Preliminary results for the year ended 30 JUNE 2007

SHOPRITE HOLDINGS LTD

CONDENSED GROUP INCOME STATEMENT

R'000	% change	Reviewed year ended June 07	Audited year ended June 06
Sale of merchandise	16,2	38 949 845	33 511 287
Cost of sales	15,9	(30 952 417)	(26 715 806)
Gross profit	17,7	7 997 428	6 795 481
Other operating income	4,3	798 454	765 180
Depreciation and amortisation	19,0	(517 397)	(434 866)
Operating leases	18,6	(997 735)	(841 446)
Employee benefits	10,1	(3 100 627)	(2 815 830)
Other expenses	16,5	(2 582 431)	(2 215 944)
Trading profit	27,6	1 597 692	1 252 575
Exchange rate gains	180,9	23 725	8 445
Income of a capital nature	(63,5)	60 935	166 906
Operating profit	17,8	1 682 352	1 427 926
Interest received	13,4	109 332	96 385
Finance costs	(6,9)	(83 570)	(89 736)
Profit before tax	19,1	1 708 114	1 434 575
Tax	20,1	(622 586)	(518 240)
Profit after tax	18,5	1 085 528	916 335
Loss for the year from discontinued operation		–	(19 853)
Profit for the year	21,1	1 085 528	896 482
ATTRIBUTABLE TO:			
Equity holders of the Company	20,9	1 076 071	890 132
Minority interest	48,9	9 457	6 350
		1 085 528	896 482
		Cents	Cents
Earnings per share from continued operations	18,2	212,1	179,4
Earnings per share	20,9	212,1	175,4
Diluted earnings per share from continued operations	18,1	203,9	172,7
Diluted earnings per share	20,7	203,9	168,9
Ordinary dividend per share	38,4	101,0	73,0
Interim dividend paid	29,6	35,0	27,0
Final dividend envisaged/declared	43,5	66,0	46,0
Number of ordinary shares ('000) used for calculation of:			
earnings per share (weighted average)		507 320	507 346
diluted earnings per share (weighted average)		527 709	526 998

CONDENSED GROUP BALANCE SHEET

R'000	Reviewed June 07	Audited June 06
ASSETS		
Non-current assets	4 403 668	3 759 229
Property, plant and equipment	3 804 159	3 248 283
Available-for-sale investments	23 738	13 846
Loans and receivables	43 990	38 817
Deferred tax assets	252 749	219 626
Intangible assets	277 901	235 866
Fixed escalation operating lease accrual	1 131	2 791
Current assets	7 476 005	6 183 163
Inventories	3 699 199	3 269 500
Other current assets	1 538 016	1 492 466
Assets classified as held for sale	220 139	163 876
Available-for-sale investments	–	33 592
Loans and receivables	6 425	15 758
Cash and cash equivalents	2 012 226	1 207 971
Total assets	11 879 673	9 942 392
EQUITY AND LIABILITIES		
Total equity	3 688 771	3 082 868
Capital and reserves attributable to equity holders	3 639 181	3 035 863
Minority interest	49 590	47 005
Non-current liabilities	724 188	731 860
Borrowings	2 498	2 464
Deferred tax liabilities	8 803	7 400
Provisions	264 185	269 264
Fixed escalation operating lease accrual	448 702	452 732
Current liabilities	7 466 714	6 127 664
Other current liabilities	7 371 458	5 422 096
Provisions	70 732	34 301
Bank overdraft	24 524	671 267
Total liabilities	8 190 902	6 859 524
Total equity and liabilities	11 879 673	9 942 392

