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")

UNAUDITED RESULTS FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

Key information

- Sale of merchandise increased by 0.2% to R75.8 billion.
- Trading profit decreased by 19.0% to R3.3 billion.
- EBITDA decreased by 12.2% to R4.7 billion.
- Diluted headline earnings per share of 398.5 cents, down by 24.1%.
- Dividend per share of 156 cents declared (2017: 205 cents).
- Opened a net 86 corporate stores during the 12 months (2017: 121).
- Created 1 758 additional jobs during the six months.

Pieter Engelbrecht, chief executive officer:
2018 has been a transformational year for the Group, which remains Africa's largest and most profitable retailer. Our first half performance is below expectations, but not a reflection of the fundamental strength of the business. The results for the six months were affected by an overlapping of multiple factors disrupting the trading environment.

These include factors in our external operating environment, where economic conditions have left our core customer under significant financial pressure and in which significant currency devaluations severely impacted the performance in the Non-RSA operations.

At the same time, we have dealt with many internal challenges, investment expenses and operational issues relating to the implementation of strategic decisions including the roll out of the new SAP ERP system. The IT replatforming was an absolute imperative and represents the culmination of four years of planning, and it will ultimately improve our global competitiveness.

In addition to a weak economy, 2018 saw a convergence of four main disruptive factors:

- The dramatic devaluation in the Angola kwanza by 85.1% against the dollar since January 2018.
- The supply chain disruption caused by the Centurion Distribution Centre (DC) industrial action in May and June which lasted longer than anticipated.
- Supply issues coincided with more than half of the business going live on the IT system in the six months and adversely impacted product availability for customers.
- RSA internal inflation remains low at only 0.4% marking the longest period of stagnant inflation in a decade. In December customers still benefitted from 10 719 items in selling price deflation.

Other environmental issues also affected demand from price-sensitive customers, namely: the listeriosis crisis affecting processed meat sales, SA's first VAT hike in 25 years and the new Sugar Tax.

Product availability has improved but a lot of work still needs to be done and remains our number one priority in the short term. We have continued to invest in the business through the cycle in new store rollouts and the digital transformation of the Group.

Despite the tougher set of results, we served a record number of customers and sold record product volumes, up 1.7% and 0.2% respectively, whilst supermarket space growth was 1.9%. Strategic decisions to invest in convenience foods, our fresh offer, private label and our liquor footprint also continue to bear fruit.

The positive sales trend emerging in the festive season has continued in January and February alongside improving product availability.

25 February 2019

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COMMENTS ON THE RESULTS

Diluted headline earnings per share

The decline in diluted headline earnings per share of 24.1% is mainly attributable to:

Underperformance of the Non-RSA operations

The Supermarkets Non-RSA segment reported a trading loss of R61.8 million versus a trading profit of R552.7 million in the corresponding period.

The decline is mainly attributed to the unprecedented 85.1% currency devaluation (against the USD since January 2018) in Angola. As a result, gross margin was under pressure with the inability to pass on cost inflation to consumers in the selling prices of goods. The Angolan economy remains in recession, adversely affecting consumption expenditure in the country, with mostly our price sensitive customers being unable to maintain spending levels.

Accounting for Angola hyperinflation

For the six months to December 2018, 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. The comparative interim results were not restated.

A summary of the primary adjustments as a result are as follows:

- A decrease in gross profit: R10 million
- An increase in depreciation: R49 million
- A net monetary gain: R439 million

Impact of changing from retail method of accounting ("RMA") to moving average cost ("MAC")

A R95.2 million adjustment as a result of the transition from RMA to MAC reduced the gross margin. All stores and DC's are now operating on the basis of MAC.

Centurion DC industrial action impact and supply chain disruptions

All stores are now live on the new SAP ERP system. The industrial action at the Centurion DC in May and June 2018, together with the SAP cutover that followed in August 2018 in the Gauteng region, meant that we were unable to adequately meet store demand which affected product availability for consumers in the largest portion of our RSA business. Estimated lost store sales resulting from stock issues exceeded R1 billion in the period. Temporarily switching many suppliers to direct store deliveries during large promotions adversely affected distribution fee income. On-shelf product availability is much improved since October 2018 but more work remains to be done.

Statement of Comprehensive Income

Sale of merchandise

Total sales for the Group increased by 0.2% for the 26 weeks to 30 December 2018 from R75.7 billion to R75.8 billion. Like-for-like sales declined by 2.7%. Supermarkets RSA reported sales growth of 2.6% which, on a like-for-like basis, declined by 0.5% while Supermarkets Non-RSA recorded a decline in sales of 13.3% with a like-for-like decline of 16.5%. In constant currencies Supermarkets Non-RSA grew 0.05%.

The Group's Furniture division increased sales by 4.3% for the period, while other operating segments (OK Franchise, Computicket, MediRite Pharmacy and Checkers Food Services) achieved turnover growth of 6.5%.

Expenses

Total expenses increased by 5.6%.

Depreciation and amortisation grew at a higher rate than the sale of merchandise, mainly due to new store openings, our continued store refurbishment programme as well as the depreciation impact of hyperinflation (R49 million). During the six month reporting period a net 55 new corporate stores were opened (excluding the Hungry Lion stores held for sale and sold during the preceding 12 months).

The 7.4% increase in operating lease expenses is due to the increase in rent paid and rates and taxes. The rent paid on existing stores in Supermarkets RSA increased in line with CPI. Currency devaluations in various Non-RSA countries had a negative impact on USD leases in Supermarkets Non-RSA.

Cost of employment rose by 6.2% and includes the agreed upon increase as part of the new two-year wage negotiations settlement. Escalation in expenses, such as water and electricity of 6.1%, were largely beyond the control of the Group due to electricity tariff increases being set by NERSA.

Trading margin

The trading margin, at 4.4%, is lower than the corresponding period's 5.4% on the back of a decrease in gross margin from 23.8% to 23.1% and expense growth of 5.6%. The 4.4% trading margin achieved by the Group remains competitive relative to its local and international peer group.

Exchange rate losses

The Group recorded an exchange rate loss of R3.4 million for the reporting period mainly due to the currency devaluation in the Angola kwanza and Zambia kwacha since June 2018. The hedging strategy followed by the Group to minimise the exchange rate losses in Angola comprised of the purchase of USD Index Linked Government Bonds and Treasury Bills. Interest earned on these instruments amounted to R177.8 million and is reported as part of other operating income.

Finance cost and interest received

Net finance costs increased as a result of an additional R2.5 billion in net borrowings due to funding required for capital projects and expansion of Supermarkets Non-RSA. The devaluation of the rand against the USD had a negative impact on finance costs payable on offshore USD medium-term borrowings.

