribution centres were exchanged for shares in a company called Retail Logistics Fund (RF) (Pty) Ltd (refer to note 8). Shoprite Checkers (Pty) Ltd has a 49.9% shareholding in Retail Logistics Fund (RF) (Pty) Ltd and the remainder of the shares is held by Equites Property Fund Ltd. The exchange resulted in a profit of R148 million.		

	2022 Rm	2021 Rm
<b>18 Lease liabilities continued</b>		
<b>Sale and leaseback transactions continued</b>		
The impact of the Group's sale and leaseback transactions as well as its key terms and conditions are disclosed below:		
Cash proceeds received	—	1 192
Shares in Retail Logistics Fund (RF) (Pty) Ltd	—	2 044
Market value at disposal date	—	3 236
Carrying amount at disposal date	—	(1 995)
Right-of-use asset recognised	—	1 469
Lease liability recognised	—	(2 403)
Elimination of 49.9% of gain on sale and leaseback transaction due to rights retained through Retail Logistics Fund (RF) (Pty) Ltd investment	—	(147)
Profit on sale and leaseback transactions	—	160
Interest rate implicit to the lease	—	12.6%
Average lease term (years)	—	20
The age and the minimum estimated useful life of the distribution centres were used to determine a fair lease period and rental based on market values.		
Payments not included in the measurement of the lease liability relating to the distribution centres include any operational costs, security and insurance costs, administration and maintenance costs, rates and taxes and any other municipal costs for water, electricity, sewerage and refuse. Only the rental portion, directly related to the market value of the properties, is included in the measurement of the lease liability. Normal maintenance charges are also not included to ensure that only the rental portion, directly related to the cost price, is included in the measurement of the lease liability.		
<b>19 Borrowings</b>		
Consisting of:		
ABSA Bank Ltd (note 19.2)	1 001	2 000
FirstRand Bank Ltd (note 19.3)	1 501	2 004
Standard Bank Ltd (note 19.4)	2 004	—
ABSA Bank Ltd (note 19.5)	539	335
Standard Chartered Bank (Mauritius) Ltd (note 19.6)	165	656
Stanbic Bank Botswana Ltd (note 19.7)	302	284
	5 512	5 279
Analysis of total borrowings:		
Non-current	4 500	2 280
Current	1 012	2 999
	5 512	5 279
<b>19.1 RECONCILIATION OF MOVEMENT IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:</b>		
Carrying amount at the beginning of the year	5 279	12 009
Cash inflows	3 556	1 279
Cash outflows	(3 421)	(7 142)
Foreign currency translation differences	98	(867)
Carrying amount at the end of the year	5 512	5 279



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>19 Borrowings continued</b>		
<b>19.2 ABSA BANK LTD</b>		
This loan is denominated in South Africa rand and unsecured. R1.0 billion of the amount outstanding at 4 July 2021 was repaid during the reporting period and carried interest at an average rate of 5.0% (2021: 5.0%) p.a. The remaining balance of the loan's repayment terms was renegotiated, payable after 36 months from the reporting date and bears interest at an average rate of 5.6% (2021: 5.3%) p.a.		
<b>19.3 FIRSTRAND BANK LTD</b>		
This loan is denominated in South Africa rand and unsecured. The outstanding amount at 4 July 2021 was repaid during the year and carried interest at an average rate of 5.2% (2021: 5.0%) p.a. The Group entered into a new loan agreement during the year. This loan is denominated in South Africa rand, unsecured, payable after 33 months from the reporting date and bears interest at an average rate of 5.6% p.a.		
<b>19.4 STANDARD BANK LTD</b>		
This loan is denominated in South Africa rand, unsecured, payable after 30 months from the reporting date and bears interest at an average rate of 5.3% p.a.		
<b>19.5 ABSA BANK LTD (PREVIOUSLY ABSA BANK (MAURITIUS) LTD)</b>		
This loan is denominated in US dollar, unsecured, payable after one to six months from the reporting date and bears interest at an average rate of 2.4% (2021: 2.0%) p.a. The Group entered into a new loan agreement during the year. This loan is denominated in US dollar, unsecured, payable after eight months from the reporting date and bears interest at an average rate of 1.7% p.a.		
<b>19.6 STANDARD CHARTERED BANK (MAURITIUS) LTD</b>		
The amount outstanding at 4 July 2021 was repaid during the year under review, denominated in US dollar, unsecured and carried interest at an average rate of 3.0% p.a. The Group entered into a new loan agreement during the year under review. This loan is denominated in US dollar, unsecured and payable after one month from the reporting date and bears interest at an average rate of 3.0% p.a.		
<b>19.7 STANBIC BANK BOTSWANA LTD</b>		
This loan is denominated in Botswana pula, unsecured, payable after five months from the reporting date and bears interest at an average rate of 5.9% (2021: 6.0%) p.a.		
<b>20 Provisions</b>		
Provision for post-employment medical benefits	18	20
Provision for outstanding claims	—	3
Provision for long-term employee benefits	360	392
Reinstatement provision	180	151
	<b>558</b>	<b>566</b>

	Post-employment medical benefits Rm	Outstanding claims Rm	Long-term employee benefits Rm	Reinstatement provision Rm	Total Rm
Reconciliation of carrying amounts:					
Balance at 28 June 2020	26	11	329	87	453
Additional provisions	—	—	139	52	191
Additions against right-of-use assets	—	—	—	16	16
Unused amounts reversed	—	(8)	(22)	(4)	(34)
Re-measurements recognised directly in other comprehensive income	(8)	—	—	—	(8)
Utilised during the year	(1)	—	(77)	(1)	(79)
Accretion of discount	3	—	45	3	51
Modification of cash bonus arrangement transferred to share-based payments reserve	—	—	(17)	—	(17)
Foreign currency translation differences	—	—	(5)	(2)	(7)
Balance at 4 July 2021	20	3	392	151	566
Additional provisions	—	—	74	32	106
Additions against right-of-use assets	—	—	—	13	13
Unused amounts reversed	—	(3)	(6)	(14)	(23)
Re-measurements recognised directly in other comprehensive income	(2)	—	—	—	(2)
Utilised during the year	(2)	—	(91)	(9)	(102)
Accretion of discount	2	—	—	4	6
Modification of cash bonus arrangement transferred to share-based payments reserve	—	—	(12)	—	(12)
Foreign currency translation differences	—	—	3	3	6
Balance at 3 July 2022	18	—	360	180	558
Analysis of total provisions:					
<b>2021</b>					
Non-current	18	—	357	113	488
Current	2	3	35	38	78
	20	3	392	151	566
<b>2022</b>					
Non-current	16	—	216	142	374
Current	2	—	144	38	184
	18	—	360	180	558
Discount rates used					
<b>2021</b>	11.0%	N/A	6.4%	12.3%	
<b>2022</b>	11.0%	N/A	8.5%	12.0%	



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>21 Trade and other payables</b>		
Trade payables	14 204	12 651
Other payables and accruals (note 21.1)	4 223	3 900
Deposits and third-party payments liability	528	488
Employee benefit accruals	2 005	1 808
Indirect taxes payable	462	504
Insurance contract allowances		
– Unearned premiums (note 21.2)	—	98
Refund liability	55	51
Cash-settled share-based payment accrual (note 16.1)	—	149
	21 477	19 649
<b>21.1 DEFERRED SHARES</b>		
Authorised: 720 000 000 (2021: 720 000 000) non-convertible, non-participating, non-transferable no par value deferred shares		
Issued: 305 621 601 (2021: 305 621 601) non-convertible, non-participating, non-transferable no par value deferred shares	—	—
The deferred share liability of R0.3 million (2021: R0.3 million) is included in other payables at the reporting date.		
All shares are fully paid up.		
In terms of the transaction agreement concluded between the Company, Thibault Square Financial Services (Pty) Ltd and Titan Premier Investments (Pty) Ltd on 18 April 2019, the voting rights attached to 40 652 489 deferred shares held by Thibault Square Financial Services (Pty) Ltd will remain restricted whilst all the required approvals are obtained to enable the acquisition of these deferred shares as required in the Memorandum of Incorporation (MOI) of the Company. All other deferred shares carry the same voting rights as the ordinary shares.		
The deferred shares are not convertible into shares of any other class, are not entitled to participate in any profits of the Company and no dividends may be declared or paid in respect of these shares. The holder of these shares is entitled to be present at any meeting of the Company and is entitled on a poll to one vote in respect of every share held.		
The Company shall proportionally acquire deferred shares in relation to the extent to which the shareholder disposes of his interest in ordinary shares in the Company. The Company shall acquire all issued deferred shares, should the shareholder's interest in ordinary shares become less than 10%. These shares are not listed on any stock exchange.		
Subject to certain limitations, the unissued deferred share capital is under the control of the Directors, who may issue it under predetermined circumstances as set out in the MOI of Shoprite Holdings Ltd.		
<b>21.2 ANALYSIS OF ALLOWANCE FOR UNEARNED PREMIUMS</b>		
Balance at the beginning of the year	98	182
Change in allowance for unearned premiums	32	(84)
Premiums written during the year	61	47
Amortisation charged to income	(29)	(131)
Transfer to third-party cell captive contracts	(130)	—
Balance at the end of the year	—	98

	2022 Rm	2021 Rm
<b>22 Contract liabilities</b>		
Gift vouchers, saving stamps and layaway sales	991	873
Reconciliation of contract liabilities:		
Balance at the beginning of the year	873	864
Prepayments received during the year	3 844	3 580
Revenue recognised upon redemption	(3 682)	(3 526)
Prepayments included in opening balance	(844)	(854)
Prepayments received during the year	(2 838)	(2 672)
Revenue recognised upon expiry date	(25)	(22)
Breakage amount recognised as revenue during the year	(21)	(15)
Transfer to liabilities directly associated with assets classified as held for sale (note 32)	(2)	—
Foreign currency translation differences	4	(8)
Balance at the end of the year	991	873
<b>23 Revenue</b>		
Revenue from contracts with customers	186 396	169 948
Sale of merchandise (note 23.1)	184 078	168 030
Commissions received (note 23.2)	987	867
Franchise fees received	146	117
Marketing	185	189
Delivery recoveries	421	205
Other revenue	579	540
Operating lease income (note 23.3)	439	423
Premiums and other insurance income earned	160	263
Other income <sup>9</sup>	57	11
Dividends received from unlisted share investments	144	1
Interest revenue (note 23.4)	544	542
	187 740	171 188
Consisting of:		
Sale of merchandise	184 078	168 030
Other operating income	3 118	2 616
Interest revenue	544	542
	187 740	171 188
<b>23.1 SALE OF MERCHANDISE HAS BEEN DISAGGREGATED AS FOLLOWS:</b>		
Supermarkets RSA	147 368	133 852
Shoprite and Usave	77 874	72 632
Checkers and Checkers Hyper <sup>10</sup>	58 718	53 811
LiquorShop and other <sup>11</sup>	10 776	7 409
Supermarkets Non-RSA	17 067	15 453
Shoprite and Usave	15 722	14 135
Checkers and Checkers Hyper	1 172	1 148
LiquorShop and other	173	170
Furniture	6 723	6 818
RSA	5 302	5 385
Non-RSA	1 421	1 433
Other operating segments	12 920	11 907
Drop-shipment sales to franchisees	6 771	6 327
Other sales	6 149	5 580
Consolidated sale of merchandise	184 078	168 030

<sup>9</sup> Includes insurance claims due to the social unrest. Refer to note 42 for the impact on each individual line item.

<sup>10</sup> Checkers and Checkers Hyper includes sale of merchandise through the Checkers Sixty60 application which is less than 5% of the Group's consolidated sale of merchandise.

<sup>11</sup> LiquorShop and other includes sale of merchandise through LiquorShop Online which is less than 5% of the Group's consolidated sale of merchandise.



## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

		2022 Rm	2021 Rm
<b>23</b>	<b>Revenue continued</b>		
<b>23.2</b>	<b>COMMISSIONS RECEIVED</b>		
	Commission on Computicket ticket sales	136	110
	Commission on money transfers	172	169
	Commission on third-party account and insurance payments	170	162
	Commission on third-party products	229	240
	Other commissions received	280	186
		987	867
<b>23.3</b>	<b>OPERATING LEASE INCOME</b>		
	The Group has entered into various operating lease agreements as the lessor of property.		
	Leases on properties are contracted for periods of between one and 20 years (2021: one and 20 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 6.5% (2021: 9.1%) p.a.		
<b>23.4</b>	<b>INTEREST REVENUE</b>		
	Finance income earned from instalment sale receivables	264	263
	Interest received from government bonds and bills	159	162
	Interest received from associates	56	56
	Interest received other	65	61
		544	542
<b>24</b>	<b>Depreciation and amortisation</b>		
	Property, plant and equipment	2 329	2 238
	Right-of-use assets	3 367	3 232
	Intangible assets	456	380
		6 152	5 850
	Disclosed as cost of sales	(746)	(514)
		5 406	5 336
<b>25</b>	<b>Employee benefits</b>		
	Wages, salaries and other staff benefits	15 283	14 044
	Share-based payment arrangements (note 25.1)	260	201
	Post-employment medical benefits	2	3
	Retirement benefit contributions (note 39)	641	585
		16 186	14 833
	Disclosed as cost of sales	(1 398)	(1 280)
		14 788	13 553
<b>25.1</b>	<b>SHARE-BASED PAYMENT ARRANGEMENTS</b>		
	Cash-settled share-based payments (note 16.1)	46	48
	Equity-settled share-based payments (note 16.2)	214	153
		260	201

		2022 Rm	2021 Rm
<b>25</b>	<b>Employee benefits continued</b>		
<b>25.2</b>	<b>LEARNERSHIP ALLOWANCES</b>		
	The Group has, during the year under review, received certain learnership allowances.		
	<b>Sector Educational Training Authorities (SETA) grants</b>		
	In terms of the SETA grant in South Africa, the Group can recoup Skills Development Levies (SDLs) to the extent that training, as prescribed by SETA, is provided to its employees. The resulting reduction in SDLs is set out below. The net amount is taxed at 28% (2021: 28%).		
	Mandatory grants received	25	18
	Discretionary grants received	22	9
		47	27
	In terms of the Disaster Management Tax Relief Bill 2020, relief was granted to employers in the form of a temporary suspension of the SDLs from 1 August 2021 to 30 November 2021. The Group received no relief (2021: R18 million) for SDLs during the year. This resulted in an increase (2021: reduction) in mandatory grants received for the applicable months of the reporting period.		
<b>25.3</b>	<b>EMPLOYMENT TAX INCENTIVE (ETI)</b>		
	The Group has, during the year under review, received an ETI allowance.		
	<b>Employment tax incentive rebates</b>		
	In terms of the Employment Tax Incentive Act of 2013, the Group can recoup rebates for hiring young work seekers in South Africa. The ETI rebate allowance promulgation has been extended for a further 10 years ending in 2029. The resulting reduction in employee benefit expenses is set out below.		
	Employment tax incentive	411	282
	In terms of the Disaster Management Tax Relief Bill 2020, relief was granted to employers in the form of a change in criteria for qualifying employees from 1 August 2021 to 30 November 2021. This resulted in an increase in the incentive amount received by employers for the applicable months of the current and prior reporting period.		
<b>26</b>	<b>Directors' remuneration</b>		
	Executive Directors	70	57
	Non-executive Directors	20	7
		90	64





Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

26 Directors’ remuneration continued

The only prescribed officers of the Group are listed below.

For details of cash and equity-settled share-based payment instruments issued to Directors refer to note 16.

R'000	Remuneration	Short-term performance bonus	Long-term incentive bonus <sup>12</sup>	Retirement and medical benefits	Other benefits	Total
2022						
Executive Directors and alternates						
PC Engelbrecht	16 671	16 068	14 916	470	301	48 426
A de Bruyn	5 988	4 808	5 512	403	274	16 985
B Harisunker	2 976	1 241	—	—	544	4 761
	25 635	22 117	20 428	873	1 119	70 172
2021						
Executive Directors and alternates						
PC Engelbrecht	16 121	11 984	11 198	463	231	39 997
A de Bruyn	3 955	2 688	2 781	317	264	10 005
B Harisunker	4 246	2 414	—	—	583	7 243
	24 322	17 086	13 979	780	1 078	57 245

R'000	2022					2021		
	Board fees paid for 2021	Committee fees paid for 2021	Board fees paid for 2022	Committee fees paid for 2022	Total	Board fees paid	Committee fees paid	Total
Non-executive Directors <sup>13</sup>								
WE Lucas-Bull (appointed 01/10/2020)	3 810	—	2 642	—	6 452	45	—	45
JF Basson	554	401	384	268	1 607	537	492	1 029
P Cooper (appointed 11/08/2021)	139	22	384	251	796	—	—	—
L de Beer (appointed 11/05/2021)	277	146	384	422	1 229	—	—	—
GW Dempster (appointed 15/11/2021)	—	—	384	134	518	—	—	—
NN Gobodo (appointed 11/05/2021)	277	151	384	347	1 159	—	—	—
EC Kieswetter (resigned 06/05/2019)	—	—	—	—	—	321	392	713
AM le Roux (resignation 15/11/2021)	554	343	—	—	897	537	304	841
MLD Marole (appointed 04/03/2022)	—	—	192	47	239	—	—	—
ATM Mokgokong	957	510	663	380	2 510	1 217	454	1 671
PD Norman (appointment 04/03/2022)	—	—	192	134	326	—	—	—
JA Rock	482	432	334	331	1 579	470	373	843
CH Wiese <sup>14</sup>	554	257	384	407	1 602	1 754	343	2 097
EA Wilton (appointed 11/08/2021)	121	50	365	246	782	—	—	—
	7 725	2 312	6 692	2 967	19 696	4 881	2 358	7 239

12 Long-term incentive bonuses include the grant date fair value of shares granted in terms of the ESP without spreading the expense over the vesting period. Refer to note 16.2 for further details.

