

Preliminary results for the year ended 30 June 2003



SHOPRITE 
HOLDINGS LTD

(Registration No 1936/007721/06)

ISIN no: ZAE 000012084
JSE share code: SHP

NSX share code: SRH
LuSE share code: Shoprite

Highlights

- Total sale of merchandise rose 13% to R 24,8 billion (2002: R22 bn)
- Revenue from Africa in stable currency terms up 32%
- Operating profit before exchange differences increased by 21% to R603 million (2002: R498 m)
- Exchange loss of R133 million from strengthening Rand (2002: Exchange profit of R 24 million)
- Checkers operating profit up 39% over last year
- Dividend per share increased by 20% to 30.5c (2002: 25.5c)

CONDENSED GROUP INCOME STATEMENT

R'000	12 months to		Audited
	30 June 2003	change	12 months to 30 June 2002
Revenue	24 971 333	12.94	22 109 797
Sale of merchandise	24 824 516		21 984 955
Gross profit	3 736 360		3 291 988
Other operating income	1 966 343		1 947 645
Depreciation	(363 772)		(327 556)
Operating leases	(793 347)		(681 688)
Staff costs	(2 017 815)		(1 821 281)
Other operating costs	(1 924 464)		(1 911 265)
Operating profit before exchange (losses)/gains	603 305	21.18	497 843
Exchange (losses)/gains	(132 945)		24 314
Operating profit before exceptional items	470 360	-9.92	522 157
Exceptional items	132 868		39 287
Operating profit after exceptional items	603 228	7.44	561 444
Investment income	63 076		34 061
Finance costs	63 340		47 465
Profit before tax	602 964	10.02	548 040
Tax	180 585	19.36	151 295
Profit after tax	422 379	6.46	396 745
Minority interest	2 317		(8 148)
Net profit	420 062	3.75	404 893
Earnings per share (cents)	82.7	5.5	78.4
Diluted earnings per share (cents)	82.6	5.9	78.0
Headline earnings per share (cents)	57.6	-20.1	72.1
Diluted headline earnings per share (cents)	57.5	-19.9	71.8
Adjusted headline earnings per share (cents)	80.1	23.2	65.0
Adjusted diluted headline earnings per share (cents)	79.9	23.5	64.7
Ordinary dividend per share (cents)	30.5	19.6	25.5
Number of ordinary shares ('000) used for calculation of:			
	earnings per share	507 913 *	516 764 *
	 diluted earnings per share	508 752 *	519 042 *

(* weighted average)

CONDENSED GROUP BALANCE SHEET

R'000	30 June 2003	Audited 30 June 2002
ASSETS		
Non-current assets	1 962 795	1 745 520
Property, plant and equipment	1 822 380	1 630 835
Investments	91 013	114 595
Deferred tax assets	165 853	303 128
Intangible assets	(116 451)	(303 038)
Current assets	4 882 721	4 470 373
Inventories	2 585 363	2 250 278
Trade and other receivables	1 487 124	1 482 791
Investments	8 798	1 153
Cash and cash equivalents	801 436	736 151
Total assets	6 845 516	6 215 893
EQUITY AND LIABILITIES		
Capital and reserves	1 736 352	1 459 458
Minority interest	31 205	30 714
Non-current liabilities	227 728	236 832
Interest bearing borrowings	2 450	2 450
Deferred tax liabilities	4 224	4 006
Provisions	221 054	230 376
Current liabilities	4 850 231	4 488 889
Other current liabilities	4 795 337	4 402 278
Provisions	54 894	55 381
Bank overdraft	–	31 230
Total equity and liabilities	6 845 516	6 215 893

RECONCILIATION OF HEADLINE EARNINGS

R'000	12 months to 30 June 2003	Audited 12 months to 30 June 2002
Net profit attributable to shareholders	420 062	404 893
Exceptional items after tax	(132 868)	(39 287)
 Profit on disposal of property	–	(11 139)
 Impairment of buildings	1 742	15 469
 Impairment of unlisted investment	6 308	23 781
 Amortisation of negative goodwill	(153 002)	(69 319)
 Write-off of goodwill	3 978	–
 Impairment of loan – Share incentive trust	8 161	–
 Payment for lease cancellation	–	2 032
 Prescription of amounts owing	(55)	(111)
Other items after tax		
Loss on disposal and scrapping of plant and equipment	2 481	6 850
 Amortisation of goodwill	2 855	–
Headline earnings	292 530	372 456
 Exchange losses/(gains) after tax	114 111	(36 634)
Adjusted headline earnings	406 641	335 822

In terms of SAICA Circular 7/2002, which replaces AC 306, Headline Earnings, the Group's headline earnings are now calculated after all capital income statement items have been eliminated. Headline earnings per share has been restated as reflected above.

