www.shoprite.co.za

SHOPRITE HOLDINGS LIMITED

Annual Report 2006

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SHOPRITE HOLDINGS LTD

Shoprite Holdings Limited is an investment holdings 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 846 stores in 17 countries, all integrated electronically into a central database 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 Mumbai and on some islands of the Indian Ocean. 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, inextricably linked to Africa, contributes to the nurturing of stable economies and the social upliftment of its people.

SUPPLY CHAIN MANAGEMENT

INFORMATION TECHNOLOGY

PROPERTY

Designed by motiv
PRINTED BY INCE (PTY) LTD

Proudly innovating –
everywhere we go
in everything we do

Innovation

A GLOBAL PLAYER

- Moved strongly into Africa after 1994
- Now operates in 17 countries
- Developed new formats to serve new markets

FUTURE GROWTH

- Created Innovation Department
- Staffed by young, talented entrepreneurs
- Sole brief: identify new opportunities; develop new possibilities

SUPPLY CHAIN

- Fully automated replenishment system
- Created visibility across the supply chain for both imports and exports
- Pioneered for suppliers a forecasting and replenishment initiative
- Has refined ability to trade internationally, especially in Africa

INFORMATION TECHNOLOGY

- Developed largest retail data warehouse
- Serves as platform for the total business
- Developed advanced staff scheduling programme
- Developed extensive inventory management programme for stores

DISTRIBUTION

- Centralised distribution to stores
- Developed network of own distribution centres
- Computer-based scheduling of deliveries

SUPERMARKETS

- Three main brands cover total income spectrum
- Checkers repositioned for top-end of the market
- Shoprite upgraded to meet aspirations of new middle class
- Limited assortment Usave a new concept in South African market

MONEY MARKET

- Services used by 21 million people every month
- First retailer to introduce low-cost money transfer facility
- Platform in place for a possible range of banking services

MONEY MARKET

MEDIRITE

- First South African retailer to develop pharmacies in stores
- Scripts filled while customers do their shopping

MEDI-Rite PHARMACY

Computicket the Ticket you can Trust

Financial Highlights

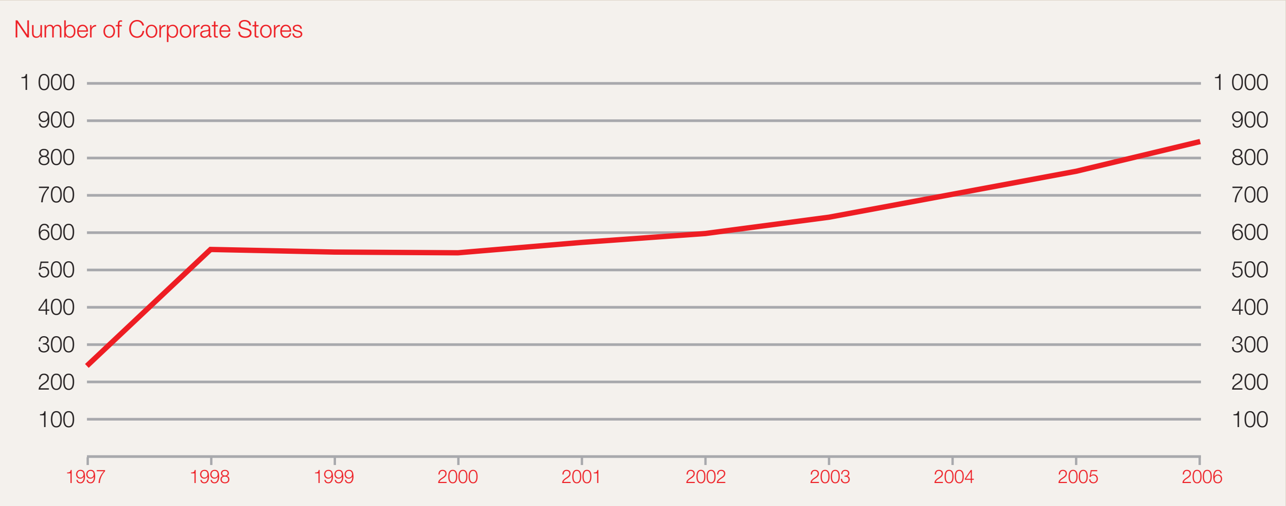
Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

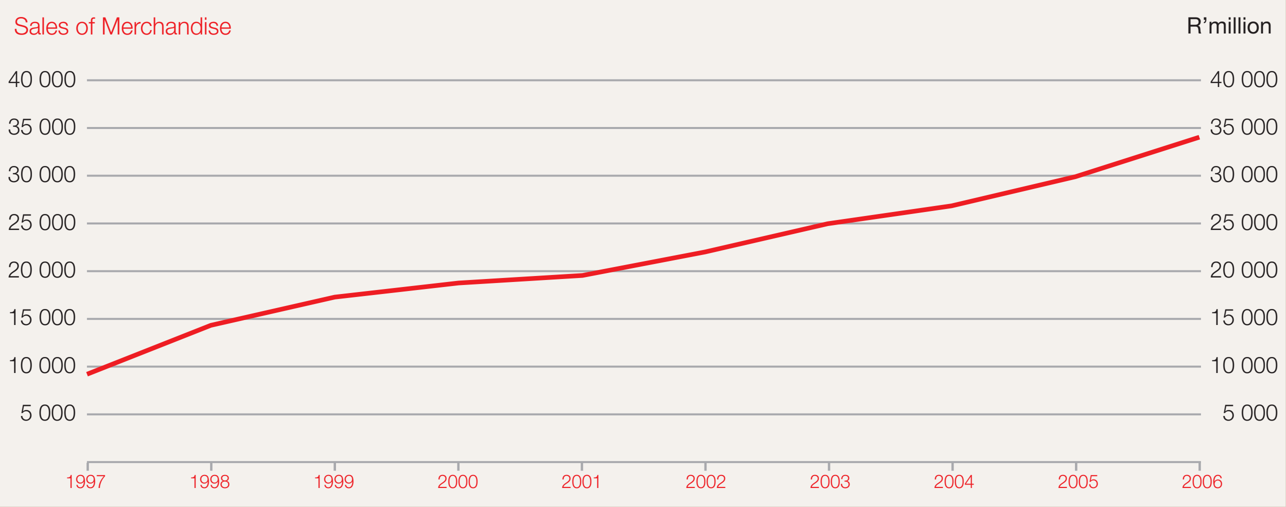
		30 June 2006 R'000	30 June 2005 R'000
Sales		33 511 287	29 704 233
Trading profit		1 252 575	1 032 616
Earnings before interest, tax, depreciation and amortisation (EBITDA) from continued operations		1 712 122	1 421 321
Profit before tax		1 434 575	1 002 931
Headline earnings from continued operations		768 428	688 039
PERFORMANCE MEASURES			
Adjusted headline earnings per share from continued operations	(cents)	150,6	135,0
Adjusted diluted headline earnings per share from continued operations	(cents)	145,0	131,3
Dividend per share proposed	(cents)	73,0	50,0
Dividend cover	(times)	2,0	2,6
Trading margin	(%)	3,7	3,5
Return on average shareholders' equity	(%)	27,8	33,0
Net asset value per share	(cents)	598,4	438,4
Inventory turn	(times)	8,9	8,9

DEFINITIONS

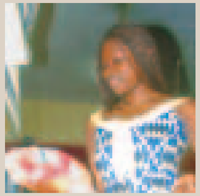
Return on average shareholders' equity:
Headline earnings, expressed as a percentage of average total equity at the beginning and the end of the financial year.

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


Number of Corporate Stores
1 000
900
800
700
600
500
400
300
200
100
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006


Sales of Merchandise
R'million
40 000
35 000
30 000
25 000
20 000
15 000
10 000
5 000
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006

Distribution of Operations





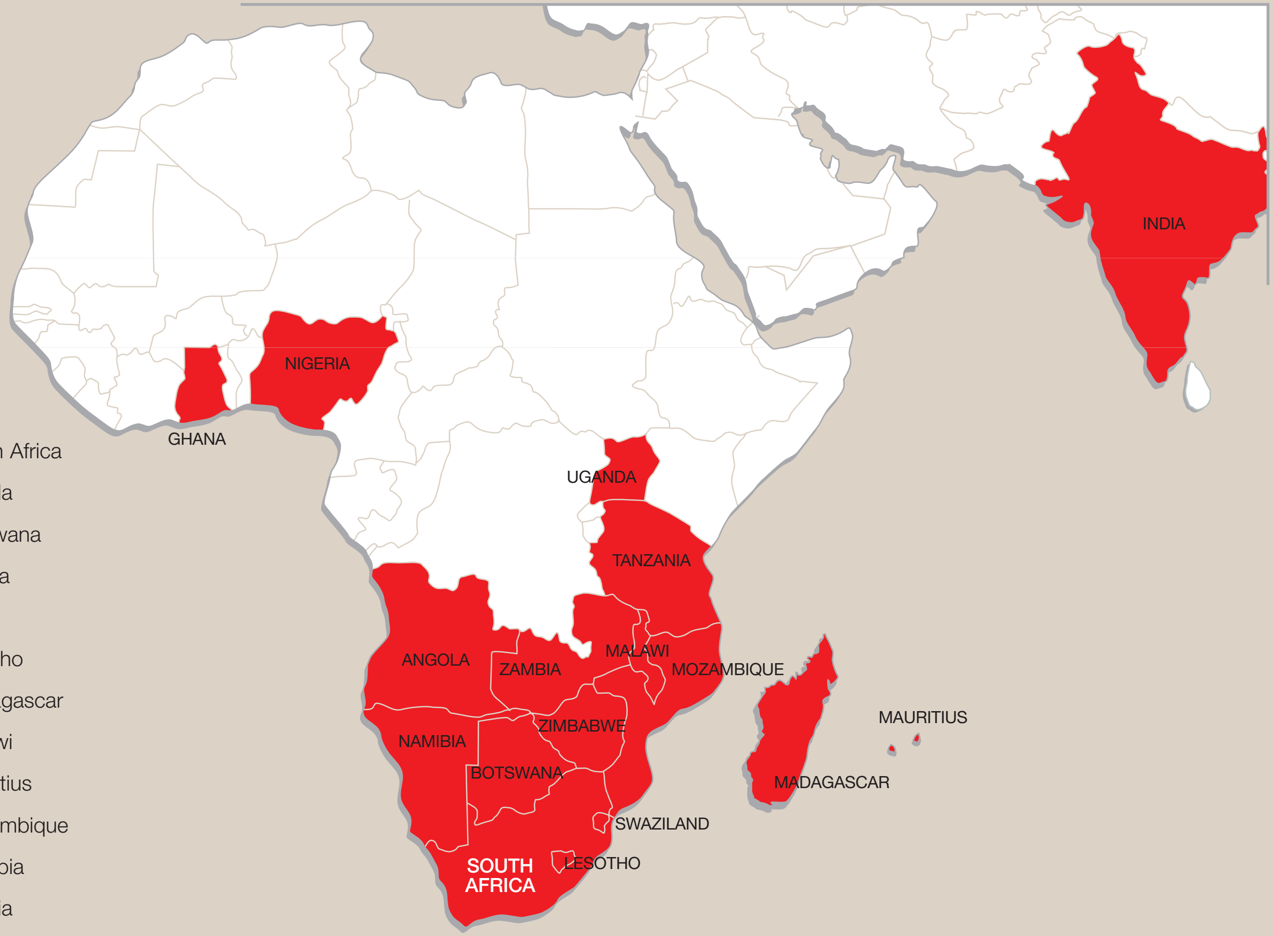
	Shoprite	Checkers	Checkers Hyper	Usave	OK Furniture	Power Express	House & Home	Hungry Lion	OK Foods	OK Grocer	OK MiniMark	Sentra and Value	Megasave
South Africa	286	106	24	68	139	12	26	55	19	42	29	76	44
Angola	1			7									
Botswana	3	1			5			4	2				1
Ghana				2									
India	1												
Lesotho	3			1	3	1		2					
Madagascar	7												
Malawi	2			4				2					
Mauritius	1												
Mozambique	4				1			1					
Namibia	11	3		8	9		1	2	3	9	2	16	8
Nigeria	1												
Swaziland	2			2	1			1		1			1
Tanzania	5												
Uganda	2												
Zambia	18							7					
Zimbabwe	1												
TOTAL	348	110	24	92	158	13	27	74	24	52	31	92	54

Economic Overview

Population 2006 (Thousands)	GDP growth average 2000 – 2005 Constant prices, annual % change	Inflation 2005 Annual % change	
45 584	4,9**	3,4*	South Africa
13 963	15,7	23,0	Angola
1 727	3,8	8,6	Botswana
21 053	5,8	15,1	Ghana
1 079 721	8,3	4,2	India
1 809	(0,7)	3,7	Lesotho
17 332	4,6	18,4	Madagascar
11 182	1,9	12,3	Malawi
1 234	3,5	5,6	Mauritius
19 129	7,7	7,2	Mozambique
2 033	3,5	2,4	Namibia
139 823	6,9	17,9	Nigeria
1 120	2,2	4,8	Swaziland
36 571	6,9	4,6	Tanzania
25 920	5,6	8,0	Uganda
10 547	5,1	18,3	Zambia
13 151	(6,5)	237,8	Zimbabwe

SOURCE: INTERNATIONAL MONETARY FUND, WORLD ECONOMIC OUTLOOK DATABASE, APRIL 2006

*Statistics South Africa **SA Reserve Bank



Board of Directors

NON-EXECUTIVE

CH Wiese (64) @+
BA LLB DCom (hc)
Chairman

Dr CH Wiese joined Pep Stores as executive director in 1967. Seven years later he left Pep Stores to practise at the Cape Bar. He rejoined Pepkor and is since 1981 chairman of Pepkor. He is currently chairman of Shoprite Holdings, Pepkor, Tradehold and Instore Plc. He is non-executive director of Invicta Holdings and director of KWV.

JJ Fouché (58) #@+
BCom LLB

Mr JJ Fouché joined Pep Stores in 1973 and was appointed a director of Pepkor in 1987 and is at present a non-executive director of the company. He joined the board of directors of Shoprite Holdings in 1991 and serves on the audit, remuneration and nomination committees of Shoprite Holdings.

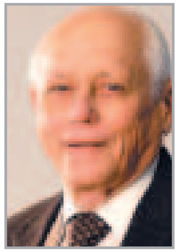
TRP Hlongwane (67)

Mr TRP Hlongwane was appointed to the board of Shoprite Holdings as a non-executive director during November 2002. He also serves as director on the board of Pamodzi Investments Holdings and Umphakathi Investments.

NON-EXECUTIVE (CONTINUED)

JA Louw (62) @+
BSc Hons B(B&A) Hons

Mr JA Louw, a former vice-chairman of Pepkor, joined the board of Shoprite Holdings during 1991 and serves on the remuneration and nomination committees. He presently serves on the board of various companies and is vice-chairman of Pioneer Food Group Ltd.



JF Malherbe (77)
BCom LLB

Mr JF Malherbe joined the board of directors of Shoprite Holdings in 1999 as a non-executive director. He is honorary chairman of the law firm, Jan S de Villiers.

JG Rademeyer (57) #
BCom CTA CA(SA)

Mr JG Rademeyer is a non-executive director of Shoprite Holdings and was appointed to the board in November 2002. He also serves as chairman of the audit committee. He retired as chairman of the accounting and auditing firm, Rademeyer Wesson in July 2006 to pursue property development.

NON-EXECUTIVE ALTERNATE

JD Wiese (25)
BA (Value and Policy Studies)

Mr JD Wiese was appointed to the board of Shoprite Holdings as alternate director during September 2005. He is marketing manager of Lourensford and Lanzerac Wine Portfolio and also serves on the board of various companies.

Member of the Audit Committee
@ Member of the Remuneration Committee
\+ Member of the Nomination Committee

EXECUTIVE

JW Basson (60) [@]
BCom CTA CA(SA)
Chief Executive Officer

Mr JW Basson joined Pep Stores as financial manager in 1971 and in 1975 he was appointed to the Pepkor Board and still serves that company in this capacity. He is chief executive and managing director of both Shoprite Holdings and Shoprite Checkers and serves on the remuneration committee.

CG Goosen (53) [#@]
BCom Hons CA(SA)
Deputy Managing Director

Mr CG Goosen joined the Pepkor Group as financial manager in 1983, and in 1993 he was appointed as financial director to the Shoprite Holdings board. He is deputy managing director of Shoprite Holdings, director of Shoprite Checkers and various companies within the Group and serves on the audit and remuneration committees of Shoprite Holdings.

B Harisunker (54)
Divisional Manager

Mr B Harisunker joined Checkers during 1969. He is at present the divisional manager of the Company's Kwazulu-Natal and Indian Ocean Islands operations. He was appointed to the board of Shoprite Checkers in June 1999 and joined the Shoprite Holdings Board during November 2002.

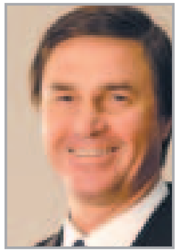
AE Karp (47)
General Manager: Furniture Division

Mr AE Karp joined OK Bazaars in November 1990. He is at present the general manager of the Group's furniture business. He was appointed to the board of Shoprite Checkers in June 1999 and joined the Shoprite Holdings board in September 2005.

EL Nel (57)
BCom CTA CA(SA)
General Manager: Retail Investments

Mr EL Nel joined the Shoprite Group in 1997 and was appointed to the board of Shoprite Checkers in 1999. He currently serves the company as general manager: retail investments. He was appointed as director of Shoprite Holdings during September 2005.

EXECUTIVE (CONTINUED)



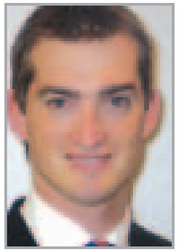
AN van Zyl (58)
BCom LLB
General Manager: Statutory and Legal Services

Mr AN van Zyl joined Pep Stores in 1981 before moving to Shoprite as company secretary and property manager in 1987. He was appointed as company secretary and director: legal services to the board of Shoprite Holdings in 1997 and is also director of Shoprite Checkers and other companies within the Group.

BR Weyers (54)
General Manager: Marketing

Mr BR Weyers joined the Shoprite Group in 1980, and serves on the board of Shoprite Checkers as general manager: marketing. He was appointed as director of Shoprite Holdings in 1997.

EXECUTIVE ALTERNATE



JAL Basson (30)
B Acc
General Manager: Hungry Lion

Mr JAL Basson joined the Shoprite Group in 2002. He is at present the general manager of the Hungry Lion fast foods division. He was appointed to the board of Shoprite Holdings as an alternate director during September 2005.

M Bosman (49)
B Acc Hons CA(SA)
General Manager: Group Finances

Mr M Bosman joined the Shoprite Group during 1993. He has served on the board of Shoprite Checkers as general manager: group finances since 1999 and is also a director of various companies within the Group. He was appointed as alternate director of Shoprite Holdings during September 2005.

PC Engelbrecht (37)
BCompt Hons CA(SA)
Chief Operating Officer

Mr PC Engelbrecht joined the Shoprite Group during April 1997. He was appointed as a director of Shoprite Checkers in August 2003 and as alternate director of Shoprite Holdings during September 2005. He currently holds the position of chief operating officer.

Chairman's Report

The theme of this year's annual report is innovation, the hallmark of Shoprite Holdings since its establishment in 1979 that has propelled growth from eight outlets to a group now operating more than 840 stores in 17 countries. Innovation, which in a retail context implies always finding better ways of servicing the needs of customers, has been coupled with a sense of daring and a willingness by management to venture into new areas both geographically and operationally, and to constantly adapt the business to changing environments to exploit opportunities as they arise.

Within South Africa societal change has been dramatic since the middle 1990s as a redistribution of wealth has seen the emergence of a new middle-class with its own unique demands while a new political dispensation has opened up trading opportunities in previously disadvantaged areas. At the same time the gateway to Africa and the rest of the world has been unlocked with political barriers dropping away and opening vast and largely untapped markets to those with an entrepreneurial spirit.

We have met these challenges by moving strongly into Africa, developing new retail formats in addition to conventional supermarkets to reach a wider spread of customers, and moving our stores closer to people's homes to make shopping as convenient as possible. To make all of this happen, we upgraded our supply chain into a powerful engine driving our business. In the last few years we have created the new retail format Usave, a no-frills, small-format chain that sells a limited range of goods at prices well below those of other major retailers because of its low overhead cost structures. Today we operate more outlets in previously disadvantaged areas than any one of our competitors.

We also created the Money Market concept which from kiosks in our more than 480 Shoprite and Checkers supermarkets provide a wide range of services to customers, turning our outlets into true destination stores. It offers customers the convenience of paying, for instance, municipal, telephone and electricity accounts while shopping. However, Money Markets have extended their services way beyond that to also sell tickets for theatre and cinema shows and major sporting events, a service greatly expanded with the acquisition of Computicket. From the outset Money Markets also offered limited financial services in the insurance field. This offering was recently extended to include some additional services, in particular money transfers to any part of South Africa. We believe banking services to be an area offering enormous growth potential for the Group.

Nowhere else is the spirit of innovation more apparent at an operational level than in the Group's business in Africa where it has been, and still is, playing a pioneering role. In meeting the business challenges presented by each country where it operates, management has to adapt trading formats to local consumer needs. It has therefore on occasion combined three formats into a functional unity where a Megasave wholesale outlet backs on to a supermarket and where the former, in addition to selling to small traders, also acts as a distribution centre servicing satellite Usave stores in neighbouring areas or towns. In the past year this concept has been taken further when in certain instances the Megasave and supermarket have been combined with considerable success so that wholesale and retail transactions now take place on the same trading floor.

Food retailing is a replenishment business and in order to provision our stores as efficiently as possible we created, against the general trend, a series of distribution centres for both hard goods and perishables throughout South Africa and the rest of the continent. Suppliers deliver to the distribution centres where we combine store orders and plan deliveries in such a way that our fleet of trucks spends the minimum amount of time on the road and at delivery points, reducing congestion in the case of both.

We realised years ago that a business our size, to maintain its growth momentum in both the number of stores and their geographic spread, needed the best management and operational systems if we did not want to compromise efficiency levels and thus our profitability. We therefore invest on an ongoing basis in the latest technology relevant to our industry. As a result we operate probably the largest and most advanced retail data warehouse in the country today. It covers the whole spectrum of our business. It serves as platform for our Money Market services while also driving the management of our supply chain. It provides us with up-to-the-minute information about the stock situation in every store, whether located in Malmesbury or Mumbai. This information not only enables us to detect shrinkage very quickly but also makes it possible to advance to the stage of automatic reordering, thereby greatly reducing the number of out-of-stock situations in stores.

Again using the detailed data at our disposal we have now turned our attention to our interface with customers in our stores to ensure service delivery is up to the highest standards. As we can identify peak trading times in each store on a given day, we can now schedule the working hours of staff exactly to meet the expected demand. The programme updates staff demand at 15-minute intervals to ensure we have the people on hand to run each store with maximum efficiency. By using a computer-based programme to this end we relieve store management of a time-consuming task and free them up to devote more time to customer needs.

The staff scheduling programme will operate in tandem with Operation Better Store, a comprehensive programme driven at operational level, aimed at increasing service delivery in every department across the spectrum in the Group's stores.

ACKNOWLEDGEMENT

The innovation and daring that have been our guiding principles over the past three decades and that will continue to inform our endeavours in the years ahead are an expression of the culture that has been nurtured in our business by top management with full backing of the Board. The results of that daring and dedication are clearly reflected in our financial performance for the year, and I want to express my deepest gratitude to every member of staff for his or her contribution, to my fellow directors for their unstinting support and to all our suppliers for helping us achieve our goals.

CH Wiese
Chairman

Chief Executive Officer's Report

BUSINESS ENVIRONMENT

Consumer confidence remained high throughout the reporting period and spending continued unabated. This was particularly noticeable in the durable and non-food sectors where spending was linked, inter alia, to the government's accelerated housing programme and continued support through social grants and tax concessions for lower-income earners. In the second half of the year the downward pressure on prices started to ease and food inflation began to rise, although the latter still averaged only approximately 4,1%.

The Group managed to maintain its price competitiveness in a market characterised by aggressive food discounting in a low inflation environment. The relatively strong rand continued to benefit the sale of imported, higher-margin products while its potential negative effect on exports was mitigated by the strengthening of several key African currencies and the stability of others.

The dominant factor in the market remained the strong growth of the emerging middle class and its rising disposable income, the main driver for retail growth in South Africa. This new middle class challenges retailers to meet their aspirations with an improved product choice and an extended range of consumer services. With government's projected annual economic growth rate of 4.5% for the next three years, underpinned by its plans for massive investment in infrastructure, the numbers of this new middle class are expected to continue growing in the years to 2010.

The Group's main brand, Shoprite, is better positioned than any of its competitors to benefit from this growth surge in its core target market. It is already a firm favourite amongst South African consumers as can be seen by the results of the 2006 Sunday Times / Markinor Top Brands Survey in which Shoprite was rated the number one food retail brand in the country. Shoprite also achieved the highest score from customers in non-metro areas where the brand has established the largest footprint in its forty years of existence.

FINANCIAL OVERVIEW

The financial year to end June 2006 comprised 52 weeks compared to the corresponding period of 53 weeks in 2005, a situation that skews any direct comparisons. During the review period the Group increased turnover by 12,8% from R29,704 billion to R33,511 billion and trading profit by 21,3% to R1,253 billion. These percentages increase to 15,1% and 31,1% respectively when compared to a 52-week period in 2005.

The Group's supermarket operation in South Africa, centred in the three chains Shoprite, Checkers and Usave and representing 80,8% of total turnover, fared particularly well, boosting turnover by 12,6% (52 weeks: 14,9%) and trading profit by 22,3% (52 weeks: 32,2%). In doing so, it also increased market share by 0,13%. The strong turnover growth was buoyed by a 10,1% increase in the number of customer transactions while the value per transaction was on average 4,1% higher.

Group results were well supported by the improved performance of the 109 non-RSA stores, which recorded turnover growth in rand terms of 20,4% (52 weeks: 23,0%) to R2,925 billion. Trading profit also exceeded last year's contribution by a substantial margin.

The highest ever trading margin for the Group of 3,7% was achieved by the Group as a result of improved efficiencies in supply chain management and the rigorous control of shrinkage which was kept well below internationally acceptable levels.

Adjusted diluted headline earnings per share rose 10,4% (19,8% in the case of 52 weeks) to 145,0 cents while the net asset value per share was 36,5% higher at 598 cents.

Based on these results, the board of directors declared a final dividend of 46c a share (2005: 28c) to bring the total distribution for the year to 73c a share, an increase of 46% over 2005. In the process the dividend cover is reduced from 2,6 times to 2 times in line with the target set by the board a year ago.

As the Group's primary listing is on the JSE Limited it has to report its results in rand. During the year the rand lost 6% against the US dollar (from R6,73 to R7,11). The weaker rand resulted in a currency gain of R8,4 million against R1,9 million the previous year.

Comments on the income statement and balance sheet appear in the Financial Report on pages 16 to 18.

OPERATIONAL REVIEW

The 2006 fiscal has been a most gratifying one for the Group. For the first time it is experiencing the benefits of restructuring and consolidating its activities into a coherent whole, underpinned by dedicated staff, astute management and some of the most advanced information systems available. We were fortunate in being able to refine this process of consolidation during a time of solid economic growth and high consumer confidence.

Also true of the period under review is that the favourable macro-economic climate greatly benefited the retail industry. Ongoing government support for lower income earners and its concerted drive to maximise broad-based black economic empowerment and the redistribution of wealth that accompanies it, substantially increased the disposable income of the emerging middle class.

Within the Group, Shoprite in particular benefited from its position as price leader, the location of its stores and its focused product offering.

Increased sales of higher-margin non-food products such as smaller electrical appliances sought after by first-time home-owners, also added substantially to the bottom line. Money Market kiosks, located in each of the Group's Shoprite and Checkers supermarkets in South Africa, played an increasing role not only in bringing consumers into the stores – some 50% of customers make use of their services – but also in contributing to trading profit.

An important contributing factor to the Group's overall performance was the ongoing improvement in its information and management systems that now also make it possible to track changing consumer preferences. The systems also enabled the Group to improve its replenishment and, in the process, its customer service. The distribution centres are operating at their highest level of efficiency ever and have reached the point where we can measure with total accuracy the service level of every supplier and take corrective action where necessary.

During the period under review the Group's energies were focused mainly on further defining our three food retailing formats and providing each with a distinct identity; to refining and rationalising our non-RSA business; and to improving our level of professionalism to equip us for the challenges of the next decade.

In South Africa

During the year the Group confirmed its stature as a dominant player in the food retail sector while the geographic spread of its operations far exceeds that of any of its competitors. All three food retail brands reported strong growth in turnover, customer transactions and trading profit. One of the most encouraging developments has been the increasing and more clearly differentiated loyalty of customers to the Shoprite and Checkers brands. This has markedly reduced the level of cannibalisation between the two brands previously noticeable during national promotions.

Shoprite

Shoprite remains by far the dominant brand in the Group, operating 348 of its 574 corporate stores, of which the 286 in South Africa generate about 47% of the Group's total turnover. It services the high-growth living standards measure categories (LSM) 4–7, with more than 20% penetration of each. According to AMPS it enjoys the highest customer loyalty of any food retail brand in South Africa with 38% of its shoppers being exclusively Shoprite customers. It is also the second store of choice for customers of competing supermarkets.

It has always been geared to the needs of middle-income earners, creating a shopping environment in which such consumers feel comfortable. However, it also adapts to the changing needs of its core target market, and to accommodate the new-found aspirations of its customer base, it is constantly upgrading its supermarkets and extending the product range to include a greater variety of perishables and convenience foods as well as non-food items. The upgrade in store ambience and product range has been achieved without loss of the chain's price advantage over its major competitors. Customer response to these changes has been immediate and positive.