13 Non-executive Directors' remuneration reflects approved fees paid during the current year, including VAT as no VAT apportionment is allowed (2021: excluding VAT to the extent that VAT is apportioned to the taxable supplies of the Company). The fees recognised in the current financial year relate to the board and committee meetings held in the prior and current financial year. This is due to both years fees being approved during the November Annual General Meeting and paid in the current year. The prior year fees were actual fees paid during the financial year.

14 Paid to Titan Financial Services (Pty) Ltd.

27 Other operating expenses

	2022 Rm	2021 Rm
Advertising	3 238	2 872
Cleaning	1 080	1 016
Commission paid	1 126	1 003
Electricity and water	3 775	3 463
Fees for professional services	789	662
Motor vehicle expenses	1 357	1 054
Lease expenses (note 18)	736	682
Repairs and maintenance	2 109	1 896
Security services	1 940	1 744
Other expenses	3 401	2 609
	19 551	17 001
Disclosed as cost of sales	(2 225)	(2 073)
	17 326	14 928

28 Items of a capital nature

(Loss)/profit on disposal and scrapping of property (note 3) <sup>15</sup>	(94)	3
Profit on disposal of assets classified as held for sale (note 4)	18	131
Profit on sale and leaseback transaction (note 18)	—	160
Loss on disposal and scrapping of plant and equipment and intangible assets (note 3 and note 6) <sup>15</sup>	(366)	(133)
Impairment of property, plant and equipment (note 3)	(46)	(860)
Impairment of right-of-use assets (note 5)	(88)	(198)
Impairment of intangible assets (note 6)	(12)	(30)
Impairment of investment in associate (note 8)	(23)	—
Insurance claims receivable <sup>15</sup>	582	102
Loss on other investing activities	—	(3)
	(29)	(828)

15 Includes amounts relating to the social unrest. Refer to note 42 for the impact on each individual line item.

29 Operating profit

Determined after taking into account the following:		
Auditors' remuneration or audit services	58	56
Audit services	50	48
Audit-related assurance services	2	2
Tax advisory and compliance services	5	5
Other non-audit services	1	1
Fair value gains on financial instruments	107	95
Policyholder claims and benefits paid	3	6
Claims paid	6	14
Movement in accumulated outstanding claims (note 20)	(3)	(8)

30 Finance costs

Lease liability finance charges	2 646	2 471
Borrowings and other finance charges <sup>16</sup>	387	642
	3 033	3 113
Borrowing costs capitalised	(34)	(18)
	2 999	3 095

16 Comparative figures include breakage cost of R178 million due to a loan being repaid before settlement was due.

## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>31</b>		
<b>Income tax expense</b>		
<b>31.1 CLASSIFICATION</b>		
South African income tax	2 267	2 264
Foreign income tax	289	(23)
	2 556	2 241
<b>31.2 CONSISTING OF:</b>		
Current income tax	2 835	2 496
Prior year income tax	(75)	32
Withholding income tax	59	44
	2 819	2 572
Deferred income tax	(263)	(331)
	2 556	2 241
	<b>%</b>	<b>%</b>
<b>31.3 RECONCILIATION OF THE EFFECTIVE TAX RATE</b>		
South African current income tax at 28% (2021: 28%)	28.0	28.0
Net adjustments	2.8	4.2
Dividend income	(0.5)	—
Tax rate change	1.3	—
Exempt income <sup>17</sup>	(7.4)	(13.1)
Non-deductible expenses <sup>18</sup>	1.6	5.4
Income tax allowances	(0.1)	(0.1)
Deferred income tax assets previously not recognised	0.5	—
Prior year income tax	(0.9)	0.5
Effect of foreign income tax rates	0.7	5.1
Withholding income tax	0.7	0.6
Deferred income tax assets not recognised <sup>19</sup>	6.9	5.8
Effective tax rate	30.8	32.2

17 The majority of exempt income relates to the contribution to the employee share trust, interest and real estate income, which is ring-fenced from corporate income tax in certain countries, as well as employment tax incentives and unrealised foreign exchange gains.

18 Non-deductible expenses mainly comprise amortisations in refurbishments, professional fees, corporate social investment donations and bad debt written off (2021: amortisations in refurbishments, professional fees, corporate social investment donations, bad debt written off and interest on shareholder loans).

19 The increase in deferred income tax assets not recognised, mainly relate to the derecognition of deferred income tax assets previously recognised, where the current economic environment of certain countries deteriorated during the current year to such an extent that it is no longer certain that the accumulated assessed tax losses will be utilised in the future.

## 32 Discontinued operations

### 32.1 RETAIL SUPERMARKETS NIGERIA LTD

In December 2020 the sale agreement to sell the majority stake of the Group's Nigeria subsidiary, Retail Supermarkets Nigeria Ltd was concluded with conditions precedent met in May 2021.

	2022 Rm	2021 Rm
<b>32.1.1 Financial performance and cash flow information</b>		
Profit from discontinued operations		
Sale of merchandise	—	2 536
Gross profit	—	702
Other operating income	5	—
Employee benefits	—	(179)
Other operating expenses	(8)	(382)
Trading (loss)/profit	(3)	141
Exchange rate losses <sup>20</sup>	(14)	(7)
Profit on lease modifications and terminations	—	34
Items of a capital nature	—	26
Operating (loss)/profit	(17)	194
Net finance income/(costs) <sup>20</sup>	5	(26)
(Loss)/profit before income tax	(12)	168
Income tax expense	—	(27)
(Loss)/profit after income tax	(12)	141
Profit on disposal of subsidiary after income tax (note 32.1.2) <sup>21</sup>	33	21
Profit from discontinued operations	21	162
<i>20 Exchange rate losses and net finance income for the current year relates to a bank account denominated in Nigeria naira which holds the proceeds from the sale of Retail Supermarkets Nigeria Ltd.</i>		
<i>21 After the finalisation of the closing date accounts, an additional profit on disposal of subsidiary was recognised.</i>		
Other comprehensive income from discontinued operations		
Foreign currency translation differences from discontinued operations	—	42
Net cash inflows/(outflows) attributable to discontinued operations		
Operating activities	—	253
Investing activities	44	335
Financing activities	—	(205)
Net increase in cash generated by the subsidiary	44	383



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

32 Discontinued operations continued  
32.1 RETAIL SUPERMARKETS NIGERIA LTD CONTINUED  
32.1.2 Details of the disposal of the subsidiary

	2022 Rm	2021 Rm
Consideration received or receivable		
Cash received	—	441
Proceeds receivable in four equal instalments	33	90
Total disposal consideration	33	531
Carrying amount of net assets disposed	—	(63)
Profit on disposal before income tax and reclassification of foreign currency translation reserve	33	468
Reclassification of foreign currency translation reserve	—	(447)
Income tax expense on profit on disposal of subsidiary	—	—
Profit on disposal of subsidiary after income tax	33	21
The carrying amounts of assets and liabilities at the disposal date were as follows:		
Property, plant and equipment	—	281
Right-of-use assets	—	410
Inventories	—	382
Trade and other receivables	—	87
Cash and cash equivalents	—	89
Total assets	—	1 249
Lease liabilities	—	802
Provisions	—	9
Trade and other payables	—	353
Contract liabilities	—	12
Current income tax liabilities	—	10
Total liabilities	—	1 186
Net assets at disposal date	—	63
Net inflow of cash on disposal of investment in subsidiary comprise of the following:		
Cash proceeds on disposal	—	441
Cash and cash equivalents disposed	—	(89)
Cash inflow on disposal of investment in subsidiary	—	352

32 Discontinued operations continued  
32.2 SHOPRITE CHECKERS KENYA LTD

The Group decided to exit the Kenya market and the last store was closed at the end of January 2021. Consequently the results of Shoprite Checkers Kenya Ltd have been classified as discontinued operations in the statement of comprehensive income.

32.2.1 Financial performance and cash flow information

	2022 Rm	2021 Rm
Profit from discontinued operations		
Sale of merchandise	—	113
Gross profit	—	5
Depreciation and amortisation	—	(2)
Other operating income	10	—
Employee benefits	—	(16)
Other operating expenses	(3)	(56)
Trading profit/(loss)	7	(69)
Exchange rate losses	—	(4)
Profit on lease modifications and terminations	—	75
Items of a capital nature	—	20
Operating profit	7	22
Net finance costs	—	(12)
Profit before income tax	7	10
Income tax expense	—	—
Profit after income tax	7	10
Other comprehensive (loss)/income from discontinued operations		
Foreign currency translation differences from discontinued operations <sup>22</sup>	(4)	103
Net cash inflows/(outflows) attributable to discontinued operations		
Operating activities	12	(42)
Investing activities	—	23
Financing activities	—	(263)
Net increase/(decrease) in cash generated by the subsidiary	12	(282)

The cumulative foreign currency translation gains recognised in other comprehensive income in relation to the discontinued operations as at 3 July 2022 were R19 million (2021: R23 million).

22 The subsidiary is in the process of being deregistered and incurs expenses until deregistration.





Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

32 Discontinued operations continued  
32.3 SHOPRITE CHECKERS UGANDA LTD

The agreement to sell the properties, in-store assets and leases of the Group's Uganda subsidiary, Shoprite Checkers Uganda Ltd was concluded with conditions precedent met during the year.

	2022 Rm	2021 Rm
<b>32.3.1 Financial performance and cash flow information</b>		
Profit/(loss) from discontinued operations		
Sale of merchandise	63	399
Gross (loss)/profit	(9)	95
Other operating income	8	25
Depreciation and amortisation	—	(23)
Employee benefits	(6)	(31)
Other operating expenses	(36)	(51)
Trading (loss)/profit	(43)	15
Exchange rate (losses)/gains	(1)	1
Profit on lease modifications and terminations	46	—
Items of a capital nature	17	(28)
Operating profit/(loss)	19	(12)
Net finance costs	(2)	(4)
Profit/(loss) before income tax	17	(16)
Income tax expense	(4)	(5)
Profit/(loss) after income tax	13	(21)
Other comprehensive (loss)/income from discontinued operations		
Foreign currency translation differences from discontinued operations	(6)	10
Net cash inflows/(outflows) attributable to discontinued operations		
Operating activities	3	52
Investing activities	90	(17)
Financing activities	(4)	(12)
Net increase in cash generated by the subsidiary	89	23
<b>32.3.2 Details of the disposal of the properties, in-store assets and leases included in items of a capital nature</b>		
Consideration received or receivable		
Cash received	90	—
Proceeds receivable in one final payment	38	—
Total disposal consideration	128	—
Carrying amount of net assets disposed	(133)	—
Loss on disposal of the properties, in-store assets and leases	(5)	—
The carrying amounts of assets and liabilities at the disposal date were as follows:		
Property, plant and equipment	110	—
Inventories	23	—
Total assets at disposal date	133	—
<b>32.3.3 Assets and liabilities of disposal group classified as held for sale</b>		
The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation:		
Property, plant and equipment	—	99
Right-of-use assets	—	54
Inventories	—	45
Total assets of disposal group classified as held for sale	—	198
Lease liabilities	—	100
Total liabilities of disposal group directly associated with assets classified as held for sale	—	100

The cumulative foreign currency translation losses recognised in other comprehensive income in relation to the discontinued operations as at 3 July 2022 were R56 million (2021: R50 million).

32 Discontinued operations continued  
32.4 SHOPRITE MADAGASCAR S.A.

At the end of the previous financial year the Group received a non-binding offer for the in-store assets and leases of the Group's Madagascar subsidiary. Subsequently terms of the sale transaction was amended to sell the entire shareholding and the agreement was concluded on 31 January 2022 with conditions precedent already being met.

	2022 Rm	2021 Rm
<b>32.4.1 Financial performance and cash flow information</b>		
Loss from discontinued operations		
Sale of merchandise	296	543
Gross profit	56	88
Other operating income	1	—
Depreciation and amortisation	—	(16)
Employee benefits	(14)	(28)
Other operating expenses	(24)	(36)
Trading profit	19	8
Exchange rate gains	1	—
Loss on lease modifications and terminations	(1)	—
Items of a capital nature	—	(11)
Operating profit/(loss)	19	(3)
Net finance costs	(2)	(2)
Profit/(loss) before income tax	17	(5)
Income tax expense	(1)	(3)
Profit/(loss) after income tax	16	(8)
Loss on disposal of subsidiary after income tax (note 32.4.2)	(47)	—
Loss from discontinued operations	(31)	(8)
Other comprehensive income/(loss) from discontinued operations		
Foreign currency translation differences from discontinued operations	2	(1)
Net cash (outflows)/inflows attributable to discontinued operations		
Operating activities	(24)	37
Investing activities	31	(2)
Financing activities	(8)	(9)
Net (decrease)/increase in cash generated by the subsidiary	(1)	26

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>32 Discontinued operations continued</b>		
<b>32.4 SHOPRITE MADAGASCAR S.A. CONTINUED</b>		
<b>32.4.2 Details of the disposal of the subsidiary</b>		
Cash received	5	—
Carrying amount of net assets disposed	(34)	—
Loss on disposal before reclassification of foreign currency translation reserve and income tax	(29)	—
Reclassification of foreign currency translation reserve	(18)	—
Income tax expense on loss on disposal of subsidiary	—	—
Loss on disposal of subsidiary after income tax	(47)	—
The carrying amounts of assets and liabilities at the disposal date were as follows:		
Property, plant and equipment	37	—
Right-of-use assets	28	—
Inventories	43	—
Trade and other receivables	5	—
Cash and cash equivalents	26	—
Total assets	139	—
Lease liabilities	26	—
Borrowings	31	—
Provisions	1	—
Trade and other payables	45	—
Contract liabilities	2	—
Total liabilities	105	—
Net assets at disposal date	34	—
Net outflow of cash on disposal of investment in subsidiary comprise of the following:		
Cash proceeds on disposal	5	—
Cash and cash equivalents disposed	(26)	—
Cash outflow on disposal of investment in subsidiary	(21)	—
<b>32.4.3 Assets and liabilities of disposal group classified as held for sale</b>		
The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation:		
Property, plant and equipment	—	34
Right-of-use assets	—	22
Inventories	—	60
Total assets of disposal group classified as held for sale	—	116
Lease liabilities	—	28
Total liabilities of disposal group directly associated with assets classified as held for sale	—	28
The cumulative foreign currency translation losses recognised in other comprehensive income in relation to the discontinued operations as at 4 July 2021 were R19 million.		

