

ANNUAL FINANCIAL STATEMENTS

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONTENTS


Certificate of company secretary	48
Currency of annual financial statements	48
Auditor's report	49
Directors' report	50
Balance sheet	52
Income statement	53
Statement of changes in equity	54
Cash flow statement	55
Notes to the annual financial statements	56
Accounting policies	56
Segmental analysis	66
Notes	68
Interests in subsidiaries	106



certificate by company secretary

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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 2007, Shoprite Holdings Ltd 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
31 August 2007

currency of annual financial statements

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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:

	2007	2006
USA dollar	7,0996	7,1100
Pound sterling	14,2248	13,0469
Euro	9,5529	9,0475
Zambian kwacha	0,0019	0,0021
Mozambican metical	0,2731	0,0003
Botswanan pula	1,1388	1,1732
Ugandan shilling	0,0045	0,0038
Malawian kwacha	0,0517	0,0523
Mauritian rupee	0,2283	0,2319
Angolan kwanza	0,0949	0,0887
Indian rupee	0,1742	0,1543
Ghanaian cedi	0,0008	0,0008
Madagascan ariary	0,0038	0,0033
Nigerian naira	0,0559	0,0556
Tanzanian shilling	0,0057	0,0057
Zimbabwean dollar	0,00005	0,0001

independent auditor's report to the members of Shoprite Holdings Limited

We have audited the annual financial statements and group annual financial statements of Shoprite Holdings Ltd, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 50 to 106.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

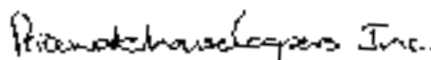
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 30 June 2007, and their financial performance and their 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.

Director: NH Döman

Registered Auditor

Cape Town

31 August 2007

directors' report

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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 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, pharmacies and money market activities, trading through Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave in South Africa, Namibia, Lesotho, Swaziland and Mauritius.

Franchise: The supermarket franchise business which encompasses four formats – OK Foods, OK Grocer, OK Minimark and OK Value in South Africa, Namibia and Botswana.

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 International Ltd

Controls the retailing activities and owns strategically situated properties outside South Africa apart from the territories referred to above.

Shoprite Holdings Ltd'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 202,2 cents for the year (2006: 146,7 cents). Details of the profit of Shoprite Holdings Ltd and the Group are contained in the income statement with reference to the segment report and its financial statements set out on pages 52 to 106.

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

	2007	2006
	R'000	R'000
Total profits	1 324 601	1 131 176
Total losses	208 780	250 859

DIVIDENDS

Preference dividends

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

Ordinary dividends

An interim cash dividend (no. 116) of 35,0 cents per share was paid on 18 March 2007. It is envisaged that a final dividend (no. 117) of 66,0 cents per share, bringing the total dividend for the year to 101,0 cents (2006: 73,0 cents) per ordinary share, will be declared during October 2007.

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 RESOLUTIONS

At the annual general meeting of Shoprite Holdings Ltd held on 23 October 2006, shareholders approved the following special resolutions:

General approval to repurchase shares

It was resolved that the Company and/or its subsidiaries be authorised by way of a general approval contemplated in sections 85(2) and 85(3) of the Companies 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 Listing Requirements and any other exchange on which the shares of the Company may be quoted or listed, where applicable.

Specific approval to repurchase shares

It was resolved that the repurchase by the Company of:

- up to 35 653 533 ordinary shares of 113,4 cents each from Shoprite Checkers (Pty) Ltd, 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 at the relevant time, be approved in terms of section 85 of the Companies Act, subject to the Articles of Association of the Company and the JSE Limited Listing Requirements.

Amendment of the Articles of Association of the Company.

It was 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".

DIRECTORS

Messrs JG Rademeyer, TRP Hlongwane, B Harisunker, JW Basson and CG Goosen retire as directors, in terms of paragraph 14.1 of the Articles of Association of the Company, at the annual general meeting, but being eligible, offer themselves for re-election.

Directors' and alternate director's interests in ordinary shares

	Beneficial	Non-beneficial	Total 2007	Total 2006
CH Wiese	77 987 548	–	77 987 548	76 548 410
JW Basson	4 925 511	–	4 925 511	4 890 511
JJ Fouche	872 171	–	872 171	872 171
CG Goosen	1 023 249	–	1 023 249	1 023 249
B Harisunker	456 360	–	456 360	456 360
TRP Hlongwane	15 057	–	15 057	15 057
AE Karp	–	–	–	–
JA Louw	–	200 000	200 000	200 000
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	175 000	275 000	300 000
JAL Basson	55 500	–	55 000	55 500
M Bosman	46 260	–	46 260	46 260
PC Engelbrecht	30 955	–	30 955	2 000
JD Wiese	14 074	–	14 074	14 074

Director's interest in non-convertible, non-participating, no par value deferred shares

	Total 2007	Total 2006
CH Wiese	276 821 666	276 821 666

AUDITOR

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 this annual report, there have been no material changes in the affairs or financial position of the Company and the Group from 30 June 2007 to the date of this 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 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000	Notes	30 June 2007 R'000	30 June 2006 R'000
		ASSETS		
		Non-current assets		
–	–	Property, plant and equipment	3 3 804 159	3 248 283
1 118 425	1 392 131	Interests in subsidiaries	5 –	–
–	–	Available-for-sale investments	6 23 738	13 846
–	–	Loans and receivables	7 43 990	38 817
112	56	Deferred tax assets	8 252 749	219 626
–	–	Intangible assets	9 277 901	235 866
–	–	Fixed escalation operating lease accrual	10 1 131	2 791
1 118 537	1 392 187		4 403 668	3 759 229
		Current assets		
–	–	Inventories	11 3 699 199	3 269 500
–	2 871	Trade and other receivables	12 1 521 906	1 442 122
–	–	Derivative financial instruments	13 –	20 319
–	38	Current tax assets	– 16 110	30 025
–	–	Assets held for sale	4 220 139	163 876
750 676	147 205	Interests in subsidiaries	5 –	–
–	–	Available-for-sale investments	6 –	33 592
–	–	Loans and receivables	7 6 425	15 758
605 622	607 161	Cash and cash equivalents	– 2 012 226	1 207 971
1 356 298	757 275		7 476 005	6 183 163
2 474 835	2 149 462	Total assets	11 879 673	9 942 392
		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 (277 538)	(277 318)
1 532 912	1 232 629	Reserves	15 3 007 064	2 403 526
2 442 567	2 142 284		3 639 181	3 035 863
–	–	Minority interest	– 49 590	47 005
2 442 567	2 142 284	Total equity	3 688 771	3 082 868
		LIABILITIES		
		Non-current liabilities		
2 450	2 450	Borrowings	16 2 498	2 464
–	–	Deferred tax liabilities	17 8 803	7 400
–	–	Provisions	18 264 185	254 613
–	–	Fixed escalation operating lease accrual	19 448 702	452 732
2 450	2 450		724 188	717 209
		Current liabilities		
794	3 504	Trade and other payables	20 7 152 994	5 320 148
–	–	Derivative financial instruments	13 682	–
28 045	–	Current tax liabilities	– 216 224	100 724
–	–	Provisions	18 70 732	48 952
–	–	Bank overdrafts	– 24 524	671 267
979	1 224	Shareholders for dividends	– 1 558	1 224
29 818	4 728		7 466 714	6 142 315
32 268	7 178	Total liabilities	8 190 902	6 859 524
2 474 835	2 149 462	Total equity and liabilities	11 879 673	9 942 392

income statement

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		Notes		
–	–	Sales of merchandise	38 949 845	33 511 287
–	–	Cost of sales	30 952 417	26 715 806
–	–	Gross profit	7 997 428	6 795 481
34 695	174 209	Other operating income	798 454	765 180
–	–	Depreciation and amortisation	(517 397)	(434 866)
–	–	Operating leases	(997 735)	(841 446)
–	–	Employee benefits	(3 100 627)	(2 815 830)
(3 788)	(18 043)	Other expenses	(2 582 431)	(2 215 944)
30 907	156 166	Trading profit	1 597 692	1 252 575
48 255	(3 922)	Exchange rate gains/(losses)	23 725	8 445
(108 280)	5 165	Income/(expenditure) of a capital nature	60 935	166 906
(29 118)	157 409	Operating profit/(loss)	1 682 352	1 427 926
41 926	51 048	Interest received	109 332	96 385
(157)	(126)	Finance costs	(83 570)	(89 736)
12 651	208 331	Profit before tax	1 708 114	1 434 575
(63 010)	(68 396)	Tax	(622 586)	(518 240)
(50 359)	139 935	Profit after tax	1 085 528	916 335
–	–	Loss from discontinued operation	–	(19 853)
(50 359)	139 935	Profit for the year	1 085 528	896 482
(50 359)	139 935	Attributable to:		
–	–	Equity holders of the Company	1 076 071	890 132
–	–	Minority interest	9 457	6 350
(50 359)	139 935		1 085 528	896 482
		Earnings per share from continued operations (cents)	212,1	179,4
		Earnings per share (cents)	212,1	175,4
		Diluted earnings per share from continued operations (cents)	203,9	172,7
		Diluted earnings per share (cents)	203,9	168,9
55,0	81,0	Ordinary dividend per share paid (cents)	81,0	55,0

