

# Preliminary Results

For the 12 Months ended 30 June 2002



**Growth in headline earnings per share: 24.7%**  
**Growth in profit after tax: 67.5%**  
**Number of outlets: 598**

## Group Income Statement

| R'000   | Reviewed<br>12 months to<br>30/06/02 | %<br>change | Reviewed<br>12 months to<br>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<br>(cents per share)  | 25.5                                 | 24.4        | 20.5                                 |
| Dividend cover (times)                                      | 2.8                                  |             | 2.8                                  |
| Number of ordinary shares ('000) used for<br>calculation of |                                      |             |                                      |
| : earnings per share  | 516 764*                             |             | 543 479                              |
| : diluted earnings per share                                | 519 042*                             |             |                                      |
| (* weighted average)  |                                      |             |                                      |

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## Group Balance Sheet

| R'000                         | Reviewed<br>30/06/02 | Reviewed<br>30/06/01 |
|-------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                 |                      |                      |
| 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            |
| <b>EQUITY AND LIABILITIES</b> |                      |                      |
| 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            |

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### Reconciliation of Headline Earnings

| R'000  | Reviewed<br>12 months to<br>30/06/02 | Reviewed<br>12 months to<br>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                              |

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### Group Cash Flow Statement

| R'000   | Reviewed<br>12 months to<br>30/06/02 | Reviewed<br>12 months to<br>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                              |

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### Segment Information

| R'000                                  | Reviewed<br>12 months to<br>30/06/02 | Reviewed<br>12 months to<br>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.

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### Supplementary Information

| R'000 | Reviewed<br>12 months to<br>30/06/02 | Reviewed<br>12 months to<br>30/06/01 |
|-------|--------------------------------------|--------------------------------------|
|-------|--------------------------------------|--------------------------------------|

|  |                |         |
|--|----------------|---------|
| 1. Capital commitments   | <b>160 603</b> | 126 446 |
| 2. Contingent liabilities  | <b>116 225</b> | 520 859 |
| Guarantees issued in respect of debt of the employee share incentive trust decreased from R420 million in the previous year to R40 million |                |         |
| 3. Net asset value per share (cents)   | <b>287</b>     | 266     |
| 4. Total number of shares in issue   | <b>507 761</b> | 543 479 |

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### Statement of Changes in Equity

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

### Comments on the results

- 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.
- 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.
- 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.
- 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%.
- 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.
- The increase in finance charges was partly due to the purchase of stock mentioned under point 1 above.
- 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).
- 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:

| R'000 | Reviewed<br>12 months to<br>June 2002 | Reviewed<br>12 months to<br>June 2001 |
|-------|---------------------------------------|---------------------------------------|
|-------|---------------------------------------|---------------------------------------|

|                   |               |       |
|-------------------|---------------|-------|
| Profit before tax | <b>12 274</b> | 8 108 |
| Tax               | –             | –     |
| Net profit        | <b>12 274</b> | 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:

| R'000                 | <b>Reviewed<br/>12 months to<br/>June 2002</b> | Reviewed<br>12 months to<br>June 2001 |
|-----------------------|--|---------------------------------------|
| Profit before tax     | –  | –                                     |
| Tax                   | <b>2 383</b>                                   | 1 019                                 |
| Net profit            | <b>(2 383)</b>                                 | (1 019)                               |
| Dividends distributed | <b>13 843</b>                                  | 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  
Chairman

J W Basson  
Chief Executive Officer

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