



Preliminary results for the 52 weeks ended June 2011

Highlights

Trading profit
was up 14,2% to
R3,987 billion.

Turnover increased
7,3% – from
R67,402 billion to
R72,298 billion.

Diluted headline
earnings per share
rose 12,4% to
507,6 cents.

Dividend per share
declared 165 cents
(2010: 147c) an
increase of 12,2%.

Condensed Group Statement of Comprehensive Income

R'000	% change	Reviewed 52 weeks ended June 11	Audited 53 weeks ended June 10
Sale of merchandise	7,3	72 297 777	67 402 440
Cost of sales	6,4	(57 624 408)	(54 147 848)
Gross profit	10,7	14 673 369	13 254 592
Other operating income	17,7	1 855 841	1 576 128
Depreciation and amortisation	11,2	(933 592)	(839 208)
Operating leases	9,7	(1 700 468)	(1 550 745)
Employee benefits	9,3	(5 762 045)	(5 273 843)
Other expenses	12,8	(4 146 408)	(3 676 483)
Trading profit	14,2	3 986 697	3 490 441
Exchange rate losses	(99,4)	(446)	(77 824)
Items of a capital nature	207,0	(78 533)	(25 580)
Operating profit	15,4	3 907 718	3 387 037
Interest received	(10,5)	94 614	105 741
Finance costs	34,4	(125 964)	(93 690)
Profit before income tax	14,0	3 876 368	3 399 088
Income tax expense	21,1	(1 346 826)	(1 111 792)
Profit for the year	10,6	2 529 542	2 287 296
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Fair value movements on available-for-sale investments	(76,3)	1 950	8 244
Foreign currency translation differences	(16,2)	(142 451)	(170 030)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	12,4	2 389 041	2 125 510
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	10,7	2 509 780	2 266 522
Non-controlling interest	(4,9)	19 762	20 774
		2 529 542	2 287 296
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	12,6	2 369 279	2 104 736
Non-controlling interest	(4,9)	19 762	20 774
		2 389 041	2 125 510

Condensed Group Statement of Financial Position

R'000	Reviewed June 11	Audited June 10
ASSETS		
Non-current assets	9 287 521	7 548 892
Property, plant and equipment	8 168 749	6 577 677
Available-for-sale investments	59 656	57 389
Loans and receivables	4 308	8 553
Deferred income tax assets	326 457	288 677
Intangible assets	719 105	611 037
Fixed escalation operating lease accrual	9 246	5 559
Current assets	11 357 577	10 416 433
Inventories	7 055 867	6 114 538
Other current assets	2 293 933	2 037 188
Loans and receivables	46 226	45 841
Cash and cash equivalents	1 961 551	2 218 866
Assets held for sale	58 659	26 372
Total assets	20 703 757	17 991 697
EQUITY AND LIABILITIES		
Total equity	7 143 450	5 972 016
Capital and reserves attributable to owners of the parent	7 084 700	5 904 832
Non-controlling interest	58 750	67 184
Non-current liabilities	1 109 996	1 034 025
Borrowings	26 177	21 534
Deferred income tax liabilities	25 377	18 953
Provisions	339 200	270 818
Fixed escalation operating lease accrual	455 787	418 641
Other non-current liabilities	263 455	304 079
Current liabilities	12 450 311	10 985 656
Other current liabilities	10 304 094	10 006 552
Provisions	104 117	104 825
Bank overdraft	2 042 100	874 279
Total liabilities	13 560 307	12 019 681
Total equity and liabilities	20 703 757	17 991 697

Earnings per Share

R'000	% change	Reviewed 52 weeks ended June 11	Audited 53 weeks ended June 10
Net profit attributable to shareholders		2 509 780	2 266 522
Re-measurements		78 533	25 580
Profit on disposal of property		(6 654)	(503)
Loss on disposal and scrapping of plant, equipment and intangible assets		32 256	14 536
(Profit)/loss on other investing activities		(4 405)	572
Insurance claims received/(paid)		217	(3 657)
Impairment of goodwill		768	—
Impairment of property, plant and equipment, intangible assets and assets held for sale		56 351	14 632
Income tax effect on re-measurements		(19 307)	1 113
Headline earnings		2 569 006	2 293 215
Earnings per share (cents)	10,2	495,9	450,1
Diluted earnings per share (cents)	11,1	495,9	446,4
Headline earnings per share (cents)	11,5	507,6	455,4
Diluted headline earnings per share (cents)	12,4	507,6	451,6
Ordinary dividend per share (cents)			
Interim dividend paid	10,0	88,0	80,0
Final dividend declared	12,2	165,0	147,0
Total	11,5	253,0	227,0
Number of ordinary shares ('000) used for calculation of: earnings per share (weighted average)		506 133	503 523
: diluted earnings per share (weighted average)		506 133	507 775

