Annual Financial Statements

Shoprite Holdings Ltd and its Subsidiaries as at June 2011

SHOPRITE HOLDINGS LTD

Contents

REVIEWER OF THE ANNUAL FINANCIAL STATEMENTS

In compliance with the disclosure requirements of the Companies Act 71 of 2008 (as amended), the annual financial statements have been reviewed by Mr. M Bosman, CA(SA).

Certificate of the Company Secretary

In my capacity as the company secretary, I hereby confirm, in terms of the Companies Act 71 of 2008 (as amended), that for the year ended June 2011, Shoprite Holdings Limited has filed all such returns as are required 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
26 August 2011

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:

	2011	2010
USA dollar	6.770	7.745
Pound sterling	10.873	11.737
Euro	9.825	9.674
Zambia kwacha	0.002	0.001
Mozambique metical	0.239	0.224

	2011	2010
Botswana pula	1.035	1.080
Uganda shilling	0.003	0.003
Malawi kwacha	0.045	0.052
Mauritian rupee	0.242	0.244
Angolan kwanza	0.073	0.083

	2011	2010
Indian rupee	0.152	0.166
Ghanian cedi	4.455	5.341
Madagascan ariary	0.004	0.003
Nigerian naira	0.045	0.052
Tanzania shilling	0.004	0.005

Independent Auditor's Report

We have audited the consolidated annual financial statements and annual financial statements of Shoprite Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, 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 information, and the directors' report, as set out on pages 40 to 100.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 Limited as at 30 June 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: NH Döman
Registered Auditor

Cape Town
26 August 2011

Directors' Report

Shoprite Holdings Ltd and its Subsidiaries

NATURE OF BUSINESS

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

THE GROUP COMPRISES OF THE FOLLOWING MAIN TRADING SUBSIDIARIES:

Shoprite Checkers (Pty) Ltd:

Supermarkets: Serves a broad customer base through our Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave store formats.
Supply Chain Management: A highly sophisticated supply line services the Group's outlets in 16 countries. The Group prides itself in running a state-of-the-art distribution operation and became the first South African retailer to receive the ISO 9002 accreditation for import and export handling.
Fast Foods: Developed from a small take-away outlet, the Hungry Lion chain now boasts modern, well-designed stores with ample seating and an inescapable focus on fried chicken. Hungry Lion competes in the same market as well-known American chicken franchises. The chain delivers a wide variety of quality products that offer consumers more value for money in a fast and friendly environment.
Franchise: The OK Franchise Division franchises retail supermarket, liquor as well as wholesale outlets, each with its own identity and personality, under the OK Foods, OK Grocer, OK Minimark, OK Value, Sentra, Megasave and Enjoy brands in South Africa, Botswana, Lesotho and Namibia.
Freshmark: In its role as the Group's fruit and vegetable procurement and distribution arm, Freshmark not only supplies fresh produce to the Group's outlets within South Africa, but also to its outlets in other parts of the continent. Currently one of the largest buyers of fresh produce in South Africa, Freshmark also imports fruit and vegetables to ensure a wide variety and continuity of traditionally seasonal fresh produce.
Liquor Stores: 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 that employ qualified butchers and technicians.
Money Markets: Our Money Markets offer a comprehensive range of financial services and products to our customers through dedicated in-store service counters under the "Money Market" brand.
Furniture: Retail of furniture, appliances and home entertainment through its OK Furniture, OK Power Express and House and Home outlets in South Africa and other countries.
Pharmacies and wholesale distribution: MediRite was established to meet the growing health and wellness needs of consumers by healthcare professionals at affordable prices. In-store dispensaries currently operate throughout South Africa and Swaziland. The Group's pharmaceutical wholesaler, Transpharm, sells and distributes a wide range of pharmaceutical products and surgical equipment to hospitals and clinics, dispensing doctors and veterinary surgeons as well as to private and corporate pharmacies.
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. This function includes conducting ongoing market research, aimed at identifying trends and shifts in consumer patterns and the identification of new opportunities for expanding the Group's trading operations and increasing its market share. In respect of new retail developments and the redevelopment of its existing properties, it oversees every stage of the planning-, design- and construction process.

Computicket (Pty) Ltd:

As a premier ticketing solution provider and one of the most recognised brand names, Computicket offers theatre, concert, festival, sport and cinema tickets along with bus tickets and gift vouchers through 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 as well as the Computicket website.

Shoprite International Ltd:

Incorporated in Mauritius, Shoprite International controls the majority of the Group's non-South African retail and property investments.

Shoprite Insurance Company Ltd:

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

Other Group Subsidiaries:

The interests of Shoprite Holdings in other subsidiaries are set out on page 100 of the Integrated Report.

FINANCIAL REVIEW

The Group's diluted headline earnings per share amounts to 507,6 cents for the year (2010: 451,6 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 43 with reference to the operating segment information on page 56. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 42. Further details are furnished in the notes to the annual financial statements on page 46 to 99. The Group's net asset value per share as at 30 June 2011 was 1400 cents (2010: 1167 cents).

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

R'000	2011	2010
Total profits	2 936 174	2 578 668
Total losses	(338 615)	(251 703)

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. 124) of 88 cents per share was paid on 22 March 2011. A final dividend (no. 125) of 165 cents per share, was payable on 19 September 2011, bringing the total dividend for the year to 253 cents (2010: 227 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 14.2 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 Memorandum of Incorporation (MOI).

The Group's overall level of debt increased from R40 million to R50 million during the financial year under review.

SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 25 October 2010, shareholders approved the following special resolution:

**Special resolution number 1 –
General approval to repurchase shares**

No special resolutions were passed by any of the Group's main trading subsidiaries during the reporting period.

DIRECTORS AND SECRETARY

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

In terms of the MOI 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.

Dr CH Wiese and Messrs JF Malherbe, JA Louw and BR Weyers retire as directors, in terms of paragraph 14.1 of the MOI of the Company, at the annual general meeting. All the directors have offered themselves for re-election as directors of Shoprite Holdings.

The board supports the re-election of these directors.

Directors' and Alternate Directors' Interests in Ordinary Shares

	Beneficial	Non-beneficial	Total 2011	Total 2010
CH Wiese	89 917 398		89 917 398	85 627 398
JW Basson	10 110 084		10 110 084	10 049 554
CG Goosen	1 206 202		1 206 202	1 206 202
B Harisunker	400 189		400 189	407 379
AE Karp	147 269		147 269	147 269
EC Kieswetter	0		0	0
JA Louw	150 000		150 000	150 000
JF Malherbe	72 453		72 453	72 453
EL Nel	148 727		148 727	148 727
JG Rademeyer	10 000		10 000	10 000
BR Weyers	404 594		404 594	404 594
JAL Basson	80 600		80 600	63 600
M Bosman	110 000		110 000	110 000
PC Engelbrecht	224 055		224 055	129 440
JD Wiese	14 074		14 074	14 074

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

	Beneficial	Non-beneficial	Total
JAL Basson	8 601		8 601
M Bosman	15 000		15 000
PC Engelbrecht	51 606		51 606

Director's Interest in Non-Convertible, Non-Participating, No Par Value Deferred Shares

	Total 2011	Total 2010
CH Wiese	276 821 666	276 821 666

CORPORATE GOVERNANCE

Statements of the Board's application of the codes of good corporate governance are set out in the corporate governance report, which forms part of this directors' report and the remuneration committee report on page 37.

BOARD COMMITTEES

The reports of the audit and risk and other board committees are included in the corporate governance report on pages 32 to 36.

AUDITORS

PricewaterhouseCoopers Incorporated will be nominated for reappointment at the annual general meeting in accordance with the Companies Act (Act 71 of 2008), as amended.

EVENTS AFTER THE REPORTING DATE

Other than the facts in this Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 30 June 2011 to the date of this report that have an impact on the financial results or disclosures in these annual financial statements.

HOLDING COMPANY

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 101 of this report.

LITIGATION STATEMENT

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

The investigation by the Competition Commission of South Africa ("the Commission") into the alleged anti-competitive conduct of various food retailers which includes the Group's main trading subsidiary, Shoprite Checkers (Pty) Ltd, is still pending.

The referral by the Commission of its case against Computicket (Pty) Ltd must still be heard by the Competition's 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. A hearing date must still be allocated by the Lagos High Court.

