SHOPRITE HOLDINGS LTD

(Reg. No. 1936/007721/06)
(ISIN: ZAE 000012084)
(JSE Share code: SHP)
(NSX Share code: SRH)
(LuSE Share code: SHOPRITE)
("Shoprite Holdings" or "the Group")

SHOPRITE HOLDINGS: RESULTS FOR THE YEAR ENDED 30 JUNE 2007

Key information

- **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**

Whitey Basson, chief executive, commented:

The results of the supermarket division were affected by industrial action during the first quarter of the financial year. A decline in supplier service levels affected stock availability, but was somewhat countered by the performance of our supply chain through our own distribution centres.

Our management and staff have performed exceptionally well under these conditions and were assisted by a buoyant market.

Our operations outside South Africa are performing well and the results underpinned our belief that the continent will produce excellent results over the long term. Our number of stores and geographic spread across Africa are well positioned for future growth.

28 August 2007

Enquiries

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Operating environment

The period under review continued to be a time of high consumer spending in South Africa, on food but also on durable and semi-durable goods. The spending spree was fuelled, inter alia, by the growing disposable income of a burgeoning black middle class, popularly referred to as the "Black Diamonds", which has as its wellspring the Civil Service and the business community. Cash sales reached record heights while lenders extended credit facilities to all and sundry 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 may have peaked. During the reporting period food inflation as part of CPIX rose to an average of 8,5%. However, it was substantially higher in certain food categories such as meat, dairy and maize products.

Comments on the results

Income statement

Total turnover

Total turnover increased by 16,2% from R33,511 billion to R38,950 billion. The increase resulted mostly from the higher disposable income of a growing black middle class, new store openings and aggressive promotions in the major chains. Among lower-income consumers the absence of the National Lottery also channelled more money into food sales.

Gross profit

Although the Group's focus remains on basic food items at the most competitive prices, it also responded to consumers' demand for a more extensive offering of perishable and value-added products with their higher margins. These contributed significantly to the 17,7% increase in gross profit, as did the continued strong sales of non-food lines.

Expenses

A major contributor to the increase in expenses was the aggressive store opening and refurbishment programme. The 10,1% increase in staff costs was offset by the growth in staff productivity.

Trading profit and margin

The trading profit growth of 27,6% is the result of the strong growth in turnover combined with the continuing advances in operational efficiencies.

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.

Interest received and finance costs

Net interest income was up due to the improved cash flows and increases in interest rates.

Exchange rate gains

These are attributed to the rand's slight strengthening against the US dollar and the strengthening of the currencies of certain African countries in which the Group operates. A gain of R23,7 million as against R8,4 million in 2006 was achieved in the review period.

Income of a capital nature

The income of a capital nature of R60,9 million relates mainly to profits realised from the sale of properties and the listed investment in ApexHi Properties Limited.

Tax
The effective tax rate decreased marginally from the previous year.

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

Balance sheet

Intangible assets
The increase in intangible assets relates mainly to the investment in the Group's new back-office computer systems. It is envisaged that this project will be completed in the next two financial years.

Inventories
The increase of 13,1% in inventory to R3,699 billion resulted primarily from buoyant sales, the need to provision new stores, higher food inflation and particularly from the need to stockpile products in the Group's distribution centres to counter the drop in supplier service levels.

Cash and cash equivalents
A favourable balance sheet closing date produced a temporary surge in net cash and cash equivalents from R0,537 billion to R1,988 billion and should be read with the increase in trade creditors.

Operational review
The past financial year was a period of strong growth across all sectors of the business. Despite industrial action that disrupted operations in South Africa in the first quarter of the financial year, all three retail food chains performed well while our businesses elsewhere in Africa are consistently increasing their profit contribution. The shift in demographics, which has seen the emergence of an ever-expanding black middle class in South Africa, is continuing to benefit Shoprite in particular, impacting on both turnover and profitability. 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. The improved product offering was complemented by extended service departments and promoted by a robust marketing programme. The Group also continued opening standalone liquor stores and in-store pharmacies.

Number of outlets

	June 2006	Open	Closed	June 2007	Confirmed new stores thereafter
Supermarkets	**574**	**41**	**11**	**604**	**66**
– Shoprite	348	20	2	366	29
– Checkers	110	5		115	22
– Checkers Hyper	24	0		24	1
– Usave	92	16	9	99	14
Hungry Lion	**74**	**26**	**3**	**97**	**14**
Furniture	**198**	**18**	**0**	**216**	**26**
– OK Furniture	171	14		185	18
– House & Home	27	4		31	8
Total owned stores	**846**	**85**	**14**	**917**	**106**
– OK Franchise	253	34	27	260	20
– H/Lion Franchise	2	2		4	
Total franchise	**255**	**36**	**27**	**264**	**20**
Total stores	**1 101**	**121**	**41**	**1 181**	**126**
Countries outside RSA	**16**	**0**	**0**	**16**	**1**