Checkers

By the end of the reporting period the repositioning of Checkers had been largely completed and it was a firmly established brand near the top-end of the market, drawing its support from the higher LSM categories. Its repositioning is reflected in the quality of its store lay-outs but particularly in the upgrade of the product range where the accent is on convenience foods and specialist categories. Despite opening the least number of stores in comparison to its competitors during the review period, it nevertheless increased market share.

Repositioning a chain the size of Checkers takes a considerable amount of time, not so much the physical transformation, which has now been completed, but changing the perceptions of consumers. The latter process is ongoing, but progress has already been made in winning over a growing number of affluent consumers to the new brand while retaining the support of the chain's historic client base.

Usave

This versatile brand is showing continued strong growth – 29,3% in turnover during the review period - and continues to provide an excellent return on investment. Its great strength is its ability to operate successfully in virtually every environment, whether in rural or urban areas, in South Africa or outside its borders. In the past year it has shown considerable gains in market share as its "everyday low price positioning" gained credence with consumers. It also functions as an important strategic tool for the Group since its low overhead costs affords us an excellent way of entering new markets with minimum risk. We intend growing the number of Usave stores in the new financial year, particularly within the borders of South Africa.

Outside South Africa

Our operations outside South Africa have shown a considerable improvement over the previous year in turnover, which grew by 20,4% in rand terms. Trading profit also substantially exceeded last year's contribution. We also benefited from the greater economic stability on the continent in that, with very few exceptions, key currencies either strengthened against the rand or remained on a par when compared to a year ago. Although often off a low base, these economies also showed considerable growth on which the Group has been able to capitalise.

We have expanded our focus in Africa to include the oil-rich West African countries where we are well-placed to benefit from consumers' high disposable income. The successful format in these countries is the well-equipped supermarket, offering a First World range of products and an aspirational shopping experience. During the year the Group opened its first supermarket in Lagos, Nigeria, which is trading ahead of budget. We are investigating additional sites in Nigeria, as well as the potential of other commodity-rich countries in the region.

Our franchise supermarket in Mumbai, the commercial hub of India, has showed excellent growth in both basket size and the number of customer transactions. The Group has been proved right in its conviction that Indian consumers are ready for a more sophisticated food shopping experience. However, it is still being hampered by the slow pace of liberalisation of the local market.

In line with its policy of refining operations outside South Africa, the Group has withdrawn from Egypt due to the restrictive retailing environment in the country. However, the buying department and distribution centre have been retained to serve countries that benefit from a preferred duty structure on goods imported from Egypt.

OK Franchise

This division has launched an intensive campaign to rebuild its membership base after a period during which it rid itself of unprofitable accounts. The remaining members all operate successful businesses and provide an excellent base for future growth in a highly contested sector of the food retail market. The new recruitment drive is aimed primarily at potential urban members to balance the division's strong rural base.

One of management's aims is to promote the government's strong empowerment drive, and a new format called OK Value was created that will make it easier for members of previously disadvantaged communities to become active participants in food retailing serving their own areas.

Furniture

This division has done well over the last few years. Due to the high consumer spend during this period we could build it into a business with its own culture and strong disciplines. International sourcing was greatly improved and a keen pricing policy developed; a sharpened focus was placed on marketing and the product range was expanded and improved. Although it is still a relatively small player in its sector with 198 stores, it is geared for strong future growth as new homeowners continue to enter the market every year. The potential exists to add a number of new stores without materially increasing the division's present fixed cost structure.

NEW VENTURES

In the previous financial year an innovation department was created with the sole brief to identify new opportunities and new possibilities, to investigate their potential and determine how such opportunities could be developed either within the context of our main business or within a broader framework of retailing.

We staffed this department with a team of highly talented, highly motivated young entrepreneurs who within the short period of a year generated excitement and potential growth in the business. The Group's pharmacy project is being developed on this basis, so are the liquor stores and our growing money market and related services. These and other similar projects hold promise for the future and will in time have an influence on the nature and profitability of the business.

TRAINING AND SUCCESSION PLANNING

To meet our objective for the year of increasing the level of professionalism with which we run our business, special emphasis was placed on identifying talent, to train young people to fill positions with greater responsibility, and to improve the general level of service provision at all levels. As a result of an ongoing recruitment drive the Group now employs 1 489 graduates. There are 717 young men and women in training for managerial positions and he Group has provided 26 442 staff members with additional training to upgrade skills during the year, especially in the area of service delivery. The Group is, in fact, at the forefront of skills development in its sector in South Africa, and the largest contributor of skills levies to the Wholesale and Retail Sector and Education Training Authority (W&RSETA).

ACKNOWLEDGMENT

It requires great dedication to stay focused in the challenging world of retailing with its changing consumer trends, constant advances in support systems and the long trading hours necessitated by new lifestyle patterns. The extent to which management and staff have risen to these challenges is clearly reflected in the results achieved this past year. I want to express my grateful thanks to every one of them for their dedication and their determination to succeed, as well as to the members of the Board for their clear leadership and well-considered support of management.

JW BASSON
Chief executive

22 August 2006

Financial Report

Marius Bosman
General Manager:
Group Finances

INCOME STATEMENT

GENERAL

Many retailers, the Shoprite Group being one of them, treat a week as a business period and consider a year to consist of 52 weeks. However, together they only amount to 364 days, which means we are one day short of a calendar year. This, together with leap years in between, means we have to correct the situation every five years by having a 53-week calendar year. The Group took this extra week last year, resulting in a 53-week reporting period. The results of the Group must thus be seen against this background. Where applicable, the results for the comparable 52 weeks are shown in brackets.

SALE OF MERCHANDISE

- Total turnover increased by 12,8% (52 weeks: 15,1%) to R33,511 billion. The combined sales of the three supermarket brands – Shoprite, Checkers and Usave and including the non-RSA operation – increased by 13,3% to R29,997 billion (52 weeks : 15,7%), up from R26,478 billion in 2005.

  The total number of customers served increased by 10,1% while basket value for the 12 months was 4,1% higher.
- The contribution from the Group's supermarket operations outside South Africa showed a positive growth of 20,4% to R2,925 billion (52 weeks: 23%).
- The furniture business continued to perform well and increased turnover by 11, 2% to R1,875 billion (52 weeks: 13,7%).

GROSS PROFIT

Gross profit comprises primary gross margin after markdowns and shrinkage. In line with International Financial Reporting Standards ("IFRS") (IAS 2: Inventory and IFRIC Circular 9/2006), the Group deducted settlement discounts and rebates received from the cost of inventory. Previously settlement discounts and rebates received were shown as part of other income. This change in classification had no effect on the trading profit of the Group.

The Group managed to maintain its price competitiveness in a market characterised by aggressive food discounting in a low-inflation environment. Gross profit increased by 13,6% to R6,795 billion, due mainly to improved product ranges, more efficient replenishment and the continued contribution to income by the non-foods division. Shrinkage remains well under control, better than the accepted international norms.

OTHER OPERATING INCOME

Other operating income increased by 11,2% to R765 million. This increase was mainly due to an increase in premiums earned (12,5%) and commission received (83,3%). The big increase in the latter was due to the purchase of Computicket during November 2005.

The reduction in operating lease income resulted mainly from head leases cancelled or renegotiated. This also affected operating lease expenses in a similar fashion.

EXPENSES

There is always the risk of cost increases outstripping sales growth, especially in times of low inflation when retailers find themselves locked in longer-term contracts, e.g. leases. However, cost management remains a high priority for the Group as trading margins are always under pressure due to the stiff competition in food retailing. Expenses were well managed over the period.

- *Depreciation and amortisation.* The Group increased its investment in information technology in recent years by converting all stores to scanning. Older scanning equipment has also been replaced. This has the temporary effect of higher depreciation and amortisation charges than sales increases. The Group is also continuously opening new stores and has a specific refurbishment programme for older stores. On average a store is revamped every seven to eight years and during the year the Group continued with this policy.

- *Operating leases.* Rental increases are in line with general rental increases in the property market. A number of new stores were also opened during the year, which contributed to a slightly higher increase. Lease payments, on the other hand, have been reduced by head leases that were not renewed or were renegotiated during the year.
- *Employee benefits.* The increase in staff costs at 15,1% was above turnover growth of 12,8% for a 53-week year, but in line with the 15,1% turnover growth for 52 weeks. This increase must also be read with the net 66 supermarkets and furniture stores opened. Employee benefits grew by 7,9% for existing stores and the Supermarket division again increased productivity.
- *Other expenses.* These costs, which increased by 11,0%, cover expenses such as electricity and water, repairs and maintenance, security, packaging and net advertising cost. This increase is well in line with the turnover growth of 15,1% (52 weeks).

FOREIGN EXCHANGE DIFFERENCES

As stated in the accounting policies, the balance sheets of foreign subsidiaries are converted to rand at closing rates. In essence, most foreign exchange differences are due to the conversion to rand of a country's short-term loans or due to balances in US dollar held in offshore accounts.

During the year the rand weakened 5,6% against the US dollar compared to a weakening of 6,0% in 2005 (calculated on a conversion rate of R6,35 on 30 June 2004, R6,73 on 30 June 2005 and R7,11 on 30 June 2006) resulting in a currency profit of R8,4 million in 2006 as against a profit of R1,9 million the previous year.

NET FINANCE INCOME

The Group utilises overnight call facilities for both short-term deposits and borrowings. For the last few years the Group funded all capital projects with short-term borrowings.

TAX

In addition to secondary tax on companies of R35 million, the tax charge includes an amount of R27 million for capital gains tax that relates to properties sold. During the latter part of the year the Group also reached a settlement with SARS regarding the tax residency of the Group's offshore structure. The related payment of R33 million is reflected as arrears taxes paid.

HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS PER SHARE

Diluted headline earnings per share increased 9,6% from 128,8 cents to 141,2 cents (52 weeks: 19,2%). Once adjusted for exchange rate differences, adjusted diluted headline earnings per share were 10,4% higher at 145,0 cents (52 weeks: 19,8%).

BALANCE SHEET

NON-CURRENT ASSETS

Property, plant and equipment

During the year the Group spent R1,400 billion on property, plant and equipment compared to R923,6 million in 2005. The Group is also continuing to purchase vacant land for strategic purposes and building stores when no developers can be found. During the year the Group spent R288 million on land and buildings. The investment in refurbishments amounted to R516 million, while R336 million was spent on new stores (excluding land and buildings), R185 million on information technology and the balance on normal replacements. The Group is in the process of upgrading its back-office systems and is planning to spend an additional R140 million to this end over the next four years.

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 R31,3 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.

The balance mainly represents amounts owing by participants in The Shoprite Holdings Ltd Share Incentive Trust and by franchisees for franchises and fixtures and fittings sold to them.

Deferred tax assets

Deferred tax is provided, using the liability method, for all calculated tax losses and temporary differences between the 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.

Intangible assets

This consists of goodwill paid for new acquisitions, trademarks acquired as well as software that is now classified as an intangible asset. Goodwill is subjected to impairment testing on an annual basis while trademarks are amortised over 20 years. Software costs are amortised over the estimated useful life of the relevant software, normally from three to five years.

CURRENT ASSETS

Inventories

Inventories amounted to R3,269 billion, an increase of 20,6% on the previous year. The inventory turn, based on sales of merchandise, was 10,3 times (2005: 11 times) and, based on cost of sales, 8,9 times (2005: 8,9 times). The increase in inventory was mainly the result of provisioning a net of 45 new supermarkets opened during the year and substantial forward buying of non-foods for the 2006 Christmas season to relieve the pressure on the distribution centre as well as improving service levels from our suppliers.

Trade and other receivables

Trade and other receivables mainly represent instalment sale debtors, franchise debtors, buy-aid societies and staff debtors. Adequate provision is made for potential bad debts and the outstanding debtors books are reviewed regularly.

The provisions for impairment and unearned finance income in respect of instalment sales debtors amounted to 19,2% compared to 20,1% the previous year. This modest decrease on the back of the turnover growth was made possible by the quality of the book.

Assets held for sale

Certain land and buildings have been reclassified 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 R536,7 million at year-end, compared to R292,4 million in 2005. This improvement was mainly due to the income from properties sold.

Available-for-sale investments

- 1 343 685 "A" and 1 343 685 "B" linked units in ApexHi Properties Ltd, a listed company, valued at R33,6 million.
- 100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd, valued at R13,8 million. Global Solutions is a supplier of international treasury solutions to the Group. This investment forms part of the payment structure agreed with RMB Global Solutions (Pty) Ltd.

CURRENT LIABILITIES

Provisions

Adequate provision is made for post-retirement medical benefits, reinstatements, onerous lease contracts, long-service awards and claims incurred but not reported in Shoprite Insurance Company Ltd.

CREDIT AND RELATED FINANCIAL SERVICES

Credit sales

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

SHOPRITE INSURANCE

The Group established its own short-term insurance company as part of the furniture business in November 2001. Prior to that date the Group operated a cell-captive at another short-term insurer. During the year under review premiums earned amounted to R165,5 million compared to R147,2 million the previous year.

The following provisions are made on an annual basis, namely

- IBNR claims payable = 5% of net premiums
- Contingency reserve = 10% of net premiums whereas premiums are earned as per the following formula:
    - o Premiums earned = Net premium x expired period
    - o Premiums unearned = Net premium x unexpired period.

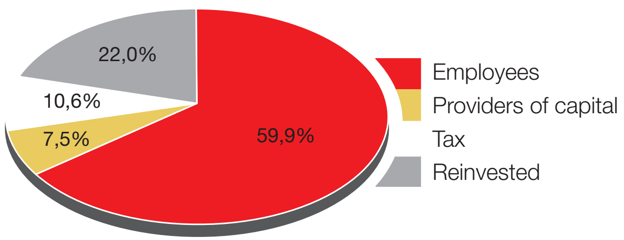
At year-end the insurance company had a solvency margin of 66% compared to the minimum requirement of 15% as per the Insurance Act.

Value Added Statement

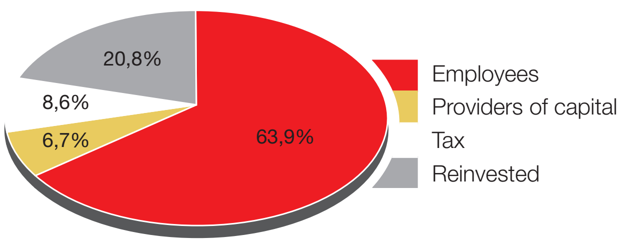
Shoprite Holdings Limited and its subsidiaries
for the year ended 30 June 2006

	30 June 2006 R'000	%	30 June 2005 R'000	%
SALES OF MERCHANDISE	33 511 287		29 704 233	
INVESTMENT INCOME	107 471		69 385	
COST OF GOODS AND SERVICES	(28 722 150)		(25 828 922)	
VALUE ADDED	4 896 608	100,0	3 944 696	100,0
EMPLOYED AS FOLLOWS:				
EMPLOYEES				
Salaries, wages and service benefits	2 933 936	59,9	2 519 159	63,9
PROVIDERS OF CAPITAL	368 785	7,5	263 105	6,7
Finance costs to providers of funds	89 736	1,8	52 543	1,3
Dividends to providers of share capital	279 049	5,7	210 562	5,4
TAX				
Tax on profits made	518 240	10,6	339 949	8,6
REINVESTED				
Reinvested in the Group to finance future expansion and growth	1 075 647	22,0	822 483	20,8
Depreciation and amortisation	464 564	9,5	403 432	10,2
Retained earnings	611 083	12,5	419 051	10,6
EMPLOYMENT OF VALUE ADDED	4 896 608	100,0	3 944 696	100,0

2006



2005



Composition of the Group

SHOPRITE

Positioning
The Shoprite chain is the original business of the Group and its main brand. It is by far the biggest business unit. It is also the brand used predominantly outside the borders of South Africa spearheading the Group's growth into new markets.

Target customer
It draws its customers from the middle-income consumers in the living standards measurement 4 to 7.

Shopping experience
Its market positioning has remained unchanged: to provide millions of customers with everyday low prices while offering the lowest prices on basic foods.

CHECKERS

Positioning
Acquired in 1991, Checkers is the major brand after Shoprite. It operates stores throughout South Africa and in some neighbouring countries. It focuses more strongly on fresh produce and offers a wider range of choice food items to a more affluent clientele.

Target customer
The brand has recently been repositioned to cater for customers in the upper-income groups and targets living standards measurement 7 to 10.

Shopping experience
Checkers is becoming a preferred shopping destination for time-pressed consumers. It has strongly developed lifestyle departments such as for wine, cheese and meat.

CHECKERS HYPER

Positioning
Located in areas with high population densities, the positioning of the large-format Checkers Hyper stores is very similar to that of the main Checkers brand. However, they carry a much larger product range, especially non-foods, and encourage bulk rather than convenience shopping.

Target customer
Its target customer is the same as for Checkers: living standards measurement 7 to 10.

Shopping experience
These stores offer the customer low prices on a wide range of foods and non-food products in a pleasant environment.

SHOPRITE USAVE

Positioning
Usave is a no-frills discounter offering a strict selection of 1 000 basic lines. Not only is it an ideal vehicle for the Group's expansion into Africa but also allows far greater penetration of the lower end of the market within the borders of the country.

Target customer
Living standards measurement 1 to 5.

Shopping experience
A limited range of essential fast-moving products offered in a functional environment at the lowest possible prices.

OK FURNITURE

Positioning
The chain, with its wide geographic spread of stores, offers a range of furniture, electrical appliances and home entertainment products at discounted prices, for cash or on credit.

Target customer
Living standards measurement 5 to 8.

Shopping experience
The focus is on essential products offered in a standardised in-store environment on easy payment conditions. Customers can also buy online, selecting from an extensive catalogue.

OK POWER EXPRESS

Positioning
This new chain of small-format stores located mainly in high-density areas sells a reduced range of white goods and home entertainment products in addition to bedding and carpeting.

Target customer
Living standards measurement 5 to 8.

Shopping experience
It offers a pleasing ambience coupled with compact ranging and personalised service.

HOUSE AND HOME

Positioning
It offers a larger selection of contemporary quality furniture, white goods and home entertainment products for more affluent consumers.

Target customer
Living standards measurement 7 to 10.

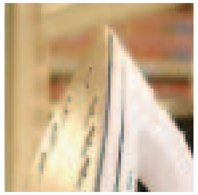
Shopping experience
A highly amenable shopping environment with well displayed products.

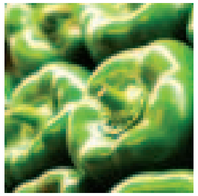
OK FRANCHISE DIVISION

Positioning
Through OK Franchise the Group gained a foothold in smaller, convenience-oriented markets. The OK brand, awarded only to outlets meeting certain requirements, encompasses three formats – OK Grocer, OK Foods and OK MiniMark.

Target customer
Every franchise store aims at satisfying the needs of the community in which it is located.

Shopping experience
Conveniently located stores offering time-saving shopping at competitive prices.





Cobus Zwennis
Divisional Manager:
Shoprite Northern Divisions

OPERATING REVIEW:

Shoprite

The Shoprite brand in South Africa, the Group's core business, contributes 47% to total sales. It continued to benefit from the growing disposable income available in its target market. In South Africa total sales, supported by a 10,6% increase in customer numbers, grew by 14,8% while turnover in existing stores rose 8,1%. The chain opened 33 stores during the year and closed five, and now operates a total of 286 supermarkets within South Africa.

Shoprite is the brand under which the Group trades outside the country's borders and 62 supermarkets are doing business elsewhere in Africa, on islands in the Indian Ocean and in India.

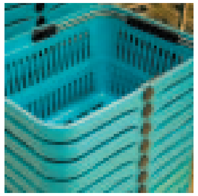
Of all the major retail chains Shoprite has arguably benefited most from the emergence of a strongly growing middle class succoured by an aggressively pursued government policy of broad-based economic advancement. Its pre-eminence in this market is due largely to its historical market positioning, the suitability of its product range and pricing structures, and the location of its stores.

To capitalise on its favoured positioning by further satisfying the aspirations and meeting the increasingly sophisticated needs of the middle class, Shoprite during the year launched an extensive programme to heighten the shopping experience offered by its stores by improving the overall presentation of merchandise and the quality of service delivery. In addition, the product ranges are being extended. The aim is not to downscale the number of basic lines, but to upscale the number of aspirational ones. This also involves increasing the number of specialist departments in stores. The response of consumers to these changes has been most gratifying, often in areas where it was least expected. The programme is targeted for completion by the end of the 2007 financial year.

Management is planning a number of new Shoprite supermarkets during the new financial year. As in the case of all existing supermarkets the new ones will also undergo a continuing redefining of product ranges in the light of market information derived from new IT systems introduced at the end of the reporting period. Called Operation Better Store its introduction was preceded by a new replenishment system which is now close to being fully automated. The system will comprehensively change the way in which stores have been managed until now. By providing store management with constantly updated information on sales patterns, potential stock shortages as well as how many staff members would be needed will provide them with additional means to provide the best possible service to customers.

The new system will be rolled out to all stores in the course of the new financial year and will be supported by extensive training to ensure that Shoprite reaps the maximum benefit from its introduction.

Sales growth in RSA (52 weeks)	14,8%
Basket size growth in RSA	3,5%
Number of stores	348 (2005: 325)
Number of staff	36 739 (2005: 33 126)



Hennie van Rooyen
Divisional Manager:
Gauteng Checkers

OPERATING REVIEW:
Checkers

Continued brand loyalty and strong growth in its support base enabled the Checkers brand to compete effectively in its market segment in South Africa. Turnover in existing stores grew by 8,0% and total turnover by 14,4%. The chain opened 14 new supermarkets and one hyper while one supermarket was closed during the year. These supermarkets are located mainly in new growth areas and in close proximity to the chain's profiled customers. Its 24 hypers continue to operate profitably. However, in the light of the shift in buying patterns to convenience shopping, this format is not considered one with much growth potential.

In the two chains the strongest focus is still on freshness. The specialist service departments are being constantly expanded and upgraded to make them a real point of difference for consumers. The development of exclusive products at competitive prices is ongoing as successful ones are soon rolled out to add value to the shopping experience. Extensive development work is, for instance, being done to enlarge the range of dough products prepared in its on-site bakeries and to align them more closely with changing consumer preferences with its shift to healthy, home-made products using organically grown ingredients.

The same approach of extending and refining ranges is also applied to other specialist departments selling, for example, meat products, cheeses and wine. There is now also a fish department in each store selling fish fresh and in processed form. In all instances the approach is to offer the widest selection representing the best quality at the most competitive price.

Towards the end of the reporting period the first specialist department making and selling a range of home-made pastas were introduced. Once the concept has been thoroughly tested it will be introduced to other supermarkets.

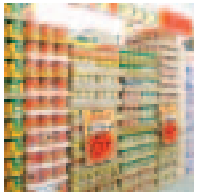
Checkers now operates wine shops in 120 of its outlets. During the year it expanded the "Wine Route" concept that has become the hallmark of its wine shops that now sell the wines of 70 selected estates and small farm wineries. This offering is supplemented by the chain's own brands such as Oddbins and Oakridge. The wines for these own brands are in the rule obtained from top producers and are selected by a panel of independent tasters that include prominent figures in the local wine industry. Consumer research shows that these wine shops are rated very highly for choice, quality and value for money in respect of its own-label ranges.

To equip staff of the specialist departments with the product knowledge needed to advise customers, several in-house training schools have been established. Use is also made of independent institutions where wine department staff attends regular courses in wine appreciation.

Sales growth in RSA (52 weeks)	14,4%
Basket size growth in RSA	6,0%
Number of stores	24 hypers (2005: 23) 110 supermarkets (2005: 97)
Number of staff	15 605 (2005: 15 149)

OPERATING REVIEW:
Usave

Gustave Möller
Divisional Manager



During the reporting period the business concept underlying this limited assortment format, launched three years ago, was further refined and its operating systems firmly bedded down. The chain has maintained a consistent growth pattern since its inception with net contribution improving 75%.

The Usave stores require a low capital investment which allows for even lower consumer prices on a limited range of 1 000 basic, fast-selling items.

During the past six months the Usave chain brought even lower prices to consumers when the Group introduced the first of its "never compromise on quality" private labels. These items have had exceptional sales proving that the Usave brand has credibility on price and quality, two critical elements of making the concept work.

Encouraging is that this format does not only appeal to low-income earners, but attract a wider spectrum of customers looking for better value. The format is also ideal for capturing new markets where a full-fledged supermarket cannot be viable, therefore augmenting the market share of the Group. In these areas small business is benefiting as specialised trade like Fruit & Veg, butcheries and bakeries co-exist well with the Usave stores.

Across the borders of South Africa, Usave complements the larger Shoprite stores as satellite stores and thus assist in achieving critical supply mass sooner.

The opportunity for expanding the Usave format in South Africa is vast now that the Group trades in distinctly separate markets with its three supermarket brands.

Sales growth in RSA	13,6% (stores trading for 12 months)
Basket size growth in RSA	8,5%
Number of stores in RSA	68 (2005: 62)
Number of stores outside RSA	24 (2005: 22)
Number of staff	920 (2005: 840)

Gerhard Kriel
General Manager

OPERATING REVIEW:

OK Franchise

After a period of restructuring the division and shedding unprofitable accounts, OK Franchise has entered its next growth phase, signing up 40 new members, terminating the contracts of 35 non-viable ones and increasing profitability by some 20% during the year. Its return on investment remains among the highest in the Group.

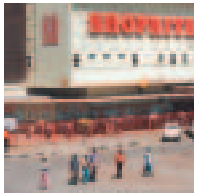
OK Franchise was created by combining the skills and infrastructure of the Shoprite Group, the former OK Bazaars and the Sentra organisation. The objective was to develop a competitive force in the local franchise industry which would not only extend convenience shopping for consumers countrywide but also expand the business potential of independent smaller retailers by having them share in the benefits of bulk buying, direct deliveries, training assistance and umbrella advertising.

Franchisees can trade under the OK brand, one of the trusted in the country, once they achieve certain prescribed specifications and standards in terms of services and product range. The brand is applied over three formats which are identified as OK Foods, OK Grocer and OK MiniMark. These designations are determined by, inter alia, store size and the number of specialist departments included. At the end of the reporting period 107 franchisees had upgraded their stores to the required standard. Of them 24 operated OK Foods stores, 52 OK Grocers and 31 OK MiniMark outlets. In addition, there were 92 Sentra and Value owners and buying partners, and 54 Megasave wholesale outlets for a total of 253 franchise members, all operating stable, profitable businesses.

During the review period a new format known as OK Value was developed as part of the Group's BBBEE initiative. The entry standards in these stores in terms of store finishes were lowered somewhat to allow especially members of previously disadvantaged communities to become franchisees and so gain an entrance to the retail sector in their own neighbourhoods. These franchisees will receive special assistance from the division in setting up their businesses, managing their inventories and developing their markets. As in the case of other franchisees they will also receive credit facilities, participate in incentive schemes and be entitled to training and advertising support.

Franchise members are spread throughout South Africa and in neighbouring countries the division has its strongest presence in Namibia. Although most members operate their businesses in the rural areas, an increasing number are located in urban neighbourhoods, the result of a recruitment drive during the year to strengthen the division's presence in the cities and larger towns. The division has never been a first port of call for the developers of smaller shopping centres, but that situation is also changing as support for the brand grows in urban and semi-urban areas.

Management is confident that, with the intensification of its recruitment drive, the division will experience solid growth in the new financial year.



Gerhard Fritz
General Manager:
Central Africa

Sales growth (52 weeks)	23,0%
Sales (52 weeks)	R2,925 billion (2005: R2,379 billion)
Number of stores	109 (2005: 109)
Number of staff	7 198 (2005: 7 446)

OPERATING REVIEW:

Supermarkets outside RSA

ANGOLA

Shoprite's operation in Luanda, which consists of a supermarket and seven satellite Usave stores in and around the city, has had a satisfactory year, with strong growth in turnover. This growth was supported by greater efficiency in clearing merchandise through the harbour of Luanda and was achieved despite growing competition from other foreign retailers. In August Shoprite will for the first time move outside the capital when it opens a supermarket in Lobito to the south in a regional shopping centre developed by the Group. This will be followed in December by a second supermarket in Luanda. Further development opportunities are being investigated in the commodity-rich north-east of the country.

BOTSWANA

Economic activity in the country was supported by higher commodity prices. Retail conditions stabilised in a highly competitive environment and the Group's four outlets all reported positive sales growth for the last quarter. Inflation rose steadily during the year, putting pressure on the profit margins of goods imported from South Africa. The four new outlets planned for the period under review did not materialise as developers held back on their plans. The first of the four will open in Molopolole in the new financial year.

EGYPT

In the light of the lack of support for foreign investors from the Egyptian government and the great many restrictions under which its stores had to operate, the Group decided to divest from Egypt. However, the buying department and distribution centre is being retained to serve countries that benefit from a preferred duty structure on goods imported from Egypt.

GHANA

The Group will open the first supermarket in March 2007 when it starts trading in a new mall in Accra. At present it operates two Usave outlets in the country. Until the new supermarket comes on stream management is devoting its time to expanding supplier networks. Like a number of other African countries, Ghana's economy is growing on the back of high commodity prices and management is optimistic about the Group's future in the country.

INDIA

Much work was done during the year to increase the visibility of the Shoprite brand in Mumbai, the country's commercial capital, where its franchised hyper and its Megasave wholesale operation is located. Management is at present evaluating five further sites in this city of 18 million people, a decision supported by the entrance of other major international retailers. Turnover for the year was under budget, although it showed continued growth, as did basket size and the number of transactions. Sales are expected to grow faster in the new financial year as the shopping centre in which the hyper is located becomes fully operational.

