

Shoprite Holdings Limited Annual Report

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



SHOPRITE

customer care

depth of management

optimal stock levels

unrivalled distribution network

electronic data interchange

conveniently located retail outlets



Mozambique | Uganda | Zambia | Egypt | South Africa | Namibia | Botswana |
Lesotho | Swaziland | Tanzania | Malawi | Zimbabwe

Mission

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

Shoprite's guiding mission is to be the consumer's preferred shopping destination, by retailing food and non-food at the lowest prices from conveniently located outlets in an environment that is conducive to shopping.

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The consumer's preferred shopping destination



3M South Africa



Freddy Hirsch



VOLT LINE



S.A. GREETINGS
CORPORATION (PTY) LTD



Henkel

A Brand like a Friend



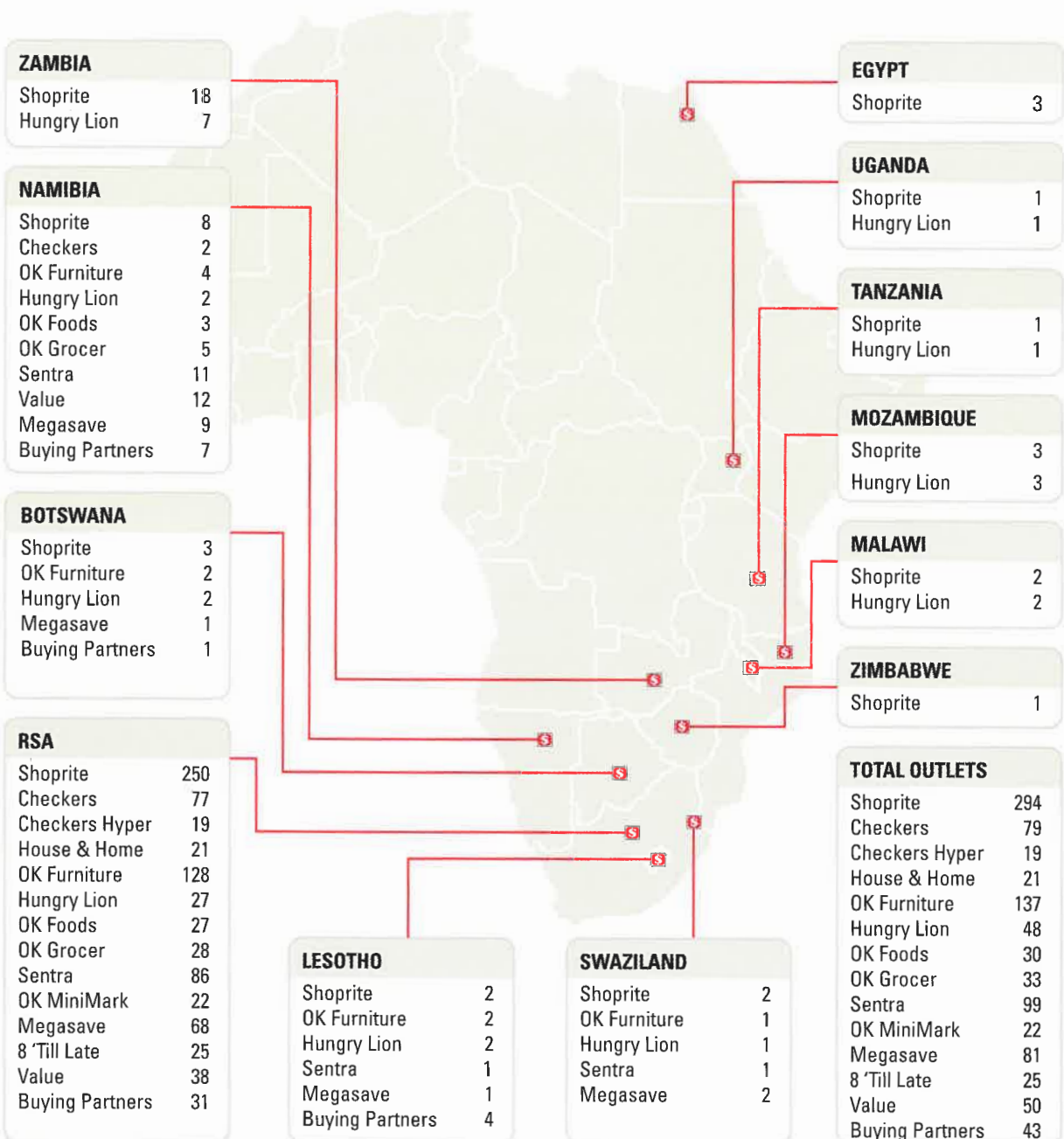
S.A. Leisure



TOOLS & ELECTRONICS CO. (PTY) LTD.

Reg. No. 98124/01/07

The Largest Supermarket Retailer in Africa



Financial Highlights



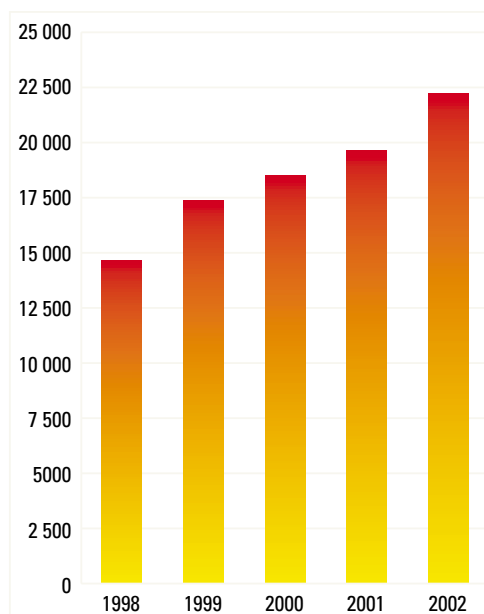
SHOPRITE



		June 2002 R'000	June 2001 R'000
Revenue		22 109 797	19 596 729
Operating profit		522 157	406 738
Profit before tax		548 041	336 614
Headline earnings		365 607	307 891
Return on average capital employed	(%)	37.1	29.9
Headline earnings on average permanent capital	(%)	24.5	21.7
Interest-bearing debt:Total shareholders' funds	(:1)	-	0.01
Headline earnings per share	(cents)	70.7	56.7
Dividend per share	(cents)	25.5	20.5

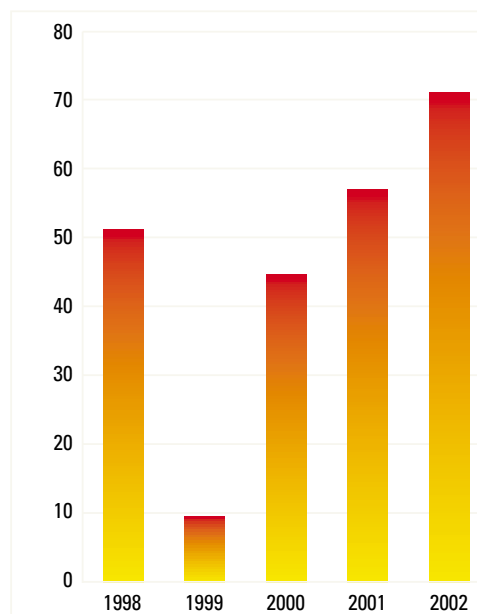
REVENUE

R Million



HEADLINE EARNINGS PER SHARE

Cents



Corporate Management

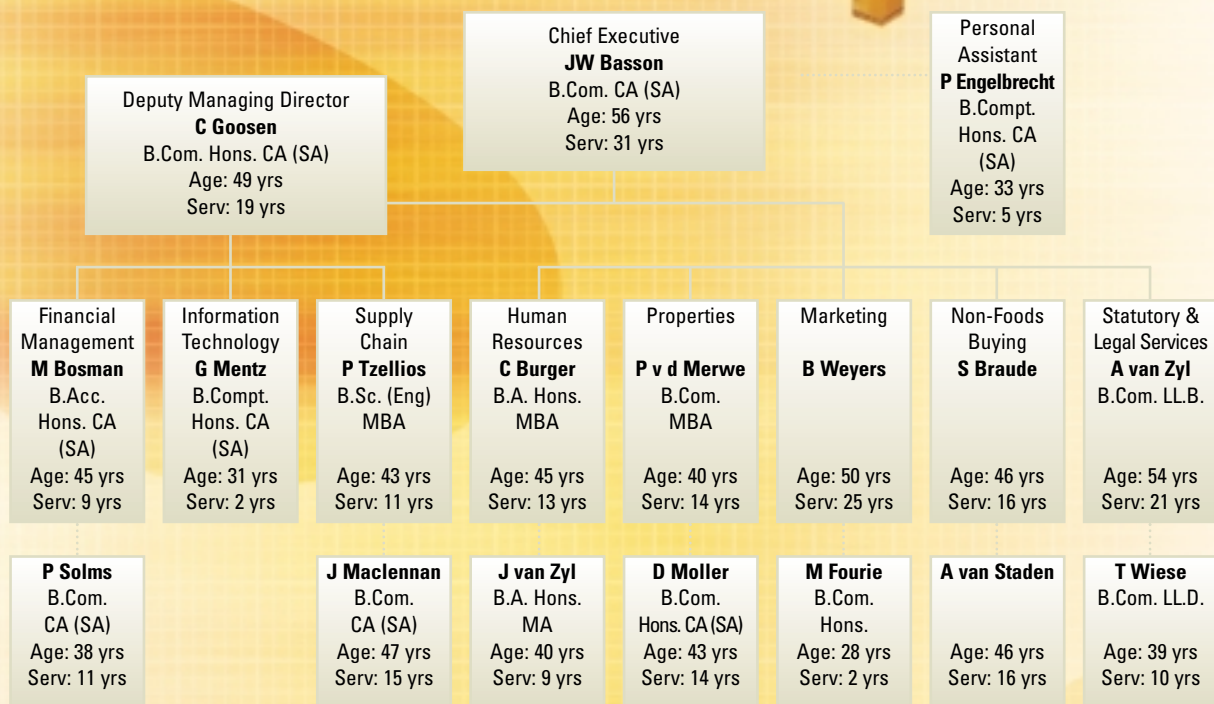
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Standing left to right: **Dirk Diemont**, General Manager: Meat Markets; **Sergio Martinengo**, Chief Executive Officer: OKFD; **Photy Tzellios**, General Manager: Supply Chain; **Etienne Nel**, General Manager: Portfolios; **Marius Bosman**, General Manager: Finance; **Barney Rogut**, General Manager: Buying & Merchandising; **Brian Weyers**, General Manager: Marketing; **Pieter Engelbrecht**, Projects Manager

Seated left to right: **André van Zyl**, General Manager: Statutory and Legal Services; **Carel Goosen**, Deputy Managing Director; **Whitey Basson**, Chief Executive; **Gert Mentz**, General Manager: Information Technology; **Callie Burger**, General Manager: Human Resources



Group Structure



Joint Report



SHOPRITE



Joint Report of the Chairman & the Chief Executive

Financial results

Shoprite Holdings Ltd is pleased to announce excellent results achieved during a year marked by high inflation, competitive trading conditions and increasing unemployment.

In the 12 months to 30 June 2002 the Shoprite Group of Companies increased operating profit by 28.4% to R522,2 million on turnover that grew by 12.8% to R22,109 billion. The Group, the largest food retailer in Africa, thereby also exceeded the R20 billion mark in turnover for the first time. Profit before tax was up 62.8% at R548 million.

Exceptional items of R39,3 million are represented mainly by the portion of negative goodwill (R69,3 million) written back this year that arose from the bringing to book of the assessed tax loss, and a reduction of R23,8 million in the value of Shoprite's investment in Canal Walk Ltd. In terms of accounting statement AC 128 Canal Walk Ltd impaired the cost price of its fixed asset.

Diluted headline earnings per share increased on a weighted basis by 24.2% to 70,4c, and the Board of directors declared a final dividend of 14,5c per share, bringing the total distribution for the year to 25,5c per share.

Review of operations

The improvement in the financial results can largely be attributed to the fact that the Group is starting to reap the benefits of effective management in all divisions, supported by information and logistics systems.

The Group succeeded in improving productivity, while stock losses dropped to the lowest level ever in the history of the Group. This is reflected in, among other things, the profit margin, which increased from 2.07% to 2.36%. This percentage is expected to increase even further in the future once the rental charges for unused space, arising from the rationalisation of the OK Bazaars take-over, are phased out from the end of 2004.

Shoprite establishes stores outside South Africa more readily in view of the saturation of the South African market. This focus has brought about a marginal decrease in the Group's local market share based on total stores, to 29.5%. However, the

Shoprite Group's market share based on existing stores remained unchanged and the increase of 4.6% in the number of customers is highly satisfactory. This brings the total monthly number of transactions to more than 33,3 million.

The results were also favourably influenced by the increased contribution to turnover and profit made by the Group's operations elsewhere in Africa.

The Group exported in excess of R429 million worth of merchandise to its non-RSA stores in the past year. By doing so the Group not only earns valuable foreign exchange, but also provides a large number of jobs in the manufacturing and food industry in South Africa.

During the period under review, the Group continued to increase trading density in its existing supermarkets and wherever possible, to further scale down its sales area. This is an ongoing process.

In the past year the Group opened 24 supermarkets, closed 9 and rebuilt and renovated 35. The closing, refurbishing and renovation process decreased total sales area by some 30 000m². Fifteen of the new supermarkets are located in South Africa and 9 in other African countries. The Group's total number of stores and franchise memberships now stands at 981.

OK Furniture performed well in a market sector that was under intense pressure. This division, with 137 branches, contributed about R640 million to turnover and R55 million to operating profit. The 21-branch House & Home, previously part of the Hyperama, was combined with OK Furniture in the latter half of the year.

OK Franchise's sales grew by 19.3% to R1,58 billion during the year. Management's main emphasis during this period was on rationalising the Group's franchise inter-



CH Wiese, Chairman



ests, many of which were brought in under the OK banner. There are now three trading formats: OK Foods, all of whose stores have service departments; the smaller OK Grocer; and OK Mini-Mark, which previously traded as 8 'Till Late.

As part of its brand rationalisation programme the Group amalgamated the Hyperama operations with those of Checkers under the Checkers Hyper brand. There is now also a clear distinction being made between the Shoprite and Checkers brands. The role of each has been defined more clearly in terms of their respective target groups and Checkers in its new role is enjoying a steady upturn in consumer support.

Despite the rapid increase in food inflation, the Group is maintaining the momentum that built up in consumer spending. This is partly due to the fact that in view of the rising inflation, the Group bought in stock in anticipation of price increases and was therefore able to continue selling at lower prices for a longer period, softening the impact of high food inflation on customers. This was also the main reason why net finance charges and stock holding did not show the expected improvement.

Business climate

After almost a decade of harsh trading conditions, Shoprite's 2002 results have exceeded even the good results of 2001.

Pleasing results throughout the retail industry are indicative of an upturn in the sector, which bodes well for the near future. The sector's buoyancy can partially be attributed to the fact that household debt as a percentage of disposable income has fallen from 60.6% in 1997 to an estimated 53% this year.

The personal tax reductions between 1999-2000 and last year have meant that consumers were able to extinguish debt accumulated during the 1990-1999 exchange rate and interest-rate crises, as well as other areas of consumer spending.



Shoprite Akkod Mall, Cairo, Egypt

Exports are also growing strongly following the rand's depreciation, thus stimulating the South African economy.

Containing inflation is an imperative if South Africa is to prosper in the long run and if its currency is to hold its appropriate value. Indicators suggest that inflation's rapid rise stems mainly from supply-side imports rather than demand driven consumer buying. So it is difficult to appreciate why the Reserve Bank has increased interest rates (with its associated inflationary effects) when what the local economy is crying out for is the stimulus that would accompany interest rate reductions.

For the longer term, your Board is very optimistic, particularly with regard to new initiatives from Nepad. Such initiatives raise confidence levels in Africa and encourage desperately needed foreign investment.

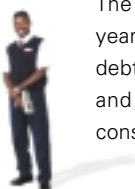
The South African Department of Agriculture deserves to be commended for the speed with which control was exercised in resolving the foot and mouth epidemic, which indicates a clear and definite focus to facilitate trade.

