Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries as at June 2012

Contents

The annual financial statements for the year ended June 2012 have been audited by PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act, 2008. The preparation of the audited annual financial statements was supervised by Mr. M Bosman, CA(SA).

Statement of Responsibility by the Board of Directors

Shoprite Holdings Limited and its subsidiaries for the year ended June 2012

The directors are responsible for the preparation and fair presentation of the annual financial statements of the Company and Group, comprising the directors' report, the statements of financial position at June 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

The directors are satisfied that the information contained in the annual financial statements fairly represents the financial position at year-end and the financial performance and cash flows of the Company and Group.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors believe that the Company and Group have adequate resources to continue trading as a going concern in the foreseeable future. The annual financial statements support the viability of the Company and the Group.

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Company and Group annual financial statements, and their report is presented on page 40. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

Approval of Annual Financial Statements

The Company and Group annual financial statements of Shoprite Holdings Ltd, as identified in the first paragraph, were approved by the Board of directors on 20 August 2012 and signed on its behalf by:

C H Wiese
Chairman

J W Basson
Chief Executive Officer

Certificate of the Company Secretary

In terms of section 88 (e) of the Companies Act no 71 of 2008 (as amended) I, PG du Preez, in my capacity as Company Secretary, confirm that for the year ended 30 June 2012, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

PG du Preez
Company Secretary

20 August 2012

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:

	2012	2011
USA dollar	8.297	6.770
Pound sterling	12.953	10.873
Euro	10.443	9.825
Zambia kwacha	0.002	0.002
Mozambique metical	0.293	0.239
Botswana pula	1.078	1.035

	2012	2011
Uganda shilling	0.003	0.003
Malawi kwacha	0.031	0.045
Mauritian rupee	0.266	0.242
Angolan kwanza	0.087	0.073
Indian rupee	0.147	0.152
Ghanian cedi	4.311	4.455

	2012	2011
Madagascan ariary	0.004	0.004
Nigerian naira	0.051	0.045
Tanzania shilling	0.005	0.004
Congolese frank	0.009	0.008

Independent Auditor's Report to the Shareholders of Shoprite Holdings Limited

We have audited the consolidated and separate financial statements of Shoprite Holdings Limited set out on pages 41 to 106, which comprise the statements of financial position as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the directors' report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Shoprite Holdings Limited as at 30 June 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: A Wentzel
Registered Auditor

Cape Town
20 August 2012

Directors' Report

Shoprite Holdings Ltd and its Subsidiaries

NATURE OF BUSINESS

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

SHOPRITE HOLDINGS COMPRISES OF THE FOLLOWING MAIN SUBSIDIARIES:

Shoprite Checkers (Pty) Ltd:

Supermarkets: Serves a broad customer base through Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave store formats.
Supply Chain Management: A highly sophisticated supply line services the Group's outlets in 17 countries. The Group prides itself in running a state-of-the-art distribution operation and became the first South African retailer to receive the ISO 9002 accreditation for import and export handling.
Fast Foods: The Hungry Lion chain boasts modern, well-designed stores with an inescapable focus on fried chicken. Hungry Lion now operates outlets within South Africa, Botswana, Zambia, Lesotho, Swaziland, Namibia, Angola and the Democratic Republic of Congo.
Franchise: The OK Franchise Division's stores offer a wide range of perishable and non-perishable food items and liquor. The franchise division encompasses seven (7) supermarket/convenience outlet brands namely OK Foods, OK Grocer, OK Minimark, OK Value, Friendly Grocer, 7-Eleven and Priceclub, a wholesaler Megasave as well as three (3) add-on liquor outlets under the Enjoy OK Liquorstore, Friendly Liquormarket and 7-Eleven Liquormarket brands.
Freshmark: Freshmark is the Group's fruit and vegetable procurement and distribution arm and supplies fresh produce to the Group's retail outlets. Currently one of the largest buyers of fresh produce in South Africa, Freshmark also imports fruit and vegetables to ensure a wide variety and continuity of traditionally seasonal fresh produce.
Liquor Stores: Trading under the Shoprite and Checkers LiquorShop brands respectively, the liquor shops have extended the Group's offering by providing a selection of wines, beers and a wide range of premium spirits to its customers.
Meat Markets: The Group's meat market division is the largest retailer of fresh meat on the African continent. Customers are served through in-store butcheries that employ qualified butchers and technicians.
Money Markets: The Money Markets offer a comprehensive range of financial services and products to the Group's customers through dedicated in-store service counters.
Furniture: The Furniture division offers furniture, electrical appliances and home entertainment products to customers for cash or credit through its OK Furniture, OK Power Express and House and Home outlets in South Africa, Botswana, Namibia, Swaziland, Lesotho, Zambia, Mozambique and Angola.
Pharmacies and wholesale distribution: MediRite's in-store pharmacies offer consumers an easy access to affordable healthcare and healthcare professionals. These in-store dispensaries currently operate throughout South Africa with outlets in Angola and Swaziland. The Group's pharmaceutical wholesaler, Transpharm, sells and distributes a wide range of pharmaceutical products and surgical equipment to hospitals and clinics, dispensing doctors, veterinary surgeons and private and corporate pharmacies.
Properties: This division is tasked with the responsibility of expanding the Group's supermarket portfolio through the identification and leasing of new supermarket premises or developing new shopping centres to accommodate one of the Group's supermarket formats. New retail developments and the redevelopment of existing properties are supervised through every stage of the planning-, design- and construction process.

Shoprite Investments Ltd:

As a wholly owned subsidiary of Shoprite Holdings, Shoprite Investments was utilized as a vehicle to issue ZAR4,7 billion convertible bonds to qualifying investors as part of the Group's successful capital raising concluded during March 2012. For this purpose Shoprite Investments converted to a public company. The convertible bonds were listed on the JSE during May 2012. Shoprite Investments performs the Group's treasury functions and other financing of credit sales to third parties.

Computicket (Pty) Ltd:

As a premier ticketing solution provider and one of the most recognised brand names, Computicket offers theatre, concert, festival, sport and cinema tickets along with bus tickets and gift vouchers through a network of outlets located across South Africa, a call centre as well as the Computicket website. Computicket also offers travel packages. Computicket has also recently expanded its presence to Namibia.

Shoprite International Ltd:

Incorporated in the Republic of Mauritius, Shoprite International is the holding company for the majority of the Group's non-South African retail and property investments.

Shoprite Insurance Company Ltd:

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

Other Group Subsidiaries:

The interests of Shoprite Holdings in other subsidiaries are set out on page 106 of the Integrated Report.

FINANCIAL REVIEW

The Group's headline earnings per share amounts to 607 cents for the year (2011: 507,6 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 45 with reference to the operating segment information on page 59. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 44. Further details are furnished in the notes to the annual financial statements on pages 48 to 105. The Group's net asset value per share as at 30 June 2012 was 2382 cents (2011: 1400 cents).

DISTRIBUTION TO SHAREHOLDERS

Preference dividends

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

Ordinary dividends

An interim cash dividend (no. 126) of 109 cents per share was paid on 30 April 2012. A final dividend (no. 127) of 194 cents per share, declared on 21 August 2012, is payable on 17 September 2012, bringing the total dividend for the year to 303 cents (2011: 253 cents) per ordinary share.

SHARE CAPITAL

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

On 29 March 2012, Shoprite Holdings issued 27,100,000 additional ordinary shares of 113,4 cents each resulting in an increase of the total number of issued Shoprite Holdings ordinary shares to 570 579 460 (2011 – 543 479 460) shares of 113,4 cents each.

On 28 June 2012, shareholders approved the issue of an additional 13,803,405 non-convertible, non-participating, no par value deferred shares in the share capital of Shoprite Holdings to Thibault Square Financial Services (Pty) Ltd pursuant to the issue of the additional ordinary shares as referred to above. These deferred shares were however only issued subsequent to the financial year end.

As at 30 June 2012, 35 436 472 (6.2%) ordinary shares were held as treasury shares by a wholly owned subsidiary of Shoprite Holdings.

GOING CONCERN

The annual financial statements of the Group were prepared on a going concern basis.

The board has performed a formal review of the Group's results and its ability to continue trading as a going concern in the foreseeable future.

The directors of Shoprite Holdings confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

BORROWINGS

Shoprite Holdings has unlimited borrowing powers in terms of its Memorandum of Incorporation (MOI).

The Group's overall level of debt increased from R50 million to R4 035 million during the financial year under review.

SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 31 October 2011, shareholders approved the following special resolutions:

– **Special resolution number 1:** Remuneration payable to Non-Executive Directors;
– **Special resolution number 2:** Financial Assistance to Subsidiaries, Related and inter-related entities; and
– **Special resolution number 3:** General Approval to repurchase shares.

At the meeting of shareholders of Shoprite Holdings held on 28 June 2012, the following special resolutions were approved:

– **Special resolution number 1:** Specific authority to directors of Shoprite Holdings to allot and issue a maximum of 30,000,000 ordinary shares for the purpose of converting the convertible bonds;
– **Special resolution number 2:** Specific authority to the directors of Shoprite Holdings to allot and issue up to a maximum of 15,280,522 deferred shares to Thibault Square Financial Services (Pty) Ltd pursuant to the conversion of convertible bonds;
– **Special resolution number 3:** Specific authority to the directors of Shoprite Holdings to allot and issue up to a maximum of 13,803,405 deferred shares to Thibault Square Financial Services (Pty) Ltd pursuant to the share placement of 29 March 2012; and
– **Special resolution number 4:** The provision of financial assistance in terms of section 44 of the Companies Act.

During the reporting period the following special resolutions were passed by main Group subsidiaries:

Shoprite Checkers (Pty) Ltd

– **Special resolution number 1:** The provision of financial assistance in terms of sections 44 and 45 of the Companies Act.

Shoprite Investments Ltd

– **Special resolution number 1:** The conversion from a private to a public company; and
– **Special resolution number 2:** The issuing of convertible bonds in the aggregate value of R1,7 billion to Titan Premier Investments (Pty) Ltd in terms of section 41 of the Companies Act.

Note: Although the required approval has been granted, the above issue has not been effected to date.

DIRECTORS AND SECRETARY

The directors' names and details are furnished on pages 8 and 9 and the company secretary's name, business and postal address on page 118 of the Integrated Report.

In terms of the Memorandum of Incorporation of Shoprite Holdings ("the MOI"), no less than one third of the directors shall retire by rotation at each annual general meeting.

Messrs JG Rademeyer, EL Nel and AE Karp retire as directors, in terms of paragraph 14.1 of the MOI of the Company, at the annual general meeting. All these directors have offered themselves for re-election as directors of Shoprite Holdings.

During the financial year, the Board approved the appointment of Messrs JJ Fouché and JA Rock as Non-Executive Directors of Shoprite Holdings. On 6 August 2012, the Board appointed Dr ATM Mokgokong as a Non-Executive Director. In terms of Article 13.2 of the MOI Messrs Fouché, Rock and Dr Mokgokong retire at the annual general meeting on 29 October 2012, but being eligible, offer themselves for re-election.

The board supports the re-election of these directors.

DIRECTORS' AND ALTERNATE DIRECTORS' INTERESTS IN ORDINARY SHARES

	Direct Beneficial	Indirect Beneficial	Total 2012	Total 2011
CH Wiese	0	95 649 698	95 649 698	89 917 398
JW Basson	0	10 071 652	10 071 652	10 110 084
JJ Fouche	472 171	0	472 171	472 171
CG Goosen	3 000	1 203 202	1 206 202	1 206 202
B Harisunker	406 189	0	406 189	400 189
AE Karp	147 269	0	147 269	147 269
EC Kieswetter	1 000	0	1 000	0
JA Louw	0	50 000	50 000	150 000
JF Malherbe	0	72 453	72 453	72 453
EL Nel	0	148 727	148 727	148 727
JG Rademeyer	0	10 000	10 000	10 000
JA Rock	0	0	0	0
BR Weyers	404 594	0	404 594	404 594
JAL Basson	3 070	86 131	89 201	80 600
M Bosman	125 000	0	125 000	110 000
PC Engelbrecht	128 000	146 622	274 622	224 055
JD Wiese	0	14 074	14 074	14 074

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

	Direct Beneficial	Indirect Beneficial	Total
PC Engelbrecht	2 000	53 378	55 378

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

	Total 2012	Total 2011
CH Wiese	276 821 666	276 821 666

On 26 July 2012, Shoprite Holdings issued an additional 13,803,405 non-convertible, non-participating, no par value deferred shares in the share capital of Shoprite Holdings to Thibault Square Financial Services (Pty) Ltd, an entity related to Dr CH Wiese, pursuant to the issue of the additional ordinary shares.

CORPORATE GOVERNANCE

Statements of the board's application of the codes of good corporate governance are set out in the corporate governance report on page 24, which forms part of this directors' report and the remuneration report on page 31.

BOARD COMMITTEES

The reports of the various board committees are included in the corporate governance report from pages 24 to 27.

AUDITORS

PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 90(1) of the Companies Act.

EVENTS AFTER THE REPORTING DATE

Other than the issue of the additional deferred shares to Thibault Square Financial Services (Pty) Ltd, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2012 to the date of this report.

HOLDING COMPANY

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

LITIGATION STATEMENT

The two disputes between the Group and South African Breweries Plc related to the purchase of OK Bazaars (1929) Limited are in the process of being determined through arbitration.

The investigation initiated during June 2009 by the Competition Commission of South Africa ("the Commission") into the alleged anti-competitive conduct of various food retailers which includes the Group's main trading subsidiary, Shoprite Checkers (Pty) Ltd, is still on-going with no referral of any of the complaints investigated to the Competition Tribunal to date.

The referral by the Commission of the complaint of alleged abuse of dominance against Computicket (Pty) Ltd must still be heard by the Competition Tribunal.

The claim instituted in the High Court of Lagos by AIC Limited during April 2010 against the Group's main trading subsidiary, Shoprite Checkers (Pty) Ltd and its Nigerian subsidiary, Retail Supermarkets Nigeria Ltd, on the basis of alleged breach of contract has not proceeded to trial and such date must still be allocated by the Lagos High Court.

Save as recorded above, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve (12) months, a material effect on the Group's financial position.

