

## RESULTS FOR THE YEAR ENDED 1 JULY 2018

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### Key information

- Turnover increased by 3.1% to R145.3 billion.
- Diluted headline earnings per share of 968.7 cents, down by 3.8%.
- Trading profit decreased by 1.4% to R8.0 billion.
- EBITDA increased by 1.0% to R10.1 billion.
- Opened a net 124 corporate stores (2017: 109).
- Created 3 676 additional jobs.

### Pieter Engelbrecht, chief executive officer:

In testing trading conditions, the Group managed to increase total turnover by 3.1% to R145.3 billion in the 12 months to 1 July 2018. Positive volume growth of 2.7% combined with a 3.3% increase in customer numbers as well as local market share gains continue to reflect a strong underlying performance.

Group turnover growth includes the effect of hyperinflation accounting in Angola for the first time in accordance with International Financial Reporting Standards. Excluding this adjustment, the Group's turnover increased by 3.6%. Group internal inflation dropped off significantly to only 0.5% from 7.3% in the previous year which dampened top line growth.

Trading profit was 1.4% lower at R8.0 billion, representing a still healthy trading margin of 5.5%.

Our core South African supermarket operations increased turnover by 5.7% despite experiencing overall deflation in selling prices for six out of twelve months during the year. Internal selling price inflation declined sharply from an average of 5.9% in the corresponding period to just 0.3% during the year under review, with 13 241 products in deflation at the end of June 2018. This is testimony to Shoprite's commitment for almost 40 years to put customers first by keeping prices low. The strong RSA performance amidst low inflation still resulted in a market share gain to 31.7% for the period, propelled by Checkers' progress in its more sharpened focus on higher income customers.

Turnover of Supermarkets Non-RSA operations declined 7.0% after exceptional growth in the prior year and reflects slow economic recoveries and currency fluctuations in the major countries of operation.

We continue to invest in our people and products and secure growth opportunities in South Africa and beyond for the long-term growth of the business and in order to serve our customers, communities, suppliers and shareholders. Our ability to extract growth in trying circumstances validates the strength of our strategy which not only includes geographical diversification, but also the extraction of value across all operations and brands.

The Group continues to advance its primary purpose: to be Africa's most accessible and affordable food retailer. The Group opened a net 124 new corporate stores during the past 12 months and at year-end was trading from 2 843 outlets, adding 3 676 additional jobs in the reporting period, to bring the total staff complement to 147 478.

20 August 2018

### Enquiries:

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## **OPERATING ENVIRONMENT**

The Group was resilient in the face of strong headwinds which gathered some momentum across South African and Non-RSA operations.

South Africa's gross domestic product grew 1.3% over 2017 and fell 2.2% in the first quarter of 2018, while unemployment remains high at 27.2%. These factors, coupled with an unprecedented VAT increase, record fuel prices, sugar tax to name a few, provided a challenging environment for the Group and put our customers under undue financial pressure.

Group internal inflation decreased from 7.3% in the previous year to only 0.5% for the current year, ensuring we continue to provide the most affordable products to our customers, but putting pressure on revenue and operating profit as external cost inputs continued to increase at a quicker pace.

There were signs of increased political stability in a number of Non-RSA operations, which continued to experience lacklustre trading conditions and foreign exchange fluctuations.

## **COMMENTS ON THE RESULTS**

### **Statement of Comprehensive Income**

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

Total turnover for the Group increased by 3.1% for the 52 weeks to 1 July 2018 from R141.0 billion to R145.3 billion. Excluding the impact of the Angolan hyperinflation accounting adjustment, the Group's turnover increased by 3.6% and like-for-like growth was -0.1%. Supermarkets RSA reported turnover growth of 5.7% and, on a like-for-like basis 1.9%, while Supermarkets Non-RSA recorded a decline in sales of 7.0% with a like-for-like decline of 12.0%. The decline in Supermarkets Non-RSA sales are mainly due to the normalised performance of the Angolan Supermarkets operation following the 65.0% compound growth in turnover over the prior two years, the rapid decline in internal selling price inflation and the 50.2% devaluation of the Angola kwanza against the US dollar since December 2017. In constant currencies, Supermarkets Non-RSA sales increased by 1.2%.

The Group's Furniture division displayed an improved operating performance, growing sales by 9.8% for the period, while other operating segments (OK Franchise, Computicket, MediRite Pharmacy and Checkers Food Services) achieved turnover growth of 5.2%.

#### ***Expenses***

Total expenses increased by 6.5%. Depreciation and amortisation as well as the increase in the cost of operating leases grew at a higher rate than turnover, mainly due to increased property taxes, new store openings and our continued refurbishment program of existing stores. During the 12-month reporting period a net 71 supermarkets and a net 50 LiquorShop outlets were opened.

Escalation in expenses such as electricity and other energy costs were mostly beyond the control of the Group due to electricity tariff increases being set by NERSA. The Group has however invested in power saving initiatives that will materialise benefits in the forthcoming financial year. The Private Security Industry Regulatory Authority (PSiRA) agreed on wage increases in the security industry with the resultant impact on the Group's security costs in South Africa. There was a marked increase in store robberies during the year which necessitated an increase in capital spend to implement additional measures to safeguard customers and staff.

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

The trading margin decreased from 5.8% to 5.5%. Despite the healthy margin levels, the reduction reflects investment in projects to future proof the Group as part of its store expansion program, enlargement of supply-chain infrastructure and the replacement of the information technology landscape. Near zero levels of internal inflation and the general slowdown in turnover in Supermarkets Non-RSA contributed to the lower margin.

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

The Group recorded an exchange rate loss of R251 million for the financial year mainly due to the 50.2% currency devaluation in the Angola kwanza against the US dollar since December 2017. The hedging strategy followed by the Group to minimise the exchange rate losses in Angola were two fold with the purchase of US\$ Index Linked Angola Government Bonds and Angola Treasury Bills. Investment income on the US\$ Index Linked Angola Government Bonds and the Angola Treasury Bills amounted to R191 million and is reported as part of Other Operating Income.

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

Net interest expense, when compared to the corresponding period, increased due to additional funding required for capital projects and due to the forfeiture of the last interest payment of the convertible bonds in the prior year. Additional capital was required to fund expansion in Supermarkets Non-RSA.

### **Statement of Financial Position**

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

The increase is due to the investment in a net 124 new corporate outlets which included more own stores built, vacant land purchased for strategic purposes and the investment in information technology to support inventory management. The Cilmor distribution centre is now fully operational.