33 Earnings per share

	Gross Rm	Income tax effect Rm	Net Rm
<b>2022</b>			
Net profit attributable to owners of the parent			5 711
Profit from discontinued operations			(10)
Earnings from continuing operations			5 701
Loss on disposal and scrapping of property (note 3) <sup>23</sup>	94	(26)	68
Profit on disposal of assets classified as held for sale (note 4)	(18)	5	(13)
Loss on disposal and scrapping of plant and equipment and intangible assets (note 3 and note 6) <sup>23</sup>	366	(102)	264
Impairment of property, plant and equipment (note 3)	46	(4)	42
Impairment of right-of-use assets (note 5)	88	(15)	73
Impairment of intangible assets (note 6)	12	(3)	9
Impairment of investment in associate	23	—	23
Insurance claims receivable <sup>23</sup>	(582)	163	(419)
Headline earnings from continuing operations	29	18	5 748
Profit from discontinued operations			10
Income of a capital nature from discontinued operations	(3)	—	(3)
Headline earnings	26	18	5 755

23 Includes amounts relating to the social unrest. Refer to note 42 for the impact on each individual line item.

<b>2021</b>			
Net profit attributable to owners of the parent			4 841
Profit from discontinued operations			(143)
Earnings from continuing operations			4 698
Profit on disposal and scrapping of property (note 3)	(3)	1	(2)
Profit on disposal of assets classified as held for sale (note 4)	(131)	23	(108)
Profit on sale and leaseback transaction (note 18)	(160)	(32)	(192)
Loss on disposal and scrapping of plant and equipment and intangible assets (note 3 and note 6)	133	(36)	97
Impairment of property, plant and equipment (note 3)	860	(186)	674
Impairment of right-of-use assets (note 5)	198	(42)	156
Impairment of intangible assets (note 6)	30	—	30
Insurance claims receivable	(102)	22	(80)
Loss on other investing activities	3	—	3
Headline earnings from continuing operations	828	(250)	5 276
Profit from discontinued operations			143
Income of a capital nature from discontinued operations	(28)	—	(28)
Headline earnings	800	(250)	5 391

	2022 '000	2021 '000
<b>Number of ordinary shares</b>		
– In issue	542 513	548 174
– Weighted average	544 910	551 672
– Weighted average adjusted for dilution	548 503	553 856
Reconciliation of weighted average number of ordinary shares in issue during the year:		
Weighted average number of ordinary shares	544 910	551 672
Adjustments for dilutive potential of full share grants	3 593	2 184
Weighted average number of ordinary shares for diluted earnings per share	548 503	553 856



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

33 Earnings per share continued

Earnings per share (cents)	2022			2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
– Basic earnings	1 046.5	1.8	1 048.3	851.6	25.9	877.5
– Diluted earnings	1 039.7	1.8	1 041.5	848.2	25.8	874.0
– Basic headline earnings	1 055.0	1.3	1 056.3	956.3	20.8	977.1
– Diluted headline earnings	1 048.1	1.3	1 049.4	952.5	20.7	973.2

34 Dividends per share  
34.1 DIVIDENDS PER SHARE PAID

No. 145 paid 4 October 2021 (2021: No. 143 paid 5 October 2020)  
No. 146 paid 11 April 2022 (2021: No. 144 paid 12 April 2021)

	2022 cents	2021 cents
	353.0	227.0
	233.0	191.0
	586.0	418.0

34.2 DIVIDENDS PER SHARE DECLARED

No. 147 payable 3 October 2022 (2021: No. 145 paid 4 October 2021)

	367.0	353.0
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35 Cash flow information  
35.1 NON-CASH ITEMS

Depreciation of property, plant and equipment  
Depreciation of right-of-use assets  
Amortisation of intangible assets  
Credit impairment losses on loans receivable and government bonds and bills  
Net fair value gains on financial instruments  
Exchange rate losses  
Profit on lease modifications and terminations  
Loss/(profit) on disposal and scrapping of property  
Profit on disposal of assets classified as held for sale  
Profit on sale and leaseback transaction  
Loss on disposal and scrapping of plant and equipment and intangible assets  
Insurance recovery for property, plant and equipment relating to social unrest  
Impairment of property, plant and equipment  
Impairment of right-of-use assets  
Impairment of intangible assets  
Impairment of investment in associate  
Loss/(profit) on disposal of discontinued operations  
Movement in provisions  
Movement in cash-settled share-based payment accrual  
Movement in share-based payment reserve  
Movement in fixed escalation operating lease accruals

	Rm	Rm
	2 329	2 260
	3 367	3 249
	456	382
	85	191
	(107)	(95)
	274	37
	(111)	(296)
	94	(3)
	(18)	(131)
	—	(160)
	366	162
	(571)	—
	46	863
	88	209
	12	30
	23	—
	47	(21)
	(12)	134
	47	48
	213	153
	5	6
	6 633	7 018

35.2 CHANGES IN WORKING CAPITAL

Inventories  
Trade and other receivables  
Trade and other payables  
Contract liabilities

	(2 827)	(166)
	(665)	84
	1 615	(182)
	116	27
	(1 761)	(237)

35 Cash flow information continued  
35.3 DIVIDENDS PAID

Shareholders for dividends at the beginning of the year  
Dividends distributed to equity holders  
Dividends distributed to non-controlling interest  
Shareholders for dividends at the end of the year

	2022 Rm	2021 Rm
	(11)	(8)
	(3 218)	(2 320)
	(13)	(13)
	14	11
	(3 228)	(2 330)

35.4 INCOME TAX PAID

Payable at the beginning of the year  
Per statement of comprehensive income  
Income tax expense from discontinued operations  
Transfer from assets classified as held for sale (note 4)  
Foreign currency translation differences  
Disposal of discontinued operations  
(Prepaid)/payable at the end of the year

	(58)	(1 001)
	(2 819)	(2 572)
	(5)	(35)
	—	4
	22	21
	—	10
	(108)	58
	(2 968)	(3 515)

36 Contingent assets and liabilities

Contingent assets (note 36.1)  
Contingent liabilities (note 36.2)

	367	—
	1 008	677

36.1 CONTINGENT ASSETS

Contingent assets relate to insurance claims receivable resulting from the social unrest which have not been recorded due to its recoverability having been assessed not to be virtually certain at the reporting date. Refer to note 42.

36.2 CONTINGENT LIABILITIES

36.2.1 Amounts arising in the ordinary course of business relating to property transactions, uncertain tax positions and other transactions from which it is anticipated that no material liabilities will arise.

The increase in contingent liabilities from the previous year is primarily a result of additional tax assessments received from certain tax authorities where the Group traded. Management has assessed the merits of each of these cases in close collaboration with the Group's external advisors and remain confident that these assessments leading to additional payments have been adequately provided for. Where these payments are considered not probable, these are disclosed as contingent liabilities.

36.2.2 In 2011, AIC Ltd (the Claimant), a company registered in the Federal Republic of Nigeria issued a summons against Shoprite Checkers (Pty) Ltd and Retail Supermarkets Nigeria Ltd in the Federal High Court of Nigeria for breach of a joint venture agreement (the JV Agreement) allegedly concluded during 1998. In its judgement, on 30 November 2017, damages in the sum of US\$10 million plus interest at a rate of 10% per annum effective from the date of judgement until final liquidation of the entire sum were awarded. An appeal against the judgement was heard by the Court of Appeal which, in its judgement dated 21 May 2020, allowed the appeal by Retail Supermarkets Nigeria Ltd but dismissed the appeal by Shoprite Checkers (Pty) Ltd. Based on legal advice, a Notice of Appeal has been filed against the judgement to the Supreme Court of Appeal.

The Group considers it to be probable that the judgement will be in its favour, based on legal advice, and has therefore not recognised a provision in relation to this claim.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>37 Commitments</b>		
<b>37.1 CAPITAL COMMITMENTS</b>		
Contracted for property, plant and equipment	1 805	1 237
Contracted for intangible assets	50	17
Authorised by Directors, but not contracted for	4 251	3 496
Total capital commitments	6 106	4 750
Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
<b>37.2 OPERATING LEASE RECEIVABLES</b>		
Future minimum lease payments receivable under non-cancellable operating leases:		
– Not later than one year	342	331
– Later than one year, not later than two years	237	219
– Later than two years, not later than three years	131	126
– Later than three years, not later than four years	73	76
– Later than four years, not later than five years	33	37
– Later than five years	18	30
	834	819
Less: fixed escalation operating lease accruals	(43)	(47)
	791	772
<b>38 Borrowing powers</b>		
In terms of the Memorandum of Incorporation of the Company, the borrowing powers of Shoprite Holdings Ltd are unlimited.		
<b>39 Post-employment benefits</b>		
Group companies provide post-employment benefits in accordance with the local conditions and practices in the countries in which they operate.		
The Group provides retirement benefits to 79.5% (2021: 81.4%) of employees and 6.6% (2021: 7.5%) of the employees belong to national retirement plans. The monthly contributions are charged to the statement of comprehensive income.		
All company funds are defined contribution funds. All South African funds are subject to the Pension Fund Act of 1956.		
During the year under review contributions to retirement funding have been calculated as:	641	585

<b>40 Risk management and financial instrument disclosure</b>	<p>The Board is accountable for the process of risk management, establishing appropriate risk and control policies, and communicating these throughout the Group. The Group's risk management policies are designed to identify risks faced by the Group and establish appropriate controls and limits to mitigate the risk to acceptable levels. The Audit and Risk Committee oversees how management monitors compliance with these risk and control policies.</p> <p>This note discloses information about the Group's capital risk management and exposure to risks from its use of financial instruments. It also discloses information about the Group's exposure to insurance risk and how it is mitigated.</p>
<b>40.1 CAPITAL RISK MANAGEMENT</b>	<p>The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is considered to be equity as shown in the statement of financial position.</p> <p>In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The gearing ratio is calculated as interest-bearing borrowings and lease liabilities divided by equity and was 144.9% (2021: 155.6%) at the reporting date.</p> <p>The Group is currently maintaining a 1.75 times dividend cover based on diluted headline earnings per share from continuing operations.</p>
<b>40.2 FAIR VALUE OF FINANCIAL INSTRUMENTS</b>	<p>All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:</p> <p><b>Level 1:</b> Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.</p> <p><b>Level 2:</b> Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).</p> <p><b>Level 3:</b> Measurements are done by reference to inputs that are not based on observable market data.</p> <p>The Group's investment in Centriq Insurance Company Ltd first-party cell captive insurance arrangements are measured at fair value and classified at level 3 (refer to note 9.2). The fair value is based on the net asset value of the insurance cells at the statement of financial position date. There were no transfers between levels 1 and 2 during the year.</p> <p>All other financial instruments held by the Group are measured at amortised cost. The fair value of these financial instruments is calculated using cash flows discounted at a rate based on the market related borrowings rate as indicated.</p> <p>The following tables reflect the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy, at the reporting date. It does not include inputs used to determine the fair value of financial assets and financial liabilities not measured at fair value of financial instruments classified at level 3. Fair value disclosures are not presented for lease liabilities, as this is not a requirement in terms of IFRS 7: Financial Instruments: Disclosures.</p>



## Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

## 40 Risk management and financial instrument disclosure continued

### 40.2 FAIR VALUE OF FINANCIAL INSTRUMENTS CONTINUED

	Notes	Carrying amount				Fair value			
		Financial assets at amortised cost Rm	Financial assets at fair value through profit or loss Rm	Financial liabilities at amortised cost Rm	Total Rm	Level 2 Rm	Level 3 Rm	Total Rm	Borrowing rate used
<b>2022</b>									
<b>Financial asset measured at fair value</b>									
First-party cell captive contracts	9.2	—	181	—	181	—	181	181	
<b>Financial assets not measured at fair value</b>									
Government bonds and bills		1 337	—	—	1 337	1 254	—	1 254	
AOA, USD Index Linked, Angola Government Bonds	10.1	739	—	—	739	593	—	593	21.7%
AOA, Angola Government Bonds	10.2	598	—	—	598	661	—	661	16.5%
Loans receivable		2 019	—	—	2 019	2 009	—	2 009	
Shareholder loan receivable from Resilient Africa (Pty) Ltd	11.1.1	263	—	—	263	252	—	252	4.5%
Other amounts receivable from Resilient Africa (Pty) Ltd	11.1.2	738	—	—	738	716	—	716	4.9%
Amounts receivable from franchisees	11.2	612	—	—	612	661	—	661	8.3%
Amounts receivable from Circle Mall Mauritius Ltd	11.3	224	—	—	224	205	—	205	4.9%
Amounts receivable from Kin Oasis Investments Ltd	11.4	145	—	—	145	138	—	138	4.9%
Other		37	—	—	37	37	—	37	
Instalment sale receivables <sup>24</sup>		1 055	—	—	1 055	—	1 055	1 055	
Trade receivables from contracts with customers <sup>24</sup>		2 142	—	—	2 142	—	2 142	2 142	
Other receivables excluding prepayments and taxes receivable <sup>24</sup>		1 200	—	—	1 200	—	1 200	1 200	
Net investment in lease receivables <sup>24</sup>		326	—	—	326	—	326	326	
Restricted cash <sup>24</sup>		300	—	—	300	—	300	300	
Cash and cash equivalents <sup>24</sup>		10 665	—	—	10 665	—	10 665	10 665	
Total financial assets		19 044	181	—	19 225	3 263	15 869	19 132	
<b>Financial liabilities not measured at fair value</b>									
Borrowings		—	—	5 512	5 512	6 569	—	6 569	
ABSA Bank Ltd	19.2	—	—	1 001	1 001	1 267	—	1 267	8.1%
FirstRand Bank Ltd	19.3	—	—	1 501	1 501	1 862	—	1 862	8.0%
Standard Bank Ltd	19.4	—	—	2 004	2 004	2 440	—	2 440	7.9%
ABSA Bank Ltd	19.5	—	—	539	539	534	—	534	3.5%
Standard Chartered Bank (Mauritius) Ltd	19.6	—	—	165	165	165	—	165	4.5%
Stanbic Bank Botswana Ltd	19.7	—	—	302	302	301	—	301	6.6%
Trade payables <sup>25</sup>		—	—	14 204	14 204	—	14 204	14 204	
Other payables and accruals excluding taxes payable and employee benefit accruals <sup>25</sup>		—	—	4 223	4 223	—	4 223	4 223	
Deposits and third-party payments liability <sup>25</sup>		—	—	528	528	—	528	528	
Refund liability <sup>25</sup>		—	—	55	55	—	55	55	
Contract liabilities <sup>25</sup>		—	—	991	991	—	991	991	
Bank overdrafts <sup>25</sup>		—	—	4 998	4 998	—	4 998	4 998	
Total financial liabilities excluding lease liabilities		—	—	30 511	30 511	6 569	24 999	31 568	
Lease liabilities	18	—	—	31 623	31 623	—	—	—	
Total financial liabilities		—	—	62 134	62 134	—	—	—	

<sup>24</sup> The maximum exposure to credit risk at the reporting date is the carrying amount which approximates fair value due to the short-term nature of these current receivables.

<sup>25</sup> The carrying amount approximates fair value due to the short-term nature of these current payables.

## 40 Risk management and financial instrument disclosure continued

### 40.2 FAIR VALUE OF FINANCIAL INSTRUMENTS CONTINUED

	Notes	Carrying amount				Fair value			
		Financial assets at amortised cost Rm	Financial assets at fair value through profit or loss Rm	Financial liabilities at amortised cost Rm	Total Rm	Level 2 Rm	Level 3 Rm	Total Rm	Borrowing rate used
<b>2021</b>									
<b>Financial asset measured at fair value</b>									
First-party cell captive contracts	9.2	—	132	—	132	—	132	132	
<b>Financial assets not measured at fair value</b>									
Government bonds and bills		1 494	—	—	1 494	1 524	—	1 524	
AOA, USD Index Linked, Angola Government Bonds	10.1	876	—	—	876	883	—	883	3.6%
AOA, Angola Government Bonds	10.2	560	—	—	560	580	—	580	20.5%
Angola Treasury Bills	10.3	58	—	—	58	61	—	61	17.4%
Loans receivable		1 902	—	—	1 902	1 891	—	1 891	
Shareholder loan receivable from Resilient Africa (Pty) Ltd	11.1.1	342	—	—	342	328	—	328	4.2%
Other amounts receivable from Resilient Africa (Pty) Ltd	11.1.2	653	—	—	653	651	—	651	2.6%
Amounts receivable from franchisees	11.2	578	—	—	578	578	—	578	7.3%
Amounts receivable from Circle Mall Mauritius Ltd	11.3	200	—	—	200	203	—	203	2.6%
Amounts receivable from Kin Oasis Investments Ltd	11.4	129	—	—	129	131	—	131	3.0%
Instalment sale receivables <sup>26</sup>		901	—	—	901	—	901	901	
Trade receivables from contracts with customers <sup>26</sup>		1 999	—	—	1 999	—	1 999	1 999	
Other receivables excluding prepayments and taxes receivable <sup>26</sup>		813	—	—	813	—	813	813	
Cash and cash equivalents <sup>26</sup>		7 950	—	—	7 950	—	7 950	7 950	
Total financial assets		15 059	132	—	15 191	3 415	11 795	15 210	
<b>Financial liabilities not measured at fair value</b>									
Borrowings		—	—	5 279	5 279	5 712	—	5 712	
ABSA Bank Ltd	19.2	—	—	2 000	2 000	2 184	—	2 184	5.4%
FirstRand Bank Ltd	19.3	—	—	2 004	2 004	2 255	—	2 255	5.7%
ABSA Bank Ltd	19.5	—	—	335	335	335	—	335	2.0%
Standard Chartered Bank (Mauritius) Ltd	19.6	—	—	656	656	655	—	655	4.0%
Stanbic Bank Botswana Ltd	19.7	—	—	284	284	283	—	283	6.0%
Trade payables <sup>27</sup>		—	—	12 651	12 651	—	12 651	12 651	
Other payables and accruals excluding taxes payable and employee benefit accruals <sup>27</sup>		—	—	3 900	3 900	—	3 900	3 900	
Deposits and third-party payments liability <sup>27</sup>		—	—	488	488	—	488	488	
Refund liability <sup>27</sup>		—	—	51	51	—	51	51	
Contract liabilities <sup>27</sup>		—	—	873	873	—	873	873	
Bank overdrafts <sup>27</sup>		—	—	1 221	1 221	—	1 221	1 221	
Total financial liabilities excluding lease liabilities		—	—	24 463	24 463	5 712	19 184	24 896	
Lease liabilities	18 & 32	—	—	27 850	27 850	—	—	—	
Total financial liabilities		—	—	52 313	52 313	—	—	—	

<sup>26</sup> The maximum exposure to credit risk at the reporting date is the carrying amount which approximates fair value due to the short-term nature of these current receivables.

<sup>27</sup> The carrying amount approximates fair value due to the short-term nature of these current payables.

