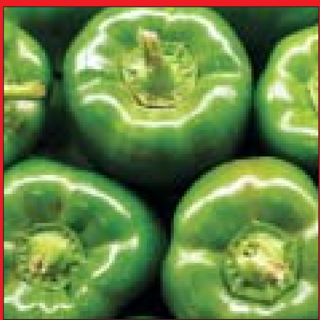



Proudly South African, proudly African







Shoprite Holdings Limited
Annual Report 2005

SHOPRITE HOLDINGS LTD

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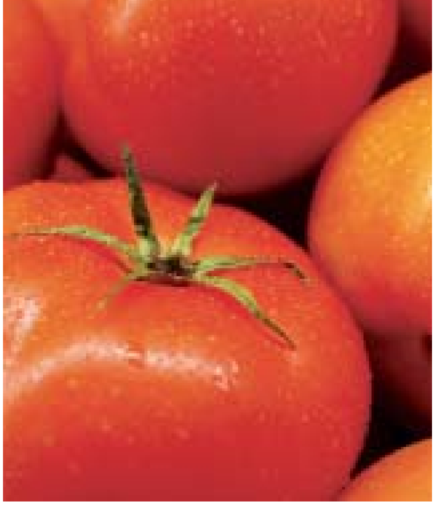
growing with Africa



Shoprite Holdings Limited is an investment holdings company whose combined subsidiaries constitute the largest fast moving consumer goods (FMCG) retail operation on the African continent. Its various chains operate a total of 763 stores in 17 countries, all integrated electronically into a central data base and replenishment system. The Group's primary business is food retailing to consumers of all income levels, and there are outlets from Cape Town to Cairo and on some islands of the Indian Ocean. Management's goal is to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices. At the same time the Group, inextricably linked to Africa, contributes to the nurturing of stable economies and the social upliftment of its people.

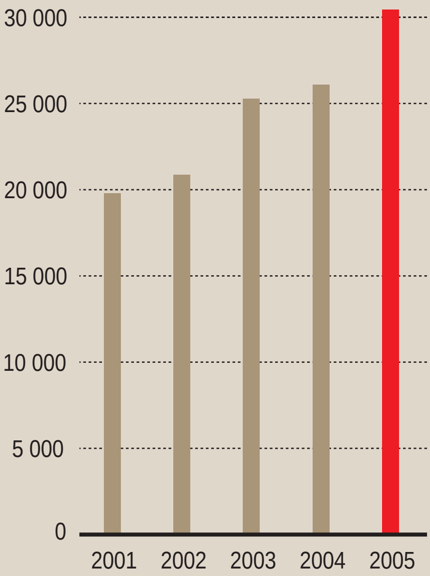
Financial Highlights

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

		30 June 2005 R'000	30 June 2004 R'000
Revenue		30 328 476	27 168 360
Operating profit before exchange differences		912 175	713 506
Operating profit after exchange differences		918 278	634 230
Profit before tax		898 236	827 168
Headline earnings		610 460	410 662
Return on average capital employed	(%)	50,0	43,4
Adjusted headline earnings on average permanent capital	(%)	30,6	30,1
Adjusted headline earnings per share	(cents)	118,8	94,7
Dividend per share proposed	(cents)	50,0	36,0

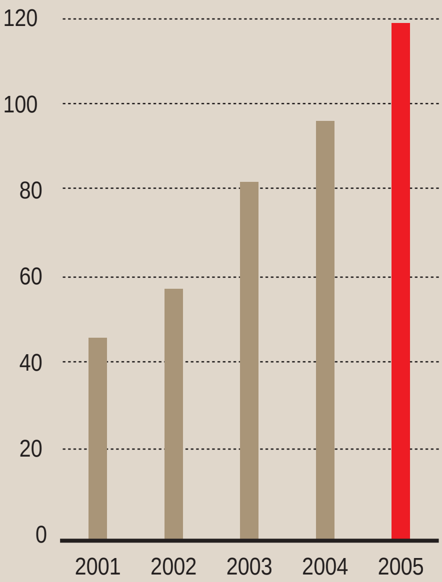
Revenue

R'million



Adjusted headline earnings per share

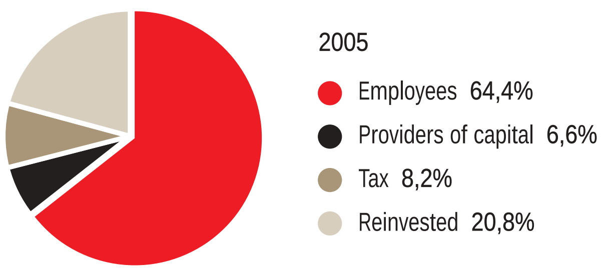
Cents

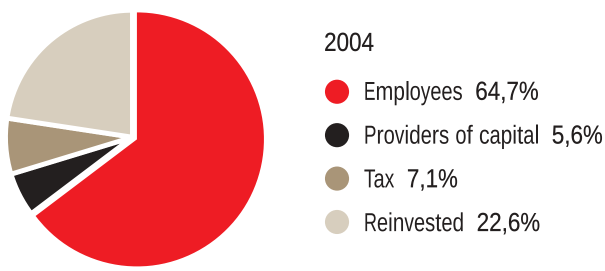


Value Added Statement

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

	30 June 2005 R'000	%	30 June 2004 R'000	%
REVENUE	30 328 476		27 168 360	
INVESTMENT INCOME	69 400		57 739	
COST OF GOODS AND SERVICES	(26 462 248)		(23 713 706)	
VALUE ADDED	3 935 628	100,0	3 512 393	100,0
EMPLOYED AS FOLLOWS:				
EMPLOYEES				
Salaries, wages and service benefits	2 534 855	64,4	2 273 837	64,7
PROVIDERS OF CAPITAL	258 334	6,6	197 486	5,6
Finance costs to providers of funds	47 772	1,2	30 062	0,8
Dividends to providers of share capital	210 562	5,4	167 424	4,8
TAX				
Tax on profits made	323 272	8,2	249 307	7,1
REINVESTED				
Reinvested in the Group to finance future expansion and growth	819 167	20,8	791 763	22,6
Depreciation	466 024	11,8	395 335	11,3
Retained earnings	353 143	9,0	396 428	11,3
EMPLOYMENT OF VALUE ADDED	3 935 628	100,0	3 512 393	100,0





Five-year Financial Review

Shoprite Holdings Limited and its subsidiaries

R'000	30 June 2005 12 months	30 June 2004 12 months	30 June 2003 12 months	30 June 2002 12 months	30 June 2001 12 months
INCOME STATEMENT					
Revenue	30 328 476	27 168 360	25 276 526	22 314 637	19 809 072
Operating profit before exchange gains/(losses)	912 175	713 506	591 751	453 319	333 722
Exchange gains/(losses)	6 103	(79 276)	(132 486)	24 743	3 703
Operating profit before exceptional items	918 278	634 230	459 265	478 062	337 425
Exceptional items	(41 670)	165 261	133 083	39 288	(74 658)
Operating profit after exceptional items	876 608	799 491	592 348	517 350	262 767
Investment income	69 400	57 739	69 341	55 891	67 971
Finance costs	(47 772)	(30 062)	(69 998)	(73 858)	(78 055)
Profit before tax	898 236	827 168	591 691	499 383	252 683
Tax	(323 272)	(249 307)	(176 460)	(137 609)	(78 912)
Profit after tax	574 964	577 861	415 231	361 774	173 771
Minority interest	(7 109)	(11 674)	(2 317)	8 148	(3 196)
Net profit for the year	567 855	566 187	412 914	369 922	170 575

R'000	30 June 2005	30 June 2004	30 June 2003	30 June 2002	30 June 2001
BALANCE SHEET					
ASSETS					
Property, plant and equipment	2 311 641	2 160 987	1 822 380	1 630 834	1 392 196
Other investments	94 630	73 517	124 475	154 383	412 977
Deferred tax assets	324 270	327 373	325 471	458 622	523 128
Intangible assets	40 410	48 161	(116 451)	(303 038)	(372 357)
Current assets	5 778 466	5 483 546	4 849 775	4 496 105	4 486 047
Leases straight lined	4 213	5 836	11 528	14 007	15 492
TOTAL ASSETS	8 553 630	8 099 420	7 017 178	6 450 913	6 457 483
EQUITY AND LIABILITIES					
Capital and reserves	2 112 660	1 752 635	1 363 743	1 095 182	932 210
Minority interest	40 841	38 007	31 205	30 714	41 630
Interest-bearing borrowings	2 450	2 450	2 450	62 450	439 824
Interest-free liabilities	6 397 679	6 306 328	5 619 780	5 262 567	5 043 819
TOTAL EQUITY AND LIABILITIES	8 553 630	8 099 420	7 017 178	6 450 913	6 457 483

Five-year Financial Review *(continued)*

Shoprite Holdings Limited and its subsidiaries

R'000		30 June 2005 12 months	30 June 2004 12 months	30 June 2003 12 months	30 June 2002 12 months	30 June 2001 12 months
CASH FLOW STATEMENT						
Cash generated by operations		777 418	1 341 611	1 036 192	887 895	1 083 926
Interest received		62 720	53 033	63 792	54 614	67 756
Interest paid		(47 772)	(30 062)	(69 998)	(73 858)	(78 055)
Dividends received		6 680	4 706	5 549	1 277	215
Dividends paid		(213 336)	(171 105)	(146 130)	(127 213)	(100 317)
Tax paid		(509 097)	(75 012)	(72 238)	(55 043)	(24 658)
Cash flows from operating activities		76 613	1 123 171	817 167	687 672	948 867
Cash flows from investing activities		(810 961)	(736 243)	(632 240)	(345 317)	(414 754)
Cash flows from financing activities		428	(3 080)	9 280	(641 313)	(122 515)
Net (decrease)/increase in cash and cash equivalents		(733 920)	383 848	194 207	(298 958)	411 598
Acquired through acquisition of subsidiaries and other movements		14 593	(27 319)	(73 238)	42 829	13 700
Net (decrease)/increase in cash and cash equivalents		(719 327)	356 529	120 969	(256 129)	425 298
STATISTICS PER ORDINARY SHARE						
Number of ordinary shares issued	('000)	507 355	507 387	507 799	507 543	530 649
Weighted average number of ordinary shares issued	('000)	507 373	506 979	507 394	502 231	528 633
Weighted average number of ordinary shares for diluted earnings per share	('000)	521 644	517 007	508 752	519 042	543 479
Net asset value per share	(cents)	416,4	345,4	268,6	215,8	175,7
Headline earnings per share	(cents)	120,3	81,0	56,2	67,2	46,6
Diluted headline earnings per share	(cents)	117,0	79,4	56,1	65,0	45,4
Adjusted headline earnings per share	(cents)	118,8	94,7	78,6	59,8	44,9
Diluted adjusted headline earnings per share	(cents)	115,6	92,9	78,4	57,9	43,7
Earnings per share	(cents)	111,9	111,7	81,4	73,7	32,3
Dividend per share (declared)	(cents)	50,0	36,0	30,5	25,5	20,5
Dividend cover	(times)	2,4	2,3	1,8	2,6	2,3
PROFITABILITY AND ASSET MANAGEMENT						
Asset turn	(:1)	15,4	17,0	19,6	17,2	12,6
Operating margin	(%)	3,03	2,33	1,82	2,14	1,70
Return on average capital employed	(%)	50,0	43,4	40,9	41,0	25,7
Adjusted headline earnings on average total permanent capital	(%)	30,6	30,1	31,6	28,6	21,3
Inventory turn (based on cost of sales)	(times)	8,5	8,2	9,3	9,1	8,3
LIQUIDITY AND GEARING						
Interest-bearing borrowings: Total shareholders' funds	(:1)	–	–	–	0,06	0,45
Total liabilities : Total shareholders' funds	(:1)	2,97	3,52	4,03	4,73	5,63
Current ratio	(:1)	1,02	0,99	1,00	0,99	1,03
Finance costs cover	(times)	19,22	21,10	6,56	6,47	4,32

DEFINITIONS

Asset turn	Revenue divided by average capital employed.
Operating profit	Profit before exceptional items, investment income, finance costs and tax.
Operating margin	Operating profit expressed as a percentage of revenue.
Capital employed	The sum of total shareholders' funds and interest-bearing borrowings. Expressed another way, it is total assets minus interest-free liabilities.
Average capital employed	The average of capital and reserves, minority interest and interest-bearing borrowings at the beginning and the end of the financial year.
Return on average capital employed	Operating profit before exceptional items plus investment income expressed as a percentage of average capital employed.
Total shareholders' funds	The sum of total permanent capital.
Total permanent capital	The sum of capital and reserves and minority interest.
Inventory turn (based on cost of sales)	Cost of merchandise sold, divided by the average of inventories at the beginning and the end of the financial year.
Headline earnings	Net profit before exceptional and other capital items.

Economic Overview: Non-RSA

ANGOLA	13 963	7,0%	43,6%
BOTSWANA	1 727	5,9%	6,3%
EGYPT	68 738	3,9%	8,1%
GHANA	21 053	4,6%	12,6%
INDIA	1 079 721	5,7%	3,8%
LESOTHO	1 809	3,4%	5,5%
MADAGASCAR	17 332	2,6%	13,8%
MALAWI	11 182	1,4%	11,6%
MAURITIUS	1 234	4,8%	4,6%
MOZAMBIQUE	19 129	7,4%	12,6%
NAMIBIA	2 033	3,3%	5,5%
SWAZILAND	1 120	2,2%	3,5%
TANZANIA	36 571	6,4%	4,6%
UGANDA	25 920	5,6%	5,9%
ZAMBIA	10 547	4,4%	18,0%
ZIMBABWE	13 151	-6,2%	381,5%

1 014 stores in 17 countries

Population 2004 *(Thousands)*

GDP growth average 2000-2004
Constant prices, annual percentage change

Inflation 2004 *Annual percentage change*

Source: World Bank, IMF (WEO, April 2005 Database)

Distribution of Operations

	Shoprite	Checkers	Checkers Hyper	Usave	OK Furniture	House & Home	Hungry Lion	OK Foods	OK Grocer	OK MiniMark	Sentra and Value	Megasave	8 'Till Late
South Africa	260	91	23	62	136	23	41	19	35	32	73	47	1
Angola	2			7									
Botswana	3	1			5		4	2	2			1	
Egypt	7												
Ghana				3									
India	1												
Lesotho	2				2		2						
Madagascar	7												
Malawi	2			6			2						
Mauritius	1												
Mozambique	3				1		1						
Namibia	8	3		5	9		2	3	8	3	14	8	
Swaziland	2			1	1		1						
Tanzania	7												
Uganda	3												
Zambia	18						7						
Zimbabwe	1												
TOTAL	**327**	**95**	**23**	**84**	**154**	**23**	**60**	**24**	**45**	**35**	**87**	**56**	**1**

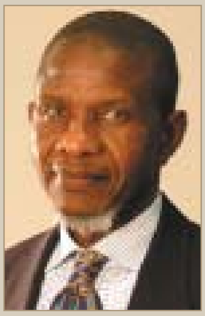
Board of Directors

NON-EXECUTIVE

CH Wiese (63)@+
BA LLB DCom (hc)
Chairman
Director since 1979

INDEPENDENT NON-EXECUTIVE

JJ Fouché (57)#@+
BCom LLB
Director since 1991



TRP Hlongwane (66)
Director since 2002

JA Louw (61)@+
BSc Hons B(B&H) Hons
Director since 1991

JF Malherbe (76)
BCom LLB
Director since 1999

JG Rademeyer (56)#
BCom Hons CA(SA)
Director since 2002

EXECUTIVE

JW Basson (59)@
BCom Hons CA(SA)
Chief Executive and Managing Director
Director since 1979

CG Goosen (52)@#
BCom Hons CA(SA)
Deputy Managing Director
Director since 1993

B Harisunker (53)
Divisional Manager: KwaZulu-Natal, Indian Ocean Islands, India
Director since 2002

AN van Zyl (57)
BCom LLB
Director: Legal Services and Company Secretary
Director since 1997

BR Weyers (53)
Director: Marketing
Director since 1997

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

building a sustainable business while creating a global brand

Over the past ten years the Shoprite Group has become truly African in its nature. We have come to embody the slogan "Proudly South African, proudly African". We are, first and foremost, committed to the well-being of South Africa and its diverse peoples, but we have also become part and parcel of the African continent and the notion of an African Renaissance.

When we ventured deeper into sub-Saharan Africa more than a decade ago we did so at times with more enthusiasm than knowledge. However, this enthusiasm has also carried us through to where we are today, a global food retailer with a presence in more countries in Africa than any other. We are also a lot wiser, much more knowledgeable and far better equipped for the task than ever before. During this past decade we have also moved offshore, first to islands in the Indian Ocean, and then, in the past year, to India itself, but the heart of our business remains on the African continent.

Although we moved rapidly into Africa, we also realised from the start that financial success would not follow as quickly; that getting to know and understand Africa was a slow and difficult process. We knew it was not a single market, that it was in truth a variegated collection of cultures, customs and countries, each with its own set of trading rules, import requirements and property laws. Operating successfully in one country did not assure us of success trading in its neighbour.

Because our commitment to the continent was a long-term one, we wanted to establish, at the outset, as big a footprint as possible to give us the greatest possible head start on those who were sure to try and follow us. In establishing that footprint, we met with varying levels of success, for there was little to guide us. We were in many respects pioneers. We had to find out the hard way what consumers' preferences were in a particular country, how to obtain suitable sites and on what basis, what supply lines to establish and how to set about local sourcing.

As we believe incontrovertibly in the future of Africa we have invested on a large scale – in bricks and mortar, in people and in infrastructure. To overcome the problems of distance and control we have developed programmes so sophisticated that we know in Cape Town via satellite within minutes of a can of beans or a bag of potatoes being sold in Kampala or Cairo. And we have trained local management to meet the challenges of an often new trading format and to maintain stringent standards even in the most isolated communities.

We did so because our objective was not to reap short-term profits but to build a sustainable business and create a global brand, which in time will be a far greater asset to the Group than profits alone could ever bring us. Imagine what it would require today in know-how and capital to establish a network of close on a 130 stores in 15 African countries and offshore islands. And soon we will add Nigeria to this portfolio of countries – after South Africa the biggest market on the continent.

To further grow this asset we will continue to invest so as to develop the full potential of our operations in Africa. And that potential is enormous, for despite the grinding poverty, the frequent administrative inefficiency and the lack of sufficient infrastructure, great parts of Africa are slowly shaking off their economic lethargy and moving towards political stability and a more prosperous future. This future is infused by the world's greatest concentration of natural resources and will increasingly add to the prosperity of the people of Africa. In the shorter term the recent debt write-offs by the developed nations and the massive aid earmarked for the continent should, if applied correctly, bring substantial benefits for the poorer countries.

Because of our long-term commitment, we want to be seen as a force for the good wherever we do business. We do not enter a new country to threaten existing businesses but to stimulate trade to the benefit of all. We extend the choice for consumers, we develop skills that did not exist before, we create additional employment and, equally important, we assist manufacturers and producers to bring their products to market. We have a firm policy of sourcing locally wherever we can – from established manufacturers but also directly from farmers. There are close on a hundred small farmers outside South Africa that we assist through extensive support programmes to produce fruit and vegetables in the quantities and to the standards we require.

But Africa will have to learn to do business with itself. Only by stimulating trade amongst themselves will countries on the continent be able to grow their economies. Despite the efforts of NEPAD, trade is still being hamstrung by endless red tape generating endless documentation to move goods from one country to another. Only if the countries south of the Sahara follow the example of Europe and create a single trading block with uniform import and export requirements will our economies really take off. We will be there when it happens.

Acknowledgments

We are justifiably proud of the results produced in the year under review. It wasn't easy, given the challenges and the stiff opposition we face in the market. That we could be so successful was the result of dedicated teamwork at every level in the business. For that I thank my fellow directors, members of management and every single member of staff.

CH Wiese
Chairman

23 August 2005

increased employment leading to upward mobility of lower-income earners in core consumer market

BUSINESS ENVIRONMENT

The trading environment in South Africa during the review period remained stable and did not materially change in the sectors in which the Group operates, compared to the previous year. Inflation dropped even further as did interest rates, while the rand remained steady against the currencies of the country's major trading partners. The result was that due to cheaper imports and the strong rand, sales of durable and semi-durable goods remained buoyant, although tending to level off in the second half of the financial year. Food retailing also benefited from this increased liquidity but had to contend with food deflation in the case of some staples, and inflation of just 1,6% across the food spectrum.

At the lower end of the market there was a noticeable increase in disposable income. In our view this is the cumulative result of the material benefits derived by lower-income earners from South Africa's new political dispensation through tax concessions, social grants and other forms of government support. In addition, the benefits of the country's consistent economic growth since the nineties are increasingly spilling over into this sector of the community, which is also profiting from the recent increase in employment in both the formal and informal sectors. Many such consumers have become more upwardly mobile, moving into LSM 4 to 6. This in turn has brought a change in the composition of the consumer basket now containing more high-margin food items as well as related non-food products needed by first-time homeowners.

FINANCIAL OVERVIEW

The financial year to 3 July 2005 comprised 53 weeks compared to the corresponding 12 months of 52 weeks in 2004. During the review period the Group increased turnover, compared to the previous year, by 11,9% from R26,64 billion to R29,81 billion and operating profit by 27,8% to R912,2 million. The operating margin for the first time exceeded 3%.

Our food business in South Africa fared particularly well and the Group was able to increase market share both on a like-for-like basis and in terms of total turnover. Shoprite, our flagship brand, increased turnover 13,2% while the number of customer transactions was 7,8% higher. The Checkers brand, which is being repositioned to appeal to more affluent customers, more than held its own in its new environment, growing turnover 9,5% and profitability 32,9% compared to 2004. By year-end, 75% of Usave's 84 outlets, of which 25 were opened during the year, were already operating profitably.

The results of the Group's supermarket operations outside South Africa were below expectations, with sales growth of 20,2% at constant conversion rates as against 26,2% the previous year. The weaker performance resulted mainly from the continued strength of the rand which reduced the affordability of South African merchandise.

The Group's primary listing is on the JSE Limited (JSE) and it therefore has to report its results in rand. During the year the rand weakened 6% against the US dollar after strengthening 16,7% against it in 2004. The weaker rand resulted in a currency gain of R6,1 million as against a currency loss of R79,3 million the previous year.

Headline earnings per share increased 48,5% to 120,3 cents and headline earnings per share adjusted for exchange differences, by 25,4% to 118,8 cents. In the light of these results the Board proposed a final dividend of 28,0 cents per share, which will bring the total distribution for the year to 50,0 cents per share, 38,9% higher than the previous year. The higher dividend is in line with the Board's decision to reduce over time the dividend cover from 2,5 times to 2 times.

Comments on specific entries in the income statement and balance sheet appear in the Financial Report on pages 13 and 14.

OPERATIONAL REVIEW

Retailing worldwide has over the past decade changed dramatically and has become enormously exciting as revolutionary information systems with vast processing capabilities opened up new areas to traders. These advances in technology make it possible for the Group to materially expand its operations, especially into an array of additional services for its client base, whether in travel, entertainment, insurance or banking.