RSA supermarkets

The Group's supermarket operation in South Africa, encompassing three chains – Shoprite, Checkers and Usave – forms the core of the business and represents 79,9% of total turnover. All three chains performed well, growing turnover by 15,0% to R31,134 billion. The number of customer transactions increased by 7,3%, while the average growth in value per transaction was 7,1%. However, sales were hampered by the erratic delivery of supplies by manufacturers many of whom, underestimating the growth in consumer demand, failed to invest timeously in additional product capacity. The Group was consequently obliged to stockpile product in its distribution centres to ensure a more or less consistent flow of merchandise to stores. These supply problems nevertheless resulted in sales losses and placed the whole of the food retail sector under pressure in terms of consumer satisfaction.

Shoprite

Despite being hardest hit of the three retail chains by the industrial action in the first quarter of the financial year, Shoprite still exceeded its budget for the year. It increased total sales by 14,4% to R18,190 billion, the number of customer transactions by 6,5% and the value per transaction by 7,2%. The growth in existing business was 8,1%. With its 297 stores, 49% of the Group's total number of supermarkets, Shoprite remains the country's most frequented food chain and continues to benefit substantially from the government's largesse in social grants. At the same time support from the black middle class, which now numbers 2,6 million consumers, is also growing. Considerable potential therefore still exists for the opening of new stores in the country's traditional black areas where developers are now keener to invest in bricks and mortar than in the past. In

August 2006 Shoprite was selected South Africa's foremost food retailer when it won the Grocery and Convenience Store category in the annual Top Brands survey conducted by Markinor in association with the *Sunday Times*.

Checkers
Acceptance of the repositioned Checkers by members of the higher LSM consumer segment increased, and support from its target market – the LSM 8 to 10 income groups – continued to grow during the review period. Buoyed by a high-visibility marketing campaign, turnover growth exceeded that of Shoprite. Turnover was 15,0% higher while the 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%. The service departments within the stores were particularly successful as the chain further increased its focus on freshness by extending its ranges of perishable and value-added products. During the reporting period both Checkers and Shoprite continued to strengthen their individual identities, further clarifying their positioning and appeal and reducing cannibalisation between brands.

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, being a valuable strategic tool in exploiting business opportunities. The Group's smallest format both in store size and number of outlets, it 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%. It has a return on capital that consistently exceeds 30%. Central to its success is its increasing number of top-quality private labels at highly competitive prices. Focusing mainly on dry goods, this versatile, low-cost format is equally at home in urban and rural environments.

Operations outside South Africa
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 the ranks. Shifting the Group's focus to the commodity-rich countries of West Africa proved to be a prescient step. It already operates in Ghana, Nigeria and Angola, and is soon to open its first supermarket in the Democratic Republic of Congo (DRC). Although higher margins are achieved than in South Africa, administrative red tape as well as inadequate infrastructure disrupts the supply chain with lead times varying from 60 to 120 days.

OK Franchise
The Franchise division also 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, earlier established the OK trademark as an umbrella brand for now four different formats. The most recent of these, OK Value, accommodates potential franchisees with limited financial resources by setting slightly lower entry standards, thereby providing them with a platform from where they can grow into the larger formats. A new development has been the creation of a franchise liquor outlet under the trademark Enjoy, a logical extension of the Group's franchise brands, given the strong growth in the number of its own liquor stores.

Furniture
Operating in a difficult trading environment, the Furniture division nevertheless had a satisfactory year, with the House & Home chain in particular growing way beyond the rest of the sector. It increased turnover by 14,1% while recording growth on existing business of 8,0%. Unlike food retail, which experienced rising inflation throughout the period, the furniture sector had to contend during that time with virtually no inflation, largely because of new technology becoming more affordable as its applications increase. Like its competitors, the division continued focusing on low-margin volume

business to achieve its targets, balancing it with the higher returns achieved on direct imports and furniture sales. The Division is expanding its non-RSA business and is already operating in Namibia, Botswana, Swaziland, Lesotho and Mozambique, with Angola and Zambia under consideration.

Group prospects and outlook

Although there are indications that the economy is slowing down, it is not a matter of great concern as the primary drivers in the economy have not changed, while food retailing in any event tends to be less affected by fluctuations in the market than other areas of retail. Our confidence, however, is also based on other factors. We believe our continued investment in people, technology, infrastructure and store upgrades increasingly provide us with proper returns. In the rest of Africa our businesses are progressing well. Locally stock availability should improve while our ability to source internationally has been greatly expanded. All these factors should enable us to achieve satisfactory results in 2008.

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).

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.

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.

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	Notes	**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

R'000	**Reviewed year ended June 07**	Audited year ended June 06
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

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 year ended June 07**	Audited year ended 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

Directorate and administration

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
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