

Annual Financial Statements

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES AS AT JUNE 2010



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Certificate of the Company Secretary

In my capacity as the company secretary, I hereby confirm, in terms of the South African Companies Act, 1973, that for the year ended June 2010, Shoprite Holdings Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



PG du Preez
27 August 2010

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:

	2010	2009		2010	2009		2010	2009
USA dollar	7.7450	8.0200	Botswana pula	1.0804	1.1469	Indian rupee	0.1659	0.1652
Pound sterling	11.7371	13.1423	Uganda shilling	0.0034	0.0038	Ghanian cedi	5.3413	5.3485
Euro	9.6740	11.2511	Malawi kwacha	0.0516	0.0566	Madagascan ariary	0.0034	0.0042
Zambia kwacha	0.0015	0.0015	Mauritian rupee	0.2443	0.2514	Nigerian naira	0.0518	0.0541
Mozambique metical	0.2245	0.2976	Angolan kwanza	0.0834	0.1033	Tanzania shilling	0.0052	0.0061

Independent Auditor's Report

We have audited the Group annual financial statements and annual financial statements of Shoprite Holdings Ltd, which comprise the consolidated and separate statements of financial position as at June 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 64 to 125.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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


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

management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Shoprite Holdings Ltd as at June 2010, 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 in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc
Director: NH Döman
Registered Auditor

Cape Town
27 August 2010

Directors' Report

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES

NATURE OF BUSINESS

Shoprite Holdings Limited ("Shoprite Holdings" or "the Group") is an investment holding company incorporated in the Republic of South Africa. Shoprite Holdings maintains a primary listing under "food retailers & wholesalers" on the JSE Limited ("JSE") with secondary listings on the Namibian and Zambian Stock Exchanges.

THE GROUP COMPRISES OF THE FOLLOWING MAIN TRADING SUBSIDIARIES:

Shoprite Checkers (Pty) Ltd

Supermarkets: Trading through Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave store formats, our supermarket divisions offer grocery, perishable, fruit and vegetables, meat, delicatessen and non-food products to a broad LSM customer base in South Africa, Namibia, Lesotho, Swaziland and Mauritius.

Supply Chain Management: The Group actively controls the distribution of products from time of manufacture to delivery at its various retail outlets in a cost effective and efficient manner. This includes the distribution of temperature-sensitive goods ranging from fresh fruit and vegetables to perishable and frozen food. Products are distributed by road, rail, air and sea to 16 countries in which the Group conducts business.

Fast Foods: The Hungry Lion chain boasts modern, well-designed fast food outlets with a strong focus on value for money.

Franchise: This division franchises different types of retail, wholesale and liquor store outlets, each with its own distinct identity – OK Enjoy, OK Foods, OK Grocer, OK Minimark, OK Value, Sentra and Megasave in South Africa, Botswana, Lesotho, Swaziland and Namibia.

Freshmark: The fresh produce division of the Group produces and distributes fresh produce from six distribution centres located in the main cities within South Africa. Freshmark also imports a wide variety of fruit and vegetables to ensure continuity of traditionally seasonal fresh produce.

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

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

Money Markets: Offers a comprehensive range of financial services and products to customers through dedicated service counters located within our supermarkets.

Furniture: Retail of furniture, appliances and home entertainment through its OK Furniture,

OK Power Express and House and Home outlets in South Africa, Namibia, Lesotho, Swaziland and Botswana.

Properties: In its capacity as the Group's property arm, this division is tasked with the supermarket expansion program as its main priority, either by identifying and leasing new supermarket premises or developing new shopping centres to accommodate a supermarket.

Shoprite International Ltd

The company is an investment holding company incorporated in Mauritius and controls the Group's retail and property business interests within the various jurisdictions excluding South Africa, Namibia, Lesotho and Swaziland.

Shoprite Insurance Company Ltd

This wholly owned subsidiary of Shoprite Holdings is registered in terms of the Short-Term Insurance Act 53 of 1998, to act as a provider of short-term insurance. In this regard, the company provides first and third party short-term insurance to the Group and its customers respectively.

Computicket (Pty) Ltd

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

Other Group Subsidiaries

The interests of Shoprite Holdings in other subsidiaries are set out on page 125 of the annual report.

FINANCIAL REVIEW

The Group's diluted headline earnings per share amounts to 451,6 cents for the year (2009: 390,8 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 67 with reference to the operating segment information on page 82. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 66. Further details are furnished in the notes to the annual financial statements on page 70 to 124. The Group's net asset value per share as at June 2010 was 1 167 cents (2009: 990 cents).

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

R'000	2010	2009
Total profits	2 578 668	2 283 227
Total losses	(251 703)	(228 771)

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. 122) of 80 cents per share was paid on 23 March 2010. A final dividend (no. 123) of 147 cents per share, was payable on 20 September 2010, bringing the total dividend for the year to 227 cents (2009: 200 cents) per ordinary share.

SHARE CAPITAL

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

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

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

GOING CONCERN

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

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

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

BORROWINGS

Shoprite Holdings has unlimited borrowing powers in terms of its Articles of Association.

The Group's overall level of debt increased from R31 million to R40 million during the financial year under review.

SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 26 October 2009, shareholders approved the following special resolutions:

Special resolution number 1 – General approval to repurchase shares

"It was resolved that the Company and/or its subsidiaries be authorised by way of a general approval contemplated in sections 85(2) and

85(3) of the Companies Act, to acquire the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Act and the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted or listed, where applicable.”

Special resolution number 2 – Specific approval to repurchase shares

“It was resolved that the repurchase by the Company of:

- up to 42 075 029 ordinary shares from Shoprite Checkers (Pty) Ltd, a wholly owned subsidiary of the Company; and
- up to 506 036 ordinary shares from the Shoprite Holdings Ltd Share Incentive Trust;

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

The Group’s main trading subsidiary, Shoprite Checkers (Pty) Ltd passed the following special resolution during the reporting period: “It was resolved that approval be given to Shoprite Checkers (Pty) Ltd under sub-article 38(2A) of the Companies Act Nr 61 of 1973 to provide financial assistance through the cession and assignment of its right to receive Shoprite Holdings shares acquired in terms of a forward purchase agreement with Investec Bank Limited on 31 December 2008 to Mr JW Basson.”

DIRECTORS AND SECRETARY

The directors’ names and details are furnished on pages 6 and 7 and the company secretary’s name, business and postal address on the inside back cover of the annual report.

Mr TRP Hlongwane retired as a director of Shoprite Holdings at the AGM held on 26 October 2009.

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

Messrs JW Basson, CG Goosen and B Harisunker retire as directors, in terms of paragraph 14.1 of the Articles of Association of the Company, at the annual general meeting. All the directors have offered themselves for re-election as directors of Shoprite Holdings.

The board of directors approved the appointment of Mr EC Kieswetter as independent non-executive director with effect from 28 May 2010. In terms of Article 13.2

DIRECTORS’ AND ALTERNATE DIRECTORS’ INTERESTS IN ORDINARY SHARES

	Beneficial	Non-beneficial	Total 2010	Total 2009
CH Wiese	85 627 398		85 627 398	82 352 472
JW Basson	10 049 554		10 049 554	4 925 511
CG Goosen	1 206 202		1 206 202	1 023 249
B Harisunker	407 379		407 379	556 189
TRP Hlongwane	15 057		15 057	15 057
AE Karp	147 269		147 269	60 750
EC Kieswetter	0		0	0
JA Louw	150 000		150 000	170 000
JF Malherbe	72 453		72 453	72 453
EL Nel	148 727		148 727	149 727
JG Rademeyer	10 000		10 000	10 000
BR Weyers	404 594		404 594	404 594
JAL Basson	63 600		63 600	63 600
M Bosman	110 000		110 000	110 000
PC Engelbrecht*	129 440		129 440	129 440
JD Wiese	14 074		14 074	14 074

*Subsequent to the financial year end and expiry of the closed period, Mr PC Engelbrecht purchased 95 016 ordinary shares on the open market.

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

	Total 2010	Total 2009
CH Wiese	276 821 666	276 821 666

of the Articles of Association of the Company, Mr EC Kieswetter retires at the annual general meeting, but being eligible, offers himself for re-election.

The board supports the re-election of these directors.

CORPORATE GOVERNANCE

The statement of the board’s application of the codes of good corporate governance are set out in the corporate governance report on page 23.

BOARD COMMITTEES

The reports of the audit, risk and other board committees are included in the corporate governance report on pages 27 and 29.

AUDITORS

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

EVENTS AFTER THE REPORTING DATE

Other than the facts in this annual report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2010 to the date of this report.

HOLDING COMPANY

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 126 of this report.

LITIGATION STATEMENT

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

The Competition Commission of South Africa (“the Commission”) has initiated an investigation into the alleged anti-competitive conduct of various food retailers which includes the Group’s main trading subsidiary, Shoprite Checkers (Pty) Ltd.

The case by the Commission against Computicket (Pty) Ltd was referred to the Competitions Tribunal.

During April 2010, a claim was lodged against the Group’s main trading subsidiary Shoprite Checkers (Pty) Ltd and its Nigerian subsidiary Retail Supermarkets Nigeria Ltd by AIC Limited, a company registered in the Federal Republic of Nigeria, on alleged breach of contract.

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

Group Statement of Comprehensive Income

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		Notes		
—	—	Sale of merchandise	67 402 440	59 318 559
—	—	Cost of sales	(54 147 848)	(47 878 232)
—	—	GROSS PROFIT	13 254 592	11 440 327
1 460 044	633 372	Other operating income	21 1 576 128	1 244 363
—	—	Depreciation and amortisation	22 (839 208)	(753 921)
—	—	Operating leases	23 (1 550 745)	(1 310 522)
—	—	Employee benefits	24 (5 273 843)	(4 453 771)
(5 085)	(5 960)	Other expenses	(3 676 483)	(3 225 562)
1 454 959	627 412	TRADING PROFIT	3 490 441	2 940 914
—	572	Exchange rate (losses)/gains	(77 824)	3 005
122 811	—	Items of a capital nature	27 (25 580)	(31 227)
1 577 770	627 984	OPERATING PROFIT	25 3 387 037	2 912 692
66 331	42 729	Interest received	105 741	191 566
(144)	(126)	Finance costs	28 (93 690)	(86 142)
1 643 957	670 587	PROFIT BEFORE INCOME TAX	3 399 088	3 018 116
(117 354)	(110 507)	Income tax expense	29 (1 111 792)	(999 478)
1 526 603	560 080	PROFIT FOR THE YEAR	2 287 296	2 018 638
		OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
—	—	Fair value movements on available-for-sale investments	15 8 244	8 819
—	—	Foreign currency translation differences	15 (170 030)	(193 856)
1 526 603	560 080	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2 125 510	1 833 601
		PROFIT ATTRIBUTABLE TO:		
1 526 603	560 080	Owners of the parent	2 266 522	1 998 246
—	—	Non-controlling interest	20 774	20 392
1 526 603	560 080		2 287 296	2 018 638
		TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
1 526 603	560 080	Owners of the parent	2 104 736	1 813 209
—	—	Non-controlling interest	20 774	20 392
1 526 603	560 080		2 125 510	1 833 601
		Earnings per share (cents)	30 450.1	396.5
		Diluted earnings per share (cents)	30 446.4	386.3