statement of changes in equity

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

R'000	Notes	Attributable to equity holders							
		Total equity	Minority interest	Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
GROUP									
BALANCE AT 1 JULY 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
Profit for the year		896 482	6 350	890 132					890 132
Recognised in equity									
Net fair value movement on available-for-sale investments	15	14 338		14 338				14 338	
Tax effect of net fair value movement on available-for-sale investments	15	(1 886)		(1 886)				(1 886)	
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
Total recognised income		1 103 845	9 457	1 094 388	–	–	–	18 317	1 076 071
Profit for the year		1 085 528	9 457	1 076 071					1 076 071
Recognised in equity									
Net fair value movement on available-for-sale investments	15	30 828		30 828				30 828	
Tax effect of net fair value movement on available-for-sale investments	15	382		382				382	
Realisation of profits on disposal of listed investment	15	(33 459)		(33 459)				(33 459)	
Foreign currency translation differences	15	20 566		20 566				20 566	
Cash settlement of share options	14	(79 927)		(79 927)					(79 927)
Net movement in treasury shares	14	(220)		(220)		(220)			
Transfer to contingency reserve	15	–		–				2 952	(2 952)
Dividends distributed to shareholders		(417 795)	(6 872)	(410 923)					(410 923)
BALANCE AT 30 JUNE 2007		3 688 771	49 590	3 639 181	616 583	293 072	(277 538)	299 524	2 707 540
COMPANY									
BALANCE AT 1 JULY 2005		2 791 075		2 791 075	616 583	293 072		15 741	1 865 679
Total recognised income		(50 359)		(50 359)					(50 359)
Profit for the year									
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
Total recognised income		139 935		139 935					139 935
Profit for the year									
Dividends distributed to shareholders		(440 218)		(440 218)					(440 218)
BALANCE AT 30 JUNE 2007		2 142 284		2 142 284	616 583	293 072		16 505	1 216 124

cash flow statement

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		Notes		
(261 920)	(329 209)	Cash flows from/(utilised by) operating activities	2 557 068	1 338 688
(29 118)	157 409	Operating profit/(loss)	1 682 352	1 427 926
(34 695)	(174 209)	Less: investment income	(7 712)	(11 086)
60 198	(983)	Non-cash items	548 150	287 723
–	–	Payments for cash settlement of share options	(62 021)	–
2 544	(161)	Changes in working capital	1 304 638	360 803
(1 071)	(17 944)	Cash generated from/(utilised by) continued operations	3 465 407	2 065 366
76 591	54 368	Interest received	113 222	102 392
(157)	(126)	Interest paid	(83 570)	(89 736)
30	170 889	Dividends received	3 822	5 079
(298 739)	(439 973)	Dividends paid	(417 461)	(282 473)
(38 574)	(96 423)	Tax paid	(524 352)	(438 890)
–	–	Cash utilised by discontinued operation	–	(23 050)
230 803	330 748	Cash flows (utilised by)/from investing activities	(1 109 298)	(1 097 877)
–	–	Cash flows from financing activities	99	406
(31 117)	1 539	Net increase/(decrease) in cash and cash equivalents	1 447 869	241 217
636 739	605 622	Cash and cash equivalents at the beginning of the year	536 704	292 421
–	–	Effect of exchange rate movements on cash and cash equivalents	3 129	3 066
605 622	607 161	Cash and cash equivalents at the end of the year	1 987 702	536 704
605 622	607 161	Consisting of:	2 012 226	1 207 971
–	–	Cash and cash equivalents	(24 524)	(671 267)
605 622	607 161	Bank overdrafts	1 987 702	536 704

notes to the annual financial statements

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

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.

The consolidated Group's and separate Company's financial statements were authorised for issue by the board of directors on 31 August 2007.

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.

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 post-employment medical benefits; 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 believes 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.

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 entity operates (the functional currency). The Group's consolidated financial statements are presented in rand, 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 hyperinflationary 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 and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the buildings, machinery, equipment and vehicles and is depreciated on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Land is not depreciated, as it has an unlimited useful life. Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease.

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

1.4 Property, plant and equipment (continued)

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 are charged to the income statement during the period in which these are incurred.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in the 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, being forward foreign exchange rate contracts, categorised as at fair value through profit or loss, are either current assets or current liabilities. 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 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 they are 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 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 a trading unit or a group of trading units. Gains and losses on the disposal of an entity that has related goodwill include the carrying amount of the related goodwill.

1.9.2 Software

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

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.

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

1.9 Intangible assets (continued)

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 become due. 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 recognised in the income statement 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 subleased 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 becomes due.

When an operating lease is terminated before the lease period has expired, any payment received from the lessee by way of penalty is recognised as income and any unamortised portion of the fixed escalation lease accrual is recognised in the income statement 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 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 transactions 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 outstanding claims

The Group recognises a provision for the estimated direct cost of settling all outstanding claims at year-end. The provision for outstanding claims at year-end includes a provision for cost of claims incurred but not yet reported at year-end as well as for the cost of claims reported but not yet settled at year-end. The provision for cost of claims incurred but not yet reported (IBNR) at year-end is determined by using established claims patterns. Full provision is made for the cost of claims reported but not yet settled at year-end by using the best information available.

1.18.3 Post-retirement medical benefits

Refer accounting policy 1.20.2.

1.18.4 Long-service awards

Long-service awards are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation by the actuaries are charged against the 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 mainly expected to be utilised within the next financial year.

1.19 Payables

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

Financial guarantee contracts are recognised initially at fair value and subsequently at the higher of: the initially recognised fair value, less appropriate cumulative amortisation recognised on a straight-line basis over the estimated duration of the contract, or an amount calculated in terms of note 1.18.

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

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

1.20 Employee benefits

1.20.1 Pension obligation

Group companies operate various pension schemes. The schemes are funded through payments to trustee-administered funds in accordance with the plan terms.

Provident fund

A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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.

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

1.20.3 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.

1.20.4 Bonus plans

The Group recognises a liability and an expense for bonuses, based on formulas that take into consideration the Group's trading profit after certain adjustments. The accrual for this liability is made where a contractual or constructive obligation exists.

1.21 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) or a group of CGUs. CGUs are the lowest levels for which separately identifiable cash flows can be determined. The related impairment expense is charged to the 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 of a capital nature in the income statement. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

1.22 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, debit card or credit card. Related card transaction costs are recognised in the income statement as other expenses.

1.23 Other operating income

Other operating income is recognised as follows:

1.23.1 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.

1.23.2 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.

1.23.3 Franchise fees received

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

1.23.4 Premium income

Premium income is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies inceptioned during the period less amounts that are unearned at balance sheet date.

1.23.5 Interest income

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

1.23.6 Dividend income

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

1.23.7 Gift vouchers and savings stamps

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

1.23.8 Commission received

The Group acts as a payment office for the services and products provided by a variety of third parties to the Group's customers. The agent's commissions received by the Group from the third parties for the payment office service are recognised as other income. Commissions relating to third-party products are recognised when the underlying third-party payments take place. Commissions relating to third-party services are recognised based on the stage of completion by reference to services performed to date as a percentage of the total services to be performed.

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

1.24 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.

1.25 Earnings per share

Earnings and headline earnings per share are calculated by dividing the net profit attributable to equity holders of the Group and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Share options, issued in terms of the share option scheme, have dilutive potential. For the share options a calculation is done to determine the number of shares that could have been acquired, at the 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.

1.26 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.

1.27 Dividends distributed to shareholders

Dividends are accounted for in the period in which they are approved by the Company's shareholders.

1.28 Basis of accounting for underwriting activities

1.28.1 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 in the previous sentence may be met even if the insured event is extremely unlikely or even if the expected (i.e. probability weighted) present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.

1.28.2 Recognition and measurement of contracts

a) Premiums arising from general insurance business

Gross written premiums comprise the premiums on insurance contracts entered into during the year. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums are accounted for as income when the risk related to the insurance policy incepts.

b) Unearned premium accrual

The accrual 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 accrual 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 accrual for incurred but not reported claims. Provisions for incurred but not reported claims comprise accruals 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 indicated 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 1.23.4.

