SHOPRITE HOLDINGS LTD

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

RESULTS FOR THE YEAR ENDED 30 JUNE 2019

Key information

- Sale of merchandise increased by 3.6% to R150.4 billion.
- Trading profit decreased by 14.3% to R6.9 billion.
- Diluted headline earnings per share of 779.9 cents, down by 19.6%.
- Dividend per share of 319 cents declared (2018: 484 cents).
- Opened a net of 126 stores during the 12 months (2018: 154).

Pieter Engelbrecht, chief executive officer:
Our core operations, Supermarkets RSA's sales growth of 4.9%, with like-for-like sales growth of 1.9%, is a performance significantly impacted by our well documented first half challenges. With the strike in the DC behind us, our team worked tirelessly to restore performance in the second half. It is pleasing to report that we ended the year with our final quarter's sales in Supermarkets RSA growing by 9.4%. Our in-stock levels are now higher than prior to our system implementation and without compromising on our low price leadership, we achieved a second half trading margin in Supermarkets RSA of 5.5%.

We've continued with our growth strategy to capture a larger share of the premium food segment through the ongoing Checkers repositioning. The number of Checkers stores in the new look FreshX format now totals 21. We are most pleased with returns from these upgrades and, therefore, our medium to long-term target of 80 stores in this format remains unchanged. Our focus on the core Shoprite and Usave customers, who we strive to serve with excellence daily, has remained strong as we continue to bring affordable food retail into the communities where our customers reside.

Notwithstanding the much improved recent performance in our core Supermarkets RSA division, which generates 74.9% of our sales and grew second half sales by 7.4%, it was a testing year. A constrained economy, inventory shortages post industrial action and the implementation of a new enterprise wide IT system across our store base resulted in lost sales. With affordability remaining the top priority for our customers, we unquestionably stood by our lowest price promise. Selling price inflation in our Supermarkets RSA division for the year measured only 1.2%, and similar to last year, we traded throughout the year with many items in key categories in deflation. At year-end, the number of products priced lower than last year measured at 9 679.

Ongoing forex shortages, currency devaluations and the aftermath of rampant inflation in Angola and its ongoing impact on affordability took a further toll on our Non-RSA business. Supermarkets Non-RSA reported a trading loss of R265 million for the year. Despite no foreseen respite in short-term trading conditions in the region, we are committed to our customers in the 14 Non-RSA countries in which we operate. We remain confident in the opportunity our entrenched position as Africa's leading food retailer will bring as the economic fortunes of the countries where we trade improve. Given the challenging global economic backdrop, we are remaining focused on growth opportunities in our home market, inclusive of our established African operations, rather than pursuing businesses in foreign geographies.

Social responsibility has and always will be a priority for the Group. Amongst many initiatives focused on improving the lives of our fellow South Africans, it is noteworthy that this year we sold a record of 53 million subsidised deli meals and 58 million loaves of brown bread, both for under R5. We also created a further 3 175 employment opportunities whilst improving our focus on sustainability and governance. I am pleased to be able to say that we have the right people, resources and plans in place to entrench and grow our leading food retail position, both in South Africa and on the rest of the African continent and, therefore, to grow our profitability over the long term.

20 August 2019

Enquiries:
Shoprite Holdings Limited Tel: 021 980 4000
Pieter Engelbrecht, chief executive officer
Anton de Bruyn, chief financial officer
Adele Lambrechts, corporate affairs and communications
Natasha Moolman, investor relations

RESULTS COMMENTARY

Statement of Comprehensive Income

Sale of merchandise
Group turnover growth for the 12 months ending 30 June 2019 was 3.6% to R150.4 billion.

Emerging from a transformational year in 2018, which resulted in only marginal sales growth in the first half to December, the Group managed to report significantly improved growth in the second half. This performance was driven mainly by our Supermarkets RSA operation growing sales by 7.4% in the six months to June 2019 and 9.4% in the final quarter. We believe that the market share gains reflected in the most recent quarter are testament to our core South African business being back to full operational strength.

Trading conditions in the rest of Africa have however remained relentless as the results attest, but given our optimism for the long-term food retail opportunity on the continent, we remain resolute in our purpose to be Africa's most affordable and accessible retailer.

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

Sale of merchandise	% change	**52 weeks 2019 Rm**	52 weeks 2018 Rm
Supermarkets RSA	4.9	**112 655**	107 344
Supermarkets Non-RSA	(7.7)	**21 324**	23 106
Furniture	4.0	**6 206**	5 967
Other Operating Segments	10.0	**10 409**	9 464
Total Operating Segments	3.2	**150 594**	145 881
Hyperinflation effect	(74.4)	**(199)**	(777)
Consolidated	3.6	**150 395**	145 104

Supermarkets RSA
The Group's core business, Supermarkets RSA, trading through 1 580 stores and representing 74.9% of Group sales achieved 4.9% sales growth for the period to report sales of R112.7 billion.

Like-for-like growth measured 1.9% with internal selling price inflation of 1.2% up from only 0.3% last year. This full-year performance should be viewed in the context of a disappointing first half in which sales grew by only 2.6%, impacted by the completion of our multi-year ERP IT system re-platforming, as well as the aftermath of the May and June 2018 industrial action at our largest distribution centre in Gauteng. However, a much improved second half period in which sales increased by 7.4% on the back of better customer and volume growth, as well as an improvement in on-shelf availability and promotional effectiveness, leaves us confident in the restored strength of this division and its formats.

Our Checkers supermarket chain, although also hampered by the availability issues that plagued the Group, was the better performing of our major food retail brands in RSA. Turnover growth, inclusive of its 37 larger format Hypers, was 4.6%. Its strategy to grow its share of spend in the mid-to-upper segment of the market by focusing on improving its fresh offer, amongst other improvement areas such as private label and ready-to-eat convenience foods, has continued to gain traction. The chain now operates 21 FreshX concept stores, up from 13 at this time last year. Through a combination of refurbishments and some new stores, we expect to grow the number of these formats by a further 21 next year, with the medium-term target of 80 stores in this new format unchanged. After opening a net 6 new stores, Checkers (excluding Hypers) ended the year with 219 stores in South Africa. Excluding the Hypers, a number of which were undergoing renovation during the year, Checkers grew overall market share, especially in its focus categories of fresh, convenience and prepared meals.

The vulnerabilities of both the Shoprite and Usave customers, who rely on many food categories still in deflation, is evidenced in the more subdued sales growth reported by these two chains. After reporting sales growth of 1.2% for the first six months of the year, Shoprite grew sales for the year by 3.5%. It opened a net 17 new locations to end the year with a base of 488 South African stores. As our mainstay low price champion, Shoprite stayed true to its price leadership positioning as evidenced by reported market share gains in the most recent quarter.

Given Usave's significant Gauteng footprint and smaller ranges, it was most exposed to inventory shortages during and post our distribution centre strike. This, together with price deflation and a very constrained customer base, resulted in Usave reporting sales growth for the year of 0.8%. This low cost, limited assortment discount chain has stayed focused on its customer segment, opening a net 32 stores to end the year with 367 locations throughout South Africa.

Liquorshop, spanning both the Checkers and Shoprite brands, reported 25.1% sales growth. It opened a net 44 new stores in South Africa this year.

Supermarkets Non-RSA
Supermarkets Non-RSA reported constant currency turnover growth of 0.9%, inclusive of a 12.2% decline in turnover at constant currencies in our Angolan operation. Rampant inflation in recent years has reduced spending power and, therefore, our ability to maintain gross margins, whilst foreign currency shortages and an increasingly onerous regulatory environment around the importation of products have hampered availability. Despite this, we have maintained operational excellence and opened a net eight new stores for the year. During the financial year, currencies of other large countries in which we trade, namely Zambia and Nigeria, also showed sharp declines against the US dollar of 29.4% and 17.9% respectively. This too had a negative impact on turnover growth. Across the 14 countries outside South Africa in which we operate, we estimate that internal food inflation averaged 3.3% for the current year. Supermarkets Non-RSA's turnover declined with 7.7% to R21.3 billion, inclusive of a decline in Angola supermarkets of 38.4%. Supermarkets Non-RSA like-for-like sales declined with 11.9%.

Furniture
Despite challenging trading conditions, the Furniture division, inclusive of its Non-RSA business, increased turnover by 4.0% to R6.2 billion. As a result of the continued impact of the introduction of affordability assessments, credit participation reduced further to 12.7% of sales. In South Africa, OK Furniture closed a net 13 stores after accounting for four openings. House & Home closed six stores. On a net basis outside South Africa, the division added no stores.

Other Operating Segments
Other Operating Segments, which include OK Franchise, MediRite Pharmacy and Checkers Food Services, achieved pleasing growth of 10.0% with our franchise division's growth benefiting from our stated strategy to build on this offer. Our rebranded OK Franchise opened a net 36 stores this year with the base now totalling 398 stores throughout South Africa. Outside South Africa, OK Franchise added a net 6 stores, with a base of 62 at year-end. Our total footprint includes 38 forecourt stores which are performing well.

