

Competing with the Right Strategy

INTEGRATED REPORT 2011





Shoprite Holdings Ltd is an investment holding company whose combined subsidiaries constitute the largest fast moving consumer goods (FMCG) retail operation on the African continent.

Its various chains operate a total of 1 246 corporate stores in 16 countries, all integrated electronically into a central data base and replenishment system. The Group's primary business is food retailing to consumers of all income levels, and there are outlets from Cape Town to Accra and on some Indian Ocean islands. Management's goal is to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices. At the same time the Group is inextricably linked to Africa, contributing to the nurturing of stable economies and the social upliftment of its people.

Shoprite Holdings Ltd comprises the following brands:

SHOPRITE

U SHOPRITE
save

Checkers

Checkers **Hyper**

OK
FRANCHISE DIVISION

**House
& Home**
Making Your House a Home

OK
Furniture
NO PROBLEM

OK
Furniture
MORE FOR YOU

MEDI-RITO
PHARMACY
PROFESSIONAL PHARMACISTS YOU CAN TRUST

LiquorShop
Checkers

LiquorShop
SHOPRITE

TRANS  **PHARM**

MONEY MARKET

HUNGRY LION
The Lion of Africa

Computicket
The Ticket you can Trust

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In the event of inconsistencies between the text of this report and the Afrikaans translation, the English text prevails.



Integrated Report

The scope of the Integrated Report is equal to that of the IFRS financial statements. This Integrated Report is for the Shoprite Group, incorporating Shoprite Holdings Ltd and all its subsidiaries for the 52 weeks to June 2011.

Set out below is an organigram of Shoprite Holdings Ltd and its main subsidiaries.

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Distribution of Operations



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	Shoprite	Checkers	Checkers Hyper	Usave	OK Furniture	OK Power Express	House & Home	Hungry Lion	OK Foods	OK Grocer	OK Minimark	OK Value	Megasave	Sentra	OK Enjoy	Shoprite LiquorShop	Checkers LiquorShop	Shoprite MediRite	Checkers MediRite
South Africa	331	154	26	189	205	17	48	109	13	72	26	26	17	57	15	69	48	40	80
Angola	4			7	1			2											
Botswana	5			2	6			7					1	1					
Ghana	2			1															
Lesotho	4			3	5	1		2											
Madagascar	7																		
Malawi	2			3															
Mauritius	1																		
Mozambique	6			2	2														
Namibia	14	4		14	10		2	6	2	9	2	7	10	11		2	1		
Nigeria	2																		
Swaziland	6			2	2			1										1	
Tanzania	3																		
Uganda	2																		
Zambia	19				1			8											
Zimbabwe	1																		
Outside SA	78	4		34	27	1	2	26	2	9	2	7	11	12		2	1	1	
Total	409	158	26	223	232	18	50	135	15	81	28	33	28	69	15	71	49	41	80

ECONOMIC OVERVIEW

	Angola	Botswana	Ghana	Lesotho	Madagascar	Malawi	Mauritius	Mozambique
Gross domestic product, constant prices (% change)	1.61	8.562	5.735	2.444	-1.983	6.602	4.035	7.009
Inflation, average consumer prices (% change)	14.481	6.95	10.709	3.8	8.995	6.908	2.933	12.699
Population (millions)	19 053	1 839	23 699	2 542	21 299	15 694	1 281	21 585












	Namibia	Nigeria	South Africa	Swaziland	Tanzania	Uganda	Zambia	Zimbabwe
Gross domestic product, constant prices (% change)	4.379	8.394	2.784	1.986	6.5	5.182	7.601	9.006
Inflation, average consumer prices (% change)	4.47	13.72	4.274	4.469	10.496	9.4	8.502	3.045
Population (millions)	2 099	156 051	49 912	1 161	41 349	33 977	13 257	12 575











Source: International Monetary Fund, World Economic Outlook Database, April 2011



The Group

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		Target market	Store numbers
	<h2>SHOPRITE</h2> <p>Shoprite is the original business of the Group and remains the flagship brand, serving the mass middle market. It's the brand with the most stores in RSA, as well as the brand used to spearhead growth into Africa. The brand's core focus is to provide the masses with the lowest possible prices on a range of groceries and some durable items. Specific emphasis is placed on basic commodities, which is critical to the core target market.</p>	LSM 4-7	RSA: 331 Non RSA: 78
Total: 409			
	 <p>Usave is a no-frills discounter focussing on lower income consumers. This smaller format, limited range store is an ideal vehicle for the Group's expansion into Africa and allows far greater penetration into underserved areas within South Africa.</p>	LSM 1-5	RSA: 189 Non RSA: 34
Total: 223			
	 <p>Checkers has repositioned itself to focus on time-pressed, higher income consumers, and differentiated on its specialty ranges of meats, cheeses and wines. Its full range of groceries and household non-food items are all promised at the consistently good value for which the Group is famous. The stores across South Africa and Namibia are located in shopping malls and other premises conveniently accessible to more affluent residential areas.</p>	LSM 8-10	RSA: 154 Non RSA: 4
Total: 158			
	 <p>Checkers Hyper offers the same specialty food selections and great value as Checkers, but within large format stores that encourage bulk rather than convenience shopping. The general merchandise ranges are far wider in Hyper stores, focusing on categories like small appliances, pet accessories, garden and pool care, outdoor gear, home improvement, homeware, baby products, toys and stationery. Checkers Hyper stores operate in South Africa only and are found in areas with high population densities.</p>	LSM 8-10	RSA: 26 Non RSA: 0
Total: 26			
	 <p>The OK Furniture chain, with its wide geographic spread of stores, strives to offer a wide range of furniture, electrical appliances and home entertainment products at the lowest prices with impeccable service, at discounted prices, for cash or on credit. It sells quality cheaply, not cheap quality.</p>	LSM 5-7	RSA: 205 Non RSA: 27
Total: 232			
	 <p>A chain of small format stores, located mainly in high-density areas, selling a carefully selected range of white goods and home entertainment products as well as bedding and carpeting, for cash or competitive credit options.</p>	LSM 5-7	RSA: 17 Non RSA: 1
Total: 18			

		Target market	Store numbers
	 <p>House & Home offers its customers a quality shopping experience, with a large selection of affordable, exclusive and well-known ranges of furniture, appliances, home entertainment products and floor coverings.</p>	LSM 7-10	RSA: 48 Non RSA: 2
Total: 50			
	 <p>Now, with over 120 pharmacies – and two more opening every month – MediRite is on its way to becoming the most convenient pharmacy for millions of South African grocery shoppers. MediRite pharmacies inside Shoprite and Checkers stores meet the growing need for easily accessible and affordable healthcare for all its shoppers. Many of the pharmacies are located in supermarkets serving economically disadvantaged areas where there are few medical practitioners.</p>	Same as Shoprite and Checkers	RSA: 120 Non RSA: 1
Total: 121			
	 <p>LiquorShop offers an upmarket, convenient shopping experience to Shoprite and Checkers shoppers. LiquorShop marketing primarily targets Shoprite and Checkers customers, but the location of the outlets – with a separate entrance to that of the supermarket – invites passing trade too. It offers a full assortment of wine, beer and spirits.</p>	Same as Shoprite and Checkers	RSA: 117 Non RSA: 3
Total: 120			
	 <p>Transpharm Pharmaceutical Wholesalers distributes a wide range of pharmaceutical products and surgical equipment to MediRite pharmacies, as well as other pharmacies, hospitals, clinics, dispensing doctors and veterinary surgeons across South Africa. Having opened a second depot in Cape Town this year, the Shoprite Group is expanding this dynamic company to improve its existing national distribution network.</p>	Targets pharmacies, vets, clinics, hospitals and dispensing doctors	
	 <p>The OK Franchise Division (OKFD) enabled the Group to gain a foothold in a diverse range of mostly smaller, convenience-oriented markets situated in rural towns, suburbs and neighbourhoods. The stores offer a wide range of fresh and non-perishable food items, as well as general merchandise. The OKFD encompasses seven supermarket and convenience outlet brands (OK Foods, OK Grocer, OK MiniMark, OK Value, Friendly, 7-Eleven and Priceclub), a wholesaler (Megasave), and three add-on liquor outlets (Enjoy OK Liquor Store, Friendly Liquormarket and 7-Eleven Liquormarket). The OK brand is only awarded to outlets that meet specific requirements.</p>	The various store formats, with their different identities and facilities, cater to the needs of the community in which they are located. These range from lower to middle income consumers (living standards measurement 4 to 8) and from convenience shopping to bulk buy.	RSA: 226 Non RSA: 43
Total: 269			



Financial Highlights

Shoprite Holdings Ltd and its Subsidiaries

	% increase	June 2011 R'000	June 2010 R'000
Sale of merchandise	7.3	72 297 777	67 402 440
Trading profit	14.2	3 986 697	3 490 441
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	15.0	4 898 255	4 260 005
Profit before income tax	14.0	3 876 368	3 399 088
Headline earnings	12.0	2 569 006	2 293 215

PERFORMANCE MEASURES

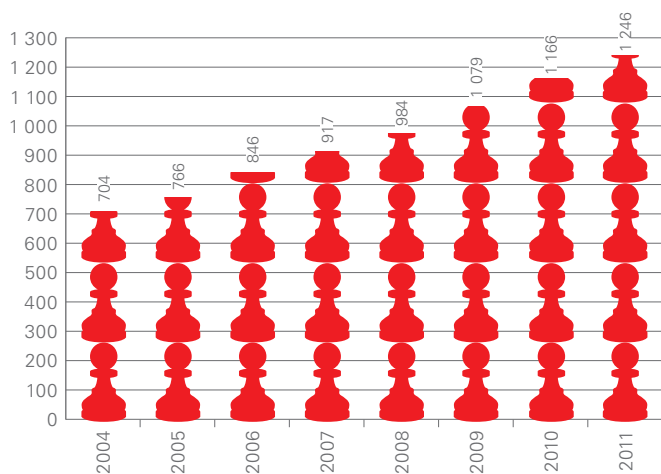
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Headline earnings per share (cents)	11.5	507,6	455,4
Diluted headline earnings per share (cents)	12.4	507,6	451,6
Dividends per share declared (cents)	11.5	253,0	227,0
Dividend cover (times)		2,0	2,0
Trading margin (%)		5.51	5.18
Return on average shareholders' equity (%)		39.3	41.9

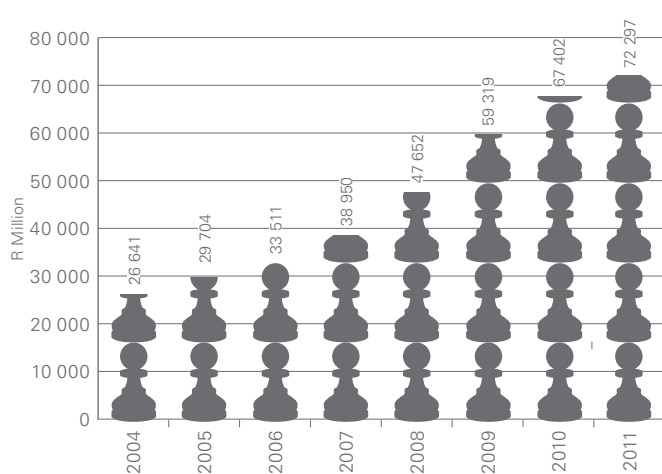
Definitions

Return on average shareholders' equity: Headline earnings, expressed as a percentage of the average of capital and reserves and interest-bearing borrowings at the beginning and the end of the financial year.

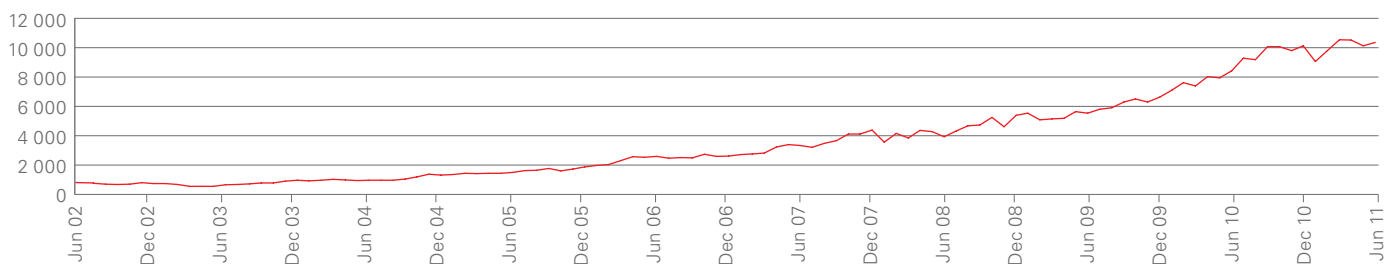
NUMBER OF CORPORATE STORES



SALES



SHOPRITE HOLDINGS LTD SHARE PRICE

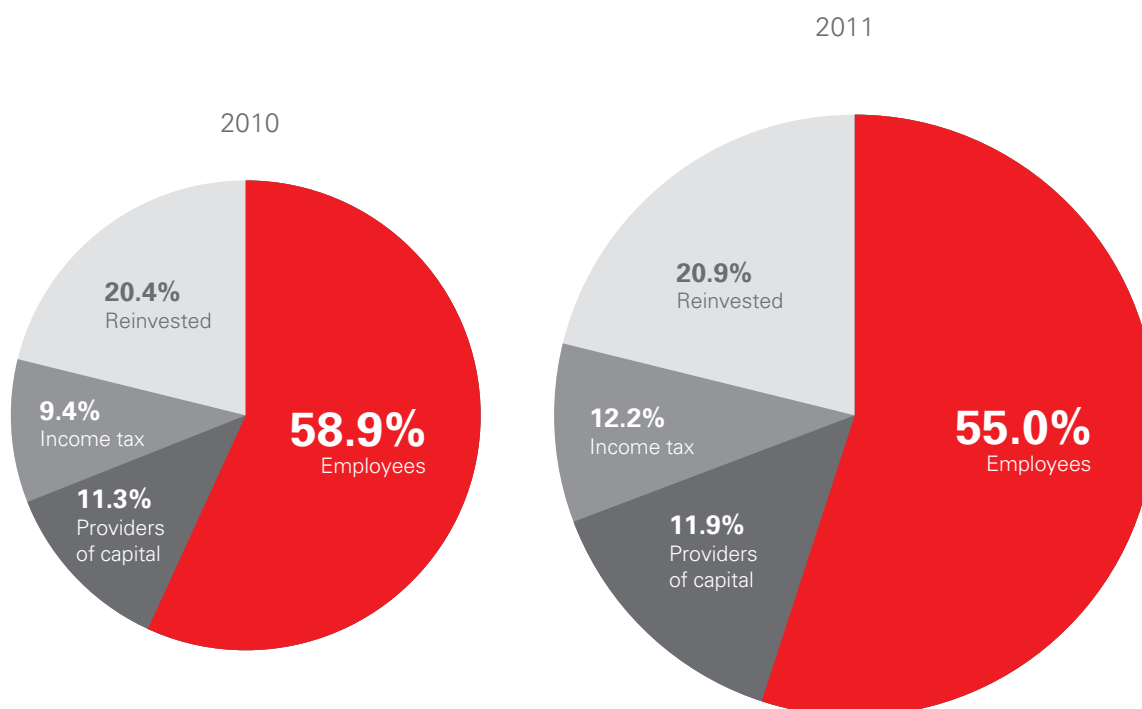


Value-added Statement

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

	June 2011 R'000	%	June 2010 R'000	%
Sale of merchandise	72 297 777		67 402 440	
Investment income	122 277		138 403	
Cost of goods and services	(61 341 791)		(57 268 979)	
VALUE-ADDED	11 078 263	100.0	10 271 864	100.0
Employed as follows:				
EMPLOYEES				
Salaries, wages and service benefits	6 089 252	55.0	6 051 154	58.9
PROVIDERS OF CAPITAL				
Finance costs to providers of funds	1 315 375	11.9	1 156 568	11.3
Dividends to providers of share capital	125 964	1.1	93 690	0.9
	1 189 411	10.7	1 062 878	10.3
INCOME TAX				
Income tax on profits made	1 346 826	12.2	964 379	9.4
REINVESTED				
Reinvested in the Group to finance future expansion and growth	2 326 811	21.0	2 099 763	20.4
Depreciation and amortisation	1 006 442	9.1	896 119	8.7
Retained earnings	1 320 369	11.9	1 203 644	11.7
EMPLOYMENT OF VALUE ADDED	11 078 263	100.0	10 271 864	100.0

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Board of Directors

Shoprite Holdings Ltd

EXECUTIVE DIRECTORS



Dr JW Basson (65)

BCom CTA CA(SA) DCom (hc)

Chief Executive Officer

- Joined Pep Stores Ltd as financial manager in 1971.
- Appointed as Chief Executive Officer of Shoprite Holdings in 1979.
- Managing director of Shoprite Checkers (Pty) Ltd.



Mr EL Nel (62)

BCom CTA CA(SA)

General Manager: Retail Investments

- Joined the Shoprite Group in 1997.
- Appointed to the board of Shoprite Holdings in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various group subsidiaries.

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Mr CG Goosen (58)

BCom Hons CA(SA)

Deputy Managing Director and Financial Director

- Joined the Pepkor Group as financial manager in 1983.
- Appointed as financial director of Shoprite Holdings in 1993.
- Director of Shoprite Checkers (Pty) Ltd and various group subsidiaries.



Mr BR Weyers (59)

General Manager: Marketing & Product Development

- Joined the Shoprite Group in 1980.
- Appointed as director of Shoprite Holdings in 1997.
- Director of Shoprite Checkers (Pty) Ltd.



Mr B Harisunker (59)

Divisional Manager

- Joined Checkers in 1969.
- Appointed to the board of Shoprite Holdings in 2002.
- Director of Shoprite Checkers (Pty) Ltd and various group subsidiaries.
- Responsible for the group's retail operations in KwaZulu-Natal, Indian Ocean Islands and Tanzania.



Mr JAL Basson (35)

BAcc

General Manager: Hungry Lion

- Appointed as Shoprite Holdings alternate director in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various group subsidiaries.



Mr AE Karp (52)

General Manager: Furniture Division

- Joined OK Bazaars in 1990.
- Appointed to the board of Shoprite Holdings in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various group subsidiaries.



Mr M Bosman (54)

B Acc Hons CA(SA)

General Manager: Group Finance

- Appointed as Shoprite Holdings alternate director in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various group subsidiaries.



Mr PC Engelbrecht (42)

BCompt Hons CA(SA)

Chief Operating Officer

- Appointed as Shoprite Holdings alternate director in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various group subsidiaries.

NON-EXECUTIVE DIRECTORS



Dr CH Wiese (69)

BA LLB DCom (hc)

- Appointed as Chairman of Shoprite Holdings in 1991.
- Chairs the Remuneration and Nomination Committees.
- Executive Chairman of Pepkor since 1981.
- Chairman of Tradehold Ltd, Invicta Holdings Ltd and Tulca (Pty) Ltd (trading as Mango).
- Serves as a director of the PSG, Primedia and Luna Groups of Companies.



Mr JA Louw (67)

BSc Hons B(B&A) Hons

- Appointed as director of Shoprite Holdings in 1991.
- Serves on the Audit and Risk, Remuneration and Nomination Committees.
- Holds directorships in various private companies.



Mr JG Rademeyer (62)

BCom CTA CA(SA)

- Appointed as director of Shoprite Holdings in 2002.
- Chairman of the Audit and Risk Committees.
- Serves as a non-executive director of Pepkor.



Mr JF Malherbe (82)

BCom LLB

- Appointed as director of Shoprite Holdings in 1999.
- Serves on the Audit and Risk Committee.
- Previous President of the Law Society of South Africa, the Attorneys Fidelity Fund and the Attorneys Insurance Indemnity Fund.



Mr EC Kieswetter (52)

B Ed (Science Education)
MCom(cum laude) (SA and International Tax)
Executive MBA (Strategy and Business Transformation) (UK)
MA (Science Education – Cognitive Development)

- Appointed as director of Shoprite Holdings in 2010.
- Group Chief Executive of Alexander Forbes Equity Holdings (Pty) Ltd and holds various directorships within Alexander Forbes group subsidiaries.
- Previous Deputy Commissioner at SARS and member of the National Treasury Tax Revenue Committee.



Adv JD Wiese (30)

BA, MIEM (Italy), LLB

- Appointed as alternate director of Shoprite Holdings in 2005.
- Serves on the boards of various listed companies.
- Advocate of the High Court of South Africa.

NON-EXECUTIVE ALTERNATE DIRECTOR



Chairman's Report

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CH Wiese

SOUTH AFRICA AND THE GLOBAL ECONOMIC ENVIRONMENT

The year to end June 2011 continued to see the fallout of the world's economic woes affecting the lives of consumers almost everywhere. Uncertainty has gripped international markets for long periods at a time, brought on by the sovereign debt crises of several Euro Zone countries and the fear that the US could default on its debt. Although buffered against the worst of the international fallout by its prudent fiscal poli-

cies, South Africa's growth has slowed down. This is the result not only of the problems experienced by its major trading partners, but also because of the strength of the rand and structural problems in the economy itself. Excluding some countries in Asia and Africa, the global economy is not expected to regain traction in the near future.

The recovery in the South African economy has, at best, been fragile and growth figures for the year are being increasingly adapted downwards. The growth there in for instance the manufacturing sector has been sluggish and has not been accompanied by any noticeable rise in employment. In fact, according to the latest report of the World Bank, 869 000 South Africans have lost their jobs since the 2008-2009 recession. The number of unemployed people in the country's economically active population has now reached 25.7%, which is the highest of the 61 countries tracked by international agencies. At the same time more than 14% of employers, among them many government departments, are struggling to fill crucial skilled positions because of the lack of sufficiently qualified applicants.

The government tries to relieve the plight of consumers by making social grants available to a growing number of people. With more than 14 million people now receiving grants, this approach appears to be unsustainable given the country's subdued economic growth and relatively small tax base. Despite job creation being high on the list of the government's declared priorities, most new employment opportunities will have to come from the private sector, which is, however, hampered by inappropriate labour legislation, high wage demands and bureaucratic delays in the approval of skills immigration. This lack of an adequate reservoir of skills is part of the reason



While the economy as a whole is still shedding jobs, we were able to increase our staff complement in the year under review through organic growth by more than 7 000 to over 95 000, making Shoprite Holdings one of the biggest employers in the private sector.

why, in the 2010 Global Competitiveness Report, the country dropped from 45th to 54th place on the list of 139 nations.

Unemployment represents a major challenge to the Group's core business, which has always predominantly served people at the lower end of the income spectrum.

AFRICA

African countries, with their cash-based economies, did not experience the economic downswing to the same extent as most other economies. In the present economic lull, Africa is expected to be the only region to register faster real growth in 2011 than in 2010. As a result, it is becoming increasingly attractive to investors worldwide, making South Africa a logical destination for investors keen on using the country as entry point into Africa. However, the enormous competitive edge this gives the country is fast dissipating as irresponsible pronouncements by political leaders, the lack of skilled workers and the difficulties experienced in entering the local market increasingly frustrate foreign investors.

Over a period approaching two decades, the Shoprite Group has been expanding its presence on the continent, particularly in the resource-rich countries of West Africa and today operates more than 140 stores in 15 countries. However, in developing its business, the continuing high level of bureaucratic regulation found at every level of government in virtually every country on the continent remains a constant challenge and the Group is continually developing ways to minimise the impact of such bureaucracy on its operation.

I believe the biggest problem of doing business in Africa is the bureaucratisation of its economies, which assumes frightening proportions in terms of the costs and delays in which it involves businesses wishing to invest. The endless delays apply in the case of virtually every approval a business needs, from visas for skilled workers to those for building plans or rezoning applications. The crippling effects of this all-pervading bureaucratisation are as prevalent today in South Africa as anywhere else on the continent. By contrast, a few countries seem to want to start opening up their economies, such as Rwanda where, according to a World Bank report, it is



Chairman's Report (continued)

possible to register a company and obtain a registration certificate within as little as two days. However, those are the exceptions – much will have to change before this becomes the norm in Africa.

COMPETITORS

The entry of Wal-Mart, the world's largest food retailer, into the South African retail market represents a major foreign direct investment in the country and should therefore be welcomed, especially as capital flows to this country from the rest of the world slowed conspicuously in 2010. With the growth potential of the African continent probably the least developed of all emerging markets, it is reasonable to expect that other major international companies would also in time establish themselves here.

However, South African retailing has always been one of the most competitive sectors of the local economy and hence also one of the most sophisticated. As a result, we have produced world-class retailers capable of continuously assimilating changing international trends. The Shoprite Group is no exception in this respect. Over a period of more than three decades we have come to know our market thoroughly and how to trade not only in South Africa, but also elsewhere on the continent where we do business. We operate an extensive network of strategically located outlets and continuously invest in improving our supply lines and centralised distribution networks. Backed by experienced management and extensive operational skills, we believe we are well-equipped to face any challenges in food retailing that may result from new entrants into our market.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Group has committed itself fully to the principles of broad-based black economic empowerment (B-BBEE), however avoiding a path intended to benefit a few at the expense of the wider community. We have devoted our energies to creating employment opportunities to provide a viable financial future for an increasing number of previously disadvantaged people. While the economy as a whole is still shedding jobs, we were able to increase our staff complement in the year under review through organic growth by more than 7 000 to over 95 000, making Shoprite Holdings one of the biggest employers in the private sector. Staff remuneration contributes almost R6 billion to the economy.

The Group has created close to 30 000 new jobs over the past five years; and if our plans of opening 106 new stores in the new financial year come to fruition, we expect to create a further 8 000 to 9 000 jobs by June next year.

Of our present staff complement, over 11 000 are employed in our businesses outside South Africa, thereby contributing to the growth of the economies of the other African countries where we operate.

Within our business, job creation is linked to extensive, ongoing training to equip employees with skills over a range of areas. Of the almost 1 million hours devoted to training and development in the past financial year, 95% involved previously disadvantaged members of staff. We promote people through the ranks from our existing staff base, so that people of colour, both men and women, now enjoy a growing presence in middle, senior and top manage-

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ment teams across our various divisions. Strategies are in place to ensure that this also happens increasingly at Group management level.

However, we share the frustration of other training-based companies who lose their trained staff to businesses who invest little in training themselves.

We extended our B-BBEE involvement this year with the establishment of the Shoprite Development Trust, with initial capital of R65 million. It will, in support of the national Enterprise Development Strategy, make low-interest loans as well as management skills available to black entrepreneurs from communities where the Group owns or is developing shopping facilities, enabling them to become business owners.

Our B-BBEE programmes, which for the review period brought the Group to a level 5 contributor status, also extend to our suppliers. In terms of our preferential procurement programme, we bought products during the year to the value of R37,1 billion from B-BBEE suppliers, among them 456 small-scale farmers all over Africa who supply us with fresh produce to the demanding standards we set. We currently have greenfields initiatives involving 167 such small farmers.

BOARDS OF DIRECTORS

There were no changes to the board of Shoprite Holdings Ltd. In the light of our increasingly complex business and growing geographic footprint, the directors are sensitive to the need of not only the main

board, but also of the subsidiary boards in the group, to stay in close touch with the dynamics of its ever-changing markets. To this end, various initiatives have been identified to ensure that we possess at board level all the skills and knowledge needed to ensure that the Group continues on its present growth path. Announcements in this regard will be made in the current year.

ACKNOWLEDGMENT

I am extremely proud of the results that the Group achieved this past financial year – the outcome of a supreme team effort involving the board, management and staff, who all made a vital contribution to our success. It is therefore with deep gratitude and appreciation that I thank them all – my fellow directors for their insight, guidance and support; management for the way in which they turned the many challenges to the Group's advantage, and every member of staff for their dedication and unremitting hard work.



C H Wiese
Chairman

26 August 2011

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Chief Executive's Report

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JW Basson

BUSINESS ENVIRONMENT

The business environment during the reporting period presented many challenges to the retail sector. Against the background of the lacklustre performance of the economy as a whole, the disposable income of consumers, particularly those in the lower income groups, came under increased pressure. Factors such as high household debt and the surging cost of essential services like electricity and transport eroded their spending power. Although a strong rand has partially

shielded local consumers from the full effect of international food and energy costs, it has also hampered exports from this country and inhibited job creation. Although the sale of durable goods such as motor vehicles saw a resurgence as more affluent consumers took advantage of low interest rates, spending on fast moving consumer goods remained depressed with few factors present that indicate an improvement.

Management has a growing concern over the ability of many smaller local suppliers to survive. High input costs and rigid labour regulations make it increasingly difficult for them to remain competitive in relation to imports. Their departure would not only increase unemployment in some of the sectors in which the Group does business, but would also jeopardise supplies of certain product categories. Contingency plans to obtain such products from alternative sources are in place to protect the Group against any potential fallout.

OPERATIONAL REVIEW

Price competition amongst food retailers in the South African market remained fierce. To assist consumers and protect its position of consistently offering the lowest prices, the Group's supermarket chains kept price increases to the minimum by passing on cost savings to consumers. More than 40% of its product categories could thus be purchased for the same or a lower price than during the previous reporting period.

Internal food inflation averaged -0.1% for the reporting period (2010: 2.2%) compared to the official food price inflation of 3.2%. Against this background, turnover for the 52 weeks to June 2011



Applying international best practice to all aspects of the business, management continued to strengthen the low price-positioning of its supermarket brands, resulting in 64.3% of all South African consumers shopping at the Group's chains according to AMPS.

grew by 7.3% compared to the 53 weeks of the previous year. On a comparable 52-week basis the growth was 9.7%.

Stringent cost management and the ongoing improvement in efficiency levels enabled the Group to increase its trading margin to 5.5%. Management considers this a satisfactory performance in the face of considerable increases in operating costs, such as staff salaries, rentals and electricity, in the second half of the year.

CORE BUSINESS

The Group's core business – its three supermarket chains, Shoprite, Checkers and Usave, which between them cover the entire LSM consumer spectrum in South Africa – traded successfully during the reporting period. Shoprite, the largest of the three in terms of turnover and the number of stores, remains the dominant player in the middle to lower income sectors despite more fierce competition from an increasing number of participants. It countered this by expanding its presence in economically disadvantaged residential areas in particular with full-service supermarkets that include pharma-

cies providing increased access to prescription and self-medicating remedies. During the reporting period, a net 11 new stores were opened to bring the total in South Africa to 331.

Checkers further entrenched its position in the higher income consumer segment to the extent that 53% of its customers now fall within LSM 8-10. The brand's repositioning has been so successful that it is increasingly the preferred anchor tenant for many new shopping centres countrywide. It was, for the third consecutive year, the fastest growing supermarket chain in the country. It continued to expand its ranges of specialist offerings, such as estate wines, exotic cheeses, and branded fresh meat products.