Statement of Changes in Equity

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

R'000	Notes	Total equity	Non-controlling interest	Attributable to equity holders					
				Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
GROUP									
BALANCE AT JUNE 2008		4 818 838	60 182	4 758 656	616 583	293 072	(277 538)	496 237	3 630 302
Total comprehensive income		1 833 601	20 392	1 813 209	—	—	—	(185 037)	1 998 246
Profit for the year		2 018 638	20 392	1 998 246					1 998 246
Recognised in equity									
Net fair value movement on available-for-sale investments	15	10 256		10 256				10 256	
Income tax effect of net fair value movement on available-for-sale investments	15	(1 437)		(1 437)				(1 437)	
Foreign currency translation differences	15	(193 856)		(193 856)				(193 856)	
Cash settlement of share options	14	(379 349)		(379 349)					(379 349)
Purchase of treasury shares		(383 445)		(383 445)			(383 445)		
Disposal of treasury shares		42 510		42 510			42 510		
Transfer profit on disposal of treasury shares to retained earnings		—		—			(965)		965
Transfer to contingency reserve	15	—		—				3 382	(3 382)
Non-controlling interest on additional shares taken up in Shoprite (Mauritius) Ltd		757	757	—					
Dividends distributed to shareholders		(903 617)	(12 036)	(891 581)					(891 581)
BALANCE AT JUNE 2009		5 029 295	69 295	4 960 000	616 583	293 072	(619 438)	314 582	4 355 201
Total comprehensive income		2 125 510	20 774	2 104 736	—	—	—	(161 786)	2 266 522
Profit for the year		2 287 296	20 774	2 266 522					2 266 522
Recognised in equity									
Net fair value movement on available-for-sale investments	15	9 585		9 585				9 585	
Income tax effect of net fair value movement on available-for-sale investments	15	(1 341)		(1 341)				(1 341)	
Foreign currency translation differences	15	(170 030)		(170 030)				(170 030)	
Purchase of treasury shares		(244 439)		(244 439)			(244 439)		
Treasury share utilised for share option take-up, net of income tax	14	147 413		147 413			526 471		(379 058)
Realisation of share based payment reserve	14	—		—				(14 353)	14 353
Transfer to contingency reserve	15	—		—				2 477	(2 477)
Non-controlling interest purchased		(3 215)	(3 215)	—					
Dividends distributed to shareholders		(1 082 548)	(19 670)	(1 062 878)					(1 062 878)
BALANCE AT JUNE 2010		5 972 016	67 184	5 904 832	616 583	293 072	(337 406)	140 920	5 191 663
COMPANY									
BALANCE AT JUNE 2008		2 339 066		2 339 066	616 583	293 072	—	16 505	1 412 906
Total comprehensive income									
Profit for the year		1 526 603		1 526 603					1 526 603
Dividends distributed to shareholders		(956 524)		(956 524)					(956 524)
BALANCE AT JUNE 2009		2 909 145		2 909 145	616 583	293 072	—	16 505	1 982 985
Total comprehensive income									
Profit for the year		560 080		560 080					560 080
Realisation of share based payment reserve		—		—				(14 353)	14 353
Dividends distributed to shareholders		(1 141 307)		(1 141 307)					(1 141 307)
BALANCE AT JUNE 2010		2 327 918		2 327 918	616 583	293 072	—	2 152	1 416 111

Group Statement of Cash Flows

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		Notes		
451 237	(588 714)		1 509 740	1 825 818
		CASH FLOWS FROM/(UTILISED BY) OPERATING ACTIVITIES		
1 577 770	627 984	Operating profit	3 387 037	2 912 692
(1 460 044)	(632 842)	Less: investment income	(32 662)	(29 279)
(122 811)	(572)	Non-cash items	1 387 610	1 065 296
—	—	Payments for cash settlement of share options	—	(484 896)
—	—	Payments for settlement of post-retirement medical benefits liability	(216 860)	—
1 491	2 679	Changes in working capital	(594 756)	(28 077)
(3 594)	(2 751)	Cash generated from/(utilised by) operations	3 930 369	3 435 736
66 334	42 729	Interest received	128 892	213 271
(144)	(126)	Interest paid	(93 690)	(86 142)
1 460 041	632 842	Dividends received	9 511	7 574
(955 691)	(1 140 507)	Dividends paid	(1 082 293)	(902 576)
(115 709)	(120 901)	Income tax paid	(1 383 049)	(842 045)
(451 247)	587 398	CASH FLOWS (UTILISED BY)/FROM INVESTING ACTIVITIES	(2 680 113)	(1 737 303)
—	—	CASH FLOWS UTILISED BY FINANCING ACTIVITIES	(237 928)	(333 108)
(10)	(1 316)	NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(1 408 301)	(244 593)
603 271	603 261	Cash and cash equivalents at the beginning of the year	2 811 465	3 135 850
—	572	Effect of exchange rate movements on cash and cash equivalents	(58 577)	(79 792)
603 261	602 517	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1 344 587	2 811 465
603 261	602 517	Consisting of:		
—	—	Cash and cash equivalents	2 218 866	2 825 388
		Bank overdrafts	(874 279)	(13 923)
603 261	602 517		1 344 587	2 811 465



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

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 27 August 2010.

1.1 Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the South African Companies Act (Act No 61 of 1973), as amended. The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value.

1.1.1 Use of assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also 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) Impairment of assets: The Group performs a review of loss-making stores and considers the need for the impairment of assets under these circumstances. This determination requires significant judgment. The Group evaluates amongst other things, the duration and extent of the losses, the near-term business outlook for the store, and the possible redeployment of the assets between stores.
- b) 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.
- c) 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.
- d) Income taxes: The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide accrual for income taxes. The Group recognises liabilities for anticipated income tax issues based on estimates of potential additional taxes due. With regards to deferred income tax assets for unutilised income tax losses, judgment is also required to whether sufficient future taxable income will be available against which these losses can be utilised. Refer to notes 1.10 and 29.
- e) Allowances for doubtful debts: Trade receivables include instalment sale debtors and franchise debtors for which allowances for impairment are made in accordance with the accounting policy in note 1.14. These calculations involve the discounting of projected future cash flows and require the use of estimates. Details regarding the allowances are set out in note 12.
- f) Employee benefit accruals and provisions: Various assumptions are applied in determining the valuations of post-retirement medical benefits, share based payment accruals and long term employee benefits as set out in notes 1.19, 1.21, 14, 18 and 36.

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

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

1.1.2 Use of adjusted measures

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

- a) Trading profit on the face of the statement of comprehensive income, being the Group's operating results excluding exchange rate differences and income or expenditure of a capital nature.
- b) Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all re-measurements as taken into account in the calculation of headline earnings per share. The principal items that will be included under this measurement are: gains and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets held for sale; impairments or reversal of impairments; any non-trading items such as gains and losses on disposal of investments, operations and subsidiaries. These are in line with the excluded re-measurements as per the requirements of SAICA Circular 3/2009: Headline Earnings.
- 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 purchase method of accounting is used to account for the acquisition.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at its fair values at the acquisition date, irrespective of the extent of any 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 entity ceases to comply with the definition of a subsidiary. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group. All intergroup transactions, balances and unrealised gains and losses on transactions between Group companies have been eliminated.

1.2.2 Joint ventures

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

1.2.3 Transaction with non-controlling interests

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

1.3 Foreign currency translation

1.3.1 Functional and presentation currency

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

1.3.2 Transactions and balances

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

1.3.3 Foreign subsidiaries and joint ventures

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

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

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

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



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

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.

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	Equipment	5 to 10 years
Machinery	5 to 10 years	Computer equipment	3 years
Vehicles	5 to 10 years	Aeroplane	15 years
Trolleys	3 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 at each statement of financial position date. The Group assesses at each statement of financial position date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

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

1.6 Derivative financial instruments

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

1.7 Available-for-sale financial assets

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

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

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

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

1.8 Loans and receivables

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

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

1.9 Investments in subsidiaries

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

1.10 Deferred income tax

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

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

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

1.11 Intangible assets

1.11.1 Goodwill

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

1.11.2 Software

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

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

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



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

1.11 Intangible assets (continued)

1.11.3 Trademarks

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

1.11.4 Customer relationships

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

1.12 Non-current assets held for sale

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

1.13 Inventories

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

1.14 Trade and other receivables

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

1.15 Leases

1.15.1 Where the Group is the lessee

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

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

1.15.2 Where the Group is the lessor

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

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

1.16 Cash and cash equivalents and bank overdrafts

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

1.17 Share capital

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

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

1.18 Borrowings

Borrowings are recognised initially at fair value, net of 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.

1.19 Provisions

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

1.19.1 Onerous lease contracts

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

1.19.2 Provision for outstanding insurance claims

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

1.19.3 Post-retirement medical benefits

Refer accounting policy 1.21.2.

1.19.4 Long-term employee benefits

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

1.19.5 Reinstatement provision

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



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

1.20 Trade and other payables

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

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

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

1.21 Employee benefits

1.21.1 Pension obligations

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

Provident fund

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

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

1.21.2 Post-retirement medical benefits

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

1.21.3 Equity and cash-settled share-based payments

a) Share purchase and share option scheme

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

The fair value is determined with reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. If treasury shares are used to equity-settle options the cost of these shares including transaction costs, net of any proceeds received, are recognised as an employee benefit expense in equity in the period in which the options are exercised.

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

b) Cash-settled share-based payments

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

1.21.4 Bonus plans

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

1.22 Impairment of non-financial assets

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

Where the carrying value of an asset exceeds its 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 expenses of a capital nature.

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

1.23 Revenue recognition

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

1.24 Other operating income

Other operating income is recognised as follows:

1.24.1 Finance income earned

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

1.24.2 Rental income

Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due. Refer note 1.15.2.

1.24.3 Franchise fees received

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

1.24.4 Premium income

Premium income is recognised in the period it is earned. Net premiums earned are all written premiums relating to policies incepted during the period less amounts that are unearned at statement of financial position date. Refer note 1.30.2.

1.24.5 Interest income

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

1.24.6 Dividend income

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



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

1.24 Other operating income (continued)

1.24.7 Gift vouchers and savings stamps

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

1.24.8 Commission received

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

1.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, of which the commencement of capitalisation starts on or after 1 July 2009, 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. The Group previously expensed all finance costs in the period in which it was incurred. This change in accounting policy was due to the adoption of IAS 23: Borrowing Costs (2007) and in accordance with the transitional provisions of such standard comparative figures have not been restated. This change in accounting policy had no material impact on earnings per share.

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

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

1.27 Earnings per share

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

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

1.28 Government grants

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

1.29 Dividends distributed to shareholders

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

1.30 Basis of accounting for underwriting activities

1.30.1 Classification of contracts

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

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

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

1.30.2 Recognition and measurement of contracts

a) Premiums arising from general insurance business

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

b) Unearned premium allowance

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

c) Claims arising from insurance business

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

d) Provision for outstanding claims

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

e) Contingency reserve

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

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

f) Reinsurance

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

g) Liabilities and related assets under liability adequacy test

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

h) Other operating income recognition

Refer note 1.24.4.

1.31 Related parties

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



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

1.32 Operating segment information

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

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

The Group has the following four reportable segments:

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

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

The basis on which the operating segment information is presented has been adjusted in line with the requirements of IFRS 8: Operating Segments. The Group previously presented operating segment information using similar economic characteristics as a basis for dividing the business operations.

With the adoption of IFRS 8, the Group has identified its reportable operating segments as those regularly reviewed by the chief operating decision maker, in order to allocate resources and assess performance. Comparative amounts have been restated to reflect the new classifications; this change had no impact on the Group's earnings per share.

1.33 Standards, interpretations and amendments that are not yet effective at June 2010

The Group has considered the following new standards, and interpretations and amendments to existing standards, which are not yet effective as at June 2010:

Number	Title	Effective for year ending
Amendments to IFRS 2	Amendments to IFRS 2: Group cash-settled share-based payment transactions	June 2011
Amendments to IAS 32	Amendments to IAS 32 – Classification of rights issues	June 2011
Amendments IAS 24	Amendment to IAS 24 – Related party disclosures	June 2012
IFRS 9	IFRS 9 – Financial Instruments	June 2014
Amendments to IFRS 1 and IFRS 7	Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	June 2011
Various	Improvements to IFRSs (Issued April 2009)	Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 July 2010
IFRIC 19	IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	June 2011
Amendments to IFRIC 14	Pre-payments of a Minimum Funding Requirement (amendments to IFRIC 14)	June 2012

The Group has not early adopted any of the above and the application thereof in future financial periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows.

1.34 Standards, interpretations and amendments effective at June 2010

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2010 had no significant effect on the Group's operations:

Number	Title
IAS 23	Borrowing Costs – Revised
Amendment to IFRS 2	Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations
Amendment to IAS 32 and IAS 1	Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IFRS 1 and IAS 27	Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 7	Amendments to IFRS 7 – Financial Instruments disclosures: Improving Disclosures about Financial Instruments
IAS 27	Consolidated and Separate Financial Statements – Revised
Amendments to IAS 39	Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items
IFRS 1	First time Adoption of International Financial Reporting Standards – Revised
Various	Improvements to IFRSs (Issued May 2008)
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of assets from customers
Revised AC 503	Accounting for Black Economic Empowerment Transactions – Revised
AC 504	IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2010 had no effect on the Group's operations, but required adjustments to disclosures:

IAS 1: Presentation of Financial Statements introduces new requirements relating to the presentation of financial statements. All non-owner changes in equity are now presented in a single statement of comprehensive income and owner changes in equity presented in the statement of changes in equity.

IFRS 8: Operating Segments extends the scope of segmental reporting and all related disclosures have been adjusted.

IFRS 3: Business Combinations – Revised was applied to business combination during the review period and all related calculation and disclosure requirements was applied prospectively.