Gross profit
Gross profit growth of 1.8% year-on-year to R35.3 billion, resulted in a gross margin of 23.5%.

The South African businesses' gross profit margin increased over the year, a considerable achievement in exceptionally difficult circumstances. Shrinkage once again remained well controlled.

The reported decline of 40 basis points compared to last year's 23.9% is mainly due to:
- The inability to pass on the increased cost of imported goods to our customers in countries where we have experienced significant currency devaluation.
- The impact of increased fuel costs on distribution.
- The change in accounting for inventory from the retail method to the moving average cost method. This is as a result of our completed enterprise wide IT system roll-out across all stores. This is a once-off adjustment in the amount of R95.2 million for the year.
- A R47 million adjustment due to the application of hyperinflation accounting.

Other operating income
Other operating income increased by 10.0% to R3.2 billion, mainly due to an increase in franchise fees received, commission received and investment income. In line with the aforementioned lower credit sales participation in our Furniture division, net premiums earned and finance income from instalment sale receivables declined by 18.3% and 9.9% respectively.

Investment income increased as a result of our R3.0 billion investment in AOA, USD Index Linked Angola Government Bonds, Angola Treasury Bills and AOA, Angola Government Bonds. These financial instruments serve as a hedge against currency devaluations.

Expenses
The competitive nature of food retail requires vigilance when it comes to cost management, an area that remains a top priority for the Group. This year's total expense growth was 7.7%.
- Depreciation and amortisation expense grew by 4.3% as the Group continued its investment in information technology and logistics infrastructure during the year. We also continue to open new stores whilst refurbishing our store base on a 7-8 year cycle. This year we added a total of 139 new corporate outlets and closed 55. Included in depreciation for the year is a charge of R88 million relating to the hyperinflation adjustment to assets.
- Operating lease expenses grew by 8.7% as a result of the combined effect of annual lease escalations, corporate store growth as already mentioned and the negative impact of currency devaluations on lease costs in various Non-RSA countries where we hold US dollar lease agreements.
- Employee benefits expense's increase of 10.6% is a result of costs associated with the implementation of the new minimum wage legislation effective from January this year, 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's growth of 5.7% 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 increases in water and electricity of 9.3% due to electricity tariff increases set by NERSA (National Energy Regulator of South Africa). In an effort to reduce our long-term operating cost, the Group has introduced various energy saving initiatives.

Net monetary gain

Currency devaluation in Angola and high levels of consumer inflation over the past three years have necessitated that our results be prepared in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. IAS 29 takes into account the effect of hyperinflation on all non-monetary assets and liabilities in the country and has resulted in a net monetary gain of R920 million, up from last year's R653 million. Further information pertaining to IAS 29 is available in the pro forma section of this announcement.

Trading profit

Supermarkets RSA's 5.5% second half trading margin demonstrates, in our view, the inherent strength of our core business. It is a significant improvement from the 5.1% interim reporting period trading margin, resulting in a full year trading margin of 5.3%.

Conversely, Supermarkets Non-RSA experienced tougher conditions post the interim reporting period, resulting in a R265 million trading loss for the year. This reflects a materially lower second half margin.

The Group's trading margin before hyperinflation declined to 4.0%.

Trading profit	% change	**52 weeks 2019 Rm**	**Trading Margin 2019 %**	52 weeks 2018 Rm	Trading Margin 2018 %
Supermarkets RSA	(9.1)	**5 952**	**5.3**	6 551	6.1
Supermarkets Non-RSA	(140.8)	**(265)**	**(1.2)**	650	2.8
Furniture	(40.6)	**152**	**2.4**	256	4.3
Other Operating Segments	(32.7)	**169**	**1.6**	251	2.7
Total Operating Segments	(22.1)	**6 008**	**4.0**	7 708	5.3
Hyperinflation effect	174.7	**868**	**(436.2)**	316	(40.7)
Consolidated	(14.3)	**6 876**	**4.6**	8 024	5.5

Foreign exchange differences

As stated in the accounting policies, the assets and liabilities of foreign subsidiaries are converted to rand at closing rates. These translation differences are recognised in equity in the foreign currency translation reserve (FCTR). In essence, most foreign exchange differences in the statement of comprehensive income are due to US dollar denominated short-term loans of operations outside of South Africa and balances in US dollar held in offshore accounts.

During the year, the rand weakened against the US dollar and we also saw a devaluation of the Angola kwanza and the Zambia kwacha, which affected the short-term loans. The hedging strategy applied resulted in exchange rate gains of R115 million, compared to a loss of R251 million in the previous financial year.

Net finance costs

Net finance costs increased by 176.3% to R572 million during the financial year, as a result of the increased long-term borrowings to fund the capital requirements of the Group this year.

The Group is committed to reducing debt levels overall, but specifically to reducing its reliance on offshore debt, given the exposure to rand volatility. We further intend to consolidate our financial position by optimising where capital is invested currently and in the future. In that regard, we are engaged in discussions around the sale of certain segments of our property portfolio and distribution centres. We are comfortable that sale and lease back agreements can secure the long term strategic use of these purpose built assets without tying up our capital in owning them.

The year ahead will see the completion of a number of strategically important and necessary projects that have been on the Group radar for many years. These include our digital transformation program, the complete upgrade of our Sandton City Checkers to our FreshX format, the long awaited development of a new Checkers in Constantia, Cape Town, the extension of our Home Office in Brackenfell inclusive of an upgrade of the adjacent Brackenfell Checkers Hyper and the completion of 2 new stores in Kenya, given our recent entry into that market. We are critically assessing capital spend in the pursuit of growth that is cash generative, return accretive and strategically beneficial.

Income tax expense

The effective income tax rate is higher than the nominal income tax rate, due to the write back of deferred tax assets given income tax losses in Non-RSA in the current year. In a few of the Non-RSA countries, a minimum tax is applicable, contributing to the higher overall tax rate.

Headline earnings per share

Basic headline earnings per share decreased by 19.6% from 971.4 cents to 780.8 cents and diluted headline earnings per share decreased by 19.6% from 970.5 cents to 779.9 cents.

STATEMENT OF FINANCIAL POSITION

Non-current assets

Property, plant and equipment and intangible assets

The Group spent R5.3 billion on property, plant and equipment and software. Of this, we spent R1.0 billion on leasehold improvements and vacant land for retail development which we do in special circumstances where no developers can be found; R1.2 billion on store refurbishments and store maintenance; R1.3 billion on new stores (excluding land and buildings); and R681 million on IT. The remainder was spent on supply chain projects.

As stated, the Group has embarked on a program to divest of non-strategic real estate in an effort to unlock value trapped in the balance sheet. Real estate to the value of R940 million has been and is in the process of being sold.

Property, plant and equipment includes a cumulative hyperinflation adjustment of R2.2 billion resulting from the application of IAS 29.

Government bonds and bills

Government bonds and treasury bills held in Angola amounted to R 3.0 billion (2018: R3.7 billion) at the reporting date. Local currency cash and short-term deposits in Angola are subject to onerous local exchange control regulations. The Group is utilising said cash for its local trade and has invested surplus cash in AOA, USD Linked Angola Government Bonds as well as Angola Treasury Bills and AOA, Angola Government Bonds as part of its hedging strategy.

Current assets

Inventories

Inventories amounted to R20.9 billion, an increase of 16.3% from the previous year. The marked 25.4% increase in Supermarkets RSA inventories is a result of our efforts to restore on-shelf availability post out-of-stock issues during the first half of the year. Whilst the marked increase in sales during the second half of the year is a result of this decision, targets have been set to reduce stock holding during 2019/2020.

Trade and other receivables

The Group adopted IFRS 9 with effect from 2 July 2018, resulting in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group elected not to restate its comparative information. Accordingly, the impact of IFRS 9 has been applied retrospectively with an adjustment to opening retained earnings on 2 July 2018. The total impact on the Group's retained earnings was a reduction of R381 million.

The allowance for impairment in respect of instalment sale debtors amounted to 35.8%, compared to the previous year at 20.0%. The allowance for impairment is provided in line with a model developed by independent actuarial specialists specifically for the furniture business.

Cash and cash equivalents and bank overdrafts

Net cash and cash equivalents (after deducting overdrafts) amounted to R3.6 billion compared to R3.5 billion in 2018, mainly due to a favourable month-end accounts payable cut-off.

Non-current liabilities

Borrowings

Total borrowings increased by R4.7 billion to R11.7 billion as a result of securing medium term funding in RSA to the value of R4.1 billion. The funding will be utilised to reduce the reliance on offshore funding and short term overnight facilities.