Statement of Financial Position

Property, plant and equipment and intangible assets

The increase is due to the investment in a net 86 new corporate outlets during the past 12 months, which included more own stores built, vacant land purchased for strategic purposes and distribution centres. The investment in information technology remains high and the Group plans to continue investing in the medium term given the demands of modern retailing. The Group has also started a process of selling non-strategic properties that will reflect in the results for the 12 months to June 2019.

Cash and cash equivalents and bank overdrafts

The main increase in cash at reporting date is due to month-end cut-off for accounts payable as well as the increase in long-term borrowings. This was offset by the investment in capital expenditure and investment in USD Index Linked Angola Government Bonds to hedge against possible further devaluation of the Angola kwanza. During the period under review the Angolan operations managed to repatriate USD67 million which had a positive impact on the cash flow of the Group.

Inventory

Inventory decreased by 0.3% to R21.7 billion. Supermarkets RSA, including the distribution centres, increased inventory by R800 million to R15.6 billion due to the provisioning of new corporate outlets as well as the increased capacity created by the new Cilmor food distribution centre in the Western Cape. The Supermarkets Non-RSA division reported a decrease in inventory as a result of the translation from local currency to rand due to the currency devaluation in Angola and Nigeria and overall improved stock management.

Trade and other payables

Trade and other payables increased by 2.6% on the previous year due to month-end cut-off of trade accounts payable as reflected in the increase in net cash and cash equivalents.

Borrowings

Total borrowings increased by R4.4 billion to R10 billion as a result of an increase in offshore funding together with R2 billion medium-term funding secured in RSA. The Group is in the process of finalising medium-term local funding in Kenya and Zambia that will replace and reduce the reliance on USD funding.

GROUP PROSPECTS AND OUTLOOK

The new ERP system deployment is complete as of January 2019 after a herculean effort by the Shoprite team. The next phase will focus on refining and then mastering the new system that will ultimately provide us with smarter pricing, inventory management and profitability management at item level.

Since January 2019, an improved sales trend is evident. Various events in the second half of the previous financial year such as listeriosis, labour disruptions, a VAT hike and the Sugar Tax mean the next six months has a less demanding growth base than the preceding half. The new national minimum wage implemented in RSA from 2019 is expected to provide some additional sales impetus. Economic tailwinds remain limited and the impact of load-shedding and political uncertainty ahead of the May 8th election make sales predictions difficult. On-shelf availability remains our highest priority and with the improved results, barring unforeseen external events, we are optimistic that the current sales momentum is sustainable.

We anticipate rising selling price inflation in the RSA business towards June, with inflation in key commodity categories such as maize, sugar and chicken expected. There are 36 new supermarket and liquor outlet openings planned for the six months ending June 2019. Our main priority is retaining customer trust.

The performance of Supermarkets Non-RSA is dependent on foreign currency availability in Angola and Nigeria together with stable currencies. The Angola kwanza has shown more stability since the start of January. There are seven new supermarket and liquor outlet openings planned for Non-RSA for the six months ending June 2019.

Despite recent improvements following the decline in the interim diluted headline earnings per share, it is unlikely that the Group will be able to report full year growth on the previous year.

The Group expects to issue an operational update for the year ending June 2019 before the end of July 2019. The full year results will be available on or about 20 August 2019.

PRO FORMA FINANCIAL INFORMATION

Certain financial information presented in these condensed consolidated interim results for the 26 weeks ended 30 December 2018 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	Change in Like-for-like %	26 weeks to 30 Dec 2018 Unaudited Rm	26 weeks to 30 Dec 2018 Like-for-like Rm	26 weeks to 31 Dec 2017 Unaudited Rm	26 weeks to 31 Dec 2017 Like-for-like Rm
Total	(2.7)	75 867	72 587	75 704	74 597
Supermarkets RSA	(0.5)	56 138	54 051	54 729	54 297
Supermarkets Non-RSA	(16.5)	11 122	10 511	12 824	12 586

Impact of Angola hyperinflation adjustment

For the period ended 30 December 2018, the economy of Angola was assessed to remain 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 information for the period under review which excludes the impact of hyperinflation. It will also facilitate comparisons against the prior period's results which were prepared before the application of hyperinflation accounting.

The pro forma information was calculated through applying all the accounting policies adopted by the Group in the latest unaudited condensed consolidated interim results 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

	26 Weeks Including Hyper-inflation Unaudited 30 Dec 18 Rm	26 Weeks Hyper-inflation Adjustment 30 Dec 18 Rm	26 Weeks Excluding Hyper-inflation Pro Forma 30 Dec 18 Rm	Restated* 26 Weeks Excluding Hyper-inflation Unaudited 31 Dec 17 Rm
Sale of merchandise	**75 837**	**(30)**	**75 867**	75 704
Cost of sales	**(58 307)**	**20**	**(58 327)**	(57 678)
GROSS PROFIT	**17 530**	**(10)**	**17 540**	18 026
Other operating income	**1 565**	**(1)**	**1 566**	1 431
Depreciation and amortisation	**(1 310)**	**(49)**	**(1 261)**	(1 195)
Operating leases	**(2 275)**	**(6)**	**(2 269)**	(2 119)
Employee benefits	**(5 918)**	**1**	**(5 919)**	(5 574)
Other operating expenses	**(6 708)**	**2**	**(6 710)**	(6 465)
Net monetary gain	**439**	**439**	**—**	—
TRADING PROFIT	**3 323**	**376**	**2 947**	4 104
Exchange rate (losses)/gains	**(3)**	**(2)**	**(1)**	4
Items of a capital nature	**65**	**(15)**	**80**	(34)
OPERATING PROFIT	**3 385**	**359**	**3 026**	4 074
Interest received	**139**	**—**	**139**	121
Finance costs	**(384)**	**—**	**(384)**	(189)
Share of profit of equity accounted investments	**—**	**—**	**—**	8
PROFIT BEFORE INCOME TAX	**3 140**	**359**	**2 781**	4 014
Income tax expense	**(875)**	**(72)**	**(803)**	(1 094)
PROFIT FOR THE PERIOD	**2 265**	**287**	**1 978**	2 920
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**(1 565)**	**(300)**	**(1 265)**	(554)
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences including hyperinflation effect	**(1 565)**	**(300)**	**(1 265)**	(539)
Share of foreign currency translation differences of equity accounted investments	**—**	**—**	**—**	(4)
Gains on effective cash flow hedge	**—**	**—**	**—**	(11)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**700**	**(13)**	**713**	2 366
PROFIT ATTRIBUTABLE TO:	**2 265**	**287**	**1 978**	2 920
Owners of the parent	**2 258**	**287**	**1 971**	2 912
Non-controlling interest	**7**	**—**	**7**	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**700**	**(13)**	**713**	2 366
Owners of the parent	**693**	**(13)**	**706**	2 358
Non-controlling interest	**7**	**—**	**7**	8
Basic earnings per share (cents)	**407.3**	**51.7**	**355.6**	521.3
Diluted earnings per share (cents)	**406.8**	**51.7**	**355.1**	520.9
Basic headline earnings per share (cents)	**398.9**	**53.7**	**345.2**	525.6
Diluted headline earnings per share (cents)	**398.5**	**53.7**	**344.8**	525.2