RECONCILIATION OF HEADLINE EARNINGS

R'000	% change	Reviewed year ended June 07	Audited year ended June 06
Net profit attributable to shareholders		1 076 071	890 132
Loss for the year from discontinued operation		–	19 853
Earnings from continued operations		1 076 071	909 985
Income of a capital nature after tax		(50 506)	(141 557)
Profit on disposal of operations		–	(622)
Profit on disposal of property		(22 125)	(144 584)
Loss on disposal and scrapping of plant, equipment and intangible assets		3 797	6 613
Loss on other investing activities		721	–
Profit on disposal of listed investment		(28 608)	–
Insurance claim received for buildings		(8 315)	(2 006)
Impairment/(reversal of impairment) of property, plant and equipment and intangible assets		1 398	(1 559)
Impairment of goodwill		–	1 286
Loss on cancellation of lease		3 060	–
Prescription of amounts owing		(434)	(685)
Headline earnings from continued operations		1 025 565	768 428
Add: loss for the year from discontinued operation		–	(19 853)
Expenditure of a capital nature after tax from discontinued operation		–	(4 210)
Headline earnings		1 025 565	744 365
		Cents	Cents
Earnings per share from continued operations	18,2	212,1	179,4
Earnings per share	20,9	212,1	175,4
Diluted earnings per share from continued operations	18,1	203,9	172,7
Diluted earnings per share	20,7	203,9	168,9
Headline earnings per share from continued operations	33,5	202,2	151,5
Headline earnings per share	37,8	202,2	146,7
Diluted headline earnings per share from continued operations	33,3	194,3	145,8
Diluted headline earnings per share	37,6	194,3	141,2
Ordinary dividend per share	38,4	101,0	73,0
Interim dividend paid	29,6	35,0	27,0
Final dividend envisaged/declared	43,5	66,0	46,0

CONDENSED GROUP CASH FLOW STATEMENT

R'000		Reviewed year ended June 07	Audited year ended June 06
Cash generated by continued operations		3 465 407	2 065 366
Operating profit		1 682 352	1 427 926
Less: investment income		(7 712)	(11 086)
Non-cash items	1	548 150	287 723
Cash-settled share options		(62 021)	–
Changes in working capital	2	1 304 638	360 803
Net interest received		29 652	12 656
Dividends received		3 822	5 079
Dividends paid		(417 461)	(282 473)
Tax paid		(524 352)	(438 890)
Cash utilised by discontinued operation		–	(23 050)
Cash flows from operating activities		2 557 068	1 338 688
Cash flows utilised by investing activities		(1 109 298)	(1 097 877)
Purchase of property, plant and equipment and intangible assets		(1 258 609)	(1 318 364)
Proceeds on disposal of property, plant and equipment and intangible assets		106 061	343 601
Proceeds on disposal of listed investments		54 528	–
Acquisition of operations		(14 192)	(99 180)
Acquisition of subsidiary		–	(37 385)
Proceeds on disposal of operations		–	2 632
Other investment activities		2 914	10 819
Cash flows from financing activities		99	406
Acquisition of treasury shares		(220)	(99)
Net proceeds on issue of preference shares to joint venture		319	505
Movement in cash and cash equivalents		1 447 869	241 217
Effect of exchange rate movements on cash and cash equivalents		3 129	3 066
Net movement in cash and cash equivalents		1 450 998	244 283
CASH FLOW INFORMATION			
1. Non-cash items			
Depreciation on property, plant and equipment		527 674	447 808
Amortisation of intangible assets		15 493	14 380
Net fair value losses/(gains) on financial instruments		20 620	(20 091)
Exchange rate gains		(23 725)	(8 445)
Share options granted		–	764
Profit on disposal of property		(23 876)	(171 651)
Loss on disposal and scrapping of plant and equipment and intangible assets		6 259	9 257
Profit on disposal of listed investments		(33 459)	–
Loss on other investing activities		848	–
Impairment/(reversal of impairment) of property, plant and equipment and intangible assets		720	(1 559)
Profit on disposal of operations		–	(728)
Impairment of goodwill		–	1 286
Movement in provisions		32 334	28 204
Movement in cash-settled share-based payment accrual		17 892	6 633
Movement in fixed escalation operating lease accrual		7 370	(18 135)
		548 150	287 723
2. Changes in working capital			
Inventories		(419 734)	(500 151)
Trade and other receivables		(76 463)	23 580
Trade and other payables		1 800 835	837 374
		1 304 638	360 803

Registration No: 1936/007721/06 JSE share code: SHP ISIN: ZAE000012084 NSX share code: SRH LuSE share code: SHOPRITE ("the Group")