Usave's low cost structures enable it to consistently sell comparable products at lower prices than its competitors. Its strategic role in an increasingly competitive local market has grown during the reporting period. In order to gain access to desirable sites, it is implementing innovative ways of developing stores in conjunction with landowners. It will be intensifying its store opening programme in the new financial year.

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Chief Executive's Report (continued)

Applying international best practice to all aspects of the business, management continued to strengthen the low price positioning of these brands. In doing so, the Group is benefiting from recent AMPS research which shows that consumers are visiting more than one store to cherry-pick items on price. Research from the same source shows that the Group's chains are now being frequented by 64.3% of all South African shoppers.

In the recent 2011 Sunday Times Top Brands Awards, the winners of which are voted in by consumers, the Shoprite Group won the convenience and grocery store category for the second consecutive year and for the fifth time in the history of the awards.

During the reporting period the Group opened a net 54 supermarkets, of which 46 are within the borders of South Africa. It now operates 816 supermarkets, 700 of which are within the country. In order to ensure that it has access to areas where it will want to trade in future, it is also increasingly buying land and buildings for potential development. It plans to open at least the same number of stores in the new financial year of which 16 will be elsewhere in Africa.

GROUP SERVICES

Management believes that the Group is well-positioned for future growth, due to its extensive infrastructure for product sourcing and distribution, multi-layered store network for the different brands, some of the most sophisticated information technology (IT) systems available to support its operations, and management who is experienced in every aspect of the business. By applying the principles of continuous supply, stores are being re-engineered to enlarge trading

space and allow for the introduction of some of the latest trends in layout and presentation.

It is an accepted fact that food retailing is a replenishment business. The supply chain is therefore crucial to the success of any food retailer.

The Shoprite Group resolved more than 17 years ago that it could only derive maximum efficiency from the supply chain if it controlled every stage of that process. At the same time, it started investing in the most advanced IT systems to support the supply chain functions. These systems are regularly upgraded to stay abreast of the latest international developments.

In the past two years the Group has invested substantially in extending its distribution facilities with major additions to its centres in Brackenfell and Centurion, with the latter remaining the largest in Africa.

COMPLEMENTARY SERVICES

The idea of enabling customers to do all their shopping under one roof was further expanded with the introduction of in-store pharmacies (under the name MediRite) and liquor outlets (under the name LiquorShop). The latter are located at or very close to the entrances to Shoprite or Checkers supermarkets. Both extend a service to customers and, in doing so, enhance their shopping experience.

During the reporting period MediRite increased its number of outlets from 104 to 121 and it is budgeting for another 22 in the new financial year. Its pharmacies enjoy secure supply lines from its fellow subsidiary, Transpharm Pharmaceutical Wholesalers, which now has depots in Cape Town as well as Gauteng, providing 93% of their total



product range and offering the opportunity of direct purchases from international markets. Despite the subdued growth experienced by the liquor industry as a whole, LiquorShop grew apace in the reporting period, opening 37 outlets in key areas to bring its number of outlets to 120. Growth will accelerate further in the new financial year, with 40 new outlets on the cards, depending on the rate at which licences are issued. LiquorShop offer a comprehensive collection of spirits and other alcoholic drinks.

Several years ago, the Group introduced the Money Market concept to enhance its offering of a one-stop shopping experience through its supermarkets. The Money Market counters continue to expand their range of services, from money transfers and flight and bus tickets to the payment of electricity bills, municipal services and traffic offences. As part of this service, tickets for almost all major sports, cultural and entertainment offerings are offered through Computicket, the country's largest ticket vendor.

NON-RSA EXPANSION

The Group continued to expand its operations into Africa and has made great strides in establishing a presence across the continent years ahead of its competitors. It will enter its 17th African country before the end of 2011 with the opening of a Shoprite supermarket in the business district of Kinshasa in the Democratic Republic of Congo. The expansion programme in Nigeria is on track, with four Shoprite supermarkets scheduled to open during the next year and a great many other opportunities are also currently being investigated.

New Shoprite supermarkets will also open in Angola, Botswana,

Ghana, Madagascar and Uganda in the new financial year. The Usave chain will also be extending its footprint by opening its first branch in Zambia early in the new financial year as part of a roll-out of six outlets in African countries.

In order to counter the effects of an expensive rand, the Group now imports merchandise for its African operation from many other countries in addition to South Africa. At the same time, management is continuously trying to convince South African manufacturers to establish operations in the countries where the Group does business. The Group's challenge is to remain at the forefront of food retailing on the continent. It meets this challenge by identifying and obtaining choice locations in cities and countries where it plans to establish or expand its presence; by constantly upgrading existing stores to ensure that they continue to represent an exciting shopping experience, or by moving them to new locations where they are closer to the heart of developing city centres.

FURNITURE DIVISION

The Furniture Division, which operates three chains – House & Home, OK Furniture and OK Power Express – experienced a difficult trading year. Retailers had to contend with deflation of on average 15.7% in home entertainment and appliance products.

In spite of these adverse conditions, the furniture division increased turnover by consistently pricing its product ranges very competitively and by increasing the number of direct imports, which not only kept it competitive, but also provided a better profit margin. Of the three chains, the two targeting the lower to middle income



Chief Executive's Report (continued)

market – OK Furniture and OK Power Express – showed the strongest relative growth. The results of House & Home, which reported a drop in turnover, largely reflect the financial difficulties of its higher income market. Total turnover was at R3,060 billion – 1.9% above 2010; while trading profit, at R131 million was marginally above that of the previous year.

The division continued to grow strongly in terms of new outlets. In the year to June 2011, a net 20 new stores were added – 16 under the OK Furniture brand, three House & Homes and one for OK Power Express to bring the total number of stores to 300, of which 30 are outside the borders of South Africa. OK Furniture is by far the dominant brand, with 232 of the 300 stores trading under this name.

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OK FRANCHISE

The franchise division of the Group uses the Group's supermarket procurement capacity to offer franchisees competitive prices coupled with the resources and skills to provide their customers with a viable shopping experience.

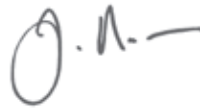
It was a trying time for all the division's members who are independent traders doing business all over South Africa and Namibia, as well as in Botswana. Because of their dependence on a single store, they are vulnerable to any downswing in the economy. A highly competitive environment, low food inflation, and steep increases in input costs placed a strain on members' profitability.

The OK Franchise Division (OKFD) increased turnover by 7.8%, while operating profit grew due to overhead costs lagging the growth in income. A major development during the reporting period was the

offer made for Metcash's franchise division, which will provide OKFD with a further platform to grow its business and franchisees, representing some two years of organic growth without altering its risk profile. The transaction was ratified by the Competition Authority after year-end and will see some 150 members added to OKFD, albeit with a smaller turnover base for the majority of those compared to existing OKFD franchises.

ACKNOWLEDGMENT

It has always been an honour for me to lead a team so dedicated and so set on success as the management and staff of the Shoprite Group. With some I have worked for many years; others are new to the team, but together they share the same ideal: to be the best, however difficult the times may be. This frame of mind stood them in good stead during the past financial year, which presented them with many challenges, all of which were tackled with a will to win. My grateful thanks go to all of them.



Whitey Basson
Chief Executive Officer

26 August 2011



Five-year Financial Review

Shoprite Holdings Ltd and its Subsidiaries

	June 2011 R'000	June 2010 R'000	June 2009 R'000	June 2008 R'000	June 2007 R'000	
STATEMENT OF COMPREHENSIVE INCOME						
Sale of merchandise	72 297 777	67 402 440	59 318 559	47 651 548	38 949 845	
Trading profit	3 986 697	3 490 441	2 940 914	2 296 550	1 597 692	
Exchange rate (losses)/gains	(446)	(77 824)	3 005	33 187	23 725	
Items of a capital nature	(78 533)	(25 580)	(31 227)	6 756	60 935	
Operating profit	3 907 718	3 387 037	2 912 692	2 336 493	1 682 352	
Interest received	94 614	105 741	191 566	183 915	109 332	
Finance costs	(125 964)	(93 690)	(86 142)	(59 149)	(83 570)	
Profit before income tax	3 876 368	3 399 088	3 018 116	2 461 259	1 708 114	
Income tax	(1 346 826)	(1 111 792)	(999 478)	(875 570)	(622 586)	
Profit for the year	2 529 542	2 287 296	2 018 638	1 585 689	1 085 528	
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Property, plant and equipment	8 168 749	6 577 677	5 359 587	4 502 928	3 804 159	
Other investments	63 964	65 942	50 440	41 604	67 728	
Deferred income tax assets	326 457	288 677	277 951	248 614	252 749	
Intangible assets	719 105	611 037	354 434	319 825	277 901	
Current assets	11 416 236	10 442 805	10 690 843	9 733 319	7 476 005	
Fixed escalation operating lease accrual	9 246	5 559	6 233	7 993	1 131	
TOTAL ASSETS	20 703 757	17 991 697	16 739 488	14 854 283	11 879 673	
EQUITY AND LIABILITIES						
Capital and reserves	7 084 700	5 904 832	4 960 000	4 758 656	3 639 181	
Non-controlling interest	58 750	67 184	69 295	60 182	49 590	
Permanent capital	7 143 450	5 972 016	5 029 295	4 818 838	3 688 771	
Interest-bearing borrowings	49 755	40 448	30 727	22 899	2 498	
Other liabilities	13 510 552	11 979 233	11 679 466	10 012 546	8 188 404	
TOTAL EQUITY AND LIABILITIES	20 703 757	17 991 697	16 739 488	14 854 283	11 879 673	
STATISTICS PER ORDINARY SHARE AND FINANCIAL RATIOS						
Net asset value per share	(cents)	1 399,8	1 166,7	990,2	938,0	717,3
Earnings per share	(cents)	495,9	450,1	396,5	309,5	212,1
Headline earnings per share	(cents)	507,6	455,4	401,1	309,9	201,6
Diluted headline earnings per share	(cents)	507,6	451,6	390,8	298,6	193,8
Dividend per share	(cents)	253,0	227,0	200,0	155,0	101,0
Dividend cover (based on headline earnings)	(times)	2,0	2,0	2,0	2,0	2,0
Trading margin	(%)	5.51	5.18	4.96	4.82	4.10
Headline earnings on average total permanent capital	(%)	39.2	41.7	41.1	37.0	30.2
Inventory turn	(times)	8,8	8,9	8,9	9,1	8,9

DEFINITIONS

Trading margin: Trading profit expressed as a percentage of sales.

Inventory turn: Cost of merchandise sold, divided by the average of inventories at the beginning and the end of the financial year.

Headline earnings: Profit before items of a capital nature, net of income tax.



Financial Report

STATEMENT OF COMPREHENSIVE INCOME

Sale of merchandise

- Total turnover increased by 7.26% to R72,298 billion. Retailers in general find it more appropriate to manage and measure their businesses in full weeks. The Group also adheres to this procedure, with the result that approximately every five years an extra week must be included in a financial year. In the Group's case, it is to bring the year end back, or close to, 30 June. The Group included this extra week during the previous financial year. When this extra week is excluded, the Group increased its turnover by 9.7%. This was a satisfactory performance seen in the context of the state of the economy in general.
- The following table gives the relevant turnover per segment, adjusted for the extra week:

SEGMENTAL SALES

	Sales 2009/2010 (53 weeks) R'000	Sales 2009/2010 (52 weeks) R'000	Sales 2010/2011 (52 weeks) R'000	Sales Growth on 52 weeks %
Supermarkets RSA	53 367 171	52 121 519	57 213 793	9.8
Supermarkets Non RSA	7 163 977	7 002 912	7 316 698	4.5
Furniture	3 002 589	2 943 508	3 059 648	4.0
Other Segments	3 868 703	3 835 474	4 707 638	22.7
Total Sales	67 402 440	65 903 413	72 297 777	9.7

- Supermarkets Non-RSA, in a low inflationary environment, contributed R7,317 billion to Group turnover after conversion to rand. Due to the strength of the rand relative to the US dollar and the continued weakness of most African currencies in which the Group trades, this translated into a turnover growth of 2.1% (52 weeks: 4.5%) in rand terms compared to the previous year. In constant currency terms the growth in turnover was 10.2% (12.8% on a 52-week basis).
- The Group's investment in world-class systems and logistics infrastructure and its policy of lowest prices saw it continuing to gain on the opposition. By sticking to these principles, the Group was able not only to retain the loyalty and support of customers across the spectrum, but also to extend its customer base.
- Internal food inflation came down from 15.8% in 2009 to 2.2% in 2010. This reduced further to an average of -0.1% during the past financial year. The drop is best illustrated by the fact that in the first six months of the reporting period the Group had an internal food deflation that averaged 1.6%.
- The furniture business had to contend with very difficult trading circumstances, yet managed to increase turnover by 4.0% (52 weeks) to R3,060 billion. Margins were reduced to achieve turnover growth under these conditions, with a consequent negative impact on its trading profit, which only increased to R131,4 million (2010: R131,2 million). The strongest turnover growth was reported by OK Furniture at 4.88%, which targets middle to lower income consumers. This growth was achieved in a mostly deflationary environment and in a fiercely contested market. Credit participation was reduced in OK Furniture and OK

Power Express by 1.3%, with a 0.25% increase in House & Home. This resulted in further pressure on trading margins as finance income growth was affected negatively.

Gross profit

Gross profit comprises primarily gross margin after markdowns and shrinkage. In line with IFRS (IAS 2: Inventory and IFRIC Circular 9/2006), the Group deducted settlement discounts and rebates received from the cost of inventory.

The Group continued to maintain its price competitiveness in a market characterised by aggressive food discounting. Despite cutting the margins on basic foods, the Group increased gross profit margins as a result of a slightly higher contribution by non-food items and an increase in efficiencies in systems and logistics infrastructure. This resulted in the gross profit margin increasing from 19.7% to 20.3%. Gross profit increased by 10.7% to R14,67 billion, due mainly to the increase in turnover and efficiencies in logistical infrastructure previously mentioned. Shrinkage remains well under control, but the Group is coming under increased pressure with crime being on the increase and perpetrators more brazen.

Other operating income

Other operating income increased by 17.7% to R1,856 billion, mainly due to an increase in commissions received and recoupments earned. Finance income earned (-7.5%) came under pressure due to the reduction in the credit participation in the furniture segment, but other items grew in excess of turnover growth.

Expenses

Cost management remains a high priority for the Group as trading margins are always under pressure due to the stiff competition in food retailing.

- **Depreciation and amortisation.** The Group is continuing to increase its investment in information technology. It is also opening new stores while simultaneously implementing an ongoing refurbishment programme for older stores. On average, stores are revamped every seven to eight years. Two distribution centres were enlarged and 96 new stores were opened during the year.
- **Operating leases.** Rental increases for existing stores are generally in line with those in the property market as a whole. 78 net new stores were opened during the year and the increase in turnover also saw a commensurate increase in turnover rentals paid. Certain lease payments were reduced by head leases that were either not renewed or were renegotiated during the year.
- **Employee benefits.** The increase in staff costs at 9.3% was mainly due to the resulting staff requirements of increased turnover and the number of new stores. Productivity improvement slowed, while the focus has shifted to improving and maintaining in-store service levels. Included in Employee benefits are provisions for long term incentives to retain staff.
- **Other expenses.** These costs, which increased by 12.8%, cover expenses such as electricity and water, repairs and maintenance and security. The Group maintained its provision for reinstatement of leased buildings where it has an obligation to maintain the exterior of such buildings. The growth in other expenses was more than that of turnover, but was mainly due to the increases in electricity. Excluding electricity, then other expenses increased by a more modest 8.2%.

Trading profit

Trading margins increased from 5.18% to a record level of 5.51%, due to an increase in gross margins and expenses that were well managed over the period.

Foreign exchange differences

As stated in the accounting policies, the balance sheets of foreign subsidiaries are converted to rand at closing rates. These translation differences are recognised in equity in the foreign currency translation reserve (FCTR). In essence, most foreign exchange differences in the income statement are due to US dollar denominated short-term loans of operations outside South Africa and balances in US dollar held in offshore accounts.

During the year the strong rand prevailed – while the currencies of some of the countries in Africa where the Group does business weakened against the US dollar, the rand held firm. The result was a smaller currency loss of R0,446 million compared to a currency loss of R77,8 million in the previous financial year.

The table below gives the approximate cost of a unit of the following major currencies at year-end:

	2008	2009	2010	2011
USA dollar	7.956	8.02	7.745	6.7697
Euro	12.516	11.2511	9.674	9.82511
Zambia kwacha	0.003	0.0015	0.0015	0.001403
Angolan kwanza	0.103	0.1033	0.0834	0.07274
Mozambique metical	0.321	0.2976	0.2245	0.2394
Nigerian naira	0.054	0.0541	0.0518	0.0444

Net interest paid

The Group utilises overnight call facilities for both short-term deposits and borrowings. As in the past, the Group funded all capital projects utilising short-term borrowings and cash reserves. During the current financial year interest received turned from a net interest received of R12m into net interest paid of R31,3m, due to the increase in capital expenditure and the reductions in interest rates. As stated elsewhere, the Group has embarked on a major drive to increase capacity in its distribution centres. As at year end the capacity in both Centurion and Brackenfell Centres has virtually doubled.

Income tax expense

The effective income tax rate is higher than the nominal income tax rate due to certain non-deductible expenses, such as leasehold improvements, as well as income tax losses in certain non-RSA countries that cannot be utilised for Group purposes. The income tax expense includes an amount of R121,7 million in respect of secondary tax on companies.

Diluted headline earnings per share

Diluted headline earnings per share increased by 12.4% from 451,6 cents to 507,6 cents and result mainly from the turnover growth of 7.26%; an increase in trading profit of 14.2% and the decrease in exchange rate losses. This was a satisfactory performance considering the extra week included in the previous year.

STATEMENT OF FINANCIAL POSITION

Non-current assets

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year the Group spent R3,005 billion on property, plant and equipment and software compared to R2,509 billion in 2010. The Group is also continuing with its policy to purchase vacant land for strategic purposes and building retail premises when no developers can be found. During the year the Group spent R937 million on such land and buildings. The investment in refurbishments amounted to R361 million, while R610 million was spent on new stores (excluding land and buildings), R374 million on information technology and the balance on normal replacements. The Group is in the process of upgrading its merchandising, master data and central stock ledger systems. This will be continuing into the next financial year. Capital commitments of R1,344 billion have been made relating to these improvements for the next financial year.

Intangible assets consist mainly of goodwill paid for acquisitions, trademarks acquired and software. Goodwill represents the premium paid for certain businesses and is tested for impairment annually based on the value-in-use of these businesses, calculated by using cash flow projections. The last major addition was due to the purchase of the Transpharm Group in December 2009.

Software represents the Group's investment in certain computer software that is used in its daily operations. The Group continued to invest in new SAP software. Software is amortised over its useful life of three to seven years.

Trademarks represent the purchased Computicket and Transpharm trademarks and is amortised over 20 and 16 years respectively.

AVAILABLE-FOR-SALE-INVESTMENTS

100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd valued at R60 million. This represents the Group's investment in an international treasury system that is utilised by the Group in its international trade.

LOANS AND RECEIVABLES

13 500 000 redeemable, convertible (both under certain conditions, such as achieved levels of profitability), cumulative preference shares in Pick & Buy Ltd, a retailing supermarket group in Mauritius, valued at R33 million. These shares were acquired as part of a reciprocal arrangement with the owners of Pick & Buy Ltd, who in turn invested in the Group's subsidiary in Mauritius. Pick & Buy has since divested from said subsidiary.

The balance consists mainly of amounts owing by franchisees for franchises and fixture and fittings sold to them.

DEFERRED INCOME TAX ASSETS

Deferred income tax is provided, using the liability method, for calculated income tax losses and temporary differences between the income tax bases of assets and liabilities, and their carrying values for financial reporting purposes. This asset developed primarily from provisions created for various purposes, as well as the fixed escalation operating lease accrual.



Financial Report (continued)

Current assets

INVENTORIES

Inventories amounted to R7,06 billion, an increase of 15% on the previous year. The inventory turn, based on sales of merchandise, was 11,0 times (2010: 11,1 times) and, based on cost of sales, 8,8 times (2010: 8,9 times). The increase in inventory resulted mainly from the following:

- the provisioning for a net 78 new stores;
- further growth in the business of Transpharm, the wholesale pharmaceutical operation; and
- the extension to the DC in Centurion.

TRADE AND OTHER RECEIVABLES

Trade and other receivables represent mainly instalment sale debtors, franchise debtors, buy-aid societies and rental debtors. Adequate allowance is made for potential bad debts and the outstanding debtor's book is reviewed regularly.

The allowance for impairment and unearned finance income in respect of instalment sale debtors amounted to 13.87% compared to 13.7% the previous year. This minimal increase was made possible by the quality of the book.

ASSETS HELD FOR SALE

Certain land and buildings are classified as assets held for sale, as the Group is currently in the process of actively seeking buyers for these properties. This is in line with the Group's policy of only investing in fixed property when appropriate rental space is not available.

CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

Net cash and cash equivalents amounted to an overdraft of R81 million at year-end, compared to R1,3 billion positive balance in 2010. The reduction was mainly due to the following:

- capital expenditure, mainly on land and buildings, of R3 billion; and
- the 53rd week included in the Group's results in the previous year has resulted in the Statement of Financial Position date moving to after the calendar month-end, causing certain 30-day term creditors to be paid before year end.

Current liabilities

PROVISIONS

Adequate provision is made for post-retirement medical benefits, reinstatements, onerous lease contracts, long-term employee benefits and all outstanding insurance claims. The Group has settled a major portion of the post-retirement medical liability in the previous financial year. The remaining liability relates to mainly pensioners and will be settled during the next financial years.

CREDIT SALES

The Group continued to supply credit facilities as part and parcel of its furniture business. The management and administration of this debtor's book is done in-house, as the granting of credit is deemed an integral part of selling furniture.

SHOPRITE INSURANCE

The Group operates its own short-term insurance company as part of the furniture business. During the year under review, net premiums earned amounted to R257 million compared to R228 million the previous year. As in the past, the Group accounts for premiums earned and extended guarantee fees over the life of the policy. In South Africa, insurance premiums are invoiced and earned on a monthly basis. This is in line with the National Credit Act.

The following provisions are made on an annual basis:

- Outstanding claims payable = average of actual claims outstanding for the relevant periods
- Contingency reserve = 10% of net premiums whereas premiums are earned as per the following formula:
 - Premiums earned = Net premium x expired period
 - Premiums unearned = Net premium x unexpired period.

At year end the insurance company had a solvency margin of 76% (2010: 69%) compared to the minimum requirement of 15% as per the Insurance Act.

Non-Financial Report

EMPLOYEES

Remuneration policy

It is the Group's objective to provide a level of remuneration that will attract, develop, retain and motivate its employees to implement and execute its strategy in a highly competitive business environment. The Group places a very strong emphasis on "pay for performance", as is evident in the short and long-term incentive schemes that form an integral part of the remuneration package of all executive and managerial employees. These incentive schemes seek to align the Group's business strategy with those of its shareholders.

The remuneration packages of executives and management consist of the following components:

- guaranteed pay, which consists of a cash salary and certain benefits, amongst others a provident fund that provides for retirement, death and disability and medical aid;
- short-term incentive scheme; and
- long-term incentive schemes where applicable.

Total annual remuneration consists of guaranteed pay and short-term incentives. In order to attract talent the Group aims to set the total remuneration of executives at a competitive level in the market in which it competes. Due to the size of the group, its multiple brands and its extensive footprint on the African continent, the total remuneration of executives are benchmarked at the upper quartile values of the South African remuneration surveys used for this purpose. As variable remuneration in the form of short-term incentives comprises a substantial portion of the executives' total remuneration package, the benchmarked values aimed for will only be attained once the targets as set out in the short-term incentive scheme are fully met.

Reviews are performed annually to benchmark the Group's remuneration against the market. Executive positions are also evaluated frequently. Independent remuneration consultants (mainly PwC Remchannel) are utilized to perform the above reviews and benchmarking exercise.

The remuneration for management and other employees who are not included in the collective bargaining units are performance driven.

Collective wage increases are negotiated with the representative trade unions for all employees included in the collective bargaining units.

Guaranteed pay

All employees falling outside the collective bargaining units receive guaranteed pay, which is based on the nature of their respective roles, the market value thereof and the individuals' personal performance. Annual increases in the guaranteed pay are determined by personal performance and competence, company performance and expected increases in the South African and other markets, as well as movements in the CPI during the preceding twelve months.

Short-term incentive scheme

Executives and management participate in the short-term incentive scheme, that runs over the financial year of the group. This is a self-funding scheme, as the value of the on-target bonus is included in the annual budget and is provided for in the financial statements.

The criteria for the scheme are based on financial measures and contain targets for budget achievement and growth on the previous year. Each participant is measured against his specific area of respon-

sibility. Various weightings are also included in the criteria to encourage participants to maximize their role and functionality.

During the year under review, executives could earn an average of 35% and management 19% of their total package in the form of a short-term incentive bonus.

The scheme also makes provision for stretch targets above the annual budgets set. In exceptional cases participants can earn up to 150% of their on-target maximum incentive. Likewise no incentive will be payable if none of the performance criteria are met.

Long-term incentive schemes

Three long-term incentive schemes are offered to executives and senior management, namely a share appreciation rights scheme, a virtual option bonus scheme and a long-term incentive bonus scheme.

Share appreciation rights scheme

The share appreciation rights scheme was introduced during 2007 and is dependent on the performance of the share price of Shoprite Holdings Ltd. The share appreciation rights vest equally over a period of three, four and five years (2010 to 2012). The basis for calculation is the difference between the share price at the date of the exercise of the rights and the settlement date. The number of shares on which the rights are based, as well as the dates of issue and issue prices, are set out in the notes to the Group's financial statements.

Virtual option bonus scheme

The virtual option bonus scheme was introduced in 2007 and operates on a notional capital amount, which is allocated to participants. Subject to certain provisos, a bonus is determined each year by multiplying the capital amount allocated with the percentage growth in the operating profit of the group. The bonus determined as such vests equally over a three-, four- and five- year period.

Long-term incentive bonus scheme

The long term incentive bonus scheme was introduced in 2007. Participants are measured on the same criteria which is applicable for the short-term incentive scheme. The bonus determined as such vests equally over a three-, four- and five- year period.

Diversity

Employees are the backbone of any business, and a stable, skilled and committed workforce is critical to business success. In the wholesale and retail industry – which is challenged by high turnover rates and a skills shortage – it is especially important to manage employees carefully, ensuring that the right people are employed and remain invested in the company. The most salient features of the group effort to effectively manage its workforce comprise of:

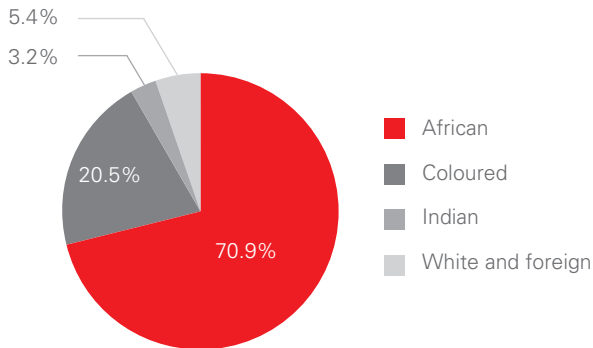
- diversity and inclusion;
- attracting and retaining talent;
- developing and training employees;
- organised labour; and
- HIV/Aids.

The Group is focused on improving the quality and decreasing the quantity of its recruitment activities, while remaining committed to equality and non-discrimination in the recruitment process. A workforce that is representative of the communities it serves is the ultimate goal, as the Group believes that this will aid the success of the business long term.



Non-Financial Report (continued)

STAFF REPRESENTATION



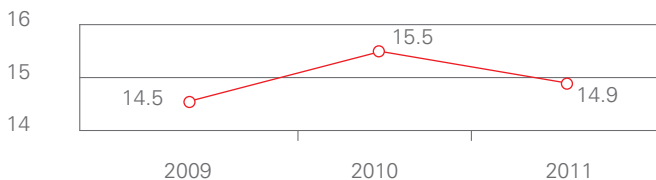
	2011	2010
Total permanent (SA)	83 867	76 318
% black representation	94.67	94.47

New recruitment systems have been developed and implemented at head office in order to improve and streamline the talent pipeline, with a focus on previously disadvantaged individuals (PDIs) and people with disabilities. In the last year, there has been a 10% increase in the size of the South African employee base, with an almost 3% improvement of overall PDI representation within top management. In terms of employment equity, the Group is on track to achieve its numerical goals for the current plan period (2010 to 2015) and continues to outperform the rest of the wholesale and retail sector.

Retention

Retention strategies are constantly evolving in consultation with employees. Internally, care is taken to ensure that employees at all levels are well provided for. The Group boasts a relatively low turnover – 14.9% for full-time employees compared with the retail industry norm of 20-25% – which is viewed as a robust indicator of overall staff satisfaction.

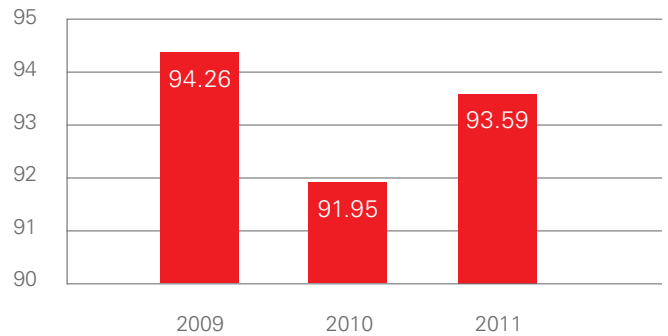
STAFF TURNOVER



Training

Training and career development form part of the employee retention and succession planning strategies, and the Group spent 2.7% of payroll on training in the period under review. There have been significant changes to the Sector Education and Training Authority landscape over the last two years, and the National Skills Development Strategy (NSDS) III has been implemented.

PERCENTAGE OF TRAINING SPEND ON PDIs



The Group has been aligning its Skills Development Strategy with the NSDS III. Continuous development is promoted and the Group offers a number of training programmes recognised by the National Qualifications Framework (NQF), focussing on the development of scarce and critical skills that will give the business a competitive edge. Five hundred and twenty learners were placed on various Learnerships (for 12 months) and 613 learners on skills programmes (for 2 months). The Group is committed to employing 90% of successful candidates after completion of their learning. Funding of university bursaries for scarce and critical skills totalled R9.3 million.