1.29 Related parties

Individuals, as well as their close family members, or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled. Key management personnel is defined as all directors of Shoprite Holdings Ltd and the main trading subsidiary (Shoprite Checkers (Pty) Ltd) of the Group.

1.30 Standards, interpretations and amendments that are not yet effective at 30 June 2007

The Group has considered the following new standards, and interpretations and amendments to existing standards, that are not yet effective as at 30 June 2007:

- IFRS 7: Financial Instruments: Disclosures (effective for the year ending June 2008)
- IAS 1: Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures (effective for the year ending June 2008)
- IFRS 4: Insurance Contracts: Implementation Guidance (effective for the year ending June 2008)
- IFRS 8: Operating Segments (effective for the year ending June 2010)
- IFRIC Interpretation 10: Interim Financial Reporting and Impairment (effective for the year ending June 2008)
- IFRIC Interpretation 11: IFRS2 Group and Treasury Share Transactions (effective for the year ending June 2008)
- IFRIC Interpretation 12: Service Concessions Arrangements (effective for the year ending June 2009)
- IAS 23: Amendment to Borrowing Costs (effective for the year ending June 2010)

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 concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1.

IFRS 8: Operating Segments extends the scope of segmental reporting and will require additional per segment disclosures by the Group.

1.31 Standards, interpretations and amendments effective at 30 June 2007

The following new standards, and interpretations and amendments to existing standards, that are effective as at 30 June 2007 had no effect on the Group's operations:

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

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

2 SEGMENTAL 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.

Non-cash expenses

Non-cash expenses are the total amount of all significant non-cash expenses, other than depreciation and amortisation, that were deducted in measuring the segment result.

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.

2 SEGMENTAL ANALYSIS (continued)
2.2 Business segment analysis (continued)

	30 JUNE 2007		
	Supermarkets R'000	Furniture R'000	Consolidated R'000
SEGMENT REVENUE	36 810 824	2 139 021	38 949 845
SEGMENT RESULT			
Operating profit			1 682 352
Unallocated			(68 647)
	1 408 866	204 839	1 613 705
OTHER INFORMATION			
Assets	10 022 537	1 514 124	11 536 661
Liabilities	7 412 903	213 317	7 626 220
Capital expenditure	1 230 125	38 484	1 268 609
Depreciation and amortisation	517 886	25 281	543 167
Non-cash expenses	26 907	353	27 260
Impairment charges	720	–	720

	30 JUNE 2006		
	Supermarkets R'000	Furniture R'000	Consolidated R'000
SEGMENT REVENUE	31 635 822	1 875 465	33 511 287
SEGMENT RESULT			
Operating profit			1 427 926
Unallocated			(177 992)
	1 051 301	198 633	1 249 934
OTHER INFORMATION			
Assets	8 283 453	1 286 956	9 570 409
Liabilities	6 250 771	193 376	6 444 147
Capital expenditure	1 375 318	43 077	1 418 395
Depreciation and amortisation	445 100	17 088	462 188
Non-cash expenses	8 943	314	9 257
Reversal of impairment charges	273	–	273

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

2 SEGMENTAL 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 2007		
		South Africa R'000	Non-RSA countries R'000	Consolidated R'000
SEGMENT REVENUE		34 642 975	4 306 870	38 949 845
OTHER INFORMATION				
Assets		9 352 855	2 183 806	11 536 661
Capital expenditure		1 041 554	227 055	1 268 609
		30 JUNE 2006		
		South Africa R'000	Non-RSA countries R'000	Consolidated R'000
SEGMENT REVENUE		30 156 155	3 355 132	33 511 287
OTHER INFORMATION				
Assets		7 863 891	1 706 518	9 570 409
Capital expenditure		1 188 851	229 544	1 418 395
		Company		
30 June 2006 R'000	30 June 2007 R'000			Group
		30 June 2007 R'000	30 June 2006 R'000	
–	–	3 PROPERTY, PLANT AND EQUIPMENT		
		3.1 Land at cost		171 865
				137 076
		3.2 Buildings		
				1 168 444
				980 763
				90 641
				83 479
–	–			1 077 803
				897 284
		Details of land and buildings are available for inspection at the registered office of the Company.		
		3.3 Machinery, equipment and vehicles*		
				4 034 530
				3 314 762
				1 666 959
				1 248 063
–	–			2 367 571
				2 066 699
		* Includes aircraft with a carrying value of R135 million (2006: R135 million).		
		3.4 Improvements to leasehold property		
				413 219
				347 921
				226 299
				200 697
–	–			186 920
				147 224
–	–			3 804 159
				3 248 283

3 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying values

R'000	Group				Total
	Land	Buildings	Machinery, equipment and vehicles	Leasehold improvements	
Carrying value at 1 July 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)
Impairment (note 3.5)	–	–	(8 356)	–	(8 356)
Reversal of impairment (note 3.5)	–	18 224	–	1 478	19 702
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
Additions	49 547	258 068	804 686	93 703	1 206 004
Acquisitions of operations (note 33.6.1)	–	–	5 000	–	5 000
Reclassification to intangible assets (note 9.2)	–	–	(4)	–	(4)
Transfer to assets held for sale (note 4)	(10 010)	(90 168)	–	–	(100 178)
Disposals	–	–	(27 025)	(17 435)	(44 460)
Proceeds on disposals	–	–	(20 386)	(17 876)	(38 262)
Profit/(loss) on disposal and scrapping	–	–	(6 639)	441	(6 198)
Depreciation	–	(13 023)	(478 120)	(36 531)	(527 674)
Reversal of impairment (note 3.5)	–	817	1 529	–	2 346
Impairment (note 3.5)	–	(1 936)	(1 121)	–	(3 057)
Exchange rate differences	(4 748)	26 761	(4 073)	(41)	17 899
Carrying value at 30 June 2007	171 865	1 077 803	2 367 571	186 920	3 804 159

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		4 ASSETS HELD FOR SALE (continued)		
		4.1 Reconciliation of carrying value		
		Carrying value at the beginning of the year	163 876	183 025
		Transfer from property, plant and equipment (note 3)	100 178	85 456
		Proceeds on disposals	(67 791)	(273 989)
		Profit on disposal	23 876	169 384
–	–	Carrying value at the end of the year	220 139	163 876
		5 INTERESTS IN SUBSIDIARIES		
211 490	211 490	Investments in ordinary shares		
1 152 557	1 426 263	Investments in preference shares		
746 401	143 990	Amount owing by Shoprite Checkers (Pty) Ltd		
18 663	3 215	Amounts owing by other subsidiaries		
(260 010)	(245 622)	Provision for impairment of interests in subsidiaries (note 5.1)		
1 869 101	1 539 336		–	–
		Analysis of total interests in subsidiaries:		
1 118 425	1 392 131	Non-current		
750 676	147 205	Current		
1 869 101	1 539 336		–	–

Detail analysis of the Company's interests in subsidiaries are given in annexure A.

Investments in preference shares consist of convertible and redeemable, both under certain conditions, non-cumulative preference shares denominated in US dollar.

The amount owing to the Company by its subsidiary, Shoprite Checkers (Pty) Ltd, is unsecured and payable on demand. A portion of the amount carried interest at 8,7% (2006: 7,0%) and the remaining balance is interest-free.

Amounts owing by other subsidiaries of the Company are interest-free, unsecured and are payable on demand. The Company has written off its claim against OK Bazaars (1998) (Pty) Ltd in lieu of deregistration of this dormant subsidiary. The full amount was previously impaired. Refer note 27.

5.1 Provision for impairment of interests in subsidiaries

The recoverable amount of all investments in subsidiaries is 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 by using appropriate valuation methods.

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		6 AVAILABLE-FOR-SALE INVESTMENTS		
		Listed share investment (note 6.1)	–	33 592
		Unlisted share investments (note 6.2)	23 738	13 846
–	–		23 738	47 438
		Analysis of total available-for-sale investments		
		Non-current	23 738	13 846
		Current	–	33 592
–	–		23 738	47 438
		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
		During February 2007 the investment in ApexHi Properties Ltd was sold in the open market. Refer to note 27 for the realisation of profit on this transaction.		
		6.2 Unlisted share investments		
		100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd	23 738	13 846
		7 LOANS AND RECEIVABLES		
		Preference share investment (note 7.1)	30 818	31 308
		Amounts owing by participants of The Shoprite Holdings Ltd Share Incentive Trust (note 7.2)	–	11 580
		Amounts owing by franchisees (note 7.3)	18 421	11 015
		Other	1 176	672
–	–		50 415	54 575
		Analysis of total loans and receivables		
		Non-current	43 990	38 817
		Current	6 425	15 758
–	–		50 415	54 575
		The directors' valuation of the preference share investment is equal to the carrying value.		
		7.1 Preference share investment	30 818	31 308
		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
		These loans were secured by Shoprite Holdings Ltd ordinary shares with a market value of R30,035,500. The weighted average interest rate on these amounts was 8,7% (2006: 7,0%) p.a. and the loans were repaid during December 2006.		

