

SHOPRITE HOLDINGS LIMITED – PRELIMINARY RESULTS

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SHP

Shoprite Holdings Limited - Preliminary Results

Shoprite Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1936/07721/06)

ISIN no: ZAE 000012084

JSE share code: SHP

PRELIMINARY RESULTS

For the 12 months ended 30 June 2002

www.shoprite.co.za

Growth in headline earnings per share: 24.7%

Growth in profit after tax: 67.5%

Number of outlets: 598

Group Income Statement

	Reviewed		Reviewed
	12 months to	%	12 months to
R'000	30/06/02	change	30/06/01
Revenue	22 109 797	12.8	19 596 729
Operating profit before exceptional items	522 157	28.4	406 738
Exceptional items	39 287		(74 658)
Operating profit after exceptional items	561 444	69.1	332 080
Investment income	34 061		29 537
Finance costs	47 465		25 003
Profit before tax	548 040	62.8	336 614
Tax	151 295	51.7	99 735
Profit after tax	396 745	67.5	236 879
Minority interest	(8 148)		3 196
Net profit	404 893	73.3	233 683
Headline earnings per share (cents)	70.7	24.7	56.7
Diluted headline earnings per share (cents)	70.4	24.2	56.7
Earnings per share (cents) after exceptional items	78.4	82.3	43.0
Diluted earnings per share			

(cents) after exceptional items	78.0	81.4	43.0
Proposed distribution to shareholders (cents per share)	25.5	24.4	20.5
Dividend cover (times)	2.8	2.8	
Number of ordinary shares ('000) used for calculation of			
:earnings per share	516 764*	543 479	
:diluted earnings per share	519 042*		
(* weighted average)			

GROUP BALANCE SHEET

	Reviewed	Reviewed
R'000	30/06/02	30/06/01
ASSETS		
Non-current assets	1 746 673	1 489 332
Property, plant and equipment	1 630 835	1 392 196
Investments	115 748	88 174
Deferred tax assets	303 128	381 319
Negative goodwill	(303 038)	(372 357)
Current assets	4 469 220	4 535 797
Inventories	2 250 278	2 160 958
Trade and other receivables	1 482 791	1 413 019
Cash and cash equivalents	736 151	961 820
Total assets	6 215 893	6 025 129
EQUITY AND LIABILITIES		
Capital and reserves	1 459 458	1 444 966
Minority interest	30 714	41 630
Non-current liabilities	236 832	270 365
Interest bearing borrowings	2 450	2 450
Deferred tax liabilities	4 006	4 483
Provisions	230 376	263 432
Current liabilities	4 488 889	4 268 168
Current portion of borrowings	-	17 374
Other current liabilities	4 457 659	4 250 794
Bank overdraft	31 230	-
Total equity and liabilities	6 215 893	6 025 129

Reconciliation of Headline Earnings

Reviewed	Reviewed
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R'000	12 months to 30/06/02	12 months to 30/06/01
Net profit attributable to Shareholders	404 893	233 683
Exceptional items	(39 287)	74 658
(Profit) / loss on disposal of property	(11 139)	5 232
Impairment of buildings	15 469	-
Provision for losses in the employee share incentive trust	-	127 378
Write down of unlisted investment	23 781	5 800
Amortisation of negative goodwill	(69 319)	(65 314)
Other	1 921	1 562
Tax effect on exceptional items	-	(450)
Headline earnings	365 606	307 891

GROUP CASH FLOW STATEMENT

R'000	Reviewed 12 months to 30/06/02	Reviewed 12 months to 30/06/01
Cash generated by operations	1 033 855	1 041 426
Net (finance costs) / investment income	(14 681)	4 319
Dividends received	1 277	215
Dividends paid	(128 705)	(102 071)
Tax paid	(55 043)	(24 658)
Cash flows from operating Activities	836 703	919 231
Cash flows from investing activities	(622 855)	(461 484)
Purchase of property, plant and equipment	(618 549)	(475 192)
Proceeds on disposal of property, plant and equipment	39 572	48 105
Acquisition of further interest in subsidiaries	-	(19 994)
Other investment activities	(43 878)	(14 403)
Net cash flow	213 848	457 747
Cash flows from financing activities	(470 747)	(46 521)
Proceeds on shares issued by		

the Company	-	277
Acquisition of treasury shares	(453 373)	-
Interest bearing borrowings repaid	(17 374)	(46 798)
Movement in cash and cash equivalents	(256 899)	411 226
Acquired through acquisition		

of subsidiary - 13 700

Net movement in cash and cash

Equivalents (256 899) 424 926

SEGMENT INFORMATION

	Reviewed	Reviewed
	12 months to	12 months to
R'000	30/06/02	30/06/01
REVENUE - by business segment		
- Supermarkets	21 469 405	19 000 529
- Furniture	640 392	596 200*
Total revenue	22 109 797	19 596 729

OPERATING PROFIT - by business segment

- Supermarkets	467 364	361 218
- Furniture	54 793	45 520*
Total operating profit	522 157	406 738

*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 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.