GROUP PROSPECTS AND OUTLOOK

The Group will adopt IFRS 16: Leases effective from 1 July 2019. The expected impact is outlined in note 16 of the summary consolidated financial results included in this announcement.

With respect to Non-RSA, persistently challenging trading conditions in the year ahead are likely to hamper our ability to return to profitability. Angola is expected to be declassified from the list of hyperinflationary countries in the year ahead and, therefore, we anticipate that we will not be required to report in accordance with IAS 29 in the 2020 financial year.

Post year-end, we have maintained our Supermarkets RSA sales momentum with Usave in particular reaping the benefits of our restored in stock position. Regarding the selling price inflation outlook for Supermarkets RSA, we've seen a slow increase in recent months to the 2.5% level currently.

We've entered 2020 bolstered by our success over the past six months with the knowledge that our continued operational focus will be combined with consolidating our financial position by reducing inventories, critically assessing capital expenditure and where appropriate, selling selected assets to redirect capital towards future growth projects.

We are confident that following our system replacement, the Group is future fit and we look forward to achieving returns from a smarter Shoprite. The next few months will also see us operationalise key innovation projects that will unlock future alternative revenue streams and enhance our digital presence in the new race for reach.

PRO FORMA FINANCIAL INFORMATION

Certain financial information presented in these annual financial results 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.

An assurance report (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the Company.

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	Change in Like-for-like %	52 weeks to 30 June 2019 Audited Rm	52 weeks to 30 June 2019 Like-for-like Rm	52 weeks to 1 July 2018 Audited Rm	52 weeks to 1 July 2018 Like-for-like Rm
Total	0.1	150 594	143 984	145 881	143 793
Supermarkets RSA	1.9	112 655	108 513	107 344	106 493
Supermarkets Non-RSA	(11.9)	21 324	19 955	23 106	22 649

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 year ended 30 June 2019, the economy of Angola was again assessed to be hyperinflationary.

The table below sets out the percentage change in turnover, based on the actual results for the financial year, 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 52 weeks	Reported Currency	Constant Currency
Angola kwanza	(38.4)	(12.2)
Nigeria naira	(0.0)	5.6
Zambia kwacha	0.4	10.1
Mozambique metical	7.8	(1.0)
Total Supermarkets Non-RSA	(7.7)	0.9

Impact of Angola hyperinflation adjustment

For the year ended 30 June 2019, the economy of Angola was again assessed to be hyperinflationary. As a result, the Group accounted for the results of its Angolan operations on a hyperinflationary basis in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies.

It is therefore useful and good governance to report pro forma financial information for the current year under review which excludes the impact of hyperinflation.

The pro forma financial 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.

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

	52 Weeks Including Hyper-inflation Audited 2019 Rm	52 Weeks Hyper-inflation Adjustment 2019 Rm	52 Weeks Excluding Hyper-inflation Pro Forma 2019 Rm	Restated* 52 Weeks Excluding Hyper-inflation Pro Forma 2018 Rm
Sale of merchandise	**150 395**	**(199)**	**150 594**	145 881
Cost of sales	**(115 074)**	**152**	**(115 226)**	(110 845)
GROSS PROFIT	**35 321**	**(47)**	**35 368**	35 036
Other operating income	**3 218**	**42**	**3 176**	2 965
Depreciation and amortisation	**(2 640)**	**(88)**	**(2 552)**	(2 448)
Operating leases	**(4 643)**	**(2)**	**(4 641)**	(4 269)
Employee benefits	**(11 997)**	**20**	**(12 017)**	(10 901)
Other operating expenses	**(13 303)**	**23**	**(13 326)**	(12 675)
Net monetary gain	**920**	**920**	**—**	—
TRADING PROFIT	**6 876**	**868**	**6 008**	7 708
Exchange rate gains/(losses)	**115**	**(21)**	**136**	(290)
Items of a capital nature	**(80)**	**(21)**	**(59)**	(246)
OPERATING PROFIT	**6 911**	**826**	**6 085**	7 172
Interest received from bank account balances	**273**	**—**	**273**	215
Finance costs	**(845)**	**—**	**(845)**	(421)
Share of profit of equity accounted investments	**—**	**—**	**—**	27
PROFIT BEFORE INCOME TAX	**6 339**	**826**	**5 513**	6 993
Income tax expense	**(2 068)**	**(49)**	**(2 019)**	(1 948)
PROFIT FOR THE YEAR	**4 271**	**777**	**3 494**	5 045
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**(2 773)**	**(597)**	**(2 176)**	(689)
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment medical benefit obligations	**3**	**—**	**3**	2
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences including hyperinflation effect	**(2 776)**	**(597)**	**(2 179)**	(678)
Share of foreign currency translation differences of equity accounted investments	**—**	**—**	**—**	(2)
Gains on effective cash flow hedge	**—**	**—**	**—**	(11)
For the year	**—**	**—**	**—**	3
Reclassified to profit for the year	**—**	**—**	**—**	(14)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 498**	**180**	**1 318**	4 356
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	**4 260**	**777**	**3 483**	5 033
Non-controlling interest	**11**	**—**	**11**	12
	4 271	**777**	**3 494**	5 045
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	**1 487**	**180**	**1 307**	4 344
Non-controlling interest	**11**	**—**	**11**	12
	1 498	**180**	**1 318**	4 356
Basic earnings per share (cents)	**768.2**	**140.1**	**628.1**	904.0
Diluted earnings per share (cents)	**767.3**	**140.0**	**627.3**	903.3
Basic headline earnings per share (cents)	**780.8**	**142.8**	**638.0**	939.2
Diluted headline earnings per share (cents)	**779.9**	**142.7**	**637.2**	938.4

* Restated for the change in accounting policy. Refer to note 2 of the summary consolidated financial results for more detail.

PRO FORMA STATEMENT OF FINANCIAL POSITION

	Including Hyper-inflation Audited 2019 Rm	Hyper-inflation Adjustment 2019 Rm	Excluding Hyper-inflation Pro Forma 2019 Rm	Restated* Excluding Hyper-inflation Pro Forma 2018 Rm
ASSETS				
NON-CURRENT ASSETS	**30 212**	**2 341**	**27 871**	27 100
Property, plant and equipment	**21 444**	**2 248**	**19 196**	19 078
Government bonds and bills	**2 516**	**–**	**2 516**	–
Loans receivable	**1 664**	**–**	**1 664**	–
Held-to-maturity investments	**–**	**–**	**–**	2 090
Loans and receivables	**–**	**–**	**–**	1 318
Deferred income tax assets	**629**	**(337)**	**966**	1 236
Intangible assets	**3 077**	**–**	**3 077**	2 993
Trade and other receivables	**882**	**430**	**452**	385
CURRENT ASSETS	**33 969**	**42**	**33 927**	32 260
Inventories	**20 889**	**33**	**20 856**	17 899
Trade and other receivables	**4 197**	**9**	**4 188**	4 945
Current income tax assets	**480**	**–**	**480**	120
Government bonds and bills	**500**	**–**	**500**	–
Loans receivable	**196**	**–**	**196**	–
Held-to-maturity investments	**–**	**–**	**–**	1 600
Loans and receivables	**–**	**–**	**–**	231
Cash and cash equivalents	**7 707**	**–**	**7 707**	7 465
ASSETS HELD FOR SALE	**814**	**–**	**814**	184
TOTAL ASSETS	**64 995**	**2 383**	**62 612**	59 544
EQUITY				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT				
Stated capital	**7 516**	**–**	**7 516**	7 516
Treasury shares	**(605)**	**–**	**(605)**	(554)
Reserves	**19 152**	**1 873**	**17 279**	18 732
	26 063	**1 873**	**24 190**	25 694
NON-CONTROLLING INTEREST	**114**	**–**	**114**	91
TOTAL EQUITY	**26 177**	**1 873**	**24 304**	25 785
LIABILITIES				
NON-CURRENT LIABILITIES	**11 204**	**510**	**10 694**	2 956
Borrowings	**9 044**	**–**	**9 044**	1 371
Deferred income tax liabilities	**568**	**510**	**58**	86
Provisions	**289**	**–**	**289**	264
Fixed escalation operating lease accruals	**1 303**	**–**	**1 303**	1 235
CURRENT LIABILITIES	**27 614**	**–**	**27 614**	30 803
Trade and other payables	**19 495**	**–**	**19 495**	20 048
Contract liabilities	**791**	**–**	**791**	578
Borrowings	**2 662**	**–**	**2 662**	5 606
Current income tax liabilities	**423**	**–**	**423**	481
Provisions	**119**	**–**	**119**	95
Bank overdrafts	**4 124**	**–**	**4 124**	3 995
TOTAL LIABILITIES	**38 818**	**510**	**38 308**	33 759
TOTAL EQUITY AND LIABILITIES	**64 995**	**2 383**	**62 612**	59 544

* Restated for the change in accounting policy. Refer to note 2 of the summary consolidated financial results for more detail.