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		7 LOANS AND RECEIVABLES (continued)		
		7.3 Amounts owing by franchisees	18 421	11 015
		The weighted average interest rate on these amounts was 11,2% (2006: 7,0%) p.a. and the amounts are repayable between one and five years.		
		8 DEFERRED TAX ASSETS		
112	56	Provisions and accruals	222 145	192 124
–	–	Allowances on property, plant and equipment	(178 906)	(113 823)
–	–	Fixed escalation operating lease accrual	148 389	147 913
–	–	Allowances on intangible assets	(12 671)	(11 257)
–	–	Share-based payment accrual	12 897	2 516
–	–	Unrealised exchange rate differences	6 460	1 643
–	–	Fair value losses	(3 427)	(3 809)
–	–	Tax losses	57 862	4 319
112	56		252 749	219 626
		The movement in the deferred tax assets is as follows:		
28	112	Carrying value at the beginning of the year	219 626	242 193
84	(56)	Income statement charge	33 363	(15 413)
84	(56)	Provisions and accruals	33 308	15 921
–	–	Allowances on property, plant and equipment	(63 117)	(23 991)
–	–	Fixed escalation operating lease accrual	487	(2 112)
–	–	Allowances on intangible assets	(2 079)	685
–	–	Share-based payment accrual	10 381	1 924
–	–	Unrealised exchange rate differences	1 209	(3 671)
–	–	Tax losses	51 610	(4 169)
–	–	Tax rate change	1 564	–
–	–	Charged to equity	382	(1 886)
–	–	Transfer from deferred tax liability	(779)	(420)
–	–	Acquisition of subsidiary	–	(5 614)
–	–	Exchange rate differences	157	766
112	56	Carrying value at the end of the year	252 749	219 626
–	–	Deferred tax assets to be recovered after more than 12 months	9 657	29 237
112	56	Deferred tax assets to be recovered within 12 months	243 092	190 389
112	56		252 749	219 626

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		9 INTANGIBLE ASSETS		
		Goodwill (note 9.1)	95 603	90 603
		Software (note 9.2)	140 244	100 915
		Trademarks (note 9.3)	42 054	44 348
			277 901	235 866
		9.1 Goodwill		
		Gross amount	123 040	118 040
		Accumulated impairment losses	27 437	27 437
		Carrying value	95 603	90 603
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	90 603	13 487
		Acquisitions of operations/subsidiary (note 33.6)	5 000	78 402
		Impairment (note 9.1.2)	–	(1 286)
		Carrying value at the end of the year	95 603	90 603
		9.1.1 Analysis of goodwill per geographical segment		
		South Africa	90 603	90 603
		Non-RSA countries	5 000	–
			95 603	90 603

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 6,0% (2006: 4,0%). This does not exceed the long-term average growth rate for the business in which the CGUs operate. The following represent significant assumptions on which management based cash flow projections.

	Supermarket operations	
	2007	2006
	%	%
Operating margin*	4,8	3,2
Growth rate**	6,1	4,1
Pretax discount rate***	17,9	17,1
	Other operations	
	2007	2006
	%	%
Operating margin*	47,8	38,8
Growth rate**	6,1	4,1
Pretax discount rate***	18,3	17,5

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

** Weighted average sales growth rate

*** Pretax discount rate applied to the cash flow projections

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		9 INTANGIBLE ASSETS (continued)		
		9.1 Goodwill (continued)		
		9.1.2 Impairment of goodwill (continued)		
		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 previous year arose in a CGU in the RSA segment. This impairment was the result of a significant reduction in the future expected sales due to a weakening in the general economic conditions in which this CGU operates.		
		9.2 Software		
		Gross amount	179 391	127 727
		Accumulated amortisation and impairment losses	39 147	26 812
–	–	Carrying value	140 244	100 915
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	100 915	26 667
		Acquired during the year	52 605	83 084
		Acquisition of subsidiary (note 33.6.2)	–	3 744
		Reclassification from property, plant and equipment (note 3)	4	–
		Discontinued operation (note 30)	–	(6)
		Proceeds on disposal and scrapping during the year	(8)	(139)
		Loss on disposal and scrapping during the year	(61)	(245)
		Amortisation	(13 199)	(12 234)
		Impairment	(9)	–
		Exchange rate differences	(3)	44
–	–	Carrying value at the end of the year	140 244	100 915
		9.3 Trademarks		
		Gross amount	168 377	168 377
		Accumulated amortisation	126 323	124 029
–	–	Carrying value	42 054	44 348
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	44 348	625
		Acquisition of subsidiary (note 33.6.2)	–	45 877
		Amortisation	(2 294)	(2 154)
–	–	Carrying value at the end of the year	42 054	44 348

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		10 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease receipts straight-lined	2 791	4 213
		Less: current (included under trade and other receivables: note 12)	1 660	1 422
–	–		1 131	2 791
		11 INVENTORIES		
–	–	Trading goods	3 699 199	3 269 500
		12 TRADE AND OTHER RECEIVABLES		
		Instalment sales		
–	–	Gross amount (note 12.1)	982 809	900 962
–	–	Accumulated impairment	(83 566)	(79 965)
–	–	Unearned finance income	(100 414)	(93 352)
–	–	Insurance contract accruals		
–	–	– Unearned premiums (note 12.2)	(227 702)	(199 338)
–	–		571 127	528 307
–	–	Trade receivables	450 840	434 949
–	2 871	Other receivables	482 568	474 682
–	–	Fixed escalation operating lease accrual (note 10)	1 660	1 422
–	–	Amounts owing by joint ventures (note 12.3)	15 711	2 762
–	2 871		1 521 906	1 442 122
		12.1 Instalment sales		
		The Group has entered into various instalment sale agreements for household furniture and appliances. The periods of these contracts range between one and two years and the weighted average interest rate on these receivables is 19,5% (2006: 19,5%) p.a. The interest rate on individual receivables is fixed.		
		Instalment sale receivables		
		Future minimum instalment payments receivable under non-cancellable instalment sale agreements		
		– Not later than one year	740 168	689 698
		– Later than one year not later than two years	242 641	211 264
–	–		982 809	900 962
		12.2 Accrual for unearned premiums		
		An analysis of the accrual for unearned premiums are set out below.		
		Balance at the beginning of the year	199 338	180 000
		Premiums written during the year (note 21.3)	214 372	184 846
		Amortisation charged to income (note 21.3)	(186 008)	(165 508)
–	–	Balance at the end of the year	227 702	199 338
–	–	12.3 Amounts owing by joint ventures	15 711	2 762
		These amounts owing are unsecured, payable on demand and earn interest at an average rate of 8,6% (2006: 6,7%) p.a.		

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		13 DERIVATIVE FINANCIAL INSTRUMENTS		
–	–	Forward foreign exchange rate contracts (note 39.1.1)	682	–
–	–	Current liabilities	–	20 319
		Current assets		
		As at 30 June 2007, the settlement dates on open forward contracts ranged between two and four (2006: 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 = \$0,1377) (2006: R1 = \$0,1500)	76 283	251 661
		Euro rand equivalent (at rates averaging R1 = €0,1040) (2006: R1 = €0,1148)	2 778	17 983
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES		
		14.1 Ordinary share capital		
		Authorised: 650 000 000 (2006: 650 000 000) ordinary shares of 113,4 cents each		
616 306	616 306	Issued: 543 479 460 (2006: 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		
		2007	2006	
		Issued ordinary share capital	543 479 460	543 479 460
		Treasury shares (note 14.3)	(36 159 569)	(36 134 569)
			507 319 891	507 344 891
		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.		
		14.2 Deferred share capital		
		Authorised: 360 000 000 (2006: 360 000 000) non-convertible, non-participating no par value deferred shares		
277	277	Issued: 276 821 666 (2006: 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