Shoprite people

Shoprite's success over the years, and the increase in operating profit can primarily be attributed to what really is the heart and soul of the company – its work force. Each employee is making an invaluable contribution to the Group's continued growth and success.

More than 28 500 permanent employees and some 36 800 temporary and casual workers are currently employed. For Shoprite, providing a stimulating and promising career to its employees is of pivotal importance and numerous training and development programmes are in place, providing employees with the opportunity to grow and develop.

Transformation in the workplace remains a priority and the Group has a comprehensive employment equity plan to achieve the necessary goals. The majority of potential managers are sourced from within the Group and internal promotions have served as a strong motivation to staff to work their way up through the ranks.



Joint Report



SHOPRITE



Training remains an ongoing priority and during the past year various training and development courses were attended by some 44 000 employees. Most of these courses have been developed within the Group to ensure that they address its specific needs and comply with international standards.

Since the inception of the Skills Development Act two years ago, Shoprite has played a leading role in its implementation within the retail sector. It participated in the Wholesale and Retail Sector Education Training Authority (W&R SETA) and related institutions, and was instrumental in the development, implementation and evaluation of retail learnerships.

Thus far, Shoprite is the only food retailer to have registered individuals to undergo training under the learnership programme.

The Group also recently received official SETA accreditation as a training provider based on criteria set by the South African Qualifications Authority. Shoprite is the first retailer in the Western Cape to have received accreditation from the South African Institute of Chartered Accountants to offer articles to prospective accounting professionals and December 2001 saw the first person qualifying as a Chartered Accountant through Shoprite.

The HIV/AIDS pandemic is a cause for great concern in South Africa and other parts of Africa. While the direct impact on the Group has not yet been material, it remains imperative that measures be taken to combat the spread of the disease and minimise its impact on business. Shoprite provides AIDS awareness training for employees and assists with additional costs such as the provision of counselling.

The positive and constructive human resources environment in Shoprite is testament to the Group's advanced people management systems. It continues to be at the forefront of the retail industry through constant renewal and adjustment to nurture a dynamic workforce.

Towards the future

The Group, with its almost 1 000 outlets and an annual turnover of R22 billion, fully realises that it is the zeal and loyalty of its more than 65 000 employees and more than 3 770 suppliers, and the



JW Basson, Chief Executive

loyal support of its customers who effect more than 33 million transactions per month, that have enabled the Shoprite Group to become the largest supermarket group on the African continent.

Shoprite is excited about the future of its business, and well positioned to further increase the Group's presence in South Africa and other African countries. During the period under review the Group opened its first supermarkets in Malawi and Tanzania and is planning to move into Angola, Ghana and some of the islands in the Indian Ocean in the new financial year. The Group is also poised to expand beyond the African continent and Shoprite intends to open its first stores in India in 2003.

With regard to the immediate future – the Group is expected to maintain its growth in turnover in at least the first half of the new year, supported by an increasing contribution from its non-RSA interests.

Low prices and store locations have also given the Group a tremendous advantage over its competitors and a recent survey done by ACNielsen clearly shows that the Group is the dominant low price food retailer.

Thanks to its rationalisation programme, the Group now has a solid platform to grow from in the new financial year, and management wants to make full use of the possibilities this offers.

Board

On behalf of the Shoprite Group of Companies we would like to express our sincere gratitude to Sergio Martinengo who will leave the Company on retirement at the end of March 2003 after serving on the Board of directors of Shoprite Holdings for the past 10 years. Shoprite wishes him well for the future.



Human Resources



Divisional Reporting

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



“The depth of experience in the Group is an important contributor to productivity and indicates a high degree of job satisfaction with a diverse range of career advancement opportunities” Callie Burger

The Shoprite Group currently employs more than 28 500 permanent employees and some 36 800 temporary and casual workers. The Group’s objectives are to appoint the right person to the most suitable position and to utilise the employee’s skills to maximum effect. We maintain a productive workforce through training and developing staff to meet the requirements of our business, through an efficient human resources function, and by ensuring compliance with all labour related legislation.

A participative management style prevails in the Group and only three levels of management exist between store employees and the chief executive. Through a culture of team achievement, the Group has exceeded productivity targets and shown inflation beating real growth of over 9% in sales per employee.

Staff turnover remains at low levels and almost 63% of employees have service records of more than 10 years. This depth of experience in the Group is an important contributor to productivity and indicates a high degree of job satisfaction with a diverse range of career advancement opportunities from within. Staff turnover for the past year stands at around 10.5%, which is considerably lower than the average of 14.8% measured during their previous survey among nine retailers by accounting firm Deloitte & Touche.

Transformation in the workplace remains a priority and the Group has a comprehensive employment equity plan to achieve the necessary goals. Affirmative action candidates among the ranks of this year’s 311 trainee managers for operational positions make up a healthy 72%. We are still able to source the majority of our potential managers from within the Group and internal promotions have served as a strong motivation to staff to work their way up through the ranks.

Training remains an ongoing priority and during the past year, various training and development courses were attended by nearly 44 000 employees. Most of these courses have been



Shoprite’s human resources management team comprises of (from left): Larry Lincoln (50), Training Manager, MA, 18 years’ service; John van den Heuvel (53), Payroll Manager, B.Com. MBA, 3 years’ service; Conrad de Does (36), Personnel Accountant, Diploma: Accounting, 10 years’ service; Doreen Nel (40), Development Manager, B.A. Hons. 1 years service; Gerhard van Straaten (41), Recruitment Manager, B.Com. Hons. 3 years’ service; Callie Burger (45), General Manager: Human Resources, B.A. Hons. MBA, 12 years’ service; Johan van Zyl (40), Personnel Manager: Services, B.A. Hons. MA, 9 years’ service.



developed within the Group to ensure that they address our specific needs and comply with international standards.

Since the inception of the Skills Development Act two years ago, Shoprite has played a leading role in its implementation within the retail sector. It participates in the Wholesale and Retail Sector Education Training Authority (W&R SETA) and related institutions, and have been instrumental in the development, implementation and evaluation of retail learnerships. Thus far, Shoprite is the only major food retailer to have registered individuals to undergo training under learnership programmes. The Group also recently received official Seta accreditation as a training provider based on criteria set by the South African Qualifications Authority.

Shoprite is registered with the South African Institute of Chartered Accountants to offer articles to prospective accounting professionals. Currently 13 learners are participating in our trainee accountants programme, including nine aspirant chartered accountants.

The HIV/AIDS pandemic is a cause for great concern in our country and other parts of Africa. While the direct impact on the Group has not yet been material, it remains imperative that measures be taken to combat the spread of the disease and minimise its impact on business. Shoprite provides AIDS awareness training for employees and assists with additional costs such as the provision of contraceptives and counselling.

The Group's human resources management continues to benefit from the application of information technology, raising levels of productivity and accuracy through an integrated data base. The SAP human resources and payroll system has been expanded to incorporate additional modules in order to facilitate leave administration and training input around the National Qualification Framework which will be fully operational in September this year.

The positive and constructive human resources environment in Shoprite is testament to the Group's advanced people management systems. It continues to be at the forefront of the retail industry through constant renewal and adjustment to nurture a dynamic workforce.

Employment Equity Strategy

Shoprite Checkers regards the diversity of its people as an asset that contributes to the growth of the Group, adding value to the business. By linking the Employment Equity initiatives to the overall business plan, we are able to give it a strategic focus and allow it to play a meaningful role in building the hopes and aspirations of the people of Shoprite.

A Shoprite Checkers Employment Equity Plan has been completed which will bring into reality the key features of the Employment Equity Act of 1998. This plan was preceded by an in-depth study and analysis of the workforce, and all human resources policies and practices in order to identify which, if any, barriers existed that could hinder the advancement of designated groups, as identified in the Act. This study helped us to identify the profile of our workforce and its representivity in terms of race, gender and disabilities.

The process has been underpinned by wide ranging consultation, which is representative of the different interest groups and led to the establishment of employment equity forums.

The Employment Equity Plan includes certain corrective steps for the identified problem areas, numerical targets and additional affirmative action measures that need to be implemented. Regular monitoring and evaluation to measure progress of implementation of the plan have been put in place.

The plan clearly establishes certain objectives, which the Group has undertaken to work towards. These are:

- Fostering a corporate culture where respect for all people is valued;
- The implementation of measures to eradicate discrimination;
- Establishing a process by which equity will be achieved that is representative of our society.

As the leading retailer in Africa, born and bred in this continent, we see these measures as a long-term investment in our people and our country.



Information Technology



Divisional Reporting

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



“Within the next year, we will abolish the use of paper-based and verbal purchase orders as the B2B website is expanded to include all suppliers.” Gert Mentz

Shoprite's Information Technology Department has earned a reputation as a technological innovator in the retail sector by following a “best of breed” approach to achieve significant productivity improvements, provide for rapid business expansion and develop the ability to adapt to fast changing market conditions.

As part of this ongoing initiative, we will be replacing the existing mainframe environment with an Internet Data Centre infrastructure during the current year. This central open technology e-business platform forms the integral hub that will allow the seamless integration of the Group's business applications as they evolve into distributive e-business processes and facilitators of collaboration with business partners.

The first phase of online collaboration with suppliers was delivered during the past year. We launched an online Business-to-Business (B2B) website to cater for the electronic delivery of all purchase orders to suppliers. These orders can now be downloaded or delivered electronically in various formats to cater for the different technology capabilities of suppliers.

Within the next year, we will abolish the use of paper-based and verbal purchase orders as the B2B website is expanded to include all suppliers. Participating suppliers have already provided positive feedback such as improved accuracy in orders and dramatically reduced lead times.

With the launch of the B2B website online reports were also made available, enabling suppliers to monitor their stockholding down to branch level. Responsibility for monitoring stockholdings at branch level by the suppliers will be expanded during the next year as we move closer to a complete vendor



Shoprite's information technology operations are spearheaded by (from left): Manny Goncalves (50), Facilities Manager, 30 years' service; Herman Crause (31), Software Development Manager, National Higher Diploma: Computer Data Processing, 7 years' service; Franz Muller (38), Systems Support Manager, ITUC Diploma, 19 years' service; Richard Leibbrandt (52), Deputy General Manager, 24 years' service; Tiziana Kotze (28), Systems Analyst, B.Tech: Information Technology, 1 year service. Gert Mentz (31), General Manager: Information Technology, B.Compt. Hons.CA (SA), 2 years' service; Zukeka Jacobs (26), Senior Programmer, B.Tech: Information Technology, 4 years' service.



The visibility and transparency of our Group's supply chain will be expanded in the upcoming fiscal period with the launch of an export tracking solution to monitor shipment to stores in African countries. We are also modifying systems to the requirements of countries where Shoprite is opening new stores, such as this one in Blantyre, Malawi, which opened in the past year.

managed inventory solution. Supplier representatives will be allowed to log onto branch stock systems using wireless devices to count and recommend replenishment orders.

We further optimised stock replenishment procedures during the past year with the development of a scheduled stock counting system that allows for regular, more accurate stock counting based on perpetual cycles. This system will be rolled out over the next six months to ensure more up to date stock-on-hand data that will in turn allow for more accurate forecasting, on-time replenishment and lower stockholdings that result in significant cost savings.

Shoprite continues to improve transparency of information to improve interaction between its staff and business partners. Online reporting has been made available to operational staff enabling proactive management by exception at branch level and of the supply chain.

The deployment of Point of Sale (POS) scanning is progressing well and will be accelerated during the next year

to include a further 135 stores. This represents an increase of 50% over the 90 stores activated over the past year. We are well on our way to achieve our target of installing POS scanning in all stores by the end of 2003/2004.

The Group's Money Market activities currently generate 10-million customer transactions per month. The number of transactions has almost doubled during the past year and systems are constantly being adapted to handle transactions more effectively. New systems have been devised to handle recent Money Market product additions such as pre-paid electricity and virtual airtime.

We see staff training as an ongoing priority in order to maintain our innovative edge in information technology. We have embarked on an intensive skills upgrade programme consisting of more than 2 000 man days of training over the next 18 months. This initiative will enable Shoprite to embrace and maximise the use of new and improved technologies, and further raise efficiency levels in our Group.



Supply Chain Management



Divisional Reporting

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



"Shoprite continues to remain at the forefront of technological innovation, hence leading both the retail and distribution industries in systems development in Supply Chain Management on the African continent."

Photy Tzellios

Shoprite developed and implemented its supply chain management initiatives with a customer centric approach in mind. This initiative is in line with International Best Practice for modern day retailing, the focus being on servicing the needs of customers, and in particular their need for consistent product quality, availability and competitive price. To achieve this, it was necessary to invest in infrastructure to accommodate the distribution of product and technology to manage these facilities and to allow the exchange of information. These investments have increased the barriers to entry for competitors whilst creating a distinct point of differentiation for Shoprite in the market place.

Today, the Group actively controls the distribution of product from the time of manufacture until the time when the customer purchases the item from the shelf at retail outlets,



moving Shoprite away from the inefficient direct-to-store-delivery mechanism used by traditional retailers. This Efficient Consumer Response (ECR) initiative delivers benefits to the customer. To accommodate the movement and volume of product, the Company operates some of the largest distribution facilities on the African continent. Of note, amongst the more than 220 000m² of distribution space, are both the 50 000m² centre in Cape Town and the recently constructed 65 000m² centre in Gauteng. These state-of-the-art centres provide Shoprite with a distinct competitive advantage in managing the flow of product in a cost effective manner.

Besides the distribution of ambient consumer goods, the Company is also active in the distribution of temperature sensitive product, ranging from fruit and vegetables and perishables, to frozen product. The Group's modern Refrigerated Centres – one in Cape Town of 10 000m² and the newly constructed Gauteng centre of 15 500m² – allow the ability to control both the temperature and humidity levels, thereby enhancing product quality and maintaining the cold chain.

The investment in infrastructure not only supports the supply to local operations, it also forms the backbone of supply to Shoprite's stores on the rest of the continent. Today the Company exports by road, rail, air and sea to eleven countries, with each country's own language, import regulations and lead-time adding to the complexity of supply. The Group's ability to manage these complexities effectively is a significant achievement. Of note is that Shoprite became the first commercial company to communicate electronically with customs authorities. The challenge has been in satisfying customer demand even in the most remote locations in Africa. This learning curve in managing exports, together with the infrastructure, provides the Company with yet another competitive advantage.

Shoprite's investment in technology and infrastructure allows the Group to satisfy customer demand even in the most remote locations in Africa. The learning curve in managing exports to stores such as Manda Hill in Lusaka, Zambia, provides the Company with yet another competitive advantage.



From left: **Pat Walsh** (48), National Distribution Operations Manager, 6 years' service; **Willem van Rensburg** (37), Project Manager, B.A. 1 year service; **Inge Coe** (34), IT Project Leader, 9 years' service; **Theunis Scheepers** (25), Project Manager, B.Com. Hons. 1 year service; **Corne Botha** (29), Export Supply Chain Manager, B.Econ. Hons. Logistics, 3 years' service; **Photy Tzeliios** (42), General Manager: Supply Chain, B.Sc. Elec. Eng, MBA (Wits), 11 years' service; **John MacLennan** (46), National Financial Manager, CA (SA), 15 years' service; **Kola Naidoo** (38), IT Project Manager, 14 years' service.

Shoprite continues to remain at the forefront of technological innovation, hence leading both the retail and distribution industries in systems development in supply chain management on the African continent. "Best of breed" expert based solutions are used within the distribution operations and in inventory management. Through the utilisation of these tools, the Company has improved service levels to 97% on a consistent basis, while stock turns have more than doubled at the distribution centres. Fundamental to this achievement was the contribution made by the Collaborative Planning Forecasting and Replenishment (CPFR) initiative. This initiative facilitates the sharing of information with trading partners for the common goal of satisfying customer demand. The technology utilised not only makes the supply chain more transparent, it also assists in enhancing relationships with suppliers.

The Group's strategic positioning in supply chain management is designed to take advantage of the impact of anticipated economic and legislative trends. Competitive forces, together with changes in the legislation governing road transportation, will force manufacturers to explore alternative channels of distribution – such as those at Shoprite. This is to alleviate cost pressures by the former and to avoid the constraints imposed by the latter, where traffic congestion and compliance to food safety standards are being addressed.