There is also a focus on disability training to enhance diversity, and 33 hearing-impaired learners participated in various skills programmes leading up to an NQF Level 2 operations qualification. Free grants are also made available to lower income employees and their dependents (for school and tertiary studies) through the Group's Educational Trust.

Employee unions

Just over one third of the Group's staff members in South Africa (36.5% of non-management staff) are represented through employee unions and collective bargaining structures. An agreement with Uni Global Union (an organisation representing over 900 unions worldwide) was recently signed. This agreement is a commitment to global standards on labour relations, and aims to create a forum for social dialogue between the group and the unions within all countries of operation. The Group works closely with the unions in South Africa, utilising some innovative strategies to maintain good relations.

Health

An actuarial evaluation estimated a 17.8% HIV infection rate amongst group employees. This is a serious issue, which the Group approaches through a number of healthy living campaigns targeted at staff. A voluntary counselling and testing programme has been launched, and qualified nurses and doctors are available to staff through the Group's HIV/Aids Call Centre. The Group aims to test 25 000 employees in the coming year.

REMUNERATION OF DIRECTORS

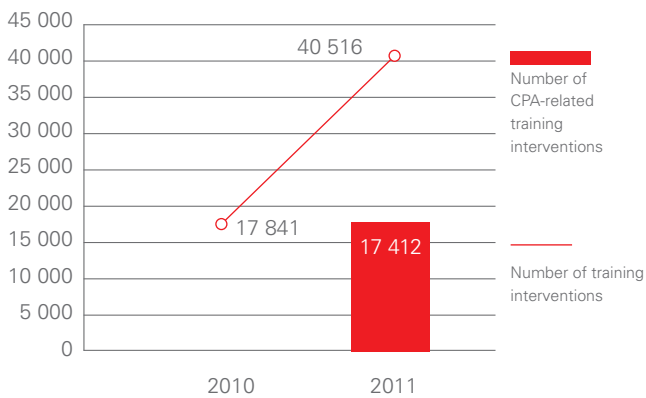
Emoluments paid to directors and alternate directors of the Shoprite Group during the year ended June 2011 and comparatives for the previous year are set out on page 79 of the Group's financial statements.

CUSTOMERS

Retail customers tend to have a wide choice enabling them to shift quickly between one retailer and the next. To foster a loyal customer base and achieve customer service excellence, the Group endeavours to satisfy the changing needs of customers. It does this by combining the best technology with sensitivity to customer expectations and consumer trends. A number of customer issues are now governed by the new Consumer Protection Act (CPA), which prescribes the rights of consumers and increases the level of protection across the Board. The most pressing issues adopted by the Group to ensure a satisfied customer base are:

- customer needs and service levels;
- food and product safety; and
- responsible credit provision.

CUSTOMER SERVICE TRAINING



In the past, responsibility for faulty products and related customer grievances was placed squarely on the shoulders of the manufacturer. The CPA now divides this responsibility between both the manufacturer and the retailer. The Group's policy includes the nine key consumer rights identified by the CPA. To support this change, the Group launched a compulsory CPA Awareness Training Campaign in the supermarket environment in April 2011.

The Group aims to ensure that all customers are satisfied and their reasonable expectations are accommodated. Customer-facing staff members are provided with customer service training. In the period under review, the number of customer service training interventions more than doubled, reaching 40 516. Of these, 17 412 involved initiation into the CPA.

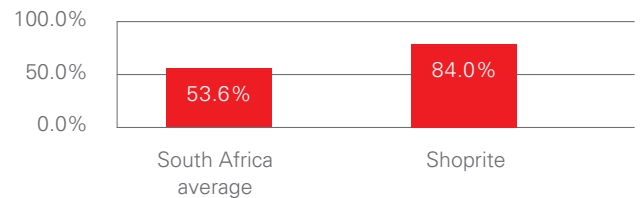
Customer feedback, received through a variety of different avenues and media is viewed as an opportunity to gather first-hand customer knowledge and enables an immediate response to customer needs. A new Customer Feedback System, based on internationally developed technology, has been installed. This will give the Group access to more intelligent customer experience data in order to better respond to potential problem areas.

The CPA applies to a range of issues, including food safety and product labelling. The Group has therefore allocated considerable time and resources to the implementation of a robust Food Safety Management System (FSMS), including a policy for both internal use and suppliers. Product recall processes and stock rotation disciplines are in place.

Customer satisfaction through price leadership is the top priority

for the Group's business. This and its smaller low-cost retail model, Usave, which caters for smaller, economically disadvantaged communities, is aligned with the CPA's requirement that services be made available to marginalised and underserved markets.

CREDIT – PERCENTAGE OF ACCOUNTS NOT IN ARREARS



Lower income consumers in particular need to be protected against reckless lending. Credit is only offered to customers of the three furniture chains. The Group's credit offering is aligned with the provisions of the National Credit Act (NCA), and applications are processed using more than 25 granting policies to determine a customer's eligibility for credit.

SUPPLIERS

The Group aims to develop a base of suppliers that are responsible, loyal and reliable, founding these relationships on open and honest communication. Suppliers that are not compliant with basic human rights and environmental standards place the Group's reputation at risk, and impact negatively on the health of the environment and affected communities. The Group aims to develop its suppliers and they are therefore the focus of its enterprise development initiatives, which are closely linked to preferential procurement initiatives.

The most material issues relating to suppliers are:

- supplier relationships;
- preferential procurement; and
- enterprise development.

All suppliers are subject to a contractual agreement providing a platform for monitoring and managing each relationship. The Group follows international best practice in terms of orders and supplier account management, using electronic data exchange systems to manage supplier issues. In the period under review, new packaging legislation was one of the main subjects of engagement. Education and assistance are being provided to the Group's suppliers within South Africa and across Africa, where bar coding is being developed and improved.

Freshmark maintains growing programmes for each of its 456 local suppliers annually, most of whom enjoy a long-term, close relationship with the Group. Farmers' Days were held in all provinces in South Africa (as well as in Zambia), where supply performance and operational issues were discussed and produce category performance was analysed.

Meat Market currently has 274 registered meat suppliers, all of whom have been visited and approved by the relevant divisional managers prior to being selected.

In the coming year, two workshops on food safety standards will be held with suppliers in all major centres, and an electronic guideline on implementing minimum food safety standards will continue to be distributed to all small suppliers.



Non-Financial Report (continued)

By supporting local suppliers, the Group makes a substantial contribution to the transformation of the South African economy. The Group therefore allocates time and resources to enterprise development within its own supply chain in order to create a stable and sustainable supplier base. The Group spent more than 2% of its net profit after tax (NPAT) on enterprise development initiatives in the period under review.

The R65 million Shoprite Development Trust was initiated to further target the Group's substantial Corporate Social Investment (CSI) financial contributions. This Trust targets enterprise development through the Group's property developments and is aimed at facilitating the ownership of the Group's developments or properties by economically disadvantaged entrepreneurs and community organisations.

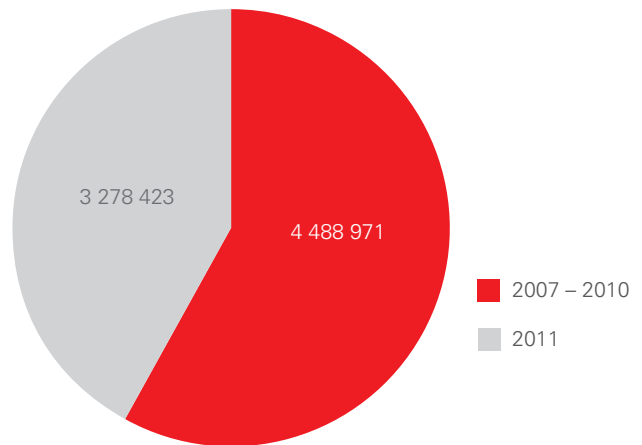
The Group is committed to supporting black suppliers, and aims to assist small, medium and micro-enterprises (SMME's) to become efficient suppliers. B-BBEE performance forms part of the supplier selection criteria and preference is given to black female suppliers. This strategy assists in the identification of new supply opportunities and efficiencies. The Group's Code 600 Preferential Procurement spend for the period under review was R37,1 billion.

The Group aims to extend its strategic goals of rural economic development and local economic development into marginalised communities with the knowledge and assistance of the independent trustees of the Shoprite Development Trust. The Group also intends to actively seek out co-operative ventures with government and other entities, improving the status and stability of its preferential procurement successes.

COMMUNITIES

A business does not function in isolation from the communities it operates in and these communities also have an impact on the business. In particular in the retail space, good community relations can enhance the sustainability of the Group's profit line. The Group makes its CSI contributions with specific focus on women, children and senior citizens.

SHOPRITE MOBILE SOUP KITCHENS – SERVINGS OF SOUP AND BREAD



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In the period under review, the Group spent more than 1% of its NPAT on corporate social investment projects. A successful new initiative involved the Group partnering with the Western Cape Police during December 2010 to help combat crime through various campaigns. Due to the success of the partnership this project has also been rolled out in Gauteng.

Shoprite Mobile Soup Kitchens is an ongoing initiative the Group is very proud of. In the period under review, 3 278 423 servings of soup and bread were distributed largely to children, senior citizens, and people affected by job losses and disasters countrywide, bringing the total since launch in February 2007 to 7 767 394. This is a dramatic increase compared to the first three years and was made possible by an increase in the truck fleet.

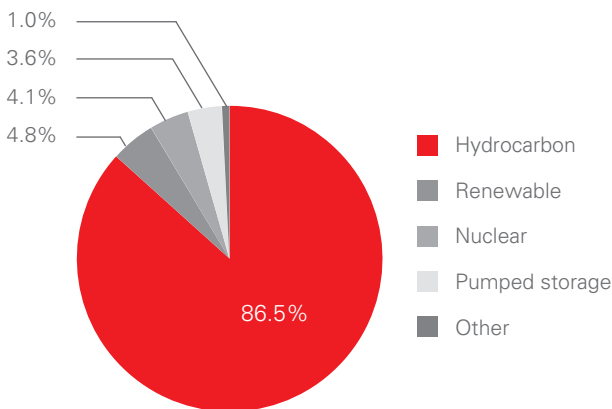
Other significant projects include The Shoprite Checkers Women of the Year Awards (which awards R130 000 to one exceptional woman in each of five different social development categories), and The Shoprite Community Network (which provides approximately R1.2 million per year in support of organisations that are making a difference in their communities).

ENVIRONMENT

The Group depends on the environment for all its resources, either directly (for fresh produce) or indirectly (for processed materials and energy). The Group recognises that degradation of the environment will undermine its ability to produce resources cost effectively and is therefore paying attention to this issue. While the Group endeavours to consider its environmental impacts in all areas, four key aspects are reported on:

- electricity consumption;
- fuel consumption;
- packaging and recycling; and
- carbon disclosure.

SOUTH AFRICA'S ENERGY SUPPLY MIX IN 2010



As almost 90% of South Africa's electricity is coal-generated, electricity consumption results in a number of externalised effects, including pollution and the release of carbon dioxide (CO₂) into the atmosphere. In addition, the country's electricity supply is subject to rapidly rising costs as capacity is increased. The Group adopts a holistic approach to managing electricity consumption and is in the process of establishing a programme to continually measure, monitor and report on electricity consumption in supermarkets. Energy efficient initiatives are being assessed and a number of these have been implemented in our supermarkets. Systems have also been put in place to enable the optimisation of the cold chain.

Transportation constitutes a significant part of the retail industry, where moving large quantities of produce is a daily requirement. Road transport relies on fossil fuel, which is growing scarcer and more costly. Fuel is also a significant contributor to air pollution. The Group explores and evaluates all technologies and processes available for reducing fossil fuel use across the entire supply chain and has adopted a centralised distribution approach in line with international best practice.

Transporting produce requires large quantities of packaging resulting in waste. The Group supports the National Environmental Waste Act of 2008 principle of waste avoidance first, followed by reduction, re-use and recycling where possible. The Group aims to reduce the use of one-way packaging by purchasing and implementing re-usable packaging equipment. Ways to recycle materials and reduce landfill contribution are constantly being assessed, and the Group also collaborates with suppliers to implement new packaging initiatives. A reclamation centre in Centurion is in the pilot phase and will enable central management of damaged products and waste, in accordance with international best practice.

Electricity and fossil fuel consumption and the production of waste all contribute to emissions responsible for climate change. The Group has begun the journey of accounting for its impacts by responding to the Carbon Disclosure Project (CDP) for the first time in the period under review. A number of measurement systems and protocols have been developed and implemented to enable the Group to perform a comprehensive assessment of its carbon footprint. Scope 2 emissions for the year under review was estimated at 1 079 659 metric tonnes of carbon dioxide equivalent (CO₂e).

The Group's supply chain strategy and structures provide the business with a competitive advantage. The focus on supply chain efficiency will continue, in parallel with the responsible management of health, safety and environmental impacts such as carbon emissions and waste management. This holistic approach to supply chain management will assist the Group in retaining a competitive edge as future challenges are encountered and addressed.



Supplier of the Year Award Winners



SHOPRITE GROUP OF COMPANIES

Supplier OF THE **YEAR**

2010

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The Shoprite Group
is proud to recognise
suppliers for their
unstinting support and
collaborative approach
toward our business
over the past year.

CEO AWARDS

Persianas Properties Ltd
Zambeef Products PLC

PERISHABLES AND SERVICE DEPARTMENTS

DairyBelle (Pty) Ltd

CONFECTIONERY AND BEVERAGES

Cadbury SA (Pty) Ltd

AMBIENT GROCERIES

Unity Food Products
(Pty) Ltd

TOILETRIES

Unilever SA (Pty) Ltd

HOUSEBRAND / PRIVATE LABELS

Chet Chemicals

UPCOMING SUPPLIERS

Sunningdale Dairy

MEAT MARKETS

Roelcor Meat

FRUIT AND VEGETABLES

Rennie Farms

NON-FOODS

Premier Stationery

FURNITURE

Whirlpool Home
Appliances

CONTRACTORS / SERVICE PROVIDERS

Concord Refrigeration
(Pty) Ltd

HOUSEBRAND/PRIVATE LABELS

Chet Chemicals



Mervyn Kessler (left), Chief Executive Officer
and **Nico van der Merwe**, Sales Director



Chet Chemicals (Pty) Ltd was established by the Kessler family in 1969. The company manufactures a full range of laundry, household cleaners, and bath additive products as a house label manufacturer. The family business has evolved and is now a member of Liberty Star Consumer Holdings, a B-BBEE F.M.C.G. group of companies.

Its manufacturing facility and distribution centre is located in Kempton Park, Gauteng, South Africa, from where it services the national market. The manufacturing unit produces some 500 metric tons of powders and liquids per day.

Standing as the Shoprite and Checkers character witness, quality complete and on-time service is continuously top of mind. Chet's new product development capability has enabled it to continue to roll out quality substitutes at the right price to targeted market leaders.

The company has been extremely privileged and is proud to be involved in the Shoprite Group's housebrand programme, for which we now manufacture some 120 products under Ritebrand, Checkers Housebrand and confined labels for the Group.

Winning the award as the Shoprite Group's housebrand Supplier of the Year 2010 has been a real highlight for the Chet operation and we look forward to growing the business into the future.



PERISHABLES & SERVICE DEPARTMENTS

DairyBelle



Brenda McCleary
National Customer Manager



DairyBelle's origins can be traced back to the 19th century, when South African Cold Storage was first established. In 1902, Cecil John Rhodes and Sir Leander Starr Jameson bought the company and renamed it Imperial Cold Storage (ICS). The products manufactured included ice cream, chocolate, butter and cheese. In 1960, the DairyBelle brand that South Africans have come to know and love was registered for use on a range of dairy products.

The radio jingle "Ding-Dong DairyBelle" gained pop culture status among South African consumers and introduced the new brand, while the distinct orange DairyBelle cow gained popularity and further boosted the brand value.

DairyBelle has built a strong, wholesome brand that continues to provide South Africans with good quality and good value products that include a wide range of cheeses, yoghurt, juice, fresh milk, UHT milk and other dairy products.

Research conducted in 2010 confirmed that DairyBelle has retained substantial equity over the years; however, it highlighted the need to revitalise the brand, the packaging and the portfolio to make it more relevant and modern. In mid-2010 the DairyBelle brand underwent a major revamp of its overall positioning, logo and packaging design, as well as reconceptualizing and organizing its various brands for consistency and focus.

Innovation and an ongoing commitment to supporting the DairyBelle brand are key goals of DairyBelle. The aim is to keep the brand fresh and relevant to meet the changing needs of our consumers.

We are extremely proud of being acknowledged as one of the 2010 Shoprite Group Suppliers of the year



CONFECTIONERY & BEVERAGES

Kraft Foods



Michael Fouché
Regional Account Manager

Kraft Foods is a global powerhouse with an unrivalled portfolio of brands people love. We are also the world's second largest food company with annual revenues of \$49.2 billion.

Following its global acquisition by Kraft Foods in 2010, Cadbury South Africa and Kraft Foods integrated in March 2011 to form Kraft Foods South Africa – a dynamic, diverse and growing FMCG business that participates in the chocolate, candy, gum, biscuits, coffee and grocery categories. Our higher purpose is to make today delicious. Our aspiration is to be the most loved, respected and successful snacking company in Southern Africa.

We are proud of our combined heritage of over 80 years in the South African industry, manufacturing and selling brands people love. Southern Africa is a key market in the emerging markets portfolio of Kraft Foods Inc. and contributes significantly to its growth. With strong brands that resonate with all income groups in this market, we aim to delight our consumers not only with power brands, but also accessible and affordable ones.

As one of the world's largest food companies, we believe in fighting hunger, promoting healthy lifestyles, sustainable agriculture and ethical sourcing. In a ground-breaking move, Cadbury Dairy Milk Plain has recently been Fair Trade certified. In partnership with Fair Trade, we want to ensure better living conditions for farmers of developing communities through fair prices, community development and sustainability of produce.

It is an absolute honour to be recognised as one of the Shoprite Group's Suppliers of the Year. We value immensely the longstanding relationship that we have built with Shoprite over the many years as a legacy Cadbury business and, now as Kraft Foods South Africa, we look forward to a continued strategic partnership.



Supplier of the Year Winners (continued)

UPCOMING SUPPLIERS

Sunningdale Dairy



Pierre van Rensburg
Marketing Manager



TOILETRIES

Unilever



Peter Lamplough
Customer Marketing Director, Home Care



30 Sunningdale started off as a small dairy farming operation marketing Amasi into the rural areas and townships on the outskirts of King Williams Town in the Eastern Cape of South Africa in the early 90's. The dairy consisted of 30 Jersey cows, 10 staff members, and an owner-driven "bakkie" to market the product. What was produced, was always sold. Owner Neil van Rensburg, who was both the farmer and the driver, always made sure that all product produced was sold. He was ably assisted in the operations by his wife Sandi.

In a short space of time things developed and towards the late 90's more products were added, including dairy blend juice and bottled Maas, as opposed to the 50 litres bulk Maas cans that up to then had been a single product line.

The processing operation was soon moved into town, and milk was procured from additional farmers. In 2005, a new processing plant was set up in East London, processing up to 30 000 litres per day. The product range expanded rapidly to include yoghurt and fresh milk and later butter and cheese as well.

Three years later it became necessary to construct a brand new, state-of-the-art processing facility in the East London industrial development zone, with the capacity to process in excess of 200 000 litres of product per day. Completed in 2010, this facility is complemented by a separate cheese and butter plant in Mdantsane and a third factory in Kokstad, in the KwaZulu-Natal province of South Africa.

Today Sunningdale is still a family run operation, with a tightly knit team of staff and a group of milk suppliers. All with the same goal: to produce market leading quality products and to develop a strong milk producer base and further develop the people that work for us.



"Our vision is to create a better future in which people can improve their quality of life without increasing their environmental impact" – Paul Polman, CEO, Unilever.

Unilever South Africa is honoured to be acknowledged as a Shoprite Group Supplier of the year once again. It is because of customers like Shoprite that Unilever has been a part of South African consumers' lives for over 100 years.

At Unilever, we believe that our products make small but important differences to the quality of peoples' lives. Our strategy is to increase our social impact by ensuring that our products meet the needs of people everywhere for balanced nutrition, good hygiene and the confidence that comes from having clean clothes, clean hair and good skin. To this end, our portfolio ranges from nutritionally balanced foods to indulgent ice creams, affordable soaps, luxurious shampoos and everyday household care products. Our brands include household names like Sunlight, Omo, Knorr, Dove, Pond's, Rama, Mrs Balls, Sunsilk and Handy Andy.

Unilever also realises that growth at any cost is not viable. To ensure that we achieve our growth ambition, but not at the cost of the planet, we launched the Unilever Sustainable Living Plan (USLP) in 2010. Globally, the USLP sets three overarching targets for 2020:

- to help more than a billion people take action to improve their health and wellbeing;
- to halve the environmental footprint in manufacturing and use of our products; and
- to enhance the livelihoods of hundreds of thousands of people as we grow our business.

In South Africa, through our operations and our brands, we plan to address the needs and priorities of the country while contributing to our global targets.

However, we cannot achieve these targets on our own. We will have to work with our partners, including customers such as the Shoprite Group, whose continued support has allowed Unilever to dream big.



AMBIENT GROCERIES

Unity Food Products



Unity Food Products (Pty) Ltd

Mahomed Rayhaaz Essack
Chief Executive Officer

Unity Food Products commenced operations in March 2002 and has since grown from strength to strength. The company has a proud tradition of producing high quality, pure sunflower cooking oil, and more recently has ventured into producing margarine to expand our range of quality products that has made its way into South African homes.

Unity's well known oil brand, Helios™, is a permanent fixture in many South African kitchens, and this much loved brand name recently launched a new margarine product as well. The Helios™ brand name is expanding and we aim to make Helios™ a name constantly associated with quality, value, healthy living and solid tradition.

Our range of margarine products includes Ruby™ and Golden Lite™, new margarines to complement our Helios™ brand. Also complementing our consumer brands is Palmfry™, a palmolein oil that is perfect for restaurants, cafeterias and the hospitality industries.

Our business philosophy has always been to stand by our principles, purpose and vision. Our vision is to make Unity Food Products the largest edible oil manufacturer in South Africa with the best quality products. Our guiding principles have guided us to continually act in an ethical manner and to deal fairly with our esteemed customers at all times.

Our ability to continuously offer customers premium brands with excellent value and quality at the right price has become the hallmark of our ongoing desire to bring our valued customers the best every time. In this context, we cannot adequately express and acknowledge the tremendous support that have been accorded by the Shoprite Group. Our continuous partnership has indeed grown by leaps and bounds, and to crown it all, to be chosen as 2010 Supplier of the Year in the category for Ambient Groceries is an honour.

THE TRADITION LIVES ON!!!



FURNITURE

Whirlpool South Africa



Stefan Egli
Managing Director



ABOUT WHIRLPOOL CORPORATION: Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances, with annual sales in 2010 of \$18.4 billion, 71,000 employees, and 67 manufacturing and technology research centres around the world. The company markets Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Consul, Bauknecht and other major brand names to consumers in nearly every country around the world. Additional information about the company can be found at <http://www.whirlpoolcorp.com>.

ABOUT WHIRLPOOL EUROPE, MIDDLE EAST & AFRICA (EMEA):

With around 12,000 employees, a sales presence in over 30 European countries and manufacturing sites in seven countries, Whirlpool EMEA is a wholly owned subsidiary of Whirlpool Corporation. Whirlpool's European Operations' Center is located in Comerio (VA), Italy. For further information on the company, please visit www.whirlpoolcorp.com.

ABOUT WHIRLPOOL SOUTH AFRICA:

Established in 1996 with the purchase of KIC, Whirlpool South Africa (WPSA) falls within the Whirlpool EMEA region, with the reporting office in Comerio (VA), Italy. WPSA's Head Office is based in Bedfordview, in the Gauteng province of South Africa. The manufacturing facility is located in Isithebe, KwaZulu-Natal, and employs approximately 900 people. The company markets Whirlpool and KIC to all of South Africa and selected African countries. While the KIC brand targets the mass market, Whirlpool is an upmarket brand. KIC is simple in its design, but with good quality and satisfies the basic needs when it comes to refrigeration and cooking, while Whirlpool promotes modern design, innovation and energy efficiency. It is with great pride that WPSA stands as one of the Shoprite Group's Supplier of the Year recipients. For further information, please visit www.whirlpool.co.za.



Corporate Governance Report

INTRODUCTION

The board of directors ("the Board") of Shoprite Holdings Limited ("Shoprite Holdings" or "Company") and senior management subscribes to high ethical standards and principles of corporate governance, and recognises that sound governance can benefit long-term equity performance and enhance shareholder value. The Company's corporate governance system is the cornerstone of its primary objective of creating value for material stakeholders in a sustainable way.

A governance model has been adopted and implemented by the Group through the introduction of specialist disciplines such as risk management, legal and compliance.

CORPORATE GOVERNANCE STATEMENT

South Africa's commitment to world class principles and guidelines on corporate governance was cemented with the introduction of the third King Report on Corporate Governance ("King III") on 1 March 2010. King III was formulated to, amongst others, promote the legislative framework set out in the new Companies Act 71 of 2008 (as amended) ("the Companies Act") and has therefore become the cornerstone of corporate governance principles. The JSE Listings Requirements requires listed companies to comply with the recommendations of King III.

The Board governs according to the principles of discipline, responsibility, fairness, social responsibility, transparency and accountability of directors to all material stakeholders. These principles are reflected in the group's business principles, internal controls and policies.

With regard to the financial year under review, the directors of Shoprite Holdings believe that it complied with all the significant requirements of King III. In instances where we do not comply, this is stated and explained.

BOARD OF DIRECTORS

The details of individual attendance at board meetings are set out below:

NON-EXECUTIVE DIRECTORS	23/08/2010	02/11/2010	21/02/2011	24/05/2011
CH WIESE	√	√	√	√
EC KIESWETTER	√	√	√	x
JA LOUW	x	√	√	√
JF MALHERBE	√	√	√	√
JG RADEMEYER	√	√	√	√
EXECUTIVE DIRECTORS	23/08/2010	02/11/2010	21/02/2011	24/05/2011
JW BASSON	√	√	√	√
CG GOOSEN	√	√	√	√
B HARISUNKER	√	√	√	√
AE KARP	√	√	x	√
EL NEL	√	√	√	√
BR WEYERS	√	√	√	√

Board meetings

The Board met four (4) times during the year to consider strategic issues, approve financial results and budgets, and to monitor the performance of the Group, executive directors and senior management. Additional meetings are held whenever deemed necessary. The reports of the chairman of each committee, as well as a number of key performance indicators, are considered.

The Chairman, in consultation with the Chief Executive Officer and Company Secretary is responsible for setting the agenda for each meeting. Board meetings are scheduled well in advance and management ensures that board members are provided with all relevant information to enable the Board to make well-informed decisions. Board documents are provided timeously to directors. Senior management are also invited to attend board meetings on rotation.

Board structure

Shoprite Holdings has a unitary board of 11 directors, which fulfils oversight and controlling functions. The responsibilities of the Board are set out in the Board charter, evidencing a clear division between responsibilities.

The Board consists of five non-executive directors, including the Chairman of the Board, and six executive directors. Four of the non-executive directors are independent as defined in the King III Code. In view of the Chairman not being independent, the Board has appointed a lead independent director, Mr JG Rademeyer. The roles of the Chairman and the Managing Director are separate, ensuring a clear division of responsibilities.

A number of board committees assist the board in fulfilling its stated objective. The role and responsibilities of each of these committees are recorded in formal terms of reference. The Audit and Risk Committee has additional responsibilities by virtue of the Companies Act. During the course of the year, changes were made to the terms of reference to adopt the additional JSE Listing Requirements.

Board responsibilities

The general powers of the directors are set out in the Company's Memorandum of Incorporation. In addition, the Board charter regulates how the Board and its individual members discharge their responsibilities and sets out the scope of authority, responsibility, composition and functioning of the Board. The charter is reviewed from time to time.

It is also the aim of the Board charter to ensure that all members of the Board understand their duties and responsibilities, as well as the relevant legislation, regulations and best practices that govern their conduct.

The Board is the custodian of corporate governance and ensures that the Group's business is conducted along sound corporate governance principles. It also adopts strategic plans and through the monitoring of operational performance provide management with effective leadership in line with the Company's values.

Chairman and Chief Executive Officer

The responsibilities of the Chairman and Chief Executive Officer are clearly separate.

Dr CH Wiese is the non-executive chairman who provides guidance and leadership to the board and also ensures that the Board is efficient, focussed and operates effectively as a unit. He also acts as the facilitator at Board meetings, ensuring a flow of opinions and attempts to lead discussions to optimal outcomes.

The Chief Executive Officer, Dr JW Basson, reports to the Board and is responsible for the day-to-day business of the Group and the formulation and implementation of strategies once approved by the Board. He is assisted by various heads of operational divisions.

Directors

All non-executive directors, excluding the Chairman, are inde-

pendent as defined in King III. Through its nominations committee, the Board annually considers and reconfirms the classification of directors as being independent. Their independence in character and judgement, and whether there are any relationships or circumstances which are likely to affect their independence, are all factors that are considered.

To uphold their independence and integrity, directors disclose all material interests as and when they arise. A list of directors' interest is tabled annually.

The non-executive directors have unrestricted access to management, all Company information, records and documents and may meet with management separately without the attendance of executive directors.

The Company has a formal board induction programme, which is managed by the Company Secretary. Directors are provided with all the necessary documentation to familiarise themselves with aspects that effect the Board. The directors may seek professional advice on any matters concerning the affairs of the Group, at the expense of the Company.

The Board, with the assistance of the Nominations Committee, considers the skills, knowledge and experience of the directors as a whole to be appropriate for their responsibilities to the Company's stakeholders.

Board appointment

The appointment of directors is a matter for the Board as a whole. The Board is assisted by the Nominations Committee who makes recommendations on the appointment of new executive and non-executive directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive directors.

Directors do not have a fixed term of appointment. In terms of the Company's Memorandum of Incorporation, directors retire by rotation at least once every three (3) years, but can make themselves available for re-election by shareholders. A director may not hold office for more than three (3) consecutive years before standing for re-election. Dr CH Wiese and Messrs JF Malherbe, JA Louw and BR Weyers will retire at the annual general meeting, but offer themselves for re-election.

GROUP COMPANY SECRETARY

The Company Secretary is a central source of information and advice to the Board and within the Company on matters of ethics and good governance. Together with investor relations, the Company Secretary provides a communication link with investors and liaises with the Company's share registrars in all issues affecting shareholders.

