

SHOPRITE

HOLDINGS LTD



Shoprite Holdings Limited

Interim Financial Results – December 2005





CONDENSED GROUP INCOME STATEMENT

R'000	Unaudited 26 weeks ended Dec 05	% change	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
Revenue	16 925 863	9,2	15 504 578	30 299 898
Sale of merchandise	16 620 683	9,4	15 194 297	29 704 233
Finance income earned	78 666	(3,7)	81 701	164 791
Investment income	4 283	(21,7)	5 470	13 056
Franchise fees received	10 258	1,3	10 131	18 760
Operating lease income	77 396	(19,1)	95 626	184 874
Commissions received	54 317	71,5	31 672	67 032
Net premiums earned	80 260	(6,3)	85 681	147 152
Gross profit	3 200 914	10,6	2 895 077	5 980 233
Other operating income	347 850	(1,7)	353 960	688 325
Depreciation	(197 521)	27,0	(155 577)	(360 880)
Operating leases	(368 168)	5,7	(348 324)	(817 809)
Employee benefits	(1 330 250)	10,3	(1 205 483)	(2 446 849)
Other expenses	(1 091 942)	7,6	(1 015 125)	(2 010 404)
Trading profit	560 883	6,9	524 528	1 032 616
Exchange rate (losses)/gains	(28 658)	103,3	(14 094)	1 921
Income/(expenditure) of a capital nature	8 153	(46,2)	15 145	(35 392)
Operating profit	540 378	2,8	525 579	999 145
Interest received	37 578	70,0	22 109	56 329
Finance costs	(34 460)	297,6	(8 667)	(52 543)
Profit before tax	543 496	0,8	539 021	1 002 931
Tax	(185 924)	4,2	(178 498)	(339 949)
Profit after tax	357 572	(0,8)	360 523	662 982
Loss for the period from discontinued operation	(7 622)		(8 549)	(25 978)
Profit for the period	349 950	(0,6)	351 974	637 004
ATTRIBUTABLE TO:				
Equity holders of the Company	344 953	0,3	344 069	629 613
Minority interest	4 997	(36,8)	7 905	7 391
	349 950		351 974	637 004
Earnings per share from continued operations (cents)	69,5	0,0	69,5	129,2
Earnings per share (cents)	68,0	0,3	67,8	124,1
Diluted earnings per share from continued operations (cents)	67,1	(0,9)	67,7	125,7
Diluted earnings per share (cents)	65,7	(0,6)	66,1	120,7
Ordinary dividend per share paid (cents)	28,0	43,6	19,5	41,5
Number of ordinary shares ('000) used for calculation of: earnings per share	507 355*		507 387*	507 373*
: diluted earnings per share	525 277*		520 914*	521 644*
(* weighted average)				

CONDENSED GROUP BALANCE SHEET

R'000	Unaudited Dec 05	Unaudited Dec 04	Unaudited Jun 05
ASSETS			
Non-current assets	3 189 377	2 860 348	2 872 400
Property, plant and equipment	2 686 734	2 448 906	2 490 585
Available-for-sale investments	45 679	32 675	33 100
Loans and receivables	48 319	79 445	61 530
Deferred tax assets	232 991	250 599	242 193
Intangible assets	172 337	43 618	40 779
Fixed escalation operating lease accrual	3 317	5 105	4 213
Current assets	6 589 410	5 676 403	5 497 446
Assets classified as held for sale	257 784	–	183 025
Inventories	3 622 068	3 184 278	2 711 532
Trade and other receivables	1 732 397	1 786 408	1 522 087
Loans and receivables	18 814	11 229	3 993
Cash and cash equivalents	958 347	694 488	1 076 809
Total assets	9 778 787	8 536 751	8 369 846
EQUITY AND LIABILITIES			
Total equity	2 503 833	2 038 846	2 265 877
Capital and reserves attributable to equity holders	2 458 181	1 992 298	2 224 118
Minority interest	45 652	46 548	41 759
Non-current liabilities	754 472	752 217	739 211
Borrowings	2 450	2 450	2 450
Deferred tax liabilities	9 189	7 674	10 073
Provisions	214 062	213 439	211 859
Fixed escalation operating lease accrual	528 771	528 654	514 829
Current liabilities	6 520 482	5 745 688	5 364 758
Liabilities classified as held for sale	23 160	–	–
Other current liabilities	5 830 383	5 115 634	4 531 418
Provisions	43 127	30 054	48 952
Bank overdraft	623 812	600 000	784 388
Total equity and liabilities	9 778 787	8 536 751	8 369 846

CONDENSED GROUP CASH FLOW STATEMENT

R'000	Notes	Unaudited 26 weeks ended Dec 05	Unaudited 27 weeks ended Dec 04	Audited 53 weeks ended Jun 05
Cash generated by continued operations		969 623	(160 765)	790 821
Operating profit before investment income and income/expenditure of a capital nature		527 942	504 964	1 021 481
Non-cash items	1	239 504	179 161	405 491
Changes in working capital	2	202 177	(844 890)	(646 069)
(Income)/expenditure of a capital nature	3	–	–	9 918
Net interest received		5 862	17 670	10 162
Dividends received		1 539	1 242	6 680
Dividends paid		(145 474)	(97 370)	(213 336)
Tax paid		(150 845)	(326 173)	(509 097)
Cash utilised by discontinued operations	4	(6 065)	(6 580)	(12 951)
Cash flows from operating activities		674 640	(571 976)	72 279
Cash flows from investing activities		(650 973)	(347 485)	(810 961)
Purchase of software, property, plant and equipment		(526 108)	(387 965)	(922 535)
Proceeds on disposal of property		49 450	–	57 451
Proceeds on disposal of investments		–	50 000	71 069
Acquisition of subsidiaries / operations		(169 628)	(2 329)	(17 127)
Acquisition of listed investment		–	–	(21 069)
Other investment activities		(4 687)	(7 191)	21 250
Net cash flow		23 667	(919 461)	(738 682)
Cash flows from financing activities		–	(164)	428
Acquisition of treasury shares		–	(164)	(265)
Proceeds on issue of preference shares to joint venture		–	–	693
Movement in cash and cash equivalents		23 667	(919 625)	(738 254)
Acquired through acquisition of subsidiaries/operations		31 428	–	–
Effect of exchange rate movements on cash and cash equivalents		(12 981)	(5 574)	10 988
Net movement in cash and cash equivalents		42 114	(925 199)	(727 266)
CASH FLOW INFORMATION				
1. Non-cash items				
Depreciation on property, plant and equipment		207 146	167 650	385 098
Amortisation of intangible assets		6 231	6 829	14 742
Net fair value losses/(gains) on financial instruments		537	(3 838)	(3 629)
Exchange rate losses/(gains)		28 554	13 964	(1 921)
Share options granted to a director		765	2 631	5 265
Movement in provisions		(3 622)	(4 043)	13 275
Movement in fixed escalation operating lease accrual		(107)	(4 032)	(7 339)
		239 504	179 161	405 491
2. Changes in working capital				
Inventories		(871 280)	(577 483)	(76 673)
Trade and other receivables		(265 585)	(307 149)	17 910
Trade and other payables		1 339 042	39 742	(587 306)
		202 177	(844 890)	(646 069)
3. Income/(expenditure) of a capital nature				
Income/(expenditure) of a capital nature per income statement		8 153	15 145	(35 392)
Net profit on disposal and scrapping of property, plant and equipment and software		(8 153)	3 524	(2 349)
Profit on disposal of unlisted investment		–	(18 000)	(18 000)
Profit on disposal of listed investment		–	(669)	(669)
Impairment of property, plant and equipment		–	–	40 177
Impairment of goodwill		–	–	26 151
		–	–	9 918
4. Cash utilised by discontinued operations				
Loss for the period from discontinued operation per income statement		(7 622)	(8 549)	(25 978)
Depreciation on property, plant and equipment		1 453	1 839	3 592
Exchange rate losses/(gains)		104	130	(352)
Impairment of property, plant and equipment		–	–	9 787
		(6 065)	(6 580)	(12 951)

CONDENSED SEGMENT INFORMATION

R'000	Unaudited 26 weeks ended Dec 05	% change	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
SEGMENT REVENUE – by business segment				
– Supermarkets	15 727 730	9,3	14 386 254	28 283 473
– Furniture	1 193 850	7,3	1 112 854	2 003 369
Total segment revenue	16 921 580	9,2	15 499 108	30 286 842
Segment revenue comprises total revenue less investment income.				
SEGMENT RESULT – by business segment				
– Supermarkets	420 203	4,5	402 208	830 084
– Furniture	107 739	4,8	102 756	191 397
Total segment result	527 942	4,6	504 964	1 021 481
Segment result comprises trading profit plus exchange rate losses/gains less investment income.				