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

Statement of Financial Position

Shoprite Holdings Ltd and its Subsidiaries as at June 2011

COMPANY				GROUP	
June 2010 R'000	June 2011 R'000		Notes	June 2011 R'000	June 2010 R'000
		ASSETS			
		NON-CURRENT ASSETS			
—	—	Property, plant and equipment	3	8 168 749	6 577 677
1 654 503	1 654 503	Interests in subsidiaries	5	—	—
—	—	Available-for-sale investments	6	59 656	57 389
—	—	Loans and receivables	7	4 308	8 553
200	237	Deferred income tax assets	8	326 457	288 677
—	—	Intangible assets	9	719 105	611 037
—	—	Fixed escalation operating lease accrual	10	9 246	5 559
1 654 703	1 654 740			9 287 521	7 548 892
		CURRENT ASSETS			
—	—	Inventories	11	7 055 867	6 114 538
—	—	Trade and other receivables	12	2 255 390	1 999 197
—	—	Derivative financial instruments	13	—	1 498
1 589		Current income tax assets		38 543	36 493
76 308	10 774	Interests in subsidiaries	5	—	—
—	—	Loans and receivables	7	46 226	45 841
602 517	603 555	Cash and cash equivalents		1 961 551	2 218 866
680 414	614 329			11 357 577	10 416 433
—	—	Assets held for sale	4	58 659	26 372
2 335 117	2 269 069	**TOTAL ASSETS**		20 703 757	17 991 697
		EQUITY			
		CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
616 583	616 583	Share capital	14	616 583	616 583
293 072	293 072	Share premium		293 072	293 072
—	—	Treasury shares	14	(337 406)	(337 406)
1 418 263	1 347 574	Reserves	15	6 512 451	5 332 583
2 327 918	2 257 229			7 084 700	5 904 832
—	—	NON-CONTROLLING INTEREST		58 750	67 184
2 327 918	2 257 229	**TOTAL EQUITY**		7 143 450	5 972 016
		LIABILITIES			
		NON-CURRENT LIABILITIES			
2 450	2 450	Borrowings	16	26 177	21 534
—	—	Deferred income tax liabilities	17	25 377	18 953
—	—	Provisions	18	339 200	270 818
—	—	Fixed escalation operating lease accrual	19	455 787	418 641
—	—	Trade and other payables	20	263 455	304 079
2 450	2 450			1 109 996	1 034 025
		CURRENT LIABILITIES			
1 411	1 126	Trade and other payables	20	9 807 743	9 872 456
—	—	Borrowings	16	23 578	18 914
—	—	Derivative financial instruments	13	3 606	—
—	4 247	Current income tax liabilities		464 316	111 854
—	—	Provisions	18	104 117	104 825
—	—	Bank overdrafts		2 042 100	874 279
3 338	4 016	Shareholders for dividends		4 851	3 328
4 749	9 389			12 450 311	10 985 656
7 199	11 840	**TOTAL LIABILITIES**		13 560 307	12 019 681
2 335 117	2 269 069	**TOTAL EQUITY AND LIABILITIES**		20 703 757	17 991 697

Statement of Comprehensive Income

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY				GROUP	
June 2010 R'000	June 2011 R'000		Notes	June 2011 R'000	June 2010 R'000
—	—	Sale of merchandise		72 297 777	67 402 440
—	—	Cost of sales		(57 624 408)	(54 147 848)
—	—	GROSS PROFIT		14 673 369	13 254 592
633 372	1 307 681	Other operating income	21	1 855 841	1 576 128
—	—	Depreciation and amortisation	22	(933 592)	(839 208)
—	—	Operating leases	23	(1 700 468)	(1 550 745)
—	—	Employee benefits	24	(5 762 045)	(5 273 843)
(5 960)	(3 508)	Other expenses		(4 146 408)	(3 676 483)
627 412	1 304 173	TRADING PROFIT		3 986 697	3 490 441
572	(1)	Exchange rate (losses)/gains		(446)	(77 824)
—	—	Items of a capital nature	27	(78 533)	(25 580)
627 984	1 304 172	OPERATING PROFIT	25	3 907 718	3 387 037
42 729	33 574	Interest received		94 614	105 741
(126)	(198)	Finance costs	28	(125 964)	(93 690)
670 587	1 337 548	PROFIT BEFORE INCOME TAX		3 876 368	3 399 088
(110 507)	(131 060)	Income tax expense	29	(1 346 826)	(1 111 792)
560 080	1 206 488	PROFIT FOR THE YEAR		2 529 542	2 287 296
		OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
—	—	Fair value movements on available-for-sale investments	15	1 950	8 244
—	—	Foreign currency translation differences	15	(142 451)	(170 030)
560 080	1 206 488	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2 389 041	2 125 510
		PROFIT ATTRIBUTABLE TO:			
560 080	1 206 488	Owners of the parent		2 509 780	2 266 522
—	—	Non-controlling interest		19 762	20 774
560 080	1 206 488			2 529 542	2 287 296
		TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
560 080	1 206 488	Owners of the parent		2 369 279	2 104 736
—	—	Non-controlling interest		19 762	20 774
560 080	1 206 488			2 389 041	2 125 510
		Earnings per share (cents)	30	495.9	450.1
		Diluted earnings per share (cents)	30	495.9	446.4

Statement of Changes in Equity

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

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 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
Total comprehensive income		2 389 041	19 762	2 369 279	—	—	—	(140 501)	2 509 780
Profit for the year		2 529 542	19 762	2 509 780					2 509 780
Recognised in equity									
Net fair value movement on available-for-sale investments	15	2 267		2 267				2 267	
Income tax effect of net fair value movement on available-for-sale investments	15	(317)		(317)				(317)	
Foreign currency translation differences	15	(142 451)		(142 451)				(142 451)	
Transfer to contingency reserve	15	—		—				4 509	(4 509)
Dividends distributed to shareholders		(1 217 607)	(28 196)	(1 189 411)					(1 189 411)
BALANCE AT JUNE 2011		7 143 450	58 750	7 084 700	616 583	293 072	(337 406)	4 928	6 507 523
COMPANY									
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
Total comprehensive income									
Profit for the year		1 206 488		1 206 488					1 206 488
Dividends distributed to shareholders		(1 277 177)		(1 277 177)					(1 277 177)
BALANCE AT JUNE 2011		2 257 229		2 257 229	616 583	293 072	—	2 152	1 345 422

Statement of Cash Flows

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY June 2010 R'000	COMPANY June 2011 R'000		Notes	GROUP June 2011 R'000	GROUP June 2010 R'000
(588 714)	(64 496)	CASH FLOWS FROM/(UTILISED BY) OPERATING ACTIVITIES		1 543 646	1 509 740
627 984	1 304 172	Operating profit		3 907 718	3 387 037
(632 842)	(1 306 771)	Less: investment income		(27 663)	(32 662)
(572)	1	Non-cash items	32.1	1 459 480	1 387 610
—	—	Payments for cash settlement of share appreciation rights		(218 037)	—
—	—	Payments for settlement of post-retirement medical benefits liability	36.2	(2 630)	(216 860)
2 679	(285)	Changes in working capital	32.2	(1 324 359)	(594 756)
(2 751)	(2 883)	Cash generated from/(utilised by) operations		3 794 509	3 930 369
42 729	33 574	Interest received		110 519	128 892
(126)	(198)	Interest paid		(125 964)	(93 690)
632 842	1 306 771	Dividends received		11 758	9 511
(1 140 507)	(1 276 499)	Dividends paid	32.3	(1 216 084)	(1 082 293)
(120 901)	(125 261)	Income tax paid	32.4	(1 031 092)	(1 383 049)
587 398	65 535	CASH FLOWS (UTILISED BY)/FROM INVESTING ACTIVITIES	32.5	(2 937 011)	(2 680 113)
—	—	CASH FLOWS FROM/(UTILISED BY) FINANCING ACTIVITIES	32.6	9 329	(237 928)
(1 316)	1 039	NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(1 384 036)	(1 408 301)
603 261	602 517	Cash and cash equivalents at the beginning of the year		1 344 587	2 811 465
572	(1)	Effect of exchange rate movements on cash and cash equivalents		(41 100)	(58 577)
602 517	603 555	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(80 549)	1 344 587
		Consisting of:			
602 517	603 555	Cash and cash equivalents		1 961 551	2 218 866
—	—	Bank overdrafts		(2 042 100)	(874 279)
602 517	603 555			(80 549)	1 344 587

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 26 August 2011.

1.1 Basis of preparation

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

1.1.1 USE OF JUDGMENTS, ASSUMPTIONS AND ESTIMATES

1.1.1.1 Judgments

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

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

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

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

1.1.1.2 Assumptions and estimates

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

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

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

c) Income taxes: The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide accrual for income taxes. The Group recognises liabilities for anticipated 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.

d) Allowances for doubtful debts: Trade receivables include instalment sale debtors and franchise debtors for which allowances for impairment are made in accordance with the accounting policy in note 1.14. 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.

e) Employee benefit accruals and provisions: Various assumptions are applied in determining the valuations of post-retirement medical benefits, share based payment accruals and long term employee benefits as set out in notes 1.19, 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 on the following page are presented as management believes it to be relevant to the understanding of the Group's financial performance. These measures are used for internal performance analysis and provide additional useful information on underlying trends to equity holders. These measures are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

a) Trading profit on the face of the statement of comprehensive income, being the Group's operating results excluding foreign exchange rate differences and income or expenditure of a capital nature.
b) Income or expenditure of a capital nature on the face of the statement of comprehensive income, being all re-measurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 3/2009: Headline Earnings. The principal items that will be included under this 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.
c) Interest received on the face of the statement of comprehensive income, being only interest received on call and operating bank account balances.

1.2 Consolidation

1.2.1 SUBSIDIARIES

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

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

1.2.2 JOINT VENTURES

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

1.2.3 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.

1.4 Property, plant and equipment

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

Management determines the estimated useful lives, residual values and the related depreciation charges at acquisition and these are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate. During the year under review, the estimated useful life of computer equipment has been adjusted to 4 to 5 years, previously 3 years.