* 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 Unaudited 30 Dec 18 Rm	Hyper-inflation Adjustment 30 Dec 18 Rm	Excluding Hyper-inflation Pro Forma 30 Dec 18 Rm	Restated* Excluding Hyper-inflation Unaudited 31 Dec 17 Rm
ASSETS				
NON-CURRENT ASSETS	**30 868**	**2 288**	**28 580**	25 936
Property, plant and equipment	**21 697**	**2 147**	**19 550**	19 359
Equity accounted investments	**—**	**—**	**—**	31
Financial assets at amortised cost				
Loans receivable	**1 470**	**—**	**1 470**	—
Government bonds and bills	**2 857**	**—**	**2 857**	—
Loans and receivables	**—**	**—**	**—**	1 233
Held-to-maturity investments	**—**	**—**	**—**	1 320
Deferred income tax assets	**865**	**(308)**	**1 173**	832
Intangible assets	**3 171**	**—**	**3 171**	2 599
Trade and other receivables	**808**	**449**	**359**	562
CURRENT ASSETS	**36 809**	**41**	**36 768**	37 354
Inventories	**21 695**	**50**	**21 645**	21 765
Trade and other receivables	**5 300**	**(9)**	**5 309**	5 548
Current income tax assets	**90**	**—**	**90**	148
Financial assets at amortised cost				
Loans receivable	**299**	**—**	**299**	—
Government bonds and bills	**665**	**—**	**665**	—
Loans and receivables	**—**	**—**	**—**	146
Held-to-maturity investments	**—**	**—**	**—**	1 281
Cash and cash equivalents	**8 760**	**—**	**8 760**	8 466
ASSETS HELD FOR SALE	**114**	**—**	**114**	34
TOTAL ASSETS	**67 791**	**2 329**	**65 462**	63 324
EQUITY				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT				
Share capital	**—**	**—**	**—**	671
Share premium	**—**	**—**	**—**	6 845
Stated capital	**7 516**	**—**	**7 516**	—
Treasury shares	**(618)**	**—**	**(618)**	(562)
Reserves	**19 163**	**1 680**	**17 483**	19 365
	26 061	**1 680**	**24 381**	26 319
NON-CONTROLLING INTEREST	**87**	**—**	**87**	87
TOTAL EQUITY	**26 148**	**1 680**	**24 468**	26 406
LIABILITIES				
NON-CURRENT LIABILITIES	**9 284**	**649**	**8 635**	2 797
Borrowings	**7 077**	**—**	**7 077**	1 241
Deferred income tax liabilities	**726**	**649**	**77**	106
Provisions	**232**	**—**	**232**	258
Fixed escalation operating lease accruals	**1 249**	**—**	**1 249**	1 192
CURRENT LIABILITIES	**32 359**	**—**	**32 359**	34 121
Trade and other payables	**24 382**	**—**	**24 382**	23 753
Borrowings	**2 968**	**—**	**2 968**	4 451
Current income tax liabilities	**983**	**—**	**983**	359
Provisions	**141**	**—**	**141**	152
Bank overdrafts	**3 885**	**—**	**3 885**	5 406
TOTAL LIABILITIES	**41 643**	**649**	**40 994**	36 918
TOTAL EQUITY AND LIABILITIES	**67 791**	**2 329**	**65 462**	63 324

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

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 period ended 30 December 2018, the economy of Angola was assessed to remain hyperinflationary.

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	(45.0)	(9.9)
Nigeria naira	(1.4)	8.4
Zambia kwacha	0.7	11.0
Mozambique metical	1.5	(4.0)
Total Supermarkets Non-RSA	(13.3)	0.0

NUMBER OF OUTLETS 30 DECEMBER 2018

	12 MONTHS				**CONFIRMED NEW STORES TO JUNE 2020**
	DEC 2017	**OPENED**	**CLOSED**	**DEC 2018**	
SUPERMARKETS	**1 276**	**76**	**22**	**1 330**	**106**
SHOPRITE	631	31	5	657	48
CHECKERS	218	11	2	227	14
CHECKERS HYPER	37	0	0	37	0
USAVE	390	34	15	409	44
LIQUORSHOP	**424**	**52**	**4**	**472**	**21**
HUNGRY LION	**13**	**1**	**5**	**9**	**0**
FURNITURE	**491**	**10**	**22**	**479**	**8**
OK FURNITURE	437	10	19	428	8
HOUSE & HOME	54	0	3	51	0
OK FRANCHISE	**414**	**58**	**24**	**448**	**21**
TOTAL STORES	**2 618**	**197**	**77**	**2 738**	**156**
COUNTRIES OUTSIDE RSA	**14**	**1**	**1**	**14**	
TOTAL STORES OUTSIDE RSA	**400**	**37**	**18**	**419**	**35**

These numbers exclude Hungry Lion stores held for sale and sold during the preceding 12 months (opening balance adjusted with 193 stores), as well as the MediRite pharmacies which are located within supermarkets.

OPERATIONAL REVIEW

The Group has consistently delivered strong results over the past two decades. The decline in headline earnings per share during the six months ending December 2018 must be viewed in the context of various critical expansion and technology projects the Group has embarked on in the past five years to ensure future growth and modernise our technology landscape. The timing unfortunately coincided with the deterioration of the RSA and Non-RSA economies and consumer expenditure levels over this same period.

Supermarkets RSA

The core South African Supermarket operation, trading through 1 541 outlets and representing 74.0% of total sales, increased sales by 2.6% with a decline in trading profit of 15.1%.

Supermarkets RSA's performance was affected by zero inflation or deflation in core categories, the distressed financial position of its customers and product availability challenges stemming from the Group's largest DC in Gauteng, which accounts for 53% of total centralised food distribution for the RSA supermarkets business. Industrial action followed by the deployment of our new ERP system shortly after the labour disruption hampered the ability to adequately meet demand which resulted in lost sales opportunities. The challenges have largely been arrested through multiple interventions, although we are not yet at targeted levels of efficiency.

The South African supermarket operations continued to serve more customers, growing transactions by 2%, while we also sold 0.7% more items. In December, a total of 10 719 items were selling at lower prices than a year prior, although lower than the 11 607 items in deflation at the end of September. This eased the burden on customers as we remained committed to our low price promise, but curtailed organic topline growth in the Shoprite and Usave operations in particular.

The Group's strategy to capture a greater proportion of the top-end affluent consumer segments' grocery expenditure has seen Checkers, excluding the larger format Hyper stores, increase sales by 4.3%. The opening and conversion of Checkers stores to our new FreshX concept currently stands at 20 and the focus remains to transform a third of our Checkers store portfolio to this format. Coupled with continuous innovation and improvement in fresh, health and convenience food ranges, we are optimistic about the further value we can extract out of this segment in the medium term.