At Shoprite we have the technology and infrastructure in place to manage challenges. In addition to these factors, consumers are becoming more demanding, and as we implement solutions that are proactive and which satisfy their needs, we will turn them into more loyal customers.



Supermarkets Non-RSA



Divisional Reporting

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

“Our policy to support local markets facilitates the transfer of knowledge and skills, stimulates the economy and creates job opportunities.” Gerhard Fritz

The non-RSA supermarkets division posted continued growth in sales and profitability for the year under review. During this period we commenced new operations in Malawi and Tanzania, which brings the total countries outside the RSA in which Shoprite has established operations, to 11.

The underdeveloped African retail environment offers a market with considerable growth potential and substantial rewards, and our long-term planning includes a commitment to the development of the formal African retail environment. Africa's GDP currently stands at R522bn of which South Africa contributes R112bn, a clear indication of the significant potential these markets hold.

Our policy to invest in the training and employment of members of local communities has created a high level of rapport with consumer publics, and a better understanding of their needs and aspirations. The effective transfer of skills is important for the growth of our business and expatriates from South Africa are initially used to train local management over a period of two to three years after which they take over responsibilities for their local operations. Staff functions and systems are totally compatible with our South African human resources systems and have proved to be successful.

We also participate in local initiatives to improve quality of life among the communities in which we operate. These range from consumer and child education programmes to the establishment of sports facilities.

Our support of supply industries in the various countries in which we operate outside of South Africa stimulates the economy and creates job opportunities. We also import a variety of products from South Africa to provide a wider choice of quality products to consumers. This in turn assists the local manufacturing industries to upgrade their product ranges to international standards.

Solid infrastructure supported by advanced information technology remains the mainstay of Shoprite's non-RSA division. Information systems are continuously upgraded to satisfy the needs of individual countries, which makes cross-border trading over long distances feasible.

Staff training and education programmes have been tailored to decrease the possible impact of the AIDS pandemic in the workplace. Population declines as a result of the pandemic have not had a negative effect on our customer numbers. Indications are that this will not impact on our operations in the foreseeable future, mainly due to stores being located in major cities that benefit from urbanisation.

The non-RSA division's expansion for the next year includes the development of our operations in Mauritius, Madagascar, Ghana and Angola, and the opening of additional outlets in countries where we already operate. The establishment of suitable infrastructure linked to practical experience gained in other similar environments have placed Shoprite in a favourable position for continued expansion.



The team responsible for Shoprite's operations outside of South Africa comprises experienced specialists such as (from left): Johan Louw (52), Freshmark Manager, B.Econ. Gerhard Fritz (42), Divisional Manager, Dip. Cost Accounting; Deon Minnaar (42), Global Sourcing Manager, Dip. Strategic Management; Warren Trokis (36), Foods Export Buyer; Don Jepson (52), Project Manager, B.Compt.; Chris van den Berg (29), Logistics Manager: Exports, B.Com.; Anton de Bruyn (30), Divisional Financial Manager, B.Compt. Hons. CA (SA); Smit van der Merwe (46), Divisional Personnel Manager, HDE, HDF, B.Com.

Supermarkets RSA



SHOPRITE

Divisional Reporting

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



"The opening of stores in new markets is crucial for the Group's ongoing growth"

Selwyn Schiff

Notwithstanding highly competitive trading conditions the stores in South Africa achieved excellent results with operating profits improving 2,5 times compared to the previous year's results. This achievement is in the main due to improved trading ratios, stock control, labour productivity and improved product service levels.

This performance must be seen against an average inflation rate of 9.99% while at the same time the last recorded wage settlement reported by the Department of Statistics was only 7.5%, as well as a decline of 54 000 jobs between the first quarter of 2001 and 2002 respectively.

The Group further reduced its unproductive and closed retail space by 30 000 m² over the past year through its refurbishment and rationalisation program in order to optimise its trading densities and return on investment in the South African formal food retail market which is rapidly reaching saturation.

During the period under review the Shoprite and Checkers brands were separated to improve the Group's ability to meet the differing needs of its broad customer base. Shoprite focuses on the living standard measured (LSM) market of 4 to 7 while Checkers caters for the higher LSM market of 7 to 10. The rationalisation strategy also included

a reduction in the number of brands in the Group's food retail division to only two, as the Hyperama trade name was changed to Checkers Hyper.

The Group now has a separately focussed management team, which manages product ranging, micro marketing, inventory control and service levels through the application of information technology, giving this division the ability to improve on its results during the current financial year.

To grow its distribution amongst South African consumers, of which 60% currently shop at Shoprite Checkers (ACNielsen, June 2002), the Group has developed U-Save, a smaller store format under the Shoprite brand. These stores offer a limited product range of 600 items and trade in premises ranging between 350 m² and 800 m². Four test stores have been opened to date, all of which show encouraging results.

The U-Save chain is positioned below the Shoprite store profile, enhancing the Group's price perception at the bottom end of the market where price is all-important. Due to its unsophisticated nature, U-Save stores can be developed rapidly in smaller markets where the Group were previously not able to trade with conventional stores in its stable.

The restructuring of the stores operating in South Africa, together with its sophisticated distribution centres serving them through best practice information systems, place this division well for future growth opportunities.



OK Franchise Division



Divisional Reporting

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



“Despite its highly competitive environment, franchising remains one of the most viable means to create growth in the retail sector.” Sergio Martinengo

We are continuing our strategy of focusing on one strong franchise brand rather than a stable of five or six diverse brands. During the past year OK-branded stores were increased from 32 to 84 by converting stores previously trading under Sentra and 8 'Till Late brands. Our aims are to expand the OK brand population and to increase sales via the franchise agreement. Historically, members were under no obligation to purchase stock through the OK Franchise

Division system. Indications are that around 35% of their requirements are currently sourced through the system. On converting to the OK brand, members have to comply with certain store and merchandising standards and qualify for improved incentives. They will also be required to purchase at least 60% of their requirements through the OK Franchise Division.

These measures will increase profitability through economies of scale in areas such as the deployment of OK House Brand products, coordinated marketing and advertising, purchasing and distribution. It will promote uniform standards and consistency in merchandise and service,



The OK Franchise Division management team comprises (from left): Gerhard Kriel (49), Chief Executive Officer Designate, 22 years' service; Nic Visser (45), General Manager Development, Dip. Mech. Engineer & Dip. Mktg, 14 years' service; Johan van Wyngaard (50), Key Account Manager, 13 years' service; Michelle Olivier (32), IT Manager, Dip. Info. Tech, 6 years service; Tom Voges (38), General Manager Marketing, National Diploma N6, 18 years' service; Sergio Martinengo (59), Chief Executive Officer, CA (SA), 17 years' service; Pieter Carstens (36), General Manager: Finance, BCompt. Hons. CA (SA), 4 years' service; André Dippenaar (35), Administration Manager, B.A. LL.B. 4 years' service.



while at the same time providing the OK Franchise Division with greater critical mass to create a high level of visible consumer awareness.

The supermarket environment in South Africa has been overtraded for many years and we have reduced franchise membership by 39. This remains in line with our strategy of consolidating the membership base in order to allow for increased focus on branded stores. Notwithstanding the reduction in numbers, turnover showed healthy growth of 16%, with operating profit increasing by 9%.

Despite its highly competitive environment, franchising remains one of the most viable means to create growth in the retail sector.

One of the main reasons for this development is that individually owned stores are not bound by corporate structures. Franchise stores have a great advantage in being able to operate in a flexible manner and to adapt with relative ease to meet the changing micromarkets that they serve.

The success of any franchise operation depends on effective communication and information systems as well as sound human relations policies.

Our information technology systems are constantly being improved and expanded. This ensures optimum stock management and provides franchisees with relative marketing intelligence to better adapt to changing consumer patterns. Accounting information and systems have been designed to give early warning of potential bad debts arising from cash flow problems and enable franchisees to improve internal controls. During the past year, a further 65 stores were integrated into the Group's main information technology system, representing 74,6% of all current outlets.

Aside from an intensive theoretical training course presented to all franchisees, our division makes extensive use of Internet-based communication methods. In-depth introductory courses are followed by regular refresher courses, and modular courses address specific areas such as marketing,



During the past year OK-branded stores were increased from 32 to 84 by converting stores previously trading under Sentra and 8 'Till Late brands.

merchandising and stock control. We supply a full support service to franchisees and on-the-job-training takes place in collaboration with other Group stores.

A new survey of potentially viable locations for franchise supermarkets identified a substantial number of locations covering the whole of South Africa, Namibia, Botswana, Swaziland and Lesotho. The rebranding exercise with its new franchising agreements and continuing expansion of new stores will make a considerable contribution to increased annual turnover during the current year.

The OK Franchise Division has created a sound base for further growth by affording new entrepreneurs, many of them from previously disadvantaged backgrounds, with the opportunity to satisfy the growing consumer demand for quality convenience shopping within their own communities. The OK brand remains one of South Africa's most recognised and respected retail entities and we look forward to increasing benefits flowing from its legacy of goodwill.

OK Furniture Division



Divisional Reporting

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



“Our recently launched on-line shopping website effectively increases the division’s distribution considerably, giving it a competitive advantage.”

Aubrey Karp

Trading conditions remained under pressure during the year under review but strict implementation of strategies such as competitive pricing, aggressive advertising and standardised in-store presentation helped to significantly improve trading in the second half of the year, with revenue growing 7.41% over the previous year.

Operating profit improved by 20.37%, supported by effective control of shrinkage and expenses, to provide three consecutive years of growth in excess of 20%.

Lower selling prices and competitiveness in the industry generated positive cash flows for the Group and countered the effects of inflationary increases in stock levels. The debtors’ book has been carefully and strictly managed to ensure no significant deterioration of collectability and adequate provisions have been made to accommodate bad debts.

We currently operate 137 OK Furniture stores and 21 House



OK Furniture Division (from left): **Chris Kerford** (39), Divisional Follow-up Manager, 19 years’ service; **Willie Folscher** (56), Central Granting Manager, 30 years’ service; **Terry van der Bank** (38), Divisional System Support Manager, 5 years’ service; **Chris van der Walt** (49), Divisional Financial Manager, CA (SA), 8 years’ service; **David Jonker** (36), Divisional Personnel Manager, B.A. MBA, 9 years’ service; **Sheridan Keenan** (30), Advertising Manager, 11 years’ service; **Aubrey Karp** (43), Divisional Manager, CFA (SA), 12 years’ service; **Mike Durbach** (54), House & Home Chief Buyer, 27 years’ service; **Joe Flory** (47), National Admin Manager, 26 years’ service.



& Home stores which were added to this division during the latter part of the year to benefit from synergies and to consolidate the furniture operations of the Shoprite Group. This operational strategy broadens the market of this division considerably, with House & Home trading in the upper income groups.

As part of our strategy to improve the customer's shopping experience and loyalty to the brand, improvements in customer service remains a priority. All sales staff attended a refresher sales skills course while all branch and regional management completed the specially customised retail management training programme. A revised product knowledge-training programme has been implemented in all stores and the testing of all staff in all product categories continues.

Financial services packages and offers are constantly improved and expanded to keep up with changing trends and to grow the existing customer base. A new financing facility enabling customers to apply for revolving credit was recently added to the existing financing options of hire purchase and no-deposit finance.

Customers were exposed to a wider choice of products with our buyers sourcing new and innovative stock across the globe. The in-store electronic catalogue system was enhanced to improve user-friendliness and this system now forms the basis of the recently launched on-line shopping website.

The site, which is a first for the furniture industry, has been designed to provide customers with the convenience of full on-line shopping facilities in a virtual store, allowing them to

experience the entire range of products. This effectively increases our distribution considerably, giving us a competitive advantage.

The website is constantly updated to display all relevant promotional activity and current special offers, and provides convenient and secure payment facilities, using credit cards, payment on collection, or even the option to apply for revolving credit on-line, with quick reaction and response to all applications.

We employ advanced information systems to manage sales, stock and debtors. These provide the business with the ability to effectively identify fast moving products and to market them aggressively to drive sales. They also identify slow moving and potentially obsolete stocks, which are then channelled for rapid clearance.

The division expects the furniture and appliance environment to remain extremely competitive in the current year, with aggressive product pricing to maintain an element of growth. This places pressure on margins and we will continue to drive sales volumes, while at the same time trying to improve the overall sales mix to compensate for any margin reductions. Sales targets are focused on providing real sales growth of more than 5%, while remaining competitive to prevent any loss of market share.

OK Furniture has made significant contributions to Group earnings for the last three years and we are confident that with all strategies and objectives now firmly entrenched in the business, this contribution should continue to increase in the new and subsequent financial years.



Directorate & Administration

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

Executive Directors

J W Basson (56) B.Com. CA (SA)
Chief Executive
31 years' service

C G Goosen (49) B.Com.Hons. CA (SA)
Deputy Managing Director
19 years' service

S U M Martinengo (59) CA (SA)
General Manager: OK Franchise Division
17 years' service

B Rogut (76)
General Manager: Buying and Merchandising
34 years' service

B Weyers (50)
General Manager: Marketing
25 years' service

A N van Zyl (54) B.Com. LL.B
General Manager: Statutory and Legal Services
21 years' service

Non-Executive Directors

C H Wiese (60) B.A. LL.B. D.Com. (H.C.)
Chairman

J A Louw (58) B.Sc. Hons. B.(B.&A.) Hons.
Non-Executive Director

J J Fouché (54) B.Com. LL.B.
Non-Executive Director

M G Loubser (77) B.Com. CA (SA)
Non-Executive Director

J F Malherbe (73) B.Com. LL.B
Non-Executive Director

C Moore (52) B.Com. CA (SA)
Non-Executive Director

Company Registration Number

1936/007721/06

Company Secretary

A N van Zyl

Registered Office

Cnr William Dabs and Old Paarl Roads
Brackenfell, 7560
SOUTH AFRICA

P O Box 215
Brackenfell, 7561
SOUTH AFRICA

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Facsimile +27 (0) 21 980 4050
Website www.shoprite.co.za

Auditors

PricewaterhouseCoopers Incorporated
1 Waterhouse Place
Century City

P O Box 2799
Cape Town, 8001

Bankers

ABSA Bank Limited
First National Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
BOE Bank Limited
Citibank, N.A.
Commerzbank AG

Transfer Secretary

Computershare Investor Services Limited
70 Marshall Street
Marshalltown, 2001

P O Box 1053
Johannesburg, 2000
Telephone +27 (0) 11 370-5000
Facsimile +27 (0) 11 370-5272

Sponsor

BOE Securities (Proprietary) Limited
187 Rivonia Road
Morningside
Sandton, 2146

P O Box 785442
Sandton, 2146
Telephone +27 (0) 11 302-1000
Facsimile +27 (0) 11 302-1331