Statement of Financial Position

Shoprite Holdings Ltd and its Subsidiaries as at June 2012

COMPANY				GROUP	
June 2011 R'000	June 2012 R'000		Notes	June 2012 R'000	June 2011 R'000
		ASSETS			
		NON-CURRENT ASSETS			
—	—	Property, plant and equipment	3	9 668 559	8 168 749
1 654 503	2 305 512	Interests in subsidiaries	5	—	—
—	—	Investment in associate	6	103 886	—
—	—	Available-for-sale investments	7	—	59 656
—	—	Loans and receivables	8	3 706	4 308
237	363	Deferred income tax assets	9	413 645	326 457
—	—	Intangible assets	10	894 296	719 105
—	—	Fixed escalation operating lease accrual	11	10 573	9 246
1 654 740	2 305 875			11 094 665	9 287 521
		CURRENT ASSETS			
—	—	Inventories	12	8 680 109	7 055 867
—	15 327	Trade and other receivables	13	2 702 031	2 255 390
—	—	Current income tax assets		81 190	38 543
10 774	74 237	Interests in subsidiaries	5	—	—
—	—	Loans and receivables	8	16 197	46 226
603 555	3 387 853	Cash and cash equivalents		7 939 333	1 961 551
614 329	3 477 417			19 418 860	11 357 577
—	—	Assets held for sale	4	391 993	58 659
2 269 069	5 783 292	**TOTAL ASSETS**		30 905 518	20 703 757
		EQUITY			
		CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
616 583	647 314	Share capital	15	647 314	616 583
293 072	3 672 069	Share premium		3 672 069	293 072
—	—	Treasury shares	15	(320 146)	(337 406)
1 347 574	1 425 607	Reserves	16	8 745 805	6 512 451
2 257 229	5 744 990			12 745 042	7 084 700
—	—	NON-CONTROLLING INTEREST		62 675	58 750
2 257 229	5 744 990	**TOTAL EQUITY**		12 807 717	7 143 450
		LIABILITIES			
		NON-CURRENT LIABILITIES			
2 450	2 450	Borrowings	17	4 006 698	26 177
—	—	Deferred income tax liabilities	9	152 085	25 377
—	—	Provisions	18	338 791	339 200
—	—	Fixed escalation operating lease accrual	19	520 206	455 787
—	—	Trade and other payables	20	21 878	263 455
2 450	2 450			5 039 658	1 109 996
		CURRENT LIABILITIES			
1 126	24 975	Trade and other payables	20	12 711 704	9 807 743
—	—	Borrowings	17	28 736	23 578
—	—	Derivative financial instruments	14	231	3 606
4 247	7 028	Current income tax liabilities		151 025	464 316
—	—	Provisions	18	138 634	104 117
—	—	Bank overdrafts		22 858	2 042 100
4 016	3 849	Shareholders for dividends		4 955	4 851
9 389	35 852			13 058 143	12 450 311
11 840	38 302	**TOTAL LIABILITIES**		18 097 801	13 560 307
2 269 069	5 783 292	**TOTAL EQUITY AND LIABILITIES**		30 905 518	20 703 757

Statement of Comprehensive Income

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

COMPANY				GROUP	
June 2011 R'000	June 2012 R'000		Notes	June 2012 R'000	June 2011 R'000
—	—	Sale of merchandise		82 730 587	72 297 777
—	—	Cost of sales		(65 752 642)	(57 624 408)
—	—	GROSS PROFIT		16 977 945	14 673 369
1 307 681	1 655 057	Other operating income	21	2 325 312	1 855 841
—	—	Depreciation and amortisation	22	(1 090 295)	(933 592)
—	—	Operating leases	23	(1 940 221)	(1 700 468)
—	—	Employee benefits	24	(6 530 468)	(5 762 045)
(3 508)	(8 937)	Other expenses		(5 077 139)	(4 146 408)
1 304 173	1 646 120	TRADING PROFIT		4 665 134	3 986 697
(1)	—	Exchange rate losses		(8 343)	(446)
—	—	Items of a capital nature	27	(93 687)	(78 533)
1 304 172	1 646 120	OPERATING PROFIT	25	4 563 104	3 907 718
33 574	64 438	Interest received		142 166	94 614
(198)	(126)	Finance costs	28	(223 563)	(125 964)
1 337 548	1 710 432	PROFIT BEFORE INCOME TAX		4 481 707	3 876 368
(131 060)	(114 556)	Income tax expense	29	(1 438 889)	(1 346 826)
1 206 488	1 595 876	PROFIT FOR THE YEAR		3 042 818	2 529 542
		OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
—	—	Fair value movements on available-for-sale investments	16	(51 219)	1 950
—	—	Foreign currency translation differences	16	288 699	(142 451)
1 206 488	1 595 876	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3 280 298	2 389 041
		PROFIT ATTRIBUTABLE TO:			
1 206 488	1 595 876	Owners of the parent		3 026 563	2 509 780
—	—	Non-controlling interest		16 255	19 762
1 206 488	1 595 876			3 042 818	2 529 542
		TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
1 206 488	1 595 876	Owners of the parent		3 264 043	2 369 279
—	—	Non-controlling interest		16 255	19 762
1 206 488	1 595 876			3 280 298	2 389 041
		Basic and diluted earnings per share (cents)	30	590.0	495.9

Statement of Changes in Equity

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

				Attributable to equity holders					
R'000	Notes	Total equity	Non-controlling interest	Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
GROUP									
BALANCE AT JUNE 2010		5 972 016	67 184	5 904 832	616 583	293 072	(337 406)	140 920	5 191 663
Total comprehensive income		2 389 041	19 762	2 369 279	—	—	—	(140 501)	2 509 780
Profit for the year		2 529 542	19 762	2 509 780					2 509 780
Recognised in equity									
Net fair value movement on available-for-sale investments	16	2 267		2 267				2 267	
Income tax effect of net fair value movement on available-for-sale investments	16	(317)		(317)				(317)	
Foreign currency translation differences	16	(142 451)		(142 451)				(142 451)	
Transfer to contingency reserve	16	—		—				4 509	(4 509)
Dividends distributed to shareholders		(1 217 607)	(28 196)	(1 189 411)					(1 189 411)
BALANCE AT JUNE 2011		7 143 450	58 750	7 084 700	616 583	293 072	(337 406)	4 928	6 507 523
Total comprehensive income		3 280 298	16 255	3 264 043	—	—	—	237 480	3 026 563
Profit for the year		3 042 818	16 255	3 026 563					3 026 563
Recognised in equity									
Net fair value movement on available-for-sale investments	16	(59 557)		(59 557)				(59 557)	
Income tax effect of net fair value movement on available-for-sale investments	16	8 338		8 338				8 338	
Foreign currency translation differences	16	288 699		288 699				288 699	
Equity component of convertible bonds issued during the year	16	333 880		333 880				333 880	
Proceeds from ordinary shares issued	15	3 409 728		3 409 728	30 731	3 378 997			
Treasury shares' loss		74 289		74 289			17 260		57 029
Transfer from contingency reserve	16	—		—				(33 536)	33 536
Dividends distributed to shareholders		(1 433 928)	(12 330)	(1 421 598)					(1 421 598)
BALANCE AT JUNE 2012		12 807 717	62 675	12 745 042	647 314	3 672 069	(320 146)	542 752	8 203 053
COMPANY									
BALANCE AT JUNE 2010		2 327 918		2 327 918	616 583	293 072	—	2 152	1 416 111
Total comprehensive income									
Profit for the year		1 206 488		1 206 488					1 206 488
Dividends distributed to shareholders		(1 277 177)		(1 277 177)					(1 277 177)
BALANCE AT JUNE 2011		2 257 229		2 257 229	616 583	293 072	—	2 152	1 345 422
Total comprehensive income									
Profit for the year		1 595 876		1 595 876					1 595 876
Proceeds from ordinary shares issued	15	3 409 728		3 409 728	30 731	3 378 997			
Dividends distributed to shareholders		(1 517 843)		(1 517 843)					(1 517 843)
BALANCE AT JUNE 2012		5 744 990		5 744 990	647 314	3 672 069	—	2 152	1 423 455

Statement of Cash Flows

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

COMPANY				GROUP	
June 2011 R'000	June 2012 R'000		Notes	June 2012 R'000	June 2011 R'000
(64 496)	89 042	CASH FLOWS FROM/(UTILISED BY) OPERATING ACTIVITIES		3 334 804	1 543 646
1 304 172	1 646 120	Operating profit		4 563 104	3 907 718
(1 306 771)	(1 652 535)	Less: investment income		(82 259)	(27 663)
1	—	Non-cash items	32.1	1 714 522	1 459 480
—	—	Payments for cash settlement of share appreciation rights		(287 540)	(218 037)
—	—	Payments for settlement of post-retirement medical benefits liability	36.2	(1 779)	(2 630)
(285)	8 521	Changes in working capital	32.2	649 234	(1 324 359)
(2 883)	2 106	Cash generated from/(utilised by) operations		6 555 282	3 794 509
33 574	77 728	Interest received		159 024	110 519
(198)	(126)	Interest paid		(125 745)	(125 964)
1 306 771	1 639 245	Dividends received		65 401	11 758
(1 276 499)	(1 518 010)	Dividends paid	32.3	(1 433 824)	(1 216 084)
(125 261)	(111 901)	Income tax paid	32.4	(1 885 334)	(1 031 092)
65 535	(714 472)	CASH FLOWS (UTILISED BY)/FROM INVESTING ACTIVITIES	32.5	(3 110 892)	(2 937 011)
—	3 409 728	CASH FLOWS FROM FINANCING ACTIVITIES	32.6	7 767 685	9 329
1 039	2 784 298	NET MOVEMENT IN CASH AND CASH EQUIVALENTS		7 991 597	(1 384 036)
602 517	603 555	Cash and cash equivalents at the beginning of the year		(80 549)	1 344 587
(1)	—	Effect of exchange rate movements on cash and cash equivalents		5 427	(41 100)
603 555	3 387 853	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		7 916 475	(80 549)
		Consisting of:			
603 555	3 387 853	Cash and cash equivalents		7 939 333	1 961 551
—	—	Bank overdrafts		(22 858)	(2 042 100)
603 555	3 387 853			7 916 475	(80 549)

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and are consistent with those applied in the previous year, unless otherwise stated.

The consolidated Group's and separate Company's financial statements were authorised for issue by the board of directors on 20 August 2012.

1.1 Basis of preparation

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

1.1.1 USE OF JUDGMENTS, ASSUMPTIONS AND ESTIMATES

1.1.1.1 Judgments

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

a) Valuation of inventory: Trading inventories are valued by use of the retail inventory method as an approximation of weighted average cost. Significant judgment is required in the application thereof, specifically as far as it relates to gross margin percentages, accrual rates for rebates and settlement discounts and shrinkage rates applied.

b) Segment reporting: IFRS 8 requires an entity to identify its operating segments. Once an entity has done that, it is required to determine its reportable segments. Reportable segments may comprise single operating segments or an aggregation of operating segments. Aggregation of one or more operating segments into a single reportable segment is permitted where certain conditions are met, the principle conditions being that the operating segments should have similar economic characteristics and the operating segments are similar in respect of the products and services offered, nature of production processes, type or class of customers, distribution methods, and regulatory environment.

The Group's management has assessed the above mentioned aggregation criteria in respect of its identified retail operating segments and believe that it have been satisfied, therefore it has elected to aggregate these segments as allowed by IFRS 8.

1.1.1.2 Assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. The most significant assumptions and estimates used in applying the Group's accounting policies relate to the following:

a) Impairment of assets: The Group performs a review of loss-making stores and considers the need for the impairment of assets under these circumstances. This determination requires significant judgment. The Group evaluates amongst other things, the duration and extent of the losses, the near-term business outlook for the store, and the possible redeployment of the assets between stores. Refer to note 22.

b) Useful lives of assets: In determining the depreciation and amortisation charge for property, plant and equipment and intangible assets, management applies judgment in estimating the useful lives and residual values of these different asset classes. Refer to note 22.

c) Income taxes: The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide accrual for income taxes. The Group recognises liabilities for anticipated uncertain income tax positions based on estimates of potential additional taxes due. With regards to deferred income tax assets for unutilised income tax losses, judgment is also required to whether sufficient future taxable income will be available against which these losses can be utilised. Refer to notes 1.11 and 29.

d) Allowances for doubtful debts: Trade receivables include instalment sale debtors and franchise debtors for which allowances for impairment are made in accordance with the accounting policy in note 1.15. These calculations involve the discounting of projected future cash flows and require the use of estimates. Details regarding the allowances are set out in note 13.

e) Employee benefit accruals and provisions: Various assumptions are applied in determining the valuations of post-retirement medical benefits, share based payment accruals and long term employee benefits as set out in notes 1.20, 1.22, 15, 18 and 36.

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

All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.

1.1.2 USE OF ADJUSTED MEASURES

The measures listed on the following page are presented as management believes it to be relevant to the understanding of the Group's financial performance. These measures are used for internal performance analysis and provide additional useful information on underlying trends to equity holders. These measures are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

a) Trading profit on the face of the statement of comprehensive income, being the Group's operating results excluding foreign exchange rate differences and income or expenditure of a capital nature.
b) Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all re-measurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 3/2009: Headline Earnings. The principal items that will be included under this measure are: gains and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets held for sale; impairments or reversal of impairments; any non-trading items such as gains and losses on disposal of investments, operations and subsidiaries.
c) Interest received on the face of the statement of comprehensive income, being only interest received on call and operating bank account balances.

1.2 Consolidation

1.2.1 SUBSIDIARIES

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

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

1.2.2 JOINT VENTURES

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

1.2.3 ASSOCIATES

Associates are those entities over which the Group exercises significant influence but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of another entity. The Group's investments in associates are accounted for using the equity method and are initially recognised at cost. Investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of post-acquisition profit or loss and its share of post-acquisition movements in other comprehensive income are recognised in the statement of comprehensive income and in other comprehensive income respectively, with a corresponding adjustment to the carrying amount of the investment, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Where applicable, accounting policies applied by associates have been changed to ensure consistency with the policies adopted by the Group.

1.2.4 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

1.3 Foreign currency translation

1.3.1 FUNCTIONAL AND PRESENTATION CURRENCY

All items in the financial statements of the Group's subsidiaries and joint ventures are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's consolidated financial statements are presented in South African rand, which is Shoprite Holdings Ltd's functional and the Group's presentation currency.

1.3.2 TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the average exchange rates for the relevant month. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognised in the statement of comprehensive income.

1.3.3 FOREIGN OPERATIONS

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

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

On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations are also taken to the FCTR. The Group's net investment in a foreign operation is equal to the equity investment plus all monetary items that are receivable from or payable to the foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

When a foreign operation is disposed of or sold and the Group loses control, joint control or significant influence over the foreign operation all related exchange rate differences recognised in other comprehensive income and accumulated in equity in the FCTR are reclassified from equity to the statement of comprehensive income as part of the profit or loss on the sale of the operation. On partial disposal of a foreign subsidiary, where a change occurs in the absolute ownership percentage held by the Group and control is not lost, a proportionate share of all related exchange rate differences recognised in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. On partial disposal of a foreign joint venture or associate, where a change occurs in the absolute ownership percentage held by the Group and joint control or significant influence is not lost, a proportionate share of all related exchange rate differences recognised in other comprehensive income are reclassified from equity to the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and are translated at the closing rate.

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods, rental to others or administrative purposes and are expected to be used during more than one period. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the buildings, machinery, equipment and vehicles and is depreciated on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Land is not depreciated, as it has an unlimited useful life.
Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease and the items useful life.

Management determines the estimated useful lives, residual values and the related depreciation charges at acquisition and these are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Useful lives:

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

The cost of major refurbishments is capitalised as property, plant and equipment to the extent that it can be recovered from future use of the assets. The capitalised amounts are depreciated over the relevant write-off periods. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which these are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

1.5 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled, expires or when a substantial modification of the terms occur.