During the year we have moved a long way towards a paperless business thanks to massive advances in our information technology capabilities. Using some of the most advanced technology available, we have integrated all our stores, including those elsewhere in Africa and offshore, into a single system that collects all the data in a central warehouse for processing. We have reached the stage where replenishment is now done almost exclusively by computer with the system not only doing the re-ordering but also evaluating whether the order requested fits the sales pattern of the previous period to eliminate over or under-ordering.

The requirements for cross-border trading are still as cumbersome as in the past and in moving merchandise the Group has to deal with seven trading blocks in Africa alone, all with different tax structures. The new systems have nevertheless greatly facilitated the process by generating the extensive documentation required for each transaction at high speed and in advance. Replenishing stores even in remote areas now happens much faster despite continuing border and harbour delays.

We do not need systems only, but also people. To cope with the demands that come with being a global player, we paid particular attention during the past year to succession planning at different levels in the business, also in the area of global sourcing that requires great skill and extensive knowledge.

In a replenishment business such as food retailing where attention to detail is crucial to success, the danger always exists that management becomes so fixated with running the core business successfully that it becomes unaware of new opportunities that offer themselves. To counter this danger and ensure we are ready to satisfy tomorrow's consumer needs, we have created an innovation department that has staff members in each division. Their sole brief is to identify new opportunities and new possibilities, and to see how these can be successfully integrated either into our main business or within a broader framework of retailing. In this way we also want to stimulate the entrepreneurial spirit that has always been a hallmark of the business.

In South Africa

Although thoroughly committed to Africa and to markets beyond its shores, we are first and foremost a South African business. This is where the heart of our business will always be, where we hone our skills, experiment with new formats and explore different areas of retailing to enrich our offering to consumers in all the markets in which we operate. Our main brands are excellently positioned, and the spectrum of their customer profiles virtually replicates the composition of South Africa's consumers across the LSM 1 to 10 categories. However, consumers' increasing affluence is also presenting the Group with increasing challenges in continuing to meet their aspirations.

Because of the vast geographical spread of our operations we have in the past year greatly refined the management of our supply chain. This substantially improved the flow of product from our 17 distribution centres to all stores. This in turn resulted in higher product availability while the introduction of our automatic re-ordering system towards the end of 2004 markedly improved stock turn in both distribution centres and outlets.

Shoprite

The greater liquidity of lower-income earners that became increasingly apparent during the past year holds considerable potential for all our brands but particularly for Shoprite, which remains our core business. We expect this burgeoning middle class to be a key driver in its growth over the next few years.

Research showed that during 2004 alone 1,3 million consumers moved up into the living standards measurements categories (LSM) 4 to 6. These are also the categories in which Shoprite has recorded the strongest customer growth, an indication that the brand is continuing to meet the changing needs of its customer base. This it does by expanding food ranges to include a greater percentage of aspirational products without lessening the focus on staple foods. At the same time the assortment of non-foods was increased to cater for the needs of particularly first-time homeowners. The chain will thus focus on trading up consumer spending in its stores and further growing the average basket size which was 5,4% higher for the period under review.

Checkers

The repositioning of Checkers to increase its appeal to higher-income consumers is in full swing, and the chain held its own in a fiercely contested sector of the food market despite the opening of a large number of opposition stores. The number of customer transactions increased 3,3% and basket size 6,3%, indicating a positive response from its new target market. In its new positioning Checkers nevertheless managed to retain a price advantage over its main competitors.

The chain is also benefiting from the worldwide shift in retail to convenience foods and value-added products. There is consequently in its stores an increasing focus on specialist lifestyle departments such as the bakery, meat market, cheese and delicatessen counter, and wine store in which it is striving to achieve a leadership position. To capitalise on its new positioning, Checkers will be opening 20 new supermarkets and complete its refurbishment programme that will see the last 19 outlets turned into new-generation stores.

Usave

Inside South Africa we have been refining the Usave concept, introduced just over two years ago. We are achieving budgeted turnover but not the required profitability although stores in operation for a full 12 months are providing an acceptable return. To date we have relied mainly on a limited selection of branded products to gain entry into the market. However, we are now achieving sufficient volumes in these product ranges that we can negotiate with suppliers from a position of strength and create our own private labels as a way of increasing profitability.

The great advantage of Usave is its low-cost structure and the ease with which we can either open or close outlets. We believe Usave to be an important extension of our operations. It is becoming increasingly difficult to sell staples and hard goods with their low profit margins in high-rental environments. Usave makes it possible for the Group to continue making these hard groceries available to consumers at the lowest prices.

Outside South Africa

As stated earlier, operating results outside South Africa were below expectations. However, our confidence in Africa for future growth of our business remains undiminished. To bring operations back on

satisfying tomorrow's consumer needs

first to gain a foothold in lucrative markets

an even keel, we will in the year ahead direct our efforts to where the greatest potential exists. We will at the same time continue countering the effect of the strong rand by increasingly sourcing merchandise at more competitive prices from elsewhere in the world.

Our confidence in Africa is not based on sentiment but on research and an understanding of what is needed for success. We are already achieving a higher return in Africa than in the local market. More importantly, we are constantly widening the gap between any competitors and us and growing the value of our asset in Africa. For this reason we will continue to invest in the countries to the north. Our decision to open a supermarket in Nigeria, the world's fifth largest oil producer, in December this year, must be seen against this background.

We are also heartened by the performance of our first franchise store in Mumbai, which has the highest concentration of A and B households in India. We knew from the outset we were entering a difficult market with high entry barriers, but we also realised the importance of being the first global player to gain a foothold at the start of the retail revolution that is sweeping India. Organised retail space is expected to increase vastly over the next few years as the country's retail moves from corner shops to shopping malls, and we are regularly approached as first-choice tenants to take up space in these new developments. Several such offers are under consideration.

OK Franchise

This division, which returned to profitability during the past year, is an extension of our core business and a vehicle for our BBEE initiatives. After rationalisation OK Franchise now has 248 active members in South Africa and certain neighbouring countries, all of them solid, viable businesses with growth potential. We are looking to growing this division, especially in the highly competitive urban environment where we believe considerable potential still exists.

Furniture

In line with the rest of its sector, the Furniture division has grown strongly in a market exemplified by robust consumer spending due to the strong rand and falling producer prices. It made a substantial contribution to group operating profit by exploiting the positive market sentiment to the full. However, the Furniture division continues to be managed as a distinctly separate business unit so as not to detract from the Group's core focus on food retailing.

NEW VENTURES

To expand its offering to consumers and turn its supermarkets into true destination stores the Group has identified several new areas for expansion. After extensive research into existing models, particularly in the United States of America, we decided to enter the health-care area, and at the end of the 2005 financial year managed 23 pharmacies, all located within existing supermarkets. Operating under the name MediRite, these are full-service pharmacies staffed by qualified pharmacists. We intend growing this arm of our business as fast as we can obtain licences and believe we will, through such pharmacies, play an important role in increasing the accessibility of essential medicines for consumers in rural areas.

A second area of involvement is that of liquor stores. We already have a wine department in most of our Checkers stores, which is gaining in stature among astute wine lovers as we extend our range of sought-after estate wines and value-for-money house-brand offerings. From there it was a logical step to liquor stores providing the full spectrum of wines, beers and spirits. By year-end we were operating three such liquor stores, which are ideally located next to the entrance to our supermarkets, and we intend increasing the number at as fast a rate as possible.

ACKNOWLEDGMENTS

Retail has been transformed in the past decade into a most exciting world of new challenges and limitless growth opportunities. That excitement has also been growing within the Group as it develops into a global player. We want to thank every member of staff that has taken up these challenges wanting to be part of a bold future. Also every member of management who has helped shape this future, and every member of the Board who has brought his wisdom to bear on the decisions we need to take to make that future a reality.

JW Basson
Chief executive

23 August 2005

Financial Report

INCOME STATEMENT

GENERAL

The results of the Group must be seen against the background of the following factors:

- 53-week year. In line with most other retailers, the Group follows the Julian calendar of 52 weeks resulting in an extra week every fifth year. The Group has taken this extra week this year, resulting in a 53-week reporting period. Where applicable, the results for 52 weeks are shown in brackets.
- Inflation. The prices of foodstuffs continued to increase by an average of 1,6% for the year. Lower food prices, however, do not necessarily lead to higher food sales, and customers tended to continue to spend money on durables and semi-durables. The Group did benefit from this tendency through increased sales of non-food items and strong turnover growth in the Furniture division.
- Foreign exchange. The continued strength of the rand, although to a lesser extent, against the US dollar as well as most African currencies affected the conversion of sales, expenses and profits to rand. Imports into those African countries continue to become more expensive, resulting in a lower gross profit. This has forced the Group to also source merchandise from elsewhere in the world.

REVENUE

- Total revenue increased by 11,6% and sales of merchandise by 11,9% (52 weeks: 9,7% to R29,232 billion). The combined sales of the three supermarket brands – Shoprite, Checkers and Usave and including the Non-RSA operation – increased by 12,5% to R26,587 billion (52 weeks: 10,2% to R26,044 billion), up from R23,629 billion in 2004. The total number of customers served increased by 8,2% (52 weeks: 3,9%) while basket value for the 12 months was 4,2% (52 weeks: 6,0%) higher.
- Measured at a constant conversion rate, the contribution from the Group's supermarkets operations outside South Africa increased by 20,2%. Despite the strong rand, sales in rand terms showed a positive growth of 11,6% to R2,556 billion (52 weeks: 9,3% to R2,486 billion).
- The furniture business continued to perform well and increased revenue by 16,5% to R1,999 billion.

GROSS PROFIT

Gross profit comprises primarily gross margin after markdowns and shrinkage. During the year the Group reviewed its classification of certain expenses forming part of the inventory valuation that is now disclosed as part of cost of sales. This change in classification had no effect on the operating profit of the Group.

Gross profit increased by 12,0% to R5,990 billion, due mainly to improved product ranges, more efficient replenishment and the greater contribution to income by the Non-foods division which benefited from a stronger rand. Shrinkage remains well under control.

OTHER OPERATING INCOME

The reduction in other operating income was mainly due to head leases cancelled and the reduction in interest rates also affecting finance income earned.

EXPENSES

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

- Depreciation. The Group is continuously opening new stores and has a specific refurbishment programme for older stores. A store is, on average, revamped every seven to eight years. The Group also increased its investment in information technology during the last years by converting all stores to scanning. Older scanning equipment is also being replaced. This has the temporary effect of higher depreciation charges than sales increases.
- Operating leases. Rental increases are in line with general rental increases in the property market. A number of new stores were also opened during the year, which contributed to a slightly higher increase. Lease payments on the other hand have been reduced by head leases that were not renewed or renegotiated during the year.
- Other operating costs. These costs, which increased by 3,8%, cover expenses such as electricity and water, repairs and maintenance, security, packaging and net advertising cost.
- Staff costs. The increase in staff costs at 12,1% was marginally above turnover growth of 11,9% due to a non-recurring expense of R46 million relating to share appreciation rights granted in previous years. If this expense is excluded, staff costs grew by 9,8% and on that basis, the Supermarket division again increased productivity.

FOREIGN EXCHANGE LOSSES

As stated in the accounting policies, foreign subsidiaries are classified as integrated foreign operations as such subsidiaries are initially dependent on the parent operations in South Africa for inventory and funding. As they mature, these subsidiaries become less dependent when this classification can be revisited. Countries like Namibia, Swaziland and Lesotho are already independent of the parent operation, but their own currencies are linked to the rand.

The balance sheets of foreign subsidiaries are translated to rand at the following rates:

- Monetary items at closing rates
- Non-monetary items at historical rates

Most loan accounts are with fellow subsidiaries, so that losses resulting from the weakening of a country's currency against the rand or the US dollar are normally offset by profits in the corresponding country. In essence, most foreign exchange losses are due to the translation of a country's net working capital to rand or due to balances in US dollar held in offshore accounts.

During the year the rand weakened 6% against the US dollar compared to a strengthening of 16,7% in 2004 (calculated at a conversion rate of R7,61 on 30 June 2003, R6,35 on 30 June 2004 and R6,73 on 30 June 2005), resulting in a currency profit of R6,1 million in 2005 as against a loss of R79,3 million the previous year.

Marius Bosman
General Manager:
Group Finances

NET FINANCE INCOME

The Group utilises overnight call facilities for both short-term deposits and borrowings. For the last few years the Group could fund all capital projects with short-term borrowings. The reduction in net investment income resulted from lower interest rates during the year. The Group was also liable for the payment of tax in the financial year, due to the assessed tax loss of the main operating subsidiary being fully utilised.

TAX

The effective tax rate for the current year was 36,0% compared to 30,1% in the previous year. Secondary tax on companies (STC) and exceptional items excluded, the rates were 31,5% and 35,0% respectively. As the assessed loss of the main trading subsidiary has been fully utilised, it is now liable for tax. This does not have any effect on earnings as the Group has been providing for deferred tax.

HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS PER SHARE

Diluted headline earnings per share increased 47,4% from 79,4 cents to 117,0 cents. Once adjusted for exchange differences, which are mainly unrealised, diluted headline earnings per share was 24,4% higher at 115,6 cents.

BALANCE SHEET

NON-CURRENT ASSETS

Property, plant and equipment

During the year the Group spent R923,6 million on property, plant and equipment compared to R787,6 million in 2004. The investment in refurbishments amounted to R391 million, while R155 million was spent on new stores (excluding land and buildings), R63 million on information technology and the balance on normal replacements. The Group is in the process of upgrading its backoffice systems and is planning to spend some R180 million over the next five years.

Loans originated by the enterprise

- 13 500 000 redeemable, convertible (both under certain conditions, such as achieved levels of profitability), cumulative preference shares in Pick & Buy Ltd, a retailing supermarket group in Mauritius, valued at R31,3 million. These shares were acquired as part of a reciprocal arrangement with the owners of Pick & Buy Ltd, who in turn invested in the Group's subsidiary in Mauritius.
- The balance mainly represents amounts owing by participants of The Shoprite Holdings Ltd Share Incentive Trust and by franchisees for franchises and fixtures and fittings sold to them.

Deferred tax asset

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

Intangible asset

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

CURRENT ASSETS

Inventories

- Inventories amounted to R2,697 billion, an increase of 2,9% on the previous year. The inventory turn, based on sale of merchandise, was 11,2 times (2004: 10,2) and, based on cost of sales, 8,5 times (2004: 8,2). Measured in real terms, the Group managed to reduce inventory by R400 million over two years. This lower than expected reduction was partly due to new stores opened outside RSA experiencing longer lead times.

Trade and other receivables

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

  The provisions for impairment and unearned finance income in respect of instalment sales debtors amounted to 20,1% compared to 19,7% the previous year. This modest increase on the back of the turnover growth was made possible by the quality of the book.

Cash and cash equivalents and bank overdrafts

- Net cash and cash equivalents amounted to R408,9 million at year-end, compared to R1,128 billion in 2004. In 2004 the financial year ended on 27 June, before the month-end creditor payments had been made, while the 2005 financial year ended on 3 July after such payments had been effected.

Available-for-sale investments

- 1 343 685 "A" and 1 343 685 "B" linked units in ApexHi Properties Ltd, a listed company, valued at R28,8 million.

  100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd, valued at R4,3 million. Global Solutions is a supplier of international treasury solutions to the Group. This investment forms part of the payment structure agreed with RMB Global Solutions (Pty) Ltd.

CURRENT LIABILITIES

Provisions

Adequate provision is made for post-retirement medical benefits, extended warranties in Shoprite Insurance Company Ltd and long-service awards. The provision for onerous leases is largely related to the takeover of OK Bazaars where a number of stores were either vacant or had unutilised surplus space. This provision is realised over the term of the specific lease period. These leases expire from 2005 to 2018.

CREDIT AND RELATED FINANCIAL SERVICES

Credit sales

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

SHOPRITE INSURANCE

The Group established its own short-term insurance company as part of the Furniture business in November 2001. Prior to that date the Group operated a cell captive at another short-term insurer. During the year under review premiums written amounted to R155,3 million compared to R140,6 million the previous year.

The Short-term Insurance Act has a number of statutory provisions, namely

- IBNR claims payable = 7% of net premiums
- Contingency reserve = 10% of net premiums whereas premiums are earned as per the following formula:
  Δ Premiums earned = Net premium x expired period
  Δ Premiums unearned = Net premium x unexpired period

Extended warranties are now offered by Shoprite Insurance Company Ltd whereas previously it was offered by the Furniture division. This change was made per the requirements of the Financial Services Board. Adequate provision is made for claims incurred but not yet reported.

To overcome a technical strain during the first few years, the Group made loan funding available to Shoprite Insurance Company Ltd and subordinated this loan. At 30 June 2005 this loan was repaid in full. At year-end the insurance company had a solvency margin of 30,2% compared to the minimum requirement of 15% as per the Insurance Act.

Composition of the Group

Company	Positioning	Target customer	Shopping experience
SHOPRITE	The Shoprite chain is the original business of the Group and its main brand. It is by far the biggest business unit. It is also the brand used predominantly outside the borders of South Africa spearheading the Group's growth into new markets.	It draws its customers from the middle to lower-income consumers in the living standards measurement 3 to 8.	Its market positioning has remained unchanged: to provide millions of customers with everyday low prices while offering the lowest prices on basic foods.
Checkers	Acquired in 1991, Checkers is the major brand after Shoprite. It operates stores throughout South Africa and in some neighbouring countries. It focuses more strongly on fresh produce and offers a wider range of choice food items to a more affluent clientele.	The brand has recently been repositioned to cater for customers in the upper-income groups and targets living standards measurement 7 to 10.	Checkers has become a preferred shopping destination for time-pressed consumers. It has strongly developed lifestyle departments such as for wine, cheese and meat.
Checkers Hyper	Located in areas with high population densities, the positioning of the large-format Checkers Hyper stores is very similar to that of the main Checkers brand. However, they carry a much larger product range, especially non-foods, and encourage bulk rather than convenience shopping.	Its target customer is the same as for Checkers: living standards measurement 7 to 10.	These stores offer the consumer low prices on a wide range of foods and non-food products in a pleasant environment.
Shoprite Usave	Usave is a no-frills discounter offering a strict selection of just 700 basic lines. Not only is it an ideal vehicle for the Group's expansion into Africa but also allows far greater penetration of the lower end of the market within the borders of the country.	Living standards measurement 1 to 5.	A limited range of essential fast-moving products offered in a functional environment at the lowest possible prices.
OK Furniture	The chain, with its wide geographic spread of stores, offers a range of furniture, electrical appliances and home entertainment products at discounted prices, for cash or on credit.	Living standards measurement 5 to 8.	The focus is on essential products offered in a standardised in-store environment on easy payment conditions. Customers can also buy online, selecting from an extensive catalogue.
OK Power Express	This new chain of small-format stores located mainly in high-density areas sells a reduced range of white goods and home entertainment products in addition to bedding and carpeting.	Living standards measurement 5 to 8.	It offers a pleasing ambience coupled with compact ranging and personalised service.
House & Home	It offers a larger selection of contemporary quality furniture, white goods and home entertainment products for more affluent consumers.	Living standards measurement 7 to 10.	A highly amenable shopping environment with well displayed products.
OK Franchise Division	Through OK Franchise the Group gained a foothold in smaller, convenience-orientated markets. The OK brand, awarded only to outlets meeting certain requirements, encompasses three formats – OK Grocer, OK Foods and OK MiniMark.	Every franchise store aims at satisfying the needs of the community in which it is located.	Conveniently located stores offering time-saving shopping at competitive prices.

SHOPRITE

Sales growth in RSA	13,2%
Basket size growth in RSA	5,4%
Number of stores	327 (2004: 314)
Number of staff	33 126 *(2004: 33 518)*

The Shoprite brand reported excellent results for the year despite a trading environment again characterised by virtually non-existent internal food inflation. Due to its size – it generates about 64% of the total turnover of the food business – its performance plays a very significant role in determining the financial well-being of the Group as a whole.

It remains the core business still used to spearhead much of the Group's growth, not only in South Africa but also into Africa and elsewhere, serving as the vehicle for expansion. It has never changed its focus from the lower to middle-income sector of the community where its acceptance has grown solidly over the years to make it one of the country's most trusted brands.

Over the past decade South Africa's new political dispensation has materially benefited Shoprite's target market through tax concessions, social grants and other forms of government support for lower-income earners, while the accumulated benefits of the consistent economic growth since 1994 have also spilled over into its traditional customer base. In addition, lower interest rates have helped to stimulate employment in both the formal and informal sectors further increasing disposable income in this market. As a result, 1,3 million more people entered its core target market.

Despite their upward mobility consumers previously in the lower LSMs have to a large extent remained loyal to the brand as it continued to meet their expectations.

To counter the effects of price deflation still experienced in the case of most staple foods and the marginal inflation in virtually all other food sectors, the chain further expanded its higher-margin, non-food offering during the review period. This was done without diverting its attention from its primary focus on food. The non-food products, aimed at satisfying basic householder needs, contributed substantially to turnover for the year, enabling Shoprite to report very satisfactory turnover growth.

A major objective of management during the year was the improvement of product ranges across the spectrum. Using real-time sales information generated by the Group's IT department, management identified and removed from the shelves low-turnover merchandise while expanding ranges with aspirational products identified from the market research of long-time suppliers.

The new ranges also reflect the changing needs of the brand's traditional customers, whose demand for white goods and electrical appliances has been greatly increased by home ownership, resulting from government and private-initiative housing programmes. Access to home appliances such as fridges also had a knock-on effect on the sale of especially perishables and value-added products. Management was well prepared for this change in the composition of the consumer basket.

Shoprite also benefited increasingly from the Group's automated re-ordering system that resulted in improved product flow through the distribution centres to the stores and in higher stock turn. This resulted in fewer sales lost, due to non-availability, and produced higher levels of customer satisfaction.

Mauritz Alberts
Divisional Manager:
Western Cape

Operating Review: Checkers

Sales growth in RSA	9,5%
Basket size growth in RSA	6,3%
Number of stores	23 hypers *(2004: 23)* 95 supermarkets *(2004: 90)*
Number of staff	15 149 *(2004: 14 933)*

The brand encompasses two formats – supermarkets and hypermarkets. The supermarket format also includes smaller convenience stores located in upmarket residential areas, while the hypers, situated mainly in high-density areas are at the other extreme of the size spectrum, offering greatly expanded food and non-food ranges. During the year five supermarkets were opened and 41 refurbished.

With the repositioning that caters to a more affluent consumer, Checkers is benefiting markedly from the worldwide shift in retail to convenience foods and value-added products. To maximise these benefits there is an increasing focus in Checkers outlets on specialist departments, such as the bakery, meat market and delicatessen counter, to not only improve product ranges and quality but also service levels through ongoing training.

The focus on convenience has also seen a strong increase in home meal replacements such as hot dishes and salads, while by the end of 2006 most stores will also have fish markets selling fresh fish and other prepared dishes. Fruit and vegetable departments were also expanded and upgraded and management structures introduced that will see an improved flow of product through the stores.

During the year the wine departments in all licensed stores were extended with the introduction of a Checkers "Wine Route", offering wines from 50 of South Africa's foremost estates to provide up-country consumers access to these specialist wines. At the same time Checkers buyers could access top-quality wines at highly competitive prices because of the international wine glut, bolstering the chain's own-label ranges. The quality image of the brand's wine offering was promoted by glossy full-colour catalogues inserted in publications targeting high-income earners.