NUMBER OF OUTLETS 30 JUNE 2019

	12 MONTHS				CONFIRMED NEW STORES
	2018	OPENED	CLOSED	2019	2020
SUPERMARKETS	**1 297**	**81**	**23**	**1 355**	**118**
SHOPRITE	640	30	5	665	35
CHECKERS	221	9	2	228	12
CHECKERS HYPER	37	0	0	37	1
USAVE	399	41	16	424	40
KNECT	0	1	0	1	30
LIQUORSHOP	**440**	**53**	**3**	**490**	**37**
FURNITURE	**484**	**5**	**24**	**465**	**6**
OK FURNITURE	430	5	18	417	5
HOUSE & HOME	54	0	6	48	1
OK FRANCHISE	**418**	**69**	**27**	**460**	**34**
HUNGRY LION	**14**	**0**	**5**	**9**	**0**
TOTAL STORES	**2 653**	**208**	**82**	**2 779**	**195**
COUNTRIES OUTSIDE RSA	**14**	**1**	**1**	**14**	**0**
TOTAL STORES OUTSIDE RSA	**415**	**28**	**19**	**424**	**29**

These numbers exclude Hungry Lion stores held for sale and sold during the preceding 12 months (opening balance adjusted with 190 stores), as well as the MediRite pharmacies which are located within supermarkets.

DIVIDEND NO 141

The board has declared a final dividend of 163 cents (2018: 279 cents) per ordinary share, payable to shareholders on Monday, 9 September 2019. The dividend has been declared out of income reserves. This brings the total dividend for the year to 319 cents (2018: 484 cents) per ordinary share. The last day to trade cum dividend will be Tuesday, 3 September 2019. As from Wednesday, 4 September 2019, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 6 September 2019. Share certificates may not be dematerialised or rematerialised between Wednesday, 4 September 2019, and Friday, 6 September 2019, 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 130.4 cents per share for shareholders liable to pay Dividends Tax and 163 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.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	% change	Audited 52 weeks 2019 Rm	Restated* Audited 52 weeks 2018 Rm
Sale of merchandise	12	3.6	**150 395**	145 104
Cost of sales		4.2	**(115 074)**	(110 415)
GROSS PROFIT		1.8	**35 321**	34 689
Other operating income	12	10.0	**3 218**	2 926
Depreciation and amortisation		4.3	**(2 640)**	(2 530)
Operating leases		8.7	**(4 643)**	(4 272)
Employee benefits		10.6	**(11 997)**	(10 851)
Other operating expenses		5.7	**(13 303)**	(12 591)
Net monetary gain		40.9	**920**	653
TRADING PROFIT		(14.3)	**6 876**	8 024
Exchange rate gains/(losses)			**115**	(251)
Items of a capital nature			**(80)**	(246)
OPERATING PROFIT		(8.2)	**6 911**	7 527
Interest received from bank account balances	12	27.0	**273**	215
Finance costs		100.2	**(845)**	(422)
Share of profit of equity accounted investments			**–**	27
PROFIT BEFORE INCOME TAX		(13.7)	**6 339**	7 347
Income tax expense		(2.6)	**(2 068)**	(2 124)
PROFIT FOR THE YEAR		(18.2)	**4 271**	5 223
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			**(2 773)**	(689)
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment medical benefit obligations			**3**	2
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences including hyperinflation effect			**(2 776)**	(678)
Share of foreign currency translation differences of equity accounted investments			**–**	(2)
Gains on effective cash flow hedge			**–**	(11)
For the year			**–**	3
Reclassified to profit for the year			**–**	(14)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**1 498**	4 534
PROFIT ATTRIBUTABLE TO:			**4 271**	5 223
Owners of the parent			**4 260**	5 211
Non-controlling interest			**11**	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			**1 498**	4 534
Owners of the parent			**1 487**	4 522
Non-controlling interest			**11**	12
Basic earnings per share (cents)	13	(17.9)	**768.2**	936.0
Diluted earnings per share (cents)	13	(18.0)	**767.3**	935.2
Basic headline earnings per share (cents)	13	(19.6)	**780.8**	971.4
Diluted headline earnings per share (cents)	13	(19.6)	**779.9**	970.5

* Restated for the change in accounting policy. Refer to note 2 for more detail.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited 2019 Rm	Restated* Audited 2018 Rm
ASSETS			
NON-CURRENT ASSETS		**30 212**	29 353
Property, plant and equipment	5	**21 444**	21 218
Intangible assets		**3 077**	2 994
Government bonds and bills	6	**2 516**	—
Loans receivable	7	**1 664**	—
Held-to-maturity investments	6	**—**	2 090
Loans and receivables	7	**—**	1 318
Deferred income tax assets		**629**	877
Trade and other receivables	8	**882**	856
CURRENT ASSETS		**33 969**	32 310
Inventories		**20 889**	17 959
Trade and other receivables	8	**4 197**	4 935
Current income tax assets		**480**	120
Government bonds and bills	6	**500**	—
Loans receivable	7	**196**	—
Held-to-maturity investments	6	**—**	1 600
Loans and receivables	7	**—**	231
Cash and cash equivalents		**7 707**	7 465
ASSETS HELD FOR SALE		**814**	184
TOTAL ASSETS		**64 995**	61 847
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Stated capital	9	**7 516**	7 516
Treasury shares	9	**(605)**	(554)
Reserves		**19 152**	20 424
		26 063	27 386
NON-CONTROLLING INTEREST		**114**	91
TOTAL EQUITY		**26 177**	27 477
LIABILITIES			
NON-CURRENT LIABILITIES		**11 204**	3 567
Borrowings	10	**9 044**	1 371
Deferred income tax liabilities		**568**	697
Provisions		**289**	264
Fixed escalation operating lease accruals		**1 303**	1 235
CURRENT LIABILITIES		**27 614**	30 803
Trade and other payables		**19 495**	20 048
Contract liabilities		**791**	578
Borrowings	10	**2 662**	5 606
Current income tax liabilities		**423**	481
Provisions		**119**	95
Bank overdrafts		**4 124**	3 995
TOTAL LIABILITIES		**38 818**	34 370
TOTAL EQUITY AND LIABILITIES		**64 995**	61 847

* Restated for the change in accounting policy. Refer to note 2 for more detail.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Total equity	Non-controlling interest	Attributable to owners of the parent: Total	Share capital	Share premium	Stated capital	Treasury shares	Other reserves	Retained earnings
BALANCE AT 2 JULY 2017 AS PREVIOUSLY REPORTED	27 749	91	27 658	681	8 585	—	(446)	(969)	19 807
Effect of adopting IFRS 15: Revenue from Contracts with Customers (note 2)	(10)		(10)						(10)
RESTATED BALANCE AT 2 JULY 2017	27 739	91	27 648	681	8 585	—	(446)	(969)	19 797
Total comprehensive income	4 534	12	4 522	—	—	—	—	(691)	5 213
Profit for the year*	5 223	12	5 211						5 211
Recognised in other comprehensive income									
Re-measurements of post-employment medical benefit obligations	3		3						3
Income tax effect of re-measurements of post-employment medical benefit obligations	(1)		(1)						(1)
Foreign currency translation differences including hyperinflation effect	177		177					177	
Income tax on foreign currency translation differences including hyperinflation effect	(857)		(857)					(857)	
Gains on effective cash flow hedge	(15)		(15)					(15)	
Income tax effect of gains on effective cash flow hedge	4		4					4	
Cash flow hedging reserve transferred to receivables	(3)		(3)					(3)	
Income tax effect of cash flow hedging reserve transferred to receivables	1		1					1	
Share-based payments – value of employee services	64		64					64	
Modification of cash bonus arrangement transferred from provisions	9		9					9	
Buy-back and cancellation of ordinary shares	(1 750)		(1 750)	(10)	(1 740)				
Purchase of treasury shares	(142)		(142)				(142)		
Treasury shares disposed	6		6				5		1
Realisation of share-based payment reserve	—		—				29	(29)	
Conversion to stated capital	—		—	(671)	(6 845)	7 516			
Transfer from capital redemption reserve	—		—					(2)	2
Dividends distributed to shareholders	(2 981)	(12)	(2 969)						(2 969)
RESTATED BALANCE AT 1 JULY 2018	27 477	91	27 386	—	—	7 516	(554)	(1 620)	22 044
Effect of adopting IFRS 9: Financial Instruments (note 2)	(383)	(2)	(381)						(381)
RESTATED BALANCE AT 2 JULY 2018	27 094	89	27 005	—	—	7 516	(554)	(1 620)	21 663

* Restated for the change in accounting policy. Refer to note 2 for more detail.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

