



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 2013

Highlights

Trading profit was up 15,6% to R5,394 billion.

Turnover increased 12,1% – from R82,731 billion to R92,747 billion.

Headline earnings per share rose 11,3% to 675,38 cents (2012: 607,04 cents).

Dividend per share declared was 215 cents (2012: 194 cents) an increase of 10,8%.

Summary Consolidated Statement of Comprehensive Income

R'000	% change	Year ended June '13	Year ended June '12
Sale of merchandise	12,1	92 747 314	82 730 587
Cost of sales	11,5	(73 316 296)	(65 752 642)
Gross profit	14,4	19 431 018	16 977 945
Other operating income	12,2	2 608 352	2 325 312
Depreciation and amortisation	23,9	(1 350 915)	(1 090 295)
Operating leases	15,2	(2 234 306)	(1 940 221)
Employee benefits	10,2	(7 195 133)	(6 530 468)
Other expenses	15,5	(5 864 787)	(5 077 139)
Trading profit	15,6	5 394 229	4 665 134
Exchange rate losses	(54,5)	(3 793)	(8 343)
Items of a capital nature	(66,5)	(31 400)	(93 687)
Operating profit	17,4	5 359 036	4 563 104
Interest received	82,2	259 050	142 166
Finance costs	92,0	(429 185)	(223 563)
Share of profit of associate	100,0	4 952	—
Profit before income tax	15,9	5 193 853	4 481 707
Income tax expense	9,7	(1 578 545)	(1 438 889)
Profit for the year	18,8	3 615 308	3 042 818
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	126,4	537 727	237 480
Items that may be reclassified subsequently to profit or loss			
Fair value movements on available-for-sale investments	(100,0)	—	(51 219)
Foreign currency translation differences	78,8	516 110	288 699
Share of foreign currency translation differences of associate	100,0	21 617	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	26,6	4 153 035	3 280 298
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	18,9	3 597 711	3 026 563
Non-controlling interest	8,3	17 597	16 255
	18,8	3 615 308	3 042 818
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	26,7	4 135 438	3 264 043
Non-controlling interest	8,3	17 597	16 255
	26,6	4 153 035	3 280 298

Summary Consolidated Statement of Financial Position

R'000	June '13	June '12
ASSETS		
Non-current assets	13 331 298	11 094 665
Property, plant and equipment	11 713 741	9 668 559
Investment in associate	130 455	103 886
Loans and receivables	10 325	3 706
Deferred income tax assets	425 381	413 645
Intangible assets	1 039 192	894 296
Fixed escalation operating lease accrual	12 204	10 573
Current assets	20 100 902	19 597 268
Inventories	10 317 417	8 680 109
Other current assets	3 625 906	2 961 629
Loans and receivables	18 908	16 197
Cash and cash equivalents	6 138 671	7 939 333
Assets held for sale	57 071	391 993
Total assets	33 489 271	31 083 926
EQUITY AND LIABILITIES		
Total equity	15 252 270	12 807 717
Capital and reserves attributable to equity holders	15 184 076	12 745 042
Non-controlling interest	68 194	62 675
Non-current liabilities	4 851 889	5 039 658
Borrowings	3 823 371	4 006 698
Deferred income tax liabilities	197 135	152 085
Provisions	253 833	338 791
Fixed escalation operating lease accrual	577 271	520 206
Other non-current liabilities	279	21 878
Current liabilities	13 385 112	13 236 551
Other current liabilities	13 243 984	13 075 059
Provisions	133 561	138 634
Bank overdrafts	7 567	22 858
Total liabilities	18 237 001	18 276 209
Total equity and liabilities	33 489 271	31 083 926

Earnings per Share

R'000	% change	Year ended June '13	Year ended June '12
Net profit attributable to owners of the parent		3 597 711	3 026 563
Re-measurements		31 400	93 687
Profit on disposal of property and assets held for sale		(49 544)	(1 572)
Loss on disposal and scrapping of plant, equipment and intangible assets		34 584	15 166
Loss on other investing activities		2 193	184
Insurance claims paid		—	1 094
Impairment of goodwill		13 585	61 605
Impairment of property, plant and equipment and assets held for sale		30 582	17 210
Income tax effect on re-measurements		(14 841)	(6 038)
Headline earnings		3 614 270	3 114 212
Basic and diluted earnings per share (cents)	13,9	672,3	590,0
Basic and diluted headline earnings per share (cents)	11,3	675,4	607,0
Ordinary dividend per share (cents)			
Interim dividend paid	12,8	123,0	109,0
Final dividend declared	10,8	215,0	194,0
Total	11,6	338,0	303,0
Number of ordinary shares ('000) used for calculation of:			
Earnings per share (weighted average)		535 143	513 019