Other specialist departments also received attention during the year, with the offering of local and imported cheeses extended to well over 400 lines. The product range catering to consumers keen on following a healthy lifestyle was also expanded.

Substantial progress was made during the year with upgrading the remaining Checkers outlets to new-generation stores, a process that is scheduled for completion by the end of the 2006 calendar year. Turnover growth in converted stores confirmed consumers' preference for the new-look Checkers brand, which managed to hold its own in a fiercely contested sector of the food retail market characterised by the opening of numerous opposition stores. The chain managed to increase customer transactions by 3,3% and basket size by 6,3%. This compares to 4,1% and 2,7% the previous year.

To capitalise on the growing consumer support and increase market share, 20 new-generation stores will open in selected areas in the 2006 financial year and refurbishment is planned for 19.

Checkers

Checkers Hyper

Hennie van Rooyen
Divisional Manager:
Gauteng Checkers

Return on equity	35% (stores trading for 12 months)
Number of stores	84 *(2004: 59)*
Number of staff	947 *(2004: 681)*

During the year this lower-end discounter increased the number of its stores by 25 to 84. Of these, 62 are located within the borders of South Africa and 22 elsewhere on the continent.

After growing from an initial three stores in 2003 to 59 in 2004, the 2005 financial year was used for consolidation. After the initial rapid expansion of the previous year, time was spent to refine the concept in the light of the experience gained in the different customer demographics and countries. The objective is to have in excess of 100 Usave outlets operational in South Africa by the end of the 2006 financial year.

As part of the refinement process the product range was refined to enable the brand to live up to its slogan "Where good food costs less… every day". The range was improved using demographic profiling to determine customer needs. The volume of merchandise sold through the Usave stores generate sufficient volumes and therefore presents the future opportunity to introduce quality private labels to supplement the present offering at even lower prices.

Usave aims to satisfy the basic daily needs of consumers in a store environment of reduced overhead costs by eliminating unnecessary fixtures and fittings and a focus of providing consumers with a price advantage. In our view this no-frills approach to the shopping environment will become increasingly popular as consumers recognise the price advantage it offers.

Given the required low capital investment it is relatively inexpensive to change a store's location if it does not meet predetermined targets within a set time. To this end rental agreements provide such a condition. This allows management to test the brand in different market segments.

The Usave brand works equally well in rural and urban areas, serving smaller communities of lower to middle-income earners anywhere. Its success is based on high stock turn coupled with fast replenishment to maximise sales floor space. In order to ensure lowest prices, expansion of the format in South Africa is planned in a manner to optimise existing distribution routes. In the rest of Africa Usave outlets function best as satellite stores replenished from existing group facilities, whether wholesale divisions or distribution centres. The concept has been accepted especially well in countries such as Angola and Namibia where the consumer profile and customer expectations are met by the brand.

Gustave Möller
Divisional Manager

Operating Review: OK Franchise

The Shoprite Group's entrance into franchising has resulted in this market in Southern Africa taking on a new dimension. To meet the needs of this expanding and increasingly competitive market, the skills and expertise of Shoprite and the former OK and Sentra organisations have been combined to form a new franchise group with substantial buying muscle and sound marketing skills.

This division franchises a number of esteemed names in food retailing, each aimed at a specific market and each offering convenient shopping facilities for the Southern African consumer, as well as lucrative opportunities for investors.

Its mission is to create and control a network of well-liked, well-located franchise brands that satisfy the needs of Southern African consumers by providing them with a comprehensive range of quality products at competitive prices in a pleasant shopping environment, while offering entrepreneurs and investors favourable business opportunities.

Members wishing to trade under the OK brand, which is applied over three main formats, have to meet prescribed requirements in terms of services and product range. Generous credit facilities and incentive schemes as well as training and advertising support are offered to bolster the volume of orders placed by franchisees.

To date, 104 franchisees have upgraded their stores to meet the brand's requirements. Of these, 24 own OK Foods outlets, 45 OK Grocer stores and 35 MiniMark outlets. There are, in addition, 56 Megasave wholesale stores while the balance is made up of Sentra and Value stores and buying partners. In addition to South Africa, OK Franchise also has members in Namibia, where it is strongly represented, as well as in Botswana and Swaziland.

During the past financial year the number of franchisees reduced by 49 after adding 25 new members and closing 74 members' accounts. The majority of these were financially non-viable accounts. By year-end this division had 248 franchises, compared to 297 the previous year.

The remaining core consists of viable businesses with substantial growth potential, and management is confident about their future. The businesses of most of these members are located in the rural areas. Management is keen to strengthen the division's presence in those areas but is at the same time targeting urban and semi-urban neighbourhoods for future growth.

Solid groundwork was laid for the implementation of the black economic empowerment initiative the division is undertaking in conjunction with Khula, the Department of Trade & Industry's credit facilitation agency for small enterprises. The initiative enables members of previously disadvantaged communities to enter the retail trade as OK Franchise concession holders, with the risks associated with such businesses shared to a large extent between Khula and the Group. As the Shoprite head office is in Cape Town, the initial focus has been on the Western Cape to facilitate the mentoring of new owners during the project's pilot stage.

OK FRANCHISE DIVISION

Gerhard Kriel
General Manager

Operating Review: Supermarkets outside RSA

Gerhard Fritz
General Manager:
Central Africa

Sales growth
20,2% (at constant conversion rates)

Sales
R2,556 billion *(2004: R2,291 billion)*

Number of stores
93 *(2004: 84)*

Number of staff
6 610 *(2004: 6 749)*

ANGOLA

Turnover growth in the Group's stores in Angola has been satisfactory, boosted by a greatly improved flow of merchandise through the ports thus improving product availability for local consumers. During the review period the supermarket in Luanda, housed in the Group's own shopping centre, was expanded to offer an increased selection of non-food products, including white goods, while five new Usave outlets were added to the existing two. All the satellite stores are supplied from a wholesale Megasave that backs onto the existing supermarket. Notwithstanding robust competition from formal and informal traders, the Group is planning a second supermarket in Luanda, to be opened during the 2006 financial year. A third supermarket will be established during the same period in Lobito to the south.

BOTSWANA

A severe drought increased competition and the erosion of consumer spend combined to create difficult trading conditions, which were not helped by the 12% devaluation of the pula and the subsequent escalation in the price of foodstuffs, the bulk of which is imported from South Africa. No additional stores were opened due to developers postponing the construction of new shopping facilities. However, four new outlets are being planned for 2006 – in Serowe, Selebi-Phikwe, Molopolole and Lethlakane – while a second store in Francistown is under discussion as is the possibility of another store in Gaborone.

EGYPT

No new stores were opened during the year. Finding suitable retail premises within greater Cairo is still difficult, while the cost of land for own development is prohibitively expensive. The undertaking of the government to assist direct foreign investors has not materialised and interpretation of laws and decrees is still inconsistent. This results in a lower gross margin than that of the other countries as the advantage of the Group's global sourcing ability is largely negated. However, during the year the cost of running the business has been reduced in spite of not opening more stores.

GHANA

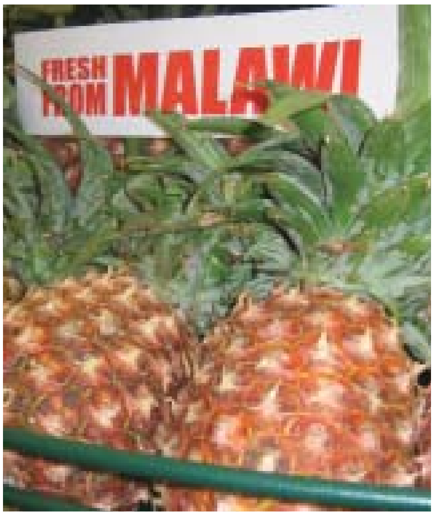
Although turnover in the three Usave stores has been growing steadily, their small size precludes overall profitability. The opening of additional stores is being hampered by complex legislation and uncertainty about land ownership. The Group's first full-scale supermarket will open in 2007 in Accra Mall, which on completion will be one of the biggest and most modern in Africa outside the RSA. In preparation for this event, management is acquainting itself fully with the complexities of the local retail market dominated by a growing middle class in this increasingly affluent country.

INDIA

The 5 500 m^2 franchised Shoprite Hyper in Mumbai is continuing to increase its customer base, mainly among high-income earners under the age of 40 who perceive the store as an aspirational shopping experience. Since opening, the store has managed to increase its basket size by 23% and captured over 40% of supermarket spending of all income groups. However, for most consumers, the supermarket concept and its philosophy of discounting are completely new and it will take time to change shopping patterns over a broad spectrum.

LESOTHO

This small market at present supports two supermarkets, both in the capital Maseru. Increased turnover and operating profit were achieved despite continued internal food deflation in a



market dominated by a demand for staples and basic foodstuffs. During the year one of the stores was extensively upgraded while two new stores are being planned for 2006 – in Leribe in the north and Mafeteng in the south. A third outlet in Maseru is also under consideration.

MALAWI

The Group's two large supermarkets and six Usave outlets continue to operate profitably despite the present political instability. Imports are hampered by a shortage of foreign exchange while the country's currency has weakened further. This was countered by an established supermarket culture in Malawi where consumers buy virtually all they need from shops and not informal traders. Turnover was also boosted by considerable cross-border buying by people from neighbouring countries while the increasing number of tourists stimulated demand from game lodges and resort hotels.

MADAGASCAR

Since acquiring five stores from the French retailing group Champion Supermarkets in November 2002 and converting these to the Shoprite brand, the Group has added two new outlets on the island. The local economy is at present taking considerable strain, mainly due to very high energy costs, but this is not considered a long-term impediment. The Group plans to open another four supermarkets during the 2006 financial year. This will bring the number of stores to 11 and make Madagascar the second African country in which the Group has achieved critical mass, the first being Zambia. The new stores will be serviced from the Group's distribution centre without any additional infrastructure costs being incurred.

MAURITIUS

In addition to its 6 000 m^2 hyper store, the biggest on the island, a new supermarket is being planned. The government's recent relaxation of all duties caused consumers to hold back on expenditure to first see the effect on retail prices. Once the price position has stabilised better margins should be achieved. The Group is starting to reap the benefits of the free port of Mauritius that came into full operation during the review period.

MOZAMBIQUE

The Group experienced limited sales growth in the three supermarkets it operates here, partly due to extensive government red tape, especially in respect of the importation of perishables, of which the sell-by dates have often expired by the time a shipment is let through. In addition, there is still substantial cross-border buying in South Africa by Mozambicans wanting to avoid the high duties payable in Mozambique. However, the Group is in ongoing negotiations with the government to eliminate administrative delays and excessive duties, and is confident about the business potential of the country. To help it achieve critical mass a new supermarket will open in Nampula in the north in October while a further two are planned for the capital Maputo.

NAMIBIA

The Group's Namibian operation substantially increased profitability during the year as the local economy benefited from a good performance by the agricultural and mining sectors. The Usave format proved suitable to local conditions and two more such stores were opened during the review period. The additional two to be opened in the near future will bring the number of Usave outlets to seven. The Group operates three Checkers and eight Shoprite supermarkets in the country, with a ninth to be opened in November in a major shopping centre the Group is developing in the northern suburbs of Windhoek.

SWAZILAND

This small country has, despite continuing economic problems, again provided excellent results, with substantial growth in turnover and operating profit. The Group operates two supermarkets in the country – the one in Manzini, the other in Mbabane – and during the year opened in Piggs Peak its first Usave that quickly became one of the brand's best performing outlets. It is to be followed in August by a store in Matsapha.

TANZANIA

The Group's operations, which at the end of the review period consisted of six Shoprite supermarkets and a Megasave, are moving closer to profitability. In January the only Usave outlet was converted into a full-service supermarket that is performing above expectations. All the supermarkets, with the exception of the one in Arusha, are located in Dar es Salaam. Customer numbers are increasing as the supermarket concept finds wider acceptance, and turnover growth far outstrips inflation. The Group is planning another supermarket in Dar es Salaam to open in 2007. The country offers the potential for a further three to five supermarkets that will provide the Group with the necessary critical mass.

UGANDA

The Group operates two large supermarkets in the capital Kampala, both profitably. The newer of the two and also the flagship store is located in the shopping centre in the suburb of Lugogo, developed in conjunction with Massmart and opened last year. To avoid duplication, the original supermarket was repositioned to service the lower end of the market. Although suitable sites are hard to come by, the country offers substantial room for further growth, and the expansion of operations to three major towns is under consideration. A further five outlets would provide the Group with critical mass in Uganda.

ZAMBIA

The Group's well-established operation of 17 supermarkets and one wholesale Megasave further increased profitability. An increase in the international copper price impacted positively on the economy and on retailing in particular, with the demand for perishable products growing strongly. Tourism received a boost as foreign visitors to the Victoria Falls avoided Zimbabwe. An upgraded 2 200 m^2 store recently replaced the one burned down in Kasama, while plans are afoot to enlarge and upgrade the stores in Livingstone and Lusaka. The opening of several new mines has also created the potential for adding further to the existing store network.

ZIMBABWE

The Group still operates only one store, in Bulawayo. Sales growth easily outstrips inflation except in the case of staple foods of which prices are fixed by the government. Despite the fact that, due to a lack of foreign exchange, very little could be imported, a considerable choice is nevertheless still available to consumers, as much of the store's merchandise is bought locally. There is still reasonable buying power amongst consumers and the Group has identified new areas for expansion when the political situation in the country stabilises.

Operating Review: Furniture

Revenue R1,999 billion *(2004: R1,716 billion)*	
Operating profit R183 million *(2004: R154 million)*	
Number of stores: House & Home 23 *(2004: 22)*	
Number of stores: OK Furniture 140 *(2004: 131)*	
Number of stores: OK Power Express 14 *(2004: 14)*	
Number of staff 2 845 *(2004: 2 786)*	

Aubrey Karp
General Manager

The furniture division experienced another excellent trading period in both turnover and profitability despite a slight fall-off in demand in the second half. Good stock management ensured that fast sellers were always available while stock levels remained firmly under control.

By year-end the furniture division operated 177 stores, which included 14 small-format OK Power Express outlets selling only white goods, home entertainment products, rugs and base sets. House & Home is now also being developed as stand-alones in major shopping centres and the store complement now stands at 23. Since its rebranding three years ago, House & Home has grown turnover on average by 20% a year.

During the 12 months the division opened one new House & Home and nine OK Furniture outlets. Of these, three are in Botswana, one in Namibia, one in Mozambique and the rest in the RSA. An aggressive store opening programme has been set in motion for 2006, with three House & Home and 16 OK Furniture outlets on the drawing board. These include another store in Mozambique, while the division also intends to eventually expand into Angola.

The factors that stimulated the market in 2004 – lower taxes, reduced interest rates and a strong rand – also determined sales patterns in the period under review. The trading environment remained highly competitive, especially in respect of white goods and home entertainment products.

The prices of the latter continued to fall due to the strength of the rand and as mass production made new technology more affordable. The division consequently focused on unit throughput for turnover growth while promoting furniture and white goods which were less affected by falling prices. White goods and home entertainment products constitute about 60% of the division's offering.

The strength of the rand made it profitable to import a range of furniture from the East, allowing more generous margins while at the same time providing the customer with exceptional value. This is not seen as a short-term strategy for, should the South African currency weaken, the cost of local raw materials would also increase and the selected imported furniture would thus still provide both a price advantage and exclusivity.

During the year the furniture division also expanded its sourcing of own-brand white goods for which it provides the in-house guarantees.

As experienced in the entire industry, the shift to cash continued with credit sales dropping to 37% of total sales from 42% the previous year, despite the volume of credit sales increasing marginally. This trend emerges from the fact that the buoyant economy has left consumers with higher disposable incomes and many now use credit cards for their financing needs.

The division remains highly conservative in granting credit, and implements a strict collection programme. The debtors book is very healthy with low exposure to bad debt, with arrears at only 4%.

Group Services: Information Technology

The world-class systems developed and implemented by the Information Technology (IT) Department underpin every aspect of the complicated process connecting the supplier with the consumer wherever the Group does business. These systems, which share a uniform architecture based on Microsoft tools, are constantly extended and refined as the business grows in size, complexity and geographic spread. They enable management to take decisions based on real-time information and so drive greater efficiency through the organisation.

To facilitate data communication, the IT Department in February started replacing its frame relay network with a cost-effective Multi Protocol Label Switching digital network linking all the stores in the Group worldwide.

In the period under review, improvements were made to the retail data warehouse, which now handles 79 million item orders to suppliers a year, 71 million item deliveries to stores and 3,6 billion transactions. In June the first phase was introduced of Supply-rite, a programme integrating all the components that make up the supply chain.

The introduction of advanced scanning systems in all 529 corporate supermarkets, completed in 2004, enables the IT Department to provide up-to-the-minute information on which products are selling from the Cape to Cairo, in what quantities and the gross profit generated.

With this information, management can pare down ranges, reduce stock holding and free up floor space. The system also measures how efficiently the key value items in a store are managed that together generate about 80% of its turnover, by identifying interruptions in sales flows that could point to out-of-stock situations and the like. It also enables management to use demographic profiling in the product selection for new stores. Once research has identified the customer profile for a new store, it is matched demographically to that of an existing store and its product range duplicated in the new one.

In September this year the Group will start with the phased introduction of a backoffice system, code named Operation Better Store, involving every key area of store operations. By the end of 2006 it will have been implemented in all the stores in South Africa and by the end of 2007 in all those outside the country's borders. This system will substantially reduce the administrative load of store management who in future will manage by exception. Extensive staff training will support the introduction of the programme.

Operation Better Store will enable stores to manage stock levels better, reduce shrinkage and wastage, and increase the efficiency and profitability of specialist departments. It will also optimise manpower management through electronic staff scheduling by analysing sales patterns days and then determining which staff will be required and when, to provide optimum service to customers.

Gert Mentz
General Manager

Group Services: Supply Chain Management

Photy Tzellios
General Manager

Service level exceeds 95%
33 300 lines distributed (1995: 2 000 lines)
Stock turn increased by 11%

The Group's continued investment during the review period in extending its supply chain management (SCM) capabilities has further enhanced its ability to provide the customer with the right product at the best price wherever it does business. A leader in the SCM field in both the retail and distribution industries in Africa, these capabilities provide the Group with a distinct competitive advantage in its store operations.

It also provides South African manufacturers with the ideal opportunity to offer their products to a range of new markets all over the continent without the costs inherent in marketing and distribution, as well as the associated administration.

In the ten years since introducing a supply line to its first stores in Zambia, Shoprite has developed an infrastructure that today provides more than 15 000 product lines to 100 outlets, some of them in remote locations, in 16 countries outside South Africa's borders. In doing so it has developed the capability to trade across multiple borders using air, sea and road as modes of transport involving both the ambient and temperature-sensitive supply chains. To ensure it retains its leading position in Africa, its systems are constantly benchmarked against those of the world's foremost retailing groups.

The Group successfully manages some of the largest ambient and refrigerated distribution facilities on the continent. These centres are on par with those found amongst the notable food retailers in the developed world, remarkable considering a Third World environment. Shoprite now operates 17 distribution centres from where a fleet of more than 400 trucks and trailers, almost half of them refrigerated, supply its stores. In comparison to ten years ago when 2 000 lines were distributed centrally, the company now supplies almost 9 000 grocery lines centrally as well as 20 000 non-food and 4 300 perishable lines.

In the past financial year improvement in the productive utilisation of resources resulted in a 12% reduction in operating costs. Sophisticated information technology systems enabled Shoprite's team of skilled operators to further refine inventory management that not only increased product availability in stores but also increased stock turn by 11%. Inflow service levels from suppliers were raised by 5% while outflow service levels were maintained above 95%. This was achieved during a year characterised by inconsistent service levels from certain major suppliers that introduced new information technology systems and revamped their production lines.

Improved product availability, together with the increased frequency in replenishing through centralised distribution, has provided the necessary confidence to substantially reduce storage areas in the case of new and refurbished outlets, thereby increasing retail space to the maximum, as compared to stores where direct-to-store deliveries continue. These enhancements remain focused on perpetually adding value for the customer and the stakeholder.

Group Services: Property

The main function of the Group's property division is to identify new growth opportunities for extending the Group's trading operations and increasing its market share. This includes conducting ongoing market research, aimed at identifying trends and shifts in consumer patterns. Upon a recent assessment of historic market research projects conducted in respect of the projected income of new supermarkets, the research proved highly reliable – with a mere 9% variance between projected and actual turnover figures. In respect of new retail developments and the redevelopment of its existing properties, this division oversees every stage of the planning, design and construction process.

During 2005 the division managed a property portfolio with a market value in excess of R3,3 billion. Its property portfolio included 58 owned buildings with a year-end market value exceeding R1 billion, consisting of retail shopping centres, stand-alone supermarkets, distribution centres and offices located in eight countries across the African continent including South Africa. During the course of the 2005 financial year, the Group's owned property portfolio generated a return of 15,3%.

With regard to new stores and refurbishment of existing outlets, an in-house team of architects and draughtsmen is responsible for producing the internal store layouts. The focus in this instance is on the standardising of store layouts, so as to facilitate effective stock management and the optimisation of trading space.

The division's property administration department is responsible for the handling of all lease negotiations, whether with external landlords for the Group's supermarket outlets, or with some 1 700 line-shop tenants (during 2004/05) within its owned and head-leased property portfolio.

Most of the Group's long-term head-leased properties resulted from the historic acquisition of Checkers in 1991 and OK Bazaars in 1997. A number of the non-profitable head leases expired during the past financial year, with the result that the head-leased properties portfolio of 71 buildings will for the first time expect to return a profit during the 2006 financial year.

The Group's stated policy to only invest and stay invested in fixed property where appropriate rental space is not available, requires that it has to reconsider its fixed property holdings periodically.

Given the Group's continued emphasis on remaining strategically positioned in the marketplace, properties that are considered to be non-critical and matured are earmarked for disposal in order for the Group to capitalise on and finance new development and investment opportunities. During the course of the 2005 financial year three such buildings, with a combined market value of R56 million, were disposed of. Sale agreements have already been concluded for a further 15 buildings with a combined sales price of R324 million to be disposed of during the 2006 financial year. In respect of all of these properties the Group concluded long-term lease agreements only in respect of the supermarkets.

New strategic property investments, which came into operation during the 2005 financial year, totalled approximately R90 million. The target for new shopping centre developments to open during the next financial year will approach the R390 million mark.

Based on extensively researched demographic projections, the Group effected several strategic land acquisitions during the past financial year. The said property investments were made not only for immediate use, but also for development over the medium term.

Philip van der Merwe
General Manager

Value Added Services: Money Market

Gerhard Hayes
Projects Manager

This multifaceted service, introduced in 1998, continues to grow year on year, not only in the number of transactions processed but also in the number of third parties on whose behalf products and services are offered. With service counters located in every Shoprite and Checkers supermarket, the Money Market concept focuses on the virtual retailing of broad-ranging non-core retail services.

In line with international trends, it adds a meaningful convenience factor to a fast-moving consumer goods environment and assists customer loyalty retention. It also plays an increasingly important role in positioning the Group's outlets in the offering of a one-stop shopping experience.