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

2 OPERATING SEGMENT INFORMATION

2.1 Analysis per reportable segment

June 2010

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

June 2009

	Supermarkets RSA R'000	Supermarkets Non-RSA R'000	Furniture R'000	Other operating segments R'000	Consolidated R'000
Sales of merchandise					
External	46 550 946	7 315 147	2 572 840	2 879 626	59 318 559
Inter-segment	1 297 507	—	—	—	1 297 507
	47 848 453	7 315 147	2 572 840	2 879 626	60 616 066
Trading profit	2 303 128	414 636	176 789	46 361	2 940 914
Depreciation and amortisation	670 105	87 604	34 377	4 367	796 453
Total assets	11 025 384	3 162 344	1 834 170	717 590	16 739 488

2.2 Geographical analysis

June 2010

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

June 2009

	South Africa R'000	Outside South Africa R'000	Consolidated R'000
Sales of merchandise – external	51 197 924	8 120 635	59 318 559
Non-current assets*	4 643 302	1 076 952	5 720 254

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

The basis for reporting segmental financial information has been changed in accordance with the requirements of IFRS 8, Operating Segments. Operating segments were identified based on financial information regularly reviewed by the Shoprite Holdings Ltd board of directors (identified as the chief operating decision maker of the Group in terms of the IFRS 8 requirements) for performance assessments and resource allocations.

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		3 PROPERTY, PLANT AND EQUIPMENT		
—	—	3.1 Land at cost	676 620	455 140
		3.2 Buildings		
		Cost	2 108 357	1 631 736
		Accumulated depreciation and impairment	(152 626)	(133 517)
—	—	Carrying value	1 955 731	1 498 219
		Details of land and buildings are available for inspection at the registered office of the Company.		
		3.3 Machinery, equipment and vehicles*		
		Cost	6 452 791	5 409 311
		Accumulated depreciation and impairment	(2 813 165)	(2 263 558)
—	—	Carrying value	3 639 626	3 145 753
		*Includes aircraft with a carrying value of R127 million (2009: R131 million).		
		3.4 Improvements to leasehold property		
		Cost	468 773	516 068
		Accumulated depreciation and impairment	(163 073)	(255 593)
—	—	Carrying value	305 700	260 475
—	—	Total property, plant and equipment	6 577 677	5 359 587



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

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 2008	311 394	1 305 250	2 675 563	210 721	4 502 928
Additions	137 416	209 810	1 238 276	141 346	1 726 848
Reclassification	10 750	(10 750)	1 553	(1 141)	412
Transfer to assets held for sale (note 4)	(660)	(138)	—	—	(798)
Transfer from assets held for sale (note 4)	3 000	91 003	—	—	94 003
Disposal	—	—	(44 881)	(46 965)	(91 846)
Proceeds on disposal	—	—	(16 761)	(51 245)	(68 006)
Profit/(loss) on disposal and scrapping	—	—	(28 120)	4 280	(23 840)
Depreciation	—	(19 385)	(679 674)	(42 651)	(741 710)
Reversal of impairment (note 3.5)	—	3 755	429	—	4 184
Impairment (note 3.5)	—	(3 635)	(7 655)	—	(11 290)
Exchange rate differences	(6 760)	(77 691)	(37 858)	(835)	(123 144)
Carrying value at June 2009	455 140	1 498 219	3 145 753	260 475	5 359 587
Additions	239 659	630 413	1 336 847	139 194	2 346 113
Transfer to assets held for sale (note 4)	(4 770)	(15 994)	—	(1 278)	(22 042)
Acquisition of subsidiaries (note 32.5.1)	—	—	7 985	—	7 985
Disposal	—	(21 036)	(42 279)	(50 326)	(113 641)
Proceeds on disposal	—	(21 376)	(24 898)	(53 171)	(99 445)
Profit/(loss) on disposal and scrapping	—	340	(17 381)	2 845	(14 196)
Depreciation	—	(24 279)	(781 329)	(42 662)	(848 270)
Reversal of impairment (note 3.5)	—	7 876	—	—	7 876
Impairment (note 3.5)	—	(18 567)	(3 941)	—	(22 508)
Exchange rate differences	(13 409)	(100 901)	(23 410)	297	(137 423)
Carrying value at June 2010	676 620	1 955 731	3 639 626	305 700	6 577 677

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		3 PROPERTY, PLANT AND EQUIPMENT (continued)		
		3.5 Impairment/reversal of impairment of property, plant and equipment		
		<p>The recoverable amount of all property, plant and equipment is determined based on the higher of value-in-use and fair value less cost to sell. The assumptions and estimates used by management in determining the recoverable amount of assets, for which there is a significant impairment or reversal of impairment, is detailed below.</p> <p>In determining the fair value less cost to sell of affected land and buildings, cash flow projections based on projected net market-related rentals covering the next planning period were used. An average pre-tax market capitalisation rate of 10,7% (2009: 11,0%) was used.</p> <p>The fair value less cost to sell of affected assets, other than land and buildings, was based on management's best estimates taking into account recent selling prices obtained for similar assets in the Group, adjusting these values for the condition of the relevant assets.</p> <p>The reversal of impairment, in the current and previous financial year, was due to improvements in the economic environment in which Group companies, where assets were previously impaired, operate. The original impairment charge as well as the reversal is included in the statement of comprehensive income as items of a capital nature. This impairment originated in the Supermarkets RSA operating segment.</p>		
		4 ASSETS HELD FOR SALE		
—	—	Carrying value	26 372	5 168
		<p>It is the Group's policy to invest in fixed property only when appropriate rental space is not available. Certain land and buildings, in both the RSA and Non-RSA Supermarket segments, have been reclassified as assets held for sale as the Group periodically re-evaluates its fixed property holdings in line with this policy. The Group is currently in the process of actively seeking buyers for these properties.</p> <p>During the previous financial year under review certain properties were transferred back to property, plant and equipment. The sale of these properties were reconsidered as it was no longer economically viable. This decision to reclassify had no significant effect on the Group's results.</p>		
		4.1 Reconciliation of carrying value		
		Carrying value at the beginning of the year	5 168	107 389
		Transfer from property, plant and equipment (note 3)	22 042	798
		Transfer to property, plant and equipment (note 3)	—	(94 003)
		Proceeds on disposal	(1 011)	(13 131)
		Profit on disposal	163	3 425
		Additions	77	690
		Exchange rate differences	(67)	—
—	—	Carrying value at the end of the year	26 372	5 168



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		5 INTERESTS IN SUBSIDIARIES		
211 490	211 490	Investments in ordinary shares		
1 429 680	1 443 013	Investments in preference shares		
677 039	76 308	Amounts owing by subsidiaries		
2 318 209	1 730 811		—	—
		Analysis of total interests in subsidiaries		
1 641 170	1 654 503	Non-current		
677 039	76 308	Current		
2 318 209	1 730 811		—	—
		Detail analysis of the Company's interests in subsidiaries are given in annexure A.		
		Investments in preference shares consist of convertible and redeemable, both under certain conditions, non-cumulative preference shares.		
		Amounts owing by subsidiaries of the Company are interest-free, unsecured and are payable on demand.		
		6 AVAILABLE-FOR-SALE INVESTMENTS		
		Unlisted share investments		
		Analysis of total available-for-sale investments		
—	—	100 "S" class ordinary shares in RMB Global Solutions (Pty) Ltd	57 389	47 804
		This investment is denominated in ZAR and the fair value is based on the underlying net asset value of RMB Global Solutions (Pty) Ltd as it is mainly represented by short-term USD bank deposits at financial institutions with a Moody's long-term credit rating of Aa1.za. The maximum exposure to credit risk at the reporting date is the carrying value.		
		The directors' valuation of the unlisted investments is equal to the carrying value.		
		7 LOANS AND RECEIVABLES		
		Preference share investment (note 7.1)	32 983	33 940
		Amounts owing by franchisees (note 7.2)	20 026	4 280
		Other	1 385	1 825
—	—		54 394	40 045
		Analysis of total loans and receivables		
		Non-current	8 553	2 636
		Current	45 841	37 409
—	—		54 394	40 045

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		7 LOANS AND RECEIVABLES (continued)		
		7.1 Preference share investment	32 983	33 940
		6% 13 500 000 redeemable, under certain conditions, convertible cumulative preference shares in Pick & Buy Ltd (retailing supermarket group – Mauritius) denominated in Mauritian rupees. The maximum exposure to credit risk at the reporting date is the carrying value, which approximates fair value. These preference shares are currently redeemable and guaranteed by Ireland Blyth (Mauritius) Ltd a company listed on the Stock Exchange of Mauritius Ltd (SEM).		
		The directors' valuation of the preference share investment is equal to the carrying value.		
		7.2 Amounts owing by franchisees		
		Gross amount	26 587	16 951
		Accumulated impairment	(6 561)	(12 671)
—	—		20 026	4 280
		The weighted average variable interest rate (linked to the South African prime rate) on these amounts was 10,3% (2009: 14,9%) 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 R52 million (2009: R27 million) are held as collateral for these amounts.		
		Reconciliation of accumulated impairment		
		Balance at July	12 671	11 469
		Allowance for impairment for the year	—	1 376
		Unused amounts reversed	(6 110)	—
		Fair value adjustment	—	(174)
—	—	Balance at June	6 561	12 671
		The allowance for impairment relates to the following amounts owing by franchisees:		
		Receivable in the next year	10 117	9 834
		Receivable between 1 and 3 years	11 929	4 662
		Receivable between 3 and 5 years	4 541	2 455
—	—		26 587	16 951
		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 R4,7 million (2009: R3,4 million) was accrued on these balances during the year under review. All balances that were past due were impaired.		



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		8 DEFERRED INCOME TAX ASSETS		
108	200	Provisions and accruals	242 515	261 112
—	—	Allowances on property, plant and equipment	(235 619)	(184 724)
—	—	Fixed escalation operating lease accrual	138 429	131 977
—	—	Allowances on intangible assets	(28 088)	(11 451)
—	—	Share-based payment accrual	140 260	67 978
—	—	Unrealised exchange rate differences	15 242	6 420
—	—	Fair value differences	(8 021)	(6 679)
—	—	Income tax losses	23 959	13 318
108	200		288 677	277 951
		The movement in the deferred income tax assets is as follows:		
108	108	Carrying value at the beginning of the year	277 951	248 614
—	92	Charge to profit for the year	42 770	28 268
—	92	Provisions and accruals	(13 197)	20 468
—	—	Allowances on property, plant and equipment	(47 998)	(27 772)
—	—	Fixed escalation operating lease accrual	4 783	(7 907)
—	—	Allowances on intangible assets	1 503	1 290
—	—	Share-based payment accrual	72 374	36 064
—	—	Unrealised exchange rate differences	12 543	2 034
—	—	Income tax losses	12 942	4 091
—	—	Income tax rate change	(180)	—
—	—	Charged to other comprehensive income	(1 341)	7 753
—	—	Transfer from deferred tax liability	(11 028)	(2 526)
—	—	Acquisition of subsidiaries (note 32.5.1)	(17 457)	—
—	—	Exchange rate differences	(2 218)	(4 158)
108	200	Carrying value at the end of the year	288 677	277 951
—	—	Net taxable temporary differences to be settled after more than 12 months	(101 757)	(117 580)
108	200	Net deductible temporary differences to be recovered within 12 months	390 434	395 531
108	200		288 677	277 951
		9 INTANGIBLE ASSETS		
		Goodwill (note 9.1)	167 074	91 216
		Software (note 9.2)	348 737	225 752
		Trademarks (note 9.3)	44 258	37 466
		Customer relationships (note 9.4)	50 968	—
—	—		611 037	354 434
		9.1 Goodwill		
		Gross amount	202 331	126 473
		Impairments	35 257	35 257
—	—	Carrying value	167 074	91 216
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	91 216	94 067
		Acquisition of subsidiaries (note 32.5.1)	75 858	—
		Acquisition of interest in subsidiary with non-controlling interest*	—	757
		Impairment (note 9.1.1)	—	(3 608)
—	—	Carrying value at the end of the year	167 074	91 216
		*The Group acquired additional share capital in Shoprite (Mauritius) Ltd on 1 June 2009, during the previous financial year, increasing the investment in the ordinary shares of the subsidiary from 51,0% to 94,7%. During the current year the share holding was increased to 100%.		

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
9 INTANGIBLE ASSETS (continued)				
9.1 Goodwill (continued)				
9.1.1 Impairment of goodwill				
Goodwill is allocated to the Group's cash-generating units (CGUs). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five-year planning periods. Cash flows beyond these planning periods are extrapolated using an estimated growth rate of 6,0% (2009: 8,0%). This does not exceed the long-term average growth rate for the business in which the CGUs operate. The following represent significant assumptions on which management based cash flow projections.				
Supermarket operations			%	%
Operating margin*			4,9	4,8
Growth rate**			6,0	8,0
Pre-tax discount rate***			15,4	17,0
Other operations			%	%
Operating margin*			49,3	45,7
Growth rate**			6,1	8,1
Pre-tax discount rate***			16,2	18,8
*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 previous financial year under review arose in a CGU in the Supermarket RSA operating segment. This impairment was the result of a significant reduction in the future expected sales due to a weakening in the general economic conditions in which this CGU operates.				



