



# Interim results for the 6 months ended December 2009



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

## Highlights

- Trading profit was up 17,5% to R1,656 billion.
- Turnover increased 11,9% from R29,604 billion to R33,139 billion.
- Diluted headline earnings per share rose 13,3% to 208,5 cents.
- Dividend per share declared: 80,0 cents (2009: 70,0 cents) an increase of 14,3%.

## Condensed group statement of comprehensive income

R'000	% change	Unaudited 6 months ended Dec 09	Unaudited 6 months ended Dec 08	Audited for the year ended Jun 09
R'000				
Sale of merchandise	11.9	33 138 535	29 603 953	59 318 559
Cost of sales	12.2	(26 757 553)	(23 847 251)	(47 878 232)
Gross profit	10.8	6 380 982	5 756 702	11 440 327
Other operating income	11.4	549 334	493 045	1 244 363
Depreciation and amortisation	3.5	(389 771)	(376 733)	(753 921)
Operating leases	21.8	(743 893)	(610 747)	(1 310 522)
Employee benefits	12.6	(2 507 779)	(2 227 095)	(4 453 771)
Other expenses	0.4	(1 632 481)	(1 625 780)	(3 225 562)
Trading profit	17.5	1 656 392	1 409 392	2 940 914
Exchange rate (losses)/gains	(227.6)	(33 596)	26 319	3 005
Items of a capital nature	(76.4)	(2 340)	(9 917)	(31 227)
Operating profit	13.7	1 620 456	1 425 794	2 912 692
Interest received	(48.1)	53 858	103 844	191 566
Finance costs	40.1	(35 564)	(25 380)	(86 142)
Profit before income tax	8.9	1 638 750	1 504 258	3 018 116
Income tax expense	5.2	(570 643)	(542 235)	(999 478)
Profit for the period	11.0	1 068 107	962 023	2 018 638
Other comprehensive income, net of tax		(157 887)	183 541	(185 037)
Fair value movements on available-for-sale investments		2 305	12 254	8 819
Foreign currency translation differences		(160 192)	171 287	(193 856)
Total comprehensive income for the period		910 220	1 145 564	1 833 601
Profit attributable to:				
Owners of the parent	11.0	1 059 790	955 185	1 998 246
Non-controlling interest	21.6	8 317	6 838	20 392
		1 068 107	962 023	2 018 638
Comprehensive income attributable to:				
Owners of the parent	(20.8)	901 903	1 138 726	1 813 209
Non-controlling interest	21.6	8 317	6 838	20 392
		910 220	1 145 564	1 833 601
Earnings per share (cents)	12.4	211.6	188.3	396.5
Diluted earnings per share (cents)	14.5	208.2	181.9	386.3
Ordinary dividend per share (cents)				
Final/interim dividend paid		130.0	106.0	70.0
Interim/final dividend declared		80.0	70.0	130.0
Number of weighted average ordinary shares ('000) used for calculation of:				
earnings per share		500 955	507 320	504 030
diluted earnings per share		509 091	525 106	517 250

## Condensed group statement of financial position

R'000	Unaudited Dec 09	Unaudited Dec 08	Audited Jun 09
R'000			
ASSETS			
Non-current assets	6 889 877	5 905 919	6 048 645
Property, plant and equipment	6 038 485	5 199 474	5 359 587
Available-for-sale investments	50 483	51 798	47 804
Loans and receivables	5 315	7 325	2 636
Deferred tax assets	260 845	317 142	277 951
Intangible assets	528 516	320 080	354 434
Fixed escalation operating lease accrual	6 233	10 100	6 233
Current assets	12 607 292	12 764 762	10 685 675
Inventories	6 974 489	6 489 063	6 041 906
Other current assets	2 339 518	2 115 686	1 780 972
Loans and receivables	69 243	67 146	37 409
Cash and cash equivalents	3 224 042	4 092 867	2 825 388
Assets held for sale	12 329	109 548	5 168
Total assets	19 509 498	18 780 229	16 739 488
EQUITY AND LIABILITIES			
Total equity	5 166 372	5 036 537	5 029 295
Capital and reserves attributable to equity holders	5 106 904	4 976 780	4 960 000
Non-controlling interest	59 468	59 757	69 295
Non-current liabilities	925 944	989 391	766 217
Borrowings	19 409	23 898	16 677
Deferred tax liabilities	50 174	13 193	26 992
Provisions	272 294	425 718	170 231
Fixed escalation operating lease accrual	416 256	418 479	414 164
Trade and other payables	167 811	108 103	138 153
Current liabilities	13 417 182	12 754 301	10 943 976
Other current liabilities	13 282 027	12 680 741	10 567 076
Provisions	53 004	46 851	362 977
Bank overdraft	82 151	26 709	13 923
Total liabilities	14 343 126	13 743 692	11 710 193
Total equity and liabilities	19 509 498	18 780 229	16 739 488

