

UNAUDITED RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019

Key information

- Sale of merchandise increased by 7.0% to R81.2 billion.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 5.3% to R6.8 billion.
- Trading profit excluding hyperinflation increased by 7.0%.
- Trading profit on a reported basis decreased by 3.9% to R4.0 billion.
- Diluted headline earnings per share, excluding hyperinflation, increased by 15.7% from 327.8 cents to 379.3 cents.
- Diluted headline earnings per share declined by 2.6% to 372.4 cents.
- Dividend per share of 156 cents declared (2018: 156 cents).
- Opened a net 82 corporate owned stores during the 12 months (2018: 86).

Pieter Engelbrecht, chief executive officer:

We are very proud to report the Group's 7.0% increase in merchandise sales for the six months to 29 December 2019. The R81.2 billion in sales was achieved on the back of 4.4% growth in volume of products sold and 2.1% growth in the number of customers. EBITDA, a more comparable measure after the adoption of IFRS 16: Leases, increased by 5.3% to R6.8 billion. This was a satisfactory performance given the 1.1% market share gains to 31.6% in Supermarkets RSA which achieved sales growth of 9.8%.

Our Group strategy to capture a larger share of South Africa's premium food retail segment continues to be one of our drivers of growth as reflected particularly in the Checkers brand, together with Hypers, growing sales by 11.2%. It's been an exciting six months for the Checkers brand with significant milestones reached in support of our long-term growth strategy. The Xtra Savings Rewards Programme was launched in October and has been very well received with 3.8 million customers having already signed up. In another first for South African Supermarkets, our pioneering one hour grocery delivery service, Sixty60, was launched in November in 8 stores. Although, still in the early stages, we believe this mobile e-commerce solution offering unrivalled convenience for shoppers holds much promise.

Our Supermarkets Non-RSA operating segment, comprising operations in 14 countries across the African continent, recorded positive sales growth of 4.8% in constant currency terms. Sales declined by 3.1% in rand terms.

The Group's trading margin of 5.0% remained strong, underpinned by an 8.7% increase in gross margin and effective cost control.

Outside of our retail operations, our focus is increasingly on our environment, governance, social responsibility and our continued goal to improve the lives of the people in key Shoprite communities. We remain pleased to report that despite the current difficult economic climate, Shoprite continued to create new jobs and participate in the YES (Youth Employment Service) programme.

25 February 2020

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RESULTS COMMENTARY

Adoption of IFRS 16: Leases (IFRS 16)

IFRS 16 is effective for the accounting period commencing 1 July 2019 and replaces IAS17: Leases. The Group implemented the standard using the full retrospective approach. A SENS announcement was issued on 14 February with the detailed financial impact and analysis.

Accounting for Angola hyperinflation

For the six months to December 2019, the economy of Angola was assessed to be not hyperinflationary. As a result, the Group did not account for the results of its Angolan operations on a hyperinflationary basis in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29). For the comparative period ended 30 December 2018, the results were prepared on a hyperinflationary basis.

STATEMENT OF COMPREHENSIVE INCOME

Sale of merchandise

The Group's sale of merchandise for the six months to 29 December 2019 increased by 7.0% to R81.2 billion. Like-for-like sales increased by 4.2%. Volumes grew by 4.4%.

Supermarkets RSA's sales growth of 9.8% for the period was a combination of two strong quarters of growth during which sales grew by 10.3% and 9.4% respectively. We are very pleased with this performance, which resulted in R2.4 billion market share gains for the segment.

Supermarkets Non-RSA's operating environment remained challenging. Sales growth in constant currency remained positive at 4.8% but in rand terms declined by 3.1%.

The following table gives the relevant sale of merchandise per segment:

	% change	26 weeks to 29 Dec 2019 Rm	26 weeks to 30 Dec 2018 Rm
Sale of merchandise			
Supermarkets RSA	9.8	61 635	56 138
Supermarkets Non-RSA	(3.1)	10 774	11 122
Furniture	(2.7)	3 328	3 420
Other operating segments	4.4	5 413	5 187
Total operating segments	7.0	81 150	75 867
Hyperinflation effect	—	—	(30)
Consolidated	7.0	81 150	75 837

Supermarkets RSA

The Group's core business, Supermarkets RSA, representing 75.9% of the Group's sales, achieved 9.8% sales growth and 6.6% on a like-for-like basis. Across our major trading banners Shoprite, Usave, Checkers and Checkers Hyper, we now trade through 1 632 stores.

Internal inflation for the first half of the year was 2.7% compared to 2.3% for the fourth quarter of the 2019 financial year. Market share gained over the six month period measured R2.4 billion and equated to growth of 1.1 percentage points.

Checkers supermarket chain, inclusive of its 37 larger format Hypers, grew merchandise sales by 11.2%. Checkers' strategy to grow its share of spend in the mid-to-upper segment of the market continues to underpin the chain's growth. Checkers, inclusive of Checkers Hyper, now operates with 261 stores in South Africa. Of this, the number of stores in the Checkers FreshX format has increased to 28. The Group's target for 80 FreshX stores remains unchanged.

Following the successful IT replatforming of the Group's store base across 15 countries, the Group is now able to shift focus to optimising the business. The Group took an important step in engineering the next era of growth in October with the launch of our Xtra Savings Rewards Programme in all Checkers stores nationally. To date, the Xtra Savings Rewards Programme take up has exceeded expectations with 3.8 million members already having signed up. The launch of this powerful personalisation engine aligns with the Group's focus to ensure our customers save more every day, paving the way for smarter decision-making and precision retailing. It also unlocks alternate revenue streams from existing and new customers in the future.

In November we successfully launched our on-demand grocery e-commerce solution, Sixty60, which promises home delivery in under one hour. It allows customers in selected stores in Cape Town and Sandton to order mission-based food and drinks from their smartphone in under 60 seconds. It is then picked in a store closest to the consumer's home and delivered in under 60 minutes. A first of its kind in South African supermarket retailing, and has been met with a very positive consumer response.

The vulnerabilities of the Shoprite and Usave customer have remained unchanged reinforcing the execution of our price leadership position over the year. Shoprite grew sales by 7.1%, adding 13 net new stores to its base to end December with 505 stores. Usave grew sales 11.2%, adding 27 net new stores to end the period with 371 stores in South Africa.

Liquor sales, spanning both the Checkers and Shoprite brands, reported 20.5% sales growth. Collectively, the formats opened a net 44 new stores over the 12 months to end December 2019 with 495 stores in South Africa.

Supermarkets Non-RSA

Supermarkets Non-RSA reported constant currency turnover growth of 4.8% on the back of 5.4% volume growth and 6.0% internal inflation.

The Supermarkets Non-RSA segment has experienced ongoing currency devaluations in certain key markets and challenging trading conditions have persisted.

In Angola, currency devaluations of 40.6% during the past six months have hampered growth, but management is confident that the improved in-stock position due to improved foreign currency availability will yield a better result in the second half of the financial year.

With regards to Nigeria, the impact of store closures and subsequent reduction in customer count, both during and after the September Xenophobic attacks, resulted in a difficult half with sales declining by 8.1% in constant currency terms.

Zambia is performing well with sales in constant currency growing by 14.7%.

Since the first store opened in Kenya during December 2018, an additional 3 stores have been opened.

Furniture

Challenging trading conditions, store closures, load shedding and currency devaluations in key Non-RSA trading regions resulted in the Furniture division, inclusive of its Non-RSA business, reporting a decrease in sale of merchandise of 2.7%. Credit participation increased to 13.7% (2018: 12.5%) of the business' R3.3 billion sales for the interim period. Over the twelve months the division closed 31 stores in RSA (26 OK Furniture and 5 House & Home) and 1 OK Furniture in Non-RSA. The division ended December 2019 with 364 stores in RSA and 88 stores in Non-RSA.

Other Operating Segments

The Group's Other Operating Segments comprises OK Franchise, Transpharm, Medirite Pharmacy, Computicket and Checkers Food Services. The segment grew sales by 4.4% impacted for the most part by a six week labour strike in our Transpharm pharmaceutical wholesale business. Our Group franchise banner, OK Franchise, grew sales by 7.5%. Its store base increased from 448 last year to 470 this year with 405 stores in RSA and 65 in Non-RSA.

Expenses

Total expense growth of 7.7% is mostly attributed to the following:

- Depreciation and amortisation increased by only 3.2% mainly due to a reduction in capital expenditure.
- Employee benefits expense increased by 9.6% as a result of costs associated with the implementation of the new minimum wage legislation from January 2019; the increase in employee development costs including the YES (Youth Employment Service) program and the cost of additional staff for new stores.
- Other operating expense growth of 7.8% includes expenses such as electricity and water, repairs and maintenance, security and credit card commissions paid. The growth in other expenses was mainly due to the increase in water and electricity of 11.9%, due to electricity tariff increases set by NERSA (National Energy Regulator of South Africa). The Group is continuing with various energy saving initiatives to reduce long-term operating costs.

Trading profit

The Group's trading margin declined from 5.5% in the corresponding period to 5.0%. Excluding the impact of hyperinflation accounting in the corresponding period, the Group's trading margin remained consistent at 5.0%.

Supermarkets RSA's R3.7 billion trading profit grew 9.5% to report a 6.1% trading margin (2018: 6.1%).

Supermarkets Non-RSA's R58 million trading profit, declined by 62.3% on the back of a R68 million reduction in interest income earned on government bonds and bills, mainly due to the Angola Treasury Bills that reached maturity during the reporting period.

The following table gives the relevant trading profit, per segment:

		26 weeks to 29 Dec '19 Rm	Trading margin 2019 %	26 weeks to 30 Dec '18 Rm	Trading margin 2018 %
Trading profit	% change				
Supermarkets RSA	9.5	3 736	6.1	3 412	6.1
Supermarkets Non-RSA	(62.3)	58	0.5	154	1.4
Furniture	(4.5)	169	5.1	177	5.2
Other operating segments	63.9	118	2.2	72	1.4
Total operating segments	7.0	4 081	5.0	3 815	5.0
Hyperinflation effect	(112.6)	(48)	—	381	—
Consolidated	(3.9)	4 033	5.0	4 196	5.5

Foreign exchange differences

The Group recorded exchange rate gains of R232 million for the period. In essence, most foreign exchange differences in the statement of comprehensive income are due to gains on AOA, USD Index Linked Angola Government Bonds and losses on USD denominated short-term loans of operations outside South Africa and balances in US dollar held in offshore accounts.

