



SHOPRITE

HOLDINGS LTD

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

Results for the year ended June 2014

Highlights

- ▶ Trading profit was up 6% to R5.714 billion.
- ▶ Turnover increased 10.5% – from R92.457 billion to R102.204 billion.
- ▶ Headline earnings per share rose 3.3% to 697.6 cents (2013: 675.4 cents).
- ▶ EBITDA increased by 8.7% to R7.406 billion (2013: R6.811 billion).

Summary Consolidated Statement of Comprehensive Income

Rm	% change	Year ended June '14	Restated year ended June '13
Sale of merchandise	10.5	102 204	92 457
Cost of sales	10.6	(80 936)	(73 156)
Gross profit	10.2	21 268	19 301
Other operating income	8.9	2 840	2 607
Depreciation and amortisation	14.1	(1 525)	(1 336)
Operating leases	17.3	(2 596)	(2 213)
Employee benefits	8.1	(7 723)	(7 145)
Other operating expenses	12.5	(6 550)	(5 822)
Trading profit	6.0	5 714	5 392
Exchange rate losses	125.0	(9)	(4)
Items of a capital nature	(109.7)	3	(31)
Operating profit	6.6	5 708	5 357
Interest received	(13.1)	225	259
Finance costs	7.2	(461)	(430)
Share of (loss)/profit of associates and joint ventures	(200.0)	(5)	5
Profit before income tax	5.3	5 467	5 191
Income tax expense	9.6	(1 727)	(1 576)
Profit for the year	3.5	3 740	3 615
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	(76.0)	129	538
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	—	5	—
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation differences	(76.1)	123	514
Share of foreign currency translation differences of associates and joint ventures	(95.8)	1	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(6.8)	3 869	4 153
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	3.7	3 730	3 597
Non-controlling interest	(44.4)	10	18
	3.5	3 740	3 615
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	(6.7)	3 859	4 135
Non-controlling interest	(44.4)	10	18
	(6.8)	3 869	4 153

Summary Consolidated Statement of Financial Position

Rm	June '14	Restated June '13
ASSETS		
Non-current assets	15 730	13 304
Property, plant and equipment	13 576	11 652
Investment in associates and joint ventures	155	169
Loans and receivables	316	10
Deferred income tax assets	440	420
Intangible assets	1 225	1 041
Fixed escalation operating lease accruals	18	12
Current assets	24 643	20 119
Inventories	12 344	10 310
Other current assets	4 112	3 668
Loans and receivables	26	19
Cash and cash equivalents	8 161	6 122
Assets held for sale	160	57
Total assets	40 533	33 480
EQUITY AND LIABILITIES		
Total equity	17 283	15 252
Capital and reserves attributable to owners of the parent	17 217	15 184
Non-controlling interest	66	68
Non-current liabilities	5 531	4 847
Borrowings	4 373	3 824
Deferred income tax liabilities	187	196
Provisions	277	251
Fixed escalation operating lease accruals	694	576
Current liabilities	17 719	13 381
Other current liabilities	17 520	13 240
Provisions	138	133
Bank overdrafts	61	8
Total liabilities	23 250	18 228
Total equity and liabilities	40 533	33 480

Earnings per Share

Rm	% change	Year ended June '14	Restated year ended June '13
Profit attributable to owners of the parent		3 730	3 597
Re-measurements		(1)	32
Profit on disposal of property and assets held for sale		(13)	(50)
Loss on disposal and scrapping of plant and equipment (Reversal of impairment)/impairment of property, plant and equipment		26	34
Impairment of goodwill		(42)	31
Insurance claims paid		1	—
Loss on other investing activities		13	2
Re-measurements included in equity-accounted profit of associates and joint ventures		2	1
Income tax effect on re-measurements		4	(15)
Headline earnings		3 733	3 614
Basic and diluted earnings per share (cents)	3.7	697.0	672.3
Basic and diluted headline earnings per share (cents)	3.3	697.6	675.4
Ordinary dividend per share (cents)	3.6	350.0	338.0
Interim dividend per share paid (cents)	7.3	132.0	123.0
Final dividend per share declared (cents)	1.4	218.0	215.0
Number of ordinary shares (millions) used for calculation of:			
Earnings per share (weighted average)		535	535