Useful lives:

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

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

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

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

1.5 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the contractual obligation is discharged, cancelled 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 over the following 12 months. 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 equity instrument below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity instruments recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income.

1.8 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 and laws 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.

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 transaction 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 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.

1.19.4 REINSTATEMENT PROVISION

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

1.20 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. Intragroup 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 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.

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

1.26 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. 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 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 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).

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.

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.

1.33 Standards, interpretations and amendments that are not yet effective at June 2011

The Group has considered the following new standards, and interpretations and amendments to existing standards, which are not yet effective as at June 2011:

Number	Title	Effective for year ending
Amendments IAS 24	Amendment to IAS 24 – Related party disclosures	June 2012
IFRS 9	IFRS 9 – Financial Instruments	June 2014
Amendments to IFRIC 14	Pre-payments of a Minimum Funding Requirement (amendments to IFRIC 14)	June 2012
Amendment to IFRS 7	Amendments to IFRS 7: Improved disclosure for transfer transactions of financial assets issued	June 2012
Various	Improvements to IFRSs 2010	June 2012
AC 504	IAS 19 (AC116) – The limit on a defined benefit asset, Minimum funding requirements and their interaction in the South African pension fund environment	June 2012
Amendment to IFRS 1	Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	June 2012
Amendment to IAS 12	Amendments to IAS 12: Deferred tax: Recovery of Underlying Assets	June 2013
IFRS 10	Consolidated Financial Statements	January 2013
IFRS 11	Joint Arrangements	January 2013
IFRS 12	Disclosure of Interests in Other Entities	January 2013
IFRS 13	Fair Value Measurement	January 2013
Amendment to IFRS 1	Presentation of Items of Other Comprehensive Income	July 2012
IAS 19	Employee Benefits	January 2013
IAS 27	Separate Financial Statements	January 2013
IAS 28	Investments in Associates and Joint Ventures	January 2013

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 2011

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2011 had no significant effect on the Group's operations:

Number	Title
Amendment to IFRS 1	Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards (IFRSs)
Amendment to IFRS 2	Amendments to IFRS 2: Share-based payment – Group cash-settled share-based payment transactions
Amendment to IAS 32	Amendments to IAS 32: Classification of Rights Issues
IFRIC 19	IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
Various	Improvements to IFRSs (Issued April 2009)

2 OPERATING SEGMENT INFORMATION

2.1 Analysis per reportable segment

June 2011

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

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

2.2 Geographical analysis

June 2011

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

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

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

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 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		3 PROPERTY, PLANT AND EQUIPMENT		
—	—	**3.1 Land at cost**	827 698	676 620
		3.2 Buildings		
		Cost	2 540 157	2 108 357
		Accumulated depreciation and impairment	(154 792)	(152 626)
—	—	Carrying value	2 385 365	1 955 731
		Details of land and buildings are available for inspection at the registered office of the Company.		
		3.3 Machinery, equipment and vehicles*		
		Cost	7 780 263	6 452 791
		Accumulated depreciation and impairment	(3 419 949)	(2 813 165)
—	—	Carrying value	4 360 314	3 639 626
		*Includes aircraft with a carrying value of R78 million (2010: R127 million).		
		3.4 Improvements to leasehold property		
		Cost	828 105	468 773
		Accumulated depreciation and impairment	(232 733)	(163 073)
—	—	Carrying value	595 372	305 700
—	—	Total property, plant and equipment	8 168 749	6 577 677

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of carrying values

	Land	Buildings	Machinery, equipment and vehicles	Leasehold improvements	Total
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
Additions	203 103	722 982	1 705 964	221 224	2 853 273
Reclassification	(55 571)	(140 913)	(12)	163 585	(32 911)
Reclassification to software	—	—	(145)	—	(145)
Transfer to assets held for sale (note 4)	—	(55 808)	—	—	(55 808)
Transfer from assets held for sale (note 4)	—	—	—	6 989	6 989
Acquisition of subsidiaries and operations (note 32.5.1)	11 000	—	1 228	—	12 228
Disposal	—	(6 331)	(67 837)	(27 784)	(101 952)
Proceeds on disposal	(27)	(90)	(33 371)	(29 994)	(63 482)
Profit/(loss) on disposal and scrapping	27	(6 241)	(34 466)	2 210	(38 470)
Depreciation	(281)	(27 653)	(854 417)	(66 169)	(948 520)
Reversal of impairment (note 3.5)	—	4 984	—	—	4 984
Impairment (note 3.5)	—	(16 745)	(44 590)	—	(61 335)
Exchange rate differences	(7 173)	(50 882)	(19 503)	(8 173)	(85 731)
Carrying value at June 2011	827 698	2 385 365	4 360 314	595 372	8 168 749

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.5 Impairment/reversal of impairment of property, plant and equipment

The recoverable amount of all property, plant and equipment is determined based on the higher of value-in-use and fair value less cost to sell. The assumptions and estimates used by management in determining the recoverable amount of assets, for which there is a significant impairment or reversal of impairment, is detailed below.

In determining the fair value less cost to sell of affected land and buildings, cash flow projections based on projected net market-related rentals covering the next planning period were used. An average pre-tax market capitalisation rate of 9.43% (2010: 10.7%) was used.

Included in reclassifications is an amount of R32.9 million that was reclassified from land to prepaid leases. This relates to land leased for periods ranging from 42 to 99 years in various African countries.

The fair value less cost to sell of affected assets, other than land and buildings, was based on management's best estimates taking into account recent selling prices obtained for similar assets in the Group, adjusting these values for the condition of the relevant assets.

The reversal of impairment, in the current and previous financial year, was due to improvements in the economic environment in which Group companies, where assets were previously impaired, operate. The original impairment charge as well as the reversal is included in the statement of comprehensive income as items of a capital nature. This impairment originated in the Supermarkets RSA operating segment.

4 ASSETS HELD FOR SALE

—	—	Carrying value	58 659	26 372

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.

During the current 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.

4.1 Reconciliation of carrying value

		Carrying value at the beginning of the year	26 372	5 168
		Transfer from property, plant and equipment (note 3)	55 808	22 042
		Transfer to property, plant and equipment (note 3)	(6 989)	—
		Proceeds on disposal	(28 360)	(1 011)
		Profit on disposal	12 868	163
		Additions	—	77
		Exchange rate differences	(1 040)	(67)
—	—	Carrying value at the end of the year	58 659	26 372

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		5 INTERESTS IN SUBSIDIARIES		
211 490	211 490	Investments in ordinary shares		
1 443 013	1 443 013	Investments in preference shares		
76 308	10 774	Amounts owing by subsidiaries		
1 730 811	1 665 277		—	—
		Analysis of total interests in subsidiaries		
1 654 503	1 654 503	Non-current		
76 308	10 774	Current		
1 730 811	1 665 277		—	—
		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	59 656	57 389
		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 Aa2.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)	32 640	32 983
		Amounts owing by franchisees (note 7.2)	16 886	20 026
		Other	1 008	1 385
—	—		50 534	54 394
		Analysis of total loans and receivables		
		Non-current	4 308	8 553
		Current	46 226	45 841
—	—		50 534	54 394

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		7 LOANS AND RECEIVABLES (CONTINUED)		
		7.1 Preference share investment	32 640	32 983
		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	28 584	26 587
		Accumulated impairment	(11 698)	(6 561)
—	—		16 886	20 026
		The weighted average variable interest rate (linked to the South African prime rate) on these amounts was 9.6% (2010: 10.3%) 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 R37 million (2010: R52 million) are held as collateral for these amounts.		
		Reconciliation of accumulated impairment		
		Balance at July	6 561	12 671
		Allowance for impairment for the year	5 137	—
		Unused amounts reversed	—	(6 110)
—	—	Balance at June	11 698	6 561
		The allowance for impairment relates to the following amounts owing by franchisees:		
		Receivable in the next year	4 788	10 117
		Receivable between 1 and 3 years	8 549	11 929
		Receivable between 3 and 5 years	2 639	4 541
—	—		15 976	26 587
		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 R2.8 million (2010: R4.7 million) was accrued on these balances during the year under review. All balances that were past due were considered for impairment.		