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40.3

Risk management and financial instrument disclosure continued

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The table below reflects those financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

	Financial assets			Financial liabilities		
	Trade receivables Rm	Cash and cash equivalents Rm	Total assets Rm	Trade payables Rm	Bank overdrafts Rm	Total liabilities Rm
2022						
Gross amounts of recognised financial assets/(liabilities)	3 656	11 389	15 045	(15 718)	(5 722)	(21 440)
Gross amounts of recognised financial assets/(liabilities) offset in the statement of financial position	(1 514)	(724)	(2 238)	1 514	724	2 238
Net amounts of financial assets/(liabilities) presented in the statement of financial position	2 142	10 665	12 807	(14 204)	(4 998)	(19 202)
Related amounts not offset in the statement of financial position <sup>28</sup>						
Financial instruments	(97)	—	(97)	97	—	97
Net amounts	2 045	10 665	12 710	(14 107)	(4 998)	(19 105)
2021						
Gross amounts of recognised financial assets/(liabilities)	3 696	8 383	12 079	(14 348)	(1 654)	(16 002)
Gross amounts of recognised financial assets/(liabilities) offset in the statement of financial position	(1 697)	(433)	(2 130)	1 697	433	2 130
Net amounts of financial assets/(liabilities) presented in the statement of financial position	1 999	7 950	9 949	(12 651)	(1 221)	(13 872)
Related amounts not offset in the statement of financial position <sup>28</sup>						
Financial instruments	(98)	—	(98)	98	—	98
Net amounts	1 901	7 950	9 851	(12 553)	(1 221)	(13 774)

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

40.4

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange rate contracts and price swap contracts as economic hedges, to hedge certain exposures. Where all relevant criteria are met, hedge accounting is applied, using non-derivative financial instruments, to remove the accounting mismatch between the hedging instrument and the hedged item.

Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

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40.4

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1

Credit risk

Credit risk is managed on a Group basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Potential concentration of credit risk consists primarily of investment in insurance cell captive arrangements, government bonds and bills, loans receivable, trade and other receivables, restricted cash as well as cash and cash equivalents.

The following impairment losses, including reversals of impairment losses, in relation to financial assets are presented as credit impairment losses in the statement of comprehensive income:

	2022 Rm	2021 Rm
Instalment sale receivables from contracts with customers (note 13.2)	120	62
Trade receivables from contracts with customers (note 13.1)	6	5
Government bonds and bills (note 10)	(35)	17
Loans receivable (note 11)	120	174
Other receivables (note 13.3)	(38)	(36)
Net impairment losses on financial assets	173	222

Of the previously mentioned impairment losses, R126 million (2021: R67 million) relate to receivables arising from contracts with customers.

The Group's financial assets measured at amortised cost are subject to impairment under the ECL model. The inputs, assumptions and estimation techniques used in measuring ECL are explained below.

Measurement of ECL in terms of the general model for impairment

ECL are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk (SICR) has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the probability of default (PD) and exposure at default (EAD).

- The PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- The EAD is based on the amounts the Group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD).
- The Group calculates loss given default (LGD) as discounted EAD.

These three components are multiplied together. This effectively calculates the ECL which is then discounted back to the reporting date, using the original effective interest rate, and aggregated. ECL is a probability-weighted outcome.

The 12-month and lifetime EADs are determined based on the PD, which varies by type of financial asset.

SICR in terms of the general model for impairment

The Group considers financial assets subject to assessment for ECL in terms of the general model for impairment, to have experienced a SICR since the time of initial recognition, when one or more of the following quantitative, qualitative or backstop criteria have been met. The SICR assessment happens on a bi-annual basis per financial asset class, at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

Quantitative criteria

Where the counterparty has not met its minimum contractual obligations for at least one month.



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40.4

40.4.1

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

Qualitative criteria

The Group considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Internal and external credit ratings;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- Changes in general economic and/or market conditions;
- Changes in the amount of financial support available to the counterparty;
- Expected or potential breaches of covenants; and
- Expected delay in payment.

A backstop is applied if the borrower is more than 30 days past due on its contractual payments.

Measurement of ECL in terms of the simplified model

The Group has elected to apply the simplified model and measures the impairment allowance at an amount equal to lifetime ECL. This policy has been applied to all instalment sale and net investment in lease receivables. Lifetime ECL are assessed by determining cash flows on a probability-weighted basis and discounting these at the effective interest rate including initiation fees.

The probability-weighted cash flows are calculated using the following:

- Transition matrix and conditional probabilities; and
- Payment performance for each payment state.

Measurement of ECL in terms of the provision matrix

For short-term trade receivables, e.g. trade receivables without a significant financing component, the determination of forward-looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses. The Group has elected to apply the provision matrix for trade receivables without a significant financing component and measures the impairment allowance at an amount equal to lifetime ECL. Lifetime ECL are assessed by applying the relevant loss rates to the trade receivable balances outstanding (i.e. a trade receivable age analysis). Due to the diversity of the Group's customer base, the Group used appropriate groupings if the historical credit loss experience showed significantly different loss patterns for different customer segments.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default when the counterparty fails to make contractual payments within 90 days of when they fall due. This is fully aligned with the definition of credit-impaired assets.

With regard to credit-impaired accounts, interest income is recognised by applying the effective interest rate to the amortised cost, i.e. gross carrying amount less impairment provision, resulting in lower interest revenue.

The criteria for credit-impaired accounts (i.e. when the account moves to stage 3 as a result of loss events that have occurred after initial recognition) are as follows:

Receivables arising from contracts with customers:

- *In duplum* (the National Credit Act section providing that all charges ceases to accrue once the sum of the charges equals the amount of capital outstanding at the time);
- Debt counselling accounts (as governed by the National Credit Act);
- Non-performing accounts; and
- As a backstop, accounts not included in the above categories, where no payment has been received over the last three consecutive months.

Government bonds and bills and loans receivable:

- Significant financial difficulty of the counterparty;
- Where a counterparty has not met their minimum contractual obligations; and
- The disappearance of an active market for that financial asset because of financial difficulties.

Other receivables:

Where a counterparty has not met their minimum contractual obligations for three consecutive months.

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40.4

40.4.1

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

Curing

A credit-impaired account will cure when the customer does not meet the criteria for being a credit-impaired account. For a customer to cure, a significant improvement in the customer's payment behaviour is required. Curing occurs in the following instances:

Government bonds and bills:

When the outlook on the Angolan economy, according to major rating agencies, improves from negative to being stable or positive. This typically happens when the external credit rating improves from initial recognition or the previous reporting period from a rating below BBB- to a rating between AAA and BBB-.

Loans receivable:

Where no payment has been received in the last three consecutive months, it will cure once in receipt of payment. If a loan receivable was determined to be credit-impaired, based on the significant difficulty of the counterparty, it will cure once there is clear evidence of financial stability from the counterparty.

Instalment sale receivables:

- Where no payment has been received in the last three consecutive months, it will cure once in receipt of payment.
- Accounts in debt counselling will cure when the customer is no longer in debt counselling in terms of the requirements of the National Credit Act.
- Non-performing accounts will only cure when their lifetime payment rating improves to the extent that the customer has paid 55% or more of the amounts due over the contract period. Generally, this will require a significant improvement in the customer's payment behaviour.

Trade receivables:

- *In duplum* accounts will cure when they no longer meet the requirements of the National Credit Act for being defined as an *in duplum* account.
- Where no payment has been received in the last three consecutive months, it will cure once in receipt of a payment.

Other receivables:

Where no payment has been received in the last three consecutive months, it will cure once in receipt of a payment.

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. This is usually the case when the Group's in-house collection department and external collection companies which supplement the Group's collection activities are unable to recover outstanding balances.

a) Government bonds and bills (note 10)

The Group invests in Angola government bonds and treasury bills as part of its hedging strategy against a future foreign exchange devaluation in Angola. The majority of the government bonds are linked to the US dollar, which provides a natural hedge against US dollar short-term intergroup loans payable by the Group's subsidiaries in Angola, while the remaining government bonds and bills provide high returns.

None of the government bonds and bills are past due. The Group does not hold any collateral as security.

The table below reflects the maximum exposure to credit risk on government bonds and bills at the reporting date.

			2022				2021			
Internal credit rating category	Basis for recognition of ECL allowance	Financial instrument class	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
Under-performing (stage 2)	Lifetime ECL	AOA, USD Index Linked, Angola Government Bonds	4.8%	776	(37)	739	3.9%	912	(36)	876
		AOA, Angola Government Bonds	5.4%	632	(34)	598	4.9%	589	(29)	560
		Angola Treasury Bills	0.0%	—	—	—	6.5%	62	(4)	58
		Total government bonds and bills		1 408	(71)	1 337		1 563	(69)	1 494

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

40 Risk management and financial instrument disclosure continued

40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

a) Government bonds and bills (note 10) continued

Internal credit rating categories are defined as follows with reference to external credit ratings published by Standard & Poor's for Angola:

- **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows based on external credit ratings ranging between AAA and A+.
- **Underperforming (stage 2):** Investments for which there is a SICR. External credit ratings deteriorated from being internally classified as performing to between A and BBB-.
- **Non-performing (stage 3):** Interest and/or principal repayments are 90 days past due.

Reconciliation of loss allowance for government bonds and bills:

	Under-performing (stage 2)	
	2022 Rm	2021 Rm
Balance at the beginning of the year	69	71
New financial assets originated or purchased during the year	1	76
Unused amounts reversed	(36)	(59)
Foreign currency translation differences	37	(19)
Balance at the end of the year	71	69

Specific assumptions and judgements applied in the calculation of ECL of government bonds and bills in terms of the general model for impairment are detailed below.

The PD represents the likelihood of the Angola Government defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. The underlying PD (including their term structure) used to construct the estimates of PD are sourced from Moody's publications of historical default ratings for sovereign debt and no adjustments are made to these historical PD.

It is assumed that Angola will have a through-the-cycle (TTC) performance and therefore the Group made no macroeconomic adjustment to the ECL allowance for government bonds and bills. A flat LGD assumption of 40% was applied across all bonds and time periods. This is in line with historical statistics that are available from Moody's publications for comparable instruments. The PD curves are built on the credit ratings published by Standard & Poor's for Angola.

40 Risk management and financial instrument disclosure continued

40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

b) Loans receivable (note 11)

The Group provides financing to trading partners, such as franchisees and certain landlords in countries outside South Africa to enable the Group to secure strategic sites as anchor tenant. Collateral held by the Group as security for these loans receivable is disclosed below.

The Group does not hold any collateral as security for the South Africa rand denominated shareholder loan receivable from Resilient Africa (Pty) Ltd (refer to note 11.1.1). The Group manages its credit risk by holding share pledges and cession agreements in the underlying subsidiaries of Resilient Africa (Pty) Ltd as collateral for the US dollar denominated loan receivable (refer to note 11.1.2).

Circle Mall Mauritius Ltd's holding company provided a guarantee and indemnity for 50% of the loan amount which is in turn secured by a pledge of 100% of the shareholding in Circle Mall Mauritius Ltd to the Group (refer to note 11.3).

Kin Oasis Investments Ltd's holding company, Kinois Investments Ltd, provided a guarantee and indemnity for 100% of all present and future payment obligations and liabilities which is in turn secured by a pledge of 60% of the shareholding in Kin Oasis Investments Ltd to the Group (refer to note 11.4).

Amounts receivable from franchisees relate to a wide-spread number of franchisees which are individually insignificant. The credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R742 million (2021: R600 million) are held as collateral for these amounts. Amounts are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis.

The table below reflects the maximum exposure to credit risk on loans receivable at the reporting date.

Internal credit rating category	Basis for recognition of ECL allowance	Financial instrument class	2022				2021			
			ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
Performing (stage 1)	12-month ECL	Amounts receivable from franchisees	0.0%	148	—	148	0.0%	199	—	199
		Amounts receivable from Circle Mall Mauritius Ltd	3.4%	232	(8)	224	2.9%	206	(6)	200
		Amounts receivable from Kin Oasis Investments Ltd	11.6%	164	(19)	145	11.6%	146	(17)	129
		Other	0.0%	37	—	37	0.0%	—	—	—
Under-performing (stage 2)	Lifetime ECL	Shareholder loan receivable from Resilient Africa (Pty) Ltd	53.0%	560	(297)	263	35.2%	528	(186)	342
		Other amounts receivable from Resilient Africa (Pty) Ltd	0.0%	738	—	738	0.0%	653	—	653
		Amounts receivable from franchisees	0.0%	66	—	66	0.0%	85	—	85
Non-performing (stage 3)	Lifetime ECL	Amounts receivable from franchisees	11.0%	447	(49)	398	18.1%	359	(65)	294
Total loans receivable				2 392	(373)	2 019		2 176	(274)	1 902

Internal credit rating categories are defined as follows:

- **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
- **Underperforming (stage 2):** Loans for which there is a SICR. A SICR is presumed if interest and/or principal repayments are 30 days past due.
- **Non-performing (stage 3):** Interest and/or principal repayments are 60 days past due.



40 Risk management and financial instrument disclosure continued

40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

b) Loans receivable (note 11) continued

Reconciliation of loss allowance for loans receivable:

	2022				2021			
	Performing (stage 1) Rm	Under- performing (stage 2) Rm	Non- performing (stage 3) Rm	Total loans receivable Rm	Performing (stage 1) Rm	Under- performing (stage 2) Rm	Non- performing (stage 3) Rm	Total loans receivable Rm
Balance at the beginning of the year	23	186	65	274	1	60	42	103
New financial assets originated or purchased during the year	—	—	8	8	1	—	23	24
Changes in risk parameters <sup>29</sup>	1	111	—	112	24	126	—	150
Amounts written off during the year as uncollectible	—	—	(24)	(24)	—	—	—	—
Foreign currency translation differences	3	—	—	3	(3)	—	—	(3)
Balance at the end of the year	27	297	49	373	23	186	65	274

29 The increase in the loss allowance is due to an increase in the probability of default (PD) used to calculate the 12-month ECL for the under-performing loans receivable.

Specific assumptions and judgements applied in the calculation of ECL of loans receivable in terms of the general model for impairment are detailed below.

The PD represents the likelihood of the counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. Global Corporate Average Cumulative Default Rates With Rating Modifiers (1981 – 2021) (%) as published on 13 April 2022 by Standard and Poor's for corporate exposures are used as input to these calculations. The rating is then adjusted to represent the appropriate risk appetite for a specific instrument.

The Group has performed historical analyses and identified certain macroeconomic variables correlating with credit losses. Macroeconomic variables used for financial assets at amortised cost include G7 real GDP growth, total unemployment rate (both formal and informal), prime overdraft rate, US\$/ZAR exchange rate and inflation rate.

c) Trade and other receivables

Instalment sale receivables from contracts with customers (note 13.2)

Instalment sale receivables comprise a wide-spread client base and external credit checks are made to ensure that all instalment sale clients have an appropriate credit history.

The Group's instalment sale receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. These receivables contain a significant financing component with terms of business varying from 12 to 36 months. The Group has developed advanced credit-granting systems to properly assess the creditworthiness of its customers.

Credit granting:

The credit underwriting process flows through the following stages:

- (i) **Credit scoring:** This involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. In assessing applications for credit, strict affordability criteria are applied together with in-house developed scorecards based on credit bureau data. Industry-wide fraud detection tools are used to identify potentially fraudulent applications. The Group deals with its new customers and existing customers differently when credit scoring takes place.

Customer acquisition takes into account the risk level, repurchase propensity and profitability of new customers. Behaviour scorecards are used to determine credit extension to customers in good standing, to drive repurchase rates and repeat loans, and reduce average bad debt. These scorecards are regularly reviewed and upgraded to ensure the Group's credit policy remains in line with an acceptable level of risk for repeat business.

40 Risk management and financial instrument disclosure continued

40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

c) Trade and other receivables continued

Instalment sale receivables from contracts with customers (note 13.2) continued

- (ii) **Assessing client affordability:** This process involves collecting information regarding the customer's income levels, expenses and current debt obligations. The Group has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table. The following factors are then taken into consideration to conclude on the affordability of each customer:
- Assessing existing financial means and prospects;
  - Assessing existing financial obligations;
  - Assessing debt repayment history; and
  - Ignoring credit agreements that will be substituted.

The total cost of credit is disclosed to the consumer.

- (iii) **Determining the credit limit for the customer:** The customer's risk score determined by the scorecard together with the expense assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the Group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit-granting system. The Group monitors any variances from the level of risk that has been adopted and adjusts the credit-granting process on a regular basis.

The Group manages its risk effectively by assessing the customer's ability to service the proposed monthly instalment.

Contractual arrears:

Contractual arrears are calculated by reference to the actual arrears in terms of the original signed agreement. The key aspect of the arrear calculation is the Group's policy not to reschedule arrears nor to amend the terms of the original contract.

From the onset of the agreement, contractual arrears are calculated by comparing payments made life to date with the originally calculated instalments due life to date, causing a customer who is paying less than the required contracted instalment to immediately fall into arrears. Once the customer exceeds the term of the agreement by paying less than the required contracted instalments, the full balance owing will be in arrears. The Group does not consider arrears the leading indicator, but rather payment ratings for the reasons mentioned above.

The tables below reflect the maximum exposure to credit risk on instalment sale receivables as well as the ECL allowance and contractual arrears per customer grouping at the reporting date. Customer groupings are determined as follows:

- **Satisfactory paid:** Customers who have paid 70% or more of amounts due over the contract period.
  - **Slow payers:** Customers who have paid 55% to 69% of amounts due over the contract period.
  - **Non-performing accounts:** Customers who have paid less than 55% of amounts due over the contract period.