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		9 INTANGIBLE ASSETS (continued)		
		9.2 Software		
		Gross amount	451 107	288 125
		Accumulated amortisation and impairments	(102 370)	(62 373)
—	—	Carrying value	348 737	225 752
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	225 752	185 998
		Additions	30 674	20 494
		Internally generated	132 505	72 224
		Acquisition of subsidiaries (note 32.5.1)	2 400	—
		Reclassification to property, plant and equipment (note 3)	—	(412)
		Disposal	—	(79)
		Proceeds on disposal	—	(4)
		Loss on disposal and scrappings	—	(75)
		Amortisation	(42 580)	(52 449)
		Exchange rate differences	(14)	(24)
—	—	Carrying value at the end of the year	348 737	225 752
		9.3 Trademarks		
		Gross amount	177 756	168 377
		Accumulated amortisation	(133 498)	(130 911)
—	—	Carrying value	44 258	37 466
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	37 466	39 760
		Acquisition of subsidiaries (note 32.5.1)	9 379	—
		Amortisation	(2 587)	(2 294)
—	—	Carrying value at the end of the year	44 258	37 466
		9.4 Customer relationships		
		Gross amount	53 650	—
		Accumulated amortisation	(2 682)	—
—	—	Carrying value	50 968	—
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	—	—
		Acquisition of subsidiaries (note 32.5.1)	53 650	—
		Amortisation	(2 682)	—
—	—	Carrying value at the end of the year	50 968	—
		10 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease receipts straight-lined	5 943	6 804
		Less: current (included under trade and other receivables: note 12)	(384)	(571)
—	—		5 559	6 233
		11 INVENTORIES		
—	—	Trading goods	6 114 538	6 041 906

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		12 TRADE AND OTHER RECEIVABLES		
		Instalment sales		
—	—	Gross amount (note 12.1)	1 036 503	964 096
—	—	Accumulated impairment (note 12.2)	(115 906)	(99 989)
—	—	Unearned finance income	(25 861)	(24 166)
—	—	Insurance contract allowances		
—	—	– Unearned premiums (note 12.3)	(142 298)	(118 028)
—	—		752 438	721 913
—	—	Trade receivables (note 12.4)	731 390	617 957
2 040	—	Other receivables (note 12.5)	473 888	373 479
—	—	Fixed escalation operating lease accrual (note 10)	384	571
—	—	Amounts owing by joint ventures (note 12.6)	41 097	24 912
2 040	—		1 999 197	1 738 832
		12.1 Instalment sales		
		The Group has entered into various instalment sale agreements for household furniture. The periods of these contracts range between 1 and 2 years and the weighted average interest rate on these receivables is 23,6% (2009: 26,6%) p.a. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Instalment sales comprise a wide-spread client base and external credit checks are made to ensure that all instalment sale clients have an appropriate credit history. Furniture items, including appliances and electronic products are held as collateral for all instalment sale agreements.		
		Instalment sale receivables		
		Future minimum instalment payments receivable under non-cancellable instalment sale agreements		
		Not later than 1 year	729 648	683 186
		Later than 1 year not later than 2 years	306 855	280 910
—	—		1 036 503	964 096
		12.2 Accumulated impairment		
		Reconciliation of accumulated impairment		
		Balance at July	99 989	86 549
		Allowance for impairment for the year	61 042	52 010
		Receivables written off during the year as uncollectable	(57 145)	(48 267)
		Penalty interest accrued	12 920	10 142
		Exchange rate differences	(900)	(445)
—	—	Balance at June	115 906	99 989
		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	20 024	22 068
		60 days	13 058	13 141
		90 days	9 940	9 343
		120 days	8 027	7 074
		150 days	6 671	5 572
		180 days	5 618	4 495
		+ 180 days	34 613	22 068
—	—		97 951	83 761



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		12 TRADE AND OTHER RECEIVABLES (continued)		
		12.2 Accumulated impairment (continued)		
		The accumulated impairment is calculated with reference to actual default history of the Group's instalment sale receivables on a collective basis and is in line with industry norms. On this basis the provision of R116 million (2009: R100 million) was calculated taking into account the actual arrears of R98 million (2009: R84 million) and an amount of R237 million (2009: R257 million) which represents the maximum exposure if all debtors included in actual arrears continued to default. It was assessed that a portion of the receivables is expected to be recovered. All amounts that have not been impaired are fully performing and have no overdue instalments. Based on this the credit quality of these amounts is considered to be satisfactory.		
		12.3 Allowance for unearned premiums		
		An analysis of the allowance for unearned premiums is set out below		
		Balance at the beginning of the year	118 028	107 254
		Premiums written during the year (note 21.3)	252 447	225 681
		Amortisation charged to income (note 21.3)	(228 177)	(214 907)
—	—	Balance at the end of the year	142 298	118 028
		12.4 Trade receivables		
		Gross amount	821 463	720 658
		Accumulated impairment	(90 073)	(102 701)
—	—		731 390	617 957
		Trade receivables consist mainly of sale of merchandise to franchisees and buying associations. The amounts are mainly denominated in ZAR. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair value. Balances are due within 30 days of statement date and the age analysis of these amounts are reviewed on a monthly basis. All amounts past due 60 days or more are individually impaired. Franchisees comprise a wide-spread client base and the credit history of all franchisees are verified with an external credit bureau. Notarial and mortgage bonds and bank guarantees with a face value of R782 million (2009: R771 million) are held as collateral for these amounts. Long standing trading relationships exist with the buying associations and the Group reviews the credit history, based on its own records as well as information from an external credit bureau, of these associations on a cyclical basis. Based on this the Group considers the credit quality of all fully performing amounts as satisfactory.		
		Reconciliation of accumulated impairment		
		Balance at 1 July	102 701	33 831
		Allowance for impairment for the year	14 243	81 222
		Receivables written off during the year as uncollectible	(11 461)	(5 089)
		Exchange rate differences	(1 160)	(6 626)
		Unused amounts reversed	(14 250)	(637)
—	—	Balance at 30 June	90 073	102 701

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		12 TRADE AND OTHER RECEIVABLES (continued)		
		12.4 Trade receivables (continued)		
		The provision for impairment relates to trade receivables of R95 million (2009: R105 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 R1,798,000 (2009: R2,913,000) was accrued on these balances during the year under review.		
		Trade receivables of R14 million (2009: R30 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.		
2 040	—	12.5 Other receivables	473 888	373 479
		Other receivables consist of various prepayments and operational debtors such as rental and municipal deposits and value added taxes 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.		
—	—	12.6 Amounts owing by joint ventures	41 097	24 912
		These amounts owing are unsecured, payable on demand and earn interest at an average of 7,6% (2009: 11,6%) p.a. The maximum exposure to credit risk at the reporting date is the carrying value and the Group does not hold any collateral as security. The amounts are denominated mainly in ZAR and are not impaired.		
		13 DERIVATIVE FINANCIAL INSTRUMENTS		
		Forward foreign exchange rate contracts (note 39.1.1)		
—	—	Current liabilities	—	1 104
—	—	Current assets	1 498	—
		As at June 2010 the settlement dates on open forward contracts ranged between one and three (2009: 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 = \$0,1291 (2009: R1 = \$0,1218)		
		Outflow	(158 334)	(78 513)
		Inflow	158 318	76 704
		Swedish krona rand equivalent at rates averaging R1 = SEK1,0217		
		Outflow	(18 050)	—
		Inflow	18 514	—
		Euro rand equivalent at rates averaging R1 = €0,1043 (2009: R1 = €0,0878)		
		Outflow	(12 632)	(7 871)
		Inflow	12 752	7 778



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES		
		14.1 Ordinary share capital		
		Authorised: 650 000 000 (2009: 650 000 000) ordinary shares of 113,4 cents each		
		Issued: 543 479 460 (2009: 543 479 460) ordinary shares of 113,4 cents each		
616 306	616 306		616 306	616 306
		Treasury shares held by Shoprite Checkers (Pty) Ltd and The Shoprite Holdings Ltd Share Incentive Trust are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:		
		Number of shares		
		2010	2009	
		Issued ordinary share capital	543 479 460	543 479 460
		Treasury shares (note 14.3)	(37 346 947)	(42 581 065)
			506 132 513	500 896 395
		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.		
		14.2 Deferred share capital		
		Authorised: 360 000 000 (2009: 360 000 000) non-convertible, non-participating no par value deferred shares		
		Issued: 276 821 666 (2009: 276 821 666) non-convertible, non-participating no par value deferred shares		
277	277		277	277
		The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Articles of Association of Shoprite Holdings Ltd.		
		All shares are fully paid up and carry the same voting rights as the ordinary shares		
616 583	616 583		616 583	616 583

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (continued)		
		14.3 Treasury shares		
—	—	37 346 947 (2009: 42 581 065) ordinary shares	337 406	619 438
		Reconciliation of movement in number of treasury shares for the Group:		
			Number of shares	
		Balance at the beginning of the year	42 581 065	36 159 569
		Movement in shares held by Shoprite Checkers (Pty) Ltd		
		Shares purchased during the year	3 778 920	7 247 709
		Shares utilised for option settlement	(9 013 038)	—
		Shares disposed during the year	—	(826 213)
—	—	Balance at the end of the year	37 346 947	42 581 065
		14.4 Share incentive schemes		
		In terms of the rules of The Shoprite Holdings Ltd Share Incentive Trust, the trustees are authorised to acquire and allocate shares which in total may not exceed 20% of the issued ordinary share capital of the Company.		
		14.4.1 Share purchase scheme		
		There were no movements in the number of ordinary shares held by The Shoprite Holdings Ltd Share Incentive Trust in terms of the share purchase scheme.		
		Shares held by The Shoprite Holdings Ltd Share Incentive Trust	506 036	506 036
			R'000	R'000
		Fair value of treasury shares held by The Shoprite Holdings Ltd Share Incentive Trust	41 925	27 554
		14.4.2 Share option scheme		
		Movements in the number of share options held by eligible participants were as follows:		
			Number of shares	
		Balance at the beginning of the year	10 000 000	21 325 000
		Options exercised	(10 000 000)	(162 500)
		Options forfeited*	—	(37 500)
		Options cash settled**	—	(9 868 750)
		Options with cash settlement offer***	—	(1 256 250)
		Balance at the end of the year	—	10 000 000
		*Options are forfeited when an option holder resigns prior to the vesting date of the options.		
		**During the previous year these option holders agreed to cancel their options and accept cash settlement. The fair value of the cancelled and settled options were accounted for as a deduction from equity, net of related income tax (refer statement of changes in equity).		
		***Option holders of all vested but unexercised options had been given the choice to cancel and cash settle their options during the previous year and have done so in the current period under review. The fair value of the unpaid but exercisable options were accounted for as a deduction from equity, net of related income tax during the previous year (refer statement of changes in equity) and were included in the cash-settled share-based payment accrual as at June 2009 (refer note 20).		