## Condensed operating segment information

R'000	% change	Unaudited 6 months ended Dec 09	Unaudited 6 months ended Dec 08	Audited for the year ended Jun 09
R'000				
Sale of merchandise				
Supermarkets RSA	14.5	26 303 456	22 963 178	46 550 895
Supermarkets Non-RSA	(4.3)	3 604 702	3 767 842	7 315 148
Furniture	11.5	1 538 376	1 380 036	2 572 840
Other operating segments	13.3	1 692 001	1 492 897	2 879 676
	11.9	33 138 535	29 603 953	59 318 559
Trading profit				
Supermarkets RSA	27.5	1 321 617	1 036 883	2 303 097
Supermarkets Non-RSA	(22.2)	193 172	248 193	414 642
Furniture	2.9	104 347	101 454	176 785
Other operating segments	63.0	37 256	22 862	46 390
	17.5	1 656 392	1 409 392	2 940 914

The basis for reporting segmental financial information has been changed in accordance with the requirements of IFRS 8, Operating Segments. Operating segments were identified based on financial information regularly reviewed by the Shoprite Holdings Ltd board of directors (identified as the chief operating decision maker of the Group in terms of the IFRS 8 requirements) for performance assessments and resource allocations.

## Supplementary information

R'000	Unaudited Dec 09	Unaudited Dec 08	Audited Jun 09
1. Capital commitments	1 062 881	261 063	337 276
2. Contingent liabilities	64 204	34 792	138 316
3. Net asset value per share (cents)	1 009	981	990
4. Total number of shares in issue (adjusted for treasury shares)	506 133	507 345	500 898

## Reconciliation of headline earnings

R'000	% change	Unaudited 6 months ended Dec 09	Unaudited 6 months ended Dec 08	Audited for the year ended Jun 09
R'000				
Profit attributable to owners of the parent		1 059 790	955 185	1 998 246
Re-measurements		2 340	9 917	31 227
Loss/(profit) on disposals of assets held for sale		—	9 607	(3 425)
Loss on disposals and scrapings of plant, equipment and intangible assets		7 941	647	23 915
Impairment of property, plant and equipment and assets held for sale		—	—	7 106
Impairment of goodwill		—	—	3 608
Insurance claims received		(5 627)	—	—
Loss/(profit) on other investing activities		26	(337)	23
Tax effect of re-measurements		(699)	962	(7 913)
Headline earnings		1 061 431	966 064	2 021 560
Earnings per share (cents)	12.4	211.6	188.3	396.5
Diluted earnings per share (cents)	14.5	208.2	181.9	386.3
Headline earnings per share (cents)	11.3	211.9	190.4	401.1
Diluted headline earnings per share (cents)	13.3	208.5	184.0	390.8
Ordinary dividend per share (cents)				200.0
Final/interim dividend paid		130.0	106.0	70.0
Interim/final dividend declared		80.0	70.0	130.0

## Condensed group statement of cash flows

R'000	Notes	Unaudited 6 months ended Dec 09	Unaudited 6 months ended Dec 08	Audited for the year ended Jun 09
R'000				
Cash generated by operations		3 348 282	2 763 057	3 435 736
Operating profit		1 620 456	1 425 794	2 912 692
Less: investment income		(12 462)	(4 199)	(29 279)
Non-cash items	1	590 684	482 825	1 065 296
Payments for cash settlement of share options		—	(97 460)	(484 896)
Payment for post-retirement medical benefits		(200 631)	—	—
Changes in working capital	2	1 350 235	956 097	(28 077)
Net interest received		30 728	82 434	127 129
Dividends received		28	229	7 574
Dividends paid		(672 102)	(544 187)	(902 576)
Tax paid		(515 578)	(406 642)	(842 045)
Cash flows from operating activities		2 191 358	1 894 891	1 825 818
Cash flows utilised by investing activities		(1 472 951)	(1 019 288)	(1 737 303)
Purchase of property, plant and equipment and intangible assets		(1 269 398)	(1 039 336)	(1 820 256)
Proceeds on disposal of assets held for sale, property, plant and equipment and intangible assets		24 139	45 386	81 141
Acquisition of operations		(190 000)	—	—
Other investment activities		(37 692)	(25 338)	1 812
Cash flows (utilised by)/from financing activities		(238 965)	999	(333 108)
Acquisition of treasury shares		(244 439)	—	(383 445)
Proceeds on disposal of treasury shares		—	—	42 510
Other financing activities		5 474	999	7 827
Net movement in cash and cash equivalents		479 442	876 602	(244 593)
Cash and cash equivalents at the beginning of the year		2 811 465	3 135 850	3 135 850
Cash and cash equivalents with acquisition of operations		(66 204)	—	—
Effect of exchange rate movements on cash and cash equivalents		(82 812)	53 706	(79 792)
Cash and cash equivalents at the end of the year		3 141 891	4 066 158	2 811 465