The Group designated its US dollar denominated lease liabilities as a hedge of a proportion of the net investment in the Group's US dollar subsidiary and applied hedge accounting from 1 July 2019.

Net finance costs

Net finance costs increased by 12.2% to R1.3 billion during the first half of the financial year.

At the reporting date, the Group had lease liabilities of R23.8 billion as a result of the adoption of IFRS 16 which gave rise to an interest charge of R968 million (2018: R896 million) for the period under review.

Although the Group's net debt position improved by R1.8 billion to R3.3 billion (before taking into account lease liabilities), interest on medium- to long-term funding increased to R312 million. The Group is committed to reducing debt levels overall, and has made major strides in achieving this goal. Improved operational results during the first half, together with a reduction in capital expenditure, resulted in an improved cash flow generated from operations.

The Group further intends to consolidate our financial position by optimising our capital invested, currently and in the future.

Income tax expense

The Group's effective tax rate at 31.2% is 3.4 percentage points higher than the prior period's effective tax rate of 27.8%.

The effective tax rate is higher than the nominal income tax rate, mainly due to the write-back of deferred tax assets for Non-RSA countries with accumulated income tax losses, where there is uncertainty regarding the future profitability to absorb these losses. In some of the Non-RSA countries, minimum taxes or rental income taxes are applicable in addition to the statutory tax rates being higher than 28% in most cases, all contributing to the higher effective tax rate.

Headline earnings per share

Basic headline earnings per share decreased by 2.6% from 382.8 cents to 372.8 cents.

Diluted headline earnings per share decreased by 2.6% from 382.4 cents to 372.4 cents.

Diluted headline earnings per share, excluding hyperinflation, increased by 15.7% from 327.8 cents to 379.3 cents.

STATEMENT OF FINANCIAL POSITION

Non-current assets

Property, plant and equipment, right-of-use and intangible assets

The Group's total capital spent on property, plant and equipment and software amounted to R2.0 billion, a decline of 30.0% year-on-year. Of this, the Group spent R405 million on leasehold improvements and the purchase of vacant land to secure future opportunities, R712 million on store refurbishments, and R369 million on new stores (excluding land and buildings). The remaining R483 million was spent on IT and supply chain projects.

As stated previously, the Group has embarked on a program to divest of non-strategic real estate in an effort to unlock value on the balance sheet. Real estate to the value of R621 million has been sold and transferred during the period. In addition the Group successfully embarked on a sale and lease back of its commercial vehicle fleet. Proceeds of the sale amounted to R1.1 billion.

Property, plant and equipment and right-of-use assets include a cumulative hyperinflation adjustment of R2.7 billion resulting from the application of IAS 29.

As a result of the adoption of IFRS 16, a right-of-use asset of R17.9 billion (2018: R16.7 billion) was reported at the end of the reporting period.

The Group performed a thorough review of its operations, including loss-making stores, and considers the need for impairment of assets under these circumstances. For the six months reported, impairments to the value of R254 million were accounted for.

Government bonds and bills

Government bonds and treasury bills held in Angola reduced by R1.0 billion to R2.5 billion (2018: R3.5 billion) at the reporting date. Foreign currency availability in Angola improved during the reporting period resulting in a demand for the Angola kwanza currency. The Angolan operations are self funding and were able to repatriate USD34 million in the six months. Bonds reaching maturity in June 2020 will be re-invested, if the need arises.

Current assets

Inventories

Inventories increased 3.9% on the corresponding period at a lower rate than sales growth and amounted to R22.5 billion (2018: R21.7 billion) at the end of the reporting period.

Cash and cash equivalents and bank overdrafts

Net cash and cash equivalents improved by R3.2 billion to R8.0 billion on the back of improved cash flows from operations, a reduction in capital spend and the disposal of assets. Proceeds on government bonds and treasury bills in Angola to the value of R459 million realised during the period with no additional investment in these instruments also contributed to the Group's improved net cash position. All cash generated in Angola is now utilised to fund the procurement of inventory and for the repayment of US dollar debt.

Liabilities

Borrowings and lease liabilities

Total borrowings increased by R1.3 billion to R11.4 billion. The Group's US dollar debt exposure reduced by R1.1 billion to R6.8 billion (2018: R7.9 billion) on the back of improved cash flows from the Non-RSA operations.

The Group's lease liability increased by R2.2 billion to R23.8 billion.

GROUP PROSPECTS AND OUTLOOK

The Group is currently managing the risks associated with the Coronavirus and does not foresee a material impact on the business.

The Group's sales growth for the first six weeks of the second half of the 2020 financial year has been in line with the growth reported for this interim period to December 2019.

Supermarkets Non-RSA's operating environment is expected to remain challenging until such time as currencies stabilise and consumer affordability catches up. In terms of future strategy we remain committed to operating on the continent but are limiting future expansion whilst we review our options with regards to alternate operating models. Notwithstanding this, we have taken a number of immediate operational actions, all of which are ongoing and include rent reductions, store closures, productivity improvements and de-dollarising costs. We are confident in the absence of further currency devaluations and any unforeseen circumstances that these operational measures will positively impact profitability.

Looking ahead, the Group enters the second half with ongoing determination. Our investment in technology affords us greater visibility and results in better decision making across the business. This, together with the launch of our Xtra Savings Rewards Programme, is significant for the Group and bodes well for a future fit Shoprite.

PRO FORMA FINANCIAL INFORMATION

Certain financial information presented in these condensed consolidated interim results for the 26 weeks to 29 December 2019 constitutes pro forma financial information. The pro forma financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The pro forma financial information has neither been reviewed nor been reported on by the Group's external auditors.

Like-for-like comparisons

Like-for-like sales is a measure of the growth in the Group's year-on-year sales, removing the impact of new store openings and closures in the current or previous reporting periods. In addition, in respect of Angola, the like-for-like sales have been prepared excluding the impact of hyperinflation.

References were made to the following subtotals of sale of merchandise	Like-for-like change %	Unaudited 26 weeks to 29 Dec '19 Rm	Like-for-like 26 weeks to 29 Dec '19 Rm	Unaudited 26 weeks to 30 Dec '18 Rm	Like-for-like 26 weeks to 30 Dec '18 Rm
Total	4.2	81 150	77 911	75 867	74 800
Supermarkets RSA	6.6	61 635	59 405	56 138	55 748
Supermarkets Non-RSA	(7.4)	10 774	10 128	11 122	10 942

Impact of the Group's pro forma constant currency disclosure

The Group discloses unaudited constant currency information to indicate the Group's Supermarkets Non-RSA operating segment performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period turnover for entities reporting in currencies other than ZAR are converted from local currency actuals into ZAR at the prior year's actual average exchange rates on a country-by-country basis. In addition, in respect of Angola, the constant currency information has been prepared excluding the impact of hyperinflation. For the 26 weeks ended 29 December 2019, the Angolan economy was assessed not to be hyperinflationary, whilst it was assessed to be hyperinflationary for the comparative period ended 30 December 2018.

The table below sets out the percentage change in turnover, based on the actual results for the period, in reported currency and constant currency for the following major currencies. The total impact on Supermarkets Non-RSA is also reflected after consolidating all currencies in this segment.

% Change in turnover on prior period 26 weeks	Reported currency	Constant currency
Angola kwanza	(27.5)	(1.9)
Nigeria naira	(5.9)	(8.1)
Zambia kwacha	(1.5)	14.7
Mozambique metical	3.2	2.3
Total Supermarkets Non-RSA	(3.1)	4.8

Impact of Angola hyperinflation adjustment

For the comparative period ended 30 December 2018, the economy of Angola was assessed to be hyperinflationary. As a result, the Group accounted for the comparative results of its Angolan operations on a hyperinflationary basis in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29). For the 26 weeks ended 29 December 2019, the Angolan economy was assessed not to be hyperinflationary. Although no further hyperinflationary adjustments were required for the current reporting period, the statement of financial position at the reporting date still includes cumulative hyperinflation adjustments as a result of the application of IAS 29 up to 30 June 2019. These cumulative hyperinflation adjustments included in property, plant and equipment, right-of-use assets and inventories are written off to the statement of comprehensive income, together with the related deferred income tax effect, in accordance with the Group's accounting policies for the respective items.

It is therefore useful and good governance to report pro forma information for the current and previous period under review which excludes the impact of hyperinflation. It will also facilitate comparisons against the prior period's results which included the application of hyperinflation accounting.

The pro forma information was calculated through applying all the accounting policies adopted by the Group in the latest audited annual financial statements, except for the hyperinflationary standard IAS 29. New accounting policies and changes in accounting policies relating to the adoption of IFRS 16: Leases (refer to note 1 of the condensed consolidated interim financial statements) are also applied in the calculation of the pro forma information.

The financial impact of hyperinflation on the current period's results is shown in the format of a pro forma statement of comprehensive income and a pro forma statement of financial position.