40 Risk management and financial instrument disclosure continued

40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

c) Trade and other receivables continued  
Instalment sale receivables from contracts with customers (note 13.2) continued

Analysis of instalment sale receivables at 3 July 2022

Customer grouping	Total number of customers	Gross carrying amount Rm	ECL allowance Rm	ECL allowance %	Total arrears Rm	Number of instalments in arrears		
						1 instalment Rm	2 instalments Rm	>2 instalments Rm
Satisfactory paid	94 408 38.4%	824 43.2%	193 22.7%	23.4%	59	26	15	18
Slow payers	31 314 12.7%	274 14.4%	135 15.8%	49.3%	71	14	14	43
Non-performing accounts	120 258 48.9%	809 42.4%	524 61.5%	64.8%	373	15	17	341
Total instalment sale receivables	245 980	1 907	852	44.7%	503	55	46	402

Analysis of credit-impaired instalment sale receivables at 3 July 2022 included in the table above

Credit-impaired categories	Non-performing accounts Rm	In duplum		Debt counselling		No payment in 3 consecutive months		Total Rm
		Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	
Gross carrying amount	809	10	90	9	13	14	30	975
ECL allowance	(524)	(3)	(40)	(2)	(7)	(4)	(7)	(587)
Amortised cost	285	7	50	7	6	10	23	388

Analysis of instalment sale receivables at 4 July 2021

Customer grouping	Total number of customers	Gross carrying amount Rm	ECL allowance Rm	ECL allowance %	Total arrears Rm	Number of instalments in arrears		
						1 instalment Rm	2 instalments Rm	>2 instalments Rm
Satisfactory paid	133 061 55.1%	750 44.9%	173 22.6%	23.1%	179	67	39	73
Slow payers	30 993 12.8%	238 14.3%	104 13.6%	43.7%	56	8	7	41
Non-performing accounts	77 380 32.1%	678 40.7%	488 63.8%	72.0%	164	6	4	154
Total instalment sale receivables	241 434	1 666	765	45.9%	399	81	50	268

Analysis of credit-impaired instalment sale receivables at 4 July 2021 included in the table above

Credit-impaired categories	Non-performing accounts Rm	In duplum		Debt counselling		No payment in 3 consecutive months		Total Rm
		Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	Satisfactory paid Rm	Slow payers Rm	
Gross carrying amount	678	11	66	11	7	10	23	806
ECL allowance	(488)	(3)	(30)	(2)	(4)	(4)	(5)	(536)
Amortised cost	190	8	36	9	3	6	18	270



40 Risk management and financial instrument disclosure continued

40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

c) Trade and other receivables continued  
Instalment sale receivables from contracts with customers (note 13.2) continued

Reconciliation of loss allowance for instalment sale receivables:

	2022			2021		
	Accounts not credit-impaired Rm	Credit-impaired accounts Rm	Total instalment sale receivables Rm	Accounts not credit-impaired Rm	Credit-impaired accounts Rm	Total instalment sale receivables Rm
Balance at the beginning of the year	229	536	765	231	587	818
New financial assets originated or purchased during the year	140	64	204	131	56	187
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(148)	148	—	(128)	128	—
Amounts recovered during the year	—	(115)	(115)	—	(117)	(117)
Changes in risk parameters	34	(3)	31	6	(14)	(8)
Amounts written off during the year as uncollectible	—	(63)	(63)	—	(82)	(82)
Foreign currency translation differences	10	20	30	(11)	(22)	(33)
Balance at the end of the year	265	587	852	229	536	765

Specific assumptions and judgements applied in the calculation of ECL of instalment sale receivables in terms of the simplified approach for impairment are detailed below.

Probability-weighted cash flows:

The expected credit loss is a probability-weighted estimate and represents the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows the Group expects to receive, discounted at the original effective interest rate including initiation fees.

The probability-weighted cash flows are calculated using the debtor book population's payment behaviour in combination with a transition matrix. The transition matrix and payment performance for each payment state has been developed utilising customer payment history. The transition matrix predicts the population's payment behaviour and probability of the account being in a particular payment state and transitioning into future payment states. The key states in the transitional matrix are the customer's lifetime payment rating, age of the account and contractual term. The lifetime payment rating measures the customer's actual payments received over the lifetime of the account relative to the contractual instalments due.

For modelling purposes, cash flows are forecast on an individual customer level and aggregated over all the customer's sub-accounts until the account is settled or written off. For each contractual term, lifetime payment rating and age, the transitional matrix maps the probability of an account transitioning into future lifetime payment ratings for the remaining months on book.

The payment performance for each payment state is calculated using the actual payment history for each payment rating over the last five years to ensure the recency of the impairment model as required by IFRS 9.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

40 Risk management and financial instrument disclosure continued  
40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

c) Trade and other receivables continued

Instalment sale receivables from contracts with customers (note 13.2) continued

Economic overlay:

An economic overlay has been developed by performing a regression analysis between key economic variables with reference to the non-performing category over a five-year period (customers who have paid less than 55% of amounts due over the contract period). The model considers a number of macroeconomic variables including gross domestic product (GDP), consumer price index, prime overdraft rate and unemployment rate.

In the comparative year the impact of the Covid-19 pandemic on the South African consumer affected the relative probability of the three scenarios, thus affecting the forward-looking economic overlay applied on the impairment provision. The provision estimates were adjusted to account for this expected increase in risk of missed payments or default, due to Covid-19 related financial stress inhibiting the ability and prioritisation of clients to pay their debt to the Group.

The Group makes use of a cash flow model adjusted for coverage percentages unique to each country and each state. The process of determining adjusted coverage percentages involved applying an adjustment to the PDs. In the comparative year these PDs were adjusted by a scalar to account for the economic stress caused by Covid-19. The scalar was based on country-specific GDP forecasts.

The GDP forecasts used for South Africa are listed below. The IMF GDP forecasts were used for the other African countries.

Scenario	Calendar year		
	2022	2023	2024
Upside	2.2%	2.0%	1.6%
Base	(4.9%)	(0.7%)	(0.1%)
Downside	7.1%	3.9%	3.9%

Upside, base and downside scenarios using the economic variables above are determined and a weighted average scenario is prepared. This is compared to the base position and an appropriate adjustment is made to the whole trade receivables book.

The three scenarios project the future impact of the economic variables on the impairment provision. Management has assigned a probability of 6.0% (2021: 0.0%) to the upside scenario, 77.0% (2021: 60.0%) to the base scenario and 17.0% (2021: 40.0%) to the downside scenario for the 12-month forecast for South Africa.

Impact of forward-looking information on ECL:	2022		2021	
	South Africa		South Africa	
	Rm	% change	Rm	% change
Probability-weighted impact of all three scenarios	426		380	
100% upside scenario	407	(4.4)	352	(7.4)
100% base scenario	413	(3.2)	372	(2.1)
100% downside scenario	494	15.9	393	3.2

40 Risk management and financial instrument disclosure continued  
40.4 FINANCIAL RISK MANAGEMENT CONTINUED

40.4.1 Credit risk continued

c) Trade and other receivables continued

Trade receivables from contracts with customers (note 13.1)

Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the Group has no other significant concentration of credit risk.

The Group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. Franchisees comprise a wide-spread client base and the credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R1.3 billion (2021: R1.1 billion) are held as collateral for these amounts. Long standing trading relationships exist with the buying aid societies and the Group reviews the credit history of these societies, based on its own records as well as information from an external credit bureau, on a cyclical basis. Based on this, the Group considers the credit quality of all fully performing amounts as satisfactory.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime ECL. The ECL on trade receivables are estimated using a provision matrix. The behavioural matrix looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the contracts. The behavioural matrix is based on historically observed data and is assumed to be the same across all assets within a portfolio and credit band. This is supported by historical analysis. The following table details the risk profile of trade receivables at the reporting date, based on the Group's provision matrix.

	Current Rm	Trade receivables – days past due				Total Rm
		31 – 60 days past due Rm	61 – 90 days past due Rm	91 – 120 days past due Rm	More than 120 days past due Rm	
As at 3 July 2022						
Gross carrying amount	1 703	324	76	34	169	2 306
Lifetime ECL	(40)	(3)	(7)	(20)	(94)	(164)
Net carrying amount	1 663	321	69	14	75	2 142
Expected credit loss rate	2.3%	0.9%	9.2%	58.8%	55.6%	7.1%
As at 4 July 2021						
Gross carrying amount	1 604	240	77	45	236	2 202
Lifetime ECL	(51)	(10)	(5)	(37)	(100)	(203)
Net carrying amount	1 553	230	72	8	136	1 999
Expected credit loss rate	3.2%	4.2%	6.5%	82.2%	42.4%	9.2%

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40.4

40.4.1

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

c) Trade and other receivables continued

Trade receivables from contracts with customers (note 13.1) continued

Reconciliation of loss allowance for trade receivables:

	Accounts not credit-impaired		Credit-impaired accounts				Total trade receivables Rm
	Buying aid societies and other receivables Rm	Total trade receivables not credit-impaired Rm	Receivables from franchisees Rm	Receivables from medical aid schemes, pharmacies and doctors Rm	Buying aid societies and other receivables Rm	Total credit-impaired trade receivables Rm	
2022							
Balance at the beginning of the year	81	81	32	44	46	122	203
New financial assets originated or purchased during the year	36	36	10	6	19	35	71
Amounts recovered during the year	(55)	(55)	—	(4)	—	(4)	(59)
Amounts written off during the year as uncollectible	(3)	(3)	(24)	—	(24)	(48)	(51)
Unused amounts reversed	—	—	—	—	(6)	(6)	(6)
Foreign currency translation differences	—	—	—	—	6	6	6
Balance at the end of the year	59	59	18	46	41	105	164
2021							
Balance at the beginning of the year	102	102	19	31	55	105	207
New financial assets originated or purchased during the year	51	51	13	15	1	29	80
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(2)	(2)	—	—	2	2	—
Amounts recovered during the year	(69)	(69)	—	(1)	(1)	(2)	(71)
Amounts written off during the year as uncollectible	(6)	(6)	—	(1)	(1)	(2)	(8)
Unused amounts reversed	—	—	—	—	(4)	(4)	(4)
Foreign currency translation differences	5	5	—	—	(6)	(6)	(1)
Balance at the end of the year	81	81	32	44	46	122	203

Assumptions and judgements applied in the calculation of ECL of trade receivables in terms of the simplified approach for measuring impairment are detailed below.

To measure ECL, trade receivables have been grouped by shared credit risk characteristics by considering the different revenue streams within each operating segment such as franchise, retail and wholesale of pharmaceutical products, furniture, travel packages and ticket sales through Computicket as well as by geographical location and days past due.

ECL are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

For receivables from franchisees, the expected loss ratios are based on the payment profiles of sales during the last 36 months before each reporting period. The expected loss ratios of other trade receivables are based on the payment profiles of sales during the last 12 months before each reporting period.

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40.4.1

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

c) Trade and other receivables continued

Trade receivables from contracts with customers (note 13.1) continued

The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information and the ECL. The Group has performed historical analyses and identified certain macroeconomic variables correlating with credit losses.

Macroeconomic variables used for financial assets at amortised cost include G7 real GDP growth, total unemployment rate (both formal and informal), prime overdraft rate, US\$/ZAR exchange rate and inflation rates. The selected macroeconomic variables are appropriate drivers of default rates.

Due to the relative short-term nature of the book and constantly evolving credit criteria being applied, the impact of extrapolating the forward-looking information against credit variables was not material. It will, however, continue to be monitored and will be reassessed at each reporting date.

**Other receivables (note 13.3)**

Other receivables consist of various operational debtors such as municipal deposits refundable, insurance claims receivable and staff debtors and bursaries. The age analysis of these amounts are reviewed on a monthly basis and creditworthiness assessed. If the credit risk of any individual receivable is deemed to be material, the credit history of the relevant client will be verified with an external credit bureau. No security is held for these balances.

The table below reflects the maximum exposure to credit risk on other receivables at the reporting date.

			2022				2021			
Internal credit rating category	Basis for recognition of ECL allowance	Financial instrument class	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
Performing (stage 1)	12-month ECL	Insurance claims receivable	8.5%	106	(9)	97	4.0%	126	(5)	121
		Staff debtors and bursaries	4.9%	82	(4)	78	1.1%	88	(1)	87
		Various other receivables	5.7%	1 005	(57)	948	6.5%	566	(37)	529
Under-performing (stage 2)	Lifetime ECL	Staff debtors and bursaries	0.0%	1	—	1	0.0%	2	—	2
Non-performing (stage 3)	Lifetime ECL	Staff debtors and bursaries	100.0%	26	(26)	—	100.0%	30	(30)	—
		Various other receivables	55.3%	170	(94)	76	67.7%	229	(155)	74
Total other receivables				1 390	(190)	1 200		1 041	(228)	813

Internal credit rating categories are defined as follows:

- **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
- **Underperforming (stage 2):** Receivables for which there is a SICR. A SICR is presumed if interest and/or principal repayments are 30 days past due.
- **Non-performing (stage 3):** Interest and/or principal repayments are 60 days past due.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

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40.4

40.4.1

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

c) Trade and other receivables continued  
Other receivables (note 13.3) continued  
Reconciliation of loss allowance for other receivables:

	2022			2021			
	Performing (stage 1) Rm	Non- performing (stage 3) Rm	Total other receivables Rm	Performing (stage 1) Rm	Under- performing (stage 2) Rm	Non- performing (stage 3) Rm	Total other receivables Rm
Balance at the beginning of the year	43	185	228	53	1	210	264
Amounts recovered during the year	—	(5)	(5)	—	(1)	(4)	(5)
Changes in risk parameters <sup>30</sup>	27	(60)	(33)	(10)	—	(21)	(31)
Balance at the end of the year	70	120	190	43	—	185	228

30 The increase/(decrease) in the loss allowances is due to an increase/decrease in the PD used to calculate the lifetime ECL for certain performing and non-performing other receivables.

Specific assumptions and judgements applied in the calculation of ECL of other receivables in terms of the general model for impairment are detailed below.

To measure ECL, other receivables have been grouped by shared credit risk characteristics and days past due. Other receivables include significant amounts of insurance claims receivable and staff debtors and bursaries. The remaining balance comprises of various other receivables which are individually insignificant.

The PD represents the likelihood of the counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. The rating is then adjusted to represent the appropriate risk appetite for a specific instrument.

Macroeconomic variables used for financial assets at amortised cost include G7 real GDP growth, total unemployment rate (both formal and informal), prime overdraft rate, US\$/ZAR exchange rate and inflation rates. The selected macroeconomic variables are appropriate drivers of default rates.

Due to the relative short-term nature of other receivables and constantly evolving credit criteria being applied, the impact of extrapolating the forward-looking information against credit variables was not material. It will, however, continue to be monitored and will be reassessed at each reporting date.

d) Restricted cash

The Group classified the funds received with the sale of its Nigeria subsidiary, Retail Supermarkets Nigeria Ltd as restricted cash deposits. This is due to a shortage of physical currency. These restricted cash balances held by the Group are not available for general use by the holding company or other subsidiaries in the Group.

e) Cash and cash equivalents

The Group uses subsidiaries of rated South African and/or international financial institutions as its bankers. However, due to the Group's international operational requirements it is forced to transact with financial institutions in certain countries where independent internationally accredited credit ratings are not available. In these instances the Group's exposure to credit risk at each of these financial institutions are evaluated by management on a case by case basis. Cash balances deposited with these financial institutions are kept to an operational minimum and are transferred, subject to exchange control regulations and available suitable foreign currency, to financial institutions with acceptable credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

ECL of cash and cash equivalents are calculated in terms of the general model for impairment. All cash and cash equivalents were determined to be in stage 1 as the counterparties have low risk of default and a strong capacity to meet contractual cash flows. There was no SICR of the Group's cash and cash equivalents. ECL were therefore limited to 12-month expected losses and the identified impairment loss was immaterial.

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40.4

40.4.1

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

e) Cash and cash equivalents continued  
The table below shows the cash invested at the reporting date at financial institutions grouped per Moody's short-term credit rating of the financial institutions.

	National Scale	Global Scale	2022 Rm	2021 Rm
Standard Chartered Bank		P-1	1 214	1 074
Citibank		P-1	26	40
Standard Bank	P-1	NP	5 274	3 045
ABSA	P-1	NP	1 468	1 247
Nedbank	P-1	NP	796	1 077
FirstRand	P-1	NP	549	447
Investec	P-1	NP	—	2
Other banks			225	147
Cash on hand and in transit			1 113	871
Total cash and cash equivalents			10 665	7 950

Local currency cash and short-term deposits of R1.2 billion (2021: R810 million) are held in Angola (2021: Angola and Nigeria) and are subject to onerous local exchange control regulations. These local exchange control regulations impose restrictions on exporting capital from the country, other than through normal dividends. These restricted cash balances held by the respective subsidiaries are not available for general use by the holding company or other subsidiaries in the Group.

40.4.2 Market risk

a) Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures. The treasury department hedges the Group's net position in each foreign currency by using call deposits in foreign currencies and derivative financial instruments in the form of forward foreign exchange rate contracts for all cumulative foreign commitments of three months or more. Forward foreign exchange rate contracts are not used for speculative purposes. These instruments are not designated as hedging instruments for purposes of accounting.

Currency exposure arising from the net monetary assets in individual countries, held in currencies other than the functional currency of the Group, are managed primarily through converting cash and cash equivalents not required for operational cash flows to US dollar, subject to exchange control regulations. The US dollar is the preferred currency due to its history of stability, liquidity and availability in most markets.