All directors have unrestricted access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board complies with all applicable statutes, regulations and procedures. To ensure that the Board functions effectively, all directors have full and timely access to relevant information that assists them to perform their duties effectively. Directors are entitled to seek independent professional advice at the Company's expense after consultation with the Chairman of the Board. No directors exercised this right during the year.

This office also communicates and monitors compliance, among others, with the Group's trading embargo, ensuring that no employee, executive or non-executive director is allowed to deal in the Company's securities during prohibited periods.

The Company Secretary is also the compliance officer and ensures that, in accordance with specific legislation, the proceedings and affairs of the Board and its members, the Group itself, and where appropriate, the owners of securities in the Company are properly administered.

In addition, the Company Secretary ensures compliance with the rules and Listings Requirements of the JSE Limited, as well as compliance with the statutory requirements related to the Company and its subsidiaries.

The Company Secretary acts as secretary for the committees of the Board as required by King III.

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are embedded in the following:

Ethical and moral behaviour

The Group is committed to promoting the highest standards of ethical behaviour among its directors, management, and employees. In accordance with this objective, and in the interest of good corporate governance, the code of conduct is subject to regular review. This code of conduct sets out the standard expected in dealings with customers, employees, competitors, suppliers, the community, and shareholders. All employees are expected to comply with the code.

All new employees receive training on the code of conduct at induction. The Group's human resources division monitors compliance with the code across the Group and ensures that complaints are followed up, and disciplinary actions taken where appropriate. Employees and other stakeholders may anonymously report instances of unlawful or unethical behaviour to the Tip-offs Anonymous hotline, which is managed by a third party service provider. Allegations are investigated by dedicated specialists.

The Group applies the same code of conduct at all subsidiaries, including within Non-RSA subsidiaries.

Any transgressions of the Group's code of conduct during the 2010/11 financial year were dealt with appropriately in terms of the code.

Stakeholder communication

The Group strives to have transparent, open and clear communication with all its material stakeholders. Communication with such stakeholders has always been an important feature of the Group's corporate governance practices. Financial and non-financial information is disseminated timeously and accurately to relevant stakeholders. Regular presentations are made by executive directors and senior management to institutional investors, analysts and the media. A corporate website (<http://www.shopriteholdings.co.za>) communicates the latest Group financial and operational data, as well as relevant historical information.

Shareholders are encouraged to attend the annual general meeting, which provides an opportunity for shareholders to raise pertinent questions and to interact with directors. A summary of the proceedings of general meetings and the outcome of voting on items of business is posted on SENS immediately following the annual general meeting.

The Board is not aware of any material requests under the Promotion of Access to Information Act that were either complied with or denied.



Corporate Governance Report (continued)

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Insider trading and price sensitive information

The Shoprite Group has implemented a closed period policy to govern share trades by the Group's directors and employees. Directors and employees who may have access to price-sensitive information are precluded from dealing in Shoprite shares from one (1) week before the end of the interim and year-end financial periods until the release of the Group's interim and final results.

In terms of the policy, shares include options, financial instruments, and securities, as defined by the JSE Listings Requirements. Appropriate additional closed periods may be invoked by the Board.

In terms of the policy, the Company Secretary regularly disseminates written notices to all directors and members of senior management throughout the Group, highlighting the provisions of the JSE Listings Requirements and the Securities Services Act, and informing them that dealing in Shoprite Holdings shares during certain restricted periods may not be undertaken.

Dealings in securities of the Company by the Directors and alternate directors of Shoprite Holdings and its main trading subsidiary are disclosed as required by the JSE Listings Requirements. The Board has also implemented a formal approval framework that requires directors and alternate directors to obtain written approval to deal in Company securities from the Chairman or a senior director. The Chairman is required to obtain written clearance from the lead independent director, and the CEO from the chairman.

It is mandatory for directors to notify the Company Secretary of any dealings in the Company's securities. This information is then disclosed on SENS within 48 hours of the trade being affected.

INTERNAL ACCOUNTABILITY

The Group's assets are insured against loss with cover being taken out above predetermined levels of self insurance. In the event of disaster recovery circumstances, detailed business continuity plans will ensure that the Group's business will continue with the minimum amount of disruption.

Legislative and regulatory compliance

Regulatory compliance is of importance due to the frequent amendments to the regulatory framework in South Africa.

The compliance function reports under the Company Secretary, who is responsible for the general monitoring of regulatory requirements and is also involved in implementing the requirements of recently enacted legislation.

The most significant codes and legislation that have impacted the Group during the reporting period are:

- King III;
- The Companies Act 71 of 2008 (as amended);
- The Consumer Protection Act;
- The Foodstuffs, Cosmetics and Disinfectants Act;
- The Standards Act; and
- The Regulation of Interception of Communications Act (RICA).

A comprehensive review of the Consumer Protection Act was conducted and the Group's employees have been trained to ensure that they understand and are in a position to implement the new requirements.

The Group has also conducted a review of the requirements of the Companies Act and has implemented various measures to ensure compliance with the Act.

The Board monitors compliance by means of committee reports, which include information on any significant interaction with key stakeholders, including regulators, and through the activities of its Audit & Risk Committee.

Anti-competitive conduct

The Group does not engage in practices that could prevent others from competing with it or that could adversely impact customers.

External legal advisors were engaged to advise the directors and management of the contents of issues arising from the Competition Act. These advisors are currently developing a competition compliance framework and programme for the Group.

During the reporting period, the Competition Commission ("the Commission") referred a complaint of alleged anti-competitive behaviour against Computicket (Pty) Ltd to the Competition Tribunal for hearing. The Commission's investigation into the alleged anti-competitive behaviour against various food retailers is ongoing.

Political donations and affiliations

Whilst the Group supports the democracy in South Africa, it does not make donations to individual political parties.

APPLY OR EXPLAIN PRINCIPLES OF KING III

JSE-listed companies are required to report and disclose the application of the King III principles. The principles that have not been applied are therefore explained below:

- Principle 2.16 recommends that the Chairman of the Board should be independent. The Board has considered this issue and is of the view that Dr CH Wiese's skills, knowledge and experience allows him to make a significant contribution to the functioning and effectiveness of the Board. A lead independent director was, however, appointed.
- Principle 2.18 requires that the Board should comprise a balance of power with a majority of non-executive directors, and that the majority of non-executive directors should be independent. The Board is in the process of restructuring and will aim to comply with this principle by 30 June 2012.
- Principle 2.22: The evaluation of the Board, its committees, and individual directors should be performed every year. The Group does not comply with this principle, but will implement the necessary measures to ensure compliance.

Audit and Risk Committee Report

INTRODUCTION

We are pleased to present our report to shareholders for the financial year ended 30 June 2011. The Audit and Risk Committee (“the Audit Committee”) is an independent statutory committee appointed by the Board of directors, who delegates duties and responsibilities to the Audit Committee.

During the reporting period, the Audit Committee made changes to certain of its governance policies in order to comply with the principles stipulated by the King Code of Governance Principles (“King III”).

The Audit Committee’s terms of reference is formalised in a charter approved by the Board of directors. During the period under review, the Audit Committee conducted its affairs in accordance with the charter, and has discharged its responsibilities as required by the charter, the Companies Act 71 of 2008 (as amended) (“the Companies Act”), and the substantial requirements of King III. Instances where King III requirements have not been applied are explained in this report.

AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Audit Committee meets at least four (4) times a year as required by the charter. To ensure compliance with the requirements of the Companies Act, the Board appointed a third member, Mr JA Louw, to the Audit Committee with effect from 24 May 2011.

NON-EXECUTIVE DIRECTORS	16/08/2010	01/11/2010	18/02/2011	23/05/2011
JG RADEMEYER	✓	✓	✓	✓
JF MALHERBE	✓	✓	✓	✓

Internal and external auditors attended the Audit Committee meetings. Certain executive directors and members of senior management attended the above meetings by invitation.

Audit Committee agendas provide for confidential meetings between the Audit Committee members and internal and external auditors.

ROLES AND RESPONSIBILITIES

During the period under review, the Audit Committee fulfilled the statutory duties as required by the Companies Act, and recommended in King III, as well as various additional responsibilities assigned to it by the Board of directors.

External auditor appointment and independence

The Audit Committee has satisfied itself that the external auditor, PricewaterhouseCoopers Inc (PwC), conducted its duties independently and that no limitations were imposed by management on PwC whilst performing their duties during the review period.

The Audit Committee, in consultation with the Group’s executive management, agreed to the terms of the PwC engagement letter, audit plan and budgeted audit fees in respect of the 2011 financial year.

A formal framework governs the process through which PwC renders non-audit services. The Audit Committee approved the terms of a master service agreement for the provision of non-audit services by PwC, as well as the nature and extent of non-audit services that may be provided in terms of a pre-approval policy.

The Audit Committee nominates PwC for re-election at the annual general meeting (AGM) of Shoprite Holdings, and Mr A Wentzel as the designated partner to perform the functions of external auditor until the 2012 AGM. The Audit Committee has satisfied itself that both PwC and Mr Wentzel are accredited with the JSE Limited as required.

Financial statements and accounting practices

During the reporting period, the Audit Committee reviewed the interim and annual financial reports of the Group and recommended the acceptance and approval thereof to the Board of directors.

During the review of the financial reports, the Audit Committee considered:

- the accounting policies and financial statements, in order to ensure compliance with International Financial Reporting Standards and the relevant requirements of the Companies Act; and
- the audit report issued by the external auditors.

Internal controls

An internal audit was performed to assess the effectiveness of the Group’s system of internal controls and risk management procedures. This assessment formed the basis for the Audit Committee’s recommendation in this regard to the Board.

The management and the internal and external auditors have agreed on a combined assurance model to enable these parties to report to the Audit Committee on the efficacy of the Group’s internal financial controls and that no material breakdowns occurred in this regard.

During the period under review, no material breakdowns in the internal controls of the Group were reported.

Integrated and sustainability reporting

The Audit Committee has considered the sustainability information that forms part of the Group’s Integrated Report and has assessed its consistency with operational and other information known to the Audit Committee members, as well as its consistency with the Group’s annual financial statements.

The Audit Committee is satisfied that the above is consistent with the Group financial results. As such the Audit Committee has recommended that the Group’s Integrated Report be approved by the Board of directors.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the Group. The Board’s statement on the going concern status of the Group, as supported by the Audit Committee, is contained in the directors’ report.

Governance of risk

Whilst the Board is ultimately responsible for the maintenance of an effective risk management process, the Audit Committee assisted the Board in assessing the adequacy of the risk management process.

Under the supervision of the Audit Committee, the risk forum (a management committee consisting of senior managers from all business units) reviewed and updated the enterprise-wide risk management (EWRM) plan during the reporting period. This EWRM plan was implemented in all business units to ensure that senior management understands the risks attached to their respective



Audit and Risk Committee Report (continued)

business units and the controls necessary to mitigate these risks.

The Audit Committee is satisfied that, during the course of the 2011 financial year, management revisited all risks by means of an enterprise-wide risk assessment. The resultant top 20 risks that now form part of individual EWRM's were adequately addressed by the Group's various business units.

Internal audit

The Audit Committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its responsibilities effectively. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of directors and these functions.

The internal audit function reports centrally and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all of significant areas of the Group's operations. The internal audit manager is responsible for reporting the progress and findings of internal audit's work conducted against the Group's approved audit plan to the Audit Committee on a quarterly basis.

The internal audit manager has direct access to the Audit Committee, primarily through the Chairman.

The Audit Committee is satisfied that Group internal audit has complied with the required legal, regulatory and other responsibilities as stipulated in their charter during the period under review.

Governance of information technology

As part of the Group's IT governance framework a formal IT governance charter and policies were formulated and implemented. The charter and policies outline the decision making rights and accountability framework for IT governance within the Group.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

The Audit Committee has satisfied itself that the financial director, Mr CG Goosen, has the appropriate expertise and experience to act in this capacity.

The Audit Committee is also satisfied that the Group finance function has the required expertise and adequacy of resources to perform the Group financial function.

JG Rademeyer

Chairman

26 August 2011

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Nominations Committee Report

Meetings of the Nominations Committee are held as the committee deems appropriate; however the committee meets at least once a year.

The main purpose of the committee is to assist the Board to ensure that appointments of directors are made in terms of a formal and transparent procedure.

The Nominations Committee currently consists of two (2) non-executive directors, of which one is independent.

The following directors served on the Nominations Committee, a sub-committee of the Board:

Dr CH Wiese – Chairman (non-executive); and
Mr JA Louw – Independent non-executive director.

Details of attendance of meetings by the members of the Nominations Committee are set out herein:

DIRECTOR	24/05/2011
CH WIESE	√
JA LOUW	√

The committee's terms of reference have been reviewed and updated during the year.

One third of the directors will retire by rotation at the forthcoming annual general meeting. Dr CH Wiese and Messrs JF Malherbe, JA Louw and BR Weyers are due to retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election. Their re-election as directors is recommended to shareholders.

The Nominations Committee is satisfied that it has carried out its responsibilities for the financial year in compliance with its terms of reference.

Remuneration Committee Report

The Remuneration Committee is a sub-committee of the Board and comprises of two non-executive directors. The following directors served as members of the committee during the reporting period:

- Dr CH Wiese: non-executive chairman
- Mr JA Louw: independent non-executive director

The Chief Executive Officer and the Deputy Managing Director attend the meetings of the committee by invitation to advise on remuneration and other related matters.

The committee functions in terms of a charter formally approved by the Board and its main responsibilities can be summarized as follows:

- consideration and approval of the remuneration of executives and other members of management;
- to approve any changes in the structure of short or long-term incentive schemes of the Group; and
- to make recommendation to the Board on the remuneration to be paid to non-executive directors.

The committee is chaired by a non-executive director and meets as deems appropriate, but at least once a year. Further meetings may be convened by the chairperson or any other member of the committee.

The committee is satisfied that it has discharged its responsibilities

for the period under the review in compliance with its terms of reference.

REMUNERATION COMMITTEE MEETING ATTENDANCE

Details of attendance of meetings by the members of the committee are set out below:

DIRECTOR	05/07/2011
CH WIESE	√
JA LOUW	x

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors receive fees for their services on the Board and Board committees.

Fees for non-executive directors are recommended by the committee to the Board. The Board recommends these fees to shareholders for approval at the annual general meeting. These fees reward the directors fairly for the time, expertise and service provided to the Board based on an annual benchmarking of non-executive directors fees.

No incentives were awarded to non-executive directors during the reporting period.



Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries as at June 2011



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REVIEWER OF THE ANNUAL FINANCIAL STATEMENTS

In compliance with the disclosure requirements of the Companies Act 71 of 2008 (as amended), the annual financial statements have been reviewed by Mr. M Bosman, CA(SA).

Certificate of the Company Secretary

In my capacity as the company secretary, I hereby confirm, in terms of the Companies Act 71 of 2008 (as amended), that for the year ended June 2011, Shoprite Holdings Limited has filed all such returns as are required in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



PG du Preez
26 August 2011

Currency of Annual Financial Statements

The annual financial statements are expressed in South African rand. The approximate rand cost of a unit of the following currencies at year-end was:

	2011	2010		2011	2010		2011	2010
USA dollar	6.770	7.745	Botswana pula	1.035	1.080	Indian rupee	0.152	0.166
Pound sterling	10.873	11.737	Uganda shilling	0.003	0.003	Ghanian cedi	4.455	5.341
Euro	9.825	9.674	Malawi kwacha	0.045	0.052	Madagascan ariary	0.004	0.003
Zambia kwacha	0.002	0.001	Mauritian rupee	0.242	0.244	Nigerian naira	0.045	0.052
Mozambique metical	0.239	0.224	Angolan kwanza	0.073	0.083	Tanzania shilling	0.004	0.005

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Independent Auditor's Report

We have audited the consolidated annual financial statements and annual financial statements of Shoprite Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 40 to 100.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Shoprite Holdings Limited as at 30 June 2011, 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.



PricewaterhouseCoopers Inc.

Director: NH Döman
Registered Auditor

Cape Town
26 August 2011



Directors' Report

Shoprite Holdings Ltd and its Subsidiaries

NATURE OF BUSINESS

Shoprite Holdings Limited ("Shoprite Holdings" or "the Group") is an investment holding company listed on the JSE Limited security exchange in the "food retailers & wholesalers" sector. Secondary listings are also maintained on the Namibian and Zambian Stock Exchanges.

THE GROUP COMPRISES OF THE FOLLOWING MAIN TRADING SUBSIDIARIES:

Shoprite Checkers (Pty) Ltd:

Supermarkets: Serves a broad customer base through our Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave store formats.

Supply Chain Management: A highly sophisticated supply line services the Group's outlets in 16 countries. The Group prides itself in running a state-of-the-art distribution operation and became the first South African retailer to receive the ISO 9002 accreditation for import and export handling.

Fast Foods: Developed from a small take-away outlet, the Hungry Lion chain now boasts modern, well-designed stores with ample seating and an inescapable focus on fried chicken. Hungry Lion competes in the same market as well-known American chicken franchises. The chain delivers a wide variety of quality products that offer consumers more value for money in a fast and friendly environment.

Franchise: The OK Franchise Division franchises retail supermarket, liquor as well as wholesale outlets, each with its own identity and personality, under the OK Foods, OK Grocer, OK Minimark, OK Value, Sentra, Megasave and Enjoy brands in South Africa, Botswana, Lesotho and Namibia.

Freshmark: In its role as the Group's fruit and vegetable procurement and distribution arm, Freshmark not only supplies fresh produce to the Group's outlets within South Africa, but also to its outlets in other parts of the continent. Currently one of the largest buyers of fresh produce in South Africa, Freshmark also imports fruit and vegetables to ensure a wide variety and continuity of traditionally seasonal fresh produce.

Liquor Stores: One of the latest retail areas the Group has entered into, trading under the Shoprite and Checkers LiquorShop brands respectively.

Meat Markets: The Group's meat market division is the largest retailer of fresh meat on the African continent. Customers are served through in-store butcheries that employ qualified butchers and technicians.

Money Markets: Our Money Markets offer a comprehensive range of financial services and products to our customers through dedicated in-store service counters under the "Money Market" brand.

Furniture: Retail of furniture, appliances and home entertainment through its OK Furniture, OK Power Express and House and Home outlets in South Africa and other countries.

Pharmacies and wholesale distribution: MediRite was established to meet the growing health and wellness needs of consumers by healthcare professionals at affordable prices. In-store dispensaries currently operate throughout South Africa and Swaziland. The Group's pharmaceutical wholesaler, Transpharm, sells and distributes a wide range of pharmaceutical products and surgical equipment to hospitals and clinics, dispensing doctors and veterinary surgeons as well as to private and corporate pharmacies.

Properties: In its capacity as the Group's property arm, this division is tasked with the supermarket expansion program as its main priority, either by identifying and leasing new supermarket premises or developing new shopping centres to accommodate a supermarket. This function includes conducting ongoing market research, aimed at identifying trends and shifts in consumer patterns and the identification of new opportunities for expanding the Group's trading operations and increasing its market share. In respect of new retail devel-

opments and the redevelopment of its existing properties, it oversees every stage of the planning-, design- and construction process.

Computicket (Pty) Ltd:

As a premier ticketing solution provider and one of the most recognised brand names, Computicket offers theatre, concert, festival, sport and cinema tickets along with bus tickets and gift vouchers through three convenient distribution channels. This includes a network of Computicket outlets located across South Africa as well as at the Money Market service counters in Shoprite, Checkers and Checkers Hyper stores nationally, a call centre as well as the Computicket website.

Shoprite International Ltd:

Incorporated in Mauritius, Shoprite International controls the majority of the Group's non-South African retail and property investments.

Shoprite Insurance Company Ltd:

Provides first and third party short term insurance to the Group and its customers.

Other Group Subsidiaries:

The interests of Shoprite Holdings in other subsidiaries are set out on page 100 of the Integrated Report.

FINANCIAL REVIEW

The Group's diluted headline earnings per share amounts to 507,6 cents for the year (2010: 451,6 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 43 with reference to the operating segment information on page 56. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 42. Further details are furnished in the notes to the annual financial statements on page 46 to 99. The Group's net asset value per share as at 30 June 2011 was 1400 cents (2010: 1167 cents).

The attributable interest of Shoprite Holdings in the taxed profits and losses of its subsidiaries for the period is as follows:

R'000	2011	2010
Total profits	2 936 174	2 578 668
Total losses	(338 615)	(251 703)

DISTRIBUTION TO SHAREHOLDERS

Preference dividends

Details are reflected in note 28 to the Group's annual financial statements.

Ordinary dividends

An interim cash dividend (no. 124) of 88 cents per share was paid on 22 March 2011. A final dividend (no. 125) of 165 cents per share, was payable on 19 September 2011, bringing the total dividend for the year to 253 cents (2010: 227 cents) per ordinary share.

SHARE CAPITAL

The authorised share capital of Shoprite Holdings remained unchanged at 650 000 000 (six hundred and fifty million) ordinary shares of 113,4 cents (one hundred and thirteen comma four cents) each.

There was no movement in the number of issued Shoprite Holdings ordinary shares during the reporting period, which remained at 543 479 460 (five hundred and forty three million four hundred and seventy nine thousand four hundred and sixty) shares of 113,4 cents each.

The deferred share capital of Shoprite Holdings remained unchanged and is reflected in note 14.2 to the annual financial statements.

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 R40 million to R50 million during the financial year under review.

SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 25 October 2010, shareholders approved the following special resolution:

Special resolution number 1 – General approval to repurchase shares

No special resolutions were passed by any of the Group's main trading subsidiaries during the reporting period.

DIRECTORS AND SECRETARY

The directors' names and details are furnished on pages 8 and 9 and the company secretary's name, business and postal address on the inside back cover of the Integrated Report.

In terms of the MOI of Shoprite Holdings, all directors are subject to retirement by rotation and re-election by the shareholders after a maximum tenure of three (3) years.

Dr CH Wiese and Messrs JF Malherbe, JA Louw and BR Weyers retire as directors, in terms of paragraph 14.1 of the MOI of the Company, at the annual general meeting. All the directors 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

	Beneficial	Non-beneficial	Total 2011	Total 2010
CH Wiese	89 917 398		89 917 398	85 627 398
JW Basson	10 110 084		10 110 084	10 049 554
CG Goosen	1 206 202		1 206 202	1 206 202
B Harisunker	400 189		400 189	407 379
AE Karp	147 269		147 269	147 269
EC Kieswetter	0		0	0
JA Louw	150 000		150 000	150 000
JF Malherbe	72 453		72 453	72 453
EL Nel	148 727		148 727	148 727
JG Rademeyer	10 000		10 000	10 000
BR Weyers	404 594		404 594	404 594
JAL Basson	80 600		80 600	63 600
M Bosman	110 000		110 000	110 000
PC Engelbrecht	224 055		224 055	129 440
JD Wiese	14 074		14 074	14 074

After the Group's financial year end and expiry of the closed trading period directors or alternate directors purchased the following amount of shares on the open market:

	Beneficial	Non-beneficial	Total
JAL Basson	8 601		8 601
M Bosman	15 000		15 000
PC Engelbrecht	51 606		51 606

Director's Interest in Non-Convertible, Non-Participating, No Par Value Deferred Shares

	Total 2011	Total 2010
CH Wiese	276 821 666	276 821 666

CORPORATE GOVERNANCE

Statements of the Board's application of the codes of good corporate governance are set out in the corporate governance report, which forms part of this directors' report and the remuneration committee report on page 37.

BOARD COMMITTEES

The reports of the audit and risk and other board committees are included in the corporate governance report on pages 32 to 36.

AUDITORS

PricewaterhouseCoopers Incorporated will be nominated for reappointment at the annual general meeting in accordance with the Companies Act (Act 71 of 2008), as amended.

EVENTS AFTER THE REPORTING DATE

Other than the facts in this Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2011 to the date of this report that have an impact on the financial results or disclosures in these annual financial statements.

HOLDING COMPANY

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 101 of this report.

LITIGATION STATEMENT

The two disputes between the Group and South African Breweries Plc related to the purchase of OK Bazaars (1929) Limited have not been resolved.

The investigation by the Competition Commission of South Africa ("the Commission") into the alleged anti-competitive conduct of various food retailers which includes the Group's main trading subsidiary, Shoprite Checkers (Pty) Ltd, is still pending.

The referral by the Commission of its case against Computicket (Pty) Ltd must still be heard by the Competition's Tribunal.

During April 2010, a claim was lodged against the Group's main trading subsidiary, Shoprite Checkers (Pty) Ltd and its Nigerian subsidiary, Retail Supermarkets Nigeria Ltd, by AIC Limited, a company registered in the Federal Republic of Nigeria, on alleged breach of contract. A hearing date must still be allocated by the Lagos High Court.

Save as recorded above, 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.



Statement of Comprehensive Income

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
—	—	Sale of merchandise	72 297 777	67 402 440
—	—	Cost of sales	(57 624 408)	(54 147 848)
		GROSS PROFIT	14 673 369	13 254 592
633 372	1 307 681	Other operating income	21 1 855 841	1 576 128
—	—	Depreciation and amortisation	22 (933 592)	(839 208)
—	—	Operating leases	23 (1 700 468)	(1 550 745)
—	—	Employee benefits	24 (5 762 045)	(5 273 843)
(5 960)	(3 508)	Other expenses	(4 146 408)	(3 676 483)
627 412	1 304 173	TRADING PROFIT	3 986 697	3 490 441
572	(1)	Exchange rate (losses)/gains	(446)	(77 824)
—	—	Items of a capital nature	27 (78 533)	(25 580)
627 984	1 304 172	OPERATING PROFIT	25 3 907 718	3 387 037
42 729	33 574	Interest received	94 614	105 741
(126)	(198)	Finance costs	28 (125 964)	(93 690)
670 587	1 337 548	PROFIT BEFORE INCOME TAX	3 876 368	3 399 088
(110 507)	(131 060)	Income tax expense	29 (1 346 826)	(1 111 792)
560 080	1 206 488	PROFIT FOR THE YEAR	2 529 542	2 287 296
		OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
—	—	Fair value movements on available-for-sale investments	15 1 950	8 244
—	—	Foreign currency translation differences	15 (142 451)	(170 030)
560 080	1 206 488	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2 389 041	2 125 510
		PROFIT ATTRIBUTABLE TO:		
560 080	1 206 488	Owners of the parent	2 509 780	2 266 522
—	—	Non-controlling interest	19 762	20 774
560 080	1 206 488		2 529 542	2 287 296
		TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
560 080	1 206 488	Owners of the parent	2 369 279	2 104 736
—	—	Non-controlling interest	19 762	20 774
560 080	1 206 488		2 389 041	2 125 510
		Earnings per share (cents)	30 495.9	450.1
		Diluted earnings per share (cents)	30 495.9	446.4



Statement of Changes in Equity

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

R'000	Notes	Total equity	Non-controlling interest	Attributable to equity holders					
				Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
GROUP									
BALANCE AT JUNE 2009		5 029 295	69 295	4 960 000	616 583	293 072	(619 438)	314 582	4 355 201
Total comprehensive income		2 125 510	20 774	2 104 736	—	—	—	(161 786)	2 266 522
Profit for the year		2 287 296	20 774	2 266 522					2 266 522
Recognised in equity									
Net fair value movement on available-for-sale investments		15 9 585		9 585				9 585	
Income tax effect of net fair value movement on available-for-sale investments		15 (1 341)		(1 341)				(1 341)	
Foreign currency translation differences		15 (170 030)		(170 030)				(170 030)	
Purchase of treasury shares		(244 439)		(244 439)			(244 439)		
Treasury share utilised for share option take-up, net of income tax		14 147 413		147 413			526 471		(379 058)
Realisation of share based payment reserve		14 —		—				(14 353)	14 353
Transfer to contingency reserve		15 —		—				2 477	(2 477)
Non-controlling interest purchased		(3 215)	(3 215)	—					
Dividends distributed to shareholders		(1 082 548)	(19 670)	(1 062 878)					(1 062 878)
BALANCE AT JUNE 2010		5 972 016	67 184	5 904 832	616 583	293 072	(337 406)	140 920	5 191 663
Total comprehensive income		2 389 041	19 762	2 369 279	—	—	—	(140 501)	2 509 780
Profit for the year		2 529 542	19 762	2 509 780					2 509 780
Recognised in equity									
Net fair value movement on available-for-sale investments		15 2 267		2 267				2 267	
Income tax effect of net fair value movement on available-for-sale investments		15 (317)		(317)				(317)	
Foreign currency translation differences		15 (142 451)		(142 451)				(142 451)	
Transfer to contingency reserve		15 —		—				4 509	(4 509)
Dividends distributed to shareholders		(1 217 607)	(28 196)	(1 189 411)					(1 189 411)
BALANCE AT JUNE 2011		7 143 450	58 750	7 084 700	616 583	293 072	(337 406)	4 928	6 507 523
COMPANY									
BALANCE AT JUNE 2009		2 909 145		2 909 145	616 583	293 072	—	16 505	1 982 985
Total comprehensive income									
Profit for the year		560 080		560 080					560 080
Realisation of share based payment reserve		—		—				(14 353)	14 353
Dividends distributed to shareholders		(1 141 307)		(1 141 307)					(1 141 307)
BALANCE AT JUNE 2010		2 327 918		2 327 918	616 583	293 072	—	2 152	1 416 111
Total comprehensive income									
Profit for the year		1 206 488		1 206 488					1 206 488
Dividends distributed to shareholders		(1 277 177)		(1 277 177)					(1 277 177)
BALANCE AT JUNE 2011		2 257 229		2 257 229	616 583	293 072	—	2 152	1 345 422

Notes to the Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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, unless otherwise stated.

The consolidated Group's and separate Company's financial statements were authorised for issue by the board of directors on 26 August 2011.

1.1 Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the South African Companies Act (Act No 71 of 2008), as amended. The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value.

1.1.1 USE OF JUDGMENTS, ASSUMPTIONS AND ESTIMATES

1.1.1.1 Judgments

The preparation of the financial statements in accordance with IFRS requires management to exercise its judgment in the process of applying the Group's accounting policies.

The most significant judgments in applying the Group's accounting policies relate to the following:

- a) Valuation of inventory: Trading inventories are valued by use of the retail inventory method as an approximation of weighted average cost. Significant judgment is required in the application thereof, specifically as far as it relates to gross margin percentages, accrual rates for rebates and settlement discounts and shrinkage rates applied.
- b) 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 they have been satisfied, therefore it has elected to aggregate these segments as allowed by IFRS 8.

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) 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 judgment. 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.

