

Highlights

Trading profit rose 11,9% to R1,854 billion.

Turnover increased 9,4% to R36,259 billion.

Diluted headline earnings per share rose 13,6% to 236,8 cents.

Dividend per share declared increased 10,0% to 88,0 cents.

Unaudited Interim Results for the six months ended December 2010

Condensed Group Statement of Comprehensive Income

R'000	% change	Unaudited 6 months ended Dec 10	Unaudited 6 months ended Dec 09	Audited for the year ended Jun 10
Sale of merchandise	9.4	36 259 130	33 138 535	67 402 440
Cost of sales	8.7	(29 076 055)	(26 757 553)	(54 147 848)
Gross profit	12.6	7 183 075	6 380 982	13 254 592
Other operating income	28.3	704 967	549 334	1 576 128
Depreciation and amortisation	21.3	(472 831)	(389 771)	(839 208)
Operating leases	12.1	(834 078)	(743 893)	(1 550 745)
Employee benefits	15.3	(2 891 568)	(2 507 779)	(5 273 843)
Other expenses	12.4	(1 835 417)	(1 632 481)	(3 676 483)
Trading profit	11.9	1 854 148	1 656 392	3 490 441
Exchange rate losses	(60.2)	(13 366)	(33 596)	(77 824)
Items of a capital nature	466.2	(13 248)	(2 340)	(25 580)
Operating profit	12.8	1 827 534	1 620 456	3 387 037
Interest received	(18.5)	43 911	53 858	105 741
Finance costs	73.0	(61 511)	(35 564)	(93 690)
Profit before income tax	10.4	1 809 934	1 638 750	3 399 088
Income tax expense	7.3	(612 084)	(570 643)	(1 111 792)
Profit for the period	12.1	1 197 850	1 068 107	2 287 296
Other comprehensive income, net of income tax expense		(193 350)	(157 887)	(161 786)
Fair value movements on available-for-sale investments		(2 777)	2 305	8 244
Foreign currency translation differences		(190 573)	(160 192)	(170 030)
Total comprehensive income for the period		1 004 500	910 220	2 125 510
Profit attributable to:				
Owners of the parent	11.9	1 186 183	1 059 790	2 266 522
Non-controlling interest	40.3	11 667	8 317	20 774
		1 197 850	1 068 107	2 287 296
Total comprehensive income attributable to:				
Owners of the parent	10.1	992 833	901 903	2 104 736
Non-controlling interest	40.3	11 667	8 317	20 774
		1 004 500	910 220	2 125 510
Earnings per share (cents)	10.8	234.4	211.6	450.1
Diluted earnings per share (cents)	12.6	234.4	208.2	446.4
Ordinary dividend per share (cents)				
Final/interim dividend paid		147.0	130.0	80.0
Interim/final dividend declared		88.0	80.0	147.0
Number of weighted average ordinary shares ('000) used for calculation of: earnings per share		506 133	500 955	503 523
diluted earnings per share		506 133	509 091	507 775

Condensed Group Statement of Financial Position

R'000	Unaudited Dec 10	Unaudited Dec 09	Audited Jun 10
ASSETS			
Non-current assets	8 596 101	6 889 877	7 548 892
Property, plant and equipment	7 599 588	6 038 485	6 577 677
Available-for-sale investments	54 160	50 483	57 389
Loans and receivables	10 632	5 315	8 553
Deferred income tax assets	266 933	260 845	288 677
Intangible assets	659 229	528 516	611 037
Fixed escalation operating lease accrual	5 559	6 233	5 559
Current assets	12 298 821	12 607 292	10 416 433
Inventories	7 627 603	6 974 489	6 114 538
Other current assets	2 534 134	2 339 518	2 037 188
Loans and receivables	52 723	69 243	45 841
Cash and cash equivalents	2 084 361	3 224 042	2 218 866
Assets held for sale	77 724	12 329	26 372
Total assets	20 972 646	19 509 498	17 991 697
EQUITY AND LIABILITIES			
Total equity	6 204 305	5 166 372	5 972 016
Capital and reserves attributable to owners of the parent	6 153 650	5 106 904	5 904 832
Non-controlling interest	50 655	59 468	67 184
Non-current liabilities	950 538	925 944	1 034 025
Borrowings	23 725	19 409	21 534
Deferred income tax liabilities	9 826	50 174	18 953
Provisions	281 622	272 294	270 818
Fixed escalation operating lease accrual	430 948	416 256	418 641
Other non-current liabilities	204 417	167 811	304 079
Current liabilities	13 817 803	13 417 182	10 985 656
Other current liabilities	10 625 402	13 282 027	10 006 552
Provisions	104 832	53 004	104 825
Bank overdraft	3 087 569	82 151	874 279
Total liabilities	14 768 341	14 343 126	12 019 681
Total equity and liabilities	20 972 646	19 509 498	17 991 697