### **Cash and cash equivalents and bank overdrafts**

The increase in cash at the reporting date is mainly due to month end cut-off for accounts payable. This was offset by the specific buy-back and cancellation of ordinary shares in the amount of R1.8 billion and a further increase in US\$ Index Linked Angola Government Bonds and Angola Treasury Bills to the value of R2.4 billion to hedge against a possible further devaluation of the Angola kwanza.

### **Inventory**

The 1% increase in inventory is a result of the Supermarkets Non-RSA operating segment reporting a marked decrease in inventory due to improved stock management. Provisioning of the net 124 new corporate outlets as well as the increased capacity created by the new Cilmor distribution centre in the Western Cape led to the overall increase in inventory levels.

### **Trade and other payables**

Trade and other payables increased by 18.4% on the previous year due to month end cut-off reflected in cash and cash equivalent balances.

### **Borrowings**

Total borrowings increased as offshore funding was secured to fund the Group's continued expansion drive outside South Africa. The Group is investigating various medium to longer term funding options to support future developments.

## **Pro Forma Information**

Certain financial information presented in these annual financial results constitutes pro forma financial information. The pro forma financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the Company.

### **Impact of the Group's pro forma constant currency disclosure**

The Group discloses unaudited constant currency information to indicate the Group's Supermarkets Non-RSA operating segment performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period turnover for entities reporting in currencies other than ZAR are converted from local currency actuals into ZAR at the prior year's actual average exchange rates on a country-by-country basis. In addition, in respect of Angola, the constant currency information has been prepared excluding the impact of hyperinflation. For the year ended 1 July 2018, the economy of Angola was assessed to be hyperinflationary. Hyperinflation accounting was applied with effect from 3 July 2017.

The table below sets out the percentage change in turnover, based on the actual results for the financial year, in reported currency and constant currency for the following major currencies. The total impact on Supermarkets Non-RSA is also reflected after consolidating all currencies in this segment.

<b>% Change in turnover on prior period 52 weeks</b>	<b>Reported Currency</b>	<b>Constant Currency</b>
Angola kwanza	(26.1)	(9.3)
Nigeria naira	(1.9)	4.0
Zambia kwacha	3.1	8.8
Mozambique metical	21.9	12.3
Total Supermarkets Non-RSA	(7.0)	1.2

### **Impact of Angola hyperinflation adjustment**

For the year ended 1 July 2018, the economy of Angola was assessed to be hyperinflationary. As a result, the Group accounted for the results of its Angolan operations on a hyperinflationary basis in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29) with effect from 3 July 2017.

It is therefore useful and good governance to report pro forma information for the current year under review which excludes the impact of hyperinflation. It will also facilitate comparisons against the prior period's results which were prepared before the application of hyperinflation accounting.

The pro forma information was calculated through applying all the accounting policies adopted by the Group in the latest audited annual financial statements except for the hyperinflationary standard IAS 29.

The financial impact of hyperinflation on the current period's results is shown in the format of a pro forma statement of comprehensive income and a pro forma statement of financial position.

## PRO FORMA STATEMENT OF COMPREHENSIVE INCOME

	52 Weeks Including Hyper- inflation Audited 2018 Rm	52 Weeks Hyper- inflation Adjustment 2018 Rm	52 Weeks Excluding Hyper- inflation Pro Forma 2018 Rm	52 Weeks Excluding Hyper- inflation Audited 2017 Rm
Sale of merchandise	145 306	(777)	146 083	141 000
Cost of sales	(110 580)	430	(111 010)	(107 174)
<b>GROSS PROFIT</b>	<b>34 726</b>	<b>(347)</b>	<b>35 073</b>	<b>33 826</b>
Other operating income	2 779	(39)	2 818	2 615
Depreciation and amortisation	(2 530)	(82)	(2 448)	(2 176)
Operating leases	(4 272)	(3)	(4 269)	(3 819)
Employee benefits	(10 851)	50	(10 901)	(10 498)
Other operating expenses	(12 494)	84	(12 578)	(11 821)
Net monetary gain	653	653	—	—
<b>TRADING PROFIT</b>	<b>8 011</b>	<b>316</b>	<b>7 695</b>	<b>8 127</b>
Exchange rate losses	(251)	39	(290)	(236)
Items of a capital nature	(246)	—	(246)	(166)
<b>OPERATING PROFIT</b>	<b>7 514</b>	<b>355</b>	<b>7 159</b>	<b>7 725</b>
Interest received	215	—	215	226
Finance costs	(422)	(1)	(421)	(340)
Share of profit of equity accounted investments	27	—	27	4
<b>PROFIT BEFORE INCOME TAX</b>	<b>7 334</b>	<b>354</b>	<b>6 980</b>	<b>7 615</b>
Income tax expense	(2 121)	(176)	(1 945)	(2 180)
<b>PROFIT FOR THE YEAR</b>	<b>5 213</b>	<b>178</b>	<b>5 035</b>	<b>5 435</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>	<b>(689)</b>	<b>—</b>	<b>(689)</b>	<b>(933)</b>
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment medical benefit obligations	2	—	2	3
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences including hyperinflation effect	(678)	—	(678)	(822)
Share of foreign currency translation differences of equity accounted investments	(2)	—	(2)	(103)
Gains/(losses) on effective cash flow hedge	(11)	—	(11)	(11)
For the year	3	—	3	(11)
Reclassified to profit for the year	(14)	—	(14)	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>4 524</b>	<b>178</b>	<b>4 346</b>	<b>4 502</b>
<b>PROFIT ATTRIBUTABLE TO:</b>				
Owners of the parent	5 201	178	5 023	5 428
Non-controlling interest	12	—	12	7
	<b>5 213</b>	<b>178</b>	<b>5 035</b>	<b>5 435</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the parent	4 512	178	4 334	4 495
Non-controlling interest	12	—	12	7
	<b>4 524</b>	<b>178</b>	<b>4 346</b>	<b>4 502</b>
Basic earnings per share (cents)	934.3	32.0	902.3	999.8
Diluted earnings per share (cents)	933.4	31.9	901.5	984.8
Basic headline earnings per share (cents)	969.6	32.2	937.4	1 023.2
Diluted headline earnings per share (cents)	968.7	32.1	936.6	1 007.4