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (continued)		
		14.3 Treasury shares		
		36 159 569 (2006: 36 134 569) ordinary shares of 113,4 cents each	277 538	277 318
		Number of shares		Number of shares
		Reconciliation of movement in number of treasury shares for the Group:		
		Balance at the beginning of the year	36 134 569	36 124 569
		Movement in shares held by The Shoprite Holdings Ltd Share Incentive Trust		
		Shares repurchased from participants	25 000	10 000
		Balance at the end of the year	36 159 569	36 134 569
		14.4 Share incentive schemes		
		In terms of the rules of The Shoprite Holdings Ltd Share Incentive Trust, the trustees are authorised to acquire and allocate shares which in total may not exceed 20% of the issued ordinary share capital of the Company.		
		14.4.1 Share purchase scheme		
		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	1 663 536	2 235 215
		Shares released to participants	(1 157 500)	(571 679)
		Balance at the end of the year	506 036	1 663 536
		Movements in the number of ordinary shares vested with eligible participants during the year were as follows:		
		Balance at the beginning of the year	1 182 500	1 764 179
		Shares released to participants	(1 157 500)	(571 679)
		Shares repurchased from participants*	(25 000)	(10 000)
		Balance at the end of the year	–	1 182 500
		* Shares are repurchased from a participant on resignation.		
			R'000	R'000
		Fair value of treasury shares held by The Shoprite Holdings Ltd Share Incentive Trust	16 522	12 218

Company			Group	
30 June 2006	30 June 2007		30 June 2007	30 June 2006
Number of shares			Number of shares	
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (continued)		
		14.4 Share incentive schemes (continued)		
		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	28 800 000	29 175 000
		Options forfeited*	(387 500)	(375 000)
		Options cash settled**	(3 881 250)	–
–	–	Balance at the end of the year	24 531 250	28 800 000

* Options are forfeited when an option holder resigns prior to the vesting date of the options.

** During the year under review, holders of 3,881,250 options, out of a possible total of 4,668,750, who could exercise their options from 20 to 24 December 2006, agreed to accept settlement of these options in cash. The fair value of the cancelled and settled options were accounted for as a deduction from equity (refer statement of changes in equity). All unpaid but exercisable rights of option holders who have elected cash settlement are included in the cash-settled share-based payment accrual (refer note 20).

	Number of shares	Average option price
Options outstanding on 30 June 2007 are unconditional on the following dates or immediately in the case of a deceased estate:		
Currently exercisable	10 000 000	R6,51
Currently exercisable	787 500	R6,22
20 – 24 December 2007	4 581 250	R6,22
20 – 24 December 2008	9 162 500	R6,22
	24 531 250	

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

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

14.4 Share incentive schemes (continued)

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

Director	Date granted	Actual option price	Number of options at 1 July 2006	Cash settled	Number of options at 30 June 2007	Available for take-up
JW Basson	22 August 2002	R6,51	10 000 000		10 000 000	Now
			10 000 000	–	10 000 000	
CG Goosen	24 December 2001	R6,19	112 500		112 500	Now
	24 December 2001	R6,19	112 500		112 500	24 December 2007
	24 December 2001	R6,19	225 000		225 000	24 December 2008
			450 000	–	450 000	
B Harisunker	24 December 2001	R6,22	93 750		93 750	Now
	24 December 2001	R6,22	93 750		93 750	24 December 2007
	24 December 2001	R6,22	187 500		187 500	24 December 2008
			375 000	–	375 000	
AE Karp	24 December 2001	R6,22	81 250		81 250	Now
	24 December 2001	R6,22	81 250		81 250	24 December 2007
	24 December 2001	R6,22	162 500		162 500	24 December 2008
			325 000	–	325 000	
EL Nel	24 December 2001	R6,19	81 250		81 250	Now
	24 December 2001	R6,19	81 250		81 250	24 December 2007
	24 December 2001	R6,19	162 500		162 500	24 December 2008
			325 000	–	325 000	
AN van Zyl	24 December 2001	R6,22	75 000	(75 000)*	–	
	24 December 2001	R6,22	75 000		75 000	24 December 2007
	24 December 2001	R6,22	150 000		150 000	24 December 2008
			300 000	(75 000)	225 000	
BR Weyers	24 December 2001	R6,22	75 000	(75 000)**	–	
	24 December 2001	R6,22	75 000		75 000	24 December 2007
	24 December 2001	R6,22	150 000		150 000	24 December 2008
			300 000	(75 000)	225 000	

* Cash amount of R1,975,125 was paid out as cash settlement of these options. Refer note 14.4.2.

** An accrual of R1,999,516 has been made as cash settlement of these options. Refer notes 14.4.2 and 14.4.4.

There was no movement in share options held by directors during the previous financial year.

Group

Number of
shares on which
rights are based Average
strike price
per share

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

14.4 Share incentive schemes (continued)

14.4.4 Cash-settled share-based payments

The Group has granted cash-settled share-based payments to directors and management. The rights to cash-settled share-based payments entitle the participants to receive cash payments based on the difference between the share price at the date of the exercise of the rights and the strike price which relates to the share price at the date of the grant. The right to the cash-settled share-based payments 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 2007 R44,472,679 (2006: R8,674,901) has been recognised in respect of the cash-settled share-based payment liability and included in other payables.

Refer note 24 for the expense recognised in the income statement as employee benefits.

Movements in rights to cash-settled share-based payments		
Balance at the beginning of the year	1 000 000	R6,50
Issued during the year as replacement for share options held (note 14.4.2)	3 881 250	R6,22
Exercised during the year	(2 862 500)	R6,22
Balance at the end of the year	2 018 750	

Rights to cash-settled share-based payments on 30 June 2007 are unconditional on the following dates or immediately in the case of a deceased estate:		
Currently exercisable	1 018 750	R6,22
CH Wiese: refer below	1 000 000	R6,50
	2 018 750	

Cash-settled share-based payments issued to directors

	Expiry date	Exercise date		
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
BR Weyers**	24 December 2011	Currently exercisable	75 000	R6,22

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

** Issued during the year as replacement for share options held. Refer note 14.4.2.

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		15 RESERVES		
1 516 407	1 216 124	Retained earnings	2 707 540	2 125 271
16 505	16 505	Other reserves (note 15.1)	299 524	278 255
1 532 912	1 232 629		3 007 064	2 403 526
		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
14 353	14 353	Share-based payments reserve	14 353	14 353
–	–	Foreign currency translation reserve	241 371	220 805
–	–	Contingency reserve	21 437	18 485
–	–	Fair value reserve	20 211	22 460
16 505	16 505		299 524	278 255

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.

15.1.1 Reconciliation of carrying values of other reserves

R'000	Group				
	Share-based payments reserve	Foreign currency translation reserve	Contingency reserve	Fair value reserve	Other
Balance at 1 July 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
Foreign currency translation differences		20 566			
Transfer from distributable reserves			2 952		
Net fair value gains on available-for-sale investments, net of tax				31 210	
Realisation of profits on disposal of listed investment				(33 459)	
Balance at 30 June 2007	14 353	241 371	21 437	20 211	2 152

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		16 BORROWINGS		
		Consisting of:		
2 450	2 450	Shoprite Holdings Ltd preference share capital (note 16.1)	2 450	2 450
–	–	Shoprite International Ltd preference share capital (note 16.2)	48	14
2 450	2 450		2 498	2 464
		16.1 Shoprite Holdings Ltd preference share capital		
		Authorised:		
		175 000 (2006: 175 000) 6% non-convertible cumulative preference shares of R2 each		
		325 000 (2006: 325 000) 5% non-convertible cumulative preference shares of R2 each		
		225 000 (2006: 225 000) second 5% non-convertible cumulative preference shares of R2 each		
		1 000 000 (2006: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each		
		Issued:		
350	350	175 000 (2006: 175 000) 6% non-convertible cumulative preference shares of R2 each	350	350
650	650	325 000 (2006: 325 000) 5% non-convertible cumulative preference shares of R2 each	650	650
450	450	225 000 (2006: 225 000) second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000	500 000 (2006: 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 International Ltd preference share capital*		
		19 (2006: 14) "Malawi" redeemable under certain conditions, preference shares of USD1,82 each (note 16.2.1)	1 254	924
		Nil (2006: 4) "Mozambique" redeemable under certain conditions, preference shares of USD1,82 each (note 16.2.1)	–	274
		Accumulated losses recognised	(1 206)	(1 184)
–	–		48	14

*During the year under review Shoprite Guernsey Ltd changed its name to Shoprite International Ltd.

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. The "Mozambique" preference shares were redeemed during June 2007. Refer note 33.7.