Earnings per Share

R'000	% change	Unaudited 6 months ended Dec 10	Unaudited 6 months ended Dec 09	Audited for the year ended Jun 10
Profit attributable to owners of the parent		1 186 183	1 059 790	2 266 522
Re-measurements		13 248	2 340	25 580
Profit on disposals of assets held for sale		(576)	—	(503)
Loss on disposals and scrappings of plant, equipment and intangible assets		13 825	7 941	14 536
Impairment of property, plant and equipment and assets held for sale		—	—	14 632
Insurance claims received		—	(5 627)	(3 657)
(Profit)/loss on other investing activities		(1)	26	572
Income tax effect of re-measurements		(843)	(699)	1 113
Headline earnings		1 198 588	1 061 431	2 293 215
Earnings per share (cents)	10.8	234.4	211.6	450.1
Diluted earnings per share (cents)	12.6	234.4	208.2	446.4
Headline earnings per share (cents)	11.8	236.8	211.9	455.4
Diluted headline earnings per share (cents)	13.6	236.8	208.5	451.6
Ordinary dividend per share (cents)		235.0	210.0	227.0
Final/interim dividend paid		147.0	130.0	80.0
Interim/final dividend declared		88.0	80.0	147.0

Condensed Group Operating Segment Information

R'000	% change	Unaudited 6 months ended Dec 10	Unaudited 6 months ended Dec 09	Audited for the year ended Jun 10
Sale of merchandise				
Supermarkets RSA	8.4	28 514 676	26 303 456	53 367 171
Supermarkets Non-RSA	3.1	3 715 104	3 604 702	7 163 977
Furniture	4.3	1 603 950	1 538 376	3 002 589
Other operating segments	43.3	2 425 400	1 692 001	3 868 703
	9.4	36 259 130	33 138 535	67 402 440
Trading profit				
Supermarkets RSA	15.8	1 530 250	1 321 617	2 755 207
Supermarkets Non-RSA	(9.4)	175 026	193 172	485 799
Furniture	(12.9)	90 900	104 347	131 213
Other operating segments	55.6	57 972	37 256	118 222
	11.9	1 854 148	1 656 392	3 490 441

Supplementary Information

R'000	Unaudited Dec 10	Unaudited Dec 09	Audited Jun 10
1. Capital commitments	2 703 403	1 062 881	1 674 508
2. Contingent liabilities	119 938	64 204	103 614
3. Net asset value per share (cents)	1 216	1 009	1 167
4. Total number of shares in issue (adjusted for treasury shares)	506 133	506 133	506 133

Condensed Group Statement of Changes in Equity

R'000	Unaudited 6 months ended Dec 10	Unaudited 6 months ended Dec 09	Audited for the year ended Jun 10
Balance at beginning of July	5 972 016	5 029 295	5 029 295
Net movement in treasury shares	—	(244 439)	(244 439)
Total comprehensive income	1 004 500	910 220	2 125 510
Treasury shares utilised for share option take-up, net of income tax	—	147 413	147 413
Non-controlling interest purchased	—	(3 215)	(3 215)
Dividends distributed to owners	(772 211)	(672 902)	(1 082 548)
Balance at end of December/June	6 204 305	5 166 372	5 972 016