CONDENSED GROUP CASH FLOW STATEMENT

Audited
12 months to 12 months to

R'000	Notes	30 June 2003	30 June 2002
Cash generated by operations		1 012 777	991 026
Operating profit before exceptional items		470 360	522 157
Non-cash items	1	489 829	268 294
Changes in working capital	2	52 533	202 495
Exceptional items	3	55	(1 920)
Net finance costs		(5 813)	(14 681)
Dividends received		5 549	1 277
Dividends paid		(146 264)	(128 705)
Tax paid		(72 238)	(55 043)
Cash flows from operating activities		794 011	793 874
Cash flows from investing activities		(631 951)	(630 332)
Purchase of property, plant and equipment		(561 804)	(618 549)
Proceeds on disposal of property, plant and equipment		27 583	39 572
Acquisition of interest in subsidiaries/operations		(74 605)	–
Acquisition of further interest in subsidiaries		(11 081)	–
Other investment activities		(12 044)	(51 355)
Net cash flow		162 060	163 542
Cash flows from financing activities		10 596	(463 270)
Disposal/(acquisition) of treasury shares		3 553	(453 373)
Proceeds on issue of additional share capital to minorities		7 043	7 477
Interest bearing borrowings repaid		–	(17 374)
Movement in cash and cash equivalents		172 656	(299 728)
Acquired through acquisition of subsidiaries		1 316	–
Effect of exchange rate movements on cash and cash equivalents		(77 457)	42 829
Net movement in cash and cash equivalents		96 515	(256 899)

CASH FLOW INFORMATION

1. Non-cash items			
 Depreciation on property, plant and equipment		363 772	327 556
 Amortisation of goodwill		2 855	–
 Loss on disposal and scrapping of plant and equipment		2 919	8 453
 Net fair value gains on financial instruments		(213)	–
 Unrealised foreign exchange losses/(gain)		120 496	(67 715)
		489 829	268 294
2. Changes in working capital			
 Inventories		(429 392)	(77 394)
 Trade and other receivables		2 814	(8 783)
 Trade and other payables		488 920	316 280
 Movement in provisions		(9 809)	(27 608)
		52 533	202 495
3. Exceptional items			
 Exceptional items per income statement		132 868	39 288
 Profit on disposal of property		–	(11 139)
 Impairment of buildings		1 742	15 469
 Impairment of unlisted investment		6 308	23 781
 Impairment of loan – Share incentive trust		8 161	–
 Write-off of goodwill		3 978	–
 Amortisation of negative goodwill		(153 002)	(69 319)
		55	(1 920)

CONDENSED SEGMENT INFORMATION

R'000	Audited	
	12 months to 30 June 2003	12 months to 30 June 2002
REVENUE – by business segment		
– Supermarkets	23 679 226	21 469 405
– Furniture	1 292 107	640 392 *
Total revenue	24 971 333	22 109 797
OPERATING PROFIT – by business segment		
– Supermarkets	396 404	467 364
– Furniture	73 956	54 793 *
Total operating profit	470 360	522 157

*House & Home, which up to that stage formed part of Hyperama, was placed under the operational and administrative control of OK Furniture during the second half of the previous 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 the following information relating to House & Home are included in the results of the furniture segment from this date:

Revenue 536 360

Operating profit 17 873

SUPPLEMENTARY INFORMATION

R'000	Audited	
	12 months to 30 June 2003	12 months to 30 June 2002
1. Capital commitments	188 805	160 603
2. Contingent liabilities	64 106	116 225
3. Net asset value per share (cents)	342	287
4. Total number of shares in issue (adjusted for treasury shares)	508 212	507 761

CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Audited	
	12 months to 30 June 2003	12 months to 30 June 2002
Balance at 1 July	1 459 458	1 444 966
Disposal/(acquisition) of treasury shares	3 553	(274 765)
Net fair value losses on available-for-sale investments, net of tax	(1 958)	–
Net profit for the year	420 062	404 893
Dividends distributed to shareholders	(144 763)	(115 636)
Balance at 30 June	1 736 352	1 459 458

COMMENT ON THE RESULTS

Shoprite is pleased to announce 13% growth in revenue to R 25 billion from operations that now comprise 641 stores, in 14 countries employing 66 000 employees; affirming the Group's status as leading food retailer on the continent.

Operating profit before exchange differences increased 21% to R603 million.

Consumer demand remained better than expected seen against the backdrop of high food inflation for most of the year and increased housing-, transport- and electricity costs, compared to lower average wage increases.

Operations outside South Africa contributed R2,6 billion or 10% of revenue, up from R2,3 billion a year ago. When measured in stable currency terms, revenue from outside South Africa grew by 32%.

Headline earnings adjusted for exchange differences increased by 21% to R407 million. Headline earnings decreased by R80 million to R292 million mainly as a result of exchange losses sustained from converting foreign operations to rand.

70% of consumers across all cross-sections polled by independent market researchers, AC Nielsen, in the latest Trade Search Omnibus study have voted Shoprite, Checkers and Checkers Hyper as their preferred shopping destination.

The Shoprite brand remained the largest contributor to Group sales.