1.6 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

1.7 Derivative financial instruments

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

1.8 Available-for-sale financial assets

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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

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

1.9 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable, and purchases and sales are recognised at trade date at fair value, including transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. These financial assets are included under current assets unless it matures later than 12 months after the statement of financial position date.

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

1.10 Investments in subsidiaries

The Company's investments in the ordinary shares of its subsidiaries are carried at cost less impairment losses and, if denominated in foreign currencies, are translated at historical rates. Purchases and sales of these investments are recognised on the trade date at cost, including transaction costs.

1.11 Deferred income tax

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Management applies judgment to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

Deferred income tax is recognised on temporary differences arising on the consolidation of investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is subject to taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide accrual for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated uncertain income tax positions based on best informed estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

1.12 Intangible assets

1.12.1 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or operation at the date of acquisition. Goodwill denominated in a foreign currency is translated at closing rates. Goodwill is tested for impairment annually and whenever there is indication of impairment. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Each of those CGUs represents the Group's investment in a trading unit or a group of trading units. Gains and losses on the disposal of an entity that has related goodwill include the carrying amount of the related goodwill. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

1.12.2 SOFTWARE

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

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

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

1.12.3 TRADEMARKS

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

1.12.4 CUSTOMER RELATIONSHIPS

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

1.13 Non-current assets held for sale

Non-current assets and/or disposal groups are classified as assets held for sale and are stated at the lower of the carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continued use and this sale is considered highly probable.

1.14 Inventories

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

1.15 Trade and other receivables

Trade and other receivables are recognised at trade date at fair value. Subsequent recognition is measured at amortised cost using the effective interest method, less allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate. Any resulting impairment losses are included in other expenses in the statement of comprehensive income. The impairment of instalment sale receivables is done on a collective basis due to the wide-spread customer base. When a receivable is uncollectible, it is written off against the allowance for impairment for receivables. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

1.16 Leases

1.16.1 WHERE THE GROUP IS THE LESSEE

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

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

1.16.2 WHERE THE GROUP IS THE LESSOR

Portions of owner-occupied properties and leased properties are leased or subleased out under operating leases. The owner-occupied properties are included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. Incentives received to enter into a lease agreement are released to the statement of comprehensive income as operating lease income over the lease term. All other rental income is recognised as it becomes due.

When an operating lease is terminated before the lease period has expired, any payment received from the lessee by way of penalty is recognised as income and any unamortised portion of the fixed escalation lease accrual is recognised in the statement of comprehensive income in the period in which termination takes place.

1.17 Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are carried at cost and, if denominated in foreign currencies, are translated at closing rates. Cash comprises cash on hand and cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Bank overdrafts are disclosed separately on the face of the statement of financial position.

1.18 Share capital

Ordinary shares and non-convertible, non-participating deferred shares, including incremental costs directly attributable to the issue of new shares, are both classified as equity.

Where entities controlled by the Group purchase the Company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from capital and reserves attributable to equity holders as treasury shares until they are sold. Where such shares are subsequently sold, any consideration received is included in capital and reserves attributable to equity holders. Dividends received on treasury shares are eliminated on consolidation.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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

1.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The Group has discounted provisions to their present value where the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the statement of comprehensive income.

1.20.1 ONEROUS LEASE CONTRACTS

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

1.20.2 PROVISION FOR OUTSTANDING INSURANCE CLAIMS

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

1.20.3 LONG-TERM EMPLOYEE BENEFITS

Long-term employee benefits are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation by the actuaries are charged against the statement of comprehensive income as employee benefits.

1.20.4 REINSTATEMENT PROVISION

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

1.21 Trade and other payables

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

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

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

1.22 Employee benefits

1.22.1 PENSION OBLIGATIONS

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

Provident fund

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

The Group's contributions to defined contribution plans in respect of services rendered in a particular period are recognised as an expense in that period. Additional contributions are recognised as an expense in the period during which the associated services are rendered by employees.

1.22.2 POST-RETIREMENT MEDICAL BENEFITS

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

1.22.3 CASH-SETTLED SHARE-BASED PAYMENTS

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

1.22.4 BONUS PLANS

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

1.23 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested for impairment at each statement of financial position date. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. The determination of whether an asset is impaired requires significant management judgment and, amongst others, the following factors will be considered: duration and extent to which the fair value of the asset is less than its cost; industry, geographical and sector performance; changes in regional economies; and operational and financing cash flows.

Where the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is impaired and the asset is written down to its recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. These calculations are prepared based on management's assumptions and estimates such as forecasted cash flows; management budgets and industry, regional and geographical operational and financial outlooks. For the purpose of impairment testing the assets are allocated to cash-generating units (CGUs) or a group of CGUs. CGUs are the lowest levels for which separately identifiable cash flows can be determined. The related impairment expense is charged to the statement of comprehensive income as expenditure of a capital nature.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists the Group will immediately recognise the reversal as income of a capital nature in the statement of comprehensive income. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

1.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of merchandise from ordinary Group-operating activities, net of value added tax, rebates and discounts and after eliminating sales within the Group. Sales are recognised upon delivery of products and customer acceptance. Payment is usually received via cash, debit card or credit card. Related card transaction costs are recognised in the statement of comprehensive income as other expenses. When merchandise is sold under instalment sale agreements, the present value of the instalment sale payments is recognised as a receivable.

1.25 Other operating income

Other operating income is recognised as follows:

1.25.1 FINANCE INCOME EARNED

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

1.25.2 RENTAL INCOME

Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due. Refer note 1.16.2.

1.25.3 FRANCHISE FEES RECEIVED

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

1.25.4 PREMIUM INCOME

Premium income is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies incepted during the period less amounts that are unearned at statement of financial position date. Refer note 1.31.2.

1.25.5 INTEREST INCOME

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

1.25.6 DIVIDEND INCOME

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

1.25.7 GIFT VOUCHERS AND SAVINGS STAMPS

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

1.25.8 COMMISSION RECEIVED

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

1.26 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised to the cost of that qualifying asset. General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure. Specific borrowing costs are capitalised according to the borrowing costs incurred on the specific borrowing provided the borrowing facility is utilised specifically for the qualifying asset. All other borrowing costs incurred are recognised as an expense in the statement of comprehensive income and are accrued on a time basis by reference to the principal amounts outstanding and at the interest rate applicable.

1.27 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it will also be recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operate and generate taxable income.

Dividends declared by South African companies within the Group before 1 April 2012 are subject to secondary tax on companies ("STC"). The STC expense is included in the statement of comprehensive income in the period that the related dividend is paid. Cash dividends declared by South African companies within the Group from 1 April 2012 are subject to dividend tax which is a tax on the shareholder.

Deferred income tax is calculated and recognised in terms of note 1.11.

1.28 Earnings per share

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

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Convertible debt has dilutive potential. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect.

1.29 Government grants

Government grants, being assistance by government in the form of allowances and refunds for certain expenditure, are recognised at fair value when the Group complies with the conditions attached to the grants and the grants have been received. The grants are recognised, on a systematic basis, in the statement of comprehensive income as a deduction of the related expense over the periods necessary to match them with the related costs.

1.30 Dividends distributed to shareholders

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

1.31 Basis of accounting for underwriting activities

1.31.1 CLASSIFICATION OF CONTRACTS

Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. The accounting policies of the Group are in accordance with the policies for recognition and measurement of short-term insurance contracts as outlined in SAICA Circular 2/2007 and IFRS 4: Insurance Contracts.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

An insurance risk is deemed significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. If significant additional benefits would be payable in scenarios that have commercial substance, the condition in the previous sentence may be met even if the insured event is extremely unlikely or even if the expected (i.e. probability weighted) present value of contingent cash flows is a small proportion of the expected present value of all the remaining contractual cash flows.

1.31.2 RECOGNITION AND MEASUREMENT OF CONTRACTS

a) Premiums arising from general insurance business

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

b) Unearned premium allowance
The allowance for unearned premiums comprises the proportion of gross premiums written which relate to the unexpired period at the reporting date and is estimated to be earned in the following or subsequent financial years. The unearned premium allowance is computed separately for each insurance contract on a basis appropriate to the Group's release from insured risk, using the 365th method.

c) Claims arising from insurance business
Claims incurred in respect of insurance contracts consist of claims and claims-handling expenses paid during the financial year together with the movement in the provision for incurred but not reported claims. Provisions for incurred but not reported claims comprise provisions for claims arising from insured events that incurred before the statement of financial position date, but which had not been reported to the Group by that date.

d) Provision for outstanding claims
Provision is made for the estimated final cost of all claims that had not been settled by the reporting date, less amounts already paid. Liabilities for unpaid claims are estimated, using the input of assessments for individual cases reported to the Group and statistical analyses, to estimate the expected cost of more complex claims that may be affected by external factors. The Group does not discount its liabilities for unpaid claims.

e) Contingency reserve
A contingency reserve was maintained in terms of the Insurance Act, 1998. The utilisation of this reserve, in case of a catastrophe, was subject to the approval of the Financial Services Board. Transfers to this reserve were reflected in the statement of changes in equity, and were indicated in the statement of financial position as a non-distributable reserve under capital and reserves. The contingency reserve was calculated as 10% of net written premiums.

In terms of the Capital Adequacy Requirements introduced by the Financial Services Board, this reserve is no longer required with effect from 1 January 2012 and this reserve was transferred to distributable reserves.

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

g) Liabilities and related assets under liability adequacy test
At each statement of financial position date, liability adequacy tests are performed on the Group's Insurance entities to ensure the adequacy of the contract liabilities net of related deferred acquisition cost (DAC) and any related assets (i.e. the value of business acquired assets (VOBA)). In performing these tests, current best estimates of future contractual cash flows and claims-handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC or VOBA and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

1.32 Related parties

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

1.33 Operating segment information

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision maker (this being the Shoprite Holdings Ltd board of directors), in order to allocate resources and assess performance and for which discrete financial information is available.

Operating segments, which display similar economic characteristics and have similar products, services, customers, methods of distribution and regulatory environments are aggregated for reporting purposes.

The Group has the following four reportable segments:

1. Supermarkets RSA – all retail operations under the Shoprite, Checkers, Checkers Hyper, Usave and Hungry Lion brands in South Africa, retailing products such as food, clothing, general merchandise, cosmetics and liquor.
2. Supermarkets Non-RSA – all retail operations under the Shoprite, Checkers, Checkers Hyper, Usave and Hungry Lion brands outside of South Africa, retailing products such as food, clothing, general merchandise, cosmetics and liquor.
3. Furniture – all retail operations under the OK Furniture, OK Power Express, and House & Home brands trading in RSA and Non-RSA, retailing products such as furniture, household appliances and home entertainment systems for cash or credit.
4. Other operating segments – all other operations not included in the above segments, trading in RSA and Non-RSA, including franchise operations and retail and wholesale of pharmaceutical products.

These segments were identified and grouped together using a combination of the products and services offered by the segments and the geographical areas in which they operate.

The amounts reported to the chief operating decision maker are measured in a manner consistent with that in the statement of comprehensive income and statement of financial position.

1.34 Standards, interpretations and amendments that are not yet effective at June 2012

The Group has considered the following new standards, and interpretations and amendments to existing standards, which are not yet effective as at June 2012:

Number	Title	Effective for year ending
Amendments to IFRS 1	First-time Adoption on Government Loans	June 2014
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	June 2014
IFRS 9	Financial Instruments	June 2016
IFRS 10	Consolidated Financial Statements	June 2014
IFRS 11	Joint Arrangements	June 2014
IFRS 12	Disclosure of Interests in Other Entities	June 2014
IFRS 13	Fair Value Measurement	June 2014
Amendments to IAS 1	Presentation of Financial Statements	June 2013
Amendments to IAS 12	Deferred tax: Recovery of Underlying Assets	June 2013
Amendments to IAS 19	Employee Benefits	June 2014
Amendments to IAS 27	Separate Financial Statements	June 2014
Amendments to IAS 28	Investments in Associates and Joint Ventures	June 2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	June 2015
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	June 2014

The Group has not early adopted any of the above and the application thereof in future financial periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows.
IFRS 11: Joint Arrangements eliminates the existing policy choice of proportionate consolidation for jointly controlled entities. Equity accounting becomes mandatory for participants in joint ventures. When transitioning from the proportionate consolidation method to the equity method, the Group should recognise their initial investment in the joint venture as the aggregate of the carrying amounts that were previously proportionately consolidated. The Group's interests in joint ventures are disclosed in note 42.
IFRS 12: Disclosure of Interests in Other Entities requires increased disclosures that help financial statement readers to evaluate the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
Amendments to IAS 1: Presentation of financial statements requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.
Revised IAS 28: Investments in Associates and Joint Ventures now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

1.35 Standards, interpretations and amendments effective at June 2012

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2012 had no significant effect on the Group's operations:

Number	Title
Amendments to IFRS 1	Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to IFRS 7	Improved disclosures for transfer transactions of financial assets issued
Amendments to IAS 24	Related party disclosures
Various	Improvements to IFRSs 2010
Amendments to IFRIC 14	Pre-payments of a Minimum Funding Requirement
AC 504	IAS 19 (AC116) – The limit on a defined benefit asset, Minimum funding requirements and their interaction in the South African pension fund environment

2 OPERATING SEGMENT INFORMATION

2.1 Analysis per reportable segment

June 2012

	Supermarkets RSA R'000	Supermarkets Non-RSA R'000	Furniture R'000	Other operating segments R'000	Consolidated R'000
Sale of merchandise					
External	64 584 215	9 174 147	3 400 185	5 572 040	82 730 587
Inter-segment	1 749 501	4 949	—	—	1 754 450
	66 333 716	9 179 096	3 400 185	5 572 040	84 485 037
Trading profit	3 887 334	466 277	175 492	136 031	4 665 134
Depreciation and amortisation	992 998	144 550	44 152	18 406	1 200 106
Total assets	22 312 020	4 527 078	2 386 342	1 680 078	30 905 518

June 2011

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

2.2 Geographical analysis

June 2012

	South Africa R'000	Outside South Africa R'000	Consolidated R'000
Sale of merchandise – external	72 492 035	10 238 552	82 730 587
Non-current assets*	8 473 336	2 100 092	10 573 428

June 2011

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

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

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		3 PROPERTY, PLANT AND EQUIPMENT		
—	—	**3.1 Land at cost**	1 065 048	827 698
		3.2 Buildings		
		Cost	2 902 799	2 540 157
		Accumulated depreciation and impairment	(205 577)	(154 792)
—	—	Carrying value	2 697 222	2 385 365
		3.3 Machinery, equipment and vehicles*		
		Cost	9 023 982	7 780 263
		Accumulated depreciation and impairment	(3 901 887)	(3 419 949)
—	—	Carrying value	5 122 095	4 360 314
		*Includes aircraft with a carrying value of R92 million (2011: R78 million).		
		3.4 Improvements to leasehold property		
		Cost	1 081 961	828 105
		Accumulated depreciation and impairment	(297 767)	(232 733)
—	—	Carrying value	784 194	595 372
—	—	Total property, plant and equipment	9 668 559	8 168 749