## PRO FORMA STATEMENT OF FINANCIAL POSITION

	Including Hyper- inflation Audited 2018 Rm	Hyper- inflation Adjustment 2018 Rm	Excluding Hyper- inflation Pro Forma 2018 Rm	Excluding Hyper- inflation Audited 2017 Rm
<b>ASSETS</b>				
NON-CURRENT ASSETS	29 352	2 253	27 099	24 572
Property, plant and equipment	21 218	2 140	19 078	18 407
Equity accounted investments	—	—	—	27
Held-to-maturity investments	2 090	—	2 090	1 311
Loans and receivables	1 318	—	1 318	1 110
Deferred income tax assets	876	(359)	1 235	859
Intangible assets	2 994	1	2 993	2 355
Trade and other receivables	856	471	385	503
CURRENT ASSETS	32 306	50	32 256	31 032
Inventories	17 959	60	17 899	17 794
Trade and other receivables	4 931	(10)	4 941	5 105
Derivative financial instruments	—	—	—	1
Current income tax assets	120	—	120	154
Held-to-maturity investments	1 600	—	1 600	—
Loans and receivables	231	—	231	211
Cash and cash equivalents	7 465	—	7 465	7 767
ASSETS HELD FOR SALE	184	—	184	119
<b>TOTAL ASSETS</b>	<b>61 842</b>	<b>2 303</b>	<b>59 539</b>	<b>55 723</b>
<b>EQUITY</b>				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT				
Share capital	—	—	—	681
Share premium	—	—	—	8 585
Stated capital	7 516	—	7 516	—
Treasury shares	(554)	—	(554)	(446)
Reserves	20 424	1 692	18 732	18 838
	27 386	1 692	25 694	27 658
NON-CONTROLLING INTEREST	91	—	91	91
<b>TOTAL EQUITY</b>	<b>27 477</b>	<b>1 692</b>	<b>25 785</b>	<b>27 749</b>
<b>LIABILITIES</b>				
NON-CURRENT LIABILITIES	3 567	611	2 956	1 492
Borrowings	1 371	—	1 371	—
Deferred income tax liabilities	697	611	86	96
Provisions	264	—	264	232
Fixed escalation operating lease accruals	1 235	—	1 235	1 164
CURRENT LIABILITIES	30 798	—	30 798	26 482
Trade and other payables	20 621	—	20 621	17 414
Borrowings	5 606	—	5 606	3 274
Current income tax liabilities	481	—	481	582
Provisions	95	—	95	154
Bank overdrafts	3 995	—	3 995	5 058
<b>TOTAL LIABILITIES</b>	<b>34 365</b>	<b>611</b>	<b>33 754</b>	<b>27 974</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61 842</b>	<b>2 303</b>	<b>59 539</b>	<b>55 723</b>

### Like-for-like comparisons

Like-for-like sales is a measure of the growth in the Group's year-on-year sales, removing the impact of new store openings and closures in the current or previous reporting periods. In addition, in respect of Angola, the like-for-like sales have been prepared excluding the impact of hyperinflation.

References were made to the following subtotals of sale of merchandise	Change in Like-for-like %	52 weeks to 1 July 2018 Audited Rm	52 weeks to 1 July 2018 Like-for-like Rm	52 weeks to 2 July 2017 Audited Rm	52 weeks to 2 July 2017 Like-for-like Rm
Total	(0.1)	146 083	137 159	141 000	137 259
Supermarkets RSA	1.9	107 547	102 619	101 734	100 699
Supermarkets Non-RSA	(12.0)	23 106	21 496	24 840	24 439

### NUMBER OF OUTLETS 1 JULY 2018

	12 MONTHS				CONFIRMED NEW STORES
	2017	OPENED	CLOSED	2018	2019
<b>SUPERMARKETS</b>	<b>1 226</b>	<b>82</b>	<b>11</b>	<b>1 297</b>	<b>88</b>
SHOPRITE	614	29	4	639	46
CHECKERS	209	13	1	221	11
CHECKERS HYPER	37	0	0	37	0
USAVE	366	40	6	400	31
<b>LIQUORSHOP</b>	<b>390</b>	<b>52</b>	<b>2</b>	<b>440</b>	<b>17</b>
<b>HUNGRY LION*</b>	<b>197</b>	<b>12</b>	<b>5</b>	<b>204</b>	<b>3</b>
<b>FURNITURE</b>	<b>488</b>	<b>20</b>	<b>24</b>	<b>484</b>	<b>7</b>
OK FURNITURE	436	18	24	430	6
HOUSE & HOME	52	2	0	54	1
<b>OK FRANCHISE</b>	<b>388</b>	<b>57</b>	<b>27</b>	<b>418</b>	<b>17</b>
<b>TOTAL STORES</b>	<b>2 689</b>	<b>223</b>	<b>69</b>	<b>2 843</b>	<b>132</b>
<b>COUNTRIES OUTSIDE RSA</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>1</b>
<b>TOTAL STORES OUTSIDE RSA</b>	<b>437</b>	<b>45</b>	<b>7</b>	<b>475</b>	<b>30</b>

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

\* The 204 Hungry Lion outlets include 151 which were sold on 1 July 2018 when the Group disposed of its interest in Hungry Lion Fast Foods (Pty) Ltd.

## **OPERATIONAL REVIEW**

### **Supermarkets RSA**

The core South African Supermarket operation, trading through 1 610 outlets and representing 74.0% of total sales, did well in an extremely tough environment, increasing sales by 5.7% and trading profit by 1.8%.

Taking into account the low levels of internal inflation, which dropped to only 0.3% from 5.9% last year, the improved pace on real turnover growth combined with positive volume and customer growth reflects a strong performance.

The South African operations continue to experience positive customer growth in terms of number of customers and number of customer trips to stores. We are also selling more products, with a 3% increase in units sold, a positive increase somewhat masked by the effect of deflation and cost pressures.

A total of 13 241 of our products were selling at lower prices than last year, easing the burden on our customers but putting some pressure on the Shoprite operation in particular. Integrated planning, strict cost disciplines and an extensive and sophisticated supply-line infrastructure have helped the Group to successfully manage the effect of deflation and the poor economy, although the sales increase at Shoprite was limited to 4.3% – a creditable performance given the circumstances.

The Group's strategy to capture a greater proportion of the higher LSM consumer segments' grocery expenditure has seen Checkers, excluding the larger format Hyper stores, increase sales by 8.2%.

Checkers' revamped stores and fresh and convenience offerings have been well received by customers, and our higher LSM shoppers are spending more and shopping with increased frequency.

Checkers has converted 13 stores to the new look FreshX concept, accelerating market share gains in the affluent market segment. The Group aims to revamp at least a third of its Checkers stores to the new look in the medium term.

