

Interim results

FOR THE SIX MONTHS ENDED DECEMBER 2007

SHOPRITE

HOLDINGS LTD




- Trading profit increased 42,2% to R1,020 billion.
- Turnover increased 21,7% – from R19,105 billion to R23,260 billion.
- Non-RSA supermarkets 32,4% sales growth.
- Diluted headline earnings per share rose 55,1% to 128,4 cents.
- Dividend per share declared: increased 40% to 49,0 cents.

CONDENSED GROUP INCOME STATEMENT

R'000	Unaudited	% change	Unaudited	Audited
	6 months ended Dec-07		6 months ended Dec-06	for the year ended Jun-07
Sale of merchandise	23 259 616	21,7	19 105 298	38 949 845
Cost of sales	(18 602 366)	21,9	(15 265 063)	(30 952 417)
Gross profit	4 657 250	21,3	3 840 235	7 997 428
Other operating income	421 019	5,9	397 710	798 454
Depreciation and amortisation	(279 661)	13,0	(247 494)	(517 397)
Operating leases	(526 798)	13,1	(465 896)	(997 735)
Employee benefits	(1 839 937)	23,7	(1 487 189)	(3 100 627)
Other expenses	(1 412 238)	7,0	(1 320 093)	(2 582 431)
Trading profit	1 019 635	42,2	717 273	1 597 692
Exchange rate gains	7 065	(63,8)	19 504	23 725
(Expenditure)/income of a capital nature	(4 573)	(120,9)	21 835	60 935
Operating profit	1 022 127	34,7	758 612	1 682 352
Interest received	88 694	81,9	48 755	109 332
Finance costs	(25 679)	(44,5)	(46 237)	(83 570)
Profit before tax	1 085 142	42,6	761 130	1 708 114
Tax	(401 852)	34,6	(298 604)	(622 586)
Profit for the period	683 290	47,7	462 526	1 085 528
ATTRIBUTABLE TO:				
Equity holders of the Company	674 653	48,2	455 224	1 076 071
Minority interest	8 637	18,3	7 302	9 457
	683 290		462 526	1 085 528
Earnings per share (cents)	133,0	48,3	89,7	212,1
Diluted earnings per share (cents)	127,8	47,7	86,5	203,9
Ordinary dividend per share (cents)				101,0
Final/interim dividend paid	66,0	43,5	46,0	35,0
Interim/final dividend declared	49,0	40,0	35,0	66,0
Number of weighted average ordinary shares ('000) used for calculation of				
– earnings per share	507 320		507 345	507 320
– diluted earnings per share	527 804		526 384	527 709

RECONCILIATION OF HEADLINE EARNINGS

R'000	Unaudited	% change	Unaudited	Audited
	6 months ended Dec-07		6 months ended Dec-06	for the year ended Jun-07
Net profit attributable to shareholders	674 653		455 224	1 076 071
Expenditure/(income) of a capital nature	4 573		(21 835)	(63 561)
Loss/(profit) on disposal of property	711		(24 191)	(23 876)
Loss/(profit) on disposal and scrapping of plant, equipment and intangible assets	3 600		(1 429)	6 259
Insurance claim received for building	–		–	(14 053)
Impairment of property, plant and equipment	–		–	720
Impairment of goodwill	–		3 785	–
Profit on disposal of listed investment	–		–	(33 459)
Loss on other investing activities	262		–	848
Tax effect on items of a capital nature	(1 335)		2 316	10 429
Headline earnings	677 891		435 705	1 022 939
Earnings per share (cents)	133,0	48,3	89,7	212,1
Diluted earnings per share (cents)	127,8	47,7	86,5	203,9
Headline earnings per share (cents)	133,6	55,5	85,9	201,6
Diluted headline earnings per share (cents)	128,4	55,1	82,8	193,8
Ordinary dividend per share (cents)				101,0
Final/interim dividend paid	66,0	43,5	46,0	35,0
Interim/final dividend declared	49,0	40,0	35,0	66,0

CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited	Unaudited	Unaudited	Audited
	6 months ended Dec-07			
Balance at beginning of July	3 688 771	3 082 868	3 082 868	–
Net movement in treasury shares	–	–	–	(220)
Net fair value profits on available-for-sale investments, net of tax	3 535	14 982	31 210	–
Net profit for the period	683 290	462 526	1 085 528	–
Realisation of profits on disposal of listed investment	–	–	–	(33 459)
Cash settlement of share options	(38 645)	(63 821)	(79 927)	–
Foreign currency translation differences	(17 871)	(45 777)	20 566	–
Dividends distributed to shareholders	(336 927)	(235 224)	(417 795)	–
Balance at end of December/June	3 982 153	3 215 554	3 688 771	–

CONDENSED SEGMENT INFORMATION

R'000	Unaudited	% change	Unaudited	Audited
	6 months ended Dec-07		6 months ended Dec-06	for the year ended Jun-07
SEGMENT REVENUE – by business segment				
– Supermarkets	22 041 909	23,0	17 924 867	36 810 824
– Furniture	1 217 707	3,2	1 180 431	2 139 021
Total segment revenue	23 259 616	21,7	19 105 298	38 949 845
SEGMENT RESULT – by business segment				
– Supermarkets (including unallocated)	920 498	51,6	606 999	1 408 866
– Furniture	100 608	(18,7)	123 719	204 839
Total segment result	1 021 106	39,7	730 718	1 613 705
Segment result comprises trading profit plus exchange rate gains less investment income.				