During the year agreements were confirmed for the selling of tickets for major sporting events such as rugby games, the South African F1x2 Grand Prix, LG Extreme Sport and certain music concerts by visiting and local entertainers.

Shoppers can also pay municipal accounts and traffic fines, buy a bus ticket, renew their TV licences, get more airtime for their cell phones, and buy a ticket or claim prizes for the National Lottery. Basic insurance products are also on offer.

In the past financial year, the number of transactions conducted by Money Markets rose to 21 million a month, while the number of third parties represented grew from 180 to 220. Total money received on their behalf was 30% higher, matching the growth of the previous year.

The self-sufficient Money Market kiosks are separated from the main retail areas, but are manned by regular staff members all proficient in handling the full range of online services. These services are not offered at pay points but rather at a dedicated facility so as not to slow down customers waiting to pay for their groceries. The only exception will be airtime for which customers in future will be able to pay with the rest of their shopping.

Management believes virtual retailing with its low overhead cost structure offers the Group an important growth area in services that will assist to retain customer loyalty.

Value Added Services: MediRite

Since the change in the legislation governing pharmacies in South Africa in 2003 that allowed non-pharmacists to own pharmacies, the Group has established 23 full-service pharmacies branded MediRite, all of which are managed by qualified pharmacists. Of the 23, nine are in the Western Cape, nine in Gauteng, three in KwaZulu-Natal, and two in the Northern Cape and Free State.

The establishment of MediRite represents a further advance in the Group's policy of extending its range of products and services to customers, and is in line with the international trend of increased specialist service departments within supermarkets. Pharmacies fit extremely well in the product mix of supermarkets that already offer extensive ranges of health and beauty products.

Customers continue to respond positively to the greater convenience of MediRite pharmacies, and their pricing policy of providing healthcare at the lowest prices is an extension of the supermarket discounting philosophy. In addition, these pharmacies greatly increase the accessibility of essential medicines for all consumers.

Since the new legislation on medicine pricing was promulgated in 2004, the profitability of independent pharmacies is threatened. The MediRite pharmacies were developed to operate at lower costs as a result of trading within the supermarket and the saving is passed on to consumers.

The growth in the number of MediRite pharmacies is dependent on the rate at which licences are approved. It is nevertheless the intention of management to increase the number of pharmacies in stores at the fastest possible rate.

increasing
specialist
service departments
in line with international trends

Value Added Services: Freshmark

Johan van Deventer
General Manager

Freshmark is the Group's procurement arm for fresh fruit and vegetables, which it processes and delivers to more than 440 Shoprite and Checkers supermarkets and Hypers throughout Africa. It operates six distribution centres in the main cities of South Africa and five in other African countries, using a fleet of 120 refrigerated trucks to deliver produce directly to the stores every day. Private contractors undertake cross-border deliveries, while fruit and vegetables with a short shelf life are airlifted to elsewhere in Africa, where Freshmark maintains cold-storage facilities in various countries.

The past financial year coincided with a difficult period for local agriculture, given the oversupply of certain staple fruit and vegetables that resulted in a price war among supermarket chains. Freshmark nevertheless managed to increase volumes substantially through aggressive marketing and to grow market share by almost 2%. This growth was achieved mainly due to major national promotions on main product lines such as apples, pears bananas and potatoes.

The division deals directly with close on 500 producers in South Africa and about 100 emergent farmers from every country in Africa where the Group does business. These small farmers receive extensive support to enable them to produce to the exacting standards required. About 90% of all fruit and vegetables are acquired directly from these suppliers, up from about 80% a year ago. Freshmark's challenge is to supply stores on a continuous basis with the widest possible range of fresh produce, packaged with the latest, ever-changing consumer preferences in mind. New technology is used to ensure a maximum shelf life through packaging. Returnable plastic containers are used on a large scale to limit unnecessary handling and damaging of products and to ensure cost efficiency in the supply chain.

During the year an increasing emphasis was placed throughout the organisation on food safety and traceability. Supplier farms are visited throughout the year to ensure production guidelines are followed and the prescribed standards of hygiene adhered to during picking, processing and packing. Produce is tested by food technologists on an ongoing basis for forbidden chemical and other residues in terms of an agreement with the SABS.

To ensure maximum freshness, the bulk of the produce is prepacked on the farms before being transported to the different distribution centres equipped with temperature-controlled storage facilities. Bulk supplies from smaller producers are prepared and packed at the distribution centres that are also fitted with ripening facilities for tropical fruits such as bananas and avocados.

Specifications determined by their consumer profiles are used in preparing the ranges for the two major chains, with Checkers receiving a more extensive range, including value-added packs, while the Shoprite range focuses on staple produce and affordability. Organic fruit and vegetable ranges have also been developed for Checkers. During winter Freshmark imports a range of fruit from northern hemisphere countries, such as Spain and Italy, to ensure consistent supply all year round.

Recently upgraded computer systems are used to plan ranges and track sales, to ensure efficient stock control and management and to schedule deliveries. Stores fairly close to distribution centres are replenished daily, while those further away receive supplies three times a week.

Sustainability Report

The Shoprite Group lives the slogan "Proudly South African, proudly African". It considers itself committed to the well-being of South Africa and its diverse peoples while also being committed to the African continent and the notion of the African Renaissance. It brings a First World shopping experience to often remote areas on the continent while its philosophy of discount retailing and global sourcing ensures the affordability of its extensive merchandise ranges for local communities. It also furnishes the infrastructure for local producers to bring their products to market, while providing jobs and career opportunities in the network of close on 100 stores outside the borders of South Africa. One of the biggest employers in Africa, Shoprite employs 61 500 people of whom 94% are from previously disadvantaged communities, and through its presence it advances the quality of life of a great many people in Africa.

EMPLOYMENT EQUITY

Employment equity forms the central pillar of the Group's overall business plan. In 2000 it initiated a five-year employment equity strategy to create a corporate culture built on diversity – a strategy that would erase any remaining discriminatory policies or practices and that would increase the participation in the business of black people, of women and the disabled and allow them to develop their potential to the full.

In the five years since the introduction of the employment equity strategy most targets have either been met or exceeded. Particular progress was made increasing the number of women in management positions. Filling at the required rate the number of senior management positions with people from the designated groups, however, remains a problem due to the lack of suitably qualified candidates. This is not a problem unique to the Group but is shared by most other large businesses. The Group thus continued its policy of training its own candidates for management positions. At the end of the 2005 financial year 67% of all trainee managers were black, 59% of assistant managers and 44% of all branch managers.

EMPLOYEE DEVELOPMENT AND TRAINING

The Group is accredited with the W&RSETA and provides training through approved programmes leading to nationally recognised qualifications. Its provider accreditation was recently upgraded and identified as best practice in the sector. Training is provided across all brands of disciplines ranging from shop-floor skills to competency in information technology and supply chain management. The all-encompassing programmes also include a range of courses aimed at developing life skills, including literacy, and improving the career prospects of employees. During the year some 40 000 training interventions occurred involving 23 500 members of staff.

Management training. To ensure the future development of the Group through successful succession planning, a range of 46 dedicated management training programmes has been used that cover every aspect of operations. In addition, all key positions within the organisation have been identified and potential replacements selected on the strength of their skills and aptitudes are being developed as successors. The Group also uses its joint sponsorship of the annual Brightest Young Minds initiative to recruit potential future executive staff from among the top university students in the country, some of whom are from previously disadvantaged communities.

These training initiatives range from senior-level leadership development programmes based on the latest learning technologies from leading business school practices to entry-level programmes for trainee managers. More than 1 400 staff members attended such programmes during the period under review.

The entry-level programme developing future store management requires that at least 50% of those selected for training must be existing shop-floor staff. This is to offer them the opportunity for further career development. The balance is recruited mainly from among graduates of universities and colleges. During the period under review, 448 trainee managers completed the course. Management training courses, in four languages, are also offered in the 15 non-RSA countries (excluding India) in which the Group operates. During the year 75 candidates attended these courses.

Learnerships. In support of the government's national skills development strategy the Group participates in learnership and skills development programmes. At present it offers learnership opportunities in retail management at levels NQF 4 and 5 and works closely with the W&RSETA in skills development in the sector. During the 2005 financial year 91 candidates successfully completed their learnership programmes.

The Group co-operates with a number of leading universities in providing a practical workplace experience for students in a range of disciplines, and 36 completed their practical learning requirements during the reporting period. It was the first food retailer to be recognised by the South African Institute of Chartered Accountants as an approved training organisation for Training Outside Public Practice (TOPP) up to chartered accountant (CA) level. At present, training is provided for 12 articled clerks of whom four will complete their articles in 2005.

Staff training. As the international swing to convenience foods also involves higher levels of customer services, considerable emphasis was placed during the year on improving such skills, particularly in the case of service staff. More than 4 200 members of staff received dedicated training in this area. The Group also operates 15 training schools that during the year provided 2 215 staff members with the technical skills required to serve in specialist departments such as the bakery, meat market, fruit and vegetables and at the various delicatessen counters.

EDUCATIONAL ASSISTANCE

Staff members have access to an education assistance scheme, not only for themselves, but also for their dependants. Grants for school fees are given to lower-income staff. Interest-free educational loans and bursaries for full-time and part-time study are also available. In addition, external applications for educational assistance are also granted, mainly for full-time study in retail-related courses.

HIV/AIDS

Following on the findings of a comprehensive study commissioned in 2004 to evaluate the potential impact of HIV/Aids on the Group, a wide-ranging support programme was launched for HIV+/Aids employees. Formulated in consultation with the trade unions, the programme is based on peer education at branch level. Staff select from among their colleagues Aids counsellors who are trained for these responsibilities by independent specialists. Store managers undergo similar training and work closely with such counsellors. The programme was recently extended to include staff at divisional offices and head office.

HIV+/Aids staff are also encouraged to make use of the call centre staffed by experienced Aids counselling specialists. Confidentiality is also maintained in every other aspect, and there is no discrimination in the workplace against HIV+/Aids employees.

A national Aids committee was established that includes representatives of the representative trade union as well as non-unionised staff. Independent consultants advise the committee on strategy. It had its first formal meetings during the financial year.

Efforts to track Aids-related deaths are complicated by high staff turnover endemic to the retail industry and because many still do not admit to their illness but simply leave their jobs to return home to the support of their families.

INTERNAL COMMUNICATION

Effective mechanisms for two-way communication exist in the Group to keep employees informed about corporate developments, to recognise staff achievements and to provide management with a barometer determining the

climate in the workplace through regular feedback. A regular in-house newspaper is published, supplemented by notice boards, an internal radio service and an intranet website. Discussion groups operating at various management levels further enhance two-way communication.

ETHICAL BEHAVIOUR

Staff and management are expected to maintain the highest level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues. These principles are set out in the Company Rules and in the document *A Guide to the Code of Conduct for Shoprite Holdings Employees*, a copy of which is handed to every management member on joining the company. Additional copies are available from the human resources departments in the various regions.

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

OCCUPATIONAL HEALTH AND SAFETY

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

PRODUCT SAFETY AND LABELLING

In the light of the vast volumes of fresh and perishable products as well as canned and dry goods sold through its stores, the Group has developed product safety programmes that apply both in its distribution centres and in its stores. Cold chain management and correct storage are key components aimed at ensuring products reach consumers in prime condition despite vast distances that often have to be traversed. In addition, there is ongoing liaising between the Group's buyers and suppliers concerning non-hazardous and environmentally friendly packaging.

The Group is committed to food safety. Food technologists test fresh produce on an ongoing basis for forbidden residues. Meat is acquired locally only from suppliers approved by SAMEK, while all imported meat is approved by the Department of Health, as are dairy products. All prepared foods are destroyed once they have passed their sell-by dates.

We believe we have a major role to play in providing consumers with detailed and correct product information to allow them to exercise their choice. In this we work closely with suppliers. The Group at present meets all the food labelling requirements of the Department of Health. However, it strongly supports the proposed legislation on food labelling that will bring South Africa in line with the European Union and the United States of America.

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

Standards of hygiene in specialist departments such as the bakery, meat market and delicatessen are constantly being improved through training, procedural controls and independent laboratory testing. Regular store visits ensure the Group's food safety policy is implemented at every level. All procedures followed are SABS approved.

CORPORATE SOCIAL INVESTMENT

The Group's extensive social investment programme is designed to support mainly women, children and the elderly, and then especially those from historically disadvantaged communities. The marketing director has final responsibility for the evaluation, development and implementation of the projects that constitute the Group's social investment activities. In addition to corporate sponsorships, each division is also given a budget to be used at the discretion of regional management to help alleviate local community needs. The following provides a cross-section of current corporate projects aimed at fulfilling the Group's commitment to the community:

Consumer education. Consumer education is undertaken mainly through a regularly updated range of attractively produced leaflets available in all the Group's supermarket outlets. The leaflets cover a wide range of topics, from how best to feed a family on a limited budget, suitable recipes and how to store perishables, to more general topics that affect the community such as crime and its prevention, substance abuse and how to recognise it, and foetal alcohol syndrome. In the case of specialised topics, the Group works closely with authorities in the various fields.

Shoprite Checkers/SABC2 Woman of the Year. This award, co-sponsored by the Group for the 10th consecutive year, has become the premier accolade for achievement by women in South Africa. The award covers the categories of science and technology; arts, culture and communications; business entrepreneurship; education; health; social welfare; and sport. The awards pay tribute to women who, through their initiative, dedication and achievements, have become role models for their communities. Perhaps the greatest achievement of the award is that it has brought into the limelight women who have worked unremittingly to better the world around them without seeking any recognition for themselves.

The Shoprite Checkers/USSASA Under-13 Netball Challenge. The Group recently added another R1 million to its R9-million sponsorship of the National Under-13 Netball Challenge instituted by the United School Sport Association of South Africa (USSASA) in 1998. Netball is the sport with the greatest number of female adherents in South Africa, and this sponsorship enables the best among the millions of young girls attending the country's more than 20 000 primary schools to participate in this sport from interschool to provincial and national level.

Self-defence workshops. In view of the frightening number of cases in South Africa of women being assaulted and raped, the Group is sponsoring a self-defence training programme for young girls in the Western Cape with a view to rolling this out nationally. To date 16 000 learners have completed the course acquiring physical skills as well as greater confidence and self-esteem.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBEE)

The Group fully subscribes to the government's policy of broad-based black economic empowerment (BBEE) and considers it an essential business strategy as well as a developmental and social responsibility which is shared by the whole of South Africa's business community. It believes BBEE to be crucial in creating stable communities and therefore assists with the establishment of black enterprises, investment in underdeveloped areas and creating opportunities for communities to participate in the economy in a meaningful way. In this a strong accent is placed on women.

The Group is involved in a number of BBEE initiatives such as the following:

- Through its OK Franchise division the Group continues to create self-owned outlets in underserviced and historically disadvantaged areas in conjunction with Khula Enterprise Finance, a credit facilitation agency of the Department of Trade and Industry. Together they identify franchise sites as well as individuals to own and run the new stores. The Group fits out new stores, trains owners and staff, and nurtures them through the initial start-up phase.
- With the Western Cape Department of Agriculture a goat-farming initiative is being launched for black farmers. The Group will provide an assured market for their production through its main retail brands. If the pilot project is successful, it will be rolled out on a national basis.
- Joint property developments are undertaken with black partners, such as the R173 million Seaside Village development under construction in Big Bay near Cape Town and in which BBEE investors hold a substantial interest.
- A joint venture with the W&RSETA will provide structured training for 1 000 learners who, while working at Shoprite, will also be studying for a nationally recognised certificate in retailing. In selecting candidates for the project the focus will be on unemployed individuals, but mainly women, from previously disadvantaged backgrounds. Of those selected, 4% has to be physically disabled. Training will encompass exposure to all the different departments of a food supermarket and should in time also have a beneficial effect on service levels. The project will create 1 000 new jobs every year, and the Group will employ 90% of the learners completing the course.
- With the assistance of a government finance agency, the Group has implemented a preferential procurement programme. BBEE producers entering into procurement agreements with the Group are not only assured of a stable market but are also assisted in developing additional products of the required standard.

Supporting local producers. In all the countries where it operates in Africa the Group buys from local suppliers to help them bring their products to market. In a country such as Zambia, for instance, where Shoprite operates 18 outlets, only 27% of the merchandise is imported, the rest is all sourced locally. Particular assistance is provided to small farmers who lack the knowledge, the experience and the infrastructure to produce fruit and vegetables to the standards and the volumes required by the Group. To bring them to the required standard, the Group operates extensive support and development programmes involving guidance in modern-day farming methods, the provision of seeds of the most suitable cultivars, and the cleaning, processing and packaging of their produce to top-quality standards.

GOVERNMENT RELATIONS

The Group cannot operate successfully in any country where it does business without the approval and support of government at central, provincial and local level. For this reason we maintain, with the assistance of specialist consultants, the best possible relations with all such authorities and we do so on a professional level. Government is considered a partner in our efforts to achieve a better quality of life for the people amongst whom we do business.

INVESTOR RELATIONS

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

ENVIRONMENTAL IMPACT

The Group develops new properties with great regard for the environmental and cultural sensitivities attached to a particular site. It ensures that legal requirements embodied in the scoping and EIA processes are strictly adhered to and the Group will not undertake any development that is considered detrimental to the environment. It also strives to develop in a way that is sympathetic to the aesthetics of a particular neighbourhood. This approach applies equally within South Africa as outside its borders. Where the Group agrees to rent space in a new development, it encourages the developers to consider the impact of the construction work on the environment, not only from a conservation point of view but also from an aesthetic and historical one.

Supplier of the Year

The Big Brand Shoprite Group of Companies Supplier of the Year competition was instituted five years ago to acknowledge suppliers' commitment to the Group's business needs and those of its customers. Its aim is to recognise and reward supplier representatives for exemplary service and commitment. At the same time it allows the Group to measure the development of its relationship with suppliers.

PERISHABLES
EPIC FOODS

Since its beginning in the early seventies as part of Premier Foods, Epic Foods has witnessed a lot of changes. Bought by the Moosa family in 1998 and competing with some of the largest brands, Epic has been in the perishables industry since yellow margarine was first legalised in South Africa.

Epic Foods is proud to have been selected as the preferred Perishables Supplier to Shoprite Checkers for 2005. Epic Foods is committed to delivering goods of the highest quality to the consumer while maintaining good business relationships and is honoured to receive this recognition from Shoprite Checkers.

FMCG is a tough industry, with many volatile changes and hard negotiations taking place all the time. For a long time, Epic has built a solid working relationship with Shoprite Checkers, and we value the mutual respect. As a family business, Epic understands the importance of maintaining standards, quality and equity. We have had an excellent relationship with Africa's largest retailer in the past, and look forward to continuing and improving on this special partnership.

Pieter Swanepoel, Managing Director

CONFECTIONERY & BEVERAGES
FRIMAX

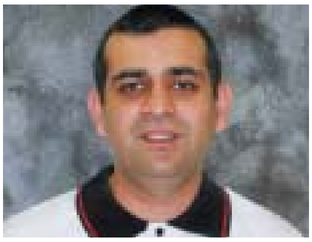
Frimax has again done what it does best – producing, packaging, distributing, and marketing original snacks to the people of South Africa.

Over the years the company has grown in size, while extending its product range and perfecting each recipe to ensure pure enjoyment by all. A variety of snacks, like fried potato chips, puffed and baked corn, is carefully developed to guarantee quality.

After 23 years in the business Frimax is one of the largest snack food manufacturers in South Africa. With its head office in KwaZulu-Natal, Frimax has branches in Gauteng and distribution centres and agents in the Western Cape, Eastern Cape and Free State, as well as Lesotho, Swaziland and Botswana.

The company prides itself on a range of state-of-the-art equipment and technology, as well as a skilled and efficient workforce who collectively have contributed to the excellent growth of the company.

Shoprite's acknowledgement of the contribution Frimax and its staff make to its overall brand success is most appreciated as it tells us that we are doing it right. Thank you, Shoprite.



Abdool Kader Essa, Sales Director

HOUSEBRAND/PRIVATE LABEL
RHODES FOOD GROUP

Rhodes Food Group is a diversified food business, comprising RFF Foods, Swazican, Wonderland Foods, Magpie Foods and Rhodes Dairies. Its head office is situated in Groot Drakenstein, Western Cape, and it has operations in Cape Town, Johannesburg and Swaziland.

The Group's product range includes canned deciduous and citrus fruit; canned pineapples, jams and vegetables; juice concentrates and purees; dairy products, prepared meals and pastries. Rhodes Food Group specialises in the supply of private label food products locally and to supermarket groups around the world. It also has its own brands.

Rhodes Foods Africa is the group's sales and marketing division for Southern Africa, and is proud of its long-standing relationship with the Shoprite Group. We are grateful to Shoprite for trusting us with their Housebrand and Ritebrand business and for the acknowledgement for our efforts in this regard.

Bruce Henderson, Managing Director

TOILETRIES
REVLON

For over fifty years, Revlon has been driven by a passion for exciting brands and exceptional quality by serving the beauty and grooming needs of women and men throughout the world. We do so through creativity, innovation and superb execution.

Revlon has enjoyed a long and rewarding association with the Shoprite Group taking our many consumer brands, such as Fire & Ice, Charlie, 24Seven, Mitchum and Flex to consumers throughout Africa. Revlon's partnership with the Shoprite Group has been one of trust, professionalism and an unwavering drive to succeed. The Shoprite Group has been a key contributor to our success through its strong leadership and world-class retail execution.

The entire Revlon team prides itself on serving its retail partners with commitment, enthusiasm and excellence. So, it is a great honour for Revlon to receive the Big Brands Supplier of the Year award from the Shoprite Group, acknowledging the tremendous success of our long partnership. We have no doubt the partnership will continue to flourish.

Anthony Seaman, Sales Director

Supplier of the Year *(continued)*

NON-FOODS
SA GREETINGS

The management and staff of SA Greetings are extremely proud of the long and mutually successful relationship that we have enjoyed with the Shoprite Group, and are honoured and humbled to have received such a prestigious award.

We are the largest designer, manufacturer and distributor of greetings cards, seasonal and non-seasonal gift wrap, social stationery, and allied back-to-school and party merchandise into the South African market.

Our leading Creative Stationery, Carlton and Entertainer brands have all shown significant growth over the years within Shoprite. This has been achieved in part by our ongoing commitment to innovative design, product, supply chain and strategic account management as well as the honest and transparent relationship we have enjoyed with the Shoprite team over the years.

Thanks must go to everyone in our business who both directly and indirectly contributed to this wonderful achievement. Special mention and thanks to Marlene Stroh and Michelle Joubert for their unrelenting focus and understanding of Shoprite's needs.

Mike Turk, Managing Director

SERVICE PROVIDER
IBM

IBM is proud to be the first information technology company to receive a Shoprite Supplier of the Year Award.

Over the last seven years, the IBM team has worked hard to become Shoprite's prime information technology infrastructure partner. A key challenge has been the rate at which the Shoprite business has evolved. This demands a robust information technology infrastructure that has the flexibility to be responsive to changing environments whilst simultaneously being delivery focused.

IBM has also become Shoprite's partner for point-of-sale (POS) systems, and IBM POS systems are now used in Group stores in almost all the countries where Shoprite operates. This is an 'exacting' business area, where IBM has focused on helping Shoprite meet the need for high-function technology and cost efficiencies.