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		8 DEFERRED INCOME TAX ASSETS		
200	237	Provisions and accruals	316 404	242 515
—	—	Allowances on property, plant and equipment	(300 964)	(235 619)
—	—	Fixed escalation operating lease accrual	144 251	138 429
—	—	Allowances on intangible assets	(25 947)	(28 088)
—	—	Share-based payment accrual	158 826	140 260
—	—	Unrealised exchange rate differences	13 561	15 242
—	—	Fair value differences	(8 337)	(8 021)
—	—	Tax losses	28 663	23 959
200	237		326 457	288 677
		The movement in the deferred income tax assets is as follows:		
108	200	Carrying value at the beginning of the year	288 677	277 951
92	37	Charge to profit for the year	46 191	42 770
92	37	Provisions and accruals	71 030	(13 197)
—	—	Allowances on property, plant and equipment	(57 473)	(47 998)
—	—	Fixed escalation operating lease accrual	6 225	4 783
—	—	Allowances on intangible assets	2 141	1 503
—	—	Share-based payment accrual	18 747	72 374
—	—	Unrealised exchange rate differences	310	12 543
—	—	Tax losses	5 310	12 942
—	—	Tax rate change	(99)	(180)
—	—	Charged to other comprehensive income	(317)	(1 341)
—	—	Transfer from deferred tax liability	(5 290)	(11 028)
—	—	Acquisition of subsidiaries and operations (note 32.5.1)	—	(17 457)
—	—	Exchange rate differences	(2 804)	(2 218)
200	237	Carrying value at the end of the year	326 457	288 677
—	—	Net taxable temporary differences to be settled after more than 12 months	(88 057)	(101 757)
200	237	Net deductable temporary differences to be recovered within 12 months	414 514	390 434
200	237		326 457	288 677
		9 INTANGIBLE ASSETS		
		Goodwill (note 9.1)	180 981	167 074
		Software (note 9.2)	451 143	348 737
		Trademarks (note 9.3)	41 378	44 258
		Customer relationships (note 9.4)	45 603	50 968
—	—		719 105	611 037
		9.1 Goodwill		
		Gross amount	217 269	202 331
		Impairment losses	(36 288)	(35 257)
—	—	Carrying value	180 981	167 074
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	167 074	91 216
		Acquisition of subsidiaries and operations (note 32.5.1)	14 676	75 858
		Impairment (note 9.1.1)	(769)	—
—	—	Carrying value at the end of the year	180 981	167 074

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 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 4.6% (2010: 6.0%). 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*	5.9	4.9
Growth rate**	4.6	6.0
Pre-tax discount rate***	14.1	15.4

Other operations	%	%
Operating margin*	6.1	49.3
Growth rate**	4.6	6.1
Pre-tax discount rate***	9.3	16.2

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

**Weighted average sales growth rate

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

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

The impairment charge in the current financial year under review arose in 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.

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		9 INTANGIBLE ASSETS (CONTINUED)		
		9.2 Software		
		Gross amount	574 714	451 107
		Accumulated amortisation and impairment losses	(123 571)	(102 370)
—	—	Carrying value	451 143	348 737
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	348 737	225 752
		Additions	36 575	30 674
		Internally generated	115 371	132 505
		Acquisition of subsidiaries and operations (note 32.5.1)	—	2 400
		Reclassification from property, plant and equipment (note 3)	145	—
		Proceeds on disposal	(1)	—
		Amortisation	(49 677)	(42 580)
		Exchange rate differences	(7)	(14)
—	—	Carrying value at the end of the year	451 143	348 737
		Included in the gross amount of software is R288 million that relates to cost capitalised for software not yet in use. This relates mainly to the implementation of SAP merchandising software.		
		9.3 Trademarks		
		Gross amount	177 756	177 756
		Accumulated amortisation	(136 378)	(133 498)
—	—	Carrying value	41 378	44 258
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	44 258	37 466
		Acquisition of subsidiaries and operations (note 32.5.1)	—	9 379
		Amortisation	(2 880)	(2 587)
—	—	Carrying value at the end of the year	41 378	44 258
		9.4 Customer relationships		
		Gross amount	53 650	53 650
		Accumulated amortisation	(8 047)	(2 682)
—	—	Carrying value	45 603	50 968
		Reconciliation of carrying value		
		Carrying value at the beginning of the year	50 968	—
		Acquisition of subsidiaries and operations (note 32.5.1)	—	53 650
		Amortisation	(5 365)	(2 682)
—	—	Carrying value at the end of the year	45 603	50 968
		10 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease receipts straight-lined	9 449	5 943
		Less: current (included under trade and other receivables: note 12)	(203)	(384)
—	—		9 246	5 559
		11 INVENTORIES		
—	—	Trading goods	7 055 867	6 114 538

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		12 TRADE AND OTHER RECEIVABLES		
		Instalment sales		
—	—	Gross amount (note 12.1)	1 099 858	1 036 503
—	—	Accumulated impairment (note 12.2)	(118 029)	(115 906)
—	—	Unearned finance income	(27 066)	(25 861)
		Insurance contract allowances		
—	—	– Unearned premiums (note 12.3)	(156 520)	(142 298)
—	—		798 243	752 438
—	—	Trade receivables (note 12.4)	881 100	731 390
—	—	Other receivables (note 12.5)	559 039	473 888
—	—	Fixed escalation operating lease accrual (note 10)	203	384
—	—	Amounts owing by joint ventures (note 12.6)	16 805	41 097
—	—		2 255 390	1 999 197

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 22.0% (2010: 23.6%) 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

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		Not later than 1 year	647 468	729 648
		Later than 1 year not later than 2 years	452 390	306 855
—	—		1 099 858	1 036 503

12.2 Accumulated impairment

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		Reconciliation of accumulated impairment		
		Balance at July	115 906	99 989
		Allowance for impairment for the year	41 583	61 042
		Receivables written off during the year as uncollectable	(54 865)	(57 145)
		Penalty interest accrued	14 578	12 920
		Exchange rate differences	1 350	(900)
		Unused amounts reversed	(523)	—
—	—	Balance at June	118 029	115 906

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.

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		30 days	19 918	20 024
		60 days	12 665	13 058
		90 days	9 515	9 940
		120 days	7 645	8 027
		150 days	6 318	6 671
		180 days	5 384	5 618
		+ 180 days	37 313	34 613
—	—		98 758	97 951

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 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 R118 million (2010: R116 million) was calculated taking into account the actual arrears of R99 million (2010: R98 million) and an amount of R243 million (2010: R237 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	142 298	118 028
		Premiums written during the year (note 21.3)	271 589	252 447
		Amortisation charged to income (note 21.3)	(257 367)	(228 177)
—	—	Balance at the end of the year	156 520	142 298
		12.4 Trade receivables		
	2 595	Gross amount	975 300	821 463
		Accumulated impairment	(94 200)	(90 073)
—	2 595		881 100	731 390
		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 R717 million (2010: R782 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 July	90 073	102 701
		Allowance for impairment for the year	12 928	14 243
		Receivables written off during the year as uncollectible	(1 471)	(11 461)
		Exchange rate differences	(2 876)	(1 160)
		Unused amounts reversed	(4 454)	(14 250)
—	—	Balance at June	94 200	90 073

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		12 TRADE AND OTHER RECEIVABLES (CONTINUED)		
		12.4 Trade receivables (continued) The provision for impairment relates to trade receivables of R94 million (2010: R95 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 R1,468,000 (2010: R1,798,000) was accrued on these balances during the year under review. Trade receivables of R62 million (2010: R14 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.		
—	—	**12.5 Other receivables** Other receivables consist of various prepayments and operational debtors such as rental and municipal deposits and value added taxes refundable. Included in the balance for the current year is the reclassification of R32.9 million (note 3.5).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.	559 039	473 888
—	—	**12.6 Amounts owing by joint ventures** These amounts owing are unsecured, payable on demand and earn interest at an average of 6.0% (2010: 7.6%) 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.	16 805	41 097

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		13 DERIVATIVE FINANCIAL INSTRUMENTS		
		Forward foreign exchange rate contracts (note 39.1.1)		
—	—	Current liabilities	3 606	—
—	—	Current assets	—	1 498
		As at June 2011 the settlement dates on open forward contracts ranged between one and three (2010: 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 = $0,1451 (2010: R1 = $0,1291)		
		Outflow	(385 297)	(158 334)
		Inflow	379 682	158 318
		Swedish krona rand equivalent at rates averaging R1 = SEK0,9354 (2010: R1 = SEK1.0217)		
		Outflow	(4 486)	(18 050)
		Inflow	3 951	18 514
		Euro rand equivalent at rates averaging R1 = €0,1011 (2010: R1 = €0,1043)		
		Outflow	(58 793)	(12 632)
		Inflow	58 610	12 752
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES		
		14.1 Ordinary share capital		
		Authorised:		
		650 000 000 (2010: 650 000 000) ordinary shares of 113,4 cents each		
		Issued:		
616 306	616 306	543 479 460 (2010: 543 479 460) ordinary shares of 113,4 cents each	616 306	616 306

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

	Number of shares 2011	Number of shares 2010
Issued ordinary share capital	543 479 460	543 479 460
Treasury shares (note 14.3)	(37 346 947)	(37 346 947)
	506 132 513	506 132 513

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

All shares are fully paid up.