Condensed Group Statement of Cash Flows

R'000	Notes	Unaudited 6 months ended Dec 10	Unaudited 6 months ended Dec 09	Audited for the year ended Jun 10
Cash generated by operations		803 000	3 348 282	3 930 369
Operating profit		1 827 534	1 620 456	3 387 037
Less: investment income		(9 073)	(12 462)	(32 662)
Non-cash items	1	733 406	590 684	1 387 610
Settlement of share appreciation rights		(218 037)	—	—
Payment for settlement of post-retirement medical benefits liability		—	(200 631)	(216 860)
Changes in working capital	2	(1 530 830)	1 350 235	(594 756)
Net interest (paid)/received		(11 552)	30 728	35 202
Dividends received		3 025	28	9 511
Dividends paid		(771 177)	(672 102)	(1 082 293)
Income tax paid		(531 728)	(515 578)	(1 383 049)
Cash flows (utilised by)/from operating activities		(508 431)	2 191 358	1 509 740
Cash flows utilised by investing activities		(1 768 005)	(1 472 951)	(2 680 113)
Purchase of property, plant and equipment and intangible assets		(1 797 578)	(1 269 398)	(2 509 369)
Proceeds on disposal of assets held for sale, property, plant and equipment and intangible assets		45 352	24 139	100 456
Acquisition of operations		—	(190 000)	(255 894)
Other investment activities		(15 779)	(37 692)	(15 306)
Cash flows from/(utilised by) financing activities		4 431	(238 965)	(237 928)
Acquisition of treasury shares		—	(244 439)	(244 439)
Other financing activities		4 431	5 474	6 511
Net movement in cash and cash equivalents		(2 272 005)	479 442	(1 408 301)
Cash and cash equivalents at the beginning of the period		1 344 587	2 811 465	2 811 465
Cash and cash equivalents with acquisition of operations		—	(66 204)	—
Effect of exchange rate movements on cash and cash equivalents		(75 790)	(82 812)	(58 577)
Cash and cash equivalents at the end of the period		(1 003 208)	3 141 891	1 344 587
Cash Flow Information				
1. Non-cash items				
Depreciation of property, plant and equipment		474 003	396 086	848 270
Amortisation of intangible assets		27 477	21 212	47 849
Net fair value losses on financial instruments		1 474	58 017	27 899
Exchange rate losses		13 366	33 596	77 824
Profit on disposals of assets held for sale		(576)	—	(163)
Loss/(profit) on disposals of property		5 243	—	(340)
Loss on disposals and scrappings of plant, equipment and intangible assets		8 582	7 766	14 536
(Reversal)/impairment of property, plant and equipment and assets held for sale		(508)	—	14 632
Movement in provisions		11 387	(7 950)	59 317
Movement in cash-settled share-based payment accrual		186 350	82 331	277 558
Insurance claims received		—	(5 627)	—
Movement in fixed escalation operating lease accrual		6 608	5 253	20 228
		733 406	590 684	1 387 610
2. Changes in working capital				
Inventories		(1 594 564)	(865 109)	(46 064)
Trade and other receivables		(523 171)	(415 528)	(125 470)
Trade and other payables		586 905	2 630 872	(423 222)
		(1 530 830)	1 350 235	(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 directors: CH Wiese (chairman), EC Kieswetter, JA Louw, JF Malherbe, JG Rademeyer

Alternate directors: JAL Basson, M Bosman, PC Engelbrecht, JD Wiese

Company secretary: PG du Preez

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The Group

The Group successfully weathered a challenging trading period despite internal deflation averaging 1,2% for the period and operating expenses such as electricity, water and rates and taxes increasing 36%.