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company		Group	
30 June 2006 R'000	30 June 2007 R'000	30 June 2007 R'000	30 June 2006 R'000
		17 DEFERRED TAX LIABILITIES	
		13 411	10 641
		(466)	(403)
		109	–
		(1 612)	–
		(2 639)	(2 838)
–	–	8 803	7 400
		The movement in the deferred tax liabilities is as follows:	
		7 400	10 073
		2 182	(2 253)
		3 962	1 026
		(63)	104
		109	–
		(614)	(3 383)
		(1 212)	–
		(779)	(420)
–	–	8 803	7 400
		Deferred tax liabilities to be recovered after more than 12 months	
		11 311	8 992
		(2 508)	(1 592)
–	–	8 803	7 400
		18 PROVISIONS	
		179 811	183 859
		28 780	33 273
		1 902	9 242
		57 168	52 448
		67 256	24 743
–	–	334 917	303 565

18.1 Reconciliation of carrying values

R'000	Group						Total
	Post-retirement medical benefits	Onerous lease contracts	Outstanding claims	Long-service awards	Reinstatement provision		
Balance at 1 July 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	
Additional provisions	–	8 136	–	7 527	55 476	71 139	
Unused amounts reversed	(8 120)	–	(7 340)	(61)	(277)	(15 798)	
Utilised during the year	(9 366)	(14 194)	–	(4 142)	(12 686)	(40 388)	
Accretion of discount	13 438	1 565	–	2 378	–	17 381	
Exchange rate differences	–	–	–	(982)	–	(982)	
Balance at 30 June 2007	179 811	28 780	1 902	57 168	67 256	334 917	
Discount rates used							
2006	7,5%	13,0%	N/A	7,5%	13,0%		
2007	7,8%	14,0%	N/A	7,8%	14,0%		

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		18 PROVISIONS (continued)		
		18.2 Analysis of total provisions		
		Non-current	264 185	254 613
		Current	70 732	48 952
			334 917	303 565
		19 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease payments straight-lined	517 490	511 542
		Less: current (included under trade and other payables: note 20)	68 788	58 810
			448 702	452 732
		20 TRADE AND OTHER PAYABLES		
		Trade payables	4 995 033	3 615 014
794	3 504	Other payables and accruals	2 041 968	1 633 400
		Amounts owing to joint ventures (note 20.1)	2 732	4 249
		Fixed escalation operating lease accrual (note 19)	68 788	58 810
		Cash-settled share-based payment accrual	44 473	8 675
794	3 504		7 152 994	5 320 148
		20.1 Amounts owing to joint ventures	2 732	4 249
		These loans are unsecured, payable on demand and bears interest at an average of 2,1% (2006: 7,0% p.a., with the exception of R4,0 million, relating to operations in Zambia, which bore interest at 2,1% p.a.)		
		21 OTHER OPERATING INCOME		
		Finance income earned	162 951	155 993
34 695	174 209	Investment income (note 21.1)	7 712	11 086
		Franchise fees received	24 055	20 921
		Operating lease income (note 21.2)	175 112	181 674
		Commissions received	169 074	122 879
		Premiums earned (note 21.3)	186 008	165 508
		Other income	73 542	107 119
34 695	174 209		798 454	765 180
		21.1 Investment income		
		Interest from participants of The Shoprite Holdings Ltd Share Incentive Trust	729	962
		Interest received from joint ventures	1 032	1 351
34 665	3 320	Interest received – other	2 129	3 694
	170 856	Dividends – subsidiaries	–	–
30	33	– unlisted investments	1 787	1 921
		– listed investment	2 035	3 158
34 695	174 209		7 712	11 086

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		21 OTHER OPERATING INCOME (continued)		
		21.2 Operating lease income		
		The Group has entered into various operating lease agreements as the lessor of property.		
		Leases on properties are contracted for periods of between one and six years. Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 7,9% (2006: 7,6%) p.a.		
		21.3 Premiums earned		
		Premiums written	214 372	184 846
		Change in accrual for unearned premiums	(28 364)	(19 338)
–	–		186 008	165 508
		22 DEPRECIATION AND AMORTISATION		
		Property, plant and equipment	527 674	450 176
		Intangible assets	15 493	14 388
		Disclosed as cost of sales	(25 770)	(27 322)
		Discontinued operation (note 30)	–	(2 376)
–	–		517 397	434 866
		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 20 years with renewal options for a further three to 20 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1,8% (2006: 1,7%) of turnover. Rental escalations vary, but average at a rate of 7,1% (2006: 7,0%) p.a.		
		Operating lease payments – property	975 453	849 936
		Operating lease payments – equipment	44 903	11 978
			1 020 356	861 914
		Disclosed as cost of sales	(22 621)	(15 314)
		Discontinued operation (note 30)	–	(5 154)
–	–		997 735	841 446
		Consisting of:		
		Minimum lease payments	886 658	723 988
		Contingent lease payments	133 698	137 926
–	–		1 020 356	861 914

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		24 EMPLOYEE BENEFITS		
		Wages and salaries	3 041 693	2 726 238
		Share options granted to director	–	764
		Cash-settled share-based payments (note 14.4.4)	17 892	6 633
		Post-retirement medical benefits (note 37.2)	5 318	40 063
		Retirement benefit contributions (note 37.1)	169 345	169 530
–	–	Disclosed as cost of sales	3 234 248	2 943 228
		Discontinued operation (note 30)	(133 621)	(118 106)
–	–		–	(9 292)
			3 100 627	2 815 830

24.1 Government grants and allowances

The Group has, during the year under review, received certain government grants and allowances.

24.1.1 Learnership allowances

A tax deduction was granted to the Group by the South African Revenue Service relating to certain learnership agreements with employees registered in terms of the Skills Development Act, No. 97 of 1998. This allowance resulted in a tax saving of R354,766 (2006: R3,189,633).

24.1.2 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 R16,341,671 (2006: R13,794,638) for the year under review. This deduction is taxable at 29%.

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		25 OPERATING PROFIT/(LOSS)		
		Determined after taking into account the following:		
38	40	Auditors' remuneration	19 867	15 181
38	40	Audit fees – for the year	12 410	10 298
–	–	– underprovided – previous year	1 405	974
–	–	Fees for other assurance services	1 034	583
–	–	Fees for tax compliance services	1 692	2 420
–	–	Fees for secretarial services	10	109
–	–	Fees for information technology consulting services	529	186
–	–	Fees for accounting services	330	313
–	–	Fees for other consulting services	2 457	298
3 641	17 903	Fees paid for outside services	97 010	79 294
36	–	Administrative	17 190	10 068
1 175	12 051	Technical	72 261	66 316
2 430	5 852	Secretarial	7 559	2 910
–	–	Fair value (losses)/gains on financial instruments	(20 620)	20 091
–	–	– forward foreign exchange rate contracts	(21 001)	19 782
–	–	– loans and receivables	92	(100)
–	–	– preference shares	289	409
–	–	Instalment sales – impairment/(reversal of impairment)	1 112	(771)
–	–	charge for bad and doubtful debts	(2 189)	3 186
–	–	Accounts receivables – (reversal of impairment)/impairment	13 100	1 820
–	–	charge for bad and doubtful debts	10 599	13 272
–	–	Amounts owing by franchisees – impairment charge for	17 939	16 779
–	–	bad and doubtful debts	(7 340)	(3 507)
–	–	Policyholder claims and benefits paid		
–	–	– claims paid		
–	–	– movement in accumulated unpaid claims (note 18.1)		
25 843	35 539	26 DIRECTORS' REMUNERATION		
658	658	Executive directors		
		Non-executive directors		
26 501	36 197			
(25 843)	(35 539)	Less: paid by subsidiaries		
658	658			
For details of equity and cash-settled share-based payment issued to directors refer note 14.4.				

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		28 FINANCE COSTS		
31	–	Interest paid	81 733	83 610
–	–	Interest paid to joint ventures	146	867
–	–	Accretion of discount on provisions (note 18.1)	1 565	5 133
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
157	126		83 570	89 736
		29 TAX		
		29.1 Classification		
63 010	68 396	South African normal tax	569 789	477 590
–	–	Foreign tax	52 797	40 650
63 010	68 396		622 586	518 240
		29.2 Consisting of:		
28 075	15 837	Current tax	552 193	446 473
–	–	Prior year tax	43 314	22 019
–	–	Withholding tax	1 648	1 217
35 019	52 503	Secondary tax on companies	56 612	35 371
63 094	68 340		653 767	505 080
(84)	56	Deferred tax	(31 181)	13 160
63 010	68 396		622 586	518 240
		29.3 Reconciliation of tax		
3 669	60 416	South African normal tax at 29% (2006: 29%)	495 353	416 027
59 341	7 980	Net adjustments	127 233	102 213
37	37	Preference dividends	37	37
(9)	(49 558)	Dividend income	(1 480)	(976)
24 294	4 998	Other exempt income and non-deductible expenses	8 489	(25 066)
–	–	Deferred tax asset previously not recognised	(11 243)	(22 045)
–	–	Utilisation of temporary differences previously not recognised	(18 682)	(275)
–	–	Prior year tax	43 314	22 019
35 019	52 503	Secondary tax on companies	56 612	35 371
–	–	Effect of foreign tax rates	26 791	17 340
–	–	Withholding tax	1 648	1 217
–	–	Deferred tax asset not recognised	21 747	74 591
63 010	68 396	Tax	622 586	518 240
		29.4 Secondary tax on companies		
31 250	35 870	Secondary tax on companies on proposed or envisaged dividends	35 870	31 250
		If the total reserves of the Company of R1,216 million (2006: R1,516 million) were to be declared as dividends, the secondary tax impact at a rate of 10,0% (2006: 12,5%) would be R122 million (2006: R190 million). These amounts should be considered taking into account the proposal by the South African Government to replace secondary tax on companies with a dividend tax on shareholders commencing in 2008.		