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		14 SHARE CAPITAL, TREASURY SHARES AND SHARE INCENTIVE SCHEMES (CONTINUED)		
		14.2 Deferred share capital		
		Authorised:		
		360 000 000 (2010: 360 000 000) non-convertible, non-participating no par value deferred shares		
		Issued:		
277	277	276 821 666 (2010: 276 821 666) non-convertible, non-participating no par value deferred shares	277	277
		The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd.		
		All shares are fully paid up and carry the same voting rights as the ordinary shares.		
616 583	616 583		616 583	616 583
		14.3 Treasury shares		
—	—	37 346 947 (2010: 37 346 947) ordinary shares	337 406	337 406
		Reconciliation of movement in number of treasury shares for the Group:		
			Number of shares	
		Balance at the beginning of the year	37 346 947	42 581 065
		Movement in shares held by Shoprite Checkers (Pty) Ltd		
		Shares purchased during the year	—	3 778 920
		Shares utilised for option settlement	—	(9 013 038)
—	—	Balance at the end of the year	37 346 947	37 346 947
		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.		
			Number of shares	
		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	51 514	41 925

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

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

14.4 Share incentive schemes (continued)

14.4.2 CASH-SETTLED SHARE-BASED PAYMENTS

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

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

	Average strike price per share	Number of shares on which rights are based 2011	2010
Movements in rights to cash-settled share-based payments			
Balance at the beginning of the year	R6,50 / R6,22	13 400 000	14 531 250
Exercised during the year	R6,22	(3 958 333)	(1 256 250)
Issued on 9 Oct 2009	R62,35	—	125 000
Balance at the end of the year		9 441 667	13 400 000

Rights to cash-settled share-based payments on June 2011 are unconditional on the following dates or immediately in the case of a deceased estate:

	Average strike price per share	2011	2010
29 Aug 2010	R31,31	—	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	41 667
9 Oct 2013	R62,35	41 667	41 667
9 Oct 2014	R62,35	41 667	41 667
CH Wiese: refer following page	R6,50	1 000 000	1 000 000
		9 441 667	13 400 000

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

14.4 Share incentive schemes (continued)

14.4.2 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 2011	29 Aug 2011	83 333	R31,31
JAL Basson	29 Aug 2012	29 Aug 2012	83 334	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 2011	29 Aug 2011	250 000	R31,31
PC Engelbrecht	29 Aug 2012	29 Aug 2012	250 000	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 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 2011	29 Aug 2011	133 333	R31,31
EL Nel	29 Aug 2012	29 Aug 2012	133 334	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.

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		15 RESERVES		
1 416 111	1 345 422	Retained earnings	6 507 523	5 191 663
2 152	2 152	Other reserves (note 15.1)	4 928	140 920
1 418 263	1 347 574		6 512 451	5 332 583
		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
—	—	Foreign currency translation reserve	(81 979)	60 472
—	—	Contingency reserve	33 536	29 027
—	—	Fair value reserve	51 219	49 269
2 152	2 152		4 928	140 920

15 RESERVES (CONTINUED)
15.1 Other reserves (continued)
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 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
Foreign currency translation differences		(142 451)			
Transfer from distributable reserves			4 509		
Net fair value gains on available-for-sale investments, net of income tax				1 950	
Net fair value gains				2 267	
Related income tax				(317)	
Balance at June 2011	—	(81 979)	33 536	51 219	2 152

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 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)	149	171
—	—	First National Bank of Namibia Ltd (note 16.4)	47 156	37 827
2 450	2 450		49 755	40 448
		16.1 Analysis of total borrowings		
2 450	2 450	Non-current	26 177	21 534
—	—	Current	23 578	18 914
2 450	2 450		49 755	40 448

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		16 BORROWINGS (CONTINUED)		
		16.2 Shoprite Holdings Ltd preference share capital		
		Authorised:		
		175 000 (2010: 175 000) 6% non-convertible cumulative preference shares of R2 each		
		325 000 (2010: 325 000) 5% non-convertible cumulative preference shares of R2 each		
		225 000 (2010: 225 000) second 5% non-convertible cumulative preference shares of R2 each		
		1 000 000 (2010: 1 000 000) third 5% non-convertible cumulative preference shares of R2 each		
		Issued:		
350	350	175 000 (2010: 175 000) 6% non-convertible cumulative preference shares of R2 each	350	350
650	650	325 000 (2010: 325 000) 5% non-convertible cumulative preference shares of R2 each	650	650
450	450	225 000 (2010: 225 000) second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000	500 000 (2010: 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 (2010: 20) "Malawi"" redeemable under certain conditions, preference shares of USD1,82 each (note 16.3.1)	1 259	1 442
		2 (2010: 2) "Angola" redeemable under certain conditions, preference shares of USD1,82 each (note 16.3.1)	126	144
		Accumulated losses recognised	(1 236)	(1 415)
—	—		149	171
		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 9.19% (2010: 10.9%) p.a.	47 156	37 827

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		17 DEFERRED INCOME TAX LIABILITIES		
		Allowances on property, plant and equipment	60 803	61 534
		Fixed escalation operating lease accrual	1 221	(72)
		Allowances on intangible assets	3	314
		Tax losses	(21 286)	(35 065)
		Unrealised exchange rate differences	(11 997)	(368)
		Provisions and accruals	(3 366)	(7 390)
—	—		25 377	18 953
		The movement in the deferred income tax liabilities is as follows:		
		Carrying value at the beginning of the year	18 953	26 992
		Charged to profit and loss	11 513	3 146
		Allowances on property, plant and equipment	10 161	3 478
		Fixed escalation operating lease accrual	614	(235)
		Allowances on intangible assets	5	134
		Provisions and accruals	387	(2 585)
		Unrealised exchange rate differences	(11 407)	(760)
		Tax rate change	—	(155)
		Tax losses	11 753	3 269
		Transfer to deferred tax asset	(5 290)	(11 028)
		Exchange rate differences	201	(157)
—	—	Carrying value at the end of the year	25 377	18 953
		Net taxable temporary differences to be settled after more than 12 months	36 916	25 932
		Net deductable temporary differences to be recovered within 12 months	(11 539)	(6 979)
—	—		25 377	18 953
		18 PROVISIONS		
		Provision for post-retirement medical benefits (note 36.2)	33 534	32 404
		Provision for onerous lease contracts	50 578	41 421
		Provision for outstanding claims	2 134	1 459
		Provision for long-term employee benefits	219 831	158 981
		Reinstatement provision	137 240	141 378
—	—		443 317	375 643

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 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
Additional provisions	1 240	21 356	675	59 461	11 570	94 302
Unused amounts reversed	(312)	(159)	—	(321)	(732)	(1 524)
Utilised during the year	(2 630)	(10 818)	—	(6 354)	(14 912)	(34 714)
Accretion of discount	2 832	(1 222)	—	8 572	—	10 182
Exchange rate differences	—	—	—	(508)	(64)	(572)
Balance at June 2011	33 534	50 578	2 134	219 831	137 240	443 317
Discount rates used						
2010	9%	10%	N/A	9%	10%	
2011	9%	12%	N/A	9%	12%	

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		18.2 Analysis of total provisions	R'000	R'000
		Non-current	339 200	270 818
		Current	104 117	104 825
—	—		443 317	375 643
		19 FIXED ESCALATION OPERATING LEASE ACCRUAL		
		Operating lease payments straight lined (refer note 23)	522 205	498 175
		Less: current (included under trade and other payables: note 20)	66 418	79 534
—	—		455 787	418 641
		20 TRADE AND OTHER PAYABLES		
—	—	Trade payables	6 303 789	6 907 964
1 257	966	Other payables and accruals	2 254 512	1 874 711
—	—	Employee benefit accruals	655 394	566 675
154	160	Indirect taxes payable	200 323	206 149
—	—	Amounts owing to joint ventures (note 20.2)	3 917	9 428
—	—	Fixed escalation operating lease accrual (note 19)	66 418	79 534
—	—	Cash settled share-based payment accrual	586 845	532 074
1 411	1 126		10 071 198	10 176 535
		20.1 Analysis of trade and other payables		
—	—	Non-current	263 455	304 079
1 411	1 126	Current	9 807 743	9 872 456
1 411	1 126		10 071 198	10 176 535
—	—	**20.2 Amounts owing to joint ventures**	3 917	9 428
		These loans are unsecured, payable on demand and bears interest at an average of 1.2% (2010: 3.0%) p.a.		

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		21 OTHER OPERATING INCOME		
—	—	Finance income earned	196 066	211 966
632 842	1 306 771	Investment income (note 21.1)	27 663	32 662
—	—	Franchise fees received	38 262	37 523
—	—	Operating lease income (note 21.2)	231 900	208 562
—	—	Commissions received	412 386	339 925
—	—	Premiums earned (note 21.3)	257 367	228 177
530	910	Other income	692 197	517 313
633 372	1 307 681		1 855 841	1 576 128
		21.1 Investment income		
—	—	Interest received from joint ventures	965	1 747
—	—	Interest received other	14 940	21 404
632 814	1 306 751	Dividends – subsidiaries	—	—
28	20	– unlisted investments	11 758	9 511
632 842	1 306 771		27 663	32 662
		21.2 Operating lease income		
		The Group has entered into various operating lease agreements as the lessor of property.		
		Leases on properties are contracted for periods of between 1 and 13 years (2010: 1 and 12 years). Rental comprises mainly minimum monthly payments. Rental escalations vary, but average at a rate of 8.3% (2010: 8.2%) p.a.		
		21.3 Premiums earned		
		Premiums written	271 589	252 447
		Change in allowance for unearned premiums	(14 222)	(24 270)
—	—		257 367	228 177
		22 DEPRECIATION AND AMORTISATION		
		Property, plant and equipment	948 520	848 270
		Intangible assets	57 922	47 849
			1 006 442	896 119
		Disclosed as cost of sales	(72 850)	(56 911)
—	—		933 592	839 208
		Included in depreciation for the period is a change in estimate of R54,571,768. This is due to an increase in the estimated useful life of computer equipment which is now depreciated over 4 to 5 years, previously 3 years. This change will result in a reduction in depreciation of R9,030,572 in the next financial year.		