PRO FORMA STATEMENT OF COMPREHENSIVE INCOME

	26 Weeks Including Hyper- inflation Reported 29 Dec '19 Rm	26 Weeks Hyper- inflation Adjustment 29 Dec '19 Rm	26 Weeks Excluding Hyper- inflation Pro Forma 29 Dec '19 Rm	Restated* 26 Weeks Excluding Hyper- inflation Pro Forma 30 Dec '18 Rm	Pro Forma change %
Sale of merchandise	81 150	—	81 150	75 867	7.0
Cost of sales	(62 099)	—	(62 099)	(58 327)	6.5
GROSS PROFIT	19 051	—	19 051	17 540	8.6
Other operating income	1 527	—	1 527	1 566	(2.5)
Depreciation and amortisation	(2 555)	(48)	(2 507)	(2 407)	4.2
Employee benefits	(6 485)	—	(6 485)	(5 919)	9.6
Other operating expenses	(7 505)	—	(7 505)	(6 965)	7.8
TRADING PROFIT	4 033	(48)	4 081	3 815	7.0
Exchange rate gains/(losses)	232	—	232	(141)	
Items of a capital nature	22	(5)	27	8	
OPERATING PROFIT	4 287	(53)	4 340	3 682	17.9
Interest received from bank account balances	187	—	187	139	34.5
Finance costs	(1 467)	—	(1 467)	(1 280)	14.6
PROFIT BEFORE INCOME TAX	3 007	(53)	3 060	2 541	20.4
Income tax expense	(939)	16	(955)	(733)	30.3
PROFIT FOR THE PERIOD	2 068	(37)	2 105	1 808	16.4
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	(1 692)	—	(1 692)	(1 209)	
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation differences including hyperinflation effect	(1 594)	—	(1 594)	(1 209)	
Loss on effective net investment hedge, net of income tax	(98)	—	(98)	—	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	376	(37)	413	599	
PROFIT ATTRIBUTABLE TO:	2 068	(37)	2 105	1 808	
Owners of the parent	2 059	(37)	2 096	1 800	
Non-controlling interest	9	—	9	8	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	376	(37)	413	599	
Owners of the parent	367	(37)	404	591	
Non-controlling interest	9	—	9	8	
Basic earnings per share (cents)	372.1	(6.7)	378.8	324.7	16.7
Diluted earnings per share (cents)	371.7	(6.7)	378.4	324.3	16.7
Basic headline earnings per share (cents)	372.8	(6.9)	379.7	328.2	15.7
Diluted headline earnings per share (cents)	372.4	(6.9)	379.3	327.8	15.7

* Restated for the change in accounting policy. Refer to note 2 of the condensed consolidated interim financial statements for more detail.

PRO FORMA STATEMENT OF FINANCIAL POSITION

	Including Hyper- inflation Reported 29 Dec '19 Rm	Hyper- inflation Adjustment 29 Dec '19 Rm	Excluding Hyper- inflation Pro Forma 29 Dec '19 Rm	Restated* Excluding Hyper- inflation Pro Forma 30 Dec '18 Rm
ASSETS				
NON-CURRENT ASSETS	44 712	2 456	42 256	45 512
Property, plant and equipment	19 950	2 199	17 751	19 550
Right-of-use assets	17 917	472	17 445	16 203
Intangible assets	3 053	—	3 053	3 171
Government bonds and bills	204	—	204	2 857
Loans receivable	1 663	—	1 663	1 470
Deferred income tax assets	1 748	(215)	1 963	2 085
Trade and other receivables	177	—	177	176
CURRENT ASSETS	41 025	33	40 992	36 634
Inventories	22 548	33	22 515	21 645
Trade and other receivables	4 907	—	4 907	5 175
Current income tax assets	144	—	144	90
Government bonds and bills	2 308	—	2 308	665
Loans receivable	318	—	318	299
Cash and cash equivalents	10 800	—	10 800	8 760
ASSETS HELD FOR SALE	482	—	482	114
TOTAL ASSETS	86 219	2 489	83 730	82 260
EQUITY				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT				
Stated capital	7 516	—	7 516	7 516
Treasury shares	(817)	—	(817)	(618)
Reserves	14 661	1 862	12 799	14 082
	21 360	1 862	19 498	20 980
NON-CONTROLLING INTEREST	104	—	104	77
TOTAL EQUITY	21 464	1 862	19 602	21 057
LIABILITIES				
NON-CURRENT LIABILITIES	30 077	627	29 450	26 619
Lease liabilities	21 286	—	21 286	19 261
Borrowings	7 885	—	7 885	7 077
Deferred income tax liabilities	685	627	58	57
Provisions	221	—	221	224
CURRENT LIABILITIES	34 678	—	34 678	34 584
Trade and other payables	24 094	—	24 094	23 585
Contract liabilities	699	—	699	630
Lease liabilities	2 555	—	2 555	2 392
Borrowings	3 478	—	3 478	2 968
Current income tax liabilities	909	—	909	983
Provisions	171	—	171	141
Bank overdrafts	2 772	—	2 772	3 885
TOTAL LIABILITIES	64 755	627	64 128	61 203
TOTAL EQUITY AND LIABILITIES	86 219	2 489	83 730	82 260

* Restated for the change in accounting policy. Refer to note 2 of the condensed consolidated interim financial statements for more detail.

NUMBER OF OUTLETS 29 DECEMBER 2019

	12 MONTHS				CONFIRMED NEW STORES JUN 2020
	DEC 2018	OPENED	CLOSED	DEC 2019	
SUPERMARKETS	1 330	82	-19	1 393	44
SHOPRITE	667	25	-5	687	9
CHECKERS	225	10	-2	233	2
CHECKERS HYPER	37	0	0	37	1
USAVE	401	36	-12	425	28
K'NECT	0	11	0	11	4
LIQUORSHOP	472	49	-3	518	15
FURNITURE	479	5	-32	452	3
OK FURNITURE	428	4	-27	405	3
HOUSE & HOME	51	1	-5	47	0
OK FRANCHISE	448	57	-35	470	11
HUNGRY LION	9	0	0	9	0
TOTAL STORES	2 738	193	-89	2 842	73
COUNTRIES OUTSIDE RSA	14	0	0	14	0
TOTAL STORES OUTSIDE RSA	419	19	-8	430	9*

* Includes 3 OK Franchise stores

DIVIDEND NO 142

The board has declared an interim dividend of 156 cents (2018: 156 cents) per ordinary share, payable to shareholders on Monday, 16 March 2020. The dividend has been declared out of income reserves. The last day to trade cum dividend will be Tuesday, 10 March 2020. As from Wednesday, 11 March 2020, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 13 March 2020. Share certificates may not be dematerialised or rematerialised between Wednesday, 11 March 2020, and Friday, 13 March 2020, both days inclusive.

In terms of the Dividends Tax, the following additional information is disclosed:

1. The local dividend tax rate is 20%.
2. The net local dividend amount is 124.8 cents per share for shareholders liable to pay Dividends Tax and 156 cents per share for shareholders exempt from paying Dividends Tax.
3. The issued ordinary share capital of Shoprite Holdings Ltd as at the date of this declaration is 591 338 502 ordinary shares.
4. Shoprite Holdings Ltd's tax reference number is 9775/112/71/8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	% change	Unaudited 26 weeks to 29 Dec '19 Rm	Restated* Unaudited 26 weeks to 30 Dec '18 Rm	Restated* Unaudited 52 weeks to 30 Jun '19 Rm
Sale of merchandise	4	7.0	81 150	75 837	150 395
Cost of sales		6.5	(62 099)	(58 307)	(115 074)
GROSS PROFIT		8.7	19 051	17 530	35 321
Other operating income	4	(2.4)	1 527	1 565	3 218
Depreciation and amortisation		3.2	(2 555)	(2 475)	(5 153)
Employee benefits		9.6	(6 485)	(5 918)	(11 997)
Other operating expenses		7.8	(7 505)	(6 964)	(13 757)
Net monetary gain			—	458	947
TRADING PROFIT		(3.9)	4 033	4 196	8 579
Exchange rate gains/(losses)			232	(141)	(343)
Items of a capital nature			22	(7)	(496)
OPERATING PROFIT		5.9	4 287	4 048	7 740
Interest received from bank account balances	4	34.5	187	139	273
Finance costs	5	14.6	(1 467)	(1 280)	(2 659)
PROFIT BEFORE INCOME TAX		3.4	3 007	2 907	5 354
Income tax expense		16.4	(939)	(807)	(1 874)
PROFIT FOR THE PERIOD		(1.5)	2 068	2 100	3 480
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			(1 692)	(1 509)	(2 653)
Items that will not be reclassified to profit or loss					
Re-measurements of post-employment medical benefit obligations			—	—	3
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation differences including hyperinflation effect			(1 594)	(1 509)	(2 656)
Loss on effective net investment hedge, net of income tax			(98)	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			376	591	827
PROFIT ATTRIBUTABLE TO:			2 068	2 100	3 480
Owners of the parent			2 059	2 092	3 468
Non-controlling interest			9	8	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			376	591	827
Owners of the parent			367	583	815
Non-controlling interest			9	8	12
Basic earnings per share (cents)	12	(1.4)	372.1	377.3	625.3
Diluted earnings per share (cents)	12	(1.4)	371.7	376.9	624.7
Basic headline earnings per share (cents)	12	(2.6)	372.8	382.8	699.2
Diluted headline earnings per share (cents)	12	(2.6)	372.4	382.4	698.5

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 29 Dec '19 Rm	Restated* Unaudited 30 Dec '18 Rm	Restated* Unaudited 30 Jun '19 Rm
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		44 712	47 836	46 240
Right-of-use assets	6	19 950	21 697	21 444
Intangible assets		17 917	16 688	15 741
Government bonds and bills	7	3 053	3 171	3 077
Loans receivable		204	2 857	2 516
Deferred income tax assets		1 663	1 470	1 664
Trade and other receivables		1 748	1 777	1 629
		177	176	169
CURRENT ASSETS				
Inventories		41 025	36 685	33 928
Trade and other receivables		22 548	21 695	20 889
Current income tax assets		4 907	5 176	4 156
Government bonds and bills	7	144	90	480
Loans receivable		2 308	665	500
Cash and cash equivalents		318	299	196
		10 800	8 760	7 707
ASSETS HELD FOR SALE				
		482	114	814
TOTAL ASSETS				
		86 219	84 635	80 982
EQUITY				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT				
Stated capital	8	7 516	7 516	7 516
Treasury shares	8	(817)	(618)	(605)
Reserves		14 661	15 794	15 190
		21 360	22 692	22 101
NON-CONTROLLING INTEREST				
		104	77	106
TOTAL EQUITY				
		21 464	22 769	22 207
LIABILITIES				
NON-CURRENT LIABILITIES				
Lease liabilities	9	30 077	27 282	29 011
Borrowings	10	21 286	19 261	19 158
Deferred income tax liabilities		7 885	7 077	9 044
Provisions		685	720	538
		221	224	271
CURRENT LIABILITIES				
Trade and other payables		34 678	34 584	29 764
Contract liabilities		24 094	23 585	19 325
Lease liabilities	9	699	630	791
Borrowings	10	2 555	2 392	2 320
Current income tax liabilities		3 478	2 968	2 662
Provisions		909	983	423
Bank overdrafts		171	141	119
		2 772	3 885	4 124
TOTAL LIABILITIES				
		64 755	61 866	58 775
TOTAL EQUITY AND LIABILITIES				
		86 219	84 635	80 982