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		29 TAX (continued)		
		29.5 Net calculated tax losses and net deductible temporary differences		
		Calculated tax losses and net deductible temporary differences at year-end	1 171 141	1 193 466
		Applied in the provision for deferred tax	840 417	707 788
-	-		330 724	485 678
		The utilisation of the tax relief, translated at closing rates, to the value of R137,792,944 (2006: R202,113,655), 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 is indefinite, except for certain African countries, as set out below:		
		Expiry date		
		30 June 2007	-	68 236
		30 June 2008	11 117	55 910
		30 June 2009	9 907	74 353
		30 June 2010	9 233	36 665
		30 June 2011	12 719	23 390
		30 June 2012	21 086	29 124
		30 June 2013	23 567	3 721
		30 June 2014	13 794	10 417
		30 June 2015	9 239	-
-	-		110 662	301 816
		Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred tax liabilities have not been created	12 730	11 489
-	-			
		30 DISCONTINUED OPERATION		
		During the previous 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
		Depreciation and amortisation	-	(2 376)
		Other expenses	-	(100 160)
		Income of a capital nature	-	4 210
		Loss before tax	-	(19 853)
		Tax	-	-
-	-		-	(19 853)
		30.2 Net cash flows attributable to discontinued operation		
		Operating activities (note 33.5)	-	(23 050)
-	-		-	(23 050)

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		32 DIVIDENDS PER SHARE (continued)		
		32.2 Dividends per share declared		
250 001	–	No. 115 of 46,0 cents per share paid 18 September 2006	–	233 379
		It is envisaged that a final dividend of 66,0 cents per share will be declared during October 2007. For more details of dividends declared after balance sheet date, refer to the directors' report on page 50.		
		33 CASH FLOW INFORMATION		
		33.1 Non-cash items		
–	–	Depreciation of property, plant and equipment	527 674	447 808
–	–	Amortisation of intangible assets	15 493	14 380
–	–	Net fair value losses/(gains) on financial instruments	20 620	(20 091)
(48 255)	3 922	Exchange rate (gains)/losses	(23 725)	(8 445)
–	–	Share options granted	–	764
–	–	Profit on disposal of property	–	(2 267)
–	–	Profit on disposal of assets held for sale	(23 876)	(169 384)
–	–	Loss on disposal and scrapping of plant, equipment and intangible assets	6 259	9 257
108 453	(14 388)	(Reversal of impairment)/impairment of investment in subsidiaries	–	–
–	–	Impairment/(reversal of impairment) of property, plant and equipment and intangible assets	720	(1 559)
–	9 483	Subsidiary loan written off	–	–
–	–	Loss on other investing activities	848	–
–	–	Realisation of profits in fair value reserve on disposal of listed investment	(33 459)	–
–	–	Profit on disposal of operations	–	(728)
–	–	Impairment of goodwill	–	1 286
–	–	Movement in provisions	32 334	28 204
–	–	Movement in cash-settled share-based payment accrual	17 892	6 633
–	–	Movement in fixed escalation operating lease accrual	7 370	(18 135)
60 198	(983)		548 150	287 723
		33.2 Changes in working capital		
–	–	Inventories	(419 734)	(500 151)
3 597	(2 871)	Trade and other receivables	(76 463)	23 580
(1 053)	2 710	Trade and other payables	1 800 835	837 374
2 544	(161)		1 304 638	360 803
		33.3 Dividends paid		
(805)	(979)	Shareholders for dividends at the beginning of the year	(1 224)	(3 544)
(298 913)	(440 218)	Dividends distributed to shareholders	(410 923)	(279 049)
–	–	Dividends distributed to minorities	(6 872)	(1 104)
979	1 224	Shareholders for dividends at the end of the year	1 558	1 224
(298 739)	(439 973)		(417 461)	(282 473)

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		33 CASH FLOW INFORMATION (continued)		
		33.4 Tax paid		
(3 525)	(28 045)	Payable at the beginning of the year	(70 699)	(4 509)
(63 094)	(68 340)	Per income statement	(653 767)	(505 080)
28 045	(38)	Payable/(prepaid) at the end of the year	200 114	70 699
(38 574)	(96 423)		(524 352)	(438 890)
		33.5 Cash utilised by discontinued operation		
		Loss for the year from discontinued operation per income statement		(19 853)
		Depreciation of property, plant and equipment		2 368
		Amortisation of intangible assets		8
		Exchange rate losses		6 350
		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 of property, plant and equipment		(9 787)
		Changes in working capital		(16 804)
–	–		–	(23 050)
		33.6 Cash flows from investing activities		
–	–	Purchase of property, plant and equipment and software	(1 258 609)	(1 318 364)
–	–	Proceeds on disposal of property, plant and equipment and software	38 270	69 612
–	–	Proceeds on disposal of assets held for sale	67 791	273 989
–	–	Other investing activities	2 914	10 819
–	(573 575)	Amounts owing paid to subsidiaries	–	–
477 420	1 179 674	Amount received from subsidiaries	–	–
(246 617)	(275 351)	Preference share investments	–	–
–	–	Proceeds on disposal of listed investment	54 528	–
–	–	Acquisitions of operations (note 33.6.1)	(14 192)	(99 180)
–	–	Acquisition of subsidiary (note 33.6.2)	–	(37 385)
–	–	Disposals of operations (note 33.6.3)	–	2 632
230 803	330 748		(1 109 298)	(1 097 877)

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 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 in Swaziland from an individual on 1 December 2006. In the previous financial year retail business operations in South Africa were acquired 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)	5 000	13 475
		Inventories	4 192	31 988
		Trade and other receivables	–	112
		Cash and cash equivalents	–	646
		Trade and other payables	–	(1 800)
			9 192	44 421
		Goodwill (note 9.1)	5 000	46 928
		Total purchase consideration	14 192	91 349
		Less: cash and cash equivalents	–	(646)
–	–	Cash flow on acquisition net of cash acquired	14 192	90 703
		The Group acquired retail business operations from Platinum Mile Investments 207 (Pty) Ltd and Kokwethu Trading Company (Pty) Ltd on 25 July 2005 in the previous financial year.		
		The assets and liabilities arising from these acquisitions were as follows:		
		Property, plant and equipment (note 3)	–	1 500
		Inventories	–	977
			–	2 477
		Goodwill (note 9.1)	–	6 000
–	–	Total purchase consideration	–	8 477

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company		Group	
30 June 2006 R'000	30 June 2007 R'000	30 June 2007 R'000	30 June 2006 R'000
		33 CASH FLOW INFORMATION (continued)	
		33.6 Cash flows from investing activities (continued)	
		33.6.2 Acquisition of subsidiary	
		The Group acquired Computicket (Pty) Ltd, a ticketing service provider, on 1 November 2005 during the previous financial year.	
		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
		33.6.3 Disposal of operations	
		On 26 November 2005, during the previous financial year, 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)
		Proceeds on issue of Shoprite International Ltd preference shares to joint venture (note 16.2)	505
		Redemption of Shoprite International Ltd "Mozambique" preference shares (note 16.2)	(12)
			406
			99
		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	
		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 (note 34.1)	58 131
			30 230
			88 361
			57 593

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		34 CONTINGENT LIABILITIES (continued)		
		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	291 180	381 896
		Contracted for intangible assets	20 000	6 880
		Authorised by directors, but not contracted for	1 056 050	1 071 977
–	–	Total capital commitments	1 367 230	1 460 753
–	–	Capital commitments for the 12 months after accounting date	1 367 230	1 460 753
		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	860 086	765 328
		– Later than one year not later than five years	2 798 738	2 709 681
		– Later than five years	1 560 305	1 700 081
			5 219 129	5 175 090
		Less: fixed escalation operating lease accrual (note 19)	(517 490)	(511 542)
–	–		4 701 639	4 663 548
		35.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases		
		– Not later than one year	155 530	130 598
		– Later than one year not later than five years	307 372	254 941
		– Later than five years	51 147	48 289
–	–		514 049	433 828
		Less: fixed escalation operating lease accrual (note 10)	(2 791)	(4 213)
–	–		511 258	429 615