Summary Operating Segment Information

R'000	% change	Year ended June '13	Year ended June '12
Sale of merchandise			
Supermarkets RSA	9,8	70 925 545	64 584 215
Supermarkets Non-RSA	27,9	11 729 237	9 174 147
Furniture	4,7	3 561 555	3 400 185
Other operating segments	17,2	6 530 977	5 572 040
	12,1	92 747 314	82 730 587
Trading profit			
Supermarkets RSA	15,8	4 503 439	3 887 334
Supermarkets Non-RSA	31,4	612 628	466 277
Furniture	(25,6)	130 652	175 492
Other operating segments	8,4	147 510	136 031
	15,6	5 394 229	4 665 134
Total assets			
Supermarkets RSA	(0,0)	22 305 523	22 312 020
Supermarkets Non-RSA	39,7	6 322 377	4 527 078
Furniture	17,8	3 021 476	2 564 750
Other operating segments	9,5	1 839 895	1 680 078
	7,7	33 489 271	31 083 926

Supplementary Information

R'000	June '13	June '12
1. Capital commitments	1 738 887	1 707 467
2. Contingent liabilities	125 569	206 168
3. Net asset value per share (cents)	2 837	2 382
4. Total number of shares in issue (adjusted for treasury shares)	535 143	535 143

Summary Consolidated Statement of Changes In Equity

R'000	Year ended June '13	Year ended June '12
Balance at beginning of July	12 807 717	7 143 450
Total comprehensive income	4 153 035	3 280 298
Equity component of convertible bonds issued during the year	—	333 880
Proceeds from ordinary shares issued	—	3 409 728
Proceeds from deferred shares issued	14	—
Treasury shares' loss	—	74 289
Dividends distributed to shareholders	(1 708 496)	(1 433 928)
Balance at end of June	15 252 270	12 807 717

Summary Consolidated Statement of Cash Flows

R'000	Notes	Year ended June '13	Year ended June '12
Cash flows from operating activities		1 147 619	3 334 804
Operating profit		5 359 036	4 563 104
Less: investment income		(38 742)	(82 259)
Non-cash items	1	1 585 103	1 714 522
Payments for cash settlement of share appreciation rights		(534 727)	(287 540)
Payments for settlement of post-retirement medical benefits liability		—	(1 779)
Changes in working capital	2	(1 893 161)	649 234
Cash generated from operations		4 477 509	6 555 282
Net interest (paid)/received		(43 075)	33 279
Dividends received		14 298	65 401
Dividends paid		(1 707 017)	(1 433 824)
Income tax paid		(1 594 096)	(1 885 334)
Cash flows utilised by investing activities	3	(3 038 893)	(3 110 892)
Cash flows from financing activities	4	13 052	7 767 685
Net movement in cash and cash equivalents		(1 878 222)	7 991 597
Cash and cash equivalents at the beginning of the year		7 916 475	(80 549)
Effect of exchange rate movements on cash and cash equivalents		92 851	5 427
Cash and cash equivalents at the end of the year		6 131 104	7 916 475

R'000	Year ended June '13	Year ended June '12
-------	------------------------	------------------------