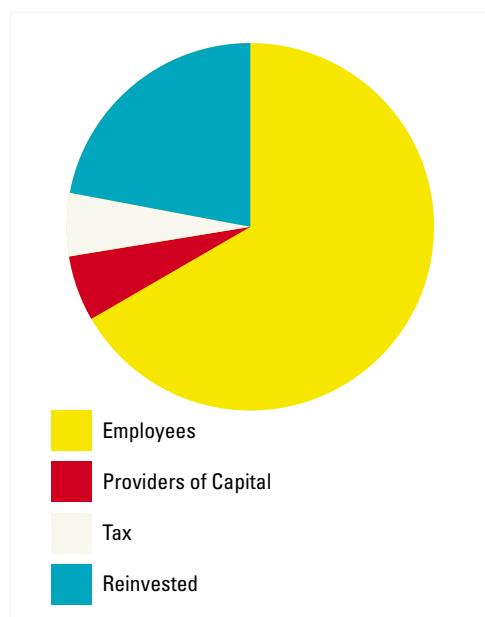
Value Added Statement

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

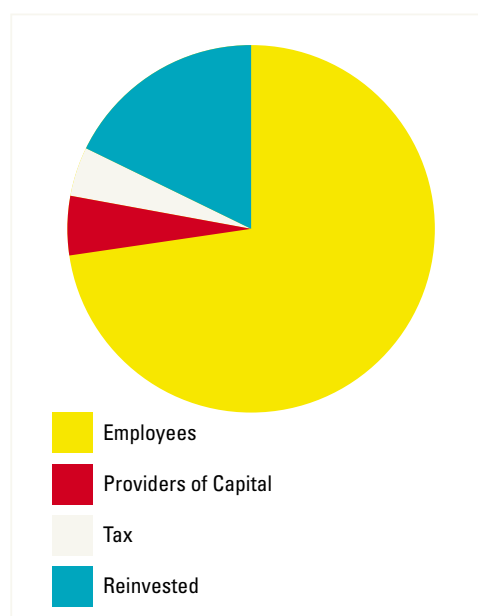
for the year ended 30 June 2002

	June 2002 R'000	%	June 2001 R'000	%
REVENUE	22 109 797		19 596 729	
INVESTMENT INCOME	34 061		29 537	
COST OF GOODS AND SERVICES	19 397 773		17 291 893	
VALUE ADDED	2 746 085	100.0	2 334 373	100.0
EMPLOYED AS FOLLOWS:				
EMPLOYEES				
Salaries, wages and service benefits	1 821 281	66.3	1 689 647	72.4
PROVIDERS OF CAPITAL				
Finance costs to providers of funds	47 465	1.7	25 003	1.1
Dividends to providers of share capital	115 636	4.2	103 263	4.4
TAX				
Tax on profits made	151 294	5.6	99 735	4.2
REINVESTED				
Reinvested in the Group to finance future expansion and growth	610 409	22.2	416 725	17.9
Depreciation	327 556	11.9	286 305	12.3
Retained earnings	282 853	10.3	130 420	5.6
EMPLOYMENT OF VALUE ADDED	2 746 085	100.0	2 334 373	100.0

2002



2001



Five Year Financial Review

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



	30 June 2002 R'000 12 months	30 June 2001 12 months	30 June 2000 12 months	30 June 1999 12 months	30 June 1998 12 months
INCOME STATEMENT					
Revenue	22 109 797	19 596 729	18 430 568	17 349 078	14 564 217
Operating profit before exceptional items	522 157	406 738	318 652	119 482	231 063
Exceptional items	39 288	(74 658)	46 412	55 288	(34 026)
Operating profit after exceptional items	561 445	332 080	365 064	174 770	197 037
Investment income	34 061	29 537	84 891	116 422	93 126
Finance costs	47 465	25 003	65 192	102 641	46 611
Profit before tax	548 041	336 614	384 763	188 551	243 552
Tax	151 294	99 735	88 578	76 943	(1 236)
Profit after tax	396 747	236 879	296 185	111 608	244 788
Minority interest	(8 148)	3 196	7 370	4 416	7 468
Net profit for the year	404 895	233 683	288 815	107 192	237 320
BALANCE SHEET					
ASSETS					
Property, plant and equipment	1 630 834	1 392 196	1 257 525	1 108 747	940 227
Other investments	115 748	88 174	82 841	135 970	364 550
Deferred tax assets	303 128	381 319	437 819	503 269	559 902
Negative goodwill	(303 038)	(372 357)	(437 671)	(503 269)	(559 902)
Current assets	4 469 221	4 535 797	3 766 049	3 879 544	3 432 169
TOTAL ASSETS	6 215 893	6 025 129	5 106 563	5 124 261	4 736 946
EQUITY AND LIABILITIES					
Capital and reserves	1 459 458	1 444 964	1 314 269	1 102 161	1 078 040
Minority interest	30 714	41 630	31 777	25 048	21 601
Interest bearing borrowings	2 450	19 824	66 509	349 601	173 806
Interest free liabilities	4 723 271	4 518 711	3 694 008	3 647 451	3 463 499
TOTAL EQUITY AND LIABILITIES	6 215 893	6 025 129	5 106 563	5 124 261	4 736 946
CASH FLOW STATEMENT					
Cash generated by operations	1 033 855	1 041 426	711 174	561 127	178 995
Interest received	32 784	29 322	81 096	104 374	71 342
Interest paid	(47 465)	(25 003)	(65 192)	(102 641)	(46 611)
Dividends received	1 277	215	3 795	12 048	21 784
Dividends paid	(128 705)	(102 071)	(83 011)	(81 537)	(68 378)
Tax paid	(55 043)	(24 658)	(21 773)	(30 512)	(87 974)
Cash flows from operating activities	836 703	919 231	626 089	462 859	69 158
Cash flows from investing activities	(622 855)	(461 484)	(336 867)	(151 833)	(387 469)
Ordinary shares issued	–	–	–	–	332 991
Cash flows from financing activities	(470 747)	(46 521)	(283 092)	175 795	(466 562)
Net (decrease) / increase in cash and cash equivalents	(256 899)	411 226	6 130	486 821	(451 882)
Acquired through acquisition of subsidiaries and operations	–	13 700	–	–	139 961
Net (decrease) / increase in cash and cash equivalents	(256 899)	424 926	6 130	486 821	(311 921)



Five Year Financial Review

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

		30 June 2002 12 months	30 June 2001 12 months	30 June 2000 12 months	30 June 1999 12 months	30 June 1998 12 months
STATISTICS PER ORDINARY SHARE						
Number of ordinary shares issued	('000)	507 761	543 479	543 479	543 479	543 479
Weighted average number of ordinary shares issued	('000)	516 764	543 479	543 479	543 479	529 275
Net asset value per share	(cents)	287.4	265.9	241.8	202.8	198.4
Headline earnings per share	(cents)	70.7	56.7	44.6	9.6	51.3
Earnings per share	(cents)	78.4	43.0	53.1	19.7	44.8
Dividend per share	(cents)	25.5	20.5	18.0	14.0	14.0
Dividend cover	(times)	2.8	2.8	2.5	0.7	3.7
PROFITABILITY AND ASSET MANAGEMENT						
Asset turn	(:1)	14.7	13.4	12.8	12.6	14.2
Operating margin	(%)	2.36	2.07	1.73	0.69	1.59
Return on average capital employed	(%)	37.1	29.9	27.9	17.2	31.7
Headline earnings on average total permanent capital	(%)	24.5	21.7	19.6	4.7	32.7
Inventory turn	(times)	10.0	9.2	8.8	8.3	9.7
LIQUIDITY AND GEARING						
Interest bearing borrowings:						
Total shareholders' funds	(:1)	–	0.01	0.05	0.31	0.16
Total liabilities: Total shareholders' funds	(:1)	3.17	3.05	2.79	3.55	3.31
Current ratio	(:1)	0.95	1.00	1.00	0.98	0.97
Finance costs cover	(times)	11.00	16.27	4.89	1.16	4.96

DEFINITIONS

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



Corporate Management and Approval

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



of the annual financial statements

The directors subscribe to the principles of transparent and honest corporate management as set out in the Code of Corporate Practice and Conduct in the King Report ("the Code") and conform to its requirements in all essential respects. The Group strives to maintain the highest standards of integrity and ethics throughout its dealings with customers, staff, shareholders and suppliers, thereby ensuring the highest level of credibility, confidence and stability.

Group Structure

Shoprite Holdings Limited is an investment holding company with investments in various trading subsidiary companies. All subsidiaries of Shoprite Holdings Limited are committed to the principles of sound corporate management as contained in the Code and conform to it in all material respects, as far as practically possible.

Board of Directors

The board of Shoprite Holdings Limited consists of twelve directors, six of whom hold executive positions in the Group. Details regarding the members of the board appear on page 25 of the annual report. The board meets at least four times a year.

Audit Committee

The Shoprite Holdings Limited audit committee consists of three non-executive directors and one executive director, who meet three times per year in order to evaluate, among other things, accounting practices, internal control systems, auditing and financial reporting. It is also the audit committee's task to evaluate critical risk areas identified, together with management, for the Group, and to report on those areas to the directors.

The audit committee works in accordance with a written mandate from the board and external auditors have unrestricted access to the committee. Appropriate members of management are also invited to attend meetings in order to assist the committee in performing its task. The audit committee receives feedback on the activities of the Company's subsidiaries.

Remuneration Committee

The remuneration of the executive directors and chief executive officer is subject to approval by the chief executive officer and non-executive chairman respectively.

Staff Members

The Group maintains a policy of equal opportunities with no unfair discrimination. Certain objectives have also been set for management, aimed at making all levels more representative of the South African society as a whole. The Group uses a variety of participatory structures for issues affecting employees directly and materially. These have been designed to maintain good relations between employer and employee

through the efficient sharing of relevant information, consultation and the identification and resolution of conflicts.

Internal Control

The directors accept final responsibility for the internal control systems of the Group. It is the task of management to ensure that the relevant legislation and regulations are complied with, and that adequate internal financial control systems are developed and maintained in order to provide reasonable certainty regarding:

- the completeness and accuracy of the accounting records
- the integrity and soundness of the annual financial statements
- the safeguarding of the business' assets.

The efficiency of any internal financial control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Consequently, even a strict and efficient internal control system can provide no more than a reasonable measure of assurance in respect of financial reporting and the safeguarding of assets.

Internal auditors monitor the operation of the internal control systems and report to management and the directors on findings and recommendations. The Internal Audit department comprises qualified personnel, with appropriate training and experience. Certain high-level internal audit functions were contracted out to the external auditors during the course of the year. Corrective steps are taken to address shortcomings in control and other opportunities for improving the system, whenever they are identified. The board, working through its audit committee, supervises the financial reporting process.

The directors are further responsible for ensuring that adequate, ongoing procedures and processes are in place to identify, evaluate, manage and monitor key business risks.

The Group assessed its internal financial control systems on 30 June 2002. It is the board's opinion, based on this assessment, that the internal control systems in respect of financial reporting and the safeguarding of assets against unauthorised use or disposal, met acceptable criteria.

Code of Ethics

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



Corporate Management and Approval

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

of the annual financial statements

Approval of Annual Financial Statements

The directors accept final responsibility for the integrity, objectivity and soundness of the annual financial statements and subscribe to the concept of transparency in financial reporting. The directors are satisfied that the systems and internal financial controls introduced by management are effective and that there were no substantial discontinuities in the functioning of the internal financial control systems during the year under review. The external auditors are responsible for reporting on the annual financial statements.

The responsibility for drawing up and submitting the annual financial statements was delegated to management. The annual financial statements have been drawn up in accordance with South African Statements of Generally Accepted

Accounting Practice and agree with the Groups' accounting records and policy. The directors are of the opinion that the Group has sufficient resources at its disposal to operate the business for the foreseeable future and the annual financial statements have therefore been drawn up on a going concern basis.

The directors' report, annual financial statements and Group annual financial statements as set out on pages 25 to 56 have been approved by the board of directors.

Signed on behalf of the board of directors.

C H WIESE
Chairman
19 August 2002

J W BASSON
Chief Executive

Secretarial Certification

In accordance with section 268G(d) of the Companies Act, Act 61 of 1973, as amended ("the Act"), it is hereby certified that the Company has lodged with the Registrar of Companies all such returns that are required of a public company in terms of the Act and that such returns are true, correct and up to date.

A N van Zyl
Secretary
19 August 2002

Currency of the 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:

	2002	2001
USA dollar	10.3950	8.0800
Pond sterling	15.8630	11.3700
Euro	10.2670	6.8300
Zambia kwacha	0.0023	0.0022
Mozambique metical	0.0004	0.0004
Botswana pula	1.6672	1.4217
Malawi kwacha	0.1375	0.1102



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SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



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Auditors' Report

Report of the independent auditors to the members of Shoprite Holdings Limited

We have audited the annual financial statements and Group annual financial statements of Shoprite Holdings Limited set out on pages 25 to 56 for the year ended 30 June 2002. These financial statements are the responsibility of the directors of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

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

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

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

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

Cape Town
19 August 2002



Directors' Report

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002

1. Business of the Group

Shoprite Holdings Limited is an investment holding company with investments in various subsidiaries. At the financial year end the Company controlled the following main investments:

Subsidiaries

Shoprite Checkers (Pty) Ltd – Controls the following:

Supermarkets: The grocery, perishable and non-food retailing activities in South Africa, Lesotho, Namibia, Swaziland and also the franchise division known as OK Franchise.

Properties: Owns properties strategically situated in South Africa.

Fresh produce: Distributes fresh produce to our supermarkets and to a lesser extent to other retailers.

Furniture: The furniture retail business.

Shoprite Guernsey Ltd:

Controls the retailing activities and owns strategically situated properties in other African countries.

Shoprite Holdings Limited's interest in its subsidiaries is set out on page 56 of the annual report.

2. Group Results

The Group's headline earnings per share amounts to 70,7 cents for the year (2001: 56,7 cents). Details of the net income of Shoprite Holdings Limited and the Group are contained in the income statement.

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

	2002	2001
	R'000	R'000
Total profits	423 764	304 730
Total losses	126 078	74 274

3. Dividends

Preference dividends

Details are stated in note 21 to the annual financial statements.

Ordinary dividends

An interim dividend of 11 cents per share was paid on 18 March 2002. A final dividend of 14,5 cents per share

is payable on 16 September 2002, bringing the total dividend for the year to 25,5 cents (2001: 20,5 cents).

4. Share Capital

No ordinary shares were issued during the year.

Full details of the Company's authorised and issued share capital are set out in note 8 to the annual financial statements.

At the annual general meeting held on 26 October 2001, it was resolved to terminate certain share purchase transactions concluded with directors, executives and employees of the Group. It was further resolved for Shoprite Checkers (Pty) Ltd to purchase 35 718 559 ordinary shares in the Company and to hold such shares as treasury shares.

5. Directorate

No changes occurred during the year under review in the composition of the board of Directors.

The board consists of:

Dr C H Wiese has been Chairman of Pepkor since 1981. In addition he is Chairman of Shoprite Holdings and Brown & Jackson. He was Chairman of the Industrial Development Corporation and is currently a Director of KVV. He serves on the Council of the University of Stellenbosch.

Mr J W Basson joined Pep Stores as Financial Manager in 1971 and in 1975 he was appointed to the Pepkor board and still serves the Company in this capacity. He is Chief Executive and Managing Director of Shoprite Holdings and Shoprite Checkers respectively.

Mr J J Fouché joined Pep Stores in 1973 and was appointed a Director of Pepkor in 1987 and still serves the Company in this capacity. He joined the board of directors of Shoprite Holdings in 1991 and serves on the Audit Committee of Shoprite Holdings.

Mr C G Goosen joined the Pepkor Group as Financial Manager in 1983 and in 1993 he was appointed as Financial Director to the Shoprite Holdings board. He is Deputy-Managing Director of Shoprite Holdings, Director of Shoprite Checkers and various companies within the Group and serves on Shoprite Holdings' Audit Committee.

Mr M G Loubser has served on the board of Shoprite Holdings since 1994. He is a retired practising Chartered Accountant and previously served on the boards of various companies, including Sanlam and Pepkor. He remains a member of Shoprite Holdings' Audit Committee.



Directors' Report (Continued)

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Mr J A Louw, a former Vice-Chairman of Pepkor, joined the board of Shoprite Holdings during 1991. He presently serves on the boards of various companies and is Vice-Chairman of Pioneer.

Mr J F Malherbe joined the board of Directors of Shoprite Holdings in 1999. He is Honorary Chairman of the law firm, Jan S de Villiers. He is Vice-Chairman of Naspers and also serves on a number of other boards.

Mr S U M Martinengo serves on the boards of Shoprite Holdings and Shoprite Checkers. He was Managing Director of Checkers prior the take over by Shoprite in 1992 and is presently General Manager of the OK Franchise Division.

Mr C Moore joined Pepkor in 1981 and held various financial positions within Pepkor. He also joined the board of Shoprite Holdings in 1999 and is a Director of Brown & Jackson and Pepkor and is Chairman of Shoprite Holdings Audit Committee.

Mr B Rogut's retailing career began when he joined Grand Bazaars in 1941. He was the founding member of Shoprite during 1966, which was acquired by Pep Stores in 1979. He serves as General Manager: Buying and Merchandising on the boards of Shoprite Holdings and Shoprite Checkers.

Mr A N van Zyl joined Pep Stores in 1981 before moving to Shoprite as Company Secretary and Property Manager in 1987. He was appointed as Company Secretary and Director to the board of Shoprite Holdings in 1997 and is also Director of Shoprite Checkers and other companies within the Group.