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Attributable to owners of the parent					
	Total controlling equity	Non-controlling interest	Total capital	Treasury shares	Other reserves	Retained earnings
RESTATED UNAUDITED 26 WEEKS TO 30 DECEMBER 2018						
BALANCE AT 1 JULY 2018 AS PREVIOUSLY REPORTED	27 477	91	27 386	7 516	(1 620)	22 044
Effect of adopting IFRS 16: Leases (note 2)	(3 299)	(9)	(3 290)	(554)	(41)	(3 249)
RESTATED BALANCE AT 1 JULY 2018	24 178	82	24 096	7 516	(1 661)	18 795
Effect of adopting IFRS 9: Financial Instruments	(383)	(2)	(381)	(554)	(1 661)	(381)
RESTATED BALANCE AT 2 JULY 2018	23 795	80	23 715	7 516	(1 661)	18 414
RESTATED UNAUDITED 52 WEEKS TO 30 JUNE 2019						
BALANCE AT 1 JULY 2018 AS PREVIOUSLY REPORTED	27 477	91	27 386	7 516	(1 620)	22 044
Effect of adopting IFRS 16: Leases (note 2)	(3 299)	(9)	(3 290)	(554)	(41)	(3 249)
RESTATED BALANCE AT 1 JULY 2018	24 178	82	24 096	7 516	(1 661)	18 795
Effect of adopting IFRS 9: Financial Instruments	(383)	(2)	(381)	(554)	(1 661)	(381)
RESTATED BALANCE AT 2 JULY 2018	23 795	80	23 715	7 516	(1 661)	18 414
Total comprehensive income						
Profit for the period*	591	8	583	—	(1 509)	2 092
Recognised in other comprehensive income	2 100	8	2 092	—	—	2 092
Foreign currency translation differences including hyperinflation effect*	(1 509)	—	(1 509)	—	(1 509)	—
Share-based payments – value of employee services						
Modification of cash bonus arrangement transferred from provisions	39	—	39	—	—	39
Purchase of treasury shares	16	—	16	—	—	16
Treasury shares disposed	(115)	—	(115)	—	—	(115)
Realisation of share-based payment reserve	5	—	5	—	—	5
Dividends distributed to shareholders	—	—	—	46	(46)	—
RESTATED BALANCE AT 30 DECEMBER 2018	(1 562)	(11)	(1 551)	—	—	(1 551)
Total comprehensive income						
Profit for the period*	22 769	77	22 692	7 516	(618)	18 955
RESTATED UNAUDITED 26 WEEKS TO 30 DECEMBER 2018						
BALANCE AT 1 JULY 2018 AS PREVIOUSLY REPORTED	27 477	91	27 386	7 516	(1 620)	22 044
Effect of adopting IFRS 16: Leases (note 2)	(3 299)	(9)	(3 290)	(554)	(41)	(3 249)
RESTATED BALANCE AT 1 JULY 2018	24 178	82	24 096	7 516	(1 661)	18 795
Effect of adopting IFRS 9: Financial Instruments	(383)	(2)	(381)	(554)	(1 661)	(381)
RESTATED BALANCE AT 2 JULY 2018	23 795	80	23 715	7 516	(1 661)	18 414
Total comprehensive income						
Profit for the period*	827	12	815	—	(2 656)	3 471
Recognised in other comprehensive income	3 480	12	3 468	—	—	3 468
Re-measurements of post-employment medical benefit obligations	4	—	4	—	—	4
Income tax effect of re-measurements of post-employment medical benefit obligations	(1)	—	(1)	—	—	(1)
Foreign currency translation differences including hyperinflation effect*	(2 656)	—	(2 656)	—	—	(2 656)

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent					
	Total controlling equity	Non-controlling interest	Total capital	Treasury shares	Other reserves	Retained earnings
Rm						
Share-based payments – value of employee services	75		75		75	
Modification of cash bonus arrangement transferred from provisions	16		16		16	
Purchase of treasury shares	(115)		(115)	(115)		
Treasury shares disposed	13		13	14	(1)	
Realisation of share-based payment reserve	–		–	50	(50)	
Non-controlling interest on acquisition of subsidiary	25	25	–			
Dividends distributed to shareholders	(2 429)	(11)	(2 418)			(2 418)
RESTATED BALANCE AT 30 JUNE 2019	22 207	106	22 101	(605)	(4 276)	19 466
UNAUDITED 26 WEEKS TO 29 DECEMBER 2019						
BALANCE AT 30 JUNE 2019 AS PREVIOUSLY REPORTED	26 177	114	26 063	(605)	(4 355)	23 507
Effect of adopting IFRS 16: Leases (note 2)	(3 970)	(8)	(3 962)		79	(4 041)
RESTATED BALANCE AT 30 JUNE 2019	22 207	106	22 101	(605)	(4 276)	19 466
Total comprehensive income	376	9	367	–	(1 692)	2 059
Profit for the period	2 068	9	2 059			2 059
Recognised in other comprehensive income	(1 594)		(1 594)		(1 594)	
Foreign currency translation differences including hyperinflation effect	(135)		(135)		(135)	
Loss on effective net investment hedge	37		37		37	
Income tax effect of loss on effective net investment hedge						
Share-based payments – value of employee services	51		51		51	
Modification of cash bonus arrangement transferred from provisions	16		16		16	
Purchase of treasury shares	(273)		(273)	(272)		(1)
Treasury shares disposed	3		3	3		
Realisation of share-based payment reserve	–		–	57	(57)	
Dividends distributed to shareholders	(916)	(11)	(905)			(905)
BALANCE AT 29 DECEMBER 2019	21 464	104	21 360	(817)	(5 958)	20 619

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Unaudited 26 weeks to 29 Dec '19 Rm	Restated* Unaudited 26 weeks to 30 Dec '18 Rm	Restated* Unaudited 52 weeks to 30 Jun '19 Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		4 287	4 048	7 740
Less: investment income and finance income earned		(295)	(384)	(764)
Non-cash items	13.1	2 547	2 498	5 620
Changes in working capital	13.2	1 973	(917)	(3 528)
Cash generated from operations		8 512	5 245	9 068
Interest received		504	447	1 020
Interest paid		(1 457)	(1 295)	(2 684)
Dividends received		—	13	22
Dividends paid		(912)	(1 562)	(2 430)
Income tax paid		(150)	(202)	(2 092)
CASH FLOWS FROM/(UTILISED BY) INVESTING ACTIVITIES				
Investment in property, plant and equipment and intangible assets to expand operations		(1 391)	(1 853)	(3 709)
Investment in property, plant and equipment and intangible assets to maintain operations		(566)	(942)	(1 571)
Prepayments for right-of-use assets		—	(14)	(24)
Investment in assets held for sale		(12)	—	—
Proceeds on disposal of property, plant and equipment and intangible assets**		1 164	178	265
Proceeds on disposal of assets held for sale		656	105	184
Payments for government bonds and bills		—	(740)	(1 017)
Proceeds from government bonds and bills		459	915	1 444
Amounts paid to Resilient Africa (Pty) Ltd		—	(14)	(51)
Other loans receivable advanced		(223)	(221)	(437)
Cash inflows from other loans receivable		101	65	204
Acquisition of operations		(14)	(4)	(5)
CASH FLOWS (UTILISED BY)/FROM FINANCING ACTIVITIES				
Repayment of lease liability obligations	9	(1 297)	(1 080)	(2 245)
Purchase of treasury shares		(273)	(115)	(115)
Proceeds from treasury shares disposed		2	5	13
Repayment of borrowings		(3 070)	(2 657)	(4 271)
Borrowings raised		2 720	5 312	8 770
NET MOVEMENT IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at the beginning of the period		3 583	3 470	3 470
Effect of exchange rate movements and hyperinflation on cash and cash equivalents		(308)	(181)	(226)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD				
		8 028	4 875	3 583
Consisting of:				
Cash and cash equivalents		10 800	8 760	7 707
Bank overdrafts		(2 772)	(3 885)	(4 124)
		8 028	4 875	3 583

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

**Proceeds on disposal of property, plant and equipment and intangible assets includes R1.1 billion relating to the Group's commercial vehicle fleet previously included in machinery, equipment and vehicles, which were sold under a sale and leaseback arrangement during the period under review.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019

1 BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements, except where the Group has applied new accounting policies or adopted new standards effective for year-ends starting on or after 1 January 2019.

The Group secured long-term financing during the period under review by entering into a sale and leaseback transaction on its commercial vehicle fleet. The accounting policy for sale and leaseback transactions are disclosed in note 1.1.

The Group designated its US dollar denominated lease liabilities as a hedge of a proportion of the net investment in the Group's US dollar denominated subsidiary and applied hedge accounting during the reporting period. Refer to note 1.2 for the accounting policy of the Group's hedging activities.

The Group has adopted IFRS 16: Leases (IFRS 16) on 1 July 2019. The impact of the adoption of this standard is disclosed in note 2. Refer to note 1.3 for the accounting policy for leases where the Group is the lessee.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The preparation of these results has been supervised by the Chief Financial Officer, Mr A de Bruyn, CA(SA). There have been no material changes in the affairs or financial position of the Group and its subsidiaries from 29 December 2019 to the date of this report. The information contained in the interim report has neither been audited nor reviewed by the Group's external auditors.

1.1 Sale and leaseback transactions

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. A lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right-of-use-asset is recognised at the proportion of the carrying value relating to the right retained. Any gain or loss that relates to the rights transferred to the buyer-lessor is recorded within items of a capital nature.