Short-term loans between subsidiaries of the Group expose the Group to currency risk resulting from fluctuations in local currency exchange rates to the US dollar (2022: R790 million liability; 2021: R596 million liability) and South Africa rand (2022: R358 million liability; 2021: R844 million liability). This US dollar currency risk is mitigated by the investment in AOA, USD Index Linked, Angola Government Bonds (2022: R739 million asset; 2021: R876 million asset) (refer to note 10.1) which serves as a natural hedge against the Group's currency risk on short-term US dollar loans between Group subsidiaries.

Material concentrations of currency risk also exist within the Group's lease liabilities and net cash and cash equivalents as follows:

Foreign currency	Lease liabilities		Net cash and cash equivalents	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
South Africa rand	—	—	29	56
United States dollar	1 635	1 606	366	59
Nigeria naira	—	—	—	430
Euro	—	—	49	—
Other currencies	—	—	1	58
	1 635	1 606	445	603

The Group does not have significant foreign creditors as most inventory imports are prepaid.

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

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Risk management and financial instrument disclosure continued

40.4

FINANCIAL RISK MANAGEMENT CONTINUED

40.4.2

Market risk continued

a) Currency risk continued

**Hedge of net investment in foreign operation**

The Group hedges a designated portion of its US dollar net assets in Shoprite International Ltd for foreign currency exposure arising between the US dollar and South Africa rand as part of the Group's risk management objectives. Shoprite International Ltd has a US dollar functional currency. Shoprite Holdings Ltd's net investment in Shoprite International Ltd is therefore exposed to fluctuations in the US\$/ZAR spot exchange rate. Shoprite International Ltd uses these dollars in order to fund the operations in the various countries outside of South Africa, which also have liabilities denominated in US dollar. As a result of this exposure, the Group designates external lease liabilities denominated in US dollar as hedging instruments. Foreign exchange movements on translation of these hedging instruments are recognised in other comprehensive income and accumulated in the FCTR within shareholders' equity for the duration of the hedging relationship, offsetting the exchange rate differences recognised in other comprehensive income, arising on translation of the designated US dollar net assets of Shoprite International Ltd to South Africa rand. The cumulative foreign exchange movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control, joint control or significant influence due to the disposal or abandonment of Shoprite International Ltd. The hedging relationship is reset on a monthly basis, whereby the designated portion of the net investment is adjusted to equal the value of the hedging instruments.

Hedge effectiveness is determined at the inception of the hedging relationship and through periodic prospective effectiveness assessments, by comparing the changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the net assets designated in Shoprite International Ltd. Hedge ineffectiveness could arise due to a decrease in the net investment in a foreign operation to a level below that of the designated lease liabilities. No hedge ineffectiveness was recognised in the statement of comprehensive income.

The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

	2022 US\$m	2021 US\$m
Nominal amount of US dollar denominated lease liabilities (non-current liabilities)	78	88
Nominal amount of US dollar denominated lease liabilities (current liabilities)	22	16
Nominal amount of US dollar denominated lease liabilities included in liabilities directly associated with assets classified as held for sale (current liabilities)	—	7
	Rm	Rm
Carrying amount of US dollar denominated lease liabilities (non-current liabilities)	1 268	1 281
Carrying amount of US dollar denominated lease liabilities (current liabilities)	367	225
Carrying amount of US dollar denominated lease liabilities included in liabilities directly associated with assets classified as held for sale (current liabilities)	—	100
Total carrying amount of US dollar denominated lease liabilities	1 635	1 606
Change in carrying amount of designated lease liabilities as a result of foreign currency losses	137	(207)
Change in value of hedged item used to determine hedge effectiveness	(137)	207
Hedge ratio	100%	100%
Reconciliation of amounts accumulated in the FCTR relating to hedges of net investments in foreign operations:		
Balance at the beginning of the year	(469)	(310)
Change in carrying amount of hedging instruments as a result of foreign currency losses recognised in other comprehensive income, net of income tax (note 17.1.2)	62	(159)
Balance at the end of the year	(407)	(469)

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Risk management and financial instrument disclosure continued

40.4

FINANCIAL RISK MANAGEMENT CONTINUED

40.4.2

Market risk continued

a) Currency risk continued

**Sensitivity analysis of material concentrations of currency risk**

Where material concentrations of currency risk exist within the Group, a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual currencies strengthened or weakened against the South Africa rand and the US dollar. At 3 July 2022, the total possible decrease in Group post-tax profit, calculated for all estimated currency movements, was R60 million with the Zambia kwacha exchange rate to the US dollar and South Africa rand (with an expected decline of 4.5% against the US dollar and 10.6% against the South Africa rand) contributing R22 million and R6 million respectively to this number. At 4 July 2021, the total possible decrease in Group post-tax profit, calculated for all estimated currency movements, was R73 million with the Zambia kwacha exchange rate to the US dollar and South Africa rand (with an expected decline of 4.1% against the US dollar and 4.7% against the South Africa rand) contributing R29 million and R4 million respectively to this number. These changes had no material effect on the Group's equity.

The amounts were calculated with reference to the financial instruments, exposed to currency risk at the reporting date and does not reflect the Group's exposure throughout the reporting period, as these balances may vary significantly due to the self funding nature of the Group's required working capital and cyclical nature of cash received from the sale of merchandise and payments to trade and other payables. The possible currency movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. Although not subject to market risk, the following constituted significant concentrations of net monetary assets/(liabilities), including short-term surplus funds, in currencies other than the reporting currency as at the reporting date, subject to translation risk.

Foreign currency	2022 Rm	2021 Rm
Angola kwanza	1 176	1 874
United States dollar	2 154	(1 429)

**b) Cash flow and fair value interest rate risk**

The Group's interest rate risk arises mainly from daily call accounts, bank overdrafts and borrowings. The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss and therefore a change in interest rates at the reporting date would not affect profit or loss. Fixed rate financial instruments include government bonds and bills (refer to note 10), loans receivable (refer to note 11), and instalment sale receivables (refer to note 13.2).

Daily call accounts and bank overdrafts carry interest at rates fixed on a daily basis and expose the Group to cash flow interest rate risk. The Group analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing refinancing/reinvesting and/or renewal/ cancellation of existing positions and alternative financing/investing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash/borrowings that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 4.6% (2021: 4.3%).

As part of the process of managing floating rate interest-bearing debt, the interest rate characteristics of borrowings (refer to note 19) are positioned according to the expected movements in interest rates. Interest rate profiles are analysed by the changes in borrowing levels and the interest rates applicable to the facilities available to the Group. The Chief Financial Officer has the mandate to approve the use of fixed interest debt and interest rate swaps as circumstances dictate. No interest rate swaps were entered into during the current year.

Exposure to interest rate risk on other monetary items consists of amounts receivable from franchisees (note 11.2).

**Sensitivity analysis of material concentrations of interest rate risk**

Where material concentrations of interest rate risk exists within the Group, a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual interest rates the Group's financial instruments are subject to strengthened or weakened. At 3 July 2022, the total possible decrease in Group post-tax profit, calculated for all estimated interest rate movements, was R61 million. The estimated increase of 175 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R52 million. At 4 July 2021, the total possible decrease in Group post-tax profit, calculated for all estimated interest rate movements, was R14 million. The estimated decrease of 45 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R14 million. These changes had no material effect on the Group's equity.

The amounts were calculated with reference to the financial instruments exposed to interest rate risk at the reporting date and does not reflect the Group's exposure throughout the reporting period, as these balances may vary significantly due to the self funding nature of the Group's required working capital and cyclical nature of cash received from the sale of merchandise and payments to trade and other payables. The possible interest rate movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

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40.4

40.4.3

Risk management and financial instrument disclosure continued

FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk

The risk of illiquidity is managed by using cash flow forecasts, maintaining adequate unutilised banking facilities (2022: R6.5 billion; 2021: R10.4 billion) and unlimited borrowing powers. All unutilised facilities are controlled by the Group's treasury department in accordance with a treasury mandate as approved by the Board of Directors.

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants, calculated on the basis that IAS 17: Leases is still applied:

- The leverage ratio (net debt to earnings before interest, income tax, depreciation and amortisation (EBITDA)) must not exceed 2.75 times;
- The net finance costs cover ratio (EBITDA divided by net finance costs) must be a minimum of 3.5 times; and
- The finance costs cover ratio (EBITDA divided by finance costs) must be a minimum of 3.5 times.

The Group has complied with these covenants throughout the reporting period. As at the reporting date, these ratio's measured as follows:

	2022 times	2021 times
– Leverage	(0.02)	(0.22)
– Net finance costs cover	21.72	18.29
– Finance costs cover	91.27	10.44

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

	Book value Rm	Total Rm	Not later than one year Rm	Between one and two years Rm	Between two and five years Rm	Between five and ten years Rm	After ten years Rm
Non-derivative financial liabilities							
2022							
Lease liabilities <sup>31</sup>	31 623	51 319	5 772	5 011	13 505	16 064	10 967
Borrowings	5 512	6 593	1 362	321	4 910	—	—
Trade payables	14 204	14 204	14 204	—	—	—	—
Other payables and accruals excluding taxes payable and employee benefit accruals	4 223	4 223	4 223	—	—	—	—
Deposits and third-party payments liability	528	528	528	—	—	—	—
Refund liability	55	55	55	—	—	—	—
Contract liabilities	991	991	991	—	—	—	—
Bank overdrafts	4 998	4 998	4 998	—	—	—	—
Financial commitment	—	541	541	—	—	—	—
	62 134	83 452	32 674	5 332	18 415	16 064	10 967
2021							
Lease liabilities <sup>31</sup>	27 850	46 108	5 105	4 812	11 347	13 463	11 381
Borrowings	5 279	5 720	3 186	418	2 116	—	—
Trade payables	12 651	12 651	12 651	—	—	—	—
Other payables and accruals excluding taxes payable and employee benefit accruals	3 900	3 900	3 900	—	—	—	—
Deposits and third-party payments liability	488	488	488	—	—	—	—
Refund liability	51	51	51	—	—	—	—
Contract liabilities	873	873	873	—	—	—	—
Bank overdrafts	1 221	1 221	1 221	—	—	—	—
Financial commitment	—	5	5	—	—	—	—
	52 313	71 017	27 480	5 230	13 463	13 463	11 381

31 The maturity analysis of contractual undiscounted future lease payments include renewal options reasonably assured.

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40.5

Risk management and financial instrument disclosure continued

INSURANCE RISK

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

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

The Group is exposed to insurance risk through its investment in insurance cell captive arrangements. The insurance risk relates to the risk that there will be insufficient capital available to honour the claims made by the policyholders in the insurance cell captive arrangements.

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

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

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

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Related party information

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

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

Details of the remuneration of Directors and share-based payment instruments issued to Directors, are disclosed in notes 16 and 26. Included in payables in the prior financial year (note 21) is an amount R149 million in respect of the cash-settled share-based payments granted to Dr CH Wiese, during the 2004 financial year, via a management company (refer to note 16.1) which was paid during the financial year.

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

Key management personnel compensation	2022 Rm	2021 Rm
Short-term employee benefits	133	100
Post-employment benefits	4	3
Long-term incentive bonuses including share-based payments	42	34
Directors' fees	20	7
	199	144

During the year, key management have purchased goods at the Group's usual prices less a 15% discount. Discount ranging from 5% to 15% is available to all qualifying permanent full-time and flexi-time employees.

During the financial year under review, in the ordinary course of business, certain companies in the Group entered into transactions with certain entities in which Director CH Wiese, or his direct family members, have a significant influence. These transactions are insignificant in terms of the Group's total operations for the year.



Notes to the consolidated annual financial statements continued

Shoprite Holdings Ltd and its subsidiaries for the year ended 3 July 2022

41 Related party information continued

These transactions and related balances were as follows:	2022 Rm	2021 Rm
Purchase of merchandise	17	8
Year-end balances owed by the Group	—	6
The Group has a 39.1% interest in Resilient Africa (Pty) Ltd and Resilient Africa Managers (Pty) Ltd (refer to note 8).		
The following transactions took place between the Resilient Africa associates and the Group during the year under review:		
Rent paid to the associates	—	17
Interest received by the Group	56	56
The year-end balances relating to loans receivable from Resilient Africa (Pty) Ltd are disclosed in note 11.1.		
The Group has a 49.9% interest in Retail Logistics Fund (RF) (Pty) Ltd (refer to note 8).		
The following transactions took place between Retail Logistics Fund (RF) (Pty) Ltd and the Group during the year under review:		
Rent paid to associate	433	157
Year-end balances owed by the Group	14	—
The Group has an interest in LBB Foods (Pty) Ltd (41.0%), Red Baron Agri (Pty) Ltd (41.0%) and Zulzi On Demand (26.0%) (refer to note 8).		
The following transactions took place between associates LBB Foods (Pty) Ltd, Red Baron Agri (Pty) Ltd, Zulzi On Demand (Pty) Ltd and the Group during the year under review:		
Purchase of merchandise	72	38
Services rendered by the associates	61	18
Year-end balances owed by the Group	3	1
The Group has a 50% interest in Pingo Delivery (Pty) Ltd (refer to note 8).		
The following transactions took place between Pingo Delivery (Pty) Ltd and the Group during the year under review:		
Delivery fees paid to joint venture	124	—

42 South Africa’s social unrest

At the beginning of July 2021, the South African provinces of KwaZulu-Natal and Gauteng experienced extreme social unrest, manifesting in wide scale looting and destruction of infrastructure. The Group’s Durban based KwaZulu-Natal fresh foods distribution centre was partially looted and the Pietermaritzburg Furniture distribution centre incurred fire damage. As a result of this direct impact, the Group took precautionary measures which included the closing of a considerable number of stores operating in the KwaZulu-Natal province and in its central Gauteng region during that same week. All of these stores that were closed on a precautionary basis have since re-opened, as has the Durban based distribution centre. This event resulted in 231 stores being impacted of which 177 have been classified as looted and 54 as having fire damage. At the reporting date, 166 of the 177 looted stores and 28 of the 54 fire damaged stores, have since re-opened. The decision was made that 10 stores will not be re-opened. To date the Group has received in total R1.6 billion from Sasria and the Group riot wrap insurance policy. Refer to note 36 relating to the contingent assets.

The analysis below details the loss of assets impact on the carrying amounts in the Group’s statement of financial position and results of cash flows for the 52 weeks ended 3 July 2022. This excludes the impact of additional expenses incurred to become operational in the stores and to safeguard our assets.

	Loss incurred Rm	Insurance recoveries Rm	Nett impact Rm
Inventory write-downs (included in cost of sales)	(968)	968	—
Cash on hand write-offs (included in cost of sales)	(19)	12	(7)
Property write-downs (included in items of a capital nature)	(100)	100	—
Equipment, fixtures and fittings written off (included in items of a capital nature)	(162)	471	309
Insurance claim relating to loss of profits (included in other operating income)	—	22	22
Insurance claim relating to loss of rental (included in other operating income)	—	23	23
Total impact on statement of comprehensive income (operating profit)	(1 249)	1 596	347
Proceeds received from insurance claims		(1 584)	
Property, plant and equipment		(564)	
Inventory		(966)	
Cash on hand		(12)	
Loss of profits		(21)	
Loss of rental		(21)	
Outstanding insurance claims included in trade and other receivables		12	

43 Events after the reporting date

43.1 ACQUISITION OF SELECTED BUSINESSES FROM MASSMART HOLDINGS LTD

During August 2021, the Group acquired Cambridge Food, Massfresh as well as Masscash Cash and Carry from Massmart Holdings Ltd. The effective date is subject to the fulfilment of both regulatory and commercial suspensive conditions which include Competition Commission approval.

43.2 SALE AND LEASEBACK OF DISTRIBUTION CENTRES

The Group signed an agreement during August 2022 with Retail Logistics Fund (RF) (Pty) Ltd to sell and lease back two of its distribution centres, namely the Canelands and Wells Estate distribution centres. The effective date is subject to the fulfilment of suspensive conditions which include Competition Commission approval.

44 Going concern

The Board of Directors evaluated the going concern assumption at 3 July 2022, taking into account the current financial position and their best estimate of the cash flow forecasts and considered it to be appropriate in the presentation of the consolidated annual financial statements.

The Board has reviewed the cash flow forecast for the next 12 months and is of the opinion that the Group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied with the Group’s ability to continue as a going concern for the foreseeable future. Furthermore, it is expected that Covid-19 will have even less of an impact on the Group during the next financial year. The only business unit impacted during the current year was the Supermarkets RSA LiquorShop operations which managed to increase sales by 44.5% due to softer lockdown regulations with the business being closed for 48 days (2021: 144 days) during the financial year.

Financial covenants:

As at the reporting date, the Group had unutilised banking facilities of R6.5 billion and is well within the financial covenants with its various financiers. Refer to note 40.4.3.





# COMPANY ANNUAL FINANCIAL STATEMENTS

Shoprite, Somerset Crossing Shopping Centre,  
Strand, Western Cape.