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 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 (2010: 3 and 10 years) with renewal options averaging a further 3 to 20 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1.84% (2010: 1.85%) of turnover. Rental escalations vary, but average at a rate of 6.76% (2010: 7.07%) p.a.		
		Operating lease payments – property	1 692 493	1 544 496
		Operating lease payments – equipment	81 943	69 641
			1 774 436	1 614 137
		Disclosed as cost of sales	(73 968)	(63 392)
—	—		1 700 468	1 550 745
		Consisting of:		
		Minimum lease payments	1 543 435	1 355 182
		Contingent lease payments	231 001	258 955
—	—		1 774 436	1 614 137
		24 EMPLOYEE BENEFITS		
		Wages and salaries	5 514 459	4 961 705
		Cash-settled share-based payments (note 14.4.2)	256 618	278 086
		Post-retirement medical benefits (note 36.2)	3 760	5 996
		Retirement benefit contributions (note 36.1)	314 415	278 896
			6 089 252	5 524 683
		Disclosed as cost of sales	(327 207)	(250 840)
—	—		5 762 045	5 273 843
		24.1 Learnership allowances		
		The Group has, during the year under review, received certain learnership allowances.		
		Sector Educational Training Authorities (SETA) grants In terms of the SETA grant in South Africa the Group can recoup Skills Development Levies (SDLs) to the extent that training, as prescribed by SETA, is provided to its employees. This resulted in a reduction in SDLs of R20,601,405 (2010: R18,091,757) for the year under review. The net amount is taxable at 28% (2010: 28%).		

Notes to the Annual Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2011

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		25 OPERATIONAL COSTS		
54	66	Auditors' remuneration	26 489	28 899
54	66	Audit fees – for the year	20 699	20 576
—	—	– (over)/underprovided – previous year	(718)	762
—	—	Fees for other assurance services	316	210
—	—	Fees for tax consulting services	1 927	2 164
—	—	Fees for secretarial services	11	94
—	—	Fees for information technology consulting services	2 613	3 460
—	—	Fees for accounting services	517	793
—	—	Fees for other consulting services	1 124	840
6 100	4 008	Fees paid for outside services	164 725	214 000
—	—	Administrative	49 575	65 516
2 695	135	Technical	114 151	147 856
3 405	3 873	Secretarial	999	628
—	—	Fair value losses on financial instruments	5 105	27 899
—	—	Policyholder claims and benefits paid	14 073	19 228
—	—	– claims paid	13 398	20 144
—	—	– movement in accumulated unpaid claims (note 18.1)	675	(916)
		26 DIRECTORS' REMUNERATION		
657 236	126 300	Executive directors		
713	845	Non-executive directors		
657 949	127 145			
(657 236)	(126 300)	Less: paid by subsidiaries and joint ventures		
713	845		—	—

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

For details of equity and cash-settled share-based payment instruments issued to directors refer note 14.4.

26 DIRECTORS' REMUNERATION (CONTINUED)

R'000	2011 Remuneration	2011 Performance bonus	2011 Share appreciation rights exercised	2011 Retirement and medical benefits	2011 Other benefits	2011 Total	2010 Remuneration	2010 Performance bonus	2010 Share options exercised	2010 Retirement and medical benefits	2010 Settlement of post-retirement medical liability	2010 Other benefits	2010 Total
Executive directors and alternates													
JW Basson	32 063	—	—	3 963	449	36 474	25 350	—	594 500	5 898	1 379	399	627 526
JAL Basson*	568	675	1 453	97	71	2 865	504	95	—	86	—	71	756
M Bosman	1 601	1 327	6 461	322	204	9 915	1 425	1 020	—	322	—	167	2 934
PC Engelbrecht	2 475	1 610	13 845	423	198	18 551	2 136	1 162	—	397	—	157	3 852
CG Goosen	3 104	2 410	17 537	708	257	24 016	2 738	1 790	—	622	1 025	216	6 431
B Harisunker	1 957	921	6 461	592	190	10 122	1 768	898	—	547	329	148	3 690
AE Karp	2 908	540	—	557	266	4 271	2 641	939	—	539	—	238	4 357
EL Nel	1 942	1 450	7 384	334	171	11 281	1 750	1 238	—	308	—	167	3 463
BR Weyers	1 534	1 180	5 538	361	192	8 805	1 370	900	—	335	1 469	153	4 227
	48 153	10 113	58 679	7 357	1 998	126 300	39 682	8 042	594 500	9 094	4 202	1 716	657 236

*This represents 50% of the remuneration paid to the individual as the balance is paid by a joint venture company.

	2011 Fees	2011 Total	2010 Fees	2010 Total
Non-executive directors				
TRP Hlongwane (resigned)	—	—	40	40
JA Louw	101	101	85	85
JF Malherbe	176	176	148	148
JG Rademeyer	259	259	213	213
CH Wiese***	208	208	180	180
EC Kieswetter (app 01/06/2010)	101	101	47	47
	845	845	713	713

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

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		27 ITEMS OF A CAPITAL NATURE		
—	—	(Loss)/profit on disposals of property (note 3)	(6 214)	340
—	—	Profit on disposals of assets held for sale (note 4)	12 868	163
—	—	Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 9)	(32 256)	(14 536)
—	—	Insurance claims (paid)/received	(217)	3 657
—	—	Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	(56 351)	(14 632)
—	—	Impairment of goodwill (note 9.1)	(769)	—
—	—	Profit/(loss) on other investing activities	4 406	(572)
—	—		(78 533)	(25 580)

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		28 FINANCE COSTS		
—	72	Interest paid	125 608	93 258
—	—	Interest paid to joint ventures	230	306
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
126	198		125 964	93 690
		29 INCOME TAX EXPENSE		
		29.1 Classification		
110 507	131 060	South African income tax	1 162 478	1 002 125
—	—	Foreign income tax	184 348	109 667
110 507	131 060		1 346 826	1 111 792
		29.2 Consisting of:		
12 342	12 879	Current income tax	1 223 548	1 026 327
(2 602)	1 165	Prior year income tax	28 295	15 209
—	—	Withholding income tax	7 991	6 067
100 859	117 053	Secondary income tax on companies	121 670	103 813
110 599	131 097		1 381 504	1 151 416
(92)	(37)	Deferred income tax	(34 678)	(39 624)
110 507	131 060		1 346 826	1 111 792
		29.3 Reconciliation of income tax		
187 764	374 513	South African current income tax at 28% (2010: 28%)	1 085 383	951 745
(77 257)	(243 453)	Net adjustments	261 443	160 047
37	35	Preference dividends	(255)	(266)
(177 197)	(365 897)	Dividend income	(5 966)	(2 427)
1 646	4 191	Other exempt income and non-deductible expenses	76 058	6 488
—	—	Income tax allowances	(2 648)	(12 967)
—	—	Deferred income tax asset previously not recognised	(25 242)	(23 597)
(2 602)	1 165	Prior year income tax	28 295	15 209
100 859	117 053	Secondary income tax on companies	121 670	103 813
—	—	Effect of foreign income tax rates	33 398	19 055
—	—	Withholding income tax	7 991	6 067
—	—	Deferred income tax asset not recognised	28 142	48 672
110 507	131 060	Income tax	1 346 826	1 111 792

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

29 INCOME TAX EXPENSE (CONTINUED)

29.4 Secondary income tax on companies

78 805	89 674	Secondary income tax on companies on proposed or envisaged dividends	89 674	78 805

If the total distributable reserves of the Company of R1,345 million (2010: R1,416 million) were to be declared as dividends, the secondary income tax impact at a rate of 10% (2010: 10%) would be R135 million (2010: R142 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	1 424 491	1 456 865
		Applied in the provision for deferred income tax	1 137 964	1 037 436
—	—		286 527	419 429

The utilisation of the income tax relief, translated at closing rates, to the value of R95,036,491 (2010: R156,095,405), 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 of income tax relief		
		30 June 2010	—	2 221
		30 June 2011	—	9 294
		30 June 2012	1 625	5 195
		30 June 2013	3 165	35 033
		30 June 2014	7 542	8 099
		30 June 2015	3 802	10 279
		30 June 2016	4 744	3 677
		30 June 2017	16 879	18 446
		30 June 2018	—	—
		30 June 2019	103	—
—	—		37 860	92 244
—	—	Calculated temporary differences on consolidation associated with investments in subsidiaries for which deferred income tax liabilities have not been created	89 255	87 175

30 EARNINGS PER SHARE

R'000	2011 Gross	2011 Income tax effect	2011 Net
Profit attributable to equity holders			2 509 780
Loss on disposals of property (note 3)	6 214	(197)	6 017
Profit on disposals of assets held for sale (note 4)	(12 868)	1 802	(11 066)
Loss on disposals and scrappings of plant, equipment and intangible assets (note 3 & 9)	32 256	(9 077)	23 179
Insurance claims paid	217	(61)	156
Impairment of property, plant and equipment and assets held for sale (note 3 & 4)	56 351	(12 311)	44 040
Impairment of goodwill (note 9.1)	768	—	768
Profit on other investing activities	(4 405)	537	(3 868)
Headline earnings	78 533	(19 307)	2 569 006