HIGHLIGHTS

- **Trading profit was up 27,6%** to R1,598 billion
- **Turnover increased 16,2%** from R33,511 billion to R38,950 billion
- Non-RSA supermarkets achieved **29,4% sales growth**
- **Diluted headline earnings per share** from continued operations rose 33,3% to **194,3 cents**
- **Total dividend per share** envisaged to increase 38,4% to **101,0 cents**

CONDENSED SEGMENT INFORMATION

R'000	% change	Reviewed year ended June 07	Audited year ended June 06
SEGMENT REVENUE – by business segment			
– Supermarkets	16,4	36 810 824	31 635 822
– Furniture	14,1	2 139 021	1 875 465
Total segment revenue	16,2	38 949 845	33 511 287
SEGMENT RESULT* – by business segment			
– Supermarkets (including unallocated)	34,0	1 408 866	1 051 301
– Furniture	3,1	204 839	198 633
Total segment result	29,1	1 613 705	1 249 934

* Segment result comprises trading profit plus exchange rate losses/gains less investment income.

SUPPLEMENTARY INFORMATION

R'000	Reviewed June 07	Audited June 06
1. Capital commitments	311 180	388 775
2. Contingent liabilities	57 593	88 362
3. Net asset value per share (cents)	717	598
4. Total number of shares in issue (adjusted for treasury shares)	507 320	507 345

CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Reviewed June 07	Audited June 06
Balance at beginning of July	3 082 868	2 265 877
Net movement in treasury shares	(220)	(99)
Net fair value movements on available-for-sale investments, net of tax	(2 249)	12 452
Profit for the year	1 085 528	896 482
Employee share option scheme – value of services provided	–	764
Cash settlement of share options	(79 927)	–
Foreign currency translation differences	20 566	187 545
Dividends distributed to shareholders	(417 795)	(280 153)
Balance at end of June	3 688 771	3 082 868

COMMENTARY

THE GROUP

The period under review continued to be a time of high consumer spending in South Africa. Cash sales reached record heights while credit was freely available, especially in the months leading up to the introduction of the National Credit Act. Initially consumers seemed undeterred by the several increases in interest rates, but towards the end of the period there were signs that spending on particularly durable goods has peaked. Food inflation rose to an average of 8,5%.

The review period was one of strong growth across all sectors of the Group. The increase of 16,2% in turnover resulted mostly from the higher disposable income of a growing middle class, new store openings and aggressive promotions in the major chains. The Group's focus remains on basic food items at the most competitive prices, but it also responded to consumers' demand for a more extensive offering of perishable and value-added products. These contributed significantly to the 17,7% increase in gross profit, as did the continued strong sales of non-food lines. The trading margin increased to 4,1%, a factor of strong top-line growth and low cost inflation. Although most pleasing, being the highest ever achieved by the Group, management cautions against a further improvement thereof should consumer spending decline.

Supermarkets

The Group's supermarket operation, encompassing the three chains – Shoprite, Checkers and Usave, forms the core of the business. Although sales were hampered by erratic deliveries from manufacturers, all three chains nevertheless performed well, growing combined turnover by 16,4% to R34,919 billion. To accommodate the upsurge in demand the Group continued its comprehensive store refurbishment programme which also saw the introduction of a wider range of aspirational and lifestyle products.

Shoprite: Total sales increased by 14,4% to R18,190 billion, the number of customer transactions by 6,5% and the value per transaction by 7,2%. With its 297 stores within South Africa, Shoprite remains the country's most frequented food chain by members of the middle and lower-income groups. Growth on existing business increased 8,1%.

Checkers: Acceptance of the repositioned Checkers chain by members of the higher LSM consumer segment increased during the reporting period. Buoyed by a high-visibility marketing campaign, turnover growth at 15,0% exceeded that of Shoprite. Growth on existing business increased 10,1%. The number of customer transactions grew by 7,8% while the value per transaction increased by 6,7%.

Usave: The Usave concept of a limited product range forms an integral part of the Group's footprint within and outside the borders of South Africa. The smallest format both in store size and number of outlets, Usave grew turnover by 35,2% and existing business by 21,0%. Customer transactions increased by 16,9% and the value per transaction by 15,1%.

