

DIRECTORS' REPORT

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 837 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 10. The profit attributable to ordinary shareholders for the year is R1 475 million (2017: R1 278 million).

SHARE CAPITAL

During the year under review the company had the following movements in share capital:

245 968 968	Ordinary shares issued at 31 August 2017
<u>7 979 384</u>	Issue of shares on 5 February 2018
<u>253 948 352</u>	Ordinary shares issued at 31 August 2018
29 153 295	"A" shares issued at 31 August 2017
<u>(14 576 647)</u>	Repurchase of "A" shares on 27 February 2018
<u>14 576 648</u>	"A" shares issued at 31 August 2018

DIVIDENDS TO SHAREHOLDERS

Interim

The directors approved an interim ordinary dividend of 102.5 cents per ordinary share (2017: 88 cents per ordinary share) from distributable reserves. The dividend was paid on 2 July 2018 to shareholders registered on 29 June 2018.

Final

The directors have approved a final ordinary dividend of 277.5 cents per ordinary share (2017: 234 cents per ordinary share) and a dividend of 38 cents per "A" share (2017: 32.2 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 28 January 2019 to shareholders registered on 25 January 2019.

EVENTS AFTER THE FINANCIAL YEAR-END

Other than the declaration of the final dividend, no significant events took place between the end of the financial year 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 Daniels
Nonkululeko Gobodo
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 David Nurek and Fatima Abrahams retire by rotation at the forthcoming annual general meeting. Both of these directors, being eligible, offer themselves for re-election at the 2019 AGM. Vikesh Ramsunder, having been appointed by the board as chief executive officer from 1 January 2019, is also standing for election at the 2019 AGM.

DIRECTORS' INTEREST IN SHARES

On 26 April 2018 Bertina Engelbrecht sold 30 000 ordinary shares on the open market at R208 per share.

INCENTIVE SCHEMES

Information relating to the incentive schemes is set out on pages 45 to 47.

SPECIAL RESOLUTIONS

Special resolutions passed at the annual general meeting held on 31 January 2018:

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.