			Attributable to owners of the parent						
Rm	Total equity	Non-controlling interest	Total	Share capital	Share premium	Stated capital	Treasury shares	Other reserves	Retained earnings
Total comprehensive income	1 498	11	1 487	–	–	–	–	(2 776)	4 263
Profit for the year	4 271	11	4 260						4 260
Recognised in other comprehensive income									
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	(2 776)		(2 776)					(2 776)	
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)
BALANCE AT 30 JUNE 2019	26 177	114	26 063	–	–	7 516	(605)	(4 355)	23 507

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited 52 weeks 2019 Rm	Restated* Audited 52 weeks 2018 Rm
CASH FLOWS FROM OPERATING ACTIVITIES		**635**	7 418
Operating profit		**6 911**	7 527
Less: investment income and finance income earned		**(764)**	(699)
Non-cash items	14.1	**2 362**	2 919
Changes in working capital	14.2	**(3 520)**	2 673
Cash generated from operations		**4 989**	12 420
Interest received		**1 020**	848
Interest paid		**(874)**	(555)
Dividends received		**22**	49
Dividends paid		**(2 430)**	(2 980)
Income tax paid		**(2 092)**	(2 364)
CASH FLOWS UTILISED BY INVESTING ACTIVITIES		**(4 693)**	(7 355)
Investment in property, plant and equipment and intangible assets to expand operations		**(3 709)**	(3 720)
Investment in property, plant and equipment and intangible assets to maintain operations		**(1 571)**	(1 616)
Proceeds on disposal of property, plant and equipment and intangible assets		**265**	132
Proceeds on disposal of assets held for sale		**184**	121
Payments for government bonds and bills (2018: held-to-maturity investments)		**(1 017)**	(2 401)
Proceeds from government bonds and bills (2018: held-to-maturity investments)		**1 444**	490
Amounts paid to Resilient Africa (Pty) Ltd		**(51)**	(7)
Amounts repaid by employees		**—**	102
Other loans receivable (2018: loans and receivables) advanced		**(437)**	(430)
Cash inflows from other loans receivable (2018: loans and receivables)		**204**	149
Investment in joint venture		**—**	(150)
Acquisition of subsidiaries and operations		**(5)**	(25)
CASH FLOWS FROM FINANCING ACTIVITIES		**4 397**	1 426
Purchase of treasury shares		**(115)**	(142)
Proceeds from treasury shares disposed		**13**	6
Buy-back and cancellation of ordinary shares		**—**	(1 750)
Repayment of borrowings		**(4 271)**	(7 895)
Increase in borrowings		**8 770**	11 207
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**339**	1 489
Cash and cash equivalents at the beginning of the year		**3 470**	2 709
Effect of exchange rate movements and hyperinflation on cash and cash equivalents		**(226)**	(728)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**3 583**	3 470
Consisting of:			
Cash and cash equivalents		**7 707**	7 465
Bank overdrafts		**(4 124)**	(3 995)
		3 583	3 470

* Restated for the change in accounting policy. Refer to note 2 for more detail.

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS

1 BASIS OF PREPARATION

The Group reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly the results for the financial year under review are for a 52-week period, ended 30 June 2019, compared to 52 weeks in the previous financial year.

The summary consolidated financial results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the South African Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial results were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of the following new standards and interpretations by the Group on 2 July 2018:

- IFRS 9: Financial Instruments, and
- IFRS 15: Revenue from Contracts with Customers.

The impact of the adoption of these standards is disclosed in note 2.

Various new and revised accounting standards became effective during the year, but their implementation had no significant impact on the results of either the current or the previous year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The preparation of the summary consolidated financial results for the year ended 30 June 2019 have been supervised by Mr A de Bruyn, CA(SA), and have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which the summary consolidated financial results were derived. Copies of the auditor's reports on both the consolidated annual financial statements and the summary consolidated financial results are available for inspection at the Company's registered office together with the financial statements identified in the respective auditor's reports. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the registered office of the Company. The consolidated annual financial statements, together with the integrated annual report, will be available on www.shopriteholdings.co.za by 30 September 2019.

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

2 CHANGES IN ACCOUNTING POLICIES

2.1 Effect of adopting IFRS 9: Financial Instruments

IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The adoption of IFRS 9 with effect from 2 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has elected not to restate its comparative information as permitted by IFRS 9. Accordingly, the impact of IFRS 9 has been applied retrospectively with an adjustment to opening retained earnings on 2 July 2018. Therefore comparative information in the prior period annual financial statements has not been amended for the impact of IFRS 9.

The total impact on the Group's retained earnings as at 2 July 2018 is as follows:

	Notes	Rm
Closing retained earnings on 1 July 2018 as previously reported		22 044
Adjustments to retained earnings on initial application of IFRS 9		(381)
Increase in impairment allowance for trade and other receivables	2.1.3	(395)
Increase in impairment allowance for government bonds and bills	2.1.3	(133)
Increase in impairment allowance for loans receivable	2.1.3	(1)
Increase in net deferred income tax assets relating to impairment allowances		148
Opening retained earnings on 2 July 2018 (before restatement for IFRS 15)		21 663

The application of IFRS 9 had no material impact on the reported earnings or financial position for the period under review.

2.1.1 Classification and measurement of financial instruments

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. It was determined that all of the Group's financial assets which were measured at amortised cost and classified as held-to-maturity and loans and receivables under IAS 39, satisfy the conditions for classification at amortised cost under IFRS 9. Hence there is no change to the measurement of these assets.

There has been no change to the classification of the Group's financial liabilities and they continue to be classified and measured at amortised cost.

A summary of the change in classification and measurement of financial assets and liabilities under IFRS 9 and IAS 39 at the date of initial application, 2 July 2018, is presented below:

	Measurement category		Carrying amount		
	Original (IAS 39)	**New (IFRS 9)**	**Original Rm**	**Remeasure-ments Rm**	**New Rm**
Financial assets					
Held-to-maturity investments	Held-to-maturity	Amortised cost	3 690	(133)	3 557
Loans and receivables	Loans and receivables	Amortised cost	1 549	(1)	1 548
Instalment sales	Loans and receivables	Amortised cost	1 228	(316)	912
Trade receivables	Loans and receivables	Amortised cost	2 112	—	2 112
Other receivables excluding prepayments and taxes receivable	Loans and receivables	Amortised cost	1 369	(81)	1 288
Amounts receivable from joint ventures	Loans and receivables	Amortised cost	25	—	25
Cash and cash equivalents	Loans and receivables	Amortised cost	7 465	—	7 465
Total financial assets			17 438	(531)	16 907
Financial liabilities					
Borrowings	Other financial liabilities	Amortised cost	6 977	—	6 977
Trade payables	Other financial liabilities	Amortised cost	12 986	—	12 986
Other payables and accruals excluding taxes payable and employee benefit accruals	Other financial liabilities	Amortised cost	5 417	—	5 417
Amounts owing to joint ventures	Other financial liabilities	Amortised cost	1	—	1
Bank overdrafts	Other financial liabilities	Amortised cost	3 995	—	3 995
Total financial liabilities			29 376	—	29 376

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.1 Effect of adopting IFRS 9: Financial Instruments (continued)

2.1.2 Derivatives and hedging activities

The Group does not currently apply hedge accounting and continues to account for forward exchange contracts at fair value through profit and loss.

2.1.3 Impairment of financial assets under the expected credit loss (ECL) model

IFRS 9 has introduced new ECL impairment requirements, as opposed to an incurred loss model applied in terms of IAS 39. The ECL requirements apply to all financial assets measured at amortised cost and will result in the earlier recognition of credit provisions.

At a minimum, an impairment provision is required to be measured at an amount equal to the 12-month ECL for financial assets measured at amortised cost. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

The Group has the following types of financial assets measured at amortised cost that are subject to IFRS 9's new ECL model:

- Instalment sale receivables
- Trade receivables for sales of inventory
- Loans receivable
- Government bonds and bills
- Other receivables

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table on page 16.

The measurement of ECL reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Group. The calculated ECL is discounted using the original effective interest rate applicable to the financial asset.

The Group measures loans receivable, government bonds and bills and other receivables using probability of write-off, exposure at write-off, timing of when write-off is likely to occur and loss given write-off. These components are multiplied together and adjusted for the likelihood of write-off.

For instalment sale receivables with a significant financing component, the Group has elected to measure the impairment allowance at an amount equal to the lifetime ECL. This policy will be applied to all instalment sale receivables.

For trade and other receivables without a significant financing component, the Group has adopted the simplified approach which recognises lifetime ECL regardless of stage classification. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to such trade and other receivables and the economic environment.

When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less impairment allowance) based on the original effective interest rate. The contractual interest income on the gross carrying amount of the financial asset is suspended and is only recognised as interest income when the financial asset is reclassified out of stage 3.

2.2 Effect of adopting IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaces IAS 18: Revenue. It addresses the classification, measurement and disclosure of revenue from contracts with customers. It establishes a five-step model to account for revenue from contracts with customers, based on the principle that revenue is recognised either over time or at a point in time, as or when the Group satisfies performance obligations and transfers control of goods or services to its customers.

