

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 August 2015.

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 657 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 R955 million (2014: R865 million).

Share capital

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

3 877 910	shares held by subsidiaries of the company as treasury shares at 31 August 2014
2 375 515	shares bought back in terms of general repurchases between 1 September 2014 and 31 August 2015 by a subsidiary of the company
<u>6 253 425</u>	shares held by subsidiaries of the company as treasury shares at 31 August 2015

Dividends to shareholders

Interim

The directors approved an interim ordinary dividend of 65.5 cents per ordinary share (2014: 53.5 cents per ordinary share) from distributable reserves. The dividend was paid on 6 July 2015 to shareholders registered on 3 July 2015.

Final

The directors have approved a final ordinary dividend of 169.5 cents per ordinary share (2014: 136.5 cents per ordinary share) and a dividend of 23.5 cents per "A" share (2014: 19.0 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 25 January 2016 to shareholders registered on 22 January 2016.

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

Keith Warburton resigned as a director with effect from 28 January 2015.

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 the inside back cover.

Retirement and re-election of directors

In accordance with the company's memorandum of incorporation ("MOI") David Nurek, Fatima Jakoet and David Kneale retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

David Janks sold 8 805 shares in February 2015, with the requisite approval. David Nurek sold 40 000 shares in April 2015, 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 and company secretary made the following purchases on 27 January 2015 at a price of R86.72 per share: David Kneale purchased 23 282 shares, Michael Fleming purchased 9 989 shares, Bertina Engelbrecht purchased 6 141 shares and David Janks purchased 1 363 shares.

Incentive schemes

Information relating to the incentive schemes is set out on pages 39 to 40.

Special resolutions

Special resolutions passed at the annual general meeting held on 28 January 2015:

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 58.