LESOTHO

The Group's outlets in this small market again performed well, growing both turnover and trading profit. Of the two supermarkets in Maseru the larger one was converted successfully from an OK Bazaar to the Shoprite brand. The store was extensively renovated and its product ranges extended. A new supermarket in Leribe came on stream and reached break-even within the first few months while a further one will be opened early in the new financial year in Mafeteng.

MADAGASCAR

The Group operates seven supermarkets on the island. All are provisioned from a central distribution centre. Three more stores are expected to come on stream during the 2007 financial year and will provide the required critical mass for profitable trading. Sales growth is expected to improve further following an extensive remerchandising of all the outlets.

MALAWI

Despite a difficult year for the local economy, the Group's operation nevertheless remained profitable. Imports from South Africa became more expensive as the local currency lost ground against the rand. However, management remains confident about trading in the country. After year-end the supermarket in Lilongwe was expanded while the shopping centre in Blantyre is being enlarged. The Group closed two of its six Usave stores, planning to retain only three strategically placed ones which are all reporting strong turnover growth.

MOZAMBIQUE

At the beginning of the review period the Group operated stores in Maputo, Beira and Chimoio. In the second half of the year turnover grew strongly, mainly due to the opening of a supermarket in Nampula but also due to increased state spending. The weakening of the local currency put upward pressure on imports from South Africa. Mozambique nevertheless turned a trading loss in 2005 into a trading profit. A further two supermarkets in Maputo are under investigation.

MAURITIUS

Although sales were slightly down on the previous year due to increased competition, a lowering of import duties and changes in the political climate, gross profit showed an encouraging increase. The Group's operation on the island, centered in a single hyper store, is approaching breakeven while a possible store in Port Louis is also under consideration. The higher gross profit resulted from better inventory management and an increase in direct imports providing higher margins. The free port of Mauritius, now in full operation, is also used as a base from where Group stores in East Coast countries are replenished.

NAMIBIA

Improvements in the agriculture sector boosted consumer confidence in this agrarian-based economy resulting in the Group achieving satisfactory growth in both turnover and trading profit, particularly in the rural areas. Three new Shoprite supermarkets were opened – in Mariental in the south, Ongwediva in the north and one outside Windhoek – while three new Usave outlets were added. The supermarket in Maerua Mall in Windhoek was enlarged while two outlets were upgraded as part of the ongoing store renovation programme.

NIGERIA

Shoprite opened its first supermarket on 15 December 2005 in Lagos in a new shopping centre. Despite parts of the centre still not being fully occupied the shop is performing above budget. It turned profitable at an operational level before the end of the review period. Trading is complicated by wide-ranging import restrictions forcing the purchase of some local merchandise usually distributed to informal traders. However, management is working closely with selected local suppliers to correct this situation. The government is keen to assist new investors in the country and good working relations are being maintained with the relevant state departments. Negotiations are at present being conducted for additional sites in the capital.

SWAZILAND

Although trading profit showed an increase over 2005, the results were nevertheless below budget due to delays in the store renovation programme. Upgrades have now been completed, and strong growth is expected in this market. During the review period a second Usave outlet was opened following the success in Piggs Peak of the first store in 2005. The end of the review period saw the Group in discussions to acquire three existing supermarkets.

TANZANIA

Although not yet breaking even, the operation in Tanzania has moved considerably closer to that target. It now consists of four supermarkets in Dar es Salaam and one in Arusha. One supermarket was closed during the review period. In November this year the Group plans to open a supermarket in an upmarket new shopping mall in Mlimani City. With its agriculture-based economy Tanzania retains a very strong street market culture although the supermarket concept continues to gain ground. During the year the wholesale operation of the Megasave in Arusha was consolidated successfully within the supermarket's retail business.

UGANDA

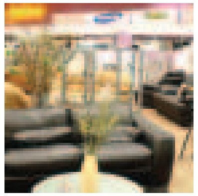
The country's agriculture-based economy showed good growth during the review period and both the two large supermarkets in the capital, Kampala, performed well. Both are located in shopping centres either owned or part-owned by the Group and both are fully let. However, Shoprite would need to open more outlets in Uganda to achieve the critical mass needed for a profitable operation. Expansion to the north is being kept in abeyance until the security situation improves. During the year the wholesale Megasave operation was successfully combined with one of the supermarkets enabling shoppers to buy single items or in bulk on the same sales floor.

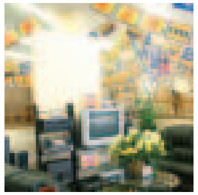
ZAMBIA

Zambia remains one of the Group's most profitable operations outside the RSA. The local economy is booming due to copper prices achieving record levels on world markets and consumer confidence is running high. Despite strong competition from other retailers the Group's 18 supermarkets performed well with profits further boosted by the kwacha's strong performance against the rand. An extensive store renovation programme is in progress while the supermarket in Manda Hill in Lusaka is being enlarged. New stores are being planned in Livingstone and Kitwe.

ZIMBABWE

Shoprite operates only one store in Bulawayo. Despite retail conditions deteriorating further with consumers' buying power being constantly eroded by runaway inflation, the store is still profitable. Due to a lack of foreign exchange, imports had to be severely restricted while a considerable number of local manufacturers had closed down their operations, limiting opportunities for exports to the Group's operations elsewhere on the continent.





Aubrey Karp
General Manager

OPERATING REVIEW:

Furniture

In line with the rest of the industry, growth in the Furniture division slowed during the year. Factors that influenced consumer buying patterns in the previous financial year – reduced interest rates, lower prices due to a stronger rand, income tax cuts leading to greater disposable income – were still present in the period under review, but played a more subdued role. This was particularly true of OK Furniture, where trading slowed markedly in the first half of the year before strengthening again towards the latter part. This negative performance was largely offset by positive growth in House & Home which performed well overall.

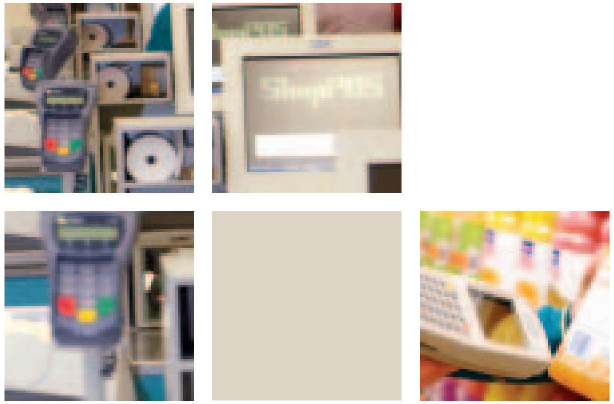
The furniture sector, which includes retailers of appliances and electronic products, continued to trade in an environment of low price inflation. In the appliance and home entertainment departments dealers had to contend with deflation of between 3% and 5%. To achieve turnover growth in such an environment, retailers pushed unit sales to the utmost, especially in the discount sector. To retain price competitiveness the division thus reduced margins slightly in the strongly contested product ranges, while aggressively promoting the sale of furniture and related products, which are less prone to falling prices. The continued focus throughout the year on driving sales volumes, especially of imported goods, compensated for the lower margins and enabled the division to report turnover growth of 13,7% overall if the 53rd week of the 2005 financial year is excluded. This growth was achieved off an already high base.

The division grew its store complement during the year, adding 17 new OK Furniture outlets and four larger-format House & Home stores. All four of the latter are standalone stores located in shopping centres, continuing a trend successfully introduced more than a year ago. The division also operates 13 small-format stores under the Power Express brand that sells a limited selection of white goods, home entertainment products, and rugs and base sets, bringing the total number of stores to 198, 21 of which are outside the borders of South Africa.

Despite efforts to increase the sales of goods on hire purchase, the shift to cash continued and this is expected to perpetuate in the short term, with several factors in combination contributing to this trend. On the one hand banks continue to advance large amounts of credit to those sectors of the economy which previously used store credit, and on the other hand prices of certain electronic products continue to drop as product production reaches levels of mass production and new technology is thus applied to a larger market.

Inventories were well managed during the year, with these only exceeding budgeted levels to accommodate the new stores that were opened during the year and due to the fact that the growing percentage of imported goods in the business necessitates the storage of certain buffer stocks to cater for long and erratic lead times.

Sales (52 weeks)	R1,875 billion (2005: R1,649 billion)
Trading profit (52 weeks)	R200,5 million (2005: R183,9 million)
Number of stores: House & Home	27 (2005: 23)
Number of stores: OK Furniture	158 (2005: 140)
Number of stores: OK Power Express	13 (2005: 14)
Number of staff	3 023 (2005: 2 845)



Gert Mentz
General Manager

GROUP SERVICES:

Information Technology

The Group firmly believes that technology is a key enabler in the effective management and support of its fast-growing business. It therefore continuously invests in new systems and enhancing existing ones to ensure valid, accurate and prompt processing of the ever-increasing volume of transactions and other data.

The major initiative of the Information Technology Department during the review period has been the replacement of the branch back-office system with a vastly more sophisticated system known as Operation Better Store. The two prime areas covered by the new system are Inventory Management and Workforce Management.

Inventory Management, focusing on forecasting, food production scheduling and recipe management, was launched on a pilot basis in the bakeries and delicatessen departments of two Western Cape stores in the second half of the year. In light of the highly positive results, not only in the improved availability of items for sale but also in the reduction in wastage, the programme will be expanded to all supermarkets.

Store management receive daily through an electronic store portal, only information on actionable exceptions so they can immediately respond to them. In addition, specialist store departments are provided with specific operational instructions to ensure improved efficiency.

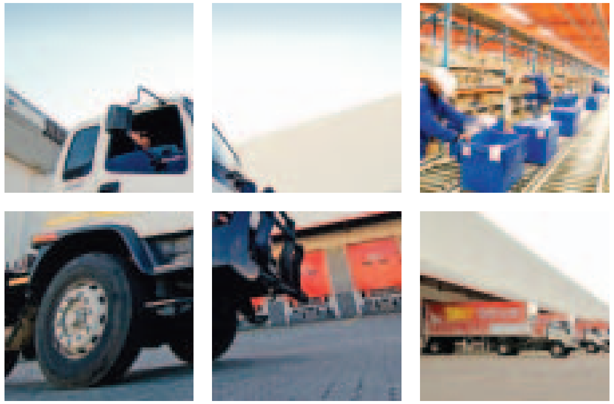
The second component of Operation Better Store deals with workforce management which enables store management to schedule, using past sales patterns, to identify the number of staff and when they would be needed.

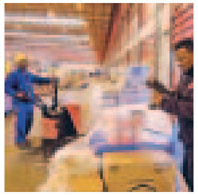
Stores have also been provided with the capability to save hours daily in finalising food orders from the distribution centres. By reducing the lead time in the supply chain, stores can now react much faster to unforeseen fluctuations in the market, thereby reducing the risk of being out of certain stock items. This will make it possible for stores to reduce stock levels and so reduce total stock holding in the Group.

The division is also in the process of upgrading the point-of-sale system in all stores which will increase the role of pay points in inventory management by facilitating access to real-time information across the continent of Africa, India and the Indian Ocean islands. Also, it will expand versatility in offering services at pay points which at present are only available from in-store Money Market kiosks.

The Group's sophisticated banking infrastructure provides the business with a seamless end-to-end financial reconciliation. With a third of all transactions in stores already done by means of credit and debit cards, the Group became one of the first retailers in South Africa to receive Europay Mastercard and Visa (EMV) certification. This will enable the Group to process new-generation smart cards once these have been issued by local banks.

The Group's well-established Data Warehouse has further been enhanced to offer management decision support capabilities.





Photy Tzellios
General Manager

GROUP SERVICES:

Supply Chain Management

The supply chain management (SCM) division supports the Group's business across a spectrum of attributes, amongst others: value, quality and price. This support enables the Group to offer lower prices because of its streamlined distribution network, ideal storage facilities that enhance the shelf life of its fruit and vegetable offering in stores and improved availability of product to retail stores – gearing all effort towards satisfying the needs of the consumer. These initiatives are fundamental to the group's Efficient Consumer Response (ECR) programme.

To bring further efficiency to its role, the division introduced functionality in the second half of the review period that enhances the visibility across the supply chain for both imports and exports. The first phase enables management to determine exactly where all orders for items from outside the country find themselves at any given moment. This is achieved with the close co-operation of suppliers and service providers who enter the relevant status and information into this web-based solution. This enables distribution centres and store management to track the progress of all export items to the group's 90 supermarket outlets located outside the country's borders.

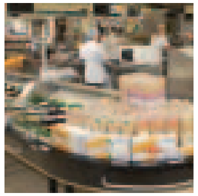
The SCM division is also implementing a transport management solution that will greatly improve the routing and scheduling of deliveries, as well as facilitate vehicle tracking and management. Further benefits arising out of the solution will be improved vehicle utilisation, reduced congestion at store receiving, shortened delivery times and smoother operations at stores.

The division is pioneering a Collaborative Planning Forecasting and Replenishment initiative (CPFR) – providing suppliers with forecasts showing when products will be reordered and in what quantities to improve inbound service levels. This more efficient replenishment programme makes it possible for stores to embark on the reduction of stockrooms to a minimum, thereby allowing for enlargement of productive sales areas.

During the year the Group's SCM division received the Platinum Award for Supply Chain Integration, the highest recognition of design and innovation, from the Council for Logistics Management of South Africa. The award was made in recognition of the programmes initiated by the division on an ongoing basis to refine and improve the Group's supply chain.

A concerted effort was made during the year to speed up the ongoing programme of developing the knowledge and skills base of particularly previously disadvantaged members of staff and young graduates. As with the rest of the Group, the division attracts top candidates from local academic and technical institutions because of its endeavours to stay abreast of the latest international best practices and developments.

A key strength of the Group is its ability to trade internationally. This is especially so in Africa, where its ability has been expanded and refined during the last five years. Taking a proactive approach, it established an international trade department that sources products, selects trading partners, approves service providers, arranges the forwarding and clearing of merchandise across 17 countries, negotiates with government departments and helps cut through the red tape that often impedes new ventures. The thorough groundwork that had been laid greatly smoothed the Group's recent entry into Nigeria when it opened its first supermarket in Lagos.



Philip van der Merwe
General Manager

GROUP SERVICES:
Property

The core function of the Group's Property division is focused on the sourcing of new trading opportunities for the Group's retail operations, whether in self-owned buildings or leased premises. In fulfilling this function the Property division is tasked with the management and administration of the Group's property portfolio, the design and construction of new shopping centres and the negotiation of all rental contracts with external landlords.

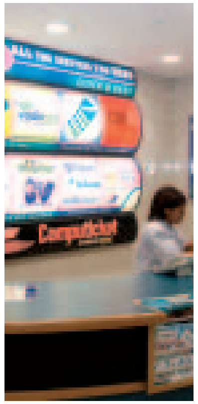
At the close of the financial year, the total market value of the managed property portfolio of 115 properties amounted to approximately R2,8 billion. From the aforesaid total, 48 properties are owned. The market value of these properties exceeds R1 billion.

Providing support to the Group's expansion drive by securing trading opportunities for its new stores remains a primary focus of the Property division. Upon having identified a strategic growth opportunity, it will commission market research in order to determine the relevant consumer densities, the expected spending power and, finally the extent of trading space required in order to service the new market opportunity adequately. The Property division will then set out to provide the necessary retail space by acquiring leased premises, purchasing existing property in the area, or alternatively by erecting its own development. In growing the Group's market share, it is often required to act proactively in as far as making certain strategic acquisitions of undeveloped land in areas which have been identified as strong growth opportunities.

The Property division's in-house team is also responsible for the design of new store layouts and for the refurbishments of existing outlets. During the past financial year, the Property division has greatly refined its in-store layouts, by accommodating the consumer need for a larger offering of pre-packaged products and an extended range of perishables. Working closely with its operational store management, The Property division strives to create a supermarket retail environment not only conducive to the concept of product freshness, but also promoting closer interaction between supermarket customers and staff members, particularly in its specialist service departments.

During the period under review, the Property division completed four developments at a cost of R188 million, the largest of which was the Seaside Village development at Big Bay, on the Cape West Coast. The remaining three developments were all outside the South African borders.

The Property division has budgeted to spend R422 million in the 2007 financial year on new developments, which includes two shopping centres to be constructed in Angola, at a capital investment of R118 million. The property portfolio is not intended to serve as an alternative investment opportunity for the Group. When a development has matured to the extent that it is fully let and a firm income stream has been established, it is generally placed on the market in order to free up capital for future developments. During the year under review the Property division realised R305 million from the sale of such properties.



Gerhard Hayes
Projects Manager

VALUE ADDED SERVICES:
Money Market

The Money Market counter has become an integral part of consumer services offered by the Group. As a result of the advanced information technology platform the extent of services are continuously expanded to give customers added convenience and time saving when selecting the Group's stores as their preferred shopping destination.

The known services of account payments, lotto prizes, cell phones, bus tickets and insurance were complemented with a retail first when the Group launched a low-cost money transfer system that allows customers to transfer money between stores.

This service is safe and immediate and therefore has not only attracted some of the 18 million unbanked adults, but people in all walks of life requiring cash at short notice. This, together with the fact that 21 million customers already make use of the Money Market services each month, have created a platform for the possible introduction of a range of banking services.

During the period under review Computicket, the country's foremost booking agency, was acquired, following the previous year's launch of the Group's own ticketing system – Ticket Shop. This increased the Group's range of ticketing services, particularly in the theatre and entertainment fields. As one of the most recognisable brands in the country, the Computicket brand will be retained.

The process to integrate Computicket into the Money Markets of all Shoprite, Checkers and Hyper Stores will be completed during the first half of the new financial year.

This will increase the distribution outlets of Computicket to over 500, greatly extending the convenience factor to the public.

VALUE ADDED SERVICES:
MediRite

Following the change in legislation allowing non-pharmacists to own pharmacies, the Group in 2004 was the first South African retailer to incorporate a dispensary within the Health and Beauty section inside its stores.

This has been in line with the international trend of incorporating an increasing number of specialist departments within supermarkets to satisfy more of customers' needs under one roof.

The MediRite pharmacies have the lowest dispensing fees in the market, whilst the consumer also benefits from the convenience of having their scripts filled while they complete their shopping.

By the end of the financial year the Group opened 33 MediRite pharmacies. Growth of more than 30% was achieved in stores that have been trading longer than a year.

Due to a shortage of pharmacists the expansion programme is experiencing a slight delay, but the contingency measures planned by the Group will soon see the rollout returning back on schedule.

The Group however remains positive about the prospects of an expanding pharmacy business that will enhance the shopping experience of its customers.




Johan van Deventer
General Manager

VALUE ADDED SERVICES:

Freshmark

Freshmark, the Group's procurement and distribution arm for fresh fruit and vegetables, experienced an excellent year, with turnover exceeding R1 billion for the first time and increasing trading profit by more than 40%. The division operates six distribution centres in South Africa and five outside its borders, and supplies more than 480 stores in 12 countries on the continent. During the year Freshmark established a solid wholesale presence for itself in Angola, Mozambique, Uganda, and, shortly before year-end, in Tanzania.

During the last few years the division has made excellent progress in assisting small farmers in a number of African countries to produce to its requirements thereby helping to create employment and stimulating the respective economies. In most cases only those products such as deciduous fruit and grapes which, for climatologic reasons cannot be produced in those countries, are still imported from South Africa.

In South Africa Freshmark buys the full range of fresh produce daily from some 800 suppliers throughout the country. Very good communication is maintained with all suppliers and we do promotions and supply planning assistance on a regular basis. With the direct supply, not only are intermediaries bypassed, but also more importantly, the division can specify the precise varietals, size and quality it wants and also issue packaging instructions. In addition, vital food safety control and cold chain standards can be maintained from the farm to the store.

Following the trend in highly-developed markets such as Europe, Freshmark raised its imports of fresh produce from around the globe substantially to extend the availability of fruit in particular to beyond the local season. The relative stability of the rand enabled its buyers to procure products such as deciduous fruit, grapes, citrus, dried fruit and nuts at favourable prices. As a consequence, consumers now have access to a comprehensive range of selected fresh produce from world-class producers for most of the year.

By means of constant consumer profiling, product ranges for the three chains in the Group are expanded and refined on a regular basis. To ensure maximum freshness most products are packed on the suppliers' farms to exact specifications and transported in refrigerated trucks to the closest distribution centre from where they are distributed to stores. With a fleet of 120 modern refrigerated trucks, Freshmark ensures deliveries to stores as required on a daily basis. The latest handling, processing and packaging technology is used to ensure freshness and to maximise shelf life.

Freshmark is strongly focused on product development, especially in the convenience area, to meet changing consumer trends. A range of 18 ready-to-cook products was recently launched and received high consumer acceptance and sales are growing month on month.

Dirk Diemont
General Manager

VALUE ADDED SERVICES:

Meat Market

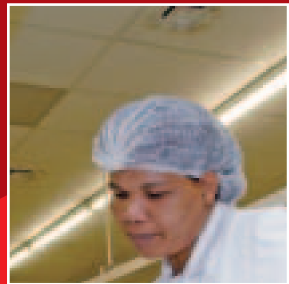
The Meat Market division manages the Group's butcheries. These generate annual turnover exceeding R1,3 billion from the sale of a wide range of meat products. Beef and lamb represent roughly 45% and 15% respectively of the total while pork and poultry make up the balance. Despite difficult trading conditions during the past 10 months with moratoriums on the importation of South American beef and the resultant high inflation, the division performed very well. Trading profit increased by more than 50% and turnover was 17% higher than the previous year.

Key to the success of the division has been its level of innovation as reflected in new product development. Much of its success derived from the implementation of value-added concepts that created interest and excitement around what was traditionally considered a necessary staple. This involved the introduction of successful brands such as Steakhouse Classic, Old Smoke House and Bushveld Pride Venison. The value-added products have consistently outperformed the more traditional meat cuts, and have not only raised perceptions of the Group's butcheries but also the division's trading margin.

In addition to establishing its own brands, the Meat Market division has also entered into exclusivity agreements with certain key suppliers. These have led to the introduction of the only nationally distributed biltong brand in the country as well as the only fully traceable range of free-range lamb. Such agreements with key partners hold great promise for the future and provide an added competitive edge in the short term.

The annual Championship Boerewors competition continues to be a source of great interest and exposure for the Group. Sales of Championship Boerewors show consistent and sustained growth far in excess of the product range as a whole, reaffirming the fact that the Group has become the consumer's boerewors retailer of choice.

The Meat Market division has also become more involved with certain breeder associations and farmer organisations to improve its representation and influence at the producer level. Although these initiatives are still in their infancy, they are expected to provide unique business and product opportunities in the coming months and years. One of the notable outcomes will be the reintroduction of the successful brand, Chevon (goat meat), not only representing an entirely new type of red meat with considerable health benefits to the consumer, but also a whole new perspective on red meat consumption in the formal meat retail trade.



Corporate Responsibility Report

Sustainability Report

The Shoprite Group is committed to South Africa and to Africa, both to the land and all its peoples. However, it also sees itself as a global player that in time could further extend its geographic reach. As a food retailer it brings a First World shopping experience to developing communities, combined with a discounting philosophy that ensures the affordability of a wide range of quality merchandise. Although most such merchandise is sourced internationally the Group follows a policy of supporting local producers.

This involves more than buying from them, and frequently entails extensive nurturing, skills transfer and broad-based assistance to enable them to produce to the required standard and to grow sustainable businesses.

In this way the Group contributes to the economies of all the countries on the continent where it does business. Its 109 supermarkets in Africa and beyond generate thousands of jobs in sales and management. The Group is the third biggest employer of all the companies listed on the JSE with close on 66 000 employees of which the vast majority are from previously disadvantaged communities.

EMPLOYMENT EQUITY

Employment equity forms an integral part of the Group's overall business philosophy and is an ideal pursued on a daily basis. The task of creating such equity in a society known previously for its inequality has proved to be a massive task, but to date the Group has succeeded in not only meeting but also exceeding its annual targets. This involves not only advancing black people, but also promoting the careers of women, especially in management positions. Statistics of the Department of Labour show that in every category of female and black male equity the Shoprite Group exceeds the wholesale and retail (W&R) sector norms.

It remains a major problem within the South African business environment to recruit a sufficient number of suitable candidates to fill middle and senior management positions. For this reason the Group refrains from recruiting potential candidates in the market and focuses on a policy of training up its own staff to advance to such positions. At year-end the Group had 717 trainee managers in the business of whom 74% are black.

EMPLOYEE DEVELOPMENT AND TRAINING

To achieve its employment equity objectives the Shoprite Group focuses very strongly on training which is conducted mainly in-house, with the assistance of independent experts. It has been the policy for a number of years to identify talented young people at universities and technikons, to develop their potential through suitable training and then to promote them to positions best suited to their skills. A number of such candidates have already reached divisional and regional management level.

It conducts the largest training operation in the South African wholesale and retail sector. The extensive range of approved programmes involves staff at all levels and in many cases these function as the basis for nationally-recognised qualifications. Considered industry best practice, these programmes cover the entire spectrum of retail disciplines as well as life skills, including literacy.

During the year under review training was provided for 26 442 staff members. The result of the intensive programme is that staff productivity has consistently increased year on year.

In partnership with the W&RSETA the Group undertook to provide training for a year for 1 000 unemployed people nationally and to employ at least 90% of them at the end of that period. After determining the skills and aptitude levels of all those selected for the programme, the candidates are being trained in an extensive range of store activities. When successfully concluded the programme will give the Group ready access to a pool of well-trained people who has been exposed to all aspects of the business at store level.

At the start of the 2007 financial year a computerised staff scheduling programme will be launched on a pilot basis. The programme determines in the light of past sales patterns the number of staff members required during the course of each day to run every store with maximum efficiency. The programme utilises the proficiency information of individual staff members and identifies who should be assigned to the different tasks. When fully implemented the programme is expected to substantially increase store efficiency. The staff scheduling programme operates in tandem with Operation Better Store, a comprehensive programme driven at operational level aimed at increasing service delivery in every aspect of the business.

During the year the Group's major motivational programme, BBB (Big Branch Brother/Building Better Branches), was further expanded. In terms of this programme, aimed at improving service delivery and all-round efficiency, the staff members of each store jointly formulate and commit themselves to a pledge of what they will undertake collectively to create a more efficient and customer-oriented shopping environment. Mystery shoppers visit each store regularly to determine to what extent service delivery is rendered, while stores are audited by a retail auditor to determine the level of adherence to operational standards.

Management training

To maintain the growth and momentum of a group the size of Shoprite Holdings' succession planning, which involves the identification and training of suitable candidates, is of crucial importance. Potential candidates have been identified on the strength of their skills and aptitudes to take over all the key positions in the business when needed. They undergo on an ongoing basis suitable training to enable them to do so. Potential future executive staff members are recruited mostly from tertiary institutions using platforms such as the annual Brightest Young Minds initiative to which the Group is affiliated. This initiative brings together top university students from all over the country. Shoprite Holdings already employs more than 1 500 graduates, a growing number of them from previously disadvantaged communities.

In addition, the skills of those already in management positions need to be continually honed and extended to enable them to meet the increasing demands made on them in leading the business and managing its growth. To this end a range of close on 50 dedicated management training programmes covering every facet of the business are used. These range from leadership development programmes for senior management developed by leading international business schools to entry-level programmes for trainee managers. More than 1 611 members of staff attended one or more of these courses during the review period.

To provide shop-floor staff with additional career opportunities, at least 50% of those attending entry-level store management programmes must be selected from this group of employees. The other 50% are recruited mainly from among graduates of tertiary institutions. During the 2006 financial year 251 trainee managers completed the course. Similar training courses, attended by 3 136 staff members, were also offered in the 16 non-RSA countries in which the Group does business.

Learnerships

Shoprite Holdings acts as a training facility within the framework of the government's national skills development strategy and in that context presents learnership and skills development programmes. It offers learnership opportunities from National Qualifications Framework levels 4 to 6 and co-operates closely in this regard with the W&RSETA in developing skills in the retail sector. In the past financial year 189 candidates completed their learnership programmes.

The Group assists universities by providing practical workplace experience for students in certain disciplines. Thirty-six completed their practical learning requirements during the year. It became the first food retailer recognised by the South African Institute of Chartered Accountants as an approved training organisation for Training Outside Public Practice (TOPP) up to chartered accountant (CA) level. At present training is provided for 15 articled clerks of whom four will complete their articles in the 2006 calendar year.

Staff training

With the repositioning of the Checkers chain near the top end of the market and the expanded product ranges introduced at Shoprite, the training of store staff, especially in service departments, was stepped up to further enhance product knowledge and service delivery. Fully-fledged training schools are in operation for specialist departments such as the bakeries, butcheries and delicatessen, and during the year the Group's 15 schools provided job-specific training to 1 782 staff members working in these departments. Although most of the general training is undertaken centrally, certain specialist divisions such as Furniture and Freshmark, develop and present their own training programmes.

EDUCATIONAL ASSISTANCE

An education assistance scheme is available for staff members and their dependants while grants for school fees are given to lower-income employees. Staff members can also obtain interest-free educational loans and bursaries for full-time and part-time study. In addition, financial assistance is also given to people not employed by the Group should they wish to study on a full-time basis for retail-related courses.

HIV/AIDS

As part of a comprehensive HIV+/AIDS staff support programme, peer educators were identified in each store in the 2005 financial year and trained by independent specialists in counselling affected employees while a confidential helpline manned by experienced counsellors was introduced. Branch managers, having undergone similar training, work closely with their peer educators.

In the 2006 financial year this programme, based on the recommendations of a national AIDS committee that includes representatives of the relevant trade unions as well as of non-unionised staff, was extended further. Peer educators were empowered to train other members of staff within their stores, putting the accent on learning about the illness and how best to prevent it. This educational programme operates under the name LIFE (Learning Is For Everyone) and is closely linked to the objectives of World AIDS Day.