1.2 Hedging activities

The Group designates certain non-derivative financial instruments as hedges of a net investment in a foreign operation (net investment hedges).

The Group documents, at the inception of the hedge transaction, the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Net investment hedges

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in the foreign currency translation reserve in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

1 BASIS OF PREPARATION (CONTINUED)

1.3 Leases where the Group is the lessee

The Group leases various offices, distribution centres, retail stores, vehicles and equipment. Rental contracts are typically entered into for fixed periods, with extension options as follows:

- Properties: 5 to 10 years, with extension options for a further 2 to 20 years.
- Commercial vehicle fleet: 6 months to 10 years, with an option to renew.
- IT equipment: 3 years, with no extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Non-lease components are expensed as they become due.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A right-of-use asset and a corresponding lease liability are recognised at the date at which the leased asset is available for use by the Group. They are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- lease payments to be made under reasonably certain extension options.

The Group's current rental portfolio does not include termination penalties. However, should these become relevant in the future, such payments will also be included in the initial measurement of the lease liability.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Group discounts lease payments for its commercial vehicle fleet using the interest rate implicit in the lease. All other lease payments are discounted using the incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method. Lease payments are allocated between principal and finance costs. Finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease prepayments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets (with a cost price below R75 000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

Variable lease payments

Some property leases (29 Dec '19: 50.5%; 30 Dec '18: 47.9%; 30 Jun '19: 52.7%) contain variable payment terms that are linked to sales generated from a store. Turnover rentals, where applicable, average 2.1% (30 Dec '18: 1.9%; 30 Jun '19: 2.1%) of turnover. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options

The lease term includes any non-cancellable periods and reasonably certain termination or extension option periods. Extension and termination options are included in a number of property and commercial vehicle fleet leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The average lease term of the Group's portfolio of qualifying leases are as follows:

	29 Dec '19	30 Dec '18	30 Jun '19
– Properties	9.0 years	8.8 years	9.0 years
– Commercial vehicle fleet	5.0 years	N/A	N/A
– IT equipment	3.0 years	3.0 years	3.0 years

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of distribution centres and retail stores, the following factors are normally the most relevant:

- The Group considers extension options only for stores with a trading history of 3 full years or more. The number of extension options included in the initial measurement of the lease liability will depend on the return on investment of the leased property.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including the costs and business disruption required to replace the leased asset.

Most extension options in rental contracts for offices and the commercial vehicle fleet have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an extension option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. Extension options are generally exercised 6 to 12 months before the end of the lease term. When the lease term is adjusted as a result of exercising an extension option not included in the initial measurement of the lease liability, the lease liability is reassessed and adjusted against the right-of-use asset. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances that is within the control of the lessee occurs and affects this assessment.

Critical judgements in determining the discount rate used to calculate the lease liability

Incremental borrowing rates used to calculate lease liabilities are determined monthly and depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk free rate based on government bond rates; a country specific risk adjustment; an adjustment for the term of the lease; and an entity specific adjustment where the entity risk profile is different to that of the Group.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

1 BASIS OF PREPARATION (CONTINUED)

1.3 Leases where the Group is the lessee (continued)

Key estimates used in calculating impairments of right-of-use assets

The Group performs a review of loss-making stores and considers the need for the impairment of assets under these circumstances. This determination requires significant judgement. The Group evaluates amongst other things, the duration and extent of the losses, the near-term business outlook for the store, and the possible redeployment of the assets between stores.

The recoverable amount of all right-of-use assets is determined based on the higher of value-in-use and fair value less cost to sell.

For impairment testing purposes, the Group has determined that each store is a separate cash generating unit (CGU). Each CGU is tested for impairment at the reporting date to determine if any indicators of impairment have been identified. Impairment indicators include loss-making stores and stores performing below budget.

The key assumptions in the value-in-use calculations are the expected trading profit growth rates, long-term growth rates and the risk-adjusted post-tax discount rate. The post-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made for each country.

The value-in-use of each CGU is calculated based on the Group's latest budget and forecast cash flows, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives, the results of which are reviewed by management. Estimates of selling prices and direct costs are based on past experience and expectations of future changes in the market. The forecasts are extrapolated to five years based on management's expectations, and beyond five years based on long-term average growth rates, which are derived from inflation forecasts by recognised bodies.

2 CHANGE IN ACCOUNTING POLICY

2.1 Adoption of IFRS 16: Leases

IFRS 16 is effective for the accounting period commencing 1 July 2019 and replaces IAS 17: Leases (IAS 17). The Group implemented the standard using the full retrospective approach. Accordingly, the comparative information in these unaudited interim condensed consolidated financial statements have been restated from a transition date of 2 July 2018.

The principles for the recognition, measurement, presentation and disclosure of leases under IFRS 16 largely aligns the accounting of operating leased assets with the accounting of owned and finance leased assets. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities on the statement of financial position for all leases, except short-term and low-value asset leases.

At commencement of the lease, the lease liability and corresponding right-of-use asset are initially recognised at a value equal to the present value of future lease payments. The right-of-use asset is then adjusted for payments already made, lease incentives, initial direct costs and any provision for restoration costs. The values of the right-of-use asset and lease liability reduce over the lease term at different rates.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method. The lease liability is remeasured upon the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a rent review, change in a relevant index or rate such as inflation or a change in the Group's assessment of whether it is reasonably certain to exercise a renewal or termination option. A corresponding adjustment is made to the right-of-use asset. The Group no longer recognises property provisions for onerous lease contracts as the lease payments are included within the lease liability.

Right-of-use assets are subsequently depreciated on a straight-line basis over the useful life of the underlying right-of-use asset and are tested for impairment when there are any indicators of impairment.

In terms of IFRS 16, the straight-line operating lease expense previously recognised under IAS 17 is replaced by depreciation of right-of-use assets and interest charged on outstanding lease liabilities. The net impact on the statement of comprehensive income is the same under IAS 17 and IFRS 16, but the timing of the impact is different over the lease term.

The adoption of IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight-line basis, however, interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease. As a result, the impact on the statement of comprehensive income below operating profit is highly dependent on average lease maturity. For an immature portfolio, depreciation and interest are higher than the straight-line operating lease expense they replace and therefore IFRS 16 is dilutive to EPS. For a mature portfolio, they are lower and therefore IFRS 16 is accretive. The Group's lease portfolio on transition is relatively immature, being approximately 42% through an average total lease term of 9 years.

Operating lease expenses were previously presented separately on the face of the statement of comprehensive income, as management considered this expense to be material to the Group's operations. The adoption of IFRS 16 reduced operating lease expenses to such levels that it is no longer considered to be material enough to be presented as a separate line item on the face of the statement of comprehensive income. Operating lease expenses under IFRS 16 (29 Dec '19: R232 million; 30 Dec '18: R256 million; 30 Jun '19: R454 million) have therefore been reclassified and included in other operating expenses on the face of the statement of comprehensive income.

At the date of initial application, the Group elected to use the practical expedient provided by IFRS 16, which allows the Group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4: Determining Whether an Arrangement Contains a Lease. The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

IFRS 16 has not had a significant impact on the Group's existing leases in which the Group is a lessor.

IFRS 16 has a significant impact on reported assets, liabilities and the statement of comprehensive income of the Group, as well as the classification of cash flows relating to lease contracts, as the majority of the Group's leased property, machinery, vehicles and equipment and other small item leased assets will be brought onto the statement of financial position. The standard impacts a number of key measures such as operating profit and cash generated from operations, as well as a number of alternative performance measures used by the Group. Further details on the impact of IFRS 16 can be found in the Group's 'Implementation of IFRS 16: Leases' SENS announcement published on 14 February 2020 which is available on <https://www.shopriteholdings.co.za/content/dam/SENS/IFRS16-leases.pdf>.

The aggregate effect of the change in accounting policies and retrospective adjustments recognised for each individual line item affected in the Group's consolidated statement of comprehensive income, statement of financial position and statement of cash flows is detailed in the following tables.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

2 CHANGE IN ACCOUNTING POLICY (CONTINUED)

2.2 Impact of the adoption of IFRS 16: Leases on the statement of comprehensive income

Unaudited	As previously reported 26 weeks to 30 Dec '18 Rm	Impact of IFRS 16 30 Dec '18 Rm	Restated 26 weeks to 30 Dec '18 Rm
Sale of merchandise	75 837	—	75 837
Cost of sales	(58 307)	—	(58 307)
GROSS PROFIT	17 530	—	17 530
Other operating income	1 565	—	1 565
Depreciation and amortisation	(1 310)	(1 165)	(2 475)
Operating leases	(2 275)	2 275	—
Employee benefits	(5 918)	—	(5 918)
Other operating expenses	(6 708)	(256)	(6 964)
Net monetary gain	439	19	458
TRADING PROFIT	3 323	873	4 196
Exchange rate losses	(3)	(138)	(141)
Items of a capital nature	65	(72)	(7)
OPERATING PROFIT	3 385	663	4 048
Interest received from bank account balances	139	—	139
Finance costs	(384)	(896)	(1 280)
PROFIT BEFORE INCOME TAX	3 140	(233)	2 907
Income tax expense	(875)	68	(807)
PROFIT FOR THE PERIOD	2 265	(165)	2 100
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	(1 565)	56	(1 509)
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment medical benefit obligations	—	—	—
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation differences including hyperinflation effect	(1 565)	56	(1 509)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	700	(109)	591
PROFIT ATTRIBUTABLE TO:	2 265	(165)	2 100
Owners of the parent	2 258	(166)	2 092
Non-controlling interest	7	1	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	700	(109)	591
Owners of the parent	693	(110)	583
Non-controlling interest	7	1	8
Basic earnings per share (cents)	407.3	(30.0)	377.3
Diluted earnings per share (cents)	406.8	(29.9)	376.9
Basic headline earnings per share (cents)	398.9	(16.1)	382.8
Diluted headline earnings per share (cents)	398.5	(16.1)	382.4