The adoption of IFRS 15 with effect from 2 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted the new standard retrospectively in accordance with the transition provisions in paragraph C3(a) of IFRS 15 without using the practical expedients for completed contracts in paragraphs C5(a) and (b) and contract modifications in paragraph C5(c). It has restated comparatives for the 2018 financial year.

The total impact on the Group's retained earnings as at 2 July 2017 is as follows:

	Notes	**Rm**
Closing retained earnings on 2 July 2017 as previously reported		19 807
Adjustments to retained earnings from adoption of IFRS 15		(10)
Refund liability for customers' right to return goods	2.2.1	(47)
Revenue recognised for customers' unexercised rights	2.2.2	30
Timing of revenue recognition		3
Increase in net deferred income tax assets relating to the above		4
Opening retained earnings on 3 July 2017		19 797

The impact of IFRS 15 on the consolidated financial statements is disclosed under note 2.3.

2.2.1 Accounting for refunds

It is policy to sell goods with the right of return in terms of current consumer legislation. Such sales are cancelled where the right of return is exercised. Under IFRS 15, a refund liability for the expected refunds to customers is recognised as an adjustment to revenue and is included in trade and other payables. The accumulated experience of the Group's returns has been utilised to estimate such refund liability at the time of sale. Based on past experience it is estimated that goods returned in a saleable condition will be insignificant. Therefore the Group does not recognise an asset and a corresponding adjustment to cost of sales for its right to recover the product from the customer where the customer exercises the right of return.

2.2.2 Accounting for breakage

A customer's non-refundable prepayment to an entity gives the customer a right to receive a good or service in the future. However, customers occasionally do not exercise all of their contractual rights. In terms of IFRS 15, the Group recognised the expected breakage amount in such contract liabilities resulting from customers' unexercised rights as revenue, in proportion to the pattern of rights exercised by its customers. The accumulated experience of the Group's breakage history has been utilised to estimate when it expects to be entitled to a breakage amount.

2.2.3 Agent vs principal assessment

IFRS 15 provides new guidance that impacted the Group's assessment of whether it acts as principal or agent when recognising revenue from certain value-added services. In certain instances, revenue previously recognised on a gross basis and included in sale of merchandise and cost of sales, is now required to be recognised on a net basis in other operating income. In other cases, revenue previously recognised on a net basis in other operating income, is now required to be recognised on a gross basis in other operating income and other operating expenses.

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3 Impact on the consolidated financial statements

The following tables set out the impact of the changes in accounting policies and retrospective adjustments recognised for each individual line item affected in the consolidated financial statements. IFRS 9 was adopted without restating comparative information and the impact is therefore not reflected in the restated comparatives but recognised in the opening statement of financial position on 2 July 2018. The aggregate effect of the changes in accounting policies on the annual financial statements is as follows:

2.3.1 Impact on statement of comprehensive income

	Audited As previously reported 1 Jul '18 Rm	Audited IFRS 15 restatement 1 Jul '18 Rm	Restated Audited 52 weeks ended 1 Jul '18 Rm
Sale of merchandise	145 306	(202)	145 104
Cost of sales	(110 580)	165	(110 415)
GROSS PROFIT	34 726	(37)	34 689
Other operating income	2 779	147	2 926
Other operating expenses	(12 494)	(97)	(12 591)
TRADING PROFIT	8 011	13	8 024
Income tax expense	(2 121)	(3)	(2 124)
PROFIT ATTRIBUTABLE TO:	5 213	10	5 223
Owners of the parent	5 201	10	5 211
Non-controlling interest	12	—	12
Basic earnings per share (cents)	934.3	1.7	936.0
Diluted earnings per share (cents)	933.4	1.8	935.2
Basic headline earnings per share (cents)	969.6	1.8	971.4
Diluted headline earnings per share (cents)	968.7	1.8	970.5

2.3.2 Impact on statement of financial position

	Audited As previously reported 1 Jul '18 Rm	Audited IFRS 15 restatement 1 Jul '18 Rm	Restated Audited at 1 Jul '18 Rm	Audited IFRS 9 restatement 2 Jul '18 Rm	Restated Audited at 2 Jul '18 Rm
ASSETS					
NON-CURRENT ASSETS					
Loans receivable	—	—	—	1 317	1 317
Government bonds and bills	—	—	—	1 970	1 970
Loans and receivables	1 318	—	1 318	(1 318)	—
Held-to-maturity investments	2 090	—	2 090	(2 090)	—
Deferred income tax assets	876	1	877	148	1 025
CURRENT ASSETS					
Trade and other receivables	4 931	4	4 935	(397)	4 538
Loans receivable	—	—	—	231	231
Government bonds and bills	—	—	—	1 587	1 587
Loans and receivables	231	—	231	(231)	—
Held-to-maturity investments	1 600	—	1 600	(1 600)	—
EQUITY					
Reserves	20 424	—	20 424	(383)	20 041
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	697	—	697	—	697
CURRENT LIABILITIES					
Trade and other payables	20 621	(573)	20 048	—	20 048
Contract liabilities	—	578	578	—	578
Current income tax liabilities	481	—	481	—	481

2.3.3 Impact on statement of cash flows

	Audited As previously reported 1 Jul '18 Rm	Audited IFRS 15 restatement 1 Jul '18 Rm	Other reclassifi-cations 1 Jul '18 Rm	Restated Audited 52 weeks ended 1 Jul '18 Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit	7 514	13	—	7 527
Less: investment income	(344)	—	(355)	(699)
Changes in working capital	2 686	(13)	—	2 673
Interest received	493	—	355	848

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

3 RECLASSIFICATION OF DISCLOSURE ITEMS

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

3.1 Reclassification of employment tax incentives from financial other receivables to prepayments and indirect taxes receivable. These reclassifications ensured that all indirect taxes receivable are classified appropriately as non-financial instruments.

Statement of financial position	**2018 Rm**
Decrease in financial other receivables	275
Increase in prepayments and indirect taxes receivable	275
Trade and other receivables	—

3.2 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.

Statement of cash flows	**2018 Rm**
Decrease in cash generated from operations	355
Increase in interest received	355
Cash flows from operating activities	—

4 SUMMARISED OPERATING SEGMENT INFORMATION

4.1 Analysis per reportable segment

	Audited 2019						
	Super-markets RSA Rm	**Super-markets Non-RSA Rm**	**Furniture Rm**	**Other operating segments Rm**	**Total operating segments Rm**	**Hyper-inflation effect Rm**	**Conso-lidated Rm**
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	**5 952**	**(265)**	**152**	**169**	**6 008**	**868**	**6 876**
Interest income included in trading profit	**39**	**357**	**320**	**43**	**759**	**(17)**	**742**
Depreciation and amortisation[1]	**2 344**	**471**	**98**	**41**	**2 954**	**88**	**3 042**
Total assets	**39 846**	**15 523**	**4 066**	**3 177**	**62 612**	**2 383**	**64 995**

	Restated Audited 2018*						
	Super-markets RSA Rm	Super-markets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Total operating segments Rm	Hyper-inflation effect Rm	Conso-lidated Rm
Sale of merchandise	112 180	23 163	5 967	9 465	150 775	(777)	149 998
External	107 344	23 106	5 967	9 464	145 881	(777)	145 104
Inter-segment	4 836	57	—	1	4 894	—	4 894
Trading profit	6 551	650	256	251	7 708	316	8 024
Interest income included in trading profit	59	245	355	34	693	(29)	664
Depreciation and amortisation[1]	2 201	455	105	41	2 802	80	2 882
Total assets	35 008	17 260	4 199	3 077	59 544	2 303	61 847

4.2 Geographical analysis

	Audited 2019				
	South Africa Rm	Outside South Africa Rm	Total operating segments Rm	Hyper-inflation effect Rm	Conso-lidated Rm
Sale of merchandise – external	**126 371**	**24 223**	**150 594**	**(199)**	**150 395**
Non-current assets[2]	**18 001**	**4 724**	**22 725**	**2 678**	**25 403**

	Restated Audited 2018*				
	South Africa Rm	Outside South Africa Rm	Total operating segments Rm	Hyper-inflation effect Rm	Conso-lidated Rm
Sale of merchandise – external	120 014	25 867	145 881	(777)	145 104
Non-current assets[2]	17 567	4 889	22 456	2 612	25 068

* Restated for the change in accounting policy. Refer to note 2 for more detail.