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY		GROUP			
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000	
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (continued)			
		14.4 Share incentive schemes (continued)			
		14.4.3 Share options held by executive directors in terms of share option scheme			
		10 000 000 options, with an option price of R6.51, were exercised on 29 December 2009 at a strike price of R65.96. The Group utilised treasury shares with a cost of R526 million to settle these options. Refer to the statement of changes in equity for net of related income tax movements relating to this settlement. A share based payment reserve of R14,4 million relating to these options was transferred to retained earnings in the statement of changes in equity.			
		14.4.4 Cash-settled share-based payments			
		The Group has granted cash-settled share-based payments to directors and management. The rights to cash-settled share-based payments entitle the participants to receive cash payments based on the difference between the share price at the date of the exercise of the rights and the strike price which relates to the share price at the date of the grant. The 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.			
			Average strike price per share	Number of shares on which rights are based	
		Movements in rights to cash-settled share-based payments		2010	2009
		Balance at the beginning of the year	R6,50 / R6,22	14 531 250	13 368 750
		Issued during the year as replacement for share options held (note 14.4.2)	R6,22	—	11 125 000
		Exercised during the year	R6,22	(1 256 250)	(10 362 500)
		Issued on 10 Oct 2008	R45,45	—	400 000
		Issued on 9 Oct 2009	R62,35	125 000	—
		Balance at the end of the year		13 400 000	14 531 250
		Rights to cash-settled share-based payments on June 2010 are unconditional on the following dates or immediately in the case of a deceased estate:			
		Currently exercisable	R6,22	—	1 256 250
		29 Aug 2010	R31,31	3 958 333	3 958 333
		29 Aug 2011	R31,31	3 958 333	3 958 333
		29 Aug 2012	R31,31	3 958 333	3 958 333
		10 Oct 2011	R45,45	133 333	133 333
		10 Oct 2012	R45,45	133 333	133 333
		10 Oct 2013	R45,45	133 334	133 334
		9 Oct 2012	R62,35	41 667	—
		9 Oct 2013	R62,35	41 667	—
		9 Oct 2014	R62,35	41 667	—
		CH Wiese: refer next page	R6,50	1 000 000	1 000 000
				13 400 000	14 531 250

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

14.4 Share incentive schemes (continued)

14.4.4 Cash-settled share-based payments (continued)

Cash-settled share-based payments issued to directors

Director	Expiry date	Exercise date	Number of shares on which rights are based	Average strike price per share
CH Wiese*	5 Sep 2012	Currently exercisable	1 000 000	R6,50
JAL Basson	29 Aug 2010	29 Aug 2010	83 333	R31,31
JAL Basson	29 Aug 2011	29 Aug 2011	83 333	R31,31
JAL Basson	29 Aug 2012	29 Aug 2012	83 334	R31,31
M Bosman	29 Aug 2010	29 Aug 2010	116 667	R31,31
M Bosman	29 Aug 2011	29 Aug 2011	116 667	R31,31
M Bosman	29 Aug 2012	29 Aug 2012	116 666	R31,31
PC Engelbrecht	29 Aug 2010	29 Aug 2010	250 000	R31,31
PC Engelbrecht	29 Aug 2011	29 Aug 2011	250 000	R31,31
PC Engelbrecht	29 Aug 2012	29 Aug 2012	250 000	R31,31
CG Goosen	29 Aug 2010	29 Aug 2010	316 667	R31,31
CG Goosen	29 Aug 2011	29 Aug 2011	316 667	R31,31
CG Goosen	29 Aug 2012	29 Aug 2012	316 666	R31,31
B Harisunker	29 Aug 2010	29 Aug 2010	116 667	R31,31
B Harisunker	29 Aug 2011	29 Aug 2011	116 667	R31,31
B Harisunker	29 Aug 2012	29 Aug 2012	116 666	R31,31
AE Karp	10 Oct 2011	10 Oct 2011	133 333	R45,45
AE Karp	10 Oct 2012	10 Oct 2012	133 333	R45,45
AE Karp	10 Oct 2013	10 Oct 2013	133 334	R45,45
EL Nel	29 Aug 2010	29 Aug 2010	133 333	R31,31
EL Nel	29 Aug 2011	29 Aug 2011	133 333	R31,31
EL Nel	29 Aug 2012	29 Aug 2012	133 334	R31,31
BR Weyers	29 Aug 2010	29 Aug 2010	100 000	R31,31
BR Weyers	29 Aug 2011	29 Aug 2011	100 000	R31,31
BR Weyers	29 Aug 2012	29 Aug 2012	100 000	R31,31

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



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
15 RESERVES				
1 982 985	1 416 111	Retained earnings	5 191 663	4 355 201
16 505	2 152	Other reserves (note 15.1)	140 920	314 582
1 999 490	1 418 263		5 332 583	4 669 783
15.1 Other reserves				
209	209	Reserve on conversion from no par value to par value shares	209	209
1 943	1 943	Capital redemption reserve	1 943	1 943
14 353	—	Share-based payments reserve	—	14 353
—	—	Foreign currency translation reserve	60 472	230 502
—	—	Contingency reserve	29 027	26 550
—	—	Fair value reserve	49 269	41 025
16 505	2 152		140 920	314 582
As detailed in the Articles of Association of the Company, the directors have the discretion to transfer out of the profits of the Company to other reserves any amounts they deem proper.				

15.1.1 Reconciliation of carrying values of other reserves

R'000	Share-based payments reserve	Foreign currency translation reserve	Contingency reserve	Fair value reserve	Other
Balance at June 2008	14 353	424 358	23 168	32 206	2 152
Foreign currency translation differences		(193 856)			
Transfer from distributable reserves			3 382		
Net fair value gains on available-for-sale investments, net of income tax				8 819	
Net fair value gains				10 256	
Related income tax				(1 437)	
Balance at June 2009	14 353	230 502	26 550	41 025	2 152
Foreign currency translation differences		(170 030)			
Transfer from distributable reserves			2 477		
Net fair value gains on available-for-sale investments, net of income tax				8 244	
Net fair value gains				9 585	
Related income tax				(1 341)	
Realisation of share based payment reserve	14 353				
Balance at June 2010	—	60 472	29 027	49 269	2 152

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		16 BORROWINGS		
		Consisting of:		
2 450	2 450	Shoprite Holdings Ltd preference share capital (note 16.2)	2 450	2 450
—	—	Shoprite International Ltd preference share capital (note 16.3)	171	176
—	—	First National Bank of Namibia Ltd (note 16.4)	37 827	28 101
2 450	2 450		40 448	30 727
		16.1 Analysis of total borrowings		
2 450	2 450	Non-current	21 534	16 677
—	—	Current	18 914	14 050
2 450	2 450		40 448	30 727
		16.2 Shoprite Holdings Ltd preference share capital		
		Authorised:		
		175 000 (2009: 175 000) 6% non-convertible cumulative preference shares of R2 each		
		325 000 (2009: 325 000) 5% non-convertible cumulative preference shares of R2 each		
		225 000 (2009: 225 000) second 5% non-convertible cumulative preference shares of R2 each		
		1 000 000 (2009: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each		
		Issued:		
350	350	175 000 (2009: 175 000) 6% non-convertible cumulative preference shares of R2 each	350	350
650	650	325 000 (2009: 325 000) 5% non-convertible cumulative preference shares of R2 each	650	650
450	450	225 000 (2009: 225 000) second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000	500 000 (2009: 500 000) third 5% non-convertible cumulative preference shares of R2 each	1 000	1 000
2 450	2 450		2 450	2 450
		16.3 Shoprite International Ltd preference share capital		
		20 (2009: 20) "Malawi" redeemable under certain conditions, preference shares of USD1,82 each (note 16.3.1)	1 442	1 491
		2 (2009: 2) "Angola" redeemable under certain conditions, preference shares of USD1,82 each (note 16.3.1)	144	150
		Accumulated losses recognised	(1 415)	(1 465)
—	—		171	176
		16.3.1 Preference dividends on these shares will be subject to and based on the Hungry Lion division's profits, generated in Malawi and Angola respectively, through relevant trading subsidiaries of the Group.		
		16.4 First National Bank of Namibia Ltd		
		This loan is unsecured, will be repaid within the next 24 months in equal instalments and bears interest at an average of 10,9% (2009: 13,4%) p.a.	37 827	28 101



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		17 DEFERRED INCOME TAX LIABILITIES		
		Allowances on property, plant and equipment	61 534	61 735
		Fixed escalation operating lease accrual	(72)	93
		Allowances on intangible assets	314	—
		Income tax losses	(35 065)	(39 331)
		Unrealised exchange rate differences	(368)	3 502
		Provisions and accruals	(7 390)	993
—	—		18 953	26 992
		The movement in the deferred income tax liabilities is as follows:		
		Carrying value at the beginning of the year	26 992	16 241
		Charged to profit for the year	3 146	18 063
		Allowances on property, plant and equipment	3 478	2 879
		Fixed escalation operating lease accrual	(235)	(571)
		Allowances on intangible assets	134	(1)
		Provisions and accruals	(2 585)	6 136
		Unrealised exchange rate differences	(760)	2 896
		Income tax rate change	(155)	—
		Income tax losses	3 269	6 724
		Charged to other comprehensive income	—	(1 605)
		Transfer to deferred income tax asset	(11 028)	(2 526)
		Exchange rate differences	(157)	(3 181)
—	—	Carrying value at the end of the year	18 953	26 992
		Net taxable temporary differences to be settled after more than 12 months	25 932	22 564
		Net deductible temporary differences to be recovered within 12 months	(6 979)	4 428
—	—		18 953	26 992
		18 PROVISIONS		
		Provision for post-retirement medical benefits (note 36.2)	32 404	243 268
		Provision for onerous lease contracts	41 421	28 439
		Provision for outstanding claims	1 459	2 375
		Provision for long-term employee benefits	158 981	118 745
		Reinstatement provision	141 378	140 381
—	—		375 643	533 208

18 PROVISIONS (continued)

18.1 Reconciliation of carrying values

R'000	Post-retirement medical benefits	Onerous lease contracts	Outstanding claims	Long-term employee benefits	Reinstatement provision	Total
Balance at June 2008	181 099	16 757	2 325	88 404	140 697	429 282
Additional provisions	57 028	23 239	50	45 886	38 604	164 807
Unused amounts reversed	(1 687)	(4 803)	—	(644)	(472)	(7 606)
Utilised during the year	(10 140)	(6 910)	—	(5 282)	(38 448)	(60 780)
Accretion of discount	16 968	156	—	4 046	—	21 170
Exchange rate differences	—	—	—	(13 665)	—	(13 665)
Balance at June 2009	243 268	28 439	2 375	118 745	140 381	533 208
Additional provisions	1 089	24 464	—	65 649	30 844	122 046
Unused amounts reversed	(7 515)	(3 350)	(916)	(293)	(4 220)	(16 294)
Utilised during the year	(216 860)	(5 544)	—	(31 348)	(25 605)	(279 357)
Accretion of discount	12 422	(2 588)	—	6 228	—	16 062
Exchange rate differences	—	—	—	—	(22)	(22)
Balance at June 2010	32 404	41 421	1 459	158 981	141 378	375 643

Discount rates used

2009	9%	12%	N/A	9%	12%
2010	9%	10%	N/A	9%	10%

COMPANY

GROUP

June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		18.2 Analysis of total provisions		
		Non-current	270 818	170 231
		Current	104 825	362 977
—	—		375 643	533 208
		19 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease payments straight lined (refer note 23)	498 175	478 808
		Less: current (included under trade and other payables: note 20)	79 534	64 644
—	—		418 641	414 164
		20 TRADE AND OTHER PAYABLES		
		Trade payables	6 907 964	7 028 142
689	1 257	Other payables and accruals	1 874 711	1 956 540
—	—	Employee benefit accruals	566 675	560 058
83	154	Indirect taxes payable	206 149	328 123
—	—	Amounts owing to joint ventures (note 20.2)	9 428	7 308
—	—	Fixed escalation operating lease accrual (note 19)	79 534	64 644
—	—	Cash-settled share-based payment accrual	532 074	254 516
772	1 411		10 176 535	10 199 331
		20.1 Analysis of trade and other payables		
		Non-current	304 079	138 153
772	1 411	Current	9 872 456	10 061 178
772	1 411		10 176 535	10 199 331
		20.2 Amounts owing to joint ventures	9 428	7 308
		These loans are unsecured, payable on demand and bears interest at an average of 3,0% (2009: 2,7%) p.a.		