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# Separate statement of financial position

Shoprite Holdings Ltd as at 3 July 2022

	Notes	2022 Rm	2021 Rm
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	2	12 669	12 169
Deferred income tax assets	4	12 667	12 167
		2	2
<b>CURRENT ASSETS</b>			
Trade and other receivables	5	3 476	1 839
Amounts receivable from subsidiaries	2	1	—
Cash and cash equivalents		1 351	1 817
		2 124	22
<b>Total assets</b>			
		16 145	14 008
<b>Equity</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Stated capital	6	7 516	7 516
Retained earnings		8 589	6 459
<b>Total equity</b>			
		16 105	13 975
<b>Liabilities</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	40	33
Current income tax liabilities		18	16
		22	17
<b>Total liabilities</b>			
		40	33
<b>Total equity and liabilities</b>			
		16 145	14 008

# Separate statement of comprehensive income

Shoprite Holdings Ltd for the year ended 3 July 2022

	Notes	52 weeks 2022 Rm	53 weeks 2021 Rm
Dividend income		5 585	8 486
Interest received from subsidiaries		44	41
Guarantee fees		46	101
Other revenue		2	3
<b>REVENUE</b>			
		5 677	8 631
Expenses	9	(54)	(44)
Impairment losses	10	—	(5 151)
<b>PROFIT BEFORE INTEREST RECEIVED FROM BANK ACCOUNT BALANCES</b>			
		5 623	3 436
Interest received from bank account balances		32	44
<b>PROFIT BEFORE INCOME TAX</b>			
		5 655	3 480
Income tax expense	11	(60)	(54)
<b>PROFIT FOR THE YEAR</b>			
		5 595	3 426
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		5 595	3 426





# Separate statement of changes in equity

Shoprite Holdings Ltd for the year ended 3 July 2022

Rm	Total equity	Stated capital	Retained earnings
<b>BALANCE AT 28 JUNE 2020</b>	13 021	7 516	5 505
Total comprehensive income			
Profit for the year	3 426	—	3 426
Dividends distributed to shareholders	(2 472)	—	(2 472)
<b>BALANCE AT 4 JULY 2021</b>	13 975	7 516	6 459
Total comprehensive income			
Profit for the year	5 595	—	5 595
Dividends distributed to shareholders	(3 465)	—	(3 465)
<b>BALANCE AT 3 JULY 2022</b>	16 105	7 516	8 589

# Separate statement of cash flows

Shoprite Holdings Ltd for the year ended 3 July 2022

	Notes	52 weeks 2022 Rm	53 weeks 2021 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		2 098	6 055
Profit before interest received from bank account balances		5 623	3 436
Less: investment income and interest revenue earned		(5 629)	(8 527)
Non-cash items	13.1	—	5 151
Changes in working capital	13.2	4	15
Cash (utilised by)/generated from operations		(2)	75
Interest received		31	44
Dividends received		5 585	8 486
Dividends paid	13.3	(3 461)	(2 464)
Income tax paid	13.4	(55)	(86)
<b>CASH FLOWS FROM/(UTILISED BY) INVESTING ACTIVITIES</b>		4	(7 150)
Amounts paid to subsidiaries		(5 649)	(20 412)
Amounts received from subsidiaries		5 653	13 262
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		2 102	(1 095)
Cash and cash equivalents at the beginning of the year		22	1 117
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	15.3.1(b)	2 124	22



# Notes to the separate annual financial statements

Shoprite Holdings Ltd for the year ended 3 July 2022

## 1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those applied in the previous year, except where the Company has applied new accounting policies or adopted new accounting standards effective for year-ends starting on or after 1 January 2021.

The Company's separate financial statements were authorised for issue by the Board of Directors on 30 September 2022. Other than the facts in the annual financial statements, there have been no material changes in the affairs or financial position of the Company from 3 July 2022 that have an impact on the financial results or disclosures in these annual financial statements.

### 1.1 BASIS OF PREPARATION

The Company reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly, the results for the financial year under review are for a 52-week period, ended 3 July 2022, compared to 53 weeks in the previous financial year.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Limited Listings Requirements and the requirements of the South African Companies Act, 71 of 2008. The financial statements are prepared under the historical cost convention. The financial statements are prepared on a going concern basis.

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

##### 1.1.1.1 Judgements

The preparation of the financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the Company's accounting policies.

##### 1.1.1.2 Assumptions and estimates

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

- a) **Allowance for expected credit losses (ECL) on financial assets:** The Company assesses on a forward-looking basis the ECL associated for all debt instruments not held at fair value through profit or loss (FVPL) and the Company recognises an allowance for ECL for these financial assets. The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Company's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 15.3.1.

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

### 1.2 INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities (including structured entities) which are, directly or indirectly, controlled by the Company. Control is established where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The nature and effect of existing rights that give the Company the current ability to direct the relevant activities of the entity are considered when assessing whether the Company controls another entity.

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

### 1.3 INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Company exercises significant influence but not control. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting rights of another entity.

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

## 1 Accounting policies continued

### 1.4 OTHER FINANCIAL INSTRUMENTS

#### 1.4.1 Initial recognition and measurement

Financial instruments recognised on the statement of financial position include trade and other receivables, amounts receivable from subsidiaries, cash and cash equivalents and trade and other payables.

These financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is measured at fair value including directly attributable transaction costs for financial instruments not measured at FVPL. Transaction costs of financial instruments carried at FVPL are expensed in profit or loss.

#### 1.4.2 Derecognition

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

#### 1.4.3 Offsetting

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

#### 1.4.4 Classification and subsequent measurement

##### Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost.

The classification and subsequent measurement of debt investments depend on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost, using the effective interest rate method, less allowance made for impairment of these assets.

- Interest income from these financial assets is calculated by applying the effective interest rate to the gross carrying amount, except for:
- Purchased or originated credit-impaired financial assets. For these financial assets the Company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; and
  - Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For these financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Any gain or loss arising on derecognition, modification or impairment is recognised directly in profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those financial assets changes.

The following debt investments are measured at amortised cost in terms of the Company's business model of holding these financial assets to collect solely payments of principal and interest:

- a) **Trade and other receivables:** Trade and other receivables consist of interest accrued.
- b) **Amounts receivable from subsidiaries:** Amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a subsidiary with no intention of trading the receivable. The Company holds the amounts receivable with the objective to collect contractual cash flows and the contractual terms of the amounts receivable are solely payments of principal and interest. These financial assets are included under current assets unless it matures later than 12 months after the reporting date. Interest on amounts receivable is recognised in the statement of comprehensive income as part of interest received from subsidiaries.
- c) **Cash and cash equivalents:** Cash comprises cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Interest on cash and cash equivalents is recognised in the statement of comprehensive income as interest received from bank account balances.

##### Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities measured at amortised cost on the statement of financial position include trade and other payables.

- d) **Trade and other payables:** Trade and other payables mainly comprise of other payables and accruals and are short-term in nature.

Non-convertible, non-participating, non-transferable no par value deferred shares, which are mandatorily acquirable on a specific date, are classified as other payables.

Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 3 July 2022

1

1.4

1.4.4

Accounting policies continued

OTHER FINANCIAL INSTRUMENTS CONTINUED

Classification and subsequent measurement continued

**Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

a)

b)

The amount determined in accordance with the expected credit loss model under IFRS 9: Financial Instruments; and  
The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third-party for assuming the obligations.

1.4.5

Impairment

The Company assesses on a forward-looking basis the ECL associated for all debt instruments not held at FVPL and the Company recognises an allowance for ECL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk (SICR).

The Company has the following types of financial assets measured at amortised cost that are subject to impairment under the general impairment approach:

•

•

•

Other receivables  
Amounts receivable from subsidiaries  
Cash and cash equivalents

**General impairment approach**

The Company applies the general impairment approach to measure ECL for other receivables, amounts receivable from subsidiaries and cash and cash equivalents. The Company assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

In the event of a SICR since initial recognition, the Company recognises an allowance (or provision) for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a SICR are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default, or otherwise credit-impaired, are in 'stage 3'.

The measurement of ECL under the general impairment approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Company. The probability-weighted outcome incorporates the probability of default (PD), exposure at default (EAD), timing of when default is likely to occur and loss given default (LGD).

The Company recognises in profit or loss, as an impairment loss or reversal, the amount of ECL (or reversal) that is required to adjust the loss allowance at the end of the reporting period. When a receivable is uncollectible, it is written off against the allowance for impairment for that receivable. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

Note 15.3.1 provides more detail on how the Company determines a SICR and how the expected credit loss allowance is measured.

1.5

STATED CAPITAL

Ordinary shares, including incremental costs directly attributable to the issue of new shares, are both classified as equity.

1.6

REVENUE

Revenue is recognised as follows:

1.6.1

Dividend income

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

1.6.2

Effective interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for financial assets that have subsequently become credit-impaired (or "stage 3") for which interest revenue is calculated by applying the effective interest rate to their net carrying amount (i.e. gross carrying amount less impairment provision). The effective interest rate calculation does not consider ECL but include initiation fees as they are integral to the effective interest rate.

1.6.3

Guarantee fees

Guarantee fees are recognised over the period of the financial guarantee contract at a percentage of the amount guaranteed.

1

1.7

Accounting policies continued

CURRENT AND DEFERRED INCOME TAX

The income tax expense for the period comprises current income tax. Income tax is recognised in the statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A change in tax rate from 28% to 27% was substantively enacted on 23 February 2022 for the reporting periods ending on or after 31 March 2023. The change has no impact on current tax liabilities arising before its effective date. The measurement of deferred tax assets and liabilities will however be affected for the current financial year-end.

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

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

1.8

DIVIDENDS DISTRIBUTED TO SHAREHOLDERS

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

1.9

RELATED PARTIES

Individuals, as well as their close family members, or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled in a joint venture. Key management personnel are defined as all Directors of Shoprite Holdings Ltd.

1.10

STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE AS AT 3 JULY 2022

The Company has considered the following new standards, interpretations and amendments to existing standards, which are relevant to the Company's operations and had been issued by the reporting date, but are not yet effective as at 3 July 2022:

Number	Title	Effective for the year ending
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies	2024
Amendments to IFRS 3	Business Combinations (Reference to the Conceptual Framework)	2023

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

1.11

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FOR THE YEAR ENDED 3 JULY 2022

The following new standards, interpretations and amendments to existing standards are effective for the year ended 3 July 2022:

Number	Title
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform Phase 2



Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>2 Interests in subsidiaries</b>		
Investments in subsidiaries (note 2.1)	12 667	12 167
Amounts receivable from subsidiaries (note 2.2)	1 351	1 817
	14 018	13 984
Analysis of total interests in subsidiaries:		
Non-current	12 667	12 167
Current	1 351	1 817
	14 018	13 984
Details of interests in subsidiaries are disclosed in Annexure A.		
<b>2.1 INVESTMENTS IN SUBSIDIARIES</b>		
Cost	17 812	17 312
Accumulated impairment	(5 145)	(5 145)
	12 667	12 167
Reconciliation of investments in subsidiaries:		
Balance at the beginning of the year	12 167	10 744
Increase in investments in subsidiaries <sup>1</sup>	500	6 568
Impairment of investments in subsidiaries	—	(5 145)
Balance at the end of the year	12 667	12 167

1 The increase in investment was paid by a subsidiary of the Company, Shoprite Checkers (Pty) Ltd.

During the current financial year the Company's investment in Shoprite International Ltd was assessed and deemed not to be impaired. The Company impaired its investment in Shoprite International Ltd to its recoverable amount in the previous financial year. The impairment was due to constrained future growth expectations in the countries where Shoprite International Ltd's subsidiaries trade. Furthermore, the South Africa rand appreciation to the US dollar from R17.14 at 28 June 2020 to R14.49 at the prior financial year-end, decreased the South Africa rand value of the US dollar denominated subsidiary.

Impairment methodology

The Company considers its investment in subsidiaries for impairment at each reporting date. The investments' carrying amounts are written down to its recoverable amounts if the investments' carrying amounts are greater than its estimated recoverable amounts. Shoprite International Ltd is the holding company of the majority of the Group's retail and property investments outside of South Africa. Shoprite International Ltd's investment in each country is seen as a separate cash generating unit (CGU).

The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal.

Each CGU is assessed at the reporting date to determine if any indicators of impairment have been identified. Impairment indicators include loss-making countries and countries performing below budget.

Value-in-use

The cash flow projections used in value-in-use calculations are based on financial budgets, approved by management, covering five-year planning periods. Cash flow projections are derived from an analysis of historic performance and knowledge of the current market, together with the Company's views on the future achievable growth and the impact of committed initiatives, the results of which are reviewed by management. Cash flows beyond these planning periods are extrapolated into the future over the useful life of the CGU, using a steady long-term growth rate which is derived from inflation and GDP growth forecasts by recognised bodies and does not exceed the long-term average growth rate for the industry and country in which the CGUs operate.

In determining the value-in-use of each CGU, projected cash flows are discounted using the entity-specific pre-tax discount rate which includes an adjustment for risks, specific to the country in which a CGU operates. The value of properties is determined by using the capitalisation rate per country.

Fair value less costs of disposal

In determining the fair value less costs of disposal, the net asset value along with fair value excess of buildings and land of the CGU is considered.

2 Interests in subsidiaries continued

2.1 INVESTMENTS IN SUBSIDIARIES CONTINUED

Key assumptions

The key assumptions in the value-in-use calculations are the expected sales growth rates, long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the country's weighted average cost of capital. The rates are calculated by taking into account the cost of equity and borrowings, excluding the cost of leasing, to which specific market-related premium adjustments are made for each country.

For fair value less costs of disposal calculations of land and buildings, the key assumption is the market capitalisation rate used.

The following table sets out the key assumptions applied in determining the recoverable amount of each CGU, summarised by geographical region:

	Discount rate		Sales growth rate		Long-term growth rate		Market capitalisation rate	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Angola	25.4	24.8	15.4	10.0 – 14.0	15.4	11.2	19.0	19.0
Botswana	7.3	6.0	9.1	6.0 – 7.0	7.3	4.2	—	—
Mozambique	24.0	21.2	13.3	6.5 – 7.0	13.3	5.6	19.0	19.0
Other countries	20.8 – 31.7	7.5 – 29.9	11.9 – 14.2	8.0 – 20.0	11.9 – 14.2	7.2 – 11.6	10.0	10.0

2.2 AMOUNTS RECEIVABLE FROM SUBSIDIARIES

Amounts receivable from subsidiaries of the Company are unsecured and payable on demand. Amounts owing by Shoprite Investments Ltd earns interest at an average rate of 4.6% (2021: 4.4%). All other amounts owing by subsidiaries are interest-free.

Amounts receivable from subsidiaries of the Company are considered to have low credit risk where they have a low risk of default and the subsidiary has a strong capacity to meet its contractual cash flow obligations in the near term. The majority of amounts receivable from subsidiaries is receivable from the Company's main trading subsidiary, Shoprite Checkers (Pty) Ltd, and Shoprite Investments Ltd which are both in good financial standing.

The maximum exposure to credit risk at the reporting date is the carrying amount. None of the amounts receivable from subsidiaries are either past due or impaired.

3 Investments in associates

	2022 Rm	2021 Rm
Associates	—	—
Gross amount	6	6
Provision for impairment	(6)	(6)
Carrying amount at the beginning of the year	—	6
Impairment	—	(6)
Carrying amount at the end of the year	—	—

The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Company. These are private companies and no quoted market prices are available for its shares.

	% Owned by the Company			
	2022	2021		
Resilient Africa (Pty) Ltd	39.1%	39.1%	—	—
Resilient Africa Managers (Pty) Ltd	39.1%	39.1%	—	—
			—	—

There are no contingent liabilities relating to the Company's interests in associates.



Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>4 Deferred income tax assets</b>		
Provisions and accruals	2	2
Net deductible temporary differences to be recovered within 12 months	2	2
<b>5 Trade and other receivables</b>		
Interest accrued	1	—
<b>6 Stated capital</b>		
Stated capital	7 516	7 516
Authorised: 1 300 000 000 (2021: 1 300 000 000) no par value ordinary shares		
Issued: 591 338 502 (2021: 591 338 502) no par value ordinary shares		
Details of the beneficial shareholders holding 5.0% or more of the total issued shares are disclosed in Annexure B.		
The unissued ordinary shares are under the control of the Directors who may issue them on such terms and conditions as they deem fit until the Company's next Annual General Meeting.		
All shares are fully paid up.		
Details of special resolutions passed by the Company during the reporting period are provided in the Directors' report.		
<b>7 Trade and other payables</b>		
Other payables and accruals	18	16
<b>7.1 DEFERRED SHARES</b>		
Authorised: 720 000 000 (2021: 720 000 000) non-convertible, non-participating, non-transferable no par value deferred shares		
Issued: 305 621 601 (2021: 305 621 601) non-convertible, non-participating, non-transferable no par value deferred shares	—	—
The deferred share liability of R0.3 million (2021: R0.3 million) is included in other payables at the reporting date.		
All shares are fully paid up.		
In terms of the transaction agreement concluded between the Company, Thibault Square Financial Services (Pty) Ltd and Titan Premier Investments (Pty) Ltd on 18 April 2019, the voting rights attached to 40 652 489 deferred shares held by Thibault Square Financial Services (Pty) Ltd will remain restricted whilst all the required approvals are obtained to enable the acquisition of these deferred shares as required in the Memorandum of Incorporation (MOI) of the Company. All other deferred shares carry the same voting rights as the ordinary shares.		
The deferred shares are not convertible into shares of any other class, are not entitled to participate in any profits of the Company and no dividends may be declared or paid in respect of these shares. The holder of these shares is entitled to be present at any meeting of the Company and is entitled on a poll to one vote in respect of every share held.		
The Company shall proportionally acquire deferred shares in relation to the extent to which the shareholder disposes of his interest in ordinary shares in the Company. The Company shall acquire all issued deferred shares, should the shareholder's interest in ordinary shares become less than 10%. These shares are not listed on any stock exchange.		
Subject to certain limitations, the unissued deferred share capital is under the control of the Directors, who may issue it under predetermined circumstances as set out in the MOI of Shoprite Holdings Ltd.		