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of carrying values

R'000	Land	Buildings	Machinery, equipment and vehicles	Leasehold improvements	Total
Carrying value at June 2010	676 620	1 955 731	3 639 626	305 700	6 577 677
Additions	203 103	722 982	1 705 964	221 224	2 853 273
Reclassification	(55 571)	(140 913)	(12)	163 585	(32 911)
Reclassification to software	—	—	(145)	—	(145)
Transfer to assets held for sale (note 4)	—	(55 808)	—	—	(55 808)
Transfer from assets held for sale (note 4)	—	—	—	6 989	6 989
Acquisition of subsidiaries and operations (note 32.5.1)	11 000	—	1 228	—	12 228
Disposal	—	(6 331)	(67 837)	(27 784)	(101 952)
Proceeds on disposal	(27)	(90)	(33 371)	(29 994)	(63 482)
Profit/(loss) on disposal and scrapping	27	(6 241)	(34 466)	2 210	(38 470)
Depreciation	(281)	(27 653)	(854 417)	(66 169)	(948 520)
Reversal of impairment (note 3.5)	—	4 984	—	—	4 984
Impairment (note 3.5)	—	(16 745)	(44 590)	—	(61 335)
Exchange rate differences	(7 173)	(50 882)	(19 503)	(8 173)	(85 731)
Carrying value at June 2011	827 698	2 385 365	4 360 314	595 372	8 168 749
Additions	294 974	626 131	1 773 152	218 090	2 912 347
Reclassification	—	(52 515)	186	52 329	—
Reclassification to software	—	—	(17 153)	—	(17 153)
Transfer to assets held for sale (note 4)	(63 189)	(254 345)	—	(15 800)	(333 334)
Acquisition of subsidiaries and operations (note 32.5.1)	—	—	19 788	—	19 788
Disposal	(12 099)	(37 129)	(56 539)	(57 047)	(162 814)
Proceeds on disposal	(12 945)	(37 855)	(34 341)	(64 173)	(149 314)
Profit/(loss) on disposal and scrapping	846	726	(22 198)	7 126	(13 500)
Depreciation	(281)	(36 506)	(1 021 822)	(74 298)	(1 132 907)
Reversal of impairment (note 3.5)	—	—	16 720	—	16 720
Impairment (note 3.5)	—	(20 487)	(13 443)	—	(33 930)
Exchange rate differences	17 945	86 708	60 892	65 548	231 093
Carrying value at June 2012	1 065 048	2 697 222	5 122 095	784 194	9 668 559

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
		3.5 Impairment/reversal of impairment of property, plant and equipment		
		The recoverable amount of all property, plant and equipment is determined based on the higher of value-in-use and fair value less cost to sell. The assumptions and estimates used by management in determining the recoverable amount of assets, for which there is a significant impairment or reversal of impairment, is detailed below.		
		In determining the fair value less cost to sell of affected land and buildings, cash flow projections based on projected net market-related rentals covering the next planning period were used. An average pre-tax market capitalisation rate of 10.14% (2011: 9.43%) was used.		
		Reclassifications for the previous year included an amount of R32.9m that was reclassified from land to prepaid leases. This related to land leased for a period of 99 years in various African countries.		
		The fair value less cost to sell of affected assets, other than land and buildings, was based on management's best estimates taking into account recent selling prices obtained for similar assets in the Group, adjusting these values for the condition of the relevant assets.		
		The reversal of impairment, in the current and previous financial year, was due to improvements in the economic environment in which Group companies, where assets were previously impaired, operate. The original impairment charge as well as the reversal is included in the statement of comprehensive income as items of a capital nature. This impairment originated in the Supermarkets RSA operating segment.		
		4 ASSETS HELD FOR SALE		
—	—	Carrying value	391 993	58 659
		It is the Group's policy to invest in fixed property only when appropriate rental space is not available. Certain land and buildings in the RSA Supermarket segment have been reclassified as assets held for sale as the Group periodically re-evaluates its fixed property holdings in line with this policy. The Group is currently in the process of actively seeking buyers for these properties.		
		During the previous financial year certain properties were transferred back to property, plant and equipment. The sale of these properties were reconsidered as it was no longer economically viable. This decision to reclassify had no significant effect on the Group's results.		
		4.1 Reconciliation of carrying value		
		Carrying value at the beginning of the year	58 659	26 372
		Transfer from property, plant and equipment (note 3)	333 334	55 808
		Transfer to property, plant and equipment (note 3)	—	(6 989)
		Proceeds on disposal	—	(28 360)
		Profit on disposal	—	12 868
		Exchange rate differences	—	(1 040)
—	—	Carrying value at the end of the year	391 993	58 659

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		5 INTERESTS IN SUBSIDIARIES		
211 490	862 499	Investments in ordinary shares		
1 443 013	1 443 013	Investments in preference shares		
10 774	74 237	Amounts owing by subsidiaries		
1 665 277	2 379 749		—	—
		Analysis of total interests in subsidiaries		
1 654 503	2 305 512	Non-current		
10 774	74 237	Current		
1 665 277	2 379 749		—	—

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

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

Amounts owing by subsidiaries of the Company are interest-free, unsecured and are payable on demand.

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		6 INVESTMENT IN ASSOCIATE		
		Investment in Winhold Ltd		
—	—	Investment in ordinary shares	103 886	—

The Group acquired a 49% interest in Winhold Ltd during the year under review. Winhold Ltd is an unlisted retailing supermarket group in Mauritius, denominated in Mauritian rupees.

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	—	—
		Investment in ordinary shares acquired	103 886	—
—	—	Carrying value at the end of the year	103 886	—
		Summary of financial information of Winhold Ltd		
		Assets	230 326	—
		Liabilities	(18 557)	—
		Turnover	1 183 768	—
		Profit for the year	8 084	—

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		7 AVAILABLE-FOR-SALE INVESTMENTS		
		Unlisted share investments		
—	—	Nil (2011: 100) "S" class ordinary shares in RMB Global Solutions (Pty) Ltd	—	59 656
		This investment was realised via dividends received during the year under review. The investment at the end of the previous year was denominated in ZAR and the fair value was based on the underlying net asset value of RMB Global Solutions (Pty) Ltd as it was mainly represented by short-term USD bank deposits at financial institutions with a Moody's long-term credit rating of Aa2.za.		
		8 LOANS AND RECEIVABLES		
		Preference share investment (note 8.1)	—	32 640
		Amounts owing by franchisees (note 8.2)	18 924	16 886
		Other	979	1 008
—	—		19 903	50 534
		Analysis of total loans and receivables		
		Non-current	3 706	4 308
		Current	16 197	46 226
—	—		19 903	50 534
		8.1 Preference share investment	—	32 640
		The preference share investment at the end of the previous year consisted of 13 500 000 6% redeemable, under certain conditions, convertible cumulative preference shares in Pick & Buy Ltd (retailing supermarket group – Mauritius) denominated in Mauritian rupees. The preference shares were redeemed at par during the year under review.		

8 LOANS AND RECEIVABLES (CONTINUED)

8.2 Amounts owing by franchisees

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		Gross amount	30 024	28 584
		Accumulated impairment	(11 100)	(11 698)
—			18 924	16 886

The weighted average variable interest rate (linked to the South African prime rate) on these amounts was 8.3% (2011: 9.6%) p.a. and the amounts are repayable between one and five years. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually impaired. The credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees to the value of R18 million (2011: R37 million) are held as collateral for these amounts.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		Reconciliation of accumulated impairment		
		Balance at July	11 698	6 561
		Allowance for impairment for the year	642	5 137
		Unused amounts reversed	(1 240)	—
—	—	Balance at June	11 100	11 698

The allowance for impairment relates to the following amounts owing by franchisees:

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		Receivable in the next year	6 870	4 788
		Receivable between 1 and 3 years	6 982	8 549
		Receivable between 3 and 5 years	911	2 639
—	—		14 763	15 976

Amounts owing by franchisees relate to a wide-spread number of franchisees which are individually insignificant.

The individually impaired amounts owing by franchisees relate to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R1.8 million (2011: R2.8 million) was accrued on these balances during the year under review. All balances that were past due were considered for impairment.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		9 DEFERRED INCOME TAX		
237	363	Deferred income tax assets (note 9.1)	413 645	326 457
—	—	Deferred income tax liabilities (note 9.2)	(152 085)	(25 377)
237	363	Net deferred income tax assets	261 560	301 080
		The movement in the net deferred income tax assets is as follows:		
200	237	Carrying value at the beginning of the year	301 080	269 724
37	126	Charge to profit for the year	90 135	34 678
37	126	Provisions and accruals	84 681	70 643
—	—	Allowances on property, plant and equipment	(26 421)	(67 634)
—	—	Fixed escalation operating lease accrual	8 325	5 611
—	—	Allowances on intangible assets	1 909	2 136
—	—	Share-based payment accrual	11 581	18 747
—	—	Unrealised exchange rate differences	2 976	11 717
—	—	Tax losses	7 088	(6 443)
—	—	Tax rate change	(4)	(99)
—	—	Charged to other comprehensive income	8 338	(317)
—	—	Charged to equity	(136 249)	—
—	—	Exchange rate differences	(1 744)	(3 005)
237	363	Carrying value at the end of the year	261 560	301 080
		9.1 Deferred income tax assets		
237	363	Provisions and accruals	355 701	316 404
—	—	Allowances on property, plant and equipment	(280 146)	(300 964)
—	—	Fixed escalation operating lease accrual	143 990	144 251
—	—	Allowances on intangible assets	(23 413)	(25 947)
—	—	Share-based payment accrual	170 247	158 826
—	—	Unrealised exchange rate differences	16 298	13 561
—	—	Fair value differences	—	(8 337)
—	—	Tax losses	30 968	28 663
237	363		413 645	326 457
—	—	Net taxable temporary differences to be settled after more than 12 months	(90 251)	(88 057)
237	363	Net deductible temporary differences to be recovered within 12 months	503 896	414 514
237	363		413 645	326 457
		9.2 Deferred income tax liabilities		
		Provisions and accruals	95 071	(3 366)
		Allowances on property, plant and equipment	86 684	60 803
		Fixed escalation operating lease accrual	(7 576)	1 221
		Allowances on intangible assets	624	3
		Unrealised exchange rate differences	(17 078)	(11 997)
		Tax losses	(5 640)	(21 286)
—	—		152 085	25 377
—	—	Net taxable temporary differences to be settled after more than 12 months	171 168	36 916
—	—	Net deductible temporary differences to be recovered within 12 months	(19 083)	(11 539)
—	—		152 085	25 377

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		10 INTANGIBLE ASSETS		
		Goodwill (note 10.1)	191 536	180 981
		Software (note 10.2)	615 453	451 143
		Trademarks (note 10.3)	47 069	41 378
		Customer relationships (note 10.4)	40 238	45 603
—	—		894 296	719 105
		10.1 Goodwill		
		Gross amount	321 534	217 269
		Impairment losses	(129 998)	(36 288)
—	—	Carrying value	191 536	180 981
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	180 981	167 074
		Acquisition of subsidiaries and operations (note 32.5.1)	72 491	14 676
		Impairment (note 10.1.1)	(61 605)	(769)
		Exchange rate differences	(331)	—
—	—	Carrying value at the end of the year	191 536	180 981

10.1.1 IMPAIRMENT OF GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five-year planning periods. Cash flows beyond these planning periods are extrapolated using an estimated growth rate of 6.0% (2011: 4.6%). This does not exceed the long-term average growth rate for the business in which the CGUs operate. The following represent significant assumptions on which management based cash flow projections.

Supermarket operations	%	%
Operating margin*	6.7	5.9
Growth rate**	6.0	4.6
Pre-tax discount rate***	11.4	14.1

Other operations	%	%
Operating margin*	5.7	6.1
Growth rate**	6.0	4.6
Pre-tax discount rate***	8.3	9.3

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

**Weighted average sales growth rate

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

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

The impairment charge in the current financial year under review arose in CGU's in the Supermarkets RSA, Supermarkets non-RSA and Other operating segments. This impairment was the result of a significant reduction in the future expected sales due to a weakening in the general economic conditions in which these CGU's operates.

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		10 INTANGIBLE ASSETS (CONTINUED)		
		10.2 Software		
		Gross amount	782 598	574 714
		Accumulated amortisation and impairment losses	(167 145)	(123 571)
—	—	Carrying value	615 453	451 143
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	451 143	348 737
		Additions	56 159	36 575
		Internally generated	149 263	115 371
		Reclassification from property, plant and equipment (note 3)	17 153	145
		Disposal	(95)	(1)
		Proceeds on disposal	(1)	(1)
		Loss on disposal and scrappings	(94)	—
		Amortisation	(58 223)	(49 677)
		Exchange rate differences	53	(7)
—	—	Carrying value at the end of the year	615 453	451 143
		Included in the gross amount of software is R449m (2011: R288m) that relates to cost capitalised for software not yet in use. This relates mainly to the implementation of SAP merchandising software. The gross amount of software not yet in use was evaluated for impairment by the directors at the statement of financial position date.		
		10.3 Trademarks		
		Gross amount	193 640	177 756
		Accumulated amortisation	(146 571)	(136 378)
—	—	Carrying value	47 069	41 378
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	41 378	44 258
		Acquisition of subsidiaries and operations (note 32.5.1)	9 302	—
		Amortisation	(3 611)	(2 880)
—	—	Carrying value at the end of the year	47 069	41 378
		10.4 Customer relationships		
		Gross amount	53 650	53 650
		Accumulated amortisation	(13 412)	(8 047)
—	—	Carrying value	40 238	45 603
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	45 603	50 968
		Amortisation	(5 365)	(5 365)
—	—	Carrying value at the end of the year	40 238	45 603

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000
		11 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease receipts straight-lined	11 504	9 449
		Less: current (included under trade and other receivables: note 13)	(931)	(203)
—	—		10 573	9 246
		12 INVENTORIES		
—	—	Trading goods	8 680 109	7 055 867
		13 TRADE AND OTHER RECEIVABLES		
		Instalment sales		
		Gross amount (note 13.1)	1 283 036	1 099 858
		Accumulated impairment (note 13.2)	(135 712)	(118 029)
		Unearned finance income	(33 335)	(27 066)
		Insurance contract allowances		
		– Unearned premiums (note 13.3)	(178 408)	(156 520)
—	—		935 581	798 243
—	—	Trade receivables (note 13.4)	1 205 979	881 100
—	15 327	Other receivables (note 13.5)	339 839	353 932
—	—	Prepayments and taxes receivable	196 883	205 107
—	—	Fixed escalation operating lease accrual (note 11)	931	203
—	—	Amounts owing by joint ventures (note 13.6)	22 818	16 805
—	15 327		2 702 031	2 255 390

13.1 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 20.8% (2011: 22.0%) p.a. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Instalment sales comprise a wide-spread client base and external credit checks are made to ensure that all instalment sale clients have an appropriate credit history. Furniture items, including appliances and electronic products are held as collateral for all instalment sale agreements.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		Instalment sale receivables		
		Future minimum instalment payments receivable under non-cancellable instalment sale agreements		
		Not later than 1 year	837 879	647 468
		Later than 1 year not later than 2 years	445 157	452 390
—	—		1 283 036	1 099 858

