

# DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 August 2016.

## NATURE OF BUSINESS

The company is an investment holding company listed in the Food and Drug Retailers sector of the JSE Limited. Its subsidiaries include the country's leading provider of health and beauty merchandise through a network of 689 stores in southern Africa. The company's subsidiaries cover the pharmaceutical supply chain from wholesale and distribution to retail pharmacy, as well as beauty and cosmetic products. The company operates primarily in southern Africa.

## GROUP FINANCIAL RESULTS

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 7. The profit attributable to ordinary shareholders for the year is R1 094 million (2015: R955 million).

## SHARE CAPITAL

During the year under review the company continued with its share buy-back programme:

6 253 425	shares held by subsidiaries of the company as treasury shares at 31 August 2015
3 360 470	shares bought back in terms of general repurchases between 1 September 2015 and 31 August 2016 by a subsidiary of the company
9 613 895	shares held by subsidiaries of the company as treasury shares at 31 August 2016

## DIVIDENDS TO SHAREHOLDERS

### Interim

The directors approved an interim ordinary dividend of 76 cents per ordinary share (2015: 65.5 cents per ordinary share) from distributable reserves. The dividend was paid on 4 July 2016 to shareholders registered on 1 July 2016.

### Final

The directors have approved a final ordinary dividend of 196.0 cents per ordinary share (2015: 169.5 cents per ordinary share) and a dividend of 27.2 cents per "A" share (2015: 23.5 cents) for participants in the employee share ownership programme. The source of such dividends will be from distributable reserves. The dividend will be payable on 30 January 2017 to shareholders registered on 27 January 2017.

## EVENTS AFTER THE FINANCIAL YEAR-END

No significant events, other than the declaration of the final dividend, as set out above, took place between the end of the financial year under review and the date of this report.

## DIRECTORS AND SECRETARY

The names of the directors in office at the date of this report are:

### Independent non-executive directors

David Nurek (Chairman)  
Fatima Abrahams  
John Bester  
Fatima Jakoet  
Dr Nkaki Matlala  
Martin Rosen

## Executive directors

David Kneale (Chief executive officer)  
Michael Fleming (Chief financial officer)  
Bertina Engelbrecht

The company secretary's details are set out on page 71.

## RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the company's memorandum of incorporation ("MOI") Nkaki Matlala and Martin Rosen retire by rotation at the forthcoming annual general meeting. Nkaki Matlala has decided not to stand for re-election to the board at the 2017 AGM. Martin Rosen, being eligible, offers himself for re-election at the 2017 AGM.

## DIRECTORS' INTEREST IN SHARES

David Nurek sold 40 000 shares in October 2015, with the requisite approval.

David Nurek sold 60 000 shares in June 2016, with the requisite approval.

David Kneale sold 75 000 shares in July 2016, with the requisite approval.

Michael Fleming sold 15 000 shares in July 2016, with the requisite approval.

In terms of the cash-settled long-term employee incentive scheme which requires all participants at the end of the three-year incentive performance period to purchase shares on the open market to the equivalent of 25% of the after-tax cash settlement value, the executive directors of the company made the following purchases on 1 December 2015 at an average price of R95.90 per share: David Kneale purchased 14 453 shares, Michael Fleming purchased 6 225 shares, Bertina Engelbrecht purchased 3 991 shares. On 2 December 2015 at an average price of R95.87 per share: David Kneale purchased 11 093 shares, Michael Fleming purchased 4 779 shares, Bertina Engelbrecht purchased 3 063 shares.

## INCENTIVE SCHEMES

Information relating to the incentive schemes is set out on pages 45 to 48.

## SPECIAL RESOLUTIONS

Special resolutions passed at the annual general meeting held on 27 January 2016:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Approval of directors' fees

Special Resolution No. 3: General approval to provide financial assistance

## SUBSIDIARY COMPANIES

The names of the company's main subsidiaries and financial information relating thereto appear on page 67.