Condensed Operating Segment Information

R'000	% change	Reviewed 52 weeks ended June 11	Audited 53 weeks ended June 10
Sale of merchandise			
Supermarkets RSA	7,2	57 213 793	53 367 171
Supermarkets Non-RSA	2,1	7 316 698	7 163 977
Furniture	1,9	3 059 648	3 002 589
Other operating segments	21,7	4 707 638	3 868 703
	7,3	72 297 777	67 402 440
Trading profit			
Supermarkets RSA	19,9	3 302 262	2 755 207
Supermarkets Non-RSA	(14,5)	415 524	485 799
Furniture	0,2	131 484	131 213
Other operating segments	16,2	137 427	118 222
	14,2	3 986 697	3 490 441

Supplementary Information

R'000	Reviewed June 11	Audited June 10
1. Capital commitments	1 343 534	1 674 508
2. Contingent liabilities	157 792	103 614
3. Net asset value per share (cents)	1 400	1 167
4. Total number of shares in issue (adjusted for treasury shares)	506 133	506 133

Condensed Statement of Changes in Equity

R'000	Reviewed 52 weeks ended June 11	Audited 53 weeks ended June 10
Balance at beginning of July	5 972 016	5 029 295
Net movement in treasury shares	—	(244 439)
Total comprehensive income	2 389 041	2 125 510
Non-controlling interest purchased	—	(3 215)
Treasury shares utilised for share option take-up, net of income tax	—	147 413
Dividends distributed to shareholders	(1 217 607)	(1 082 548)
Balance at end of June	7 143 450	5 972 016

Condensed Group Statement of Cash Flows

R'000	Notes	Reviewed	Audited
		52 weeks ended June 11	53 weeks ended June 10
Cash generated by operations		3 794 508	3 930 369
Operating profit		3 907 718	3 387 037
Less: investment income		(27 663)	(32 662)
Non-cash items	1	1 459 479	1 387 610
Settlement of share appreciation rights		(218 037)	—
Payments for settlement of post-retirement medical benefits liability		(2 630)	(216 860)
Changes in working capital	2	(1 324 359)	(594 756)
Net interest (paid)/received		(15 445)	35 202
Dividends received		11 758	9 511
Dividends paid		(1 216 084)	(1 082 293)
Income tax paid		(1 031 092)	(1 383 049)
Cash flows from operating activities		1 543 645	1 509 740
Cash flows utilised by investing activities		(2 937 011)	(2 680 113)
Purchase of property, plant and equipment and intangible assets		(3 005 219)	(2 509 369)
Proceeds on disposal of property, plant and equipment and intangible assets		63 483	99 445
Proceeds on disposal of assets held for sale		28 360	1 011
Acquisition of subsidiaries and operations		(27 128)	(255 894)
Other investment activities		3 493	(15 306)
Cash flows from/(utilised) by financing activities		9 329	(237 928)
Acquisition of treasury shares		—	(244 439)
Increase in borrowings		9 329	9 726
Other financing activities		—	(3 215)
Net movement in cash and cash equivalents		(1 384 037)	(1 408 301)
Cash and cash equivalents at the beginning of the year		1 344 587	2 811 465
Effect of exchange rate movements on cash and cash equivalents		(41 099)	(58 577)
Cash and cash equivalents at the end of the year		(80 549)	1 344 587

Cash Flow Information

1. Non-cash items		
Depreciation on property, plant and equipment	948 520	848 270
Amortisation of intangible assets	57 922	47 849
Net fair value losses on financial instruments	5 105	27 899
Exchange rate losses	446	77 824
Loss/(profit) on disposal of property	6 214	(340)
Profit on disposal of assets held for sale	(12 868)	(163)
Loss on disposal and scrapping of plant and equipment and intangible assets	32 256	14 536
Impairment of property, plant and equipment and assets held for sale	56 351	14 632
Impairment of goodwill	768	—
Movement in provisions	70 876	59 317
Movement in cash-settled share-based payment accrual	272 808	277 558
Movement in fixed escalation operating lease accrual	21 081	20 228
	1 459 479	1 387 610
2. Changes in working capital		
Inventories	(1 000 474)	(46 064)
Trade and other receivables	(236 566)	(125 470)
Trade and other payables	(87 319)	(423 222)
	(1 324 359)	(594 756)

Directorate and administration

Executive directors

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

Non-executive director

CH Wiese (chairman)

Executive alternate directors

JAL Basson, M Bosman, PC Engelbrecht

Independent non-executive directors

EC Kieswetter, JA Louw, JF Malherbe, JG Rademeyer

Non-executive alternate director

JD Wiese

Company secretary

PG du Preez

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Auditors

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The Group

The year to June 2011 was a difficult trading period for the food retail sector and a phase during which the Group's internal food inflation averaged -0,1% compared to 2,2% during the corresponding 12 months. The official food inflation rate for the year was 3,2%. In this climate all the divisions of the Group, with the exception of the furniture division, maintained acceptable levels of growth and profitability.