The Shoprite brand, with its focus on price-sensitive consumers, continued to subsidise the essential foods through additional food subsidies, putting more than R80 million back into the pockets of consumers. This includes our instore bakery bread, which has been selling at a subsidised price of R4.99 for almost three years, a price in line with ten years ago. Shoprite's price leadership remains uncontested despite increased competitor promotional activity. Notwithstanding its shopper base being the hardest hit by prevailing economic conditions, Shoprite grew sales by 1.2% with zero internal food inflation for the period. The growth in the Shoprite and Usave brands were particularly affected by the Centurion DC industrial action, as deliveries to higher value stores were prioritised at the expense of far outlying rural stores. The 1.0% turnover decline in the Group's hard discounter format Usave also reflects the position that SA's most vulnerable consumers find themselves in.

The liquor division continues to be a standout performer, increasing turnover by 20.1% and gaining significant market share. The chain continues to meet its store per week expansion target, opening a net 27 new outlets since June 2018.

Supermarkets RSA continued its expansion, having added a net 61 new supermarkets and liquor outlets over the six months, with 101 confirmed new stores to open over the next 18 months, including our latest format Usave container stores, which allows the Group to make inroads into previously underpenetrated areas.

Supermarkets Non-RSA

Trading in 14 countries in the rest of Africa and Indian Ocean Islands, Supermarkets Non-RSA recorded a decline of 13.3% in sales in rand terms and contributed 14.7% to the Group's sales. Non-RSA sales growth remained positive in constant currency terms, although currency devaluations and poor trading conditions in many countries, contributed to a below par performance. Supermarkets Non-RSA internal inflation remains low at just 2.8% for the current period.

The slower Supermarkets Non-RSA sales are mainly attributed to the performance of the Angolan supermarket operation, following the 85.1% devaluation of the Angola kwanza against the USD since January 2018. It reported a 45.0% decline in sales in rand terms and 9.9% measured in constant currency. Angola's economy remains in deep recession and the currency devaluation weighed heavily on local consumer expenditure.

The Angolan currency shows signs of stabilising somewhat since the beginning of 2019 and the longer term economic outlook looks more positive as structural improvements bear fruit. The Group remains positive about the return to profitability and viability of its Angolan investment.

Trading in Nigeria continues to be hampered by foreign exchange fluctuations and the Group's adoption of the NIFEX exchange rate had a negative impact on converting local sales to rand. The Nigerian supermarket operation increased sales by 8.4% in local currency and the new store opened in the past year is trading well. The Group has made progress in increasing stock availability, including through its new fresh produce distribution facility.

Zambia is now almost self-sufficient in terms of local supply of fresh and perishable lines. Zambia's sales in local currency are showing an improvement in the second quarter of 14.7%.

The Group opened its first store in Kenya in the revamped Westgate Mall in Nairobi. The store is trading in line with expectations, and another store will be opened in Kenya by June 2019.

The Group is firmly committed to its Non-RSA operations and is positive about its long term prospects on the continent. Growth in retail will be driven by rapid population growth and formalisation of food retail and the Group is uniquely positioned with an unrivalled retail footprint, experience and consumer base on the continent.

Furniture

The Group's 479 furniture stores increased turnover by 4.3% and reported a decline in trading profit of 5.5% to R104 million. Second quarter sales were lower than expected as excessive demand on Black Friday resulted in suppliers being unable to meet delivery before month-end cut-off. South African stores continued to trade well whilst sales in Angola decreased in rand terms, driven by the currency devaluation, which had a negative impact on the profitability of the segment.

Other Operating Segments

Other operating segments, which include OK Franchise, Computicket, MediRite Pharmacy and Checkers Food Services, achieved turnover growth of 6.5%.

The OK Franchise division recorded a net increase of 34 stores during the last 12 months. The conversion of franchise stores to the OK brand is on track for completion this year. Franchise stores are increasingly using the Group's central DC's and better sales have been achieved on the back of a wider range of fresh products and more frequent deliveries to franchise stores. The strong uptake of the Group's extended number of private label products and general merchandise ranges available to franchisees is also performing well.

DIVIDEND NO 140

The board has declared an interim dividend of 156 cents (2017: 205 cents) per ordinary share, payable to shareholders on Monday, 18 March 2019. The dividend has been declared out of income reserves. The last day to trade cum dividend will be Tuesday, 12 March 2019. As from Wednesday, 13 March 2019, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 15 March 2019. Share certificates may not be dematerialised or rematerialised between Wednesday, 13 March 2019, and Friday, 15 March 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 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 ended 30 Dec '18 Rm**	Restated* Unaudited 26 weeks ended 31 Dec '17 Rm	Restated* Audited 52 weeks ended 1 Jul '18 Rm
Revenue	4		**77 541**	77 256	148 245
Sale of merchandise		0.2	**75 837**	75 704	145 104
Cost of sales		1.1	**(58 307)**	(57 678)	(110 415)
GROSS PROFIT		(2.8)	**17 530**	18 026	34 689
Other operating income		9.4	**1 565**	1 431	2 926
Depreciation and amortisation		9.6	**(1 310)**	(1 195)	(2 530)
Operating leases		7.4	**(2 275)**	(2 119)	(4 272)
Employee benefits		6.2	**(5 918)**	(5 574)	(10 851)
Other operating expenses		3.8	**(6 708)**	(6 465)	(12 591)
Net monetary gain			**439**	—	653
TRADING PROFIT		(19.0)	**3 323**	4 104	8 024
Exchange rate (losses)/gains			**(3)**	4	(251)
Items of a capital nature			**65**	(34)	(246)
OPERATING PROFIT		(16.9)	**3 385**	4 074	7 527
Interest received		14.9	**139**	121	215
Finance costs			**(384)**	(189)	(422)
Share of profit of equity accounted investments			**—**	8	27
PROFIT BEFORE INCOME TAX		(21.8)	**3 140**	4 014	7 347
Income tax expense		(20.0)	**(875)**	(1 094)	(2 124)
PROFIT FOR THE PERIOD		(22.4)	**2 265**	2 920	5 223
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			**(1 565)**	(554)	(689)
Items that will not be reclassified to profit or loss					
Re-measurements of post-employment medical benefit obligations			**—**	—	2
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation differences including hyperinflation effect			**(1 565)**	(539)	(678)
Share of foreign currency translation differences of equity accounted investments			**—**	(4)	(2)
Gains on effective cash flow hedge			**—**	(11)	(11)
For the period			**—**	3	3
Reclassified to profit for the period			**—**	(14)	(14)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			**700**	2 366	4 534
PROFIT ATTRIBUTABLE TO:			**2 265**	2 920	5 223
Owners of the parent			**2 258**	2 912	5 211
Non-controlling interest			**7**	8	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			**700**	2 366	4 534
Owners of the parent			**693**	2 358	4 522
Non-controlling interest			**7**	8	12
Basic earnings per share (cents)	10	(21.9)	**407.3**	521.3	936.0
Diluted earnings per share (cents)	10	(21.9)	**406.8**	520.9	935.2
Basic headline earnings per share (cents)	10	(24.1)	**398.9**	525.6	971.4
Diluted headline earnings per share (cents)	10	(24.1)	**398.5**	525.2	970.5