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		21 OTHER OPERATING INCOME		
—	—	Finance income earned	211 966	198 128
1 460 044	632 842	Investment income (note 21.1)	32 662	29 279
—	—	Franchise fees received	37 523	37 023
—	—	Operating lease income (note 21.2)	208 562	200 941
—	—	Commissions received	339 925	277 871
—	—	Premiums earned (note 21.3)	228 177	214 907
—	530	Other income	517 313	286 214
1 460 044	633 372		1 576 128	1 244 363
		21.1 Investment income		
—	—	Interest received from joint ventures	1 747	2 236
3	—	Interest received other	21 404	19 469
1 460 000	632 814	Dividends – subsidiaries	—	—
41	28	– unlisted investments	9 511	7 574
1 460 044	632 842		32 662	29 279
		21.2 Operating lease income		
		The Group has entered into various operating lease agreements as the lessor of property.		
		Leases on properties are contracted for periods of between one and 12 years (2009: one and 19 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 8,2% (2009: 8,0%) p.a.		
		21.3 Premiums earned		
		Premiums written	252 447	225 681
		Change in allowance for unearned premiums	(24 270)	(10 775)
—	—		228 177	214 907
		22 DEPRECIATION AND AMORTISATION		
		Property, plant and equipment	848 270	741 710
		Intangible assets	47 849	54 743
			896 119	796 453
		Disclosed as cost of sales	(56 911)	(42 532)
—	—		839 208	753 921

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		23 OPERATING LEASES		
		The Group has entered into various operating lease agreements on property, plant and equipment.		
		Leases on properties are contracted for periods of between 3 and 10 years (2009: 3 and 20 years) with renewal options averaging a further three to 15 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1,85% (2009: 1,9%) of turnover. Rental escalations vary, but average at a rate of 7,0% (2009: 7,4%) p.a.		
		Operating lease payments – property	1 544 496	1 290 906
		Operating lease payments – equipment	69 641	68 157
			1 614 137	1 359 063
		Disclosed as cost of sales	(63 392)	(48 541)
—	—		1 550 745	1 310 522
		Consisting of:		
		Minimum lease payments	1 355 182	1 089 446
		Contingent lease payments	258 955	269 617
—	—		1 614 137	1 359 063
		24 EMPLOYEE BENEFITS		
		Wages and salaries	4 961 705	4 228 412
		Cash-settled share-based payments (note 24.1 and 14.4.4)	278 086	135 279
		Post-retirement medical benefits (note 36.2)	5 996	72 309
		Retirement benefit contributions (note 36.1)	278 896	226 497
			5 524 683	4 662 497
		Disclosed as cost of sales	(250 840)	(208 726)
—	—		5 273 843	4 453 771
		24.1 Share appreciation rights granted		
		During the year under review the Group granted certain share appreciation rights to senior management. The fair value of these cash-settled share-based payments will be expensed over the vesting period and was calculated using a binomial option pricing model. The expected volatility used in the option-pricing model was determined with reference to the SAFEX MtM and other indices considering historical data. The swap curve data from the interbank market is used to determine the yield curve. The fair value determined was R27,77 per option. The inputs into the model were as follows:		
		Total number of share appreciation rights	125,000	
		Grant date	9 Oct 2009	
		Vesting dates (in equal thirds)	9 Oct 2012; 9 Oct 2013; 9 Oct 2014	
		Spot rate per share on grant date	R62,35	
		Forfeiture rates	0,0%	
		Expected volatility	30,3%	
		Expected dividend yield	3,2% to 3,8%	
		Expected risk free rate	6,4% to 8,2%	



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		24 EMPLOYEE BENEFITS (continued)		
		24.2 Government grants		
		The Group has, during the year under review, received certain government grants.		
		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 R18,091,757 (2009: R17,917,837) for the year under review. The net amount is taxable at 28% (2009: 28%).		
		25 OPERATIONAL COSTS		
56	54	Auditors' remuneration	28 899	25 226
56	54	Audit fees – for the year	20 576	17 871
—	—	– underprovided: previous year	762	724
—	—	Fees for other assurance services	210	—
—	—	Fees for tax consulting services	2 164	3 372
—	—	Fees for secretarial services	94	199
—	—	Fees for information technology consulting services	3 460	1 262
—	—	Fees for accounting services	793	630
—	—	Fees for other consulting services	840	1 168
5 515	6 100	Fees paid for outside services	214 000	147 465
—	—	Administrative	65 516	29 202
2 635	2 695	Technical	147 856	114 029
2 880	3 405	Secretarial	628	4 234
—	—	Fair value losses on financial instruments	27 899	7 919
—	—	Policyholder claims and benefits paid	19 228	18 704
—	—	– claims paid	20 144	18 654
—	—	– movement in accumulated unpaid claims (note 18.1)	(916)	50

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		26 DIRECTORS' REMUNERATION		
135 668	657 236	Executive directors		
654	713	Non-executive directors		
136 322	657 949			
(135 668)	(657 236)	Less: paid by subsidiaries and joint ventures		
654	713			
		For details of equity and cash-settled share-based payment instruments issued to directors refer note 14.4.		

R'000	2010							2009					
	Remuneration	Performance bonus	Share options exercised	Retirement and medical benefits	Settlement of post-retirement medical liability	Other benefits	Total	Remuneration	Performance bonus	Share options exercised	Retirement and medical benefits	Other benefits	Total
Executive directors and alternates													
JW Basson	25 350	—	594 500	5 898	1 379	399	627 526	19 305	—	—	4 480	343	24 128
JAL Basson*	504	95	—	86	—	71	756	443	74	—	76	64	657
M Bosman	1 425	1 020	—	322	—	167	2 934	1 298	1 183	5 874	304	183	8 842
PC Engelbrecht	2 136	1 162	—	397	—	157	3 852	1 909	1 235	5 731	355	184	9 414
CG Goosen	2 738	1 790	—	662	1 025	216	6 431	2 453	1 784	16 688	597	219	21 741
B Harisunker	1 768	898	—	547	329	148	3 690	1 605	1 016	17 580	492	171	20 864
AE Karp	2 641	939	—	539	—	238	4 357	2 263	1 757	7 970	468	291	12 749
EL Nel	1 750	1 238	—	308	—	167	3 463	1 605	1 176	15 577	284	205	18 847
AN van Zyl (retired 21/12/2008)	—	—	—	—	—	—	—	605	716	7 188	167	63	8 739
BR Weyers	1 370	900	—	335	1 469	153	4 227	1 233	876	7 142	282	154	9 687
	39 682	8 042	594 500	9 094	4 202	1 716	657 236	32 719	9 817	83 750	7 505	1 877	135 668

*This represents 50% of the total remuneration paid to the individual, being the Group's share of the cost to the joint venture operation.

	2010		2009	
	Fees	Total	Fees	Total
Non-executive directors				
TRP Hlongwane (resigned)	40	40	75	75
JA Louw	85	85	75	75
JF Malherbe	148	148	114	114
JG Rademeyer	213	213	188	188
CH Wiese***	180	180	160	160
JJ Fouché (retired 24/10/2008)***	—	—	42	42
EC Kieswetter (app 01/06/2010)	47	47	—	—
	713	713	654	654

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



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		27 ITEMS OF A CAPITAL NATURE		
—	—	Profit on disposals of property (note 3)	340	—
—	—	Profit on disposals of assets held for sale (note 4)	163	3 425
—	—	Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 9)	(14 536)	(23 915)
122 811	—	Reversal of impairment of investment in subsidiaries (note 5)	—	—
—	—	Insurance claims received	3 657	—
—	—	Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	(14 632)	(7 106)
—	—	Impairment of goodwill (note 9.1)	—	(3 608)
—	—	Loss on other investing activities	(572)	(23)
122 811	—		(25 580)	(31 227)
		28 FINANCE COSTS		
18	—	Interest paid	93 258	85 655
—	—	Interest paid to joint ventures	306	205
—	—	Accretion of discount on provisions	—	156
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
144	126		93 690	86 142
		29 INCOME TAX EXPENSE		
		29.1 Classification		
117 354	110 507	South African income tax	1 002 125	868 666
—	—	Foreign income tax	109 667	130 812
117 354	110 507		1 111 792	999 478
		29.2 Consisting of:		
21 767	12 342	Current income tax	1 026 327	915 704
(74)	(2 602)	Prior year income tax	15 209	(10 401)
—	—	Withholding income tax	6 067	7 374
95 661	100 859	Secondary income tax on companies	103 813	97 006
117 354	110 599		1 151 416	1 009 683
—	(92)	Deferred income tax	(39 624)	(10 205)
117 354	110 507		1 111 792	999 478

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		29 INCOME TAX EXPENSE (continued)		
		29.3 Reconciliation of income tax		
460 308	187 764	South African current income tax at 28% (2009: 28%)	951 745	845 073
(342 954)	(77 257)	Net adjustments	160 047	154 405
37	37	Preference dividends	(266)	(352)
(408 812)	(177 197)	Dividend income	(2 427)	(1 481)
(29 766)	1 646	Other exempt income and non-deductible expenses	6 488	15 938
—	—	Income tax allowances	(12 967)	(8 158)
—	—	Deferred income tax asset previously not recognised	(23 597)	(4 679)
—	—	Utilisation of temporary differences previously not recognised	—	13 702
(74)	(2 602)	Prior year income tax	15 209	(10 401)
95 661	100 859	Secondary income tax on companies	103 813	97 006
—	—	Effect of foreign income tax rates	19 055	(2 366)
—	—	Withholding income tax	6 067	7 374
—	—	Deferred income tax asset not recognised	48 672	47 822
117 354	110 507	Income tax	1 111 792	999 478
		29.4 Secondary income tax on companies		
70 652	78 805	Secondary income tax on companies on proposed or envisaged dividends	78 805	70 652
		If the total distributable reserves of the Company of R1,416 million (2009: R1,983 million) were to be declared as dividends, the secondary income tax impact at a rate of 10,0% (2009: 10,0%) would be R142 million (2009: R198 million). These amounts should be considered taking into account the proposal by the South African Government to replace secondary income tax on companies with a dividend tax on shareholders commencing in the next financial year.		
		29.5 Net calculated income tax losses and net deductible temporary differences		
		Calculated income tax losses and net deductible temporary differences at year-end	1 456 865	1 263 917
		Applied in the provision for deferred income tax	1 037 436	889 790
—	—		419 429	374 127
		The utilisation of the income tax relief, translated at closing rates, to the value of R156,095,405 (2009: R151,257,870), calculated at current income tax rates on the net calculated income tax losses, is dependent on sufficient future taxable income in the companies concerned.		
		The carry forward of all gross calculated income tax losses is indefinite, except for certain African countries, as set out below:		
		Expiry date		
		30 June 2010	2 221	8 623
		30 June 2011	9 294	4 757
		30 June 2012	5 195	2 818
		30 June 2013	35 033	7 494
		30 June 2014	8 099	4 485
		30 June 2015	10 279	2 772
		30 June 2016	3 677	3 663
		30 June 2017	18 446	18 373
—	—		92 244	52 985
		Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created	87 175	57 545



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

30 EARNINGS PER SHARE

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

R'000	2009		
	Gross	Income tax effect	Net
Profit on disposals of assets held for sale (note 4)	(3 425)	1 179	(2 246)
Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 9)	23 915	(9 092)	14 823
Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	7 106	—	7 106
Impairment of goodwill (note 9.1)	3 608	—	3 608
Loss on other investing activities	23	—	23
Headline earnings	31 227	(7 913)	2 021 560

	Number of shares	
	2010 '000	2009 '000
Weighted average number of ordinary shares	503 523	504 030
Adjustments for dilutive potential of share options	4 252	13 220
Weighted average number of ordinary shares for diluted earnings per share	507 775	517 250
Number of ordinary shares		
– In issue	506 133	500 898
– Weighted average	503 523	504 030
– Weighted average adjusted for dilution	507 775	517 250
Earnings per share	Cents	
– Earnings	450.1	396.5
– Diluted earnings	446.4	386.3
– Headline earnings	455.4	401.1
– Diluted headline earnings	451.6	390.8

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		31 DIVIDENDS PER SHARE		
		31.1 Dividends per share paid		
		No 121 paid 21 September 2009 (2009: No 119 paid 29 September 2008)	130.0	106.0
		No 122 paid 23 March 2010 (2009: No 120 paid 16 March 2009)	80.0	70.0
			210.0	176.0
		31.2 Dividends per share declared		
		No 123 paid 20 September 2010 (2009: No 121 paid 21 September 2009)	147.0	130.0
		32 CASH FLOW INFORMATION		
		32.1 Non-cash items		
		Depreciation of property, plant and equipment	848 270	741 710
		Amortisation of intangible assets	47 849	54 743
		Net fair value losses on financial instruments	27 899	7 919
		Exchange rate losses/(gains)	77 824	(3 005)
		Profit on disposals of property	(340)	—
		Profit on disposals of assets held for sale	(163)	(3 425)
		Loss on disposals and scrappings of plant, equipment and intangible assets	14 536	23 915
		Reversal of impairment of investment in subsidiaries	—	—
		Impairment of property, plant and equipment and assets held for sale	14 632	7 106
		Impairment of goodwill	—	3 608
		Movement in provisions	59 317	117 591
		Movement in cash-settled share-based payment accrual	277 558	139 965
		Movement in fixed escalation operating lease accrual	20 228	(24 831)
			1 387 610	1 065 296
		32.2 Changes in working capital		
		Inventories	(46 064)	(1 464 435)
		Trade and other receivables	(125 470)	(89 157)
		Trade and other payables	(423 222)	1 525 515
			(594 756)	(28 077)
		32.3 Dividends paid		
		Shareholders for dividends at the beginning of the year	(3 073)	(2 032)
		Dividends distributed to shareholders	(1 062 878)	(891 581)
		Dividends distributed to non-controlling interest	(19 670)	(12 036)
		Shareholders for dividends at the end of the year	3 328	3 073
			(1 082 293)	(902 576)
		32.4 Income tax paid		
		Payable at the beginning of the year	(445 531)	(402 082)
		Per statement of comprehensive income	(1 151 416)	(1 009 683)
		Income tax effect of cash settlement of share options charged to equity	—	124 189
		Income tax effect of treasury share utilisation for share option take-up	147 413	—
		Acquisition of subsidiaries (note 32.5.1)	(8 876)	—
		(Payable)/prepaid at the end of the year	75 361	445 531
			(1 383 049)	(842 045)