For the 52 weeks of the reporting period total turnover increased by 7,3% to R72,298 billion, compared to the corresponding period of 2010 which consisted of 53 weeks. If the additional week of 2010 is disregarded, turnover growth was 9,7%.

On the turnover growth of 7,3% the Group achieved a trading profit growth of 14,2% to R3,987 billion as a result of tight control over the rise in operating costs. The trading margin increased to 5,5% (2010: 5,2%).

At the end of the reporting period the Group was trading from 1 246 stores of which 167 were outside South Africa. It employed more than 95 000 people having created over 7 000 new jobs, over a thousand more than anticipated. Of the 95 000 people, 11 000 were employed in stores outside South Africa. With plans to open a further 106 stores in the new financial year, the Group expects to offer employment to a further 8 000 to 9 000 people.

Supermarkets RSA

The Group's core business reported positive sales growth of 7,2% (52 weeks: 9,8%) with turnover rising from R53,367 billion to R57,214 billion. Wherever possible, cost savings were passed on to consumers who as a result could buy items from more than 40% of the Group's product categories for the same or lower price than during the previous year.

The three chains have been designed to complement each other in covering the full local LSM spectrum. Shoprite, the largest of the three with 331 supermarkets, continued to be the dominant player in the middle to lower income market despite fierce competition from an increasing number of participants. It in particular expanded its presence in economically disadvantaged areas.

Checkers further entrenched its position in the upper-income consumer market and 53% of its customers now fall within LSM 8-10. It added 15 new stores and now trades from 154 supermarkets and 26 Hypers. Usave's low cost structures enable it to consistently sell comparable products at lower prices than its competitors. It is increasingly fulfilling a strategic role in the Group and will be intensifying its store opening programme in the new financial year.

Supermarkets non-RSA

In rand terms, the turnover of the 135 outlets the Group operates outside the borders of South Africa increased by 2,1% compared to the previous year (52 weeks: 4,5%). At constant currencies, these operations grew 10,2% (52 weeks: 12,8%). The Group continues to expand its operations into Africa and has made great strides in establishing a presence across the continent.

Furniture

The furniture division with its three chains – OK Furniture, House & Home and OK Power Express – contended with deflation of 15,7% and even higher in certain product categories. It increased turnover by 1,9% (52 weeks: 4,0%) to R3,060 billion despite adverse trading conditions and continued to grow strongly in terms of new outlets, ending the reporting period with 300 stores of which 30 are outside the borders of South Africa.

Other operating segments

OK Franchise Division (OKFD) increased turnover by 7,8%. Trading profit increased at a higher rate as overhead costs lagged the growth in income. A major development during the year was the offer made for Metcash's franchise division which will provide OKFD with a further platform to grow its business and franchisees, representing some two years of organic growth without altering its risk profile. The transaction was ratified by the Competition Authority after year-end and will see OKFD gaining some 150 members.

MediRite, Shoprite's chain of in-store pharmacies, increased its number of outlets from 104 to 121 and is budgeting for another 22 in the new financial year. Its pharmacies enjoy secure supply lines from its fellow subsidiary, Transfarm Pharmaceutical Wholesalers, which provides 93% of their product needs.

Computicket, which operates from all Group supermarkets as well as from a number of standalone outlets and some of the furniture stores, maintained its pre-eminent position in the market and showed strong growth in both turnover and profitability.

Corporate governance

The Group adheres to the principles embodied in the King Code of Governance Principles for South Africa 2009 ("the Code"). The Group complies with the prescriptive requirements incorporated in the Code and the Listings Requirements of the JSE Ltd, as well as legislation applicable to public listed companies in South Africa.

Dividend no 125

The board has declared a final dividend of 165,0 cents (2010: 147,0 cents) per ordinary share, payable to shareholders on Monday, 19 September 2011. This brings the total dividend for the year to 253,0 cents per ordinary share (2010: 227,0 cents). The last day to trade cum dividend will be Friday, 9 September 2011. As from Monday, 12 September 2011, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 16 September 2011. Share certificates may not be dematerialised or rematerialised between Monday, 12 September 2011, and Friday, 16 September 2011, both days inclusive.

Accountability

These condensed consolidated preliminary results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: Interim Reporting, and the South African Companies Act (Act no 71 of 2008), as amended. The accounting policies are consistent with those used in the annual financial statements for the financial period ended June 2010.

Auditors' review opinion

The condensed consolidated preliminary results for the year to June 2011 have been reviewed by PricewaterhouseCoopers Inc. The auditors' unqualified review opinion is available for inspection at the Company's registered office.

Prospects

The board does not foresee present market conditions to change materially in the new financial year. Food inflation is expected to rise further although prices are likely to be held in check by the ongoing competition amongst the major food retailers. Competition is expected to further intensify. However, we believe the Group is well equipped to deal with the challenges that will confront it in the new financial year.

By order of the board

CH Wiese
Chairman

JW Basson
Chief executive

Cape Town
22 August 2011