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 Dec '18 Rm**	Restated* Unaudited 31 Dec '17 Rm	Restated* Audited 1 Jul '18 Rm
ASSETS				
NON-CURRENT ASSETS		**30 868**	25 936	29 353
Property, plant and equipment		**21 697**	19 359	21 218
Equity accounted investments		**–**	31	–
Financial assets at amortised cost				
Loans receivable	5	**1 470**	–	–
Government bonds and bills	6	**2 857**	–	–
Loans and receivables	5	**–**	1 233	1 318
Held-to-maturity investments	6	**–**	1 320	2 090
Deferred income tax assets		**865**	832	877
Intangible assets		**3 171**	2 599	2 994
Trade and other receivables		**808**	562	856
CURRENT ASSETS		**36 809**	37 354	32 310
Inventories		**21 695**	21 765	17 959
Trade and other receivables		**5 300**	5 548	4 935
Current income tax assets		**90**	148	120
Financial assets at amortised cost				
Loans receivable	5	**299**	–	–
Government bonds and bills	6	**665**	–	–
Loans and receivables	5	**–**	146	231
Held-to-maturity investments	6	**–**	1 281	1 600
Cash and cash equivalents		**8 760**	8 466	7 465
ASSETS HELD FOR SALE		**114**	34	184
TOTAL ASSETS		**67 791**	63 324	61 847
EQUITY				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT				
Share capital	7	**–**	671	–
Share premium		**–**	6 845	–
Stated capital	7	**7 516**	–	7 516
Treasury shares	7	**(618)**	(562)	(554)
Reserves		**19 163**	19 365	20 424
		26 061	26 319	27 386
NON-CONTROLLING INTEREST		**87**	87	91
TOTAL EQUITY		**26 148**	26 406	27 477
LIABILITIES				
NON-CURRENT LIABILITIES		**9 284**	2 797	3 567
Borrowings	8	**7 077**	1 241	1 371
Deferred income tax liabilities		**726**	106	697
Provisions		**232**	258	264
Fixed escalation operating lease accruals		**1 249**	1 192	1 235
CURRENT LIABILITIES		**32 359**	34 121	30 803
Trade and other payables		**24 382**	23 753	20 626
Borrowings	8	**2 968**	4 451	5 606
Current income tax liabilities		**983**	359	481
Provisions		**141**	152	95
Bank overdrafts		**3 885**	5 406	3 995
TOTAL LIABILITIES		**41 643**	36 918	34 370
TOTAL EQUITY AND LIABILITIES		**67 791**	63 324	61 847

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

CONDENSED 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
RESTATED UNAUDITED 26 WEEKS ENDED 31 DECEMBER 2017									
BALANCE AT 2 JULY 2017 AS PREVIOUSLY STATED	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	2 366	8	2 358	—	—	—	—	(554)	2 912
Profit for the period	2 920	8	2 912						2 912
Recognised in other comprehensive income									
Foreign currency translation differences	(543)		(543)					(543)	
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	23		23					23	
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	(140)		(140)				(140)		
Treasury shares disposed	2		2				2		
Realisation of share-based payment reserve	—		—				22	(22)	
Transfer from capital redemption reserve	—		—					(2)	2
Dividends distributed to shareholders	(1 841)	(12)	(1 829)						(1 829)
RESTATED BALANCE AT 31 DECEMBER 2017	26 406	87	26 319	671	6 845	—	(562)	(1 517)	20 882
RESTATED AUDITED 52 WEEKS ENDED 1 JULY 2018									
BALANCE AT 2 JULY 2017 AS PREVIOUSLY STATED	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 period*	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	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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
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
UNAUDITED 26 WEEKS ENDED 30 DECEMBER 2018									
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)	**(412)**		**(412)**						**(412)**
RESTATED BALANCE AT 2 JULY 2018	**27 065**	**91**	**26 974**	**—**	**—**	**7 516**	**(554)**	**(1 620)**	**21 632**
Total comprehensive income	**700**	**7**	**693**	**—**	**—**	**—**	**—**	**(1 565)**	**2 258**
Profit for the period	**2 265**	**7**	**2 258**						**2 258**
Recognised in other comprehensive income									
Foreign currency translation differences including hyperinflation effect	**(1 565)**		**(1 565)**					**(1 565)**	
Share-based payments — value of employee services	**39**		**39**					**39**	
Modification of cash bonus arrangement transferred from provisions	**16**		**16**					**16**	
Purchase of treasury shares	**(115)**		**(115)**				**(115)**		
Treasury shares disposed	**5**		**5**				**5**		
Realisation of share-based payment reserve	**—**		**—**				**46**	**(46)**	
Dividends distributed to shareholders	**(1 562)**	**(11)**	**(1 551)**						**(1 551)**
BALANCE AT 30 DECEMBER 2018	**26 148**	**87**	**26 061**	**—**	**—**	**7 516**	**(618)**	**(3 176)**	**22 339**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Unaudited 26 weeks ended 30 Dec '18 Rm**	Unaudited 26 weeks ended 31 Dec '17 Rm	Restated* Audited 52 weeks ended 1 Jul '18 Rm
CASH FLOWS FROM OPERATING ACTIVITIES		**1 552**	3 978	7 418
Operating profit		**3 385**	4 074	7 527
Less: investment income		**(244)**	(160)	(344)
Non-cash items	11.1	**1 177**	1 556	2 919
Changes in working capital	11.2	**(919)**	1 591	2 673
Cash generated from operations		**3 399**	7 061	12 775
Interest received		**307**	256	493
Interest paid		**(403)**	(245)	(555)
Dividends received		**13**	25	49
Dividends paid		**(1 562)**	(1 839)	(2 980)
Income tax paid		**(202)**	(1 280)	(2 364)
CASH FLOWS UTILISED BY INVESTING ACTIVITIES		**(2 511)**	(4 327)	(7 355)
Investment in property, plant and equipment and intangible assets to expand operations		**(1 853)**	(2 093)	(3 720)
Investment in property, plant and equipment and intangible assets to maintain operations		**(942)**	(841)	(1 616)
Proceeds on disposal of property, plant and equipment and intangible assets		**178**	56	132
Proceeds on disposal of assets held for sale		**105**	120	121
Payments for government bonds and bills (2018: held-to-maturity investments)		**(740)**	(1 675)	(2 401)
Proceeds from government bonds and bills (2018: held-to-maturity investments)		**915**	207	490
Amounts paid to Resilient Africa (Pty) Ltd		**(14)**	(1)	(7)
Amounts received from Resilient Africa (Pty) Ltd		**—**	9	—
Amounts repaid by employees		**—**	102	102
Other loans receivable (2018: loans and receivables) advanced		**(221)**	(211)	(430)
Cash inflows from other loans receivable (2018: loans and receivables)		**65**	—	149
Investment in joint venture		**—**	—	(150)
Acquisition of subsidiaries and operations		**(4)**	—	(25)
CASH FLOWS FROM FINANCING ACTIVITIES		**2 545**	894	1 426
Purchase of treasury shares		**(115)**	(140)	(142)
Proceeds from treasury shares disposed		**5**	2	6
Buy-back and cancellation of ordinary shares		**—**	(1 750)	(1 750)
Repayment of borrowings	8	**(2 657)**	(1 923)	(7 895)
Increase in borrowings	8	**5 312**	4 705	11 207
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**1 586**	545	1 489
Cash and cash equivalents at the beginning of the period		**3 470**	2 709	2 709
Effect of exchange rate movements and hyperinflation on cash and cash equivalents		**(181)**	(194)	(728)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**4 875**	3 060	3 470
Consisting of:				
Cash and cash equivalents		**8 760**	8 466	7 465
Bank overdrafts		**(3 885)**	(5 406)	(3 995)
		4 875	3 060	3 470