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RECONCILIATION OF HEADLINE EARNINGS

R'000	Unaudited 26 weeks ended Dec 05	Unaudited 27 weeks ended Dec 04	Audited 53 weeks ended Jun 05
Net profit attributable to shareholders	344 953	344 069	629 613
Loss for the period from discontinued operation	7 622	8 549	25 978
Earnings from continued operations (Income)/expenditure of a capital nature after tax	352 575 (7 225)	352 618 (16 173)	655 591 32 448
Profit on disposal of unlisted investment	–	(17 978)	(19 906)
Profit on disposal of listed investment	–	(669)	(660)
Profit on disposal of property	(9 264)	–	(6 644)
Loss on disposal and scrapping of plant, equipment and software	2 039	2 474	3 511
Insurance claim for building received	–	–	(5 864)
Impairment of property, plant and equipment	–	–	40 177
Impairment of goodwill	–	–	26 151
Payment made for lease cancellation	–	–	3 484
Profit on lease cancellation	–	–	(6 840)
Prescription of amounts owing	–	–	(961)
Headline earnings from continued operations	345 350	336 445	688 039
Exchange rate losses/(gains) after tax	21 886	12 991	(3 305)
Adjusted headline earnings from continued operations	367 236	349 436	684 734
Headline earnings from continued operations	345 350	336 445	688 039
Add loss for the period from discontinued operations (Income)/expenditure of a capital nature after tax from discontinued operations	(7 622) –	(8 549) –	(25 978) 9 787
Headline earnings	337 728	327 896	671 848
Earnings per share from continued operations (cents)	69,5	69,5	129,2
Earnings per share (cents)	68,0	67,8	124,1
Diluted earnings per share from continued operations (cents)	67,1	67,7	125,7
Diluted earnings per share (cents)	65,7	66,1	120,7
Headline earnings per share from continued operations (cents)	68,1	66,3	135,6
Headline earnings per share (cents)	66,6	64,6	132,4
Diluted headline earnings per share from continued operations (cents)	65,7	64,6	131,9
Diluted headline earnings per share (cents)	64,3	62,9	128,8
Adjusted headline earnings per share from continued operations (cents)	72,4	68,9	135,0
Adjusted diluted headline earnings per share from continued operations (cents)	69,9	67,1	131,3
Ordinary dividend per share paid (cents)	28,0	19,5	41,5
Ordinary dividend per share declared (cents)	27,0	22,0	50,0

COMMENT ON THE RESULTS

The reporting period ended December 2005 comprised 26 weeks compared to the corresponding period in 2004 of 27 weeks. These financial statements are also the first to be prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS). Both these factors should be kept in mind in evaluating these results.

THE GROUP

The first half of the 2006 financial year has been a rewarding trading period with all the core divisions achieving highly satisfactory results in relation to a comparable 26-week period to December 2004. The strong turnover growth was supported by a most pleasing increase in the number of customer transactions and growth in basket size.

During the period under review food retailing remained highly competitive. It was characterised by strong downward pressure on prices in an environment marked by continuing low food inflation. At the same time the market saw strong growth in not only the numbers but also the disposable income of the emerging black middle class.

The strong rand continued to benefit the sale of imported higher-margin non-food items which is now making a bigger contribution to total gross profit while the negative effect of the strong rand on exports was mitigated by the strengthening of several key African currencies.

Expenses were well managed, although slightly above inflation. This was mainly due to refurbishments and the greater number of stores opened. The trading margin of 3,3% was better than the 3% on a comparable basis (3,4% for the 27 weeks) ended December 2004. The Group incurred an exchange rate loss of R28,7 million as against a loss of R14,1 million in the period ended December 2004.

The increase in intangible assets from R43,6 million to R172,3 million was due mainly to the acquisition of Foodworld Stores and Computicket, transactions finalised towards the end of the review period.

As the Group is negotiating the sale of its operations in Egypt, this business is treated in the accounts as a discontinued operation.

The increase to 27,0 cents (2005: 22,0 cents) in the dividend per share declared flows from the Board's earlier decision to reduce dividend cover to 2 times for the full financial year, an objective now achieved.

Supermarkets

The supermarket division continued its strong growth of past years. The combined revenue of the three chains – Shoprite, Checkers and Usave – increased by 13,9% (27 weeks: 9,3%) to R14,865 billion. In the light of the Group's growing consumer support an aggressive new store programme is being followed.

Shoprite operates 352 of the Group's 573 corporate supermarkets and does business in 17 of the 18 countries in which the Group maintains a presence. Its turnover growth in South Africa of 13,5% (27 weeks: 8,9%) to R7,813 billion mirrors the continuing high consumer confidence in the brand, especially at the

CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited 26 weeks ended Dec 05	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
Balance at beginning of July			
As previously stated	2 265 877	2 128 215	1 752 635
Effect of adjusted treatment of leases		(375 580)	
Reclassification of minority interest to statement of changes in equity		38 007	38 007
Effect of IFRS: Property, plant and equipment		180 413	180 413
Translation of foreign operations		(166 454)	(166 454)
Share-based payments		(4 023)	(4 023)
Intangible assets		1 875	1 875
As restated	2 265 877	1 802 453	1 802 453
Net movement in treasury shares	–	(164)	(265)
Net fair value profits on available-for-sale investments, net of tax	10 933	2 769	2 997
Net profit for the period – as restated	349 950	351 974	637 004
As previously stated		324 028	567 855
Effect of adjusted treatment of leases		2 754	
Reclassification of minority interest to statement of changes in equity		7 765	7 109
Effect of IFRS: Property, plant and equipment		14 383	35 121
Translation of foreign operations		6 300	25 135
Share-based payments		(2 631)	3 034
Intangible assets		(625)	(1 250)
Transfer to share-based payment reserve	765	2 631	5 265
Foreign currency translation differences	19 471	(21 875)	33 260
Dividends distributed to shareholders	(143 163)	(98 942)	(214 837)
Balance at end of December/June	2 503 833	2 038 846	2 265 877

SUPPLEMENTARY INFORMATION

R'000	Unaudited Dec 05	Unaudited Dec 04	Unaudited Jun 05
1. Capital commitments	305 683	344 008	344 438
2. Contingent liabilities	97 790	47 227	53 190
3. Net asset value per share (cents)	485	392	438
4. Total number of shares in issue (adjusted for treasury shares)	507 355	507 387	507 355

lower end of the market. The chain grew the number of customers served by a high 8,9% and basket size by 4,1%.

Checkers reported turnover of 12,8% (27 weeks: 8,3%) higher at R5,194 billion compared with the corresponding period, while increasing profitability by 29,7% (27 weeks: 11,3%). The number of customers served increased by 5,8% while continued growth in basket size of 6,3% confirmed that the repositioned chain was reaching its targeted higher-income consumer.

The Usave brand with 92 outlets reported sales growth of 42% (27 weeks: 36,3%) and continues to exceed budget. Basket size increased from 2,8% to 5,8% despite the chain's all-out focus on low prices while the number of customer transactions was 30% higher.

The Group's non-RSA operations performed satisfactorily, with turnover increasing by 18,9% (27 weeks: 14,1%) at constant conversion rates. However, trading profit was under budget. Countries in which the Group is well established continue to be the biggest profit contributors. In December 2005 the Group opened its first supermarket in Nigeria.

OK Franchise

The division reported 8% turnover growth on existing business. It gained 22 new members of which 8 do business under the OK brand while closing 12 member accounts to end the period with 258 members.

Furniture

Lower turnover growth in the Furniture Division confirmed market speculation that this sector is slowing down after a boom period lasting almost three years. Excluding the extra week, the division nevertheless grew turnover by 14,0% in a highly competitive environment. Trading profit increased by the same percentage to R108 million.

DIVIDEND NO 114

The board has declared an interim dividend of 27,0 cents (2005: 22,0 cents) per ordinary share, payable to shareholders on Monday 20 March 2006. The last day to trade cum dividend will be Friday 10 March 2006. As from Monday 13 March 2006 all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday 17 March 2006.

Share certificates may not be dematerialised or rematerialised between Monday 13 March 2006, and Friday, 17 March 2006, both days inclusive.

CORPORATE GOVERNANCE

Shoprite 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.

COMMENT ON THE RESULTS (continued)

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 Group has reported under IFRS for the first time and applied IFRS 1: First-time Adoption of International Financial Reporting Standards, to these financial statements. All relevant comparative information has been adjusted in accordance with IFRS 1.

The accounting policies that have been adopted in order to comply with IFRS, and their effect on the Group's results, are listed below.

Property, plant and equipment

As per the requirements of IAS 16 Property, Plant and Equipment the Group now reviews the estimated useful life and residual value of all property, plant and equipment annually and accounts for any resulting changes as a change in accounting estimate in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. As these estimates were not reviewed after initial recognition in the past, the accumulated depreciation was recalculated in line with the policy of annual review as stated above.

R'000	Unaudited	Unaudited
	27 weeks ended Dec 2004	53 weeks ended June 2005
Depreciation	24 966	50 024
Other expenses – amortisation of software	–	(2)
Trading profit	24 966	50 022
Expenditure of a capital nature	(854)	(1 780)
Profit before tax	24 117	48 242
Tax (including tax rate adjustment)	9 729	13 121
Profit for the period	14 388	35 121
ATTRIBUTABLE TO:		
Equity holders of the Company	14 243	34 839
Minority interest	140	282
Increase in property, plant and equipment	278 131	302 263
Decrease in intangible assets	82	84
Decrease in deferred tax assets	77 577	80 703
Increase in deferred tax liabilities	5 676	5 942

Translating foreign operations

As per the requirements of IAS 21: The Effects of Changes in Foreign Exchange Rates, the Group now translates the results and financial positions of its foreign operations with a functional currency other than rand, to rand using the following procedures:

- Assets and liabilities are translated at closing rate
- Income and expenses are translated at transaction date
- Resulting exchange rate differences are recognised in equity.

As the functional currency of the Group's foreign operations were considered to be rand in the past the inventories, property, plant and equipment and the related depreciation were accounted for at historical rates and all translation differences were accounted for in the income statement. The translation of all foreign operations was recalculated and the necessary adjustments were made retrospectively.

R'000	Unaudited	Unaudited
	27 weeks ended Dec 2004	53 weeks ended June 2005
Depreciation	13 630	27 310
Trading profit	13 630	27 310
Exchange rate gains/(losses)	(7 330)	(3 830)
Expenditure of a capital nature	–	1 655
Profit before tax	6 300	25 135
(Decrease)/increase in foreign currency translation reserve	(28 333)	26 802
Decrease in property, plant and equipment	168 623	123 319
Increase/(decrease) in deferred tax asset	58	(458)
Decrease in intangible assets	305	172
(Decrease)/increase in inventories	(13 684)	14 974

Intangible assets

As per the requirements of IAS 38: Intangible Assets, the Group now reviews the estimated useful life and residual value of all intangible assets annually and accounts for any resulting changes as a change in accounting estimate in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. As these estimates were not reviewed after initial recognition in the past the accumulated amortisation was recalculated in line with the policy of annual review as stated above.