There are as yet no signs that the pandemic is abating in South Africa and elsewhere in Africa, and the challenges it presents in managing the impact of HIV+/AIDS on the business remains enormous. Treatment of HIV+ patients can only postpone the onset of AIDS, it cannot cure it. An employer can do little more than educate staff in the prevention of the disease and create a sympathetic work environment that allows no discrimination against those with HIV+/AIDS but allow them all the support and understanding possible.

Efforts to track AIDS-related deaths are complicated by high staff turnover endemic to the retail industry and because many employees still do not admit to their illness, but simply leave their jobs to return home to the support of their families. However, broad-based research considering primarily demographic, lifestyle and age factors, indicates that in the case of a company such as Shoprite Holdings, potentially 15,72% of its workforce could be suffering from HIV+/AIDS.

INTERNAL COMMUNICATION

A wide range of mechanisms for efficient two-way communication is maintained to keep all employees routinely informed of developments and changes taking place in the Group; to recognise staff achievements; and to provide management, through regular feedback, with a reliable barometer of staff perceptions and the climate that exists in the workplace. An in-house newspaper is supplemented by notice boards, an internal radio service and an intranet website. Discussion groups operating at various management levels further enhance two-way communication.

ETHICAL BEHAVIOUR

It is required of management and staff to maintain the highest level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues. These principles are contained in the Company Rules and in the document *A Guide to the Code of Conduct for Shoprite Holdings Employees*, a copy of which is handed to every management member on joining the company. Further copies are available from the Human Resources departments in the various regions and on the Company Intranet.

Compliance with the code of conduct is the ultimate responsibility of the company secretary and the executive directors, with day-to-day monitoring delegated to line management supported by personnel officers. The code is supplemented by the Group's responsibility philosophy as well as its employment practices, occupational health and safety controls and the quality and hygiene standards applied to the products it sells.

OCCUPATIONAL HEALTH AND SAFETY

The board of directors has ultimate responsibility to all Shoprite Holdings' employees and customers for compliance with occupational health and safety standards. Occupational health and safety is monitored at a divisional level. The outcome of regular inspections undertaken at all locations is reported to and reviewed by senior management.

PRODUCT SAFETY AND LABELLING

In the light of the enormous volumes and extensive range sold through its 648 own outlets, food safety is a major concern for the Group. To formalise all the procedures already in place, a comprehensive food safety policy document encompassing the full spectrum of the Group's activities is being finalised.

The Group deals with more than 5 000 suppliers, giving preference to those with Hazard Analysis Critical Control Point (HACCP) certification. About 50% of the product range is acquired from South Africa's largest food manufacturers who all adhere to the most demanding international food safety standards and with whom the Group has also enjoyed a long and close working relationship.

Much of the balance is acquired from smaller manufacturers of which an increasing number are companies with Broad-based Black Economic Empowerment (BBBEE) partners or in BBBEE ownership. A major challenge is balancing Group policy of supporting BBBEE suppliers against the most stringent requirements for consumer safety. This is further complicated by the Group's widespread operations in Africa in countries where it is under obligation to buy from local suppliers who are not necessarily subjected to the same exacting health controls as in South Africa.

Particular attention is paid to product safety in respect of our own house brand ranges. Every one of these products is analysed exhaustively by independent laboratories while samples are drawn monthly from a number of stores for random testing.

The rigorous application of health standards becomes even more crucial in the case of perishable products which form an increasingly larger part of the consumer basket as the trend to fresh and convenience foods increases. These fresh produce and convenience foods are mostly available from specialist departments within the stores.

The fruit and vegetable and meat departments are examples of the approach that applies fresh and convenience foods throughout the Group.

Freshmark, the Group's fruit and vegetable division, buys 90% of its produce directly from some 800 suppliers in South Africa who deliver to its exacting requirements. Although Freshmark demands that all its suppliers must have EUROGAP certification by 2008, most of them already meet that requirement. Constant farm visits are undertaken to ensure production, handling and packaging requirements are met and the cold chain maintained between farm and distribution centre. Close on 1 000 chemical and microbiological tests were undertaken during the year at Freshmark's distribution centres by independent SABS and SWIFT laboratories without a single negative finding.

In South Africa meat is procured exclusively from abattoirs that are regularly inspected and certified by the Department of Agriculture. All incoming carcasses can be traced back to specific abattoirs by their individual rollermarks and grade stamps. Dedicated receiving bays at the butcheries help to ensure that the cold chain integrity of incoming meat products is maintained, allowing improved hygiene control and enhanced shelf life of the products in the butchery. The butcheries themselves are in turn regularly inspected by representatives from the Department of Health to monitor continued compliance with health and safety standards.

Cold chain management and correct storage are key components aimed at ensuring products reach consumers in prime condition despite vast distances that often have to be traversed. In addition, there is ongoing liaising between the Group's buyers and suppliers concerning non-hazardous and environmentally-friendly packaging.

The highest levels of hygiene are maintained in all stores. Staff of specialist departments receive additional training in hygiene and cleaning procedures. Regional managers inspect stores on a regular basis to ensure directives are adhered to. Frequent swab tests are done by independent laboratories who immediately inform management of action needed should any deviations from the required standards be detected. To minimise any health risk, all prepared foods past their sell-by date are destroyed.

We believe the consumer is entitled to the fullest information concerning the nutritional contents or chemical analyses of products to be able to make informed choices. The large food manufacturers all subscribe to international requirements in terms of the product information made available on their brands. However, some of the smaller ones do not as yet, and our buyers work closely with them to ensure that when one of their products goes on to our shelves it contains sufficient, easily accessible information that in its detail exceeds the food labelling requirements of the Department of Health. We are particularly mindful of our responsibility to consumers in the case of products sold under our house brands. As in these instances we have full control over what appears on the packaging, we make sure information is provided in full and, in the case of products for export, also in the language most accessible in a particular market.

CORPORATE SOCIAL INVESTMENT

During the past year the Group evaluated all its social responsibility projects to identify how many existing projects meet the criteria of sustainable programmes that make a real difference to the social and economic growth of the country.

The Shoprite Group has identified a few projects for the coming financial year which will be aligned to core business activities. It has been decided that the Group's main focus will be to increase their commitment to women by introducing further investment into the Shoprite Checkers / SABC 2 Woman of the Year Award which will include a facilitating process with the projects of the winner.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Skills Development

Following on its decision to provide 1 000 unemployed people with training in retail skills the Group created a Retail Academy which will not only provide accredited training for employees, but can also be used to the benefit of the retail industry as a whole. The Academy is being developed with the co-operation of the Departments of Labour, Education, and Trade and Industry.

Preferential procurement

The Group adopted a procurement strategy which will increase the number of black suppliers to the Group without disrupting the flow of goods to its stores or adversely affecting relationships with existing suppliers. Special emphasis is being placed on procurement from broad-based black groupings, new entrants to the economy and on women in general. The Group aims to fulfil the Code's requirements for BBBEE procurement within the next five years.

Enterprise development

Two BBBEE projects are of particular relevance:

Project Nyama-Nyama. Developed in co-operation with the Departments of Agriculture and of Trade and Industry, this project aims to bring employment and economic growth to rural areas by creating opportunities for black farmers to deliver meat to supermarkets in the Group. A budget of R350 million is available for procurement of the meat.

Project Greenfields. This project is aimed at empowering new entrants into the business world and to assist them in becoming suppliers to the Group. This is expected to lead to the establishment of viable new black economic entities. Many small businesses have already benefited from this programme.

Community development

Project Nyama-Nyama. This project is not only aimed at the production of meat, but will help establish viable and sustainable secondary industries in rural areas such as processed meat products as well as the manufacturing of leather goods and furniture. A strong emphasis will be placed on especially the development of enterprises owned by women.

International African Art Auction. This project is being undertaken in co-operation with the Department of Trade and Industry as part of its Cultural Industries programme. It aims to bring new artists to the attention of the world and to help establish the fine arts as an industry in South Africa.

CORPORATE SOCIAL RESPONSIBILITY

The Shoprite Checkers / SABC 2 Woman of the Year. These awards again formed the centrepiece of the Group's social responsibility programme. The 2006 awards generated outstanding nominations. South Africa's premier accolade for achievement by women went to Esther Watson, a community occupational therapist, the organiser of the first ever half marathon in South Africa exclusively for persons in wheelchairs, hand cycles and certain cerebral palsy tricycles. Over the past four years, the Game Outeniqua Wheelchair Challenge has become a full marathon event on the international calender.

The year 2006 has special significance for the women of South Africa for it is 50 years since that day in August 1956 when 20 000 women marched in silence to protest the carrying of passes. The Award has a special link to this historic occasion.

Toy for Toy Campaign. The Group combined forces with the SA Red Cross Society for the Christmas Toy for Toy campaign which brought in 11 304 toys for needy children. The campaign

received a further boost from an auction at the Shoprite Supplier of the Year awards function at which the table centrepieces were auctioned off for R700 000.

The Shoprite Checkers/USSASA Under-13 Netball Challenge. The Group donated for the eighth consecutive year R1 million towards the promotion of South Africa's largest women's sport among the millions of young girls attending the country's 20 000 primary schools. This year's sponsorship involved, as in the past, the parents, teachers and the broader communities in the areas where the Group does business. This major development initiative in women's sport provided for netball matches in some of the country's remotest rural areas.

Soup kitchens. Negotiations are under way for an initiative that will see soup delivered on a daily basis to communities where the Group does business. Soup and bread from mobile kitchens will be provided daily to orphanages, old age homes and schools.

GOVERNMENT RELATIONS

As the support of government at central, provincial and local level is of crucial importance in whichever country or area we do business, maintaining the best possible relations with the authorities and keeping them informed of our plans and intentions is a core objective of management. Such relationships are managed on a strictly professional basis. Independent consultants conversant with local conditions are employed where needed to assist us in establishing relationships at the correct level. We have always considered government a partner in our efforts to achieve a better quality of life for the people amongst whom we do business.

INVESTOR RELATIONS

The Group maintains regular, relevant and transparent communication with its investors. This is done through the announcement in the media of its interim and year-end results, the publication of trading updates and of its annual report, and the dissemination of information about important corporate developments. Regular meetings are held with institutional investors on a group or individual basis while presentations for financial analysts are done by top management whose members also make themselves available on a regular basis to analysts and the media. Extensive use is made of the Group's website not only to host all information relevant to investors but also to provide a quick-response service for them.

ENVIRONMENTAL IMPACT

As most of the Group's outlets are located in rented space we cannot play a material role in ameliorating the impact on the environment of the building if it is an already existing structure. However, where the Group agrees to rent space in a new development we encourage the owners to carefully consider the impact of the construction work on the environment, not only from a conservation point of view, but also from an aesthetic and cultural one.

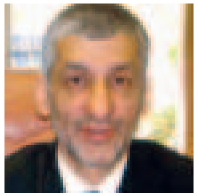
Where we can only encourage and coerce when there is another developer, we have full control where we undertake the development ourselves. As a matter of principle we will not buy or develop an environmentally-sensitive site nor will we undertake a development that is potentially harmful to its surroundings. In this we fully subscribe to the government's environmental and heritage legislation. When we do develop, we strive to do so in a way sympathetic to the aesthetics of a particular neighbourhood and, where possible, incorporate the needs and desires of interested and affected parties. This approach applies equally within South Africa as outside its borders.

Suppliers are encouraged to use recyclable packaging and in an increasing number of instances this is set as a requirement. Stores are managed to have the minimal impact on the environment and care is taken to ensure no harmful substances find their way into the area surrounding the store. A policy document is being prepared prescribing to contractors how waste removed from group stores is to be treated and disposed of.

All programmes implemented in the Group's distribution centres are designed to be environmentally friendly and all conform to international standards. Particular care is taken to ensure operations do not in any way affect or pollute water sources. The Group's policy of assembling merchandise at a central distribution centre from where it is delivered to stores in a single journey at a predetermined time, also considerably reduces heavy-vehicle pollution of the environment. Instead of a number of supplier trucks queuing up at stores throughout the day, a single journey is made outside peak hours.

Supplier of the Year

Hans Brouwer
Managing Director
Colgate-Palmolive



Saleem Thokan
Managing Director
Wonder Flooring

TOILETRIES

Colgate-Palmolive

2006 marks the 200th anniversary of the founding of Colgate-Palmolive. The small soap and candle business that William Colgate began in New York City early in the 19th century is now a major player in the 21st century, a truly global brand serving hundreds of millions of consumers worldwide.

With top brands sold in over 200 countries, Colgate, Palmolive, Ajax, and Hill's Pet Nutrition are among the world's most recognisable household names, trusted and relied upon by consumers everywhere. Achieving this has been a true challenge of determination, co-operation and market insight. The South African retail landscape is tough and it's a constant battle juggling the supply and demand of customers, managing the day-to-day logistics and staying ahead of competitors while at the same time exceeding customer service expectations. It's no walk down the supermarket aisle! But most of all, it is directly the result of long-standing, co-operative and mutually rewarding relationships with partners such as the Shoprite Group that we are now able to boast a 200-year legacy of growth and innovation.

Over the years the Shoprite Group has continued to make tremendous contributions to our successful growth, it has played an important part in our history and the Group's commitment to future growth prospects can only make for greater things.

COLGATE-PALMOLIVE

FURNITURE

Wonder Flooring

For over 35 years Wonder Flooring has been supplying the South African market with top-quality flooring products all the while growing, innovating and improving.

The Wonder Flooring Portfolio has excelled to a level unparalleled in the industry and the awe-inspiring track record will bear testimony to their remarkable reputation in a highly competitive and aggressive distribution fraternity. The key to our success has been the ability to develop innovative products that are unique to our customers.

The group's family-orientated origins have been maintained to this day and they are proud to lay claim to offering a consistently high level of customer service.

Wonder Flooring is extremely proud of the long-standing relationship that we have enjoyed with the Shoprite Group, and we are honoured to have received such a prestigious award.

With the introduction of the new Wonstep Carpet Range into the OK Furniture and House & Home, we believe that this will add further to the current success that the furniture business of the Shoprite Group has experienced and enable us to grow the flooring business even further.

We would like to thank the Shoprite Group for putting their trust in our company and together we will continue to build on the strong foundation so that we may always remain "Trendsetters in Flooring".

WONDER FLOORING
CARPETS • RUGS • TILES • VINYLS • LAMINATES

Andre Joubert
National Manager:
Key Accounts
Sasko Grain

Chris de Beer
National Sales
Manager
McCain Foods SA

AMBIENT GROCERIES

Sasko Grain

Sasko Grain is a business with a conscience that endeavours to supply the people of South Africa with safe, nutritious and healthy food products.

Our core activities are the manufacturing of wheaten flour, maize meal, beans and legumes, and rice, and the distribution, marketing and selling thereof within South Africa.

Some of the leading brands produced include Sasko Flour, White Star Super Maize Meal, Spekko Rice and Imbo beans. The building of brand equity is a core objective and the Shoprite Group affords us the opportunity to make our brands available to our target market via its enormous footprint and high-class stores.

Key account relations are extremely important to Sasko Grain and we spend a lot of energy towards building mutually rewarding relationships. It was thus a great honour for us to be awarded the Supplier of the Year Award: Ambient Groceries by a customer of the magnitude of the Shoprite Group.

Sasko Grain is proud to be associated with the Shoprite Group and look forward to a long and prosperous relationship into the future.

PERISHABLES

McCain FOODS SA

Since its launch in South Africa in 2000, McCain has gone from being the “new kid on the block” to the market leader in every segment in which it competes – frozen potato products, frozen vegetables, and frozen prepared meals.

We could not have achieved this, in just six years, without the ongoing support of the Shoprite Group – a market leader and success story in its own field and an organisation which has been genuinely instrumental in helping build the McCain brand throughout the country. It was the challenge of the wide consumer profile served by the Group, for instance, that prompted McCain to broaden its product repertoire by developing and introducing the Budget range, which has been so popular in Shoprite stores nationally.

McCain’s relationship with Shoprite is a classic case of successful symbiosis where each partner has benefited from the relationship. McCain has driven massive penetration – and market growth, as a result – and we are planning more exciting initiatives.

It is particularly gratifying to McCain to have been chosen by the Shoprite Group as its Perishables Supplier of the Year for 2005 – a great honour, and an achievement of which we are justifiably proud. McCain, as a worldwide manufacturer of frozen food, is synonymous with high standards – not only of its products, but also of its operations. To have a name as integral to the South African retail market as Shoprite acknowledge and recognise our South African business, is incredibly important to us.

Thank you, Shoprite. We look forward to building our relationship and our brands together in the future.

Jimmy Millinger
National Sales Director
Silveray Statmark

MEAT MARKET

Crown National

Crown National, a proud member of the Bidvest Group, has been supplying superior-quality spices, seasonings, sauces, marinades, sausage casings, food ingredients, butchery equipment and packaging to the meat and food industries in South Africa since 1912.

Over the years we have developed a culture of honesty, excellence and transparency in all our business dealings and our "We're here to Help – First for Service" philosophy has helped to entrench our objective of forming "partnerships" with our customers.

It is through the application of this culture, coupled with the mutual respect for each other's integrity that such a close relationship has developed between our company and the Shoprite Group over the years. It is a relationship which we value most highly, one which we jealously protect and one of which we are extremely proud.

Crown National will continue in its passionate quest to cement our relationship with the Shoprite Group by assisting them in their determination to provide the consumer with products which conform to the highest standards of food safety at affordable prices.

NON-FOODS

Silveray Statmark

Silveray Statmark Company (SSC) is an enthusiastic and proud partner in the Shoprite supply chain, and is honoured to be the recipient of the Shoprite Group Supplier of the Year Award.

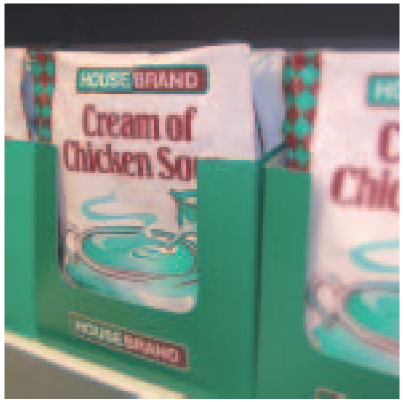
SSC is a member of the BidVest Group and is the exclusive distributor of such prestigious well-known stationery brands such as Croxley, Stabilo Boss, Sellotape, Helix and Rapid, to name a few.

Croxley has been a significant brand in South Africa for 114 years, and the association of Croxley and Shoprite, which has been significantly reinforced over the past six years, is a considerable endorsement of SSC's commitment to the supply of superior stationery products to a major retailer in the South African consumer market.

SSC is justifiably proud of its national distribution and merchandising network which enables it to place product on to the shelves of the Shoprite stores in all centres in South Africa where Shoprite has its extensive representation.

SSC lauds Shoprite's acknowledgement of suppliers, and pays special tribute to the SSC team's meritorious achievement in receiving this award.

Sharief Parker
Managing Director
Quality Beverages



Errol Frielick
Managing Director
Retailer Brands

CONFECTIONERY & BEVERAGES

Quality Beverages

Quality Beverages prides itself on the principles of excellence in production and service delivery. It is these principles that have driven us to becoming a major player in the FMCG market in South Africa. We have enjoyed a long, rewarding and professional association with the Shoprite Group and we as a company are overjoyed to be honoured with this fantastic award.

At Quality Beverages we are extremely proud of what we have achieved in a very short time as our business has developed into the largest independent bottler in South Africa, offering our clients a world-class bottling facility supported by a team of passionate staff.

The soft-drinks market is one that demands the highest quality products as our products are constantly being compared to international market leaders and the fact that we are a healthy developing business in a very demanding market sector bodes well for our future. We are very proud of the fact that Shoprite has chosen us to pack their Housebrand and Ritebrand range of carbonated soft drinks as we view this achievement as a major stamp of approval.

We regard our association with the Shoprite Group as more than just a business agreement and we look forward to strengthening our relationship with Africa's biggest and best retailer.

HOUSEBRAND/PRIVATE LABEL

Retailer Brands

Since its foundation in January 1995 Retailer Brands (Pty) Ltd has grown significantly in size, turnover and product ranges.

The company specialises in the manufacture of dry-mix products, specifically spices, jelly and soups. The focus is mainly on the supply of private label products to retailers locally and groups around the world. It also has its own brands in the baking aids sector of the trade.

Growing from humble beginnings in a small factory in Johannesburg, the company now operates from a state-of-the-art facility in Chloorkop, Gauteng. The strictest food safety programmes are followed as evidenced by our extremely high rating from the American Institute of Bakers. A HACCP rating is the next objective which will be achieved shortly.

A BBBEE transaction, of which we are extremely proud, has recently been concluded with Liberty Star Consumer Holdings, a subsidiary of the prestigious Royal Bafokeng Nation. This will allow the company to grow and help give increased service to our customers.

Our entire company prides itself on our dedication and commitment to the needs of its retail partners. It is thus a great honour for Retailer Brands to receive the Supplier of the Year Award from the Shoprite Group of Companies and we look forward to a mutually beneficial relationship in the future.

Corporate Governance

CODE OF CORPORATE PRACTICE AND CONDUCT

Shoprite Holdings Limited is committed to the principles of effective corporate governance as set out in the Code of Corporate Practice and Conduct in the King Report 2002 ("the Code").

The Board is of the opinion that the Group currently complies with the significant requirements incorporated in the Code and in the Listings Requirements of the JSE Ltd.

GROUP STRUCTURE

Shoprite Holdings Limited is an investment holding company with investments in various local and international trading subsidiaries, of which the following are the most important:

- Shoprite Checkers (Pty) Ltd
- Shoprite Guernsey Ltd
- Shoprite Insurance Company Ltd

All subsidiaries of Shoprite Holdings Limited are committed to the principles of effective corporate governance as contained in the Code.

THE BOARD AND BOARD COMMITTEES

The Board of Directors

At the end of the reporting period, the Board of Shoprite Holdings Limited consisted of thirteen directors, seven of them holding executive positions in the Group. The Board takes overall responsibility for the Group, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is chaired by a non-executive director, Dr CH Wiese, who has no executive functions. The roles of chairman and chief executive are separate, with each having set responsibilities.

The Board is confident its members have the knowledge, talent and experience to lead a listed company. The non-executive directors are independent of management and exercise their independent judgement. With their depth of experience, they add value to board deliberations.

The Board meets at least four times a year. Details of directors' attendance of board meetings during the reporting period are set out below:

Name of director	23/08 2005	29/11 2005	21/02 2006	30/05 2006
Executive directors				
JW Basson (chief executive)	P	P	P	P
CG Goosen	P	P	P	P
BR Weyers	P	P	P	P
AN van Zyl	P	P	P	P
B Harisunker	P	P	P	P
EL Nel	N	P	P	A
AE Karp	N	P	P	P
Non-executive directors				
CH Wiese (chairman)	P	P	P	P
JJ Fouché (independent)	P	P	P	P
JA Louw (independent)	P	A	P	P
JF Malherbe (independent)	P	P	P	P
JG Rademeyer (independent)	P	P	P	P
TRP Hlongwane (independent)	P	P	P	P

A = Absent with apology P = Present N = Not a Director at the time

The Board delegates the day-to-day management of the business to the chief executive assisted by senior management. Senior management are invited to attend board meetings and facilitates the effective control of all the Group's operational activities, acting as a medium of communication and co-ordination between all the various business units and subsidiaries.

Messrs EL Nel and AE Karp were appointed as executive directors during the year.

Directors retire by rotation at least once every three years but can make themselves available for re-election by shareholders.

In terms of the articles of association, Messrs Louw, Van Zyl, Weyers, Nel, Karp and Malherbe retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

The Board appoints the company secretary. The responsibilities of the company secretary include assistance to the chairman in co-ordinating and administering the operation of the Board, the induction of new non-executive directors and ensuring the Group complies with all statutory requirements. All directors have access to the company secretary and his services, and may seek independent professional advice if necessary.

It is the Group's philosophy to manage and control its business on a decentralised basis. Senior management meets with the management of the decentralised operations on a monthly basis to review the results of each operational division. Senior management also meets on a weekly basis to review operations, key financial indicators and the advertising strategy. Board meetings are held quarterly to discuss and approve the results of the Group's operating companies.

The Board charter raises corporate accountability and assists the Board in fulfilling its purpose whilst incorporating the principles of good corporate governance, such as discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

Remuneration Committee

In order to attract, retain and motivate executives of the quality required for the business of the Group, sufficient remuneration is provided for this purpose.

The Remuneration Committee is a subcommittee of the Board and comprises:

CH Wiese, chairman (non-executive)
JA Louw (non-executive)
JJ Fouché (non-executive)
JW Basson (executive)
CG Goosen (executive)

Details of the remuneration of directors are disclosed in note 26, page 86 of the annual report.

The Group participates annually in market surveys, both locally and those focusing on the rest of Africa, to ensure market-related salaries are paid and market-related trends followed in changes to benefits, while at the same time taking into account the intrinsic value of individual contributions.

A substantial portion of remuneration of all managerial staff, especially senior management, is linked to the performance of their respective business units and of the Group as a whole.

Nomination Committee

The Nomination Committee nominates suitable candidates and makes recommendations with regard to the composition of the Board.

The following directors serve on the Nomination Committee, a subcommittee of the Board:

CH Wiese, chairman (non-executive)
JA Louw (non-executive)
JJ Fouché (non-executive)

Audit and Risk Committee

The Audit and Risk Committee is chaired by an independent non-executive director and consists of two non-executive directors and one executive director. The Committee meets at least four times per year in order to evaluate, amongst others, accounting practices, internal control systems, and auditing and financial reporting. Its task also includes evaluating critical risk areas identified with the help of management and to report on these to the Board.

The Committee operates under a formal charter approved by the Board. Committee members have unlimited access to all information.

Certain members of management are invited to attend and give feedback at Committee meetings. The external auditors, the head of the internal audit department and the company secretary attend these meetings and have unlimited access to the committee and its chairman. The chairman of the Committee also holds separate meetings with the head of the internal audit department and the external auditors when required, to ensure matters are considered without undue influence.

The Board, working through the Committee, supervises the financial reporting process. The Board is further responsible for ensuring that adequate ongoing procedures and processes exist to identify, evaluate, manage and monitor key business risks. This is done by way of an enterprise-wide risk management plan (EWRM), which has been implemented in all business units. The EWRM is reviewed on a regular basis. No material loss, exposure or misstatement arising from a material breakdown in the functioning of systems has been reported to the directors in respect of the year under review.

Group assets are insured against loss with appropriate cover being taken out above predetermined self-insurance levels.

The Committee has fulfilled its responsibilities under its charter for the year under review.

Details of attendance at Committee meetings during the reporting period are set out below:

Name of director	15/08 2005	21/11 2005	15/02 2006	26/05 2006
Non-executive directors				
JG Rademeyer (chairman)	P	P	P	P
JJ Fouché	P	P	P	P
Executive director				
CG Goosen	P	P	P	P

P = Present

RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Group. It is the task of management to ensure adequate internal financial and operational control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- the effectiveness and efficiency of operations;
- the safeguarding of the Group's assets (including information);
- compliance with the applicable laws, regulations and supervisory requirements;
- the reliability of the accounting records;
- business sustainability under normal as well as adverse conditions; and
- responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the compliance with prescribed measures. There is always a risk of non-compliance of such measures by staff. Consequently, even a strict and efficient internal control system can provide no more than a reasonable measure of assurance in respect of the above-mentioned objectives. Internal auditors monitor the operation of the internal control and risk management systems and report to management and the Audit and Risk Committee on findings and recommendations. In addition, there is a self-assessment process supplementing the existing structures of evaluating the systems of internal control. This process includes the signing of a representation letter by the head of each department and operating division regarding adherence to internal controls. A Risk Forum has been established where high-risk issues are discussed quarterly.

All critical IT systems and data are backed up. The disaster recovery plan has been documented and an automated off-site disaster recovery facility, focusing on the critical IT systems, has been established and is in operation.

The Board assessed the internal control systems throughout the financial year ended 30 June 2006 and is of the opinion that they met acceptable criteria.

BUSINESS ETHICS AND ORGANISATIONAL INTEGRITY

The Group's Code of Ethics commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The directors and staff are expected to fulfil their ethical obligations in such a manner that the business is run strictly according to fair commercial competitive practice.

A notification of the "closed period" regarding trading in the securities of the Group is circulated to all directors and senior executive managers of the Group and its subsidiaries in June and December every year. Closed periods are as follows:

	Interim results	Year-end results
Trading in securities	25 December until profit announcement on SENS	25 June until profit announcement on SENS
Discussions with analysts	1 December until profit announcement on SENS	1 June until profit announcement on SENS

All dealings in Shoprite Holdings Limited shares by both company and subsidiary company directors are reported on the JSE News Service (SENS) within 48 hours of the trade having been made. All such trades must be pre-approved by an authorised director of the holding company.

FINANCIAL REPORTING AND AUDITING

Financial reporting

The directors accept final responsibility for the preparation of the annual financial statements which fairly present:

- the financial position of the Company and the Group as at the end of the year under review;
- the financial results of operations; as well as
- the cash flows for that period.

The responsibility for compiling the annual financial statements was delegated to management. The external auditors report on whether the annual financial statements are fairly presented.

The directors are satisfied that during the year under review:

- adequate accounting records were maintained;
- an effective system of internal controls and risk management, monitored by management, was maintained;
- appropriate accounting policies, supported by reasonable and prudent judgements and estimates, were used consistently; and
- the financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

The directors are also satisfied that no material event has occurred between the financial year-end and the date of this report.

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosure.

Consultation occurs between external and internal auditors to effect an efficient audit process. The external auditors are supplied with and also consider all reports issued by the internal audit department.

Details of non-audit services provided to the Group by the external auditors are set out in note 25, page 85 of the annual report.

Internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value to its customers and improve operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve risk management, control and governance processes.

Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the Board, the Audit and Risk Committee, executive directors and senior management.

The internal audit department is responsible to the general manager: finance on day-to-day matters, but also reports directly to the Audit and Risk Committee.

The internal audit department comprises qualified personnel with appropriate training and experience. The purpose, authority and responsibility of the independent internal audit activity are formally defined in an internal audit charter, which is updated regularly and approved by the Audit and Risk Committee.

Significant audit findings are reported to the Audit and Risk Committee. Steps are taken to address shortcomings in control and other opportunities for improving the system, whenever they are identified.

All significant business operations are subject to internal audit.

During the year certain high-level internal audit functions were contracted out to the external auditors. These included a quarterly review of the provision for bad debts for the Group's instalment sale receivables. Such projects usually relate to isolated cases for which the internal audit department does not possess the necessary capacity, skills or experience.

GOING CONCERN

As the directors are of the opinion that the Group has sufficient resources at its disposal to operate the business for the foreseeable future, the financial statements have been prepared on a going-concern basis.

The directors' report, annual financial statements and group annual financial statements as set out on pages 52 to 106, have been approved by the Board of directors.

Signed on behalf of the Board of directors.

CH WIESE Chairman	JW BASSON Chief executive

Date: 22 August 2006

Annual Financial Statements

Company Information

SHOPRITE HOLDINGS LIMITED

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.shoprite.co.za

TRANSFER SECRETARIES

South Africa
Computershare Investor Services 2004 (Pty) Ltd
PO Box 61051, Marshalltown, 2107, South Africa
Telephone: +27 (0) 11 370 5000
Facsmile: +27 (0) 11 688 5238
Website: www.computershare.com

Namibia
Transfer Secretaries (Pty) Ltd
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Facsimile: +264 (0) 61 24 8531

Zambia
Lewis Nathan Advocates
PO Box 37268, Lusaka, Zambia
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SPONSORS

South Africa
Nedbank Capital
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Zambia
Lewis Nathan Advocates
PO Box 37268, Lusaka, Zambia
Telephone: +260 (0) 1 223 174
Facsimile: +260 (0) 1 229 868

AUDITORS

PricewaterhouseCoopers Incorporated
PO Box 2799, Cape Town, 8000, South Africa

BANKERS

ABSA Bank Ltd
Barclays Bank PLC
Citibank N.A.
Commerzbank AG
First National Bank Ltd
Investec Bank Limited
Nedbank Ltd
The Standard Bank of South Africa Ltd

Certificate of the Company Secretary

In my capacity as the company secretary, I hereby confirm, in terms of the South African Companies Act, 1973, that for the year ended 30 June 2006, Shoprite Holdings Limited has lodged with the Registrar of Companies all such returns as are required of a public company 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.

AN van Zyl
22 August 2006

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:

	2006	2005
USA dollar	7,1100	6,7311
Pound sterling	13,0469	12,0089
Euro	9,0475	8,1120
Zambia kwacha	0,0021	0,0015
Mozambique metical	0,0003	0,0003
Botswana pula	1,1732	1,2082
Egyptian pound	1,2366	1,1655
Uganda shilling	0,0038	0,0039
Malawi kwacha	0,0523	0,0570
Mauritian rupee	0,2319	0,2321
Angolan kwanza	0,0887	0,0757
Indian rupee	0,1543	0,1547
Ghanaian cedi	0,0008	0,0007
Madagascan ariary	0,0033	0,0033
Nigerian naira	0,0556	0,0506
Tanzanian shilling	0,0057	0,0060
Zimbabwe dollar	0,0001	0,0007

Independent Auditors' Report to the Members of Shoprite Holdings Limited

We have audited the annual financial statements and Group annual financial statements of Shoprite Holdings Limited set out on pages 52 to 106 for the year ended 30 June 2006. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group at 30 June 2006, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: NH Döman
Registered Auditor
22 August 2006
Cape Town

Directors' Report

NATURE OF BUSINESS

The Company, which is incorporated in the Republic of South Africa and listed on JSE Limited ("JSE") is an investment holding company.

The Group comprises of the following trading subsidiaries:

Shoprite Checkers (Pty) Ltd – controlling:
Supermarkets: The grocery, perishable, fruit and vegetables, meat markets, delicatessen, fast foods, non-food, liquor store and money market retailing activities in South Africa, Namibia, Lesotho, Swaziland, Mauritius as well as the franchise division known as OK Franchise.

Properties: Owns property strategically situated for its business in South Africa.

Distribution: Distributes groceries and non-food merchandise to its supermarket chains nationally and internationally and fresh produce to its supermarkets in South Africa.

Furniture: The retail of furniture through OK Furniture, OK Power Express and House and Home.

Shoprite Guernsey Ltd:
Controls the retailing supermarket activities and owns strategically situated properties outside South Africa.

Shoprite Holdings Limited's interest in its subsidiaries is set out on page 106 of the annual report.

GENERAL PREVIEW

The Group's headline earnings per share amounts to 146,7 cents for the year (2005: 132,4 cents). Details of the profit of Shoprite Holdings Limited and the Group are contained in the income statement.

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

	2006 R'000	2005 R'000
Total profits	1 131 176	727 925
Total losses	250 859	124 825

DIVIDENDS

Preference dividends
Details are reflected in note 28 to the annual financial statements.

Ordinary dividends
An interim cash dividend (No. 114) of 27 cents per share was paid on 20 March 2006. A final dividend (No. 115) of 46 cents per share is payable on 18 September 2006, bringing the total dividend for the year to 73,0 cents (2005: 50,0 cents) per ordinary share.

SHARE CAPITAL

The authorised share capital remains unchanged at 650 000 000 ordinary shares of 113,4 cents each.

There was no movement in the number of issued ordinary shares during the year, which remains at 543 479 460 shares of 113,4 cents each.

The deferred share capital remained unchanged and is reflected in note 14 to the annual financial statements.

GOING CONCERN

These annual financial statements have been 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 and based on this review, considers that the presentation of the financial statements on this basis is appropriate.

SPECIAL RESOLUTION

At the annual general meeting of Shoprite Holdings Ltd held on 27 October 2005, shareholders approved the following special resolution:

"It was resolved that the Company and/or any subsidiary of the Company be and is hereby authorised by way of a general approval contemplated in sections 85(2) and 85(3) of the Act, 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 Articles of Association of the Company, the provisions of the 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 and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall be valid only until the Company's next annual general meeting, 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 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 one financial year do not exceed 10% (ten percent) of the Company's issued ordinary share capital from the date of the grant 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 following year;
- the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the Company for the following year;
- the ordinary capital and reserves of the Company and the Group are adequate for the next 12 (twelve) months;
- the available working capital is adequate to continue the operations of the Company and the Group in the following year;
- upon 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;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- 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."

DIRECTORS

Messrs JA Louw, AN van Zyl, BR Weyers, JF Malherbe retire as directors, in terms of Article 14.1 of the Articles of Association of the Company, at the annual general meeting, but being eligible, offer themselves for re-election.

Messrs EL Nel and AE Karp who were appointed as directors on 19 September 2005, and who retire in terms of Article 13.2 of the Articles of Association of the Company at the annual general meeting, but being eligible, offer themselves for re-election.

The following alternate directors were appointed on 19 September 2005:

Mr JD Wiese	alternate to Dr CH Wiese
Mr JAL Basson	alternate to Mr JW Basson
Mr M Bosman	alternate to Mr CG Goosen
Mr PC Engelbrecht	alternate to Mr BR Weyers

DIRECTORS' AND ALTERNATE DIRECTORS' INTERESTS IN ORDINARY SHARES

	Beneficial	Non-beneficial	Total 2006	Total 2005
CH Wiese	76 548 410		76 548 410	76 412 484
JW Basson	4 890 511		4 890 511	4 890 511
JJ Fouché	872 171		872 171	872 171
CG Goosen	1 023 249		1 023 249	923 249
B Harisunker	456 360		456 360	456 360
TRP Hlongwane	15 057		15 057	15 057
AE Karp	–	–	–	–
JA Louw		200 000	200 000	380 000
JF Malherbe	64 253	8 200	72 453	72 453
EL Nel	–	–	–	–
JG Rademeyer	10 000		10 000	10 000
AN van Zyl	515 799		515 799	515 799
BR Weyers	100 000	200 000	300 000	300 000
JAL Basson	55 500		55 500	55 500
M Bosman	46 260		46 260	96 260
PC Engelbrecht	2 000		2 000	2 000
JD Wiese	14 074		14 074	14 074

DIRECTOR'S INTEREST IN NON-CONVERTIBLE, NON-PARTICIPATING, NO PAR VALUE DEFERRED SHARES

	Total 2006	Total 2005
CH Wiese	276 821 666	276 821 666

AUDITORS

PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 270 (2) of the Companies Act.

POST-BALANCE SHEET EVENTS

Other than the facts and developments reported in the annual report, there have been no material changes in the affairs or financial position of the Company and the Group from the date of signature of the audit report and the date of such report.

HOLDING COMPANY

The Company has no holding company. An analysis of the main shareholders of the Company appears on page 107 of this report.

LITIGATION STATEMENT

- Dispute with South African Breweries: The dispute between the Group and South African Breweries regarding the purchase of OK Bazaars (1929) Ltd has not yet been resolved.
- 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 Company and Group's financial position.

Balance Sheet

Shoprite Holdings Limited and its subsidiaries as at 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Notes	Group 30 June 2006 R'000	Group 30 June 2005 R'000
		ASSETS			
		NON-CURRENT ASSETS			
–	–	Property, plant and equipment	3	3 248 283	2 490 585
1 068 411	1 364 047	Interests in subsidiaries	5	–	–
–	–	Available-for-sale investments	6	13 846	33 100
–	–	Loans and receivables	7	38 817	61 530
28	112	Deferred tax assets	8	219 626	242 193
–	–	Intangible assets	9	235 866	40 779
–	–	Fixed escalation operating lease accrual	10	2 791	4 213
1 068 439	1 364 159			3 759 229	2 872 400
		CURRENT ASSETS			
–	–	Inventories	11	3 269 500	2 711 532
3 597	–	Trade and other receivables	12	1 442 122	1 459 076
–	–	Derivative financial instruments	13	20 319	537
–	–	Current tax assets		30 025	62 474
–	–	Assets held for sale	4	163 876	183 025
1 090 927	505 054	Interests in subsidiaries	5	–	–
–	–	Available-for-sale investments	6	33 592	–
–	–	Loans and receivables	7	15 758	3 993
636 739	605 622	Cash and cash equivalents		1 207 971	1 076 809
1 731 263	1 110 676			6 183 163	5 497 446
2 799 702	2 474 835	**TOTAL ASSETS**		9 942 392	8 369 846
		EQUITY			
		CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
616 583	616 583	Share capital	14	616 583	616 583
293 072	293 072	Share premium		293 072	293 072
–	–	Treasury shares	14	(277 318)	(277 219)
1 881 420	1 532 912	Reserves	15	2 403 526	1 591 682
2 791 075	2 442 567			3 035 863	2 224 118
–	–	**MINORITY INTEREST**		47 005	41 759
2 791 075	2 442 567	**TOTAL EQUITY**		3 082 868	2 265 877
		LIABILITIES			
		NON-CURRENT LIABILITIES			
2 450	2 450	Borrowings	16	2 464	2 450
–	–	Deferred tax liabilities	17	7 400	10 073
–	–	Provisions	18	269 264	221 421
–	–	Fixed escalation operating lease accrual	19	452 732	514 829
2 450	2 450			731 860	748 773
		CURRENT LIABILITIES			
1 847	794	Trade and other payables	20	5 320 148	4 451 329
3 525	28 045	Current tax liabilities		100 724	66 983
–	–	Provisions	18	34 301	48 952
–	–	Bank overdrafts		671 267	784 388
805	979	Shareholders for dividends		1 224	3 544
6 177	29 818			6 127 664	5 355 196
2 799 702	2 474 835	**TOTAL EQUITY AND LIABILITIES**		9 942 392	8 369 846

Income Statement

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Notes	Group 30 June 2006 R'000	Group 30 June 2005 R'000
–	–	Sales of merchandise		33 511 287	29 704 233
–	–	Cost of sales		26 715 806	23 724 000
–	–	GROSS PROFIT		6 795 481	5 980 233
762 408	34 695	Other operating income	21	765 180	688 325
–	–	Depreciation and amortisation	22	(434 866)	(375 622)
–	–	Operating leases	23	(841 446)	(817 809)
–	–	Employee benefits	24	(2 815 830)	(2 446 849)
(3 114)	(3 788)	Other expenses		(2 215 944)	(1 995 662)
759 294	30 907	TRADING PROFIT		1 252 575	1 032 616
39 394	48 255	Exchange rate gains		8 445	1 921
(123 605)	(108 280)	Income/(expenditure) of a capital nature	27	166 906	(35 392)
675 083	(29 118)	OPERATING PROFIT/(LOSS)	25	1 427 926	999 145
–	41 926	Interest received		96 385	56 329
(277)	(157)	Finance costs	28	(89 736)	(52 543)
674 806	12 651	PROFIT BEFORE TAX		1 434 575	1 002 931
(31 917)	(63 010)	Tax	29	(518 240)	(339 949)
642 889	(50 359)	PROFIT AFTER TAX		916 335	662 982
–	–	Loss from discontinued operation	30	(19 853)	(25 978)
642 889	(50 359)	PROFIT FOR THE YEAR		896 482	637 004
		ATTRIBUTABLE TO:			
642 889	(50 359)	Equity holders of the Company		890 132	629 613
–	–	Minority interest		6 350	7 391
642 889	(50 359)			896 482	637 004
		Earnings per share from continued operations (cents)	31	179,4	129,2
		Earnings per share (cents)	31	175,4	124,1
		Diluted earnings per share from continued operations (cents)	31	172,7	125,7
		Diluted earnings per share (cents)	31	168,9	120,7
41,5	55,0	Ordinary dividend per share paid (cents)	32	55,0	41,5

Statement of Changes in Equity

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Group

R'000	Notes	Total equity	Minority interest	Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
				Attributable to equity holders of the Group					
BALANCE AT 1 JULY 2004		1 802 453	38 643	1 763 810	616 583	293 072	(276 954)	31 549	1 099 560
Total recognised income		673 261	7 391	665 870	–	–	–	36 257	629 613
Net profit for the year		637 004	7 391	629 613					629 613
Recognised in equity									
Net fair value gains on available-for-sale investments, net of tax	15	4 221		4 221				4 221	
Foreign currency translation differences	15	33 260		33 260				33 260	
Fair value gains on available-for-sale investment realised through income statement	15	(1 224)		(1 224)				(1 224)	
Employee share option scheme – value of services provided	15	5 265		5 265				5 265	
Net movement in treasury shares	14	(265)		(265)			(265)		
Transfer to contingency reserve	15	–		–				4 150	(4 150)
Dividends distributed to shareholders		(214 837)	(4 275)	(210 562)					(210 562)
BALANCE AT 30 JUNE 2005		2 265 877	41 759	2 224 118	616 583	293 072	(277 219)	77 221	1 514 461
Total recognised income		1 096 479	6 350	1 090 129	–	–	–	199 997	890 132
Net profit for the year		896 482	6 350	890 132					890 132
Recognised in equity									
Net fair value gains on available-for-sale investments, net of tax	15	12 452		12 452				12 452	
Foreign currency translation differences	15	187 545		187 545				187 545	
Employee share option scheme – value of services provided	15	764		764				764	
Net movement in treasury shares	14	(99)		(99)			(99)		
Transfer to contingency reserve	15	–		–				273	(273)
Dividends distributed to shareholders		(280 153)	(1 104)	(279 049)					(279 049)
BALANCE AT 30 JUNE 2006		3 082 868	47 005	3 035 863	616 583	293 072	(277 318)	278 255	2 125 271

Company

R'000	Total equity	Minority interest	Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
			Attributable to equity holders of the Company					
BALANCE AT 1 JULY 2004	2 368 465		2 368 465	616 583	293 072	–	10 476	1 448 334
Total recognised income								
Net profit for the year	642 889		642 889					642 889
Subsidiary company employee share option scheme – fair value of vested options	5 265		5 265				5 265	
Dividends distributed to shareholders	(225 544)		(225 544)					(225 544)
BALANCE AT 30 JUNE 2005	2 791 075	–	2 791 075	616 583	293 072	–	15 741	1 865 679
Total recognised income								
Net profit for the year	(50 359)		(50 359)					(50 359)
Subsidiary company employee share option scheme – fair value of vested options	764		764				764	
Dividends distributed to shareholders	(298 913)		(298 913)					(298 913)
BALANCE AT 30 JUNE 2006	2 442 567	–	2 442 567	616 583	293 072	–	16 505	1 516 407

Cash Flow Statement

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Notes	Group 30 June 2006 R'000	Group 30 June 2005 R'000
502 269	(261 920)	CASH FLOWS FROM OPERATING ACTIVITIES		1 338 688	72 279
675 083	(29 118)	Operating profit/(loss)		1 427 926	999 145
(762 408)	(34 695)	Less: investment income		(11 086)	(13 056)
84 513	60 198	Non-cash items	33.1	281 090	453 106
(4 909)	2 544	Changes in working capital	33.2	367 436	(655 910)
(7 721)	(1 071)	Cash generated from/(utilised by) continued operations		2 065 366	783 285
43 519	76 591	Interest received		102 392	62 705
(277)	(157)	Interest paid		(89 736)	(52 543)
718 889	30	Dividends received		5 079	6 680
(225 495)	(298 739)	Dividends paid	33.3	(282 473)	(213 336)
(26 646)	(38 574)	Tax paid	33.4	(438 890)	(509 097)
–	–	Cash utilised by discontinued operation	33.5	(23 050)	(5 415)
134 070	230 803	CASH FLOWS FROM INVESTING ACTIVITIES	33.6	(1 097 877)	(810 961)
–	–	CASH FLOWS FROM FINANCING ACTIVITIES	33.7	406	428
636 339	(31 117)	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		241 217	(738 254)
400	636 739	Cash and cash equivalents at beginning of year		292 421	1 019 687
–	–	Effect of exchange rate movements on cash and cash equivalents		3 066	10 988
636 739	605 622	CASH AND CASH EQUIVALENTS AT END OF YEAR		536 704	292 421
		Consisting of:			
636 739	605 622	Cash and cash equivalents		1 207 971	1 076 809
–	–	Bank overdrafts		(671 267)	(784 388)
636 739	605 622			536 704	292 421

Notes to the Annual Financial Statements

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

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.

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. 61 of 1973), as amended. The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value.

The Group has reported under IFRS for the first time and applied IFRS 1: First-time Adoption of International Financial Reporting Standards to these financial statements. All relevant comparative information has been adjusted in accordance with IFRS 1. Refer to note 43 for details regarding the effect of the transition from South African Generally Accepted Accounting Practice ("SA GAAP") to IFRS.

1.1.1 Use of assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are mainly the impairment of tangible and intangible assets; the estimation of useful lives of property, plant and equipment and intangible assets, and establishing uniform depreciation and amortisation methods; the likelihood that deferred and income taxes can be realised; the probability of doubtful debts; parameters for measuring pension obligations; classification of certain operations as discontinued and insurance transactions. The key estimates and assumptions relating to these areas are disclosed in the relevant notes to the financial statements.

All estimates and underlying assumptions are based on historical experience and various other factors that management believe are reasonable under the circumstances. The results of these estimates form the basis of judgements 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 below 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 income statement, being the Group's operating results excluding exchange rate differences and income or expenditure of a capital nature.

(b) Income or expenditure of a capital nature on the face of the income statement, being all income statement items of a capital nature as taken into account in the calculation of headline earnings per share. 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; gains and losses on lease cancellations; 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 income statement, being only interest received on call and operating bank account balances.

(d) Adjusted headline earnings per share, refer note 1.24.

1.2 Group accounting

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 purchase method of accounting is used to account for the acquisition.

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, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at its fair values at the acquisition date, irrespective of the extent of any minority 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 income statement. 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 entity ceases to comply with the definition of a subsidiary.

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.

1.2.3 Intergroup transactions and balances

All intergroup transactions and balances between Group companies have been eliminated. Where necessary, accounting policies of subsidiaries and joint ventures have been changed to ensure consistency with the policies adopted by the Group.

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 subsidiary operates ("the functional currency"). The Group's consolidated financial statements are presented in rands, which is Shoprite Holdings Ltd's functional and presentation currency.

1.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates for the period. 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 income statement.

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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement 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").

When the foreign subsidiary's functional currency is the currency of a hyper-inflationary economy, which are those in which inflation exceeds 100% cumulatively over a three-year period, the financial statements of this subsidiary are restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the balance sheet date. The resulting net monetary differences are recognised in the income statement. All the line items in the inflation-adjusted financial statements are translated to the Group's presentation currency at the closing rate. The comparative amounts are those that were included in the Group's results in the previous year.

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 sold all related exchange rate differences in the FCTR are recognised in the income statement 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. 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.

Management determines the estimated useful lives and the related depreciation charges at acquisition, but will revise the depreciation charge where useful lives are subsequently found to be different from the previous estimate.

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	3 years
Aeroplane	15 years

The residual values and useful lives of property, plant and equipment are reviewed at each balance sheet date. If appropriate adjustments are made and accounted for prospectively as a change in estimate.

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 is charged to the income statement during the period in which it is incurred.

Gains and losses on disposals or scrappings of property, plant and equipment, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in the income statement.

1.5 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, accounts receivable, instalment sales receivables, accounts payable, borrowings and derivatives. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivatives including forward foreign exchange rate contracts and interest rate swaps are categorised as held-for-trading. Assets in this category are classified as current assets. Purchases and settlements of derivative financial instruments are recognised on the trade date at cost and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in the income statement 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 balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future net cash flows. The Group does not apply hedge accounting.

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 it is extinguished, i.e. when the contractual obligation is discharged, cancelled or expires.

1.6 Investments

The Group classifies its investments in the following categories:

- Available-for-sale financial assets
- Loans and receivables

The classification is dependent on the purpose for which the investment was acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designations at each balance sheet date.

1.6.1 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 equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the income statement 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 balance sheet date.

The fair value of these investments are based on quoted transaction prices (for listed investments) or the underlying net asset value (for unlisted investments).

1.6.2 Loans and receivables

Loans and receivables are 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 are 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 balance sheet date.

The Group's investments in preference shares are regarded as loans and receivables, carried at amortised cost, and, if denominated in foreign currencies, are translated at closing rates. Gains or losses resulting from the translation are recognised in the income statement. Purchases and sales of these investments are recognised on the trade date at cost, including transaction costs. Investment income resulting from preference share investments is recognised in the income statement as interest received.

1.7 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.

1.8 Deferred tax

Deferred tax is provided, using the liability method, for calculated 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 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 or loss. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Management applies judgement 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 tax is provided on temporary differences arising on the consolidation of investments in subsidiaries, 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 judgement is required in determining worldwide provision for 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 tax provisions in the period in which such determination is made.

1.9 Intangible assets

1.9.1 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 and 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 the those CGUs represents the Group's investment in each country of operation per secondary reporting segment. Gains and losses on the disposal of an entity that has related goodwill include the carrying amount of the related goodwill.

1.9.2 Software

Software represents all costs incurred to acquire the assets and bring it into use. These cost are amortised over the estimated useful life of the relevant software, being between three and five 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 production 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.

1.9 Intangible assets (continued)

1.9.2 Software (continued)

Software's useful lives are reviewed at each balance sheet date, if appropriate, adjustments are made and accounted for prospectively as a change in estimate.

1.9.3 Trademarks

Trademarks and licences are shown at historical cost, have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, being 20 years. The useful lives are reviewed at each balance sheet date, if appropriate, adjustments are made and accounted for prospectively as a change in estimate.

1.10 Non-current assets held for sale

Non-current assets are classified as assets held for sale and are stated at the lower of the carrying amount and fair value, less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continued use.

1.11 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal, or earlier if the operation is available for immediate sale and the sale is highly probable.

1.12 Inventories

Trading inventories are stated at the lower of cost, using either the weighted average cost or the retail method, and net realisable value. 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.

1.13 Trade and other receivables

Trade and other receivables are originally carried at fair value and subsequently measured at amortised cost using the effective interest method, less provision made for impairment of these receivables. A provision 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. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers. Any resulting impairment losses are included in other expenses in the income statement.

1.14 Leases

1.14.1 Where the Group is the lessee

Leases of assets under which all the risks and benefits 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 income statement on a straight-line basis over the lease term. All other lease payments are expensed as they occur. Incentives paid to enter into a lease agreement are expensed in the income statement 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 taken to income in the period in which termination takes place.

1.14.2 Where the Group is the lessor

Portions of owner-occupied properties and leased properties are leased or sub-leased out under operating leases. The owner-occupied properties are included in property, plant and equipment in the balance sheet. 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 income statement as operating lease income over the lease term. All other rental income is recognised as it is received.

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 are expensed in the period in which termination takes place.

1.15 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 the closing rate. 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 balance sheet.

1.16 Share capital

Ordinary shares and non-convertible, non-participating deferred 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.

1.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. 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 balance sheet 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 income statement as finance costs.

1.18 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 income statement.

1.18.1 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. This provision is 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 income statement as finance costs.

1.18.2 Provision for claims incurred but not reported

The Group recognises a provision for the estimated expected direct cost of settling all claims incurred but not reported at the balance sheet date. The provision for the cost of claims incurred but not yet reported is determined based on past claims experience and management's best estimate of the cost to settle the claims that have incurred but not yet reported at the balance sheet date. The Group does not provide for claims reported but not yet paid at the balance sheet date due to the short tail of the business. Any claims reported but not yet paid at the balance sheet, if any, will be included in the provision for claims incurred but not reported.

1.18.3 Post-retirement medical benefits

Refer accounting policy 1.19.2.

1.18.4 Long-service awards

Long-service awards are provided to employees who achieve certain pre-determined 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 income statement as employee benefits upon valuation.

1.18.5 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. This provision is expected to be fully utilised within the next financial year.

1.19 Employee benefits

1.19.1 Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

1.19 Employee benefits (continued)

1.19.1 Pension obligations (continued)

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.

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.

1.19.2 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 income statement 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 method.

Actuarial gains or losses are recognised immediately in the income statement as employee benefits.

1.19.3 Equity and cash-settled share-based payments

(a) Share purchase and share option scheme

The Group operates an equity-settled share incentive scheme through The Shoprite Holdings Limited Share Incentive Trust. Shares are offered under a share purchase and a share option scheme and can be taken up over a period of two to seven years, subject to specific conditions. The beneficiaries under the scheme are executive directors and management. The fair value of the employee services received in exchange for the grant of options is recognised as an expense on a straight-line basis over the vesting period with a corresponding increase in the share-based payment reserve.

The fair value is determined with reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The effect of all options issued under the share option scheme is taken into account when calculating diluted earnings and diluted headline earnings per share.

(b) Cash-settled share-based payments

The Group recognises a liability for cash-settled share-based payments calculated at current fair value determined at each balance sheet date. The fair value is calculated using the Black Scholes pricing model. This amount is expensed through the income statement over the vesting period.

1.19.4 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 obligation exists.

1.20 Impairment

Assets that have an indefinite life are not subject to depreciation and amortisation and are tested for impairment at each balance sheet 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 judgement 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. In the case of equity securities classified as available-for-sale a significant or prolonged decline in fair value below the related cost will be considered as an impairment indicator.

Where the carrying value of an asset exceeds its estimated 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). CGUs are the lowest levels for which separately identifiable cash flows can be determined. The related impairment expense is charged to the income statement 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/expenses of a capital nature in the income statement. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

1.21 Revenue recognition

Revenue comprises the fair value 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 and when collectability of the related receivable is reasonably assured. Payment is usually received via cash or credit card. Related credit card transaction costs are recognised in the income statement as other expenses.

1.22 Other operating income

Other operating income are recognised as follows:

1.22.1 Instalment sales of goods

When assets are 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.

1.22.2 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 1.14.2.

1.22.3 Franchise income

Franchise fees are recognised when the underlying sales, which give rise to the income, occur.

1.22.4 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 balance sheet date.

1.22.5 Interest income

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

1.22.6 Dividend income

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

1.22.7 Gift vouchers and savings stamps

Proceeds from the sale of gift vouchers and savings 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.

1.22.8 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 of 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.

1.23 Borrowing costs

All borrowing costs, being interest cost incurred by the Group when borrowing funds, are recognised as finance costs and expensed in the period in which it is incurred.

1.24 Earnings per share

Earnings, headline earnings and adjusted headline earnings per share are calculated by dividing the net profit attributable to equity holders of the Group, headline earnings and adjusted 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. Adjusted headline earnings is calculated by excluding exchange rate gains and losses from headline earnings.

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 closing 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 income statement effect.

1.25 Government grants

Government grants, being assistance by government in the form of tax 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 income statement as a deduction of the related expense over the periods necessary to match them with the related costs or as a tax allowance deducted from tax in the income statement.

1.26 Dividends distributed to shareholders

Dividends are recognised as a liability in the Group's financial statements in the period in which they are approved by the Company's shareholders.

1.27 Basis of accounting for underwriting activities

1.27.1 Classification of 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 substance, the condition mentioned above 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.

1.27.2 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 disclosed exclude commission payable to intermediaries and taxes and levies based on premiums. Premiums are accounted for as income when the risk related to the insurance policy incepts.

(b) Unearned premium provision

The provision 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 provision is computed separately for each insurance contract on a time-apportionment basis.

(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 balance sheet date, but which had not been reported to the Group by that date.

(d) 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 disclosed in the balance sheet as a non-distributable reserve under capital and reserves.

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

(e) Reinsurance

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

(f) Liabilities and related assets under liability adequacy test

At each balance sheet 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).

(g) Other operating income recognition

Refer note 1.22.4.