Unaudited	As previously reported 52 weeks to 30 Jun '19 Rm	Impact of IFRS 16 30 Jun '19 Rm	Restated 52 weeks to 30 Jun '19 Rm
Sale of merchandise	150 395	—	150 395
Cost of sales	(115 074)	—	(115 074)
GROSS PROFIT	35 321	—	35 321
Other operating income	3 218	—	3 218
Depreciation and amortisation	(2 640)	(2 513)	(5 153)
Operating leases	(4 643)	4 643	—
Employee benefits	(11 997)	—	(11 997)
Other operating expenses	(13 303)	(454)	(13 757)
Net monetary gain	920	27	947
TRADING PROFIT	6 876	1 703	8 579
Exchange rate gains/(losses)	115	(458)	(343)
Items of a capital nature	(80)	(416)	(496)
OPERATING PROFIT	6 911	829	7 740
Interest received from bank account balances	273	—	273
Finance costs	(845)	(1 814)	(2 659)
PROFIT BEFORE INCOME TAX	6 339	(985)	5 354
Income tax expense	(2 068)	194	(1 874)
PROFIT FOR THE PERIOD	4 271	(791)	3 480
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	(2 773)	120	(2 653)
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment medical benefit obligations	3	—	3
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation differences including hyperinflation effect	(2 776)	120	(2 656)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 498	(671)	827
PROFIT ATTRIBUTABLE TO:	4 271	(791)	3 480
Owners of the parent	4 260	(792)	3 468
Non-controlling interest	11	1	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	1 498	(671)	827
Owners of the parent	1 487	(672)	815
Non-controlling interest	11	1	12
Basic earnings per share (cents)	768.2	(142.9)	625.3
Diluted earnings per share (cents)	767.3	(142.6)	624.7
Basic headline earnings per share (cents)	780.8	(81.6)	699.2
Diluted headline earnings per share (cents)	779.9	(81.4)	698.5

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

2 CHANGE IN ACCOUNTING POLICY (CONTINUED)

2.3 Impact of the adoption of IFRS 16: Leases on the statement of financial position

Unaudited	As previously reported as at 30 Dec '18 Rm	Impact of IFRS 16 30 Dec '18 Rm	Restated as at 30 Dec '18 Rm
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	21 697	—	21 697
Right-of-use assets	—	16 688	16 688
Intangible assets	3 171	—	3 171
Government bonds and bills	2 857	—	2 857
Loans receivable	1 470	—	1 470
Deferred income tax assets	865	912	1 777
Trade and other receivables	808	(632)	176
CURRENT ASSETS	36 809	(124)	36 685
Inventories	21 695	—	21 695
Trade and other receivables	5 300	(124)	5 176
Current income tax assets	90	—	90
Government bonds and bills	665	—	665
Loans receivable	299	—	299
Cash and cash equivalents	8 760	—	8 760
ASSETS HELD FOR SALE	114	—	114
TOTAL ASSETS	67 791	16 844	84 635
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Stated capital	7 516	—	7 516
Treasury shares	(618)	—	(618)
Reserves	19 163	(3 369)	15 794
	26 061	(3 369)	22 692
NON-CONTROLLING INTEREST	87	(10)	77
TOTAL EQUITY	26 148	(3 379)	22 769
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	—	19 261	19 261
Borrowings	7 077	—	7 077
Deferred income tax liabilities	726	(6)	720
Provisions	232	(8)	224
Fixed escalation operating lease accruals	1 249	(1 249)	—
CURRENT LIABILITIES	32 359	2 225	34 584
Trade and other payables	23 752	(167)	23 585
Contract liabilities	630	—	630
Lease liabilities	—	2 392	2 392
Borrowings	2 968	—	2 968
Current income tax liabilities	983	—	983
Provisions	141	—	141
Bank overdrafts	3 885	—	3 885
TOTAL LIABILITIES	41 643	20 223	61 866
TOTAL EQUITY AND LIABILITIES	67 791	16 844	84 635

Unaudited	As previously reported as at 30 Jun '19 Rm	Impact of IFRS 16 30 Jun '19 Rm	Restated as at 30 Jun '19 Rm
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	21 444	—	21 444
Right-of-use assets	—	15 741	15 741
Intangible assets	3 077	—	3 077
Government bonds and bills	2 516	—	2 516
Loans receivable	1 664	—	1 664
Deferred income tax assets	629	1 000	1 629
Trade and other receivables	882	(713)	169
CURRENT ASSETS	33 969	(41)	33 928
Inventories	20 889	—	20 889
Trade and other receivables	4 197	(41)	4 156
Current income tax assets	480	—	480
Government bonds and bills	500	—	500
Loans receivable	196	—	196
Cash and cash equivalents	7 707	—	7 707
ASSETS HELD FOR SALE	814	—	814
TOTAL ASSETS	64 995	15 987	80 982
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Stated capital	7 516	—	7 516
Treasury shares	(605)	—	(605)
Reserves	19 152	(3 962)	15 190
	26 063	(3 962)	22 101
NON-CONTROLLING INTEREST	114	(8)	106
TOTAL EQUITY	26 177	(3 970)	22 207
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities	—	19 158	19 158
Borrowings	9 044	—	9 044
Deferred income tax liabilities	568	(30)	538
Provisions	289	(18)	271
Fixed escalation operating lease accruals	1 303	(1 303)	—
CURRENT LIABILITIES	27 614	2 150	29 764
Trade and other payables	19 495	(170)	19 325
Contract liabilities	791	—	791
Lease liabilities	—	2 320	2 320
Borrowings	2 662	—	2 662
Current income tax liabilities	423	—	423
Provisions	119	—	119
Bank overdrafts	4 124	—	4 124
TOTAL LIABILITIES	38 818	19 957	58 775
TOTAL EQUITY AND LIABILITIES	64 995	15 987	80 982

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

2 CHANGE IN ACCOUNTING POLICY (CONTINUED)

2.4 Impact of the adoption of IFRS 16: Leases on the statement of cash flows

Unaudited	As previously reported 26 weeks to 30 Dec '18 Rm	Impact of IFRS 16 30 Dec '18 Rm	Restated 26 weeks to 30 Dec '18 Rm
CASH FLOWS FROM OPERATING ACTIVITIES	1 552	1 094	2 646
Operating profit	3 385	663	4 048
Less: investment income and finance income earned	(244)	(140)	(384)
Non-cash items	1 177	1 321	2 498
Changes in working capital	(919)	2	(917)
Cash generated from operations	3 399	1 846	5 245
Interest received	307	140	447
Interest paid	(403)	(892)	(1 295)
Dividends received	13	—	13
Dividends paid	(1 562)	—	(1 562)
Income tax paid	(202)	—	(202)
CASH FLOWS UTILISED BY INVESTING ACTIVITIES	(2 511)	(14)	(2 525)
Investment in property, plant and equipment and intangible assets to expand operations	(1 853)	—	(1 853)
Investment in property, plant and equipment and intangible assets to maintain operations	(942)	—	(942)
Prepayments for right-of-use assets	—	(14)	(14)
Proceeds on disposal of property, plant and equipment and intangible assets	178	—	178
Proceeds on disposal of assets held for sale	105	—	105
Payments for government bonds and bills	(740)	—	(740)
Proceeds from government bonds and bills	915	—	915
Amounts paid to Resilient Africa (Pty) Ltd	(14)	—	(14)
Other loans receivable advanced	(221)	—	(221)
Cash inflows from other loans receivable	65	—	65
Acquisition of operations	(4)	—	(4)
CASH FLOWS FROM FINANCING ACTIVITIES	2 545	(1 080)	1 465
Repayment of lease liability obligations	—	(1 080)	(1 080)
Purchase of treasury shares	(115)	—	(115)
Proceeds from treasury shares disposed	5	—	5
Repayment of borrowings	(2 657)	—	(2 657)
Borrowings raised	5 312	—	5 312
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	1 586	—	1 586
Cash and cash equivalents at the beginning of the period	3 470	—	3 470
Effect of exchange rate movements and hyperinflation on cash and cash equivalents	(181)	—	(181)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4 875	—	4 875
Consisting of:			
Cash and cash equivalents	8 760	—	8 760
Bank overdrafts	(3 885)	—	(3 885)
	4 875	—	4 875

Unaudited	As previously reported 52 weeks to 30 Jun '19 Rm	Impact of IFRS 16 30 Jun '19 Rm	Restated 52 weeks to 30 Jun '19 Rm
CASH FLOWS FROM OPERATING ACTIVITIES	635	2 269	2 904
Operating profit	6 911	829	7 740
Less: investment income and finance income earned	(764)	—	(764)
Non-cash items	2 362	3 258	5 620
Changes in working capital	(3 520)	(8)	(3 528)
Cash generated from operations	4 989	4 079	9 068
Interest received	1 020	—	1 020
Interest paid	(874)	(1 810)	(2 684)
Dividends received	22	—	22
Dividends paid	(2 430)	—	(2 430)
Income tax paid	(2 092)	—	(2 092)
CASH FLOWS UTILISED BY INVESTING ACTIVITIES	(4 693)	(24)	(4 717)
Investment in property, plant and equipment and intangible assets to expand operations	(3 709)	—	(3 709)
Investment in property, plant and equipment and intangible assets to maintain operations	(1 571)	—	(1 571)
Prepayments for right-of-use assets	—	(24)	(24)
Proceeds on disposal of property, plant and equipment and intangible assets	265	—	265
Proceeds on disposal of assets held for sale	184	—	184
Payments for government bonds and bills	(1 017)	—	(1 017)
Proceeds from government bonds and bills	1 444	—	1 444
Amounts paid to Resilient Africa (Pty) Ltd	(51)	—	(51)
Other loans receivable advanced	(437)	—	(437)
Cash inflows from other loans receivable	204	—	204
Acquisition of operations	(5)	—	(5)
CASH FLOWS FROM FINANCING ACTIVITIES	4 397	(2 245)	2 152
Repayment of lease liability obligations	—	(2 245)	(2 245)
Purchase of treasury shares	(115)	—	(115)
Proceeds from treasury shares disposed	13	—	13
Repayment of borrowings	(4 271)	—	(4 271)
Borrowings raised	8 770	—	8 770
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	339	—	339
Cash and cash equivalents at the beginning of the period	3 470	—	3 470
Effect of exchange rate movements and hyperinflation on cash and cash equivalents	(226)	—	(226)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3 583	—	3 583
Consisting of:			
Cash and cash equivalents	7 707	—	7 707
Bank overdrafts	(4 124)	—	(4 124)
	3 583	—	3 583