Non-RSA supermarkets: The Group's non-RSA operations continued their growth throughout the year and ended the reporting period with turnover 29,4% higher. The biggest contributions came from Zambia, Namibia and Angola, while Nigeria is soon to join their ranks. The Group plans to open its first supermarket in the Democratic Republic of Congo (DRC) in the new financial year.

OK Franchise

The Franchise Division reported a year of solid growth both in turnover, which increased 14,1%, and trading profit, which was 21,1% higher. The division, which has 260 members in rural and urban areas in South Africa and some neighbouring countries, has in recent times established two new formats: OK Value, which accommodates franchisees with limited financial resources, and Enjoy, a franchise liquor store.

Furniture

Operating in a difficult trading environment, the Furniture Division nevertheless had a satisfactory year. It increased turnover by 14,1% while recording growth on existing business of 8,0%. Unlike food retail, the furniture sector had to contend during this time with almost no inflation. The division therefore continued focusing on low-margin volume business, balancing it with the higher returns achieved on direct imports and furniture sales.

CORPORATE GOVERNANCE

The Group is committed to the principles 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 in the Listing Requirements of the JSE Ltd.

DIVIDEND

It is envisaged that a final dividend of 66,0 cents (2006: 46,0 cents) per share will be declared during October 2007, making the total dividend for the year 101,0 cents (2006: 73,0 cents). The Board is committed to its policy of two times cover on headline earnings per share.

ACCOUNTABILITY

These condensed consolidated preliminary results have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 financial year ended June 2006.

AUDITORS' REVIEW OPINION

The condensed consolidated preliminary results for the year ended June 2007 have been reviewed by PricewaterhouseCoopers Inc. The auditors' unqualified review opinion is available for inspection at the company's registered office.

OUTLOOK

Although there are indications of the economy slowing down, it is not a matter of great concern as the primary drivers in the economy remain unchanged while food retailing in any case tends to be less affected by fluctuations in the market than other areas of retail. We believe our continued investment in people, technology, infrastructure and store upgrades increasingly provides us with proper returns. In the rest of Africa our businesses are progressing well and the Board therefore expects the Group to produce satisfactory results for 2008.

By order of the Board

C H Wiese — Chairman

J W Basson — Chief executive

28 August 2007

DIRECTORATE

Executive directors
JW Basson (chief executive), CG Goosen (deputy managing director), B Harisunker, AE Karp, EL Nel, AN van Zyl, BR Weyers

Non-executive directors
CH Wiese (chairman), JJ Fouché, TRP Hlongwane, JA Louw, JF Malherbe, JG Rademeyer

Alternate directors
JAL Basson, M Bosman, PC Engelbrecht, JD Wiese

Company secretary
AN van Zyl

ADMINISTRATION

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

Transfer secretaries
SOUTH AFRICA
Computershare Investor Services 2004 (Pty) Ltd
PO Box 61051, Marshalltown, 2107, South Africa
Telephone: +27 (0)11 370 5000
Facsimile: +27 (0)11 688 5238
Website: www.computershare.com
NAMIBIA
Transfer Secretaries (Pty) Ltd
PO Box 2401, Windhoek, Namibia
Telephone: +264 (0)61 22 7647
Facsimile: +264 (0)61 24 8531
ZAMBIA
Lewis Nathan Advocates, PO Box 37268, Lusaka, Zambia
Telephone: +260 (0)1 22 3174
Facsimile: +260 (0)1 22 9868

Sponsors
SOUTH AFRICA
Nedbank Capital
PO Box 1144, Johannesburg, 2000, South Africa
Telephone: +27 (0)11 295 8602
Facsimile: +27 (0)11 294 8602
Website: www.nedbank.co.za
NAMIBIA
Old Mutual Investment Services (Namibia) (Pty) Ltd
PO Box 25549, Windhoek, Namibia
Telephone: +264 (0)61 299 3527
Facsimile: +264 (0)61 299 3528
ZAMBIA
Lewis Nathan Advocates
PO Box 37268, Lusaka, Zambia
Telephone: +260 (0)1 22 3174
Facsimile: +260 (0)1 22 9868

Auditors
PricewaterhouseCoopers Incorporated
PO Box 2799, Cape Town, 8000, South Africa
Telephone: +27 (0)21 529 2000
Facsimile: +27 (0)21 529 3300