All the segments, with the exception of the furniture division, reported acceptable turnover growth and trading profits. The Group continues to invest in infrastructure and new stores for future growth. During the reporting period it gained a net 59 new stores of which 41 were super-markets. By the end of December it was trading from 1 225 stores in South Africa and beyond its borders. It grew total turnover by 9,4% – 10,6% in real terms – to R36,259 billion on which it generated a trading profit of R1,854 billion, 11,9% higher than in the corresponding period. Due to the investments made the last few years in infrastructure, distribution capabilities and information technology systems, management was able to achieve further efficiencies across the spectrum of the business and to raise its trading margin to 5,1%.

During the period under review the rand strengthened further, but to a lesser extent than in the previous period. This had a substantial effect on the translation of non-RSA sales and profits to rand.

Supermarkets RSA

The Group's core business reported positive sales growth of 8,4% from R26,303 billion to R28,515 billion despite internal price deflation of 1,2% across the entire product mix. This produced a trading profit growth of 15,8%. Although overall sales growth slowed, the turnover achieved nevertheless represents real growth of 9,6% which compares favourably with those of recent reporting periods once inflation is stripped out. While market share figures for the food retailing sector is not available, management believes the Group has made gains across the spectrum.

Shoprite was hardest hit by negative market conditions but increased turnover by 5%. Checkers withstood general market conditions well and increased turnover by 9,8% while growing its customer base by 5,5% and value per transaction by 4,1%. The limited-range Usave chain, which operates 181 stores, grew turnover by 24,2% despite a store-wide price deflation of 2%. Usave experienced increasing customer support, with the number of customer transactions 22,8% higher than in the corresponding six months.

Supermarkets Non-RSA

This division opened a net nine new stores in the period under review and reported turnover growth of 13,6% in constant currency terms, which translated in growth of 3,1% in rand terms. The growth manifested itself both in the increase in the number and value of customer transactions. The Group is forcefully strengthening its presence in the main countries in which it is operating at present.

Furniture

The furniture division had to contend with ongoing price deflation, which put extreme pressure on turnover growth and profits.

In an environment of sluggish demand despite aggressive discounting and price deflation, the OK Furniture and OK Power Express chains did manage to achieve significant growth but House & Home struggled. Overall the division reported sales growth of 4,3% to R1,604 billion inclusive of the turnover of the net 18 new stores added during the period. Trading profit for the six months decreased to R91 million.

Other Operating Segments

These include the results of the OK Franchise Division, MediRite and Transform – the wholesale pharmaceutical acquired in December 2009 – and Computicket. Their combined turnover increased by 43,3% to R2,425 billion and their trading profit by 55,6% to R58 million. In a low inflation environment the OK Franchise Division grew turnover on existing business by 14,2% while lifting trading profit to substantially above that. The MediRite chain of in-store pharmacies, which now consists of 113 outlets, grew turnover by 37,0% and on a like-for-like basis by 23,2%. Computicket, which operates from Group supermarkets and some furniture division stores, as well as from a number of standalone outlets, maintained its pre-eminent position in the market and showed strong growth despite consumers' dwindling disposable income.

Corporate Governance

The Group is committed 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 124

The board has declared an interim dividend of 88,0 cents (2010: 80,0 cents) per ordinary share, payable to shareholders on Tuesday, 22 March 2011. The last day to trade cum dividend will be Friday, 11 March 2011. As from Monday, 14 March 2011, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 18 March 2011. Share certificates may not be dematerialised or rematerialised between Monday, 14 March 2011, and Friday, 18 March 2011, 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 2010.

Prospects

In the second half of the financial year, which will consist of 26 trading weeks compared to 27 in the comparative trading period of 2010, no material changes in market conditions are expected. Food inflation is expected to rise but food prices are, however, expected to be held in check by the strong competition amongst the major food retailers. Management believes the Group is well equipped to deal with the challenges that will confront it in the second half of the year and expects to maintain the level of profitability achieved in the first six months.

By order of the board

CH Wiese
Chairman

JW Basson
Chief Executive

Cape Town
21 February 2011