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000
		13 TRADE AND OTHER RECEIVABLES (CONTINUED)		
		13.2 Accumulated impairment		
		Reconciliation of accumulated impairment		
		Balance at July	118 029	115 906
		Allowance for impairment for the year	161 878	41 583
		Receivables written off during the year as uncollectible	(153 834)	(54 865)
		Penalty interest accrued	9 702	14 578
		Exchange rate differences	1 298	1 350
		Unused amounts reversed	(1 361)	(523)
—	—	Balance at June	135 712	118 029
		The accumulated impairment relates to actual arrears, individual repayments that are past due, and the age analysis below reflects the period that these amounts are overdue.		
		30 days	23 302	19 918
		60 days	14 404	12 665
		90 days	10 564	9 515
		120 days	8 217	7 645
		150 days	6 638	6 318
		180 days	5 451	5 384
		+ 180 days	34 391	37 313
—	—		102 967	98 758
		The accumulated impairment is calculated with reference to actual default history of the Group's instalment sale receivables on a collective basis and is in line with industry norms. On this basis the provision of R136 million (2011: R118 million) was calculated taking into account the actual arrears of R103 million (2011: R99 million) and an amount of R304 million (2011: R243 million) which represents the maximum exposure if all debtors included in actual arrears continued to default. It was assessed that a portion of the receivables is expected to be recovered. All amounts that have not been impaired are fully performing and have no overdue instalments. Based on this the credit quality of these amounts is considered to be satisfactory.		
		13.3 Allowance for unearned premiums		
		An analysis of the allowance for unearned premiums is set out below:		
		Balance at the beginning of the year	156 520	142 298
		Premiums written during the year (note 21.3)	316 623	271 589
		Amortisation charged to income (note 21.3)	(294 735)	(257 367)
—	—	Balance at the end of the year	178 408	156 520

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

13.4 Trade receivables

June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000
		Gross amount	1 316 460	975 300
		Accumulated impairment	(110 481)	(94 200)
—	—		1 205 979	881 100

Trade receivables consist mainly of sale of merchandise to franchisees and buying aid societies. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually impaired. Franchisees comprise a wide-spread client base and the credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees with a face value of R557 million (2011: R717 million) are held as collateral for these amounts. Long standing trading relationships exist with the buying aid societies and the Group reviews the credit history, based on its own records as well as information from an external credit bureau, of these societies on a cyclical basis. Based on this the Group considers the credit quality of all fully performing amounts as satisfactory.

June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000
		Reconciliation of accumulated impairment		
		Balance at July	94 200	90 073
		Allowance for impairment for the year	27 245	12 928
		Receivables written off during the year as uncollectible	(6 759)	(1 471)
		Exchange rate differences	118	(2 876)
		Unused amounts reversed	(4 323)	(4 454)
—	—	Balance at June	110 481	94 200

The provision for impairment relates to trade receivables of R155 million (2011: R94 million) receivable within the next 12 months.

These individually impaired amounts relate mostly to franchisees experiencing unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. Interest of R1,7 million (2011: R1,5 million) was accrued on these balances during the year under review.

Trade receivables of R35 million (2011: R62 million) that were past due between 30 and 60 days of statement date were not impaired. These amounts relate to a number of debtors for whom there is no recent history of default.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		13 TRADE AND OTHER RECEIVABLES (CONTINUED)		
—	—	**13.5 Other receivables**	339 839	353 932
		Other receivables consist of various operational debtors such as rental and municipal deposits refundable. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. The age analysis of these amounts are reviewed on a monthly basis and no allowance for impairment has been made. If the credit risk of any individual receivables is deemed to be material the credit history of the relevant client will be verified with an external credit bureau. No security is held for these balances.		
—	—	**13.6 Amounts owing by joint ventures**	22 818	16 805
		These amounts owing are unsecured, payable on demand and earn interest at an average of 5.4% (2011: 6.0%) p.a. The maximum exposure to credit risk at the reporting date is the carrying value and the Group does not hold any collateral as security. The amounts are mainly denominated in ZAR and are not impaired.		
		14 DERIVATIVE FINANCIAL INSTRUMENTS		
		Forward foreign exchange rate contracts (note 39.1.1)		
—	—	Current liabilities	231	3 606
		As at June 2012 the settlement dates on open forward contracts ranged between one and three (2011: one and three) months. The local currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were:		
		US dollar rand equivalent at rates averaging R1 = \$0,1180 (2011: R1 = \$0,1451)		
		Outflow	(308 808)	(385 297)
		Inflow	302 177	379 682
		Swedish krona rand equivalent at rates averaging N/A (2011: R1 = SEK0,9354)		
		Outflow	—	(4 486)
		Inflow	—	3 951
		Euro rand equivalent at rates averaging R1 = €0,0944 (2011: R1 = €0,1011)		
		Outflow	(68 524)	(58 793)
		Inflow	67 419	58 610

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000
		15 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES		
		15.1 Ordinary share capital		
		Authorised:		
		650 000 000 (2011: 650 000 000) ordinary shares of 113.4 cents each		
		Issued:		
616 306	647 037	570 579 460 (2011: 543 479 460) ordinary shares of 113.4 cents each	647 037	616 306

Reconciliation of movement in number of ordinary shares issued:

	Number of shares	
Balance at the beginning of the year	543 479 460	543 479 460
Shares issued during the year	27 100 000	—
Balance at the end of the year	570 579 460	543 479 460

Treasury shares held by Shoprite Checkers (Pty) Ltd and The Shoprite Holdings Ltd Share Incentive Trust are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:

	Number of shares	
Issued ordinary share capital	570 579 460	543 479 460
Treasury shares (note 15.3)	(35 436 472)	(37 346 947)
	535 142 988	506 132 513

The unissued ordinary shares are under the control of the directors who may issue them on such terms and conditions as they deem fit until the Company's next annual general meeting.

All shares are fully paid up.

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		15 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (CONTINUED)		
		15.2 Deferred share capital		
		Authorised:		
		360 000 000 (2011: 360 000 000) non-convertible, non-participating no par value deferred shares		
		Issued:		
277	277	276 821 666 (2011: 276 821 666) non-convertible, non-participating no par value deferred shares	277	277
		The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd.		
		All shares are fully paid up and carry the same voting rights as the ordinary shares.		
616 583	647 314		647 314	616 583
		15.3 Treasury shares		
—	—	35 436 472 (2011: 37 346 947) ordinary shares	320 146	337 406

Reconciliation of movement in number of treasury shares for the Group:

	Number of shares 2012	Number of shares 2011
Balance at the beginning of the year	37 346 947	37 346 947
Movement in shares held by The Shoprite Holdings Ltd Share Incentive Trust		
Shares disposed during the year	(506 036)	—
Movement in shares held by Shoprite Checkers (Pty) Ltd		
Shares purchased during the year	506 036	—
Shares' loss during the year	(1 910 475)	—
Balance at the end of the year	35 436 472	37 346 947

15.4 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.

15.4.1 SHARE PURCHASE SCHEME

All ordinary shares held by The Shoprite Holdings Ltd Share Incentive Trust were sold to Shoprite Checkers (Pty) Ltd during the year under review.

Reconciliation of movement in number of ordinary shares held by The Shoprite Holdings Ltd Share Incentive Trust:

	Number of shares 2012	Number of shares 2011
Balance at the beginning of the year	506 036	506 036
Shares sold to Shoprite Checkers (Pty) Ltd	(506 036)	—
Balance at the end of the year	—	506 036

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

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

15.4 Share incentive schemes (continued)

15.4.1 SHARE PURCHASE SCHEME (CONTINUED)

		Fair value of treasury shares held by The Shoprite Holdings Ltd Share Incentive Trust	—	51 514

15.4.2 CASH-SETTLED SHARE-BASED PAYMENTS

The Group has granted cash-settled share-based payments to directors and management. The rights to cash-settled share-based payments entitle the participants to receive cash payments based on the difference between the share price at the date of the exercise of the rights and the strike price which relates to the share price at the date of the grant. The number of shares on which the rights are based as well as the strike prices and the exercise and expiry dates are set out below. The Group has recognised the liability in respect of the cash-settled share-based payments and included it in payables (refer note 20).

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

	Weighted average strike price per share		Number of shares on which rights are based	
	2012	2011	2012	2011
Movements in rights to cash-settled share-based payments				
Balance at the beginning of the year	R29,69	R30,17	9 441 667	13 400 000
Exercised during the year	R31,78	R31,31	(4 049 999)	(3 958 333)
Forfeited during the year	R31,31	—	(183 334)	—
Balance at the end of the year	R28,02	R29,69	5 208 334	9 441 667
Rights to cash-settled share-based payments on June 2012 are unconditional on the following dates or immediately in the case of a deceased estate:				
29 Aug 2011	—	R31,31	—	3 958 333
29 Aug 2012	R31,31	R31,31	3 816 666	3 958 333
10 Oct 2011	—	R45,45	—	133 333
10 Oct 2012	R45,45	R45,45	133 333	133 333
10 Oct 2013	R45,45	R45,45	133 334	133 334
9 Oct 2012	R62,35	R62,35	41 667	41 667
9 Oct 2013	R62,35	R62,35	41 667	41 667
9 Oct 2014	R62,35	R62,35	41 667	41 667
CH Wiese: refer next page	R6,50	R6,50	1 000 000	1 000 000
	R28,02	R29,69	5 208 334	9 441 667

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

15.4 Share incentive schemes (continued)

15.4.2 CASH-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

Cash-settled share-based payments issued to directors

			Number of shares on which rights are based			
Director	**Expiry date**	**Exercise date**	**At June 2011**	**Exercised during the year**	**At June 2012**	**Strike price per share**
CH Wiese*	5 Sep 2022	Currently exercisable	1 000 000	—	1 000 000	R6,50
JAL Basson	29 Aug 2011	29 Aug 2011**	41 667	(41 667)	—	R31,31
JAL Basson	29 Aug 2012	29 Aug 2012	41 667	—	41 667	R31,31
M Bosman	29 Aug 2011	29 Aug 2011**	116 667	(116 667)	—	R31,31
M Bosman	29 Aug 2012	29 Aug 2012	116 666	—	116 666	R31,31
PC Engelbrecht	29 Aug 2011	29 Aug 2011**	250 000	(250 000)	—	R31,31
PC Engelbrecht	29 Aug 2012	29 Aug 2012	250 000	—	250 000	R31,31
CG Goosen	29 Aug 2011	29 Aug 2011**	316 667	(316 667)	—	R31,31
CG Goosen	29 Aug 2012	29 Aug 2012	316 666	—	316 666	R31,31
B Harisunker	29 Aug 2011	29 Aug 2011**	116 667	(116 667)	—	R31,31
B Harisunker	29 Aug 2012	29 Aug 2012	116 666	—	116 666	R31,31
AE Karp	10 Oct 2011	10 Oct 2011***	133 333	(133 333)	—	R45,45
AE Karp	10 Oct 2012	10 Oct 2012	133 333	—	133 333	R45,45
AE Karp	10 Oct 2013	10 Oct 2013	133 334	—	133 334	R45,45
EL Nel	29 Aug 2011	29 Aug 2011**	133 333	(133 333)	—	R31,31
EL Nel	29 Aug 2012	29 Aug 2012	133 334	—	133 334	R31,31
BR Weyers	29 Aug 2011	29 Aug 2011**	100 000	(100 000)	—	R31,31
BR Weyers	29 Aug 2012	29 Aug 2012	100 000	—	100 000	R31,31

*The right to the cash-settled share-based payments have been granted via a management company.
**The market price of share appreciation rights exercised on 29 August 2011 was R102,30 per share.
***The market price of share appreciation rights exercised on 10 October 2011 was R116,67 per share.

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		16 RESERVES		
1 345 422	1 423 455	Retained earnings	8 203 053	6 507 523
2 152	2 152	Other reserves (note 16.1)	542 752	4 928
1 347 574	1 425 607		8 745 805	6 512 451
		16.1 Other reserves		
209	209	Reserve on conversion from no par value to par value shares	209	209
1 943	1 943	Capital redemption reserve	1 943	1 943
—	—	Equity component of convertible bonds	333 880	—
—	—	Foreign currency translation reserve	206 720	(81 979)
—	—	Contingency reserve	—	33 536
—	—	Fair value reserve	—	51 219
2 152	2 152		542 752	4 928

16.1.1 RECONCILIATION OF CARRYING VALUES OF OTHER RESERVES

R'000	Equity component of convertible bonds	Foreign currency translation reserve	Contingency reserve	Fair value reserve	Other
Balance at June 2010	—	60 472	29 027	49 269	2 152
Foreign currency translation differences		(142 451)			
Transfer from distributable reserves			4 509		
Net fair value gains on available-for-sale investments, net of income tax				1 950	
Net fair value gains				2 267	
Related income tax				(317)	
Balance at June 2011	—	(81 979)	33 536	51 219	2 152
Equity component of convertible bonds on initial recognition	470 129				
Deferred income tax on equity component of convertible bonds	(136 249)				
Foreign currency translation differences		288 699			
Transfer to distributable reserves			(33 536)		
Net fair value gains on available-for-sale investments, net of income tax				(51 219)	
Net fair value gains				(59 557)	
Related income tax				8 338	
Balance at June 2012	333 880	206 720	—	—	2 152

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		17 BORROWINGS		
		Consisting of:		
2 450	2 450	Shoprite Holdings Ltd preference share capital (note 17.1)	2 450	2 450
—	—	Shoprite International Ltd preference share capital (note 17.2)	182	149
—	—	Convertible bonds (note 17.3)	3 975 330	—
—	—	First National Bank of Namibia Ltd (note 17.4)	57 472	47 156
2 450	2 450		4 035 434	49 755
		Analysis of total borrowings		
2 450	2 450	Non-current	4 006 698	26 177
—	—	Current	28 736	23 578
2 450	2 450		4 035 434	49 755
		17.1 Shoprite Holdings Ltd preference share capital		
		Authorised:		
		175 000 (2011: 175 000) 6% non-convertible cumulative preference shares of R2 each		
		325 000 (2011: 325 000) 5% non-convertible cumulative preference shares of R2 each		
		225 000 (2011: 225 000) second 5% non-convertible cumulative preference shares of R2 each		
		1 000 000 (2011: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each		
		Issued:		
350	350	175 000 (2011: 175 000) 6% non-convertible cumulative preference shares of R2 each	350	350
650	650	325 000 (2011: 325 000) 5% non-convertible cumulative preference shares of R2 each	650	650
450	450	225 000 (2011: 225 000) second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000	500 000 (2011: 500 000) third 5% non-convertible cumulative preference shares of R2 each	1 000	1 000
2 450	2 450		2 450	2 450
		17.2 Shoprite International Ltd preference share capital		
		20 (2011: 20) "Malawi" redeemable under certain conditions, preference shares of USD1,82 each	1 543	1 259
		2 (2011: 2) "Angola" redeemable under certain conditions, preference shares of USD1,82 each	155	126
		Accumulated losses recognised	(1 516)	(1 236)
—	—		182	149

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000

17 BORROWINGS (CONTINUED)

17.3 Convertible bonds

The Group issued 6.5% convertible bonds for a principal amount of R4,5 billion on 2 April 2012. The bonds mature five years from the issue date at their nominal value of R4,5 billion or can be converted into shares at the holders' option at the maturity date at the rate of 5 919.26 shares per R1 million. The Group holds, subject to conditions, rights on early redemption. The values of the liability component and the equity conversion component were determined at issuance of the bond.