IBM's Retail Solutions, combined with our consulting expertise, is a key differentiator for adding business value. IBM Retail specialists bring value in many key areas of the Retail business operation.

Congratulations to Shoprite on your notable business success over recent years. We look forward to further developing our partnership.

Julian David, Vice President

AMBIENT GROCERIES
NATIONAL BRANDS

National Brands Limited, proud supplier of many of South Africa's best-loved brands, was honoured to receive the Shoprite Group's Big Brand Supplier of the Year Award in the ambient groceries category. A wholly owned subsidiary of AVI Limited, National Brands is a dynamic business involved in the manufacture, marketing and distribution of brands within the tea, coffee, creamer and convenience foods categories.

With market-leading brands including Five Roses, Freshpak, Pyotts, Bakers, Frisco, Ciro and Ellis Brown, National Brands is highly appreciative of the quality, effort and trust that are required to build unequivocally great brands. The success that National Brands has achieved is largely attributable to the wonderful association that the company has with the Shoprite Group.

The Shoprite Group is as committed as National Brands to bringing great-tasting, affordable brands to the South African consumer. Our great partnership is a solid foundation for a long and prosperous future for both companies locally and abroad.

Cliff Sampson, Managing Director

MEAT MARKET
VERSAPAK

The management and staff of Versapak (Pty) Ltd believe that this prestigious award bestowed upon them by the Shoprite Group is the culmination of many years of relationship building and continuously striving to deliver the highest quality packaging and service to the Shoprite Group.

Versapak (Pty) Ltd, a subsidiary of the Lenco Group, has been the leading supplier of polystyrene packaging and PVC stretch film to the food, fast food and agricultural industries for the past 60 years. Through ongoing innovation, technical development and investment Versapak continues to offer a wide range of quality, versatile packaging solutions to the market – the "Jewel in the Crown" being our ability to brand polystyrene packaging through innovative printing technology.

We are proud to be associated with the Shoprite Group and look forward to a long-term, mutually beneficial relationship into the future.

Derek Elbourne, Managing Director

Corporate Governance

CODE OF CORPORATE PRACTICE AND CONDUCT

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

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

GROUP STRUCTURE

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

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

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

THE BOARD AND BOARD COMMITTEES

The Board of Directors

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

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

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

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

Name of director	23 Aug 2004	29 Nov 2004	21 Feb 2005	23 May 2005
Executive directors				
JW Basson (chief executive)	P	P	P	P
CG Goosen	P	P	P	P
BR Weyers	P	P	P	P
AN van Zyl	P	P	P	P
B Harisunker	P	A	P	P
Non-executive directors				
CH Wiese (chairman)	P	P	P	P
JJ Fouché (independent)	P	P	P	P
JA Louw (independent)	P	P	P	P
JF Malherbe (independent)	P	P	P	P
JG Rademeyer (independent)	P	P	P	P
TRP Hlongwane (independent)	P	P	P	P

A = Absent with apology *P = Present*

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

Directors retire by rotation at least once every three years but can make themselves available for re-election by shareholders. In terms of the articles of association, Dr CH Wiese and Messrs Basson, Goosen, and Fouché retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

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

Remuneration Committee

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

The Remuneration Committee is a subcommittee of the Board and comprises:
CH Wiese, chairman (non-executive)
JA Louw (non-executive)
JJ Fouché (non-executive)
JW Basson (executive)
CG Goosen (executive)

Details of the remuneration of directors are disclosed in note 22, page 66 of the Annual Report.

The Group participates annually in market surveys, both locally and those focusing on the rest of Africa, to ensure market-related salaries are paid and market-related trends followed in changes to benefits, while at the same time taking into account the intrinsic value of individual contributions. A substantial portion of remuneration of all managerial staff, especially senior management, is linked to the performance of their respective business units and of the Group as a whole.

Nomination Committee

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

The following directors serve on the Nomination Committee, a subcommittee of the Board:
CH Wiese, chairman (non-executive)
JA Louw (non-executive)
JJ Fouché (non-executive)

Audit Committee

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

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

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

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

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

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

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

Name of director	17 Aug 2004	26 Aug 2004	9 Nov 2004	14 Feb 2005
Non-executive directors				
JG Rademeyer (chairman)	P	P	P	P
JJ Fouché	P	P	P	P
Executive directors				
CG Goosen	P	P	P	P

P = Present

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Board assessed the internal control systems throughout the financial year ended 30 June 2005 and is of the opinion that they met acceptable criteria.

BUSINESS ETHICS AND ORGANISATIONAL INTEGRITY

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

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

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

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

FINANCIAL REPORTING AND AUDITING

Financial reporting

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

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

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

The directors are satisfied that during the year under review:

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

Corporate Governance *(continued)*

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

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosure.

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

Details of non-audit services provided to the Group by the external auditors are set out in note 21, page 65 of the Annual Report.

Internal audit

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

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

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

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

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

All significant business operations are subject to internal audit.

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

GOING CONCERN

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

The directors' report, annual financial statements and group annual financial statements, as set out on pages 40 to 80, have been approved by the Board of directors.

Signed on behalf of the Board of directors.

CH Wiese	JW Basson
Chairman	Chief executive

23 August 2005









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Company Information

SHOPRITE HOLDINGS LIMITED

REGISTRATION NUMBER
1936/007721/06

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BANKERS
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Secretarial Certification

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 2005, Shoprite 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
Secretary

23 August 2005

Auditors' Report

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF SHOPRITE HOLDINGS LIMITED

We have audited the annual financial statements and Group annual financial statements of Shoprite Holdings Limited set out on pages 40 to 80 for the year ended 30 June 2005. These financial statements are the responsibility of the Directors of the Company. Our responsibility is to express an opinion on these financial statements based on an audit.

SCOPE

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

PricewaterhouseCoopers Inc.
PricewaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors

Cape Town
23 August 2005

Currency of Annual Financial Statements

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

	2005	2004
USA dollar	6,7311	6,3526
Pound sterling	12,0089	11,5763
Euro	8,1120	7,7241
Zambia kwacha	0,0015	0,0013
Mozambique metical	0,0003	0,0003
Botswana pula	1,2082	1,3545
Egyptian pound	1,1655	1,0280
Uganda shilling	0,0039	0,0036
Malawi kwacha	0,0570	0,0594
Mauritian rupee	0,2321	0,2270
Angolan kwanza	0,0757	0,0760
Indian rupee	0,1547	0,1389
Ghanian cedi	0,0007	0,0007
Madagascan ariary/frank	0,0033	0,0006
Tanzania shilling	0,0060	0,0058
Zimbabwe dollar	0,0007	0,0012

Directors' Report

NATURE OF BUSINESS

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

The Group comprises of the following trading subsidiaries:

Shoprite Checkers (Pty) Ltd – controlling:

Supermarkets: The grocery, perishable, fruit and vegetables, meat markets, delicatessen, non-food and money market retailing activities in South Africa, Namibia, Lesotho, Swaziland, Mauritius as well as the franchise division known as OK Franchise.

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

Distribution: Distributes fresh produce to Shoprite, Checkers and Checkers Hyper supermarkets nationally and internationally and to a lesser extent to other retailers.

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

Shoprite Guernsey Ltd:

Controls the retailing supermarket activities and owns strategically situated properties outside South Africa.

Shoprite Holdings Limited's interest in its subsidiaries is set out on page 80 of the annual report.

GENERAL REVIEW

The Group's headline earnings per share amounts to 120,3 cents for the year (2004: 81,0 cents). Details of the net income of Shoprite Holdings Limited and the Group are contained in the income statement.

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

	2005 R'000	2004 R'000
Total profits	672 173	821 091
Total losses	170 225	182 406

DIVIDENDS

Preference dividends

Details are reflected in note 25 to the annual financial statements.

Ordinary dividends

An interim cash dividend (No. 112) of 22,0 cents per share was paid on 11 March 2005. A final dividend (No. 113) of 28,0 cents per share is payable on 19 September 2005, bringing the total dividend for the year to 50,0 cents (2004: 36,0 cents) per ordinary share.

SHARE CAPITAL

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

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

The deferred share capital remained unchanged and are reflected in note 10 to the annual financial statements.

GOING CONCERN

These annual financial statements have been prepared on a going concern basis.

The Board has performed a formal review of the Group's results and its ability to continue trading as a going concern in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate.

SPECIAL RESOLUTION

At the annual general meeting of Shoprite Holdings Limited held on 28 October 2004, shareholders approved the following special resolution:

"It was resolved that the Company and/or any subsidiary of the Company be and is hereby authorised by way of a general approval contemplated in sections 85(2) and 85(3) of the Act, to acquire the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Act and the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall be valid only until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year;
- the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the Company for the following year;
- the ordinary capital and reserves of the Company and the Group are adequate for the next 12 (twelve) months;
- the available working capital is adequate to continue the operations of the Company and the Group in the following year;
- upon entering the market to proceed with the repurchase, the Company's sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company only appoints one agent to effect any repurchase(s) on its behalf."

Directors' Report *(continued)*

DIRECTORS

Dr CH Wiese joined Pep Stores as executive director in 1967. Seven years later he left Pep Stores to practise at the Cape Bar. He rejoined Pepkor and is since 1981 chairman of Pepkor. He is currently chairman of Shoprite Holdings, Pepkor, Tradehold and Brown & Jackson PLC. He is non-executive director of Invicta Holdings and director of KWV. He serves on the Stellenbosch University Council.

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

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

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

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

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

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

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

Mr JG Rademeyer is a non-executive director of Shoprite Holdings and was appointed to the board in November 2002. He also serves as chairman of the audit committee. He is chairman of the accounting and auditing firm, Rademeyer Wesson, which he joined during 1994.

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

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

In terms of the Articles of Association of the Company, Messrs JW Basson, CG Goosen, JJ Fouché and CH Wiese retire as directors of the company at the annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN ORDINARY SHARES

	Beneficial	Non-beneficial	Total 2005	Total 2004
CH Wiese	76 412 484		76 412 484	69 926 505
JW Basson	4 890 511		4 890 511	4 890 511
JJ Fouché	872 171		872 171	872 171
CG Goosen	923 249		923 249	923 249
B Harisunker	456 360		456 360	456 360
TRP Hlongwane	15 057		15 057	15 057
JA Louw		380 000	380 000	548 135
JF Malherbe		72 453	72 453	72 453
JG Rademeyer	10 000		10 000	10 000
AN van Zyl	515 799		515 799	515 799
BR Weyers	100 000	200 000	300 000	510 000

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

	Total 2005	Total 2004
CH Wiese	276 821 666	276 821 666

AUDITORS

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

POST BALANCE SHEET EVENTS

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

HOLDING COMPANY

The Company has no holding company. An analysis of the main shareholders of the Company appears on page 81 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.

Accounting Policies

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

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, except as stated in note 38.

1 Basis of preparation

The financial statements are prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice and the South African Companies Act (Act No 61 of 1973), as amended. The financial statements are prepared on the going concern basis under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value.

2 Group accounting

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 plus costs directly attributable to 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 effective 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.

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

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.

3 Foreign subsidiaries

Foreign subsidiaries are classified as integrated foreign operations.

Balance sheet items of foreign subsidiaries are translated into rand at the following rates:

- Monetary items at closing rates
- Non-monetary items at historical rates

The income statements and cash flow statements are translated into rand at average rates for the period. Differences resulting from translation are charged to the income statement in the period in which the differences arise.

4 Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at closing rates.

5 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods, rental to others or administrative purposes and are expected to be used during more than one period. All property, plant and equipment are stated at historical cost less accumulated depreciation. The historical cost of buildings, machinery, equipment and vehicles is depreciated on a straight-line basis, from date of acquisition, 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 is deemed to have an indefinite life. Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease.

Useful lives:

Buildings	20 to 50 years
Machinery	5 to 6 years
Vehicles	3 to 5 years
Trolleys	3 to 5 years
Equipment	5 to 6 years
Computer equipment	3 to 5 years

Repairs and maintenance is charged to the income statement during the period in which it is incurred. 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 amortised over the relevant write-off periods.

6 Financial instruments

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

Derivatives, including forward foreign exchange contracts and interest rate swaps, are categorised as held-for-trading. Assets in this category are classified as current assets. Purchases and settlements of derivative financial instruments are recognised on the trade date at cost and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in the income statement in the period in which they arise. The fair value of forward foreign exchange contracts is determined using exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future net cash flows.

7 Investments

The Group's listed and unlisted equity investments are classified as financial assets available-for-sale. Management determines the classification of its investments at the time of the purchase and re-evaluates such designations on a regular basis. The classification is dependent on the purpose for which the investment was acquired. Investments, with a fixed maturity and fixed or determinable payments, that the Group has the intent and ability to hold to maturity are classified as held-to-maturity. Purchases and sales of available-for-sale investments are recognised on the trade date at cost, 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, as well as any additional amounts, are included in the income statement as gains and losses from investments. The fair value of these investments are based on quoted bid prices or amounts derived from cash flow models.

Loans granted by the Group are classified as loans originated by the enterprise. These loans are carried at amortised cost.

The Group's investments in preference shares are regarded as loans originated by the enterprise, 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.

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.

8 Deferred tax

Deferred tax is provided, using the liability method, for all calculated tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. 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.

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, and it is probable that the temporary difference will not reverse in the foreseeable future.

9 Intangible assets

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 historical rates. Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of the those cash-generating units represents the Group's investment in each country of operation per secondary reporting segment. Gains and losses on the disposal of an entity that has related goodwill include the carrying amount of the related goodwill.

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

10 Non-current assets held for sale

Non-current assets held for sale 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 is recovered principally through a sale transaction rather than through continued use.

11 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; 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.

12 Trade and other receivables

Trade and other receivables are carried at original invoiced amounts, 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.

13 Leases

13.1 Where the Group is the lessee

Leases of assets, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Certain premises and other assets are leased. Payments made in respect of operating leases with a fixed escalation clause are charged to the income statement on a straight-line basis over the lease term. All other lease payments are expensed as they occur. Minimum rentals due after year-end are reflected under commitments.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense and any unamortised portion of the fixed escalation lease accrual is taken to income in the period in which termination takes place.

13.2 Where the Group is the lessor

Parts of owner-occupied properties are leased out under operating leases and 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. All other rental income is recognised as it is received.

14 Cash and cash equivalents

Cash and cash equivalents are carried at cost and, if denominated in foreign currencies, are translated at closing rate. Cash comprises cash on hand and cash at banks. Actual bank balances are reflected. 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. Outstanding cheques are included in trade and other payables and outstanding deposits in trade and other receivables.

15 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 total shareholders' equity as treasury shares until they are sold. Where such shares are subsequently sold, any consideration received is included in shareholders' equity. Dividends received on treasury shares are eliminated on consolidation.

16 Borrowings

Preference shares, which carry non-discretionary dividend obligations, are classified as loans originated by the enterprise and are carried as long-term 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.

17 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.

17.1 Onerous lease contracts

The Group recognises a provision for onerous lease contracts when the expected benefits, including subleasing revenue, 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 14 years.

17.2 Post-retirement medical benefits

Refer accounting policy 18.3

17.3 Warranties

The Group offers two year extended warranties on certain products sold by the furniture division and recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service and claims history.

17.4 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 are valued by independent qualified actuaries at year end and the corresponding liability is raised. Costs incurred are set off against the liability. Movements in the liability resulting from the valuation by the actuaries are charged against the income statement upon valuation.

17.5 Reinstatement provision

Where it has a contractual obligation in respect of certain operating lease agreements, the Group provides for expected reinstatement costs to be incurred at the expiry of the lease. This provision is expected to be fully utilised within the next financial year.

18 Employee benefits

18.1 Pension fund

The cost of providing retirement benefits under the defined benefit plan, is determined by using an accrued benefit valuation method. Current service costs are recognised as an expense in the current period. Experience adjustments, the effects of changes in actuarial assumptions and the effects of plan amendments in respect of existing employees, are recognised as an expense or an income systematically over the expected remaining working lives of those employees. The effects of plan amendments in respect of retired employees are measured as the present value of the effect of the amended benefits and are recognised as an expense or as income in the period in which the plan amendment is made. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. Actuarial surpluses are brought into account in the Group's financial statements when it is allocated to the Group.

18.2 Provident fund

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.

18.3 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. This post-retirement medical benefit obligation is measured as the present value of the estimated future cash outflows. Valuations of this obligation are carried out annually by independent qualified actuaries, in respect of past service liabilities and actuarial gains or losses are recognised when they occur.

18.4 Equity compensation plans

18.4.1 Share purchase and share option scheme

The Group operates a staff 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. No expense is recognised in the income statement for such awards. 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.

18.4.2 Share appreciation rights

The Group recognises a liability for share appreciation rights calculated at current fair value determined at each balance sheet date. This amount is expensed through the income statement over the vesting period.

19 Impairment

Assets that have an indefinite life are not subject to amortisation and are tested for impairment at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. 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. For the purpose of impairment testing the assets are allocated to cash-generating units (CGUs). CGUs are the lowest levels for which separately identifiable cash flows can be determined. The related impairment expense is charged to the income statement to the extent that it is not a reversal of a previous revaluation included in non-distributable reserves.

20 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, net of value added taxes and discounts, and after eliminating sales within the Group.

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 rate method, which reflects a constant periodic rate of return.

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 is received. Refer note 13.2.

Franchise fees are recognised when the underlying sales which give rise to the income take place.

Premium revenue is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies incepted during the period less amounts that are unearned at balance sheet date. Refer note 23.

Other revenues earned by the Group are recognised on the following bases:

- Interest income: as it accrues (taking into account the effective yield on the asset), unless collectability is in doubt.
- Dividend income: when the shareholders' right to receive payment is established.
- Extended warranties: premiums for warranties received less expected claims, based on historical claims.
- Incentive fees: when the underlying purchases, which give rise to the income take place.

21 Earnings per share

Earnings, headline earnings and adjusted headline earnings per share are calculated by dividing the net profit attributable to shareholders, headline earnings and adjusted headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares. Adjusted headline earnings is calculated by excluding exchange gains and losses from headline earnings.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Share options, issued in terms of the share option scheme, have dilutive potential. For the share options a calculation is done to determine the number of shares that could have been acquired, at the closing market price, based on the monetary value of subscription rights attached to outstanding share options in order to determine the "bonus" element; the "bonus" shares are added to the ordinary shares in issue. No adjustment is made to net profit, as the options have no income statement effect.

22 Dividends

Dividends are accounted for in the period in which they are declared.

23 Basis of accounting for underwriting activities

Underwriting results are determined on the annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums as follows:

Premiums written relate to business incepted and renewed during the year and include premiums in arrears less an allowance for cancellations.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time proportionate basis.

Commission costs are charged to the income statement as incurred.

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not yet reported, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Claims outstanding represent the ultimate cost of settling all claims arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims.

Provision for claims incurred but not reported is calculated at a minimum of 7% of net premiums written per annum as per the requirements of the Short-term Insurance Act of 1998.

A contingency reserve is created for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment returns in the investments supporting the unearned premiums provision and the contingency reserve. The expected claims are calculated taking events that have occurred prior to the balance sheet date into account. The reserve is calculated at 10% of net premiums written per annum, as per the requirements of the Short-term Insurance Act of 1998.

24 Related parties

Individuals 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.

25 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentations made in the current year with disclosure of the reclassification detailed in the relevant notes.

Balance Sheet

Shoprite Holdings Limited and its subsidiaries as at 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000		Notes	Group 30 June 2005 R'000	Group 30 June 2004 R'000
		ASSETS			
860 364	1 054 850	NON-CURRENT ASSETS		2 775 164	2 615 874
–	–	Property, plant and equipment	1	2 311 641	2 160 987
860 209	1 054 822	Interests in subsidiaries	2	–	–
–	–	Available-for-sale investments	3	33 100	6 980
–	–	Loans originated by the enterprise	4	61 530	66 537
155	28	Deferred tax assets	5	324 270	327 373
–	–	Intangible assets	6	40 410	48 161
–	–	Fixed escalation operating lease accrual	7	4 213	5 836
1 506 148	1 731 263	CURRENT ASSETS		5 778 466	5 483 546
–	–	Assets classified as held for sale	1	183 025	–
–	–	Inventories	8	2 696 558	2 620 150
6	3 597	Trade and other receivables	9	1 639 120	1 626 985
1 619	–	Current tax asset		62 474	29 181
1 472 123	1 090 927	Interests in subsidiaries	2	–	–
32 000	–	Available-for-sale investments	3	–	53 624
–	–	Loans originated by the enterprise	4	3 993	19 538
400	636 739	Cash and cash equivalents		1 193 296	1 134 068
2 366 512	2 786 113	TOTAL ASSETS		8 553 630	8 099 420
		EQUITY AND LIABILITIES			
2 360 141	2 777 486	CAPITAL AND RESERVES		2 112 660	1 752 635
616 583	616 583	Share capital	10	616 583	616 583
293 072	293 072	Share premium		293 072	293 072
–	–	Treasury shares	10	(277 219)	(276 954)
1 450 486	1 867 831	Reserves	11	1 480 224	1 119 934
–	–	MINORITY INTEREST		40 841	38 007
2 450	2 450	NON-CURRENT LIABILITIES		733 269	747 594
2 450	2 450	Borrowings	12	2 450	2 450
–	–	Deferred tax liabilities	13	4 131	1 939
–	–	Provisions	14	211 859	213 936
–	–	Fixed escalation operating lease accrual	15	514 829	529 269
3 921	6 177	CURRENT LIABILITIES		5 666 860	5 561 184
3 165	1 847	Trade and other payables	16	4 725 009	5 280 895
–	3 525	Current tax liability		66 983	223 281
–	–	Provisions	14	86 936	49 132
–	–	Bank overdrafts		784 388	5 833
756	805	Shareholders for dividends		3 544	2 043
2 366 512	2 786 113	TOTAL EQUITY AND LIABILITIES		8 553 630	8 099 420

Income Statement

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000		Notes	Group 30 June 2005 R'000	Group 30 June 2004 R'000
		REVENUE			
		Sale of merchandise		29 812 886	26 641 233
		Finance income earned		164 791	171 322
		Franchise fees received		18 760	19 779
		Operating lease income		184 887	217 903
		Net premiums earned	17	147 152	118 123
–	–			30 328 476	27 168 360
–	–	Sale of merchandise		29 812 886	26 641 233
–	–	Cost of sales *		23 822 395	21 292 689
		* Reclassification of trade discounts, rebates and settlement discounts from other income, distribution costs from other operating costs, and certain depreciation, staff costs and operating lease expenses all to cost of sales, in the current year resulted in adjustments to the relevant comparative figures to conform with the changes in presentation made in the current year. The adjustments are detailed in note 39.			
–	–	GROSS PROFIT		5 990 491	5 348 544
–	–	Other operating income *		675 384	698 446
–	–	Depreciation *	18	(441 806)	(371 573)
–	–	Operating leases *	19	(822 592)	(812 524)
–	–	Staff costs *	20	(2 462 545)	(2 195 969)
(5 365)	(3 114)	Other operating costs *		(2 026 757)	(1 953 418)
(5 365)	(3 114)	OPERATING PROFIT/(LOSS) BEFORE EXCHANGE GAINS/(LOSSES)		912 175	713 506
(48 724)	39 394	Exchange gains/(losses)		6 103	(79 276)
(54 089)	36 280	OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS	21	918 278	634 230
(8 421)	(123 605)	Exceptional items	23	(41 670)	165 261
(62 510)	(87 325)	OPERATING PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS		876 608	799 491
517 780	762 408	Investment income	24	69 400	57 739
(288)	(277)	Finance costs	25	(47 772)	(30 062)
454 982	674 806	PROFIT BEFORE TAX		898 236	827 168
(15 249)	(31 917)	Tax	26	(323 272)	(249 307)
439 733	642 889	PROFIT AFTER TAX		574 964	577 861
–	–	Minority interest		(7 109)	(11 674)
439 733	642 889	NET PROFIT FOR THE YEAR		567 855	566 187
		Earnings per share (cents)	27	111,9	111,7
		Diluted earnings per share (cents)	27	108,9	109,5
		Headline earnings per share (cents)	27	120,3	81,0
		Diluted headline earnings per share (cents)	27	117,0	79,4
		Adjusted headline earnings per share (cents)	27	118,8	94,7
		Adjusted diluted headline earnings per share (cents)	27	115,6	92,9
33,0	41,5	Ordinary dividend per share (cents)	28	41,5	33,0