Cash Flow Information

1. Non-cash items		
Depreciation on property, plant and equipment	1 347 715	1 132 907
Amortisation of intangible assets	142 055	67 199
Net fair value gains on financial instruments	(23 807)	(3 375)
Exchange rate losses	3 793	8 343
Profit on disposal of property	(7 598)	(1 572)
Profit on disposal of assets held for sale	(41 946)	—
Loss on disposal and scrapping of plant and equipment and intangible assets	34 584	15 166
Impairment of property, plant and equipment and assets held for sale	30 582	17 210
Impairment of goodwill	13 585	61 605
Movement in provisions	(91 578)	34 577
Movement in cash-settled share-based payment accrual	97 899	330 738
Movement in fixed escalation operating lease accrual	79 819	51 724
	1 585 103	1 714 522
2. Changes in working capital		
Inventories	(1 443 661)	(1 526 104)
Trade and other receivables	(483 422)	(261 833)
Trade and other payables	33 922	2 437 171
	(1 893 161)	649 234
3. Cash flows utilised by investing activities		
Investment in property, plant and equipment and intangible assets to expand operations	(2 609 517)	(2 359 020)
Investment in property, plant and equipment and intangible assets to maintain operations	(702 850)	(758 749)
Investment in assets held for sale	(3 602)	—
Proceeds on disposals of property, plant and equipment and intangible assets	156 833	149 315
Proceeds on disposals of assets held for sale	212 045	—
Other investing activities	(9 297)	34 409
Investment in associate	—	(103 886)
Acquisition of subsidiaries and operations	(82 505)	(72 961)
	(3 038 893)	(3 110 892)
4. Cash flows from financing activities		
Proceeds from ordinary shares issued	—	3 409 728
Proceeds from deferred shares issued	14	—
Proceeds from convertible bonds issued	—	4 347 641
Increase in borrowings from First National Bank of Namibia Ltd	13 038	10 316
	13 052	7 767 685

Directorate and Administration

Executive directors

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

Executive alternate directors

JAL Basson, M Bosman, PC Engelbrecht

Non-executive director

CH Wiese (chairman)

Independent non-executive directors

JJ Fouché, EC Kieswetter, JA Louw,
JF Malherbe, ATM Mokgokong,
JG Rademeyer, JA Rock

Non-executive alternate director

JD Wiese

Company secretary

PG du Preez

Registered office

Cnr William Dabs and Old Paarl Roads,
Brackenfell, 7560, South Africa.
PO Box 215, Brackenfell, 7561,
South Africa
Telephone: +27 (0)21 980 4000,
Facsimile: +27 (0)21 980 4050
Website: www.shopriteholdings.co.za

Transfer secretaries

South Africa: Computershare Investor
Services (Pty) Ltd, PO Box 61051,
Marshalltown, 2107, South Africa
Telephone: +27 (0)11 370 5000,
Facsimile: +27 (0)11 688 5238
Website: www.computershare.com

Namibia: Transfer Secretaries (Pty) Ltd,
PO Box 2401, Windhoek, Namibia
Telephone: +264 (0)61 227 647,
Facsimile: +264 (0)61 248 531

Zambia: ShareTrack Zambia,
Plot 5, Katemo Road, Rhodes Park,
Lusaka, Zambia
P O Box 37283, Lusaka, Zambia
Telephone: +260 (0)211 236 783,
Facsimile: +260 (0)211 236 785.

Sponsors

South Africa: Nedbank Capital,
PO Box 1144, Johannesburg, 2000,
South Africa
Telephone: +27 (0)11 295 8525,
Facsimile: +27 (0)11 294 8525
Website: www.nedbank.co.za

Namibia: Old Mutual Investment Group
(Namibia) (Pty) Ltd, PO Box 25549,
Windhoek, Namibia
Telephone: +264 (0)61 299 3264,
Facsimile: +264 (0)61 299 3528

Auditors

PricewaterhouseCoopers Incorporated,
PO Box 2799, Cape Town, 8000,
South Africa
Telephone: +27 (0)21 529 2000,
Facsimile: +27 (0)21 529 3300

The Group

The Group increased total turnover by 12,1% to R92,747 billion in a difficult trading environment. It was nevertheless able to grow profit at a faster rate than turnover. For the first time in its history, trading profit exceeded the R5 billion mark rising by 15,6% to R5,394 billion while the trading margin increased to 5,8%.

Growth in South Africa was hampered by labour unrest, the disruption of production in a number of industries, falling commodity prices and increases in the cost of living. These factors, together with high debt levels, brought substantial pressure to bear on consumers' disposable income.

At the end of June the Group was trading from 1 456 owned stores – 114 more than in the previous year. Of the net new stores, 76 were supermarkets while the Group now operates 229 stores outside South Africa. A record number of 9 201 jobs were created and the Group now have 111 338 employees – 97 282 in South Africa and 14 056 outside its borders.