Summary Consolidated Statement of Cash Flows

Rm	Notes	Year ended June '14	Restated year ended June '13
Cash flows from operating activities		5 720	1 121
Operating profit		5 708	5 357
Less: investment income		(36)	(40)
Non-cash items	1	1 859	1 568
Payments for cash settlement of share appreciation rights		(21)	(535)
Changes in working capital	2	1 078	(1 902)
Cash generated from operations		8 588	4 448
Net interest paid		(93)	(42)
Dividends received		30	14
Dividends paid		(1 868)	(1 707)
Income tax paid		(937)	(1 592)
Cash flows utilised by investing activities	3	(4 165)	(3 009)
Cash flows from financing activities	4	453	12
Net movement in cash and cash equivalents		2 008	(1 876)
Cash and cash equivalents at the beginning of the year		6 114	7 901
Effect of exchange rate movements on cash and cash equivalents		(22)	89
Cash and cash equivalents at the end of the year		8 100	6 114
Rm		Year ended June '14	Restated year ended June '13
CASH FLOW INFORMATION			
1. Non-cash items			
Depreciation of property, plant and equipment		1 568	1 333
Amortisation of intangible assets		162	142
Net fair value gains/(losses) on financial instruments		23	(24)
Exchange rate losses		9	4
Profit on disposal of property		(13)	(8)
Profit on disposal of assets held for sale		—	(42)
Loss on disposal and scrapping of plant and equipment (Reversal of impairment)/impairment of property, plant and equipment		26	34
Impairment of goodwill		(42)	31
Movement in provisions		12	14
Movement in cash-settled share-based payment accrual		37	(93)
Movement in share-based payment reserve		(37)	98
Movement in fixed escalation operating lease accruals		4	—
		110	79
		1 859	1 568
2. Changes in working capital			
Inventories		(1 994)	(1 442)
Trade and other receivables		(586)	(506)
Trade and other payables		3 658	46
		1 078	(1 902)
3. Cash flows utilised by investing activities			
Investment in property, plant and equipment and intangible assets to expand operations		(2 917)	(2 583)
Investment in property, plant and equipment and intangible assets to maintain operations		(992)	(699)
Investment in assets held for sale		(2)	(4)
Proceeds on disposal of property, plant and equipment and intangible assets		126	157
Proceeds on disposal of assets held for sale		—	212
Other investing activities		(313)	(9)
Acquisition of operations		(67)	(83)
		(4 165)	(3 009)
4. Cash flows from financing activities			
Proceeds from convertible bonds sold		224	—
Increase in borrowing from Standard Bank de Angola, S.A.		218	—
Increase in borrowing from First National Bank of Namibia Ltd		11	12
		453	12

Summary Operating Segment Information

Rm	% change	Year ended June '14	Restated year ended June '13
Sale of merchandise			
Supermarkets RSA	8.7	76 881	70 707
Supermarkets Non-RSA	26.8	14 779	11 657
Furniture	12.2	3 996	3 562
Other operating segments	0.3	6 548	6 531
	10.5	102 204	92 457
Trading profit			
Supermarkets RSA	5.3	4 751	4 513
Supermarkets Non-RSA	12.2	673	600
Furniture	49.6	196	131
Other operating segments	(36.5)	94	148
	6.0	5 714	5 392
Total assets			
Supermarkets RSA	22.0	27 203	22 292
Supermarkets Non-RSA	22.0	7 720	6 327
Furniture	23.8	3 740	3 021
Other operating segments	1.6	1 870	1 840
	21.1	40 533	33 480

Supplementary Information

Rm	June '14	June '13
1. Contracted capital commitments	2 477	1 737
2. Contingent liabilities	235	126
3. Net asset value per share (cents)	3 218	2 837
4. Total number (millions) of shares in issue (adjusted for treasury shares)	535	535

Summary Consolidated Statement of Changes in Equity

Rm	Year ended June '14	Year ended June '13
Balance at beginning of July	15 252	12 807
Total comprehensive income	3 869	4 153
Share-based payments – value of employee services	4	—
Equity component of convertible bonds sold during the year	27	—
Dividends distributed to shareholders	(1 869)	(1 708)
Balance at end of June	17 283	15 252

The Group

The Group increased total turnover by 10.5% to R102.204 billion to exceed R100 billion for the first time in an environment of low consumer expenditure and constantly rising costs in areas such as electricity and energy. Trading profit grew by 6% to R5.714 billion while the trading margin at 5.6% was only marginally lower than the 5.8% of 2013. Market share increased for the eighth consecutive year.

The Group invested heavily in anticipation of the next upswing in the economy by opening a net 125 new corporate stores and extending the supply-line infrastructure supporting them. At year-end the Group was trading from 1 581 own stores in 15 countries. A net 92 super-markets were opened. A record 11 762 new jobs were created and at the end of June the Group employed 123 100 people, 107 467 in South Africa and 15 633 outside of it.