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		32 CASH FLOW INFORMATION (continued)		
		32.5 Cash flows utilised by investing activities		
—	—	Purchase of property, plant and equipment and intangible assets	(2 509 369)	(1 820 256)
—	—	Proceeds on disposals of property, plant and equipment and intangible assets	99 445	68 010
—	—	Proceeds on disposals of assets held for sale	1 011	13 131
—	(13 333)	Other investing activities	(15 306)	1 812
(1 562 744)	(679 488)	Amounts owing paid to subsidiaries	—	—
1 111 497	1 280 219	Amount received from subsidiaries	—	—
—	—	Acquisition of subsidiaries (note 32.5.1)	(255 894)	—
(451 247)	587 398		(2 680 113)	(1 737 303)
		32.5.1 Acquisition of subsidiaries		
		The Group acquired a 100% shareholding in pharmaceutical wholesale operations, the Transfarm Group, from Dirk Verbeek Family Trust and Schulenburg – BWS Trust on 24 December 2009. This business combination ensured that the Group improved and secured the supply chain of pharmaceutical products to Medirite, its medical retail operation. Goodwill is not income tax deductible.		
		The assets and liabilities arising from this acquisition was as follow:		
		Property, plant and equipment (note 3)	7 985	
		Software (note 9.2)	2 400	
		Customer relationships (note 9.4)	53 650	
		Trademark (note 9.3)	9 379	
		Trade and other receivables (note 12)	150 089	
		Trade and other payables (note 20)	(141 856)	
		Deferred income tax liability (note 8)	(17 457)	
		Current income tax (note 29)	(8 876)	
		Inventories (note 11)	124 722	
			180 036	
		Goodwill (note 9.1)	75 858	
		Cash flow on acquisition	255 894	
		Bank overdrafts acquired on acquisition	(66 204)	
		Purchase consideration	189 690	
		The Transfarm Group contributed revenue of R621 million and profit for the year of R6,4 million to the consolidated statement of comprehensive income for the financial period under review, since the acquisition date. The revenue for the Transfarm Group for the twelve months ended June 2010 was R1,261 million and the profit was R29,9 million.		
		32.6 Cash flows utilised by financing activities		
—	—	Acquisition of treasury shares	(244 439)	(383 445)
—	—	Proceeds on disposal of treasury shares	—	42 510
—	—	Purchase of non-controlling interest	(3 215)	—
—	—	Increase in borrowings from First National Bank of Namibia Ltd	9 726	7 827
—	—		(237 928)	(333 108)

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 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. The increase in the current year relates mainly to guarantees relating to transactions for the purchase of retail properties that were not yet finalised at year-end.	103 614	138 316
		34 COMMITMENTS		
		34.1 Capital commitments		
		Contracted for property, plant and equipment	1 535 637	326 996
		Contracted for intangible assets	138 871	10 280
		Authorised by directors, but not contracted for	1 831 447	2 675 378
—	—	Total capital commitments	3 505 955	3 012 654
—	—	Capital commitments for the 12 months after accounting date	3 505 955	3 012 654
		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	1 243 436	1 093 839
		– Later than one year not later than five years	4 008 412	3 528 845
		– Later than five years	2 163 718	1 793 384
			7 415 566	6 416 068
		Less: fixed escalation operating lease accrual (note 19)	(498 175)	(478 808)
—	—		6 917 391	5 937 260
		34.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases		
		– Not later than one year	180 943	179 789
		– Later than one year not later than five years	254 387	292 838
		– Later than five years	9 274	18 157
			444 604	490 784
		Less: fixed escalation operating lease accrual (note 10)	(5 943)	(6 804)
—	—		438 661	483 980
		35 BORROWING POWERS		
		In terms of the Articles of Association of the Company the borrowing powers of Shoprite Holdings Ltd are unlimited.		



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		36 POST-RETIREMENT BENEFITS		
		36.1 Retirement funds		
		Group companies provide post-retirement benefits in accordance with the local conditions and practices in the countries in which they operate.		
		The Group provides retirement benefits to 68,3% (2009: 62,5%) of employees and 4,0% (2009: 7,0%) of the employees belong to national retirement plans. The monthly contributions are charged to the statement of comprehensive income.		
		All company funds are defined contribution funds. All South African funds are subject to the Pension Fund Act of 1956.		
		During the year under review contributions to retirement funding have been calculated as	278 896	226 497
		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 Group has settled a major portion of the post-retirement medical liability in the current financial year. A premium of R55,5 million, being the difference between the settlement value and the accrued liability, was recognised as employee benefits in the statement of comprehensive income during the previous year. The remaining liability relates to mainly pensioners and will be settled during the next financial years.		
		36.2.1 The principal actuarial assumptions used for accounting purposes are as follows:		
		Health-care cost inflation	9,5%	10,0%
		Discount rate	9,0%	9,0%
		Salary adjustments		
		– inflation	7,0%	7,5%
		– promotions and experience increases	1,5%	1,5%
		Continuation at retirement	95,0%	95,0%
		Expected retirement age	60 years	60 years
		The assumed rates of mortality are as follows:		
		During employment: SA 2010: N/A (2009: 85-90 (light ultimate table)		
		Post-employment: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006 (2009: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006)		

COMPANY		GROUP		
June 2009 R'000	June 2010 R'000	June 2010 R'000	June 2009 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	243 268	181 099
		Total expense charged to the statement of comprehensive income (note 36.2.3)	5 996	72 309
		Benefits paid	(216 860)	(10 140)
—	—	Balance at the end of the year	32 404	243 268
		36.2.3 The amounts recognised in the statement of comprehensive income were as follows:		
		Current service cost	1 089	1 542
		Settlement premium	—	55 486
		Net actuarial gains recognised during the year	(7 515)	(1 687)
		Interest cost	12 422	16 968
—	—	Total included in employee benefits (note 24)	5 996	72 309
		The effect of a 1% increase in the assumed health-care cost inflation is as follows:		
		Increase in the current service and interest cost	431	—
		Increase in the post-retirement medical benefit liability	4 553	35 517
		The effect of a 1% decrease in the assumed health-care cost inflation is as follows:		
		Decrease in the current service and interest cost	354	—
		Decrease in the post-retirement medical benefit liability	3 729	29 192
		36.2.4 Trend analysis of post-retirement medical benefits		
			Present value of obligation	Experience adjustments
		30 June 2006	183 859	12 644
		30 June 2007	179 811	10 380
		30 June 2008	181 099	4 563
		30 June 2009	243 268	1 687
		30 June 2010	32 404	5 907



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

37 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Assets at fair value through profit and loss	Available- for-sale	Total
Group				
R'000				2010
Financial assets as per statement of financial position				
Available-for-sale investments			57 389	57 389
Loans and receivables	54 394			54 394
Instalment sales	752 438			752 438
Trade receivables	731 390			731 390
Other receivables excluding prepayments and taxes receivable	309 449			309 449
Amounts owing by joint ventures	41 097			41 097
Derivative financial instruments		1 498		1 498
Cash and cash equivalents	2 218 866			2 218 866
	4 107 634	1 498	57 389	4 166 521
R'000				2009
Financial assets as per statement of financial position				
Available-for-sale investments			47 804	47 804
Loans and receivables	40 045			40 045
Instalment sales	721 913			721 913
Trade receivables	617 957			617 957
Other receivables excluding prepayments and taxes receivable	251 057			251 057
Amounts owing by joint ventures	24 912			24 912
Cash and cash equivalents	2 825 388			2 825 388
	4 481 272	—	47 804	4 529 076
Company				
R'000				2010
Financial assets as per statement of financial position				
Amounts owing by subsidiaries	76 308			76 308
Cash and cash equivalents	602 517			602 517
	678 825	—	—	678 825
R'000				2009
Financial assets as per statement of financial position				
Amounts owing by subsidiaries	677 039			677 039
Other receivables excluding prepayments and taxes receivable	2 040			2 040
Cash and cash equivalents	603 261			603 261
	1 282 340	—	—	1 282 340

	Financial liabilities	Liabilities at fair value through profit and loss	Total
Group			
R'000	2010		
Financial liabilities as per statement of financial position			
Borrowings	40 448		40 448
Reinstatement provision	141 378		141 378
Trade payables	6 907 964		6 907 964
Other payables and accruals excluding taxes payable and employee benefit accruals	1 874 711		1 874 711
Amounts owing to joint ventures	9 428		9 428
Bank overdrafts	874 279		874 279
Shareholders for dividends	3 328		3 328
	9 851 536	—	9 851 536
R'000			
	2009		
Financial liabilities as per statement of financial position			
Borrowings	30 727		30 727
Reinstatement provision	140 381		140 381
Trade payables	7 028 142		7 028 142
Other payables and accruals excluding taxes payable and employee benefit accruals	2 516 598		2 516 598
Amounts owing to joint ventures	7 308		7 308
Derivative financial instruments		1 104	1 104
Bank overdrafts	13 923		13 923
Shareholders for dividends	3 073		3 073
	9 740 152	1 104	9 741 256
Company			
R'000	2010		
Financial liabilities as per statement of financial position			
Borrowings	2 450		2 450
Other payables and accruals excluding taxes payable and employee benefit accruals	1 257		1 257
Shareholders for dividends	3 338		3 338
	7 045	—	7 045
R'000			
	2009		
Financial liabilities as per statement of financial position			
Borrowings	2 450		2 450
Other payables and accruals excluding taxes payable and employee benefit accruals	689		689
Shareholders for dividends	2 538		2 538
	5 677	—	5 677



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		<p>38 FAIR VALUE DISCLOSURES</p> <p>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:</p> <p>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.</p> <p>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).</p> <p>Level 3 – Measurements are done by reference to inputs that are not based on observable market data</p> <p>Available-for-sale investments are measured at fair value. The investment in RMB Global Solutions (Pty) Ltd is classified at level 2.</p> <p>Derivatives – being foreign exchange contracts – are measured at fair value and classified at level 2</p>		
		<p>39 FINANCIAL RISK MANAGEMENT</p> <p>39.1 Financial risk factors</p> <p>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.</p> <p>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.</p>		

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 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:		
603 261	602 517	South African rand	486 352	2 059 303
—	—	USA dollar	310 536	316 811
—	—	Zambian kwacha	69 447	67 734
—	—	Malawi kwacha	36 361	78 311
—	—	Angolan kwanza	204 038	65 096
—	—	Botswana pula	20 767	18 816
—	—	Mauritian rupee	(7 214)	28 823
—	—	Nigerian naira	16 443	31 137
—	—	Namibian dollar	74 037	49 741
—	—	Swaziland emilangeni	42 903	34 105
—	—	Lesotho maluti	20 645	18 201
—	—	Mozambique metical	46 587	36 258
—	—	Other currencies	23 685	7 129
603 261	602 517		1 344 587	2 811 465
		The Group does not have significant foreign creditors as most inventory imports are prepaid.		
		Where material concentrations of currency risk exists within the Group a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual currencies strengthened or weakened against the ZAR and the USD. At June 2010 the total possible increase in Group post-tax profit, calculated for all possible currency movements, was R2,823,000) with the ZAR/USD exchange rate (with an expected 5,2% incline) contributing R307,000 to this number. At June 2009 the total possible decrease in Group post-tax profit, calculated for all possible currency movements, was R2,731,000 with the ZAR/USD exchange rate (with an expected 6,0% incline) contributing R6,567,000 to this number. These changes had no material effect on the Group's equity.		