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

1.29 Standards, interpretations and amendments that are not yet effective at 30 June 2006

The Group has considered the following new standards, and interpretations and amendments to existing standards, that are not yet effective as at 30 June 2006:

- IFRS 6: *Exploration for and Evaluation of Mineral Resources* (effective for the year ended June 2007)
- IFRS 7: *Financial Instruments: Disclosures* (effective for the year ended June 2008)
- IAS 1: *Amendment to International Accounting Standard 1 Presentation of Financial Statements: Capital Disclosures* (effective for the year ended June 2008)
- IAS 19: *Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures* (effective for the year ended June 2007)
- IAS 21: *Amendment to International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation* (effective for the year ended June 2007)
- IAS 39: *Amendments to IAS 39 Financial Instruments: Recognition and Measurement Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (effective for the year ended June 2007)
- IAS 39: *Amendments to IAS 39 Financial Instruments: Recognition and Measurement: The Fair Value Option* (effective for the year ended June 2007)
- IAS 39: *Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts Financial Guarantee Contracts* (effective for the year ended June 2007)
- IFRIC Interpretation 4: *Determining whether an arrangement contains a lease* (effective for the year ended June 2007)
- IFRIC Interpretation 5: *Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (effective for the year ended June 2007)
- IFRIC Interpretation 6: *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* (effective for the year ended June 2007)
- IFRIC Interpretation 7: *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for the year ended June 2007)
- IFRIC Interpretation 8: *Scope of IFRS 2* (effective for the year ended June 2007)
- IFRIC Interpretation 9: *Reassessment of Embedded Derivatives* (effective for the year ended June 2007)
- AC 503: *Accounting for Black Economic Empowerment ("BEE") transactions* (effective for the year ended June 2007)

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. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and conclude that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendments to IAS 1.

2 SEGMENT ANALYSIS

2.1 Definitions

Business segment
A business segment is a distinguishable component of an entity, engaged in delivering products and services, that are subject to risks and returns that are different from those of other business segments.

Geographical segment
A geographical segment is a distinguishable component of an entity, engaged in providing products or services, within a particular economic environment, that are subject to risks and returns that are different from those segments operating in other economic environments.

Segment revenue
Segment revenue is all sales of merchandise directly attributable to the segment and includes sales of merchandise of a joint venture.

Segment result
Segment result is segment revenue less segment expenses. Segment expenses are all directly attributable expenses resulting from the operating activities of a segment as well as any relevant portion of an expense that can be allocated to the segment on a reasonable basis. This allocation is done on a line-by-line basis considering the driver for each type of expense, e.g. sales of merchandise or employee costs. The unallocated portion comprises items of a capital nature and investment income.

Segment assets
Segment assets are the segment's operating assets and comprise, property, plant and equipment, intangible assets, inventories, receivables, assets held for sale and cash and cash equivalents, and exclude investments, derivative financial instruments, and deferred and income tax assets.

Segment liabilities
Segment liabilities are the segment's operating liabilities and comprise payables and exclude items such as provisions, borrowings, derivative financial instruments, deferred and income tax liabilities and shareholders for dividends.

Capital expenditure
Capital expenditure comprises additions to property, plant and equipment and intangible assets.

2.2 Business segment analysis

The business segment is the primary reporting format, based on the Group's management structure.

The Group is organised into two main business segments:

- Supermarkets (including fresh produce and franchise)
- Furniture (including insurance)

The information below is presented excluding the discontinued operation. Refer note 30.

	30 June 2006			30 June 2005		
	Supermarkets R'000	Furniture R'000	Consolidated R'000	Supermarkets R'000	Furniture R'000	Consolidated R'000
REVENUE	31 635 822	1 875 465	33 511 287	28 017 664	1 686 569	29 704 233
RESULT						
Operating profit			1 427 926			999 145
Unallocated			(177 992)			22 336
	1 051 301	198 633	1 249 934	830 085	191 396	1 021 481
OTHER INFORMATION						
Assets	8 283 453	1 286 956	9 570 409	6 687 343	1 278 676	7 966 019
Liabilities	6 250 771	193 376	6 444 147	5 518 207	232 339	5 750 546
Capital expenditure	1 375 318	43 077	1 418 395	928 488	31 742	960 230
Depreciation and amortisation	445 100	17 088	462 188	383 532	16 308	399 840
Non-cash expenses	8 943	314	9 257	4 980	–	4 980
Reversal of impairment charges	273	–	273	–	–	–
Impairment charges	–	–	–	66 328	–	66 328

2 SEGMENT ANALYSIS (continued)

2.3 Geographical segment analysis

The geographical segment is the secondary reporting format.

The Group operates in two main geographical segments:

- South Africa
- Non-RSA countries

The information below is presented excluding the discontinued operation. Refer note 30.

	30 June 2006			30 June 2005		
	South Africa R'000	Non-RSA countries R'000	Consolidated R'000	South Africa R'000	Non-RSA countries R'000	Consolidated R'000
REVENUE	30 156 155	3 355 132	33 511 287	26 876 046	2 828 187	29 704 233
OTHER INFORMATION						
Assets	7 863 891	1 706 518	9 570 409	6 610 490	1 355 529	7 966 019
Capital expenditure	1 188 851	229 544	1 418 395	806 626	153 604	960 230

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		3 PROPERTY, PLANT AND EQUIPMENT		
–	–	3.1 Land at cost	137 076	97 619
		3.2 Buildings		
		Cost	980 763	751 222
		Accumulated depreciation and impairment	83 479	101 281
–	–	Carrying value	897 284	649 941
		Details of land and buildings are available for inspection at the registered office of the Company.		
		3.3 Machinery, equipment and vehicles*		
		Cost	3 314 762	2 913 182
		Accumulated depreciation and impairment	1 248 063	1 297 240
–	–	Carrying value	2 066 699	1 615 942
		* Includes aircraft with a carrying value of R135 million.		
		3.4 Improvements to leasehold property		
		Cost	347 921	307 833
		Accumulated depreciation and impairment	200 697	180 750
–	–	Carrying value	147 224	127 083
–	–	Total property, plant and equipment	3 248 283	2 490 585

3 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying values

R'000	Land	Buildings	Group Machinery, equipment and vehicles	Leasehold improvements	Total
Carrying value at 1 July 2004	128 969	689 790	1 387 968	58 231	2 264 958
Additions	11 793	194 409	673 873	43 523	923 598
Acquisitions of operations (note 33.6)	–	–	4 700	–	4 700
Reclassification	14 142	(16 660)	(76 444)	78 962	–
Transfer to assets held for sale (note 4)	(45 681)	(137 344)	–	–	(183 025)
Disposals	(11 675)	(38 447)	(25 302)	(3 332)	(78 756)
Proceeds on disposals	(11 675)	(45 776)	(20 356)	(3 332)	(81 139)
Profit/(loss) on disposal and scrapping	–	7 329	(4 946)	–	2 383
Depreciation	–	(10 747)	(332 979)	(44 964)	(388 690)
Impairment (note 3.5)	–	(37 240)	(6 990)	(5 734)	(49 964)
Exchange rate differences	71	6 180	(8 884)	397	(2 236)
Carrying value at 30 June 2005	97 619	649 941	1 615 942	127 083	2 490 585
Additions	26 333	261 516	871 867	75 564	1 235 280
Acquisitions of operations/subsidiary (note 33.6)	–	–	17 885	–	17 885
Transfer from/(to) assets held for sale (note 4)	1 967	(87 423)	–	–	(85 456)
Disposal of operations (note 33.6.3)	–	–	(211)	–	(211)
Discontinued operation (note 30)	–	–	(9 672)	(4 990)	(14 662)
Disposals	(3 147)	(25 895)	(29 861)	(17 315)	(76 218)
Proceeds on disposals	(3 147)	(28 162)	(21 313)	(16 851)	(69 473)
Profit/(loss) on disposal and scrapping	–	2 267	(8 548)	(464)	(6 745)
Depreciation	(342)	(9 367)	(406 272)	(34 195)	(450 176)
Reversal of impairment/(impairment) (note 3.5)	–	18 224	(8 356)	1 478	11 346
Exchange rate differences	14 646	90 288	15 377	(401)	119 910
Carrying value at 30 June 2006	137 076	897 284	2 066 699	147 224	3 248 283

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		3	PROPERTY, PLANT AND EQUIPMENT (continued)		
			3.5 Reversal of impairment/impairment of property, plant and equipment		
			The recoverable amount of all property, plant and equipment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering four to five year planning periods. Cash flows beyond these planning periods are extrapolated using estimated growth rates of 3,5% to 15,7% p.a. (2005: 3,0% to 16,0%). These growth rates do not exeed the long-term average growth rates for the business segments in which the related property, plant and equipment is utilised. The discount rates used in these calculations ranged from 17,1% to 39,6% p.a. (2005: 15,9% to 35,0%).		
			The impairment charge of the previous financial year arose in the Supermarkets segment of the primary reporting format due to a significant reduction in the future expected sales of certain Group companies that own the assets, due to a weakening in the general economic conditions. A portion of this impairment was reversed in the current financial year due to improvements in the economic environment in which these Group companies operate. The original impairment charge as well as the reversal is included in the income statement as income/expenses of a capital nature.		
		4	ASSETS HELD FOR SALE		
–	–		Carrying value	163 876	183 025
			It is the Group's policy to invest in fixed property only when appropriate rental space is not available. Certain land and buildings, in the primary reporting segment, have been reclassified as assets held for sale as the Group periodically reconsiders its fixed property holdings in line with this policy. The Group is currently in the process of actively seeking buyers for these properties.		
			4.1 Reconciliation of carrying value		
			Carrying value at the beginning of the year	183 025	–
			Transfer from property, plant and equipment (note 3)	85 456	183 025
			Proceeds on disposals	(273 989)	–
			Profit on disposal	169 384	–
–	–		Carrying value at the end of the year	163 876	183 025
		5	INTERESTS IN SUBSIDIARIES		
210 726	211 490		Investments in ordinary shares		
857 685	1 152 557		Investments in preference shares		
1 160 508	746 401		Amount owing by Shoprite Checkers (Pty) Ltd		
81 976	18 663		Amounts owing by other subsidiaries		
(151 557)	(260 010)		Provision for impairment of interests in subsidiaries (note 5.1)		
2 159 338	1 869 101			–	–
			Analysis of total interests in subsidiaries:		
1 068 411	1 364 047		Non-current		
1 090 927	505 054		Current		
2 159 338	1 869 101			–	–

Detailed analyses 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 denominated in US dollar.

A portion of the amount owing to the Company by its subsidiary, Shoprite Checkers (Pty) Ltd carried interest at 7,0% (2005: 7,3%), is unsecured and payable on demand.

Amounts owing by other subsidiaries of the Company are interest free, unsecured and is payable on demand. The Company has subordinated its claim against OK Bazaars (1998) (Pty) Ltd.

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		5 INTERESTS IN SUBSIDIARIES (continued)		
		5.1 Provision for impairment of interests in subsidiaries		
		The recoverable amount of all investments in subsidiaries are determined based on fair value calculations. These calculations use the fair value of the underlying assets and liabilities of the relevant subsidiaries to determine if an impairment is necessary. The fair value of the underlying assets was determined using current bid prices in an active market as well as management estimates based on market-related rates.		
		6 AVAILABLE-FOR-SALE INVESTMENTS		
–	–	Listed share investment (note 6.1)	33 592	28 808
–	–	Unlisted share investments (note 6.2)	13 846	4 292
–	–		47 438	33 100
		Analysis of total available-for-sale investments		
–	–	Non-current	13 846	33 100
–	–	Current	33 592	–
–	–		47 438	33 100
		The directors' valuation of the unlisted investments is equal to the carrying value.		
		6.1 Listed share investment		
–	–	1 343 685 "A" and 1 343 685 "B" linked units in ApexHi Properties Ltd	33 592	28 808
		6.2 Unlisted share investments		
–	–	100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd	13 846	4 292
		7 LOANS AND RECEIVABLES		
		Preference share investment (note 7.1)	31 308	31 337
		Amounts owing by participants of The Shoprite Holdings Ltd Share Incentive Trust (note 7.2)	11 580	16 550
		Amounts owing by franchisees (note 7.3)	11 015	17 076
		Other	672	560
–	–		54 575	65 523
		Analysis of total loans and receivables		
		Non-current	38 817	61 530
		Current	15 758	3 993
–	–		54 575	65 523
		The directors' valuation of the preference share investment is equal to the carrying value.		
–	–	**7.1 Preference share investment**	31 308	31 337
		6% 13 500 000 redeemable, under certain conditions, convertible cumulative preference shares in Pick & Buy Ltd (retailing supermarket group – Mauritius)		
–	–	**7.2 Amounts owing by participants of The Shoprite Holdings Ltd Share Incentive Trust**	11 580	16 550
		These loans are secured by Shoprite Holdings Ltd ordinary shares with a market value of R30 035 500 (2005: R25 845 222). The weighted average interest rate on these amounts was 7,0% (2005: 7,3%) p.a. and the loans are repayable by December 2006.		
–	–	**7.3 Amounts owing by franchisees**	11 015	17 076
		The weighted average interest rate on these amounts was 7,0% (2005: 10,5%) p.a. and the amounts are repayable between one and five years.		

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		8	DEFERRED TAX ASSETS		
28	112		Provisions	192 124	174 569
–	–		Allowances on property, plant and equipment	(113 823)	(90 821)
–	–		Fixed escalation operating lease accrual	147 913	150 316
–	–		Allowances on intangible assets	(11 257)	4 440
–	–		Share-based payment accrual	2 516	592
–	–		Unrealised exchange rate differences	1 643	4 435
–	–		Fair value losses	(3 809)	(1 923)
–	–		Tax losses	4 319	585
28	112			219 626	242 193
			The movement in the deferred tax assets is as follows:		
155	28		Carrying value at the beginning of the year	242 193	261 676
(127)	84		Income statement charge	(15 413)	(17 828)
28	84		Provisions	15 921	22 882
–	–		Allowances on property, plant and equipment	(23 991)	(14 112)
–	–		Fixed escalation operating lease accrual	(2 112)	(2 589)
–	–		Allowances on intangible assets	685	(3 005)
–	–		Share-based payment accrual	1 924	(4 882)
–	–		Unrealised exchange rate differences	(3 671)	(7 055)
(150)	–		Tax losses	(4 169)	(1 198)
(5)	–		Tax rate change	–	(7 869)
–	–		Charged to equity	(1 886)	(830)
–	–		Transfer from deferred tax liability	(420)	(1)
–	–		Acquisition of subsidiary	(5 614)	–
–	–		Exchange rate differences	766	(824)
28	112		Carrying value at the end of the year	219 626	242 193
–	–		Deferred tax assets to be recovered after more than 12 months	29 237	59 865
28	112		Deferred tax assets to be recovered within 12 months	190 389	182 328
28	112			219 626	242 193

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		9	INTANGIBLE ASSETS		
			Goodwill (note 9.1)	90 603	13 487
			Software (note 9.2)	100 915	26 667
			Trademarks (note 9.3)	44 348	625
–	–			235 866	40 779
		9.1	Goodwill		
			Gross amount	118 040	39 638
			Accumulated impairment losses	27 437	26 151
–	–		Carrying value	90 603	13 487
			Reconciliation of carrying value		
			Carrying value at the beginning of the year	13 487	30 339
			Acquisitions of operations/subsidiary (note 33.6)	78 402	9 299
			Impairment for the year (note 9.1.2)	(1 286)	(26 151)
–	–		Carrying value at the end of the year	90 603	13 487
		9.1.1	Analysis of goodwill per geographical segment		
			South Africa	90 603	13 487
			Non-RSA countries	–	–
–	–			90 603	13 487

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

9.1.2 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%. This does not exceed the long-term average growth rate for the business in which the CGUs operate.

	South Africa 2006 %	South Africa 2005 %	Non-RSA 2005 %
Operating margin*	3,2	3,1	1,0
Growth rate**	4,1	8,4	16,0
Pre-tax discount rate***	17,1	15,9	24,8

* Forecasted operating margin based on budgets
** 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 year arose in a CGU in the RSA segment and in the previous financial year in a CGU in the non-RSA segment. Both these impairments were the result of a significant reduction in the future expected sales due to a weakening in the general economic conditions in which these CGUs operate.

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		9.2	Software		
			Gross amount	127 727	53 367
			Accumulated amortisation	26 812	26 700
–	–		Carrying value	100 915	26 667
			Reconciliation of carrying value		
			Carrying value at the beginning of the year	26 667	17 435
			Acquired during the year	83 084	22 633
			Acquisition of subsidiary (note 33.6.2)	3 744	–
			Discontinued operation (note 30)	(6)	–
			Proceeds on disposal and scrapping during the year	(139)	(8)
			Loss on disposal and scrapping during the year	(245)	(34)
			Amortisation	(12 234)	(13 492)
			Exchange rate differences	44	133
–	–		Carrying value at the end of the year	100 915	26 667
		9.3	Trademarks		
			Gross amount	168 377	12 500
			Accumulated amortisation	124 029	11 875
–	–		Carrying value	44 348	625
			Reconciliation of carrying value		
			Carrying value at the beginning of the year	625	1 875
			Acquisition of subsidiary (note 33.6.2)	45 877	–
			Amortisation	(2 154)	(1 250)
–	–		Carrying value at the end of the year	44 348	625
		10	FIXED ESCALATION OPERATING LEASE ACCRUAL		
			Operating lease receipts straight lined	4 213	5 836
			Less: current (included under trade and other receivables: note 12)	1 422	1 623
–	–			2 791	4 213
		11	INVENTORIES		
–	–		Trading goods	3 269 500	2 711 532
		12	TRADE AND OTHER RECEIVABLES		
			Instalment sales		
–	–		Gross amount (note 12.1)	900 962	888 097
–	–		Accumulated impairment	(79 965)	(80 237)
–	–		Unearned finance income	(93 352)	(98 649)
			Insurance contract provisions		
–	–		– Unearned premiums (note 12.2)	(199 338)	(180 000)
–	–			528 307	529 211
–	–		Trade receivables	434 949	405 558
3 597	–		Other receivables	474 682	515 395
–	–		Fixed escalation operating lease accrual (note 10)	1 422	1 623
–	–		Amounts owing by joint ventures (note 12.3)	2 762	7 289
3 597	–			1 442 122	1 459 076

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		12	TRADE AND OTHER RECEIVABLES (continued)		
		12.1	**Instalment sales**		
			The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between one and two years and the weighted average interest rate on these receivables is 19,5% (2005: 21,1%) p.a.		
			Instalment sale receivables		
			Future minimum instalment payments receivable under non-cancellable instalment sale agreements.		
			– Not later than one year	689 698	667 469
			– Later than one year not later than two years	211 264	220 628
–	–			900 962	888 097
		12.2	**Provision for unearned premiums**		
			An analysis of the provision for unearned premiums are set out below		
			Balance at the beginning of the year	180 000	146 506
			Premiums written during the year (note 21.2)	184 846	180 646
			Amortisation charged to income (note 21.2)	(165 508)	(147 152)
–	–		Balance at the end of the year	199 338	180 000
–	–	12.3	**Amounts owing by joint ventures**	2 762	7 289
			These amounts owing are unsecured, payable on demand and earn interest at an average of 6,7% (2005:7,3%) p.a.		
		13	DERIVATIVE FINANCIAL INSTRUMENTS		
–	–		Forward foreign exchange rate contracts (note 40.1.1)	20 319	537
			As at 30 June 2006 and 30 June 2005 the settlement dates on open forward contracts ranged between two and five 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=$0,1500) (2005: R1=$0,1481)	251 661	109 291
			Euro rand equivalent (at rates averaging R1=€0,1148)	17 983	–

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES		
		14.1 Ordinary share capital		
		Authorised:		
		650 000 000 (2005: 650 000 000) ordinary shares of 113,4 cents each		
		Issued:		
616 306	616 306	543 479 460 (2005: 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 eliminated on consolidation. The net number of ordinary shares in issue for the Group are:		

	Number of shares 2006	Number of shares 2005
Issued ordinary share capital	543 479 460	543 479 460
Treasury shares (note 14.3)	(36 134 569)	(36 124 569)
	507 344 891	507 354 891

The unissued ordinary shares are under the control of the directors who may issue them on such terms and conditions as they deem fit.

All shares are fully paid up.

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		14.2 Deferred share capital		
		Authorised:		
		360 000 000 (2005: 360 000 000) non-convertible, non-participating no par value deferred shares		
		Issued:		
277	277	276 821 666 (2005: 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 Articles of Association 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		
–	–	36 134 569 (2005: 36 124 569) ordinary shares of 113,4 cents each	277 318	277 219

Company Number of shares (2005)	Company Number of shares (2006)		Group Number of shares (2006)	Group Number of shares (2005)
		Reconciliation of movement in number of treasury shares for the Group:		
		Balance at the beginning of the year	36 124 569	36 092 444
		Purchased by Shoprite Checkers (Pty) Ltd	–	7 625
		Movement in shares held by The Shoprite Holdings Ltd Share Incentive Trust		
		Shares repurchased from participants	10 000	24 500
–	–	Balance at the end of the year	36 134 569	36 124 569

Company 30 June 2005	Company 30 June 2006		Group 30 June 2006	Group 30 June 2005
Number of shares			Number of shares	
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (continued)		
		14.4 Share incentive schemes		
		In terms of the rules of The Shoprite Holdings Limited 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		
		Movements in the number of ordinary shares held by The Shoprite Holdings Ltd Share Incentive Trust in terms of the share purchase scheme were as follows:		
		Balance at the beginning of the year	2 235 215	4 227 875
		Shares released to participants	(571 679)	(1 992 660)
–	–	Balance at the end of the year	1 663 536	2 235 215
		Movements in the number of ordinary shares vested with eligible participants during the year were as follows:		
		Balance at the beginning of the year	1 764 179	3 781 339
		Shares released to participants	(571 679)	(1 992 660)
		Shares repurchased from participants*	(10 000)	(24 500)
–	–	Balance at the end of the year	1 182 500	1 764 179
		* Shares are repurchased from a participant on resignation.		
R'000	R'000		R'000	R'000
–	–	Fair value of treasury shares held by The Shoprite Holdings Ltd Share Incentive Trust	12 218	6 901
Number of shares			Number of shares	
		14.4.2 Share option scheme		
		Movements in the number of share options held by eligible participants were as follows:		
		Balance at the beginning of the year	29 175 000	29 925 000
		Options forfeited*	(375 000)	(750 000)
–	–	Balance at the end of the year	28 800 000	29 175 000
		* Options are forfeited when an option holder resigns prior to the vesting date of the options.		
Number of shares	Average option price		Number of shares	Average option price
		Options outstanding on 30 June 2006 are unconditional on the following dates or immediately in the case of a deceased estate:		
		Currently exercisable	10 000 000	R6,51
		20 – 24 December 2006	4 700 000	R6,22
		20 – 24 December 2007	4 700 000	R6,22
		20 – 24 December 2008	9 400 000	R6,22
			28 800 000	

Company 30 June 2005 Number of shares	Company 30 June 2006 Actual option price		Group 30 June 2006 Number of shares	Group 30 June 2005 Actual option price

14.4.3 Share options held by executive directors – in terms of share option scheme

	Vesting between 20 – 24 December 2006	2007	2008	Group 30 June 2006 Number of shares	Group 30 June 2005 Actual option price
CG Goosen	112 500	112 500	225 000	450 000	R6,19
B Harisunker	93 750	93 750	187 500	375 000	R6,22
AE Karp	81 250	81 250	162 500	325 000	R6,22
EL Nel	81 250	81 250	162 500	325 000	R6,19
AN van Zyl	75 000	75 000	150 000	300 000	R6,22
BR Weyers	75 000	75 000	150 000	300 000	R6,22
JW Basson (currently exercisable)				10 000 000	R6,51

There was no movement in share options held by directors during the year under review.

Company Number of shares on which rights are based	Company Strike price per share		Group Number of shares on which rights are based	Group Strike price per share

14.4.4 Cash-settled share-based payments

The Group has granted cash-settled share-based payments to two directors, Dr CH Wiese and Mr JW Basson. The rights to cash-settled share-based payments entitle these directors 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 relate to the share price at the date of the grant. In the case of Mr Basson the benefits were paid out to him upon him exercising his rights during the previous financial year. In the case of Dr Wiese the right to the cash-settled share-based payments have been granted via a management company and are governed *mutatis mutandis* by the rules of the Shoprite share option scheme. 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. As at 30 June 2006 R8 674 901 (2005: R2 042 058) has been recognised in respect of the cash-settled share-based payment liability and included in other payables.

Refer note 26 for payments made during the current and previous financial years under review in respect of the above and note 24 for the expense recognised in the income statement as employee benefits.

	Expiry date	Exercise date	Group Number of shares on which rights are based	Group Strike price per share
CH Wiese	5 September 2012	Any time provided that payments shall only be made after: 5 September 2007 in respect of the first 25%; 5 September 2008 in respect of the second 25%; 5 September 2009 in respect of the remaining 50% of the rights granted.	1 000 000	R6,50
JW Basson	28 January 2007	Exercised on 3 March 2005.	10 000 000	R8,00

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		15	RESERVES		
1 865 679	1 516 407		Retained earnings	2 125 271	1 514 461
15 741	16 505		Other reserves (note 15.1)	278 255	77 221
1 881 420	1 532 912			2 403 526	1 591 682
		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
13 589	14 353		Share-based payments reserve	14 353	13 589
–	–		Foreign currency translation reserve	220 805	33 260
–	–		Contingency reserve	18 485	18 212
–	–		Fair value reserve	22 460	10 008
15 741	16 505			278 255	77 221

As detailed in the Articles of Association of the Company, the directors have the discretion to transfer out of the profits of the Company to other reserves any amounts they deem proper.