CONDENSED GROUP BALANCE SHEET

R'000	Unaudited	Unaudited	Audited
	Dec-07	Dec-06	Jun-07
ASSETS			
Non-current assets	4 724 238	4 062 604	4 403 668
Property, plant and equipment	4 115 159	3 592 185	3 804 159
Available-for-sale investments	27 894	18 437	23 738
Loans and receivables	47 402	32 384	43 990
Deferred tax assets	232 510	162 483	252 749
Intangible assets	297 024	255 074	277 901
Fixed escalation operating lease accrual	4 249	2 041	1 131
Current assets	9 299 360	7 886 336	7 476 005
Inventories	4 650 266	4 073 930	3 699 199
Other current assets	1 898 381	1 742 495	1 521 906
Assets classified as held for sale	24 981	128 236	236 249
Available-for-sale investments	–	46 526	–
Loans and receivables	3 898	11 317	6 425
Cash and cash equivalents	2 721 834	1 883 832	2 012 226
Total assets	14 023 598	11 948 940	11 879 673
EQUITY AND LIABILITIES			
Total equity	3 982 153	3 215 554	3 688 771
Capital and reserves attributable to equity holders	3 926 022	3 163 099	3 639 181
Minority interest	56 131	52 455	49 590
Non-current liabilities	753 145	720 769	724 188
Borrowings	2 498	2 510	2 498
Deferred tax liabilities	12 642	8 960	8 803
Provisions	292 414	254 079	264 185
Fixed escalation operating lease accrual	445 591	455 220	448 702
Current liabilities	9 288 300	8 012 617	7 466 714
Other current liabilities	9 137 637	7 646 308	7 370 776
Provisions	47 394	45 743	71 414
Bank overdraft	103 269	320 566	24 524
Total liabilities	10 041 445	8 733 386	8 190 902
Total equity and liabilities	14 023 598	11 948 940	11 879 673

CONDENSED GROUP CASH FLOW STATEMENT

R'000	Unaudited	Unaudited	Audited
	6 months ended Dec-07	6 months ended Dec-06	for the year ended Jun-07
Cash generated by operations	1 756 497	2 137 506	3 465 407
Operating profit	1 022 127	758 612	1 682 352
Less: investment income	(5 594)	(6 059)	(7 712)
Non-cash items	335 813	242 388	548 150
Cash settled share options	(93 138)	(32 977)	(62 021)
Changes in working capital	497 289	1 175 542	1 304 638
Net interest received	67 658	6 703	29 652
Dividends received	951	1 874	3 822
Dividends paid	(335 742)	(234 933)	(417 461)
Tax paid	(412 051)	(287 321)	(524 352)
Cash flows from operating activities	1 077 313	1 623 829	2 557 068
Cash flows utilised by investing activities	(443 100)	(579 455)	(1 109 298)
Purchase of property, plant and equipment and intangible assets	(644 383)	(658 754)	(1 258 609)
Proceeds on disposal of assets held for sale, property, plant and equipment and intangible assets	204 921	75 799	106 061
Proceeds on disposal of listed investment	–	3 542	54 528
Acquisition of operations	(5 909)	–	(14 192)
Acquisition of listed investment	–	(4 407)	–
Other investment activities	2 271	4 365	2 914
Cash flows from financing activities	–	303	99
Acquisition of treasury shares	–	–	(220)
Other financing activities	–	303	319
Movement in cash and cash equivalents	634 213	1 044 677	1 447 869
Effect of exchange rate movements on cash and cash equivalents	(3 350)	(18 115)	3 129
Net movement in cash and cash equivalents	630 863	1 026 562	1 450 998

CASH FLOW INFORMATION

1. NON-CASH ITEMS			
Depreciation on property, plant and equipment	282 092	252 612	527 674
Amortisation of intangible assets	11 258	7 438	15 493
Net fair value (gains)/losses on financial instruments	(1 967)	20 689	20 620
Exchange rate gains	(7 065)	(19 504)	(23 725)
Loss/(profit) on disposal of property and assets held for sale	711	(24 192)	(23 876)
Loss/(profit) on disposal and scrapping of plant, equipment and intangible assets	3 600	(1 428)	6 259
Impairment of property, plant and equipment	–	–	720
Loss on other investing activities	262	–	848
Realisation of profits in fair value reserve on disposal of listed investment	–	–	(33 459)
Impairment of goodwill	–	3 785	–
Loss on disposal of listed investment	–	865	–
Movement in provisions	5 933	(3 743)	32 334
Movement in cash-settled share-based payment accrual	45 724	163	17 892
Movement in fixed escalation operating lease accrual	(4 735)	5 703	7 370
	335 813	242 388	548 150
2. CHANGES IN WORKING CAPITAL			
Inventories	(956 631)	(826 150)	(419 734)
Trade and other receivables	(346 299)	(286 034)	(76 463)
Trade and other payables	1 800 219	2 287 726	1 800 835
	497 289	1 175 542	1 304 638