R'000	Unaudited	Unaudited
	27 weeks ended Dec 2004	53 weeks ended June 2005
Other expenses – amortisation	(625)	(1 250)
Profit for the period	(625)	(1 250)
Increase in intangible assets	–	625

Share-based payments

In terms of IFRS 2: Share-Based Payment, the Group shall, for all future share-based payment transactions, expense the related services received over the vesting period with a corresponding increase in equity or creditors.

For all equity-settled share-based payment transactions granted after 7 November 2002 that have not yet vested by 1 January 2005, as per the transitional requirements of IFRS 2, and all cash-settled share-based payment transactions the relevant comparative information has been restated. The effect of the restatement is reflected below and in the statement of changes in equity.

R'000	Unaudited	Unaudited
	27 weeks ended Dec 2004	53 weeks ended June 2005
Employee benefits	(2 631)	6 590
Profit before tax	(2 631)	6 590
Tax	–	(3 556)
Profit for the period	(2 631)	3 034
Increase/(decrease) in deferred tax asset	1 724	(1 832)
Increase/(decrease) in cash settled share-based payment accrual	5 747	(6 108)
Share-based payment reserve	16 220	13 589

Reclassification of income statement and balance sheet classifications

Various classifications of income statement and balance sheet items were changed to ensure a more relevant presentation of financial results as per the requirements of IFRS. The main items adjusted are listed below:

1. Investment income and commissions received are now disclosed as revenue.
2. All outstanding deposits and outstanding cheques are now disclosed as part of cash and cash equivalents.
3. All expense items of a capital nature, as used in the calculation of headline earnings per share, are grouped together.
4. Unearned insurance premiums are reclassified from trade and other payables as instalment sales under trade and other receivables, and warranties from provisions to unearned premiums.
5. Accretion of discount on provisions is reclassified from other expenses to finance costs.
6. Claims incurred but not reported are reclassified from trade and other payables to provisions.

As reported in the Group's results for the year ended 30 June 2005, the accounting for leases was adjusted. All payments in respect of operating leases with a fixed escalation clause are now recognised as an expense or income on a straight-line basis over the lease term. The results for the six months ended December 2004 are restated in accordance with this accounting policy. The effect of the restatement is reflected below and in the statement of changes in equity.

R'000	Unaudited
	27 weeks ended Dec 2004
Trading profit	4 032
Profit before tax	4 032
Tax	1 278
Profit for the period	2 754
Increase in non-current assets	161 580
Increase in trade and other receivables	3 080
Increase in non-current liabilities	528 654
Increase in trade and other payables	8 832

PROSPECTS

Retail is expected to gain considerably from the R13,5 billion tax concessions announced in the Budget and which would benefit primarily the lower and middle income groups. We are therefore looking with confidence to the second half of the year.

CH Wiese

Chairman
21 February 2006

JW Basson

Chief executive

DIRECTORATE AND ADMINISTRATION

Executive directors: JW Basson (chief executive), CG Goosen (deputy managing director), B Harisunker, AE Karp, EL Nel, AN van Zyl, BR Weyers

Non-executive directors: CH Wiese (chairman), JJ Fouché, TRP Hlongwane, JA Louw, JF Malherbe, JG Rademeyer

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

Company secretary: AN van Zyl

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(Reg. No. 1936/007721/06)
(JIN: ZAE 00012084)
(JSE Share code: SHP)
(NSX Share code: SRH)
(LuSE Share code: SHOPRITE)
("the Group")

INTERIM RESULTS FOR THE 26 WEEKS ENDED DECEMBER 2005

When evaluating these results please note that this interim report covers 26 weeks compared to 27 weeks in the corresponding reporting period ended December 2004. To make comparisons meaningful, percentages provided in the section "Key information" below are given for both a 27-week and a 26-week period ended December 2004.

Key information

- **Turnover increased 9,4%**
(13,7% if compared to 26 weeks in the corresponding period) - from R15,194 billion to R16,621 billion.
- **Non-RSA operations achieved 14,0% (26 weeks: 18,3%)**
sales growth in stable currency terms.
- **Trading profit was up 6,9%**
(26 weeks: 25,3%) to R560,9 million.
- **Headline earnings per share grew to 66,6 cents,**
up from 64,6 cents in the corresponding period
(26 weeks: up from 54,3 cents).
- **Headline earnings per share, adjusted for exchange**
differences, rose 5,1% to 72,4 cents
(26 weeks: up 23,8%).
- **Net asset value per share increased 23,7%**
to 485 cents.
- **Dividend per share declared increased 22,7%**
to 27,0 cents.

Whitey Basson, chief executive, commented:

"All the divisions in the Group, the core businesses in particular, posted excellent results for the reporting period, growing turnover by 13,7% on a comparable 26-week basis despite food inflation averaging only 3% for the period. This achievement also led to an increase in market share. Strong growth in the number of customers was echoed in the findings of a recent AC Nielsen survey in which 65% of consumers stated they shopped at Group outlets compared to 62% previously. At the same time basket size increased, confirming the greater liquidity in the Group's target market. Trading profit of R560,9 million was 25,3% higher on a 26-week comparable basis as turnover growth outstripped cost increases and the benefits of the Group's vastly improved operating systems, better ranging and product availability increasingly benefited the bottom line."

21 February 2006

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Operating environment

The South African retail market and the food sector in particular, remained highly competitive through the six months to December 2005, characterised by strong downward pressure on prices in an environment marked by continuing low food inflation. At the same time the market saw strong growth in not only the numbers but also the disposable income of the emerging black middle class which now covers the spectrum from LSM 4 to 7 and is the main driver for retail growth in South Africa. According to AMPS the black middle class grew by 30% in 2005, adding more than 420 000 adults to this LSM group, which now forms the biggest consumer base. With annual economic growth predicted at 5% for the next three years, this surge should prove sustainable. Shoprite is seen as better positioned than any other food retailer is to capitalise on this growth as it is happening in its core target market. However, the increasingly affluent black consumer is also important for the Checkers brand as a source of incremental future growth.

Comments on the results

Income statement

Total revenue

Total revenue increased by 9,2% from R15,505 billion to R16,926 billion. If the extra week in the corresponding reporting period is disregarded, the growth in total revenue was 13,4%.

Gross profit

Gross profit was 10,6% higher at R3,201 billion. The Group managed to maintain its low-price leadership despite aggressive competition in the market. The strong rand continued to benefit the sale of imported higher-margin non-food items which increased their contribution to total gross profit. The negative effect of the strong rand on exports was reduced by the strengthening of several key African currencies.

Trading profit

The trading margin of 3,3% was slightly softer than the 3,4% for the 27 weeks of the corresponding reporting period. If the extra week is disregarded, the trading margin in the comparative period was 3,0%.

Expenses

Expenses were well managed over the period, although they increased slightly above inflation, mainly as a result of the increase in new stores opened and refurbishments undertaken during the period.

Interest received and finance costs

Low interest rates as well as increased capital expenditure on new and refurbished stores continue to put pressure on net interest income.

Exchange rate losses

In December 2005 the rand exchange rate against the US dollar was R6,37 compared to R5,69 in December 2004 and R6,73 in June 2005. In accordance with International Financial Reporting Standards (IFRS) only the exchange rate losses on short-term loans and cash balances are reflected in the income statement, while foreign currency translation differences and exchange rate losses on long term loans are taken on to the balance sheet. The net result is that the Group suffered an exchange rate loss of R28,7 million as against a loss of R14,1 million in the corresponding period.

Income of a capital nature

The income of a capital nature (previously described as exceptional items) in the income statement in both years relates mainly to the sale of a few smaller, non-strategic properties.

Loss from discontinued operations

The Group is at present involved in negotiations concerning the sale of its operations in Egypt. This business is consequently treated in the accounts as a discontinued operation.

Dividend per share declared

The increase to 27,0 cents in the dividend per share declared flows from the Board's previous decision to reduce dividend cover to 2 times for the full financial year.

Balance Sheet*Intangible assets*

The increase in intangible assets from R43,6 million to R172,3 million was due mainly to the acquisition of Foodworld Stores and Computicket, transactions only finalised towards the end of the period under review.

Inventories

The increase of 13,7% in inventory to R3,622 billion was mainly the result of stocking up for the Back-to-School campaign in anticipation of buoyant customer demand and the need to provision the net 62 new stores opened during the period, 44 of which are supermarkets. Stock turn was 7,8 times as against 8,0 times in the six months to December 2004.

Operational review

The first half of the 2006 financial year has been a rewarding trading period for the Group with all the main divisions achieving highly satisfactory results in relation to a comparable 26-week reporting period ended December 2004. The increase in net cash balances and trade creditors was in line with turnover for the period and a cash flow-positive month-end closing date. The strong turnover growth was supported by a most pleasing increase in the number of customer transactions and the growth in basket size. The number of consumers in the lower to lower-middle income groups – LSM 4 to 7 - constituting the Group's main target market, grew strongly by 5,3% in 2005. The rise in their disposable income was due mainly to government assistance in the form of tax concessions and social grants as well as the vast expansion planned to infrastructure in terms of housing and the provision of essential services. This will be further boosted by the R13,5 billion in personal tax concessions contained in the new Budget.