R'000	2010 Gross	2010 Income tax effect	2010 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

	2011	2010
	Number of shares	
	'000	'000
Weighted average number of ordinary shares	506 133	503 523
Adjustments for dilutive potential of share options	—	4 252
Weighted average number of ordinary shares for diluted earnings per share	506 133	507 775
Number of ordinary shares		
– In issue	506 133	506 133
– Weighted average	506 133	503 523
– Weighted average adjusted for dilution	506 133	507 775
Earnings per share	Cents	
– Earnings	495,9	450,1
– Diluted earnings	495,9	446,4
– Headline earnings	507,6	455,4
– Diluted headline earnings	507,6	451,6

COMPANY June 2010 R'000	June 2011 R'000		GROUP June 2011 R'000	June 2010 R'000
		31 DIVIDENDS PER SHARE		
Cents		**31.1 Dividends per share paid**	Cents	
130,0	147,0	No 123 paid 20 September 2010 (2010: No 121 paid 21 September 2009)	147,0	130,0
80,0	88,0	No 124 paid 22 March 2011 (2010: No 122 paid 23 March 2010)	88,0	80,0
210,0	235,0		235,0	210,0
		31.2 Dividends per share declared		
147,0	165,0	No 125 paid 19 September 2011 (2010: No 123 paid 20 September 2010)	165,0	147,0
		32 CASH FLOW INFORMATION		
		32.1 Non-cash items		
—	—	Depreciation of property, plant and equipment	948 520	848 270
—	—	Amortisation of intangible assets	57 922	47 849
—	—	Net fair value losses on financial instruments	5 105	27 899
(572)	1	Exchange rate losses/(gains)	446	77 824
—	—	Loss/(profit) on disposals of property	6 214	(340)
—	—	Profit on disposals of assets held for sale	(12 868)	(163)
—	—	Loss on disposals and scrappings of plant, equipment and intangible assets	32 256	14 536
—	—	Impairment of property, plant and equipment and assets held for sale	56 351	14 632
—	—	Impairment of goodwill	768	—
—	—	Movement in provisions	70 876	59 317
—	—	Movement in cash-settled share-based payment accrual	272 808	277 558
—	—	Movement in fixed escalation operating lease accrual	21 081	20 228
(572)	1		1 459 479	1 387 610
		32.2 Changes in working capital		
—	—	Inventories	(1 000 474)	(46 064)
2 040	—	Trade and other receivables	(236 566)	(125 470)
639	(285)	Trade and other payables	(87 319)	(423 222)
2 679	(285)		(1 324 359)	(594 756)
		32.3 Dividends paid		
(2 538)	(3 338)	Shareholders for dividends at the beginning of the year	(3 328)	(3 073)
(1 141 307)	(1 277 177)	Dividends distributed to shareholders	(1 189 411)	(1 062 878)
—	—	Dividends distributed to non-controlling interest	(28 196)	(19 670)
3 338	4 016	Shareholders for dividends at the end of the year	4 851	3 328
(1 140 507)	(1 276 499)		(1 216 084)	(1 082 293)
		32.4 Income tax paid		
(8 713)	1 589	Payable at the beginning of the year	(75 361)	(445 531)
(110 599)	(131 097)	Per statement of comprehensive income	(1 381 504)	(1 151 416)
—	—	Income tax effect of treasury share utilisation for share option take-up	—	147 413
—	—	Acquisition of subsidiaries and operations (note 32.5.1)	—	(8 876)
(1 589)	4 247	Prepaid/(payable) at the end of the year	425 773	75 361
(120 901)	(125 261)		(1 031 092)	(1 383 049)

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		32 CASH FLOW INFORMATION (CONTINUED)		
		32.5 Cash flows utilised by investing activities		
—	—	Purchase of property, plant and equipment and intangible assets	(3 005 219)	(2 509 369)
—	—	Proceeds on disposals of property, plant and equipment and intangible assets	63 483	99 445
—	—	Proceeds on disposals of assets held for sale	28 360	1 011
(13 333)	—	Other investing activities	3 493	(15 306)
(679 488)	(1 342 957)	Amounts owing paid to subsidiaries	—	—
1 280 219	1 408 492	Amount received from subsidiaries	—	—
—	—	Acquisition of subsidiaries and operations (note 32.5.1)	(27 128)	(255 894)
587 398	65 535		(2 937 011)	(2 680 113)

32.5.1 ACQUISITION OF SUBSIDIARIES AND OPERATIONS

The Group acquired a 100% shareholding in a subsidiary and various operations. The acquisition had no significant impact on the Group's results.

In the previous financial year, the Group acquired a 100% shareholding in pharmaceutical wholesale operations, the Transpharm 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:

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		Property, plant and equipment (note 3)	12 228	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)	(1 087)	(141 856)
		Deferred income tax liability (note 8)	—	(17 457)
		Current income tax (note 29)	—	(8 876)
		Inventories (note 11)	1 311	124 722
			12 452	180 036
		Goodwill (note 9.1)	14 676	75 858
		Cash flow on acquisition	27 128	255 894
		Bank overdrafts acquired on acquisition	—	(66 204)
		Purchase consideration	27 128	189 690
		32.6 Cash flows utilised by financing activities		
		Acquisition of treasury shares	—	(244 439)
		Purchase of non-controlling interest	—	(3 215)
		Increase in borrowings from First National Bank of Namibia Ltd	9 329	9 726
—	—		9 329	(237 928)

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 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.	157 792	103 614
		34 COMMITMENTS		
		34.1 Capital commitments		
		Contracted for property, plant and equipment	1 261 803	1 535 637
		Contracted for intangible assets	81 731	138 871
		Authorised by directors, but not contracted for	1 781 928	1 831 447
—	—	Total capital commitments	3 125 462	3 505 955
—	—	Capital commitments for the 12 months after accounting date	3 125 462	3 505 955
		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	1 220 407	1 243 436
		– Later than one year not later than five years	4 012 189	4 008 412
		– Later than five years	2 075 058	2 163 718
			7 307 654	7 415 566
		Less: fixed escalation operating lease accrual (note 19)	(522 205)	(498 175)
—	—		6 785 449	6 917 391
		34.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases		
		– Not later than one year	237 924	180 943
		– Later than one year not later than five years	313 153	254 387
		– Later than five years	13 191	9 274
			564 268	444 604
		Less: fixed escalation operating lease accrual (note 10)	(9 449)	(5 943)
—	—		554 819	438 661
		35 BORROWING POWERS		
		In terms of the Memorandum of Incorporation of the Company the borrowing powers of Shoprite Holdings Ltd are unlimited.		

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 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 57.1% (2010: 68.3%) of employees and 4.3% (2010: 4.0%) 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	314 415	278 896
		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 remaining liability relates mainly to pensioners and will be settled during the next financial years.		
		36.2.1 THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED FOR ACCOUNTING PURPOSES ARE AS FOLLOWS:		
		Health-care cost inflation	9.8%	9.5%
		Discount rate	8.8%	9.0%
		Salary adjustments		
		– inflation	7.3%	7.0%
		– 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: 85-90 (light) ultimate table (2010: N/A)		
		Post-employment: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006 (2010: PA (90) ultimate table rated down 2 years plus 1% p.a. improvement from 2006)		

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 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:

Company June 2010 R'000	Company June 2011 R'000		Group June 2011 R'000	Group June 2010 R'000
		Balance at the beginning of the year	32 404	243 268
		Total expense charged to the statement of comprehensive income (note 36.2.3)	3 760	5 996
		Benefits paid	(2 630)	(216 860)
—	—	Balance at the end of the year	33 534	32 404

36.2.3 THE AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME WERE AS FOLLOWS:

Company June 2010 R'000	Company June 2011 R'000		Group June 2011 R'000	Group June 2010 R'000
		Current service cost	115	1 089
		Net actuarial loss/(gains) recognised during the year	813	(7 515)
		Interest cost	2 832	12 422
—	—	Total included in employee benefits (note 24)	3 760	5 996
		The effect of a 1% increase in the assumed health-care cost inflation is as follows:		
		Increase in the current service and interest cost	443	431
		Increase in the post-retirement medical benefit liability	4 878	4 553
		The effect of a 1% decrease in the assumed health-care cost inflation is as follows:		
		Decrease in the current service and interest cost	359	354
		Decrease in the post-retirement medical benefit liability	3 975	3 729

36.2.4 TREND ANALYSIS OF POST-RETIREMENT MEDICAL BENEFITS

	Present value of obligation R'000	Experience adjustments R'000
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
30 June 2011	33 534	963

37 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Assets at fair value through profit and loss	Available -for-sale	Total
Group				
R'000		2011		
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION				
Available-for-sale investments			59 656	59 656
Loans and receivables	50 534			50 534
Instalment sales	798 243			798 243
Trade receivables	881 100			881 100
Other receivables excluding prepayments and taxes receivable	353 932			353 932
Amounts owing by joint ventures	16 805			16 805
Cash and cash equivalents	1 961 551			1 961 551
	4 062 165	—	59 656	4 121 821
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
Company				
R'000		2011		
FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION				
Amounts owing by subsidiaries	10 774			10 774
Cash and cash equivalents	603 555			603 555
	614 329	—	—	614 329
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

37 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities	Liabilities at fair value through profit and loss	Total
Group			
R'000		2011	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	49 755		49 755
Reinstatement provision	137 240		137 240
Trade payables	6 303 789		6 303 789
Other payables and accruals excluding taxes payable and employee benefit accruals	2 254 512		2 254 512
Amounts owing to joint ventures	3 917		3 917
Derivative financial instruments		3 606	3 606
Bank overdrafts	2 042 100		2 042 100
Shareholders for dividends	4 851		4 851
	10 796 164	3 606	10 799 770
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
Company			
R'000		2011	
FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION			
Borrowings	2 450		2 450
Other payables and accruals excluding taxes payable and employee benefit accruals	966		966
Shareholders for dividends	4 016		4 016
	7 432	—	7 432
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

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

38 FAIR VALUE DISCLOSURES

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

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

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

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

Available-for-sale investments are measured at fair value. The investment in RMB Global Solutions (Pty) Ltd is classified at level 2.