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

3 CONDENSED OPERATING SEGMENT INFORMATION

3.1 Analysis per reportable segment

	Super- markets RSA Rm	Super- markets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Total operating segments Rm	Hyper- inflation effect Rm	Consoli- dated Rm
Unaudited 29 December 2019							
Sale of merchandise	64 147	10 786	3 328	5 413	83 674	—	83 674
External	61 635	10 774	3 328	5 413	81 150	—	81 150
Inter-segment	2 512	12	—	—	2 524	—	2 524
Trading profit	3 736	58	169	118	4 081	(48)	4 033
Interest income included in trading profit	21	121	133	20	295	—	295
Depreciation and amortisation ¹	2 049	432	148	31	2 660	48	2 708
Total assets	57 364	17 454	4 783	4 129	83 730	2 489	86 219
Restated* Unaudited 30 December 2018							
Sale of merchandise	58 533	11 146	3 420	5 187	78 286	(30)	78 256
External	56 138	11 122	3 420	5 187	75 867	(30)	75 837
Inter-segment	2 395	24	—	—	2 419	—	2 419
Trading profit	3 412	154	177	72	3 815	381	4 196
Interest income included in trading profit	26	188	140	19	373	(2)	371
Depreciation and amortisation ¹	1 995	407	168	31	2 601	68	2 669
Total assets	53 203	19 639	5 512	3 906	82 260	2 375	84 635
Restated* Unaudited 30 June 2019							
Sale of merchandise	117 278	21 358	6 206	10 409	155 251	(199)	155 052
External	112 655	21 324	6 206	10 409	150 594	(199)	150 395
Inter-segment	4 623	34	—	—	4 657	—	4 657
Trading profit	7 100	146	275	179	7 700	879	8 579
Interest income included in trading profit	39	357	320	43	759	(17)	742
Depreciation and amortisation ¹	4 118	903	359	62	5 442	113	5 555
Total assets	52 145	18 153	4 931	3 333	78 562	2 420	80 982

¹ Represent gross depreciation and amortisation before appropriate allocations of distribution cost.

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

3.2 Geographical analysis

	South Africa Rm	Outside South Africa Rm	Total operating segments Rm	Hyper-inflation effect Rm	Consolidated Rm
Unaudited 29 December 2019					
Sale of merchandise – external	68 804	12 346	81 150	–	81 150
Non-current assets ²	31 438	6 988	38 426	2 671	41 097
Restated* Unaudited 30 December 2018					
Sale of merchandise – external	63 217	12 650	75 867	(30)	75 837
Non-current assets ²	31 259	7 841	39 100	2 632	41 732
Restated* Unaudited 30 June 2019					
Sale of merchandise – external	126 371	24 223	150 594	(199)	150 395
Non-current assets ²	30 223	7 484	37 707	2 724	40 431

² Non-current assets consist of property, plant and equipment, right-of-use assets, intangible assets and non-financial trade and other receivables.

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

	Unaudited 26 weeks to 29 Dec '19 Rm	Unaudited 26 weeks to 30 Dec '18 Rm	Unaudited 52 weeks to 30 Jun '19 Rm
4 REVENUE			
Revenue from contracts with customers	81 992	76 630	151 982
Sale of merchandise (note 4.1)	81 150	75 837	150 395
Commissions received	477	447	882
Franchise fees received	52	45	96
Other revenue	313	301	609
Finance income	482	510	1 015
Finance income earned from instalment sale receivables	133	140	320
Interest received from bank account balances	187	139	273
Interest received from government bonds and bills	110	178	316
Interest received from associates	26	24	48
Interest received other	26	29	58
Operating lease income	257	251	504
Premiums earned	124	137	267
Other income	9	–	96
Dividends received	–	13	22
	82 864	77 541	153 886
Consisting of:			
Sale of merchandise	81 150	75 837	150 395
Other operating income	1 527	1 565	3 218
Interest received from bank account balances	187	139	273
	82 864	77 541	153 886

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

	Unaudited 26 weeks to 29 Dec '19 Rm	Restated* Unaudited 26 weeks to 30 Dec '18 Rm	Restated* Unaudited 52 weeks to 30 Jun '19 Rm
4 REVENUE (CONTINUED)			
4.1 Sale of merchandise has been disaggregated as follows:			
Supermarkets RSA	61 635	56 138	112 655
Shoprite and Usave	33 562	31 192	62 602
Checkers and Checkers Hyper	23 442	21 099	42 731
Other	4 631	3 847	7 322
Supermarkets Non-RSA	10 774	11 122	21 324
Shoprite and Usave	10 131	10 536	20 138
Checkers and Checkers Hyper	544	469	972
Other	99	117	214
Supermarkets RSA and Non-RSA	72 409	67 260	133 979
Furniture	3 328	3 420	6 206
RSA	2 590	2 663	4 825
Non-RSA	738	757	1 381
Other operating segments	5 413	5 187	10 409
Drop-shipment sales to franchisees	3 132	3 000	5 839
Other sales	2 281	2 187	4 570
Total operating segments	81 150	75 867	150 594
Hyperinflation effect	—	(30)	(199)
Consolidated sale of merchandise	81 150	75 837	150 395
5 FINANCE COSTS			
Lease liability finance charges*	968	896	1 814
Borrowings and other finance charges	508	403	874
	1 476	1 299	2 688
Borrowing costs capitalised	(9)	(19)	(29)
	1 467	1 280	2 659

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

	Unaudited 29 Dec '19 Rm	Restated* Unaudited 30 Dec '18 Rm	Restated* Unaudited 30 Jun '19 Rm
6 RIGHT-OF-USE ASSETS*			
Carrying value at the beginning of the period	15 741	16 354	16 354
Additions**	3 904	1 737	2 618
Derecognition	(125)	(11)	(13)
Derecognition upon lease termination	(197)	(11)	(13)
Profit on derecognition of right-of-use asset upon lease termination	72	—	—
Depreciation	(1 238)	(1 165)	(2 513)
Impairment	(157)	(163)	(435)
Reversal of impairment	—	91	19
Foreign currency translation differences including hyperinflation effect	(208)	(155)	(289)
Carrying value at the end of the period	17 917	16 688	15 741

The recognised right-of-use assets relate to the following types of assets:

Land	665	786	754
Buildings	16 472	15 902	14 987
Machinery, vehicles and equipment	780	—	—
Total right-of-use assets	17 917	16 688	15 741

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

**Right-of-use asset additions includes R815 million relating to the Group's commercial vehicle fleet previously included in machinery, equipment and vehicles, which were sold under a sale and leaseback arrangement during the period under review.

7 GOVERNMENT BONDS AND BILLS

AOA, USD Index Linked, Angola Government Bonds (note 7.1)	2 247	2 569	2 567
AOA, Angola Government Bonds (note 7.2)	265	288	433
Angola Treasury Bills (note 7.3)	—	665	16
	2 512	3 522	3 016

Analysis of total government bonds and bills:

Non-current	204	2 857	2 516
Current	2 308	665	500
	2 512	3 522	3 016

7.1 AOA, USD Index Linked, Angola Government Bonds

The AOA, USD Index Linked, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 7.0% (30 Dec '18: 7.0%; 30 Jun '19: 7.0%) p.a. and mature after 5 to 11 months from the reporting date. Accrued interest is payable bi-annually.

7.2 AOA, Angola Government Bonds

The AOA, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 14.0% (30 Dec '18: 12.1%; 30 Jun '19: 13.7%) p.a. and mature after 20 to 28 months from the reporting date. Accrued interest is payable bi-annually.

7.3 Angola Treasury Bills

The Angola Treasury Bills were denominated in Angola kwanza, earned interest at an average rate of 19.0% (30 Dec '18: 22.7%; 30 Jun '19: 19.0%) p.a. and matured during the period under review. Accrued interest was payable at maturity.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

		Number of shares		
		Unaudited 29 Dec '19	Unaudited 30 Dec '18	Unaudited 30 Jun '19
8	STATED CAPITAL AND TREASURY SHARES			
8.1	Stated capital			
	Authorised:			
	1 300 000 000 (30 Dec '18: 1 300 000 000; 30 Jun '19: 1 300 000 000) no par value ordinary shares			
	Issued:			
	591 338 502 (30 Dec '18: 591 338 502; 30 Jun '19: 591 338 502) no par value ordinary shares			
	Treasury shares held by Shoprite Checkers (Pty) Ltd are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:			
	Issued ordinary share capital	591 338 502	591 338 502	591 338 502
	Treasury shares (note 8.2)	(38 695 061)	(37 009 116)	(36 941 101)
		552 643 441	554 329 386	554 397 401
8.2	Treasury shares			
	38 695 061 (30 Dec '18: 37 009 116; 30 Jun '19: 36 941 101) ordinary shares			
	Reconciliation of movement in number of treasury shares for the Group:			
	Balance at the beginning of the period	36 941 101	36 659 642	36 659 642
	Shares purchased during the period	2 076 613	630 341	630 341
	Shares disposed during the period	(17 845)	(23 427)	(70 073)
	Shares utilised for settlement of equity-settled share-based payment arrangements	(304 808)	(257 440)	(278 809)
	Balance at the end of the period	38 695 061	37 009 116	36 941 101
	Consisting of:			
	Shares owned by Shoprite Checkers (Pty) Ltd	35 436 572	35 436 572	35 436 572
	Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements	3 258 489	1 572 544	1 504 529
		38 695 061	37 009 116	36 941 101