Supermarkets RSA

The division, the largest in the Group, increased sales by 9,8% from R64,584 billion to R70,926 billion to produce a trading profit of R4,503 billion (2012: R3,887 billion). Internal food inflation averaged 4,3% (2012: 4,9%) against an official food inflation figure of 6,1%. The division opened a net 57 new stores during the year with a further 109 confirmed for 2014.

With 361 stores, Shoprite remains by far the largest of the three brands. Its growth in turnover, which slowed to 7,3%, was severely impacted by unemployment, labour unrest and the indebtedness of consumers. Despite intense competition, Shoprite retained its high credibility rating with customers by sticking to its basic principles of value and price. It continues to dominate its sector by a large margin.

The Checkers brand defied the general market trend and reported good growth, increasing turnover by 10,7%. It continued to grow its share of South Africa's more affluent LSM10 segment. Its focus remains on innovation and the chain has identified certain specialist product areas to showcase its overall excellence.

Usave with its typically small-format, no-frills stores, continued its expansion programme in South Africa, bringing the national total to 243. During the period under review it increased turnover by 21,4%.

Supermarkets Non-RSA

This division reported another year of strong growth with turnover accelerating by 27,9% and by 15,3% on a same-store basis. Growth was assisted by the continued weakness of the rand against the US dollar and certain African currencies, making imports from South Africa more affordable. It opened 19 stores during the year with a further 20 confirmed for 2014.

Furniture

In an environment in which trading conditions deteriorated markedly, turnover grew by 4,7% compared to 11,1% in 2012. The OK Furniture and smaller OK Power Express chains, which account for about 65% of sales, withstood these pressures better than the more up-market House & Home and grew turnover by 9,3%. Sales in House & Home declined 2,8%. The division now operate 336 stores of which 39 are outside South Africa.

Other Operating Segments

At the end of the reporting period OK Franchise had 380 members in South Africa, Botswana and Namibia. It gained 42 new members during the year but also terminated its relationship with a number of financially weaker members. The division grew sales in total by 7,1% and by 9,0% on existing business.

The pharmaceutical division consists of two businesses – the MediRite chain of 146 in-store pharmacies and the wholesale division Transpharm. MediRite increased turnover by 17% while the growth on existing business was 12,3%. Prescriptions filled increased by 41% to 4,5 million. Transpharm grew sales by 36,5% to R2,413 billion. Inter-company sales included in this number constituted 22% of turnover.

Computicket, which remains the country's foremost ticketing business with 775 in-store kiosks and 37 freestanding outlets, further increased its investment in cutting-edge technology to create a new and much more powerful digital platform to accommodate spikes in the demand for tickets as well as growing online ticket purchasing traffic.

Dividend no 129

The board has declared a final dividend of 215,0 cents (2012: 194,0 cents) per ordinary share, payable to shareholders on Monday, 16 September 2013. The dividend has been declared out of income reserves. This brings the total dividend for the year to 338,0 cents per ordinary share (2012: 303,0 cents). The last day to trade cum dividend will be Friday, 6 September 2013. As from Monday, 9 September 2013, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 13 September 2013. Share certificates may not be dematerialised or rematerialised between Monday, 9 September 2013, and Friday, 13 September 2013, both days inclusive.

1. Local dividend tax rate is 15%.
2. There are no STC credits available.
3. Net local dividends amount is 182,75 cents per share for shareholders liable to pay Dividends Tax and 215,00 cents per share for shareholders exempt from paying Dividends Tax.
4. The issued share capital of Shoprite Holdings Ltd as at the date of the declaration is 570 579 460 ordinary shares; and
5. Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.

Accountability

These summary consolidated results are for information purposes only. These results are an extract from the summary consolidated results which are available on the Stock Exchange News Service. The audited summary consolidated results are compliant with International Financial Reporting Standards ("IFRS"), IAS 34: Interim Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the South African Companies Act (Act no 71 of 2008), as amended and the Listing Requirements of the JSE Limited.

Prospects

In the new financial year the impact of the weaker rand will be felt more by consumers who are coming under increasing pressure. To assist customers, the Group will be investing substantially in ensuring its price leadership position and will be absorbing some of the inflationary impact on the consumer, a decision which may put margins under pressure. The board believes the Group will nevertheless be able to achieve encouraging turnover and profit growth in the new financial year.

By order of the board

CH Wiese
Chairman

JW Basson
Chief executive

Cape Town
19 August 2013