Statement of Changes in Equity

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Group

	Total	Share capital R'000	Share premium R'000	Treasury shares R'000	Contingency reserve R'000	Fair value reserve R'000	Other non-distributable reserves R'000	Retained earnings R'000
BALANCE AT 1 JULY 2003 AS PREVIOUSLY STATED	1 732 939	616 583	293 072	(274 103)	11 727	(1 958)	8 610	1 079 008
Effect of adjusted treatment of leases (note 38.2)	(384 956)							(384 956)
AS RESTATED	1 347 983	616 583	293 072	(274 103)	11 727	(1 958)	8 610	694 052
Net movement in treasury shares (note 10.3)	(3 080)			(3 080)				
Transfer loss on sale of treasury shares to retained earnings	–			229				(229)
Net profit for the year – AS RESTATED	566 187							566 187
AS PREVIOUSLY STATED	556 811							556 811
Effect of adjusted treatment of leases (note 38.2)	9 376							9 376
Net fair value gains on available-for-sale investments, net of tax	8 969					8 969		
Dividends distributed to shareholders	(167 424)							(167 424)
Transfer to contingency reserve	–				2 335			(2 335)
BALANCE AT 30 JUNE 2004	1 752 635	616 583	293 072	(276 954)	14 062	7 011	8 610	1 090 251
Net movement in treasury shares (note 10.3)	(265)			(265)				
Net profit for the year	567 855							567 855
Net fair value gains on available-for-sale investments, net of tax	4 221					4 221		
Fair value gains on available-for-sale investment realised through income statement	(1 224)					(1 224)		
Dividends distributed to shareholders	(210 562)							(210 562)
Transfer to contingency reserve	–				4 150			(4 150)
BALANCE AT 30 JUNE 2005	2 112 660	616 583	293 072	(277 219)	18 212	10 008	8 610	1 443 394

Company

	Total	Share capital R'000	Share premium R'000	Treasury shares R'000	Contingency reserve R'000	Fair value reserve R'000	Other non-distributable reserves R'000	Retained earnings R'000
BALANCE AT 1 JULY 2003	2 099 756	616 583	293 072	–	–	–	2 152	1 187 949
Net profit for the year	439 733							439 733
Dividends distributed to shareholders	(179 348)							(179 348)
BALANCE AT 30 JUNE 2004	2 360 141	616 583	293 072	–	–	–	2 152	1 448 334
Net profit for the year	642 889							642 889
Dividends distributed to shareholders	(225 544)							(225 544)
BALANCE AT 30 JUNE 2005	2 777 486	616 583	293 072	–	–	–	2 152	1 865 679

Cash Flow Statement

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000		Notes	Group 30 June 2005 R'000	Group 30 June 2004 R'000
314 611	502 269	CASH FLOWS FROM OPERATING ACTIVITIES		76 613	1 123 171
(54 089)	36 280	Operating profit before exceptional items		918 278	634 230
48 724	(39 394)	Non-cash items	29.1	501 554	471 820
2 968	(4 909)	Changes in working capital	29.2	(652 332)	226 327
167	302	Exceptional items	29.3	9 918	9 234
(2 230)	(7 721)	CASH GENERATED FROM/(UTILISED BY) OPERATIONS		777 418	1 341 611
2 209	43 519	Interest received		62 720	53 033
(288)	(277)	Interest paid		(47 772)	(30 062)
515 571	718 889	Dividends received		6 680	4 706
(179 274)	(225 495)	Dividends paid	29.4	(213 336)	(171 105)
(21 377)	(26 646)	Tax paid	29.5	(509 097)	(75 012)
(314 822)	134 070	CASH FLOWS FROM INVESTING ACTIVITIES	29.6	(810 961)	(736 243)
–	–	CASH FLOWS FROM FINANCING ACTIVITIES	29.7	428	(3 080)
(211)	636 339	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(733 920)	383 848
611	400	Cash and cash equivalents at beginning of year		1 128 235	771 706
–	–	Effect of exchange rate movements on cash and cash equivalents		14 593	(27 319)
400	636 739	CASH AND CASH EQUIVALENTS AT END OF YEAR		408 908	1 128 235
		Consisting of:			
400	636 739	Cash and cash equivalents		1 193 296	1 134 068
–	–	Bank overdrafts		(784 388)	(5 833)
400	636 739			408 908	1 128 235

Segmental Analysis

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

DEFINITIONS

1. Segment assets

   Segment assets comprise property, plant and equipment, intangible assets, inventories, receivables and cash and cash equivalents, and exclude investments, derivative financial instruments, fixed escalation operating lease accruals, and deferred tax assets.

2. Segment liabilities

   Segment liabilities comprise payables and exclude items such as provisions, borrowings, derivative financial instruments, fixed escalation operating lease accruals, tax liabilities and shareholders for dividends.

3. Capital expenditure

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

BUSINESS SEGMENT ANALYSIS

The business segment is the primary reporting format, based on the Group's management structure, and all intersegment transfers are done at cost.

The Group is organised into two main business segments:

- Supermarkets (including fresh produce, franchise and properties)
- Furniture

	30 June 2005 Supermarkets R'000	Furniture R'000	Consolidated R'000
REVENUE	28 329 967	1 998 509	30 328 476
OPERATING PROFIT			
Result	735 269	183 009	918 278
OTHER INFORMATION			
Assets	6 624 665	1 437 225	8 061 890
Liabilities	5 068 532	423 903	5 492 435
Capital expenditure			
Property, plant and equipment	896 701	31 597	928 298
Software	22 488	145	22 633
Goodwill	9 299	–	9 299
Depreciation	441 608	24 416	466 024
Amortisation	13 210	280	13 490
Non-cash expenses	(4 454)	1 735	(2 719)
Impairment charges	77 658	–	77 658

	30 June 2004 Supermarkets R'000	Furniture R'000	Consolidated R'000
REVENUE	25 452 544	1 715 816	27 168 360
OPERATING PROFIT			
Result	480 197	154 033	624 230
OTHER INFORMATION			
Assets	6 331 543	1 252 737	7 584 280
Liabilities	4 837 576	430 782	5 268 358
Capital expenditure			
Property, plant and equipment	759 798	29 057	788 855
Software	5 142	–	5 142
Goodwill	4 541	–	4 541
Depreciation	376 083	19 252	395 335
Amortisation	17 108	26	17 134
Non-cash expenses	81 755	1 638	83 393
Reversal of impairment charges	5 894	–	5 894

Segmental Analysis *(continued)*

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

GEOGRAPHICAL SEGMENT ANALYSIS

The geographical segment is the secondary reporting format and all intersegment transfers are done at cost.

The Group operates in two main geographical segments:

- South Africa
- Non-RSA countries

	30 June 2005 South Africa R'000	30 June 2005 Non-RSA countries R'000	30 June 2005 Consolidated R'000
REVENUE			
External	27 354 510	2 973 966	30 328 476
Intersegment	936 151	–	936 151
Assets	6 633 158	1 428 732	8 061 890
Capital expenditure			
Property, plant and equipment	774 955	153 343	928 298
Software	22 372	261	22 633
Goodwill	9 299	–	9 299

	30 June 2004 South Africa R'000	30 June 2004 Non-RSA countries R'000	30 June 2004 Consolidated R'000
REVENUE			
External	24 514 557	2 653 803	27 168 360
Intersegment	422 250	–	422 250
Assets	6 317 863	1 266 417	7 584 280
Capital expenditure			
Property, plant and equipment	645 429	143 426	788 855
Software	4 885	257	5 142
Goodwill	4 541	–	4 541

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		1	PROPERTY, PLANT AND EQUIPMENT		
–	–	1.1	Land at cost	145 315	128 969
		1.2	Buildings		
			Cost	994 239	861 196
			Accumulated depreciation and impairment	121 035	82 952
–	–		Carrying value	873 204	778 244
			Details of land and buildings are available for inspection at the registered office of the Company.		
		1.3	Machinery, equipment and vehicles*		
			Cost	3 004 937	3 138 022
			Accumulated depreciation and impairment	1 661 872	1 949 957
–	–		Carrying value	1 343 065	1 188 065
		1.4	Improvements to leasehold property		
			Cost	318 571	217 568
			Accumulated depreciation and impairment	185 489	151 859
–	–		Carrying value	133 082	65 709
–	–		Total property, plant and equipment	2 494 666	2 160 987
–	–		Assets reclassified as held for sale	(183 025)	–
–	–			2 311 641	2 160 987

Reconciliation of carrying values

	Land R'000	Buildings R'000	Machinery, equipment and vehicles* R'000	Leasehold improvements R'000	Total R'000
Carrying value at 1 July 2003	78 604	650 301	1 003 236	65 308	1 797 449
Additions	50 365	138 203	593 650	5 333	787 551
Acquisitions of operation	–	–	1 304	–	1 304
Disposal of operation	–	–	(2 403)	–	(2 403)
Reclassification	–	326	(18 606)	18 280	–
Proceeds on disposals	–	(9 890)	(16 843)	–	(26 733)
Depreciation	–	(3 763)	(368 360)	(23 212)	(395 335)
Reversal of impairment	–	3 067	–	–	3 067
Loss on disposal and scrapping	–	–	(3 913)	–	(3 913)
Carrying value at 30 June 2004	128 969	778 244	1 188 065	65 709	2 160 987
Additions	11 793	194 409	673 873	43 523	923 598
Acquisitions of operation	–	–	4 700	–	4 700
Reclassification	16 228	(18 657)	(76 062)	78 491	–
Proceeds on disposals	(11 675)	(45 776)	(20 356)	(3 332)	(81 139)
Depreciation	–	(3 634)	(416 815)	(45 575)	(466 024)
Impairment (note 1.5)	–	(38 783)	(6 990)	(5 734)	(51 507)
Profit/(loss) on disposal and scrapping	–	7 401	(3 350)	–	4 051
Carrying value at 30 June 2005	145 315	873 204	1 343 065	133 082	2 494 666

* All software, previously disclosed as machinery, equipment and vehicles was reclassified as intangible assets, as per the requirements of AC 129: Intangible Assets, in the current year. This resulted in adjustments to the relevant comparative figures to conform to the changes in presentations made in the current year. Refer also note 6.2.

Notes to the Annual Financial Statements

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		1	PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*		
		1.5	Impairment of property, plant and equipment		
			The recoverable amount of all property, plant and equipment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a four-year period. The discount rates used in these calculations ranged from 11,0% to 22,0%.		
			The impairment charge arose in the Supermarkets segment of the primary reporting format due to a significant reduction in the future expected sales of certain Group companies that own the assets, due to a weakening in the general economic conditions.		
		2	INTERESTS IN SUBSIDIARIES		
197 137	197 137		Investments in ordinary shares		
663 072	857 685		Investments in preference shares		
27 116	–		Amount owing by Shoprite Insurance Company Ltd		
1 454 657	1 242 484		Amounts owing by other subsidiaries		
(9 650)	(151 557)		Provision against interests in subsidiaries		
2 332 332	2 145 749			–	–
			Analysis of total interests in subsidiaries:		
860 209	1 054 822		Non-current		
1 472 123	1 090 927		Current		
2 332 332	2 145 749			–	–
			Investments in preference shares consist of convertible and redeemable, both under certain conditions, non-cumulative preference shares denominated in US dollar (2004: pound sterling).		
			The amount owing to the Company by its subsidiary, Shoprite Insurance Company Ltd, was subordinated, carried interest at prime less 4% and repaid on 31 May 2005.		
			Amounts owing by other subsidiaries of the Company are interest-free, unsecured and is payable on demand. The Company has subordinated its claim against OK Bazaars (1998) (Pty) Ltd.		
		3	AVAILABLE-FOR-SALE INVESTMENTS		
–	–		Listed share investment (note 3.1)	28 808	21 624
32 000	–		Unlisted share investments (note 3.2)	4 292	38 980
32 000	–			33 100	60 604
			Analysis of total available-for-sale investments:		
–	–		Non-current	33 100	6 980
32 000	–		Current	–	53 624
32 000	–			33 100	60 604
			The directors' valuation of the unlisted investments is equal to the carrying value.		

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		3	AVAILABLE-FOR-SALE INVESTMENTS *(CONTINUED)*		
		3.1	Listed share investment		
			During the year under review ApexHi Properties Ltd acquired the property portfolio of Shops for Africa Ltd. As a result a liquidation dividend, in lieu of the voluntary winding up of Shops for Africa Ltd, was paid on 19 July 2004. The Group received ApexHi Properties Ltd shares as compensation.		
–	–	3.1.1	1 343 685 "A" and 1 343 685 "B" linked units in ApexHi Properties Ltd	28 808	–
–	–	3.1.2	8 160 000 linked units in Shops for Africa Ltd	–	21 624
–	–			28 808	21 624
		3.2	Unlisted share investments		
32 000	–	3.2.1	13 250 000 ordinary shares of R0,01 in Canal Walk Ltd	–	32 000
			The investment in Canal Walk Ltd was impaired during the previous year due to the sale of the major asset of the company on 31 October 2003. The investment in Canal Walk Ltd was subsequently sold on 30 November 2004 (note 23).		
–	–	3.2.2	100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd	4 292	6 980
32 000	–			4 292	38 980
		4	LOANS ORIGINATED BY THE ENTERPRISE		
			Preference share investment (note 4.1)	31 337	30 639
			Amounts owing by participants of The Shoprite Holdings Ltd Share Incentive Trust (note 4.2)	16 550	32 612
			Amounts owing by franchisees (note 4.3)	17 076	22 308
			Other	560	516
–	–			65 523	86 075
			Analysis of total loans originated by the enterprise		
			Non-current	61 530	66 537
			Current	3 993	19 538
–	–			65 523	86 075
			The directors' valuation of the preference share investment is equal to the carrying value.		
–	–	4.1	Preference share investment	31 337	30 639
			6% 13 500 000 redeemable, under certain conditions, convertible cumulative preference shares in Pick & Buy Ltd (retailing supermarket group – Mauritius)		
–	–	4.2	Amounts owing by participants of The Shoprite Holdings Ltd Share Incentive Trust	16 550	32 612
			These loans are secured by Shoprite Holdings Ltd ordinary shares with a market value of R25 845 222 (2004: R35 922 721). The weighted average interest rate on these amounts was 7,3% (2004: 9,1%) and the loans are repayable by December 2006.		
–	–	4.3	Amounts owing by franchisees	17 076	22 308
			The weighted average interest rate on these amounts was 10,5% (2004: 10,0%) and the amounts are repayable between one and five years.		

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		5	DEFERRED TAX ASSETS		
–	28		Provisions	176 993	159 971
–	–		Unrealised exchange differences	4 435	11 167
–	–		Allowances on property, plant and equipment	(6 136)	(2 333)
–	–		Fixed escalation operating lease accrual	150 316	157 753
–	–		Fair value losses	(1 923)	(1 093)
155	–		Tax losses	585	1 908
155	28			324 270	327 373
			The movement in the deferred tax assets is as follows:		
–	155		At beginning of year	327 373	328 806
155	(127)		Income statement charge	(1 573)	2 307
–	28		Provisions	21 556	22 827
–	–		Unrealised exchange differences	(7 055)	12 296
–	–		Allowances on property, plant and equipment	(2 285)	(7 531)
–	–		Fixed escalation operating lease accrual	(2 589)	(5 200)
–	(5)		Tax rate change	(10 002)	–
155	(150)		Tax losses	(1 198)	(20 085)
–	–		Charged to equity	(830)	(1 583)
–	–		Transfer from deferred tax liability	(1)	(315)
–	–		Exchange differences	(699)	(1 842)
155	28		At end of year	324 270	327 373
		6	INTANGIBLE ASSETS		
			Goodwill (note 6.1)	13 487	30 339
			Software (note 6.2)	26 923	17 822
–	–			40 410	48 161
		6.1	Goodwill		
			Gross amount	39 638	30 339
			Accumulated impairment losses	26 151	–
–	–		Carrying value (note 38)	13 487	30 339
			Reconciliation of carrying value		
			Carrying value at beginning of year	30 339	33 585
			Acquired during the year (note 29.6)	9 299	4 541
			Disposed of during the year (note 29.6)	–	(2 700)
			Impairment for the year (note 6.1.3)	(26 151)	–
			Amortisation charge	–	(5 087)
–	–		Carrying value at end of year	13 487	30 339
			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 a four-year period.		
		6.1.1	Analysis of goodwill per geographical segment		
			Non-RSA countries	–	26 151
			South Africa	13 487	4 188
–	–			13 487	30 339

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		6	INTANGIBLE ASSETS *(CONTINUED)*		
		6.1	Goodwill *(continued)*		
		6.1.2	Key assumptions for value-in-use calculations		

	Non-RSA %	South Africa %
Operating margin *	1,0	3,1
Growth rate **	16,0	8,4
Discount rate ***	15,0	11,0

* Forecasted operating margin based on budgets
** Weighted average sales growth rate
*** Pre-tax discount rate applied to the cash flow projections

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

6.1.3 Impairment for the year

The impairment charge arose in a CGU in the Non-RSA segment following a significant reduction in the future expected sales due to a weakening in the general economic conditions.

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		6.2	Software (note 1)		
			Gross amount	53 834	60 791
			Accumulated amortisation	26 911	42 969
–	–		Carrying value	26 923	17 822
			Reconciliation of carrying value		
			Carrying value at beginning of year	17 822	24 931
			Acquired during the year	22 633	5 142
			Proceeds on disposal and scrapping during the year	(8)	–
			Loss on disposal and scrapping during the year	(34)	(204)
			Amortisation charge	(13 490)	(12 047)
–	–		Carrying value at end of year	26 923	17 822
		7	FIXED ESCALATION OPERATING LEASE ACCRUAL		
			Operating lease receipts straight lined	5 836	10 301
			Less: Current (included under trade and other receivables: note 9)	1 623	4 465
–	–			4 213	5 836
		8	INVENTORIES		
			Trading goods	2 696 558	2 620 150
–	–		Amount carried at net realisable value	916 275	853 975

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		9	TRADE AND OTHER RECEIVABLES		
			Instalment sales		
–	–		Gross amount (note 9.1)	888 097	866 792
–	–		Accumulated impairment	(80 237)	(65 900)
–	–		Unearned finance income	(98 649)	(105 096)
–	–			709 211	695 796
–	–		Trade receivables	405 558	496 508
6	3 597		Other receivables	514 902	417 194
–	–		Fixed escalation operating lease accrual (note 7)	1 623	4 465
–	–		Amounts owing by joint ventures (note 9.2)	7 289	11 416
–	–		Derivative: Interest rate swaps	–	1 606
–	–		Derivatives: Forward foreign exchange contracts (note 35.1.1)	537	–
6	3 597			1 639 120	1 626 985
		9.1	Instalment sales The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between 1 and 2 years and the weighted average interest rate on these receivables is 21,1% (2004: 23,5%) p.a.		
			Instalment sale receivables Future minimum instalment payments receivable under non-cancellable instalment sale agreements.		
			– Not later than 1 year	667 469	646 163
			– Later than 1 year not later than 2 years	220 628	220 629
–	–			888 097	866 792
–	–	9.2	Amounts owing by joint ventures These amounts owing are unsecured and earn interest at an average of 7,3% (2004: the South African prime rate less 2%), with the exception of R0,7 million. This amount relates to operations in Mauritius, is interest free and will be repaid during the first months of the new financial year.	7 289	11 416

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		10	SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES		
		10.1	Ordinary share capital		
			Authorised:		
			650 000 000 (2004: 650 000 000) ordinary shares of 113,4 cents each		
			Issued:		
616 306	616 306		543 479 460 (2004: 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 2005	Number of shares 2004
Issued ordinary share capital	543 479 460	543 479 460
Treasury shares (note 10.3)	(36 124 569)	(36 092 444)
	507 354 891	507 387 016

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
			The unissued ordinary shares are under the control of the directors who may issue them on such terms and conditions as they deem fit.		
		10.2	Deferred share capital		
			Authorised:		
			360 000 000 (2004: 360 000 000) non-convertible, non-participating no par value deferred shares		
			Issued:		
277	277		276 821 666 (2004: 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.		
616 583	616 583			616 583	616 583
		10.3	Treasury shares		
–	–		36 124 569 (2004: 36 092 444) ordinary shares of 113,4 cents each	277 219	276 954
			Reconciliation of movement in number of treasury shares for the Group:		
				Number of shares	
			Balance at 1 July	36 092 444	35 680 219
			Purchased by Shoprite Checkers (Pty) Ltd	7 625	378 610
			Movement in shares held by The Shoprite Holdings Ltd Share Incentive Trust		
			Shares forfeited by participants	24 500	133 615
			Sale of shares as result of exercised share options	–	(100 000)
–	–		Balance at 30 June	36 124 569	36 092 444
		10.4	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.		