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves, net of income taxes.

The convertible bond recognised in the statement of financial position is calculated as follows:

Company June 2011 R'000	Company June 2012 R'000		Group June 2012 R'000	Group June 2011 R'000
		Face value of convertible bonds issued on 2 April 2012*	4 347 641	—
		Equity component (note 16.1)*	(470 129)	—
—	—	Liability component on initial recognition at 2 April 2012	3 877 512	—
		Interest expense (note 28)	97 818	—
—	—	Liability component at the end of the year	3 975 330	—

*The transaction costs have been allocated to the equity and liability components based on their relative day one values.

The fair value of the liability component of the convertible bonds amounted to R4,1 billion at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.5%.

17.4 First National Bank of Namibia Ltd

Company June 2011 R'000	Company June 2012 R'000		Group June 2012 R'000	Group June 2011 R'000
—	—	This loan is unsecured, will be repaid within the next 24 months in equal instalments and bears interest at an average of 8.82% (2011: 9.19%) p.a.	57 472	47 156

18 PROVISIONS

Company June 2011 R'000	Company June 2012 R'000		Group June 2012 R'000	Group June 2011 R'000
		Provision for post-retirement medical benefits (note 36.2)	33 355	33 534
		Provision for onerous lease contracts	44 165	50 578
		Provision for outstanding claims	2 353	2 134
		Provision for long-term employee benefits	257 937	219 831
		Reinstatement provision	139 615	137 240
—	—		477 425	443 317

18 PROVISIONS (CONTINUED)

Reconciliation of carrying values

R'000	Post-retirement medical benefits	Onerous lease contracts	Outstanding claims	Long-term employee benefits	Reinstatement provision	Total
Balance at June 2010	32 404	41 421	1 459	158 981	141 378	375 643
Additional provisions	1 240	21 356	675	59 461	11 570	94 302
Unused amounts reversed	(312)	(159)	—	(321)	(732)	(1 524)
Utilised during the year	(2 630)	(10 818)	—	(6 354)	(14 912)	(34 714)
Accretion of discount	2 832	(1 222)	—	8 572	—	10 182
Exchange rate differences	—	—	—	(508)	(64)	(572)
Balance at June 2011	33 534	50 578	2 134	219 831	137 240	443 317
Additional provisions	76	29 823	219	55 104	11 549	96 771
Unused amounts reversed	(1 328)	(15 049)	—	(4 932)	(1 925)	(23 234)
Utilised during the year	(1 779)	(23 064)	—	(20 882)	(7 249)	(52 974)
Accretion of discount	2 852	1 877	—	7 506	—	12 235
Exchange rate differences	—	—	—	1 310	—	1 310
Balance at June 2012	33 355	44 165	2 353	257 937	139 615	477 425
Analysis of total provisions						
2011						
Non-current	33 534	26 009	—	218 568	61 089	339 200
Current	—	24 569	2 134	1 263	76 151	104 117
	33 534	50 578	2 134	219 831	137 240	443 317
2012						
Non-current	33 355	29 069	—	208 573	67 794	338 791
Current	—	15 096	2 353	49 364	71 821	138 634
	33 355	44 165	2 353	257 937	139 615	477 425
Discount rates used						
2011	9%	12%	N/A	9%	12%	
2012	9%	9%	N/A	8%	9%	

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		19 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease payments straight-lined (refer note 23)	576 437	522 205
		Less: current (included under trade and other payables: note 20)	(56 231)	(66 418)
—	—		520 206	455 787

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		20 TRADE AND OTHER PAYABLES		
—	—	Trade payables	8 163 845	6 303 789
966	24 777	Other payables and accruals	2 927 422	2 254 512
—	—	Employee benefit accruals	743 836	655 394
160	198	Indirect taxes payable	204 540	200 323
—	—	Amounts owing to joint ventures (note 20.1)	7 665	3 917
—	—	Fixed escalation operating lease accrual (note 19)	56 231	66 418
—	—	Cash-settled share-based payment accrual (note 15.4.2)	630 043	586 845
1 126	24 975		12 733 582	10 071 198
		Analysis of trade and other payables		
—	—	Non-current	21 878	263 455
1 126	24 975	Current	12 711 704	9 807 743
1 126	24 975		12 733 582	10 071 198
—	—	**20.1 Amounts owing to joint ventures**	7 665	3 917
		These loans are unsecured, payable on demand and bear interest at an average of 3.4% (2011: 1.2%) p.a.		
		21 OTHER OPERATING INCOME		
—	—	Finance income earned	206 354	196 066
1 306 771	1 652 535	Investment income (note 21.1)	82 259	27 663
—	—	Franchise fees received	47 438	38 262
—	—	Operating lease income (note 21.2)	251 482	231 900
—	—	Commissions received	485 734	412 386
—	—	Premiums earned (note 21.3)	294 735	257 367
910	2 522	Other income	957 310	692 197
1 307 681	1 655 057		2 325 312	1 855 841
		21.1 Investment income		
—	12 955	Interest received from subsidiaries	—	—
—	—	Interest received from joint ventures	279	965
—	335	Interest received other	16 579	14 940
1 306 751	1 639 223	Dividends – subsidiaries	—	—
20	22	– unlisted investments	65 401	11 758
1 306 771	1 652 535		82 259	27 663
		21.2 Operating lease income		
		The Group has entered into various operating lease agreements as the lessor of property.		
		Leases on properties are contracted for periods of between 1 and 9 years (2011: 1 and 13 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 7.5% (2011: 8.3%) p.a.		
		21.3 Premiums earned		
		Premiums written	316 623	271 589
		Change in allowance for unearned premiums	(21 888)	(14 222)
—	—		294 735	257 367

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		22 DEPRECIATION AND AMORTISATION		
		Property, plant and equipment	1 132 907	948 520
		Intangible assets	67 199	57 922
			1 200 106	1 006 442
		Disclosed as cost of sales	(109 811)	(72 850)
—	—		1 090 295	933 592
		23 OPERATING LEASES		
		The Group has entered into various operating lease agreements on property, plant and equipment.		
		Leases on properties are contracted for periods of between 5 and 10 years (2011: 3 and 10 years) with renewal options averaging a further 3 to 15 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1.84% (2011: 1.84%) of turnover. Rental escalations vary, but average at a rate of 6.52% (2011: 6.76%) p.a.		
		Operating lease payments – property	1 902 258	1 692 493
		Operating lease payments – equipment	80 858	81 943
			1 983 116	1 774 436
		Disclosed as cost of sales	(42 895)	(73 968)
—	—		1 940 221	1 700 468
		Consisting of:		
		Minimum lease payments	1 733 591	1 543 435
		Contingent lease payments	249 525	231 001
—	—		1 983 116	1 774 436
		24 EMPLOYEE BENEFITS		
		Wages and salaries	6 305 672	5 514 459
		Cash-settled share-based payments (note 15.4.2)	275 580	256 618
		Post-retirement medical benefits (note 36.2)	1 600	3 760
		Retirement benefit contributions (note 36.1)	347 939	314 415
			6 930 791	6 089 252
		Disclosed as cost of sales	(400 323)	(327 207)
—	—		6 530 468	5 762 045
		24.1 Learnership allowances		
		The Group has, during the year under review, received certain learnership allowances.		
		Sector Educational Training Authorities (SETA) grants In terms of the SETA grant in South Africa the Group can recoup Skills Development Levies (SDLs) to the extent that training, as prescribed by SETA, is provided to its employees. This resulted in a reduction in SDLs of R24,236,590 (2011: R20,601,405) for the year under review. The net amount is taxable at 28% (2011: 28%).		

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		25 OPERATING PROFIT		
		Determined after taking into account the following:		
—	—	Fair value gains/(losses) on financial instruments	3 375	(5 105)
—	—	Policyholder claims and benefits paid	24 965	14 073
—	—	– claims paid	24 746	13 398
—	—	– movement in accumulated unpaid claims (note 18)	219	675

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		26 DIRECTORS' REMUNERATION		
69 032	78 261	Executive directors		
845	1 227	Non-executive directors		
69 877	79 488		—	—
(69 032)	(78 261)	Less: paid by subsidiaries and joint ventures		
845	1 227		—	—

The only prescribed officers of the Group are the Shoprite Holdings Ltd directors and alternate directors, as listed below.

For details of equity and cash-settled share-based payment instruments issued to directors refer note 15.4.

The South African Companies Act (Act No 71 of 2008), as amended, requires certain new disclosures in respect of directors' remuneration. All disclosures relating to share appreciation rights exercised are now disclosed in note 15.4.

	2012					2011				
R'000	Remune-ration	Perfor-mance bonus	Retirement and medical benefits	Other benefits	Total	Remune-ration	Perfor-mance bonus	Retirement and medical benefits	Other benefits	Total
Executive directors and alternates										
JW Basson	40 620	—	35	309	40 964	32 063	—	3 963	449	36 475
JAL Basson	1 257	1 008	215	161	2 641	1 137	1 350	194	142	2 823
M Bosman	1 727	1 487	397	168	3 779	1 601	1 327	322	204	3 454
PC Engelbrecht	2 785	1 864	513	222	5 384	2 475	1 610	423	198	4 706
CG Goosen	3 354	2 658	804	229	7 045	3 104	2 410	708	257	6 479
B Harisunker	2 112	1 235	702	153	4 202	1 957	921	592	190	3 660
AE Karp	3 143	2 256	641	247	6 287	2 908	540	557	266	4 271
EL Nel	2 104	1 760	370	172	4 406	1 942	1 450	334	171	3 897
BR Weyers	1 627	1 300	422	204	3 553	1 534	1 180	361	192	3 267
	58 729	13 568	4 099	1 865	78 261	48 721	10 788	7 454	2 069	69 032

26 DIRECTORS' REMUNERATION (CONTINUED)

	2012 Fees	2012 Total	2011 Fees	2011 Total
Non-executive directors				
JJ Fouché (appointed 26/03/2012)	32	32	—	—
EC Kieswetter	120	120	101	101
JA Louw	211	211	101	101
JF Malherbe	210	210	176	176
JG Rademeyer	312	312	259	259
JA Rock (appointed 15/05/2012)	22	22	—	—
CH Wiese*	320	320	208	208
	1 227	1 227	845	845

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

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		27 ITEMS OF A CAPITAL NATURE		
		Profit/(loss) on disposals of property (note 3)	1 572	(6 214)
		Profit on disposals of assets held for sale (note 4)	—	12 868
		Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 10)	(15 166)	(32 256)
		Insurance claims paid	(1 094)	(217)
		Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	(17 210)	(56 351)
		Impairment of goodwill (note 10.1)	(61 605)	(769)
		(Loss)/profit on other investing activities	(184)	4 406
—	—		(93 687)	(78 533)
		28 FINANCE COSTS		
—	—	Interest on convertible bonds	97 818	—
72	—	Interest paid	125 412	125 608
—	—	Interest paid to joint ventures	207	230
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
198	126		223 563	125 964

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000
		29 INCOME TAX EXPENSE		
		29.1 Classification		
131 060	114 556	South African income tax	1 306 833	1 162 478
—	—	Foreign income tax	132 056	184 348
131 060	114 556		1 438 889	1 346 826
		29.2 Consisting of:		
12 879	26 032	Current income tax	1 409 413	1 223 548
1 165	(1 030)	Prior year income tax	1 609	28 295
—	—	Withholding income tax	26 159	7 991
117 053	89 680	Secondary income tax on companies	91 843	121 670
131 097	114 682		1 529 024	1 381 504
(37)	(126)	Deferred income tax	(90 135)	(34 678)
131 060	114 556		1 438 889	1 346 826
		29.3 Reconciliation of income tax		
374 513	478 921	South African current income tax at 28% (2011: 28%)	1 254 878	1 085 383
(243 453)	(364 365)	Net adjustments	184 011	261 443
35	35	Preference dividends	(230)	(255)
(365 897)	(458 989)	Dividend income	(18 312)	(5 966)
4 191	5 939	Other exempt income and non-deductible expenses	(177)	76 058
—	—	Income tax allowances	(9 898)	(2 648)
—	—	Deferred income tax asset previously not recognised	(6 922)	(25 242)
1 165	(1 030)	Prior year income tax	1 609	28 295
117 053	89 680	Secondary income tax on companies	91 843	121 670
—	—	Effect of foreign income tax rates	35 999	33 398
—	—	Withholding income tax	26 159	7 991
—	—	Deferred income tax asset not recognised	63 940	28 142
131 060	114 556	Income tax	1 438 889	1 346 826
9.8%	6.7%	Effective tax rate	32.1%	34.7%
		29.4 Secondary income tax on companies		
89 674	—	Secondary income tax on companies on proposed or envisaged dividends	—	89 674

If the total distributable reserves of the Company of R1,345 million at the end of the previous year were to be declared as dividends, the secondary income tax impact at a rate of 10% would have been R135 million.

The South African Government replaced secondary income tax on companies with a dividend tax on shareholders with effect from 1 April 2012.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		29 INCOME TAX EXPENSE (CONTINUED)		
		29.5 Net calculated income tax losses and net deductible temporary differences		
		Calculated income tax losses and net deductible temporary differences at year-end	1 843 759	1 424 491
		Applied in the provision for deferred income tax	1 479 506	1 137 964
—	—		364 253	286 527

The utilisation of the income tax relief, translated at closing rates, to the value of R108,638,479 (2011: R95,036,491), calculated at current income tax rates on the net calculated income tax losses, is dependent on sufficient future taxable income in the companies concerned.