Number of outlets:

	June 2005	Open	Closed	Dec 2005
Supermarkets	529	53	9	573
- Shoprite	326	29	3	352
- Checkers	96	10		106
- CH Hyper	23			23
- Usave	84	14	6	92
Hungry Lion	57	9	1	65
Furniture	177	10	0	187
- OK Furniture	154	7		161
- House & Home	23	3		26
Total own stores	763	72	10	825
- OK Franchise	248	22	12	258
- Hungry Lion franchise	3	1	2	2
Total Franchise	251	23	14	260
Total stores	1014	95	24	1085
Countries outside RSA	16	1		17

Supermarkets

The Group's supermarket division continued its strong growth cycle of past years, boosting the total number of customers served by 8,3% and basket size by 5,1%. The combined revenue of the three supermarket chains – Shoprite, Checkers and Usave – increased by 9,3% (26 weeks: 13,9%) to R14,865 billion. In the light of the Group's growing consumer support – a recent AC Nielsen report found that 65% of all South African consumers shop at the Group's outlets - an aggressive new store programme is being followed. This saw 36 Shoprite and Checkers supermarkets and 8 Usave stores being opened during the period under review. Hypermarkets seem to have reached a plateau while there are clear indications of a growing preference among consumers to shop at smaller format convenience stores closer to home. This resulted in a growth in the Group's share of the formal food market of 0,3%.

Shoprite

Shoprite operates 352 of the Group's 573 corporate stores and does business in 17 of the 18 countries in which the Group maintains a presence. Its turnover growth in South Africa of 8,9% (26 weeks: 13,5%) to R7,813 billion mirrors the continuing high consumer confidence in the brand, especially at the lower end of the market. The chain grew the number of customers served by a high 8,9% and basket size by 4,1%. It experienced a continuing increase in higher-margin non-food sales, especially in smaller electrical appliances which are in great demand amongst first-time homeowners.

Checkers

This chain reported turnover 8,3% (26 weeks: 12,8%) higher at R5,194 billion compared with the corresponding period, while increasing profitability by 11,3% (26 weeks: 29,7%). The number of customers served increased by 5,8% while continued growth in basket size of 6,3% confirmed that the repositioned chain with its new product ranges was reaching its targeted higher-income consumer. This trend was confirmed by the latest AMPS statistics which showed a healthy increase in the number of LSM 8 to 10 shoppers. Checkers, which now operates 129 supermarkets, focused its attention during the review period on smaller-format convenience stores in new affluent neighbourhoods.

Usave

Strong consumer support for the Usave brand resulted in a net gain of 8 new outlets during the period to bring the total number of stores of the Group's newest chain to 92. With the accent on hard groceries in its limited product range, Usave has now developed into an established format. Sales growth of 36,3% (26 weeks: 42,0%) continues to exceed budget. Basket size increased to 5,8% despite the chain's all-out focus on low prices while the number of customer transactions increased by 30,0%. All the chain's mature branches remain highly profitable.

Operations outside South Africa

The Group's non-RSA operations performed satisfactorily, with turnover increasing by 14,1% (26 weeks: 18,9%) at constant conversion rates. Due to lower volatility in certain African currencies, this turnover increase translated into 14,0% (26 weeks: 18,9%) in rand terms. However, trading profit was under budget due mainly to low gross margins and stock losses which have not as yet been brought under control. Countries in which the Group is well established continue to be the biggest profit contributors although Angola, in which the first store was opened in August 2003, is already breaking even. Two further supermarkets are under construction in this country and will come on stream towards the end of the year. The Group successfully launched its first store in Nigeria in December 2005 and remains highly positive about this country's trading potential in the long term.

OK Franchise

The division reported 8% turnover growth on existing business. It gained 22 new members of which 8 do business under the OK brand while closing 12 member accounts to end the period with 258 members. Several large members resigned just before the end of the 2005 financial year resulting in total turnover growth of 3% for the six months under review. The tax concessions announced for small businesses in the recent Budget should also have a beneficial effect on the franchise sector in general.

Furniture

Lower turnover growth in the Furniture Division confirmed market speculation that this sector is slowing down after a boom period lasting almost three years. Excluding the extra week, the division nevertheless grew turnover by 14,0% in a highly competitive environment. Trading profit increased by the same percentage to R108 million. The shift to cash continued with credit sales dropping to 35,5% from 38,7% as more and more consumers obtained credit via banks. At the end of the review period the division was operating 174 OK Furniture and House & Home stores as well as 13 small-format OK Power Express outlets.

Group prospects and outlook

Retail is expected to gain considerably from the R13,5 billion tax concessions announced in the Budget and which would benefit primarily the lower and middle income groups. This is over and above the Government's recently announced R400 billion investment in infrastructure which again will first and foremost benefit these sectors of the population. The Board is therefore looking with confidence to the second half of the year expecting turnover and profit growth patterns to at least continue at present levels.

Corporate Governance

Shoprite 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 the JSE Ltd.

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 Group has reported under IFRS for the first time and applied IFRS 1: First-time Adoption of International Financial Reporting Standards, to these financial statements. All relevant comparative information has been adjusted in accordance with IFRS 1.

The accounting policies that have been adopted in order to comply with IFRS, and their effect on the Group's results, are listed below.

Property, plant and equipment

As per the requirements of IAS 16 Property, Plant and Equipment the Group now reviews the estimated useful life and residual value of all property, plant and equipment annually and accounts for any resulting changes as a change in accounting estimate in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. As these estimates were not reviewed after initial recognition in the past, the accumulated depreciation was recalculated in line with the policy of annual review as stated above.

R'000	Unaudited 27 weeks ended Dec 2004	Unaudited 53 weeks ended June 2005
Depreciation	24 966	50 024
Other expenses - amortisation of software	-	(2)
Trading profit	24 966	50 022
Expenditure of a capital nature	(854)	(1 780)
Profit before tax	24 117	48 242
Tax (including tax rate adjustment)	9 729	13 121
Profit for the period	14 388	35 121
ATTRIBUTABLE TO:		
Equity holders of the Company	14 243	34 839
Minority interest	140	282
Increase in property, plant and equipment	278 131	302 263
Decrease in intangible assets	82	84
Decrease in deferred tax assets	77 577	80 703
Increase in deferred tax liabilities	5 676	5 942

Translating foreign operations

As per the requirements of IAS 21: The Effects of Changes in Foreign Exchange Rates, the Group now translates the results and financial positions of its foreign operations with a functional currency other than rand, to rand using the following procedures:

- Assets and liabilities are translated at closing rate
- Income and expenses are translated at transaction date
- Resulting exchange rate differences are recognised in equity.

As the functional currency of the Group's foreign operations were considered to be rand in the past the inventories, property, plant and equipment and the related depreciation were accounted for at historical rates and all translation differences were accounted for in the income statement. The translation of all foreign operations was recalculated and the necessary adjustments were made retrospectively.

R'000	Unaudited 27 weeks ended Dec 2004	Unaudited 53 weeks ended June 2005
Depreciation	13 630	27 310
Trading profit	13 630	27 310
Exchange rate gains/(losses)	(7 330)	(3 830)
Expenditure of a capital nature	-	1 655
Profit before tax	6 300	25 135
(Decrease)/increase in foreign currency translation reserve	(28 333)	26 802
Decrease in property, plant and equipment	168 623	123 319
Increase/(decrease) in deferred tax assets	58	(458)
Decrease in intangible assets	305	172
(Decrease)/increase in inventories	(13 684)	14 974

Intangible assets

As per the requirements of IAS 38: Intangible Assets, the Group now reviews the estimated useful life and residual value of all intangible assets annually and accounts for any resulting changes as a change in accounting estimate in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. As these estimates were not reviewed after initial recognition in the past the accumulated amortisation were recalculated in line with the policy of annual review as stated above.

R'000	Unaudited 27 weeks ended Dec 2004	Unaudited 53 weeks ended June 2005
Other expenses – amortisation	(625)	(1 250)
Profit for the period	(625)	(1 250)
Increase in intangible assets	-	625

Share-based payments

In terms of IFRS 2: Share-Based Payment, the Group shall, for all future share-based payment transactions, expense the related services received over the vesting period with a corresponding increase in equity or creditors.

For all equity-settled share-based payment transactions granted after 7 November 2002 that have not yet vested by 1 January 2005, as per the transitional requirements of IFRS 2, and all cash-settled share-based payment transactions the relevant comparative information has been restated. The effect of the restatement is reflected below and in the statement of changes in equity.

R'000	Unaudited 27 weeks ended Dec 2004	Unaudited 53 weeks ended June 2005
Employee benefits	(2 631)	6 590
Profit before tax	(2 631)	6 590
Tax	-	(3 556)
Profit for the period	(2 631)	3 034
Increase/(decrease) in deferred tax asset	1 724	(1 832)
Increase/(decrease) in cash settled share-based payment accrual	5 747	(6 108)
Share-based payment reserve	16 220	13 589

Reclassification of income statement and balance sheet classifications

Various classifications of income statement and balance sheet items were changed to ensure a more relevant presentation of financial results as per the requirements of IFRS. The main items adjusted are listed below:

1. Investment income and commissions received are now disclosed as revenue.
2. All outstanding deposits and outstanding cheques are now disclosed as part of cash and cash equivalents.
3. All expense items of a capital nature, as used in the calculation of headline earnings per share, are grouped together.
4. Unearned insurance premiums are reclassified from trade and other payables as instalment sales under trade and other receivables, and warranties from provisions to unearned premiums.
5. Accretion of discount on provisions is reclassified from other expenses to finance costs.
6. Claims incurred but not reported are reclassified from trade and other payables to provisions.

As reported in the Group's results for the year ended 30 June 2005, the accounting for leases was adjusted. All payments in respect of operating leases with a fixed escalation clause are now recognised as an expense or income on a straight-line basis over the lease term. The results for the six months ended December 2004 are restated in accordance with this accounting policy. The effect of the restatement is reflected below and in the statement of changes in equity.