- b) Useful lives of assets: In determining the depreciation and amortisation charge for property, plant and equipment and intangible assets, management applies judgment in estimating the useful lives and residual values of these different asset classes. Refer to note 22
- c) Income taxes: The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide accrual for income taxes. The Group recognises liabilities for anticipated income tax issues based on estimates of potential additional taxes due. With regards to deferred income tax assets for unutilised income tax losses, judgment is also required to whether sufficient future taxable income will be available against which these losses can be utilised. Refer to notes 1.10 and 29.
- d) Allowances for doubtful debts: Trade receivables include instalment sale debtors and franchise debtors for which allowances for impairment are made in accordance with the accounting policy in note 1.14. These calculations involve the discounting of projected future cash flows and require the use of estimates. Details regarding the allowances are set out in note 12.
- e) Employee benefit accruals and provisions: Various assumptions are applied in determining the valuations of post-retirement medical benefits, share based payment accruals and long term employee benefits as set out in notes 1.19, 1.21, 14, 18 and 36.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in a subsequent year relate to the following: income taxes; allowances for doubtful debts 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 judgments about the carrying value 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.

1.1.2 USE OF ADJUSTED MEASURES

The measures listed on the following page 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 and 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 3/2009: Headline Earnings. The principal items that will be included under this measurement are: gains and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets 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

1.2.1 SUBSIDIARIES

Subsidiaries are entities (including special purpose entities) which are, directly or indirectly, controlled by the Group. Control is established where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The acquisition method of accounting is used to account for business combinations.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. 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. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. A subsidiary is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date that the control ceases. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group. All intergroup transactions, balances and unrealised gains and losses on transactions between Group companies have been eliminated.

1.2.2 JOINT VENTURES

Joint ventures are those entities over which the Group exercises joint control in terms of a contractual agreement. The Group's interests in jointly controlled entities are

accounted for by proportionate consolidation. The Group combines its proportionate share of the assets, liabilities, revenue, income and expenses, on a line-for-line basis, with similar items in the financial statements of the Group. The results of joint ventures are included in the Group's annual financial statements from the effective date of joint control until the effective date that joint control ceases. Where applicable, accounting policies applied by joint ventures have been changed to ensure consistency with the policies adopted by the Group.

1.2.3 TRANSACTION WITH NON-CONTROLLING INTERESTS

The Group treats transactions, such as share purchases, with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1.3 Foreign currency translation

1.3.1 FUNCTIONAL AND PRESENTATION CURRENCY

All items in the financial statements of the Group's subsidiaries and joint ventures 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 African rand, which is Shoprite Holdings Ltd's functional and the Group's presentation currency.

1.3.2 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 recognised in the statement of comprehensive income.

1.3.3 FOREIGN SUBSIDIARIES AND JOINT VENTURES

The results and the financial position of all Group subsidiaries and joint ventures that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

- i) 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;
- ii) Income and expenses for each statement of comprehensive income presented are translated at the average exchange rates for the period presented; and
- iii) All resulting translation differences are recognised as a separate component of equity in the foreign currency translation reserve (FCTR).

On consolidation, exchange rate differences arising from the translation of the net investment in foreign subsidiaries are also taken to the FCTR. When a foreign operation is partially



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

disposed of or sold all related exchange rate differences recognised in equity in the FCTR are recognised in the statement of comprehensive income as part of the profit or loss on the sale of the operation. The Group's net investment in a subsidiary is equal to the equity investment plus all monetary items that are receivable from the subsidiary, for which settlement is neither planned nor likely to occur in the foreseeable future.

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.

1.4 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 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 statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate. During the year under review, the estimated useful life of computer equipment has been adjusted to 4 to 5 years, previously 3 years.

Useful lives:

Buildings.....	20 years
Machinery	5 to 10 years
Vehicles	5 to 10 years
Trolleys	3 years
Equipment	5 to 10 years
Computer equipment	4 to 5 years
Aeroplane	15 years

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.

1.5 Financial instruments

The Group classifies its financial instruments in the following categories: available-for-sale financial assets, loans and receivables, financial liabilities and derivatives at fair value through profit and loss. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates such designations when circumstances indicate that reclassification is permitted. The Group assesses at each statement of financial position date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

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 or expires.

1.6 Derivative financial instruments

Derivatives, being forward foreign exchange rate contracts, categorised as at fair value through profit or loss, are either assets or liabilities. A classification between current and non-current is made based on the remaining contractual maturity of the foreign exchange rate contracts over the following 12 months. Purchases and settlements of derivative financial instruments are initially recognised on the trade date at fair value and are subsequently carried at fair value. Transaction costs are expensed as it is incurred. Realised and unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in the statement of comprehensive income as other income or other expenses in the period in which they arise. The fair value of forward foreign exchange rate contracts is determined using exchange rates at the statement of financial position date. The Group does not apply hedge accounting.

1.7 Available-for-sale financial assets

The Group's listed and unlisted equity investments are classified as financial assets available-for-sale. Purchases and sales of available-for-sale investments are recognised on the trade date at fair value, including transaction costs. Investments are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in other comprehensive income and accumulated in a reserve within equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from the disposal of investments. These investments are included in non-current assets, unless management intends to dispose of the investments within 12 months of the statement of financial position date.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income

when the Group's right to receive payments is established.

The fair value of these investments is based on quoted transaction prices (for listed investments) or the underlying net asset value (for unlisted investments). If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using recognised valuation techniques.

For the purposes of impairment testing a significant or prolonged decline in the fair value of the equity instrument below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity instruments recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income.

1.8 Loans and receivables

Loans and receivables 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, and purchases and sales are recognised at trade date at fair value, including transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective-interest method. These financial assets are included under current assets unless it matures later than 12 months after statement of financial position date.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans and receivables carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate applicable to the relevant loans and receivables. The carrying amount will be reduced and the loss recognised in the statement of comprehensive income.

1.9 Investments in subsidiaries

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.

1.10 Deferred income tax

Deferred income tax is provided, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values 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. Currently enacted tax rates and laws are used to determine deferred income tax. 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 judgment 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 is provided on temporary differences arising on the consolidation of investments in subsidiaries and joint ventures, 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 judgment is required in determining 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 tax audit issues based on best informed estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

1.11 Intangible assets

1.11.1 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 annually and whenever there is indication of impairment. Goodwill is carried at cost less accumulated impairment losses. 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.

1.11.2 SOFTWARE

Software represents all costs incurred to acquire the assets and bring it into use. These costs are amortised over the estimated useful life of the relevant software, being between three and seven years, on a straight-line basis.

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

Software's useful lives are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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1.11.3 TRADEMARKS

Acquired trademarks and licences are initially shown at historical cost and trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are subsequently measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, being 16 to 20 years. The useful lives are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

1.11.4 CUSTOMER RELATIONSHIPS

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of 10 years.

1.12 Non-current assets 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 cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continued use and this sale is considered highly probable.

1.13 Inventories

Trading inventories are stated at the lower of cost, using the weighted average cost formula, and net realisable value. The weighted average cost formula is determined by applying the retail inventory method. The cost of merchandise is the net of: invoice price of merchandise; insurance; freight; customs duties; an appropriate allocation of distribution costs; trade discounts; rebates and settlement discounts. The retail method approximates the weighted average cost and is determined by reducing the sales value of the inventory by the appropriate percentage gross margin. The percentage used takes into account inventory that has been marked down below original selling price. An average percentage per retail department is used. Net realisable value is the estimated selling price in the ordinary course of business.

1.14 Trade and other receivables

Trade and other receivables are recognised at trade date at fair value. Subsequent recognition is measured at amortised cost using the effective-interest method, less allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allow-

ance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate. Any resulting impairment losses are included in other expenses in the statement of comprehensive income. The impairment of instalment sale receivables is done on a collective basis due to the wide-spread customer base. When a receivable is uncollectible, it is written off against the allowance for impairment for receivables. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

1.15 Leases

1.15.1 WHERE THE GROUP IS THE LESSEE

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Certain premises and other assets are leased. Payments made in respect of operating leases with a fixed escalation clause are charged to the statement of comprehensive income on a straight-line basis over the lease term. All other lease payments are expensed as they become due. Incentives paid to enter into a lease agreement are expensed in the statement of comprehensive income as operating lease expense over the lease term. Minimum rentals due after year-end are reflected under commitments.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense 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.

1.15.2 WHERE THE GROUP IS THE LESSOR

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.

1.16 Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are carried at cost and, if denominated in foreign currencies, are translated at closing rates. 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. Bank overdrafts are disclosed separately on the face of the statement of financial position.

1.17 Share capital

Ordinary shares and non-convertible, non-participating deferred 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 equity holders as treasury shares until they are sold. Where such shares are subsequently sold, any consideration received is included in capital and reserves attributable to equity holders. Dividends received on treasury shares are eliminated on consolidation.

1.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. 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 statement of financial position date.

Preference shares, which carry non-discretionary dividend obligations, are classified as non-current liabilities at amortised cost. Amortised cost is calculated using the effective-interest yield method. The dividends on these preference shares are recognised in the statement of comprehensive income as finance costs.

1.19 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.

1.19.1 ONEROUS LEASE CONTRACTS

The Group recognises a provision for onerous lease contracts when the expected benefits, including subleasing income, to be derived from non-cancellable operating lease contracts are lower than the unavoidable costs of meeting the contract obligations. The unavoidable contracted costs are applied over the remaining periods of the relevant lease agreements with an estimated average of three years. The notional interest charge relating to the unwinding of the provisions discounting is included in the statement of comprehensive income as finance costs.

1.19.2 PROVISION FOR OUTSTANDING INSURANCE CLAIMS

The Group recognises a provision for the estimated direct cost of settling all outstanding claims at year-end. The provision for outstanding claims at year-end includes a provision for cost of claims incurred but not yet reported at year-end as well as for the cost of claims reported but not yet settled at year-end. The provision for cost of claims incurred but not yet reported (IBNR) at year-end 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.

1.19.3 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.

1.19.4 REINSTATEMENT PROVISION

Where it has a contractual obligation in respect of certain operating lease agreements, the Group provides for expected reinstatement costs to be incurred at the expiry of the lease.

1.20 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Financial guarantee contracts are recognised initially at fair value and subsequently at the higher of: the initially recognised fair value, less appropriate cumulative amortisation recognised on a straight-line basis over the estimated duration of the contract, or an amount that is the best estimate of the expenditure required to settle the present obligation at statement of financial position date. Intra-group financial guarantees are eliminated on consolidation.

When the financial guarantee contract is issued by the Company to a subsidiary the fair value at initial recognition is capitalised as part of the investment in the relevant subsidiary.

1.21 Employee benefits

1.21.1 PENSION OBLIGATIONS

Group companies operate 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.



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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.

1.21.2 POST-RETIREMENT MEDICAL BENEFITS

The Group provides for post-retirement 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-retirement medical benefit obligation is measured at present value by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have the terms to maturity approximating the terms of the related post-employment liability. The future cash outflows are estimated using amongst others the following assumptions: health-care cost inflation; discount rates; salary inflation and promotions and experience increases; expected mortality rates; expected retirement age; and continuation at retirement. Valuations of this obligation are carried out annually by independent qualified actuaries in respect of past-service liabilities using the projected unit credit method. Actuarial gains or losses and settlement premiums, when it occurs, are recognised immediately in the statement of comprehensive income as employee benefits.

1.21.3 CASH-SETTLED SHARE-BASED PAYMENTS

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

1.21.4 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. The accrual for this liability is made where a contractual or constructive obligation exists.

1.22 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested for impairment at each statement of financial position date. 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 judgment and, amongst others, the following factors 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 value of an asset exceeds its esti-

mated recoverable amount, the carrying value 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 cost to sell 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 cash-generating units (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 expenses 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.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable 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. Sales are recognised upon delivery of products and customer acceptance. 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.

1.24 Other operating income

Other operating income is recognised as follows:

1.24.1 FINANCE INCOME EARNED

When merchandise is sold under instalment sale agreements, the present value of the instalment sale payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income is recognised over the term of the instalment sale using the effective-interest method, which reflects a constant periodic rate of return.

1.24.2 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 note 1.15.2.

1.24.3 FRANCHISE FEES RECEIVED

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

1.24.4 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 statement of financial position date. Refer note 1.30.2.

1.24.5 INTEREST INCOME

Interest income is recognised as it accrues, taking into account the effective yield on the related asset.

1.24.6 DIVIDEND INCOME

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

1.24.7 GIFT VOUCHERS AND SAVINGS STAMPS

Proceeds from the sale of gift vouchers and saving stamps are initially recognised in other payables, deferring the income. The income is recognised as cash sales of goods when the gift vouchers or savings stamps are redeemed.

1.24.8 COMMISSION 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 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.

1.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised to the cost of that qualifying asset. 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.

1.26 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. 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 statement of financial position date in the countries where the Group operate and generate taxable income.

Dividends declared by South African companies within the

Group are subject to secondary tax on companies ("STC"). The STC expense is included in the statement of comprehensive income in the period that the related dividend is paid.

Deferred income tax is calculated and recognised in terms of note 1.10.

1.27 Earnings per share

Earnings and headline earnings per share are calculated by dividing the net profit attributable to equity holders of the Group 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. Share options, issued in terms of the share option scheme, have dilutive potential. For the share options a calculation is done to determine the number of shares that could have been acquired, at the average market price, based on the monetary value of subscription rights attached to outstanding share options in order to determine the "bonus" element; the "bonus" shares are added to the ordinary shares in issue. No adjustment is made to net profit, as the options have no statement of comprehensive income effect.

1.28 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.

1.29 Dividends distributed to shareholders

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

1.30 Basis of accounting for underwriting activities**1.30.1 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.

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



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Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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.

1.30.2 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) 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.

c) 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 incurred before the statement of financial position date, but which had not been reported to the Group by that date.

d) 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.

e) Contingency reserve

A contingency reserve is maintained in terms of the Insurance Act, 1998. The utilisation of this reserve, in case of a catastrophe, is subject to the approval of the Financial Services Board. Transfers to this reserve are reflected in the statement of changes in equity, and are indicated in the statement of financial position as a non-distributable reserve under capital and reserves.

The contingency reserve is calculated as 10% of net written premiums.

f) Reinsurance

The Group has evaluated its exposure to risk and determined that significant reinsurance protection is not required.

g) Liabilities and related assets under liability adequacy test

At each statement of financial position 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).

1.31 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. Key management personnel are defined as all directors of Shoprite Holdings Ltd and the main trading subsidiary (Shoprite Checkers (Pty) Ltd) of the Group.

1.32 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 Shoprite Holdings 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, Usave and Hungry Lion 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, Usave and Hungry Lion 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.

1.33 Standards, interpretations and amendments that are not yet effective at June 2011

The Group has considered the following new standards, and interpretations and amendments to existing standards, which are not yet effective as at June 2011:

Number	Title	Effective for year ending
Amendments IAS 24	Amendment to IAS 24 – Related party disclosures	June 2012
IFRS 9	IFRS 9 – Financial Instruments	June 2014
Amendments to IFRIC 14	Pre-payments of a Minimum Funding Requirement (amendments to IFRIC 14)	June 2012
Amendment to IFRS 7	Amendments to IFRS 7: Improved disclosure for transfer transactions of financial assets issued	June 2012
Various	Improvements to IFRSs 2010	June 2012
AC 504	IAS 19 (AC116) – The limit on a defined benefit asset, Minimum funding requirements and their interaction in the South African pension fund environment	June 2012
Amendment to IFRS 1	Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	June 2012
Amendment to IAS 12	Amendments to IAS 12: Deferred tax: Recovery of Underlying Assets	June 2013
IFRS 10	Consolidated Financial Statements	January 2013
IFRS 11	Joint Arrangements	January 2013
IFRS 12	Disclosure of Interests in Other Entities	January 2013
IFRS 13	Fair Value Measurement	January 2013
Amendment to IFRS 1	Presentation of Items of Other Comprehensive Income	July 2012
IAS 19	Employee Benefits	January 2013
IAS 27	Separate Financial Statements	January 2013
IAS 28	Investments in Associates and Joint Ventures	January 2013

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The Group has not early adopted any of the above and 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.

1.34 Standards, interpretations and amendments effective at June 2011

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2011 had no significant effect on the Group's operations:

Number	Title
Amendment to IFRS 1	Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards (IFRSs)
Amendment to IFRS 2	Amendments to IFRS 2: Share-based payment – Group cash-settled share-based payment transactions
Amendment to IAS 32	Amendments to IAS 32: Classification of Rights Issues
IFRIC 19	IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
Various	Improvements to IFRSs (Issued April 2009)



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2 OPERATING SEGMENT INFORMATION

2.1 Analysis per reportable segment

	June 2011				
	Supermarkets RSA R'000	Supermarkets Non-RSA R'000	Furniture R'000	Other operating segments R'000	Consolidated R'000
Sales of merchandise					
External	57 213 793	7 316 698	3 059 648	4 707 638	72 297 777
Inter-segment	1 512 692	—	—	—	1 512 692
	58 726 485	7 316 698	3 059 648	4 707 638	73 810 469
Trading profit	3 302 262	415 524	131 484	137 427	3 986 697
Depreciation and amortisation	831 309	111 274	41 025	22 834	1 006 442
Total assets	14 600 472	2 996 263	2 035 346	1 071 676	20 703 757

	June 2010				
	Supermarkets RSA R'000	Supermarkets Non-RSA R'000	Furniture R'000	Other operating segments R'000	Consolidated R'000
Sales of merchandise					
External	53 367 171	7 163 977	3 002 589	3 868 703	67 402 440
Inter-segment	1 366 181	—	—	—	1 366 181
	54 733 352	7 163 977	3 002 589	3 868 703	68 768 621
Trading profit	2 755 207	485 799	131 213	118 222	3 490 441
Depreciation and amortisation	759 170	86 022	41 318	9 609	896 119
Total assets	12 048 136	2 876 407	1 981 388	1 085 766	17 991 697

2.2 Geographical analysis

	June 2011		
	South Africa R'000	Outside South Africa R'000	Consolidated R'000
Sales of merchandise – external	64 068 311	8 229 466	72 297 777
Non-current assets*	7 569 684	1 327 416	8 897 100

	June 2010		
	South Africa R'000	Outside South Africa R'000	Consolidated R'000
Sales of merchandise – external	59 378 057	8 024 383	67 402 440
Non-current assets*	6 045 669	1 148 604	7 194 273

*Non-current assets consist of property, plant and equipment, intangible assets and fixed escalation operating lease accruals.

Operating segments were identified based on financial information regularly reviewed by the Shoprite Holdings Ltd board of directors (identified as the chief operating decision maker of the Group in terms of the IFRS 8 requirements) for performance assessments and resource allocations.

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
—	—	3 PROPERTY, PLANT AND EQUIPMENT		
		3.1 Land at cost	827 698	676 620
		3.2 Buildings		
		Cost	2 540 157	2 108 357
		Accumulated depreciation and impairment	(154 792)	(152 626)
—	—	Carrying value	2 385 365	1 955 731
		Details of land and buildings are available for inspection at the registered office of the Company.		
		3.3 Machinery, equipment and vehicles*		
		Cost	7 780 263	6 452 791
		Accumulated depreciation and impairment	(3 419 949)	(2 813 165)
—	—	Carrying value	4 360 314	3 639 626
		*Includes aircraft with a carrying value of R78 million (2010: R127 million).		
		3.4 Improvements to leasehold property		
		Cost	828 105	468 773
		Accumulated depreciation and impairment	(232 733)	(163 073)
—	—	Carrying value	595 372	305 700
—	—	Total property, plant and equipment	8 168 749	6 577 677



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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of carrying values

	Land	Buildings	Machinery, equipment and vehicles	Leasehold improvements	Total
Carrying value at June 2009	455 140	1 498 219	3 145 753	260 475	5 359 587
Additions	239 659	630 413	1 336 847	139 194	2 346 113
Transfer to assets held for sale (note 4)	(4 770)	(15 994)	—	(1 278)	(22 042)
Acquisition of subsidiaries (note 32.5.1)	—	—	7 985	—	7 985
Disposal	—	(21 036)	(42 279)	(50 326)	(113 641)
Proceeds on disposal	—	(21 376)	(24 898)	(53 171)	(99 445)
Profit/(loss) on disposal and scrapping	—	340	(17 381)	2 845	(14 196)
Depreciation	—	(24 279)	(781 329)	(42 662)	(848 270)
Reversal of impairment (note 3.5)	—	7 876	—	—	7 876
Impairment (note 3.5)	—	(18 567)	(3 941)	—	(22 508)
Exchange rate differences	(13 409)	(100 901)	(23 410)	297	(137 423)
Carrying value at June 2010	676 620	1 955 731	3 639 626	305 700	6 577 677
Additions	203 103	722 982	1 705 964	221 224	2 853 273
Reclassification	(55 571)	(140 913)	(12)	163 585	(32 911)
Reclassification to software	—	—	(145)	—	(145)
Transfer to assets held for sale (note 4)	—	(55 808)	—	—	(55 808)
Transfer from assets held for sale (note 4)	—	—	—	6 989	6 989
Acquisition of subsidiaries and operations (note 32.5.1)	11 000	—	1 228	—	12 228
Disposal	—	(6 331)	(67 837)	(27 784)	(101 952)
Proceeds on disposal	(27)	(90)	(33 371)	(29 994)	(63 482)
Profit/(loss) on disposal and scrapping	27	(6 241)	(34 466)	2 210	(38 470)
Depreciation	(281)	(27 653)	(854 417)	(66 169)	(948 520)
Reversal of impairment (note 3.5)	—	4 984	—	—	4 984
Impairment (note 3.5)	—	(16 745)	(44 590)	—	(61 335)
Exchange rate differences	(7 173)	(50 882)	(19 503)	(8 173)	(85 731)
Carrying value at June 2011	827 698	2 385 365	4 360 314	595 372	8 168 749

COMPANY

GROUP

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
		3.5 Impairment/reversal of impairment of property, plant and equipment		
		<p>The recoverable amount of all property, plant and equipment is determined based on the higher of value-in-use and fair value less cost to sell. The assumptions and estimates used by management in determining the recoverable amount of assets, for which there is a significant impairment or reversal of impairment, is detailed below.</p> <p>In determining the fair value less cost to sell of affected land and buildings, cash flow projections based on projected net market-related rentals covering the next planning period were used. An average pre-tax market capitalisation rate of 9.43% (2010: 10.7%) was used.</p> <p>Included in reclassifications is an amount of R32.9 million that was reclassified from land to prepaid leases. This relates to land leased for periods ranging from 42 to 99 years in various African countries.</p> <p>The fair value less cost to sell of affected assets, other than land and buildings, was based on management's best estimates taking into account recent selling prices obtained for similar assets in the Group, adjusting these values for the condition of the relevant assets.</p> <p>The reversal of impairment, in the current and previous financial year, was due to improvements in the economic environment in which Group companies, where assets were previously impaired, operate. The original impairment charge as well as the reversal is included in the statement of comprehensive income as items of a capital nature. This impairment originated in the Supermarkets RSA operating segment.</p>		
—	—	4 ASSETS HELD FOR SALE		
		Carrying value	58 659	26 372
		<p>It is the Group's policy to invest in fixed property only when appropriate rental space is not available. Certain land and buildings, in both the RSA and Non-RSA Supermarket segments, have been reclassified as assets 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.</p> <p>During the current financial year under review certain properties were transferred back to property, plant and equipment. The sale of these properties were reconsidered as it was no longer economically viable. This decision to reclassify had no significant effect on the Group's results.</p>		
		4.1 Reconciliation of carrying value		
		Carrying value at the beginning of the year	26 372	5 168
		Transfer from property, plant and equipment (note 3)	55 808	22 042
		Transfer to property, plant and equipment (note 3)	(6 989)	—
		Proceeds on disposal	(28 360)	(1 011)
		Profit on disposal	12 868	163
		Additions	—	77
		Exchange rate differences	(1 040)	(67)
—	—	Carrying value at the end of the year	58 659	26 372



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		5 INTERESTS IN SUBSIDIARIES		
211 490	211 490	Investments in ordinary shares		
1 443 013	1 443 013	Investments in preference shares		
76 308	10 774	Amounts owing by subsidiaries		
1 730 811	1 665 277		—	—
		Analysis of total interests in subsidiaries		
1 654 503	1 654 503	Non-current		
76 308	10 774	Current		
1 730 811	1 665 277		—	—
		Detail analysis of the Company's interests in subsidiaries are given in annexure A.		
		Investments in preference shares consist of convertible and redeemable, both under certain conditions, non-cumulative preference shares.		
		Amounts owing by subsidiaries of the Company are interest-free, unsecured and are payable on demand.		
		6 AVAILABLE-FOR-SALE INVESTMENTS		
		Unlisted share investments		
—	—	Analysis of total available-for-sale investments		
		100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd	59 656	57 389
		This investment is denominated in ZAR and the fair value is based on the underlying net asset value of RMB Global Solutions (Pty) Ltd as it is mainly represented by short-term USD bank deposits at financial institutions with a Moody's long-term credit rating of Aa2.za. The maximum exposure to credit risk at the reporting date is the carrying value.		
		The directors' valuation of the unlisted investments is equal to the carrying value.		
		7 LOANS AND RECEIVABLES		
		Preference share investment (note 7.1)	32 640	32 983
		Amounts owing by franchisees (note 7.2)	16 886	20 026
		Other	1 008	1 385
—	—		50 534	54 394
		Analysis of total loans and receivables		
		Non-current	4 308	8 553
		Current	46 226	45 841
—	—		50 534	54 394

COMPANY

GROUP

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		7 LOANS AND RECEIVABLES (CONTINUED)		
		7.1 Preference share investment	32 640	32 983
		6% 13 500 000 redeemable, under certain conditions, convertible cumulative preference shares in Pick & Buy Ltd (retailing supermarket group – Mauritius) denominated in Mauritian rupees. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value. These preference shares are currently redeemable and guaranteed by Ireland Blyth (Mauritius) Ltd, a company listed on the Stock Exchange of Mauritius Ltd (SEM).		
		The directors' valuation of the preference share investment is equal to the carrying value.		
		7.2 Amounts owing by franchisees		
		Gross amount	28 584	26 587
		Accumulated impairment	(11 698)	(6 561)
—	—		16 886	20 026
		The weighted average variable interest rate (linked to the South African prime rate) on these amounts was 9.6% (2010: 10.3%) p.a. and the amounts are repayable between one and five years. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually impaired. The credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R37 million (2010: R52 million) are held as collateral for these amounts.		
		Reconciliation of accumulated impairment		
		Balance at July	6 561	12 671
		Allowance for impairment for the year	5 137	—
		Unused amounts reversed	—	(6 110)
—	—	Balance at June	11 698	6 561
		The allowance for impairment relates to the following amounts owing by franchisees:		
		Receivable in the next year	4 788	10 117
		Receivable between 1 and 3 years	8 549	11 929
		Receivable between 3 and 5 years	2 639	4 541
—	—		15 976	26 587
		Amounts owing by franchisees relate to a wide-spread number of franchisees which are individually insignificant.		
		The individually impaired amounts owing by franchisees relate to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R2.8 million (2010: R4.7 million) was accrued on these balances during the year under review. All balances that were past due were considered for impairment.		



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		8 DEFERRED INCOME TAX ASSETS		
200	237	Provisions and accruals	316 404	242 515
—	—	Allowances on property, plant and equipment	(300 964)	(235 619)
—	—	Fixed escalation operating lease accrual	144 251	138 429
—	—	Allowances on intangible assets	(25 947)	(28 088)
—	—	Share-based payment accrual	158 826	140 260
—	—	Unrealised exchange rate differences	13 561	15 242
—	—	Fair value differences	(8 337)	(8 021)
—	—	Tax losses	28 663	23 959
200	237		326 457	288 677
		The movement in the deferred income tax assets is as follows:		
108	200	Carrying value at the beginning of the year	288 677	277 951
92	37	Charge to profit for the year	46 191	42 770
92	37	Provisions and accruals	71 030	(13 197)
—	—	Allowances on property, plant and equipment	(57 473)	(47 998)
—	—	Fixed escalation operating lease accrual	6 225	4 783
—	—	Allowances on intangible assets	2 141	1 503
—	—	Share-based payment accrual	18 747	72 374
—	—	Unrealised exchange rate differences	310	12 543
—	—	Tax losses	5 310	12 942
—	—	Tax rate change	(99)	(180)
—	—	Charged to other comprehensive income	(317)	(1 341)
—	—	Transfer from deferred tax liability	(5 290)	(11 028)
—	—	Acquisition of subsidiaries and operations (note 32.5.1)	—	(17 457)
—	—	Exchange rate differences	(2 804)	(2 218)
200	237	Carrying value at the end of the year	326 457	288 677
—	—	Net taxable temporary differences to be settled after more than 12 months	(88 057)	(101 757)
200	237	Net deductible temporary differences to be recovered within 12 months	414 514	390 434
200	237		326 457	288 677
		9 INTANGIBLE ASSETS		
		Goodwill (note 9.1)	180 981	167 074
		Software (note 9.2)	451 143	348 737
		Trademarks (note 9.3)	41 378	44 258
		Customer relationships (note 9.4)	45 603	50 968
—	—		719 105	611 037
		9.1 Goodwill		
		Gross amount	217 269	202 331
		Impairment losses	(36 288)	(35 257)
—	—	Carrying value	180 981	167 074
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	167 074	91 216
		Acquisition of subsidiaries and operations (note 32.5.1)	14 676	75 858
		Impairment (note 9.1.1)	(769)	—
—	—	Carrying value at the end of the year	180 981	167 074

COMPANY

GROUP

June
2010
R'000

June
2011
R'000

June
2011
R'000

June
2010
R'000

9 INTANGIBLE ASSETS (CONTINUED)**9.1 Goodwill (continued)****9.1.1 IMPAIRMENT OF GOODWILL**

Goodwill is allocated to the Group's cash-generating units (CGUs). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five-year planning periods. Cash flows beyond these planning periods are extrapolated using an estimated growth rate of 4.6% (2010: 6.0%). This does not exceed the long-term average growth rate for the business in which the CGUs operate. The following represent significant assumptions on which management based cash flow projections.

Supermarket operations

	%	%
Operating margin*	5.9	4.9
Growth rate**	4.6	6.0
Pre-tax discount rate***	14.1	15.4

Other operations

	%	%
Operating margin*	6.1	49.3
Growth rate**	4.6	6.1
Pre-tax discount rate***	9.3	16.2

*Forecasted operating margin, based on budgets, relating to the specific CGUs to which goodwill is allocated. This rate does not apply to the Group as a whole.

**Weighted average sales growth rate

***Pre-tax discount rate applied to the cash flow projections

These key assumptions are used for the analysis of each CGU within the geographical segment. Management determines budgeted sales growth rates and gross profit margins based on past performance and its expectations of the retail market within the relevant country or area. The discount rates used reflect specific risks relating to the relevant segments.