The carry forward of all gross calculated income tax losses is indefinite, except for certain African countries, as set out below:

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		Expiry date of income tax relief		
		30 June 2012	—	1 625
		30 June 2013	2 776	3 165
		30 June 2014	8 276	7 542
		30 June 2015	8 369	3 802
		30 June 2016	4 025	4 744
		30 June 2017	19 483	16 879
		30 June 2018	2 603	—
		30 June 2019	—	103
—	—		45 532	37 860
—	—	Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created	108 566	89 255

30 EARNINGS PER SHARE

R'000	Gross	2012 Income tax effect	Net
Profit attributable to equity holders			3 026 563
Profit on disposals of property (note 3)	(1 572)	294	(1 278)
Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 10)	15 166	(3 856)	11 310
Insurance claims paid	1 094	(306)	788
Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	17 210	(2 170)	15 040
Impairment of goodwill (note 10.1)	61 605	—	61 605
Loss on other investing activities	184	—	184
Headline earnings	93 687	(6 038)	3 114 212

R'000	Gross	2011 Income tax effect	Net
Profit attributable to equity holders			2 509 780
Loss on disposals of property (note 3)	6 214	(197)	6 017
Profit on disposals of assets held for sale (note 4)	(12 868)	1 802	(11 066)
Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 10)	32 256	(9 077)	23 179
Insurance claims paid	217	(61)	156
Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	56 351	(12 311)	44 040
Impairment of goodwill (note 10.1)	768	—	768
Profit on other investing activities	(4 405)	537	(3 868)
Headline earnings	78 533	(19 307)	2 569 006

	2012	2011
	Number of shares	
Number of ordinary shares		
– In issue	535 143	506 133
– Weighted average	513 019	506 133
Earnings per share	Cents	
– Earnings	590.0	495.9
– Headline earnings	607.0	507.6

Diluted earnings per share is unchanged from basic earnings per share, as the inclusion of the dilutive potential ordinary shares would increase earnings per share and is therefore not dilutive. Convertible debt outstanding at the reporting date (refer note 17.3), which were anti-dilutive in the current year, could potentially have a dilutive impact in the future.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		31 DIVIDENDS PER SHARE		
Cents		**31.1 Dividends per share paid**	Cents	
147.0	165.0	No 125 paid 19 September 2011 (2011: No 123 paid 20 September 2010)	165.0	147.0
88.0	109.0	No 126 paid 30 April 2012 (2011: No 124 paid 22 March 2011)	109.0	88.0
235.0	274.0		274.0	235.0
		31.2 Dividends per share declared		
165.0	194.0	No 127 payable 17 September 2012 (2011: No 125 paid 19 September 2011)	194.0	165.0
		32 CASH FLOW INFORMATION		
		32.1 Non-cash items		
—	—	Depreciation of property, plant and equipment	1 132 907	948 520
—	—	Amortisation of intangible assets	67 199	57 922
—	—	Net fair value (gains)/losses on financial instruments	(3 375)	5 105
1	—	Exchange rate losses	8 343	446
—	—	(Profit)/loss on disposals of property	(1 572)	6 214
—	—	Profit on disposals of assets held for sale	—	(12 868)
—	—	Loss on disposals and scrappings of plant, equipment and intangible assets	15 166	32 256
—	—	Impairment of property, plant and equipment and assets held for sale	17 210	56 351
—	—	Impairment of goodwill	61 605	769
—	—	Movement in provisions	34 577	70 876
—	—	Movement in cash-settled share-based payment accrual	330 738	272 808
—	—	Movement in fixed escalation operating lease accrual	51 724	21 081
1	—		1 714 522	1 459 480
		32.2 Changes in working capital		
—	—	Inventories	(1 526 104)	(1 000 474)
—	(15 327)	Trade and other receivables	(239 945)	(236 566)
(285)	23 848	Trade and other payables	2 415 283	(87 319)
(285)	8 521		649 234	(1 324 359)
		32.3 Dividends paid		
(3 338)	(4 016)	Shareholders for dividends at the beginning of the year	(4 851)	(3 328)
(1 277 177)	(1 517 843)	Dividends distributed to equity holders	(1 421 598)	(1 189 411)
—	—	Dividends distributed to non-controlling interest	(12 330)	(28 196)
4 016	3 849	Shareholders for dividends at the end of the year	4 955	4 851
(1 276 499)	(1 518 010)		(1 433 824)	(1 216 084)
		32.4 Income tax paid		
1 589	(4 247)	Prepaid/(payable) at the beginning of the year	(425 773)	(75 361)
(131 097)	(114 682)	Per statement of comprehensive income	(1 529 024)	(1 381 504)
—	—	Acquisition of subsidiaries and operations (note 32.5.1)	(372)	—
4 247	7 028	Payable at the end of the year	69 835	425 773
(125 261)	(111 901)		(1 885 334)	(1 031 092)

COMPANY June 2011 R'000	June 2012 R'000		GROUP June 2012 R'000	June 2011 R'000
		32 CASH FLOW INFORMATION (CONTINUED)		
		32.5 Cash flows (utilised by)/from investing activities		
—	—	Investment in property, plant and equipment and intangible assets to expand operations	(2 359 020)	(2 283 322)
—	—	Investment in property, plant and equipment and intangible assets to maintain operations	(758 749)	(721 897)
—	—	Proceeds on disposals of property, plant and equipment and intangible assets	149 315	63 483
—	—	Proceeds on disposals of assets held for sale	—	28 360
—	(651 009)	Other investing activities	34 409	3 493
(1 342 957)	(2 316 447)	Amounts paid to subsidiaries	—	—
1 408 492	2 252 984	Amounts received from subsidiaries	—	—
—	—	Investment in associate	(103 886)	—
—	—	Acquisition of subsidiaries and operations (note 32.5.1)	(72 961)	(27 128)
65 535	(714 472)		(3 110 892)	(2 937 011)
		32.5.1 ACQUISITION OF SUBSIDIARIES AND OPERATIONS		
		The Group acquired a 100% shareholding in a subsidiary and various operations. The acquisitions had no significant impact on the Group's results.		
		The assets and liabilities arising from the acquisitions were as follows:		
		Property, plant and equipment (note 3)	19 788	12 228
		Trademark (note 10.3)	9 302	—
		Trade and other receivables (note 13)	97 647	—
		Trade and other payables (note 20)	(133 560)	(1 087)
		Current income tax	(372)	—
		Inventories (note 12)	7 665	1 311
			470	12 452
		Goodwill (note 10.1)	72 491	14 676
—	—	Purchase consideration	72 961	27 128
		32.6 Cash flows from financing activities		
—	3 409 728	Proceeds from ordinary shares issued	3 409 728	—
—	—	Proceeds from convertible bonds issued	4 347 641	—
—	—	Increase in borrowings from First National Bank of Namibia Ltd	10 316	9 329
—	3 409 728		7 767 685	9 329

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		33 CONTINGENT LIABILITIES		
		Amounts arising in the ordinary course of business relating to property and other transactions from which it is anticipated that no material liabilities will arise.	206 168	157 792
		Shoprite Holdings Ltd and its main trading subsidiary, Shoprite Checkers (Pty) Ltd, have irrevocably and unconditionally guaranteed all amounts payable by the issuer, Shoprite Investments Ltd, in respect of the convertible bonds (refer note 17.3).		
		34 COMMITMENTS		
		34.1 Capital commitments		
		Contracted for property, plant and equipment	1 464 732	1 261 803
		Contracted for intangible assets	242 735	81 731
		Authorised by directors, but not contracted for	2 077 445	1 781 928
—	—	Total capital commitments	3 784 912	3 125 462
—	—	Capital commitments for the 12 months after accounting date	3 784 912	3 125 462
		Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
		34.2 Operating lease commitments		
		Future minimum lease payments under non-cancellable operating leases:		
		– Not later than one year	1 609 405	1 220 407
		– Later than one year not later than five years	5 107 226	4 012 189
		– Later than five years	2 739 322	2 075 058
			9 455 953	7 307 654
		Less: fixed escalation operating lease accrual (note 19)	(576 437)	(522 205)
—	—		8 879 516	6 785 449
		34.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases:		
		– Not later than one year	175 323	237 924
		– Later than one year not later than five years	354 467	313 153
		– Later than five years	36 070	13 191
			565 860	564 268
		Less: fixed escalation operating lease accrual (note 11)	(11 504)	(9 449)
—	—		554 356	554 819

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

35 BORROWING POWERS

In terms of the Memorandum of Incorporation of the Company the borrowing powers of Shoprite Holdings Ltd are unlimited.

36 POST-RETIREMENT BENEFITS

36.1 Retirement funds

Group companies provide post-retirement benefits in accordance with the local conditions and practices in the countries in which they operate.

The Group provides retirement benefits to 68.9% (2011: 57.1%) of employees and 3.2% (2011: 4.3%) of the employees belong to national retirement plans. The monthly contributions are charged to the statement of comprehensive income.

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

Company 2011	Company 2012		Group 2012	Group 2011
		During the year under review contributions to retirement funding have been calculated as	347 939	314 415

36.2 Medical benefits

Full provision for post-retirement medical benefits, where they exist, are made with reference to actuarial valuations in respect of past services liabilities. The liability relates mainly to pensioners and will be settled during the next financial years.

36.2.1 THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED FOR ACCOUNTING PURPOSES ARE AS FOLLOWS:

Company 2011	Company 2012		Group 2012	Group 2011
		Health-care cost inflation	10.3%	9.8%
		Discount rate	9.3%	8.8%
		Salary adjustments		
		– inflation	7.7%	7.3%
		– promotions and experience increases	1.5%	1.5%
		Continuation at retirement	100.0%	95.0%
		Expected retirement age	63 years	60 years

The assumed rates of mortality are as follows:

During employment: SA: 85-90 (light) ultimate table (2011: SA 85-90 (light) ultimate table)

Post-employment: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006 (2011: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006)

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		36 POST-RETIREMENT BENEFITS (CONTINUED)		
		36.2 Medical benefits (continued)		
		36.2.2 THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION (NOTE 18) WAS AS FOLLOWS:		
		Balance at the beginning of the year	33 534	32 404
		Total expense charged to the statement of comprehensive income (note 36.2.3)	1 600	3 760
		Benefits paid	(1 779)	(2 630)
—	—	Balance at the end of the year	33 355	33 534
		36.2.3 THE AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME WERE AS FOLLOWS:		
		Current service cost	76	115
		Net actuarial (gains)/losses recognised during the year	(1 328)	813
		Interest cost	2 852	2 832
—	—	Total included in employee benefits (note 24)	1 600	3 760
		The effect of a 1% increase in the assumed health-care cost inflation is as follows:		
		Increase in the current service and interest cost	454	443
		Increase in the post-retirement medical benefit liability	4 730	4 878
		The effect of a 1% decrease in the assumed health-care cost inflation is as follows:		
		Decrease in the current service and interest cost	369	359
		Decrease in the post-retirement medical benefit liability	3 870	3 975

36.2.4 TREND ANALYSIS OF POST-RETIREMENT MEDICAL BENEFITS

R'000	Present value of obligation	Experience adjustments
30 June 2008	181 099	4 563
30 June 2009	243 268	1 687
30 June 2010	32 404	5 907
30 June 2011	33 534	963
30 June 2012	33 355	1 878

37 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Available-for-sale	Total
Group			
R'000		2012	
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION			
Loans and receivables	19 903		19 903
Instalment sales	935 581		935 581
Trade receivables	1 205 979		1 205 979
Other receivables excluding prepayments and taxes receivable	339 839		339 839
Amounts owing by joint ventures	22 818		22 818
Cash and cash equivalents	7 939 333		7 939 333
	10 463 453	—	10 463 453
R'000		2011	
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION			
Available-for-sale investments		59 656	59 656
Loans and receivables	50 534		50 534
Instalment sales	798 243		798 243
Trade receivables	881 100		881 100
Other receivables excluding prepayments and taxes receivable	353 932		353 932
Amounts owing by joint ventures	16 805		16 805
Cash and cash equivalents	1 961 551		1 961 551
	4 062 165	59 656	4 121 821
Company			
R'000		2012	
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION			
Amounts owing by subsidiaries	74 237		74 237
Other receivables excluding prepayments and taxes receivable	15 327		15 327
Cash and cash equivalents	3 387 853		3 387 853
	3 477 417	—	3 477 417
R'000		2011	
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION			
Amounts owing by subsidiaries	10 774		10 774
Cash and cash equivalents	603 555		603 555
	614 329	—	614 329

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

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

37 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities	Liabilities at fair value through profit and loss	Total
Group			
R'000		2012	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	4 035 434		4 035 434
Reinstatement provision	139 615		139 615
Trade payables	8 163 845		8 163 845
Other payables and accruals excluding taxes payable and employee benefit accruals	2 927 422		2 927 422
Amounts owing to joint ventures	7 665		7 665
Derivative financial instruments		231	231
Bank overdrafts	22 858		22 858
Shareholders for dividends	4 955		4 955
	15 301 794	231	15 302 025
R'000		2011	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	49 755		49 755
Reinstatement provision	137 240		137 240
Trade payables	6 303 789		6 303 789
Other payables and accruals excluding taxes payable and employee benefit accruals	2 254 512		2 254 512
Amounts owing to joint ventures	3 917		3 917
Derivative financial instruments		3 606	3 606
Bank overdrafts	2 042 100		2 042 100
Shareholders for dividends	4 851		4 851
	10 796 164	3 606	10 799 770
Company			
R'000		2012	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	2 450		2 450
Other payables and accruals excluding taxes payable and employee benefit accruals	24 777		24 777
Shareholders for dividends	3 849		3 849
	31 076	—	31 076
R'000		2011	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	2 450		2 450
Other payables and accruals excluding taxes payable and employee benefit accruals	966		966
Shareholders for dividends	4 016		4 016
	7 432	—	7 432

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

The fair value of the liability component of the convertible bonds included in borrowings amounted to R4,1 billion at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 8.5%.

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

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

38 FAIR VALUE DISCLOSURES

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

Level 1 – Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).

Level 3 – Measurements are done by reference to inputs that are not based on observable market data.

Available-for-sale investments are measured at fair value. The investment in RMB Global Solutions (Pty) Ltd at the end of the previous year was classified at level 2.

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

39 FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange rate contracts as economic hedges, to hedge certain exposures.

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

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2012

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		39 FINANCIAL RISK MANAGEMENT (CONTINUED)		
		39.1 Financial risk factors (continued)		
		39.1.1 MARKET RISK		
		a) Currency risk		
		The Group operates internationally and is exposed to currency risk arising from various currency exposures. The treasury department hedges the Group's net position in each foreign currency by using call deposits in foreign currencies and derivative financial instruments in the form of forward foreign exchange rate contracts for all cumulative foreign commitments of three months or more. Forward foreign exchange rate contracts are not used for speculative purpose. These instruments are not designated as hedging instruments for purposes of accounting.		
		Currency exposure arising from the net monetary assets in individual countries, held in currencies other than the functional currency of the Group, are managed primarily through converting cash and cash equivalents not required for operational cash flows to US dollar. The US dollar is the preferred currency due to its history of stability, liquidity and availability in most markets.		
		Material concentrations of currency risk exists within the Group's cash and cash equivalents. The net cash and cash equivalents are denominated in the following currencies:		
603 555	3 387 853	South African rand	6 886 082	(603 468)
—	—	USA dollar	426 892	148 131
—	—	Zambian kwacha	65 845	52 476
—	—	Malawi kwacha	77 622	62 935
—	—	Angolan kwanza	82 872	51 358
—	—	Botswana pula	7 290	24 296
—	—	Mauritian rupee	4 443	17 973
—	—	Nigerian naira	36 787	7 306
—	—	Namibian dollar	114 207	56 859
—	—	Swaziland emilangeni	91 568	30 241
—	—	Lesotho maluti	45 227	11 098
—	—	Mozambique metical	39 159	34 109
—	—	Other currencies	38 481	26 137
603 555	3 387 853		7 916 475	(80 549)

June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.1 MARKET RISK (CONTINUED)

a) Currency risk (continued)

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

Where material concentrations of currency risk exists within the Group a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual currencies strengthened or weakened against the ZAR and the USD. At 30 June 2012 the total possible decrease in Group post-tax profit, calculated for all possible currency movements, was R47,791,217 with the ZAR/USD exchange rate (with an expected 0.8% decline) contributing R41,835,011 to this number. At 30 June 2011 the total possible decrease in Group post-tax profit, calculated for all possible currency movements, was R339,045 with the ZAR/USD exchange rate (with an expected 8.5% decline) contributing R7,536,798 to this number. These changes had no material effect on the Group's equity.