R'000	Unaudited 27 weeks ended Dec 2004
Trading profit	4 032
Profit before tax	4 032
Tax	1 278
Profit for the period	2 754
Increase in non-current assets	161 580
Increase in trade and other receivables	3 080
Increase in non-current liabilities	528 654
Increase in trade and other payables	8 832

Dividend

Dividend no 114

The board has declared an interim dividend of 27,0 cents (2005: 22,0 cents) per ordinary share, payable to shareholders on Monday 20 March 2006. The last day to trade cum dividend will be Friday 10 March 2006. As from Monday 13 March 2006 all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday 17 March 2006.

Share certificates may not be dematerialised or re-materialised between Monday, 13 March 2006, and Friday, 17 March 2006, both days inclusive.

CONDENSED GROUP INCOME STATEMENT

R'000	Unaudited 26 weeks ended Dec 05	% change	Pro forma 26 weeks ended Dec 04	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
Revenue	16 925 863	13.4%	14 922 164	15 504 578	30 299 898
Sale of merchandise	16 620 683	13.7%	14 613 160	15 194 297	29 704 233
Trading profit	560 883	25.3%	447 491	524 528	1 032 616
Exchange rate (losses)/gains	(28 658)	103.3%	(14 094)	(14 094)	1 921
Income/(expenditure) of a capital nature	8 153	-46.2%	15 145	15 145	(35 392)
Operating profit	540 378	20.5%	448 541	525 579	999 145
Interest received	37 578	70.0%	22 109	22 109	56 329
Finance costs	(34 460)	297.6%	(8 667)	(8 667)	(52 543)
Profit before tax	543 496	17.6%	461 984	539 021	1 002 931
Tax	(185 924)	20.7%	(154 033)	(178 498)	(339 949)
Profit after tax	357 572	16.1%	307 951	360 523	662 982
Loss for the period from discontinued operation	(7 622)		(8 549)	(8 549)	(25 978)
Profit for the period	349 950	16.9%	299 402	351 974	637 004
ATTRIBUTABLE TO:					
Equity holders of the Company	344 953	18.3%	291 497	344 069	629 613
Minority interest	4 997	-36.8%	7 905	7 905	7 391
	349 950		299 402	351 974	637 004
Earnings per share from continued operations (cents)	69.5	17.6%	59.1	69.5	129.2
Earnings per share (cents)	68.0	18.3%	57.5	67.8	124.1
Diluted earnings per share from continued operations (cents)	67.1	16.5%	57.6	67.7	125.7
Diluted earnings per share (cents)	65.7	17.3%	56.0	66.1	120.7
Ordinary dividend per share paid (cents)	28.0	43.6%	19.5	19.5	41.5
Number of ordinary shares ('000) used for calculation of :					
earnings per share	507 355*		507 387*	507 387*	507 373*
diluted earnings per share	525 277*		520 914*	520 914*	521 644*
(* weighted average)					

CONDENSED GROUP BALANCE SHEET

R'000	Unaudited Dec 05	Unaudited Dec 04	Unaudited Jun 05
ASSETS			
Non-current assets	3 189 377	2 860 348	2 872 400
Property, plant and equipment	2 686 734	2 448 906	2 490 585
Available-for-sale investments	45 679	32 675	33 100
Loans and receivables	48 319	79 445	61 530
Deferred tax assets	232 991	250 599	242 193
Intangible assets	172 337	43 618	40 779
Fixed escalation operating lease accrual	3 317	5 105	4 213
Current assets	6 589 410	5 676 403	5 497 446
Assets classified as held for sale	257 784	–	183 025
Inventories	3 622 068	3 184 278	2 711 532
Trade and other receivables	1 732 397	1 786 408	1 522 087
Loans and receivables	18 814	11 229	3 993
Cash and cash equivalents	958 347	694 488	1 076 809
Total assets	9 778 787	8 536 751	8 369 846
EQUITY AND LIABILITIES			
Total equity	2 503 833	2 038 846	2 265 877
Capital and reserves attributable to equity holders	2 458 181	1 992 298	2 224 118
Minority interest	45 652	46 548	41 759
Non-current liabilities	754 472	752 217	739 211
Borrowings	2 450	2 450	2 450
Deferred tax liabilities	9 189	7 674	10 073
Provisions	214 062	213 439	211 859
Fixed escalation operating lease accrual	528 771	528 654	514 829
Current liabilities	6 520 482	5 745 688	5 364 758
Liabilities classified as held for sale	23 160	–	–
Other current liabilities	5 830 383	5 115 634	4 531 418
Provisions	43 127	30 054	48 952
Bank overdraft	623 812	600 000	784 388
Total equity and liabilities	9 778 787	8 536 751	8 369 846

CONDENSED SEGMENT INFORMATION

R'000	Unaudited 26 weeks ended Dec 05	%	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
		change		
SEGMENT REVENUE –				
by business segment				
– Supermarkets	15 727 730	9,3	14 386 254	28 283 473
– Furniture	1 193 850	7,3	1 112 854	2 003 369
Total segment revenue	16 921 580	9,2	15 499 108	30 286 842

Segment revenue comprises total revenue less investment income.

SEGMENT RESULT –				
by business segment				
– Supermarkets	420 203	4,5	402 208	830 084
– Furniture	107 739	4,8	102 756	191 397
Total segment result	527 942	4,6	504 964	1 021 481

Segment result comprises trading profit plus exchange rate losses/gains less investment income.

RECONCILIATION OF HEADLINE EARNINGS

R'000	Unaudited 26 weeks ended Dec 05	Pro forma 26 weeks ended Dec 04	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
Net profit attributable to shareholders	344 953	291 497	344 069	629 613
Loss for the period from discontinued operation	7 622	8 549	8 549	25 978
Earnings from continued operations	352 575	300 046	352 618	655 591
(Income)/expenditure of a capital nature after tax	(7 225)	(16 173)	(16 173)	32 448
Profit on disposal of unlisted investment	-	(17 978)	(17 978)	(19 906)
Profit on disposal of listed investment	-	(669)	(669)	(660)
Profit on disposal of property	(9 264)	-	-	(6 644)
Loss on disposal and scrapping of plant, equipment and software	2 039	2 474	2 474	3 511
Insurance claim for building received	-	-	-	(5 864)
Impairment of property, plant and equipment	-	-	-	40 177
Impairment of goodwill	-	-	-	26 151
Payment made for lease cancellation	-	-	-	3 484
Profit on lease cancellation	-	-	-	(6 840)
Prescription of amounts owing	-	-	-	(961)
Headline earnings from continued operations	345 350	283 873	336 445	688 039
Exchange rate losses/(gains) after tax	21 886	12 991	12 991	(3 305)
Adjusted headline earnings from continued operations	367 236	296 864	349 436	684 734
Headline earnings from continued operations	345 350	283 873	336 445	688 039
Add loss for the period from discontinued operations	(7 622)	(8 549)	(8 549)	(25 978)
(Income)/expenditure of a capital nature after tax from discontinued operations	-	-	-	9 787
Headline earnings	337 728	275 324	327 896	671 848

RECONCILIATION OF HEADLINE EARNINGS (continued)

	Unaudited		Pro forma	Unaudited	Unaudited
	26 weeks	%	26 weeks	27 weeks	53 weeks
	ended	change	ended	ended	ended
	Dec 05		Dec 04	Dec 04	Jun 05
Earnings per share from continued operations (cents)	69.5	17.6%	59.1	69.5	129.2
Earnings per share (cents)	68.0	18.3%	57.5	67.8	124.1
Diluted earnings per share from continued operations (cents)	67.1	16.5%	57.6	67.7	125.7
Diluted earnings per share (cents)	65.7	17.3%	56.0	66.1	120.7
Headline earnings per share from continued operations (cents)	68.1	21.7%	55.9	66.3	135.6
Headline earnings per share (cents)	66.6	22.7%	54.3	64.6	132.4
Diluted headline earnings per share from continued operations (cents)	65.7	20.6%	54.5	64.6	131.9
Diluted headline earnings per share (cents)	64.3	21.6%	52.9	62.9	128.8
Adjusted headline earnings per share from continued operations (cents)	72.4	23.7%	58.5	68.9	135.0
Adjusted diluted headline earnings per share from continued operations (cents)	69.9	22.7%	57.0	67.1	131.3
Ordinary dividend per share paid (cents)	28.0	43.6%	19.5	19.5	41.5
Ordinary dividend per share declared (cents)	27.0	22.7%	22.0	22.0	50.0

CONDENSED GROUP CASH FLOW STATEMENT

R'000	Notes	Unaudited 26 weeks ended Dec 05	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
Cash generated by continued operations		969 623	(160 765)	790 821
Operating profit before investment income and income/expenditure of a capital nature		527 942	504 964	1 021 481
Non-cash items	1	239 504	179 161	405 491
Changes in working capital (Income)/expenditure of a capital nature	2	202 177	(844 890)	(646 069)
	3	–	–	9 918
Net interest received		5 862	17 670	10 162
Dividends received		1 539	1 242	6 680
Dividends paid		(145 474)	(97 370)	(213 336)
Tax paid		(150 845)	(326 173)	(509 097)
Cash utilised by discontinued operations	4	(6 065)	(6 580)	(12 951)
Cash flows from operating activities		674 640	(571 976)	72 279
Cash flows from investing activities		(650 973)	(347 485)	(810 961)
Purchase of software, property, plant and equipment		(526 108)	(387 965)	(922 535)
Proceeds on disposal of property		49 450	–	57 451
Proceeds on disposal of investments		–	50 000	71 069
Acquisition of subsidiaries / operations		(169 628)	(2 329)	(17 127)
Acquisition of listed investment		–	–	(21 069)
Other investment activities		(4 687)	(7 191)	21 250
Net cash flow		23 667	(919 461)	(738 682)
Cash flows from financing activities		–	(164)	428
Acquisition of treasury shares		–	(164)	(265)
Proceeds on issue of preference shares to joint venture		–	–	693
Movement in cash and cash equivalents		23 667	(919 625)	(738 254)
Acquired through acquisition of subsidiaries/operations		31 428	–	–
Effect of exchange rate movements on cash and cash equivalents		(12 981)	(5 574)	10 988
Net movement in cash and cash equivalents		42 114	(925 199)	(727 266)