## CASH FLOW INFORMATION

1. Non-cash items			
Depreciation of property, plant and equipment	396 086	356 684	741 710
Amortisation of intangible assets	21 212	35 334	54 743
Net fair value losses on financial instruments	58 017	7 500	7 919
Exchange rate losses/(gains)	33 596	(26 319)	(3 005)
Profit on disposals of assets held for sale	—	(3 744)	(3 425)
Loss on disposals and scrapings of plant, equipment and intangible assets	7 766	647	23 915
Impairment of property, plant and equipment and assets held for sale	—	—	7 106
Profit on other investing activities	—	(337)	—
Impairment of goodwill	—	—	3 608
Movement in provisions	(7 950)	49 687	117 591
Movement in cash-settled share-based payment accrual	82 331	88 758	139 965
Insurance claims received	(5 627)	—	—
Movement in fixed escalation operating lease accrual	5 253	(25 385)	(24 831)
	590 684	482 825	1 065 296
2. Changes in working capital			
Inventories	(865 109)	(1 736 324)	(1 464 435)
Trade and other receivables	(415 528)	(401 561)	(89 157)
Trade and other payables	2 630 872	3 093 982	1 525 515
	1 350 235	956 097	(28 077)

## Condensed statement of changes in equity

R'000	Unaudited 6 months ended Dec 09	Unaudited 6 months ended Dec 08	Audited for the year ended Jun 09
R'000			
Balance at beginning of July	5 029 295	4 818 838	4 818 838
Net movement in treasury shares	(244 439)	—	(340 935)
Net fair value movements on available-for-sale investments, net of tax	2 305	12 254	8 819
Profit for the period	1 068 107	962 023	2 018 638
Loss on treasury shares utilised for share option take-up, net of tax	147 412	—	—
Non-controlling interest purchased	(3 215)	—	757
Cash settlement of share options	—	(382 843)	(379 349)
Foreign currency translation differences	(160 192)	171 287	(193 856)
Dividends distributed to owners	(672 901)	(545 022)	(903 617)
Balance at end of December/June	5 166 372	5 036 537	5 029 295

## Commentary

### THE GROUP

In a market in which trading conditions remained difficult, the Group performed satisfactorily, maintaining its position as the country's leading value provider, which resulted in a core market share increase of 1.2% to 29.8%. Despite the recession it did not scale down expansion plans but gained a net 58 new stores during the six months under review. Through the efficient management of its cost base the Group managed to grow trading profit by 17,5% – well ahead of the 11,9% increase in turnover. This resulted in a trading margin of 5,0%, against the 4,8% of a year ago.

### Supermarkets RSA

Supermarkets RSA was the Group's best performing division. Its three chains – Shoprite, Checkers and Usave – continued to enjoy increased support from cash-strapped consumers. Turnover grew by 14,6% compared to the rest of the retail market's 9% and ahead of internal food inflation, which during the reporting period averaged 4,2% as against 16,9% a year ago. The combined customer growth was 6,5% with the value per transaction growing 7,3%.

Both the Shoprite and Checkers chains increased the value of and the number of customer transactions and the small-format Usave chain, with its strong focus on growth, continued its roll-out in South Africa adding a net 27 new stores for a total of 157.

The net result of the above was a turnover growth of R26,303 billion from R22,963 billion in the corresponding six months and a trading profit that was 27,5% higher at R1,322 billion.

### Supermarkets Non-RSA

Due to the appreciation of the rand against most other currencies in Africa, food imports from South Africa became more expensive and nullified the benefits of lower food inflation. In addition, Africa has been as hard hit by the global recession due to its dependence on commodity exports. In rand terms sales declined by 4,3% to R3,605 billion, but in constant currency terms, it increased by 16,3%. Gross margin came under pressure due to the increased cost of goods which, in most cases, could not be passed on to consumers, leading to a 22,2% drop in trading profit to R193,2 million.

### Furniture

Given consumers' reduced levels of spending on durables and semi-durables, the division's sales increase of 11,5%, in an environment of virtually no inflation, is satisfactory. Gross margin remained intact, but an escalation in service and other charges put net margin under pressure so that trading profit for the period increased by 2,9% to R104,3 million.

### Other operating segments

Other operating segments comprising the OK Franchise Division, Computicket and MediRite, showed a 13,3% increase in turnover to R1,692 billion while trading profit grew 63,0% from R22,9 million to R3