Mr B R Weyers is the Group's General Manager: Marketing and joined Shoprite in 1980. He was appointed as Director of Shoprite Holdings in 1997 and also serves on the board of Directors of Shoprite Checkers.

In terms of the Articles of Association of the Company, Messrs J W Basson, C G Goosen, B Rogut and J J Fouchè retire as Directors of the Company at the annual general meeting, but being eligible, offer themselves for re-election.

On 30 June 2002 the directors of Shoprite Holdings confirmed a direct and indirect interest of 14,58 % (2001:15,48 %) in the issued ordinary share capital of the Company. No changes occurred between the financial year-end and the date of this report.

6. Post Balance Sheet Events

No material changes occurred between the financial year end and the date of this report.

7. Holding Company

The Company has no holding company. An analysis of the main shareholders of the Company appears on page 57 of this report.

8. Dispute with South African Breweries

The dispute between the Group and South African Breweries regarding the purchase of OK Bazaars has not yet been resolved.



Accounting Policies

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



SHOPRITE

for the year ended 30 June 2002

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and are consistent with those applied in the previous year, except as set out in note 32.

1 Basis of preparation

The consolidated financial statements are prepared in accordance and comply with South African Statements of Generally Accepted Accounting Practice. The consolidated financial statements are prepared on the historical cost basis.

2 Consolidation

Subsidiaries are companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise is entitled to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intergroup transactions and balances between Group companies have been eliminated.

3 Foreign subsidiaries

Foreign subsidiaries are classified as integrated foreign operations.

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

- monetary items at closing rates
- non-monetary items at historical rates

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

4 Foreign currency transactions

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

5 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in the supply of goods, rental to others or administrative purposes and are expected to be used during more than one period. The historic cost of buildings, machinery, equipment and vehicles is depreciated on a straight-line basis at rates appropriate to the various classes of assets involved, taking into account the esti-

mated useful life of the individual items. Land is not depreciated, as it is deemed to have an indefinite life. Improvements to leasehold property are shown at cost and written off over the remaining period of the lease.

Write-off periods

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

6 Investments

Listed, unlisted and other investments are shown at cost and are written down only where there is an impairment in value. The impairment is charged to the income statement in the period in which it occurs.

Preference share investments denominated in foreign currencies are carried at cost and are translated at closing rates at year-end.

7 Deferred taxes

Deferred taxes are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which these assets can be utilised.

8 Negative goodwill

Negative goodwill, being the excess of the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition over the cost of the acquisition, is reported in the balance sheet as an intangible asset. Negative goodwill is amortised over the useful lives of the related assets.

9 Inventories

Trading inventories are stated at the lower of cost, using either the weighted average cost or the retail method, and net realisable value. The retail method approximates the lower of weighted average cost and net realisable value. Where the retail method is used cost is reduced or increased, in the case of marked down or marked up items, to the values at which normal gross margins can be realised.



Accounting Policies (Continued)

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



10 Leases

10.1 The Group is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Certain premises and equipment are leased. Payments made under operating leases are charged to the income statement over the lease term. 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 in the period in which termination takes place.

10.2 The Group is the lessor

When assets are sold under instalment sale agreements, the present value of the lease 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 lease using the effective interest rate method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. Rental income is recognised over the lease term.

11 Cash and cash equivalents

Actual bank balances are reflected. Outstanding cheques are included in accounts payable and outstanding deposits in cash and cash equivalents.

12 Share capital

Ordinary shares and non-convertible, non-participating deferred shares are both classified as equity.

Where Group companies purchase the Company's share capital, the consideration paid, including attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

13 Borrowings

Preference shares, which carry non-discretionary dividend obligations, are classified as long-term liabilities. The dividends on these preference shares are recognised in the income statement as finance costs.

14 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.

14.1 Uneconomical lease commitments

The present value of future payments for surplus lease properties under non-cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased property will be of no future benefit to the Group. This provision is applied over the remaining periods of the lease agreements.

14.2 Post-retirement medical benefits

Refer accounting policy 15.3.

14.3 Warranties

The Group recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories.

15 Employee benefits

15.1 Pension fund

The cost of providing retirement benefits under the defined benefit plan is determined by using an accrued benefit valuation method. Current service costs are recognised as an expense in the current period. Past service costs, experience adjustments, the effects of changes in actuarial assumptions and the effects of plan amendments in respect of existing employees, are recognised as an expense or an income systematically over the expected remaining working lives of those employees. The effects of plan amendments in respect of retired employees are measured as the present value of the effect of the amended benefits and are recognised as an expense or as income in the period in which the plan amendment is made. Actuarial surpluses are brought to account in the Group's financial statements when it is clear that economic benefits will be available to the Group.

15.2 Provident fund

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

15.3 Post-retirement medical benefits

The Group provided for post-retirement medical benefits, where they exist. The expected costs of these benefits are accrued over the period of employment based on past services. This post-retirement medical benefit obligation is measured as the present value of the estimated future

Accounting Policies (Continued)

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



SHOPRITE

for the year ended 30 June 2002

cash outflows, using interest rates of government securities. Valuations of this obligation are carried out annually by independent qualified actuaries, in respect of past service liabilities and actuarial gains or losses are recognised when they occur.

15.4 Equity compensation plans

The Group operates a staff share incentive scheme through The Shoprite Holdings Limited Share Incentive Trust. Shares are offered under a share purchase and a share option scheme and can be taken up over a period of 5 to 7 years, subject to specific conditions. The beneficiaries under the scheme are executive directors and management. The effect of all options issued under the share option scheme is taken into account when calculating diluted earnings and diluted headline earnings per share.

16 Financial instruments

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

Forward foreign exchange contracts constitute derivative financial instruments. Transactions related to these contracts are recognised in accordance with the Group's policy on foreign currency transactions.

17 Impairment

The carrying value of all assets is reviewed at each balance sheet date. 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 related impairment expense is charged to the income statement to the extent that it is not a reversal of a previous revaluation included in non-distributable reserves.

18 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, net of value added taxes and discounts, and after eliminating sales within the Group. Finance income on instalment sale agreements is recognised as income on the effective interest rate method. Other revenues earned by the Group are recognised on the following basis:

- Interest income: as it accrues (taking into account the effective yield on the asset), unless collectability is in doubt.
- Dividend income: when the shareholder's right to receive payment is established.

19 Basis of accounting for underwriting activities

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

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

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

Commission costs are charged to the income statement as incurred.

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

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

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

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

20 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentations made in the current year. In particular, the comparatives have been restated to take into account the change in accounting policy, as set out in note 32.



Balance Sheet

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



as at 30 June 2002

Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		Notes		
		ASSETS		
981 612	1 165 411	NON-CURRENT ASSETS	1 746 672	1 489 332
–	–	Property, plant and equipment	1 630 834	1 392 196
914 404	1 121 984	Interests in subsidiaries	–	–
67 208	43 427	Other investments	115 748	88 174
–	–	Deferred tax assets	303 128	381 319
–	–	Negative goodwill	(303 038)	(372 357)
970	–	CURRENT ASSETS	4 469 221	4 535 797
–	–	Inventories	2 250 278	2 160 958
796	–	Trade and other receivables	1 482 792	1 413 019
174	–	Cash and cash equivalents	736 151	961 820
982 582	1 165 411	TOTAL ASSETS	6 215 893	6 025 129
		EQUITY AND LIABILITIES		
979 531	1 158 790	CAPITAL AND RESERVES	1 459 458	1 444 964
616 583	616 583	Share capital	576 078	616 583
293 072	293 072	Share premium	58 812	293 072
69 876	249 135	Reserves	824 568	535 309
–	–	MINORITY INTEREST	30 714	41 630
2 450	2 450	NON-CURRENT LIABILITIES	236 832	270 365
2 450	2 450	Interest bearing borrowings	2 450	2 450
–	–	Deferred tax liabilities	4 006	4 483
–	–	Provisions	230 376	263 432
601	4 171	CURRENT LIABILITIES	4 488 889	4 268 170
181	3 024	Trade and other payables	4 457 072	4 247 385
–	–	Current portion of borrowings	–	17 374
–	642	Bank overdrafts	31 230	–
420	505	Shareholders for dividends	587	3 411
982 582	1 165 411	TOTAL EQUITY AND LIABILITIES	6 215 893	6 025 129





Income Statement

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002

Company		Group		
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		REVENUE		
		Sale of merchandise	21 984 955	19 472 470
		Finance income earned	124 842	124 259
			22 109 797	19 596 729
		Sale of merchandise	21 984 955	19 472 470
		Cost of sales	18 692 967	16 664 362
		GROSS PROFIT	3 291 988	2 808 108
22 852	150 109	Other operating income	1 947 645	1 660 277
		Distribution costs	41 820	34 177
		Administrative expenses	378 559	227 360
		Other operating expenses	4 297 097	3 800 110
22 852	150 109	OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	522 157	406 738
(5 702)	(116 719)	Exceptional items	39 288	(74 658)
17 150	33 390	OPERATING PROFIT AFTER EXCEPTIONAL ITEMS	561 445	332 080
80 183	284 775	Investment income	34 061	29 537
169	238	Finance costs	47 465	25 003
97 164	317 927	PROFIT BEFORE TAX	548 041	336 614
12 843	19 103	Tax	151 294	99 735
84 321	298 824	PROFIT AFTER TAX	396 747	236 879
		Minority interest	(8 148)	3 196
84 321	298 824	NET PROFIT FOR THE YEAR	404 895	233 683
		Earnings per share (cents)	78.4	43.0
		Diluted earnings per share (cents)	78.0	43.0
		Headline earnings per share (cents)	70.7	56.7
		Diluted headline earnings per share (cents)	70.4	56.7
		Ordinary dividend per share (cents)	25.5	20.5



Statement of Changes in Equity

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



R'000	Total	Share capital	Share premium	Group Foreign currency translation reserve	Contingency reserve	Other non-distributable reserves	Retained earnings
BALANCE AT 1 JULY 2000							
AS PREVIOUSLY REPORTED	1 293 016	616 306	293 072	6 458	–	5 372	371 808
Effect of AC 135*	(36 833)						(36 833)
Effect of adopting revised AC 107*	58 084						58 084
AS RESTATED	1 314 267	616 306	293 072	6 458	–	5 372	393 059
Issue of shares by the Company	277	277					
Transfer from non-distributable reserves	–					(3 220)	3 220
Net profit for the year – restated	233 683						233 683
As previously reported	240 772						240 772
Effect of AC 135*	(8 108)						(8 108)
Effect of adopting revised AC 107*	1 019						1 019
Dividends distributed to shareholders – restated	(103 263)						(103 263)
As previously reported	(111 415)						(111 415)
Effect of adopting revised AC 107*	8 152						8 152
BALANCE AT 30 JUNE 2001 – RESTATED	1 444 964	616 583	293 072	6 458	–	2 152	526 699
Acquisition of treasury shares	(274 765)	(40 505)	(234 260)				
Net profit for the year	404 895						404 895
Dividends distributed to shareholders	(115 636)						(115 636)
Transfer to contingency reserve	–				6 406		(6 406)
BALANCE AT 30 JUNE 2002	1 459 458	576 078	58 812	6 458	6 406	2 152	809 552

*Refer to note 32 – Change in accounting policy.





Statement of Changes in Equity (Continued)

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



SHOPRITE

for the year ended 30 June 2002

R'000	Total	Share capital	Share premium	Company Foreign currency translation reserve	Contingency reserve	Other non-distributable reserves	Retained earnings
BALANCE AT 1 JULY 2000							
AS PREVIOUSLY REPORTED	940 112	616 306	293 072	–	–	2 152	28 582
Effect of adopting revised AC 107*	58 084						58 084
AS RESTATED	998 196	616 306	293 072	–	–	2 152	86 666
Issue of shares by the Company	277	277					
Net profit for the year – restated	84 321						84 321
As previously reported	83 302						83 302
Effect of adopting revised AC 107*	1 019						1 019
Dividends distributed to shareholders – restated	(103 263)						(103 263)
As previously reported	(111 415)						(111 415)
Effect of adopting revised AC 107*	8 152						8 152
BALANCE AT 30 JUNE 2001 – RESTATED	979 531	616 583	293 072	–	–	2 152	67 724
Net profit for the year	298 824						298 824
Dividends distributed to shareholders	(119 565)						(119 565)
BALANCE AT 30 JUNE 2002	1 158 790	616 583	293 072	–	–	2 152	246 983



Cash Flow Statement

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		Notes		
(36 530)	153 166	CASH FLOWS FROM OPERATING ACTIVITIES	836 703	919 231
22 852	150 109	Operating profit before exceptional items	522 157	406 738
(23 222)	(146 647)	Non-cash items	308 401	236 693
(354)	(10)	Changes in working capital	205 217	399 397
98	111	Exceptional items	(1 920)	(1 402)
(626)	3 563	CASH GENERATED FROM / (UTILISED BY) OPERATIONS	1 033 855	1 041 426
108	92	Interest received	32 784	29 322
(169)	(238)	Interest paid	(47 465)	(25 003)
80 075	284 683	Dividends received	1 277	215
(102 934)	(119 480)	Dividends paid	(128 705)	(102 071)
(12 984)	(15 454)	Tax paid	(55 043)	(24 658)
35 591	(153 982)	CASH FLOWS FROM INVESTING ACTIVITIES	(622 855)	(461 484)
277	–	CASH FLOWS FROM FINANCING ACTIVITIES	(470 747)	(46 521)
(662)	(816)	NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(256 899)	411 226
836	174	Cash and cash equivalents at beginning of year	961 820	536 894
–	–	Acquired through acquisition of subsidiary	–	13 700
174	(642)	CASH AND CASH EQUIVALENTS AT END OF YEAR	704 921	961 820
174	–	Consisting of:	736 151	961 820
–	(642)	Cash and cash equivalents	(31 230)	–
174	(642)	Bank overdrafts	704 921	961 820



Segmental Report

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



SHOPRITE

for the year ended 30 June 2002



DEFINITIONS

1 Segment assets

Segment assets comprise property, plant and equipment, inventories, receivables and cash and cash equivalents, and exclude investments, deferred tax assets and intangible assets.

2 Segment liabilities

Segment liabilities comprise trade payables and accruals and exclude items such as provisions, borrowings, tax liabilities and shareholders for dividends.

3 Capital expenditure

Capital expenditure comprise additions to property, plant and equipment.

BUSINESS SEGMENT

The business segment is the primary reporting format and all inter-segment transfers are done at cost.

The Group is organised into two main business segments:

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

House & Home was placed under the operational and administrative control of OK Furniture during the second half of the financial year. As House & Home and Supermarkets operated as a single business unit, it was not at that point possible to separate their results in a meaningful way. A complete separation of the different business units was, however, effected from 1 July 2002 and separate reporting will be done in future.