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company		Group	
30 June 2006 R'000	30 June 2007 R'000	30 June 2007 R'000	30 June 2006 R'000
		36 BORROWING POWERS	
		In terms of the Articles of Association of the Company the borrowing powers of Shoprite Holdings Ltd 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 64,1% (2006: 70,8%) of employees and 7,0% (2006: 6,8%) 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 last actuarial valuation date of the fund is 30 June 2004.	
		During the year under review contributions to retirement funding have been calculated as	169 345
			169 530
		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:	
		Health-care cost inflation	6,8%
		Discount rate	7,8%
		Salary adjustments	
		–inflation	4,8%
		–promotions and experience increases	1,5%
		Continuation at retirement	95,0%
		Expected retirement age	60 years
		The assumed rates of mortality are as follows:	
		During employment: SA 85-90 (light) ultimate table (2006: SA 85-90 (light) ultimate table)	
		Post-employment: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006 (2006: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006)	

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		37 POST-RETIREMENT BENEFITS (continued)		
		37.2 Medical benefits (continued)		
		37.2.2 The movement in the liability recognised in the balance sheet (note 18) was as follows:		
		Balance at the beginning of the year	183 859	153 595
		Total expense charged to the income statement (note 37.2.3)	5 318	40 063
		Benefits paid	(9 366)	(9 799)
		Balance at the end of the year	179 811	183 859
		37.2.3 The amounts recognised in the income statement were as follows:		
		Current service cost	2 260	1 937
		Net actuarial (gains)/losses recognised during the year	(10 380)	25 487
		Interest cost	13 438	12 639
		Total included in employee benefits (note 24)	5 318	40 063
		The effect of a 1% increase in the assumed health-care cost inflation is as follows:		
		Increase in the current service and interest cost	2 226	2 387
		Increase in the post-retirement medical benefit liability	24 268	25 869
		The effect of a 1% decrease in the assumed health-care cost inflation is as follows:		
		Decrease in the current service and interest cost	1 838	1 957
		Decrease in the post-retirement medical benefit liability	20 152	21 344

Company		Group	
30 June 2006 R'000	30 June 2007 R'000	30 June 2007 R'000	30 June 2006 R'000

39 FINANCIAL RISK MANAGEMENT (continued)

39.1 Financial risk factors (continued)

39.1.1 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.

39.1.2 Interest rate risk

The weighted average effective interest rate on call accounts was 8,7% (2006: 7,0%).

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

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

39.1.3 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 2007:

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company		Group	
30 June 2006 R'000	30 June 2007 R'000	30 June 2007 R'000	30 June 2006 R'000
39 FINANCIAL RISK MANAGEMENT (continued)			
39.1 Financial risk factors (continued)			
39.1.3 Credit risk (continued)			
	Country	Foreign currency	Rand equivalent
	Angola	Kwanza	(41 264) (3 034)
	Botswana	Pula	8 567 5 481
	Ghana	Cedi	1 112 399
	India	Rupee	(70 295) (37 799)
	Madagascar	Ariary	(3 714) (15 752)
	Malawi	Kwacha	20 391 19 563
	Mauritius	Mauritian rupee	23 122 20 339
	Mozambique	Metical	1 982 2 814
	Tanzania	Shilling	(4 453) 1 810
	Uganda	Shilling	1 670 (3 297)
	USA	Dollar	95 259 117 639
	Zambia	Kwacha	(51 208) (86 715)
	39.1.4 Liquidity risk		
	The Group's risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2007: R2,817,927,962; 2006: R1,684,714,792) 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.		
	The Company has ceded cash and cash equivalents of R600 million as security for banking facilities of its main trading subsidiary, Shoprite Checkers (Pty) Ltd.		

39.2 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.

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		39 FINANCIAL RISK MANAGEMENT (continued)		
		39.2 Insurance risk (continued)		
		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.		
		39.3 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 approximates the fair values thereof.		
		40 RELATED-PARTY INFORMATION		
		Related-party relationships exist between the Company, subsidiaries, directors, as well as their close family members, and key management of the Company.		
		During the year under review, in the ordinary course of business, certain Group companies entered into transactions with each other. All these intergroup transactions have been eliminated in the annual financial statements on consolidation.		
		Certain non-executive directors are employees of Chaircorp (Pty) Ltd ("Chaircorp"), a management company that renders advisory services to Shoprite Holdings Ltd and Shoprite Checkers (Pty) Ltd in return for an annual fee. The fees relating to services as non-executive directors are included in the directors' remuneration note on page 89. A further amount of R2,642,695 (2006: R2,097,343) was paid to Chaircorp (Pty) Ltd for advisory services to Shoprite Checkers (Pty) Ltd.		
		Details of the remuneration of directors, and their shareholding, are disclosed in notes 14 and 26 in the annual report.		
		Key management personnel compensation		
		Short-term employee benefits	75 967	65 979
		Termination benefits	–	35
		Post-employment benefits	8 364	4 851
		Share-based payments	14 158	7 397
		Directors' fees	658	658
			99 147	78 920

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		40 RELATED-PARTY INFORMATION (continued)		
		During the year key management have purchased goods at the Group's usual prices less a 15% discount. Discount ranging from 5% to 15% is available to all permanent full-time and flexi-time employees.		
		During the financial year under review, in the ordinary course of business, certain Group companies purchased certain products and services from certain entities, in which directors JW Basson, CH Wiese, EL Nel and JA Louw 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 follow:		
		Purchase of merchandise	19 289	10 306
		Purchase of services	8 152	8 951
		Year-end balances	3 536	1 341
		The Group has a 50% interest in the Hungry Lion joint venture (refer note 41). 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	2 397	1 932
		Rent paid to the Group	3 639	3 330
		Interest paid to the Group	2 064	2 702
		Interest paid to the joint venture	292	1 734
		The year-end balances relating to the transactions with the joint venture are disclosed in notes 12 and 20.		
		The Company received the following from its subsidiary, Shoprite Checkers (Pty) Ltd:		
		Interest		
		Annual administration fee		
34 212 941	3 271 988			

Company			Group	
30 June 2006 R'000	30 June 2007 R'000		30 June 2007 R'000	30 June 2006 R'000
		41 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	144 126	104 518
		Profit before tax	13 920	14 122
		Tax	(3 866)	(4 830)
		Profit for the year	10 054	9 292
		Balance sheet		
		Non-current assets	34 423	19 381
		Current assets	4 687	11 107
		Current liabilities	9 888	12 018
		Interest-bearing	355	247
		Interest-free	9 533	11 771
		Cash flow statement		
		Net cash flow from operating activities	15 620	16 273
		Net cash flow from investing activities	(8 387)	(15 376)
		Net cash flow from financing activities	–	–
		Capital commitments	2 853	2 350

notes to the annual financial statements (continued)

SHOPRITE HOLDINGS LIMITED AND ITS SUBSIDIARIES

for the year ended 30 June 2007

ANNEXURE A – INTERESTS IN SUBSIDIARIES

	Country of incorporation	Issued ordinary and preference share capital and premium R'000	Percentage shares held by Group %	Investment in shares		Amount owing by/(to)	
				30 June 2007 R'000	30 June 2006 R'000	30 June 2007 R'000	30 June 2006 R'000
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	2 700	100	–	–	–	14 388
Shoprite Checkers (Pty) Ltd	South Africa	1 128 908	100	174 431	174 431	143 990	746 401
Shoprite International Ltd	Mauritius	1 426 263	100	1 426 263	1 152 557	–	1 060
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)	(150)
				1 637 753	1 364 047	147 205	765 064
INDIRECT SUBSIDIARIES							
Africa Supermarkets Ltd*	Zambia	–	100				
Checkers Chatsworth Ltd	South Africa	2 000	48				
Computicket (Pty) Ltd	South Africa	233	100				
Megasave Trading (Pvt) Ltd*	India	17 297	100				
Mercado Fresco de Angola Lda	Angola	342	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	9 375	100				
Retail Supermarkets Nigeria Ltd	Nigeria	522	100				
Sentra Namibia Ltd*	Namibia	5 880	100				
Shophold (Mauritius) Ltd*	Mauritius	351	100				
Shoprite Angola Imobiliaria Lda*	Angola	342	100				
Shoprite Checkers Tanzania Ltd*	Tanzania	–	100				
Shoprite Checkers Uganda Ltd*	Uganda	8	100				
Shoprite Checkers Zimbabwe (Pvt) Ltd*	Zimbabwe	4 488	35				
Shoprite Ghana (Pty) Ltd	Ghana	2 179	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				
				1 637 753	1 364 047	147 205	765 064

*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.