The impairment charge in the current financial year under review arose in a CGU in the Supermarket RSA operating segment. This impairment was the result of a significant reduction in the future expected sales due to a weakening in the general economic conditions in which this CGU operates.



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		9 INTANGIBLE ASSETS (CONTINUED)		
		9.2 Software		
		Gross amount	574 714	451 107
		Accumulated amortisation and impairment losses	(123 571)	(102 370)
—	—	Carrying value	451 143	348 737
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	348 737	225 752
		Additions	36 575	30 674
		Internally generated	115 371	132 505
		Acquisition of subsidiaries and operations (note 32.5.1)	—	2 400
		Reclassification from property, plant and equipment (note 3)	145	—
		Proceeds on disposal	(1)	—
		Amortisation	(49 677)	(42 580)
		Exchange rate differences	(7)	(14)
—	—	Carrying value at the end of the year	451 143	348 737
		Included in the gross amount of software is R288 million that relates to cost capitalised for software not yet in use. This relates mainly to the implementation of SAP merchandising software.		
		9.3 Trademarks		
		Gross amount	177 756	177 756
		Accumulated amortisation	(136 378)	(133 498)
—	—	Carrying value	41 378	44 258
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	44 258	37 466
		Acquisition of subsidiaries and operations (note 32.5.1)	—	9 379
		Amortisation	(2 880)	(2 587)
—	—	Carrying value at the end of the year	41 378	44 258
		9.4 Customer relationships		
		Gross amount	53 650	53 650
		Accumulated amortisation	(8 047)	(2 682)
—	—	Carrying value	45 603	50 968
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	50 968	—
		Acquisition of subsidiaries and operations (note 32.5.1)	—	53 650
		Amortisation	(5 365)	(2 682)
—	—	Carrying value at the end of the year	45 603	50 968
		10 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease receipts straight-lined	9 449	5 943
		Less: current (included under trade and other receivables: note 12)	(203)	(384)
—	—		9 246	5 559
		11 INVENTORIES		
—	—	Trading goods	7 055 867	6 114 538

COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		12 TRADE AND OTHER RECEIVABLES		
		Instalment sales		
		Gross amount (note 12.1)	1 099 858	1 036 503
		Accumulated impairment (note 12.2)	(118 029)	(115 906)
		Unearned finance income	(27 066)	(25 861)
		Insurance contract allowances		
		– Unearned premiums (note 12.3)	(156 520)	(142 298)
			798 243	752 438
		Trade receivables (note 12.4)	881 100	731 390
		Other receivables (note 12.5)	559 039	473 888
		Fixed escalation operating lease accrual (note 10)	203	384
		Amounts owing by joint ventures (note 12.6)	16 805	41 097
			2 255 390	1 999 197
		12.1 Instalment sales		
		The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between 1 and 2 years and the weighted average interest rate on these receivables is 22.0% (2010: 23.6%) p.a. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Instalment sales comprise a wide-spread client base and external credit checks are made to ensure that all instalment sale clients have an appropriate credit history. Furniture items, including appliances and electronic products are held as collateral for all instalment sale agreements.		
		Instalment sale receivables		
		Future minimum instalment payments receivable under non-cancellable instalment sale agreements		
		Not later than 1 year	647 468	729 648
		Later than 1 year not later than 2 years	452 390	306 855
			1 099 858	1 036 503
		12.2 Accumulated impairment		
		Reconciliation of accumulated impairment		
		Balance at July	115 906	99 989
		Allowance for impairment for the year	41 583	61 042
		Receivables written off during the year as uncollectable	(54 865)	(57 145)
		Penalty interest accrued	14 578	12 920
		Exchange rate differences	1 350	(900)
		Unused amounts reversed	(523)	—
		Balance at June	118 029	115 906
		The accumulated impairment relates to actual arrears, individual repayments that are past due, and the age analysis below reflects the period that these amounts are overdue.		
		30 days	19 918	20 024
		60 days	12 665	13 058
		90 days	9 515	9 940
		120 days	7 645	8 027
		150 days	6 318	6 671
		180 days	5 384	5 618
		+ 180 days	37 313	34 613
			98 758	97 951



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		12 TRADE AND OTHER RECEIVABLES (CONTINUED)		
		12.2 Accumulated impairment (continued)		
		The accumulated impairment is calculated with reference to actual default history of the Group's instalment sale receivables on a collective basis and is in line with industry norms. On this basis the provision of R118 million (2010: R116 million) was calculated taking into account the actual arrears of R99 million (2010: R98 million) and an amount of R243 million (2010: R237 million) which represents the maximum exposure if all debtors included in actual arrears continued to default. It was assessed that a portion of the receivables is expected to be recovered. All amounts that have not been impaired are fully performing and have no overdue instalments. Based on this the credit quality of these amounts is considered to be satisfactory.		
		12.3 Allowance for unearned premiums		
		An analysis of the allowance for unearned premiums is set out below		
		Balance at the beginning of the year	142 298	118 028
		Premiums written during the year (note 21.3)	271 589	252 447
		Amortisation charged to income (note 21.3)	(257 367)	(228 177)
		Balance at the end of the year	156 520	142 298
		12.4 Trade receivables		
	2 595	Gross amount	975 300	821 463
		Accumulated impairment	(94 200)	(90 073)
	2 595		881 100	731 390
		Trade receivables consist mainly of sale of merchandise to franchisees and buying associations. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually impaired. 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 with a face value of R717 million (2010: R782 million) are held as collateral for these amounts. Long standing trading relationships exist with the buying associations and the Group reviews the credit history, based on its own records as well as information from an external credit bureau, of these associations on a cyclical basis. Based on this the Group considers the credit quality of all fully performing amounts as satisfactory.		
		Reconciliation of accumulated impairment		
		Balance at July	90 073	102 701
		Allowance for impairment for the year	12 928	14 243
		Receivables written off during the year as uncollectible	(1 471)	(11 461)
		Exchange rate differences	(2 876)	(1 160)
		Unused amounts reversed	(4 454)	(14 250)
		Balance at June	94 200	90 073

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		<p>12 TRADE AND OTHER RECEIVABLES (CONTINUED)</p> <p>12.4 Trade receivables (continued)</p> <p>The provision for impairment relates to trade receivables of R94 million (2010: R95 million) receivable within the next 12 months.</p> <p>These individually impaired amounts relate mostly to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R1,468,000 (2010: R1,798,000) was accrued on these balances during the year under review.</p> <p>Trade receivables of R62 million (2010: R14 million) that were past due between 30 and 60 days of statement date were not impaired. These amounts relate to a number of debtors for whom there is no recent history of default.</p>		
—	—	<p>12.5 Other receivables</p> <p>Other receivables consist of various prepayments and operational debtors such as rental and municipal deposits and value added taxes refundable. Included in the balance for the current year is the reclassification of R32.9 million (note 3.5). The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. The age analysis of these amounts are reviewed on a monthly basis and no allowance for impairment has been made. If the credit risk of any individual receivables 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.</p>	559 039	473 888
—	—	<p>12.6 Amounts owing by joint ventures</p> <p>These amounts owing are unsecured, payable on demand and earn interest at an average of 6.0% (2010: 7.6%) p.a. The maximum exposure to credit risk at the reporting date is the carrying value and the Group does not hold any collateral as security. The amounts are denominated mainly in ZAR and are not impaired.</p>	16 805	41 097



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		13 DERIVATIVE FINANCIAL INSTRUMENTS		
		Forward foreign exchange rate contracts (note 39.1.1)		
—	—	Current liabilities	3 606	—
—	—	Current assets	—	1 498
		As at June 2011 the settlement dates on open forward contracts ranged between one and three (2010: one and three) months. The local currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were:		
		US dollar rand equivalent at rates averaging R1 = \$0,1451 (2010: R1 = \$0,1291)		
		Outflow	(385 297)	(158 334)
		Inflow	379 682	158 318
		Swedish krona rand equivalent at rates averaging R1 = SEK0,9354 (2010: R1 = SEK1.0217)		
		Outflow	(4 486)	(18 050)
		Inflow	3 951	18 514
		Euro rand equivalent at rates averaging R1 = €0,1011 (2010: R1 = €0,1043)		
		Outflow	(58 793)	(12 632)
		Inflow	58 610	12 752
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES		
		14.1 Ordinary share capital		
		Authorised:		
		650 000 000 (2010: 650 000 000) ordinary shares of 113,4 cents each		
		Issued:		
616 306	616 306	543 479 460 (2010: 543 479 460) ordinary shares of 113,4 cents each	616 306	616 306
		Treasury shares held by Shoprite Checkers (Pty) Ltd and The Shoprite Holdings Ltd Share Incentive Trust are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:		
			Number of shares	
			2011	2010
		Issued ordinary share capital	543 479 460	543 479 460
		Treasury shares (note 14.3)	(37 346 947)	(37 346 947)
			506 132 513	506 132 513
		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.		

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (CONTINUED)		
		14.2 Deferred share capital		
		Authorised: 360 000 000 (2010: 360 000 000) non-convertible, non-participating no par value deferred shares		
277	277	Issued: 276 821 666 (2010: 276 821 666) non-convertible, non-participating no par value deferred shares	277	277
		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.		
616 583	616 583		616 583	616 583
		14.3 Treasury shares		
—	—	37 346 947 (2010: 37 346 947) ordinary shares	337 406	337 406
		Reconciliation of movement in number of treasury shares for the Group:		
			Number of shares	
		Balance at the beginning of the year	37 346 947	42 581 065
		Movement in shares held by Shoprite Checkers (Pty) Ltd		
		Shares purchased during the year	—	3 778 920
		Shares utilised for option settlement	—	(9 013 038)
—	—	Balance at the end of the year	37 346 947	37 346 947
		14.4 Share incentive schemes		
		In terms of the rules of The Shoprite Holdings Ltd Share Incentive Trust, the trustees are authorised to acquire and allocate shares which in total may not exceed 20% of the issued ordinary share capital of the Company.		
		14.4.1 SHARE PURCHASE SCHEME		
		There were no movements in the number of ordinary shares held by The Shoprite Holdings Ltd Share Incentive Trust in terms of the share purchase scheme.		
			Number of shares	
		Shares held by The Shoprite Holdings Ltd Share Incentive Trust	506 036	506 036
			R'000	R'000
		Fair value of treasury shares held by The Shoprite Holdings Ltd Share Incentive Trust	51 514	41 925



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY		GROUP	
June 2010 R'000	June 2011 R'000	June 2011 R'000	June 2010 R'000
14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (CONTINUED)			
14.4 Share incentive schemes (continued)			
14.4.2 CASH-SETTLED SHARE-BASED PAYMENTS			
<p>The Group has granted cash-settled share-based payments to directors and management. The rights to cash-settled share-based payments entitle the participants 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 number of shares on which the rights are based as well as the strike prices and the exercise and expiry dates are set out below. The Group has recognised the liability in respect of the cash-settled share-based payments and included it in payables (refer note 20).</p>			
<p>Refer note 24 for the expense recognised in the statement of comprehensive income as employee benefits.</p>			
		Average strike price per share	Number of shares on which rights are based
			2011 2010
Movements in rights to cash-settled share-based payments			
Balance at the beginning of the year		R6,50 / R6,22	13 400 000 14 531 250
Exercised during the year		R6,22	(3 958 333) (1 256 250)
Issued on 9 Oct 2009		R62,35	— 125 000
Balance at the end of the year			9 441 667 13 400 000
<p>Rights to cash-settled share-based payments on June 2011 are unconditional on the following dates or immediately in the case of a deceased estate:</p>			
29 Aug 2010		R31,31	— 3 958 333
29 Aug 2011		R31,31	3 958 333 3 958 333
29 Aug 2012		R31,31	3 958 333 3 958 333
10 Oct 2011		R45,45	133 333 133 333
10 Oct 2012		R45,45	133 333 133 333
10 Oct 2013		R45,45	133 334 133 334
9 Oct 2012		R62,35	41 667 41 667
9 Oct 2013		R62,35	41 667 41 667
9 Oct 2014		R62,35	41 667 41 667
CH Wiese: refer following page		R6,50	1 000 000 1 000 000
			9 441 667 13 400 000

14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (CONTINUED)

14.4 Share incentive schemes (continued)

14.4.2 CASH-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

Cash-settled share-based payments issued to directors

Director	Expiry date	Exercise date	Number of shares on which rights are based	Average strike price per share
CH Wiese*	5 Sep 2012	Currently exercisable	1 000 000	R6,50
JAL Basson	29 Aug 2011	29 Aug 2011	83 333	R31,31
JAL Basson	29 Aug 2012	29 Aug 2012	83 334	R31,31
M Bosman	29 Aug 2011	29 Aug 2011	116 667	R31,31
M Bosman	29 Aug 2012	29 Aug 2012	116 666	R31,31
PC Engelbrecht	29 Aug 2011	29 Aug 2011	250 000	R31,31
PC Engelbrecht	29 Aug 2012	29 Aug 2012	250 000	R31,31
CG Goosen	29 Aug 2011	29 Aug 2011	316 667	R31,31
CG Goosen	29 Aug 2012	29 Aug 2012	316 666	R31,31
B Harisunker	29 Aug 2011	29 Aug 2011	116 667	R31,31
B Harisunker	29 Aug 2012	29 Aug 2012	116 666	R31,31
AE Karp	10 Oct 2011	10 Oct 2011	133 333	R45,45
AE Karp	10 Oct 2012	10 Oct 2012	133 333	R45,45
AE Karp	10 Oct 2013	10 Oct 2013	133 334	R45,45
EL Nel	29 Aug 2011	29 Aug 2011	133 333	R31,31
EL Nel	29 Aug 2012	29 Aug 2012	133 334	R31,31
BR Weyers	29 Aug 2011	29 Aug 2011	100 000	R31,31
BR Weyers	29 Aug 2012	29 Aug 2012	100 000	R31,31

*The right to the cash-settled share-based payments have been granted via a management company.

COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		15 RESERVES		
1 416 111	1 345 422	Retained earnings	6 507 523	5 191 663
2 152	2 152	Other reserves (note 15.1)	4 928	140 920
1 418 263	1 347 574		6 512 451	5 332 583
		15.1 Other reserves		
209	209	Reserve on conversion from no par value to par value shares	209	209
1 943	1 943	Capital redemption reserve	1 943	1 943
—	—	Foreign currency translation reserve	(81 979)	60 472
—	—	Contingency reserve	33 536	29 027
—	—	Fair value reserve	51 219	49 269
2 152	2 152		4 928	140 920



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

15 RESERVES (CONTINUED)

15.1 Other reserves (continued)

15.1.1 RECONCILIATION OF CARRYING VALUES OF OTHER RESERVES

R'000	Share-based payments reserve	Foreign currency translation reserve	Contingency reserve	Fair value reserve	Other
Balance at June 2009	14 353	230 502	26 550	41 025	2 152
Foreign currency translation differences		(170 030)			
Transfer from distributable reserves			2 477		
Net fair value gains on available-for-sale investments, net of income tax				8 244	
Net fair value gains				9 585	
Related income tax				(1 341)	
Realisation of share based payment reserve	(14 353)				
Balance at June 2010	—	60 472	29 027	49 269	2 152
Foreign currency translation differences		(142 451)			
Transfer from distributable reserves			4 509		
Net fair value gains on available-for-sale investments, net of income tax				1 950	
Net fair value gains				2 267	
Related income tax				(317)	
Balance at June 2011	—	(81 979)	33 536	51 219	2 152

COMPANY

GROUP

June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		16 BORROWINGS		
		Consisting of:		
2 450	2 450	Shoprite Holdings Ltd preference share capital (note 16.2)	2 450	2 450
—	—	Shoprite International Ltd preference share capital (note 16.3)	149	171
—	—	First National Bank of Namibia Ltd (note 16.4)	47 156	37 827
2 450	2 450		49 755	40 448
		16.1 Analysis of total borrowings		
2 450	2 450	Non-current	26 177	21 534
—	—	Current	23 578	18 914
2 450	2 450		49 755	40 448

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
16 BORROWINGS (CONTINUED)				
16.2 Shoprite Holdings Ltd preference share capital				
Authorised:				
175 000 (2010: 175 000) 6% non-convertible cumulative preference shares of R2 each				
325 000 (2010: 325 000) 5% non-convertible cumulative preference shares of R2 each				
225 000 (2010: 225 000) second 5% non-convertible cumulative preference shares of R2 each				
1 000 000 (2010: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each				
Issued:				
350	350	175 000 (2010: 175 000) 6% non-convertible cumulative preference shares of R2 each	350	350
650	650	325 000 (2010: 325 000) 5% non-convertible cumulative preference shares of R2 each	650	650
450	450	225 000 (2010: 225 000) second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000	500 000 (2010: 500 000) third 5% non-convertible cumulative preference shares of R2 each	1 000	1 000
2 450	2 450		2 450	2 450
16.3 Shoprite International Ltd preference share capital				
		20 (2010: 20) "Malawi" redeemable under certain conditions, preference shares of USD1,82 each (note 16.3.1)	1 259	1 442
		2 (2010: 2) "Angola" redeemable under certain conditions, preference shares of USD1,82 each (note 16.3.1)	126	144
		Accumulated losses recognised	(1 236)	(1 415)
—	—		149	171
16.3.1 Preference dividends on these shares will be subject to and based on the Hungry Lion division's profits, generated in Malawi and Angola respectively, through relevant trading subsidiaries of the Group.				
16.4 First National Bank of Namibia Ltd				
		This loan is unsecured, will be repaid within the next 24 months in equal instalments and bears interest at an average of 9.19% (2010: 10.9%) p.a.	47 156	37 827



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		17 DEFERRED INCOME TAX LIABILITIES		
		Allowances on property, plant and equipment	60 803	61 534
		Fixed escalation operating lease accrual	1 221	(72)
		Allowances on intangible assets	3	314
		Tax losses	(21 286)	(35 065)
		Unrealised exchange rate differences	(11 997)	(368)
		Provisions and accruals	(3 366)	(7 390)
—	—		25 377	18 953
		The movement in the deferred income tax liabilities is as follows:		
		Carrying value at the beginning of the year	18 953	26 992
		Charged to profit and loss	11 513	3 146
		Allowances on property, plant and equipment	10 161	3 478
		Fixed escalation operating lease accrual	614	(235)
		Allowances on intangible assets	5	134
		Provisions and accruals	387	(2 585)
		Unrealised exchange rate differences	(11 407)	(760)
		Tax rate change	—	(155)
		Tax losses	11 753	3 269
		Transfer to deferred tax asset	(5 290)	(11 028)
		Exchange rate differences	201	(157)
—	—	Carrying value at the end of the year	25 377	18 953
		Net taxable temporary differences to be settled after more than 12 months	36 916	25 932
		Net deductible temporary differences to be recovered within 12 months	(11 539)	(6 979)
—	—		25 377	18 953
		18 PROVISIONS		
		Provision for post-retirement medical benefits (note 36.2)	33 534	32 404
		Provision for onerous lease contracts	50 578	41 421
		Provision for outstanding claims	2 134	1 459
		Provision for long-term employee benefits	219 831	158 981
		Reinstatement provision	137 240	141 378
—	—		443 317	375 643

18 PROVISIONS (CONTINUED)
18.1 Reconciliation of carrying values

R'000	Post-retirement medical benefits	Onerous lease contracts	Outstanding claims	Long-term employee benefits	Reinstatement provision	Total
Balance at June 2009	243 268	28 439	2 375	118 745	140 381	533 208
Additional provisions	1 089	24 464	—	65 649	30 844	122 046
Unused amounts reversed	(7 515)	(3 350)	(916)	(293)	(4 220)	(16 294)
Utilised during the year	(216 860)	(5 544)	—	(31 348)	(25 605)	(279 357)
Accretion of discount	12 422	(2 588)	—	6 228	—	16 062
Exchange rate differences	—	—	—	—	(22)	(22)
Balance at June 2010	32 404	41 421	1 459	158 981	141 378	375 643
Additional provisions	1 240	21 356	675	59 461	11 570	94 302
Unused amounts reversed	(312)	(159)	—	(321)	(732)	(1 524)
Utilised during the year	(2 630)	(10 818)	—	(6 354)	(14 912)	(34 714)
Accretion of discount	2 832	(1 222)	—	8 572	—	10 182
Exchange rate differences	—	—	—	(508)	(64)	(572)
Balance at June 2011	33 534	50 578	2 134	219 831	137 240	443 317

Discount rates used					
2010	9%	10%	N/A	9%	10%
2011	9%	12%	N/A	9%	12%

COMPANY

GROUP

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		18.2 Analysis of total provisions	R'000	R'000
		Non-current	339 200	270 818
		Current	104 117	104 825
—	—		443 317	375 643
		19 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease payments straight lined (refer note 23)	522 205	498 175
		Less: current (included under trade and other payables: note 20)	66 418	79 534
—	—		455 787	418 641
		20 TRADE AND OTHER PAYABLES		
—	—	Trade payables	6 303 789	6 907 964
1 257	966	Other payables and accruals	2 254 512	1 874 711
—	—	Employee benefit accruals	655 394	566 675
154	160	Indirect taxes payable	200 323	206 149
—	—	Amounts owing to joint ventures (note 20.2)	3 917	9 428
—	—	Fixed escalation operating lease accrual (note 19)	66 418	79 534
—	—	Cash settled share-based payment accrual	586 845	532 074
1 411	1 126		10 071 198	10 176 535
		20.1 Analysis of trade and other payables		
—	—	Non-current	263 455	304 079
1 411	1 126	Current	9 807 743	9 872 456
1 411	1 126		10 071 198	10 176 535
		20.2 Amounts owing to joint ventures	3 917	9 428
		These loans are unsecured, payable on demand and bears interest at an average of 1.2% (2010: 3.0%) p.a.		



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

		COMPANY		GROUP	
		June 2010 R'000	June 2011 R'000	June 2011 R'000	June 2010 R'000
	21 OTHER OPERATING INCOME				
	Finance income earned			196 066	211 966
632 842	Investment income (note 21.1)	1 306 771		27 663	32 662
	Franchise fees received			38 262	37 523
	Operating lease income (note 21.2)			231 900	208 562
	Commissions received			412 386	339 925
	Premiums earned (note 21.3)			257 367	228 177
	Other income	530	910	692 197	517 313
76		633 372	1 307 681	1 855 841	1 576 128
	21.1 Investment income				
	Interest received from joint ventures			965	1 747
	Interest received other			14 940	21 404
632 814	Dividends – subsidiaries	1 306 751		—	—
28	– unlisted investments	20		11 758	9 511
632 842		1 306 771		27 663	32 662
	21.2 Operating lease income				
	The Group has entered into various operating lease agreements as the lessor of property.				
	Leases on properties are contracted for periods of between 1 and 13 years (2010: 1 and 12 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 8.3% (2010: 8.2%) p.a.				
	21.3 Premiums earned				
	Premiums written			271 589	252 447
	Change in allowance for unearned premiums			(14 222)	(24 270)
				257 367	228 177
	22 DEPRECIATION AND AMORTISATION				
	Property, plant and equipment			948 520	848 270
	Intangible assets			57 922	47 849
				1 006 442	896 119
	Disclosed as cost of sales			(72 850)	(56 911)
				933 592	839 208
	Included in depreciation for the period is a change in estimate of R54,571,768. This is due to an increase in the estimated useful life of computer equipment which is now depreciated over 4 to 5 years, previously 3 years. This change will result in a reduction in depreciation of R9,030,572 in the next financial year.				

COMPANY

GROUP

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		23 OPERATING LEASES		
		The Group has entered into various operating lease agreements on property, plant and equipment.		
		Leases on properties are contracted for periods of between 3 and 10 years (2010: 3 and 10 years) with renewal options averaging a further 3 to 20 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1.84% (2010: 1.85%) of turnover. Rental escalations vary, but average at a rate of 6.76% (2010: 7.07%) p.a.		
		Operating lease payments – property	1 692 493	1 544 496
		Operating lease payments – equipment	81 943	69 641
			1 774 436	1 614 137
		Disclosed as cost of sales	(73 968)	(63 392)
—	—		1 700 468	1 550 745
		Consisting of:		
		Minimum lease payments	1 543 435	1 355 182
		Contingent lease payments	231 001	258 955
—	—		1 774 436	1 614 137
		24 EMPLOYEE BENEFITS		
		Wages and salaries	5 514 459	4 961 705
		Cash-settled share-based payments (note 14.4.2)	256 618	278 086
		Post-retirement medical benefits (note 36.2)	3 760	5 996
		Retirement benefit contributions (note 36.1)	314 415	278 896
			6 089 252	5 524 683
		Disclosed as cost of sales	(327 207)	(250 840)
—	—		5 762 045	5 273 843
		24.1 Learnership allowances		
		The Group has, during the year under review, received certain learnership allowances.		
		Sector Educational Training Authorities (SETA) grants		
		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. This resulted in a reduction in SDLs of R20,601,405 (2010: R18,091,757) for the year under review. The net amount is taxable at 28% (2010: 28%).		



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY

GROUP

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
25 OPERATIONAL COSTS				
54	66	Auditors' remuneration	26 489	28 899
54	66	Audit fees – for the year	20 699	20 576
—	—	– (over)/underprovided – previous year	(718)	762
—	—	Fees for other assurance services	316	210
—	—	Fees for tax consulting services	1 927	2 164
—	—	Fees for secretarial services	11	94
—	—	Fees for information technology consulting services	2 613	3 460
—	—	Fees for accounting services	517	793
—	—	Fees for other consulting services	1 124	840
6 100	4 008	Fees paid for outside services	164 725	214 000
—	—	Administrative	49 575	65 516
2 695	135	Technical	114 151	147 856
3 405	3 873	Secretarial	999	628
—	—	Fair value losses on financial instruments	5 105	27 899
—	—	Policyholder claims and benefits paid	14 073	19 228
—	—	– claims paid	13 398	20 144
—	—	– movement in accumulated unpaid claims (note 18.1)	675	(916)
26 DIRECTORS' REMUNERATION				
657 236	126 300	Executive directors		
713	845	Non-executive directors		
657 949	127 145			
(657 236)	(126 300)	Less: paid by subsidiaries and joint ventures		
713	845		—	—
<p>The only prescribed officers of the Group are the Shoprite Holdings Ltd directors and alternate directors, as listed on the following page.</p> <p>For details of equity and cash-settled share-based payment instruments issued to directors refer note 14.4.</p>				

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26 DIRECTORS' REMUNERATION (CONTINUED)

R'000	2011						2010						
	Remune- ration	Perfor- mance bonus	Share appre- ciation rights exer- cised	Retire- ment and medical benefits	Other benefits	Total	Remune- ration	Perfor- mance bonus	Share options exer- cised	Retire- ment and medical benefits	Settle- ment of post- retirement medical liability	Other benefits	Total
Executive directors and alternates													
JW Basson	32 063	—	—	3 963	449	36 474	25 350	—	594 500	5 898	1 379	399	627 526
JAL Basson*	568	675	1 453	97	71	2 865	504	95	—	86	—	71	756
M Bosman	1 601	1 327	6 461	322	204	9 915	1 425	1 020	—	322	—	167	2 934
PC Engelbrecht	2 475	1 610	13 845	423	198	18 551	2 136	1 162	—	397	—	157	3 852
CG Goosen	3 104	2 410	17 537	708	257	24 016	2 738	1 790	—	622	1 025	216	6 431
B Harisunker	1 957	921	6 461	592	190	10 122	1 768	898	—	547	329	148	3 690
AE Karp	2 908	540	—	557	266	4 271	2 641	939	—	539	—	238	4 357
EL Nel	1 942	1 450	7 384	334	171	11 281	1 750	1 238	—	308	—	167	3 463
BR Weyers	1 534	1 180	5 538	361	192	8 805	1 370	900	—	335	1 469	153	4 227
	48 153	10 113	58 679	7 357	1 998	126 300	39 682	8 042	594 500	9 094	4 202	1 716	657 236

*This represents 50% of the remuneration paid to the individual as the balance is paid by a joint venture company.