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		10	SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES *(CONTINUED)*		
		10.4.1	Share purchase scheme		
			Movements in the number of ordinary shares held by The Shoprite Holdings Limited Share Incentive Trust in terms of the share purchase scheme were as follows:		
				Number of shares	
			Balance at beginning of year	4 227 875	5 678 149
			Shares released to participants	(1 992 660)	(1 350 274)
			Shares released to optionholders	–	(100 000)
–	–		Balance at end of year	2 235 215	4 227 875
			Movements in the number of ordinary shares vested with eligible participants during the year were as follows:		
				Number of shares	
			Balance at beginning of year	3 781 339	3 622 129
			Vested during the year	–	1 643 099
			Shares released to participants	(1 992 660)	(1 350 274)
			Shares forfeited by participants*	(24 500)	(133 615)
–	–		Balance at end of year	1 764 179	3 781 339
			* Shares are forfeited when a participant resigns before shares are vested.		
				R'000	R'000
–	–		Fair value of treasury shares held by The Shoprite Holdings Ltd Share Incentive Trust	6 901	4 242
		10.4.2	Share option scheme		
			Movements in the number of share options held by eligible participants were as follows:		
				Number of shares	
			Balance at beginning of year	29 925 000	30 900 000
			Options forfeited *	(750 000)	(875 000)
			Options exercised	–	(100 000)
–	–		Balance at end of year	29 175 000	29 925 000
			* Options are forfeited when an optionholder resigns prior to the exercise dates of the option.		
			Options outstanding on 30 June 2005 are unconditional on the following dates or immediately in the case of a deceased estate:		
				Number of shares	Average option price
			Now	6 666 666	R6,51
			22 August 2005	3 333 334	R6,51
			20 – 24 December 2006	4 793 750	R6,22
			20 – 24 December 2007	4 793 750	R6,22
			20 – 24 December 2008	9 587 500	R6,22
				29 175 000	

Company			Group	
30 June 2004 R'000	30 June 2005 R'000		30 June 2005 R'000	30 June 2004 R'000

10 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES *(CONTINUED)*

10.4.3 Share options held by executive directors
– In terms of share option scheme

	Exercisable between 20 and 24 December			Number of shares	Actual option price
	2006	2007	2008		
CG Goosen	112 500	112 500	225 000	450 000	R6,19
B Harisunker	93 750	93 750	187 500	375 000	R6,22
AN van Zyl	75 000	75 000	150 000	300 000	R6,22
BR Weyers	75 000	75 000	150 000	300 000	R6,22

	Exercisable			
	Now	22/08/05		
JW Basson	6 666 666	3 333 334	10 000 000	R6,51

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

10.4.4 Share appreciation rights

The Group has granted share appreciation rights to two directors, Dr CH Wiese and Mr JW Basson. The share appreciation rights entitle these directors to receive cash payments based on the difference between the share price at the date of the exercise of the rights and the strike price which relate to the share price at the date of the grant.

In the case of Mr Basson the benefits were paid out to him upon him exercising his rights during the year. In the case of Dr Wiese the share appreciation rights have been granted via a management company and are governed *mutatis mutandis* by the rules of the Shoprite share option scheme. The number of shares on which the rights are based as well as the strike prices and the exercise and expiry dates are set out below. As at 30 June 2005, R52 389 842 (2004: R6 935 327) has been recognised in respect of these share appreciation rights. Refer note 22 for payments made during the year under review in respect of the above.

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

Notes to the Annual Financial Statements

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		11	RESERVES		
2 152	2 152	11.1	Non-distributable reserves	36 830	29 683
209	209		Reserve on conversion from no par value to par value shares	209	209
1 943	1 943		Capital redemption reserve	1 943	1 943
–	–		Foreign currency translation reserve	6 458	6 458
–	–		Contingency reserve	18 212	14 062
–	–		Fair value reserve	10 008	7 011
			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 non-distributable reserves any amounts they deem proper.		
		11.2	Distributable reserve		
1 448 334	1 865 679		Retained earnings	1 443 394	1 090 251
1 450 486	1 867 831			1 480 224	1 119 934
		12	BORROWINGS		
			Consisting of:		
2 450	2 450		Shoprite Holdings Ltd preference share capital (note 12.1)	2 450	2 450
–	–		Shoprite Guernsey Ltd preference share capital (note 12.2)	–	–
2 450	2 450			2 450	2 450
		12.1	Shoprite Holdings Ltd preference share capital		
			Authorised:		
			175 000 6% non-convertible cumulative preference shares of R2 each		
			325 000 5% non-convertible cumulative preference shares of R2 each		
			225 000 second 5% non-convertible cumulative preference shares of R2 each		
			1 000 000 third 5% non-convertible cumulative preference shares of R2 each		
			Issued:		
350	350		175 000 6% non-convertible cumulative preference shares of R2 each	350	350
650	650		325 000 5% non-convertible cumulative preference shares of R2 each	650	650
450	450		225 000 second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000		500 000 third 5% non-convertible cumulative preference shares of R2 each	1 000	1 000
2 450	2 450			2 450	2 450
		12.2	Shoprite Guernsey Ltd preference share capital		
			8 "Malawi" redeemable under certain conditions, preference shares of USD1,82 each (note 12.2.1)	498	–
			3 "Mozambique" redeemable under certain conditions, preference shares of USD1,8 each (note 12.2.1)	195	–
			Accumulated fair value adjustments	(693)	–
–	–			–	–
		12.2.1	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.		

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		13	DEFERRED TAX LIABILITIES		
			Allowances on property, plant and equipment	3 640	1 223
			Provisions	491	716
–	–			4 131	1 939
			The movement in the deferred tax liabilities is as follows:		
			At beginning of year	1 939	4 224
			Income statement charge	2 193	(1 970)
			Allowances on property, plant and equipment	575	(2 209)
			Provisions	1 618	239
			Transfer from/to deferred tax asset	(1)	(315)
–	–		At end of year	4 131	1 939
		14	PROVISIONS		
			Provision for post-retirement medical benefits (note 33.2)	153 595	154 935
			Provision for onerous lease contracts	47 910	60 603
			Provision for warranties	50 733	25 375
			Provision for long-service awards	25 735	21 590
			Reinstatement provision *	20 822	565
–	–			298 795	263 068

14.1 Reconciliation of carrying values

	Post-retirement medical benefits R'000	Onerous lease contracts R'000	Warranties R'000	Long-service awards R'000	Reinstatement provision* R'000	Total R'000
Balance at 1 July 2003	139 951	90 986	24 511	20 500	–	275 948
Additional provisions	23 589	–	13 650	4 626	565	42 430
Unused amounts reversed	–	–	(10 490)	–	–	(10 490)
Utilised during the year	(8 605)	(30 383)	(2 296)	(3 536)	–	(44 820)
Balance at 30 June 2004	154 935	60 603	25 375	21 590	565	263 068
Additional provisions	8 346	10 499	37 259	7 808	20 822	84 734
Unused amounts reversed	–	–	(1 410)	–	–	(1 410)
Utilised during the year	(9 686)	(23 192)	(10 491)	(3 663)	(565)	(47 597)
Balance at 30 June 2005	153 595	47 910	50 733	25 735	20 822	298 795

* Provision for reinstatement costs, previously disclosed as other payables, was reclassified as a provision in the current year. This was done due to the fact that the total provision at current balance sheet date warranted separate disclosure. The relevant comparative figures were restated to conform to the changes in presentations made in the current year (note 39.3).

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		14.2	Analysis of total provisions		
			Non-current	211 859	213 936
			Current	86 936	49 132
–	–			298 795	263 068

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		15	FIXED ESCALATION OPERATING LEASE ACCRUAL		
			Operating lease payments straight lined	531 791	543 634
			Less: Current (included under trade and other payables: note 16)	16 962	14 365
–	–			514 829	529 269
		16	TRADE AND OTHER PAYABLES		
–	–		Trade payables	2 973 586	3 468 489
–	–		Unearned premiums	129 267	121 131
–	–		Claims incurred but not reported	12 749	9 843
3 165	1 847		Other payables and accruals	1 589 087	1 658 921
–	–		Amounts owing to joint ventures (note 16.1 and note 37)	3 358	4 141
–	–		Fixed escalation operating lease accrual (note 15)	16 962	14 365
–	–		Derivatives: Forward foreign exchange contracts (note 35.1.1)	–	4 005
3 165	1 847			4 725 009	5 280 895
–	–	16.1	Amounts owing to joint ventures	3 358	4 141
			These loans are unsecured, payable on demand and earn interest at an average of 7,41% (2004: the South African prime rate less 2%), with the exception of R0,9 million, relating to operations in Zambia, which earn interest at 2,9%.		
		17	NET PREMIUMS EARNED		
			Gross premiums written	155 288	140 618
			Change in accumulated unearned premiums	(8 136)	(22 495)
–	–			147 152	118 123
		18	DEPRECIATION		
			Property, plant and equipment (note 1)	466 024	395 335
			Disclosed as cost of sales	(24 218)	(23 762)
–	–			441 806	371 573
			Reclassification of certain depreciation expenses to cost of sales, in the current year, resulted in adjustments to the relevant comparative figures to conform to the changes in presentation made in the current year.		
		19	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 10 and 20 years with renewal options for a further 5 to 20 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1,8% of turnover. Rental escalations vary, but average at a rate of 6,96% per annum.		
			Operating lease payments – property	799 728	755 010
			Operating lease payments – equipment	39 334	87 710
–	–			839 062	842 720
–	–		Disclosed as cost of sales	(16 470)	(30 196)
–	–			822 592	812 524

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		19	OPERATING LEASES *(CONTINUED)*		
			Consisting of:		
			Minimum lease payments	715 207	737 540
			Contingent lease payments	123 855	105 180
–	–			839 062	842 720
			Reclassification of certain operating lease expenses to cost of sales, in the current year, resulted in adjustments to the relevant comparative figures to conform to the changes in presentation made in the current year.		
		20	STAFF COSTS		
			Wages and salaries	2 379 166	2 111 515
			Post-retirement medical benefits (note 33)	8 346	23 589
			Retirement benefit contributions (note 33)	147 343	138 733
–	–			2 534 855	2 273 837
–	–		Disclosed as cost of sales	(72 310)	(77 868)
–	–			2 462 545	2 195 969
			Reclassification of certain staff costs to cost of sales, in the current year, resulted in adjustments to the relevant comparative figures to conform to the changes in presentation made in the current year.		
			Average number of persons employed by the Group during the year:		
				Number of employees	
			Full-time	25 605	25 635
			Part-time	35 216	37 425
–	–			60 821	63 060
		20.1	The reduction in part-time employees is due to vacancies which arose during the period and which were not filled. The available hours generated by these vacancies were instead distributed to existing active part-time employees in line with the Sectoral Determination 9.		

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		21	OPERATING PROFIT		
			Determined after taking into account the following:		
50	145		Auditors' remuneration	13 697	12 186
21	36		Audit fees – for the year	9 380	7 939
–	–		– underprovided – previous year	590	206
29	109		Fees for tax compliance services	2 254	1 245
–	–		Fees for secretarial services	45	188
–	–		Fees for information technology consulting services	719	1 466
–	–		Fees for accounting services	315	390
–	–		Fees for other consulting services	394	752
3 348	2 281		Fees paid for outside services	79 979	86 865
101	19		Administrative	10 344	18 393
1 142	109		Technical	66 006	63 455
2 105	2 153		Secretarial	3 629	5 017
			Fair value gains/(losses) on financial instruments		
–	–		– interest rate swaps	(1 606)	(537)
–	–		– forward contracts	4 542	(2 075)
–	–		– loans originated	–	(1 230)
–	–		– preference shares	693	–
–	–		Loss on disposal and scrapping of plant, equipment and software	3 384	4 117
–	–		Instalment sales – impairment charge for bad and doubtful debts	3 397	6 487
–	–		Accounts receivables – impairment charge for bad and doubtful debts	362	10 391
–	–		Amounts owing by franchisees – impairment charge for bad and doubtful debts	4 137	9 825
–	–		Net insurance claims incurred	17 873	14 130
–	–		– claims paid	14 968	12 496
–	–		– movement in accumulated claims	2 905	1 634

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		22	DIRECTORS' REMUNERATION		
22 416	66 428		Executive directors		
1 799	1 983		Non-executive directors		
24 215	68 411				
(24 002)	(68 191)		Less: Paid by subsidiaries		
213	220				

For details of share options issued to directors refer note 10.4.3.

R'000	2005 Remu-neration	2005 Perform-ance bonus	2005 Retirement and medical benefits	2005 Other benefits	2005 Total	2004 Remu-neration	2004 Perform-ance bonus	2004 Retirement and medical benefits	2004 Other benefits	2004 Total
Executive directors										
JW Basson	7 171	51 175*	601	20	58 967	5 176	6 835	509	16	12 536
B Rogut (retired 31/03/04)	–	–	–	–	–	932	374	33	2 193**	3 532
CG Goosen	1 615	663	410	50	2 738	1 411	463	349	64	2 287
BR Weyers	774	383	229	32	1 418	719	301	197	27	1 244
AN van Zyl	777	348	275	30	1 430	722	303	246	32	1 303
B Harisunker	1 114	297	369	95	1 875	860	209	291	154	1 514
	11 451	52 866	1 884	227	66 428	9 820	8 485	1 625	2 486	22 416

* Consists of payment in respect of share appreciation rights, refer note 10.4.4.
** Includes R2,1 million for the purchase of a retirement annuity.

R'000	2005 Fees	2005 Total	2004 Fees	2004 Total
Non-executive directors				
JA Louw	40	40	40	40
TRP Hlongwane	40	40	40	40
JF Malherbe	40	40	40	40
JG Rademeyer	100	100	93	93
	220	220	213	213

Certain non-executive directors are employees of Chaircorp (Pty) Ltd ("Chaircorp"), a a management company that renders advisory services to Shoprite Holdings Ltd in return for an annual fee. Remuneration paid to these non-executive directors by Chaircorp, for the financial year under review, was as follows:

	2005 Fees	2005 Total	2004 Fees	2004 Total
CH Wiese	1 596	1 596	1 433	1 433
JJ Fouché	167	167	153	153
	1 763	1 763	1 586	1 586

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Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		23	EXCEPTIONAL ITEMS		
–	–		Profit on disposal of property (note 1)	7 401	–
(3 469)	(141 907)		Impairment of investment in subsidiaries (note 2)	–	–
–	–		Insurance claim for building received	5 864	–
–	–		(Impairment)/reversal of impairment of property, plant and equipment (note 1)	(51 507)	3 067
–	–		Profit on lease cancellation	8 000	12 067
–	–		Payment made for lease cancellation	(4 907)	(3 000)
–	–		Impairment of goodwill (note 6.1)	(26 151)	–
167	302		Prescription of amounts owing	961	167
–	–		Profit on disposal of operation	–	97
–	–		Reversal of impairment of amounts owing by participants of The Shoprite Holdings Ltd Share Incentive Trust	–	7 946
(5 119)	–		Impairment of unlisted investment (note 3.2.1)	–	(5 119)
–	18 000		Profit on disposal of unlisted investment (note 3.2.1)	18 000	–
–	–		Profit on disposal of listed investment (note 3.1)	669	–
–	–		Amortisation of negative goodwill	–	150 036
(8 421)	(123 605)			(41 670)	165 261
–	–		Minority interest effect of exceptional items	–	–
–	6 672		Tax effect of exceptional items	1 475	(1 454)
		24	INVESTMENT INCOME		
2 209	43 519		Interest on investment of surplus funds	56 344	45 583
–	–		Interest from participants of The Shoprite Holdings Ltd Share Incentive Trust	2 338	3 667
–	–		Interest received from joint ventures	739	662
–	–		Interest received – other	3 299	3 121
515 532	718 889		Dividends – subsidiaries	–	–
–	–		– unlisted investments	2 302	2 661
39	–		– listed investment	4 378	2 045
517 780	762 408			69 400	57 739
		25	FINANCE COSTS		
162	151		Interest paid	47 370	29 860
–	–		Interest paid to joint ventures	276	76
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
288	277			47 772	30 062

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		26	TAX		
		26.1	Classification:		
15 249	31 917		South African normal tax	297 557	217 128
–	–		Foreign tax	25 715	32 179
15 249	31 917			323 272	249 307
		26.2	Consisting of:		
–	5 502		Current tax	320 872	218 367
(1 587)	(109)		Prior year tax	(29 815)	15 977
–	–		Withholding tax	1 282	1 553
16 991	26 397		Secondary tax on companies	27 167	17 687
15 404	31 790			319 506	253 584
(155)	127		Deferred tax	3 766	(4 277)
15 249	31 917			323 272	249 307
		26.3	Reconciliation of tax:		
136 495	195 694		South African normal tax at 29% (2004: 30%)	260 488	248 150
(121 246)	(163 777)		Net adjustments	62 784	1 157
38	37		Preference dividends	37	38
(154 671)	(208 478)		Dividend income	(1 937)	(1 412)
–	5		Tax rate change	10 002	–
17 983	18 399		Other exempt income and non-deductible expenses	(1 378)	(63 293)
–	(28)		Deferred tax asset previously not recognised	(114)	(25 066)
–	–		Utilisation of temporary differences previously not recognised	19 121	–
(1 587)	(109)		Prior year tax	(29 815)	15 977
16 991	26 397		Secondary tax on companies	27 167	17 687
–	–		Effect of foreign tax rates	162	23 262
–	–		Withholding tax	1 282	1 553
–	–		Deferred tax asset not recognised	38 257	32 411
15 249	31 917		Tax	323 272	249 307
			The applicable tax rate for the Group changed from 30% in the previous financial year to 29% in the current financial year due to a change in the South African Revenue Act.		
13 247	19 022		Secondary tax on companies on proposed dividends	19 022	13 247
		26.4	Calculated tax losses and net deductible temporary differences		
518	–		at year-end	341 052	891 888
(518)	–		Applied in the provision for deferred tax	67 797	704 981
–	–		Net calculated tax losses and net deductible temporary differences	273 255	186 907

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		26	TAX *(CONTINUED)*		

The utilisation of the tax relief, translated at closing rates, to the value of R74 219 350 (2004: R55 396 428), 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	Amount R'000	Tax relief R'000
30 June 2006	8 085	3 154
30 June 2007	21 924	8 252
30 June 2008	34 041	12 698
30 June 2009	17 561	6 914
30 June 2010	18 877	7 245
30 June 2011	12 063	3 728
30 June 2012	4 415	1 358
30 June 2013	10 574	3 252
	127 540	46 601

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		27	EARNINGS PER SHARE		
			Net profit attributable to shareholders	567 855	566 187
			Exceptional items (note 23)	41 670	(165 261)
			Tax effect on exceptional items	(1 475)	1 454
			Other items		
			Loss on disposal and scrapping of plant, equipment and software	3 384	4 117
			Amortisation of goodwill	–	5 087
			Tax effect on other items	(974)	(922)
			Headline earnings	610 460	410 662
			Exchange (gains)/losses after tax	(7 487)	69 416
			Adjusted headline earnings	602 973	480 078
			Weighted average number of ordinary shares ('000)	507 373	506 979
			Adjustments for dilutive potential of share options ('000)	14 271	10 028
			Weighted average number of ordinary shares for diluted earnings per share ('000)	521 644	517 007
			Number of ordinary shares ('000)		
			– In issue	507 355	507 387
			– Weighted average	507 373	506 979
			– Weighted average adjusted for dilution	521 644	517 007
			Earnings per share (cents)		
			– Earnings	111,9	111,7
			– Diluted earnings	108,9	109,5
			– Headline earnings	120,3	81,0
			– Diluted headline earnings	117,0	79,4
			– Adjusted headline earnings	118,8	94,7
			– Adjusted diluted headline earnings	115,6	92,9

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
	Cents	28	DIVIDENDS PER SHARE		Cents
			No. 111 paid 20 September 2004 (2004: No. 109 paid		
16,5	22,0		15 September 2003)	22,0	16,5
16,5	19,5		No. 112 paid 22 March 2005 (2004: No. 110 paid 15 March 2004)	19,5	16,5
33,0	41,5			41,5	33,0
			For details of dividends declared after balance sheet date refer to the directors' report on page 41.		
R'000	R'000	29	CASH FLOW INFORMATION	R'000	R'000
		29.1	Non-cash items		
–	–		Depreciation on property, plant and equipment	466 024	395 335
–	–		Amortisation of goodwill	–	5 087
–	–		Amortisation of software	13 490	12 047
–	–		Loss on disposal and scrapping of plant, equipment and software	3 384	4 117
–	–		Net fair value (gains)/losses on financial instruments	(3 629)	3 842
48 724	(39 394)		Exchange (gains)/losses	(6 103)	79 276
–	–		Movement in provisions	35 727	(12 880)
–	–		Movement in fixed escalation operating lease accrual	(7 339)	(15 004)
48 724	(39 394)			501 554	471 820
			Reclassification of movement in provisions, from changes in working capital to non-cash items, in the current year resulted in adjustments to the relevant comparative figures to conform with the changes in presentation made in the current year.		
		29.2	Changes in working capital		
–	–		Inventories	(92 552)	(98 169)
(6)	(3 591)		Trade and other receivables	(13 788)	(227 341)
2 974	(1 318)		Trade and other payables	(545 992)	551 837
2 968	(4 909)			(652 332)	226 327
		29.3	Exceptional items		
(8 421)	(123 605)		Exceptional items per income statement	(41 670)	165 261
–	–		Profit on disposal of property	(7 401)	–
3 469	141 907		Impairment of investment in subsidiaries	–	–
–	–		Impairment/(reversal of impairment) of property, plant and equipment	51 507	(3 067)
5 119	–		Impairment of unlisted investment	–	5 119
–	(18 000)		Profit on disposal of unlisted investment	(18 000)	–
–	–		Profit on disposal of listed investment	(669)	–
–	–		Profit on disposal of operation	–	(97)
			Reversal of impairment of amounts owing by participants of		
–	–		The Shoprite Holdings Ltd Share Incentive Trust	–	(7 946)
–	–		Impairment of goodwill	26 151	–
–	–		Amortisation of negative goodwill	–	(150 036)
167	302			9 918	9 234

Notes to the Annual Financial Statements

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		29	CASH FLOW INFORMATION *(CONTINUED)*		
		29.4	Dividends paid		
(682)	(756)		Shareholders for dividends at the beginning of the year	(2 043)	(852)
(179 348)	(225 544)		Dividends distributed to shareholders	(210 562)	(167 424)
–	–		Dividends declared to minorities	(4 275)	(4 872)
756	805		Shareholders for dividends at the end of the year	3 544	2 043
(179 274)	(225 495)			(213 336)	(171 105)
		29.5	Tax paid		
(4 354)	1 619		(Payable)/prepaid at beginning of year	(194 100)	(15 528)
(15 404)	(31 790)		Per income statement	(319 506)	(253 584)
(1 619)	3 525		Payable/(prepaid) at end of year	4 509	194 100
(21 377)	(26 646)			(509 097)	(75 012)
		29.6	Cash flows from investing activities		
–	–		Purchase of property, plant and equipment and software	(946 231)	(792 693)
–	–		Proceeds on disposal of property, plant and equipment and software	81 147	26 733
–	–		Other investing activities	21 250	38 764
12	–		Deregistration of subsidiaries	–	–
(185 552)	239 289		Decrease/(increase) in amounts owing by subsidiaries	–	–
(129 282)	(155 219)		Preference share investments	–	–
–	–		Purchase of unlisted investment	–	(100)
–	50 000		Proceeds on disposal of unlisted investment	50 000	–
–	–		Proceeds on disposal of listed investment	21 069	–
–	–		Acquisition of listed investment	(21 069)	–
–	–		Acquisitions of operations (note 29.6.1)	(17 127)	(14 147)
–	–		Disposal of operation (note 29.6.2)	–	5 200
(314 822)	134 070			(810 961)	(736 243)
		29.6.1	Acquisitions of operations		
			The Group acquired business operations from former franchisees on 18 September 2003 and 28 January 2004 during the previous financial year, and on 30 August 2004 during the current period under review.		
			The Group acquired retail business operations from Platinum Mile Investments 207 (Pty) Ltd and Kokwethu Trading Company (Pty) Ltd on 21 March 2005 during the current period under review.		
			The assets and liabilities arising from these acquisitions were as follows:		
			Property, plant and equipment (note 1)	4 700	1 304
			Inventories	3 128	8 302
				7 828	9 606
			Goodwill	9 299	4 541
			Total purchase consideration	17 127	14 147
			The operating profit of the above acquired retail operations, included in the results of the Group since the acquisition date, amounted to R1 772 686. The revenue and profit of the entire Group, restated as though the business combinations had been on 1 July 2004, is not disclosed as the effect would be insignificant in relation to the total Group results.		
			Goodwill was paid in order to acquire favourable retail premises and to ensure that a competitive advantage is maintained in the trading areas concerned.		