	30 June 2002		Consolidated R'000
	Supermarkets R'000	Furniture R'000	
REVENUE	21 469 405	640 392	22 109 797
OPERATING PROFIT			
Result	467 364	54 793	522 157
OTHER INFORMATION			
Assets	5 435 315	664 740	6 100 055
Liabilities	3 965 722	405 954	4 371 676
Capital expenditure	607 501	11 048	618 549
Depreciation	320 863	6 693	327 556
Non-cash expenses	8 453	–	8 453



Segmental Report (Continued)

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



BUSINESS SEGMENT (Continued)

	30 June 2001		Consolidated R'000
	Supermarkets R'000	Furniture R'000	
REVENUE	19 000 529	596 200	19 596 729
OPERATING PROFIT			
Result	361 218	45 520	406 738
OTHER INFORMATION			
Assets	5 303 984	624 009	5 927 993
Liabilities	3 998 154	169 733	4 167 887
Capital expenditure	461 348	13 844	475 192
Depreciation	278 169	8 136	286 305
Non-cash expenses / (income)	206	(80)	126

GEOGRAPHICAL SEGMENT

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

The Group operates in two main geographical segments:

- South Africa
- Other African countries

	30 June 2002		Consolidated R'000
	South Africa R'000	Other African Countries R'000	
REVENUE	19 850 589	2 259 208	22 109 797
Assets	5 008 808	1 091 247	6 100 055
Capital expenditure	500 494	118 055	618 549
	30 June 2001		Consolidated R'000
	South Africa R'000	Other African Countries R'000	
REVENUE	18 030 885	1 565 844	19 596 729
Assets	5 048 320	879 673	5 927 993
Capital expenditure	377 026	98 166	475 192





Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002

Company			Group	
30 June 2001	30 June 2002		30 June 2002	30 June 2001
R'000	R'000		R'000	R'000
		1	PROPERTY, PLANT AND EQUIPMENT	
		1.1	Own assets	
		1.1.1	Land at cost	
–	–		82 439	78 800
		1.1.2	Buildings	
			Cost	536 906
			Accumulated depreciation	49 834
–	–		549 393	487 072
			Details of land and buildings are available for inspection at the registered office of the Company. The directors are of the opinion that the market value of land, which is not depreciated, exceeds its book value.	
		1.1.3	Machinery, equipment and vehicles	
			Cost	2 032 285
			Accumulated depreciation	1 303 459
–	–		915 432	728 826
		1.1.4	Improvements to leasehold property	
			Cost	192 568
			Accumulated depreciation	95 070
–	–		83 570	97 498
–	–		1 630 834	1 392 196

1.2 Reconciliation of carrying values

	R '000	Land	Buildings	Machinery, equipment and vehicles	Leasehold improvements	Capitalised leased assets
Carrying value at 1 July 2000		58 416	393 434	645 901	102 395	57 379
Additions		20 384	86 671	349 908	18 229	–
Acquisition of subsidiary		–	–	1 102	–	–
Reclassification		–	50 000	–	–	(50 000)
Proceeds on disposals		–	(29 378)	(13 250)	(127)	(5 350)
Depreciation		–	(10 435)	(254 961)	(20 893)	(16)
Profit / (loss) on disposal and scrapping		–	(3 220)	126	(2 106)	(2 013)
Carrying value at 30 June 2001		78 800	487 072	728 826	97 498	–
Additions		6 567	107 375	495 381	9 226	–
Reclassification		–	–	162	(162)	–
Proceeds on disposals		(2 928)	(23 700)	(12 254)	(690)	–
Depreciation		–	(17 024)	(288 850)	(21 682)	–
Impairment		–	(15 469)	–	–	–
Profit / (loss) on disposal and scrapping		–	11 139	(7 833)	(620)	–
Carrying value at 30 June 2002		82 439	549 393	915 432	83 570	–



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		2 INTERESTS IN SUBSIDIARIES		
		Consisting of:		
583 905	858 736	Investments in shares		
331 399	267 761	Amounts owing		
(900)	(4 513)	Provision against interests in subsidiaries		
914 404	1 121 984		–	–
		3 OTHER INVESTMENTS		
		3.1 Consisting of:		
–	–	Listed share investment (note 3.2)	20 400	–
67 208	43 427	Unlisted share investments (note 3.3)	90 433	87 608
–	–	Staff loans (note 3.4)	3 762	–
–	–	Other	1 153	566
67 208	43 427		115 748	88 174
		3.2 Listed share investment		
		8 160 000 linked units in Shops for Africa Ltd		
		The company listed on 2 July 2001		
		Market value of Shops for Africa Ltd	20 400	–
		3.3 Unlisted share investments		
		13 500 000 convertible (redeemable under certain conditions) cumulative preference shares in Pick & Buy Ltd (Retailing supermarket group – Mauritius)		
		Directors' valuation of unlisted investment	47 006	–
		8 160 000 linked units in Shops for Africa Ltd		
		Directors' valuation of unlisted investment	–	20 400
		13 250 000 Ordinary shares of R0,01 in Canal Walk Ltd		
67 208	43 427	Directors' valuation of unlisted investment	43 427	67 208
		The investment in Canal Walk Ltd was written down during the year as a result of the latter company impairing the carrying value of its fixed assets as required by accounting statement AC 128 (Impairment), refer note 19.		
		3.4 Staff loans		
		Staff loans are secured by Shoprite Holdings Ltd ordinary shares with a market value of R11 946 920, earn interest at market related rates and are repayable on 28 February 2004.		
		4 DEFERRED TAX ASSETS		
		Provisions	154 347	125 169
		Allowances on property, plant and equipment	(4 142)	2 668
		Tax losses	152 923	253 482
–	–		303 128	381 319
		The movement in the deferred tax assets is as follows:		
		At beginning of year	381 319	437 819
		Income statement charge	(78 191)	(56 511)
		Exchange difference	–	11
–	–	At end of year	303 128	381 319





Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002

Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		5	NEGATIVE GOODWILL	
			Gross amount	503 269
			Accumulated amortisation	(200 231)
–	–		Carrying value	303 038
			Reconciliation of carrying value	
			Carrying value at beginning of year	372 357
			Amortisation charge (note 19)	(69 319)
–	–		Carrying value at end of year	303 038
		6	INVENTORIES	
			Trading goods	2 250 140
			Consumable stores	138
–	–			2 250 278
–	–		Amount carried at net realisable value	833 896
		7	TRADE AND OTHER RECEIVABLES	
			Instalment sales	
			Gross amount (note 7.1)	663 108
			Provision for doubtful debts	(62 390)
			Unearned finance income	(80 987)
–	–			519 731
–	–		Trade receivables	614 257
–	–		Other receivables	332 459
796	–		Current tax asset	16 345
796	–			1 482 792
			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 22.1% (2001: 23.5%) p.a.	
		7.1	Instalment sale receivables	
			Future minimum instalment payments receivable under non-cancellable instalment sale agreements.	
			– Not later than 1 year	494 958
			– Later than 1 year not later than 2 years	168 150
–	–			663 108



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		8 SHARE CAPITAL, SHARE INCENTIVE SCHEMES		
		8.1 Ordinary share capital		
		Authorised:		
		650 000 000 (2001: 650 000 000)		
		Ordinary shares of 113,4 cents each		
		Issued:		
		Company		
616 306	616 306	543 479 460 (2001: 543 479 460)		
		Ordinary shares of 113,4 cents each		
		Group		
		507 760 901* (2001: 543 479 460)	575 801	616 306
		Ordinary shares of 113,4 cents each		
		* Treasury shares held by Shoprite Checkers (Pty) Ltd are eliminated on consolidation. Refer also note 8.3.1.		
		The unissued ordinary shares are under the control of the directors who may issue it on such terms and conditions as they deem fit.		
		8.2 Deferred share capital		
		Authorised:		
		360 000 000 (2001: 360 000 000) Non-convertible, non-participating no par value deferred shares		
		Issued:		
277	277	276 821 666 (2001: 276 821 666) Non-convertible, non-participating no par value deferred shares	277	277
		The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Articles of Association of Shoprite Holdings Limited.		
616 583	616 583		576 078	616 583
		8.3 Share incentive schemes		
		In terms of the rules of The Shoprite Holdings Limited Share Incentive Trust, the trustees are authorised to acquire and allocate shares which in total may not exceed 15% of the issued ordinary share capital of the Company.		
		8.3.1 Share purchase scheme		
		Movements in the number of ordinary shares held by The Shoprite Holdings Limited Share Incentive Trust in terms of the share purchase scheme were as follows:		
			Number of shares	
		Balance at beginning of year	50 506 599	52 883 449
		Shares purchased by Shoprite Checkers (Pty) Ltd *	(35 718 559)	–
		Shares released to participants	(8 971 672)	(2 376 850)
		Balance at end of year	5 816 368	50 506 599



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002

Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		8 SHARE CAPITAL, SHARE INCENTIVE SCHEMES (Continued)		
		* In terms of a shareholders resolution passed at the annual general meeting of 26 October 2001 certain transactions with the participants in the share purchase scheme were cancelled. Shoprite Checkers (Pty) Ltd purchased the related 35 718 559 shares from The Shoprite Holdings Limited Share Incentive Trust and now holds these as treasury shares.		
		Movements in the number of ordinary shares vested with eligible participants during the year were as follows:		
			Number of shares	
		Balance at the beginning of the year	10 264 349	11 594 235
		Vested during the year	1 918 156	1 046 964
		Shares released to participants	(8 971 672)	(2 376 850)
		Balance at the end of the year	3 210 833	10 264 349
		8.3.2 Share option scheme		
		Movements in the number of share options held by eligible participants were as follows:		
			Number of shares	
		Balance at the beginning of the year	12 400 000	14 900 000
		Options cancelled *	(12 400 000)	–
		Options granted	22 925 000	–
		Options forfeited **	(525 000)	(2 500 000)
		Balance at the end of the year	22 400 000	12 400 000
		* Certain options were cancelled in terms of a shareholders resolution passed at the annual general meeting of 26 October 2001.		
		** Options are forfeited when an option holder resigns prior to the exercise dates of the option.		
		Options outstanding on 30 June 2002 will become unconditional on the following dates:		
			Number of shares	Average option price
		20 – 24 December 2006	5 600 000	R 6,22
		20 – 24 December 2007	5 600 000	R 6,22
		20 – 24 December 2008	11 200 000	R 6,22
			22 400 000	



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SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company			Group	
30 June 2001	30 June 2002		30 June 2002	30 June 2001
R'000	R'000		R'000	R'000
		8 SHARE CAPITAL, SHARE INCENTIVE SCHEMES (Continued)	Number of shares	Actual option price
		8.3.3 Share options held by executive directors		
		– Exercisable at any time prior to 8 September 2007		
		J W Basson	10 000 000	R 8,00
		– In terms of share option scheme		
			Exercisable between 20 – 24 December	
			2006	2007
			2008	
		C G Goosen	112 500	112 500
		B Weyers	75 000	75 000
		A N van Zyl	75 000	150 000
			450 000	R 6,19
			300 000	R 6,22
			300 000	R 6,22
		9 RESERVES	R'000	R'000
2 152	2 152	9.1 Non-distributable reserves	15 016	8 610
		Reserve on conversion from no par value to par value shares	209	209
209	209	Capital redemption reserve	1 943	1 943
1 943	1 943	Contingency reserve	6 406	–
–	–	Foreign currency translation reserve	6 458	6 458
–	–			
		9.2 Distributable reserve		
67 724	246 983	Retained earnings	809 552	526 699
69 876	249 135		824 568	535 309
		10 INTEREST BEARING BORROWINGS		
		Unsecured		
		The full amount was repaid during July 2001 at an interest rate of 15.66%.	–	17 374
–	–	Preference share capital (note 11)	2 450	2 450
2 450	2 450		2 450	19 824
2 450	2 450	Less: Redemption within 12 months transferred to current portion of borrowings	–	17 374
–	–		2 450	2 450
2 450	2 450			
		11 PREFERENCE SHARE CAPITAL		
		11.1 Authorised:		
		175 000 6% Non-convertible cumulative preference shares of R2 each		
		325 000 5% Non-convertible cumulative preference shares of R2 each		
		225 000 Second 5% non-convertible cumulative preference shares of R2 each		
		1 000 000 Third 5% non-convertible cumulative preference shares of R2 each		





Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		11 PREFERENCE SHARE CAPITAL (Continued)		
		11.2 Issued:		
350	350	175 000 6% Non-convertible cumulative preference shares of R2 each	350	350
650	650	325 000 5% Non-convertible cumulative preference shares of R2 each	650	650
450	450	225 000 Second 5% non-convertible cumulative preference shares of R2 each	450	450
1 000	1 000	500 000 Third 5% non-convertible cumulative preference shares of R2 each	1 000	1 000
2 450	2 450		2 450	2 450
		12 DEFERRED TAX LIABILITIES		
		Allowances on property, plant and equipment	4 867	5 137
		Provisions	(861)	(654)
–	–		4 006	4 483
		The movement in the deferred tax liabilities is as follows:		
		At beginning of year	4 483	3 706
		Income statement charge	(477)	552
		Acquired during the year (note 24.6.2)	–	225
–	–	At end of year	4 006	4 483
		13 PROVISIONS		
		Provision for post-retirement medical benefits (note 28.2)	139 390	135 970
		Provision for uneconomical lease commitments	127 462	169 951
		Provision for warranties	18 905	7 444
–	–		285 757	313 365

13.1 Reconciliation of carrying values

R'000	Post-retirement medical benefits	Uneconomical lease commitments	Warranties	Total
Balance at 1 July 2000	140 645	224 302	–	364 947
Additional provisions	–	–	7 444	7 444
Unused amounts reversed	(4 675)	–	–	(4 675)
Utilised during the year	–	(54 351)	–	(54 351)
Balance at 30 June 2001	135 970	169 951	7 444	313 365
Additional provisions	10 370	–	11 825	22 195
Unused amounts reversed	–	–	(364)	(364)
Utilised during the year	(6 950)	(42 489)	–	(49 439)
Balance at 30 June 2002	139 390	127 462	18 905	285 757

Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		13 PROVISIONS (Continued)		
		13.2 Analysis of total provisions		
		Non-current	230 376	263 432
		Current	55 381	49 933
			285 757	313 365
		14 TRADE AND OTHER PAYABLES		
125	115	Trade payables	3 045 998	3 181 990
–	–	Unearned premiums	51 157	–
–	–	Claims incurred but not reported	4 484	–
–	–	Other payables and accruals	1 238 807	985 897
–	–	Current portion of provisions	55 381	49 933
56	2 909	Current tax liability	61 245	29 565
181	3 024		4 457 072	4 247 385
		15 OPERATING PROFIT		
		Determined after taking into account the following:		
–	–	Staff costs (note 17)	1 821 281	1 689 647
–	–	Depreciation on property, plant and equipment (note 1)	327 556	286 305
–	–	Operating lease payments – property (note 16)	647 690	645 403
–	–	Operating lease payments – equipment	33 998	24 351
–	–	Operating lease income	174 413	196 019
38	38	Auditors' remuneration	9 313	7 425
38	38	Audit fees – for the year	5 593	5 401
–	–	– under / (over) provided – previous year	49	(705)
–	–	Fees for other services	3 671	2 729
664	493	Fees paid for outside services	56 753	62 096
–	–	Administrative	13 922	21 857
–	–	Technical	40 647	39 101
664	493	Secretarial	2 184	1 138
23 158	150 260	Exchange gains	24 314	3 598
–	–	Loss on disposal and scrapping of property, plant and equipment	8 453	1 981
–	–	Underwriting loss of insurance activities	5 253	–
		16 OPERATING LEASES		
		The Group has entered into various operating lease agreements on property and equipment.		
		Leases on properties are contracted for periods of between 10 and 20 years with renewal options for a further 5 to 20 years. Rental comprises minimum monthly payments and contingent payments based on turnover levels. Turnover rentals, where applicable, average 1.75% of turnover. Rental escalations vary, but average at a rate of 7% per annum.		





Notes to the Annual Financial Statements

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for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		16 OPERATING LEASES (Continued)		
		Operating lease payments		
		– Minimum lease payments	542 956	554 878
		– Contingent rents	104 734	90 486
		– Sublease payments	–	39
–	–		647 690	645 403
		17 STAFF COSTS		
		Wages and salaries	1 713 577	1 613 754
		Post-retirement medical benefits (note 28)	10 370	(4 675)
		Retirement benefit contributions (note 28)	97 334	80 568
–	–		1 821 281	1 689 647
		Average number of persons employed by the Group during the year:		
		Full time	29 081	28 344
		Part time	33 615	33 974
–	–		62 696	62 318
		18 DIRECTORS' REMUNERATION		
9 401	11 122	Executive directors		
621	683	Non-executive directors		
10 022	11 805			
(9 976)	(11 748)	Less: Paid by subsidiaries		
46	57			

	R '000	Fees	Remuneration	Performance bonus	Other benefits	Total
Non-executive directors						
C H Wiese*		–	–	–	–	–
J A Louw		12	–	–	–	12
J J Fouché*		–	–	–	–	–
M G Loubser		33	–	–	–	33
J F Malherbe		12	–	–	–	12
C Moore		–	–	–	–	–
		57	–	–	–	57
Executive directors						
J W Basson		–	4 222	–	–	4 222
B Rogut		–	1 144	–	220	1 364
C G Goosen		–	1 152	282	438	1 872
S U M Martinengo		–	758	250	8	1 016
B Weyers		–	759	231	270	1 260
A N van Zyl		–	801	251	336	1 388
		–	8 836	1 014	1 272	11 122

*An amount of R626 251 was paid to a management company in respect of services rendered by these directors to the Group.

For details of share options issued to directors refer note 8.3.3.