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

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

		Audited 2019 Rm	Audited 2018 Rm
5	**PROPERTY, PLANT AND EQUIPMENT**		
	Carrying value at the beginning of the year	**21 218**	18 407
	Additions	**4 826**	4 411
	Transfer to assets held for sale	**(714)**	(140)
	Disposal	**(351)**	(212)
	Depreciation	**(2 657)**	(2 518)
	Impairment	**(144)**	(55)
	Reversal of impairment	**—**	6
	Foreign currency translation differences including hyperinflation effect	**(734)**	1 319
	Carrying value at the end of the year	**21 444**	21 218

The impairment charge in the current financial year arose in the Supermarkets RSA, Supermarkets Non-RSA and Other (2018: Supermarkets RSA and Supermarkets Non-RSA) operating segments. This impairment was the result of a significant reduction in the future expected sales of merchandise in certain subsidiaries that own the assets, due to a weakening in the general economic conditions in which these subsidiaries operate.

		Audited 2019 Rm	Audited 2018 Rm
6	**GOVERNMENT BONDS AND BILLS (2018: HELD-TO-MATURITY INVESTMENTS)**		
	AOA, USD Index Linked, Angola Government Bonds (note 6.1)	**2 567**	3 008
	AOA, Angola Government Bonds (note 6.2)	**433**	—
	Angola Treasury Bills (note 6.3)	**16**	682
		3 016	3 690
	Analysis of total government bonds and bills:		
	Non-current	**2 516**	2 090
	Current	**500**	1 600
		3 016	3 690

6.1 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% (2018: 7.0%) p.a. and mature after a period of 2 to 3 years. Accrued interest is payable bi-annually.

6.2 AOA, Angola Government Bonds

The AOA, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 13.7% (2018: N/A) p.a. and mature after a period of 2 to 3 years. Accrued interest is payable bi-annually.

6.3 Angola Treasury Bills

The Angola Treasury Bills are denominated in Angola kwanza, earn interest at an average rate of 19.0% (2018: 22.8%) p.a. and mature within 12 months. Accrued interest is payable at maturity.

		Audited 2019 Rm	Audited 2018 Rm
7	**LOANS RECEIVABLE (2018: LOANS AND RECEIVABLES)**		
	Amounts receivable from associate (note 7.1)	**1 041**	990
	Amounts receivable from franchisees	**429**	334
	Amounts receivable from RMB Westport Osapa	**201**	195
	Amounts receivable from Kin-Oasis Investments Ltd	**143**	—
	Other	**46**	30
		1 860	1 549
	Analysis of total loans receivable:		
	Non-current	**1 664**	1 318
	Current	**196**	231
		1 860	1 549
7.1	**Amounts receivable from associate**	**1 041**	990
	Shareholder loan receivable from Resilient Africa (Pty) Ltd (note 7.1.1)	**402**	373
	Other amounts receivable from Resilient Africa (Pty) Ltd (note 7.1.2)	**639**	617

7.1.1 The shareholder loan is denominated in ZAR, earns interest at an average rate of 6.6% (2018: 6.6%) p.a. and is repayable on demand, subject to certain conditions.

7.1.2 The other loan is denominated in US dollar, earns interest at an average rate of 3.1% (2018: 3.0%) p.a. and is repayable after seven years, subject to certain conditions.

		Audited 2019 Rm	Audited 2018 Rm
8	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables from contracts with customers	**2 169**	2 112
	Instalment sale receivables from contracts with customers (note 8.1)	**1 028**	1 228
	Other receivables	**752**	1 119
	Prepayments and indirect taxes receivable	**1 130**	1 332
		5 079	5 791
	Analysis of total trade and other receivables:		
	Non-current	**882**	856
	Current	**4 197**	4 935
		5 079	5 791

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

8.1 Instalment sale receivables from contracts with customers

The tables below reflect the maximum exposure to credit risk on instalment sale receivables as well as the ECL allowance and contractual arrears per customer grouping at the reporting date and at the date of initial application of IFRS 9. Customer groupings are determined as follows:

- Satisfactory paid: Customers who have paid 70% or more of amounts due over the contract period.
- Slow payers: Customers who have paid 55% to 69% of amounts due over the contract period.
- Non-performing accounts: Customers who have paid less than 55% of amounts due over the contract period.

Analysis of instalment sale receivables at 30 June 2019

Customer grouping	Gross carrying value Rm	ECL allowance Rm	ECL allowance %	Total arrears Rm	Number of instalments in arrears 1 Rm	2 Rm	>2 Rm
Satisfactory paid	**791**	**136**	**17.2%**	**76**	**33**	**17**	**26**
	49.4%	**23.8%**					
Slow payers	**236**	**72**	**30.5%**	**95**	**14**	**13**	**68**
	14.8%	**12.6%**					
Non-performing accounts	**573**	**364**	**63.5%**	**360**	**16**	**14**	**330**
	35.8%	**63.6%**					
Total instalment sale receivables	**1 600**	**572**	**35.8%**	**531**	**63**	**44**	**424**

Analysis of instalment sale receivables at 2 July 2018

Customer grouping	Gross carrying value Rm	ECL allowance Rm	ECL allowance %	Total arrears Rm	Number of instalments in arrears 1 Rm	2 Rm	>2 Rm
Satisfactory paid	825	147	17.8%	84	38	19	27
	53.7%	23.6%					
Slow payers	247	118	47.8%	93	14	13	66
	16.1%	18.9%					
Non-performing accounts	463	358	77.3%	316	19	15	282
	30.2%	57.5%					
Total instalment sale receivables	1 535	623	40.6%	493	71	47	375

	Audited 2019	Audited 2018
	Number of shares	

9 STATED CAPITAL AND TREASURY SHARES

9.1 Stated capital

Reconciliation of movement in number of ordinary shares issued:

	2019	2018
Balance at the beginning of the year	**591 338 502**	600 021 829
Buy-back and cancellation of ordinary shares	**—**	(8 683 327)
Balance at the end of the year	**591 338 502**	591 338 502

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:

	2019	2018
Issued ordinary share capital	**591 338 502**	591 338 502
Treasury shares (note 9.2)	**(36 941 101)**	(36 659 642)
	554 397 401	554 678 860

9.2 Treasury shares

Reconciliation of movement in number of treasury shares for the Group:

	2019	2018
Balance at the beginning of the year	**36 659 642**	36 166 544
Shares purchased during the year	**630 341**	689 219
Shares disposed during the year	**(70 073)**	(25 342)
Shares utilised for settlement of equity-settled share-based payment arrangements	**(278 809)**	(170 779)
Balance at the end of the year	**36 941 101**	36 659 642

Consisting of:

	2019	2018
Shares owned by Shoprite Checkers (Pty) Ltd	**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	**1 504 529**	1 223 070
	36 941 101	36 659 642

		Audited 2019 Rm	Audited 2018 Rm
10	**BORROWINGS**		
	Consisting of:		
	ABSA Bank Ltd (note 10.1)	**2 043**	—
	Firstrand Bank Ltd (note 10.2)	**2 008**	—
	Barclays Bank Mauritius Ltd (note 10.3)	**991**	1 359
	Standard Chartered Bank (Mauritius) Ltd (note 10.4)	**1 472**	1 371
	Standard Finance (Isle of Man) Ltd (note 10.5)	**4 968**	4 113
	Stanbic Bank Kenya Ltd	**84**	—
	First National Bank of Namibia Ltd	**140**	134
		11 706	6 977
	Analysis of total borrowings:		
	Non-current	**9 044**	1 371
	Current	**2 662**	5 606
		11 706	6 977

10.1 ABSA Bank Ltd

This loan is denominated in ZAR and unsecured. R1.00 billion is payable after 36 months and bears interest at an average rate of 8.46% p.a. The remaining balance is payable after 60 months and bears interest at an average of 8.76% p.a.

10.2 Firstrand Bank Ltd

This loan is denominated in ZAR and unsecured. R1.00 billion is payable after 36 months and bears interest at an average rate of 8.41% p.a. The remaining balance is payable after 60 months and bears interest at an average of 8.46% p.a.

10.3 Barclays Bank Mauritius Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 3.71% (2018: 2.51%) p.a.

10.4 Standard Chartered Bank (Mauritius) Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.92% (2018: 2.69%) p.a.

10.5 Standard Finance (Isle of Man) Ltd

This loan is denominated in US dollar, unsecured and payable after 36 months. R1.42 billion (2018: R1.37 billion) bears interest at a fixed rate of 3.49% p.a. and the remaining balance bears interest at a fixed rate of 4.31% (2018: an average rate of 2.76%) 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	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Government bonds and bills	**3 016**	3 690	**3 026**	3 681
Loans receivable	**1 860**	1 549	**1 809**	1 418
Borrowings	**11 706**	6 977	**11 569**	6 892

		Audited 2019 Rm	Audited 2018 Rm
12	**REVENUE**		
	Revenue from contracts with customers	**151 982**	146 530
	Sale of merchandise (note 12.1)*	**150 395**	145 104
	Commissions received*	**882**	856
	Franchise fees received	**96**	84
	Other revenue*	**609**	486
	Finance income	**1 015**	879
	Instalment sale receivables	**320**	355
	Bank balances and investments	**273**	215
	Government bonds and bills	**316**	191
	Other loans receivable	**106**	118
	Operating lease income	**504**	455
	Insurance premiums earned	**267**	327
	Other income	**96**	19
	Dividends received	**22**	35
		153 886	148 245

* Restated for the change in accounting policy. Refer to note 2 for more detail.