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

R' 000		Group Share-based payments reserve	Foreign currency translation reserve	Contingency reserve	Fair value reserve	Other
15.1.1	Reconciliation of carrying values of other reserves					
	Balance at 1 July 2004	8 324	–	14 062	7 011	2 152
	Employee share option scheme – value of services provided	5 265				
	Foreign currency translation differences		33 260			
	Transfer from distributable reserves			4 150		
	Net fair value gains on available-for-sale investments, net of tax				4 221	
	Fair value gains on available-for-sale investment realised through income statement				(1 224)	
	Balance at 30 June 2005	13 589	33 260	18 212	10 008	2 152
	Employee share option scheme – value of services provided	764				
	Foreign currency translation differences		187 545			
	Transfer from distributable reserves			273		
	Net fair value gains on available-for-sale investments, net of tax				12 452	
	Balance at 30 June 2006	14 353	220 805	18 485	22 460	2 152

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		16 BORROWINGS		
		Consisting of:		
2 450	2 450	Shoprite Holdings Ltd preference share capital (note 16.1)	2 450	2 450
–	–	Shoprite Guernsey Ltd preference share capital (note 16.2)	14	–
2 450	2 450		2 464	2 450
		16.1 Shoprite Holdings Ltd preference share capital		
		Authorised:		
		175 000 (2005: 175 000) 6% non-convertible cumulative preference shares of R2 each		
		325 000 (2005: 325 000) 5% non-convertible cumulative preference shares of R2 each		
		225 000 (2005: 225 000) second 5% non-convertible cumulative preference shares of R2 each		
		1 000 000 (2005: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each		
		Issued:		
350	350	175 000 (2005: 175 000) 6% non-convertible cumulative preference shares of R2 each	350	350
650	650	325 000 (2005: 325 000) 5% non-convertible cumulative preference shares of R2 each	650	650
450	450	225 000 (2005: 225 000) second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000	500 000 (2005: 500 000) third 5% non-convertible cumulative preference shares of R2 each	1 000	1 000
2 450	2 450		2 450	2 450
		16.2 Shoprite Guernsey Ltd preference share capital		
		14 (2005: 8) "Malawi" redeemable under certain conditions, preference shares of USD1,82 each (note 16.2.1)	924	498
		4 (2005: 3) "Mozambique" redeemable under certain conditions, preference shares of USD1,82 each (note 16.2.1)	274	195
		Accumulated losses recognised	(1 184)	(693)
–	–		14	–
		16.2.1 Preference dividends on these shares will be subject to and based on the Hungry Lion division's profits, generated in Malawi and Mozambique respectively, through relevant trading subsidiaries of the Group.		
		17 DEFERRED TAX LIABILITIES		
		Allowances on property, plant and equipment	10 641	9 582
		Fixed escalation operating lease accrual	(403)	–
		Provisions	(2 838)	491
–	–		7 400	10 073
		The movement in the deferred tax liabilities is as follows:		
		Carrying value at the beginning of the year	10 073	7 459
		Income statement charge	(2 253)	2 615
		Allowances on property, plant and equipment	1 026	997
		Fixed escalation operating lease accrual	104	–
		Provisions	(3 383)	1 618
		Transfer to deferred tax asset	(420)	(1)
–	–	Carrying value at the end of the year	7 400	10 073
		Deferred tax liabilities to be recovered after more than 12 months	8 992	9 286
		Deferred tax liabilities to be recovered within 12 months	(1 592)	787
–	–		7 400	10 073

	Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
18			**PROVISIONS**		
			Provision for post-retirement medical benefits (note 37.2)	183 859	153 595
			Provision for onerous lease contracts	33 273	47 910
			Provision for claims incurred but not reported	9 242	12 749
			Provision for long-service awards	52 448	35 297
			Reinstatement provision	24 743	20 822
	–	–		303 565	270 373

R'000	Post-retirement medical benefits	Onerous lease contracts	Claims incurred but not reported	Long-service awards	Re-instatement provision	Total
18.1 Reconciliation of carrying values						
Balance at 1 July 2004	154 935	60 603	9 843	27 998	565	253 944
Additional provisions	(5 913)	10 499	2 906	8 039	20 822	36 353
Utilised during the year	(9 686)	(27 963)	–	(3 706)	(565)	(41 920)
Accretion of discount	14 259	4 771	–	2 117	–	21 147
Exchange rate differences	–	–	–	849	–	849
Balance at 30 June 2005	153 595	47 910	12 749	35 297	20 822	270 373
Additional provisions	27 424	–	–	15 685	13 156	56 265
Unused amounts reversed	–	(19 770)	(3 507)	(15)	(743)	(24 035)
Utilised during the year	(9 799)	–	–	(5 461)	(8 492)	(23 752)
Accretion of discount	12 639	5 133	–	1 954	–	19 726
Exchange rate differences	–	–	–	4 988	–	4 988
Balance at 30 June 2006	183 859	33 273	9 242	52 448	24 743	303 565
Discount rates used						
2005	8,5%	13,0%	N/A	8,0%	N/A	
2006	7,5%	13,0%	N/A	7,5%	N/A	

	Company R'000 (2005)	Company R'000 (2006)		Group R'000 (2006)	Group R'000 (2005)
18.2			**Analysis of total provisions**		
			Non-current	269 264	221 421
			Current	34 301	48 952
	–	–		303 565	270 373
19			**FIXED ESCALATION OPERATING LEASE ACCRUAL**		
			Operating lease payments straight lined	511 542	531 791
			Less: current (included under trade and other payables: note 20)	58 810	16 962
	–	–		452 732	514 829

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		20	TRADE AND OTHER PAYABLES		
–	–		Trade payables	3 615 014	2 914 239
1 847	794		Other payables and accruals	1 633 400	1 514 728
–	–		Amounts owing to joint ventures (note 20.1)	4 249	3 358
–	–		Fixed escalation operating lease accrual (note 19)	58 810	16 962
–	–		Cash-settled share-based payment accrual	8 675	2 042
1 847	794			5 320 148	4 451 329
–	–	20.1	Amounts owing to joint ventures These loans are unsecured, payable on demand and bears interest at an average of 7,0% (2005: 7,4%) p.a., with the exception of R4,0 million (2005: R0,9 million), relating to operations in Zambia, which bears interest at 2,1% (2005: 2,9%) p.a.	4 249	3 358
		21	OTHER OPERATING INCOME		
–	–		Finance income earned	155 993	164 791
762 408	34 695		Investment income (note 21.1)	11 086	13 056
–	–		Franchise fees received	20 921	18 760
–	–		Operating lease income	181 674	184 874
–	–		Commissions received	122 879	67 032
–	–		Premiums earned (note 21.2)	165 508	147 152
–	–		Other income	107 119	92 660
762 408	34 695			765 180	688 325
		21.1	Investment income		
–	–		Interest from participants of The Shoprite Holdings Ltd Share Incentive Trust	962	2 338
–	–		Interest received from joint ventures	1 351	739
43 519	34 665		Interest received – other	3 694	3 299
718 889	–		Dividends – subsidiaries	–	–
–	30		– unlisted investments	1 921	2 302
–	–		– listed investment	3 158	4 378
762 408	34 695			11 086	13 056
		21.2	Premiums earned		
			Premiums written	184 846	180 646
			Change in provision for unearned premiums	(19 338)	(33 494)
–	–			165 508	147 152
		22	DEPRECIATION AND AMORTISATION		
			Property, plant and equipment	450 176	388 690
			Intangible assets	14 388	14 742
			Disclosed as cost of sales	(27 322)	(24 218)
			Discontinued operation (note 30)	(2 376)	(3 592)
–	–			434 866	375 622

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 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 three and twenty years with renewal options for a further five to twenty years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1,7% (2005: 1,8%) of turnover. Rental escalations vary, but average at a rate of 7,0% (2005: 7,0%) p.a.		
			Operating lease payments – property	849 936	799 728
			Operating lease payments – equipment	11 978	39 334
–	–			861 914	839 062
			Disclosed as cost of sales	(15 314)	(16 470)
			Discontinued operation (note 30)	(5 154)	(4 783)
–	–			841 446	817 809
			Consisting of:		
			Minimum lease payments	723 988	715 207
			Contingent rental payments	137 926	123 855
–	–			861 914	839 062
		24	**EMPLOYEE BENEFITS**		
			Wages and salaries	2 726 238	2 332 342
			Share options granted to director (note 24.1)	764	5 265
			Share appreciation rights (note 14.4.4)	6 633	34 969
			Post-retirement medical benefits (note 37.2)	40 063	8 346
			Retirement benefit contributions (note 37.1)	169 530	147 343
–	–			2 943 228	2 528 265
			Disclosed as cost of sales	(118 106)	(72 310)
			Discontinued operation (note 30)	(9 292)	(9 106)
–	–			2 815 830	2 446 849

24.1 Share options granted to director

The Group has no obligation to repurchase or settle in cash. The fair value for share options granted to a director expensed over the vesting period was calculated using a binomial option pricing model. The expected volatility used in the option-pricing model was determined with reference to the SAFEX MtM and other indices considering historical data. The swap curve data from the interbank market is used to determine the yield curve. The fair value determined was R4,31 per option. The inputs into the model were as follows:

Strike price	R6,51
Grant date	2 Dec 2002
Vesting date	22 Aug 2005
Spot rate per share on grant date	R7,99
Expected volatility	40,5%
Expected dividend yield	1,7% to 2,0%
Expected risk-free rate	10,4% to 13,3%

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		24.2 Government grants and allowances The Group has, during the year under review, received certain government grants and allowances.		
		24.2.1 Learnership allowances A tax deduction was granted to the Group by the South African Revenue Authority relating to certain leanership agreements with employees registered in terms of the Skills Development Act No. 97 of 1998. This allowance resulted in a tax saving of R3 189 633 (2005: R213 875).		
		24.2.2 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 R13 794 638 (2005: R12 889 889) for the year under review. This deduction is taxable at 29%.		
		25 OPERATING PROFIT/(LOSS)		
		Determined after taking into account the following:		
145	38	Auditors' remuneration	15 181	13 697
36	38	Audit fees – for the year	10 298	9 380
–	–	– underprovided – previous year	974	590
–	–	Fees for audit-related services	583	529
109	–	Fees for tax-compliance services	2 420	2 254
–	–	Fees for secretarial services	109	45
–	–	Fees for information technology consulting services	186	333
–	–	Fees for accounting services	313	172
–	–	Fees for other consulting services	298	394
2 281	3 641	Fees paid for outside services	79 294	79 979
19	36	Administrative	10 068	10 344
109	1 175	Technical	66 316	66 006
2 153	2 430	Secretarial	2 910	3 629
–	–	Fair value gains/(losses) on financial instruments	20 091	3 629
–	–	– interest rate swaps	–	(1 606)
–	–	– forward foreign exchange rate contracts	19 782	4 542
–	–	– loans and receivables	(100)	–
–	–	– preference shares	409	693
–	–	Instalment sales – (reversal of impairment charge)/impairment charge for bad and doubtful debts	(771)	3 397
–	–	Accounts receivables – impairment charge for bad and doubtful debts	3 186	362
–	–	Amounts owing by franchisees – impairment charge for bad and doubtful debts	1 820	4 137
–	–	Policyholder claims and benefits paid	13 272	17 874
–	–	– claims paid	16 779	14 968
–	–	– movement in accumulated unpaid claims (note 18.1)	(3 507)	2 906

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		26	DIRECTORS' REMUNERATION		
67 540	25 843		Executive directors		
1 983	658		Non-executive directors		
69 523	26 501				
(69 303)	(25 843)		Less: paid by subsidiaries		
220	658				

R'000 Executive directors	2006 Remune-ration	2006 Performance bonus	2006 Retirement and medical benefits	2006 Other benefits	2006 Total	2005* Remune-ration	2005* Performance bonus	2005* Retirement and medical benefits	2005* Other benefits	2005* Total
JW Basson	9 948	–	784	167	10 899	7 680	51 175**	646	81	59 582
CG Goosen	2 006	1 283	493	44	3 826	1 615	795	410	48	2 868
B Harisunker	1 325	598	393	150	2 466	1 150	356	369	161	2 036
AE Karp***	1 464	870	302	59	2 695	–	–	–	–	–
EL Nel***	1 027	748	170	33	1 978	–	–	–	–	–
AN van Zyl	992	669	290	16	1 967	815	401	275	27	1 518
BR Weyers	1 021	726	244	21	2 012	823	448	229	36	1 536
	17 783	4 894	2 676	490	25 843	12 083	53 175	1 929	353	67 540

* Comparative information adjusted as all directors' remuneration are now disclosed on an accual basis.
** Consists of payment in respect of share appreciation rights, refer note 14.4.4.
*** Appointed on 19 September 2005.

R'000 Non-executive directors	2006 Fees	2006 Total	2005 Fees	2005 Total
TRP Hlongwane	70	70	40	40
JA Louw	70	70	40	40
JF Malherbe	70	70	40	40
JG Rademeyer	175	175	100	100
	385	385	220	220

Certain non-executive directors are employees of Chaircorp (Pty) Ltd ("Chaircorp"), a management company that renders advisory services to Shoprite Holdings Ltd in return for an annual fee.

Remuneration paid to these non-executive directors by Chaircorp, for the financial year under review, was as follows:

R'000	2006 Fees	2006 Total	2005 Fees	2005 Total
CH Wiese	150	150	1 596	1 596
JJ Fouché	123	123	167	167
	273	273	1 763	1 763

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		27	INCOME/(EXPENDITURE) OF A CAPITAL NATURE		
–	–		Profit on disposal of property (note 3)	2 267	7 329
–	–		Profit on disposal of assets held for sale (note 4)	169 384	–
–	–		Loss on disposal and scrapping of plant, equipment and software	(9 257)	(4 980)
(141 907)	(108 453)		Impairment of investment in subsidiaries (note 5)	–	–
–	–		Insurance claim for building received	2 826	5 864
–	–		Reversal of impairment/(impairment) of property, plant and equipment (note 3)	1 559	(40 177)
–	–		Profit on cancellation of lease	–	8 000
–	–		Loss on cancellation of lease	–	(4 907)
–	–		Impairment of goodwill (note 9.1)	(1 286)	(26 151)
302	173		Prescription of amounts owing	685	961
–	–		Profit on disposal of operations	728	–
18 000	–		Profit on disposal of unlisted investment	–	18 000
–	–		Profit on disposal of listed investment	–	669
(123 605)	(108 280)			166 906	(35 392)
		28	FINANCE COSTS		
151	31		Interest paid	83 610	47 370
–	–		Interest paid to joint ventures	867	276
–	–		Accretion of discount on provisions (note 18.1)	5 133	4 771
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
277	157			89 736	52 543
		29	TAX		
			29.1 Classification:		
31 917	63 010		South African normal tax	477 590	313 744
–	–		Foreign tax	40 650	26 205
31 917	63 010			518 240	339 949
			29.2 Consisting of:		
5 502	28 075		Current tax	446 473	320 872
(109)	–		Prior year tax	22 019	(29 815)
–	–		Withholding tax	1 217	1 282
26 397	35 019		Secondary tax on companies	35 371	27 167
31 790	63 094			505 080	319 506
127	(84)		Deferred tax	13 160	20 443
31 917	63 010			518 240	339 949

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Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		29 TAX (continued)		
		29.3 Reconciliation of tax:		
195 694	3 669	South African normal tax at 29% (2005: 29%)	416 027	290 850
(163 777)	59 341	Net adjustments	102 213	49 099
37	37	Preference dividends	37	37
(208 478)	(9)	Dividend income	(976)	(1 937)
5	–	Tax rate change	–	7 845
18 399	24 294	Other exempt income and non-deductible expenses	(25 066)	(12 906)
(28)	–	Deferred tax asset previously not recognised	(22 045)	(114)
–	–	Utilisation of temporary differences previously not recognised	(275)	19 121
(109)	–	Prior year tax	22 019	(29 815)
26 397	35 019	Secondary tax on companies	35 371	27 167
–	–	Effect of foreign tax rates	17 340	162
–	–	Withholding tax	1 217	1 282
–	–	Deferred tax asset not recognised	74 591	38 257
31 917	63 010	Tax	518 240	339 949
		During the previous financial year the applicable tax rate for the Group changed from 30% to 29% due to a change in the South African Income Tax Act.		
19 022	31 250	Secondary tax on companies on proposed dividends	31 250	19 022
		29.4 Net calculated tax losses and net deductible temporary differences		
		Calculated tax losses and net deductible temporary differences at year-end	712 978	341 052
		Applied in the provision for deferred tax	293 269	67 797
–	–		419 709	273 255
		The utilisation of the tax relief, translated at closing rates, to the value of R202 113 655 (2005: R74 219 350), calculated at current tax rates on the net calculated tax losses, is dependent on sufficient future taxable income in the companies concerned.		
		The carry forward of all calculated tax losses are indefinite, except for certain African countries, as set out below:		
		Expiry date		
		30 June 2006	–	8 085
		30 June 2007	68 236	21 924
		30 June 2008	55 910	34 041
		30 June 2009	74 353	17 561
		30 June 2010	36 665	18 877
		30 June 2011	23 390	12 063
		30 June 2012	29 124	4 415
		30 June 2013	3 721	10 574
		30 June 2014	10 417	–
–	–		301 816	127 540
–	–	Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred tax liabilities have not been created.	11 489	10 160

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		30	**DISCONTINUED OPERATION**		
			During the year under review the Group discontinued its operations in Egypt. These operations formed part of the Supermarkets business segment of the primary reporting format and the Non-RSA countries geographical segment of the secondary reporting format.		
		30.1	Loss from discontinued operation		
			Sales of merchandise	78 473	108 666
			Depreciation and amortisation	(2 376)	(3 592)
			Other expenses	(100 160)	(121 265)
			Income/(expenditure) of a capital nature	4 210	(9 787)
–	–		Loss before tax	(19 853)	(25 978)
			Tax	–	–
–	–			(19 853)	(25 978)
		30.2	Net cash flows attributable to discontinued operation		
			Operating activities (note 33.5)	(23 050)	(5 415)
			Investing cash flows	–	(6 371)
–	–			(23 050)	(11 786)
		31	**EARNINGS PER SHARE**		
			Net profit attributable to shareholders	890 132	629 613
			Loss from discontinued operation	19 853	25 978
–	–		Earnings from continued operations	909 985	655 591
			(Income)/expenditure of a capital nature (note 27)	(166 906)	35 392
			Tax effect on (income)/expenditure of a capital nature	25 349	(2 944)
–	–		Headline earnings from continued operations	768 428	688 039
			Exchange rate gains after tax	(4 274)	(3 305)
–	–		Adjusted headline earnings from continued operations	764 154	684 734
			Headline earnings from continued operations	768 428	688 039
			Loss from discontinued operation	(19 853)	(25 978)
			Expenditure of a capital nature from discontinued operation	(4 210)	9 787
–	–		Headline earnings	744 365	671 848
'000	'000			'000	'000
			Weighted average number of ordinary shares	507 346	507 373
			Adjustments for dilutive potential of share options	19 652	14 271
			Weighted average number of ordinary shares for diluted earnings per share	526 998	521 644
			Number of ordinary shares		
			– In issue	507 345	507 355
			– Weighted average	507 346	507 373
			– Weighted average adjusted for dilution	526 998	521 644

Company 30 June 2005 Cents	Company 30 June 2006 Cents			Group 30 June 2006 Cents	Group 30 June 2005 Cents
		31	EARNINGS PER SHARE (continued)		
			Earnings per share from all operations		
			– Earnings	175,4	124,1
			– Diluted earnings	168,9	120,7
			– Headline earnings	146,7	132,4
			– Diluted headline earnings	141,2	128,8
			Earnings per share from continued operations		
			– Earnings	179,4	129,2
			– Diluted earnings	172,7	125,7
			– Headline earnings	151,5	135,6
			– Diluted headline earnings	145,8	131,9
			– Adjusted headline earnings	150,6	135,0
			– Adjusted diluted headline earnings	145,0	131,3
			Earnings per share from discontinued operation		
			– Earnings	(3,9)	(5,1)
			– Diluted earnings	(3,8)	(5,0)
		32	DIVIDENDS PER SHARE		
			32.1 Dividends per share paid		
19,5	28,0		No. 113 paid 19 September 2005 (2005: No. 111 paid 20 September 2004)	28,0	19,5
22,0	27,0		No. 114 paid 20 March 2006 (2005: No. 112 paid 11 March 2005)	27,0	22,0
41,5	55,0			55,0	41,5
R'000	R'000			R'000	R'000
			32.2 Dividends per share declared		
152 174	250 001		No. 115 of 46c per share to be paid 18 September 2006 (2005: No. 113 of 28c per share paid 19 September 2005)	233 379	142 059
			For more details of dividends declared after balance sheet date refer to the directors' report on pages 52 and 53.		
		33	CASH FLOW INFORMATION		
			33.1 Non-cash items		
–	–		Depreciation of property, plant and equipment	447 808	385 098
–	–		Amortisation of intangible assets	14 380	14 742
–	–		Net fair value gains on financial instruments	(20 091)	(3 629)
(39 394)	(48 255)		Exchange rate gains	(8 445)	(1 921)
–	–		Share options granted	764	5 265
–	–		Profit on disposal of property	(2 267)	(7 329)
–	–		Profit on disposal of assets held for sale	(169 384)	–
–	–		Loss on disposal and scrapping of plant, equipment and software	9 257	4 980
141 907	108 453		Impairment of investment in subsidiaries	–	–
–	–		(Reversal of impairment)/impairment of property, plant and equipment	(1 559)	40 177
(18 000)	–		Profit on disposal of unlisted investment	–	(18 000)
–	–		Profit on disposal of listed investment	–	(669)
–	–		Profit on disposal of operations	(728)	–
–	–		Impairment of goodwill	1 286	26 151
–	–		Movement in provisions	28 204	15 580
–	–		Movement in fixed escalation operating lease accrual	(18 135)	(7 339)
84 513	60 198			281 090	453 106

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
		33.2	Changes in working capital		
–	–		Inventories	(500 151)	(80 237)
(3 591)	3 597		Trade and other receivables	23 580	18 079
(1 318)	(1 053)		Trade and other payables	844 007	(593 752)
(4 909)	2 544			367 436	(655 910)
		33.3	Dividends paid		
(756)	(805)		Shareholders for dividends at the beginning of the year	(3 544)	(2 043)
(225 544)	(298 913)		Dividends distributed to shareholders	(279 049)	(210 562)
–	–		Dividends distributed to minorities	(1 104)	(4 275)
805	979		Shareholders for dividends at the end of the year	1 224	3 544
(225 495)	(298 739)			(282 473)	(213 336)
		33.4	Tax paid		
1 619	(3 525)		(Payable)/prepaid at the beginning of the year	(4 509)	(194 100)
(31 790)	(63 094)		Per income statement	(505 080)	(319 506)
3 525	28 045		Payable at the end of the year	70 699	4 509
(26 646)	(38 574)			(438 890)	(509 097)
		33.5	Cash utilised by discontinued operation		
			Loss for the year from discontinued operation per income statement	(19 853)	(25 978)
			Depreciation of property, plant and equipment	2 368	3 592
			Amortisation of intangible assets	8	–
			Exchange rate losses/(gains)	6 350	(352)
			Loss on disposal and scrapping of property, plant and equipment and software	5 577	–
			Proceeds on disposal of property, plant and equipment and software	9 091	–
			(Reversal of impairment)/impairment of property, plant and equipment	(9 787)	9 787
			Changes in working capital	(16 804)	7 536
–	–			(23 050)	(5 415)
		33.6	Cash flows from investing activities		
–	–		Purchase of property, plant and equipment and software	(1 318 364)	(946 231)
–	–		Proceeds on disposal of property, plant and equipment and software	69 612	81 147
–	–		Proceeds on disposal of assets held for sale	273 989	–
–	–		Other investing activities	10 819	21 250
239 289	477 420		Decrease in amounts owing by subsidiaries	–	–
(155 219)	(246 617)		Preference share investments	–	–
50 000	–		Proceeds on disposal of unlisted investment	–	50 000
–	–		Proceeds on disposal of listed investment	–	21 069
–	–		Acquisition of listed investment	–	(21 069)
–	–		Acquisitions of operations (note 33.6.1)	(99 180)	(17 127)
–	–		Acquisition of subsidiary (note 33.6.2)	(37 385)	–
–	–		Disposals of operations (note 33.6.3)	2 632	–
134 070	230 803			(1 097 877)	(810 961)

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		33 CASH FLOW INFORMATION (continued)		
		33.6 Cash flows from investing activities (continued)		
		33.6.1 Acquisitions of operations		
		The Group acquired retail business operations from Foodworld Group Investments Holdings (Pty) Ltd and Foodworld Stores Holdings (Pty) Ltd on 28 November 2005.		
		The assets and liabilities arising from these acquisitions were as follows:		
		Property, plant and equipment (note 3)	13 475	–
		Inventories	31 988	–
		Trade and other receivables	112	–
		Cash and cash equivalents	646	–
		Trade and other payables	(1 800)	–
–	–		44 421	–
		Goodwill (note 9.1)	46 928	–
–	–	Total purchase consideration	91 349	–
		Less: cash and cash equivalents	(646)	–
–	–	Cash flow on acquisition net of cash acquired	90 703	–

The loss for the year of the above acquired retail operations, included in the results of the Group since the acquisition date, amounted to R3 223 000. The sales of merchandise and profit of the entire Group, restated as though the business combinations had been on 1 July 2005, is not disclosed as the effect would be insignificant in relation to the total Group results.

The Group acquired retail business operations from Platinum Mile Investments 207 (Pty) Ltd and Kokwethu Trading Company (Pty) Ltd on 25 July 2006 in the current financial year and on 21 March 2005 during the previous financial year.

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		The assets and liabilities arising from these acquisitions were as follows:		
		Property, plant and equipment (note 3)	1 500	4 700
		Inventories	977	3 128
–	–		2 477	7 828
		Goodwill (note 9.1)	6 000	9 299
–	–	Total purchase consideration	8 477	17 127

The loss for the year of the above-acquired retail operations, included in the results of the Group since the acquisition date, amounted to R46 000. The revenue and profit of the entire Group, restated as though the business combinations had been on 1 July 2005, is not disclosed as the effect would be insignificant in relation to the total Group results.

Goodwill was paid in order to acquire favourable retail premises and to ensure that a competitive advantage is maintained in the trading areas concerned.

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		33.6.2 Acquisition of subsidiary		
		The Group acquired Computicket (Pty) Ltd, a ticketing service provider, on 1 November 2005.		
		The assets and liabilities arising from this acquisition were as follows:		
		Property, plant and equipment (note 3)	2 910	–
		Intangible assets	49 621	–
		Inventories	29	–
		Trade and other receivables	9 035	–
		Cash and cash equivalents	30 782	–
		Trade and other payables	(44 070)	–
		Deferred tax asset	(5 614)	–
–	–		42 693	–
		Goodwill (note 9.1)	25 474	–
–	–	Total purchase consideration	68 167	–
		Less: cash and cash equivalents	(30 782)	–
–	–	Cash flow on acquisition net of cash acquired	37 385	–
		The profit for the year of the above acquired subsidiary, included in the results of the Group since the acquisition date, amounted to R11 365 506. The sales of merchandise and profit of the entire Group, restated as though the business combinations had been on 1 July 2005, is not disclosed as the effect would be insignificant in relation to the total Group results.		
		Goodwill was paid in order to acquire new relations with promoters, access to a high-quality range of events and to ensure that a competitive advantage is gained in the ticketing industry.		
		33.6.3 Disposal of operations		
		On 26 November 2005 the Group disposed of business operations to existing franchisees.		
		The assets and liabilities arising from these disposals were as follows:		
		Property, plant and equipment (note 3)	211	–
		Cash and cash equivalents	15	–
		Inventories	1 693	–
–	–		1 919	–
		Profit on disposal of operation	728	–
–	–	Total proceeds on disposal of operations	2 647	–
		Less: cash and cash equivalents	(15)	–
–	–	Cash flow on disposals net of cash disposed of	2 632	–
		33.7 Cash flows from financing activities		
		Acquisition of treasury shares	(99)	(265)
		Proceeds on issue of Shoprite Guernsey Ltd preference shares to joint venture (note 16.2)	505	693
–	–		406	428

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		34 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	58 131	53 190
35 000	–	Possible additional tax as a result of the Group's international structure and the related transfer pricing being queried by the South African Revenue Service. Refer note 34.1	30 230	–
35 000	–		88 361	53 190
		34.1 The Group operates internationally and is therefore exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. The Group accounts for income taxes based on internal analysis, supported by external advice. The Group's global tax position is monitored continually and whenever uncertainties arise the potential consequences are assessed. Based on these assessments and the resulting exposure to loss the Group accrues for either a liability or include the exposure as part of the contingent liabilities.		
		35 COMMITMENTS		
		35.1 Capital commitments		
		Contracted for property, plant and equipment	381 896	344 438
		Contracted for intangible assets	6 880	–
		Authorised by directors, but not contracted for	1 071 977	1 131 906
–	–	Total capital commitments	1 460 753	1 476 344
–	–	Capital commitments for the 12 months after accounting date	1 460 753	1 476 344
		Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
		35.2 Operating lease commitments		
		Future minimum lease payments under non-cancellable operating leases		
		– Not later than one year	765 328	666 960
		– Later than one year not later than five years	2 709 681	2 336 827
		– Later than five years	1 700 081	1 686 965
–	–		5 175 090	4 690 752
		Less: fixed escalation operating lease accrual (note 19)	(511 542)	(531 791)
–	–		4 663 548	4 158 961
		35.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases		
		– Not later than one year	130 598	136 818
		– Later than one year not later than five years	254 941	229 334
		– Later than five years	48 289	12 524
–	–		433 828	378 676
		Less: fixed escalation operating lease accrual (note 10)	(4 213)	(5 836)
–	–		429 615	372 840

36 BORROWING POWERS

In terms of the Articles of Association of the Company the borrowing powers of Shoprite Holdings Limited are unlimited.

37 POST-RETIREMENT BENEFITS

37.1 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 70,8% (2005: 84,0%) of employees and 6,8% (2005: 10,4%) of the employees belong to national retirement plans. The monthly contributions are charged to the income statement.

All company funds are defined contribution funds. All South African funds are subject to the Pension Funds Act of 1956.

The Retail Retirement Fund is currently giving effect to the surplus apportionment provisions of the Pension Funds Second Amendment Act of 2001 which requires any surplus arising to be apportioned amongst the employer, past and present employees and continuation members. Therefore the actuarial surplus that arose from the conversion of the defined benefit plan to the defined contribution plan in 2001 was not accounted for in the Group's results as it is not known at this stage if any of the surplus will be available for allocation to the Group. The effective actuarial valuation date of the fund is 30 June 2004.

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
–	–	During the year under review contributions to retirement funding have been calculated as	169 530	147 343

37.2 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.

37.2.1 The principal actuarial assumptions used for accounting purposes are as follows:

	Group 30 June 2006	Group 30 June 2005
Health-care cost inflation	6,5%	6,5%
Discount rate	7,5%	8,5%
Salary adjustments		
– inflation	4,5%	4,0%
– promotions and experience increases	1,5%	1,5%
Continuation at retirement	95,0%	100,0%
Expected retirement age	63 years	63 years

The assumed rates of mortality are as follows:

During employment: SA 85-90 (light) ultimate table (2005: SA 85-90 (light) ultimate table)

Post-employment: PA (90) ultimate table rated down two years plus 1% p.a. improvement from 2006 (2005: PA (90) ultimate table)

37.2.2 The movement in the liability recognised in the balance sheet (note 18) was as follows:

Company 2005 R'000	Company 2006 R'000		Group 2006 R'000	Group 2005 R'000
		Balance at the beginning of the year	153 595	154 935
		Total expense charged to the income statement (note 37.2.3)	40 063	8 346
		Contributions paid	(9 799)	(9 686)
–	–	Balance at the end of the year	183 859	153 595

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		37 POST-RETIREMENT BENEFITS (continued)		
		37.2.3 The amounts recognised in the income statement were as follows:		
		Current service cost	1 937	2 207
		Net actuarial losses/(gains) recognised during the year	25 487	(8 120)
		Interest cost	12 639	14 259
–	–	Total included in employee benefits (note 24)	40 063	8 346
		The effect of a 1% increase in the assumed health-care cost inflation is as follows:		
		Increase in the current service and interest cost	2 387	2 127
		Increase in the post-retirement medical benefit liability	25 869	17 952
		The effect of a 1% decrease in the assumed health-care cost inflation is as follows:		
		Decrease in the current service and interest cost	1 957	1 792
		Decrease in the post-retirement medical benefit liability	21 344	15 245

38 HYPERINFLATIONARY ECONOMIES

The Group's business in Zimbabwe and Angola operated in a hyperinflationary environment and the conversion factors and indices that were used to restate the relevant financial statements are detailed below. The conversion factors are derived from the following: Zimbabwean consumer price index issued by the Zimbabwean Central Statistical office and Angolan consumer price index issued by the Angola Central Bank.

		2004	2005	2006
Zimbabwe	Indice	4 673,9	12 354,2	158 708,8
	Conversion factor	2,6	12,8	1,0
	Exchange rate (1 ZAR =)	1 000 ZWD	3 250 ZWD	60 000 ZWD
Angola	Indice	429,2	523,5	591,2
	Conversion factor	1,2	1,1	1,0
	Exchange rate (1 ZAR =)	13,163 AON	13,216 AON	11,276 AON

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000
		Gain on net monetary position	8 295	10 228
		Exchange rate losses on transactions	(2 085)	(11 536)
–	–	Exchange rate gains/(losses) in the income statement	6 210	(1 308)
		39 GUARANTEES		
2 363 411	2 232 459	39.1 Guarantees in favour of banks	–	–
		39.2 The Company guarantees the obligations of subsidiaries for the rental of land and buildings.		

40 FINANCIAL RISK MANAGEMENT

40.1 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 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 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.