Innovation, improved customer service and increases in convenience and fresh ranges have been significant draw-cards for Checkers, which continues to lead the Group's gain in market share.

The Shoprite brand, with its focus on middle and lower-income consumers, continued to subsidise basic food prices to assist the most vulnerable. Notwithstanding its shopper base being the hardest hit by prevailing economic conditions, Shoprite grew sales by 4.3% (2017: 6.0%) to R54.2 billion.

The Group's small format, hard discounter Usaves offering the lowest possible prices on a limited assortment, continued to perform well with a 7.5% increase in turnover, despite deflation in most of its major product categories. A net 33 Usave stores were opened in the year as reach was extended to consumers in traditionally underserved areas.

The Group's LiquorShop stores in South Africa recorded a strong performance, with a 20.6% increase in sales and new store expansion which met our aspirations with a new store opening almost every week of the year.

The implementation of our new SAP ERP system, the biggest IT project ever embarked upon by the Group, has almost been completed which will see all stores and distribution centres in all countries on one common technology platform. The herculean effort to deploy such a significant change to our technology platform was not without growing pains, however it will enable better inventory accuracy and improved efficiencies whilst addressing scalability.

### **Supermarkets Non-RSA**

Trading in 14 countries in the rest of Africa and Indian Ocean Islands, the Group's Supermarkets Non-RSA operating segment produced disappointing results in line with those reported at the interim stage, mainly driven by the Angolan operation that faced many headwinds.

Supermarkets Non-RSA recorded a 7.0% decrease in turnover in rand terms which impacted overall Group sales performance. The slower Supermarkets Non-RSA sales are mainly attributed to the normalised performance of the Angolan Supermarkets operation, the Group's biggest operation outside South Africa, following the 65.0% compound growth in turnover over the prior two years and the 50.2% devaluation of the Angola kwanza against the US dollar since December 2017.

Trading in Nigeria continues to be hampered by foreign exchange fluctuations, although Nigerian stores are showing growth in local currency, albeit at reduced margins.

A significant drop off in Supermarkets Non-RSA internal inflation from 14.4% in the previous year to only 1.1% for the current year was also experienced.

The Group's imminent expansion into Kenya provides an exciting opportunity and reflects its ongoing commitment to the African continent, where it has a significant competitive advantage.

## **Furniture**

The Group's Furniture division's ongoing refinement continued to bear fruit and it achieved a pleasing 9.8% increase in sales and profit growth in excess of 100% for the period.

This was achieved despite credit sales participation dropping by almost a third to 14.7% (2017: 20.8%) of total sales and only a marginal increase in product inflation.

Sales growth in its 396 South African stores was 9.5% up, while its 88 stores outside South Africa increased sales by 11.0% on the back of improved distribution and merchandising decisions. Angola recorded a particularly strong performance where the OK Furniture brand is establishing strong customer loyalty.

The division's enhanced integration into the wider Shoprite Group has been particularly beneficial outside South Africa, with it benefitting from opening stores in Shoprite shopping centres.

The division opened 20 new stores, but it is a net four stores lighter than the previous year as unprofitable stores were closed.

## **Other Operating Segments**

Other operating segments, which include OK Franchise, Computicket, MediRite Pharmacy and Checkers Food Services achieved turnover growth of 5.2%.

The OK Franchise division recorded a net gain of 30 new members as its restructuring continued to enhance the OK brand among customers as well as potential and existing franchisees.

The Group has seen a strong uptake of its extended number of private label products and general merchandise ranges available to franchisees.

## **GROUP PROSPECTS AND OUTLOOK**

Our key indicators remain strong. We remain robust and profitable and continue to attract more customers and win market share.

We made a deliberate decision in the face of many headwinds to maintain investment in our people and in new stores for the sustainable long-term health of the business, the benefits of which will be realised in the future.

Sales in the Non-RSA business will remain under pressure as we expect continued currency weakness and foreign exchange shortages. Operations in the rest of Africa remain a substantial contributor to the Group and on its own stands tall relative to various local peers.

The Group has entrenched its position as the continent's leading retailer and is well positioned to capitalise on any economic improvements following its continued investment into a more accessible store footprint, superior brands and its focus on six strategic drivers of growth. Significant progress has been made on all of these drivers, which include a customer first culture, increasing share of the more affluent LSM 8 – 10 market, developing private label, building a stronger franchise offering, strategic footprint expansion and ultimately leveraging our African first mover advantage.

## **DIVIDEND NO 139**

The board has declared a final dividend of 279 cents (2017: 324 cents) per ordinary share, payable to shareholders on Monday, 10 September 2018. The dividend has been declared out of income reserves. This brings the total dividend for the year to 484 cents (2017: 504 cents) per ordinary share. The last day to trade cum dividend will be Tuesday, 4 September 2018. As from Wednesday, 5 September 2018, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 7 September 2018. Share certificates may not be dematerialised or rematerialised between Wednesday, 5 September 2018, and Friday, 7 September 2018, both days inclusive.

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

1. The local dividend tax rate is 20%.
2. The net local dividend amount is 223.20 cents per share for shareholders liable to pay Dividends Tax and 279 cents per share for shareholders exempt from paying Dividends Tax.
3. The issued ordinary share capital of Shoprite Holdings Ltd as at the date of this declaration is 591 338 502 ordinary shares.
4. Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.



## **DIRECTORATE AND ADMINISTRATION**

### ***Executive directors***

PC Engelbrecht (CEO), A de Bruyn (CFO), B Harisunker

### ***Non-executive directors***

CH Wiese (chairman), CG Goosen

### ***Independent non-executive directors***

JF Basson, JJ Fouché, EC Kieswetter, JA Louw, ATM Mokgokong, JA Rock

### ***Alternate non-executive director***

JD Wiese

### ***Company secretary***

PG du Preez

### ***Registered office***

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### ***Transfer secretaries***