CASH FLOW INFORMATION (continued)

R'000	Unaudited 26 weeks ended Dec 05	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
1. Non-cash items			
Depreciation on property, plant and equipment	207 146	167 650	385 098
Amortisation of intangible assets	6 231	6 829	14 742
Net fair value losses/(gains) on financial instruments	537	(3 838)	(3 629)
Exchange rate losses/(gains)	28 554	13 964	(1 921)
Share options granted to a director	765	2 631	5 265
Movement in provisions	(3 622)	(4 043)	13 275
Movement in fixed escalation operating lease accrual	(107)	(4 032)	(7 339)
	239 504	179 161	405 491
2. Changes in working capital			
Inventories	(871 280)	(577 483)	(76 673)
Trade and other receivables	(265 585)	(307 149)	17 910
Trade and other payables	1 339 042	39 742	(587 306)
	202 177	(844 890)	(646 069)
3. Income/(expenditure) of a capital nature			
Income/(expenditure) of a capital nature per income statement	8 153	15 145	(35 392)
Net profit on disposal and scrapping of property, plant and equipment and software	(8 153)	3 524	(2 349)
Profit on disposal of unlisted investment	–	(18 000)	(18 000)
Profit on disposal of listed investment	–	(669)	(669)
Impairment of property, plant and equipment	–	–	40 177
Impairment of goodwill	–	–	26 151
	–	–	9 918
4. Cash utilised by discontinued operations			
Loss for the period from discontinued operation per income statement	(7 622)	(8 549)	(25 978)
Depreciation on property, plant and equipment	1 453	1 839	3 592
Exchange rate losses/(gains)	104	130	(352)
Impairment of property, plant and equipment	–	–	9 787
	(6 065)	(6 580)	(12 951)

SUPPLEMENTARY INFORMATION

R'000	Unaudited Dec 05	Unaudited Dec 04	Unaudited Jun 05
1. Capital commitments	305 683	344 008	344 438
2. Contingent liabilities	97 790	47 227	53 190
3. Net asset value per share (cents)	485	392	438
4. Total number of shares in issue (adjusted for treasury shares)	507 355	507 387	507 355

CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited 26 weeks ended Dec 05	Unaudited 27 weeks ended Dec 04	Unaudited 53 weeks ended Jun 05
Balance at beginning of July			
As previously stated	2 265 877	2 128 215	1 752 635
Effect of adjusted treatment of leases		(375 580)	
Reclassification of minority interest to statement of changes in equity		38 007	38 007
Effect of IFRS:			
Property, plant and equipment		180 413	180 413
Translation of foreign operations		(166 454)	(166 454)
Share-based payments		(4 023)	(4 023)
Intangible assets		1 875	1 875
As restated	2 265 877	1 802 453	1 802 453
Net movement in treasury shares	–	(164)	(265)
Net fair value profits on available-for-sale investments, net of tax	10 933	2 769	2 997
Net profit for the period – as restated	349 950	351 974	637 004
As previously stated		324 028	567 855
Effect of adjusted treatment of leases		2 754	
Reclassification of minority interest to statement of changes in equity		7 765	7 109
Effect of IFRS:			
Property, plant and equipment		14 383	35 121
Translation of foreign operations		6 300	25 135
Share-based payments		(2 631)	3 034
Intangible assets		(625)	(1 250)
Transfer to share-based payment reserve	765	2 631	5 265
Foreign currency translation differences	19 471	(21 875)	33 260
Dividends distributed to shareholders	(143 163)	(98 942)	(214 837)
Balance at end of December/June	2 503 833	2 038 846	2 265 877

Directorate and administration

Executive directors:

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

Non-executive directors:

CH Wiese (chairman), JJ Fouché, TRP Hlongwane, JA Louw, JF Malherbe, JG Rademeyer

Alternate directors:

JAL Basson, M Bosman, PC Engelbrecht, JD Wiese

Company secretary:

AN van Zyl

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

Sponsors

South Africa:
Nedbank Capital, PO Box 1144, Johannesburg,
2000, South Africa
• Telephone: +27 (0)11 295 8603
• Facsimile: +27 (0)11 294 8602
• Website: www.nedbank.co.za

Namibia:
Old Mutual Asset Managers,
PO Box 25549,
Windhoek, Namibia
• Telephone: +264 (0)61 299 3527
• Facsimile: +264 (0)61 299 3528

Zambia:
Lewis Nathan Advocates,
PO Box 372668,
Lusaka, Zambia
• Telephone: +260 (0)1 223 174
• Facsimile: +260 (0)1 229 868

Transfer secretaries

South Africa:
Computershare Investor Services
2004 (Pty) Ltd,
PO Box 61051,
Marshalltown, 2107, South Africa
• Telephone: +27 (0)11 370 5000
• Facsimile: +27 (0)11 668 5520
• 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:
Lewis Nathan Advocates,
PO Box 372668,
Lusaka, Zambia
• Telephone: +260 (0)1 223 174
• Facsimile: +260 (0)1 229 868

Auditors

PricewaterhouseCoopers Incorporated.,
PO Box 2799,
Cape Town, 8000, South Africa

Carel Goosen

Deputy Managing Director



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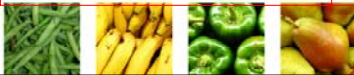
Size of Operation

	Dec 2005
Sales	R17 bn
Owned outlets	825
Franchise outlets	260
Countries	18
Employees	65,000



Financial Results

	Dec 2004 (26 wks)	Dec 2005 (26 wks)	Growth
Revenue (Rm)	14,922	16,926	13,4%
Trading Profit (Rm)	447	561	25,3%
Trading Margin (%)	3,0	3,3	
Adjusted Diluted HEPS (cents)	57,0	69,9	22,6%
Dividend per Share (cents)	22	27	22,7%
NAV per share (cents)	392	485	23,7%



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Highlights of Results

- Gross margin maintained
 - Competitive market
 - Low food inflation
 - Increase Non Food contribution



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HOLDINGS LTD

Highlights of Results

- Other operating income decreased 1,7%

Made up as follows:

	% increase / (decrease)	To R'm
Commission received	78,7	54
Finance income earned	(3,7)	79
Franchise fees received	1,3	10
Op. head-lease income	(19,1)	77
Net premiums earned	6,3	80
Investment income	(21,7)	4
Other	(2,3)	43



Highlights of Results

- Depreciation increased 27.0%
 - Increased spend on revamps and new branches
- Operating Leases increased 5.7%
 - Cancellation and maturing of head-leases
- Employee cost increased 10.3% (GEB 8.8%)
 - Productivity increased



Highlights of Results

- Trading profit increased 25.3% (revenue growth of 13.4%)
 - Confirmed growth in financial services
 - Decrease in uneconomical leases
 - Stock losses in non-RSA operation



Highlights of Results

- Exchange losses increased by R14.6m
 - Rand to US Dollar exchange rates
 - June 2004 R5.71
 - Dec 2004 R5.69
 - June 2005 R6.73
 - Dec 2005 R6.37
- Income of a capital nature R'm
 - Sale of land & buildings 8,2



Highlights of Results

- Net investment income reduced
 - Lower interest rates
 - Increase Capex spent
- Taxation R'm
 - Normal 153,9
 - STC 19,0
 - Deferred 13,0
 - Total 185,9



Highlights of Results

- Capital expenditure R'm
 - Land & Buildings 111.5
 - Store Refurbishment 97.7
 - New Stores 211.5
 - Information Technology 23.1
 - Other Replacements * 82.3
 - Total 526.1

* Distribution Centers, Motor Vehicles & Office Furniture



Highlights of Results

- Inventory
 - Increase in line with sales growth
- Cash balances vs. Trade Creditors
 - Increases due to balance sheet closing date



Highlights of Results

- Debtors

	2004 R'm	2005 R'm
Furniture	723	696
Franchise	286	277
Buy aid organisations	157	162
Other receivables	620	597
Total	1,786	1,732



Highlights of Results

Cash flow reconciliation for the year

	R'm
Cash at June 2005	292
Cash from operations	767
Changes in working capital	207
Net Finance income	7
Dividends paid	(145)
Tax paid	(151)
Purchase of fixed assets & other investments	(651)
Other	9
Cash at Dec 2005	335



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Whitey Basson

Chief Executive Officer



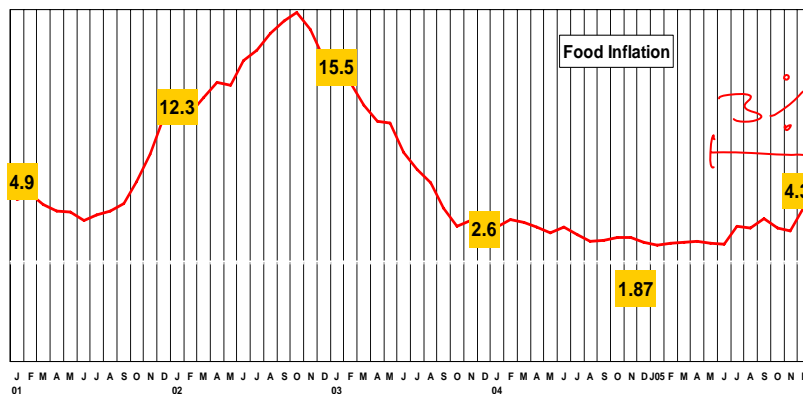
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Business Overview - RSA