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

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

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 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 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 are disclosed in note 2.

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 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 30 December 2018 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.

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		(412)
Increase in impairment allowance for trade and other receivables	2.1.3	(352)
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		86
Increase in current income tax liabilities relating to the above		(12)
Opening retained earnings on 2 July 2018 (before restatement for IFRS 15)		21 632

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

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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.

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 model

IFRS 9 has introduced new expected credit loss (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 above.

The measurement of ECLs 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 ECL for instalment sale receivables, loans receivable and government bonds and bills 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 trade and other receivables without a significant financing component, the Group has adopted the simplified approach which recognises lifetime expected credit losses 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. In accordance with the transition provisions in IFRS 15, the Group has adopted the new standard retrospectively and 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 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 and 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 his 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 CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 DECEMBER 2018 (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 and interim results presented are as follows:

2.3.1 Impact on statement of comprehensive income

	Unaudited As previously reported 31 Dec '17 Rm	Unaudited IFRS 15 restatement 31 Dec '17 Rm	Restated Unaudited 26 weeks ended 31 Dec '17 Rm	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	75 823	(119)	75 704	145 306	(202)	145 104
Cost of sales	(57 772)	94	(57 678)	(110 580)	165	(110 415)
GROSS PROFIT	18 051	(25)	18 026	34 726	(37)	34 689
Other operating income	1 360	71	1 431	2 779	147	2 926
Other operating expenses	(6 419)	(46)	(6 465)	(12 494)	(97)	(12 591)
TRADING PROFIT	4 104	—	4 104	8 011	13	8 024
Income tax expense	(1 094)	—	(1 094)	(2 121)	(3)	(2 124)
PROFIT ATTRIBUTABLE TO:	2 920	—	2 920	5 213	10	5 223
Owners of the parent	2 912	—	2 912	5 201	10	5 211
Non-controlling interest	8	—	8	12	—	12
Basic earnings per share (cents)	521.3	—	521.3	934.3	1.8	936.0
Diluted earnings per share (cents)	520.9	—	520.9	933.4	1.8	935.2
Basic headline earnings per share (cents)	525.6	—	525.6	969.6	1.8	971.4
Diluted headline earnings per share (cents)	525.2	—	525.2	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					
Financial assets at amortised cost					
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	78	955
CURRENT ASSETS					
Trade and other receivables	4 931	4	4 935	(352)	4 583
Financial assets at amortised cost					
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	(412)	20 012
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	697	—	697	(8)	689
CURRENT LIABILITIES					
Trade and other payables	20 621	5	20 626	—	20 626
Current income tax liabilities	481	—	481	12	493

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 DECEMBER 2018 (CONTINUED)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3 Impact on the consolidated financial statements (continued)

2.3.2 Impact on statement of financial position (continued)

	Unaudited As previously reported 31 Dec '17 Rm	Unaudited IFRS 15 restatement 31 Dec '17 Rm	Restated Unaudited at 31 Dec '17 Rm
ASSETS			
NON-CURRENT ASSETS			
Deferred income tax assets	831	1	832
CURRENT ASSETS			
Trade and other receivables	5 545	3	5 548
EQUITY			
Reserves	19 375	(10)	19 365
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	110	(4)	106
CURRENT LIABILITIES			
Trade and other payables	23 735	18	23 753

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	Restated Audited 52 weeks ended 1 Jul '18 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	7 514	13	7 527
Changes in working capital	2 686	(13)	2 673

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 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	**2 839**	**(62)**	**104**	**66**	**2 947**	**376**	**3 323**
Interest income included in trading profit	**26**	**188**	**140**	**19**	**373**	**(2)**	**371**
Depreciation and amortisation[1]	**1 154**	**230**	**50**	**21**	**1 455**	**49**	**1 504**
Total assets	**40 412**	**16 866**	**4 480**	**3 704**	**65 462**	**2 329**	**67 791**
	Restated* Unaudited 31 December 2017						
Sale of merchandise	57 329	12 857	3 279	4 873	78 338	—	78 338
External	54 729	12 824	3 279	4 872	75 704	—	75 704
Inter-segment	2 600	33	—	1	2 634	—	2 634
Trading profit	3 342	553	110	99	4 104	—	4 104
Interest income included in trading profit	26	94	146	15	281	—	281
Depreciation and amortisation[1]	1 047	239	52	21	1 359	—	1 359
Total assets	37 214	18 593	4 394	3 123	63 324	—	63 324
	Restated* Audited 1 July 2018						
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

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

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

3 CONDENSED OPERATING SEGMENT INFORMATION (CONTINUED)

3.2 Geographical analysis

	South Africa Rm	Outside South Africa Rm	Total operating segments Rm	Hyper-inflation effect Rm	Consoli-dated Rm
	Unaudited 30 December 2018				
Sale of merchandise – external	**63 217**	**12 650**	**75 867**	**(30)**	**75 837**
Non-current assets[2]	**18 242**	**4 838**	**23 080**	**2 596**	**25 676**
	Restated* Unaudited 31 December 2017				
Sale of merchandise – external	61 375	14 329	75 704	—	75 704
Non-current assets[2]	17 245	5 275	22 520	—	22 520
	Restated* Audited 1 July 2018				
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

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

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

	Unaudited 26 weeks ended 30 Dec '18 Rm	Restated* Unaudited 26 weeks ended 31 Dec '17 Rm	Restated* Audited 52 weeks ended 1 Jul '18 Rm
4 REVENUE			
Revenue from contracts with customers	**76 630**	76 420	146 549
Sale of merchandise (note 4.1)	**75 837**	75 704	145 104
Commissions received	**447**	431	856
Franchise fees received	**45**	41	84
Other income	**301**	244	505
Finance income	**510**	402	879
Finance income earned	**140**	146	355
Bank balances and investments	**139**	121	215
Government bonds and bills	**178**	80	191
Staff and other loans receivable	**53**	55	118
Operating lease income	**251**	232	455
Premiums earned	**137**	177	327
Dividends received	**13**	25	35
	77 541	77 256	148 245

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

4.1 Sale of merchandise has been further disaggregated into geographical regions. Refer to note 3.2 for further information.

		Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Audited 52 weeks ended 1 Jul '18 Rm
5	**FINANCIAL ASSETS AT AMORTISED COST – LOANS RECEIVABLE (2018: LOANS AND RECEIVABLES)**			
	Amounts owing by associate (note 5.1)	**1 040**	917	990
	Amounts owing by franchisees	**346**	286	334
	Amounts owing by RMB Westport Osapa (note 5.2)	**206**	176	195
	Amounts owing by Kin-Oasis Investments Ltd (note 5.3)	**146**	—	—
	Other	**31**	—	30
		1 769	1 379	1 549
	Analysis of total loans receivable:			
	Non-current	**1 470**	1 233	1 318
	Current	**299**	146	231
		1 769	1 379	1 549
5.1	**Amounts owing by associate**	**1 040**	917	990
	ZAR denominated amounts owing by Resilient Africa (Pty) Ltd (note 5.1.1)	**387**	562	373
	USD denominated amounts owing by Resilient Africa (Pty) Ltd (note 5.1.2)	**653**	355	617

5.1.1 The ZAR denominated shareholder loan earns interest at an average rate of 6.6% (31 Dec '17: 6.6%; 1 Jul '18: 6.6%) p.a. and is repayable on demand, subject to certain conditions.

5.1.2 The US dollar denominated amount earns interest at an average rate of 3.0% (31 Dec '17: 3.0%; 1 Jul '18: 3.0%) p.a. and is repayable after seven years, subject to certain conditions.

5.2 Amounts owing by RMB Westport Osapa

The amount owing by RMB Westport Osapa is denominated in US dollar, earns interest at an average rate of 3.0% (31 Dec '17: 3.0%; 1 Jul '18: 3.0%) p.a. and is repayable after five years, subject to certain conditions.

5.3 Amounts owing by Kin-Oasis Investments Ltd

The amount owing by Kin-Oasis Investments Ltd is denominated in US dollar, earns interest at an average rate of 3.0% (31 Dec '17: N/A; 1 Jul '18: N/A) p.a. and is repayable after seven years, subject to certain conditions.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 DECEMBER 2018 (CONTINUED)

		Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Audited 52 weeks ended 1 Jul '18 Rm
6	**FINANCIAL ASSETS AT AMORTISED COST – GOVERNMENT BONDS AND BILLS (2018: HELD-TO-MATURITY INVESTMENTS)**			
	AOA, USD Index Linked, Angola Government Bonds (note 6.1)	**2 569**	2 178	3 008
	AOA, Angola Government Bonds (note 6.2)	**288**	—	—
	Angola Treasury Bills (note 6.3)	**665**	423	682
		3 522	2 601	3 690
	Analysis of total government bonds and bills:			
	Non-current	**2 857**	1 320	2 090
	Current	**665**	1 281	1 600
		3 522	2 601	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% (31 Dec '17: 7.0%; 1 Jul '18: 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 12.1% (31 Dec '17: N/A; 1 Jul '18: 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 22.7% (31 Dec '17: 15.7%; 1 Jul '18: 22.8%) p.a. and mature within 12 months. Accrued interest is payable at maturity.

7	**SHARE CAPITAL AND TREASURY SHARES**			
7.1	**Stated capital**			
	Conversion of share capital	**671**	—	671
	Conversion of share premium	**6 845**	—	6 845
		7 516	—	7 516

The Company converted its par value ordinary shares of 113.4 cents each to no par value ordinary shares and increased the number of authorised no par value ordinary shares from 650 000 000 to 1 300 000 000 during the previous year.

	Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Audited 52 weeks ended 1 Jul '18 Rm

7.2 Ordinary share capital

Authorised:

1 300 000 000 (1 Jul '18: 1 300 000 000) no par value ordinary shares; (31 Dec '17: 650 000 000 ordinary shares of 113.4 cents each)

Issued:

591 338 502 (1 Jul '18: 591 338 502) no par value ordinary shares; (31 Dec '17: 591 338 502 ordinary shares of 113.4 cents each)	**–**	671	–

Reconciliation of movement in number of ordinary shares issued:

	Number of shares		
	30 Dec '18	31 Dec '17	1 Jul '18
Balance at the beginning of the period	**591 338 502**	600 021 829	600 021 829
Buy-back and cancellation of ordinary shares	**–**	(8 683 327)	(8 683 327)
Balance at the end of the period	**591 338 502**	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:

	Number of shares		
	30 Dec '18	31 Dec '17	1 Jul '18
Issued ordinary share capital	**591 338 502**	591 338 502	591 338 502
Treasury shares (note 7.4)	**(37 009 116)**	(36 706 184)	(36 659 642)
	554 329 386	554 632 318	554 678 860

The unissued ordinary shares are under the control of the directors who may issue them on such terms and conditions as they deem fit until the Company's next annual general meeting.

All shares are fully paid up.

7.3 Deferred share capital

Authorised:

720 000 000 (31 Dec '17: 360 000 000; 1 Jul '18: 720 000 000) non-convertible, non-participating, non-transferable no par value deferred shares

Issued:

305 621 601 (31 Dec '17: 305 621 601; 1 Jul '18: 305 621 601) non-convertible, non-participating, non-transferable no par value deferred shares	**–**	–	–

The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd.

All shares are fully paid up and carry the same voting rights as the ordinary shares.

		Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Audited 52 weeks ended 1 Jul '18 Rm
7	**SHARE CAPITAL AND TREASURY SHARES (CONTINUED)**			
7.4	**Treasury shares**			
	37 009 116 (31 Dec '17: 36 706 184; 1 Jul '18: 36 659 642) ordinary shares	**618**	562	554

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

	Number of shares		
	30 Dec '18	31 Dec '17	1 Jul '18
Balance at the beginning of the period	**36 659 642**	36 166 544	36 166 544
Shares purchased during the period	**630 341**	678 621	689 219
Shares disposed during the period	**(23 427)**	(9 590)	(25 342)
Shares utilised for settlement of equity-settled share-based payment arrangements	**(257 440)**	(129 391)	(170 779)
Balance at the end of the period	**37 009 116**	36 706 184	36 659 642
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	**1 572 544**	1 269 612	1 223 070
	37 009 116	36 706 184	36 659 642

		Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Audited 52 weeks ended 1 Jul '18 Rm
8	**BORROWINGS**			
	Consisting of:			
	ABSA Bank Ltd (note 8.1)	**2 000**	—	—
	Barclays Bank Mauritius Ltd (note 8.2)	**1 379**	582	1 359
	Standard Chartered Bank (Mauritius) Ltd (note 8.3)	**1 451**	1 241	1 371
	Standard Finance (Isle of Man) Ltd (note 8.4)	**5 077**	3 722	4 113
	First National Bank of Namibia Ltd	**138**	136	134
	The Standard Bank of South Africa Ltd	**—**	11	—
		10 045	5 692	6 977
	Analysis of total borrowings:			
	Non-current	**7 077**	1 241	1 371
	Current	**2 968**	4 451	5 606
		10 045	5 692	6 977
	Reconciliation of movement in liabilities arising from financing activities:			
	Carrying value at the beginning of the period	**6 977**	3 274	3 274
	Cash inflows	**5 312**	4 705	11 207
	Cash outflows	**(2 657)**	(1 923)	(7 895)
	Foreign currency translation differences including hyperinflation effect	**413**	(364)	391
	Carrying value at the end of the period	**10 045**	5 692	6 977

8.1 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 8.4% p.a. The remaining balance is payable after 60 months and bears interest at an average of 8.7% p.a.

8.2 Barclays Bank Mauritius Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 3.7% (31 Dec '17: 2.2%; 1 Jul '18: 2.5%) p.a.

8.3 Standard Chartered Bank (Mauritius) Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 4.0% (31 Dec '17: 2.0%; 1 Jul '18: 2.7%) p.a.

8.4 Standard Finance (Isle of Man) Ltd

This loan is denominated in US dollar, unsecured and payable after 36 months. R1.45 billion (31 Dec '17: R1.24 billion; 1 Jul '18: R1.37 billion) bears interest at a fixed rate of 3.5% p.a. and the remaining balance bears interest at a fixed rate of 4.3% (31 Dec '17: an average rate of 2.3%; 1 Jul '18: an average rate of 2.8%) p.a.

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 DECEMBER 2018 (CONTINUED)

9 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**		
	30 Dec '18	31 Dec '17	1 Jul '18	**30 Dec '18**	31 Dec '17	1 Jul '18
	Rm	Rm	Rm	**Rm**	Rm	Rm
Government bonds and bills	**3 522**	2 601	3 690	**3 583**	2 602	3 681
Loans receivable	**1 769**	1 379	1 549	**1 557**	1 582	1 418
Borrowings	**10 045**	5 692	6 977	**9 871**	5 692	6 892

	Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Restated* Audited 52 weeks ended 1 Jul '18 Rm
10 EARNINGS PER SHARE			
Profit attributable to owners of the parent	**2 258**	2 912	5 211
Re-measurements	**(65)**	34	246
Profit on disposal and scrapping of property	**(10)**	–	–
Profit on disposal of assets held for sale	**(32)**	(20)	(20)
Loss on disposal and scrapping of plant and equipment and intangible assets	**16**	36	108
Impairment of property, plant and equipment	**62**	–	49
Impairment of intangible assets	**–**	40	51
Insurance claims receivable	**(103)**	–	–
Loss on disposal of investment in joint venture	**–**	–	80
Loss/(profit) on other investing activities	**2**	(22)	(22)
Income tax effect on re-measurements	**19**	(10)	(49)
Headline earnings	**2 212**	2 936	5 408

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

Number of ordinary shares (net of treasury shares)	**'000**		
– In issue	**554 329**	554 632	554 679
– Weighted average	**554 623**	558 602	556 643
– Weighted average adjusted for dilution	**555 198**	559 011	557 172

Reconciliation of weighted average number of ordinary shares in issue during the period:			
Weighted average number of ordinary shares	**554 623**	558 602	556 643
Adjustments for dilutive potential of full share grants	**575**	409	529
Weighted average number of ordinary shares for diluted earnings per share	**555 198**	559 011	557 172

Earnings per share	**Cents**		
– Basic earnings	**407.3**	521.3	936.0
– Diluted earnings	**406.8**	520.9	935.2
– Basic headline earnings	**398.9**	525.6	971.4
– Diluted headline earnings	**398.5**	525.2	970.5

		Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Restated* Audited 52 weeks ended 1 Jul '18 Rm
11	**CASH FLOW INFORMATION**			
11.1	**Non-cash items**			
	Depreciation of property, plant and equipment	**1 313**	1 192	2 518
	Amortisation of intangible assets	**191**	167	364
	Net fair value losses on financial instruments	**—**	3	2
	Net monetary gain	**(439)**	—	(653)
	Exchange rate losses/(gains)	**3**	(4)	251
	Profit on disposal and scrapping of property	**(10)**	—	—
	Profit on disposal of assets held for sale	**(32)**	(20)	(20)
	Loss on disposal and scrapping of plant and equipment and intangible assets	**16**	36	108
	Impairment of property, plant and equipment	**62**	—	49
	Impairment of intangible assets	**—**	40	51
	Loss on disposal of investment in joint venture	**—**	—	80
	Movement in provisions	**31**	34	(15)
	Movement in cash-settled share-based payment accrual	**(31)**	22	21
	Movement in share-based payment reserve	**39**	23	64
	Movement in fixed escalation operating lease accruals	**34**	63	99
		1 177	1 556	2 919
11.2	**Changes in working capital**			
	Inventories	**(4 065)**	(4 244)	(880)
	Trade and other receivables*	**(775)**	(584)	(15)
	Trade and other payables*	**3 921**	6 419	3 568
		(919)	1 591	2 673

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

12 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.

13 NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 16: Leases replaces IAS 17: Leases with effect from the year ending 28 June 2020. IFRS 16 will result in most leases being recognised in the statement of financial position, as the distinction between operating and finance leases has been removed. Under the new standard, an asset representing the right to use the leased item and a financial liability, to pay rentals, will be recognised. The only exceptions are short-term and low-value leases. The new standard will primarily affect the accounting for operating leases relating to retail stores. As at the reporting date the Group has non-cancellable operating lease commitments of R21.2 billion. The Group has not yet determined the extent of the right of use asset nor the liability for future payments and how this will affect profit and classification of cash flows.

		Unaudited 26 weeks ended 30 Dec '18 Rm	Unaudited 26 weeks ended 31 Dec '17 Rm	Restated* Audited 52 weeks ended 1 Jul '18 Rm
14	**SUPPLEMENTARY INFORMATION**			
	Contracted capital commitments	**1 720**	1 291	1 621
	Contingent liabilities	**296**	175	356
	Net asset value per share (cents)	**4 701**	4 747	4 937

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, JJ Fouché, EC Kieswetter, AM le Roux, ATM Mokgokong, JA Rock, SA Zinn

Alternate non-executive director
JD Wiese

Company secretary
PG du Preez

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