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## SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	%	Audited 52 weeks 2018 Rm	Audited 52 weeks 2017 Rm
		change		
Sale of merchandise		3.1	145 306	141 000
Cost of sales		3.2	(110 580)	(107 174)
<b>GROSS PROFIT</b>		2.7	<b>34 726</b>	33 826
Other operating income		6.3	2 779	2 615
Depreciation and amortisation		16.3	(2 530)	(2 176)
Operating leases		11.9	(4 272)	(3 819)
Employee benefits		3.4	(10 851)	(10 498)
Other operating expenses		5.7	(12 494)	(11 821)
Net monetary gain			653	—
<b>TRADING PROFIT</b>		(1.4)	<b>8 011</b>	8 127
Exchange rate losses			(251)	(236)
Items of a capital nature			(246)	(166)
<b>OPERATING PROFIT</b>		(2.7)	<b>7 514</b>	7 725
Interest received		(4.9)	215	226
Finance costs		24.1	(422)	(340)
Share of profit of equity accounted investments			27	4
<b>PROFIT BEFORE INCOME TAX</b>		(3.7)	<b>7 334</b>	7 615
Income tax expense		(2.7)	(2 121)	(2 180)
<b>PROFIT FOR THE YEAR</b>		(4.1)	<b>5 213</b>	5 435
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>			<b>(689)</b>	(933)
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment medical benefit obligations			2	3
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences including hyperinflation effect			(678)	(822)
Share of foreign currency translation differences of equity accounted investments			(2)	(103)
Gains/(losses) on effective cash flow hedge			(11)	(11)
For the year			3	(11)
Reclassified to profit for the year			(14)	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			<b>4 524</b>	4 502
<b>PROFIT ATTRIBUTABLE TO:</b>			<b>5 213</b>	5 435
Owners of the parent			5 201	5 428
Non-controlling interest			12	7
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			<b>4 524</b>	4 502
Owners of the parent			4 512	4 495
Non-controlling interest			12	7
Basic earnings per share (cents)	9	(6.6)	<b>934.3</b>	999.8
Diluted earnings per share (cents)	9	(5.2)	<b>933.4</b>	984.8
Basic headline earnings per share (cents)	9	(5.2)	<b>969.6</b>	1 023.2
Diluted headline earnings per share (cents)	9	(3.8)	<b>968.7</b>	1 007.4

## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited 2018 Rm	Audited 2017 Rm
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	21 218	18 407
Equity accounted investments		—	27
Held-to-maturity investments	4	2 090	1 311
Loans and receivables	5	1 318	1 110
Deferred income tax assets		876	859
Intangible assets		2 994	2 355
Trade and other receivables		856	503
<b>CURRENT ASSETS</b>			
Inventories		17 959	17 794
Trade and other receivables		4 931	5 105
Derivative financial instruments		—	1
Current income tax assets		120	154
Held-to-maturity investments	4	1 600	—
Loans and receivables	5	231	211
Cash and cash equivalents		7 465	7 767
<b>ASSETS HELD FOR SALE</b>			
		184	119
<b>TOTAL ASSETS</b>		<b>61 842</b>	<b>55 723</b>
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Share capital	6	—	681
Share premium		—	8 585
Stated capital	6	7 516	—
Treasury shares	6	(554)	(446)
Reserves		20 424	18 838
		27 386	27 658
<b>NON-CONTROLLING INTEREST</b>			
		91	91
<b>TOTAL EQUITY</b>		<b>27 477</b>	<b>27 749</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	7	1 371	—
Deferred income tax liabilities		697	96
Provisions		264	232
Fixed escalation operating lease accruals		1 235	1 164
<b>CURRENT LIABILITIES</b>			
Trade and other payables		20 621	17 414
Borrowings	7	5 606	3 274
Current income tax liabilities		481	582
Provisions		95	154
Bank overdrafts		3 995	5 058
<b>TOTAL LIABILITIES</b>		<b>34 365</b>	<b>27 974</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>61 842</b>	<b>55 723</b>

## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Total equity	Non-controlling interest	Attributable to owners of the parent				Other retained earnings		
			Total	Share capital	Share premium	Stated capital		Treasury shares	
BALANCE AT 3 JULY 2016	21 139	65	21 074	650	4 029	—	(760)	554	16 601
Total comprehensive income	4 502	7	4 495	—	—	—	—	(936)	5 431
Profit for the year	5 435	7	5 428	—	—	—	—	—	5 428
Recognised in other comprehensive income	4	—	4	—	—	—	—	—	4
Re-measurements of post-employment medical benefit obligations	(1)	—	(1)	—	—	—	—	—	(1)
Income tax effect of re-measurements of post-employment medical benefit obligations	(925)	—	(925)	—	—	—	—	(925)	—
Foreign currency translation differences	(15)	—	(15)	—	—	—	—	(15)	—
Losses on effective cash flow hedge	4	—	4	—	—	—	—	4	—
Income tax effect of losses on effective cash flow hedge	—	—	—	—	—	—	—	—	—
Share-based payments – value of employee services	139	—	139	—	—	—	—	139	—
Modification of cash bonus arrangement transferred from provisions	6	—	6	—	—	—	—	6	—
Purchase of treasury shares	(59)	—	(59)	—	—	—	(59)	—	—
Treasury shares disposed	2	—	2	—	—	—	2	—	—
Realisation of share-based payment reserve	—	—	—	—	—	—	371	(371)	—
Ordinary shares issued on conversion of convertible bonds	4 587	—	4 587	31	4 556	—	—	—	—
Equity component of convertible bonds converted during the period transferred to retained earnings	—	—	—	—	—	—	—	(361)	361
Non-controlling interest on acquisition of subsidiary	2	2	—	—	—	—	—	—	—
Non-controlling interest on disposal of subsidiary	27	27	—	—	—	—	—	—	—
Dividends distributed to shareholders	(2 596)	(10)	(2 586)	—	—	—	—	—	(2 586)
BALANCE AT 2 JULY 2017	27 749	91	27 658	681	8 585	—	(446)	(969)	19 807

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

Rm	Total equity	Non-controlling interest	Attributable to owners of the parent					Other retained earnings
			Total	Share capital	Share premium	Stated capital	Treasury shares	
Total comprehensive income	4 524	12	4 512	—	—	—	(691)	5 203
Profit for the year	5 213	12	5 201					5 201
Recognised in other comprehensive income								
Re-measurements of post-employment medical benefit obligations	3		3					3
Income tax effect of re-measurements of post-employment medical benefit obligations	(1)		(1)					(1)
Foreign currency translation differences including hyperinflation effect	177		177				177	
Income tax on foreign currency translation differences including hyperinflation effect	(857)		(857)				(857)	
Gains on effective cash flow hedge	(15)		(15)				(15)	
Income tax effect of gains on effective cash flow hedge	4		4				4	
Cash flow hedging reserve transferred to receivables	(3)		(3)				(3)	
Income tax effect of cash flow hedging reserve transferred to receivables	1		1				1	
Share-based payments – value of employee services	64		64				64	
Modification of cash bonus arrangement transferred from provisions	9		9				9	
Buy-back and cancellation of ordinary shares	(1 750)		(1 750)	(10)	(1 740)			
Purchase of treasury shares	(142)		(142)			(142)		
Treasury shares disposed	6		6			5		1
Realisation of share-based payment reserve	—		—			29	(29)	
Conversion to stated capital	—		—	(671)	(6 845)	7 516	(2)	2
Transfer from capital redemption reserve	—		—					
Dividends distributed to shareholders	(2 981)	(12)	(2 969)					(2 969)
<b>BALANCE AT 1 JULY 2018</b>	<b>27 477</b>	<b>91</b>	<b>27 386</b>	<b>—</b>	<b>—</b>	<b>7 516</b>	<b>(1 620)</b>	<b>22 044</b>

## SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited year ended 2018 Rm	Audited year ended 2017 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit		<b>7 514</b>	7 725
Less: investment income		<b>(344)</b>	(189)
Non-cash items	10.1	<b>2 919</b>	3 089
Changes in working capital	10.2	<b>2 686</b>	(2 278)
Cash generated from operations		<b>12 775</b>	8 347
Interest received		<b>493</b>	399
Interest paid		<b>(555)</b>	(416)
Dividends received		<b>49</b>	16
Dividends paid		<b>(2 980)</b>	(2 595)
Income tax paid		<b>(2 364)</b>	(2 412)
<b>CASH FLOWS UTILISED BY INVESTING ACTIVITIES</b>			
Investment in property, plant and equipment and intangible assets to expand operations		<b>(3 720)</b>	(3 836)
Investment in property, plant and equipment and intangible assets to maintain operations		<b>(1 616)</b>	(1 331)
Proceeds on disposal of property, plant and equipment and intangible assets		<b>132</b>	40
Proceeds on disposal of assets held for sale		<b>121</b>	—
Payments for held-to-maturity investments		<b>(2 401)</b>	(1 370)
Proceeds from held-to-maturity investments		<b>490</b>	—
Amounts paid to Resilient Africa (Pty) Ltd		<b>(7)</b>	(612)
Amounts received from Resilient Africa (Pty) Ltd		<b>—</b>	136
Amounts paid to RMB Westport Osapa		<b>(182)</b>	—
Amounts repaid by employees		<b>102</b>	123
Other investing activities		<b>(99)</b>	(125)
Investment in joint venture		<b>(150)</b>	—
Cash outflow on disposal of investment in subsidiary		<b>—</b>	(9)
Acquisition of subsidiaries and operations		<b>(25)</b>	(1)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Purchase of treasury shares		<b>(142)</b>	(59)
Proceeds from treasury shares disposed		<b>6</b>	4
Buy-back and cancellation of ordinary shares		<b>(1 750)</b>	—
Convertible bonds settled at maturity date		<b>—</b>	(108)
Repayment of borrowings		<b>(7 895)</b>	(111)
Increase in borrowings		<b>11 207</b>	3 100
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		<b>2 709</b>	3 819
Effect of exchange rate movements and hyperinflation on cash and cash equivalents		<b>(728)</b>	(290)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>3 470</b>	2 709
Consisting of:			
Cash and cash equivalents		<b>7 465</b>	7 767
Bank overdrafts		<b>(3 995)</b>	(5 058)
		<b>3 470</b>	2 709

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

### 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 1 July 2018, compared to 52 weeks in the previous financial year.

These summarised consolidated financial results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated annual financial statements from which the summarised consolidated financial results were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except as set out below. Various new and revised accounting standards became effective during the year, but their implementation had no significant impact on the results of either the current or the previous year.

The preparation of these summarised consolidated financial results for the year ended 1 July 2018 have been supervised by Mr A de Bruyn, CA(SA), and have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these summarised consolidated financial results were derived. Copies of the auditor's reports on both the consolidated annual financial statements and the summarised consolidated financial results are available for inspection at the Company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the registered office of the Company. The consolidated annual financial statements, together with the integrated annual report, will be available on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) by 30 September 2018.

#### **IAS 29: Financial reporting in hyperinflationary economies**

During the reporting period, the Group classified the economy of Angola as hyperinflationary, effective from 3 July 2017. Accordingly, the results and the financial position, including comparative amounts, of the Group's Angolan subsidiaries have been expressed in terms of the measuring unit current at the reporting date, as required by IAS 29. 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. Gains or losses on the net monetary position are recognised in profit or loss. 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 while all items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period. 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 at the beginning of the first period of application are derived from all other amounts in the restated statement of financial position. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts of the Group are not adjusted for changes in the price level or exchange rates in the current year.

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

### 2 SUMMARISED OPERATING SEGMENT INFORMATION

#### 2.1 Analysis per reportable segment

	Audited 2018						
	Super- markets RSA	Super- markets Non-RSA	Furniture	Other operating segments	Total operating segments	Hyper- inflation effect	Consoli- dated
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Sale of merchandise	112 383	23 163	5 967	9 464	150 977	(777)	150 200
External	107 547	23 106	5 967	9 463	146 083	(777)	145 306
Inter-segment	4 836	57	—	1	4 894	—	4 894
Trading profit	6 539	650	256	250	7 695	316	8 011
Interest income included in trading profit	59	245	355	34	693	(29)	664
Depreciation and amortisation*	2 201	455	105	41	2 802	80	2 882
Total assets	35 008	17 259	4 199	3 073	59 539	2 303	61 842

	Audited 2017						
	Super- markets RSA	Super- markets Non-RSA	Furniture	Other operating segments	Total operating segments	Hyper- inflation effect	Consoli- dated
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Sale of merchandise	107 001	24 867	5 432	9 000	146 300	—	146 300
External	101 734	24 840	5 432	8 994	141 000	—	141 000
Inter-segment	5 267	27	—	6	5 300	—	5 300
Trading profit	6 424	1 407	123	173	8 127	—	8 127
Interest income included in trading profit	70	78	314	36	498	—	498
Depreciation and amortisation*	1 884	421	108	44	2 457	—	2 457
Total assets	32 535	16 407	4 180	2 601	55 723	—	55 723

#### 2.2 Geographical analysis

	Audited 2018				
	South Africa	Outside South Africa	Total operating segments	Hyper- inflation effect	Consoli- dated
	Rm	Rm	Rm	Rm	Rm
Sale of merchandise – external	120 216	25 867	146 083	(777)	145 306
Non-current assets**	17 567	4 889	22 456	2 612	25 068

	Audited 2017				
	South Africa	Outside South Africa	Total operating segments	Hyper- inflation effect	Consoli- dated
	Rm	Rm	Rm	Rm	Rm
Sale of merchandise – external	113 660	27 340	141 000	—	141 000
Non-current assets**	16 101	5 164	21 265	—	21 265

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

\*\* Non-current assets consist of property, plant and equipment, intangible assets and non-financial trade and other receivables.