40.1.1 Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange rate 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. Forward foreign exchange rate contracts are not used for speculative purpose.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency risk.

40.1.2 Interest rate risk

The weighted average effective interest rate on call accounts was 7,0% (2005: 7,3%). The Group made use of interest rate swaps in order to hedge specific interest rate risk exposures.

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

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

40.1.3 Credit risk

Potential concentration of credit risk consists primarily of cash and cash equivalents, accounts receivable and investments. Except for the total exposure represented by the respective balance sheet 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. The Group also obtains security from its franchisees.

Funds are only invested with financial institutions with acceptable CA credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

The following constituted significant concentrations of net monetary assets/(liabilities), including short-term surplus funds, in currencies other than the reporting currency as at 30 June 2006:

		Rand Equivalent	
Country	Foreign currency	R'000	R'000
Angola	Kwanza	(3 034)	(16 338)
Botswana	Pula	5 481	(6 512)
Egypt	Egyptian pound	(1 671)	(23 774)
Ghana	Cedi	399	1 723
India	Rupee	(37 799)	3 588
Madagascar	Ariary	(15 752)	(6 508)
Malawi	Kwacha	19 563	10 237
Mauritius	Mauritian rupee	20 339	12 170
Mozambique	Metical	2 814	2 338
Tanzania	Shilling	1 810	(1 245)
Uganda	Shilling	(3 297)	7 619
USA	Dollar	117 639	99 308
Zambia	Kwacha	(86 715)	(51 353)
Zimbabwe	Zimbabwe dollar	525	(8 966)

Company 30 June 2005 R'000	Company 30 June 2006 R'000		Group 30 June 2006 R'000	Group 30 June 2005 R'000

40 FINANCIAL RISK MANAGEMENT (continued)

40.1 Financial risk factors (continued)

40.1.4 Liquidity risk

The Group's risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2006: R1 684 714 792; 2005: R1 776 705 692) 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.

40.2 Insurance risk

The Group underwrites insurance products with the following terms and conditions:

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. This cover also includes the repair or replacement of the product due to accidental loss or damage within the terms of the conditions of the policy.

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.

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.

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.

40.3 Fair value estimation

The nominal value less estimated credit adjustments of trade and other receivables and payables are assumed to approximate their fair values.

The book value of all other financial instruments approximate the fair values thereof.

41 RELATED PARTY INFORMATION

Related party relationships exist between the Company, subsidiaries, directors 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.

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

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 have a significant influence. These purchases were concluded at 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:

Company 2005	Company 2006		Group 2006	Group 2005
		Purchase of merchandise	10 306	6 166
		Purchase of services	8 951	8 273
		Year-end balances	1 341	1 268

Company 30 June 2005 R'000	Company 30 June 2006 R'000			Group 30 June 2006 R'000	Group 30 June 2005 R'000
			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	1 932	304
			Rent paid to the Group	3 330	1 969
			Interest paid to the Group	2 702	1 478
			Interest paid to the joint venture	1 734	552
			The year-end balances relating to the transactions with the joint venture are disclosed in notes 12 and 20.		
			Key management personnel compensation		
			Short-term employee benefits	65 979	45 721
			Termination benefits	35	–
			Post-employment benefits	4 851	4 386
			Share-based payments	7 397	40 234
			Directors' fees	658	1 983
				78 920	92 324
			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.		
			The Company received the following from its subsidiary, Shoprite Checkers (Pty) Ltd:		
20 361	34 212		Interest		
900	941		Annual administration fee		
		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.		
			Income statement		
			Sales of merchandise	104 518	72 171
			Profit before tax	14 122	10 262
			Tax	4 830	(2 886)
			Profit for the year	18 952	7 376
			Balance sheet		
			Non-current assets	19 381	12 574
			Current assets	11 107	7 395
			Current liabilities	12 018	4 422
			Interest-bearing	247	(3 358)
			Interest-free	11 771	7 780
			Cash flow statement		
			Net cash flow from operating activities	16 273	11 622
			Net cash flow from investing activities	(15 376)	(4 013)
			Capital commitments	2 350	8 736

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

43 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Group's and Company's annual financial statements for the year ended 30 June 2006 is the first that comply with IFRS. IFRS 1: First-time Adoption of International Financial Reporting Standards has been applied in preparing these annual financial statements.

The transition date and that of the opening balance sheet is 1 July 2004. The Group's and Company's adoption date is 1 July 2005. In preparing these annual financial statements in accordance with IFRS 1 the following mandatory exceptions, and certain of the optional exemptions, from full retrospective application of IFRS were applied.

43.1 Elected optional exemptions

43.1.1 Business combinations exemption

The Group has elected not to restate business combinations that took place prior to the 1 July 2004 transition date. This had no effect on the results of the Group.

43.1.2 Cumulative translation differences exemption

The Group has elected to set the foreign currency translation reserve to zero at 1 July 2004. The application of this exemption is detailed in Note 43.3.1.

43.1.3 Insurance contracts

The Group has elected to apply the transitional provisions of IFRS 4: Insurance Contracts and therefore has not applied the IFRS 4 disclosure requirements to comparative information presented.

43.1.4 Share-based payment transactions

The Group has elected not to apply IFRS 2: Share-based payments to equity instruments that were granted on or before 7 November 2002 and that has not yet vested by 1 January 2005.

43.1.5 Non-elected exemptions

The Group elected not to apply the following exemptions:

- Fair value or revaluation as deemed cost
- Employee benefits
- Compound financial instruments
- Assets and liabilities of subsidiaries and joint ventures
- Designation of previously recognised financial instruments
- Fair value measurement of financial assets and liabilities at initial recognition

43.2 Mandatory exceptions

43.2.1 Estimates

The Group's estimates under IFRS at 1 July 2004 is consistent with the estimates made for the same date under South African Generally Accepted Accounting Practice, as there was no objective evidence that those estimates were in error.

43.2.2 Assets classified as held for sale and discontinued operations

The Group applies IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations prospectively from 1 July 2005. Refer note 4 for details regarding non-current assets that meet the criteria to be classified as held for sale and note 30 for details regarding operations that meet the criteria to be classified as discontinued.

43.2.3 Derecognition of financial assets and financial liabilities

This exception had no effect on the Group's results.

43.2.4 Hedge accounting

This exception had no effect on the Group's results.

43.3 Reconciliation items between IFRS and SA GAAP

The following items were affected by the transition to IFRS:

- Property, plant and equipment (note 43.3.4)
- Translating foreign operations (note 43.3.5)
- Intangible assets (note 43.3.6)
- Share-based payments (note 43.3.7)

The relevant comparative information was restated to ensure that the comparative figures presented conform to the accounting policies applied in the current year under IFRS. The effect of the restatement is reflected in the individual disclosures below.

Company 30 June 2005 R'000 Previous SA GAAP	Effect of transition to IFRS	IFRS		Group 30 June 2005 R'000 Previous SA GAAP	Effect of transition to IFRS	IFRS
			43.3.1 Reconciliation of equity at 1 July 2004			
616 583	–	616 583	Share capital	616 583	–	616 583
293 072	–	293 072	Share premium	293 072	–	293 072
–	–	–	Treasury shares	(276 954)	–	(276 954)
–	8 324	8 324	Share-based payments reserve (note 43.3.7)	–	8 324	8 324
–	–	–	Foreign currency translation reserve (note 43.3.5)	6 458	(6 458)	–
–	–	–	Contingency reserve	14 062	–	14 062
–	–	–	Fair value reserve	7 011	–	7 011
1 448 334	–	1 448 334	Retained earnings	1 090 251	9 309	1 099 560
–	–	–	Minority interest (note 43.3.4)	38 007	636	38 643
2 152	–	2 152	Other reserves	2 152	–	2 152
2 360 141	8 324	2 368 465	Total equity	1 790 642	11 811	1 802 453
			43.3.2 Reconciliation of movement in equity for the year ended June 2005			
–	–	–	Share capital	–	–	–
–	–	–	Share premium	–	–	–
–	–	–	Treasury shares	(265)	–	(265)
–	5 265	5 265	Share-based payments reserves (note 43.3.7)	–	5 265	5 265
–	–	–	Foreign currency translation reserve (note 43.3.5)	–	33 260	33 260
–	–	–	Contingency reserve	4 150	–	4 150
–	–	–	Fair value reserve	2 997	–	2 997
417 345	–	417 345	Retained earnings (note 43.3.3)	353 143	61 758	414 901
–	–	–	Minority interest (note 43.3.3)	2 834	282	3 116
–	–	–	Other reserves	–	–	–
417 345	5 265	422 610	Total equity	362 859	100 565	463 424

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2006

43 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

43.3 Reconciliation items between IFRS and SA GAAP (continued)

43.3.3 Adjustments to profit for the year

	Group 30 June 2005 R'000
Depreciation and amortisation (notes 43.3.4, 43.3.5, 43.3.6)	76 082
Employee benefits (note 43.3.7)	6 590
Exchange rate gains (note 43.3.5)	(3 830)
Expenditure of a capital nature (notes 43.3.4, 43.3.5)	(125)
Tax (notes 43.3.4, 43.3.7)	(16 677)
Profit for the year	62 040
Attributable to:	
Equity holders of the company	61 758
Minority interest	282
	62 040

43.3.4 Property, plant and equipment

As per the requirements of IAS 16: Property, Plant and Equipment the Group now reviews the estimated useful lives and residual values of all property, plant and equipment annually and accounts for any resulting changes as a change in accounting estimate in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. As these estimates were not reviewed after initial recognition in the past the accumulated depreciation were recalculated in line with the policy of annual review as stated above.

	Group 30 June 2005 R'000
Depreciation and amortisation	50 022
Trading profit	50 022
Expenditure of a capital nature	(1 780)
Profit before tax	48 242
Tax (including tax rate adjustment)	(13 121)
Profit for the year	35 121
ATTRIBUTABLE TO:	
Equity holders of the Company	34 839
Minority interest	282
Increase in property, plant and equipment	302 263
Decrease in intangible assets	84
Decrease in deferred tax assets	80 703
Increase in deferred tax liabilities	5 942
Increase in minority interest	918

		Group 30 June 2005 R'000
43.3.5	**Translating foreign operations**	

As per the requirements of IAS 21: The Effects of Changes in Foreign Exchange Rates, the Group now translates the results and financial positions of its foreign operations, with a functional currency other than rand, to rand using the following procedures:

- assets and liabilities are translated at closing rate
- income and expenses are translated at transaction date
- resulting exchange rate differences are recognised in equity

As the functional currency of the Group's foreign operations were considered to be rand in the past the inventories, property, plant and equipment and the related depreciation were accounted for at historical rates and all translation differences were accounted for in the income statement. The translation of all foreign operations were recalculated and the necessary adjustments were made retrospectively. Also refer note 43.1.2.

	Group 30 June 2005 R'000
Depreciation and amortisation	27 310
Trading profit	27 310
Exchange rate gains	(3 830)
Expenditure of a capital nature	1 655
Profit for the year	25 135
Increase in foreign currency translation reserve	26 802
Decrease in property, plant and equipment	123 319
Increase in deferred tax assets	458
Decrease in intangible assets	172
Increase in inventories	14 974

43.3.6 **Intangible assets**

As per the requirements of IAS 38: Intangible Assets the Group now reviews the estimated useful lives and residual values of all intangible assets annually and accounts for any resulting changes as a change in accounting estimate in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. As these estimates were not reviewed after initial recognition in the past the accumulated amortisation was recalculated in line with the policy of annual review as stated above.

	Group 30 June 2005 R'000
Depreciation and amortisation	(1 250)
Profit for the year	(1 250)
Increase in intangible assets	625

	Group 30 June 2005 R'000

43 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

43.3 Reconciliation items between IFRS and SA GAAP (continued)

43.3.7 Share-based payments

In terms of IFRS 2: Share-based Payment the Group shall, for all future equity-settled share-based payment transactions, expense the related services received over the vesting period with a corresponding increase in equity.

For all equity-settled share-based payment transactions granted after 7 November 2002 that have not yet vested by 1 January 2005 the relevant comparative information has been restated. The fair value at measurement date of the effected options, being 3 333 334 options issued to JW Basson (note 14.4.3), was R14 353 025. Also refer note 24.1.

For all cash-settled share-based payment transactions the relevant comparative information has been restated. The impact of the effected transactions, being the share appreciation rights issued to CH Wiese and JW Basson (note 14.4.4), on the 2005 financial year was a reversal of an expense of R11 854 956.

	Group 30 June 2005 R'000
Employee benefits	6 590
Profit before tax	6 590
Tax	(3 556)
Profit for the year	3 034
Share-based payment reserve	13 589
Decrease in deferred tax assets	1 832
Increase in cash-settled share-based payment accrual	6 108

44 RECLASSIFICATION OF DISCLOSURE ITEMS

Certain reclassifications of items in the current year resulted in changes to the relevant comparative information to ensure accurate comparability with the current year information. The effected line items are detailed below.

44.1 Reclassification of investment income as other operating income as this represent gross inflows of economic benefits arising in the course of the Group's ordinary activities.

	Group 30 June 2005 R'000
Other operating income	13 056
Interest received	(13 056)
Profit for the year	–

44.2 In line with the requirements of IFRS all outstanding deposits and outstanding cheques is reclassified as cash and cash equivalents.

	Group 30 June 2005 R'000
Trade payables	(59 347)
Other payables	(56 647)
Current liabilities	(115 994)
Other receivables	493
Cash and cash equivalents	(116 487)
Current assets	(115 994)

44.3 Reclassification of all capital expense items from other expenses as expenditure of a capital nature.

	Group 30 June 2005 R'000
Other expenses	(3 384)
Expenditure of a capital nature	3 384
Profit before tax	–

		Group 30 June 2005 R'000
44.4	Reclassification of unearned premiums from trade and other payables as instalment sales under trade and other receivables, and warranties from provisions to unearned premiums. This reclassification ensured that all unearned premiums are offset against the related instalment sale debtor.	
	Instalment sales	(180 000)
	Provisions	(50 733)
	Trade and other payables	(129 267)
		–
44.5	In line with the requirements of IFRS the accretion of discount on onerous lease contracts provision is reclassified from other expenses to finance costs.	
	Other expenses	(4 771)
	Operating profit	(4 771)
	Finance costs	4 771
	Profit for the year	–
44.6	Due to the uncertainties relating to the timing and amount of claims incurred but not reported it is reclassified from trade and other payables to provisions.	
	Provisions	12 749
	Trade and other payables	(12 749)
		–
44.7	Due to the uncertainties relating to the timing and amount of certain post-employment benefits, previously included under other payables, it is reclassified from trade and other payables to provisions.	
	Provisions	9 562
	Trade and other payables	(9 562)
		–

INTERESTS IN SUBSIDIARIES – ANNEXURE A

	Country of Incorporation	Issued share capital and premium R'000	Percentage shares held by Group %	Investment in shares 30 June 2006 R'000	Investment in shares 30 June 2005 R'000	Amount owing by/(to) 30 June 2006 R'000	Amount owing by/(to) 30 June 2005 R'000
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	2 700	100	–	–	14 388	14 388
Shoprite Checkers (Pty) Ltd	South Africa	1 128 908	100	174 431	173 667	746 401	1 160 509
Shoprite Guernsey Ltd	Mauritius	1 152 582	100	1 152 557	857 685	1 059	65 290
Shoprite Insurance Company Ltd	South Africa	20 230	100	20 230	20 230	–	–
Shoprite Checkers Properties Ltd	South Africa	26 196	100	16 677	16 677	3 365	3 365
Other	South Africa		100	152	152	(150)	(1 068)
				1 364 047	1 068 411	765 063	1 242 484
INDIRECT SUBSIDIARIES							
Africa Supermarkets Ltd*	Zambia		100				
Checkers Chatsworth Ltd	South Africa	2 000	48				
Megasave Trading (Pvt) Ltd*	India	14 132	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	5 000	100				
Sentra Namibia Ltd*	Namibia	5 880	100				
Shophold Mauritius Ltd*	Mauritius	351	100				
Shoprite Angola Imobiliaria Lda*	Angola	502	100				
Shoprite Checkers Tanzania Ltd*	Tanzania		100				
Shoprite Checkers Uganda Ltd*	Uganda	8	100				
Shoprite Checkers Zimbabwe (Pvt) Ltd*	Zimbabwe	4 488	35				
Shoprite Egypt for Internal Trade SAE*	Egypt	40 424	100				
Shoprite Lesotho (Pty) Ltd*	Lesotho	1	100				
Shoprite Madagascar S.A.*	Madagascar	47 049	100				
Shoprite Namibia (Pty) Ltd*	Namibia		100				
Shoprite Supermercados Lda*	Angola	342	100				
Shoprite Too (Pty) Ltd*	Tanzania	1 870	100				
Shoprite Trading Ltd*	Malawi	3	100				
				1 364 047	1 068 411	765 063	1 242 484

* Converted at historical exchange rates

NOTE:
General information in respect of subsidiaries, as required in terms of paragraph 70 of the Fourth Schedule to the Companies Act, 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 Limited and its subsidiaries as at 30 June 2006

	Number of shareholders	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	4 050	59,11	1 304 105	0,24
1 001 – 10 000 shares	1 854	27,06	6 438 179	1,18
10 001 – 100 000 shares	580	8,46	19 358 398	3,56
100 001 – 1 000 000 shares	281	4,10	93 907 065	17,28
1 000 001 shares and over	87	1,27	422 471 713	77,73
	6 852	100,00	543 479 460	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks	109	1,59	66 697 375	12,27
Close Corporations	61	0,89	576 742	0,11
Endowment Funds	43	0,63	3 120 212	0,57
Individuals	5 324	77,70	16 067 816	2,96
Insurance Companies	21	0,31	22 920 276	4,22
Investment Companies	38	0,55	56 710 944	10,43
Medical Aid Schemes	10	0,15	835 301	0,15
Mutual Funds	167	2,44	93 676 584	17,24
Nominees and Trusts	576	8,41	52 240 158	9,61
Other Corporations	72	1,05	6 784 121	1,25
Own Holdings	1	0,01	35 653 533	6,56
Pension Funds	208	3,04	133 458 659	24,56
Private Companies	152	2,22	49 037 612	9,02
Public Companies	17	0,25	4 036 591	0,74
Share Trust	53	0,77	1 663 536	0,31
	6 852	100,00	543 479 460	100,00
BENEFICIAL SHAREHOLDERS HOLDING OF 1% OR MORE				
Public Investment Corporation			49 661 286	9,14
Allan Gray			46 422 182	8,54
Titan Nominees (Pty) Ltd			44 548 410	8,20
Shoprite Checkers (Pty) Ltd			35 653 533	6,56
Sanlam			35 503 886	6,53
Thibault Square Financial Services			32 000 000	5,89
Old Mutual Group			30 805 769	5,67
Liberty Group			15 953 925	2,94
Nedbank Group			11 159 269	2,05
Namibian Government Institutions Pension Fund			10 995 802	2,02
Investment Solutions			10 360 362	1,91
Transnet Pension Fund			9 309 941	1,71
Standard Bank			5 771 376	1,06
Rotrust (Pty) Ltd			5 465 705	1,01
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public Shareholders	**103**	**1,50**	**123 807 162**	**22,78**
Directors and Associates	52	0,76	86 955 093	16,00
Own Holdings	1	0,01	35 653 533	6,56
Share Trust	50	0,73	1 198 536	0,22
Public Shareholders	**6 749**	**98,50**	**419 672 298**	**77,22**
	6 852	100,00	543 479 460	100,00

Shareholders’ Diary

June	Financial year-end
August	Preliminary results
September	Publishing of annual report
	Payment of preference dividend
	Payment of final ordinary dividend
October	Annual General Meeting
December	End of financial half-year
February	Interim results
	Declaration of interim ordinary dividend
March	Payment of preference dividend
	Payment of interim ordinary dividend

Notice to Shareholders

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: ZAE000012084
("Shoprite Holdings" or "the Company")

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.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shoprite Holdings Limited ("the Company") will be held in the boardroom of Shoprite's head office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 23 October 2006 at 09:15 for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act (Act 61 of 1973) as amended ("the Act"):

Ordinary resolution number 1
To consider and adopt the annual financial statements of the Company and the Group for the year ended 30 June 2006 including the reports of the directors and auditors.

Ordinary resolution number 2
To approve the remuneration of the non-executive directors for the year ended 30 June 2006, as reflected on page 86 of the annual financial statements.

Ordinary resolution number 3
To confirm the reappointment of the auditors, PricewaterhouseCoopers, for the ensuing year and to authorise the directors to determine the auditors' remuneration.

Ordinary resolution number 4
To confirm the declaration and payment of the ordinary dividend as recommended by the directors of the Company.

Ordinary resolution number 5
To re-elect Mr JA Louw, who retires as director in terms of Article 14.1 of the Articles of Association of the Company, but being eligible, offers himself for re-election. Mr Louw's abridged curriculum vitae appears on page 8 of this annual report.

Ordinary resolution number 6
To re-elect Mr AN van Zyl, who retires as director in terms of Article 14.1 of the Articles of Association of the Company, but being eligible, offers himself for re-election. Mr Van Zyl's abridged curriculum vitae appears on page 9 of this annual report.

Ordinary resolution number 7
To re-elect Mr BR Weyers, who retires as director in terms of Article 14.1 of the Articles of Association of the Company, but being eligible, offers himself for re-election. Mr Weyers' abridged curriculum vitae appears on page 9 of this annual report.

Ordinary resolution number 8
To re-elect Mr JF Malherbe, who retires as director in terms of Article 14.1 of the Articles of Association of the Company, but being eligible, offers himself for re-election. Mr Malherbe's abridged curriculum vitae appears on page 8 of this annual report.

Ordinary resolution number 9
To re-elect Mr AE Karp, who was appointed as director of the Company on 19 September 2005, and retires in terms of Article 13.2 of the Articles of Association of the Company, but being eligible, offers himself for re-election. Mr Karp's abridged curriculum vitae appears on page 9 of this annual report.

Ordinary resolution number 10
To re-elect Mr EL Nel, who was appointed as director of the Company on 19 September 2005, and retires in terms of Article 13.2 of the Articles of Association of the Company, but being eligible, offers himself for re-election. Mr Nel's abridged curriculum vitae appears on page 9 of this annual report.

Ordinary resolution number 11
Control of authorised but unissued shares
"RESOLVED THAT 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 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 Act, the Articles of Association 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, until the Company's next Annual General Meeting."

Ordinary resolution number 12
Approval to issue shares for cash
"RESOLVED THAT subject to no less than 75% (seventy-five per cent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this Annual General Meeting voting in favour of this ordinary resolution, 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 Act, the Articles of Association 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 one financial year, exceed 10% (ten per cent) 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 Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;

- a paid press announcement giving full details, including the impact on the net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares 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."

Special resolution number 1
Approval to repurchase shares
"RESOLVED THAT, the Company and/or any subsidiary of the Company be and is hereby authorised by way of a general approval contemplated in sections 85(2) and 85(3) of the Act, 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 Articles of Association of the Company, the provisions of the 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 and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall be valid only until the Company's next Annual General Meeting, 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 in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business 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 one financial year do not exceed 10% (ten per cent) of the Company's issued ordinary share capital from the date of the grant 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 months after the date of the notice of the Annual General Meeting;
- the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the Company for the 12 months after the date of the notice of the Annual General Meeting;
- the ordinary capital and reserves of the Company and the Group are adequate for the 12 months after the date of the notice of the Annual General Meeting;
- the available working capital is adequate to continue the operations of the Company and the Group for the 12 months after the date of the notice of the Annual General Meeting;
- upon 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;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) 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."

Other disclosures in terms of the JSE Listings Requirements
The JSE Listings Requirements require the following disclosures, some of which are disclosed in the annual report of which this notice forms part as set out below:

Directors and management	pages 8 and 9
Major shareholders of the Company	page 107
Directors' interests in securities	page 53
Share capital of the Company	page 77

Material change
Other than the facts and developments as referred to on page 53 of the annual 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 annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 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 and that this resolution contains all such information.

Litigation statement
In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on pages 8 and 9 of the annual 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.

Reason for and effect of special resolution number 1
The reason and effect for special resolution number 1 is to authorise the Company and/or its subsidiaries by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company, subject to the limitations set out above.

The directors of the Company have no specific intention to effect the provisions of special resolution number 1 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

Notice to Shareholders
(continued)

Special resolution number 2
Specific approval to repurchase shares

"**RESOLVED THAT** the repurchase by the Company of:

- up to 35 653 533 ordinary shares of 113,4 cents each from Shoprite Checkers (Proprietary) Limited, a wholly-owned subsidiary of the Company; and
- up to 481 036 ordinary shares of 113,4 cents each from The Shoprite Holdings Ltd Share Incentive Trust;

at such times and in such quantities as the directors may determine in their discretion and at the ruling price for the ordinary shares of the Company on the JSE Limited at the relevant time, be approved as a specific approval in terms of section 85 of the Act, subject to the Articles of Association of the Company and the JSE Limited Listing Requirements.

The directors of the Company will only implement the repurchase contemplated in this resolution if, after considering the effect of the specific repurchase:

- the Company and the Group will be able to pay its debts as they become due in the ordinary course of business for the period of 12 months after the date of the specific repurchase;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group after the date of the specific repurchase;
- the share capital and the reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the specific repurchase;
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of the specific repurchase; and
- they are satisfied that it will have no other detrimental consequences for the Company."

Reason for and effect of special resolution number 2

The reason for special resolution number 2 is to authorise the Company by way of a specific authority to repurchase the shares issued by the Company as specified in the resolution.

The effect of the special resolution is that the Company will have a specific authority to repurchase the shares specified in the resolution. Following the implementation of the resolution, the shares so repurchased will be cancelled as issued shares and restored to the status of authorised but unissued shares.

The implementation of the specific repurchase will be funded from existing cash resources.

The effect of the specific repurchase on earnings per share, headline earnings per share and net asset value per share will not be material.

This special resolution is subject to the approval of no less than 75% (seventy five per cent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this Annual General Meeting, other than the shares held by Shoprite Checkers (Proprietary) Limited and The Shoprite Holdings Ltd Share Incentive Trust.

Special resolution number 3
Amendment of the Articles of Association of the Company.

"**RESOLVED THAT** the Articles of Association of the Company be amended by:

the deletion of the words "no dividends shall be payable except out of the profits of the Company and" from Article 25.4; and

the deletion of Article 25.6 "The declaration of the directors as to the amount of the profits shall be conclusive".

The reason for the special resolution is to delete from the Articles of Association of the Company a conflicting provision, having regard to the provisions of Article 38.1, which provides for payment to shareholders in accordance with Section 90 of the Act. The deletion of Article 25.6 is a consequential change.

The effect of the special resolution will be to amend the Articles of Association of the Company accordingly.

OTHER BUSINESS

To transact such other business as may be dealt with at an Annual General Meeting.

Voting and Proxies

A shareholder of the Company entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a shareholder of the Company. A form of proxy is attached for the convenience of any certificated shareholder and "own name" registered dematerialised shareholder who cannot attend the Annual General Meeting but who wishes to be represented thereat.

Subject to the Articles of Association of the Company and on a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy shall have the vote per share as prescribed by the Articles and subject to the Articles of Association of the Company.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, other than "own name" registered dematerialised shareholders, who wish to attend the Annual General Meeting, must request their CSDP or broker to issue them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Proxy forms should be lodged or mailed to the company secretary at his office at Corner William Dabs and Old Paarl Roads, Brackenfell, 7560, South Africa (PO Box 215, Brackenfell, 7561, South Africa) to reach the company secretary by no later than 09:15 on Thursday, 19 October 2006.

For and on behalf

Shoprite Holdings Limited

AN van Zyl
Company Secretary
22 August 2006

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: ZAE000012084
("Shoprite Holdings" or "the Company")

For use only by certificated shareholders or dematerialised shareholders with "own name" registration.

Dematerialised shareholders holding shares other than with "own name" registration, must inform their CSDP or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary letter of representation to attend the Annual General Meeting in person and vote or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person. **These shareholders must not use this form of proxy.**

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 Annual General Meeting of the shareholders of the Company to be held at 09:15 on Monday, 23 October 2006 at Brackenfell, and at any adjournment thereof:

	Number of shares		
	In favour of	Against	Abstain
Ordinary resolution number 1 Adoption of the annual financial statements			
Ordinary resolution number 2 Approval of non-executive directors' remuneration			
Ordinary resolution number 3 Reappointment of PricewaterhouseCoopers as auditors and approval of their remuneration			
Ordinary resolution number 4 Confirmation of the dividend payment			
Ordinary resolution number 5 Re-election of Mr JA Louw			
Ordinary resolution number 6 Re-election of Mr AN van Zyl			
Ordinary resolution number 7 Re-election of Mr BR Weyers			
Ordinary resolution number 8 Re-election of Mr JF Malherbe			
Ordinary resolution number 9 Re-election of Mr AE Karp			
Ordinary resolution number 10 Re-election of Mr EL Nel			
Ordinary resolution number 11 To place the unissued shares under the control of the directors			
Ordinary resolution number 12 Approval to issue shares for cash			
Special resolution number 1 General authority to repurchase shares			
Special resolution number 2 Specific authority to repurchase shares			
Special resolution number 3 Amendment of the Articles of Association of the Company			

* 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) ______________________________2006

Shareholder's signature ____

Please read the notes and instructions overleaf.

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. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, 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 all the shareholder's votes exercisable thereat.

6. 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.

7. 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.

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

9. 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.

10. 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.

11. 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).

Forms of proxy must be lodged with the company secretary, to reach him at the below-mentioned address by no later than 09:15 on Thursday, 19 October 2006.

The Company Secretary
cnr William Dabs and Old Paarl Roads
Brackenfell 7560
South Africa

(PO Box 215, Brackenfell, 7561, South Africa)