The repositioning of Checkers stores has been well received by customers with customer numbers increasing by 6% over last year, delivering same-store sales growth of 15% for the year. Operating profit has increased by 39% over last year.

The Group intends to create an improved shopping destination with Usave for customers in the lower LSM bands, providing a low-price alternative to the independents. Customers, especially in rural areas, have responded favourably to its proposition. 62 Usave stores have been approved for opening next year, including 2 in Angola and 5 in Ghana.

Growth outside South Africa continued with the opening of 24 stores, including 5 stores in Madagascar and 1 hyper-store in Mauritius, for a total of 66 supermarkets, 12 furniture stores and 18 Hungry Lions.

OK Furniture increased revenue by 18 % and House & Home some 20%.

The refurbishment process in House & Home continued, with 8 stores having been refurbished, and 7 stores targeted for completion in the new year. Consumer reaction is positive and has resulted in growth in number of customers.

Corporate Governance

Shoprite trades in accordance with the principles as embodied in the Code of Corporate Practice and Conduct in the King Report 2002 ("the Code"). The Group complies with the significant requirements incorporated in the Code and the JSE SA listing requirements.

Dividend

The board has declared a final dividend of 16.5 cents (2002: 14.5 cents) per share, payable to shareholders on 15 September 2003. The last day to trade cum dividend will be 5 September 2003. As from 8 September 2003 all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is 12 September 2003.

Share certificates may not be dematerialised or rematerialised between Monday, 8 September 2003 and Friday, 12 September 2003 both days inclusive.

Prospects

The food retail market in South Africa is competitively serviced. The Group is cautious to expand its business in this market and won't buy market share at the cost of earnings. Shoprite's objective is to maintain its market share in South Africa, and constantly adapt to changing consumer preferences.

The Group has approved the opening of 72 supermarkets in South Africa in the following year, of which 43 are Usaves.

The increase in demand for convenience stores provides an opportunity for growth in South Africa. The continuing consolidation of the Group's franchise operations under the OK banner will improve the Group's share of this market.

The Group plans to open 44 OK Franchise stores in the following year.

The Group's objective for growth outside South Africa is to gain a foothold in the most lucrative markets as soon as possible. 32 stores have been approved for opening during the new year - 22 stores in countries where the Group is currently trading and the remaining 10 in Angola (4 stores), Ghana (5 stores) and India (1 Hyper-store).

The Group is committed to the continued growth of the furniture business. Initiatives to unlock fair value from the business, which could include a separate listing, may be considered in future, and 13 stores are approved for opening during the next year.

Shoprite is well placed in all market segments to continue providing the consumer with competitive prices and to benefit from anticipated increases in consumer spending following the easing of interest rates and income tax relief, all contributing to improved consumer confidence.

Accountability

These condensed consolidated preliminary results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("GAAP") and Schedule 4 of the South African Companies Act (Act No 61 of 1973), as amended. The accounting policies are consistent with those used in the annual financial statements for the year ended 30 June 2002, except for:

- With the coming into operation of a new accounting statement AC 133, Financial Instruments: Recognition and Measurement, all relevant transactions, assets and liabilities are accounted for in terms of AC 133. This application had no material effect on the Group's results.

Auditor's review opinion

The condensed consolidated preliminary results for the year ended 30 June 2003 have been reviewed by PricewaterhouseCoopers Inc.

The auditors unqualified review opinion is available for inspection at the Company's registered office.

Thanks to management and staff

We would like to extend a word of sincere thanks to our management and staff for their unwavering support and contribution to our efforts in the past year, full in the knowledge that this will continue in the years ahead, for the benefit of all our stakeholders.

By order of the Board

CH Wiese

Chairman

19 August 2003

J W Basson

Chief Executive

DIRECTORATE AND ADMINISTRATION

Executive Directors:	J W Basson (Chief Executive), C G Goosen (Deputy Managing Director), B Rogut, B Weyers, A N van Zyl, B Harisunker
Non-executive Directors:	C H Wiese (Chairman), J A Louw, J J Fouché, T R P Hlongwane, J F Malherbe, J G Rademeyer
Company Secretary:	A N van Zyl
Registered Office:	Cnr William Dabs and Old Paarl Roads, Brackenfell, 7560, South Africa; PO Box 215, Brackenfell, 7561, South Africa; Telephone: +27 (0) 21 980 4000; Facsimile: +27 (0) 21 980 4050
Auditors:	PricewaterhouseCoopers Inc, 1 Waterhouse Place, Century City; PO Box 2799, Cape Town, 8001
Transfer Secretaries	Computershare Limited, 70 Marshall Street, Johannesburg, 2001; PO Box 1053, Johannesburg, 2000; Telephone +27 (0) 11 370 5000; Facsimile +27 (0) 11 370 5272
Sponsor:	Nedbank Corporate, 1 Newton Avenue, Killarney, 2193; P O Box 582, Johannesburg, 2000; Telephone +27 (0) 11 480 1780; Facsimile +27 (0) 11 480 1630