	Consisting of:		
	Sale of merchandise	**150 395**	145 104
	Other operating income	**3 218**	2 926
	Interest received from bank account balances	**273**	215
		153 886	148 245
12.1	**Sale of merchandise has been disaggregated as follows:**		
	Supermarkets RSA	**112 655**	107 344
	Shoprite and Usave	**62 602**	60 665
	Checkers and Checkers Hyper	**42 731**	40 852
	Other	**7 322**	5 827
	Supermarkets Non-RSA	**21 324**	23 106
	Shoprite and Usave	**20 138**	21 970
	Checkers and Checkers Hyper	**972**	902
	Other	**214**	234
	Supermarkets RSA and Non-RSA	**133 979**	130 450
	Furniture	**6 206**	5 967
	RSA	**4 825**	4 541
	Non-RSA	**1 381**	1 426
	Other operating segments	**10 409**	9 464
	Drop-shipment sales to franchisees	**5 839**	5 373
	Other sales	**4 570**	4 091
	Total operating segments	**150 594**	145 881
	Hyperinflation effect	**(199)**	(777)
	Consolidated sale of merchandise	**150 395**	145 104

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

		Audited 2019 Rm	Audited 2018 Rm
13	**EARNINGS PER SHARE**		
	Profit attributable to owners of the parent	**4 260**	5 211
	Re-measurements	**80**	246
	Profit on disposal and scrapping of property	**(10)**	—
	Profit on disposal of assets held for sale	**(101)**	(20)
	Loss on disposal and scrapping of plant and equipment and intangible assets	**103**	108
	Impairment of property, plant and equipment	**144**	49
	Impairment of intangible assets	**40**	51
	Insurance claims receivable	**(97)**	—
	Loss on disposal of investment in joint venture	**—**	80
	Loss/(profit) on other investing activities	**1**	(22)
	Income tax effect on re-measurements	**(10)**	(49)
	Headline earnings	**4 330**	5 408
	Number of ordinary shares	**'000**	
	– In issue	**554 397**	554 679
	– Weighted average	**554 498**	556 643
	– Weighted average adjusted for dilution	**555 113**	557 172
	Reconciliation of weighted average number of ordinary shares in issue during the year:		
	Weighted average number of ordinary shares	**554 498**	556 643
	Adjustments for dilutive potential of full share grants	**615**	529
	Weighted average number of ordinary shares for diluted earnings per share	**555 113**	557 172
	Earnings per share*	**Cents**	
	– Basic earnings	**768.2**	936.0
	– Diluted earnings	**767.3**	935.2
	– Basic headline earnings	**780.8**	971.4
	– Diluted headline earnings	**779.9**	970.5

* Restated for the change in accounting policy. Refer to note 2 for more detail.

		Audited 2019 Rm	Audited 2018 Rm
14	**CASH FLOW INFORMATION**		
14.1	**Non-cash items**		
	Depreciation of property, plant and equipment	**2 657**	2 518
	Amortisation of intangible assets	**385**	364
	Net fair value loss on financial instruments	**1**	2
	Net monetary gain	**(920)**	(653)
	Exchange rate (gains)/losses	**(115)**	251
	Profit on disposal and scrapping of property	**(10)**	—
	Profit on disposal of assets held for sale	**(101)**	(20)
	Loss on disposal and scrapping of plant and equipment and intangible assets	**103**	108
	Impairment of property, plant and equipment	**144**	49
	Impairment of intangible assets	**40**	51
	Loss on disposal of investment in joint venture	**—**	80
	Movement in provisions	**71**	(15)
	Movement in cash-settled share-based payment accrual	**(63)**	21
	Movement in share-based payment reserve	**75**	64
	Movement in fixed escalation operating lease accruals	**95**	99
		2 362	2 919
14.2	**Changes in working capital**		
	Inventories	**(3 575)**	(880)
	Trade and other receivables*	**180**	(15)
	Trade and other payables*	**(340)**	3 551
	Contract liabilities	**215**	17
		(3 520)	2 673

* Restated for the change in accounting policy. Refer to note 2 for more detail.

15 RELATED PARTY INFORMATION

During the year 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 annual financial statements on consolidation. Related party transactions also include deferred shares, key management personnel compensation and loans to associates and joint ventures. For further information, refer to the audited annual financial statements.

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

		Audited 2019 Rm	Audited 2018 Rm
16	**NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE**		

IFRS 16: Leases applies to the Group for the first time for the accounting period commencing 1 July 2019. The Group will adopt the standard retrospectively, with comparatives restated from a transition date of 2 July 2018.

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 and a number of performance measures used by the Group. The implementation is nearing completion and the Group estimates that, had IFRS 16 been applied in the 52 weeks ended 1 July 2018, the impact on the consolidated statement of financial position as at 1 July 2018 would have been:

- Recognition of a right of use asset ranging between R15.8 billion and R16.8 billion.
- Reclassification of R0.8 billion from non-current trade and other receivables to right of use asset.
- Recognition of a lease liability ranging between R20.7 billion and R21.7 billion.
- Derecognition of fixed escalation operating lease accruals and onerous lease provisions in the region of R1.4 billion.
- Recognition of deferred income tax asset ranging between R0.8 billion and R1.0 billion.

Under IFRS 16, the straight line operating lease rental expense is replaced by depreciation of the right of use asset and interest on the lease liability. Profit after tax for the 52 weeks ended 30 June 2019 is expected to decrease between R530 million and R830 million. This includes exchange rate losses ranging between R460 million and R520 million where lease liabilities subject the Group to foreign currency exposure. Management intends to apply net investment hedge accounting to reduce this exposure.

IFRS 16 has no impact on total cash flow for the year or cash and cash equivalents at the end of the year. It is expected that cash generated from operations will increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows will instead be split between interest paid (included in operating activities) and repayments of obligations under leases (included in financing activities).

We will provide a full update on the impact of the IFRS 16 restatement ahead of the December 2019 interim results.

		Audited 2019 Rm	Audited 2018 Rm
17	**SUPPLEMENTARY INFORMATION**		
	Net asset value per share (cents)	**4 701**	4 937
	Contracted capital commitments	**1 493**	1 621
	Contingent liabilities	**373**	356

Contingent liabilities consist mainly of outstanding legal matters including a judgment in Nigeria that has gone on appeal as well as possible tax exposures that the Group has submitted objections to.

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, SA Zinn

Alternate non-executive director
JD Wiese

Company secretary
PG du Preez

Registered office
Cnr William Dabbs Street and Old Paarl Road, Brackenfell, 7560, South Africa, PO Box 215, Brackenfell, 7561, South Africa
Telephone: +27 (0)21 980 4000, facsimile: +27 (0)21 980 4050 Website: www.shopriteholdings.co.za

Transfer secretaries
South Africa: Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107, South Africa
Telephone: +27 (0)11 370 5000, facsimile: +27 (0)11 688 5238, email: Web.Queries@Computershare.co.za
Website: www.computershare.com

Namibia: Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia
Telephone: +264 (0)61 227 647, email: ts@nsx.com.na

Zambia: ShareTrack Zambia, Spectrum House, Stand 10 Jesmondine, Great East Road, Lusaka, Zambia,
PO Box 37283, Lusaka, Zambia
Telephone: +260 (0)211 374 791 – 374 794, facsimile: +260 (0)211 374 781, email: sharetrack@scs.co.zm
Website: www.sharetrackzambia.com

Sponsors
South Africa: Nedbank Corporate and Investment Banking, PO Box 1144, Johannesburg, 2000, South Africa
Telephone: +27 (0)11 295 8525, facsimile: +27 (0)11 294 8525, email: doristh@nedbank.co.za
Website: www.nedbank.co.za

Namibia: Old Mutual Investment Services (Namibia) (Pty) Ltd, PO Box 25549, Windhoek, Namibia
Telephone: +264 (0)61 299 3347, facsimile: +264 (0)61 299 3500, email: NAM-OMInvestmentServices@oldmutual.com

Zambia: Pangaea Securities Ltd, 1st Floor, Pangaea Office Park, Great East Road, Lusaka, Zambia,
PO Box 30163, Lusaka 10101, Zambia
Telephone: +260 (0)211 220 707 / 238 709/10, Facsimile: +260 (0)211 220 925, email: info@pangaea.co.zm,
Website: www.pangaea.co.zm

Auditors
PricewaterhouseCoopers Incorporated, PO Box 2799, Cape Town, 8000, South Africa
Telephone: +27 (0)21 529 2000, facsimile: +27 (0)21 529 3300, Website: www.pwc.com/za