Shoprite Holdings Limited and its subsidiaries for the year ended 30 June 2005

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		29	CASH FLOW INFORMATION *(CONTINUED)*		
		29.6	Cash flows from investing activities *(continued)*		
		29.6.2	Disposal of operation		
			On 21 March 2004, during the previous financial year, the Group disposed of a business operation to a new franchisee. The net assets affected by the transaction were as follow:		
			Property, plant and equipment (note 1)		2 403
			Goodwill		2 700
					5 103
			Profit on disposal		97
			Total proceeds		5 200
		29.7	Cash flows from financing activities		
			Acquisition of treasury shares	(265)	(3 703)
			Proceeds on sale of treasury shares (note 10.3)	–	623
			Proceeds on issue of Shoprite Guernsey Ltd preference shares to joint venture (note 12.2)	693	–
–	–			428	(3 080)
		30	CONTINGENT LIABILITIES		
–	–		Outstanding litigation matters (note 30.1)	53 190	10 207
34 500	35 000		Other	–	4 500
34 500	35 000			53 190	14 707
		30.1	There was an increase in the contingent liabilities arising in the ordinary course of business relating to property and other transactions from which it is anticipated that no material liabilities will arise.		
		31	COMMITMENTS		
		31.1	Capital commitments		
			Contracted for property, plant and equipment	344 438	174 053
			Authorised by directors, but not contracted for	1 131 906	919 781
–	–		Total capital commitments	1 476 344	1 093 834
–	–		Capital commitments for the 12 months after accounting date	1 476 344	1 093 834
			Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
		31.2	Operating lease commitments		
			Future minimum lease payments under non-cancellable operating leases		
			– Not later than 1 year	666 960	637 224
			– Later than 1 year not later than 5 years	2 336 827	2 027 451
			– Later than 5 years	1 686 965	1 507 226
–	–			4 690 752	4 171 901
–	–		Less: Fixed escalation operating lease accrual (note 15)	(531 791)	(543 634)
–	–			4 158 961	3 628 267

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		31	COMMITMENTS *(CONTINUED)*		
		31.3	Operating lease receivables		
			Future minimum lease payments receivable under non-cancellable operating leases		
			– Not later than 1 year	136 818	156 717
			– Later than 1 year not later than 5 years	229 334	258 953
			– Later than 5 years	12 524	42 916
–	–			378 676	458 586
–	–		Less: Fixed escalation operating lease accrual (note 7)	(5 836)	(10 301)
–	–			372 840	448 285
		32	BORROWING POWERS		
			In terms of the Articles of Association of the Company the borrowing powers of Shoprite Holdings Limited are unlimited.		
		33	POST-RETIREMENT BENEFITS		
		33.1	Pension/Provident 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 84,0% of employees and 10,4% of the employees belong to national retirement plans. The monthly contributions are charged to the income statement.		
			All company funds are defined contribution funds, except for one which is a defined benefit fund. All South African funds are subject to the Pension Funds Act of 1956. The defined benefit fund is actuarially valued every three years, the last being on 30 June 2004.		
			The benefit fund is in the process of being closed and has one active member and 28 pensioners.		
			In terms of the valuation cycle, all funds were confirmed as being financially sound as at their last valuation.		
			During the year under review contributions to retirement funding have been calculated as	147 343	138 733
			The Group is currently implementing the surplus regulations of December 2001. No asset is recognised in respect of the surplus amounting to R75 million as the apportionment of the surplus still needs to be approved by the Registrar of Pension Funds. The Group's valuation date is 30 June 2004, and any resulting surpluses allocated to the Group will be recognised if and when they are confirmed in terms of the abovementioned regulations.		

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		33	POST-RETIREMENT BENEFITS *(CONTINUED)*		
		33.2	Medical benefits		
			Full provision for post-retirement medical benefits, where they exist, are made with reference to actuarial valuations in respect of past services liabilities.		
			The principal actuarial assumptions used for accounting purposes are as follows:		
			Health care cost inflation 6,5%		
			Discount rate 8,5%		
			Salary adjustments		
			– inflation 4,0%		
			– promotions and experience increases 1,5%		
			Continuation at retirement 100,0%		
			Expected retirement age 63 years		
			The amounts recognised in the balance sheet (note 14) were determined as follows:		
			Present value of post-retirement medical benefits	161 715	147 150
			Net actuarial (gains)/losses recognised during the year	(8 120)	7 785
			Liability in balance sheet	153 595	154 935
			The amounts recognised in the income statement were as follows:		
			Current service cost	2 207	2 239
			Net actuarial (gains)/losses recognised during the year	(8 120)	7 785
			Interest cost	14 259	13 565
			Total included in staff costs (note 20)	8 346	23 589
		34	GUARANTEES		
1 975 688	2 363 411	34.1	Guarantees in favour of banks	–	–
		34.2	The Company guarantees the obligations of subsidiaries for the rental of land and buildings.		

35 FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain exposures.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Company			Group	
30 June 2004 R'000	30 June 2005 R'000		30 June 2005 R'000	30 June 2004 R'000
		35 FINANCIAL RISK MANAGEMENT *(CONTINUED)*		
		35.1 Financial risk factors *(continued)*		
		35.1.1 Foreign exchange risk		
		The Group operates internationally and is exposed to foreign exchange 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 contracts.		
		Forward foreign exchange contracts are not used for speculative purposes. As at 30 June 2005 and 30 June 2004 the settlement dates on open forward contracts ranged between 2 and 6 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=USD0,1481) (2004: R1=USD0,1512)	109 291	98 355
		The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency risk.		

35.1.2 Interest rate risk

The weighted average effective interest rate on call accounts was 7,3% (2004: 9,1%). The Group makes use of interest rate swaps in order to hedge specific interest rate risk exposures.

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

– Interest-bearing borrowings : note 12
– Finance lease investments : note 9
– Amounts owing by joint ventures : note 9
– Loans originated by the enterprise : note 4

35.1.3 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.

Company 30 June 2004 R'000	Company 30 June 2005 R'000		Group 30 June 2005 R'000	Group 30 June 2004 R'000

35 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

35.1 Financial risk factors *(continued)*

35.1.3 Credit risk *(continued)*

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 2005:

Country	Foreign currency	Rand equivalent R'000
Angola	Kwanza	(16 338)
Botswana	Pula	(6 512)
Egypt	Egyptian pound	(23 774)
Europe	Euro	258
Ghana	Cedi	1 723
India	Rupee	3 588
Madagascar	Ariary	(6 508)
Malawi	Kwacha	10 237
Mauritius	Mauritian rupee	12 170
Mozambique	Metical	2 338
Tanzania	Shilling	(1 245)
Uganda	Shilling	7 619
USA	Dollar	99 308
Zambia	Kwacha	(51 353)
Zimbabwe	Zimbabwe dollar	(8 966)

35.1.4 Liquidity risk

The Group's risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2005: R1 776 705 692; 2004: R1 967 119 000) 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.

35.2 Underwriting risk

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.

35.3 Fair value estimation

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

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		36	RELATED PARTY INFORMATION		
			Related party relationships exist between the Company, subsidiaries and the directors of the Company.		
			During the year under review, in the ordinary course of business, certain Group companies entered into market-related transactions with each other. All these intergroup transactions have been eliminated In the annual financial statements on consolidation.		
			Details of the remuneration of directors, and their shareholding, are disclosed elsewhere in the annual report.		
			During the financial year under review, in the ordinary course of business, certain Group companies purchased certain products and services from certain entities, in which directors JW Basson, CH Wiese 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.		
			During the previous financial year, the Group sold 50% of its interest in Hungry Lion to a family member of Mr JW Basson, details of which were set out in the 2004 annual report. Due to certain suspensive conditions not being fulfilled, the effective date of the transaction for some business units was delayed until this year and the purchase price was adjusted from R24 million to R22 million.		
			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	304	736*
			Rent paid to the Group	1 969	2 315*
			Interest paid to the Group	1 478	1 324*
			Interest paid to joint venture	552	152*
			* The comparative information is adjusted due to the delay of certain sale of business transactions to the joint venture, as detailed above.		
			Interest of R337 893 was paid to Mr JW Basson on amounts owing to him during the financial year under review. This interest was calculated at an average rate of 7,3% over the outstanding period.		
850	900		The Company receives an annual administration fee from its subsidiary, Shoprite Checkers (Pty) Ltd.		

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		37	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. The comparative information is adjusted due the delay of certain sale of business transactions to the joint venture, as detailed in note 36.		
			Income statement		
			Revenue	72 171	50 848
			Net profit before tax	10 262	2 091
			Tax	(2 886)	578
			Net profit for the year	7 376	2 669
			Balance sheet		
			Non-current assets	12 574	10 619
			Current assets	7 395	1 129
			Current liabilities	4 422	97
			Interest-bearing	(3 358)	(4 141)
			Interest-free	7 780	4 238
			Cash flow statement		
			Net cash flow from operating activities	11 622	7 892
			Net cash flow from investing activities	(4 013)	(7 887)
			Capital commitments	8 736	4 427
		38	CHANGE IN ACCOUNTING POLICY		
		38.1	Accounting for goodwill		
			In accordance with the transitional provisions of AC 140: Business Combinations and AC 128: Impairment of Assets, the Group has discontinued the amortisation of goodwill and eliminated the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill. All goodwill acquired in business combinations will now be tested for impairment annually and any resulting impairment losses will be recognised in the income statement. As per the stated transitional provisions this adjustment will be done prospectively and the effect on the current year income statement is reflected below.		
			Operating profit	5 087	
			Exceptional items	(26 151)	
			Profit before tax	(21 064)	
			Tax	–	
			Net profit	(21 064)	
			Decrease in goodwill	21 064	

Company 30 June 2004 R'000	Company 30 June 2005 R'000			Group 30 June 2005 R'000	Group 30 June 2004 R'000
		38	CHANGE IN ACCOUNTING POLICY *(CONTINUED)*		
		38.2	Accounting for leases		
			In terms of SAICA Circular 7/2005 relating to AC 105: Leases, all payments in respect of operating leases with a fixed escalation clause are recognised as an expense or income on a straight-line basis over the lease term.		
			As per the requirements of AC 103: Net profit or loss for the period, fundamental errors and changes in accounting policies, the relevant comparative information has been restated. The effect of the restatement is reflected below and in the statement of changes in equity.		
			Operating profit	7 378	10 909
			Exceptional items	–	3 667
			Profit before tax	7 378	14 576
			Tax (including tax rate adjustment)	7 437	5 200
			Net profit	(59)	9 376
			Increase in non-current assets	154 529	163 589
			Increase in trade and other receivables	1 623	4 465
			Increase in non-current liabilities	514 829	529 269
			Increase in trade and other payables	16 962	14 365
		39	RECLASSIFICATION OF DISCLOSURE ITEMS		
			Certain reclassifications of income statement items in the current year resulted in changes to the relevant comparative information to ensure accurate comparability with the current year information. The affected line items are detailed below.		
		39.1	All items, with most relating to distribution centre costs, forming part of the inventory valuation has now been disclosed as part of cost of sales		
			Cost of sales	1 302 399	1 284 665
			Other operating income	(1 605 605)	(1 562 116)
			Depreciation	24 218	23 762
			Operating leases	16 470	30 196
			Staff costs	72 310	77 868
			Other operating costs	190 208	145 625
			Operating profit	–	–
		39.2	Reclassification of software as intangible assets		
			Intangible assets	26 923	17 822
			Property, plant and equipment	(26 923)	(17 822)
			Non-current assets	–	–
			Depreciation	(13 490)	(12 047)
			Other operating costs – amortisation of software	13 490	12 047
			Operating profit	–	–
		39.3	Reclassification of reinstatement provision		
			Reinstatement provision – current	20 822	565
			Other payables	(20 822)	(565)
			Current liabilities	–	–

Interests in Subsidiaries

Shoprite Holdings Limited and its subsidiaries as at 30 June 2005

	Country of incorporation	Issued share capital and premium R'000	Percentage shares held by Group %	Investment in shares 30 June 2005 R'000	Investment in shares 30 June 2004 R'000	Amount owing by/(to) 30 June 2005 R'000	Amount owing by/(to) 30 June 2004 R'000
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	2 700	100	–	–	14 388	14 321
Shoprite Checkers (Pty) Ltd	South Africa	1 128 908	100	160 078	160 078	1 160 509	1 425 170
Shoprite Guernsey Ltd	South Africa	857 685	100	857 685	663 072	65 290	11 951
Shoprite Insurance Company Ltd	South Africa	20 230	100	20 230	20 230	–	27 116
Shoprite Checkers Properties Ltd	South Africa	26 196	100	16 677	16 677	3 365	3 365
Other	South Africa		100	152	152	(1 068)	(150)
				1 054 822	860 209	1 242 484	1 481 773
INDIRECT SUBSIDIARIES							
Freshmark (Pty) Ltd	South Africa	1	100				
Africa Supermarkets Ltd*	Zambia		100				
Checkers Chatsworth Ltd	South Africa	2 000	48				
Freshmark Africa (Zambia) Ltd*	Zambia	2	100				
Megasave Trading (Pvt) Ltd*	India	14 132	100				
OK Bazaars (Lesotho) (Pty) Ltd*	Lesotho	300	50				
OK Bazaars (Namibia) Ltd*	Namibia	500	100				
OK Bazaars (Swaziland) (Pty) Ltd*	Swaziland	200	100				
OK Bazaars (Venda) Ltd	South Africa	2 400	50				
Propco Mozambique Lda*	Mozambique	432	90				
Retail Holdings Botswana (Pty) Ltd*	Botswana	5 000	100				
Shoprite Too (Pty) Ltd*	Tanzania	1 870	100				
Sentra Namibia Ltd*	Namibia	5 880	100				
Shoprite Checkers Tanzania Ltd*	Tanzania		100				
Shoprite Checkers Uganda Ltd*	Uganda	8	100				
Shoprite Egypt for Internal Trade SAE*	Egypt	40 424	100				
Shoprite Checkers Zimbabwe (Pvt) Ltd*	Zimbabwe	4 488	35				
Shoprite Angola Imobiliaria Lda*	Angola	502	99				
Shoprite Madagascar S.A.*	Madagascar	5	100				
Shoprite Trading Ltd*	Malawi	3	100				
Shoprite Supermercados Lda*	Angola	342	100				
Shophold Mauritius Ltd*	Mauritius	351	100				
Shoprite Namibia (Pty) Ltd*	Namibia		100				
				1 054 822	860 209	1 242 484	1 481 773

* Converted at historical exchange rates

NOTE:

General information in respect of subsidiaries, as required in terms of paragraph 70 of the Fourth Schedule to the Companies Act, is set out in respect of only those subsidiaries of which the financial position or results are material for a proper appreciation of the affairs of the Group. A full list of subsidiaries is available on request.

Shareholder Analysis

Shoprite Holdings Limited and its subsidiaries as at 30 June 2005

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	3 672	58,3	1 098 522	0,2
1 001 – 10 000 shares	1 692	26,8	6 095 192	1,1
10 001 – 100 000 shares	580	9,2	19 891 820	3,7
100 001 – 1 000 000 shares	280	4,4	90 734 633	16,7
1 000 001 – 5 000 000 shares	57	0,9	122 355 394	22,5
5 000 001 and more	21	0,4	303 303 899	55,8
	6 302	100,0	543 479 460	100,0

DISTRIBUTION LIST	Number of shareholders	%	Number of shares	%
Corporate bodies	159	2,5	121 735 855	22,4
Individuals	5 651	89,7	25 322 342	4,7
Banks	38	0,6	44 875 857	8,3
Insurance companies	26	0,4	77 798 446	14,3
Government	1	0,0	33 031 080	6,1
Share incentive trust	1	0,0	2 235 215	0,4
Pension/provident funds	179	2,8	69 691 696	12,8
Growth funds/unit trusts	153	2,5	160 778 376	29,6
Other	94	1,5	8 010 593	1,4
	6 302	100,0	543 479 460	100,0

SHAREHOLDING OF MORE THAN 1,5%	Number of shares	%
Titan Nominees (Pty) Ltd	69 926 505	12,9
Public Investment Commissioner	57 605 439	10,6
Shoprite Checkers (Pty) Ltd	33 424 961	6,2
Allan Gray	27 279 418	5,0
Simland Main Account	18 315 054	3,4
Liberty Life	16 259 865	3,0
Old Mutual Life Assurance	15 768 688	2,9
State Street Bank and Trust	14 410 164	2,7
Sanlam	14 053 105	2,6
JP Morgan Chase Bank	11 858 414	2,2
Pepkor Limited	10 467 217	1,9
	289 368 830	53,4

PUBLIC AND NON-PUBLIC SHAREHOLDING	Number of shareholders	%
Public shareholders	6 298	99,9
Non-public shareholders	4	0,1
	6 302	100,0

Shareholders' Diary

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

Notice to Shareholders

SHOPRITE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
JSE share code: SHP
NSX share code: SRH
LUSE share code: SHOPRITE
ISIN: ZAE000012084
("Shoprite Holdings" or "the Company")

If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shoprite Holdings Limited ("the Company") will be held in the boardroom of Shoprite's head office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Thursday, 27 October 2005, at 09:15 for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act (Act 61 of 1973) as amended ("the Act"):

Ordinary resolution number 1
To consider and adopt the annual financial statements of the Company and the Group for the year ended 30 June 2005 including the reports of the directors and auditors.

Ordinary resolution number 2
To approve the directors' remuneration for the year ended 30 June 2005 as reflected on page 66 of the annual financial statements.

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

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

Ordinary resolution number 5
To re-elect Mr JW Basson, who retires as director in terms of the Articles of Association of the Company but, being eligible, offers himself for re-election. Mr Basson's abridged curriculum vitae appears on page 41 of this annual report.

Ordinary resolution number 6
To re-elect Mr CG Goosen, who retires as director in terms of the Articles of Association of the Company but, being eligible, offers himself for re-election. Mr Goosen's abridged curriculum vitae appears on page 41 of this annual report.

Ordinary resolution number 7
To re-elect Mr JJ Fouché, who retires as director in terms of the Articles of Association of the Company but, being eligible, offers himself for re-election. Mr JJ Fouché's abridged curriculum vitae appears on page 41 of this annual report.

Ordinary resolution number 8
To re-elect Dr CH Wiese, who retires as director in terms of the Articles of Association of the Company but, being eligible, offers himself for re-election. Dr Wiese's abridged curriculum vitae appears on page 41 of this annual report.

Ordinary resolution number 9
Control of authorised but unissued shares

"RESOLVED THAT the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Act, the Articles of Association of the Company and JSE Limited ("JSE") Listings Requirements, when applicable, and any other exchange on which the shares of the Company may be quoted or listed from time to time, until the Company's next Annual General Meeting."

Ordinary resolution number 10
Approval to issue shares for cash

"RESOLVED THAT, subject to no less than 75% (seventy five percent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this Annual General Meeting voting in favour of this ordinary resolution, the directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the Act, the Articles of Association of the Company, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted from time to time, when applicable, subject to the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees;
- the number of shares issued for cash shall not in the aggregate in any one financial year, exceed 10% (ten percent) of the Company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year, plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and fully underwritten, or an acquisition which has had final terms announced;
- this authority be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on the net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one financial year, 5% (five percent) or more of the number of shares in issue prior to the issue; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent)

of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company."

Special resolution number 1

Approval to repurchase shares

"RESOLVED THAT the Company and/or any subsidiary of the Company be and is hereby authorised by way of a general approval contemplated in sections 85(2) and 85(3) of the Act, to acquire the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Act and the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall be valid only until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 10% (ten percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year;
- the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the Company for the following year;
- the ordinary capital and reserves of the Company and the Group are adequate for the next 12 (twelve) months;
- the available working capital is adequate to continue the operations of the Company and the Group in the following year;
- upon entering the market to proceed with the repurchase, the Company's sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company only appoints one agent to effect any repurchase(s) on its behalf."

Other disclosure in terms of the JSE Listings Requirements

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

Directors and management	page 8
Major shareholders of the Company	page 81
Directors' interests in securities	page 41
Share capital of the Company	page 58

Material change

Other than the facts and developments as referred to on page 41 of the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on page 8 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all such information.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 8 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position.

Reason for and effect of special resolution number 1

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

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

OTHER BUSINESS

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

Voting and proxies

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

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

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

Proxy forms should be lodged or mailed to the transfer secretaries, Computershare Investor Services (2004) (Pty) Ltd at 70 Marshall Street, Johannesburg, South Africa (PO Box 61051, Marshalltown, 2107, South Africa), to reach the transfer secretaries by no later than 09:15 on Tuesday, 25 October 2005.

For and on behalf of

Shoprite Holdings Limited

AN van Zyl
Company Secretary

23 August 2005

Corner of William Dabs & Old Paarl Roads
Brackenfell, 7560, South Africa
(PO Box 215, Brackenfell, 7561, South Africa)

Form of Proxy

Shoprite Holdings Limited

Shoprite Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
JSE share code: SHP NSX share code: SRH
LUSE share code: SHOPRITE ISIN: ZAE000012084
("Shoprite Holdings" or "the Company")

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

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

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

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

1. ______________________________ of ______________________________ or, failing him/her,

2. ______________________________ of ______________________________ or, failing him/her,

3. the chairman of the Annual General Meeting,

as my/our proxy to attend speak and vote on my/our behalf at the Annual General Meeting of the shareholders of the Company to be held at 09:15 on 27 October 2005 at Brackenfell, and at any adjournment thereof:

	Number of shares		
	In favour of	Against	Abstain
Ordinary resolution number 1 Adoption of the annual financial statements			
Ordinary resolution number 2 Approval of directors' remuneration			
Ordinary resolution number 3 Reappointment of PricewaterhouseCoopers as auditors and approval of their remuneration			
Ordinary resolution number 4 Confirmation of the dividend payment			
Ordinary resolution number 5 Re-election of Mr JW Basson			
Ordinary resolution number 6 Re-election of Mr CG Goosen			
Ordinary resolution number 7 Re-election of Mr JJ Fouché			
Ordinary resolution number 8 Re-election of Dr CH Wiese			
Ordinary resolution number 9 To place the unissued shares under the control of the directors			
Ordinary resolution number 10 Approval to issue shares for cash			
Special resolution number 1 General authority to repurchase shares			

* Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) ______________________ on (date) ______________________ 2005

Shareholder's signature ______________________________

Please read the notes and instructions overleaf.

Notes to Form of Proxy

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with “own name” registration.

2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.

3. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the Annual General Meeting.

4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder’s choice in the space provided, with or without deleting “the chairman of the Annual General Meeting”. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

5. A shareholder’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the shareholder’s votes exercisable thereat.

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

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

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

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

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

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

Forms of proxy must be lodged with the transfer secretaries, to reach the transfer secretaries at the belowmentioned address by no later than 09:15 on Tuesday, 25 October 2005.

Computershare Investor Services 2004 (Pty) Ltd
70 Marshall Street
Johannesburg, 2001
South Africa

(PO Box 61051, Marshalltown, 2107, South Africa)

SHOPRITE
HOLDINGS LTD