SUPPLEMENTARY INFORMATION

R'000	Unaudited	Unaudited	Audited
	Dec-07	Dec-06	Jun-07
1. Capital commitments	254 181	328 030	311 180
2. Contingent liabilities	34 093	60 004	57 593
3. Net asset value per share (cents)	774	623	717
4. Total number of shares in issue (adjusted for treasury shares)	507 345	507 345	507 345

COMMENTARY

THE GROUP

The Group experienced, both in turnover growth and profitability, a buoyant first six months. Total turnover increased by 21,7% to R23,260 billion due to an excellent performance by all the divisions with the exception of the furniture business. At the same time the Group managed to increase the trading margin from 3,8% to 4,4% due to a strong growth in turnover, coupled with strong cost control.

SUPERMARKETS

The Group's South African supermarket operation grew sales by 22,1% to R18,449 billion. The increase in the number of customer transactions was satisfactory and the growth in basket size was in line with the Group's internal inflation. All three major chains contributed to the overall 1,3% market share increase to 28,8%. The Group now operates 523 stores in South Africa, having opened 17 during the reporting period.

Shoprite's 301 South African stores increased turnover by 27,3% to R11,049 billion. Its market share gain was the highest in the Group. This growth must be viewed against the inhibiting effect industrial action had on turnover in the corresponding period.

Checkers continued upgrading stores in South Africa, refining product choice and improving customer relations and service delivery. Although not exempt from the fall-out from the downturn in the local economy, it nevertheless grew turnover 13,4% to R6,912 billion while increasing the number of customer transactions and the value per transaction.

The small-format Usave chain in South Africa continued to achieve substantial growth. During the review period it boosted sales by 44,1%, due to a healthy increase in customer transactions and in the value per transaction.

The Group's non-RSA supermarkets, still represent some 12% of the Group's sales and trading profit. The decision to concentrate on the oil-rich western coast of Africa seems to be correct. The established countries also produced good results. During the review period the Group opened its first supermarket in Ghana, delayed by a fire in the previous financial year. In addition, the Group acquired two sites in the Democratic Republic of Congo for development.

OK FRANCHISE

In line with the rest of the food retailing sector, the Franchise Division did well, and increased turnover by 17,7%. What was pleasing was the increase in the loyalty of its 256 franchise holders as measured by the percentage growth in purchases from the Group.

FURNITURE

Unlike the food sector, the market for durable goods such as home appliances and entertainment products continued to experience virtually no inflation, forcing traders to chase unit sales by discounting heavily in a highly competitive market. The Furniture Division grew sales by 3,2%, but at the expense of margins, resulting in a drop of 19,0% in trading profit. It nevertheless weathered these difficult conditions well through strict stock management, a reduced debtors book and low exposure to bad debt.

GROUP PROSPECTS AND OUTLOOK

The Board does not expect the very good results of the first half to be maintained for the full year. Although the food sector does not feel the effects of an economic downturn as immediately or acutely as some other sectors, it is not immune to it. The outlook for the local economy is bound to worsen further as the effects of the present energy crisis are felt more widely.

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 Listings Requirements of the JSE Ltd.

DIVIDEND NO 118

The Board has declared an interim dividend of 49,0 cents (2007: 35,0 cents) per ordinary share, payable to shareholders on Monday, 17 March 2008. The last day to trade cum dividend will be Friday, 7 March 2008. As from Monday, 10 March 2008, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 14 March 2008. Share certificates may not be dematerialised or rematerialised between Monday, 10 March 2008, and Friday, 14 March 2008, both days inclusive.

ACCOUNTABILITY

These condensed consolidated interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: Interim Reporting, 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 period ended June 2007, with the following exceptions:

- With the introduction of new accounting statement IFRS 7: Financial Instruments: Disclosures and the amendment to IAS 1: Presentation of Financial Statements: Capital Disclosures, all related items in the Group are now presented in accordance with these statements. These statements require retrospective application and had no significant effect on the Group's results.

- The calculation for headline earnings were adjusted retrospectively in terms of SAICA Circular 8/2007: Headline Earnings. This recalculation had the following effect on the comparative information previously presented:

	Unaudited	Audited
	6 months ended Dec 06	for the year ended Jun 07
	Cents	Cents
Decrease in headline earnings per share	–	0,6
Decrease in diluted headline earnings per share	–	0,5

By order of the Board

CH Wiese
Chairman