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		39 FINANCIAL RISK MANAGEMENT (continued)		
		39.1 Financial risk factors (continued)		
		39.1.1 Market risk (continued)		
		a) Currency risk (continued)		
		The amounts were calculated with reference to the financial instruments, exposed to currency risk at the reporting date and does not reflect the Group's exposure throughout the reporting period as these balances may vary significantly due to the self funding nature of the Groups required working capital and cyclical nature of cash received from sale of merchandise and payment to trade and other payables. The possible currency movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.		
		The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. Although not subject to market risk, the following constituted significant concentrations of net monetary assets/(liabilities), including short-term surplus funds, in currencies other than the reporting currency as at June, subject to translation risk.		
			Net monetary assets/ (liabilities) per currency Rand Equivalent	
		Country	Foreign currency	
		Angola	Kwanza	43 543 (155 577)
		Botswana	Pula	10 277 7 741
		DRC	Congolese Francs	6 073 3 899
		Egypt	Egyptian pound	(1 127) (317)
		Europe	Euro	(452) 1 745
		Ghana	Cedi	(6 519) (7 540)
		India	Rupee	2 277 (128 012)
		Madagascar	Ariary	64 172 (4 419)
		Malawi	Kwacha	9 507 58 470
		Mauritius	Mauritian rupee	(3 394) 29 887
		Mozambique	Metical	40 237 7 229
		Nigeria	Naira	(9 606) 985
		Tanzania	Shilling	(46 831) (11 656)
		Uganda	Shilling	(34 860) (9 123)
		USA	Dollar	262 008 297 576
		Zambia	Kwacha	(111 181) (116 107)

COMPANY

June 2009 R'000	June 2010 R'000
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GROUP

June 2010 R'000	June 2009 R'000
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39 FINANCIAL RISK MANAGEMENT (continued)**39.1 Financial risk factors (continued)****39.1.1 Market risk (continued)****b) Cash flow and fair value interest rate risk**

The Group's interest rate risk arises mainly from daily call accounts and bank overdrafts. These carry interest at rates fixed on a daily basis and expose the Group to cash flow interest rate risk. The Group analyses this interest rate exposure on a dynamic basis. Daily cash flow forecasts are done and combined with interest rates quoted on a daily basis. This information is then taken into consideration when reviewing refinancing/reinvesting and/or renewal/cancellation of existing positions and alternative financing/investing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for cash/borrowings that represent the major interest-bearing positions. The weighted average effective interest rate on call accounts was 7,6% (2009: 11,8%).

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

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

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

Where material concentrations of interest rate risk exists within the Group a sensitivity analysis was performed to calculate what the increase/decrease in profit for the year would have been if the various individual interest rates the Group's financial instruments are subject to strengthened or weakened. At June 2010 the total possible decrease in Group post-tax profit, calculated for all possible interest rate movements, was R71,000. The estimated decrease of 50 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R51,000. At June 2009 the total possible decrease in Group post-tax profit, calculated for all possible interest rate movements, was R282,000. Management estimated that the South African prime rate would remain unchanged and would therefore have no affect on Group post-tax profit. 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.



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		39 FINANCIAL RISK MANAGEMENT (continued)		
		39.1 Financial risk factors (continued)		
		39.1.2 Credit risk		
		<p>Credit risk is managed on a group basis. Potential concentration of credit risk consists primarily of cash and cash equivalents, trade and other receivables, financial guarantees and investments.</p> <p>Funds are only invested with South African financial institutions with a minimum Moody's short-term credit rating of P-2 and a minimum Moody's long-term rating of Baa2. For financial institutions outside South Africa the required minimum Moody's short-term and long-term credit ratings are P-1 and Aa3 respectively. Due to the Group's international operational requirements it is forced to transact with financial institutions in certain countries where independent internationally accredited credit ratings are not available. In these instances the Group's exposure to credit risk at each of these financial institutions are evaluated by management on a case by case basis. Cash balances deposited with these financial institutions are kept to an operational minimum and are transferred, subject to exchange control regulations and available suitable foreign currency, to financial institutions with acceptable credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.</p> <p>Sales to retail customers are settled in cash or using debit and credit cards. Except for the total exposure represented by the respective statement of financial position items, the Group has no other significant concentration of credit risk. Accounts receivable comprise a wide-spread client base and the Group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history. These policies include reviewing the Group's own credit history with the customer, verifying the credit history with an external credit bureau, as well as a formalised application process where the creditworthiness of the customer is assessed. The Group also obtains security from its franchisees.</p> <p>Credit risk exposure resulting from financial guarantee liabilities relating to trading partners are evaluated by management on a monthly basis taking into consideration the credit rating of the underlying parties as well as their financial position. Financial guarantees are kept to an operational minimum and reassessed regularly. The gross exposure of Rnil (2009: R105 million) equals the fair value of these financial instruments and has been included under other payables.</p> <p>For exposure to credit risk on other monetary items refer to the following:</p> <ul style="list-style-type: none"> - Trade and other receivables: note 12 - Loans and receivables: note 7 - Trade and other payables: note 20 		

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		39 FINANCIAL RISK MANAGEMENT (continued)		
		39.1 Financial risk factors (continued)		
		39.1.2 Credit risk (continued)		
		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.		
		Rating		
603 261	602 517	P-1	829 884	2 226 624
—	—	P-2	41 918	137 211
—	—	No rating available	391 004	323 201
—	—	Cash on hand and in transit	81 781	124 429
603 261	602 517		1 344 587	2 811 465
		39.1.3 Liquidity risk		
		All significant financial liabilities of the Group matures within 12 months of statement of financial position date. The risk of illiquidity is managed by using cash flow forecasts; maintaining adequate unutilised banking facilities (2010: R2,715,214,692; 2009: R3,152,689,090) 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.		
		Cash and cash equivalents of the Company of R600 million serve as security for banking facilities of its main trading subsidiary, Shoprite Checkers (Pty) Ltd. These facilities were utilised in full at the statement of financial position date.		
		The Group's derivative financial instruments that will be settled on a gross basis are detailed in note 13. The amounts disclosed are the contractual undiscounted cash flows. All balances are due within 12 months and equal their carrying values, as the impact of discounting is not significant.		
		39.2 Insurance risk		
		The Group underwrites insurance products with the following terms and conditions:		
		<ul style="list-style-type: none"> – Credit protection which covers the risk of the customer being unable to settle the terms of the credit agreement as a result of death, disability or qualifying retrenchment. – All risk cover which covers the repair or replacement of the product due to accidental loss or damage within the terms of the conditions of the policy, and extended guarantees which covers the repair or replacement of faulty products as an extension of the suppliers' guarantees. 		
		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.		



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		<p>39 FINANCIAL RISK MANAGEMENT (continued)</p> <p>39.2 Insurance risk (continued)</p> <p>Underwriting risk is the risk that the Group's actual exposure to short-term risks in respect of policy-holding benefits will exceed prudent estimates. Where appropriate, the above risks are managed by senior management and directors.</p> <p>Within the insurance process, concentration risk may arise where a particular event or series of events could impact heavily on the Group's resources. The Group has not formally monitored the concentration risk; however, it has mitigated against concentration risk by structuring event limits in every policy to ensure that the probability of underwriting loss is minimised. Therefore the Group does not consider its concentration risk to be high.</p> <p>39.3 Fair value estimation</p> <p>The nominal value less estimated credit adjustments of trade and other receivables and payables are assumed to approximate their fair values.</p> <p>The book value of all other financial instruments approximate the fair values thereof.</p>		
		<p>40 CAPITAL RISK MANAGEMENT</p> <p>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.</p> <p>In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Due to the cash generative nature of the Group's operations and current prevailing economic conditions, management has determined that the lowest possible gearing ratio will provide shareholders with the highest possible return on investment with the lowest possible exposure to financial risk. The gearing ratio is calculated as net debt borrowings divided by equity and was 0,68% (2009: 0,61%) on the statement of financial position date.</p> <p>The Group is currently maintaining a two times dividend cover based on headline earnings per share.</p>		

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 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.		
		Non-executive director, CH Wiese, is an employee of Chaircorp (Pty) Ltd, a management company that renders advisory services to Shoprite Checkers (Pty) Ltd in return for an annual fee. The fees relating to services as non-executive director, paid by Shoprite Holdings Ltd to Chaircorp (Pty) Ltd as employer, are included in the directors remuneration note 26. A further amount of R7,446,667 (2009: R5,455,667) was paid to Chaircorp (Pty) Ltd for advisory services to Shoprite Checkers (Pty) Ltd.		
		Details of the remuneration of directors, and their shareholding, are disclosed in notes 14 and 26.		
		Key management personnel compensation		
		Short-term employee benefits	119 725	98 354
		Post-employment benefits	24 487	12 025
		Share-based payments	617 928	233 259
		Directors' fees	713	654
			762 853	344 292
		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	64 903	57 265
		Utilisation of services	7 199	7 224
		Year-end balances	4 485	2 133
		The Group acquired an additional shareholding in Dewberry Trading 4 (Pty) Ltd from Titan Premier Investments (Pty) Ltd. The latter is a company related to director CH Wiese. The purchase price was R4,090,768. Dewberry Trading 4 (Pty) Ltd is the owner and operator of an aircraft that is utilised by the Group.		



Notes to the Annual Financial Statements continued

SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED JUNE 2010

COMPANY			GROUP	
June 2009 R'000	June 2010 R'000		June 2010 R'000	June 2009 R'000
		41 RELATED-PARTY INFORMATION (continued)		
		The Group has a 50% interest in the Hungry Lion joint venture (refer note 42). The other 50% is indirectly held by alternate director JAL Basson.		
		The following transactions took place between the Hungry Lion joint venture and the Group during the year under review:		
		Administration fees paid to the Group	3 266	3 266
		Rent paid to the Group	5 965	5 024
		Interest paid to the Group	3 494	4 472
		Interest paid to the joint venture	611	410
		The year-end balances relating to the transactions with the joint venture are disclosed in notes 12 and 20.		
		The Company received the following from its subsidiary, Shoprite Checkers (Pty) Ltd:		
1 185	1 075	Annual administration fee		
		42 JOINT VENTURES		
		The Group holds directly the following interests in joint ventures:		
		Hungry Lion Fast Foods (Pty) Ltd	50%	50%
		Hungry Lion Mauritius Ltd	50%	50%
		The consolidated results include the following amounts relating to the Group's interest in joint ventures.		
		Statement of comprehensive income		
		Sale of merchandise	193 413	192 072
		Profit before income tax	2 374	8 362
		Income tax	(3 954)	(3 820)
		Profit for the year	(1 580)	4 542
		Statement of financial position		
		Non-current assets	35 951	41 617
		Current assets	7 869	4 862
		Current liabilities	837	4 220
		Interest-bearing	(9 436)	(7 316)
		Interest-free	10 273	11 536
		Statement of cash flows		
		Net cash flow from operating activities	18 003	16 612
		Net cash flow from investing activities	(11 397)	(11 695)
		Net cash flow from financing activities	17 774	—
		Capital commitments	1 921	763

INTERESTS IN SUBSIDIARIES – ANNEXURE A

	Country of incorporation	Issued ordinary and preference share capital and premium R'000	Percentage shares held by Group %	Investment in shares		Amount owing by/(to)	
				June 2010 R'000	June 2009 R'000	June 2010 R'000	June 2009 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	73 093	673 824
Shoprite International Ltd	Mauritius	1 443 013	100	1 443 013	1 429 680	—	—
Shoprite Insurance Company Ltd	South Africa	20 230	100	20 230	20 230	—	—
Shoprite Checkers Properties Ltd	South Africa	26 196	100	16 679	16 679	3 365	3 365
Other	South Africa		100	150	150	(150)	(150)
				1 654 503	1 641 170	76 308	677 039
INDIRECT SUBSIDIARIES							
Africa Supermarkets Ltd*	Zambia	—	100				
Checkers Chatsworth Ltd	South Africa	2 000	48				
Computicket (Pty) Ltd	South Africa	233	100				
Megasave Trading (Pvt) Ltd*	India	90 704	100				
Mercado Fresco de Angola Lda*	Angola	342	100				
Medirite (Pty) Ltd	South Africa	—	100				
OK Bazaars (Lesotho) (Pty) Ltd	Lesotho	300	50				
OK Bazaars (Namibia) Ltd	Namibia	500	100				
OK Bazaars (Swaziland) (Pty) Ltd	Swaziland	200	100				
OK Bazaars (Venda) Ltd	South Africa	2 400	50				
Propco Mozambique Lda*	Mozambique	432	100				
Retail Holdings Botswana (Pty) Ltd*	Botswana	46 648	100				
Retail Supermarkets Nigeria Ltd*	Nigeria	522	100				
Sentra Namibia Ltd*	Namibia	5 880	100				
Shophold (Mauritius) Ltd*	Mauritius	351	100				
Shoprite Angola Imobiliaria Lda*	Angola	342	100				
Shoprite Checkers Tanzania Ltd*	Tanzania	205 797	100				
Shoprite Checkers Uganda Ltd*	Uganda	41 612	100				
Shoprite Egypt for Internal Trade SAE*	Egypt	40 424	100				
Shoprite Ghana (Pty) Ltd*	Ghana	31 417	100				
Shoprite Lesotho (Pty) Ltd*	Lesotho	1	100				
Shoprite Madagascar S.A.*	Madagascar	116 331	100				
Shoprite (Mauritius) Ltd*	Mauritius	72 400	100				
Shoprite Namibia (Pty) Ltd*	Namibia	—	100				
Shoprite RDC SPRL*	DRC	16 942	100				
Shoprite Supermercados Lda*	Angola	342	100				
Shoprite Too (Pty) Ltd*	Tanzania	1 870	100				
Shoprite Trading Ltd*	Malawi	1	100				
				1 654 503	1 641 170	76 308	677 039

*Converted at historical exchange rates

NOTE:

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