	2011		2010	
	Fees	Total	Fees	Total
Non-executive directors				
TRP Hlongwane (resigned)	—	—	40	40
JA Louw	101	101	85	85
JF Malherbe	176	176	148	148
JG Rademeyer	259	259	213	213
CH Wiese***	208	208	180	180
EC Kieswetter (app 01/06/2010)	101	101	47	47
	845	845	713	713

***Paid to Chaircorp (Pty) Ltd in its capacity as employer.

COMPANY		GROUP	
June 2010 R'000	June 2011 R'000	June 2011 R'000	June 2010 R'000
27 ITEMS OF A CAPITAL NATURE			
—	—	(6 214)	340
—	—	12 868	163
—	—	(32 256)	(14 536)
—	—	(217)	3 657
—	—	(56 351)	(14 632)
—	—	(769)	—
—	—	4 406	(572)
—	—	(78 533)	(25 580)



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		28 FINANCE COSTS		
—	72	Interest paid	125 608	93 258
—	—	Interest paid to joint ventures	230	306
126	126	Preference dividends	126	126
21	21	6% non-convertible cumulative preference shares	21	21
32	32	5% non-convertible cumulative preference shares	32	32
23	23	Second 5% non-convertible cumulative preference shares	23	23
50	50	Third 5% non-convertible cumulative preference shares	50	50
126	198		125 964	93 690
		29 INCOME TAX EXPENSE		
		29.1 Classification		
110 507	131 060	South African income tax	1 162 478	1 002 125
—	—	Foreign income tax	184 348	109 667
110 507	131 060		1 346 826	1 111 792
		29.2 Consisting of:		
12 342	12 879	Current income tax	1 223 548	1 026 327
(2 602)	1 165	Prior year income tax	28 295	15 209
—	—	Withholding income tax	7 991	6 067
100 859	117 053	Secondary income tax on companies	121 670	103 813
110 599	131 097		1 381 504	1 151 416
(92)	(37)	Deferred income tax	(34 678)	(39 624)
110 507	131 060		1 346 826	1 111 792
		29.3 Reconciliation of income tax		
187 764	374 513	South African current income tax at 28% (2010: 28%)	1 085 383	951 745
(77 257)	(243 453)	Net adjustments	261 443	160 047
37	35	Preference dividends	(255)	(266)
(177 197)	(365 897)	Dividend income	(5 966)	(2 427)
1 646	4 191	Other exempt income and non-deductible expenses	76 058	6 488
—	—	Income tax allowances	(2 648)	(12 967)
—	—	Deferred income tax asset previously not recognised	(25 242)	(23 597)
(2 602)	1 165	Prior year income tax	28 295	15 209
100 859	117 053	Secondary income tax on companies	121 670	103 813
—	—	Effect of foreign income tax rates	33 398	19 055
—	—	Withholding income tax	7 991	6 067
—	—	Deferred income tax asset not recognised	28 142	48 672
110 507	131 060	Income tax	1 346 826	1 111 792

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		29 INCOME TAX EXPENSE (CONTINUED)		
		29.4 Secondary income tax on companies		
78 805	89 674	Secondary income tax on companies on proposed or envisaged dividends	89 674	78 805
		If the total distributable reserves of the Company of R1,345 million (2010: R1,416 million) were to be declared as dividends, the secondary income tax impact at a rate of 10% (2010: 10%) would be R135 million (2010: R142 million). These amounts should be considered taking into account the proposal by the South African Government to replace secondary income tax on companies with a dividend tax on shareholders commencing in the next financial year.		
		29.5 Net calculated income tax losses and net deductible temporary differences		
		Calculated income tax losses and net deductible temporary differences at year-end	1 424 491	1 456 865
		Applied in the provision for deferred income tax	1 137 964	1 037 436
—	—		286 527	419 429
		The utilisation of the income tax relief, translated at closing rates, to the value of R95,036,491 (2010: R156,095,405), calculated at current income tax rates on the net calculated income tax losses, is dependent on sufficient future taxable income in the companies concerned.		
		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		
		30 June 2010	—	2 221
		30 June 2011	—	9 294
		30 June 2012	1 625	5 195
		30 June 2013	3 165	35 033
		30 June 2014	7 542	8 099
		30 June 2015	3 802	10 279
		30 June 2016	4 744	3 677
		30 June 2017	16 879	18 446
		30 June 2018	—	—
		30 June 2019	103	—
—	—		37 860	92 244
		Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created	89 255	87 175



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

30 EARNINGS PER SHARE

R'000	2011		Net
	Gross	Income tax effect	
Profit attributable to equity holders			2 509 780
Loss on disposals of property (note 3)	6 214	(197)	6 017
Profit on disposals of assets held for sale (note 4)	(12 868)	1 802	(11 066)
Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 9)	32 256	(9 077)	23 179
Insurance claims paid	217	(61)	156
Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	56 351	(12 311)	44 040
Impairment of goodwill (note 9.1)	768	—	768
Profit on other investing activities	(4 405)	537	(3 868)
Headline earnings	78 533	(19 307)	2 569 006

R'000	2010		Net
	Gross	Income tax effect	
Profit attributable to equity holders			2 266 522
Profit on disposals of property (note 4)	(340)	23	(317)
Profit on disposals of assets held for sale (note 4)	(163)	2	(161)
Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 9)	14 536	(3 999)	10 537
Insurance claims received	(3 657)	1 278	(2 379)
Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	14 632	—	14 632
Loss on other investing activities	572	3 808	4 380
Headline earnings	25 580	1 113	2 293 215

	2011	2010
	Number of shares	
	'000	'000
Weighted average number of ordinary shares	506 133	503 523
Adjustments for dilutive potential of share options	—	4 252
Weighted average number of ordinary shares for diluted earnings per share	506 133	507 775
Number of ordinary shares		
– In issue	506 133	506 133
– Weighted average	506 133	503 523
– Weighted average adjusted for dilution	506 133	507 775
Earnings per share	Cents	
– Earnings	495,9	450,1
– Diluted earnings	495,9	446,4
– Headline earnings	507,6	455,4
– Diluted headline earnings	507,6	451,6

COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
		31 DIVIDENDS PER SHARE		
		31.1 Dividends per share paid		
		No 123 paid 20 September 2010 (2010: No 121 paid 21 September 2009)		
		No 124 paid 22 March 2011 (2010: No 122 paid 23 March 2010)		
		31.2 Dividends per share declared		
		No 125 paid 19 September 2011 (2010: No 123 paid 20 September 2010)		
		32 CASH FLOW INFORMATION		
		32.1 Non-cash items		
		Depreciation of property, plant and equipment		
		Amortisation of intangible assets		
		Net fair value losses on financial instruments		
		Exchange rate losses/(gains)		
		Loss/(profit) on disposals of property		
		Profit on disposals of assets held for sale		
		Loss on disposals and scrapings of plant, equipment and intangible assets		
		Impairment of property, plant and equipment and assets held for sale		
		Impairment of goodwill		
		Movement in provisions		
		Movement in cash-settled share-based payment accrual		
		Movement in fixed escalation operating lease accrual		
		32.2 Changes in working capital		
		Inventories		
		Trade and other receivables		
		Trade and other payables		
		32.3 Dividends paid		
		Shareholders for dividends at the beginning of the year		
		Dividends distributed to shareholders		
		Dividends distributed to non-controlling interest		
		Shareholders for dividends at the end of the year		
		32.4 Income tax paid		
		Payable at the beginning of the year		
		Per statement of comprehensive income		
		Income tax effect of treasury share utilisation for share option take-up		
		Acquisition of subsidiaries and operations (note 32.5.1)		
		Prepaid/(payable) at the end of the year		



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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COMPANY			GROUP	
June 2010	June 2011		June 2011	June 2010
R'000	R'000		R'000	R'000
32 CASH FLOW INFORMATION (CONTINUED)				
32.5 Cash flows utilised by investing activities				
—	—	Purchase of property, plant and equipment and intangible assets	(3 005 219)	(2 509 369)
—	—	Proceeds on disposals of property, plant and equipment and intangible assets	63 483	99 445
—	—	Proceeds on disposals of assets held for sale	28 360	1 011
(13 333)	—	Other investing activities	3 493	(15 306)
(679 488)	(1 342 957)	Amounts owing paid to subsidiaries	—	—
1 280 219	1 408 492	Amount received from subsidiaries	—	—
—	—	Acquisition of subsidiaries and operations (note 32.5.1)	(27 128)	(255 894)
587 398	65 535		(2 937 011)	(2 680 113)
32.5.1 ACQUISITION OF SUBSIDIARIES AND OPERATIONS				
The Group acquired a 100% shareholding in a subsidiary and various operations. The acquisition had no significant impact on the Group's results.				
In the previous financial year, the Group acquired a 100% shareholding in pharmaceutical wholesale operations, the Transpharm Group, from Dirk Verbeek Family Trust and Schulenburg – BWS Trust on 24 December 2009. This business combination ensured that the Group improved and secured the supply chain of pharmaceutical products to Medirite, its medical retail operation. Goodwill is not income tax deductible.				
The assets and liabilities arising from this acquisition was as follow:				
		Property, plant and equipment (note 3)	12 228	7 985
		Software (note 9.2)	—	2 400
		Customer relationships (note 9.4)	—	53 650
		Trademark (note 9.3)	—	9 379
		Trade and other receivables (note 12)	—	150 089
		Trade and other payables (note 20)	(1 087)	(141 856)
		Deferred income tax liability (note 8)	—	(17 457)
		Current income tax (note 29)	—	(8 876)
		Inventories (note 11)	1 311	124 722
			12 452	180 036
		Goodwill (note 9.1)	14 676	75 858
		Cash flow on acquisition	27 128	255 894
		Bank overdrafts acquired on acquisition	—	(66 204)
		Purchase consideration	27 128	189 690
32.6 Cash flows utilised by financing activities				
		Acquisition of treasury shares	—	(244 439)
		Purchase of non-controlling interest	—	(3 215)
		Increase in borrowings from First National Bank of Namibia Ltd	9 329	9 726
—	—		9 329	(237 928)

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		33 CONTINGENT LIABILITIES		
		Amounts arising in the ordinary course of business relating to property and other transactions from which it is anticipated that no material liabilities will arise.	157 792	103 614
		34 COMMITMENTS		
		34.1 Capital commitments		
		Contracted for property, plant and equipment	1 261 803	1 535 637
		Contracted for intangible assets	81 731	138 871
		Authorised by directors, but not contracted for	1 781 928	1 831 447
—	—	Total capital commitments	3 125 462	3 505 955
—	—	Capital commitments for the 12 months after accounting date	3 125 462	3 505 955
		Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
		34.2 Operating lease commitments		
		Future minimum lease payments under non-cancellable operating leases.		
		– Not later than one year	1 220 407	1 243 436
		– Later than one year not later than five years	4 012 189	4 008 412
		– Later than five years	2 075 058	2 163 718
			7 307 654	7 415 566
		Less: fixed escalation operating lease accrual (note 19)	(522 205)	(498 175)
—	—		6 785 449	6 917 391
		34.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases		
		– Not later than one year	237 924	180 943
		– Later than one year not later than five years	313 153	254 387
		– Later than five years	13 191	9 274
			564 268	444 604
		Less: fixed escalation operating lease accrual (note 10)	(9 449)	(5 943)
—	—		554 819	438 661
		35 BORROWING POWERS		
		In terms of the Memorandum of Incorporation of the Company the borrowing powers of Shoprite Holdings Ltd are unlimited.		



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		36 POST-RETIREMENT BENEFITS		
		36.1 Retirement funds		
		Group companies provide post-retirement benefits in accordance with the local conditions and practices in the countries in which they operate.		
		The Group provides retirement benefits to 57.1% (2010: 68.3%) of employees and 4.3% (2010: 4.0%) 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	314 415	278 896
		36.2 Medical benefits		
		Full provision for post-retirement medical benefits, where they exist, are made with reference to actuarial valuations in respect of past services liabilities. The remaining liability relates mainly to pensioners and will be settled during the next financial years.		
		36.2.1 THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED FOR ACCOUNTING PURPOSES ARE AS FOLLOWS:		
		Health-care cost inflation	9.8%	9.5%
		Discount rate	8.8%	9.0%
		Salary adjustments		
		– inflation	7.3%	7.0%
		– promotions and experience increases	1.5%	1.5%
		Continuation at retirement	95.0%	95.0%
		Expected retirement age	60 years	60 years
		The assumed rates of mortality are as follows:		
		During employment: SA 2010: 85-90 (light) ultimate table (2010: N/A)		
		Post-employment: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006 (2010: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006)		

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		36 POST-RETIREMENT BENEFITS (CONTINUED)		
		36.2 Medical benefits (continued)		
		36.2.2 THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION (NOTE 18) WAS AS FOLLOWS:		
		Balance at the beginning of the year	32 404	243 268
		Total expense charged to the statement of comprehensive income (note 36.2.3)	3 760	5 996
		Benefits paid	(2 630)	(216 860)
—	—	Balance at the end of the year	33 534	32 404
		36.2.3 THE AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME WERE AS FOLLOWS:		
		Current service cost	115	1 089
		Net actuarial loss/(gains) recognised during the year	813	(7 515)
		Interest cost	2 832	12 422
—	—	Total included in employee benefits (note 24)	3 760	5 996
		The effect of a 1% increase in the assumed health-care cost inflation is as follows:		
		Increase in the current service and interest cost	443	431
		Increase in the post-retirement medical benefit liability	4 878	4 553
		The effect of a 1% decrease in the assumed health-care cost inflation is as follows:		
		Decrease in the current service and interest cost	359	354
		Decrease in the post-retirement medical benefit liability	3 975	3 729
		36.2.4 TREND ANALYSIS OF POST-RETIREMENT MEDICAL BENEFITS		
			Present value of obligation R'000	Experience adjustments R'000
		30 June 2007	179 811	10 380
		30 June 2008	181 099	4 563
		30 June 2009	243 268	1 687
		30 June 2010	32 404	5 907
		30 June 2011	33 534	963



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

37 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Assets at fair value through profit and loss	Available -for-sale	Total
Group				
R'000				2011
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION				
Available-for-sale investments			59 656	59 656
Loans and receivables	50 534			50 534
Instalment sales	798 243			798 243
Trade receivables	881 100			881 100
Other receivables excluding prepayments and taxes receivable	353 932			353 932
Amounts owing by joint ventures	16 805			16 805
Cash and cash equivalents	1 961 551			1 961 551
	4 062 165	—	59 656	4 121 821
R'000				
				2010
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION				
Available-for-sale investments			57 389	57 389
Loans and receivables	54 394			54 394
Instalment sales	752 438			752 438
Trade receivables	731 390			731 390
Other receivables excluding prepayments and taxes receivable	309 449			309 449
Amounts owing by joint ventures	41 097			41 097
Derivative financial instruments		1 498		1 498
Cash and cash equivalents	2 218 866			2 218 866
	4 107 634	1 498	57 389	4 166 521
Company				
R'000				2011
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION				
Amounts owing by subsidiaries	10 774			10 774
Cash and cash equivalents	603 555			603 555
	614 329	—	—	614 329
R'000				
				2010
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION				
Amounts owing by subsidiaries	76 308			76 308
Cash and cash equivalents	602 517			602 517
	678 825	—	—	678 825

37 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities	Liabilities at fair value through profit and loss	Total
Group			
R'000		2011	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	49 755		49 755
Reinstatement provision	137 240		137 240
Trade payables	6 303 789		6 303 789
Other payables and accruals excluding taxes payable and employee benefit accruals	2 254 512		2 254 512
Amounts owing to joint ventures	3 917		3 917
Derivative financial instruments		3 606	3 606
Bank overdrafts	2 042 100		2 042 100
Shareholders for dividends	4 851		4 851
	10 796 164	3 606	10 799 770
R'000			
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	40 448		40 448
Reinstatement provision	141 378		141 378
Trade payables	6 907 964		6 907 964
Other payables and accruals excluding taxes payable and employee benefit accruals	1 874 711		1 874 711
Amounts owing to joint ventures	9 428		9 428
Bank overdrafts	874 279		874 279
Shareholders for dividends	3 328		3 328
	9 851 536	—	9 851 536
Company			
R'000		2011	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	2 450		2 450
Other payables and accruals excluding taxes payable and employee benefit accruals	966		966
Shareholders for dividends	4 016		4 016
	7 432	—	7 432
R'000			
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	2 450		2 450
Other payables and accruals excluding taxes payable and employee benefit accruals	1 257		1 257
Shareholders for dividends	3 338		3 338
	7 045	—	7 045



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY

June 2010	June 2011
R'000	R'000

GROUP

June 2011	June 2010
R'000	R'000

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38 FAIR VALUE DISCLOSURES

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.

Available-for-sale investments are measured at fair value. The investment in RMB Global Solutions (Pty) Ltd is classified at level 2.

Derivatives – being foreign exchange contracts – are measured at fair value and classified at level 2.

39 FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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 as economic hedges, to hedge certain exposures.

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.

COMPANY

GROUP

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		39 FINANCIAL RISK MANAGEMENT (CONTINUED)		
		39.1 Financial risk factors (continued)		
		39.1.1 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 purpose. 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. The US dollar is the preferred currency due to its history of stability, liquidity and availability in most markets.		
		Material concentrations of currency risk exists within the Group's cash and cash equivalents. The net cash and cash equivalents are denominated in the following currencies:		
602 517	603 555	South African rand	(603 468)	486 352
—	—	USA dollar	148 131	310 536
—	—	Zambian kwacha	52 476	69 447
—	—	Malawi kwacha	62 935	36 361
—	—	Angolan kwanza	51 358	204 038
—	—	Botswana pula	24 296	20 767
—	—	Mauritian rupee	17 973	(7 214)
—	—	Nigerian naira	7 306	16 443
—	—	Namibian dollar	56 859	74 037
—	—	Swaziland emilangeni	30 241	42 903
—	—	Lesotho maluti	11 098	20 645
—	—	Mozambique metical	34 109	46 587
—	—	Other currencies	26 137	23 685
602 517	603 555		(80 549)	1 344 587

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

Where material concentrations of currency 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 currencies strengthened or weakened against the ZAR and the USD. At June 2011 the total possible decrease in Group post-tax profit, calculated for all possible currency movements, was R339,045 with the ZAR/USD exchange rate (with an expected 8.5% decline) contributing R7,536,798 to this number. At June 2010 the total possible increase in Group post-tax profit, calculated for all possible currency movements, was R2,823,000 with the ZAR/USD exchange rate (with an expected 5.2% incline) contributing R307,000 to this number. These changes had no material effect on the Group's equity.



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY

June
2010
R'000

June
2011
R'000

GROUP

June
2011
R'000

June
2010
R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.1 MARKET RISK (CONTINUED)

a) Currency risk (continued)

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 Groups required working capital and cyclical nature of cash received from sale of merchandise and payment 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 June, subject to translation risk.

Net monetary assets/
(liabilities) per currency
Rand Equivalent

Country	Foreign currency	R'000	R'000
Angola	Kwanza	176 659	43 543
Botswana	Pula	(13 355)	10 277
DRC	Congolese Francs	(2 393)	6 073
Egypt	Egyptian pound	402	(1 127)
Europe	Euro	(40)	(452)
Ghana	Cedi	9 799	(6 519)
Great Britain	British Pound	115	—
India	Rupee	(2 051)	2 277
Madagascar	Ariary	8 824	64 172
Malawi	Kwacha	(40 198)	9 507
Mauritius	Mauritian rupee	(3 227)	(3 394)
Mozambique	Metical	(9 101)	40 237
Nigeria	Naira	30 733	(9 606)
Tanzania	Shilling	8 535	(46 831)
Uganda	Shilling	4 404	(34 860)
USA	Dollar	(153 561)	262 008
Zambia	Kwacha	79 924	(111 181)

COMPANY

GROUP

June 2010 R'000	June 2011 R'000
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June 2011 R'000	June 2010 R'000
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39 FINANCIAL RISK MANAGEMENT (CONTINUED)**39.1 Financial risk factors (continued)****39.1.1 MARKET RISK (CONTINUED)****b) Cash flow and fair value interest rate risk**

The Group's interest rate risk arises mainly from daily call accounts and bank overdrafts. These 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 6.2% (2010: 7.6%).

The interest rate on individual instalment sale receivables (refer note 12) is fixed and expose the Group to fair value interest rate risk which is mitigated by charging appropriate margins and the fact that the maximum term of these contracts are 24 months.

For exposure to interest rate risk on other monetary items refer to the following:

- Interest-bearing borrowings: note 16
- Amounts owing by joint ventures: note 12
- Loans and receivables: note 7

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 June 2011 the total possible decrease in Group post-tax profit, calculated for all possible interest rate movements, was R7,142,099. The estimated increase of 50 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R7,123,119. At June 2010 the total possible decrease in Group post-tax profit, calculated for all possible interest rate movements, was R71,000. The estimated decrease of 50 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R51,000. These changes had no material effect on the Group's equity.



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		<p>39 FINANCIAL RISK MANAGEMENT (CONTINUED)</p> <p>39.1 Financial risk factors (continued)</p> <p>39.1.1 MARKET RISK (CONTINUED)</p> <p>b) Cash flow and fair value interest rate risk (continued)</p> <p>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 sale of merchandise and payment 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.</p>		
		<p>39.1.2 CREDIT RISK</p> <p>Credit risk is managed on a group basis. Potential concentration of credit risk consists primarily of cash and cash equivalents, trade and other receivables, financial guarantees and investments.</p> <p>Funds are only invested with South African financial institutions with a minimum Moody's short-term credit rating of P-2 and a minimum Moody's long-term rating of Baa2. For financial institutions outside South Africa the required minimum Moody's short-term and long-term credit ratings are P-1 and Aa3 respectively. 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.</p> <p>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. Accounts receivable comprise a wide-spread client base and 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. These policies include reviewing the Group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed. The Group also obtains security from its franchisees.</p>		

COMPANY

GROUP

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
39 FINANCIAL RISK MANAGEMENT (CONTINUED)				
39.1 Financial risk factors (continued)				
39.1.2 CREDIT RISK (CONTINUED)				
<p>Credit risk exposure resulting from financial guarantee liabilities relating to trading partners are evaluated by management on a monthly basis taking into consideration the credit rating of the underlying parties as well as their financial position. Financial guarantees are kept to an operational minimum and reassessed regularly. The gross exposure of R97m (2010: Rnil) equals the fair value of these financial instruments and has been included under other payables.</p> <p>For exposure to credit risk on other monetary items refer to the following:</p> <ul style="list-style-type: none"> - Trade and other receivables: note 12 - Loans and receivables: note 7 - Trade and other payables: note 20 <p>The table below shows the cash invested at the statement of financial position date at financial institutions grouped per Moody's short-term credit rating of the financial institutions.</p>				
		Rating		
602 517	603 555	P-1	(329 930)	829 884
—	—	P-2	41 037	41 918
—	—	No rating available	151 505	391 004
—	—	Cash on hand and in transit	56 839	81 781
602 517	603 555		(80 549)	1 344 587
39.1.3 LIQUIDITY RISK				
<p>All significant financial liabilities of the Group matures within 12 months of statement of financial position date. The risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2011: R2,818,407,632; 2010: R2,715,214,692) 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.</p> <p>Cash and cash equivalents of the Company of R600 million serve as security for banking facilities of its main trading subsidiary, Shoprite Checkers (Pty) Ltd. These facilities were utilised in full at the statement of financial position date.</p> <p>The Group's derivative financial instruments that will be settled on a gross basis are detailed in note 13. The amounts disclosed are the contractual undiscounted cash flows. All balances are due within 12 months and equal their carrying values, as the impact of discounting is not significant.</p>				



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		39 FINANCIAL RISK MANAGEMENT (CONTINUED)		
		<p>39.2 Insurance risk</p> <p>The Group underwrites insurance products with the following terms and conditions:</p> <ul style="list-style-type: none"> – 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 of the conditions of the policy, and extended guarantees which covers the repair or replacement of faulty products as an extension of the suppliers' guarantees. <p>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.</p> <p>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.</p> <p>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.</p>		
		<p>39.3 Fair value estimation</p> <p>The nominal value less estimated credit adjustments of trade and other receivables and payables are assumed to approximate their fair values.</p> <p>The book value of all other financial instruments approximate the fair values thereof.</p>		

COMPANY

GROUP

June
2010
R'000

June
2011
R'000

June
2011
R'000

June
2010
R'000

40 CAPITAL RISK MANAGEMENT

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.

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. Due to the cash generative nature of the Group's operations and current prevailing economic conditions, management has determined that the lowest possible gearing ratio will provide shareholders with the highest possible return on investment with the lowest possible exposure to financial risk. The gearing ratio is calculated as net debt borrowings divided by equity and was 0.70% (2010: 0.68%) on the statement of financial position date. The Group is in the process of converting part of its short term borrowings into longer term borrowings to match the nature and terms of borrowings with the expenditure the funds are intended for.

The Group is currently maintaining a two times dividend cover based on headline earnings per share.

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41 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 Group companies entered into transactions with each other. All these intergroup transactions have been eliminated in the annual financial statements on consolidation.

Non-executive director, CH Wiese, is an employee of Chaircorp (Pty) Ltd, a management company that renders advisory services to Shoprite Checkers (Pty) Ltd in return for an annual fee. The fees relating to services as non-executive director are included in the directors remuneration note 26. An amount of R5,782,798 (2010: R7,446,667) was paid to Chaircorp (Pty) Ltd for advisory services to Shoprite Checkers (Pty) Ltd.

Details of the remuneration of directors, and their shareholding, are disclosed in notes 14 and 26.

Key management personnel compensation

Short-term employee benefits	142 869	119 725
Post-employment benefits	16 021	24 487
Share-based payments	188 521	617 928
Directors' fees	845	713

348 256 762 853



Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		41 RELATED-PARTY INFORMATION (CONTINUED)		
		In compliance with King III, the combined compensation of the 3 highest paid employees for the company that are not directors are as follows:		
		Remuneration	5 171	2 850
		Performance bonus	3 888	2 743
		Share based payments	19 383	23 428
		Retirement and medical benefits	1 068	635
		Other benefits	465	386
			29 975	30 042
		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 permanent full-time and flexi-time employees.		
		During the financial year under review, in the ordinary course of business, certain Group companies purchased certain products and services from certain entities, in which directors JW Basson, CH Wiese, EL Nel and JA Louw, or their direct family members, have a significant influence. These purchases were concluded at what management believe to be market-related prices and are insignificant in terms of the Group's total operations for the year.		
		These purchases and related balances were as follows:		
		Purchase of merchandise	80 784	64 903
		Utilisation of services	573	7 199
		Year-end balances	4 070	4 485
		The Group has a 50% interest in the Hungry Lion joint venture (refer note 42). The other 50% is indirectly held by alternate director JAL Basson.		
		The following transactions took place between the Hungry Lion joint venture and the Group during the year under review:		
		Administration fees paid to the Group	3 709	3 266
		Rent paid to the Group	2 000	5 965
		Interest paid to the Group	1 930	3 494
		Interest paid to the joint venture	460	611
		The year-end balances relating to the transactions with the joint venture are disclosed in notes 12 and 20.		
		The Company received the following from its subsidiary, Shoprite Checkers (Pty) Ltd:		
1 075	1 305	Annual administration fee		

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		42 JOINT VENTURES		
		The Group holds directly the following interests in joint ventures:		
		Hungry Lion Fast Foods (Pty) Ltd	50%	50%
		Hungry Lion Mauritius Ltd	50%	50%
		The consolidated results include the following amounts relating to the Group's interest in joint ventures.		
		Statement of comprehensive income		
		Sale of merchandise	221 290	193 413
		Profit before income tax	13 557	2 374
		Income tax	(1 015)	(3 954)
		Profit for the year	12 542	(1 580)
		Statement of financial position		
		Non-current assets	39 538	35 951
		Current assets	19 947	7 869
		Current liabilities	13 873	837
		Interest-bearing	—	(9 436)
		Interest-free	13 873	10 273
		Statement of cash flows		
		Net cash flow from operating activities	729	18 003
		Net cash flow from investing activities	(13 243)	(11 397)
		Net cash flow from financing activities	(19 613)	17 774
		Capital commitments	2 065	1 921



Interest in Subsidiaries – Annexure A

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	Country of incorporation	Issued ordinary and preference share capital and premium R'000	Percentage shares held by Group %	Investment in shares		Amount owing by/(to)	
				June 2011 R'000	June 2010 R'000	June 2011 R'000	June 2010 R'000
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	2 700	100	—	—	—	—
Shoprite Checkers (Pty) Ltd	South Africa	1 128 908	100	174 431	174 431	7 559	73 093
Shoprite International Ltd	Mauritius	1 443 013	100	1 443 013	1 443 013	—	—
Shoprite Insurance Company Ltd	South Africa	20 230	100	20 230	20 230	—	—
Shoprite Checkers Properties Ltd	South Africa	26 196	100	16 679	16 679	3 365	3 365
Other	South Africa	—	100	150	150	(150)	(150)
				1 654 503	1 654 503	10 774	76 308
INDIRECT SUBSIDIARIES							
Africa Supermarkets Ltd*	Zambia	—	100				
Checkers Chatsworth Ltd	South Africa	2 000	48				
Computicket (Pty) Ltd	South Africa	233	100				
Megasave Trading (Pvt) Ltd*	India	118 383	100				
Mercado Fresco de Angola Lda*	Angola	342	100				
Medirite (Pty) Ltd	South Africa	—	100				
OK Bazaars (Lesotho) (Pty) Ltd	Lesotho	300	50				
OK Bazaars (Namibia) Ltd	Namibia	500	100				
OK Bazaars (Swaziland) (Pty) Ltd	Swaziland	200	100				
OK Bazaars (Venda) Ltd	South Africa	2 400	50				
Propco Mozambique Lda*	Mozambique	432	100				
Retail Holdings Botswana (Pty) Ltd*	Botswana	46 648	100				
Retail Supermarkets Nigeria Ltd*	Nigeria	522	100				
Sentra Namibia Ltd*	Namibia	5 880	100				
Shophold (Mauritius) Ltd*	Mauritius	351	100				
Shoprite Angola Imobiliaria Lda*	Angola	342	100				
Shoprite Checkers Tanzania Ltd*	Tanzania	205 797	100				
Shoprite Checkers Uganda Ltd*	Uganda	41 612	100				
Shoprite Egypt for Internal Trade SAE*	Egypt	40 424	100				
Shoprite Ghana (Pty) Ltd*	Ghana	31 417	100				
Shoprite Lesotho (Pty) Ltd*	Lesotho	1	100				
Shoprite Madagascar S.A.*	Madagascar	116 331	100				
Shoprite (Mauritius) Ltd*	Mauritius	72 400	100				
Shoprite Namibia (Pty) Ltd*	Namibia	—	100				
Shoprite RDC SPRL*	DRC	32 302	100				
Shoprite Supermercados Lda*	Angola	342	100				
Shoprite Too (Pty) Ltd*	Tanzania	1 870	100				
Shoprite Trading Ltd*	Malawi	1	100				
				1 654 503	1 654 503	10 774	76 308

*Converted at historical exchange rates

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.