- Sales growth +14%
- Food inflation +3%
- Internal inflation +2,6%
- Volume growth

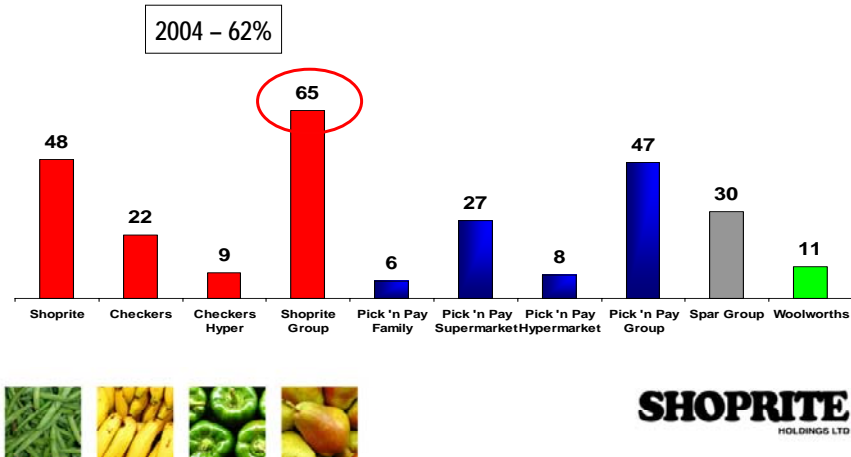


Food Inflation SR 80% Basket = 2.6% internal inflation



Consumer Participation

In which of these stores do you currently do your shopping for yourself, your household or your business?



Consumer Market Movement

Past 12 months:

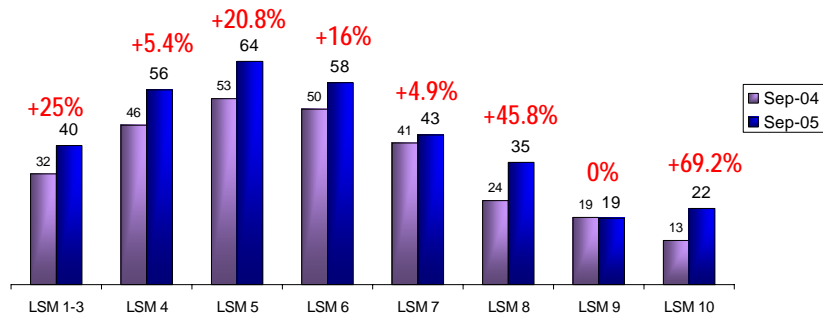
- 802 000 people of LSM 1 – 3 moved up higher LSM
- Organic growth of our target market

(Source : Amps 2005)



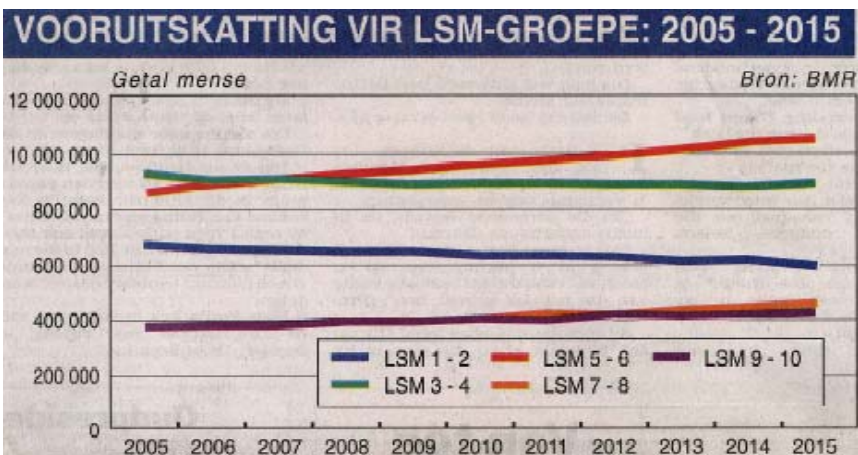
Shoprite is growing its consumer base across all LSM Groups.

5



Forecast for LSM Groups

6



Ten year LSM Forecast

- Biggest growth can be expected from LSM5-6 segment (households earning between R2 500 and R6 999)
- More than two million people will join this segment over the next ten years
- This segment contributes 28.82% (R51.9 million per month) of total food spend
- LSM4-7 collectively contribute 48.46% of total food spend
 - Shoprite highest share in this market segment
- LSM4-7 grew by 773 000 people in one year only (Dec 05 to Dec 06)



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The Power of the Brand

- SR & CH combined - leading retail brand.
- Shoprite is also under the top 10 brands doing most to uplift the community (*Source : Sunday Times Markinor Survey*)
- Shoprite has the highest supermarket loyalty of all supermarkets with 38% consumers shopping exclusively at Shoprite. (P'nP 26%, Spar 20%)
- Shoprite is named as the alternate store of choice by all P'nP and Spar claimed shoppers - "enormous potential" (*Source : Amps 2005*)



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RSA

- Shoprite
 - Sales growth +13.5% (26 weeks)
 - Customer growth +8.9%
 - Basket growth +4.1%
 - Shoprite is still the price leader, as acknowledged by 88% of all its competitors customers. *(Source : AC Nielsen Winning Brands Study)*
 - Excellent profitability driven by change in sales mix (service departments)



Sales Growth by Department - %

Delivering on aspirations & change in buying habits

<u>Department</u>	<u>Shoprite</u>
Bakery	14.4%
Delicatessen Dept	20.2%
Fresh Meat	13.4%
Perishables	12%
Fruit & Vegetables	17%



RSA

- **Checkers**

- Sales growth +12.8% (26 weeks)
- Customer growth +5.8%
- Basket growth +6.3%
- Increased GP – result of Non Foods sales growth of 20%



Food World & Usave

- **Food World**

- 13 Stores to be re-branded by the end of March
- ± R400m turnover

- **Usave**

- ROI +34%
- Total growth +42%
- R1bn turnover for the year
- Own labels outsell brands (e.g Bleach 135%)
- Additional GP between 6 and 12%



Hungry Lion

- Financial Overview
 - Net profit up 50%
 - Total turnover has grown by 34%
 - 0% Selling price inflation for the last 2 years
 - Plan to open 20+ stores in 2006
 - Achieved 9th place in Markinor Top Brands survey (with no top line advertising)



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16

Medirite Pharmacies

- Trading: 26
- New licenses to date: 19
- Immediate Target: 93
- Health & Beauty Dept growth outstrip that of store
- GEB growth of 369%
- New pricing policy awaiting end April



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Aubrey Karp

Divisional Director

OK Furniture & House&Home



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1

Furniture

- Key highlights
 - Revenue increased **7.28%** to R1,194bn
 - Sales increased **9.47%** to R1,033bn (26/27 weeks) and **14.03%** (26/26 weeks)
 - Operating profit increased **4.85%** to R107,7m (26/27 weeks) and **14.07%** (26/26 weeks)
 - **10** new stores opened
 - Further improvement in quality of debtors book



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Furniture

- Trading environment
 - Current trading environment remains positive
 - Consumer confidence still high
 - Low interest rate environment continues
 - Additional tax reductions provided in recent budget
 - Product price deflation continues in plugs departments
 - Consumer credit quality remains high
 - Movement into higher LSM's continues



Furniture

- Store expansion & refurbishment
 - Opened 10 stores
 - OK Furniture: 7 stores
 - House & Home: 3 stores
 - 19 House & Home stores refurbished
- Store numbers – Total 187
 - OK Furniture: 148
 - OK Power Express: 13
 - House & Home: 26



Furniture

- Turnover segmentation

	Dec 2004	Dec 2005
Merchandise Sales	85%	87%
Insurance Premiums earned	8%	7%
Finance Income	7%	8%

Sales growth since 2000 – 34.80%, 10,29%, 92.70%, 18.75%, 24.54% and 18.24%



Furniture

- Product mix

	Dec 2004	Dec 2005
Home entertainment & appliances	64%	64%
Furniture, bedding, patio & carpeting	36%	36%



Furniture

- Merchandise sales

	Dec 2004	Dec 2005
Cash	61.28%	64.46%
Credit	38.72%	35.54%
# of new contracts (8.23% decline)	201,989	185,373



Furniture

	Dec 2004	Dec 2005	Variance
Actual Arrears	3.33%	3.19%	(0,14)
Balance Of Contract Arrears	13.38%	12.43%	(0,95)
Bad Debt and UFC Provisions	20.70%	19.81%	(0,89)



Furniture

- **Prospects & Growth**

- Trading environment remains positive for additional growth
- Agreed strategy remains:
 - Store expansion (Target 200 Stores by June 2006)
 - Focus on discounted pricing and volume growth
 - Continually updating and introducing new product ranges
 - Increasing import component
 - Accelerate staff training programs
 - Provide better service to customers

Effects of National Credit Bill??