SUPPLEMENTARY INFORMATION

	Reviewed	Reviewed
R'000	30/06/02	30/06/01
1. Capital commitments	160 603	126 446
2. Contingent liabilities	116 225	520 859
Guarantees issued in respect of debt of the employee share incentive trust decreased from R420 million in the previous year to R60 million currently.		
3. Net asset value per share (cents)	287	266
4. Total number of shares in issue	507 761	543 479

STATEMENT OF CHANGES IN EQUITY

	Reviewed 12 months to 30/06/02	Reviewed 12 months to 30/06/01
R'000		
Balance at 1 July		
As previously reported	1 422 650	1 293 016
Effect of AC 135	(44 941)	(36 833)
Effect of adopting revised AC 107	67 257	58 085
As restated	1 444 966	1 314 268
Issue of shares by the company	-	277
Acquisition of treasury shares	(274 765)	-
Net profit for the period	404 893	233 683
Dividends distributed to shareholders	(115 636)	(103 262)
Balance at 30 June	1 459 458	1 444 966

COMMENTS ON THE RESULTS

1. During the period under review Shoprite increased revenue by 12.8% to R22,11 billion despite consumer spending coming under pressure due to the rapid increase in food prices. Timely purchases of large volumes of stock enabled the group to maintain low prices to the advantage of its customers for some time after food inflation had increased dramatically.
2. The operating profit of R522,2 million represents an increase of 28.4% compared with the previous year. The group once again showed exchange surpluses on its operations outside South Africa. Because of the partial recovery of the rand against certain currencies the surpluses for the full year were considerably less than for the first six months.
3. Shoprite's operations beyond the borders of South Africa are continuing to grow at a satisfactory rate. In the period under review countries outside South Africa contributed 10.4% (R2.3 billion) to the group's turnover as against 8.0% (R1,6 billion) in 2001.
4. With the great improvement in the results the group began to reap the benefits of effective management backed by good information and logistic systems. Productivity was improved significantly and stock losses were further reduced. The profit margin increased from 2.07% to 2.36%.
5. As the assessed losses were acknowledged as a deferred tax asset, tax is now fully provided for in the financial statements. However, tax actually payable comprises mainly tax payable by smaller partnership concerns and secondary tax on companies.
6. The increase in finance charges was partly due to the purchase of stock mentioned under point 1 above.

7. The exceptional items consist mainly of the amortisation of negative goodwill that arose with the take-over of OK Bazaars, of which an amount of R69,3 million was written back, and a write down of Shoprite's investment in Canal Walk Ltd by R23,8 million. The latter company impaired its fixed assets in terms of accounting statement AC 128 (Impairment).

8. The increase in fixed assets represents investment in new stores, store renovations and normal asset replacements.

PROSPECTS

The high food inflation is expected to continue in the short term and to keep consumer spending under pressure. However, the Board expects that the group should maintain its growth in turnover in at least the first half of the new year, supported by an increasing contribution from its African interests.

DIVIDEND

The Board has declared a final dividend of 14,5 cents (11 cents in 2001) per share, payable to shareholders on 16 September 2002. The last day to trade cum dividend will be 6 September 2002. As from 9 September 2002 all trading of Shoprite Holdings Ltd shares will be ex dividend. The record date is 13 September 2002.

Share certificates may not be dematerialised or rematerialised between Monday, 9 September 2002 and Friday, 13 September 2002, both days inclusive.

ACCOUNTABILITY

The principle accounting policies adopted in preparing the consolidated financial statements comply with the South African Statements of Generally Accepted Accounting Practice and are consistent with those applied for the year ended 30 June 2001, with the exception of the following:

With the introduction of a new accounting statement (AC 135) buildings are depreciated in terms of Generally Accepted Accounting Practice. As this represents a change in accounting policy in terms of AC 103, the carrying values of

buildings and the related depreciation costs have been restated. The effect on the group's results is set out below:

	Reviewed 12 months to June 2002	Reviewed 12 months to June 2001
R'000		
Profit before tax	12 274	8 108
Tax	-	-
Net profit	12 274	8 108

In accordance with the revised accounting statement (AC 107), which relates to post balance sheet events, the group's dividends and related secondary tax on

companies (STC) are now recognised on the date of declaration. The comparative figures in the consolidated financial statements have been restated to reflect this change in accounting policy.

The effect on the group's results is set out below:

	Reviewed 12 months to June 2002	Reviewed 12 months to June 2001
R'000		
Profit before tax	-	-
Tax	2 383	1 019
Net profit	(2 383)	(1 019)
Dividends distributed	13 843	8 153

REVIEW BY INDEPENDENT AUDITORS

The group's auditors, PricewaterhouseCoopers, have reviewed the preliminary results. Their unqualified report is available on request from the Company Secretary.

By order of the Board

C H Wiese J W Basson

Chairman Chief Executive Officer

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