The amounts were calculated with reference to the financial instruments, exposed to currency risk at the reporting date and does not reflect the Group's exposure throughout the reporting period as these balances may vary significantly due to the self funding nature of the Group's required working capital and cyclical nature of cash received from sale of merchandise and payment to trade and other payables. The possible currency movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. Although not subject to market risk, the following constituted significant concentrations of net monetary assets/(liabilities), including short-term surplus funds, in currencies other than the reporting currency as at 30 June, subject to translation risk.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.1 MARKET RISK (CONTINUED)

a) Currency risk (continued)

Country	Foreign currency	Net monetory assets/(liabilities) per currency Rand Equivalent R'000	R'000
Angola	Kwanza	(160 799)	176 659
Botswana	Pula	(9 732)	(13 355)
DRC	Congolese Francs	(3 376)	(2 393)
Egypt	Egyptian pound	854	402
Europe	Euro	1 058	(40)
Ghana	Cedi	(11 372)	9 799
Great Britain	British Pound	—	115
India	Rupee	1 444	(2 051)
Madagascar	Ariary	(14 989)	8 824
Malawi	Kwacha	55 402	(40 198)
Mauritius	Mauritian rupee	(13 130)	(3 227)
Mozambique	Metical	42 707	(9 101)
Nigeria	Naira	(61 162)	30 733
Tanzania	Shilling	(6 087)	8 535
Uganda	Shilling	(12 015)	4 404
USA	Dollar	380 989	(153 561)
Zambia	Kwacha	(113 952)	79 924

b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises mainly from daily call accounts and bank overdrafts. These carry interest at rates fixed on a daily basis and expose the Group to cash flow interest rate risk. The Group analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing refinancing/reinvesting and/or renewal/cancellation of existing positions and alternative financing/investing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash/borrowings that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 5.8% (2011: 6.2%).

The interest rate on individual instalment sale receivables (refer note 13) is fixed and expose the Group to fair value interest rate risk which is mitigated by charging appropriate margins and the fact that the maximum term of these contracts are 24 months.

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

- Loans and receivables: note 8
- Amounts owing by joint ventures: note 13
- Interest-bearing borrowings: note 17
- Amounts owing to joint ventures: note 20

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.1 MARKET RISK (CONTINUED)

b) Cash flow and fair value interest rate risk (continued)

Where material concentrations of interest rate risk exists within the Group a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual interest rates the Group's financial instruments are subject to strengthened or weakened. At 30 June 2012 the total possible increase in Group post-tax profit, calculated for all possible interest rate movements, was R13,447,767. The estimated increase of 50 basis points in the South African prime rate would have resulted in a possible increase in Group post-tax profit of R13,375,126. At 30 June 2011 the total possible decrease in Group post-tax profit, calculated for all possible interest rate movements, was R7,142,099. The estimated increase of 50 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R7,123,119. These changes had no material effect on the Group's equity.

The amounts were calculated with reference to the financial instruments exposed to interest rate risk at the reporting date and does not reflect the Group's exposure throughout the reporting period as these balances may vary significantly due to the self funding nature of the Group's required working capital and cyclical nature of cash received from sale of merchandise and payment to trade and other payables. The possible interest rate movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

39.1.2 CREDIT RISK

Credit risk is managed on a group basis. Potential concentration of credit risk consists primarily of cash and cash equivalents, trade and other receivables, financial guarantees and investments.

Funds are only invested with South African financial institutions with a minimum Moody's short-term credit rating of P-2 and a minimum Moody's long-term rating of Baa2. For financial institutions outside South Africa the required minimum Moody's short-term and long-term credit ratings are P-1 and Aa3 respectively. Due to the Group's international operational requirements it is forced to transact with financial institutions in certain countries where independent internationally accredited credit ratings are not available. In these instances the Group's exposure to credit risk at each of these financial institutions are evaluated by management on a case by case basis. Cash balances deposited with these financial institutions are kept to an operational minimum and are transferred, subject to exchange control regulations and available suitable foreign currency, to financial institutions with acceptable credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.2 CREDIT RISK (CONTINUED)

Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the Group has no other significant concentration of credit risk. Accounts receivable comprise a wide-spread client base and the Group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. These policies include reviewing the Group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed. The Group also obtains security from its franchisees.

Credit risk exposure resulting from financial guarantee liabilities relating to trading partners are evaluated by management on a monthly basis taking into consideration the credit rating of the underlying parties as well as their financial position. Financial guarantees are kept to an operational minimum and reassessed regularly.

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

- Loans and receivables: note 8
- Trade and other receivables: note 13
- Trade and other payables: note 20

The table below shows the cash invested at the statement of financial position date at financial institutions grouped per Moody's short-term credit rating of the financial institutions.

COMPANY June 2011 R'000	COMPANY June 2012 R'000	**Rating**	GROUP June 2012 R'000	GROUP June 2011 R'000
603 555	3 387 853	P-1	6 993 720	1 709 014
—	—	P-2	298 227	41 037
—	—	No rating available	128 065	154 661
—	—	Cash on hand and in transit	519 321	56 839
603 555	3 387 853	Total cash and cash equivalents	7 939 333	1 961 551

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.3 LIQUIDITY RISK

Liquidity risk resulting from the settlement of the 6.5% convertible bonds is considered to be acceptable as these bonds are expected to be converted into ordinary shares and will most likely not lead to cash outflows. Undiscounted contractual cash flows will result in cash outflows of R146,25 million bi-annually until April 2017, being interest payable at 6.5% on the nominal value of R4,5 billion.

All other significant financial liabilities of the Group matures within 12 months of statement of financial position date.

The risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2012: R6,621,490,032; 2011: R2,818,407,632) and unlimited borrowing powers. All unutilised facilities are controlled by the Group's treasury department in accordance with a treasury mandate as approved by the Board of Directors.

The Group's derivative financial instruments that will be settled on a gross basis are detailed in note 14. The amounts disclosed are the contractual undiscounted cash flows. All balances are due within 12 months and equal their carrying values, as the impact of discounting is not significant.

39.2 Insurance risk

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

- Credit protection which covers the risk of the customer being unable to settle the terms of the credit agreement as a result of death, disability or qualifying retrenchment.

- All risk cover which covers the repair or replacement of the product due to accidental loss or damage within the terms and the conditions of the policy, and extended guarantees which covers the repair or replacement of faulty products as an extension of the suppliers' guarantees.

The risk under any one insurance contract is the possibility that an insured event occurs as well as the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and unpredictable.

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.2 Insurance risk (continued)

Underwriting risk is the risk that the Group's actual exposure to short-term risks in respect of policy-holding benefits will exceed prudent estimates. Where appropriate, the above risks are managed by senior management and directors.

Within the insurance process, concentration risk may arise where a particular event or series of events could impact heavily on the Group's resources. The Group has not formally monitored the concentration risk; however, it has mitigated against concentration risk by structuring event limits in every policy to ensure that the probability of underwriting loss is minimised. Therefore the Group does not consider its concentration risk to be high.

40 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is considered to be equity as shown in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The gearing ratio is calculated as interest-bearing borrowings divided by equity and was 31.51% (2011: 0.70%) on the statement of financial position date. The Group converted part of it's short term borrowings into longer term borrowings during the year under review to match the nature and terms of borrowings with the expenditure the funds are intended for.

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

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

41 RELATED-PARTY INFORMATION

Related-party relationships exist between the Company, subsidiaries, directors, as well as their close family members, and key management of the Company.

During the year under review, in the ordinary course of business, certain Group companies entered into transactions with each other. All these intergroup transactions have been eliminated in the annual financial statements on consolidation.

Shoprite Investments Ltd issued 6.5% senior unsecured guaranteed convertible bonds to the value of R4,5 billion during the year under review, convertible into ordinary shares of Shoprite Holdings Ltd. Shoprite Holdings Ltd and Shoprite Checkers (Pty) Ltd have irrevocably and unconditionally given its guarantee to the Trustee for the benefit of the bondholders for all amounts payable by the issuer in respect of the convertible bonds (refer note 17.3).

Non-executive director, CH Wiese, is a director and indirect beneficial shareholder of Titan Share Dealers (Pty) Ltd, which holds an option to purchase R1,7 billion in nominal amount of convertible bonds issued by Shoprite Investments Ltd during the year from Rand Merchant Bank, a division of FirstRand Bank Ltd. The option strike price is the principal amount plus any accrued interest outstanding for the period. The option is exercisable at any time until maturity of the convertible bonds in April 2017. Titan Share Dealers (Pty) Ltd also entered into a sub-underwriting agreement with Rand Merchant Bank and received a fee of R36,4 million for its sub-underwriting commitment.

Non-executive director, CH Wiese, is an employee of Chaircorp (Pty) Ltd, a management company that renders advisory services to Shoprite Checkers (Pty) Ltd in return for an annual fee. An amount of R7,637,973 (2011: R5,782,798) was paid to Chaircorp (Pty) Ltd for advisory services to Shoprite Checkers (Pty) Ltd.

Details of the remuneration of directors, and equity and cash-settled share-based payment instruments issued to directors, are disclosed in notes 15 and 26.

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		Key management personnel compensation		
		Short-term employee benefits	169 617	142 869
		Post-employment benefits	13 300	16 021
		Share-based payments	253 974	188 521
		Directors' fees	1 227	845
—	—		438 118	348 256

COMPANY June 2011 R'000	COMPANY June 2012 R'000		GROUP June 2012 R'000	GROUP June 2011 R'000
		41 RELATED-PARTY INFORMATION (CONTINUED)		
		During the year key management have purchased goods at the Group's usual prices less a 15% discount. Discount ranging from 5% to 15% is available to all permanent full-time and flexi-time employees.		
		During the financial year under review, in the ordinary course of business, certain Group companies purchased certain products and services from certain entities, in which directors JW Basson, CH Wiese, EL Nel and JA Louw, or their direct family members, have a significant influence. These purchases were concluded at what management believe to be market-related prices and are insignificant in terms of the Group's total operations for the year.		
		These purchases and related balances were as follows:		
		Purchase of merchandise	229 384	80 784
		Utilisation of services	6 872	573
		Year-end balances	5 198	4 070
		The Group has a 50% interest in the Hungry Lion joint venture (refer note 42). The other 50% is indirectly held by alternate director JAL Basson.		
		The following transactions took place between the Hungry Lion joint venture and the Group during the year under review:		
		Administration fees paid to the Group	4 388	3 709
		Rent paid to the Group	1 906	2 000
		Interest paid to the Group	558	1 930
		Interest paid to the joint venture	414	460
		The year-end balances relating to the transactions with the joint venture are disclosed in notes 13 and 20.		
		The Company received the following from its subsidiary, Shoprite Checkers (Pty) Ltd:		
1 305	1 382	Annual administration fee		
—	12 955	Interest		

COMPANY			GROUP	
June 2011 R'000	June 2012 R'000		June 2012 R'000	June 2011 R'000

42 JOINT VENTURES

The Group holds directly the following interests in joint ventures:

		Hungry Lion Fast Foods (Pty) Ltd	50%	50%
		Hungry Lion Mauritius Ltd	50%	50%

The consolidated results include the following amounts relating to the Group's interest in joint ventures.

		Statement of comprehensive income		
		Sale of merchandise	262 264	221 290
		Profit before income tax	8 610	13 557
		Income tax expense	(5 574)	(1 015)
		Profit for the year	3 036	12 542
		Statement of financial position		
		Non-current assets	49 408	39 538
		Current assets	22 890	19 947
		Current liabilities	18 405	13 873
		Statement of cash flows		
		Net cash flow from operating activities	23 057	729
		Net cash flow from investing activities	(22 668)	(13 243)
		Net cash flow from financing activities	2 265	(19 613)
		Capital commitments	756	2 065

Interest in Subsidiaries – Annexure A

	Country of incorporation	Issued ordinary and preference share capital and premium	Percentage shares held by Group	Investment in shares		Amount owing by/(to)	
				June 2012	June 2011	June 2012	June 2011
		R'000	%	R'000	R'000	R'000	R'000
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	2 700	100	—	—	—	—
Shoprite Checkers (Pty) Ltd	South Africa	1 128 908	100	174 431	174 431	71 486	7 559
Shoprite Investments Ltd	South Africa	20 000	100	20 000	150	—	(150)
Shoprite International Ltd	Mauritius	2 074 172	100	2 074 172	1 443 013	—	—
Shoprite Insurance Company Ltd	South Africa	20 230	100	20 230	20 230	—	—
Shoprite Checkers Properties Ltd	South Africa	26 196	100	16 679	16 679	3 365	3 365
				2 305 512	1 654 503	74 851	10 774
INDIRECT SUBSIDIARIES							
Africa Supermarkets Ltd*	Zambia	—	100			(614)	
Checkers Chatsworth Ltd	South Africa	2 000	48				
Computicket (Pty) Ltd	South Africa	69 133	100				
Megasave Trading (Pvt) Ltd*	India	118 383	100				
Mercado Fresco de Angola Lda*	Angola	342	100				
Medirite (Pty) Ltd	South Africa	—	100				
OK Bazaars (Lesotho) (Pty) Ltd*	Lesotho	300	50				
OK Bazaars (Namibia) Ltd*	Namibia	500	100				
OK Bazaars (Swaziland) (Pty) Ltd*	Swaziland	200	100				
OK Bazaars (Venda) Ltd	South Africa	2 400	50				
Propco Mozambique Lda*	Mozambique	432	100				
Retail Holdings Botswana (Pty) Ltd*	Botswana	46 648	100				
Retail Supermarkets Nigeria Ltd*	Nigeria	522	100				
Sentra Namibia Ltd*	Namibia	5 880	100				
Shophold (Mauritius) Ltd*	Mauritius	189 116	100				
Shoprite Angola Imobiliaria Lda*	Angola	342	100				
Shoprite Checkers Tanzania Ltd*	Tanzania	258 621	100				
Shoprite Checkers Uganda Ltd*	Uganda	41 612	100				
Shoprite Egypt for Internal Trade SAE*	Egypt	40 424	100				
Shoprite Ghana (Pty) Ltd*	Ghana	31 417	100				
Shoprite Lesotho (Pty) Ltd*	Lesotho	1	100				
Shoprite Madagascar S.A.*	Madagascar	128 288	100				
Shoprite (Mauritius) Ltd*	Mauritius	132 869	100				
Shoprite Namibia (Pty) Ltd*	Namibia	—	100				
Shoprite RDC SPRL*	DRC	81 719	100				
Shoprite Supermercados Lda*	Angola	342	100				
Shoprite Too (Pty) Ltd*	Tanzania	1 870	100				
Shoprite Trading Ltd*	Malawi	1	100				
				2 305 512	1 654 503	74 237	10 774

*Converted at historical exchange rates

NOTE:
General information in respect of subsidiaries is set out in respect of only those subsidiaries of which the financial position or results are material for a proper appreciation of the affairs of the Group. A full list of subsidiaries is available on request.