Notes to the Annual Financial Statements

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for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		19 EXCEPTIONAL ITEMS		
–	–	Profit / (loss) on disposal of property	11 139	(5 232)
–	(93 049)	Write down of investment in subsidiaries	–	–
–	–	Impairment of buildings	(15 469)	–
–	–	Payment made for lease cancellation	(2 031)	(1 500)
–	–	Amortisation of goodwill	–	(160)
98	111	Prescription of amounts owing	111	98
–	–	Provision for losses in the employee share incentive trust	–	(127 378)
(5 800)	(23 781)	Write down of unlisted investment (note 3.3)	(23 781)	(5 800)
–	–	Amortisation of negative goodwill (note 5)	69 319	65 314
(5 702)	(116 719)		39 288	(74 658)
–	–	The above had no effect on minority interest.		
–	–	Tax effect on exceptional items	–	450
		20 INVESTMENT INCOME		
108	92	Interest on investment of surplus funds	29 904	29 322
–	–	Interest received – insurance activities	2 880	–
80 075	284 683	Dividends – from subsidiaries	–	–
–	–	– unlisted investments	270	215
–	–	– listed investment	1 007	–
80 183	284 775		34 061	29 537
		21 FINANCE COSTS		
43	112	Interest paid	47 339	24 877
126	126	Preference dividends	126	126
21	21	6% Non-convertible cumulative preference shares of R2 each	21	21
32	32	5% Non-convertible cumulative preference shares of R2 each	32	32
23	23	Second 5% non-convertible cumulative preference shares of R2 each	23	23
50	50	Third 5% non-convertible cumulative preference shares of R2 each	50	50
169	238		47 465	25 003
		22 TAX		
		22.1 Classification:		
12 843	19 103	South African normal tax	127 948	81 261
–	–	Foreign tax	23 346	18 474
12 843	19 103		151 294	99 735
		22.2 Consisting of:		
–	3 904	Current tax	59 168	21 790
–	253	Prior year tax	(4 726)	4 545
–	–	Withholding tax	2 679	3 411
12 843	14 946	Secondary tax on companies	16 459	12 926
12 843	19 103		73 580	42 672
–	–	Deferred tax	77 714	57 063
12 843	19 103		151 294	99 735



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SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002

Company			Group																									
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000																								
		22 TAX (Continued)																										
		22.3 Reconciliation of tax:																										
29 149	95 378	South African normal tax at 30% (2001: 30%)	164 412	100 984																								
(16 306)	(76 275)	Net adjustments	(13 118)	(1 249)																								
38	38	Preference dividends	38	38																								
(24 022)	(85 405)	Dividend income	(383)	(65)																								
(5 214)	(6 107)	Other exempt income and non-deductible expenses	(32 228)	4 442																								
–	–	Deferred tax asset previously not recognised	(3 543)	(18 437)																								
–	–	Utilisation of tax losses	(3 767)	(2 142)																								
–	253	Prior year tax	(4 726)	4 545																								
12 843	14 946	Secondary tax on companies	16 459	12 926																								
–	–	Effect of foreign tax rates	(8 209)	(18 415)																								
–	–	Withholding tax	2 679	3 411																								
49	–	Deferred tax asset not recognised	20 562	12 448																								
12 843	19 103	Tax	151 294	99 735																								
–	–	22.4 Calculated tax losses at year-end	623 075	905 957																								
–	–	Applied in the provision for deferred tax	509 742	844 883																								
–	–	Net calculated tax losses	113 333	61 074																								
		The utilisation of the tax relief, translated at closing rates, to the value of R31 200 634 (2001: R18 695 507) calculated at current tax rates on the net calculated tax losses, is dependent on sufficient future taxable income in the companies concerned. The carry forward of all calculated tax losses are indefinite, except for certain African countries, as set out below:																										
		<table border="1"> <thead> <tr> <th>Expiry date</th> <th>Amount R'000</th> <th>Tax relief R'000</th> </tr> </thead> <tbody> <tr> <td>30 June 2003</td> <td>7 684</td> <td>1 345</td> </tr> <tr> <td>30 June 2004</td> <td>15 174</td> <td>2 655</td> </tr> <tr> <td>30 June 2005</td> <td>32 798</td> <td>6 041</td> </tr> <tr> <td>30 June 2006</td> <td>11 653</td> <td>4 836</td> </tr> <tr> <td>30 June 2007</td> <td>23 832</td> <td>9 666</td> </tr> <tr> <td>30 June 2008</td> <td>6 275</td> <td>1 883</td> </tr> <tr> <td></td> <td>97 416</td> <td>26 426</td> </tr> </tbody> </table>	Expiry date	Amount R'000	Tax relief R'000	30 June 2003	7 684	1 345	30 June 2004	15 174	2 655	30 June 2005	32 798	6 041	30 June 2006	11 653	4 836	30 June 2007	23 832	9 666	30 June 2008	6 275	1 883		97 416	26 426		
Expiry date	Amount R'000	Tax relief R'000																										
30 June 2003	7 684	1 345																										
30 June 2004	15 174	2 655																										
30 June 2005	32 798	6 041																										
30 June 2006	11 653	4 836																										
30 June 2007	23 832	9 666																										
30 June 2008	6 275	1 883																										
	97 416	26 426																										
		23 EARNINGS PER SHARE																										
		Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares purchased by the Group and held as treasury shares (note 8).																										



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

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Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		23 EARNINGS PER SHARE (Continued)		
		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 annual 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 but no adjustment is made to net profit.		
		Net profit attributable to shareholders	404 895	233 683
		Exceptional items (note 19)	(39 288)	74 658
		Tax effect on exceptional items	–	(450)
		Headline earnings	365 607	307 891
		Weighted average number of ordinary shares ('000)	516 764	543 479
		Adjustment for dilutive potential of share options ('000)	2 278	–
		Weighted average number of ordinary shares for diluted earnings per share ('000)	519 042	543 479
		Number of ordinary shares ('000)		
		– In issue	507 761	543 479
		– Weighted average	516 764	543 479
		– Weighted average (adjusted for dilution)	519 042	543 479
		Earnings per share (cents)		
		– Earnings	78.4	43.0
		– Diluted earnings	78.0	43.0
		– Headline earnings	70.7	56.7
		– Diluted headline earnings	70.4	56.7
		24 CASH FLOW INFORMATION		
		24.1 Non-cash items		
		Depreciation on property, plant and equipment	327 556	286 305
		Provision for losses in subsidiary	–	–
		Movement in provisions	(27 608)	(51 582)
		Loss on disposal and scrapping of plant and equipment	8 453	1 981
		Unrealised foreign exchange gain	–	(11)
			308 401	236 693
		24.2 Changes in working capital		
		Inventories	(89 320)	(52 049)
		Trade and other receivables	(56 630)	(252 095)
		Trade and other payables	351 167	703 541
			205 217	399 397



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Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		24 CASH FLOW INFORMATION (Continued)		
		24.3 Exceptional items		
(5 702)	(116 719)	Exceptional items per income statement	39 288	(74 658)
–	–	(Profit) / loss on disposal of property	(11 139)	5 232
–	93 049	Write down of investment in subsidiaries	–	–
–	–	Impairment of buildings	15 469	–
5 800	23 781	Write down of unlisted investment	23 781	5 800
–	–	Provision for losses in the employee share incentive trust	–	127 378
–	–	Amortisation of goodwill	–	160
–	–	Amortisation of negative goodwill	(69 319)	(65 314)
98	111		(1 920)	(1 402)
		24.4 Dividends paid		
(91)	(420)	Shareholders for dividends at beginning of year	(3 411)	(267)
(103 263)	(119 565)	Dividends distributed to shareholders	(115 636)	(103 263)
–	–	Dividends distributed to minorities	(10 245)	(1 952)
420	505	Shareholders for dividends at end of year	587	3 411
(102 934)	(119 480)		(128 705)	(102 071)
		24.5 Tax paid		
599	740	Payable at beginning of year	(26 363)	(8 349)
(12 843)	(19 103)	Per income statement	(73 580)	(42 672)
(740)	2 909	Payable at end of year	44 900	26 363
(12 984)	(15 454)		(55 043)	(24 658)
		24.6 Cash flows from investing activities		
–	–	Purchase of property, plant and equipment	(618 549)	(475 192)
–	–	Proceeds on disposal of property, plant and equipment	39 572	48 105
–	–	Other investing activities	(4 349)	5 997
–	(52 019)	Purchase of indirect subsidiaries	–	–
105 729	63 638	Decrease in amounts owing by subsidiaries	–	–
(70 138)	(165 601)	Preference share investments	–	–
–	–	Proceeds on issue of additional share capital to minorities (note 24.6.1)	7 477	–
–	–	Purchase of unlisted investment	(47 006)	(20 400)
–	–	Acquisition of further interest in subsidiaries (note 24.6.2)	–	(19 994)
35 591	(153 982)		(622 855)	(461 484)



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for the year ended 30 June 2002

Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		24 CASH FLOW INFORMATION (Continued)		
		24.6.1. During July 2001 the Group acquired 70% of the additional share capital issued by Shoprite Egypt for Internal Trade. This additional purchase had no effect on the Group's ultimate percentage shareholding in the company.		
		24.6.2 On 15 August 2000 the Group acquired a further 38.2% of the share capital of Sentra Namibia Ltd.		
		Details of net assets acquired and goodwill were as follows:		
		Cash paid		19 994
		Fair value of net assets acquired		19 834
		Goodwill	–	160
		The assets and liabilities arising from the acquisition were as follows:		
		Cash and cash equivalents		13 700
		Property, plant and equipment (note 1)		1 102
		Inventories		36
		Trade and other receivables		39 585
		Minority interest		(8 609)
		Deferred tax liabilities (note 12)		(225)
		Trade and other payables		(22 372)
		Interest bearing borrowings		(113)
			–	23 104
		Less: Portion previously acquired		(3 270)
		Goodwill	–	19 834
				160
		Total purchase consideration	–	19 994
		24.7 Cash flows from financing activities		
277	–	Proceeds on shares issued by the Company	–	277
–	–	Acquisition of treasury shares	(453 373)	–
–	–	Interest bearing borrowings repaid	(17 374)	(46 798)
277	–		(470 747)	(46 521)
		25 CONTINGENT LIABILITIES		
420 000	60 000	Guarantees issued in respect of debt of the share incentive trust	60 000	420 000
–	31 230	Other guarantees	56 225	100 859
420 000	91 230		116 225	520 859



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



SHOPRITE



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		26 COMMITMENTS		
		26.1 Capital commitments		
		Contracted for	160 603	126 446
		Authorised by directors, but not contracted for	798 447	631 730
–	–	Total capital commitments	959 050	758 176
		Capital commitments for the 12 months after accounting date	959 050	758 176
		Funds to meet this expenditure will be provided from the Group's own resources and borrowings.		
		26.2 Operating lease commitments		
		Future minimum lease payments under non-cancellable operating leases		
		– Not later than 1 year	616 067	554 374
		– Later than 1 year not later than 5 years	2 111 488	2 059 731
		– Later than 5 years	1 921 201	2 035 155
–	–		4 648 756	4 649 260
		26.3 Operating lease receivables		
		Future minimum lease payments receivable under non-cancellable operating leases		
		– Not later than 1 year	141 107	135 115
		– Later than 1 year not later than 5 years	278 098	274 789
		– Later than 5 years	32 603	41 116
–	–		451 808	451 020
		27 BORROWING POWERS		
		In terms of the Articles of Association of the Company the borrowing powers of Shoprite Holdings Limited are unlimited.		
		28 POST-RETIREMENT BENEFITS		
		28.1 Pension / Provident Funds		
		The Group provides retirement benefits to 90.26% of full-time employees and 7.38% of the employees belong to national retirement plans. The monthly contributions are charged to the income statement.		
		All company funds are defined contribution funds, except for two which are defined benefit funds. All South African funds are subject to the Pension Fund Act of 1956. The two defined benefit funds are actuarially valued every three years.		
		Both benefit funds are in the process of being closed, one by liquidation (527 active members) and the other by termination (1 active member and 30 pensioners). In terms of the valuation cycle, all funds were confirmed as being financially sound as at their last valuation.		
		During the year under review contributions to retirement funding have been calculated as	102 971	97 021

Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		28 POST-RETIREMENT BENEFITS (Continued)		
		During the year under review, some employing companies have taken a contribution holiday which resulted in a financial benefit to the Group of	5 637	16 453
		The Group is currently implementing the surplus regulations of December 2001. The Group's apportionment date is 30 June 2004, and any resulting surpluses will be recognised if and when it is confirmed in terms of the abovementioned regulations.		
		28.2 Medical benefits		
		Full provision for post-retirement medical benefits, where they exist, are made with reference to actuarial valuations in respect of past services liabilities.		
		The principal actuarial assumptions used for accounting purposes are as follows:		
		Health care cost inflation	11.0%	
		Discount rate	13.0%	
		Salary inflation	8.0%	
		Promotions and experience increases	1.5%	
		Continuation at retirement	100%	
		The amounts recognised in the balance sheet (note 13) were determined as follows:		
		Present value of post retirement medical benefits	146 900	
		Net actuarial gains recognised during the year	(7 510)	
		Liability in balance sheet	139 390	
		The amounts recognised in the income statement were as follows:		
		Current service cost	2 240	
		Net actuarial gains recognised during the year	(7 510)	
		Interest cost	15 640	
		Total included in staff costs (note 17)	10 370	
		29 GUARANTEES		
1 023 809	1 830 035	29.1 Guarantees in favour of banks	–	169 213
		29.2 The Company guarantees the obligations of subsidiaries for the rental of land and buildings.		
		30 FINANCIAL RISK MANAGEMENT		
		30.1 Financial risk factors		
		The Group's activities expose it to a variety of financial risks, including the effects of changes in debt, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain exposures.		

Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



SHOPRITE

Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		30 FINANCIAL RISK MANAGEMENT (Continued)		
		Risk management is carried out by a central treasury department under policies approved by the board of directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.		
		30.1.1 Foreign exchange risk		
		The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The treasury department hedges the Group's net position in each foreign currency by using call deposits in foreign currencies and derivative financial instruments in the form of forward foreign exchange contracts.		
		Forward foreign exchange contracts are not used for speculative purposes. As at 30 June 2002 and 30 June 2001 the settlement dates on open forward contracts ranged between 3 months and 1 year. The local currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were:		
		US dollars rand equivalent (at rates averaging R1=USD 0,0952) (2001: R1=USD 0,1215)	47 275	60 839
		The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. This exposure is managed primarily through net investments denominated in relevant foreign currencies.		
		30.1.2 Interest rate risk		
		The weighted average effective interest rate on call accounts was 10.35% (2001: 11%).		
		For exposure to interest rate risk on other monetary items refer to the following:		
		– Interest bearing borrowings : note 10		
		– Finance lease investments : note 7		



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002



Company		Group	
30 June 2001 R'000	30 June 2002 R'000	30 June 2002 R'000	30 June 2001 R'000

30 FINANCIAL RISK MANAGEMENT (Continued)

30.1.3 Credit risk

Potential concentration of credit risk consists principally of cash and cash equivalents, accounts receivable and investments. Except for the total exposure represented by the respective balance sheet items, the Group has no other significant concentration of credit risk. Accounts receivable comprise a wide spread client base and the Group has policies in place to ensure that all sales of goods and services on credit are made to customers with an appropriate credit history.

Funds are only invested with financial institutions with acceptable CA credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

The following constituted significant concentrations of short term surplus funds invested in currencies other than the reporting currency as at 30 June 2002:

Country	Foreign currency	Rand equivalent R'000
USA	Dollar	207 092
Botswana	Pula	15 583
Malawi	Kwacha	22 780
Mozambique	Meticals	9 116
Zambia	Kwacha	8 791
Europe	Euro	44 080

30.1.4 Liquidity risk

The Group's risk of illiquidity is mitigated by unutilised banking facilities of R1 710 060 000 (2001: R967 000 000) and unlimited borrowing powers.

30.2 Fair value estimation

The book value of financial instruments approximate the fair values thereof, with the exception of listed investments.

31 RELATED PARTY INFORMATION

Related party relationships exist between the Company, subsidiaries and the directors of the Company.