Whitey Basson

Chief Executive Officer



Business Overview - Non RSA

- Africa produces 7% of world oil
- Concentrate on these countries
- GDP growth as high as 14.7% (Angola)
- Sales growth in stable currencies +18.9%
- GP increased almost 1%



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Non RSA – Under performers

- **Egypt**
 - Negotiate selling
 - Effect on EPS +5.1c (2005)
 - Retaining of buying Office
- **Tanzania**
 - Stock losses have been reduced
 - Dec 06 – Opening of Mlimani City Centre
 - Lumumba (ex P'nP store) closed
 - Consider 1 further store closure



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Non RSA – Improved performance

- **Angola**
 - Sales growth +67%
 - Supply line efficiencies (lead time halved) & pricing strategy increased gross profit +65%
- **Zambia**
 - Sales growth +35%
 - Shrinkage best ever
 - GP +1.2%
 - Profit +26%



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Nigeria

- **Nigeria**
 - The Palms Shopping Centre store opened 16 December 2006
 - Trading at budgeted levels from opening
 - 4 New sites identified
 - Strategic country of high importance (12th largest oil producer in the world)
 - 140 million people



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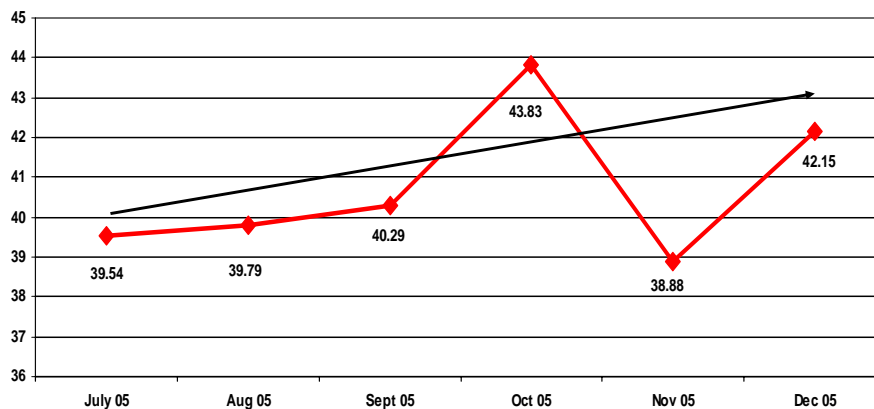
India – Investment Review

- GEB growth +25% (Inflation 5%)
- Buying behaviour changing (MRP)
- Increased margin – more Non Foods
- Top 25 items – 63% of turnover vs. 19% in Chatsworth
- Price Parity – 2X Example : 1l fresh milk – R1.99 vs. R3.89
- Average item price R4.81 Chatsworth R7.25
- Basket size R39.20 Chatsworth R95.53



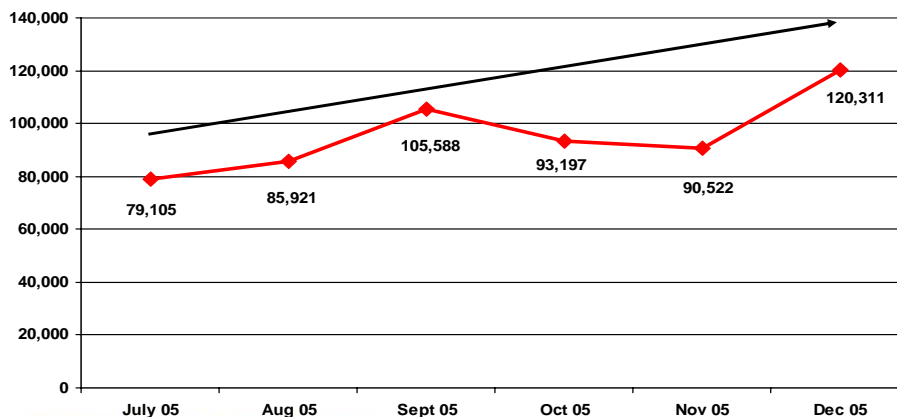
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India – Average Basket Value (ZAR)



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India – Customer Count



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India – Retail Landscape

- FDI now allowed on single brand retail (e.g. Mont Blanc, Carducci etc.)
- Local business – Reliance Industries pledged \$750m investment to open a 1500 supermarkets and 1000 hypermarkets
- Evaluate possible partnerships



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General

- Technology
- Personnel



Technology - Data Warehouse

- Second largest Data Warehouse in the world on a Microsoft Platform
- Currently 645 stores monitored – 100 million transactions daily
- Data Warehouse stores 11 terabytes of information
- Information delivered includes:
 - Replenishment Efficiencies
 - Stock Turn calculations
 - Basket Analysis
 - Sales & GP monitoring



e-Commerce Exchange – B2B

- Nearly 90% of company orders take place via B2B
- Excess of 333,000 orders per month – R2 bn in value
- ± 40,000 (Pricing) Claims per month
- Average 1,500 orders per supplier by 14:00 each day
- ± 8,500 report requests – resulting in 68,000 on-line reports per month



Operation Better Store

Store Back Office System Replacement

- Result of 3 year evaluation
- Project cost of R180 m
- Expected benefit of R120 m per year
- Reducing of store admin time – 4 hours
- Project duration ± 2 years



Personnel

One of the biggest employers on JSE

	SA (%)	Non RSA	Total
# of employees	56,616 (87%)	8,157(13%)	64,773
Average Yrs Service (Full Time employees)	13	4	

± 2 million pay slips per annum direct into bank accounts

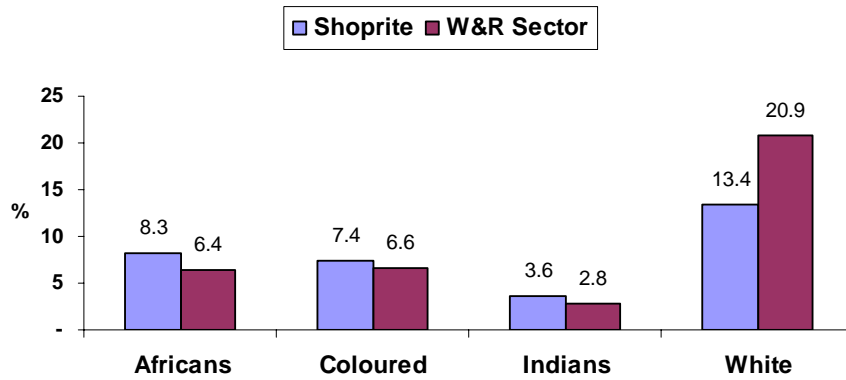


Employment cost vs. Efficiency

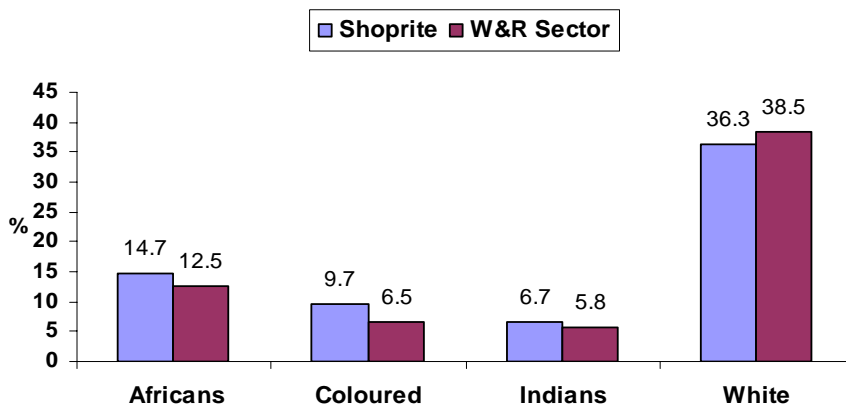
- Employment cost + 8.85%
- Sales/FTE +10.69%
- Advanced Time & Attendance Technology
- Future: Busy piloting electronic scheduling (back to front)
 - Only Food Retailer in SA
 - One of few International Food Retailers



Equity Category : Management Female



Equity Category : Management Male



Personnel Qualifications

Qualifications	Age Category		Total
	<25	>25	
Certificate	10	61	71
Diploma	90	585	675
Degree	63	423	486
Honors Degree	6	60	66
Masters Degree		58	58
Doctorate		4	4
Total	169	1,191	1,360

One pre-war CA



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TOPP – Training for Accountants

Shoprite has been approved as a training provider for professional accounting qualifications up to CA (SA) level

Current article clerks in training	15
Completed CA (SA) Articles (2001 – 2005)	16



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Developing Future Top Management

SHOPRITE CHECKERS RETAIL LEADERSHIP ACADEMY

- Utilises latest training technologies
- Based on Harvard Case Studies
- Development of succession management
- 109 Successfully completed the training



Highest number of employees trained in Retail Sector

- The Shoprite Group is the largest provider of training in the retail/wholesale sector
(Diamond status from PMR for job creation & training in FMCG)
- The group is a SETA accredited provider of training
- 12,157 Employees have been trained during the last 6 months



Trainee Managers

		RSA	Non RSA
In training (2006)	Trainee Managers	474 (70% PDI)	80
	Learnerships	275	
Total		749	80
Completed (since 2001)	Trainee Managers	1,310	78
	Learnerships	189	
Total		1,499	78



Retail Apprentice Academy

- 1000 Unemployed persons have been employed on a learnership qualification
- Joint venture between Shoprite Checkers and W&RSETA
- First initiative of this size and nature in South Africa
- Single largest number of learnerships ever allocated to an employer
- Receive subsidy of R30m from W&RSETA



Supermarket Expansion

Shoprite / Checkers / Usave stores – RSA & Non RSA	
Forecast (18 month ended June 06)	95
Opened between Jul 05 – Dec 05	53
Confirmed store openings Jan 06 – Jun 06	37
TOTAL	90
Delayed	5

Confirmed store openings Jul 06 – Mar 07 32



What to expect till June

- **Threats**
 - Consistent poaching of trained management by local and international companies
 - Monkey see Monkey do



What to expect till June

- **Opportunities**
 - Slowly overcoming Africa's logistical problems
 - Banking, Bottle stores, Pharmacies
 - Increasing profitable market share in SA without cannibalising existing business
 - Capitalising on increase consumer wealth and changing behavior patterns
 - Best positioned to capture changes in LSM
 - Largest retail platform and consumer brands in various market segments in SA



What's in it for the Shareholders?

- If you invested R1m in Shoprite in 1980 your investment would be more than R10bn 2010 ?
- Stable management with excellent succession management strategies
- Number of Greenfield operations to enhance long term growth
- Trevor on our side
- To celebrate Shoprite's move from an 8 store business in 1980 to the 128 largest retailer in the world (Deloitte 2005 survey)