	2022 Rm	2021 Rm
<b>8 Directors' remuneration</b>		
Executive Directors	70	57
Non-executive Directors	20	7
	90	64
Less: paid by subsidiaries	(70)	(57)
	20	7
Refer to notes 16 and 26 of the consolidated annual financial statements for details of share-based payment instruments issued to Directors' and Directors' remuneration.		
<b>9 Expenses</b>		
Fees for professional services	28	15
Other expenses	26	29
	54	44
<b>10 Impairment losses</b>		
Impairment of investments in subsidiaries	—	5 145
Impairment of investments in associates	—	6
	—	5 151
<b>11 Income tax expense</b>		
<b>11.1 CONSISTING OF:</b>		
Current income tax	60	54
	%	%
<b>11.2 RECONCILIATION OF THE EFFECTIVE TAX RATE</b>		
South African current income tax at 28% (2021: 28%)	28.0	28.0
Net adjustments	(26.9)	(26.4)
Dividend income	(27.6)	(68.2)
Non-deductible expenses <sup>2</sup>	0.7	41.8
Effective tax rate	1.1	1.6
<sup>2</sup> Non-deductible expenses mainly comprised impairments recognised during the previous financial year.		
	cents	cents
<b>12 Dividends per share</b>		
<b>12.1 DIVIDENDS PER SHARE PAID</b>		
No. 145 paid 4 October 2021 (2021: No. 143 paid 5 October 2020)	353.0	227.0
No. 146 paid 11 April 2022 (2021: No. 144 paid 12 April 2021)	233.0	191.0
	586.0	418.0
<b>12.2 DIVIDENDS PER SHARE DECLARED</b>		
No. 147 payable 3 October 2022 (2021: No. 145 paid 4 October 2021)	367.0	353.0

Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 3 July 2022

	2022 Rm	2021 Rm
<b>13 Cash flow information</b>		
<b>13.1 NON-CASH ITEMS</b>		
Impairment of investments in subsidiaries	—	5 145
Impairment of investments in associates	—	6
	—	5 151
<b>13.2 CHANGES IN WORKING CAPITAL</b>		
Trade and other receivables	—	14
Trade and other payables	4	1
	4	15
<b>13.3 DIVIDENDS PAID</b>		
Shareholders for dividends at the beginning of the year	(14)	(6)
Dividends distributed to equity holders	(3 465)	(2 472)
Shareholders for dividends at the end of the year	18	14
	(3 461)	(2 464)
<b>13.4 INCOME TAX PAID</b>		
Payable at the beginning of the year	(17)	(49)
Per statement of comprehensive income	(60)	(54)
Payable at the end of the year	22	17
	(55)	(86)

14 Borrowing powers

In terms of the Memorandum of Incorporation of the Company, the borrowing powers of Shoprite Holdings Ltd are unlimited.

15 Risk management and financial instrument disclosure

The Board is accountable for the process of risk management, establishing appropriate risk and control policies, and communicating these throughout the Company. The Company follows the Shoprite Holdings Ltd Group’s risk management policies which are designed to identify risks faced by the Group and establish appropriate controls and limits to mitigate the risk to acceptable levels. The Audit and Risk Committee of the Group oversees how management monitors compliance with these risk and control policies.

This note discloses information about the Company’s capital risk management and exposure to risks from its use of financial instruments.

15.1 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

15.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

- Level 1:** Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.
- Level 2:** Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).
- Level 3:** Measurements are done by reference to inputs that are not based on observable market data.

All financial instruments held by the Company are measured at amortised cost.

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

15 Risk management and financial instrument disclosure continued

15.3 FINANCIAL RISK MANAGEMENT

The Company’s activities expose it to a variety of financial risks which include the effects of changes on debt and interest rates. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investing excess liquidity.

15.3.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Potential concentration of credit risk consists primarily of amounts receivable from subsidiaries, cash and cash equivalents as well as financial guarantee contracts.

The Company’s financial assets measured at amortised cost are subject to impairment under the ECL model. The inputs, assumptions and estimation techniques used in measuring ECL are explained below.

Measurement of ECL in terms of the general model for impairment

ECL are measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the probability of default (PD) and exposure at default (EAD).

- The PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- The EAD is based on the amounts the Company expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD).
- The Company calculates loss given default (LGD) as discounted EAD.

These three components are multiplied together. This effectively calculates the ECL which is then discounted back to the reporting date, using the original effective interest rate, and aggregated. ECL is a probability-weighted outcome.

The 12-month and lifetime EADs are determined based on the PD, which varies by type of financial asset.

SICR in terms of the general model for impairment

The Company considers financial assets subject to assessment for ECL in terms of the general model for impairment to have experienced a SICR since the time of initial recognition when one or more of the following quantitative, qualitative or backstop criteria have been met. The SICR assessment happens on a bi-annual basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

Quantitative criteria

Where the counterparty has not met its minimum contractual obligations for at least one month.

Qualitative criteria

The Company considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Internal and external credit ratings;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty’s ability to meet its obligations;
- Changes in general economic and/or market conditions;
- Changes in the amount of financial support available to the counterparty;
- Expected or potential breaches of covenants; and
- Expected delay in payment.

Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. This is usually the case when the Company’s in-house collection department and external collection companies which supplement the Company’s collection activities are unable to recover outstanding balances.





Notes to the separate annual financial statements continued

Shoprite Holdings Ltd for the year ended 3 July 2022

15 Risk management and financial instrument disclosure continued  
15.3 FINANCIAL RISK MANAGEMENT CONTINUED

15.3.1 Credit risk continued

a) Amounts receivable from subsidiaries

The following table reflects the maximum exposure to credit risk on amounts receivable from subsidiaries at the reporting date:

Internal credit rating category	Basis of reconciliation of ECL allowance	ECL rate	Gross amount Rm	ECL allowance Rm	Carrying amount Rm
2022					
Stage 1	12-month ECL	0.0%	1 351	—	1 351
2021					
Stage 1	12-month ECL	0.0%	1 817	—	1 817

Internal credit rating categories are determined as follows:

- **Performing (stage 1):** Counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
- **Underperforming (stage 2):** Receivables for which there is a SICR. A SICR is presumed if interest and/or principle repayments are 30 days past due.
- **Non-performing (stage 3):** Interest and/or principal repayments are 60 days past due.

b) Cash and cash equivalents

The Company uses rated South African financial institutions as its bankers and has policies that limit the amount of credit exposure to any one financial institution.

ECL of cash and cash equivalents are calculated in terms of the general model for impairment. All cash and cash equivalents were determined to be in stage 1 as the counterparties have low risk of default and a strong capacity to meet contractual cash flows. There was no SICR of the Company's cash and cash equivalents. ECL were therefore limited to 12-month expected losses and the identified impairment loss was immaterial.

The table below shows the cash invested at the reporting date at financial institutions grouped per Moody's short-term credit rating of the financial institutions.

	National Scale	Global Scale	2022 Rm	2021 Rm
Standard Bank	P-1	NP	2 124	22
Total cash and cash equivalents			2 124	22

c) Financial guarantee contracts

The Company has guaranteed various revolving credit facilities of R25.0 billion (2021: R23.0 billion) in favour of its subsidiaries. The fair value of these guarantees is estimated at R52 million (2021: R59 million) at the reporting date. The guarantees have also been disclosed as part of the liquidity risk hereafter. Financial guarantees are kept to an operational minimum and reassessed regularly. The maximum potential exposure to credit risk under financial guarantee contracts amounts to R25.0 billion (2021: R23.0 billion).

15.3.2 Market risk

Cash flow and fair value interest rate risk

The Company's interest rate risk arises mainly from daily call accounts. The Company does not account for any fixed rate financial assets or liabilities at FVPL and therefore a change in interest rates at the reporting date would not affect profit or loss.

Daily call accounts and bank overdrafts carry interest at rates fixed on a daily basis and expose the Company to cash flow interest rate risk. The Company analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing, reinvesting and/or renewal/cancellation of existing positions and alternative investing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 4.6% (2021: 4.3%).

15 Risk management and financial instrument disclosure continued  
15.3 FINANCIAL RISK MANAGEMENT CONTINUED

15.3.3 Liquidity risk

The risk of illiquidity is managed by using cash flow forecasts and unlimited borrowing powers. The unlimited borrowing powers are controlled by the Company's treasury department in accordance with a treasury mandate as approved by the Board of Directors.

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

	Book value Rm	Not later than one year Rm
Non-derivative financial liabilities		
2022		
Other payables and accruals excluding taxes payable and employee benefit accruals	18	18
Financial guarantees	—	24 974
	18	24 992
2021		
Other payables and accruals excluding taxes payable and employee benefit accruals	16	16
Financial guarantees	—	22 956
	16	22 972

16 Related party information

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

Details of the remuneration of Directors are disclosed in note 8.

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

Details of the Company's interests in subsidiaries are provided in note 2 and Annexure A.

The Company paid dividends of R247 million (2021: R151 million) to Shoprite Checkers (Pty) Ltd during the year under review.

	2022 Rm	2021 Rm
The Company received the following from its subsidiaries:		
Annual administration fee received from Shoprite Checkers (Pty) Ltd	2	2
Dividends received from Shoprite Checkers (Pty) Ltd	5 325	7 806
Dividends received from Shoprite Insurance Company Ltd	260	680
Guarantee fee received from Shoprite International Ltd	37	93
Guarantee fee received from Retail Holdings Botswana (Pty) Ltd	9	8
Interest received from Shoprite Investments Ltd	44	41





## ANNEXURES

Checkers Hyper, Brackenfell, Western Cape.

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clicking on the list below

- 132** ANNEXURE A – INTERESTS IN  
SUBSIDIARIES
- 133** ANNEXURE B – SHAREHOLDER  
ANALYSIS



Annexure A – Interests in subsidiaries

Shoprite Holdings Ltd as at 3 July 2022

	Country of incorporation and place of business	Issued ordinary and preference share capital and premium	Percentage shares held by Group	Investment in shares		Amount owing by	
				2022	2021	2022	2021
		Rm	%	Rm	Rm	Rm	Rm
<b>DIRECT SUBSIDIARIES</b>							
Shoprite Checkers (Pty) Ltd	South Africa	2 017	100	174	174	332	785
Shoprite DTMC (Pty) Ltd	South Africa*	1 187	100	1 187	1 187	—	—
Shoprite Investments Ltd	South Africa	400	100	400	400	970	927
Shoprite International Ltd	Mauritius*	16 030	100	10 886	10 386	40	93
Shoprite Insurance Company Ltd	South Africa	20	100	20	20	—	—
				12 667	12 167	1 342	1 805
<b>INDIRECT SUBSIDIARIES</b>							
Africa Supermarkets Ltd	Zambia*	657	100				
Checkers (Chatsworth) Ltd**	South Africa	2	48				
Computicket (Pty) Ltd	South Africa	69	100				
Mercado Fresco de Angola, Lda	Angola*	225	100				
OK Bazaars (Lesotho) (Pty) Ltd**	Lesotho*	—	50				
OK Bazaars (Namibia) Ltd	Namibia*	1	100				
OK Bazaars (Swaziland) (Pty) Ltd	Eswatini*	—	100				
OK Bazaars (Venda) Ltd**	South Africa	2	50				
Rainmaker Services (Pty) Ltd	South Africa	1 243	100				
Retail Holdings Botswana (Pty) Ltd	Botswana*	370	100			9	12
Shophold (Mauritius) Ltd	Mauritius*	189	100				
Shoprite Angola Imobiliaria, Lda	Angola*	1 634	100				
Shoprite Checkers Uganda Ltd	Uganda*	148	100				
Shoprite Ghana (Pty) Ltd	Ghana*	108	100				
Shoprite Lesotho (Pty) Ltd	Lesotho*	—	100				
Shoprite Mozambique, Lda	Mozambique*	149	100				
Shoprite Namibia (Pty) Ltd	Namibia*	470	100				
Shoprite RDC SARL	DRC*	82	100				
Shoprite Supermercados, Lda	Angola*	836	100				
Shoprite Trading Ltd	Malawi*	190	100				
				12 667	12 167	1 351	1 817

\* Investments in subsidiaries with functional currencies other than South Africa rand are converted at historical exchange rates.  
\*\* Non-controlling interests in respect of these subsidiaries are not material.

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



Annexure B – Shareholder analysis

Shoprite Holdings Ltd as at 3 July 2022

Shareholder spread	No. of shareholdings	%	No. of shares	%
1 – 1 000 shares	44 535	85.50	9 838 532	1.66
1 001 – 10 000 shares	5 955	11.43	16 267 566	2.75
10 001 – 100 000 shares	1 177	2.26	39 306 490	6.65
100 001 – 1 000 000 shares	349	0.67	101 953 369	17.24
1 000 001 shares and over	75	0.14	423 972 545	71.70
Totals	52 091	100.00	591 338 502	100.00

Distribution of shareholders	No. of shareholdings	%	No. of shares	%
Banks/brokers	290	0.56	172 708 356	29.20
Close corporations	285	0.55	1 070 770	0.18
Endowment funds	312	0.60	3 250 343	0.55
Individuals	42 351	81.30	29 048 194	4.91
Insurance companies	245	0.47	15 983 306	2.70
Investment companies	11	0.02	941 468	0.16
Medical schemes	50	0.10	1 134 425	0.19
Mutual funds	631	1.21	82 002 426	13.87
Other corporations	303	0.58	269 351	0.05
Private companies	1 207	2.32	73 548 811	12.44
Public companies	13	0.02	162 509	0.03
Retirement funds	810	1.55	143 975 952	24.35
Sovereign wealth funds	19	0.04	11 001 810	1.86
Treasury shares	7	0.01	43 858 001	7.42
Trusts	5 557	10.67	12 382 780	2.09
Totals	52 091	100.00	591 338 502	100.00

Public/non-public shareholders	No. of shareholdings	%	No. of shares	%
Non-public shareholders	29	0.06	189 612 240	32.06
Directors of the Company	21	0.05	64 985 267	10.99
Shares held for benefit of participants to equity-settled share-based payments arrangements*	1	0.00	4 798 527	0.80
Strategic holding more than 10%	1	0.00	75 970 445	12.85
Treasury shares	6	0.01	43 858 001	7.42
Public shareholders	52 062	99.94	401 726 262	67.94
Totals	52 091	100.00	591 338 502	100.00

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

Beneficial shareholders holding 1% or more	No. of shares	%
Government Employees Pension Fund	92 772 330	15.69
CH Wiese	63 110 920	10.67
Shoprite Checkers (Pty) Ltd	43 858 001	7.42
GLC Private Ltd	22 745 497	3.85
Vanguard	19 237 950	3.25
Old Mutual	15 388 284	2.60
BlackRock	13 759 984	2.33
Namibian Government Institutions Pension Fund	9 767 265	1.65
JF le Roux	8 451 737	1.43
Ninety One	7 303 539	1.24
People's Bank of China	7 125 692	1.21
Alexforbes	6 897 542	1.17
Sanlam	6 832 838	1.16
Federated Hermes	6 790 829	1.15
Totals	324 042 408	54.82



# Shareholders’ country classification



# Administration

## Registration number

1936/007721/06

## Registered office

Cnr William Dabbs Street and Old Paarl Road,  
Brackenfell, 7560, South Africa  
PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4000  
Website: [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)

## Company Secretary

PG du Preez  
Cnr William Dabbs Street and Old Paarl Road,  
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E-mail: [cosec@shoprite.co.za](mailto:cosec@shoprite.co.za)

## Transfer secretaries

### SOUTH AFRICA

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Website: [www.sharetrackzambia.com](http://www.sharetrackzambia.com)

## Sponsors

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E-mail: [info@pangaea.co.zm](mailto:info@pangaea.co.zm)  
Website: [www.pangaea.co.zm](http://www.pangaea.co.zm)

## Auditors

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PO Box 2799, Cape Town, 8001, South Africa  
Telephone: +27 (0)21 529 2000  
Facsimile: +27 (0)21 814 2000  
Website: [www.pwc.co.za](http://www.pwc.co.za)

## Bankers

Absa Bank Ltd  
Citibank N.A.  
FirstRand Ltd  
Investec Bank Ltd  
Nedbank Ltd  
The Standard Bank of South Africa Limited  
Standard Chartered Bank PLC

# Shareholders’ diary

## JUNE

Financial  
year-end

## AUGUST

Reviewed results

## OCTOBER

Payment of final  
ordinary dividend  
  
Publishing  
of Integrated  
Report

## NOVEMBER

Annual General  
Meeting

## DECEMBER

End of financial  
half-year

## MARCH

Interim results

## APRIL

Payment  
of interim  
ordinary  
dividend



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