Shareholder Analysis

Shoprite Holdings Ltd and its Subsidiaries as at June 2011

SHAREHOLDER SPREAD

	No of Shareholders	%	No of Shares	%
1 – 1,000 shares	10 516	72.20	3 371 283	0.62
1,001 – 10,000 shares	3 181	21.84	9 971 689	1.83
10,001 – 100,000 shares	639	4.39	20 570 292	3.78
100,001 – 1000,000 shares	165	1.13	52 250 337	9.61
Over 1,000,001 shares	65	0.45	457 315 859	84.15
Totals	14 566	100.00	543 479 460	100.00

DISTRIBUTION OF SHAREHOLDERS

	No of Shareholders	%	No of Shares	%
Banks	151	1.04	220 223 947	40.52
Brokers	33	0.23	10 773 974	1.98
Close Corporations	138	0.95	260 120	0.05
Endowment Funds	75	0.51	587 931	0.11
Individuals	11 463	78.70	16 783 953	3.50
Insurance Companies	33	0.23	12 377 631	2.28
Investment Companies	31	0.21	5 663 779	1.04
Medical Aid Schemes	3	0.02	32 792	0.01
Mutual Funds	240	1.65	33 386 538	6.14
Nominees & Trusts	1 852	12.71	50 484 741	9.29
Other Corporations	84	0.58	153 565	0.03
Own Holdings	2	0.01	37 346 947	6.46
Private Companies	298	2.05	59 264 963	10.90
Public Companies	16	0.11	780 296	0.14
Retirement Funds	147	1.01	95 358 283	17.55
Totals	14 566	100.00	543 479 460	100.00

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PUBLIC / NON – PUBLIC SHAREHOLDERS

	No of Shareholders	%	No of Shares	%
Non – Public Shareholders	40	0.27	140 261 213	25.81
Directors of the company	38	0.26	102 914 266	18.94
Own Holdings	2	0.01	37 346 947	6.87
Public Shareholders	14 526	99.73	403 218 247	74.19
Totals	14 566	100.00	543 479 460	100.00

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

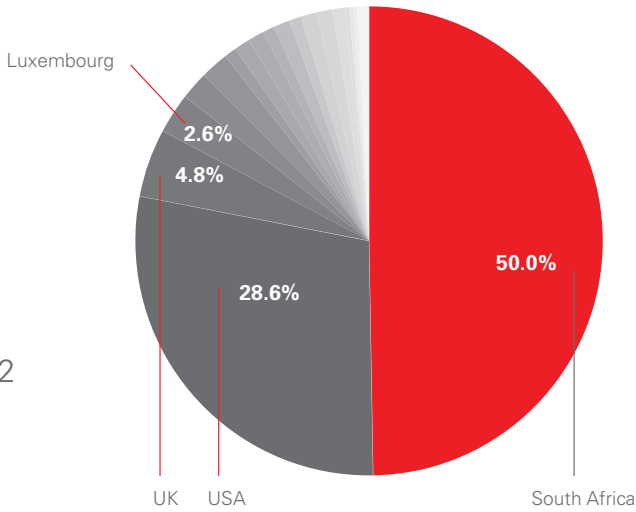
	No of Shares	%
Wiese, CH	89 917 398	16.54
Government Employees Pension Fund	74 076 350	13.63
Capital Group	62 499 926	11.50
Shoprite Checkers (Pty) Ltd	37 346 947	6.87
Lazard	18 329 406	3.37
Basson, JW	10 110 084	1.86
BlackRock	9 517 955	1.75
Vanguard	9 061 800	1.67
Artio Global Investors	8 773 256	1.61
JPMorgan	8 448 572	1.55
Fidelity	8 249 721	1.52
First State Investments	7 919 805	1.46
Namibian Government Institutions Pension Fund	7 819 262	1.44
Liberty Group	7 132 625	1.31
Skagen	6 722 590	1.24
Rand Merchant Bank	6 163 195	1.13
Rotrust (Pty) Ltd	5 465 705	1.01
Totals	377 554 597	69.47



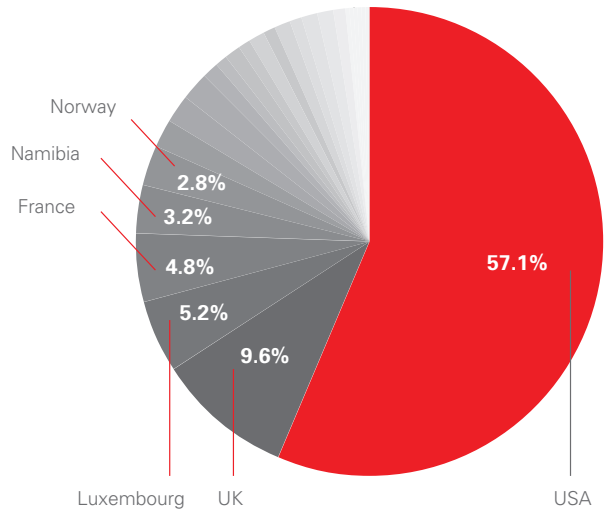
Shareholders

Country Classification

Beneficial Shareholders



Foreign Beneficial Shareholders

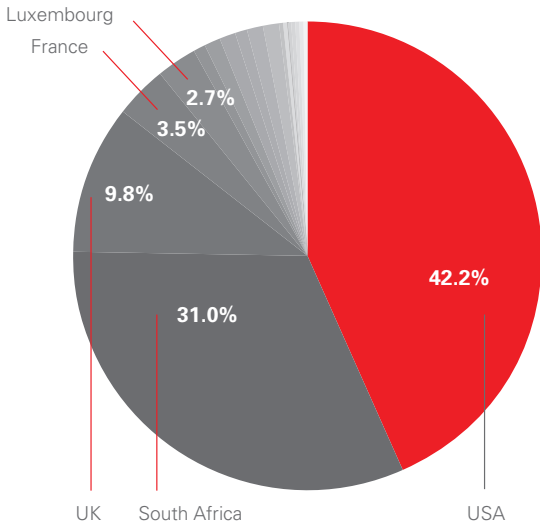


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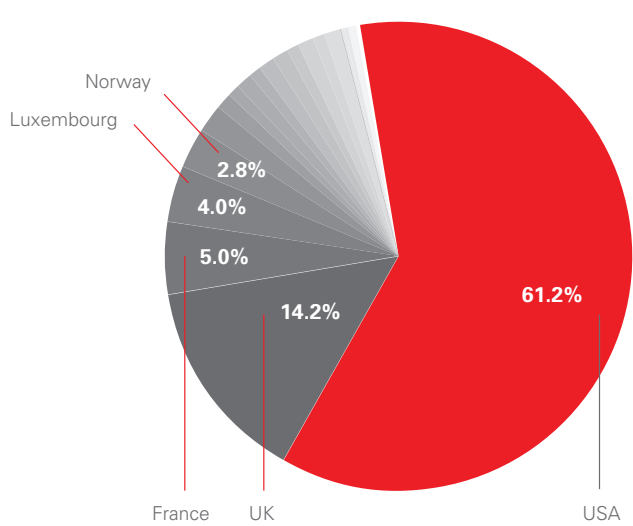
- South Africa
- USA
- UK
- Luxembourg
- France
- Namibia
- Norway
- Australia
- UAE
- Saudi Arabia
- Japan
- Netherlands
- Singapore
- Ireland
- Canada
- Cayman Islands
- Germany
- Hong Kong
- Belgium
- South Korea
- Denmark
- China
- Sweden
- Taiwan
- Switzerland
- Italy
- Zambia
- Portugal
- Hawaii
- Isle of Man
- Bermuda
- Bahamas
- New Zealand
- Oman
- Swaziland

- USA
- UK
- Luxembourg
- France
- Namibia
- Norway
- Australia
- UAE
- Saudi Arabia
- Japan
- Netherlands
- Singapore
- Ireland
- Canada
- Cayman Islands
- Germany
- Hong Kong
- Belgium
- South Korea
- Denmark
- China
- Sweden
- Taiwan
- Switzerland
- Italy
- Zambia
- Portugal
- Hawaii
- Isle of Man
- Bermuda
- Bahamas
- New Zealand
- Oman
- Swaziland

Fund Managers



Foreign Fund Managers



- USA
- South Africa
- UK
- France
- Luxembourg
- Norway
- Australia
- Japan
- Namibia
- Singapore
- Netherlands
- Cayman Islands
- Germany
- South Korea
- Ireland
- Canada
- Hong Kong
- UAE
- Belgium
- Portugal
- Switzerland
- Italy
- South Korea
- Ireland
- Denmark
- Saudi Arabia
- Portugal
- Gibraltar
- Israel
- Bermuda

- USA
- UK
- France
- Luxembourg
- Norway
- Australia
- Japan
- Namibia
- Singapore
- Netherlands
- Cayman Islands
- Germany
- Canada
- Hong Kong
- UAE
- Belgium
- China
- Sweden
- Taiwan
- Switzerland
- Italy
- South Korea
- Ireland
- Denmark
- Saudi Arabia
- Portugal
- Gibraltar
- Israel
- Bermuda

Notice to Shareholders: Annual General Meeting (AGM)

Shoprite Holdings Ltd and its Subsidiaries as at June 2011

Shoprite Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
JSE share code: SHP
NSX share code: SRH
LUSE share code: SHOPRITE
ISIN: ZAE00012084
("Shoprite Holdings" or "the Company")

1. NOTICE OF MEETING

Notice is hereby given that the AGM of Shoprite Holdings will be held at the Company's registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 31 October 2011 at 09:15 (South African time).

2. MEMORANDUM OF INCORPORATION (MOI)

The Companies Act 71 of 2008 (as amended) ("the Companies Act") came into effect on 1 May 2011 ("the Effective Date"). From the Effective Date the Company's Memorandum of Association and Articles of Association became known as its MOI. In this notice of the AGM, the term MOI is used to refer to the Company's MOI (previously the Memorandum of Association and Articles of Association).

3. WHO MAY ATTEND AND VOTE?

- 3.1 If you hold dematerialised shares which are registered in your name or if you are the registered holder of certificated shares:
- You may attend the AGM in person;
 - Alternatively, you may appoint a proxy to represent you at the AGM and to attend, participate in, and speak and vote at the AGM in your place by completing the attached form of proxy in accordance with the instructions it contains and returning it to the company secretary or transfer secretaries at their addresses set out below to be received not later than 09:15 (South African time) on Saturday 29 October 2011. A proxy need not be a shareholder of the Company.
- 3.2 If you hold dematerialised shares which are not registered in your name and:
- wish to attend the AGM, you must obtain the necessary letter of representation authority from your Central Share Depository Participant (CSDP) or broker; or
 - do not wish to attend the AGM, but would like your vote to be recorded at the meeting, you should contact your CSDP or broker and furnish them with your voting instructions.
- You must not complete the attached form of proxy.
- 3.3 The record date for purposes of determining which shareholders are entitled to receive this notice is determined in terms of section 59(3)(a) of the Companies Act, being 29 September 2011.
- 3.4 The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for purposes of being entitled to attend and vote at this meeting is determined in terms of section 59(3)(b) of the Companies Act, being 28 October 2011 ("the Voting Record Date").
- 3.5 All AGM participants will be required to provide identification reasonably satisfactory to the chairperson of the AGM.
- 3.6 As required by section 61(10) of the Companies Act, the Company will make provision for shareholders or their

proxies to participate in the AGM by way of electronic communication. Participants must dial the appropriate access numbers depending on their locations five minutes prior to the starting time of the AGM:

Johannesburg..... (011) 535 3600
Cape Town (021) 819 0900
Durban..... (031) 812 7600
International(+27 11) 535 3600

- 3.7 In order to reflect the views of shareholders more accurately, all resolutions and substantive decisions at the AGM will be put to vote on a poll, rather than being determined on a show of hands. A vote on poll takes into account the number of shares held by each shareholder, which the Board believes to be a more democratic procedure.
- 3.8 If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

4. FINANCIAL STATEMENTS

A copy of the financial statements of the Company for the year ended 30 June 2011 and the reports of the directors and independent auditors are delivered herewith.

5. PURPOSE OF THE AGM

The purpose of this meeting is to present the:

- directors report to the shareholders;
- audited financial statements for the year ended 30 June 2011;
- the audit committee report, and
- to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

The following resolutions will be considered at the AGM, and, if deemed fit, passed with or without modification:

5.1 Ordinary Resolution Number 1: Annual Financial Statements

"Resolved that the annual financial statements of the Company and the Group for the year ended 30 June 2011 circulated with this notice, including the reports of the directors and independent auditors be and are hereby approved."

For ordinary resolution number 1 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.2 Ordinary Resolution Number 2: Re-Appointment of Auditors

"Resolved that PricewaterhouseCoopers Inc. (PwC) be re-elected as independent registered auditors of the Company for the period until the next AGM of the Company (noting that Mr A Wentzel is the individual registered auditor of PwC who will undertake the audit in respect of the financial year ending 30 June 2012) as recommended by the Company's Audit and Risk Committee."



Notice to Shareholders (continued)

Shoprite Holdings Ltd and its Subsidiaries as at June 2011

For ordinary resolution number 2 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.3 Ordinary Resolution Number 3: Re-Election of Dr CH Wiese

"Resolved that Dr CH Wiese, who is required to retire by rotation as a director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed with immediate effect."

Age: 69

First Appointed: 30 October 1991

Educational qualifications: BA LLB DCom (hc)

Directorship: Chairman of Tradehold, Invicta Holdings and Tulca. Also serves on the boards of PSG Group, Primedia and the Luna Group.

Dr Wiese is the non-executive chairman of the Board and also serves on the Remuneration and Nomination Committees.

For ordinary resolution number 3 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.4 Ordinary Resolution Number 4: Re-Election of Mr JA Louw

"Resolved that Mr JA Louw, who is required to retire by rotation as a director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed with immediate effect."

Age: 67

First Appointed: 30 October 1991

Educational qualifications: Bsc Hons B(B&A) Hons

Directorship: Chairman of Andrag Agrico.

Mr Louw is an independent non-executive director and also serves on the Audit, Remuneration and Nomination Committees.

For ordinary resolution number 4 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.5 Ordinary Resolution Number 5: Re-Election of Mr JF Malherbe

"Resolved that Mr JF Malherbe who is required to retire by rotation as a director of the Company at this AGM and who is eligible for re-election and has offered, is hereby reappointed with immediate effect."

Age: 82

First Appointed: 14 May 1999

Educational qualifications: BCom LLB

Mr Malherbe is an independent non-executive director and also serves on the Audit Committee.

For ordinary resolution number 5 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.6 Ordinary Resolution Number 6: Re-Election of Mr BR Weyers

"Resolved that Mr BR Weyers, who is required to retire by rotation as a director of the Company at this AGM and who is eligible for re-election and has offered, is hereby reappointed with immediate effect."

Age: 59

First Appointed: 20 February 1997

Directorship: Director of main trading subsidiary, Shoprite Checkers (Pty) Ltd

Mr Weyers is an executive director and holds the position of general manager marketing and product development.

For ordinary resolution number 6 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.7 Ordinary Resolution Number 7: Appointment of Mr JG Rademeyer as Chairperson and member of the Shoprite Holdings Audit Committee

"Resolved that Mr JG Rademeyer be elected as Chairperson and member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act"

Age: 62

First Appointed: 4 November 2002

Educational qualifications: BCom CTA CA(SA)

Mr Rademeyer is an independent non-executive director and has also been appointed as the lead independent director.

For ordinary resolution number 7 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.8 Ordinary Resolution Number 8: Appointment of Mr JA Louw as member of the Shoprite Holdings Audit Committee

"Subject to the re-election of Mr JA Louw as a director pursuant to ordinary resolution 4, it is resolved that Mr JA Louw be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

For ordinary resolution number 8 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.9 Ordinary Resolution Number 9: Appointment of Mr JF Malherbe as member of the Shoprite Holdings Audit Committee

"Subject to the re-election of Mr JF Malherbe as a director pursuant to ordinary resolution 5, it is resolved that Mr JF Malherbe be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

For ordinary resolution number 9 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.10 Ordinary Resolution Number 10: Endorsement of Remuneration Policy

“Resolved that, through a non-binding advisory vote, the Company’s remuneration policy (excluding the remuneration of the non-executive directors and members of board committees for their services as directors) as set out in the Integrated Report, is endorsed.”

For ordinary resolution number 10 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.11 Ordinary Resolution Number 11: General Authority over Unissued Shares

“Resolved that 27,2 million (5% of the issued share capital that includes treasury shares) of the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company until the next AGM and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act, the MOI of the Company and JSE Limited (“JSE”) Listings Requirements, when applicable, and any other exchange on which the shares of the Company may be quoted or listed from time to time.”

For ordinary resolution number 11 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.12 Ordinary Resolution Number 12: General Authority to Issue Shares for Cash

“Resolved that the directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorised, but unissued shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the Companies Act, the MOI of the Company, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted from time to time, when applicable, subject to the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to “public shareholders” as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees;

- the number of shares issued for cash shall not in the aggregate in any 1 (one) financial year, exceed 5% (five percent) of the Company’s issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year, plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and fully underwritten, or an acquisition which has had final terms announced;
- this authority be valid until the Company’s next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- a paid press announcement will be published giving full details, including the impact on the net asset value and earnings per share, at the time of any issue, representing on a cumulative basis within one (1) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue in terms of this authorisation;
- in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company.”

In order for this ordinary resolution number 12 to be adopted, in terms of the JSE Listings Requirements, the support of 75% of votes cast by shareholders present or represented by proxy at this meeting is required.

5.13 Ordinary Resolution Number 13: General Authority to Directors

“Resolved that the directors of the Company be and are hereby authorised to do all things, perform all acts and to sign all documentation necessary to effect the implementation of the ordinary and special resolutions adopted at the AGM.”

For ordinary resolution number 13 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5.14 Special Resolution Number 1: Remuneration Payable to Non-Executive Directors

“Resolved in terms of section 66(9) of the Companies Act that the annual remuneration of the non-executive directors for the twelve months from 1 November 2010 – 31 October 2011 be approved as follows:



Notice to Shareholders (continued)

Shoprite Holdings Ltd and its Subsidiaries as at June 2011

SHOPRITE HOLDINGS BOARD AND COMMITTEE FEES

	2010/2011	2009/10
BOARD		
Chairman of the Board	R218 000	R179 775
Lead Independent Director	R113 000	R93 060
Director	R103 000	R84 600
AUDIT COMMITTEE		
Chairman	R154 000	R126 900
Member	R77 000	R63 450

For special resolution number 1 to be adopted, the support of 75% of votes cast by shareholders present or represented by proxy at this meeting is required.

REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 1

The reason for and effect for special resolution number 1 is to grant the Company the authority to pay remuneration to its directors for their services as directors for the period that ended on 31 October 2011.

5.15 Special Resolution 2 – Financial Assistance to Subsidiaries, Related and Inter-Related Entities

Resolved in terms of section 45(3)(a)(ii) of the Companies Act, subject to compliance with the requirements of the Company's MOI, the Companies Act and the JSE Listings Requirements as presently constituted and amended from time to time as a general approval, that the board of the Company be authorised during a period of two (2) years from the date of this special resolution to authorise the Company to provide direct or indirect financial assistance to any related or inter-related company or corporation ("any related or inter-related company or corporation" has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company) to the Company, in one or more of the following forms:

- loan to,
- guarantee of any obligation of,
- suretyship in respect any obligation of,
- indemnity undertakings in respect of obligations of, or
- the securing of any debt or obligations of,

such a related or inter-related company or corporation which the board of the Company may deem fit on the terms and conditions and for amounts that the board of the Company may determine.

For special resolution number 2 to be adopted, the support of 75% of votes cast by shareholders present or represented by proxy at this meeting is required.

REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 2

This special resolution will grant the Company's directors the authority to authorise financial assistance in any of the

forms described in the resolution to any company related or inter-related to the Company as contemplated by section 45 of the Companies Act.

NOTICE TO THE SHAREHOLDERS OF THE COMPANY IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT OF A RESOLUTION ADOPTED BY THE BOARD AUTHORISING THE COMPANY TO PROVIDE SUCH DIRECT OR INDIRECT FINANCIAL ASSISTANCE:

- By the time that this notice of the AGM is delivered to shareholders, the Board would have adopted a written board resolution ("the Section 45 Board Resolution") authorising the Company to provide at any time during the period of two (2) years from the date that the above special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the Company;
- The Section 45 Board Resolution will only be subject to and only effective to the extent that special resolution number 2 is adopted by shareholders and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act and that the terms under which the financial assistance will be given are fair and reasonable to the Company as required in section 45(3)(b)(ii) of the Companies Act; and
- The Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company.

5.16 Special Resolution Number 3 – General Approval to Repurchase Shares

"Resolved that, the Company and/or any subsidiary of the Company be and are hereby authorised by way of a general approval to acquire the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act and the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system without any prior understanding or arrangement between the Company and the counterparty, or other manner approved by the JSE;
- this general authority shall be valid until the Company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired

- will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any 1 (one) financial year do not exceed 5% (five percent) of the Company's issued ordinary share capital from the date of this general authority;
 - the Company and the Group are in a position to repay their debt in the ordinary course of business for the 12 (twelve) month period after the date of the notice of the AGM;
 - the assets of the Company and the Group, being fairly valued in accordance with the accounting policies used in the latest annual financial statements are, after the repurchase, in excess of the liabilities of the Company and the Group for the 12 (twelve) month period after the date of the notice of the AGM;
 - the ordinary capital and reserves of the Company and the Group are adequate for the 12 (twelve) month period after the date of the notice of the AGM;
 - the available working capital is adequate to continue the operations of the Company and the Group for a period of 12 (twelve) months after the date of the notice of the AGM;
 - prior to entering the market to proceed with the repurchase, the Company's sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
 - prior to entering the market to repurchase the Company's securities, a board resolution to authorise the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, and stating that the Board has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase;
 - after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread;
 - the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;
 - when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
 - the Company only appoints one agent to effect any repurchase(s) on its behalf."

For special resolution number 3 to be adopted, the support of 75% of votes cast by shareholders present or represented by proxy at this meeting is required.

STATEMENT BY THE BOARD OF DIRECTORS

The directors of the Company have no specific intention to effect the resolution, but will continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to repurchase its own shares.

After having considered the effect of the repurchase of ordinary shares pursuant to this general authority, the directors of the Company in terms of the relevant provisions of the Companies Act and the JSE Listings Requirements confirm that they will not undertake such purchase unless:

- the Company and the Group are in a position to repay their debt in the ordinary course of business for the 12 (twelve) month period after the date of the notice of the AGM;
- the assets of the Company and the Group, being fairly valued in accordance with the accounting policies used in the latest annual financial statements are, after the repurchase, in excess of the liabilities of the Company and the Group for the 12 (twelve) month period after the date of the notice of the AGM;
- the ordinary capital and reserves of the Company and the Group are adequate for the 12 (twelve) month period after the date of the notice of the AGM;
- the available working capital is adequate to continue the operations of the Company and the Group for a period of 12 (twelve) months after the date of the notice of the AGM.

REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 3

The Company's MOI contains a provision allowing the Company or any subsidiary of the Company to repurchase securities issued by the Company subject to the approval of the members in terms of the MOI, the requirements of the Companies Act and the JSE Listing Requirements. The existing general authority granted by the members of the Company at the previous AGM on 25 October 2010, is due to expire, unless renewed.

The directors are of the opinion that it would be in the best interest of the Company to extend such general authority.

The proposed general authority would enable the Company or any subsidiary of the Company to repurchase up to a maximum of 54,347,946 (fifty four million three hundred and forty seven thousand nine hundred and forty six) ordinary shares of the Company, representing 10% (ten percent) of the issued ordinary share capital of Company as at 30 June 2011.

The reason for the passing of special resolution number 3 is to authorise the Company and/or its subsidiaries by way of a general authority from shareholders to repurchase ordinary shares issued by the Company.



Notice to Shareholders (continued)

Shoprite Holdings Ltd and its Subsidiaries as at June 2011

Once adopted this special resolution will permit the Company or any of its subsidiaries, to repurchase such ordinary shares in terms of the Companies Act, its MOI and the JSE Listings Requirements.

DISCLOSURES IN TERMS OF SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS

The JSE Listings Requirements require the following disclosures in respect of special resolution 3, some of which are disclosed in the Integrated Report of which this notice forms part:

- Directors and managementpages 8 and 9
- Major shareholders of the Company page 101
- Directors' interests in securities page 41
- Share capital of Company page 71

MATERIAL CHANGE

Other than the facts and developments as referred to on pages 35 to 36 of the Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 8 and 9 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made.

LITIGATION STATEMENT

Save for the disclosure in the directors report on page 40 and 41 the directors, whose names are given on pages 8 and 9 of the Integrated Report of which this notice forms part, 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 (twelve) months, a material effect on the Group's financial position.

6. TRANSACTION OF OTHER BUSINESS

To transact such other business as may be dealt with at the AGM.

FOR SHOPRITE HOLDINGS LIMITED



PG du Preez

Company secretary

26 August 2011

THE COMPANY SECRETARY

Cnr William Dabs and Old Paarl Roads
P O Box 215, Brackenfell, 7560 South Africa
Facsimile: +27 (0) 21 980 4468
E-mail Address: cosec@shoprite.co.za

SOUTH AFRICAN TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Facsimile: +27 (0) 11 688 5248

Form of Proxy

Shoprite Holdings Ltd

Shoprite Holdings Limited
 (Incorporated in the Republic of South Africa)
 (Registration number 1936/007721/06)
 JSE share code: SHP
 NSX share code: SRH
 LUSE share code: SHOPRITE
 ISIN: ZAE00012084
 ("Shoprite Holdings" or "the Company")

For use only by:

- certificated ordinary shareholders
- dematerialised ordinary shareholders with "own name" registrations

At the annual general meeting of shareholders of Shoprite Holdings to be held at Cnr William Dabs and Old Paarl Roads, Brackenfell at 09h15 on Monday, 31 October 2011 and any adjournment thereof ("the AGM").

Dematerialised shareholders holding shares other than with "own name" registration, must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the necessary letter of representation to attend the AGM in person.

If you do not wish to attend the AGM, provide your CSDP or broker with your voting instruction in terms of your custody agreement.

I/We (name/s in block letters) of

being a shareholder/shareholders of Shoprite Holdings and holding ordinary shares in the Company, hereby appoint

1. of or, failing him/her,
2. of or, failing him/her,
3. the chairman of the Annual General Meeting, as my/our proxy to attend speak and vote on my/our behalf at the AGM of the shareholders of the Company to be held at 09:15 on Monday 31 October 2011 at Brackenfell, and at any adjournment thereof:

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	Number of shares		
	In favour of	Against	Abstain
Ordinary resolution number 1 Adoption of the annual financial statements			
Ordinary resolution number 2 Reappointment of PricewaterhouseCoopers as auditors			
Ordinary resolution number 3 Re-election of Dr CH Wiese			
Ordinary resolution number 4 Re-election of Mr JA Louw			
Ordinary resolution number 5 Re-election of Mr JF Malherbe			
Ordinary resolution number 6 Re-election of Mr BR Weyers			
Ordinary resolution number 7 Appointment of Mr JG Rademeyer as Chairperson and member of the Shoprite Holdings Audit Committee			
Ordinary resolution number 8 Appointment of Mr JA Louw as member of the Shoprite Holdings Audit Committee			
Ordinary resolution number 9 Appointment of Mr JF Malherbe as member of the Shoprite Holdings Audit Committee			
Ordinary resolution number 10 Endorsement of the Remuneration Policy			
Ordinary resolution number 11 General authority over unissued shares			
Ordinary resolution number 12 General authority to issue shares for cash			
Special resolution number 1 General approval of remuneration payable to non-executive directors			
Special resolution number 2 General approval of financial assistance to subsidiaries, related and inter-related entities			
Special resolution number 3 General approval to repurchase shares			
Ordinary resolution number 13 General authority to directors			

*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) on (date)2011

Shareholder's signature

Please read the notes and instructions overleaf.



Form of Proxy (continued)

Shoprite Holdings Ltd

Notes to form of proxy

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registration.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided or to mark the relevant box(es). If a box is marked without inserting a number of votes it is deemed that the proxy may exercise all the votes of the shareholder. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of the shareholder's total holding.
6. Summary of rights established by section 58 of the Companies Act of 2008

6.1 At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:

- participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
- give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

6.2 A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
 - one year after the date on which it was signed; or
 - any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4) (c), or expires earlier as contemplated in subsection (8) (d).

6.3 Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

- a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

6.4 Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
 - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - delivering a copy of the revocation instrument to the proxy, and to the company.

6.5 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

- the date stated in the revocation instrument, if any; or
- the date on which the revocation instrument was delivered as required in subsection (4) (c) (ii).

6.6 If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:

- the shareholder; or
- the proxy or proxies, if the shareholder has:
 - directed the company to do so, in writing; and
 - paid any reasonable fee charged by the company for doing so.

6.7 A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

6.8 If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy-

- the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
- the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must-
 - bear a reasonably prominent summary of the rights established by this section;
 - contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
 - provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
- the company must not require that the proxy appointment be made irrevocable; and
- the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the chairman of the Annual General Meeting.

8. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

11. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

12. Where there are joint holders of any shares:

- any one holder may sign this form of proxy;
- the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

13. The proxy may not delegate any of the rights or powers granted to it.

Electronic Receipt of Communication and Notices

Shoprite Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
JSE share code: SHP
NSX share code: SRH
LUSE share code: SHOPRITE
ISIN: ZAE00012084
("Shoprite Holdings" or "the Company")

Dear Shareholder

Please note that in terms of the Companies Act 71 of 2008 (as amended) and the JSE listings Requirements, you may elect to receive shareholder communications and notices from the Company electronically.

To receive shareholder communications and notices in electronic form, kindly provide the following information:

Full name of shareholder

Reference number*

Email address

Telephone numbers (home)
..... (office)
.....(mobile)

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*can be obtained from the envelope in which you received the 2011 Integrated Report or please call Computershare on telephone +27 (0)11 370 5000 for details.

Once completed, please return this form to Computershare Investor Services (Pty) Limited in the enclosed business reply paid envelope provided.

Should any of your details change in the future, please advise of the change as soon as possible to enable us to update our records accordingly.

Yours sincerely



P G Du Preez

Company Secretary



Administration

Shoprite Holdings Ltd

REGISTRATION NUMBER

1936/007721/06

REGISTERED OFFICE

Physical address: Cnr William Dabs and Old Paarl Roads
Brackenfell, 7560, South Africa
Postal address: PO Box 215, Brackenfell, 7561, South Africa
Telephone: +27 (0) 21 980 4000
Facsimile: +27 (0) 21 980 4050
Website: www.shopriteholdings.co.za

COMPANY SECRETARY

Mr P G du Preez
Physical address: Cnr William Dabs and Old Paarl Roads
Brackenfell, 7560, South Africa
Postal address: PO Box 215, Brackenfell, 7561, South Africa
Telephone: +27 (0) 21 980 4284
Facsimile: +27 (0) 21 980 4468
E-mail: cosec@shoprite.co.za

TRANSFER SECRETARIES

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Facsimile: +27 (0) 11 688 5248
Website: www.computershare.com

Namibia

Transfer Secretaries (Pty) Ltd
PO Box 2401, Windhoek, Namibia
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Facsimile: +264 (0) 61 248 531

Zambia

Enfin Solutions Limited
PO Box 320069, Lusaka, Zambia
Telephone: +260 (0) 211 256284/5
Facsimile: +260 (0) 211 256294

SPONSORS

South Africa

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PO Box 1144
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Telephone: +27 (0) 11 295 8600
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Website: www.nedbank.co.za

Namibia

Old Mutual Investment Group (Namibia) (Pty) Ltd,
PO Box 25549, Windhoek, Namibia
Telephone: +264 (0) 61 299 3527
Facsimile: +264 (0) 61 299 3528

AUDITORS

PricewaterhouseCoopers Incorporated
PO Box 2799, Cape Town, 8000, South Africa
Telephone: +27 (0) 21 529 2000
Facsimile: +27 (0) 21 529 3300

BANKERS

ABSA Bank Ltd
Citibank N.A.
First National Bank Ltd
HSBC Ltd
Investec Bank Ltd
Nedbank Ltd
Old Mutual Specialised Finance (Pty) Ltd
The Standard Bank of South Africa Ltd
Standard Chartered Bank PLC

Shareholders' diary

JUNE	AUGUST	SEPTEMBER	OCTOBER	DECEMBER	FEBRUARY	MARCH
Financial year-end	Reviewed results	Publishing of Integrated Report Payment of preference dividend Payment of final ordinary dividend	Annual General Meeting	End of financial half-year	Interim results	Payment of preference dividend Payment of interim ordinary dividend