	<b>Audited 2018 Rm</b>	Audited 2017 Rm
<b>3</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>	
	<b>18 407</b>	16 908
	Carrying value at the beginning of the year	
	<b>4 411</b>	4 347
	Additions	
	—	44
	Borrowing costs capitalised	
	<b>(140)</b>	(119)
	Transfer to assets held for sale	
	—	33
	Acquisition of subsidiary	
	<b>(212)</b>	(106)
	Disposal	
	<b>(2 518)</b>	(2 146)
	Depreciation	
	<b>(55)</b>	(19)
	Impairment	
	<b>6</b>	—
	Reversal of impairment	
	<b>1 319</b>	(535)
	Foreign currency translation differences including hyperinflation effect	
	<b>21 218</b>	18 407
	Carrying value at the end of the year	
<b>4</b>	<b>HELD-TO-MATURITY INVESTMENTS</b>	
	<b>3 008</b>	1 311
	AOA, USD Index Linked, Angola Government Bonds (note 4.1)	
	<b>682</b>	—
	Angola Treasury Bills (note 4.2)	
	<b>3 690</b>	1 311
	Analysis of total held-to-maturity investments:	
	<b>2 090</b>	1 311
	Non-current	
	<b>1 600</b>	—
	Current	
	<b>3 690</b>	1 311
<b>4.1</b>	<b>AOA, USD Index Linked, Angola Government Bonds</b>	
	The AOA, USD Index Linked, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 7.0% (2017: 7.0%) p.a. and mature after a period of 2 to 3 years. Accrued interest is payable bi-annually.	
	The maximum exposure to credit risk at the reporting date is the carrying value. None of the AOA, USD Index Linked, Angola Government Bonds are either past due or impaired. The Group does not hold any collateral as security.	
<b>4.2</b>	<b>Angola Treasury Bills</b>	
	The Angola Treasury Bills are denominated in Angola kwanza, earn interest at an average rate of 22.8% (2017: N/A) p.a. and mature within 12 months. Accrued interest is payable at maturity.	
	The maximum exposure to credit risk at the reporting date is the carrying value. None of the Angola Treasury Bills are either past due or impaired. The Group does not hold any collateral as security.	

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

	Audited 2018 Rm	Audited 2017 Rm
<b>5 LOANS AND RECEIVABLES</b>		
Amounts owing by associate (note 5.1)	990	953
Amounts owing by employees	—	102
Amounts owing by franchisees	334	266
Amounts owing by RMB Westport Osapa	195	—
Other	30	—
	<b>1 549</b>	<b>1 321</b>
Analysis of total loans and receivables:		
Non-current	1 318	1 110
Current	231	211
	<b>1 549</b>	<b>1 321</b>
<b>5.1 Amounts owing by associate</b>	<b>990</b>	<b>953</b>
ZAR denominated amounts owing by Resilient Africa (Pty) Ltd (note 5.1.1)	373	367
USD denominated amounts owing by Resilient Africa (Pty) Ltd (note 5.1.2)	617	586
<b>5.1.1</b> The ZAR denominated shareholder loan earns interest at an average rate of 6.6% (2017: 6.6%) p.a. and is repayable on demand, subject to certain conditions.		
The maximum exposure to credit risk at the reporting date is the carrying value. An impairment allowance of R60 million (2017: R26 million) was recognised for the shareholder loan. The Group does not hold any collateral as security for this amount.		
<b>5.1.2</b> The US dollar denominated amount earns interest at an average rate of 3.0% (2017: 3.0%) p.a. and is repayable after seven years, subject to certain conditions.		
The maximum exposure to credit risk at the reporting date is the carrying value. No allowance for impairment has been made. 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 this amount.		

	<b>Audited 2018 Rm</b>	Audited 2017 Rm
<b>6 SHARE CAPITAL AND TREASURY SHARES</b>		
<b>6.1 Stated capital</b>		
Conversion of share capital	<b>671</b>	—
Conversion of share premium	<b>6 845</b>	—
	<b>7 516</b>	—

The Company converted its par value ordinary shares of 113.4 cents each to no par value ordinary shares and increased the number of authorised no par value ordinary shares from 650 000 000 to 1 300 000 000 during the year under review.

## 6.2 Ordinary share capital

Authorised:

1 300 000 000 no par value ordinary shares (2017: 650 000 000 ordinary shares of 113.4 cents each)

Issued:

591 338 502 no par value ordinary shares (2017: 600 021 829 ordinary shares of 113.4 cents each)

—                      681

Reconciliation of movement in number of ordinary shares issued:

	<b>Number of shares</b>	
	<b>2018</b>	<b>2017</b>
Balance at the beginning of the year	<b>600 021 829</b>	572 871 960
Shares issued during the year	—	27 149 869
Buy-back and cancellation of ordinary shares	<b>(8 683 327)</b>	—
Balance at the end of the year	<b>591 338 502</b>	600 021 829

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:

	<b>Number of shares</b>	
	<b>2018</b>	<b>2017</b>
Issued ordinary share capital	<b>591 338 502</b>	600 021 829
Treasury shares (note 6.4)	<b>(36 659 642)</b>	(36 166 544)
	<b>554 678 860</b>	563 855 285

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

All shares are fully paid up.

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

	Audited 2018 Rm	Audited 2017 Rm
<b>6 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)</b>		
<b>6.3 Deferred share capital</b>		
Authorised:		
720 000 000 (2017: 360 000 000) non-convertible, non-participating, non-transferable no par value deferred shares		
Issued:		
305 621 601 (2017: 305 621 601) non-convertible, non-participating, non-transferable no par value deferred shares	—	—
Reconciliation of movement in number of deferred shares issued:		
	<b>Number of shares</b>	
	<b>2018</b>	<b>2017</b>
Balance at the beginning of the year	<b>305 621 601</b>	291 792 794
Shares issued during the year	—	13 828 807
Balance at the end of the year	<b>305 621 601</b>	305 621 601
The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd.		
All shares are fully paid up and carry the same voting rights as the ordinary shares.		
<b>6.4 Treasury shares</b>		
36 659 642 (2017: 36 166 544) ordinary shares	<b>554</b>	446
Reconciliation of movement in number of treasury shares for the Group:		
	<b>Number of shares</b>	
	<b>2018</b>	<b>2017</b>
Balance at the beginning of the year	<b>36 166 544</b>	38 246 183
Shares purchased during the year	<b>689 219</b>	300 439
Shares disposed during the year	<b>(25 342)</b>	(19 259)
Shares utilised for settlement of equity-settled share-based payment arrangements	<b>(170 779)</b>	(2 360 819)
Balance at the end of the year	<b>36 659 642</b>	36 166 544
Consisting of:		
Shares owned by Shoprite Checkers (Pty) Ltd	<b>35 436 572</b>	35 436 572
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements	<b>1 223 070</b>	729 972
	<b>36 659 642</b>	36 166 544