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

39 FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

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

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 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:

Company June 2010 R'000	Company June 2011 R'000		Group June 2011 R'000	Group June 2010 R'000
602 517	603 555	South African rand	(603 468)	486 352
—	—	USA dollar	148 131	310 536
—	—	Zambian kwacha	52 476	69 447
—	—	Malawi kwacha	62 935	36 361
—	—	Angolan kwanza	51 358	204 038
—	—	Botswana pula	24 296	20 767
—	—	Mauritian rupee	17 973	(7 214)
—	—	Nigerian naira	7 306	16 443
—	—	Namibian dollar	56 859	74 037
—	—	Swaziland emilangeni	30 241	42 903
—	—	Lesotho maluti	11 098	20 645
—	—	Mozambique metical	34 109	46 587
—	—	Other currencies	26 137	23 685
602 517	603 555		(80 549)	1 344 587

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 2011 the total possible decrease in Group post-tax profit, calculated for all possible currency movements, was R339,045 with the ZAR/USD exchange rate (with an expected 8.5% decline) contributing R7,536,798 to this number. 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. These changes had no material effect on the Group's equity.

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 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	R'000	R'000
Angola	Kwanza	176 659	43 543
Botswana	Pula	(13 355)	10 277
DRC	Congolese Francs	(2 393)	6 073
Egypt	Egyptian pound	402	(1 127)
Europe	Euro	(40)	(452)
Ghana	Cedi	9 799	(6 519)
Great Britain	British Pound	115	—
India	Rupee	(2 051)	2 277
Madagascar	Ariary	8 824	64 172
Malawi	Kwacha	(40 198)	9 507
Mauritius	Mauritian rupee	(3 227)	(3 394)
Mozambique	Metical	(9 101)	40 237
Nigeria	Naira	30 733	(9 606)
Tanzania	Shilling	8 535	(46 831)
Uganda	Shilling	4 404	(34 860)
USA	Dollar	(153 561)	262 008
Zambia	Kwacha	79 924	(111 181)

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

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 6.2% (2010: 7.6%).

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 2011 the total possible decrease in Group post-tax profit, calculated for all possible interest rate movements, was R7,142,099. The estimated increase of 50 basis points in the South African prime rate would have resulted in a possible decrease in Group post-tax profit of R7,123,119. 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. These changes had no material effect on the Group's equity.

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.1 MARKET RISK (CONTINUED)

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

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

39.1.2 CREDIT RISK

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

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

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.

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.1 Financial risk factors (continued)

39.1.2 CREDIT RISK (CONTINUED)

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 R97m (2010: Rnil) equals the fair value of these financial instruments and has been included under other payables.

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

– Trade and other receivables: note 12
– Loans and receivables: note 7
– Trade and other payables: note 20

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

Company June 2010 R'000	Company June 2011 R'000		Group June 2011 R'000	Group June 2010 R'000
		Rating		
602 517	603 555	P-1	(329 930)	829 884
—	—	P-2	41 037	41 918
—	—	No rating available	151 505	391 004
—	—	Cash on hand and in transit	56 839	81 781
602 517	603 555		(80 549)	1 344 587

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 (2011: R2,818,407,632; 2010: R2,715,214,692) and unlimited borrowing powers. All unutilised facilities are controlled by the Group's treasury department in accordance with a treasury mandate as approved by the Board of Directors.

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.

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

39 FINANCIAL RISK MANAGEMENT (CONTINUED)

39.2 Insurance risk

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

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

– All risk cover which covers the repair or replacement of the product due to accidental loss or damage within the terms 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.

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

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

39.3 Fair value estimation

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

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

COMPANY			GROUP	
June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

40 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. 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 0.70% (2010: 0.68%) on the statement of financial position date. The Group is in the process of converting part of it's short term borrowings into longer term borrowings to match the nature and terms of borrowings with the expenditure the funds are intended for.

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

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 are included in the directors remuneration note 26. An amount of R5,782,798 (2010: R7,446,667) 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.

Company June 2010 R'000	Company June 2011 R'000		Group June 2011 R'000	Group June 2010 R'000
		Key management personnel compensation		
		Short-term employee benefits	142 869	119 725
		Post-employment benefits	16 021	24 487
		Share-based payments	188 521	617 928
		Directors' fees	845	713
—	—		348 256	762 853

COMPANY June 2010 R'000	COMPANY June 2011 R'000		GROUP June 2011 R'000	GROUP June 2010 R'000
		41 RELATED-PARTY INFORMATION (CONTINUED)		
		In compliance with King III, the combined compensation of the 3 highest paid employees for the company that are not directors are as follows:		
		Remuneration	5 171	2 850
		Performance bonus	3 888	2 743
		Share based payments	19 383	23 428
		Retirement and medical benefits	1 068	635
		Other benefits	465	386
—	—		29 975	30 042
		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	80 784	64 903
		Utilisation of services	573	7 199
		Year-end balances	4 070	4 485
		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	3 709	3 266
		Rent paid to the Group	2 000	5 965
		Interest paid to the Group	1 930	3 494
		Interest paid to the joint venture	460	611
		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:		
1 075	1 305	Annual administration fee		

	COMPANY			GROUP	
	June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000

42 JOINT VENTURES

The Group holds directly the following interests in joint ventures:

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		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.

June 2010 R'000	June 2011 R'000		June 2011 R'000	June 2010 R'000
		Statement of comprehensive income		
		Sale of merchandise	221 290	193 413
		Profit before income tax	13 557	2 374
		Income tax	(1 015)	(3 954)
		Profit for the year	12 542	(1 580)
		Statement of financial position		
		Non-current assets	39 538	35 951
		Current assets	19 947	7 869
		Current liabilities	13 873	837
		Interest-bearing	—	(9 436)
		Interest-free	13 873	10 273
		Statement of cash flows		
		Net cash flow from operating activities	729	18 003
		Net cash flow from investing activities	(13 243)	(11 397)
		Net cash flow from financing activities	(19 613)	17 774
		Capital commitments	2 065	1 921

Interest in Subsidiaries – Annexure A

	Country of incorporation	Issued ordinary and preference share capital and premium	Percentage shares held by Group	Investment in shares		Amount owing by/(to)	
				June 2011	June 2010	June 2011	June 2010
		R'000	%	R'000	R'000	R'000	R'000
DIRECT SUBSIDIARIES							
OK Bazaars (1998) (Pty) Ltd	South Africa	2 700	100	—	—	—	—
Shoprite Checkers (Pty) Ltd	South Africa	1 128 908	100	174 431	174 431	7 559	73 093
Shoprite International Ltd	Mauritius	1 443 013	100	1 443 013	1 443 013	—	—
Shoprite Insurance Company Ltd	South Africa	20 230	100	20 230	20 230	—	—
Shoprite Checkers Properties Ltd	South Africa	26 196	100	16 679	16 679	3 365	3 365
Other	South Africa	—	100	150	150	(150)	(150)
				1 654 503	1 654 503	10 774	76 308
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	118 383	100				
Mercado Fresco de Angola Lda*	Angola	342	100				
Medirite (Pty) Ltd	South Africa	—	100				
OK Bazaars (Lesotho) (Pty) Ltd	Lesotho	300	50				
OK Bazaars (Namibia) Ltd	Namibia	500	100				
OK Bazaars (Swaziland) (Pty) Ltd	Swaziland	200	100				
OK Bazaars (Venda) Ltd	South Africa	2 400	50				
Propco Mozambique Lda*	Mozambique	432	100				
Retail Holdings Botswana (Pty) Ltd*	Botswana	46 648	100				
Retail Supermarkets Nigeria Ltd*	Nigeria	522	100				
Sentra Namibia Ltd*	Namibia	5 880	100				
Shophold (Mauritius) Ltd*	Mauritius	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	32 302	100				
Shoprite Supermercados Lda*	Angola	342	100				
Shoprite Too (Pty) Ltd*	Tanzania	1 870	100				
Shoprite Trading Ltd*	Malawi	1	100				
				1 654 503	1 654 503	10 774	76 308

*Converted at historical exchange rates

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