Supermarkets RSA

The Group's supermarket division dominates the local market having substantially more trading space, spread throughout the country's established trading areas, than any of its competitors.

The division increased sales by 8.7% from R70.707 billion to R76.881 billion for a trading profit of R4.751 billion (2013: R4.513 billion). Food price increases were restricted to 4.7% or 1.4 percentage points below the official food inflation figure of 6.1%.

The three chains together opened a net 76 new supermarkets to bring the total to 877. Shoprite remains the largest in terms of turnover and the number of stores. Turnover growth slowed to 7.5% due to the adverse conditions affecting its target market. Recent AMPs data shows that of all the supermarket chains, Shoprite has by far the highest number of loyal shoppers at 34% and the highest number of regular shoppers at 21.7 million.

Checkers continued to reinforce its standing as a value retailer, expanding its support base in the LSM 8–10 consumer categories. By year-end it operated 211 Checkers and Checkers Hyper outlets which achieved combined turnover growth of 8.2%.

Usave, with its small-format stores, now generates more than 2% of total sales by the South African food retail sector. It continues to grow sales at almost twice the industry's rate, averaging 12.9% in its 266 outlets.

Supermarkets Non-RSA

The segment continued to gain momentum with a net 16 supermarkets opened during the year to bring its total number of supermarkets to 169. Sales increased by 26.8% (16.2% in constant currencies) compared to 2013. Basket size was up by 16.8% and the number of customers by 7.8%. The Group intends accelerating its expansion into Africa by opening a record number of 30 new supermarkets before June 2015.

Furniture

Turnover increased by 12.2% and trading profit by 49.6% in a highly competitive durables market. The best performance came from the flagship chain, OK Furniture, which grew turnover by 19.5%. The division now operates 368 outlets, having gained a net 32 stores during the year.

Other Operating Segments

The subdued results of the Franchise Division echo the challenging conditions faced by many of its members in the rural areas. Total turnover grew by 4.7% while growth on existing business was higher at 9.5%.

The pharmaceutical division consists of a chain of 150 in-store MediRite pharmacies and a wholesale operation trading as Transpharm which supplies to MediRite and external customers. Transpharm has greatly improved the on-shelf availability of medication in the pharmacies.

Computicket, South Africa's foremost ticketing business had a subdued year as promoters of live events found the fees of top international artists prohibitively expensive. Its sale of airline tickets rose to close to R500 million, placing Computicket Travel on par with the biggest travel agencies in South Africa.

Dividend no 131

The board has declared a final dividend of 218 cents (2013: 215 cents) per ordinary share, payable to shareholders on Monday, 15 September 2014. The dividend has been declared out of income reserves. This brings the total dividend for the year to 350 cents (2013: 338 cents) per ordinary share. The last day to trade cum dividend will be Friday, 5 September 2014. As from Monday, 8 September 2014, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 12 September 2014. Share certificates may not be dematerialised or rematerialised between Monday, 8 September 2014, and Friday, 12 September 2014, both days inclusive.

- The local dividend tax rate is 15%.
- There are no STC credits available.
- The net local dividend amount is 185.3 cents per share for shareholders liable to pay Dividends Tax and 218.00 cents per share for shareholders exempt from paying Dividends Tax.
- The issued share capital of Shoprite Holdings Ltd as at the date of this declaration is 572 871 960 ordinary shares.
- Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.

Accountability

This short-form announcement is the responsibility of the directors of Shoprite Holdings Ltd. This short-form announcement is only a summary of the information in the summary consolidated financial statements and does not contain full or complete details. The summary consolidated financial statements have been released on the Stock Exchange News Service (SENS) and are available for viewing on www.shopriteholdings.co.za. Copies of the summary consolidated financial statements may be requested from the company secretary (cosec@shoprite.co.za, tel +27 (0) 21 980 4284) at PO Box 215, Brackenfell, 7561, South Africa. Any investment decisions by investors and/or shareholders should be based on consideration of the summary consolidated financial statements published on SENS and www.shopriteholdings.co.za as a whole.

The Group adopted the following new accounting standards during the period under review: IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements and IFRS 13 Fair Value Measurement. Where necessary, comparative figures have been restated for the application of IFRS 11.

Prospects

With economic growth expected to remain below 3% there is not much relief in sight for the beleaguered South African consumer. The improved sales growth in the last quarter of the 2014 financial year has continued into July and beyond, but with market conditions unchanged, it is doubtful whether this can be sustained.

By order of the board

CH Wiese
Chairman

JW Basson
Chief executive

Cape Town
18 August 2014

Directorate and Administration

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