	<b>Audited 2018 Rm</b>	Audited 2017 Rm
<b>7 BORROWINGS</b>		
Consisting of:		
ABSA Bank Ltd (note 7.1)	—	1 304
Barclays Bank Mauritius Ltd (note 7.2)	<b>1 359</b>	1 173
Standard Chartered Bank (Mauritius) Ltd (note 7.3)	<b>1 371</b>	652
Standard Finance (Isle of Man) Ltd (note 7.4)	<b>4 113</b>	—
First National Bank of Namibia Ltd	<b>134</b>	134
The Standard Bank of South Africa Ltd	—	11
	<b>6 977</b>	3 274
Analysis of total borrowings:		
Non-current	<b>1 371</b>	—
Current	<b>5 606</b>	3 274
	<b>6 977</b>	3 274

#### 7.1 ABSA Bank Ltd

This loan was denominated in US dollar, unsecured, repaid during the period and carried interest at an average of 2.46% (2017: 1.82%) p.a.

#### 7.2 Barclays Bank Mauritius Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.51% (2017: 2.16%) p.a.

#### 7.3 Standard Chartered Bank (Mauritius) Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.69% (2017: 2.47%) p.a.

#### 7.4 Standard Finance (Isle of Man) Ltd

This loan is denominated in US dollar and unsecured. R1.37 billion is payable after 36 months and bears interest at a fixed rate of 3.49% p.a. The remaining balance is payable within 12 months and bears interest at an average of 2.76% p.a.

### 8 FAIR VALUE DISCLOSURES

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at the end of the reporting period:

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>2018 Rm</b>	2017 Rm	<b>2018 Rm</b>	2017 Rm
Held-to-maturity investments	<b>3 690</b>	1 311	<b>3 681</b>	1 311
Loans and receivables	<b>1 549</b>	1 321	<b>1 418</b>	1 321
Borrowings	<b>6 977</b>	3 274	<b>6 892</b>	3 274

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

	Audited 2018 Rm	Audited 2017 Rm
<b>9 EARNINGS PER SHARE</b>		
Profit attributable to owners of the parent	5 201	5 428
Re-measurements	246	167
Profit on disposal of assets held for sale	(20)	—
Loss on disposal and scrapping of plant and equipment and intangible assets	108	79
Impairment of property, plant and equipment	49	19
Impairment of intangible assets	51	70
Insurance claims receivable	—	(5)
Loss on disposal of investment in joint venture	80	—
(Profit)/loss on other investing activities	(22)	3
Re-measurements included in share of loss of equity-accounted investments	—	1
Income tax effect on re-measurements	(49)	(41)
<b>Headline earnings</b>	<b>5 398</b>	<b>5 554</b>
Profit attributable to owners of the parent:		
Used in calculating basic earnings per share	5 201	5 428
Add: Interest savings on convertible bonds	—	135
<b>Used in calculating diluted earnings per share</b>	<b>5 201</b>	<b>5 563</b>
Headline earnings	5 398	5 554
Add: Interest savings on convertible bonds	—	135
<b>Used in calculating diluted headline earnings per share</b>	<b>5 398</b>	<b>5 689</b>
Number of ordinary shares	<b>'000</b>	
– In issue	554 679	563 855
– Weighted average	556 643	542 927
– Weighted average adjusted for dilution	557 172	564 814
Reconciliation of weighted average number of ordinary shares in issue during the year:		
Weighted average number of ordinary shares	556 643	542 927
Adjustments for dilutive potential of full share grants and convertible bonds	529	21 887
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>557 172</b>	<b>564 814</b>
Earnings per share	<b>Cents</b>	
– Basic earnings	934.3	999.8
– Diluted earnings	933.4	984.8
– Basic headline earnings	969.6	1 023.2
– Diluted headline earnings	968.7	1 007.4

	Audited 2018 Rm	Audited 2017 Rm
<b>10 CASH FLOW INFORMATION</b>		
<b>10.1 Non-cash items</b>		
Depreciation of property, plant and equipment	2 518	2 146
Amortisation of intangible assets	364	311
Net fair value gains on financial instruments	2	(33)
Net monetary gain	(653)	—
Exchange rate losses	251	236
Profit on disposal of assets held for sale	(20)	—
Loss on disposal and scrapping of plant and equipment and intangible assets	108	79
Impairment of property, plant and equipment	49	19
Impairment of intangible assets	51	70
Loss on disposal of investment in joint venture	80	—
Movement in provisions	(15)	(52)
Movement in cash-settled share-based payment accrual	21	11
Movement in share-based payment reserve	64	139
Movement in fixed escalation operating lease accruals	99	163
	<b>2 919</b>	<b>3 089</b>
<b>10.2 Changes in working capital</b>		
Inventories	(880)	(3 237)
Trade and other receivables	(14)	(164)
Trade and other payables	3 580	1 123
	<b>2 686</b>	<b>(2 278)</b>
<b>11 RELATED PARTY INFORMATION</b>		
<p>During the year under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intergroup transactions are similar to those in the prior year and have been eliminated in the annual financial statements on consolidation. Related party transactions also include key management personnel compensation and loans to associates and joint ventures. For further information, refer to the audited annual financial statements.</p>		
<p>In the prior year, Dr Basson notified the Company of the exercise of his put option. This specific repurchase of 8 683 327 Shoprite Holdings Ltd shares at R201.07 per share was approved by shareholders at an extraordinary general meeting held on 5 September 2017, where after the shares were repurchased by the Company and cancelled with effect from 15 September 2017.</p>		
<b>12 SUPPLEMENTARY INFORMATION</b>		
Net asset value per share (cents)	4 937	4 905
Contracted capital commitments	1 621	1 807
Contingent liabilities	356	85
<p>Contingent liabilities consist mainly of outstanding legal matters including a judgment in Nigeria that has gone on appeal as well as possible tax exposures that the Group has submitted objections to.</p>		