	Unaudited 29 Dec '19 Rm	Restated* Unaudited 30 Dec '18 Rm	Restated* Unaudited 30 Jun '19 Rm
9 LEASE LIABILITIES*			
Reconciliation of lease liabilities:			
Balance at the beginning of the year	21 478	21 049	21 049
New leases	3 904	1 723	2 594
Lease modifications:			
Lease termination	(170)	—	—
Lease payments	(2 246)	(1 972)	(4 055)
Payment for principal portion of lease	(1 297)	(1 080)	(2 245)
Interest paid on leases	(949)	(892)	(1 810)
Interest accrual	968	896	1 814
Exchange rate differences	133	138	458
Foreign currency translation differences including hyperinflation effect	(226)	(181)	(382)
Closing balance	23 841	21 653	21 478
Analysis of lease liabilities:			
Non-current	21 286	19 261	19 158
Current	2 555	2 392	2 320
	23 841	21 653	21 478
Maturity analysis of contractual undiscounted future lease payments including renewal options reasonably assured:			
Not later than one year	4 410	4 167	4 023
Later than one year not later than five years	14 912	13 997	13 304
Later than five years not later than ten years	10 894	10 352	9 644
Later than ten years not later than fifteen years	5 850	5 630	5 267
Later than fifteen years	1 811	2 032	1 706
Total undiscounted future lease payments	37 877	36 178	33 944
* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.			
10 BORROWINGS			
Consisting of:			
ABSA Bank Ltd (note 10.1)	2 043	2 000	2 043
Firststrand Bank Ltd (note 10.2)	2 009	—	2 008
Barclays Bank Mauritius Ltd (note 10.3)	1 076	1 379	991
Standard Chartered Bank (Mauritius) Ltd (note 10.4)	782	1 451	1 472
Standard Finance (Isle of Man) Ltd (note 10.5)	4 959	5 077	4 968
Stanbic Bank Kenya Ltd (note 10.6)	201	—	84
First National Bank of Namibia Ltd (note 10.7)	141	138	140
Stanbic Bank Botswana Ltd (note 10.8)	152	—	—
	11 363	10 045	11 706
Analysis of total borrowings:			
Non-current	7 885	7 077	9 044
Current	3 478	2 968	2 662
	11 363	10 045	11 706

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

10 BORROWINGS (CONTINUED)

10.1 ABSA Bank Ltd

This loan is denominated in ZAR and unsecured. R1 billion is payable after 21 months from the reporting date and bears interest at an average rate of 8.3% (30 Dec '18: 8.4%; 30 Jun '19: 8.5%) p.a. The remaining balance is payable after 45 months from the reporting date and bears interest at an average of 8.6% (30 Dec '18: 8.7%; 30 Jun '19: 8.8%) p.a.

10.2 Firstrand Bank Ltd

This loan is denominated in ZAR and unsecured. R1 billion is payable after 30 months from the reporting date and bears interest at an average rate of 8.3% (30 Dec '18: N/A; 30 Jun '19: 8.4%) p.a. The remaining balance is payable after 54 months from the reporting date and bears interest at an average of 8.3% (30 Dec '18: N/A; 30 Jun '19: 8.5%) p.a.

10.3 Barclays Bank Mauritius Ltd

This loan is denominated in US dollar, unsecured, payable after 6 months from the reporting date and bears interest at an average of 3.8% (30 Dec '18: 3.7%; 30 Jun '19: 3.7%) p.a.

10.4 Standard Chartered Bank (Mauritius) Ltd

This loan is denominated in US dollar, unsecured, payable after 7 months from the reporting date and bears interest at an average rate of 3.4% p.a. The amount outstanding at 30 June 2019 was repaid during the period under review, denominated in US dollar, unsecured and carried interest at an average rate of 2.7% (30 Dec '18: 4.0%; 30 Jun '19: 2.9%) p.a.

10.5 Standard Finance (Isle of Man) Ltd

This loan is denominated in US dollar and unsecured. R1.42 billion (30 Dec '18: R1.45 billion; 30 Jun '19: R1.42 billion) is payable after 12 months from the reporting date and bears interest at a fixed rate of 3.5% (30 Dec '18: 3.5%; 30 Jun '19: 3.5%) p.a. The remaining balance is payable after 21 months from the reporting date and bears interest at a fixed rate of 4.3% (30 Dec '18: 4.3%; 30 Jun '19: 4.3%) p.a.

10.6 Stanbic Bank Kenya Ltd

This loan is denominated in Kenya shilling, unsecured, payable after 27 months from the reporting date and bears interest at an average rate of 9.8% (30 Dec '18: N/A; 30 Jun '19: 9.2%) p.a.

10.7 First National Bank of Namibia Ltd

This loan is denominated in Namibia dollar, unsecured, payable on demand and bears interest at an average rate of 10.3% (30 Dec '18: N/A; 30 Jun '19: 9.5%) p.a.

10.8 Stanbic Bank Botswana Ltd

This loan is denominated in Botswana pula, unsecured, payable after 27 months from the reporting date and bears interest at an average of 6.4% (30 Dec '18: N/A; 30 Jun '19: N/A) p.a.

11 FAIR VALUE DISCLOSURES

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at the end of the reporting period:

	Carrying amount			Fair value		
	Unaudited 29 Dec '19 Rm	Unaudited 30 Dec '18 Rm	Unaudited 30 Jun '19 Rm	Unaudited 29 Dec '19 Rm	Unaudited 30 Dec '18 Rm	Unaudited 30 Jun '19 Rm
Government bonds and bills	2 512	3 522	3 016	2 527	3 583	3 026
Loans receivable	1 981	1 769	1 860	1 923	1 557	1 809
Borrowings	11 363	10 045	11 706	11 292	9 871	11 569

	Unaudited 26 weeks to 29 Dec '19 Rm	Restated* Unaudited 26 weeks to 30 Dec '18 Rm	Restated* Unaudited 52 weeks to 30 Jun '19 Rm
12 EARNINGS PER SHARE			
Profit attributable to owners of the parent*	2 059	2 092	3 468
Re-measurements	(22)	7	496
Profit on disposal and scrapping of property	—	(10)	(10)
Profit on disposal of assets held for sale	(207)	(32)	(101)
Loss on disposal and scrapping of plant and equipment and intangible assets	15	16	103
Profit on disposal of right-of-use assets*	(72)	—	—
Impairment of property, plant and equipment	97	62	144
Impairment of right-of-use assets*	157	72	416
Impairment of intangible assets	—	—	40
Insurance claims receivable	(6)	(103)	(97)
(Profit)/loss on other investing activities	(6)	2	1
Income tax effect on re-measurements*	26	23	(86)
Headline earnings	2 063	2 122	3 878
Number of ordinary shares (net of treasury shares)	'000		
– In issue	552 643	554 329	554 397
– Weighted average	553 403	554 623	554 498
– Weighted average adjusted for dilution	553 957	555 198	555 113
Reconciliation of weighted average number of ordinary shares in issue during the period:			
Weighted average number of ordinary shares	553 403	554 623	554 498
Adjustments for dilutive potential of full share grants	554	575	615
Weighted average number of ordinary shares for diluted earnings per share	553 957	555 198	555 113
Earnings per share*	Cents		
– Basic earnings	372.1	377.3	625.3
– Diluted earnings	371.7	376.9	624.7
– Basic headline earnings	372.8	382.8	699.2
– Diluted headline earnings	372.4	382.4	698.5

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS TO 29 DECEMBER 2019 (CONTINUED)

	Unaudited 26 weeks to 29 Dec '19 Rm	Restated* Unaudited 26 weeks to 30 Dec '18 Rm	Restated* Unaudited 52 weeks to 30 Jun '19 Rm
13 CASH FLOW INFORMATION			
13.1 Non-cash items			
Depreciation of property, plant and equipment	1 291	1 313	2 657
Depreciation of right-of-use assets*	1 238	1 165	2 513
Amortisation of intangible assets	179	191	385
Net fair value losses on financial instruments	37	—	1
Net monetary gain*	—	(458)	(947)
Exchange rate (gains)/losses*	(232)	141	343
Profit on disposal and scrapping of property	—	(10)	(10)
Profit on disposal of assets held for sale	(207)	(32)	(101)
Loss on disposal and scrapping of plant and equipment and intangible assets	15	16	103
Profit on disposal of right-of-use assets*	(72)	—	—
Impairment of property, plant and equipment	97	62	144
Impairment of right-of-use assets*	157	72	416
Impairment of intangible assets	—	—	40
Movement in provisions*	20	32	62
Movement in cash-settled share-based payment accrual	(29)	(31)	(63)
Movement in share-based payment reserve	51	39	75
Movement in fixed escalation operating lease accruals*	2	(2)	2
	2 547	2 498	5 620

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

13.2 Changes in working capital

Inventories	(2 127)	(4 065)	(3 575)
Trade and other receivables*	(810)	(773)	172
Trade and other payables*	4 995	3 852	(340)
Contract liabilities	(85)	69	215
	1 973	(917)	(3 528)

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

14 RELATED-PARTY INFORMATION

During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intergroup transactions are similar to those in the prior year and have been eliminated in the condensed interim financial statements on consolidation.

15 SUPPLEMENTARY INFORMATION

Contracted capital commitments	527	1 720	1 493
Contingent liabilities	999	296	373
Net asset value per share (cents)*	3 865	4 094	3 986

* Restated for the adoption of IFRS 16: Leases. Refer to note 2 for details of this change in accounting policy.

16 RECLASSIFICATION OF DISCLOSURE ITEMS

Certain reclassifications of statement of cash flows items in the current period resulted in changes to the relevant comparative information to ensure accurate comparability with the current period information. The affected line items are detailed below.

Reclassification of finance income earned from instalment sale receivables in the statement of cash flows. This reclassification ensured that all interests received are classified appropriately.

	Unaudited 26 weeks to 30 Dec '18
Statement of cash flows	Rm
Decrease in cash generated from operations	140
Increase in interest received	140
Cash flows from operating activities	—

DIRECTORATE AND ADMINISTRATION

Executive directors

PC Engelbrecht (CEO), A de Bruyn (CFO), B Harisunker

Non-executive director

CH Wiese (chairman)

Independent non-executive directors

JF Basson, AM le Roux, ATM Mokgokong, JA Rock

Alternate non-executive director

JD Wiese

Company secretary

PG du Preez

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