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



Notes to the Annual Financial Statements

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

for the year ended 30 June 2002

Company			Group	
30 June 2001 R'000	30 June 2002 R'000		30 June 2002 R'000	30 June 2001 R'000
		31 RELATED PARTY INFORMATION (Continued)		
		Details of the remuneration of directors, and their shareholding, are disclosed elsewhere in the annual report.		
		All executive directors have service contracts with notice periods not exceeding one year.		
		32 CHANGE IN ACCOUNTING POLICY		
		32.1 With the introduction of AC 135, Investment properties, buildings are now depreciated in terms of Generally Accepted Accounting Practise. As this constitutes a change in accounting policy as per AC 103, the carrying values of buildings and the related depreciation costs have been restated.		
		The effect on the Group's annual financial statements is set out below and in the statement of changes in equity.		
		Profit before tax	(12 274)	(8 108)
		Tax	–	–
		Net profit	(12 274)	(8 108)
		32.2 The Group now recognises dividends and related secondary tax on companies (STC) on declaration date in terms of revised AC 107 – Events after balance sheet date.		
		All the figures in the annual financial statements have been restated to reflect the change as illustrated below and in the statement of changes in equity.		
		Profit before tax	–	–
(1 019)	(2 383)	Tax	(2 383)	(1 019)
1 019	2 383	Net profit	2 383	1 019
(8 152)	(19 022)	Dividends distributed to shareholders	(13 843)	(8 152)



Interests in Subsidiaries

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

as at 30 June 2002



	Issued share capital and premium R'000	Percentage shares held by Group %	Investments in shares		Amount owing by/(to)	
			30 June 2002 R'000	30 June 2001 R'000	30 June 2002 R'000	30 June 2001 R'000
DIRECT SUBSIDIARIES						
OK Bazaars (1998) (Pty) Ltd	2 700	100	–	57 708	3 613	3 613
Shoprite Checkers (Pty) Ltd	1 128 908	100	160 078	160 078	246 481	236 327
Shoprite Guernsey Ltd	661 585	100	661 585	345 724	15 453	43 131
Shoprite Insurance Company Ltd	20 230	100	20 230	20 230	(223)	(223)
Shoprite Checkers Properties Ltd	26 196	100	16 677	–	2 290	–
Emquat Ltd		100	–	–	–	48 406
Other		100	166	165	737	735
			858 736	583 905	268 351	331 989
INDIRECT SUBSIDIARIES						
Freshmark (Pty) Ltd	1	100			(590)	(590)
Africa Supermarkets Ltd*		100				
Checkers Chatsworth Ltd	2 000	48				
Freshmark Africa (Zambia) Ltd*	2	100				
OK Bazaars (Lesotho) (Pty) Ltd*	300	50				
OK Bazaars (Namibia) Ltd*	500	100				
OK Bazaars (Swaziland) (Pty) Ltd*	200	100				
OK Bazaars (Venda) Ltd	2 400	50				
Propco Mozambique Ltd*	432	90				
Retail Holdings Botswana (Pty) Ltd*	5 000	100				
Sentra Namibia Ltd*	5 880	73				
Shoprite Checkers Uganda Ltd*	8	100				
Shoprite Egypt for Internal Trade*	40 424	70				
Shoprite Checkers Zimbabwe (Pvt) Ltd*	4 488	35				
Shoprite Trading Ltd (Malawi)*	3	100				
Shoprite Supermercados Lda (Angola)*	342	100				
Shophold Mauritius Ltd*	351	100				
Shoprite Namibia (Pty) Ltd*		100				
			858 736	583 905	267 761	331 399

*Converted at historical exchange rates

NOTE:

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





Analysis of Shareholders

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

as at 30 June 2002

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	3 975	60.2	1 152 311	0.2
1 001 – 10 000 shares	1 662	25.2	5 796 357	1.1
10 001 – 100 000 shares	617	9.4	21 221 949	3.9
100 001 – 1 000 000 shares	269	4.1	82 243 058	15.1
1 000 001 – 5 000 000 shares	56	0.8	112 490 854	20.7
5 000 001 and more	21	0.3	320 574 931	59.0
	6 600	100.0	543 479 460	100.0



DISTRIBUTION LIST	Number of shareholders	%	Number of shares	%
Corporate Bodies	450	6.8	145 698 477	26.8
Individuals	5 616	85.1	34 301 702	6.3
Banks	100	1.5	55 743 835	10.3
Insurance Companies	49	0.7	75 989 998	14.0
Government	78	1.2	92 138 594	16.9
Share Incentive Trust	1	–	3 210 833	0.6
Pension / Provident Funds	195	3.0	37 530 723	6.9
Growth Funds / Unit Trusts	110	1.7	63 146 739	11.6
Shoprite Checkers (Pty) Ltd	1	–	35 718 559	6.6
	6 600	100.0	543 479 460	100.0


SHAREHOLDING OF MORE THAN 1.5%	Number of shares	%
Titan Nominees (Pty) Ltd	69 526 505	12.8
Public Investment Commissioner	65 757 904	12.1
Old Mutual Group	52 971 291	9.7
Shoprite Checkers (Pty) Ltd	35 718 559	6.6
Sanlam Group	30 484 048	5.6
Pepkor Limited	20 202 020	3.7
Allan Gray	16 152 855	3.0
Prudential Group	14 393 702	2.6
State Street Bank and Trust	13 527 879	2.5
W Meyersohn	11 664 552	2.1
Standard Bank Group	11 368 508	2.1
	341 767 823	62.8





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EQUIPMENT (PTY) LTD



NBS (PTY) LTD
NORTHERN BAKING SYSTEMS



Shareholders' Diary

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002



SHOPRITE

June – Financial year-end

August – Preliminary results

September – Publishing of annual report
– Payment of preference dividend
– Payment of final ordinary dividend

October – Annual general meeting

December – End of financial half-year

February – Interim results
– Interim ordinary dividend declaration

March – Payment of preference dividend
– Payment of interim ordinary dividend



Notice to Shareholders

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
Share code: SHP
ISIN: ZAE000012084
("Shoprite Holdings" or "the Company")

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shoprite Holdings Limited (the Company") will be held in the boardroom of Shoprite's head office, corner William Dabs and Old Paarl Roads, Brackenfell on Friday 25 October 2002 at 11h15 am for the purpose of considering and if deemed fit, passing with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act No 61 of 1973 ("the Act") as amended:

Ordinary resolution no 1:

That the financial statements of the Company and the Group for the twelve (12) months ending 30 June 2002 and the reports of the directors and auditors be considered and accepted.

Ordinary resolution no 2:

That the remuneration of the non-executive directors be approved.

Ordinary resolution no 3:

To re-appoint the firm PricewaterhouseCoopers as auditors for the period until the conclusion of the next Annual General Meeting of the Company.

Ordinary resolution no 4:

To confirm the recommendation by the directors with regard to the payment of the ordinary dividend.

Ordinary resolution no 5:

To extend, until the conclusion of the next Annual General Meeting of the Company, the unconditional general authority granted to the directors to place under their control and to allot and issue at their discretion, subject to the provisions of section 221 of the Act and the requirements of the JSE Securities Exchange South Africa ("the JSE") and any other exchange on which the shares of the Company may be quoted or listed from time to time, the authorised unissued shares of the Company on such terms and conditions and to such persons, whether they be shareholders or not, as the directors may in their sole discretion deem fit.

Ordinary resolution no 6:

That subject to a minimum of 75% of the shareholders of the Company present personally or by proxy at the General Meeting and entitled to vote, voting in favour thereof, the directors be authorised to issue unissued shares in the capital of the Company for cash as and when the opportunity arises, subject to the requirements of the JSE, including the following:

- the authorisation is valid until the next Annual General Meeting of the Company provided it shall not extend beyond fifteen (15) months from the date on which the authorisation is granted; and
- a paid press announcement which provides full details, including the effect on net asset value and earnings per share, shall be published at the time of any issue which, on a cumulative basis, represents, within one (1) financial year, 5% or more of the number of issued shares before the issue; and
- the issues of shares in any one (1) financial year may in total not exceed 15% of the number of ordinary shares in the issued share capital of the Company; and
- upon determination of the price at which an issue of shares in terms of the authorisation may be effected, the greatest discount which will be allowed is 10% of the weighted average of the market value of the shares as determined during the thirty (30) business days prior to the date on which the price of the issue was determined or the directors of the Company reached agreement thereon; and
- any such issue shall be made only to public shareholders as defined by the JSE.

Ordinary resolution no 7:

That Mr JW Basson, who retires as a director in terms of the Articles of Association of the Company, but being eligible for re-election, be re-elected as a director of the Company.

JW Basson's abridged curriculum vitae appears on page 25 of the Annual Report of the Company.



Notice to Shareholders (Continued)

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

Ordinary resolution no 8:

That Mr CG Goosen, who retire as a director in terms of the Articles of Association of the Company, but being eligible for re-election, be re-elected as a director of the Company.

CG Goosen's abridged curriculum vitae appears on page 25 of the Annual Report of the Company.

Ordinary resolution no 9:

That Mr B Rogut, who retire as a director in terms of the Articles of Association of the Company, but being eligible for re-election, be re-elected as a director of the Company.

B Rogut's abridged curriculum vitae appears on page 26 of the Annual Report of the Company.

Ordinary resolution no 10:

That Mr JJ Fouché, who retire as a director in terms of the Articles of Association of the Company, but being eligible for re-election, be re-elected as a director of the Company.

JJ Fouché's abridged curriculum vitae appears on page 25 of the Annual Report of the Company.

Ordinary resolution no 11:

That the trust deed of The Shoprite Holdings Ltd Share Incentive Trust (T1245/93) ("the Trust") is amended by adding the following:

As a new clause 16.4.A:

"**16.4.A.** Notwithstanding the provisions of clause 16.4, the trustee/s may at any time, if so recommended by the directors, agree to shorter periods for the release of scheme shares contemplated in clauses 16.4.1, 16.4.2 and 16.4.3 with the participant concerned."

As a new clause 19.6.1.A:

"**19.6.1.A.** Notwithstanding the provisions of clause 19.6.1, the trustee/s may at any time, if so recommended by the directors, agree to shorter periods for the release of the option scheme shares contemplated in clauses 19.6.1.1, 19.6.1.2 and 19.6.1.3 with the option holder concerned."

As a new clause 25.3:

"**25.3.** Any amendment to this deed will, subject to the provisions of clause 25.1, also apply to an offer made or an option granted prior to the date on which the amendment in question takes effect."

The reason for the ordinary resolution is to amend the trust deed of the Trust in order to authorise the trustees, if so recommended by the directors, to agree to shorter periods for the release of scheme shares and/or option scheme shares and in order to ensure that any amendment to the trust deed will also apply to an offer made or an option granted prior to the date on which the amendment takes effect.

The effect of the ordinary resolution will be to amend the trust deed of the Trust accordingly.

Ordinary resolution no 12:

That each of the directors of the Company be authorised and is hereby authorised to do all things, perform all acts and sign all documentation necessary to effect the implementation of the ordinary and special resolutions adopted at this Annual General Meeting.

Special resolution no 1:

That the Company be authorised and is hereby authorised by a general authorisation of the members to repurchase issued shares as and when the opportunity arises, subject to the provisions of the Act and the requirements of the JSE, including the following:

- the authorisation is valid until the next Annual General Meeting of the Company provided it shall not extend beyond 15 (fifteen) months from the date of this resolution;
- the general repurchase of shares is limited to a maximum of 20% of the ordinary shares in the issued share capital of the Company at the time this authority is granted;
- repurchases may not be made at a price more than 10% above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date of repurchase.

The reason for and effect of the passing of the special resolution is to give to the directors a renewable general authorisation to repurchase the ordinary issued shares of the Company as and when the opportunity arises.

The directors do not anticipate an immediate acquisition by the Company of its own shares prior to the next Annual General Meeting. However, the directors are of the opinion that it is prudent to seek the requisite approval to authorise the Company to acquire its own shares so as to enable the directors to do so if circumstances arise which, in the opinion of the directors, make it necessary to do so.

Notice to Shareholders (Continued)

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

After considering the effect of a maximum permitted repurchase of the Company's shares, being 20% of the issued shares at the date of this resolution, the directors consider that:

- the Company and its subsidiaries will be able in the ordinary course of business to pay its debts for a period of 12 months following the date of this resolution.
- the assets of the Company and its subsidiaries will be in excess of their liabilities for a period of 12 months following the date of this resolution.
- the ordinary issued share capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the Company and its subsidiaries for a period of 12 months following the date of this resolution; and
- the working capital available to the Company and its subsidiaries will be sufficient for the requirements of the Company and its subsidiaries for a period of 12 months following the date of this resolution.

Special resolution no 2:

That the Company's Articles of Association are amended by adding the following as a new Article 44:

- "44. In implementing any odd-lot offer made by the Company in accordance with the Listing Requirements of the JSE, the Company shall, in respect of members holding less than 100 ordinary shares in the issued share capital of the Company ("odd-lots") and who did not elect to retain their odd-lots or increase their odd-lot holdings, cause the odd-lots to be sold on such terms as the directors may determine and the Company shall account to the members concerned for the proceeds attributable to the sales."

The reason for the special resolution is to amend the Company's Articles of Association for purposes of facilitating the implementation of odd-lot offers by creating a mechanism to reduce the number of shareholders of the Company who hold less than 100 ordinary shares in the issued share capital of the Company.

The effect of the special resolution will be to amend the Company's Articles of Association accordingly.

Proxies:

A member entitled to attend and vote may appoint a proxy, who need not be a member of the Company, to attend, speak and vote on his/her behalf. A proxy form is enclosed for those members who are unable to attend. Proxies must reach the Secretary at his office at corner William Dabs and Old Paarl Roads, Brackenfell, 7560 at least 48 hours before the commencement of the meeting.

BY ORDER OF THE BOARD
SHOPRITE HOLDINGS LIMITED

AN van Zyl

Company Secretary
19 August 2002

Registered Office

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



Form of Proxy

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
Share code: SHP
ISIN: ZAE000012084
("Shoprite Holdings" or "the Company")

FORM OF PROXY: Annual General Meeting – 25 October 2002

I/We _____
(Full names and surname in block letters)

of _____
(Full address)

as a member of Shoprite Holdings Limited, being a registered holder of shares in the Company, hereby appoint:

1. _____ or,

2. _____ or,

3. THE CHAIRMAN OF THE MEETING

as my/our proxy to attend, speak and vote on my/our behalf, as indicated below at the Annual General Meeting of the shareholders of Shoprite Holdings Limited to be held at 11:15 on 25 October 2002 at Brackenfell, and at any adjournment thereof:

Indicate with an X in the appropriate block:

	In favour of	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2			
Ordinary resolution number 3			
Ordinary resolution number 4			
Ordinary resolution number 5			
Ordinary resolution number 6			
Ordinary resolution number 7			
Ordinary resolution number 8			
Ordinary resolution number 8			
Ordinary resolution number 10			
Ordinary resolution number 11			
Ordinary resolution number 12			
Special resolution number 1			
Special resolution number 2			

Signed this _____ day of _____ 2002.

Signature (normal signature) _____

Form of Proxy

SHOPRITE HOLDINGS LIMITED ANNUAL REPORT 2002

Notes:

1. A member entitled to attend and vote at the above Annual General Meeting shall be entitled to appoint one or more persons, who need not be members of the Company, as his/her proxy to attend and speak, to vote or abstain, in his/her place, at such Annual General Meeting.
2. If a form of proxy duly signed, is lodged without specific directions to which way the proxy is to vote, the proxy will be deemed to have been authorised to vote, as he/she thinks fit.
3. If the proxy is signed under power of attorney or on behalf of a company, such power of authority, unless previously registered with the Company, must accompany it.
4. Proxies must reach the secretary at his office at corner William Dabs and Old Paarl Roads, Brackenfell, 7560 (P O Box 215, Brackenfell, 7561) at least 48 hours before the commencement of the meeting.
5. This proxy form, forming part of the notice to shareholders, is only to be completed by those shareholders who are:
 - holding shares in certificated form
 - recorded on the sub-register in electronic form in "own name"
6. All other beneficial owners who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instructions in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.

N.B. This proxy is for use by holders of ORDINARY SHARES in SHOPRITE HOLDINGS LIMITED.